PREPARED BY: DATE PREPARED: PHONE: Keisha Patent March 13, 2019 402-471-0059

LB 738

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT - STATE AGENCIES (See narrative for political subdivision estimates)							
	FY 201	9-20	FY 2020-21				
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE			
GENERAL FUNDS	\$64,348	\$5,721,000		\$14,046,000			
CASH FUNDS							
FEDERAL FUNDS							
OTHER FUNDS							
TOTAL FUNDS	\$64,348	\$5,721,000		\$14,046,000			

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

LB 738 amends income tax provisions of the Nebraska Revenue Act of 1967. The bill amends individual income tax brackets and rates for tax years beginning on or after January 1, 2020, to add a fifth bracket for individuals with income over \$2,500,000, or \$5,000,000 for married, filing jointly. The rate for this bracket is 7.84%. The brackets in LB 738 are indexed for inflation in the same manner as under current law.

Revenue:

The Department of Revenue estimates the following revenue to the General Fund:

FY 19-20 \$5,721,000 FY 20-21 \$14,046,000 FY 21-22 \$14,818,000 FY 22-23 \$15,633,000

Expenditures:

The department estimates a one-time programming charge of \$64,348 to OCIO for mainframe and web development costs for the NebFile for individual income tax filing system.

There is no basis to disagree with these estimates.

State Agency Estimate							
State Agency Name: Department	of Revenue				Date Due LFA:	3/13/2019	
Approved by: Tony Fulton		Date Prepared:	3/13/2019		Phone: 471-5896		
	FY 2019-	FY 2019-2020		FY 2020-2021		FY 2021-2022	
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue	
General Funds	\$64,348	\$5,721,000	ĺ	\$14,046,000		\$14,818,000	
Cash Funds							
Federal Funds							
Other Funds							
Total Funds	\$64,348	\$5,721,000		\$14,046,000	·	\$14,818,000	

LB 738 changes the existing individual income tax brackets and adds an additional fifth bracket for tax years beginning on or after January 1, 2020. The fifth brackets will tax income at 7.84% for married, filing jointly, at taxable income of \$5.0 million or more, and other returns with taxable income of \$2.5 million or more. The bracket will be adjusted for inflation in the same manner as the current brackets.

Using the micro simulation model with individual income tax data for tax year 2017 and assuming the Department will update the withholding tables beginning January 1, 2020 and thereafter to account for the new bracket, the estimated increase to General Fund revenue would be as follows:

FY 2018-19	\$ -
FY 2019-20	\$ 5,721,000
FY 2020-21	\$ 14,046,000
FY 2021-22	\$ 14,818,000
FY 2022-23	\$ 15,633,000

LB 738 will require a one-time programming charge of \$64,348 paid to the OCIO for mainframe and web development costs for the NebFile for individual income tax filing system.

Major Objects of Expenditure							
Class Code	Classification Title	19-20 <u>FTE</u>	20-21 <u>FTE</u>	21-22 <u>FTE</u>	19-20 Expenditures	20-21 Expenditures	21-22 Expenditures
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Benefits							
Capital Outlay Capital Improvements Total							