

LEGISLATURE OF NEBRASKA  
ONE HUNDRED SIXTH LEGISLATURE  
FIRST SESSION

**LEGISLATIVE BILL 614**

Introduced by Crawford, 45.

Read first time January 23, 2019

Committee: Revenue

1 A BILL FOR AN ACT relating to revenue and taxation; to amend sections  
2 77-202, 77-693, 77-801, 77-1238, 77-1248, 77-2602, 77-2704.24,  
3 77-2715.07, 77-2715.09, 77-2716, 77-2716.01, 77-2734.01, 79-1142,  
4 and 79-1145, Reissue Revised Statutes of Nebraska, and sections  
5 53-160, 53-187, 79-1001, 79-1003, 79-1005.01, 79-1007.11, and  
6 79-1017.01, Revised Statutes Cumulative Supplement, 2018; to  
7 increase an alcohol tax; to eliminate exemptions provided under the  
8 Personal Property Tax Relief Act; to increase the cigarette tax; to  
9 impose sales and use taxes on candy, soft drinks, and bottled water;  
10 to increase the earned income tax credit; to change provisions  
11 relating to certain extraordinary dividends and capital gains,  
12 certain small business corporation and limited liability company  
13 income, and itemized deductions; to provide for supplemental state  
14 aid, a property tax relief allowance, and increased allocated income  
15 tax funds under the Tax Equity and Educational Opportunities Support  
16 Act; to change provisions relating to reimbursement for special  
17 education; to require budget summaries as prescribed; to provide  
18 operative dates; to repeal the original sections; and to declare an  
19 emergency.

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

1 Section 1. Section 53-160, Revised Statutes Cumulative Supplement,  
2 2018, is amended to read:

3 53-160 (1) For the purpose of raising revenue, a tax is imposed upon  
4 the privilege of engaging in business as a manufacturer or a wholesaler  
5 at a rate of thirty-one cents per gallon on all beer; ninety-five cents  
6 per gallon for wine, except for wines produced and released from bond in  
7 farm wineries; six cents per gallon for wine produced and released from  
8 bond in farm wineries; and eight ~~three~~ dollars and two ~~seventy-five~~ cents  
9 per gallon on alcohol and spirits manufactured and sold by such  
10 manufacturer or shipped for sale in this state by such wholesaler in the  
11 course of such business. The gallonage tax imposed by this subsection  
12 shall be imposed only on alcoholic liquor upon which a federal excise tax  
13 is imposed.

14 (2) Manufacturers or wholesalers of alcoholic liquor shall be exempt  
15 from the payment of the gallonage tax on such alcoholic liquor upon  
16 satisfactory proof, including bills of lading furnished to the commission  
17 by affidavit or otherwise as the commission may require, that such  
18 alcoholic liquor was manufactured in this state but shipped out of the  
19 state for sale and consumption outside this state.

20 (3) Dry wines or fortified wines manufactured or shipped into this  
21 state solely and exclusively for sacramental purposes and uses shall not  
22 be subject to the gallonage tax.

23 (4) The gallonage tax shall not be imposed upon any alcoholic  
24 liquor, whether manufactured in or shipped into this state, when sold to  
25 a licensed nonbeverage user for use in the manufacture of any of the  
26 following when such products are unfit for beverage purposes: Patent and  
27 proprietary medicines and medicinal, antiseptic, and toilet preparations;  
28 flavoring extracts, syrups, food products, and confections or candy;  
29 scientific, industrial, and chemical products, except denatured alcohol;  
30 or products for scientific, chemical, experimental, or mechanical  
31 purposes.

1 (5) The gallonage tax shall not be imposed upon the privilege of  
2 engaging in any business in interstate commerce or otherwise, which  
3 business may not, under the Constitution and statutes of the United  
4 States, be made the subject of taxation by this state.

5 (6) The gallonage tax shall be in addition to all other occupation  
6 or privilege taxes imposed by this state or by any municipal corporation  
7 or political subdivision thereof.

8 (7) The commission shall collect the gallonage tax and shall account  
9 for and remit to the State Treasurer at least once each week all money  
10 collected pursuant to this section. If any alcoholic liquor manufactured  
11 in or shipped into this state is sold to a licensed manufacturer or  
12 wholesaler of this state to be used solely as an ingredient in the  
13 manufacture of any beverage for human consumption, the tax imposed upon  
14 such manufacturer or wholesaler shall be reduced by the amount of the  
15 taxes which have been paid as to such alcoholic liquor so used under the  
16 Nebraska Liquor Control Act. The net proceeds of all revenue arising  
17 under this section shall be credited to the General Fund.

18 Sec. 2. Section 53-187, Revised Statutes Cumulative Supplement,  
19 2018, is amended to read:

20 53-187 No nonbeverage user shall sell, give away, or otherwise  
21 dispose of any alcoholic liquor, purchased under his or her license as  
22 such nonbeverage user, in any form fit for beverage purposes. Any  
23 nonbeverage user who violates this section shall pay to the commission,  
24 for the use of the General Fund, the sum of eight ~~three~~ dollars and two  
25 ~~seventy-five~~ cents for each gallon of alcoholic liquor so diverted, and  
26 in addition thereto shall be subject to the penalties provided in section  
27 53-1,100.

28 Sec. 3. Section 77-202, Reissue Revised Statutes of Nebraska, is  
29 amended to read:

30 77-202 (1) The following property shall be exempt from property  
31 taxes:

1 (a) Property of the state and its governmental subdivisions to the  
2 extent used or being developed for use by the state or governmental  
3 subdivision for a public purpose. For purposes of this subdivision:

4 (i) Property of the state and its governmental subdivisions means  
5 (A) property held in fee title by the state or a governmental subdivision  
6 or (B) property beneficially owned by the state or a governmental  
7 subdivision in that it is used for a public purpose and is being acquired  
8 under a lease-purchase agreement, financing lease, or other instrument  
9 which provides for transfer of legal title to the property to the state  
10 or a governmental subdivision upon payment of all amounts due thereunder.  
11 If the property to be beneficially owned by a governmental subdivision  
12 has a total acquisition cost that exceeds the threshold amount or will be  
13 used as the site of a public building with a total estimated construction  
14 cost that exceeds the threshold amount, then such property shall qualify  
15 for an exemption under this section only if the question of acquiring  
16 such property or constructing such public building has been submitted at  
17 a primary, general, or special election held within the governmental  
18 subdivision and has been approved by the voters of the governmental  
19 subdivision. For purposes of this subdivision, threshold amount means the  
20 greater of fifty thousand dollars or six-tenths of one percent of the  
21 total actual value of real and personal property of the governmental  
22 subdivision that will beneficially own the property as of the end of the  
23 governmental subdivision's prior fiscal year; and

24 (ii) Public purpose means use of the property (A) to provide public  
25 services with or without cost to the recipient, including the general  
26 operation of government, public education, public safety, transportation,  
27 public works, civil and criminal justice, public health and welfare,  
28 developments by a public housing authority, parks, culture, recreation,  
29 community development, and cemetery purposes, or (B) to carry out the  
30 duties and responsibilities conferred by law with or without  
31 consideration. Public purpose does not include leasing of property to a

1 private party unless the lease of the property is at fair market value  
2 for a public purpose. Leases of property by a public housing authority to  
3 low-income individuals as a place of residence are for the authority's  
4 public purpose;

5 (b) Unleased property of the state or its governmental subdivisions  
6 which is not being used or developed for use for a public purpose but  
7 upon which a payment in lieu of taxes is paid for public safety, rescue,  
8 and emergency services and road or street construction or maintenance  
9 services to all governmental units providing such services to the  
10 property. Except as provided in Article VIII, section 11, of the  
11 Constitution of Nebraska, the payment in lieu of taxes shall be based on  
12 the proportionate share of the cost of providing public safety, rescue,  
13 or emergency services and road or street construction or maintenance  
14 services unless a general policy is adopted by the governing body of the  
15 governmental subdivision providing such services which provides for a  
16 different method of determining the amount of the payment in lieu of  
17 taxes. The governing body may adopt a general policy by ordinance or  
18 resolution for determining the amount of payment in lieu of taxes by  
19 majority vote after a hearing on the ordinance or resolution. Such  
20 ordinance or resolution shall nevertheless result in an equitable  
21 contribution for the cost of providing such services to the exempt  
22 property;

23 (c) Property owned by and used exclusively for agricultural and  
24 horticultural societies;

25 (d) Property owned by educational, religious, charitable, or  
26 cemetery organizations, or any organization for the exclusive benefit of  
27 any such educational, religious, charitable, or cemetery organization,  
28 and used exclusively for educational, religious, charitable, or cemetery  
29 purposes, when such property is not (i) owned or used for financial gain  
30 or profit to either the owner or user, (ii) used for the sale of  
31 alcoholic liquors for more than twenty hours per week, or (iii) owned or

1 used by an organization which discriminates in membership or employment  
2 based on race, color, or national origin. For purposes of this  
3 subdivision, educational organization means (A) an institution operated  
4 exclusively for the purpose of offering regular courses with systematic  
5 instruction in academic, vocational, or technical subjects or assisting  
6 students through services relating to the origination, processing, or  
7 guarantying of federally reinsured student loans for higher education or  
8 (B) a museum or historical society operated exclusively for the benefit  
9 and education of the public. For purposes of this subdivision, charitable  
10 organization includes an organization operated exclusively for the  
11 purpose of the mental, social, or physical benefit of the public or an  
12 indefinite number of persons and a fraternal benefit society organized  
13 and licensed under sections 44-1072 to 44-10,109; and

14 (e) Household goods and personal effects not owned or used for  
15 financial gain or profit to either the owner or user.

