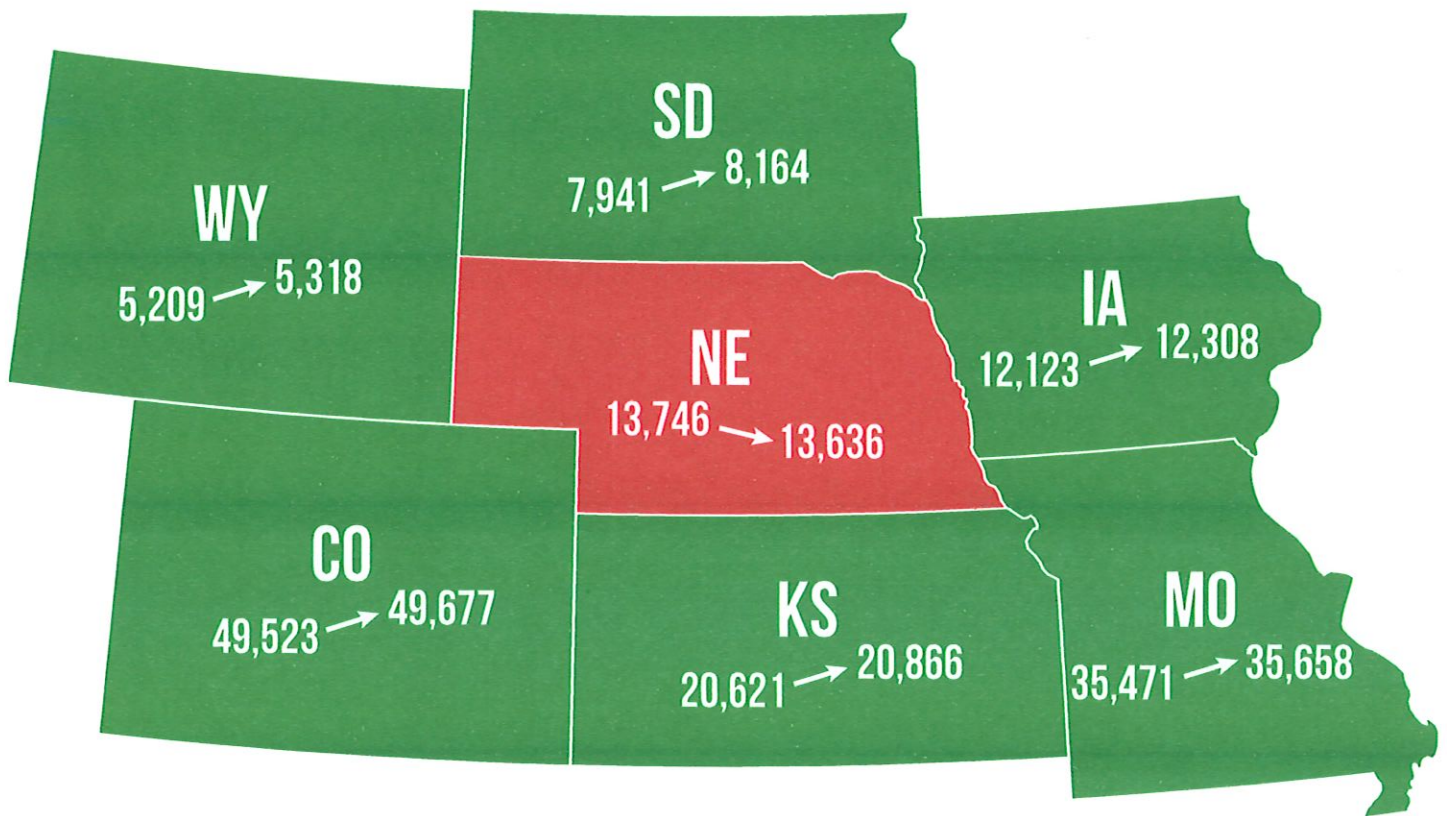


LB 153

WOULD EXEMPT **50%** OF
MILITARY RETIREMENT PAY
FROM NEBRASKA INCOME TAX

COMPARED WITH OUR NEIGHBORS, NEBRASKA IS THE ONLY STATE TO SHOW A
DECREASE IN MILITARY RETIREES



IN FISCAL YEAR 2018 . . .

