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DEPARTMENT OF REVENUE

Effects of the Coronavirus Aid, Relief, and Economic Security Act on the State of Nebraska's Tax Revenue

Prepared by the
Nebraska Department of Revenue

May 27, 2020

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DEPARTMENT OF REVENUE

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Pete Ricketts, Governor

Honorable Pete Ricketts
Governor of Nebraska

Senator Jim Scheer
Speaker of the Legislature

Senator Mike Hilgers
Chairperson of the Executive Board of the Legislative Council

Senator Lou Ann Linehan
Chairperson of the Revenue Committee

Senator John Stinner
Chairperson of the Appropriations Committee

Tom Bergquist
Legislative Fiscal Analyst

Dear Governor, Speaker, Senators, et al.:

I am pleased to present you the report *Effects of the Coronavirus Aid, Relief, and Economic Security Act on the State of Nebraska's Tax Revenue*.

The report is made pursuant to Neb. Rev. Stat. § 77-27,222, which requires the Department of Revenue to issue a report to the Governor, the Legislative Fiscal Analyst and select members of the Legislature within 60 days after a change in the Internal Revenue Code, detailing the changes to the IRC and the impact of the changes on state income tax revenues and various classes and types of taxpayers. On March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief, and Economic Security Act. This report addresses its impact on the State.

Sincerely,

Tony Fulton

Tony Fulton
Tax Commissioner

Tony Fulton, Tax Commissioner
revenue.nebraska.gov

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The Impact of the Federal Coronavirus Aid, Relief, and Economic Security Act and Its Impact on Nebraska Tax Receipts

On March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which amended several provisions in the federal tax code with the intent to provide economic relief to individuals and businesses impacted by the global COVID-19 pandemic. Nebraska is a state of rolling conformity to the federal tax code, hence any changes in the federal tax code can affect the Nebraska Revenue Act of 1967, thereby influencing Nebraska tax receipts. This report summarizes the major provisions of the CARES Act and its impact on Nebraska tax receipts. First, the report discusses the changes from the CARES Act that affect Nebraska individual income tax receipts. Second, the report discusses the changes in the CARES Act that affect Nebraska business income tax receipts. Unless otherwise noted, the provisions addressed in this report are effective for tax year 2020 only.

This report was prepared pursuant to Neb. Rev. Stat. § 77-27,222, which requires the Nebraska Department of Revenue (DOR) to issue a report to the Governor and the Legislature within 60 days after a change in the Internal Revenue Code of 1986 (IRC), as amended, detailing the changes to the IRC and the impact of the changes on state income tax revenues if more than $5 million, and on various classes and types of taxpayers.

Individual Income Tax

In this section, DOR discusses the following major items related to the changes in the taxation of Individuals under the CARES Act and how it would impact Nebraska's individual income tax receipts:

- Creates a new, temporary, above-the-line deduction for charitable contributions not to exceed $300;
- Temporarily increases the limitation on itemized deductions for qualified charitable contributions made by an individual income taxpayer in calendar year 2020;
- Creates a new temporary exclusion for employer payments of employees' student loans;
- Modifies net operating loss (NOL) provisions to temporarily suspend the limitation based on taxable income and allows a five-year NOL carryback period;
- Implements special rules for retirement funds for (1) coronavirus-related distributions, and (2) loans to qualified individuals from employer-sponsored retirement plans; and
- Temporarily waives the required minimum distribution rules for certain retirement plans and accounts for calendar year 2020.

Nebraska individual income tax starts with federal adjusted gross income (AGI) and federal itemized deductions. As such, any changes to the federal tax code that change the component and/or computation of federal AGI and itemized deductions will flow through to the Nebraska income tax, possibly impacting Nebraska's individual income tax receipts. The following sections examine each of the changes listed above and determines whether each item increases, decreases, or has no impact on Nebraska individual income tax receipts, and the resulting effects on Nebraska tax receipts.

