

**ONE HUNDRED SIXTH LEGISLATURE - FIRST SESSION - 2019**  
**COMMITTEE STATEMENT**  
**LB288**

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**Hearing Date:** Thursday February 14, 2019  
**Committee On:** Revenue  
**Introducer:** Linehan  
**One Liner:** Change income tax rates

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**Roll Call Vote - Final Committee Action:**  
Advanced to General File with amendment(s)

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**Vote Results:**

<b>Aye:</b>	6	Senators Briese, Groene, Kolterman, Lindstrom, Linehan, McCollister
<b>Nay:</b>	1	Senator Friesen
<b>Absent:</b>		
<b>Present Not Voting:</b>	1	Senator Crawford

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**Oral Testimony:**

<b>Proponents:</b> Senator Lou Ann Linehan	<b>Representing:</b> Introducer
<b>Opponents:</b>	<b>Representing:</b>
<b>Neutral:</b>	<b>Representing:</b>

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**Summary of purpose and/or changes:**

LB288 would change both the individual and the corporate income tax rates for tax years beginning or deemed to begin on or after January 1, 2020. The bill, as introduced, is a placeholder bill.

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**Explanation of amendments:**

AM 268

LB288, as introduced and heard on February 1, was a placeholder bill for income tax purposes. AM268 introduces new substantive subject matter and therefore requires a hearing.

The amendment addresses an issue created by the federal Tax Cut and Jobs Act ("TCJA") of 2017.

Nebraska allows a taxpayer who itemizes their deductions on the federal return to claim the same itemized deductions on their Nebraska return. However, under the TCJA, state and local taxes which were previously fully deductible are now capped at a total amount of \$10,000. For many Nebraska taxpayers, this means that they may not deduct the full amount of property taxes paid on their federal or Nebraska return.

The amendment would allow such taxpayers (estimated by the Department of Revenue to be between 35,000 and 40,000 returns) to fully deduct the property taxes paid on next year's Nebraska return. In addition, next year taxpayers could deduct the difference between property taxes paid and the capped amount on this year's federal and Nebraska return.

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No changes could be implemented for the current year; thus, the need to carry forward the difference between property taxes paid and the capped amount to next year.

AM 268 was heard on February 20, 2019

Testifiers:

Proponents:

Senator Lou Ann Linehan, Introducer

Opponents: NONE

Neutral: NONE

AM 974

Currently under federal law, a state may not impose an income tax on an out of state business whose sole contacts with the state are solicitation of sales of tangible personal property and such orders are fulfilled from outside the state. (Public Law 86-272 codified at 15 U.S.C. Sec. 381.)

However, out of state businesses that deal in other than sales of tangible personal property are not protected under this provision of federal law. Accordingly, an out of state business that deals in intangible property (licensing of tradenames, trademarks, software) or services has no protection.

Many states have imposed their income tax on such businesses for some time now. AM974 to LB288 would amend the definition of "engaged in business" for corporate income tax purpose. It would tax such businesses if their activities in Nebraska exceed \$500,000 in the previous or current calendar year.

AM 974 was heard on April 3, 2019

Testifiers:

Proponents:

Senator Lou Ann Linehan, Introducer

Stacy Watson, GNTC

Opponents: NONE

Neutral: Adam Thimmesch, Self

AM 1954

The amendment becomes the bill and provides as follows:

- Filers who itemize deductions on their federal return will be allowed to fully deduct their property taxes on their Nebraska return in spite of the federal limitation of \$10,000 for state and local taxes;
- Reinstates the Nebraska Additional Tax for married filing joint returns with federal adjusted gross income in excess of \$250,000 and \$200,000 for all other filers;
- Phases out the Nebraska Personal Exemption Credit in increments of 2% for all filers with federal adjusted gross income in excess of \$250,000;
- Subjects out-of-state corporations to the corporate income tax if they earn more than \$500,000 per calendar year from the sale of intangibles or services in this state; and
- Reduces the top corporate income tax rate by .10 per year over four years to bring the top marginal rate into conformity with the top individual marginal rate of 6.84%.

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Lou Ann Linehan, Chairperson