16 (2) The increased value of land by reason of shade and ornamental  
17 trees planted along the highway shall not be taken into account in the  
18 valuation of land.

19 (3) Tangible personal property which is not depreciable tangible  
20 personal property as defined in section 77-119 shall be exempt from  
21 property tax.

22 (4) Motor vehicles, trailers, and semitrailers required to be  
23 registered for operation on the highways of this state shall be exempt  
24 from payment of property taxes.

25 (5) Business and agricultural inventory shall be exempt from the  
26 personal property tax. For purposes of this subsection, business  
27 inventory includes personal property owned for purposes of leasing or  
28 renting such property to others for financial gain only if the personal  
29 property is of a type which in the ordinary course of business is leased  
30 or rented thirty days or less and may be returned at the option of the  
31 lessee or renter at any time and the personal property is of a type which

1 would be considered household goods or personal effects if owned by an  
2 individual. All other personal property owned for purposes of leasing or  
3 renting such property to others for financial gain shall not be  
4 considered business inventory.

5 (6) Any personal property exempt pursuant to subsection (2) of  
6 section 77-4105 or section 77-5209.02 shall be exempt from the personal  
7 property tax.

8 (7) Livestock shall be exempt from the personal property tax.

9 (8) Any personal property exempt pursuant to the Nebraska Advantage  
10 Act shall be exempt from the personal property tax.

11 (9) Any depreciable tangible personal property used directly in the  
12 generation of electricity using wind as the fuel source shall be exempt  
13 from the property tax levied on depreciable tangible personal property.  
14 Any depreciable tangible personal property used directly in the  
15 generation of electricity using solar, biomass, or landfill gas as the  
16 fuel source shall be exempt from the property tax levied on depreciable  
17 tangible personal property if such depreciable tangible personal property  
18 was installed on or after January 1, 2016, and has a nameplate capacity  
19 of one hundred kilowatts or more. Depreciable tangible personal property  
20 used directly in the generation of electricity using wind, solar,  
21 biomass, or landfill gas as the fuel source includes, but is not limited  
22 to, wind turbines, rotors and blades, towers, solar panels, trackers,  
23 generating equipment, transmission components, substations, supporting  
24 structures or racks, inverters, and other system components such as  
25 wiring, control systems, switchgears, and generator step-up transformers.

26 (10) Any tangible personal property that is acquired by a person  
27 operating a data center located in this state, that is assembled,  
28 engineered, processed, fabricated, manufactured into, attached to, or  
29 incorporated into other tangible personal property, both in component  
30 form or that of an assembled product, for the purpose of subsequent use  
31 at a physical location outside this state by the person operating a data

1 center shall be exempt from the personal property tax. Such exemption  
2 extends to keeping, retaining, or exercising any right or power over  
3 tangible personal property in this state for the purpose of subsequently  
4 transporting it outside this state for use thereafter outside this state.  
5 For purposes of this subsection, data center means computers, supporting  
6 equipment, and other organized assembly of hardware or software that are  
7 designed to centralize the storage, management, or dissemination of data  
8 and information, environmentally controlled structures or facilities or  
9 interrelated structures or facilities that provide the infrastructure for  
10 housing the equipment, such as raised flooring, electricity supply,  
11 communication and data lines, Internet access, cooling, security, and  
12 fire suppression, and any building housing the foregoing.

13 (11) For each person who owns property required to be reported to  
14 the county assessor under section 77-1201, there shall be allowed, for  
15 tax years prior to tax year 2020, an exemption amount as provided in the  
16 Personal Property Tax Relief Act. For each person who owns property  
17 required to be valued by the state as provided in section 77-601, 77-682,  
18 77-801, or 77-1248, there shall be allowed, for tax years prior to tax  
19 year 2020, a compensating exemption factor as provided in the Personal  
20 Property Tax Relief Act.

21 Sec. 4. Section 77-693, Reissue Revised Statutes of Nebraska, is  
22 amended to read:

23 77-693 (1) The Property Tax Administrator in determining the taxable  
24 value of railroads and car lines shall determine the following ratios  
25 involving railroad and car line property and commercial and industrial  
26 property:

27 (a) The ratio of the taxable value of all commercial and industrial  
28 personal property in the state actually subjected to property tax divided  
29 by the market value of all commercial and industrial personal property in  
30 the state;

31 (b) The ratio of the taxable value of all commercial and industrial



1 real property in the state actually subjected to property tax divided by  
2 the market value of all commercial and industrial real property in the  
3 state;

4 (c) The ratio of the taxable value of railroad personal property to  
5 the market value of railroad personal property. The numerator of the  
6 ratio shall be the taxable value of railroad personal property. The  
7 denominator of the ratio shall be the railroad system value allocated to  
8 Nebraska and multiplied by a factor representing the net book value of  
9 rail transportation personal property divided by the net book value of  
10 total rail transportation property;

11 (d) The ratio of the taxable value of railroad real property to the  
12 market value of railroad real property. The numerator of the ratio shall  
13 be the taxable value of railroad real property. The denominator of the  
14 ratio shall be the railroad system value allocated to Nebraska and  
15 multiplied by a factor representing the net book value of rail  
16 transportation real property divided by the net book value of total rail  
17 transportation property; and

18 (e) Similar calculations shall be made for car line taxable  
19 properties.

20 (2) If the ratio of the taxable value of railroad and car line  
21 personal or real property exceeds the ratio of the comparable taxable  
22 commercial and industrial property by more than five percent, the  
23 Property Tax Administrator may adjust the value of such railroad and car  
24 line property to the percentage of the comparable taxable commercial and  
25 industrial property pursuant to federal statute or Nebraska federal court  
26 decisions applicable thereto.

27 (3) For purposes of this section, commercial and industrial property  
28 shall mean all real and personal property which is devoted to commercial  
29 or industrial use other than rail transportation property and land used  
30 primarily for agricultural purposes.

31 (4) After the adjustment made pursuant to subsections (1) and (2) of

1 this section, the Property Tax Administrator shall, for tax years prior  
2 to tax year 2020, multiply the value of the tangible personal property of  
3 each railroad and car line by the compensating exemption factor  
4 calculated in section 77-1238.

5 Sec. 5. Section 77-801, Reissue Revised Statutes of Nebraska, is  
6 amended to read:

7 77-801 (1) All public service entities shall, on or before April 15  
8 of each year, furnish a statement specifying such information as may be  
9 required by the Property Tax Administrator on forms prescribed by the Tax  
10 Commissioner to determine and distribute the entity's total taxable value  
11 including the franchise value. All information reported by the public  
12 service entities, not available from any other public source, and any  
13 memorandum thereof shall be confidential and available to taxing  
14 officials only. For good cause shown, the Property Tax Administrator may  
15 allow an extension of time in which to file such statement. Such  
16 extension shall not exceed fifteen days after April 15.

17 (2) The returns of public service entities shall not be held to be  
18 conclusive as to the taxable value of the property, but the Property Tax  
19 Administrator shall, from all the information which he or she is able to  
20 obtain, find the taxable value of all such property, including tangible  
21 property and franchises, and shall assess such property on the same basis  
22 as other property is required to be assessed.

23 (3) The county assessor shall assess all nonoperating property of  
24 any public service entity. A public service entity operating within the  
25 State of Nebraska shall, on or before January 1 of each year, report to  
26 the county assessor of each county in which it has situs all nonoperating  
27 property belonging to such entity which is not subject to assessment and  
28 assessed by the Property Tax Administrator under section 77-802.

29 (4) The Property Tax Administrator shall, for tax years prior to tax  
30 year 2020, multiply the value of the tangible personal property of each  
31 public service entity by the compensating exemption factor calculated in

1 section 77-1238.

2 Sec. 6. Section 77-1238, Reissue Revised Statutes of Nebraska, is  
3 amended to read:

4 77-1238 (1) For tax years prior to tax year 2020, every Every person  
5 who is required to list his or her taxable tangible personal property as  
6 defined in section 77-105, as required under section 77-1229, shall  
7 receive an exemption from taxation for the first ten thousand dollars of  
8 valuation of his or her tangible personal property in each tax district  
9 as defined in section 77-127 in which a personal property return is  
10 required to be filed. Failure to report tangible personal property on the  
11 personal property return required by section 77-1229 shall result in a  
12 forfeiture of the exemption for any tangible personal property not timely  
13 reported for that year.

14 (2) For tax years prior to tax year 2020, the The Property Tax  
15 Administrator shall reduce the value of the tangible personal property  
16 owned by each railroad, car line company, public service entity, and air  
17 carrier by a compensating exemption factor to reflect the exemption  
18 allowed in subsection (1) of this section for all other personal property  
19 taxpayers. The compensating exemption factor is calculated by multiplying  
20 the value of the tangible personal property of the railroad, car line  
21 company, public service entity, or air carrier by a fraction, the  
22 numerator of which is the total amount of locally assessed tangible  
23 personal property that is actually subjected to property tax after the  
24 exemption allowed in subsection (1) of this section, and the denominator  
25 of which is the net book value of locally assessed tangible personal  
26 property prior to the exemptions allowed in subsection (1) of this  
27 section.

