

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

| ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates) | | | | |
|---|---------------------|----------------------|---------------------|---------------------|
| | FY 2018-19 | | FY 2019-20 | |
| | EXPENDITURES | REVENUE | EXPENDITURES | REVENUE |
| GENERAL FUNDS | \$69,266 | \$106,056,000 | \$0 | \$77,887,000 |
| CASH FUNDS | | | | |
| FEDERAL FUNDS | | | | |
| OTHER FUNDS | | | | |
| TOTAL FUNDS | \$69,266 | \$106,056,000 | \$0 | \$77,887,000 |

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

LB 1074 amends the Nebraska Revenue Act of 1967 regarding the state income tax.

The bill changes the individual income tax brackets and adds a fifth tax bracket effective for tax year beginning January 1, 2018 and after. The new bracket would be \$200,000 and over for married filing jointly returns, \$100,000 and over for single and married filing separate filers, and \$150,000 for head of household filers. The rate for the fifth bracket would be 7.84%.

The bill also provides that in addition to the tax calculated by the tax brackets, a tax of 1% is imposed on the portion of taxable income in excess of \$1,000,000 and a tax of 2% is imposed on the portion of taxable income in excess of \$2,000,000. These rates are to be adjusted for inflation.

In addition, for taxable years beginning on or after January 1, 2018, the Nebraska earned income tax credit is increased to 12% of the federal credit.

The Department of Revenue estimates the following fiscal impact of LB 1074:

| Fiscal Year: | Increased Revenue Due to New Tax Brackets: | Decreased Revenue Due to Increase in EITC Rate: | Total: |
|---------------------|---|--|----------------|
| 2018-19: | \$ 112,269,000 | (\$ 6,313,000) | \$ 106,056,000 |
| 2019-20: | \$ 84,162,000 | (\$ 6,275,000) | \$ 77,887,000 |
| 2020-21: | \$ 88,791,000 | (\$ 6,338,000) | \$ 82,453,000 |
| 2021-22: | \$ 93,674,000 | (\$ 6,401,000) | \$ 87,273,000 |

NOTE: The increase in revenues for FY2018-19 are due to an increase in final payments in April 2019 due to the new tax brackets and rates for tax year 2018. The Department of Revenue will update the withholding tables beginning January 1, 2019 to account for the new tax brackets.

The Department indicates that they will require a one-time programming charge of \$69,266 paid to the Office of the CIO for mainframe costs and web development costs for the NebFile individual income tax filing system.

We have no basis to disagree with the Department of Revenue's estimate of fiscal impact and cost.

| ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE | | | |
|--|-----------------|--|--|
| LB: 1074 | AM: | AGENCY/POLT. SUB: Dept. of Revenue | |
| REVIEWED BY: Lyn Heaton | DATE: 1/31/2018 | PHONE: (402) 471-4181 | |
| COMMENTS: No basis upon which to disagree with the Department of Revenue's analysis. | | | |

