

FISCAL NOTE
 LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2007-08		FY 2008-09	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	(58,225)	(241,534,000)	(138,638)	(235,043,000)
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	(58,225)	(241,534,000)	(138,638)	(235,043,000)

*Does not include any impact on political subdivisions. See narrative for political subdivision estimates.

LB 331 changes provisions relating to the Individual Income tax, repeals the Estate tax, and repeals the Sales and Use tax on contractor labor.

- Individual Income tax provisions include:
 - Reducing the number of brackets from four to three
 - Broadening the brackets
 - Eliminates the “marriage penalty” by changing bracket and standard deduction amounts
 - Increasing standard deduction amounts to the federal level
 - Indexing brackets for inflation beginning in tax year 2011
 - Generally reducing marginal tax rates and phasing in a top bracket tax rate reduction

The Department of Revenue has provided tables, which detail these changes. The tables are included on the following page.

- The Estate tax is repealed for decedents dying on or after January 1, 2007
- Sales and Use tax imposed on contractor labor is completely repealed, effective October 1, 2007.
 - The adoption of LB 968 (2006) required certain expenditures in order to enforce exemptions and refund provisions for contractor labor on single family dwellings. The full repeal of contractor labor taxation eliminates the need for these expenditures.

Expense Item	FY08 FTE	FY09 FTE	FY08	FY09
Revenue Operations Analyst II	(1.5)	(3.0)	(40,653)	(81,306)
Revenue Senior Auditor		(0.5)		(20,708)
Benefits			(12,602)	(31,624)
Operating Costs			(5,000)	(5,000)
Total			(58,255)	(138,638)

The Department of Revenue estimates LB 331 would have the following General Fund impact:

General Fund Revenue Impact	<u>FY08</u>	<u>FY09</u>	<u>FY10</u>	<u>FY11</u>
Individual Income tax provisions	(226,147,000)	(205,704,000)	(245,354,000)	(279,380,000)
Estate tax repeal	(9,720,000)	(20,669,000)	(21,336,000)	(22,001,000)
Contractor labor repeal	(5,667,000)	(8,670,000)	(8,840,000)	(9,000,000)
Total Estimated Impact	(241,534,000)	(235,043,000)	(275,530,000)	(310,381,000)

Current Brackets	Married, Joint	Head-of-Household	Single	Marginal Tax Rate
1	\$0 - \$4,000	\$0 - \$3,800	\$0 - \$2,400	2.56%
2	\$4,000 - \$31,000	\$3,800 - \$25,000	\$2,400 - \$17,500	3.57%
3	\$31,000 - \$50,000	\$25,000 - \$35,000	\$17,500 - \$27,000	5.12%
4	Over \$50,000	Over \$35,000	Over \$27,000	6.84%

Tax Year	Current Standard Deductions			Personal Credit
2007	8,900	7,840	5,320	\$ 110
2008**	9,130	8,040	5,450	\$ 113
2009**	9,290	8,150	5,550	\$ 115
2010**	9,470	8,340	5,650	\$ 117

LB331 Brackets	Married, Joint	Head-of-Household	Single	Marginal Tax Rate
1	\$0 - \$32,000	\$0 - \$24,000	\$0 - \$16,000	3.07%
2	\$32,000 - \$90,000	\$24,000 - \$75,000	\$16,000 - \$45,000	5.12%
3	Over \$90,000	Over \$75,000	Over \$45,000	See Below*

Tax Year	LB331 Standard Deductions			Personal Credit
2007	10,700	7,850	5,350	\$ 110
2008**	10,900	8,050	5,450	\$ 113
2009**	11,100	8,150	5,550	\$ 115
2010**	11,300	8,350	5,650	\$ 117

Tax Year	LB 331 Top Marginal Tax Rate*
2007	6.84%
2008	6.60%
2009	6.25%
2010	5.95%

**Estimated

IMPACT ON POLITICAL SUBDIVISIONS: Eliminating the Sales and Use tax on Contractor Labor would result in a decrease in the amount of local option sales tax returned to municipalities. This loss is estimated to be \$1.3 million, \$1.9 million, \$2.01 million, and \$2.05 million in FY08 through FY11, respectively.

DEPARTMENT OF ADMINISTRATIVE SERVICES

REVIEWED BY	Lyn Heaton	DATE	1/30/07	PHONE	471-2526
COMMENTS					
DEPARTMENT OF REVENUE: Concur with the Department of Revenue's estimate.					