

LEGISLATURE OF NEBRASKA  
ONE HUNDRED FIFTH LEGISLATURE  
SECOND SESSION

**LEGISLATIVE BILL 1074**

Introduced by Vargas, 7.

Read first time January 17, 2018

Committee: Revenue

1 A BILL FOR AN ACT relating to revenue and taxation; to amend sections  
2 77-2715.03 and 77-2715.07, Revised Statutes Cumulative Supplement,  
3 2016; to change individual income tax brackets and rates; to impose  
4 an additional tax on certain income; to change provisions relating  
5 to an earned income tax credit; to harmonize provisions; and to  
6 repeal the original sections.

7 Be it enacted by the people of the State of Nebraska,

1 Section 1. Section 77-2715.03, Revised Statutes Cumulative  
2 Supplement, 2016, is amended to read:

3 77-2715.03 (1) For taxable years beginning or deemed to begin on or  
4 after January 1, 2013, and before January 1, 2014, the following brackets  
5 and rates are hereby established for the Nebraska individual income tax:

6 Individual Income Tax Brackets and Rates

7 Bracket	Single	Married,	Head of	Married,	Estates	Tax
8 Number	Individuals	Filing	Household	Filing	and	Rate
		Jointly		Separate	Trusts	
10 1	\$0-2,399	\$0-4,799	\$0-4,499	\$0-2,399	\$0-499	2.46%
11 2	\$2,400-	\$4,800-	\$4,500-	\$2,400-	\$500-	
12	17,499	34,999	27,999	17,499	4,699	3.51%
13 3	\$17,500-	\$35,000-	\$28,000-	\$17,500-	\$4,700-	
14	26,999	53,999	39,999	26,999	15,149	5.01%
15 4	\$27,000	\$54,000	\$40,000	\$27,000	\$15,150	
16	and Over	and Over	and Over	and Over	and Over	6.84%

17 (2) For taxable years beginning or deemed to begin on or after  
18 January 1, 2014, and before January 1, 2018, the following brackets and  
19 rates are hereby established for the Nebraska individual income tax:

20 Individual Income Tax Brackets and Rates

21 Bracket	Single	Married,	Head of	Married,	Estates	Tax
22 Number	Individuals	Filing	Household	Filing	and	Rate
		Jointly		Separate	Trusts	
24 1	\$0-2,999	\$0-5,999	\$0-5,599	\$0-2,999	\$0-499	2.46%
25 2	\$3,000-	\$6,000-	\$5,600-	\$3,000-	\$500-	
26	17,999	35,999	28,799	17,999	4,699	3.51%
27 3	\$18,000-	\$36,000-	\$28,800-	\$18,000-	\$4,700-	
28	28,999	57,999	42,999	28,999	15,149	5.01%
29 4	\$29,000	\$58,000	\$43,000	\$29,000	\$15,150	
30	and Over	and Over	and Over	and Over	and Over	6.84%

1       (3) For taxable years beginning or deemed to begin on or after  
2 January 1, 2018, the following brackets and rates are hereby established  
3 for the Nebraska individual income tax:

