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**Capitol View
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**Counting the Cost of Some Bills Passed by the 2021 Legislature**

With another regular session of the Nebraska Legislature in the books, let’s look at the impact of their actions on the state’s General Fund.

The headlines have focused on: $1.4 billion in cumulative property tax relief that has been offered over several years; $20 million set aside for statewide broadband expansion and another $15 million designated for preliminaries to building a new state prison. But wait, there’s more.

“A billion here, a billion there, pretty soon it begins to add up to real money.” The quip is universally ascribed to Senator Everett Dirksen (1896–1969) from Illinois, but the *New York Times* also lays claim to the phrase in a 1938 story on budgets.

One of the biggest fiscal impacts comes from this year’s Revenue Committee catch-all (LB432) that incorporated related proposals, a common practice, but the costs do add up to real money. After seven other bills were amended into the measure, it carried a $1.9 million impact for the current fiscal year and: $9 million for fiscal 22-23; $19.8 million for 2023-2024; and $26 million for 24-25. The measure: extends the sunset for the Beginning Farmer Tax Credit; provides an income tax credit to the parents of a stillborn child; adopts the Firefighter Cancer Benefits Act; allows Nebraska Education Savings Plan Trust (NEST) funds to be used for costs incurred while participating in a qualified apprenticeship program; and reduces the top marginal corporate income tax rate from 7.81% to 6.84% by Tax Year 2025.

Omaha Sen. Brett Lindstrom successfully shepherded (LB64) to change provisions related to the amount of state income tax that can be deducted on Social Security benefits. Nebraska is one of 13 states that tax Social Security. From Jan 1, 2021, to Jan. 1, 2022, federal adjusted gross income would be reduced by 5 percent of the Social Security benefits received. The percentage increases to 20 percent the next year and 10 percent each year up to 50

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percent for Jan.1, 2025, to Jan. 1, 2026. The Legislature would then decide whether or not to extend it to 100 percent by the end of the next five years.

The goal is to have the benefits tax free in 10 years. As amended, the amount of deductible benefits increases to 50 percent in the fifth year. Within 5 years after the effective date, the legislature will have the option to propose a bill to continue the schedule to 100% if revenue projections are favorable. The deductions range from 5 percent this year to 50 percent by Jan. 1, 2026.

The Department of Revenue estimates the following impact to General Fund revenues: $15 million in FY21-22; $28.6 million in FY22-23; $42 million in FY23-24; $57.4 million in FY24-25: $73.8 million in FY25-26. If the full 10 years is ultimately authorized, the fiscal impact in FY 30-31 will be $168 million.

Lawmakers approved a bill (LB387) introduced by Sen. Tom Brewer at the request of the Governor to exempt military retirement benefits from taxation effective January 1, 2022. That is a change from the current 50 percent that is tax exempt. The measure will create a General Fund revenue loss due to a decrease in the income tax base for Nebraska. The Department of Revenue projects: $7.9 million loss for FY 22; $19.6 million for FY23; $20.6 million for FY24: $21.8 for FY25.

Sen. Curt Friesen of Henderson sponsored the Nebraska Broadband Bridge Act (LB388) to facilitate and fund the development of broadband networks in unserved and underserved areas of Nebraska. It will appropriate $20 million annually beginning in fiscal year 2021-2022 to the Public Services Commission to use for grants for development costs for a qualifying project. Applications from political subdivisions shall be made as part of a public-private partnership. For each application, matching funds equal to 50 percent of total development costs shall be required.

The Legislature approved and the Governor signed into law the Nebraska Rural Projects Act (LB40) sponsored by Sen. Mike Groene of North Platte and the Urban Redevelopment Act (LB544) sponsored by Sen. Justin Wayne of Omaha. The rural program would cost the state

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General Fund $5 million a year for each of two years. The urban bill provides a tax credit that would have the following impact: $1.4 million in FY21-22; $3.5 million in FY22-23; $3.7 million in 23-24 and $3.9 million in FY 24-25.

Do the math on just these bills. That’s some real money.

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