Temporary Above-the-Line Charitable Contribution Deduction

For tax year 2020 only, the CARES Act allows single individuals, heads of household, and married, filing jointly filers who do not itemize their deductions to take an above-the-line deduction not to exceed $300 for cash contributions made to qualifying charitable organizations, as defined in IRC § 170(b)(1)(A), other than contributions to supporting organizations as defined in § 509(a)(3) and donor advised funds as defined in § 4966(d)(2). Contributions of noncash property, such as securities, are not qualified contributions. Because this charitable contribution deduction decreases individual taxpayers' federal AGI, it will decrease Nebraska individual income tax receipts.

Temporarily Increases the Limitation on Itemized Deduction for Qualified Charitable Contributions

Instead of taking the federal standard deduction, an individual may elect to take his or her federal itemized deductions. Those who itemize for federal income tax purposes may, for Nebraska tax purposes, take the greater of the Nebraska modified federal itemized deductions or the Nebraska standard deduction.

For individual taxpayers, the federal itemized deduction for charitable contributions is generally subject to percentage limitations based on the taxpayer's contribution base, and the percentage limitation may vary depending on the type of recipient organization and the property contributed. In addition, the contribution base is defined under the IRC as the taxpayer's AGI computed without regard to any NOL carryback.

The CARES Act increases the percentage limitation and allows a deduction for qualified charitable contributions by an individual income taxpayer up to 100% of the taxpayer's contribution base for cash contributions made during calendar year 2020 to qualifying charitable organizations, as defined in § 170(b)(1)(A), other than contributions to organizations described in § 509(a)(3) and donor advised funds as defined in § 4966(d)(2). Contributions of noncash property, such as securities, are not qualified contributions. Taxpayers must elect to apply the increased deduction.

The CARES Act increase of the percentage limitation on the itemized deduction for qualified charitable contributions in calendar year 2020, will result in more deductions and less taxable income, which will cause a decrease in Nebraska's individual income tax receipts.

Temporary Exclusion for Employer-Paid Student Loan Payments

Under the IRC, individual taxpayers may claim an exclusion from gross income for certain employer-provided educational assistance up to $5,250. The exclusion from gross income does not apply to payments by an employer to or on behalf of its employee on an education loan incurred by the employee. As a result, the amount of an employer's payments on student loans of employees are includible in the employee's taxable wages.

The CARES Act expands the definition of "educational assistance," and provides an exclusion of up to $5,250 from gross income of an employee for certain payments made by an employer after March 27, 2020 and before January 1, 2021 to a lender or the employee on a qualified student loan of the employee. The employee cannot claim a deduction for the interest paid by the employer under this new provision. The exclusion will decrease individual income taxpayers' federal AGI, which will decrease individual income tax receipts in Nebraska.

Modifications of NOLs

An NOL generally means the amount by which a taxpayer's current-year business deductions exceeded its current-year gross income. Under prior law, NOLs could not be deducted in the year generated, but could be carried back two years and carried forward 20 years to offset taxable income in those years.

The Tax Cuts and Jobs Act of 2017 (TCJA) amended the federal NOL provisions to provide that taxpayers may deduct an NOL carryover or carryback only to the extent of 80% of the taxpayer's taxable income (determined without regard to the NOL deduction). In addition, the TCJA generally repealed all carrybacks but provided a special one-year carryback for small businesses and farms in the case of certain casualty and disaster losses. However, taxpayers could carryforward unused NOLs indefinitely.

The CARES Act made several amendments to the federal NOL provisions. The CARES Act provides that any NOLs arising in taxable years beginning in 2018, 2019, and 2020 (taxable years beginning after December 31, 2017 and before January 1, 2021), must be carried back to the five taxable years preceding the taxable year of the loss unless the taxpayer elects to waive the entire five-year carryback. Special rules apply to real estate investment trusts and life insurance companies. In addition, taxpayers cannot use an NOL carryback to offset IRC § 965 income. Taxpayers may elect to exclude from its NOL five-year carryback period any taxable year to which § 965 applies.