4                               Individual Income Tax Brackets and Rates

5 <u>Bracket</u>	<u>Single</u>	<u>Married,</u>	<u>Head of</u>	<u>Married,</u>	<u>Estates</u>	<u>Tax</u>
6 <u>Number</u>	<u>Individuals</u>	<u>Filing</u>	<u>Household</u>	<u>Filing</u>	<u>and</u>	<u>Rate</u>
7		<u>Jointly</u>		<u>Separate</u>	<u>Trusts</u>	
8 <u>1</u>	<u>\$0-3,149</u>	<u>\$0-6,289</u>	<u>\$0-5,869</u>	<u>\$0-3,149</u>	<u>\$0-499</u>	<u>2.46%</u>
9 <u>2</u>	<u>\$3,150-</u>	<u>\$6,290-</u>	<u>\$5,870-</u>	<u>\$3,150-</u>	<u>\$500-</u>	
10	<u>18,879</u>	<u>37,759</u>	<u>30,209</u>	<u>18,879</u>	<u>4,699</u>	<u>3.51%</u>
11 <u>3</u>	<u>\$18,880-</u>	<u>\$37,760-</u>	<u>\$30,210-</u>	<u>\$18,880-</u>	<u>\$4,700-</u>	
12	<u>37,499</u>	<u>74,999</u>	<u>56,249</u>	<u>37,499</u>	<u>15,149</u>	<u>5.01%</u>
13 <u>4</u>	<u>\$37,500-</u>	<u>\$75,000-</u>	<u>\$56,250-</u>	<u>\$37,500-</u>	<u>\$15,150</u>	
14	<u>99,999</u>	<u>199,999</u>	<u>149,999</u>	<u>99,999</u>	<u>and Over</u>	<u>6.84%</u>
15 <u>5</u>	<u>\$100,000</u>	<u>\$200,000</u>	<u>\$150,000</u>	<u>\$100,000</u>		
16	<u>and Over</u>	<u>and Over</u>	<u>and Over</u>	<u>and Over</u>		<u>7.84%</u>

17       (4) For taxable years beginning or deemed to begin on or after  
18 January 1, 2018, in addition to the tax calculated pursuant to subsection  
19 (3) of this section:

20       (a) A tax at the rate of one percent is imposed on that portion of  
21 the taxpayer's Nebraska taxable income in excess of one million dollars;  
22 and

23       (b) A tax at the rate of two percent is imposed on that portion of  
24 the taxpayer's Nebraska taxable income in excess of two million dollars.

25       (5)(a) (3)(a) For taxable years beginning or deemed to begin on or  
26 after January 1, 2019 2015, the minimum and maximum dollar amounts for  
27 each income tax bracket provided in subsection (3) (2) of this section  
28 and the income thresholds provided in subsection (4) of this section  
29 shall be adjusted for inflation by the percentage determined under  
30 subdivision (5)(b) (3)(b) of this section. The rate applicable to any  
31 such income tax bracket shall not be changed as part of any adjustment

1 under this subsection. The minimum and maximum dollar amounts for each  
2 income tax bracket and the income thresholds as adjusted shall be rounded  
3 to the nearest ten-dollar amount. If the adjusted amount for any income  
4 tax bracket or income threshold ends in a five, it shall be rounded up to  
5 the nearest ten-dollar amount.

6 (b) The Tax Commissioner shall adjust the income tax brackets and  
7 income thresholds by the percentage determined pursuant to the provisions  
8 of section 1(f) of the Internal Revenue Code of 1986, as amended, except  
9 that in section 1(f)(3)(B) of the code the year 2017 ~~2013~~ shall be  
10 substituted for the year 1992. For 2019 ~~2015~~, the Tax Commissioner shall  
11 then determine the percent change from the twelve months ending on August  
12 31, 2017 ~~2013~~, to the twelve months ending on August 31, 2018 ~~2014~~, and  
13 in each subsequent year, from the twelve months ending on August 31, 2017  
14 ~~2013~~, to the twelve months ending on August 31 of the year preceding the  
15 taxable year. The Tax Commissioner shall prescribe new tax rate schedules  
16 and income thresholds that apply in lieu of the schedules and thresholds  
17 set forth in subsections (3) and (4) ~~subsection (2)~~ of this section.

18 ~~(6) (4)~~ Whenever the tax brackets or tax rates are changed by the  
19 Legislature, the Tax Commissioner shall update the tax rate schedules to  
20 reflect the new tax brackets or tax rates and shall publish such updated  
21 schedules.

22 ~~(7) (5)~~ The Tax Commissioner shall prepare, from the rate schedules,  
23 tax tables which can be used by a majority of the taxpayers to determine  
24 their Nebraska tax liability. The design of the tax tables shall be  
25 determined by the Tax Commissioner. The size of the tax table brackets  
26 may change as the level of income changes. The difference in tax between  
27 two tax table brackets shall not exceed fifteen dollars. The Tax  
28 Commissioner may build the personal exemption credit and standard  
29 deduction amounts into the tax tables.