28 Sec. 7. Section 77-1248, Reissue Revised Statutes of Nebraska, is  
29 amended to read:

30 77-1248 (1) The Property Tax Administrator shall ascertain from the  
31 reports made and from any other information obtained by him or her the

1 taxable value of the flight equipment of air carriers and the proportion  
2 allocated to this state for the purposes of taxation as provided in  
3 section 77-1245.

4 (2)(a) In determining the taxable value of the flight equipment of  
5 air carriers pursuant to subsection (1) of this section, the Property Tax  
6 Administrator shall determine the following ratios:

7 (i) The ratio of the taxable value of all commercial and industrial  
8 depreciable tangible personal property in the state actually subjected to  
9 property tax to the market value of all commercial and industrial  
10 depreciable tangible personal property in the state; and

11 (ii) The ratio of the taxable value of flight equipment of air  
12 carriers to the market value of flight equipment of air carriers.

13 (b) If the ratio of the taxable value of flight equipment of air  
14 carriers exceeds the ratio of the taxable value of commercial and  
15 industrial depreciable tangible personal property by more than five  
16 percent, the Property Tax Administrator may adjust the value of such  
17 flight equipment of air carriers to the percentage of the taxable  
18 commercial and industrial depreciable tangible personal property pursuant  
19 to federal law applicable to air carrier transportation property or  
20 Nebraska federal court decisions applicable thereto.

21 (c) For purposes of this subsection, commercial and industrial  
22 depreciable tangible personal property means all personal property which  
23 is devoted to commercial or industrial use other than flight equipment of  
24 air carriers.

25 (3) The Property Tax Administrator shall, for tax years prior to tax  
26 year 2020, multiply the valuation of each air carrier by the compensating  
27 exemption factor calculated in section 77-1238.

28 Sec. 8. Section 77-2602, Reissue Revised Statutes of Nebraska, is  
29 amended to read:

30 77-2602 (1) Every stamping agent engaged in distributing or selling  
31 cigarettes at wholesale in this state shall pay to the Tax Commissioner

1 of this state a special privilege tax. This shall be in addition to all  
2 other taxes. It shall be paid prior to or at the time of the sale, gift,  
3 or delivery to the retail dealer in the several amounts as follows: On  
4 each package of cigarettes containing not more than twenty cigarettes,  
5 two dollars and fourteen ~~sixty-four~~ cents per package; and on packages  
6 containing more than twenty cigarettes, the same tax as provided on  
7 packages containing not more than twenty cigarettes for the first twenty  
8 cigarettes in each package and a tax of one-twentieth of the tax on the  
9 first twenty cigarettes on each cigarette in excess of twenty cigarettes  
10 in each package.

11 (2) Beginning October 1, 2004, the State Treasurer shall place the  
12 equivalent of forty-nine cents of such tax in the General Fund. The State  
13 Treasurer shall reduce the amount placed in the General Fund under this  
14 subsection by the amount prescribed in subdivision (3)(d) of this  
15 section. For purposes of this section, the equivalent of a specified  
16 amount ~~number of cents~~ of the tax shall mean that portion of the proceeds  
17 of the tax equal to the specified amount ~~number~~ divided by the tax rate  
18 per package of cigarettes containing not more than twenty cigarettes.

19 (3) The State Treasurer shall distribute the remaining proceeds of  
20 such tax in the following order:

21 (a) First, beginning July 1, 1980, the State Treasurer shall place  
22 the equivalent of one cent of such tax in the Nebraska Outdoor Recreation  
23 Development Cash Fund. For fiscal year distributions occurring after  
24 FY1998-99, the distribution under this subdivision shall not be less than  
25 the amount distributed under this subdivision for FY1997-98. Any money  
26 needed to increase the amount distributed under this subdivision to the  
27 FY1997-98 amount shall reduce the distribution to the General Fund;

28 (b) Second, beginning July 1, 1993, the State Treasurer shall place  
29 the equivalent of three cents of such tax in the Health and Human  
30 Services Cash Fund to carry out sections 81-637 to 81-640. For fiscal  
31 year distributions occurring after FY1998-99, the distribution under this

1 subdivision shall not be less than the amount distributed under this  
2 subdivision for FY1997-98. Any money needed to increase the amount  
3 distributed under this subdivision to the FY1997-98 amount shall reduce  
4 the distribution to the General Fund;

5 (c) Third, beginning October 1, 2002, and continuing until all the  
6 purposes of the Deferred Building Renewal Act have been fulfilled, the  
7 State Treasurer shall place the equivalent of seven cents of such tax in  
8 the Building Renewal Allocation Fund. The distribution under this  
9 subdivision shall not be less than the amount distributed under this  
10 subdivision for FY1997-98. Any money needed to increase the amount  
11 distributed under this subdivision to the FY1997-98 amount shall reduce  
12 the distribution to the General Fund;

13 (d) Fourth, until July 1, 2009, the State Treasurer shall place in  
14 the Municipal Infrastructure Redevelopment Fund the sum of five hundred  
15 twenty thousand dollars each fiscal year to carry out the Municipal  
16 Infrastructure Redevelopment Fund Act. The Legislature shall appropriate  
17 the sum of five hundred twenty thousand dollars each year for fiscal year  
18 2003-04 through fiscal year 2008-09;

19 (e) Fifth, beginning July 1, 2001, and continuing until June 30,  
20 2008, the State Treasurer shall place the equivalent of two cents of such  
21 tax in the Information Technology Infrastructure Fund. The distribution  
22 under this subdivision shall not be less than two million fifty thousand  
23 dollars. Any money needed to increase the amount distributed under this  
24 subdivision to two million fifty thousand dollars shall reduce the  
25 distribution to the General Fund;

26 (f) Sixth, beginning July 1, 2001, and continuing until June 30,  
27 2016, the State Treasurer shall place one million dollars each fiscal  
28 year in the City of the Primary Class Development Fund. If necessary, the  
29 State Treasurer shall reduce the distribution of tax proceeds to the  
30 General Fund pursuant to subsection (2) of this section by such amount  
31 required to fulfill the one million dollars to be distributed pursuant to

1 this subdivision;

2 (g) Seventh, beginning July 1, 2001, and continuing until June 30,  
3 2016, the State Treasurer shall place one million five hundred thousand  
4 dollars each fiscal year in the City of the Metropolitan Class  
5 Development Fund. If necessary, the State Treasurer shall reduce the  
6 distribution of tax proceeds to the General Fund pursuant to subsection  
7 (2) of this section by such amount required to fulfill the one million  
8 five hundred thousand dollars to be distributed pursuant to this  
9 subdivision;

10 (h) Eighth, beginning July 1, 2008, and continuing until June 30,  
11 2009, the State Treasurer shall place the equivalent of two million fifty  
12 thousand dollars of such tax in the Nebraska Public Safety Communication  
13 System Cash Fund. Beginning July 1, 2009, and continuing until June 30,  
14 2016, the State Treasurer shall place the equivalent of two million five  
15 hundred seventy thousand dollars of such tax in the Nebraska Public  
16 Safety Communication System Cash Fund. Beginning July 1, 2016, and every  
17 fiscal year thereafter, the State Treasurer shall place the equivalent of  
18 three million eight hundred twenty thousand dollars of such tax in the  
19 Nebraska Public Safety Communication System Cash Fund. If necessary, the  
20 State Treasurer shall reduce the distribution of tax proceeds to the  
21 General Fund pursuant to subsection (2) of this section by such amount  
22 required to fulfill the distribution pursuant to this subdivision;~~and~~

23 (i) Ninth, beginning July 1, 2016, and every fiscal year thereafter,  
24 the State Treasurer shall place the equivalent of one million two hundred  
25 fifty thousand dollars of such tax in the Nebraska Health Care Cash Fund.  
26 If necessary, the State Treasurer shall reduce the distribution of tax  
27 proceeds to the General Fund pursuant to subsection (2) of this section  
28 by such amount required to fulfill the distribution pursuant to this  
29 subdivision; and -

30 (j) Tenth, beginning January 1, 2020, the State Treasurer shall  
31 place the equivalent of one dollar and fifty cents of such tax in the

1 Property Tax Credit Cash Fund.

2 (4) If, after distributing the proceeds of such tax pursuant to  
3 subsections (2) and (3) of this section, any proceeds of such tax remain,  
4 the State Treasurer shall place such remainder in the Nebraska Capital  
5 Construction Fund.

6 (5) The Legislature hereby finds and determines that the projects  
7 funded from the Municipal Infrastructure Redevelopment Fund and the  
8 Building Renewal Allocation Fund are of critical importance to the State  
9 of Nebraska. It is the intent of the Legislature that the allocations and  
10 appropriations made by the Legislature to such funds or, in the case of  
11 allocations for the Municipal Infrastructure Redevelopment Fund, to the  
12 particular municipality's account not be reduced until all contracts and  
13 securities relating to the construction and financing of the projects or  
14 portions of the projects funded from such funds or accounts of such funds  
15 are completed or paid or, in the case of the Municipal Infrastructure  
16 Redevelopment Fund, the earlier of such date or July 1, 2009, and that  
17 until such time any reductions in the cigarette tax rate made by the  
18 Legislature shall be simultaneously accompanied by equivalent reductions  
19 in the amount dedicated to the General Fund from cigarette tax revenue.  
20 Any provision made by the Legislature for distribution of the proceeds of  
21 the cigarette tax for projects or programs other than those to (a) the  
22 General Fund, (b) the Nebraska Outdoor Recreation Development Cash Fund,  
23 (c) the Health and Human Services Cash Fund, (d) the Municipal  
24 Infrastructure Redevelopment Fund, (e) the Building Renewal Allocation  
25 Fund, (f) the Information Technology Infrastructure Fund, (g) the City of  
26 the Primary Class Development Fund, (h) the City of the Metropolitan  
27 Class Development Fund, (i) the Nebraska Public Safety Communication  
28 System Cash Fund, ~~and~~ (j) the Nebraska Health Care Cash Fund, and (k) the  
29 Property Tax Credit Cash Fund shall not be made a higher priority than or  
30 an equal priority to any of the programs or projects specified in  
31 subdivisions (a) through (k) ~~(j)~~ of this subsection.



