

**FISCAL NOTE**  
**LEGISLATIVE FISCAL ANALYST ESTIMATE**

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES</b> (See narrative for political subdivision estimates)				
	<b>FY 2023-24</b>		<b>FY 2024-25</b>	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS		(\$40,836,000)		(\$17,312,000)
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS		(\$40,836,000)		(\$17,312,000)

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

LB 497 makes changes to what can be deducted from Federal Adjusted Gross Income (FAGI) for taxable year 2022 and after. LB 497 adds to the possibilities for deduction 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 Department of Revenue (DOR) estimates the following impact to General Fund revenues from this bill:

- FY 23-24: (\$40,836,000)
- FY 24-25: (\$17,312,000)
- FY 25-26: (\$17,613,000)

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

There is no basis to disagree with these estimates.

<b>ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY &amp; POLT. SUB. RESPONSE</b>		
LB: 497	AM:	AGENCY/POLT. SUB: Department of Revenue
REVIEWED BY: Neil Sullivan	DATE: 2/3/2023	PHONE: (402) 471-4179
COMMENTS: The Department of Revenue assessment of fiscal impact from LB 497 appears reasonable.		

State Agency Estimate

State Agency Name: Department of Revenue Date Due LFO:
Approved by: Glen White Date Prepared: 02/03/2023 Phone: 471-5896

Table with columns for FY 2023-2024, FY 2024-2025, and FY 2025-2026, each subdivided into Expenditures and Revenue. Rows include General Funds, Cash Funds, Federal Funds, Other Funds, and Total Funds.

LB 497 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 or deemed to begin on or after January 1, 2022, individuals who itemized deductions on their federal return are allowed to subtract from federal AGI the greater of:

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

Table with 2 columns: Fiscal Year and Amount. Rows: FY 2023-24 \$ (40,836,000), FY 2024-25 \$ (17,312,000), FY 2025-26 \$ (17,613,000)

The estimated reduction for FY23-24 is higher because this bill is retroactive to tax year 2022 and the Department of Revenue (DOR) assumes taxpayers will file amended returns for tax year 2022 throughout FY203-24.

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

Major Objects of Expenditure

Table with columns: Class Code, Classification Title, 23-24 FTE, 24-25 FTE, 25-26 FTE, 23-24 Expenditures, 24-25 Expenditures, 25-26 Expenditures. Rows include Benefits, Operating Costs, Travel, Capital Outlay, Capital Improvements, and Total.