Austin Ligenza March 19, 2021 (402)471-0050

#### **Revised to include AM 291**

# LB 387

**Revision: 01** 

## 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		(\$7,976,000)		(\$19,576,000)			
CASH FUNDS							
FEDERAL FUNDS							
OTHER FUNDS							
TOTAL FUNDS		(\$7,976,000)		(\$19,576,000)			

#### 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 was amended by AM 291, which contains provisions of LB 6 and specifies the form an individual must submit in order to claim the exemption. This required form is the form 1099 from either the Department of Defense or the Office of Personnel Management.

LB 387 will create a General Fund 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: (\$7,976,000)
- FY23: (\$19,576,000)
- FY24: (\$20,638,000)
- FY25: (\$21,758,000)

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

### LB 387 AM 291

### Fiscal Note 2021

State Agency Estimate							
State Agency Name: Department	Date Due LFO:						
Approved by: Tony Fulton		Date Prepared:	Date Prepared: 3/19/2021 Phone: 471-5896				
	FY 202	1-2022	FY 2022-2023		FY 2023-2024		
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue	
General Funds		(\$7,976,000)		(\$19,576,000)		(\$20,638,000)	
Cash Funds							
Federal Funds							
Other Funds							
Total Funds		(\$7,976,000)		(\$19,576,000)		\$\$20,638,000)	

LB 387 AM 291 amends Neb. Rev. Stat. § 77-2716(14)(b) to exclude 100% of military retirement benefits received by individuals to the extent included in federal adjusted gross income for 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. The bill clarifies that for purposes of the exclusion, the term military retirement benefits includes retirement benefits reported to the individual on a Form 1099-R from either the United States Department of Defense or the United States Office of Personnel Management (US OPM).

The estimated fiscal impact to General Fund revenue for excluding military retirement benefits reported to the individual on a Form 1099-R from either the United States Department of Defense or the US OPM is as follows:

FY 2021-22	\$ (7,976,000)
FY 2022-23	\$ (19,576,000)
FY 2023-24	\$ (20,638,000)
FY 2024-25	\$ (21,758,000)

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

Major Objects of Expenditure								
<u>Class Code</u>	Classification Title	21-22 <u>FTE</u>	22-23 <u>FTE</u>	23-24 <u>FTE</u>	21-22 <u>Expenditures</u>	22-23 Expenditures	23-24 <u>Expenditures</u>	
Benefits	Benefits							
Operating Costs								
Travel								
Capital Outlay								
Capital Improvements								
Total								