

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2021-22		FY 2022-23	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS		(\$5,295,000)		(\$12,993,000)
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS		(\$5,295,000)		(\$12,993,000)

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

LB 387 seeks to change the percent of military retirement benefit that can be excluded by a recipient from their federal adjusted gross income. The current percent allowed 50%, and LB 387 would permit those receiving military retirement benefits to exclude 100%. The changes made in LB 387 would go into effect January 1, 2022.

LB 387 will create a General Funds revenue loss due to a decrease in the income tax base for Nebraska.

Department of Revenue (DOR) expects the following impact to General Fund revenue:

- FY22: (\$5,295,000)
- FY23: (\$12,993,000)
- FY24: (\$13,693,000)
- FY25: (\$14,431,000)

DOR also expects no significant costs to implement LB 387. There is no basis to disagree with these estimates.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 387	AM:	AGENCY/POLT. SUB: Nebraska Department of Revenue (16)
REVIEWED BY: Joe Wilcox	DATE: 01/27/2021	PHONE: (402) 471-4178
COMMENTS: No basis to dispute the Nebraska Department of Revenue estimate of potential State General Fund Revenue Loss from LB 387.		

State Agency Estimate

State Agency Name: Department of Revenue

Date Due LFO:

Approved by: Tony Fulton

Date Prepared: 1/26/2021

Phone: 471-5896

Table with 3 main columns for fiscal years: FY 2021-2022, FY 2022-2023, and FY 2023-2024. Each column has sub-columns for Expenditures and Revenue. Rows include General Funds, Cash Funds, Federal Funds, Other Funds, and Total Funds.

LB 387 amends Neb. Rev. Stat. § 77-2716(14)(b) to exclude 100% of all military retirement benefits, to the extent included in federal AGI, beginning with taxable years beginning on or after January 1, 2022. Military retirement benefits means retirement benefits that are periodic payments attributable to service in the uniformed services of the United States for personal services performed by an individual before his or her retirement.

Military benefits received before January 1, 2022 that qualify for exclusion as a result of filing an Election to Exclude Military Retirement Benefits, Form 1040N-MIL, will continue to qualify for exclusion through December 31, 2021.

The estimated reduction to General Fund revenue will be as follows:

Table with 2 columns: Fiscal Year and Amount. Rows for FY 2021-22, FY 2022-23, FY 2023-24, and FY 2024-25.

It is estimated that there will be minimal costs to the Department to implement this bill.

Major Objects of Expenditure

Table with 8 columns: Class Code, Classification Title, FTE (21-22, 22-23, 23-24), and Expenditures (21-22, 22-23, 23-24). Rows include Benefits, Operating Costs, Travel, Capital Outlay, Capital Improvements, and Total.