PREPARED BY: DATE PREPARED: PHONE: Doug Gibbs January 27, 2013 402-471-0051

LB 75

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT - STATE AGENCIES (See narrative for political subdivision estimates)							
	FY 201	3-14	FY 2014-15				
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE			
GENERAL FUNDS	\$11,225	(\$23,671,000)		(\$17,488,000)			
CASH FUNDS							
FEDERAL FUNDS							
OTHER FUNDS							
TOTAL FUNDS	\$11,225	(\$23,671,000)		(\$17,488,000)			

Any Fiscal Notes received from state agencies and political subdivisions are attached following the Legislative Fiscal Analyst Estimate.

LB 75 amends the Nebraska Revenue Act of 1967, Section 77-2716 to make adjustments to income subject to Nebraska state income tax.

The bill would, for the tax year beginning January 1, 2013 and tax years thereafter, exclude income received from military retirement to the extent it is included in federal AGI. The amount excluded is capped at no more than \$48,000 for a married, filing jointly return if both spouses receive military retirement benefits. For all other returns the amount excluded is capped at no more than \$24,000.

Military retirement benefit is defined to mean periodic payments attributable to service in the uniformed services of the United States for personal services performed by the individual.

The Department of Revenue estimates the following fiscal impact as a result of LB 75:

FY2013-14: (\$23,671,000) FY2014-15: (\$17,488,000) FY2015-16: (\$18,480,000)

The cost for FY2013-14 is more than the two subsequent fiscal years due to the fact that with an exemption starting with tax years beginning on or after January 1, 2013, estimated payments and withholding will have been made in 2013 that will then be refunded in 2014.

The Department of Revenue estimates a one-time programming cost of \$11,225 paid to the Office of the CIO to add a line to the Form 1040N, as well as to the NebFile online system.

There is no basis to disagree with the Department of Revenue's estimate of fiscal impact and cost.

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES						
LB: 75 AM: AGENCY/POLT. SUB: Dept. of Revenue						
REVIEWED BY: Lyn Heaton			DATE: 1/29/2013	PHONE: 402.471.4181		
COMMENTS: No basis upon which to disagree with the Dept. of Revenue's analysis.						

State Agency Estimate							
State Agency Name: Department of	of Revenue				Date Due LFA:		
Approved by: Douglas Ewald	Date Prepared: 1/17/2013 Phone		Phone: 471-5896				
FY 2013-2014		3-2014	FY 2014-2015		FY 2015-2016		
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue	
General Funds	\$11,225	(\$23,671,000)	\$0	(\$17,488,000)	\$0	(\$18,480,000)	
Cash Funds							
Federal Funds							
Other Funds							
Total Funds	\$11,225	(\$23,671,000)	\$0	(\$17,488,000)	\$0	(\$18,480,000)	

LB 75 would amend Neb. Rev. Stat. § 77-2716 to exclude some military retirement benefits from income subject to Nebraska income tax to the extent it is included in federal adjusted gross income. The amount excluded is limited to no more than \$48,000 for a married, filing jointly return if both spouses receive military retirement, and \$24,000 for all other returns. Military retirement means uniformed services of the United States.

The exclusion would be available for all taxable years beginning, or deemed to begin, on or after January 1, 2013.

The estimated reduction to the General Fund would be as follows:

FY 2013-2014 \$ 23,671,000 FY 2014-2015 \$ 17,488,000 FY 2015-2016 \$ 18,480,000

The cost for FY 2013-2014 is greater than the cost for FY2014-2015 due to the fact that with an exemption starting with tax years beginning on or after January 1, 2013, estimated payments and withholding will have been made in 2013 that will be refunded in 2014.

LB 75 will require a one-time programming charge of \$11,225 paid to the OCIO to add a line to the Nebraska Schedule I, as well as to the NebFile online filing system.

Major Objects of Expenditure							
Class Code	Classification Title	13-14 <u>FTE</u>	14-15 <u>FTE</u>	15-16 <u>FTE</u>	13-14 Expenditures	14-15 <u>Expenditures</u>	15-16 Expenditures
Benefits					I		
Operating Costs.				\$11,225	\$0	\$0	
Travel							
Capital Outlay							
Aid							
Capital Improvemen	nts						
					\$11,225	\$0	\$0