1           Sec. 9. Section 77-2704.24, Reissue Revised Statutes of Nebraska, is  
2 amended to read:

3           77-2704.24 (1) Sales and use taxes shall not be imposed on the gross  
4 receipts from the sale, lease, or rental of and the storage, use, or  
5 other consumption in this state of food or food ingredients except for  
6 prepared food and food sold through vending machines.

7           (2) For purposes of this section:

8           (a) Alcoholic beverages means beverages that are suitable for human  
9 consumption and contain one-half of one percent or more of alcohol by  
10 volume;

11           (b) Dietary supplement means any product, other than tobacco,  
12 intended to supplement the diet that contains one or more of the  
13 following dietary ingredients: (i) A vitamin, (ii) a mineral, (iii) an  
14 herb or other botanical, (iv) an amino acid, (v) a dietary substance for  
15 use by humans to supplement the diet by increasing the total dietary  
16 intake, or (vi) a concentrate, metabolite, constituent, extract, or  
17 combination of any ingredients described in subdivisions (2)(b)(i)  
18 through (v) of this section; that is intended for ingestion in tablet,  
19 capsule, powder, softgel, gelcap, or liquid form or, if not intended for  
20 ingestion in such a form, is not presented as conventional food and is  
21 not represented for use as a sole item of a meal or of the diet; and that  
22 is required to be labeled as a dietary supplement, identifiable by the  
23 supplemental facts box found on the label and as required pursuant to 21  
24 C.F.R. 101.36, as such regulation existed on January 1, 2003;

25           (c) Food and food ingredients means substances, whether in liquid,  
26 concentrated, solid, frozen, dried, or dehydrated form, that are sold for  
27 ingestion or chewing by humans and are consumed for their taste or  
28 nutritional value. Food and food ingredients does not include alcoholic  
29 beverages, dietary supplements, ~~or~~ tobacco, candy, soft drinks, or  
30 bottled water;

31           (d) Food sold through vending machines means food that is dispensed

1 from a machine or other mechanical device that accepts payment;

2 (e) Prepared food means:

3 (i) Food sold with eating utensils provided by the seller, including  
4 plates, knives, forks, spoons, glasses, cups, napkins, or straws. A plate  
5 does not include a container or packaging used to transport the food; or

6 (ii) Two or more food ingredients mixed or combined by the seller  
7 for sale as a single item and food sold in a heated state or heated by  
8 the seller, except:

9 (A) Food that is only cut, repackaged, or pasteurized by the seller;

10 (B) Eggs, fish, meat, poultry, and foods containing these raw animal  
11 foods requiring cooking by the consumer as recommended by the federal  
12 Food and Drug Administration in chapter 3, part 401.11 of its Food Code,  
13 as it existed on January 1, 2003, so as to prevent food borne illnesses;

14 (C) Food sold by a seller whose proper primary North American  
15 Industry Classification System classification is manufacturing in sector  
16 311, except subsector 3118, bakeries;

17 (D) Food sold in an unheated state by weight or volume as a single  
18 item;

19 (E) Bakery items, including bread, rolls, buns, biscuits, bagels,  
20 croissants, pastries, donuts, danish, cakes, tortes, pies, tarts,  
21 muffins, bars, cookies, and tortillas; and

22 (F) Food that ordinarily requires additional cooking to finish the  
23 product to its desired final condition; and

24 (f) Tobacco means cigarettes, cigars, chewing or pipe tobacco, or  
25 any other item that contains tobacco.

26 Sec. 10. Section 77-2715.07, Reissue Revised Statutes of Nebraska,  
27 is amended to read:

28 77-2715.07 (1) There shall be allowed to qualified resident  
29 individuals as a nonrefundable credit against the income tax imposed by  
30 the Nebraska Revenue Act of 1967:

31 (a) A credit equal to the federal credit allowed under section 22 of

1 the Internal Revenue Code; and

2 (b) A credit for taxes paid to another state as provided in section  
3 77-2730.

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

6 (a) For returns filed reporting federal adjusted gross incomes of  
7 greater than twenty-nine thousand dollars, a nonrefundable credit equal  
8 to twenty-five percent of the federal credit allowed under section 21 of  
9 the Internal Revenue Code of 1986, as amended, except that for taxable  
10 years beginning or deemed to begin on or after January 1, 2015, such  
11 nonrefundable credit shall be allowed only if the individual would have  
12 received the federal credit allowed under section 21 of the code after  
13 adding back in any carryforward of a net operating loss that was deducted  
14 pursuant to such section in determining eligibility for the federal  
15 credit;

16 (b) For returns filed reporting federal adjusted gross income of  
17 twenty-nine thousand dollars or less, a refundable credit equal to a  
18 percentage of the federal credit allowable under section 21 of the  
19 Internal Revenue Code of 1986, as amended, whether or not the federal  
20 credit was limited by the federal tax liability. The percentage of the  
21 federal credit shall be one hundred percent for incomes not greater than  
22 twenty-two thousand dollars, and the percentage shall be reduced by ten  
23 percent for each one thousand dollars, or fraction thereof, by which the  
24 reported federal adjusted gross income exceeds twenty-two thousand  
25 dollars, except that for taxable years beginning or deemed to begin on or  
26 after January 1, 2015, such refundable credit shall be allowed only if  
27 the individual would have received the federal credit allowed under  
28 section 21 of the code after adding back in any carryforward of a net  
29 operating loss that was deducted pursuant to such section in determining  
30 eligibility for the federal credit;

31 (c) A refundable credit as provided in section 77-5209.01 for

1 individuals who qualify for an income tax credit as a qualified beginning  
2 farmer or livestock producer under the Beginning Farmer Tax Credit Act  
3 for all taxable years beginning or deemed to begin on or after January 1,  
4 2006, under the Internal Revenue Code of 1986, as amended;

5 (d) A refundable credit for individuals who qualify for an income  
6 tax credit under the Angel Investment Tax Credit Act, the Nebraska  
7 Advantage Microenterprise Tax Credit Act, the Nebraska Advantage Research  
8 and Development Act, or the Volunteer Emergency Responders Incentive Act;  
9 and

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

11 (A) Ten ten percent of the federal credit allowed under section 32  
12 of the Internal Revenue Code of 1986, as amended, for taxable years  
13 beginning or deemed to begin before January 1, 2020; and

14 (B) Fifteen percent of the federal credit allowed under section 32  
15 of the Internal Revenue Code of 1986, as amended, for taxable years  
16 beginning or deemed to begin on or after January 1, 2020.

17 (ii) ~~For except that for~~ taxable years beginning or deemed to begin  
18 on or after January 1, 2015, the such refundable credit provided in  
19 subdivision (2)(e)(i) of this section shall be allowed only if the  
20 individual would have received the federal credit allowed under section  
21 32 of the code after adding back in any carryforward of a net operating  
22 loss that was deducted pursuant to such section in determining  
23 eligibility for the federal credit.

24 (3) There shall be allowed to all individuals as a nonrefundable  
25 credit against the income tax imposed by the Nebraska Revenue Act of  
26 1967:

27 (a) A credit for personal exemptions allowed under section  
28 77-2716.01;

29 (b) A credit for contributions to certified community betterment  
30 programs as provided in the Community Development Assistance Act. Each  
31 partner, each shareholder of an electing subchapter S corporation, each

1 beneficiary of an estate or trust, or each member of a limited liability  
2 company shall report his or her share of the credit in the same manner  
3 and proportion as he or she reports the partnership, subchapter S  
4 corporation, estate, trust, or limited liability company income;

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

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

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

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

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

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

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

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

20 (c) A refundable credit for individuals who qualify for an income  
21 tax credit as an owner of agricultural assets under the Beginning Farmer  
22 Tax Credit Act for all taxable years beginning or deemed to begin on or  
23 after January 1, 2009, under the Internal Revenue Code of 1986, as  
24 amended. The credit allowed for each partner, shareholder, member, or  
25 beneficiary of a partnership, corporation, limited liability company, or  
26 estate or trust qualifying for an income tax credit as an owner of  
27 agricultural assets under the Beginning Farmer Tax Credit Act shall be  
28 equal to the partner's, shareholder's, member's, or beneficiary's portion  
29 of the amount of tax credit distributed pursuant to subsection (4) of  
30 section 77-5211.

31 (5)(a) For all taxable years beginning on or after January 1, 2007,

1 and before January 1, 2009, under the Internal Revenue Code of 1986, as  
2 amended, there shall be allowed to each partner, shareholder, member, or  
3 beneficiary of a partnership, subchapter S corporation, limited liability  
4 company, or estate or trust a nonrefundable credit against the income tax  
5 imposed by the Nebraska Revenue Act of 1967 equal to fifty percent of the  
6 partner's, shareholder's, member's, or beneficiary's portion of the  
7 amount of franchise tax paid to the state under sections 77-3801 to  
8 77-3807 by a financial institution.

