PREPARED BY: DATE PREPARED: PHONE: Austin Ligenza February 23, 2021 (402)471-0050 **LB 410**

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT — STATE AGENCIES (See narrative for political subdivision estimates)						
	FY 202	21-22	FY 2022-23			
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE		
GENERAL FUNDS		(\$19,416,000)		(\$14,555,000)		
CASH FUNDS						
FEDERAL FUNDS						
OTHER FUNDS						
TOTAL FUNDS		(\$19,416,000)		(\$14,555,000)		

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

LB 410 seeks to amend sections relating to calculation of federal adjusted gross income. Beginning in tax years on or after January 1, 2021, each individual that chose to itemize deductions for their federal return can reduce their federal adjusted gross income by the greater of either:

- The Nebraska standard deduction; or
- The sum of:
 - The federal itemized deductions of the individual, excluding any state or local income taxes included in the deductions; and
 - The total amount of state and local property taxes reported on their federal return, excluding any state and local property taxes included in the deductions.

LB 410 is expected to reduce the income tax liability for Nebraskan individuals. The Department of Revenue estimates the following revenue impact to the General Fund:

- FY21-22: (\$19,416,000)
- FY22-23: (\$14,555,000)
- FY23-24: (\$15,356,000)
- FY24-25: (\$16,200,000)

There is no basis to disagree with this estimate.

The Department of Revenue estimates minimal costs to implement LB 410. There is no basis to disagree with this estimate.

LB 410 Fiscal Note 2021

State Agency Estimate							
State Agency Name: Department	t of Revenue				Date Due LFO:		
Approved by: Tony Fulton		Date Prepared:	2/22/2021	Phone: 471-5896			
	FY 2021-2022		FY 2022-2023		FY 2023-2024		
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue	
General Funds	Minimal	(\$19,416,000)		(\$14,555,000)		(\$15,356,000)	
Cash Funds							
Federal Funds							
Other Funds							
Total Funds	Minimal	(\$19,416,000)		(\$14,555,000)		(\$15,356,000)	

LB 410 changes how individuals who itemized deductions on federal returns calculate the amount to subtract from federal adjusted gross income (AGI) in Neb. Rev. Stat. § 77-2716.01. For tax years beginning on or after January 1, 2021, individuals who itemized deductions on federal returns will be allowed to subtract from federal AGI the greater of:

- (i) The Nebraska standard deduction; or
- (ii) The sum of: (A) his or her federal itemized deductions as defined in IRC § 63(d), except for the state or local taxes included in federal itemized deductions before any federal disallowance; and (B) the total amount of state and local property taxes reported on the federal return before any federal disallowance or cap, less the amount of state and local property taxes actually included in federal itemized deductions.

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

FY 2021-22	\$ (19,416,000)
FY 2022-23	\$ (14,555,000)
FY 2023-24	\$ (15,356,000)
FY 2024-25	\$ (16,200,000)

The estimated reduction for FY21-22 is higher due to a decrease in tax liability for tax year 2021 which will be claimed as refunds or reductions in final payments when taxpayers file their 2021 income tax returns in April 2022.

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

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
Benefits							
Operating Costs	Operating Costs						
Travel							
Capital Outlay							
Capital Improvements.							
Total		• • • • • • • • • • • • • • • • • • • •			·		