PREPARED BY: DATE PREPARED: PHONE: Keisha Patent February 17, 2022 402-471-0059

## **LB 1168**

Revision: 00

## **FISCAL NOTE**

**LEGISLATIVE FISCAL ANALYST ESTIMATE** 

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)							
	FY 202	22-23	FY 2023-24				
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE			
GENERAL FUNDS	\$105,660	(\$20,946,000)		(\$51,841,000)			
CASH FUNDS							
FEDERAL FUNDS							
OTHER FUNDS							
TOTAL FUNDS	\$105,660	(\$20,946,000)		(\$51,841,000)			

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

LB 1168 provides for a reduction to federal adjusted gross income, beginning in taxable years on or after January 1, 2023, by the amount of expenses paid during the year for medical care. This does not include amounts reimbursed by insurance, as well as any amounts already deducted from FAGI.

Medical care expenses for an individual taxpayer includes care for themselves, as well as their spouse and dependents. Dependent is defined the same as Internal Revenue Code section 152, and medical care is defined the same as Internal Revenue Code section 213.

## **REVENUE:**

The Department of Revenue estimates the following impact on the General Fund:

FY22-23: (\$20,946,000) FY23-24: (\$51,841,000) FY24-25: (\$55,730,000) FY25-26: (\$59,910,000)

## **EXPENDITURES:**

The department estimates a one-time cost of \$105,660 for a programming charge to OCIO to implement the bill.

There is no basis to disagree with these estimates.

LB: 1168	AM:	AGENCY/POLT. SUB: Departm	AGENCY/POLT. SUB: Department of Revenue		
REVIEWED BY: Neil Sullivan		DATE: 2/17/2022	PHONE: (402) 471-4179		

LB 1168 Fiscal Note 2022

State Agency Estimate						
State Agency Name: Department of Revenue			Date Due LFO:			
Approved by: Tony Fulton	Date Prepared:		2/17/2022		Phone: 471-5896	
	FY 2022-2023 FY 2023-2024		23-2024	FY 2024-2025		
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue
General Funds	\$105,660	(\$20,946,000)		(\$51,841,000)		(\$55,730,000)
Cash Funds						
Federal Funds						
Other Funds						
Total Funds	\$105,660	(\$20,946,000)		(\$51,841,000)		(\$55,730,000)

LB 1168 provides a deduction to individuals for the expenses paid during the tax year for the medical care of the individual, spouse, and/or dependents to the extent such expenses were not reimbursed by insurance or otherwise and were not already deducted in determining federal adjusted gross income. Dependent has the same meaning as in IRC §152, and medical care has the same meaning as in IRC §213.

Using data on out-of-pocket medical expenditures from the Medical Expenditure Panel Survey Home (MEPS), Department of Revenue (DOR) estimates the following reductions to General Fund revenue.

FY22-23	\$ 20,946,000
FY23-24	\$ 51,841,000
FY24-25	\$ 55,730,000
FY25-26	\$ 59,910,000

LB 1168 becomes operative for tax years beginning on or after January 1, 2023.

LB 1168 will require a one-time programming charge of \$105,660 paid to the OCIO for the following: adding a line to the Schedule I, adding a line to NebFile for Individuals, and adding two new schedules.

Major Objects of Expenditure							
Class Code	Classification Title	22-23 <u>FTE</u>	23-24 <u>FTE</u>	24-25 <u>FTE</u>	22-23 Expenditures	23-24 Expenditures	24-25 Expenditures
Benefits							
Operating Costs	Operating Costs				\$105,660		
Total					\$105,660		