The CARES Act does not change the indefinite carryforward of NOLs enacted under the TCJA. But the CARES Act suspends the application of the 80% taxable income limitation for tax years beginning in 2018, 2019, and 2020. For tax years beginning in 2021, the CARES Act reinstates the 80% limitation to NOLs arising in tax years beginning after December 31, 2017, carried to such taxable year. In addition, the CARES Act clarifies that the 80% taxable income limitation is calculated without regard to the deductions allowable under sections 172, 199A, and 250 of the Internal Revenue Code.

The CARES Act made a technical correction to an effective date error in the TCJA. A technical correction is effective as if included in the TCJA. The TCJA stated that the termination of the prior NOL carryforward and carryback rules applied to NOLs arising in tax years ending after December 31, 2017. The CARES Act clarifies that the termination date applies to tax years beginning after December 31, 2017. As a result, 2017-2018 fiscal year taxpayers may be eligible to claim a two-year NOL carryback.

Under Nebraska law, individuals have the same NOL carryback and carryforward periods as permitted for federal NOLs. In addition, an individual income taxpayer must apply the Nebraska NOL in the same manner as the federal NOL. The allowance of the five-year carryback period for federal NOLs arising in tax years beginning in 2018, 2019, and 2020 will decrease taxable income, and result in a decrease in Nebraska individual income tax receipts. The allowance of a two-year carryback of NOLs incurred in 2017-2018 fiscal years may result in a decrease in taxable income and Nebraska tax receipts for fiscal year filers. The suspension of the 80% taxable income limitation on the NOL deduction for tax years beginning in 2018, 2019, and 2020 will decrease Nebraska individual income tax receipts, as well.

Implements special rules for retirement funds

1. Coronavirus-related distributions from qualified retirement plans.

Under the CARES Act, qualifying individuals may take coronavirus-related distributions on or after January 1, 2020 and before December 31, 2020 of up to $100,000 from qualified retirement plans without being subject to the 10% early distribution penalty. Qualified plans include an IRC § 403(b) plan, governmental § 457(b) plan, or an Individual Retirement Account (IRA). A qualifying individual is an individual who is, or whose spouse is, infected with COVID-19 or is affected financially by the pandemic.

Any amount of the coronavirus-related distribution required to be included in income may be included in income ratably over a three-year period beginning with the year of distribution, unless the individual elects not to apply the ratable inclusion. Qualifying individuals may choose to recontribute amounts up to the coronavirus-related distribution in an eligible qualified plan and have the amounts treated as a direct rollover. Any amount recontributed and treated as a rollover in an eligible qualified plan within the three-year period is not includible in income.

Because distributions from retirement plans constitute gross income, coronavirus-related distributions by a qualified individual that are required to be included in income could cause an increase in Nebraska individual income tax receipts. However, any amounts recontributed to eligible qualified plans by the individual over the three-year period will have no impact on Nebraska individual income tax receipts.

2. Loans to qualified individuals from employer-sponsored retirement plans.

The CARES Act increases the threshold limit on loans made within 180 days of March 27, 2020 (date of the CARES Act enactment) from an employer-sponsored retirement plan for qualifying individuals impacted by COVID-19 to the lesser of $100,000 or the present value of the nonforfeitable accrued benefit of the employee under the plan. Qualifying individuals with a loan repayment on an outstanding loan due after March 27, 2020 and before December 31, 2020, will have the payment due date delayed one year (or, if later, until the date which is 180 days after the date of the enactment of the CARES Act), any later payments are accordingly adjusted.

Delaying payments on loans from retirement accounts to qualified individuals, also delays deeming any unpaid payments on the loan as a distribution, which would subject the amounts to tax as though it was an actual distribution and to the 10% early withdrawal penalty tax. Delays in treating the unpaid loans as distributions could delay imposing Nebraska income taxes on any resulting deemed distribution, i.e., treating the distribution as taxable income subject to the early withdrawal penalty and to Nebraska income tax as taxable income.