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

17 (c) Each partner, shareholder, member, or beneficiary shall report  
18 his or her share of the credit in the same manner and proportion as he or  
19 she reports the partnership, subchapter S corporation, limited liability  
20 company, or estate or trust income. If any partner, shareholder, member,  
21 or beneficiary cannot fully utilize the credit for that year, the credit  
22 may not be carried forward or back.

23 (6) There shall be allowed to all individuals nonrefundable credits  
24 against the income tax imposed by the Nebraska Revenue Act of 1967 as  
25 provided in section 77-3604 and refundable credits against the income tax  
26 imposed by the Nebraska Revenue Act of 1967 as provided in section  
27 77-3605.

28 Sec. 11. Section 77-2715.09, Reissue Revised Statutes of Nebraska,  
29 is amended to read:

30 77-2715.09 (1) This section applies to taxable years beginning or  
31 deemed to begin before January 1, 2020.

1           (2) Every resident individual may elect under this section to  
2 subtract from federal adjusted gross income, or for trusts qualifying  
3 under subdivision (3)(c) ~~(2)(c)~~ of this section from taxable income, the  
4 extraordinary dividends paid on and the capital gain from the sale or  
5 exchange of capital stock of a corporation acquired by the individual (a)  
6 on account of employment by such corporation or (b) while employed by  
7 such corporation.

8           (3)(a) ~~(2)(a)~~ Each individual shall be entitled to one election  
9 under subsection (2) ~~(1)~~ of this section during his or her lifetime for  
10 the capital stock of one corporation.

11           (b) The election shall apply to subsequent extraordinary dividends  
12 paid and sales and exchanges in a ~~any~~ taxable year if the dividend is  
13 received on, or the sale or exchange is of, capital stock in the same  
14 corporation and such capital stock was acquired as provided in subsection  
15 (2) ~~(1)~~ of this section.

16           (c) After the individual makes an election, such election shall  
17 apply to extraordinary dividends paid on, and the sale or exchange of,  
18 capital stock of the corporation transferred by inter vivos gift from the  
19 individual to his or her spouse or issue or a trust for the benefit of  
20 the individual's spouse or issue if such capital stock was acquired as  
21 provided in subsection (2) ~~(1)~~ of this section. This subdivision shall  
22 apply, in the case of the spouse, only if the spouse was married to such  
23 individual on the date of the extraordinary dividend or sale or exchange  
24 or the date of death of the individual.

25           (d) If the individual dies without making an election, the surviving  
26 spouse or, if there is no surviving spouse, the oldest surviving issue  
27 may make the election for capital stock that would have qualified under  
28 subdivision (c) of this subsection.

29           (4) ~~(3)~~ An election under subsection (2) ~~(1)~~ of this section shall  
30 be made by including a written statement with the taxpayer's Nebraska  
31 income tax return or an amended return for the taxable year for which the

1 election is made. The written statement shall identify the corporation  
2 that issued the stock and the grounds for the election under this section  
3 and shall state that the taxpayer elects to have this section apply.

4 Sec. 12. Section 77-2716, Reissue Revised Statutes of Nebraska, is  
5 amended to read:

6 77-2716 (1) The following adjustments to federal adjusted gross  
7 income or, for corporations and fiduciaries, federal taxable income shall  
8 be made for interest or dividends received:

9 (a)(i) There shall be subtracted interest or dividends received by  
10 the owner of obligations of the United States and its territories and  
11 possessions or of any authority, commission, or instrumentality of the  
12 United States to the extent includable in gross income for federal income  
13 tax purposes but exempt from state income taxes under the laws of the  
14 United States; and

15 (ii) There shall be subtracted interest received by the owner of  
16 obligations of the State of Nebraska or its political subdivisions or  
17 authorities which are Build America Bonds to the extent includable in  
18 gross income for federal income tax purposes;

19 (b) There shall be subtracted that portion of the total dividends  
20 and other income received from a regulated investment company which is  
21 attributable to obligations described in subdivision (a) of this  
22 subsection as reported to the recipient by the regulated investment  
23 company;

24 (c) There shall be added interest or dividends received by the owner  
25 of obligations of the District of Columbia, other states of the United  
26 States, or their political subdivisions, authorities, commissions, or  
27 instrumentalities to the extent excluded in the computation of gross  
28 income for federal income tax purposes except that such interest or  
29 dividends shall not be added if received by a corporation which is a  
30 regulated investment company;

31 (d) There shall be added that portion of the total dividends and



1 other income received from a regulated investment company which is  
2 attributable to obligations described in subdivision (c) of this  
3 subsection and excluded for federal income tax purposes as reported to  
4 the recipient by the regulated investment company; and

5 (e)(i) Any amount subtracted under this subsection shall be reduced  
6 by any interest on indebtedness incurred to carry the obligations or  
7 securities described in this subsection or the investment in the  
8 regulated investment company and by any expenses incurred in the  
9 production of interest or dividend income described in this subsection to  
10 the extent that such expenses, including amortizable bond premiums, are  
11 deductible in determining federal taxable income.

12 (ii) Any amount added under this subsection shall be reduced by any  
13 expenses incurred in the production of such income to the extent  
14 disallowed in the computation of federal taxable income.

15 (2) There shall be allowed a net operating loss derived from or  
16 connected with Nebraska sources computed under rules and regulations  
17 adopted and promulgated by the Tax Commissioner consistent, to the extent  
18 possible under the Nebraska Revenue Act of 1967, with the laws of the  
19 United States. For a resident individual, estate, or trust, the net  
20 operating loss computed on the federal income tax return shall be  
21 adjusted by the modifications contained in this section. For a  
22 nonresident individual, estate, or trust or for a partial-year resident  
23 individual, the net operating loss computed on the federal return shall  
24 be adjusted by the modifications contained in this section and any  
25 carryovers or carrybacks shall be limited to the portion of the loss  
26 derived from or connected with Nebraska sources.

27 (3) There shall be subtracted from federal adjusted gross income for  
28 all taxable years beginning on or after January 1, 1987, the amount of  
29 any state income tax refund to the extent such refund was deducted under  
30 the Internal Revenue Code, was not allowed in the computation of the tax  
31 due under the Nebraska Revenue Act of 1967, and is included in federal

1 adjusted gross income.

2 (4) For taxable years beginning or deemed to begin before January 1,  
3 2020, under the Internal Revenue Code of 1986, as amended, federal  
4 ~~Federal~~ adjusted gross income, or, for a fiduciary, federal taxable  
5 income shall be modified to exclude the portion of the income or loss  
6 received from a small business corporation with an election in effect  
7 under subchapter S of the Internal Revenue Code or from a limited  
8 liability company organized pursuant to the Nebraska Uniform Limited  
9 Liability Company Act that is not derived from or connected with Nebraska  
10 sources as determined in section 77-2734.01.

11 (5) There shall be subtracted from federal adjusted gross income or,  
12 for corporations and fiduciaries, federal taxable income dividends  
13 received or deemed to be received from corporations which are not subject  
14 to the Internal Revenue Code.

15 (6) There shall be subtracted from federal taxable income a portion  
16 of the income earned by a corporation subject to the Internal Revenue  
17 Code of 1986 that is actually taxed by a foreign country or one of its  
18 political subdivisions at a rate in excess of the maximum federal tax  
19 rate for corporations. The taxpayer may make the computation for each  
20 foreign country or for groups of foreign countries. The portion of the  
21 taxes that may be deducted shall be computed in the following manner:

22 (a) The amount of federal taxable income from operations within a  
23 foreign taxing jurisdiction shall be reduced by the amount of taxes  
24 actually paid to the foreign jurisdiction that are not deductible solely  
25 because the foreign tax credit was elected on the federal income tax  
26 return;

27 (b) The amount of after-tax income shall be divided by one minus the  
28 maximum tax rate for corporations in the Internal Revenue Code; and

29 (c) The result of the calculation in subdivision (b) of this  
30 subsection shall be subtracted from the amount of federal taxable income  
31 used in subdivision (a) of this subsection. The result of such

1 calculation, if greater than zero, shall be subtracted from federal  
2 taxable income.

3 (7) Federal adjusted gross income shall be modified to exclude any  
4 amount repaid by the taxpayer for which a reduction in federal tax is  
5 allowed under section 1341(a)(5) of the Internal Revenue Code.

6 (8)(a) Federal adjusted gross income or, for corporations and  
7 fiduciaries, federal taxable income shall be reduced, to the extent  
8 included, by income from interest, earnings, and state contributions  
9 received from the Nebraska educational savings plan trust created in  
10 sections 85-1801 to 85-1814 and any account established under the  
11 achieving a better life experience program as provided in sections  
12 77-1401 to 77-1409.

13 (b) Federal adjusted gross income or, for corporations and  
14 fiduciaries, federal taxable income shall be reduced by any contributions  
15 as a participant in the Nebraska educational savings plan trust or  
16 contributions to an account established under the achieving a better life  
17 experience program made for the benefit of a beneficiary as provided in  
18 sections 77-1401 to 77-1409, to the extent not deducted for federal  
19 income tax purposes, but not to exceed five thousand dollars per married  
20 filing separate return or ten thousand dollars for any other return. With  
21 respect to a qualified rollover within the meaning of section 529 of the  
22 Internal Revenue Code from another state's plan, any interest, earnings,  
23 and state contributions received from the other state's educational  
24 savings plan which is qualified under section 529 of the code shall  
25 qualify for the reduction provided in this subdivision. For contributions  
26 by a custodian of a custodial account including rollovers from another  
27 custodial account, the reduction shall only apply to funds added to the  
28 custodial account after January 1, 2014.

