

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

Revised due to amendments adopted on General File

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2022-23		FY 2023-24	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$63,041	(\$63,602,000)		(\$187,143,000)
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$63,041	(\$63,602,000)		(\$187,143,000)

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

LB 939 amends provisions related to individual income tax, and as amended by AM 1780, corporate income tax.

LB 939 sets a schedule for a reduction of the top individual income tax rate, which is currently set to 6.84%. The brackets for all filing statuses remain unchanged. The top rate is set to decrease as follows:

- For taxable years beginning Jan 1, 2023, and before Jan 1, 2024: 6.34%
- For taxable years beginning Jan 1, 2024, and before Jan 1, 2025: 6.14%
- For taxable years on or after Jan 1, 2025: 5.84%

As amended by AM1780, the bill also lowers the corporate income tax rate on income in excess of \$100,000 and strikes the intent language enacted by the legislature in the 2021 session, as proposed in LB 938. As amended, the rates in LB 939 are as follows:

- For taxable years beginning on Jan 1, 2023, and before Jan 1, 2024: 7.00%
- For taxable years beginning on Jan 1, 2024, and before Jan 1, 2025: 6.50%
- For taxable years beginning on Jan 1, 2025, and before Jan 1, 2026: 6.14%
- For taxable years beginning on Jan 1, 2026, and before Jan 1, 2027: 5.84%

Revenue:

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

- FY22-23: (\$63,602,000)
- FY23-24: (\$187,143,000)
- FY24-25: (\$295,701,000)
- FY25-26: (\$397,948,000)
- FY26-27: (\$438,494,000)

Expenditures:

The Department of Revenue estimates the need for a one-time OCIO charge of \$63,041 to implement LB 939.

There is no basis to disagree with these estimates.

State Agency Estimate

State Agency Name: Department of Revenue		Date Due LFO:			
Approved by: Tony Fulton		Phone: 471-5896			
Date Prepared: 2/28/2022					
<u>FY 2022-2023</u>		<u>FY 2023-2024</u>		<u>FY 2024-2025</u>	
<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>
General Funds	\$63,041	\$(63,602,000)	\$(187,143,000)		\$(295,701,000)
Cash Funds					
Federal Funds					
Other Funds					
Total Funds	\$63,041	\$(63,602,000)	\$(187,143,000)		\$(295,701,000)

AM 1780 strikes the original sections of LB 939 and inserts the following new sections which gradually decrease the top rates of individual income and corporate income tax.

AM 1780 of LB 939 maintains the proposed rate reduction in LB 939 to the following top individual income tax rate for single individuals; married filing jointly; head of household; married filing separate; and estates and trusts as follows:

- 6.84% for taxable years beginning on or after January 1, 2014 and before January 1, 2023;
- 6.34% for taxable years beginning on or after January 1, 2023 and before January 1, 2024;
- 6.14% for taxable years beginning on or after January 1, 2024 and before January 1, 2025; and
- 5.84% for taxable years beginning on or after January 1, 2025.

The other individual income tax rates and brackets, including the bracket that this top rate applies to will remain unchanged.

AM 1780 of LB 939 amends Neb. Rev. Stat. 77-2734.02 to add in LB 938 which reduces the top corporate tax rate as follows:

- 7.00% for taxable years beginning on or after January 1, 2023 and before January 1, 2024;
- 6.50%, for taxable years beginning on or after January 1, 2024 and before January 1, 2025;
- 6.14%, for taxable years beginning on or after January 1, 2025 and before January 1, 2026; and
- 5.84%, for taxable years beginning on or after January 1, 2026.

The 5.58% tax rate that applies to the first \$100,000 of taxable income of corporate taxpayers remains unchanged.

Major Objects of Expenditure

<u>Class Code</u>	<u>Classification Title</u>	<u>22-23 FTE</u>	<u>23-24 FTE</u>	<u>24-25 FTE</u>	<u>22-23 Expenditures</u>	<u>23-24 Expenditures</u>	<u>24-25 Expenditures</u>
	Benefits.....						
	Operating Costs.....				\$63,041		
	Travel.....						
	Capital Outlay.....						
	Capital Improvements.....						
	Total.....				\$63,041		

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

	Individual	Corporation	Total
FY 2021-22	\$ -	\$ -	\$ -
FY 2022-23	\$ (61,738,000)	\$ (1,864,000)	\$ (63,602,000)
FY 2023-24	\$ (176,513,000)	\$ (10,630,000)	\$ (187,143,000)
FY 2024-25	\$ (266,421,000)	\$ (29,280,000)	\$ (295,701,000)
FY 2025-26	\$ (344,460,000)	\$ (53,488,000)	\$ (397,948,000)
FY 2026-27	\$ (363,405,000)	\$ (75,089,000)	\$ (438,494,000)

LB 939 would require a one-time programming charge of \$63,041 paid to the OCIO for mainframe costs for the rates change.