PREPARED BY: DATE PREPARED: PHONE: Keisha Patent February 04, 2019 402-471-0059

LB 153

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT — STATE AGENCIES (See narrative for political subdivision estimates)						
	FY 201	9-20	FY 2020-21			
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE		
GENERAL FUNDS		(\$4,875,000)		(\$11,975,000)		
CASH FUNDS						
FEDERAL FUNDS						
OTHER FUNDS						
TOTAL FUNDS		(\$4,875,000)		(\$11,975,000)		

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

LB 153 replaces the current election to exclude a portion of military retirement income from federal adjusted gross income with an exclusion of 50% of all military retirement income, beginning with tax years on or after January 1, 2020.

Revenue:

The Department of Revenue estimates revenue to the General Fund as follows:

FY 19-20 (\$4,875,000) FY 20-21 (\$11,975,000) FY 21-22 (\$12,651,000) FY 22-23 (\$13,363,000)

Expenditures:

The Department of Revenue estimates the costs to implement the bill will be minimal.

There is no basis to disagree with these estimates.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE						
LB: 153 AM: AGENCY/POLT. SUB: Department of Revenue						
REVIEWED BY:	Lee Will	DATE: 2/4/2019	PHONE: (402) 471-4175			
COMMENTS: Concur with the Department of Revenue's assessment of fiscal impact.						

LB 153 Fiscal Note 2019

State Agency Estimate								
State Agency Name: Department	of Revenue				Date Due LFA:	2/4/19		
Approved by: Tony Fulton		Date Prepared: 2/1/19			Phone: 471-5896			
	FY 2019	FY 2019-2020		FY 2020-2021		FY 2021-2022		
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue		
General Funds	\$ 0	(\$4,875,000)	\$0	(\$11,975,000)	\$ 0	(\$12,651,000)		
Cash Funds								
Federal Funds								
Other Funds								
Total Funds	\$ 0	(\$4,875,000)	\$0	(\$11,975,000)	\$ 0	(\$12,651,000)		

LB 153 amends Neb. Rev. Stat. § 77-2716 (Nebraska Adjustment to federal AGI). It will end the current, elective exclusion for military retirees and replace it with a 50% exclusion for all military retirement benefits, to the extent included in federal AGI, beginning with taxable years beginning on or after January 1, 2020.

Military benefits received before January 1, 2020 that qualify for exclusion as a result of filing an Election to Exclude Military Retirements Benefits, Form 1040N-MIL, will continue to qualify for exclusion through December 31, 2019.

Estimated payments and withholding will change during the FY 2019-2020. The full impact will not be felt until FY 2020-2021. Using the micro simulation model with individual income tax data for tax year 2017 and military retirement payment data for tax year 2016, the estimated reduction to General Fund revenue will be as follows:

FY 2018-19 \$ -FY 2019-20 \$ 4,875,000 FY 2020-21 \$ 11,975,000 FY 2021-22 \$ 12,651,000 FY 2022-23 \$ 13,363,000

There will be changes to the individual income tax instructions on the Individual Income Tax Return, Form 1040N and in the booklet. It is estimated that there will be minimal costs to the Department to implement this bill.

	Major Objects of Expenditure							
Class Code	Classification Title	19-20 <u>FTE</u>	20-21 <u>FTE</u>	21-22 <u>FTE</u>	19-20 Expenditures	20-21 Expenditures	21-22 Expenditures	
Benefits	Benefits							
Operating Costs	Operating Costs.							
Travel	Travel							
Capital Outlay								
	Capital Improvements.							