MILITARY RETIREMENT SYSTEM
PAYMENTS TO NEBRASKA'S
MILITARY RETIREES HAD A
TOTAL ECONOMIC IMPACT OF

\$401.3 MILLION

RETIREMENT AND PENSION SPENDING BY
NEBRASKA'S MILITARY RETIREES GENERATE

3,021 NEW JOBS

IN NEBRASKA, RESULTING IN

\$123.5 MILLION

IN COMPENSATION TO NEBRASKA WORKERS

Executive Summary of Legislative Bill 153

- LB 153 changes provisions relating to the taxation of military retirement benefits. It is designed to exempt 50% of military retirement pay from Nebraska income tax. This bill would simplify and expand Nebraska's current exemption.
- LB 153 was introduced by Senator Brewer at the request of the Governor on January 11, 2019. Tax relief for veterans receiving military retirement pay was recommended by the Governor and presented in the State of Nebraska's Executive Budget for the 2019-2021 Biennium on January 15, 2019.¹ LB 153 was referred to the Revenue Committee for a hearing on February 7, 2019, and prioritized by Senator Lowe on March 19, 2019. The bill was voted out of the Revenue Committee and placed on General File May 16, 2019.
- The Commission on Military and Veteran Affairs recommended that the State of Nebraska "Provide tax relief to retired military personnel to encourage military retirees to live and work in Nebraska" in 2017,² 2018,³ and 2019.⁴
- In fiscal year 2018, military retirement system payments to Nebraska's military retirees had a total economic impact of \$401.3 million in terms of output (business sales).⁵ These military retirement system payments generate \$123.5 million in employee compensation paid to workers in 3,021 jobs.⁶
- As of September 30, 2018, there were 13,636 military retirees paid by the Department of Defense in Nebraska.⁷
- Nebraska provided partial tax relief to retired military personnel to encourage military retirees to live and work in Nebraska through the passage of LB 987 in 2014. A Nebraskan can elect to exclude military retirement payments from Nebraska taxable income through two options. Option 1 provides an exemption of 40% of military retirement income for seven consecutive years beginning with the year in which the election is made. Option 2 provides an exemption of 15% of military retirement income for all taxable years beginning with the year in which the retiree turns 67 years of age.
- For tax year 2018, \$9,237,155 has been deducted from 526 returns under the current exemption. Presuming that all of the filers were in the top state income tax bracket of 6.84%, the maximum impact to the general fund would equal 6.84% of the total amount deducted (or \$631,821).⁸

¹ State of Nebraska, Executive Budget, 2019-2021 Biennium. (January 15, 2019). Available: <https://budget.nebraska.gov/assets/Entire%20Executive%20Budget%20Book%20-%202019-2021.pdf>

² Commission on Military and Veteran Affairs, Annual Report. (November 15, 2017). Available:

https://nebraskalegislature.gov/FloorDocs/105/PDF/Agencies/Veterans_Affairs_Department_Of/610_20171120-163741.pdf

³ Commission on Military and Veteran Affairs, Annual Report. (November 15, 2018). Available:

https://nebraskalegislature.gov/FloorDocs/105/PDF/Agencies/Veterans_Affairs_Department_Of/610_20181115-103419.pdf

⁴ Commission on Military and Veteran Affairs, Annual Report. (November 15, 2019). Available:

https://nebraskalegislature.gov/FloorDocs/106/PDF/Agencies/Veterans_Affairs_Department_Of/610_20191115-104724.pdf

⁵ Ibid, pages 50-51.

⁶ Ibid, pages 50-51.

⁷ Department of Defense, Office of the Actuary, Statistical Report on the Military Retirement System. (September 30, 2018). Page 24. Available:

https://actuary.defense.gov/Portals/15/Documents/MRS_StatRpt_2018%20v5.pdf?ver=2019-05-14-220629-787

⁸ Commission on Military and Veteran Affairs, Annual Report. (November 15, 2019). Pages 14-15. Available:

https://nebraskalegislature.gov/FloorDocs/106/PDF/Agencies/Veterans_Affairs_Department_Of/610_20191115-104724.pdf