

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2019-20		FY 2020-21	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$69,266	\$139,923,000		\$104,893,000
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

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

LB 50 amends the individual income tax provisions of the Nebraska Revenue Act of 1967.

The bill changes the individual income tax brackets to add a fifth tax bracket for tax years beginning on or after January 1, 2019. The new tax bracket applies to taxable income of \$100,000 and over for single and married persons filing separate, \$200,000 and over for married persons filing jointly, and \$150,000 and over for heads of household. The tax rate in this bracket is 7.84%.

LB 50 imposes an additional tax of 1% on the portion of taxpayer income in excess of \$1,000,000, and a tax of 2% on the portion of taxpayer income in excess of \$2,000,000.

The bill strikes language requiring the Tax Commissioner to adjust the income tax brackets for inflation for tax years 2015 to 2018 and establishes the brackets and rates in effect in tax year 2014 as applicable for the 2015 to 2018 tax years. LB 50 also clarifies that for tax years beginning on or after 2020, income tax brackets and the income thresholds for the additional 1% and 2% tax will be adjusted for inflation using the Consumer Price Index for All Urban Consumers (CPI-U).

Revenue:

The Department of Revenue estimates the following increases to the General Fund due to the additional tax bracket and the additional rates for high income earners.

Fiscal Year	Increase in Revenues Due to New Brackets
FY19-20	\$ 139,923,000
FY20-21	\$ 104,893,000
FY21-22	\$ 110,661,000
FY22-23	\$ 116,748,000
FY23-24	\$ 123,169,000

Revenue in FY20 is higher due to an increase in final payments in April 2020 under the new brackets and rates for tax year 2019. In subsequent years, withholding schedules will be updated. The Department's estimates do not include any adjustments or refunds based upon the change in the brackets for tax years 2015-2018.

Expenditures:

The Department of Revenue estimates a one-time programming charge of \$69,266 to OCIO for mainframe and web development costs for the NebFile for individual income tax filling system.

State Agency Estimate

State Agency Name: Department of Revenue		Date Due LFA: 1/17/19				
Approved by: Tony Fulton		Date Prepared: 1/17/19				
		Phone: 471-5896				
	FY 2019-2020		FY 2020-2021		FY 2021-2022	
	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>
General Funds	\$69,266	\$139,923,000		\$104,893,000		\$110,661,000
Cash Funds						
Federal Funds						
Other Funds						
Total Funds	\$69,266	\$139,923,000		\$104,893,000		\$110,661,000

LB 50 changes the existing individual income tax brackets and adds an additional fifth bracket for tax years beginning on or after January 1, 2019. The fifth brackets will tax income at 7.84% for single individuals or married, filing separate with taxable income of \$100,000 or more, married, filing jointly with taxable income of \$200,000 or more, and head of household with taxable income of \$150,000 or more. LB 50 adds an additional 1% tax on the portion of taxable income in excess of \$1 million (for a total tax rate of 8.84%) and a 2% tax on the portion of taxable income in excess of \$2 million (for a total tax rate of 10.84%). The income thresholds for the 1% and 2% will be adjusted for inflation.

LB 50 removes the inflation language for tax years 2015 through 2017 and the statute now reads that the bracket in subsection (2) is the tax bracket for tax years beginning January 1, 2015 through December 31, 2018, with no adjustment for inflation. The published brackets for those tax years is higher than the stated subsection (2) bracket. The fiscal impact estimates below do not take into account the refunds or adjustments due to the difference in the published bracket and the subsection (2) bracket.

The estimated increase to General Fund revenues due to the added bracket and additional rate for high income earners are as follows:

Fiscal Year	Increase in Revenues Due to New Brackets
FY19-20	\$ 139,923,000
FY20-21	\$ 104,893,000
FY21-22	\$ 110,661,000
FY22-23	\$ 116,748,000
FY23-24	\$ 123,169,000

The increase in General Fund revenues for FY19-20 are higher due to an increase in final payments in April 2020 due to the new tax brackets and rates for tax year 2019. The Department will update the withholding tables beginning January 1, 2020 to account for the new brackets.

LB 50 will require a one-time programming charge of \$69,266 paid to the OCIO for mainframe and web development costs for the NebFile for individual income tax filing system.

Major Objects of Expenditure

Class Code	Classification Title	19-20	20-21	21-22	19-20	20-21	21-22
		FTE	FTE	FTE	Expenditures	Expenditures	Expenditures
	Benefits.....						
	Operating Costs.....				\$69,266		
	Capital Outlay.....						
	Capital Improvements.....						
	Total.....				\$69,266		