PREPARED BY: Austin Ligenza DATE PREPARED: May 4, 2021 (402)471-0050 PHONE:

LB 64

Revised to include AM473 and AM 805

Revision: 01

## FISCAL NOT

## 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		(\$15,098,000)		(\$28,602,000)	
CASH FUNDS					
FEDERAL FUNDS					
OTHER FUNDS					
TOTAL FUNDS		(\$15,098,000)		(\$28,602,000)	

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

LB 64 seeks to change provisions related to social security benefits and federal adjusted gross income. Beginning January 1, 2021, federal adjusted gross income would be reduced by a percentage of the social security benefits received in the federal adjusted gross income. The percentage is set to increase each year until 100% of social security benefits can be deducted. LB 64 was amended by AM 473 and AM 805, which seeks to extend the schedule for reduction from 5 years to 10 years. The new schedule is as follows:

- Jan 1, 2021 to Jan 1, 2022: 5%
- Jan 1, 2022 to Jan 1, 2023: 20%
- Jan 1, 2023 to Jan 1, 2024: 30%
- Jan 1, 2024 to Jan 1, 2025: 40%
- Jan 1, 2025 to Jan 1, 2026: 50%
- Jan 1, 2026 to Jan 1, 2027: 60%
- Jan 1, 2027 to Jan 1, 2028: 70%
- Jan 1, 2028 to Jan 1, 2029: 80%
- Jan 1, 2029 to Jan 1, 2030: 90%
- Jan 1, 2030 and after: 100%

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

- FY21-22: (\$15,098,000)
- FY22-23: (\$28,602,000)
- FY23-24: (\$42,403,000)
- FY24-25: (\$57,448,000)
- FY25-26: (\$73,798,000)
- FY26-27: (\$91,511,000)
- FY27-28: (\$110,649,000)
- FY28-29: (\$131,279,000)
- FY29-30: (\$153,482,000)
- FY30-31: (\$168,027,000)

There is no basis to disagree with these estimates.

The Department expects minimal additional costs to implement LB 64. There is no basis to disagree with this estimate.

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State Agency Estimate						
State Agency Name: Department of Revenue			Date Due LFO:			
Approved by: Tony Fulton		Date Prepared:	5/4/2021		Phone: 471-5896	
	FY 2021-2022		FY 2022-2023		FY 2023-2024	
	Expenditures	Revenue	Expenditures	Revenue	<b>Expenditures</b>	Revenue
General Funds		(\$15,098,000)		(\$28,602,000)		(\$42,403,000)
Cash Funds						
Federal Funds						
Other Funds						
Total Funds		(\$15,098,000)		(\$28,602,000)		(\$42,403,000)
Federal Funds Other Funds		(\$15,098,000)		(\$28,602,000)		(\$42,403,000)

LB 64 as amended by AM 473 and AM 805 amends section §77-2716 to change the provisions related to the taxation of benefits received by taxpayers under the federal Social Security Act that are included in the federal adjusted gross income (AGI) of the taxpayer.

Federal AGI would be reduced by a percentage of social security benefits as follows:

- 5% for taxable years beginning on or after 01/01/2021 but before 01/01/2022;
- 20% for taxable years beginning on or after 01/01/2022 but before 01/01/2023;
- 30% for taxable years beginning on or after 01/01/2023 but before 01/01/2024;
- 40% for taxable years beginning on or after 01/01/2024 but before 01/01/2025;
- 50% for taxable years beginning on or after 01/01/2025 but before 01/01/2026;
- 60% for taxable years beginning on or after 01/01/2026 but before 01/01/2027;
- 70% for taxable years beginning on or after 01/01/2027 but before 01/01/2028;
- 80% for taxable years beginning on or after 01/01/2028 but before 01/01/2029;
- 90% for taxable years beginning on or after 01/01/2029 but before 01/01/2030; and
- 100% for taxable years beginning on or after 1/1/2030.

For taxable years beginning on or after 01/01/2021, married taxpayers filling a joint return with an AGI of \$58,000 or less and taxpayers filing any other return with an AGI of \$43,000 or less, as indexed pursuant to 77-2716(13)(b), may continue to reduce AGI by 100% of social security benefits included in AGI.

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

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

FY 2021-22	\$ (15,098,000)
FY 2022-23	\$ (28,602,000)
FY 2023-24	\$ (42,403,000)
FY 2024-25	\$ (57,448,000)
FY 2025-26	\$ (73,798,000)
FY 2026-27	\$ (91,511,000)
FY 2027-28	\$ (110,649,000)
FY 2028-29	\$ (131,279,000)
FY 2029-30	\$ (153,482,000)
FY 2030-31	\$ (168,027,000)

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