

Cost of Proposed Personal and Corporate Income Tax Cuts by Year

	FY13	FY14	FY15	2013 - 2015 Biennium	Grand Total	
Personal Income Tax Cut	\$ (45,343,000)	\$ (111,270,000)	\$ (117,086,000)	\$ (228,356,000)	\$ (273,699,000)	83.8%
Corporate Income Tax Cut	\$ (6,460,000)	\$ (19,624,000)	\$ (26,830,000)	\$ (46,454,000)	\$ (52,914,000)	16.2%
Total	\$ (51,803,000)	\$ (130,894,000)	\$ (143,916,000)	\$ (274,810,000)	\$ (326,613,000)	100.0%



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Distribution of Personal Income Tax Cuts by Income Group*

Income Quintiles

Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%
Income Range	Less Than \$20,000	\$20,000 - \$36,000	\$36,000 - \$57,000	\$57,000 - \$88,000	\$88,000 and above
Average Income in Group	\$12,000	\$28,000	\$46,000	\$70,000	\$183,450
Average Tax Cut	\$ -7	\$ -35	\$ -73	\$ -145	\$ -312
Total Tax Cut by Income Group	\$ -3,138,980	\$ -17,149,479	\$ -34,413,012	\$ -69,370,622	\$ -149,626,906
Share of Cut by Income Group	1%	6%	13%	25%	55%

Breakdown of top 20%

Next 15%	Next 4%	Top 1%
\$88,000 - \$156,000	\$156,000 - \$355,000	\$355,000 and above
\$113,000	\$221,000	\$1,090,000
\$ -250	\$ -361	\$ -1,043
\$ -90,135,838	\$ -34,493,800	\$ -24,997,268
33%	13%	9%

Total General Fund Impact by Income Group and Time Period

Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%
FY13	\$ -520,027	\$ -2,841,109	\$ -5,701,114	\$ -11,492,450	\$ -24,788,300
FY14	\$ -1,276,126	\$ -6,971,975	\$ -13,990,317	\$ -28,202,036	\$ -60,829,546
FY15	\$ -1,342,828	\$ -7,336,395	\$ -14,721,581	\$ -29,676,136	\$ -64,009,061
2013 - 2015 Biennium	\$ -2,618,954	\$ -14,308,369	\$ -28,711,898	\$ -57,878,172	\$ -124,838,607
Three-Year Total	\$ -3,138,980	\$ -17,149,479	\$ -34,413,012	\$ -69,370,622	\$ -149,626,906

Next 15%	Next 4%	Top 1%
\$ -14,932,569	\$ -5,714,498	\$ -4,141,232
\$ -36,643,958	\$ -14,023,161	\$ -10,162,427
\$ -38,559,310	\$ -14,756,141	\$ -10,693,609
\$ -75,203,268	\$ -28,779,302	\$ -20,856,036
\$ -90,135,838	\$ -34,493,800	\$ -24,997,268

Data Sources: Nebraska Department of Administrative Services Budget Division, and Institute for Taxation and Economic Policy

*Based on an analysis using 2011 income levels. Assumes the distribution of the tax cut by income group remains constant through 2015.

Effect of LB 970 on Nebraska's Budget Shortfall in 2013 -2015 Biennium

LB 970 would nearly double the currently projected \$343 million shortfall for the coming biennium.

Currently projected shortfall:	-\$343.3	
FY14 cost of LB 970 tax cuts:	-\$130.9	
FY15 cost of LB 970 tax cuts:	-\$143.9	
LB 970 effects on minimum reserve*:	-\$18.4	
Total Budget Shortfall if LB970 Passes:	-\$636.5	<----About 8% of the biennial budget

* LB 970's effects in FY13 reduce the starting balance going into the 2013 - 2015 biennium by \$27.2 million, while the overall reduction to the budget reduces the minimum reserve requirement for the end of the biennium by \$8.8 million, for a total effect on the shortfall of \$18.4 million.

This would require major reductions in spending compared to LFO's projections.

