PREPARED BY: DATE PREPARED: PHONE: John Wiemer January 30, 2023 402-471-0051

**LB 754** 

Revision: 00

## **FISCAL NOTE**

## **LEGISLATIVE FISCAL ANALYST ESTIMATE**

ESTIMATE OF FISCAL IMPACT — STATE AGENCIES (See narrative for political subdivision estimates)						
	FY 2023-24		FY 2024-25			
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE		
GENERAL FUNDS		(\$220,578,000)		(\$292,860,000)		
CASH FUNDS						
FEDERAL FUNDS						
OTHER FUNDS						
TOTAL FUNDS		(\$220,578,000)		(\$292,860,000)		

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

LB 754 seeks to lower individual and corporate income tax rates.

Under LB 754, the first three individual income tax brackets would remain unchanged. The rates for the fourth tax bracket would be as follows:

- For taxable years beginning on January 1, 2023, and before January 1, 2024: 6.27%
- For taxable years beginning on January 1, 2024, and before January 1, 2025: 5.70%
- For taxable years beginning on January 1, 2025, and before January 1, 2026: 5.13%
- For taxable years beginning on January 1, 2026, and before January 1, 2027: 4.56%
- For taxable years beginning on or after January 1, 2027: 3.99%

LB 754 would not change the rate of 5.58% on the first \$100,000 of corporate income. LB 754 would reduce corporate income tax rates for corporate income greater than \$100,000. The rates for corporate income greater than \$100,000 would be as follows:

- For taxable years beginning on January 1, 2023, and before January 1, 2024: 6.80%
- For taxable years beginning on January 1, 2024, and before January 1, 2025: 6.10%
- For taxable years beginning on January 1, 2025, and before January 1, 2026: 5.40%
- For taxable years beginning on January 1, 2026, and before January 1, 2027: 4.70%
- For taxable years beginning on or after January 1, 2027: 3.99%

The Department of Revenue estimates the following reductions to General Fund revenues from this bill:

	Individual	Corporation	Total		
FY 2023-24	\$ (195,154,000)	\$ (25,424,000)	\$ (220,578,000)		
FY 2024-25	\$ (262,287,000)	\$ (30,573,000)	\$ (292,860,000)		
FY 2025-26	\$ (374,357,000)	\$ (49,230,000)	\$ (423,587,000)		
FY 2026-27	\$ (496,473,000)	\$ (78,555,000)	\$ (575,028,000)		
FY 2027-28	\$ (586,582,000)	\$ (109,387,000)	\$ (695,969,000)		
FY 2028-29	\$ (608,683,000)	\$ (126,196,000)	\$ (734,879,000)		

The DOR estimates that there will be minimal costs to implement this bill.

There is no basis to disagree with these estimates.

## ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE

LB: 754 AM: AGENCY/POLT. SUB: Department of Revenue

REVIEWED BY: Neil Sullivan DATE: 1/31/2023 PHONE: (402) 471-4179

COMMENTS: The Department of Revenue assessment of fiscal impact from LB 754 appears reasonable.

LB 754 Fiscal Note 2023

State Agency Estimate						
State Agency Name: Department of Revenue Date Due LFO:						
Approved by: Glen White		Date Prepared:	01/30/2023		Phone: 471-5896	
	FY 2023-2024		FY 2024-2025		FY 2025-2026	
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue
General Funds		\$ (220,578,000)		\$ (292,860,000)		\$ (423,587,000)
Cash Funds						
Federal Funds						
Other Funds					<u> </u>	
Total Funds		\$ (220,578,000)		\$ (292,860,000)		\$ (423,587,000)
					-	<u> </u>

LB 754 amends Neb. Rev. Stat § 77-2715.03 and 77-2743.02 to gradually lower the individual and corporate income tax rates. Under LB 754, the fourth bracket individual income tax rates are as follows:

- 6.27% for taxable years beginning on or after January 1, 2023, and before January 1, 2024;
- 5.70% for taxable years beginning on or after January 1, 2024, and before January 1, 2025;
- 5.13% for taxable years beginning on or after January 1, 2025, and before January 1, 2026;
- 4.56% for taxable years beginning on or after January 1, 2026, and before January 1, 2027;
- 3.99% for taxable years beginning on or after January 1, 2027.

The 2.46%, 3.51%, and 5.01% tax rate that applies to the first three brackets remains unchanged.

LB 754 changes the corporation income tax rate on amounts in excess of \$100,000 are as follows:

- 6.80% for taxable years beginning on or after January 1, 2023, and before January 1, 2024;
- 6.10% for taxable years beginning on or after January 1, 2024, and before January 1, 2025;
- 5.40% for taxable years beginning on or after January 1, 2025, and before January 1, 2026;
- 4.70% for taxable years beginning on or after January 1, 2026, and before January 1, 2027;
- 3.99% for taxable years beginning on or after January 1, 2027.

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

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

	Individual	Corporation	Total		
FY 2023-24	\$ (195,154,000)	\$ (25,424,000)	\$ (220,578,000)		
FY 2024-25	\$ (262,287,000)	\$ (30,573,000)	\$ (292,860,000)		
FY 2025-26	\$ (374,357,000)	\$ (49,230,000)	\$ (423,587,000)		
FY 2026-27	\$ (496,473,000)	\$ (78,555,000)	\$ (575,028,000)		
FY 2027-28	\$ (586,582,000)	\$ (109,387,000)	\$ (695,969,000)		
FY 2028-29	\$ (608,683,000)	\$ (126,196,000)	\$ (734,879,000)		

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

Major Objects of Expenditure							
Class Code	Classification Title	23-24 <u>FTE</u>	24-25 <u>FTE</u>	25-26 <u>FTE</u>	23-24 Expenditures	24-25 Expenditures	25-26 Expenditures
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Travel							
Capital Outlay							
Total							