Temporarily waives the required minimum distribution rules for certain retirement plans and accounts for calendar year 2020

Employer-provided retirement plans and IRAs are subject to required minimum distribution (RMD) rules. Generally, a plan participant must start taking RMDs by April 1 of the calendar year following the calendar year in which the individual (employee or IRA owner) reaches age 72. Before January 1, 2020, individuals who attained age 70½ were required to begin minimum distributions by April 1 of the calendar year following the calendar year when the individual reached age 70½. For all subsequent years and the year in which the individual took the first RMD by April 1, the individual must take an RMD by December 31.

For calendar year 2020 only, the CARES Act waives the RMD requirements that generally apply to defined contribution retirement plans, including IRAs. Accordingly, plan participants and beneficiaries will not be required to take RMDs during 2020. Additionally, if the plan requires that the participant's full benefit under the plan be distributed by the end of the fifth year following the participant's death, 2020 is disregarded in determining the end of the five-year period.

Because distributions from qualified retirement plans constitute gross income, the RMD requirement waiver for calendar year 2020 will decrease individual income taxpayers' taxable income, and result in a decrease to Nebraska individual income tax receipts.

Estimates for Nebraska's Individual Income Tax Receipts Due to the CARES Act.

DOR employed various data sources to analyze the impact of the CARES Act on Nebraska individual income tax receipts. The data DOR utilized included DOR's internal individual income tax data, IHS macroeconomics forecasting service, data from the U.S. Department of Census, data from the Bureau of Economic Analysis, and estimates of the impact on the federal tax receipts done by the Joint Committee on Taxation (JCT). Using the listed data sources, DOR estimates the impact of the CARES Act on Nebraska individual income tax receipts for FY2020-21 through FY2022-23 as follows:

State Agency Estimate

State Agency Name: Department of Revenue

Approved by: Tony Fulton | Date Prepared: 5/27/2020 | Phone: 471-5896

	FY 2020-2021		FY 2021-2022		FY 2022-2023	
	Expenditures	**Revenue**	**Expenditures**	**Revenue**	**Expenditures**	**Revenue**
General Funds		($27,000,000)		$3,0000,000		$4,000,000
Cash Funds						
Federal Funds						
Other Funds						
Total Funds		($27,000,000)		$3,000,000		$4,000,000

Note that most of the changes are temporary and for tax year 2020, hence the reduction in income tax receipts will come in the form of reduced final payments or increased refunds when taxpayers file their 2020 taxes in the first half of 2021.

Business Income Tax

In this section, DOR discusses the following major items related to the changes in the taxation of corporations and businesses other than corporations under the CARES Act and how it would impact Nebraska's corporation and business income tax receipts:

- Refundable employee retention credit for employers subject to full or partial closure due to COVID-19;
- Permits delayed payments of employer payroll taxes;
- Paycheck Protection Program Loan Forgiveness;
- Modification of NOL provisions;
- Temporarily increases deduction for qualified charitable contribution by corporations made in calendar year 2020;
- Temporarily increases deduction for food inventory charitable contribution by corporations and non-corporate businesses;
- Modifies credit for prior year minimum tax liability for corporations;
- Modifies the limitation on losses for taxpayers other than corporations;
- Temporarily increases limitation on business interest expenses; and
- Retroactively amends the definition of qualified improvement property.

Refundable Employee Retention Credits

The CARES Act allows eligible employers to claim a refundable credit against the employer's portion of employment taxes (Old-Age, Survivors, and Disability Insurance tax under IRC § 3111(a) or the Railroad Retirement Tax Act under IRC § 3221(a)) for each calendar quarter in an amount up to 50% of the qualified wages paid to each employee in the applicable calendar quarter.

