PREPARED BY:
DATE PREPARED:
PHONE:
(

Austin Ligenza May 11, 2021 (402)471-0050 **LB 64** 

Revision: 02

## **FISCAL NOTE**

LEGISLATIVE FISCAL ANALYST ESTIMATE

Revised to include AM 1360

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%

LB 64 was amended by AM 1360. AM 1360 takes out the language for the schedule in the last 5 years, and replaces it with intent language. This intent language provides direction for a future legislative body to enact legislation to continue the schedule if permissible within the revenue forecast. If the legislature is unable to accommodate such changes, the percent would continue to be set at 50%. Otherwise, the schedule in the intent language is as follows:

- 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%

As amended by AM 1360, 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)

Within 5 years after the effective date of LB 64, the legislature will have the option to propose a bill to continue the schedule to 100%. The Department of Revenue estimates that the schedule provided in the intent language would create the following General Fund revenue loss:

- 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 does not expect any additional costs to implement LB 64. There is no basis to disagree with this estimate.

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 202	1-2022	FY 202	22-2023	FY 202	3-2024
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	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)

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
Capital Outlay							
	nts	• • • • • • • • • • • • • • • • • • • •					
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.