PREPARED BY: DATE PREPARED: PHONE: John Wiemer February 14, 2023 402-471-0051

LB 602

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)						
	FY 2023-24		FY 2024-25			
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE		
GENERAL FUNDS	\$65,087			(\$37,472,000)		
CASH FUNDS						
FEDERAL FUNDS						
OTHER FUNDS						
TOTAL FUNDS	\$65,087			(\$37,472,000)		

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

LB 602 seeks to allow an individual to reduce his or her federal adjusted gross income (FAGI) by the amounts received as a pension or annuity for individuals 55 years of age and older at the close of the taxable year. Individuals younger than 55 years of age could also reduce their FAGI, under this bill, by amounts received as a pension or annuity in the event such benefits are received because of the death of a person originally entitled to receive such benefits. For those 65 years of age or older at the close of the taxable year, amounts subtracted are not to exceed \$24,000 dollars per taxable year. For those under 65 years of age, the amount subtracted shall not exceed \$20,000 per taxable year. This would be for taxable year 2025 and after.

The bill adds that the total reductions from these pension/annuity reductions in combination with reductions made due to the military retirement benefits and social security benefits, already in statute, is not to exceed \$50,000 per taxable year.

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

- FY 23-24: \$ -
- FY 24-25: (\$37,472,000)
- FY 25-26: (\$89,500,000)
- FY 26-27: (\$90,092,000)
- FY 27-28: (\$93,507,000)

The DOR estimates a one-time charge for programming to be paid to the Office of the Chief Information Officer (OCIO) of \$65,087 for mainframe and web development to add a line to the 1040N Schedule I.

There is no basis to disagree with these estimates.

State Agency Estimate						
of Revenue				Date Due LFO:		
	Date Prepared:	ared: 02/10/2023 Phone: 471-5890		Phone: 471-5896		
FY 2023-	FY 2023-2024		FY 2024-2025		FY 2025-2026	
Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue	
\$65,087	\$ 0		\$ (37,472,000)		\$ (89,500,000)	
\$65,087	\$ 0		\$ (37,472,000)	<u> </u>	\$ (89,500,000)	
	FY 2023- Expenditures \$65,087	To Revenue Date Prepared: FY 2023-2024 Expenditures Revenue \$65,087 \$ 0	To Revenue Date Prepared: 02/10/2023 FY 2023-2024 FY 202 Expenditures Revenue Expenditures \$65,087 \$ 0 \$ 0	To Revenue Date Prepared: 02/10/2023 FY 2023-2024 FY 2024-2025 Expenditures Revenue Expenditures Revenue \$65,087 \$ 0 \$ (37,472,000) \$ (37,472,000) \$ (37,472,000)	Of Revenue Date Due LFO: Date Prepared: 02/10/2023 Phone: 471-5896 FY 2023-2024 FY 2024-2025 FY 2024-2025 Expenditures Expenditures 8 (37,472,000) 8 (37,472,000) Expenditures	

LB 602 adds a provision to exclude from the federal adjusted gross income (AGI) for taxable years beginning or deemed to begin on or after January 1, 2025, up to \$24,000 for pensions and annuities of any individual who is 65 years or older at the close of the taxable year and \$20,000 for any individual who is under 65 years old to the extent included in the federal AGI under certain circumstances and limitations.

LB 602 defines pension or annuity as retirement benefits that are periodic payments attributable to personal services performed by an individual prior to his or her retirement from employment and that arise from an employer-employee relationship or from contributions to a retirement plan that are deductible for federal income tax purposes. The term includes distributions from individual retirement arrangements and self-employed retirement accounts to the extent that such distributions are not deemed to be premature distributions for federal income tax purposes and amounts received from fully matured privately purchased annuities.

LB 602 adds provisions when any deductions to reduce the federal AGI is taken for the social security benefits and the military retirement benefits in conjunction with the pension or annuity benefit exclusion in the same taxable year, the total of those deductions added together cannot exceed \$50,000.

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

FY 2023-24	\$ -
FY 2024-25	\$ (37,472,000)
FY 2025-26	\$ (89,500,000)
FY 2026-27	\$ (90,092,000)
FY 2027-28	\$ (93,507,000)

LB 602 will require a one-time programing charge of \$65,087 for mainframe and web development cost to add a line to the 1040N Schedule I.

Major Objects of Expenditure							
Class Code	<u>Classification Title</u>	23-24 <u>FTE</u>	24-25 <u>FTE</u>	25-26 <u>FTE</u>	23-24 Expenditures	24-25 Expenditures	25-26 Expenditures
Benefits							
Operating Costs				\$65,087			
Total			••••••	•••••••••••••••••••••••••••••••••••••••	\$65,087		