An eligible employer means any employer that was carrying on a trade or business during calendar year 2020 who meets either (1) the governmental order test, or (2) the reduced gross receipts test. The governmental order test requires that a governmental order fully or partially suspended the employer's operational trade or business due to COVID-19. To meet the reduced gross receipts test, the employer must have experienced a significant decline in gross receipts, meaning the employer experienced a 50% decline in gross receipts for any calendar quarter in 2020 as compared to the same calendar quarter in 2019. A significant decline in gross receipts ends either with the first calendar quarter of 2021, or with the first calendar quarter in 2020 after the calendar quarter where the employer's quarterly gross receipts are greater than 80% for the same calendar quarter in 2019. A section 501(c) organization may qualify as an eligible employer.

The determination of qualified wages depends on the average number of full-time employees (defined in section 4980H of the IRC) the eligible employer had during 2019.

- For eligible employers that averaged 100 or fewer full-time employees in 2019, qualified wages are wages paid to any employee during any period in the calendar quarter when the eligible employer met either the governmental order test or the reduced gross receipts test.
- For eligible employers that averaged more than 100 full-time employees in 2019, qualified wages are paid to an employee for the time that the employee does not provide services because the employer met either the governmental order test or the significant decline in gross receipts test. The wages paid cannot exceed the amount such employee would have been paid for working an equivalent duration during the 30 days immediately preceding the period in which the eligible employer met either test.

The credit applies to qualified wages paid after March 12, 2020 and before January 1, 2021. Qualified wages include payment of health plan expenses properly allocable to qualified wages. The CARES Act limits the amount of the credit for qualified wages to $10,000 per employee for all calendar quarters. Consequently, the maximum credit an eligible employer may claim per employee is $5,000 for all calendar quarters.

The amount of the credit allowed for any calendar quarter cannot be more than the employment taxes imposed on the employer, reduced by any allowed credits for qualified veteran employment under IRC § 3111(e), qualified small business research expenditures under IRC § 3111(f), and required paid sick leave and family leave under the Families First Coronavirus Response Act §§ 7001 and 7003. If the calculated amount of the employee retention credit is more than the employer's portion of employment taxes for the calendar quarter, the difference is treated as an overpayment and is refunded to the employer.

The allowance of the refundable employee retention credit to eligible employers will result in an increase in taxable income, and cause an increase in Nebraska tax receipts.

Permits Delayed Payments of Employer Payroll Taxes

Under the CARES Act, employers may defer paying their portion of payroll taxes during the period beginning on March 27, 2020, and ending December 31, 2020. Employers may defer paying their portion of payroll taxes incurred and 50% of payroll taxes incurred for OASDI by self-employed individuals during this period. To have the deferred payments treated as timely made, employers must pay 50% of the deferred payments on December 31, 2021; and the remaining 50% on December 31, 2022. The deferral period does not apply to taxpayers that had a debt forgiven under the Paycheck Protection Program or the United States Treasury Management Authority provisions of the CARES Act. The delayed payments of the employer's portion of federal payroll taxes will not impact Nebraska tax receipts.

Paycheck Protection Program Loan Forgiveness

The CARES Act established the Paycheck Protection Program to provide loans to small businesses for assistance in covering expenses incurred as a result of the economic challenges of the COVID-19 pandemic. Loan amounts used to cover payroll and employee health insurance costs, mortgage or rent obligations, and certain utility payments between February 15, 2020 and June 30, 2020 may be forgiven. The forgiven amounts are considered canceled indebtedness. Any forgiven loan amount that would otherwise be included in gross income of the loan recipient, is excluded from gross income.

Generally, IRC § 162 allows a deduction for all ordinary and necessary expenses paid or incurred in a trade or business during the taxable year. However, no deduction is allowed if the payment of the eligible expenses results in the forgiveness of a Paycheck Protection Program loan.

The forgiven Paycheck Protection Program loans will not impact Nebraska receipts. However, the disallowance of the ordinary and necessary expense deduction based on the forgiven loans will cause a decrease in deductions, an increase in taxable income, and an increase in Nebraska income tax receipts; however, the estimates of the increases are indeterminable.