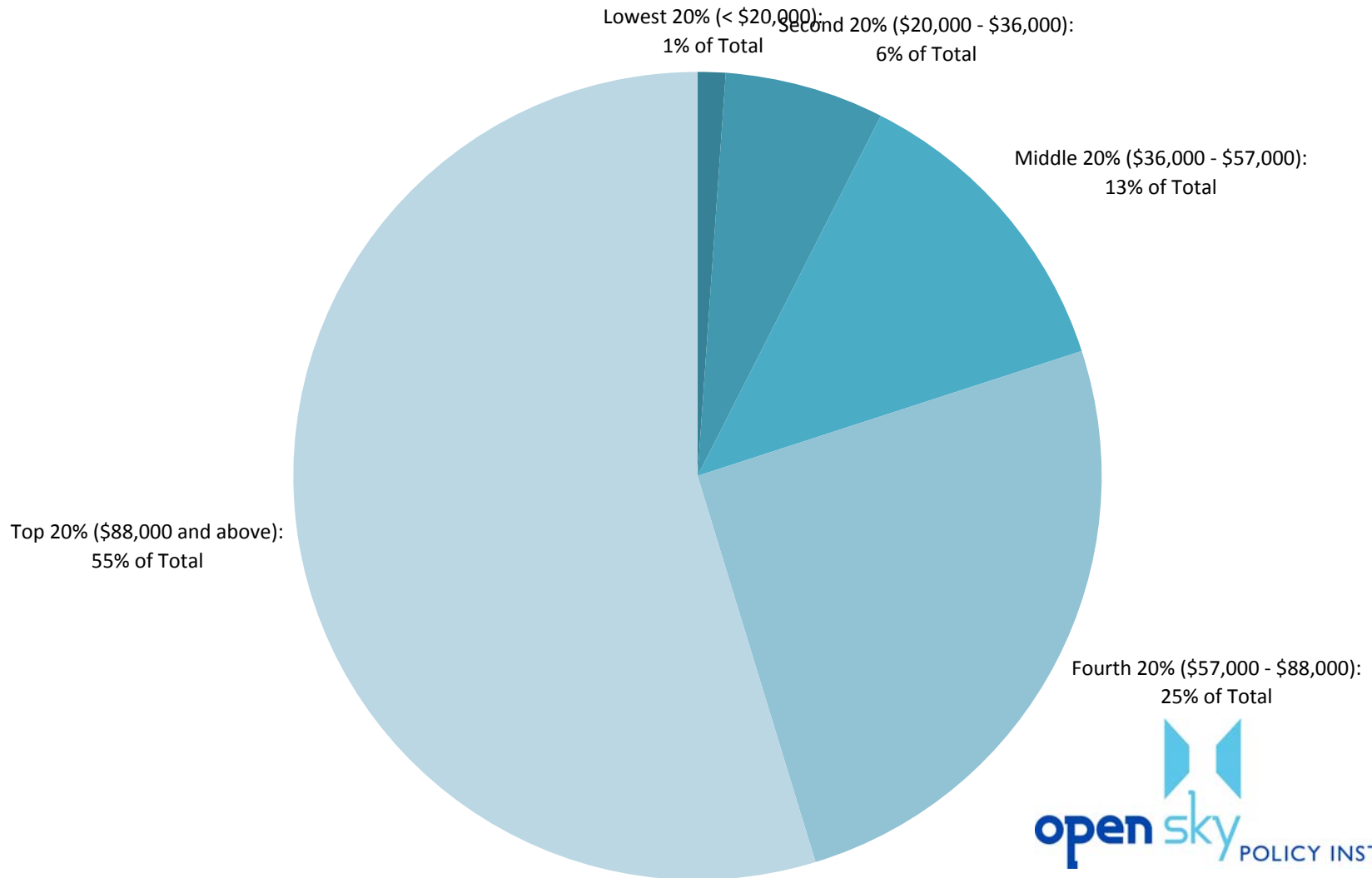
	LFO January Estimate		With LB 970		Difference		
	FY14	FY15	FY14	FY15	FY14	FY15	Biennial Total
TEEOSA School Aid Revisions:	\$80.1	\$131.9	-\$50.7	-\$50.7	\$130.8	\$182.6	\$313.4
Mid-biennium requests:	\$17.4	\$17.4	\$10.9	\$10.9	\$6.5	\$6.5	\$13.0
Other Projected budget increases:	\$221.0	\$388.8	\$99.0	\$200.0	\$122.0	\$188.8	\$310.8
Amount above minimum reserve:				\$0.7		-\$0.7	-\$0.7
Total Change:	\$318.5	\$538.1	\$59.2	\$160.9	\$259.3	\$377.2	\$636.5

Source: Nebraska Legislative Fiscal Office General Fund Financial Status, January 20th, 2012.



