Austin Ligenza February 23, 2021 (402)471-0050 **LB 237**

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT - STATE AGENCIES (See narrative for political subdivision estimates)						
	FY 2021-22					
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE		
GENERAL FUNDS	\$75,743	\$884,000		(\$1,314,000)		
CASH FUNDS						
FEDERAL FUNDS						
OTHER FUNDS						
TOTAL FUNDS	\$75,743	\$884,000		(\$1,314,000)		

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

LB 237 seeks to change provisions related to social security benefits and federal adjusted gross income. Beginning in Tax Year 2022, federal adjusted gross income would be reduced by a percentage of the social security benefits received in the federal adjusted gross income. This is separated by filing status and adjusted gross income bracket. The percent is set to increase over a period years, in the following schedule:

Married Filing Jointly						
	AGI<\$75,000	\$75,000<=AGI <\$80,000	\$80,000<=AGI <\$85,000	\$85,000<=AGI <\$90,000	\$90,000<=AGI <\$95,000	AGI>=\$95,000
Tax Year 2022	20%	16%	12%	8%	4%	0%
Tax Year 2023	40%	32%	24%	16%	8%	0%
Tax Year 2024	60%	48%	36%	24%	12%	0%
Tax Year 2025	80%	64%	48%	32%	16%	0%
Tax Year 2026	100%	80%	60%	40%	20%	0%

		Single, Married I	Filing Separately, or	Head of Household		
	AGI<\$60,000	\$60,000<=AGI <\$65,000	\$65,000<=AGI <\$70,000	\$70,000<=AGI <\$75,000	\$75,000<=AGI <\$80,000	AGI>=\$80,000
Tax Year 2022	20%	16%	12%	8%	4%	0%
Tax Year 2023	40%	32%	24%	16%	8%	0%
Tax Year 2024	60%	48%	36%	24%	12%	0%
Tax Year 2025	80%	64%	48%	32%	16%	0%
Tax Year 2026	100%	80%	60%	40%	20%	0%

LB 237 requires the income brackets to be adjusted for inflation in the same capacity as the individual income tax brackets, beginning January 1, 2023.

The Department of Revenue estimates the following impact to General Fund revenues:

- FY21-22: \$884,000
- FY22-23: (\$1,314,000)
- FY23-24: (\$9,754,000)
- FY24-25: (\$18,677,000)
- FY25-26: (\$28,097,000)
- FY26-27: (\$34,433,000)
- FY27-28: (\$36,082,000)

There is no basis to disagree with these estimates.

The Department estimates a one-time OCIO programming charge of \$75,743 to implement LB 64. There is no basis to disagree with this estimate.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE						
LB: 237	AM:	AGENCY/POLT. SUB: Department of F	Revenue			
REVIEWED BY:	REVIEWED BY: Lee Will DATE: 02/23/2021 PHONE: (402) 471-4175					
COMMENTS: No basis to disagree with the Department of Revenue's assessment of impact to General Fund revenue by exempting social security payments from Nebraska income tax implemented over a 5 year period.						

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State Agency Estimate						
State Agency Name: Department	of Revenue				Date Due LFO:	
Approved by: Tony Fulton		Date Prepared:	2/22/2021		Phone: 471-5896	
	FY 2021	-2022	FY 2022	2-2023	FY 2023	-2024
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue
General Funds	\$75,743	\$884,000	\$0	(\$1,314,000)	\$0	(\$9,754,000)
Cash Funds						
Federal Funds						
Other Funds						
Total Funds	\$75,743	\$884,000	\$0	(\$1,314,000)	\$0	(\$9,754,000)

LB 237 amends Neb. Rev. Stat. § 77-2716, the current adjustment decreasing for social security benefits. LB 237 provides that, for taxable years beginning on or after January 1, 2022, federal Adjusted Gross Income (AGI) will be reduced by a percentage depending upon AGI and filing status. The reduction in AGI allowed for Social Security Income will be as follows:

Reduction Percentage for Married Filing Jointly						
Tax Year / AGI Level	AGI < \$75,000	\$75,000 <= AGI < \$80,000	\$80,000 <= AGI < \$85,000	\$85,000 <= AGI < \$90,000	\$90,000 <= AGI < \$95,000	AGI >= \$95,000
2022	20.00%	16.00%	12.00%	8.00%	4.00%	0.00%
2023	40.00%	32.00%	24.00%	16.00%	8.00%	0.00%
2024	60.00%	48.00%	36.00%	24.00%	12.00%	0.00%
2025	80.00%	64.00%	48.00%	32.00%	16.00%	0.00%
2026	100.00%	80.00%	60.00%	40.00%	20.00%	0.00%

Reduction Percentage for Single, Head of Household, or Marriage Filing Separately						
Tax Year / AGI Level	AGI < \$60,000	\$60,000 <= AGI < \$65,000	\$65,000 <= AGI < \$70,000	\$70,000 <= AGI < \$75,000	\$75,000 <= AGI < \$80,000	AGI >= \$80,000
2018	20.00%	16.00%	12.00%	8.00%	4.00%	0.00%
2019	40.00%	32.00%	24.00%	16.00%	8.00%	0.00%
2020	60.00%	48.00%	36.00%	24.00%	12.00%	0.00%
2021	80.00%	64.00%	48.00%	32.00%	16.00%	0.00%
2022	100.00%	80.00%	60.00%	40.00%	20.00%	0.00%

	Major	Objects of I	Expendit	ure			
Class Code	Classification Title	21-22 <u>FTE</u>	22-23 <u>FTE</u>	23-24 <u>FTE</u>	21-22 Expenditures	22-23 Expenditures	23-24 Expenditures
Benefits							
Operating Costs					\$75,743	\$0	\$0
Capital Outlay							
					\$75,743	\$0	\$0

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Beginning on or after January 1, 2023, the income brackets amounts will be adjusted for inflation by the same percentage used to adjust the individual income tax brackets.

The estimated fiscal impact to General Fund revenues would be as follows:

FY 2021-22	\$ 884,000
FY 2022-23	\$ (1,314,000)
FY 2023-24	\$ (9,754,000)
FY 2024-25	\$ (18,677,000)
FY 2025-26	\$ (28,097,000)
FY 2026-27	\$ (34,433,000)
FY 2027-28	\$ (36,082,000)

LB 237 will require a one-time programming charge of \$75,743 paid to the OCIO for mainframe and web development changes.