29 (c) Federal adjusted gross income or, for corporations and  
30 fiduciaries, federal taxable income shall be increased by:

31 (i) The amount resulting from the cancellation of a participation

1 agreement refunded to the taxpayer as a participant in the Nebraska  
2 educational savings plan trust to the extent previously deducted under  
3 subdivision (8)(b) of this section; and

4 (ii) The amount of any withdrawals by the owner of an account  
5 established under the achieving a better life experience program as  
6 provided in sections 77-1401 to 77-1409 for nonqualified expenses to the  
7 extent previously deducted under subdivision (8)(b) of this section.

8 (9)(a) For income tax returns filed after September 10, 2001, for  
9 taxable years beginning or deemed to begin before January 1, 2006, under  
10 the Internal Revenue Code of 1986, as amended, federal adjusted gross  
11 income or, for corporations and fiduciaries, federal taxable income shall  
12 be increased by eighty-five percent of any amount of any federal bonus  
13 depreciation received under the federal Job Creation and Worker  
14 Assistance Act of 2002 or the federal Jobs and Growth Tax Act of 2003,  
15 under section 168(k) or section 1400L of the Internal Revenue Code of  
16 1986, as amended, for assets placed in service after September 10, 2001,  
17 and before December 31, 2005.

18 (b) For a partnership, limited liability company, cooperative,  
19 including any cooperative exempt from income taxes under section 521 of  
20 the Internal Revenue Code of 1986, as amended, limited cooperative  
21 association, subchapter S corporation, or joint venture, the increase  
22 shall be distributed to the partners, members, shareholders, patrons, or  
23 beneficiaries in the same manner as income is distributed for use against  
24 their income tax liabilities.

25 (c) For a corporation with a unitary business having activity both  
26 inside and outside the state, the increase shall be apportioned to  
27 Nebraska in the same manner as income is apportioned to the state by  
28 section 77-2734.05.

29 (d) The amount of bonus depreciation added to federal adjusted gross  
30 income or, for corporations and fiduciaries, federal taxable income by  
31 this subsection shall be subtracted in a later taxable year. Twenty

1 percent of the total amount of bonus depreciation added back by this  
2 subsection for tax years beginning or deemed to begin before January 1,  
3 2003, under the Internal Revenue Code of 1986, as amended, may be  
4 subtracted in the first taxable year beginning or deemed to begin on or  
5 after January 1, 2005, under the Internal Revenue Code of 1986, as  
6 amended, and twenty percent in each of the next four following taxable  
7 years. Twenty percent of the total amount of bonus depreciation added  
8 back by this subsection for tax years beginning or deemed to begin on or  
9 after January 1, 2003, may be subtracted in the first taxable year  
10 beginning or deemed to begin on or after January 1, 2006, under the  
11 Internal Revenue Code of 1986, as amended, and twenty percent in each of  
12 the next four following taxable years.

13 (10) For taxable years beginning or deemed to begin on or after  
14 January 1, 2003, and before January 1, 2006, under the Internal Revenue  
15 Code of 1986, as amended, federal adjusted gross income or, for  
16 corporations and fiduciaries, federal taxable income shall be increased  
17 by the amount of any capital investment that is expensed under section  
18 179 of the Internal Revenue Code of 1986, as amended, that is in excess  
19 of twenty-five thousand dollars that is allowed under the federal Jobs  
20 and Growth Tax Act of 2003. Twenty percent of the total amount of  
21 expensing added back by this subsection for tax years beginning or deemed  
22 to begin on or after January 1, 2003, may be subtracted in the first  
23 taxable year beginning or deemed to begin on or after January 1, 2006,  
24 under the Internal Revenue Code of 1986, as amended, and twenty percent  
25 in each of the next four following tax years.

26 (11)(a) For taxable years beginning or deemed to begin before  
27 January 1, 2018, under the Internal Revenue Code of 1986, as amended,  
28 federal adjusted gross income shall be reduced by contributions, up to  
29 two thousand dollars per married filing jointly return or one thousand  
30 dollars for any other return, and any investment earnings made as a  
31 participant in the Nebraska long-term care savings plan under the Long-

1 Term Care Savings Plan Act, to the extent not deducted for federal income  
2 tax purposes.

3 (b) For taxable years beginning or deemed to begin before January 1,  
4 2018, under the Internal Revenue Code of 1986, as amended, federal  
5 adjusted gross income shall be increased by the withdrawals made as a  
6 participant in the Nebraska long-term care savings plan under the act by  
7 a person who is not a qualified individual or for any reason other than  
8 transfer of funds to a spouse, long-term care expenses, long-term care  
9 insurance premiums, or death of the participant, including withdrawals  
10 made by reason of cancellation of the participation agreement, to the  
11 extent previously deducted as a contribution or as investment earnings.

12 (12) There shall be added to federal adjusted gross income for  
13 individuals, estates, and trusts any amount taken as a credit for  
14 franchise tax paid by a financial institution under sections 77-3801 to  
15 77-3807 as allowed by subsection (5) of section 77-2715.07.

16 (13)(a) For taxable years beginning or deemed to begin on or after  
17 January 1, 2015, under the Internal Revenue Code of 1986, as amended,  
18 federal adjusted gross income shall be reduced by the amount received as  
19 benefits under the federal Social Security Act which are included in the  
20 federal adjusted gross income if:

21 (i) For taxpayers filing a married filing joint return, federal  
22 adjusted gross income is fifty-eight thousand dollars or less; or

23 (ii) For taxpayers filing any other return, federal adjusted gross  
24 income is forty-three thousand dollars or less.

25 (b) For taxable years beginning or deemed to begin on or after  
26 January 1, 2020, under the Internal Revenue Code of 1986, as amended, the  
27 Tax Commissioner shall adjust the dollar amounts provided in subdivisions  
28 (13)(a)(i) and (ii) of this section by the same percentage used to adjust  
29 individual income tax brackets under subsection (4) ~~(3)~~ of section  
30 77-2715.03.

31 (14) For taxable years beginning or deemed to begin on or after

1 January 1, 2015, under the Internal Revenue Code of 1986, as amended, an  
2 individual may make a one-time election within two calendar years after  
3 the date of his or her retirement from the military to exclude income  
4 received as a military retirement benefit by the individual to the extent  
5 included in federal adjusted gross income and as provided in this  
6 subsection. The individual may elect to exclude forty percent of his or  
7 her military retirement benefit income for seven consecutive taxable  
8 years beginning with the year in which the election is made or may elect  
9 to exclude fifteen percent of his or her military retirement benefit  
10 income for all taxable years beginning with the year in which he or she  
11 turns sixty-seven years of age. For purposes of this subsection, military  
12 retirement benefit means retirement benefits that are periodic payments  
13 attributable to service in the uniformed services of the United States  
14 for personal services performed by an individual prior to his or her  
15 retirement.

16 Sec. 13. Section 77-2716.01, Reissue Revised Statutes of Nebraska,  
17 is amended to read:

18 77-2716.01 (1)(a) Through tax year 2017, every individual shall be  
19 allowed to subtract from his or her income tax liability an amount for  
20 personal exemptions. The amount allowed to be subtracted shall be the  
21 credit amount for the year as provided in this subdivision multiplied by  
22 the number of exemptions allowed on the federal return. For tax year  
23 1993, the credit amount shall be sixty-five dollars; for tax year 1994,  
24 the credit amount shall be sixty-nine dollars; for tax year 1995, the  
25 credit amount shall be sixty-nine dollars; for tax year 1996, the credit  
26 amount shall be seventy-two dollars; for tax year 1997, the credit amount  
27 shall be eighty-six dollars; for tax year 1998, the credit amount shall  
28 be eighty-eight dollars; for tax year 1999, and each year thereafter  
29 through tax year 2017, the credit amount shall be adjusted for inflation  
30 by the method provided in section 151 of the Internal Revenue Code of  
31 1986, as it existed prior to December 22, 2017. The eighty-eight-dollar

1 credit amount shall be adjusted for cumulative inflation since 1998. If  
2 any credit amount is not an even dollar amount, the amount shall be  
3 rounded to the nearest dollar. For nonresident individuals and partial-  
4 year resident individuals, the personal exemption credit shall be  
5 subtracted as specified in subsection (3) of section 77-2715.

6 (b) Beginning with tax year 2018, every individual, except an  
7 individual that can be claimed for a child credit or dependent credit on  
8 the federal return of another taxpayer, shall be allowed to subtract from  
9 his or her income tax liability an amount for personal exemptions. The  
10 amount allowed to be subtracted shall be the credit amount for the year  
11 as provided in this subdivision multiplied by the sum of the number of  
12 child credits and dependent credits taken on the federal return, plus two  
13 for a married filing jointly return or plus one for a single or head of  
14 household return. For tax year 2018, the credit amount shall be one  
15 hundred thirty-four dollars. For tax year 2019 and each tax year  
16 thereafter, the credit amount shall be adjusted for inflation based on  
17 the percentage change in the Consumer Price Index for All Urban Consumers  
18 published by the federal Bureau of Labor Statistics from the twelve  
19 months ending on August 31, 2017, to the twelve months ending on August  
20 31 of the year preceding the taxable year. If any credit amount is not an  
21 even dollar amount, the amount shall be rounded to the nearest dollar.  
22 For nonresident individuals and partial-year resident individuals, the  
23 personal exemption credit shall be subtracted as specified in subsection  
24 (3) of section 77-2715.

