

PREPARED BY: Doug Gibbs  
 DATE PREPARED: March 18, 2013  
 PHONE: 402-471-0051

**LB 74**

Revision: 01

Revised to correct error in text

**FISCAL NOTE**  
**LEGISLATIVE FISCAL ANALYST ESTIMATE**

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)</b>				
	<b>FY 2013-14</b>		<b>FY 2014-15</b>	
	<b>EXPENDITURES</b>	<b>REVENUE</b>	<b>EXPENDITURES</b>	<b>REVENUE</b>
GENERAL FUNDS	\$11,225	(\$110,880,000)		(\$81,799,000)
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
<b>TOTAL FUNDS</b>	<b>\$11,225</b>	<b>(\$110,880,000)</b>		<b>(\$81,799,000)</b>

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

LB 74 amends the Nebraska Revenue Act of 1967, Section 77-2716 to make adjustments to income subject to Nebraska state income tax.

The bill, for the tax year beginning January 1, 2013 and tax years thereafter, would reduce federal adjusted gross income (AGI) by the total amount of Social Security benefits received which are included in AGI.

The Department of Revenue estimates the following fiscal impact as a result of LB 74:

FY2013-14:	(\$110,880,000)
FY2014-15:	(\$ 81,799,000)
FY2015-16:	(\$ 86,440,000)

The cost for FY2013-14 is more than the two subsequent fiscal years due to the fact that with an exemption starting with tax years beginning on or after January 1, 2013, estimated payments and withholding will have been made in 2013 that will then be refunded in 2014.

The Department of Revenue estimates a one-time programming cost of \$11,225 paid to the Office of the CIO to add a line to the Form 1040N, as well as to the NebFile online system.

There is no basis to disagree with the Department of Revenue's estimate of fiscal impact and cost.

<b>ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY &amp; POLT. SUB. RESPONSES</b>			
<b>LB: 74</b>	<b>AM:</b>	<b>AGENCY/POLT. SUB: Dept. of Revenue</b>	
<b>REVIEWED BY: Lyn Heaton</b>		<b>DATE: 1/29/2013</b>	<b>PHONE: 402.471.4181</b>
<b>COMMENTS: No basis upon which to disagree with the Dept. of Revenue's analysis.</b>			

**State Agency Estimate**

State Agency Name: Department of Revenue	Date Prepared: 01/16/2013				Date Due LFA: 01/17/2013	
Approved by: Douglas Ewald					Phone: 471-5896	
	FY 2013-2014		FY 2014-2015		FY 2015-2016	
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue
General Funds	\$11,225	(\$110,880,000)	\$0	(\$81,799,000)	\$0	(\$86,440,000)
Cash Funds						
Federal Funds						
Other Funds						
<b>Total Funds</b>	<b>\$11,225</b>	<b>(\$110,880,000)</b>	<b>\$0</b>	<b>(\$81,799,000)</b>	<b>\$0</b>	<b>(\$86,440,000)</b>

LB 74 would amend Neb. Rev. Stat. § 77-2716 to exclude Social Security benefits from Nebraska income subject to tax to the extent it is included in the federal adjusted gross income.

The exclusion would be available for all taxable years beginning or deemed to begin on or after January 1, 2013.

The estimated reduction to the General Fund would be as follows:

FY 2013-2014	\$110,880,000
FY 2014-2015	\$ 81,799,000
FY 2015-1016	\$ 86,440,000

The cost for FY 2013-2014 is greater than the cost for FY2014-2015 due to the fact that with an exemption starting with tax years beginning on or after January 1, 2013, estimated payments and withholding will have been made in 2013 that will be refunded in 2014.

LB 74 will require a one-time programming charge of \$11,225 paid to the OCIO to add a line to the Form Nebraska Schedule I, as well as to the NebFile online filing system.

**Major Objects of Expenditure**

Class Code	Classification Title	13-14	14-15	15-16	13-14	14-15	15-16
		FTE	FTE	FTE	Expenditures	Expenditures	Expenditures
	Benefits.....						
	Operating Costs.....				\$11,225	\$0	\$0
	Travel.....						
	Capital Outlay.....						
	Aid.....						
	Capital Improvements.....						
	<b>Total.....</b>				<b>\$11,225</b>	<b>\$0</b>	<b>\$0</b>