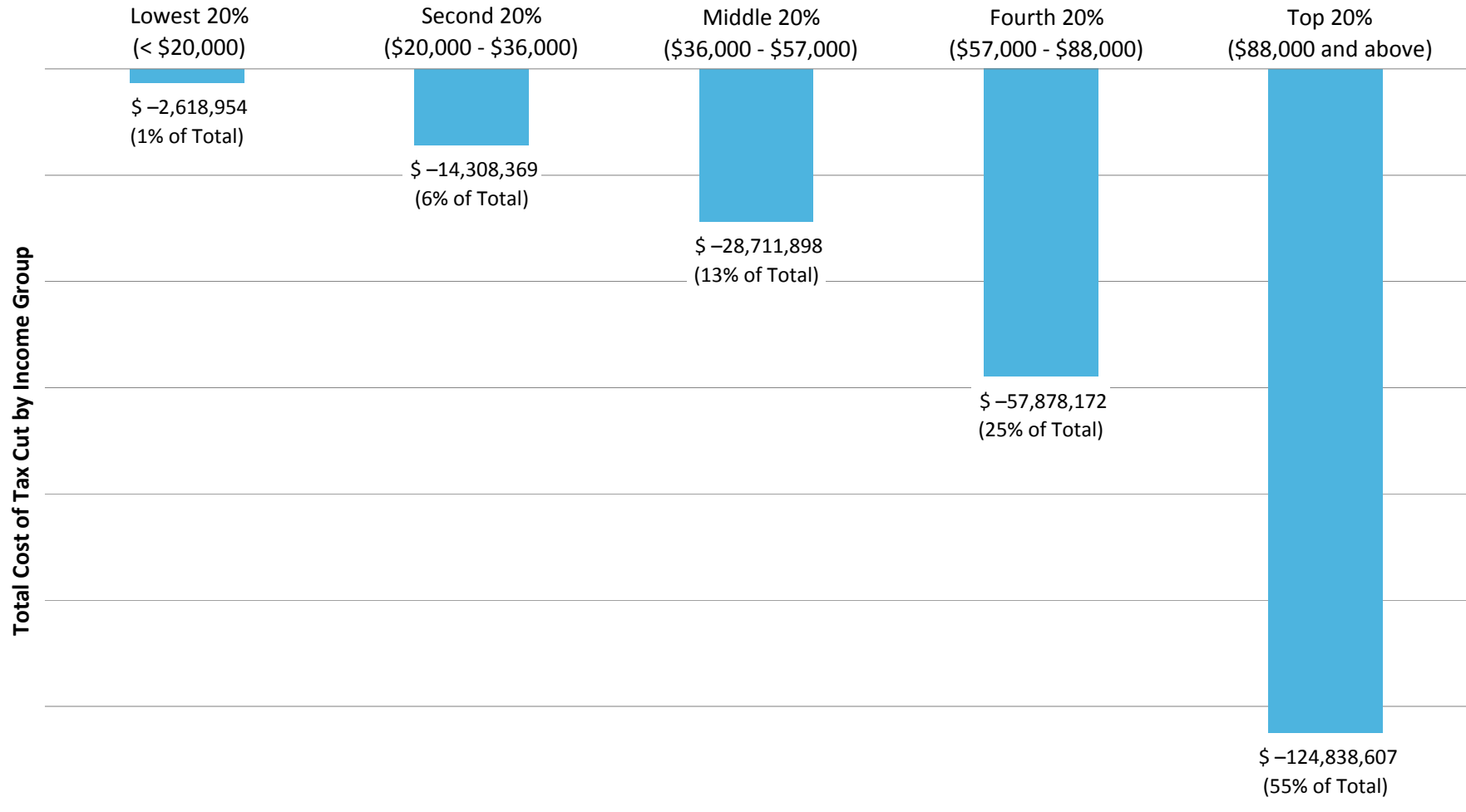
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Majority of Personal Income Tax Cuts in LB 970 Would Go to Wealthiest Nebraskans



*Based on an analysis using 2011 income levels. Assumes the distribution of the tax cut by income group remains constant through 2015.
Data Sources: Nebraska Department of Administrative Services Budget Division, and Institute for Taxation and Economic Policy

Estimated Cost of Proposed Personal Income Tax Cuts in LB 970 by Income Group, 2013 - 2015 Biennium



*Based on an analysis using 2011 income levels. Assumes the distribution of the tax cut by income group remains constant through 2015.

Data Sources: Nebraska Department of Administrative Services Budget Division, and Institute for Taxation and Economic Policy