25 (2)(a) For tax years beginning or deemed to begin on or after  
26 January 1, 2003, and before January 1, 2004, under the Internal Revenue  
27 Code of 1986, as amended, every individual who did not itemize deductions  
28 on his or her federal return shall be allowed to subtract from federal  
29 adjusted gross income a standard deduction based on the filing status  
30 used on the federal return except as the amount is adjusted under section  
31 77-2716.03. The standard deduction shall be the smaller of the federal



1 standard deduction actually allowed or (i) for single taxpayers four  
2 thousand seven hundred fifty dollars, (ii) for head of household  
3 taxpayers seven thousand dollars, (iii) for married filing jointly  
4 taxpayers seven thousand nine hundred fifty dollars, and (iv) for married  
5 filing separately taxpayers three thousand nine hundred seventy-five  
6 dollars. Taxpayers who are allowed additional federal standard deduction  
7 amounts because of age or blindness shall be allowed an increase in the  
8 Nebraska standard deduction for each additional amount allowed on the  
9 federal return. The additional amounts shall be for married taxpayers,  
10 nine hundred fifty dollars, and for single or head of household  
11 taxpayers, one thousand one hundred fifty dollars.

12 (b) For tax years beginning or deemed to begin on or after January  
13 1, 2007, and before January 1, 2018, under the Internal Revenue Code of  
14 1986, as amended, every individual who did not itemize deductions on his  
15 or her federal return shall be allowed to subtract from federal adjusted  
16 gross income a standard deduction based on the filing status used on the  
17 federal return. The standard deduction shall be the smaller of the  
18 federal standard deduction actually allowed or (i) for single taxpayers  
19 three thousand dollars and (ii) for head of household taxpayers four  
20 thousand four hundred dollars. The standard deduction for married filing  
21 jointly taxpayers shall be double the standard deduction for single  
22 taxpayers, and for married filing separately taxpayers, the standard  
23 deduction shall be the same as single taxpayers. Taxpayers who are  
24 allowed additional federal standard deduction amounts because of age or  
25 blindness shall be allowed an increase in the Nebraska standard deduction  
26 for each additional amount allowed on the federal return. The additional  
27 amounts shall be for married taxpayers six hundred dollars and for single  
28 or head of household taxpayers seven hundred fifty dollars. The amounts  
29 in this subdivision will be indexed using 1987 as the base year.

30 (c) For tax years beginning or deemed to begin on or after January  
31 1, 2007, and before January 1, 2018, the standard deduction amounts,

1 including the additional standard deduction amounts, in this subsection  
2 shall be adjusted for inflation by the method provided in section 151 of  
3 the Internal Revenue Code of 1986, as it existed prior to December 22,  
4 2017. If any amount is not a multiple of fifty dollars, the amount shall  
5 be rounded to the next lowest multiple of fifty dollars.

6 (3)(a) For tax years beginning or deemed to begin on or after  
7 January 1, 2018, every individual who did not itemize deductions on his  
8 or her federal return shall be allowed to subtract from federal adjusted  
9 gross income a standard deduction based on the filing status used on the  
10 federal return. The standard deduction shall be the smaller of the  
11 federal standard deduction actually allowed or (i) six thousand seven  
12 hundred fifty dollars for single taxpayers and (ii) nine thousand nine  
13 hundred dollars for head of household taxpayers. The standard deduction  
14 for married filing jointly taxpayers shall be double the standard  
15 deduction for single taxpayers, and the standard deduction for married  
16 filing separately taxpayers shall be the same as the standard deduction  
17 for single taxpayers. Taxpayers who are allowed additional federal  
18 standard deduction amounts because of age or blindness shall be allowed  
19 an increase in the Nebraska standard deduction for each additional amount  
20 allowed on the federal return. The additional amounts shall be one  
21 thousand three hundred dollars for married taxpayers and one thousand six  
22 hundred dollars for single or head of household taxpayers.

23 (b) For tax years beginning or deemed to begin on or after January  
24 1, 2019, the standard deduction amounts, including the additional  
25 standard deduction amounts, in this subsection shall be adjusted for  
26 inflation based on the percentage change in the Consumer Price Index for  
27 All Urban Consumers published by the federal Bureau of Labor Statistics  
28 from the twelve months ending on August 31, 2017, to the twelve months  
29 ending on August 31 of the year preceding the taxable year. If any amount  
30 is not a multiple of fifty dollars, the amount shall be rounded to the  
31 next lowest multiple of fifty dollars.

1        (4)(a) For tax years beginning or deemed to begin before January 1,  
2 2020, every ~~(4) Every~~ individual who itemized deductions on his or her  
3 federal return shall be allowed to subtract from federal adjusted gross  
4 income the greater of either the standard deduction allowed in this  
5 section or his or her federal itemized deductions as defined in section  
6 63(d) of the Internal Revenue Code of 1986, as amended, except for the  
7 amount for state or local income taxes included in federal itemized  
8 deductions before any federal disallowance.

9        (b) For tax years beginning or deemed to begin on or after January  
10 1, 2020, every individual who itemized deductions on his or her federal  
11 return shall be allowed to subtract from federal adjusted gross income  
12 the greater of either the standard deduction allowed in this section or  
13 his or her federal itemized deductions as defined in section 63(d) of the  
14 Internal Revenue Code of 1986, as amended, which are taken for medical  
15 and dental expenses.

16        Sec. 14. Section 77-2734.01, Reissue Revised Statutes of Nebraska,  
17 is amended to read:

18        77-2734.01 (1)(a) For taxable years beginning or deemed to begin  
19 before January 1, 2020, residents ~~(1) Residents~~ of Nebraska who are  
20 shareholders of a small business corporation having an election in effect  
21 under subchapter S of the Internal Revenue Code or who are members of a  
22 limited liability company organized pursuant to the Nebraska Uniform  
23 Limited Liability Company Act shall include in their Nebraska taxable  
24 income, to the extent includable in federal gross income, their  
25 proportionate share of such corporation's or limited liability company's  
26 federal income adjusted pursuant to this section. Income or loss from  
27 such corporation or limited liability company conducting a business,  
28 trade, profession, or occupation shall be included in the Nebraska  
29 taxable income of a shareholder or member who is a resident of this state  
30 to the extent of such shareholder's or member's proportionate share of  
31 the net income or loss from the conduct of such business, trade,

1 profession, or occupation within this state, determined under subsection  
2 (2) of this section. A resident of Nebraska shall include in Nebraska  
3 taxable income fair compensation for services rendered to such  
4 corporation or limited liability company. Compensation actually paid  
5 shall be presumed to be fair unless it is apparent to the Tax  
6 Commissioner that such compensation is materially different from fair  
7 value for the services rendered or has been manipulated for tax avoidance  
8 purposes.

9 (b) For taxable years beginning or deemed to begin on or after  
10 January 1, 2020, residents of Nebraska who are shareholders of a small  
11 business corporation having an election in effect under subchapter S of  
12 the Internal Revenue Code or who are members of a limited liability  
13 company organized pursuant to the Nebraska Uniform Limited Liability  
14 Company Act shall include in their Nebraska taxable income, to the extent  
15 includable in federal gross income, their proportionate share of such  
16 corporation's or limited liability company's federal income. A resident  
17 of Nebraska shall include in Nebraska taxable income fair compensation  
18 for services rendered to such corporation or limited liability company.  
19 Compensation actually paid shall be presumed to be fair unless it is  
20 apparent to the Tax Commissioner that such compensation is materially  
21 different from fair value for the services rendered or has been  
22 manipulated for tax avoidance purposes.

23 (2) The income of any small business corporation having an election  
24 in effect under subchapter S of the Internal Revenue Code or limited  
25 liability company organized pursuant to the Nebraska Uniform Limited  
26 Liability Company Act that is derived from or connected with Nebraska  
27 sources shall be determined in the following manner:

28 (a) If the small business corporation is a member of a unitary  
29 group, the small business corporation shall be deemed to be doing  
30 business within this state if any part of its income is derived from  
31 transactions with other members of the unitary group doing business

1 within this state, and such corporation shall apportion its income by  
2 using the apportionment factor determined for the entire unitary group,  
3 including the small business corporation, under sections 77-2734.05 to  
4 77-2734.15;

5 (b) If the small business corporation or limited liability company  
6 is not a member of a unitary group and is subject to tax in another  
7 state, it shall apportion its income under sections 77-2734.05 to  
8 77-2734.15; and

9 (c) If the small business corporation or limited liability company  
10 is not subject to tax in another state, all of its income is derived from  
11 or connected with Nebraska sources.

12 (3) Nonresidents of Nebraska who are shareholders of such  
13 corporations or members of such limited liability companies shall file a  
14 Nebraska income tax return and shall include in Nebraska adjusted gross  
15 income their proportionate share of the corporation's or limited  
16 liability company's Nebraska income as determined under subsection (2) of  
17 this section.