30 ~~(8) (6)~~ For taxable years beginning or deemed to begin on or after  
31 January 1, 2013, the tax rate applied to other federal taxes included in

1 the computation of the Nebraska individual income tax shall be 29.6  
2 percent.

3 (9) ~~(7)~~ The Tax Commissioner may require by rule and regulation that  
4 all taxpayers shall use the tax tables if their income is less than the  
5 maximum income included in the tax tables.

6 Sec. 2. Section 77-2715.07, Revised Statutes Cumulative Supplement,  
7 2016, is amended to read:

8 77-2715.07 (1) There shall be allowed to qualified resident  
9 individuals as a nonrefundable credit against the income tax imposed by  
10 the Nebraska Revenue Act of 1967:

11 (a) A credit equal to the federal credit allowed under section 22 of  
12 the Internal Revenue Code; and

13 (b) A credit for taxes paid to another state as provided in section  
14 77-2730.

15 (2) There shall be allowed to qualified resident individuals against  
16 the income tax imposed by the Nebraska Revenue Act of 1967:

17 (a) For returns filed reporting federal adjusted gross incomes of  
18 greater than twenty-nine thousand dollars, a nonrefundable credit equal  
19 to twenty-five percent of the federal credit allowed under section 21 of  
20 the Internal Revenue Code of 1986, as amended, except that for taxable  
21 years beginning or deemed to begin on or after January 1, 2015, such  
22 nonrefundable credit shall be allowed only if the individual would have  
23 received the federal credit allowed under section 21 of the code after  
24 adding back in any carryforward of a net operating loss that was deducted  
25 pursuant to such section in determining eligibility for the federal  
26 credit;

27 (b) For returns filed reporting federal adjusted gross income of  
28 twenty-nine thousand dollars or less, a refundable credit equal to a  
29 percentage of the federal credit allowable under section 21 of the  
30 Internal Revenue Code of 1986, as amended, whether or not the federal  
31 credit was limited by the federal tax liability. The percentage of the

1 federal credit shall be one hundred percent for incomes not greater than  
2 twenty-two thousand dollars, and the percentage shall be reduced by ten  
3 percent for each one thousand dollars, or fraction thereof, by which the  
4 reported federal adjusted gross income exceeds twenty-two thousand  
5 dollars, except that for taxable years beginning or deemed to begin on or  
6 after January 1, 2015, such refundable credit shall be allowed only if  
7 the individual would have received the federal credit allowed under  
8 section 21 of the code after adding back in any carryforward of a net  
9 operating loss that was deducted pursuant to such section in determining  
10 eligibility for the federal credit;

11 (c) A refundable credit as provided in section 77-5209.01 for  
12 individuals who qualify for an income tax credit as a qualified beginning  
13 farmer or livestock producer under the Beginning Farmer Tax Credit Act  
14 for all taxable years beginning or deemed to begin on or after January 1,  
15 2006, under the Internal Revenue Code of 1986, as amended;

16 (d) A refundable credit for individuals who qualify for an income  
17 tax credit under the Angel Investment Tax Credit Act, the Nebraska  
18 Advantage Microenterprise Tax Credit Act, the Nebraska Advantage Research  
19 and Development Act, or the Volunteer Emergency Responders Incentive Act;  
20 and

21 (e)(i) ~~(e)~~ A refundable credit equal to:

22 (A) Ten ~~ten~~ percent of the federal credit allowed under section 32  
23 of the Internal Revenue Code of 1986, as amended, for taxable years  
24 beginning or deemed to begin before January 1, 2018; and

25 (B) Twelve percent of the federal credit allowed under section 32 of  
26 the Internal Revenue Code of 1986, as amended, for taxable years  
27 beginning or deemed to begin on or after January 1, 2018.

28 (ii) For ~~except that for~~ taxable years beginning or deemed to begin  
29 on or after January 1, 2015, the such refundable credit provided in  
30 subdivision (2)(e)(i) of this section shall be allowed only if the  
31 individual would have received the federal credit allowed under section

1 32 of the code after adding back in any carryforward of a net operating  
2 loss that was deducted pursuant to such section in determining  
3 eligibility for the federal credit.