Modification of NOLs

The federal NOL provisions and the CARES Act changes were discussed in depth within the Nebraska individual income tax section. The CARES Act will impact Nebraska corporation income tax receipts because, depending on the year of loss, Nebraska law permits corporations to carryforward NOLs for a specified number of tax years succeeding the year of loss. That said, Nebraska law does not allow corporations to carryback NOLs. See Neb. Rev. Stat. § 77-2734.07.

The CARES Act suspension of the 80% taxable income limitation on the NOL deduction for tax years beginning after December 31, 2017 and before January 1, 2021 will generally decrease Nebraska's corporation income tax receipts, all else being equal.

Deduction for Qualified Charitable Contributions by Corporations

Before the CARES Act, corporations were allowed a deduction for charitable contributions up to 10% of the corporation's taxable income, subject to certain modifications.

The CARES Act allows a deduction by corporations up to 25% of the taxpayer's taxable income for qualified cash charitable contributions made to qualifying charitable organizations during calendar year 2020. Contributions of noncash property, such as securities, are not qualified contributions. Taxpayers must elect to have contributions treated as qualified contributions. If a corporation's contributions exceed the 25% limitation, the excess contributions may be carried over to the next five tax years.

The increased percentage limitation for corporate charitable contributions results in more deductions and a decrease to corporate taxpayers' taxable income, resulting in a decrease to Nebraska corporate income tax receipts.

Deduction for Food Inventory Charitable Contributions by Non-Corporate Taxpayers and Corporations

Any taxpayer engaged in a trade or business, whether or not a C corporation, is eligible to claim a deduction for donations of food inventory under IRC § 170(e)(3)(C). For taxpayers other than C corporations, the total deduction for donations of food inventory generally may not exceed 15% of the taxpayer's net income for such taxable year from all sole proprietorships, S corporations, or partnerships from which contributions of food are made. For C corporations, food inventory contributions are subject to a 15% of taxable income (as modified) limitation.

For food inventory contributions made during 2020, the CARES Act increases the limitation to 25% for both C corporations and non-C corporations. Any excess food inventory contributions may be carried forward and treated as qualifying contributions in each of the following five taxable years.

The increased limitation on the deduction for charitable contributions of food inventory will generally result in more deductions and decrease taxable income, thereby decreasing Nebraska income tax receipts.

Modifies Credit for Prior Year Minimum Tax Liability for Corporations

Nebraska does not impose a corporate minimum tax or allow a corporate minimum tax credit. A refund of the federal minimum tax is not included in gross income. This change in federal law has no effect on Nebraska tax receipts.

Modifies Limitation on Losses for Taxpayers Other than Corporations

Before the CARES Act, an excess business loss of a taxpayer other than a corporation was not allowed beginning in tax years after December 31, 2017 and before January 1, 2026. Generally, an excess business loss for a tax year is the excess of aggregate deductions of the taxpayer attributable to its trades or businesses (determined without regard to the limitation of the provision) over the sum of aggregate gross income or gain attributable to trades or businesses for the current taxable year, plus a threshold amount. The disallowed excess business loss is treated as an NOL for the taxable year and may be carried forward to subsequent tax years. The IRC contains a similar limitation for excess farm losses of noncorporate farming businesses.

The CARES Act clarifies that excess business losses will not be allowed for tax years beginning after December 31, 2020, and before January 1, 2026. As a result, the excess business loss limitation no longer applies in tax years beginning in 2018, 2019, and 2020. In addition, the excess farm loss limitation is removed for any tax year beginning after December 31, 2017 and before January 1, 2026.

The removal of the excess business loss and excess farm loss limitations for noncorporate taxpayers increases the amount of losses the taxpayer may recognize in these years and allows taxpayers to recognize more deductions related to such losses, resulting in a decrease in taxable income, and decrease in Nebraska income tax receipts for noncorporate taxpayers. Because this change impacts noncorporate taxpayers, it will have an impact on Nebraska individual income tax receipts.