4 (3) There shall be allowed to all individuals as a nonrefundable  
5 credit against the income tax imposed by the Nebraska Revenue Act of  
6 1967:

7 (a) A credit for personal exemptions allowed under section  
8 77-2716.01;

9 (b) A credit for contributions to certified community betterment  
10 programs as provided in the Community Development Assistance Act. Each  
11 partner, each shareholder of an electing subchapter S corporation, each  
12 beneficiary of an estate or trust, or each member of a limited liability  
13 company shall report his or her share of the credit in the same manner  
14 and proportion as he or she reports the partnership, subchapter S  
15 corporation, estate, trust, or limited liability company income;

16 (c) A credit for investment in a biodiesel facility as provided in  
17 section 77-27,236;

18 (d) A credit as provided in the New Markets Job Growth Investment  
19 Act;

20 (e) A credit as provided in the Nebraska Job Creation and Mainstreet  
21 Revitalization Act;

22 (f) A credit to employers as provided in section 77-27,238; and

23 (g) A credit as provided in the Affordable Housing Tax Credit Act.

24 (4) There shall be allowed as a credit against the income tax  
25 imposed by the Nebraska Revenue Act of 1967:

26 (a) A credit to all resident estates and trusts for taxes paid to  
27 another state as provided in section 77-2730;

28 (b) A credit to all estates and trusts for contributions to  
29 certified community betterment programs as provided in the Community  
30 Development Assistance Act; and

31 (c) A refundable credit for individuals who qualify for an income

1 tax credit as an owner of agricultural assets under the Beginning Farmer  
2 Tax Credit Act for all taxable years beginning or deemed to begin on or  
3 after January 1, 2009, under the Internal Revenue Code of 1986, as  
4 amended. The credit allowed for each partner, shareholder, member, or  
5 beneficiary of a partnership, corporation, limited liability company, or  
6 estate or trust qualifying for an income tax credit as an owner of  
7 agricultural assets under the Beginning Farmer Tax Credit Act shall be  
8 equal to the partner's, shareholder's, member's, or beneficiary's portion  
9 of the amount of tax credit distributed pursuant to subsection (4) of  
10 section 77-5211.

11 (5)(a) For all taxable years beginning on or after January 1, 2007,  
12 and before January 1, 2009, under the Internal Revenue Code of 1986, as  
13 amended, there shall be allowed to each partner, shareholder, member, or  
14 beneficiary of a partnership, subchapter S corporation, limited liability  
15 company, or estate or trust a nonrefundable credit against the income tax  
16 imposed by the Nebraska Revenue Act of 1967 equal to fifty percent of the  
17 partner's, shareholder's, member's, or beneficiary's portion of the  
18 amount of franchise tax paid to the state under sections 77-3801 to  
19 77-3807 by a financial institution.

20 (b) For all taxable years beginning on or after January 1, 2009,  
21 under the Internal Revenue Code of 1986, as amended, there shall be  
22 allowed to each partner, shareholder, member, or beneficiary of a  
23 partnership, subchapter S corporation, limited liability company, or  
24 estate or trust a nonrefundable credit against the income tax imposed by  
25 the Nebraska Revenue Act of 1967 equal to the partner's, shareholder's,  
26 member's, or beneficiary's portion of the amount of franchise tax paid to  
27 the state under sections 77-3801 to 77-3807 by a financial institution.

28 (c) Each partner, shareholder, member, or beneficiary shall report  
29 his or her share of the credit in the same manner and proportion as he or  
30 she reports the partnership, subchapter S corporation, limited liability  
31 company, or estate or trust income. If any partner, shareholder, member,



1 or beneficiary cannot fully utilize the credit for that year, the credit  
2 may not be carried forward or back.

3 (6) There shall be allowed to all individuals nonrefundable credits  
4 against the income tax imposed by the Nebraska Revenue Act of 1967 as  
5 provided in section 77-3604 and refundable credits against the income tax  
6 imposed by the Nebraska Revenue Act of 1967 as provided in section  
7 77-3605.

8 Sec. 3. Original sections 77-2715.03 and 77-2715.07, Revised  
9 Statutes Cumulative Supplement, 2016, are repealed.