Limitation on Deduction of Business Interest Expense

Before the TCJA, business interest paid generally was allowed as a deduction in the taxable year in which the interest was paid or accrued. The TCJA limited the deduction for interest paid to no more than 30% of adjusted taxable income plus business interest income.

Under the CARES Act, the business interest deduction limitation generally increases to 50% of adjusted taxable income for all taxpayers, except partnerships, for tax years beginning in 2019 and 2020. For tax year 2020 only, taxpayers may elect to use their 2019 adjusted taxable income in calculating their 2020 excess business interest deduction.

Partnerships must use the 30% adjusted taxable income limitation in tax year 2019 but are allowed the 50% limitation in tax year 2020. Partnerships may use their 2019 adjusted taxable income in tax year 2020.

The temporary increase in the allowable deduction limitation for business interest decreases taxable income and, therefore, decreases Nebraska income tax receipts, all else being equal.

Retroactively Amends Definition of Qualified Improvement Property

Under the TCJA, qualified improvement property generally meant any improvement made to an interior portion of a building which is nonresidential real property if such improvement is placed in service after the date such building was first placed in service. Improvements related to enlarging the building, any elevator or escalator, or the internal structural framework of the building are not qualified improvement property. This type of property is generally required to be depreciated using the straight line method with a half year convention. Under prior law, the class life of this property was 39 years under MACRS and 40 years under ADS. Because the class life exceeded 20 years, qualified improvement property placed in service after December 31, 2017 was not eligible for 100% bonus depreciation.

The CARES Act made what the U.S. Congress considered technical corrections to clarify that qualified improvement property means an improvement made by the taxpayer. In addition, the CARES Act provided that qualified improvement property has a class life of 15 years under MACRS and 20 years under ADS. As technical corrections, the amendments apply as if included in the TCJA. A taxpayer may amend its returns to claim the additional depreciation using the straight line method or claim deduction for the entire cost of the property under the 100% bonus depreciation provisions. This change will increase the depreciation deduction, decrease taxable income, and decrease Nebraska tax receipts.

Estimates for Nebraska's Business Income Tax Receipts Due to the CARES Act.

Nebraska corporation income tax starts with Federal taxable income (FTI), and most of the changes under the CARES Act affect FTI. DOR does not have in-house data to analyze the fiscal impact of these changes. For that reason, DOR derived its estimates by utilizing the estimates provided by the Joint Committee on Taxation (JCT). DOR analyzed which provisions would impact the State the most and used the estimated fiscal impact at the federal level provided by the JCT. DOR then analyzed the tax base at the federal level relative to the Nebraska tax base to derive its estimates. The estimated decrease in Nebraska's business income tax receipts for tax fiscal year FY2020-21 through FY2022-23 due to the CARES Act are as follows:

State Agency Estimate						
State Agency Name: Department of Revenue						
Approved by: Tony Fulton		Date Prepared: 5/27/2020			Phone: 471-5896	
	FY 2020-2021		FY 2021-2022		FY 2022-2023	
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue
General Funds		($98,000,000)		($71,0000,000)		($61,000,000)
Cash Funds						
Federal Funds						
Other Funds						
Total Funds		($98,000,000)		($71,0000,000)		($61,000,000)

Summary

This discussion highlights the areas of the CARES Act that contribute most significantly to Nebraska's tax receipts; however, this report does not include all changes made by the CARES Act. For a complete list of changes, please refer to the federal legislation. Furthermore, this report does not include any analysis of federal tax liability. The estimated decrease in Nebraska's general fund revenues for fiscal years FY2020-2021 through FY2022-2023 due to the CARES Act are as follows:

State Agency Estimate						
State Agency Name: Department of Revenue						
Approved by: Tony Fulton		Date Prepared: 5/27/2020			Phone: 471-5896	
	FY 2020-2021		FY 2021-2022		FY 2022-2023	
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue
General Funds		($125,000,000)		($68,0000,000)		($57,000,000)
Cash Funds						
Federal Funds						
Other Funds						
Total Funds		($125,000,000)		($68,0000,000)		($57,000,000)