18 (4) The nonresident shareholder or member shall execute and forward  
19 to the corporation or limited liability company before the filing of the  
20 corporation's or limited liability company's return an agreement which  
21 states he or she will file a Nebraska income tax return and pay the tax  
22 on the income derived from or connected with sources in this state, and  
23 such agreement shall be attached to the corporation's or limited  
24 liability company's Nebraska return for such taxable year.

25 (5) For taxable years beginning or deemed to begin before January 1,  
26 2013, in the absence of the nonresident shareholder's or member's  
27 executed agreement being attached to the Nebraska return, the corporation  
28 or limited liability company shall remit with the return an amount equal  
29 to the highest individual income tax rate determined under section  
30 77-2715.02 multiplied by the nonresident shareholder's or member's share  
31 of the corporation's or limited liability company's income which was

1 derived from or attributable to this state. For taxable years beginning  
2 or deemed to begin on or after January 1, 2013, in the absence of the  
3 nonresident shareholder's or member's executed agreement being attached  
4 to the Nebraska return, the corporation or limited liability company  
5 shall remit with the return an amount equal to the highest individual  
6 income tax rate determined under section 77-2715.03 multiplied by the  
7 nonresident shareholder's or member's share of the corporation's or  
8 limited liability company's income which was derived from or attributable  
9 to this state. The amount remitted shall be allowed as a credit against  
10 the Nebraska income tax liability of the shareholder or member.

11 (6) The Tax Commissioner may allow a nonresident individual  
12 shareholder or member to not file a Nebraska income tax return if the  
13 nonresident individual shareholder's or member's only source of Nebraska  
14 income was his or her share of the small business corporation's or  
15 limited liability company's income which was derived from or attributable  
16 to sources within this state, the nonresident did not file an agreement  
17 to file a Nebraska income tax return, and the small business corporation  
18 or limited liability company has remitted the amount required by  
19 subsection (5) of this section on behalf of such nonresident individual  
20 shareholder or member. The amount remitted shall be retained in  
21 satisfaction of the Nebraska income tax liability of the nonresident  
22 individual shareholder or member.

23 (7) A small business corporation or limited liability company return  
24 shall be filed only if one or more of the shareholders of the corporation  
25 or members of the limited liability company are not residents of the  
26 State of Nebraska or if such corporation or limited liability company has  
27 income derived from sources outside this state.

28 (8) For purposes of this section, any shareholder or member of the  
29 corporation or limited liability company that is a grantor trust of a  
30 nonresident shall be disregarded and this section shall apply as though  
31 the nonresident grantor was the shareholder or member.

1           Sec. 15. Section 79-1001, Revised Statutes Cumulative Supplement,  
2 2018, is amended to read:

3           79-1001 Sections 79-1001 to 79-1033 and section 18 of this act shall  
4 be known and may be cited as the Tax Equity and Educational Opportunities  
5 Support Act.

6           Sec. 16. Section 79-1003, Revised Statutes Cumulative Supplement,  
7 2018, is amended to read:

8           79-1003 For purposes of the Tax Equity and Educational Opportunities  
9 Support Act:

10           (1) Adjusted general fund operating expenditures means (a) for  
11 school fiscal years 2013-14 through 2015-16, the difference of the  
12 general fund operating expenditures as calculated pursuant to subdivision  
13 (23) of this section increased by the cost growth factor calculated  
14 pursuant to section 79-1007.10, minus the transportation allowance,  
15 special receipts allowance, poverty allowance, limited English  
16 proficiency allowance, distance education and telecommunications  
17 allowance, elementary site allowance, summer school allowance,  
18 instructional time allowance, teacher education allowance, and focus  
19 school and program allowance, (b) for school fiscal years 2016-17 through  
20 2018-19, the difference of the general fund operating expenditures as  
21 calculated pursuant to subdivision (23) of this section increased by the  
22 cost growth factor calculated pursuant to section 79-1007.10, minus the  
23 transportation allowance, special receipts allowance, poverty allowance,  
24 limited English proficiency allowance, distance education and  
25 telecommunications allowance, elementary site allowance, summer school  
26 allowance, and focus school and program allowance, and (c) for school  
27 fiscal year 2019-20 and each school fiscal year thereafter, the  
28 difference of the general fund operating expenditures as calculated  
29 pursuant to subdivision (23) of this section increased by the cost growth  
30 factor calculated pursuant to section 79-1007.10, minus the  
31 transportation allowance, special receipts allowance, poverty allowance,

1 limited English proficiency allowance, distance education and  
2 telecommunications allowance, elementary site allowance, summer school  
3 allowance, community achievement plan allowance, property tax relief  
4 allowance, and focus school and program allowance;

5 (2) Adjusted valuation means the assessed valuation of taxable  
6 property of each local system in the state, adjusted pursuant to the  
7 adjustment factors described in section 79-1016. Adjusted valuation means  
8 the adjusted valuation for the property tax year ending during the school  
9 fiscal year immediately preceding the school fiscal year in which the aid  
10 based upon that value is to be paid. For purposes of determining the  
11 local effort rate yield pursuant to section 79-1015.01, adjusted  
12 valuation does not include the value of any property which a court, by a  
13 final judgment from which no appeal is taken, has declared to be  
14 nontaxable or exempt from taxation;

15 (3) Allocated income tax funds means the amount of assistance paid  
16 to a local system pursuant to section 79-1005.01 as adjusted, for school  
17 fiscal years prior to school fiscal year 2017-18, by the minimum levy  
18 adjustment pursuant to section 79-1008.02;

19 (4) Average daily membership means the average daily membership for  
20 grades kindergarten through twelve attributable to the local system, as  
21 provided in each district's annual statistical summary, and includes the  
22 proportionate share of students enrolled in a public school instructional  
23 program on less than a full-time basis;

24 (5) Base fiscal year means the first school fiscal year following  
25 the school fiscal year in which the reorganization or unification  
26 occurred;

27 (6) Board means the school board of each school district;

28 (7) Categorical funds means funds limited to a specific purpose by  
29 federal or state law, including, but not limited to, Title I funds, Title  
30 VI funds, federal vocational education funds, federal school lunch funds,  
31 Indian education funds, Head Start funds, and funds from the Education



1 Innovation Fund;

2 (8) Consolidate means to voluntarily reduce the number of school  
3 districts providing education to a grade group and does not include  
4 dissolution pursuant to section 79-498;

5 (9) Converted contract means an expired contract that was in effect  
6 for at least fifteen school years beginning prior to school year 2012-13  
7 for the education of students in a nonresident district in exchange for  
8 tuition from the resident district when the expiration of such contract  
9 results in the nonresident district educating students, who would have  
10 been covered by the contract if the contract were still in effect, as  
11 option students pursuant to the enrollment option program established in  
12 section 79-234;

13 (10) Converted contract option student means a student who will be  
14 an option student pursuant to the enrollment option program established  
15 in section 79-234 for the school fiscal year for which aid is being  
16 calculated and who would have been covered by a converted contract if the  
17 contract were still in effect and such school fiscal year is the first  
18 school fiscal year for which such contract is not in effect;

19 (11) Department means the State Department of Education;

20 (12) District means any school district or unified system as defined  
21 in section 79-4,108;

22 (13) Ensuing school fiscal year means the school fiscal year  
23 following the current school fiscal year;

24 (14) Equalization aid means the amount of assistance calculated to  
25 be paid to a local system pursuant to sections 79-1007.11 to 79-1007.23,  
26 79-1007.25, 79-1008.01 to 79-1022, and 79-1022.02;

27 (15) Fall membership means the total membership in kindergarten  
28 through grade twelve attributable to the local system as reported on the  
29 fall school district membership reports for each district pursuant to  
30 section 79-528;

31 (16) Fiscal year means the state fiscal year which is the period

1 from July 1 to the following June 30;

2 (17) Formula students means:

3 (a) For state aid certified pursuant to section 79-1022, the sum of  
4 the product of fall membership from the school fiscal year immediately  
5 preceding the school fiscal year in which the aid is to be paid  
6 multiplied by the average ratio of average daily membership to fall  
7 membership for the second school fiscal year immediately preceding the  
8 school fiscal year in which the aid is to be paid and the prior two  
9 school fiscal years plus sixty percent of the qualified early childhood  
10 education fall membership plus tuitioned students from the school fiscal  
11 year immediately preceding the school fiscal year in which aid is to be  
12 paid minus the product of the number of students enrolled in kindergarten  
13 that is not full-day kindergarten from the fall membership multiplied by  
14 0.5; and

15 (b) For the final calculation of state aid pursuant to section  
16 79-1065, the sum of average daily membership plus sixty percent of the  
17 qualified early childhood education average daily membership plus  
18 tuitioned students minus the product of the number of students enrolled  
19 in kindergarten that is not full-day kindergarten from the average daily  
20 membership multiplied by 0.5 from the school fiscal year immediately  
21 preceding the school fiscal year in which aid was paid;

22 (18) Free lunch and free milk calculated students means, using the  
23 most recent data available on November 1 of the school fiscal year  
24 immediately preceding the school fiscal year in which aid is to be paid,

25 (a) for schools that did not provide free meals to all students pursuant  
26 to the community eligibility provision, students who individually  
27 qualified for free lunches or free milk pursuant to the federal Richard  
28 B. Russell National School Lunch Act, 42 U.S.C. 1751 et seq., and the  
29 federal Child Nutrition Act of 1966, 42 U.S.C. 1771 et seq., as such acts  
30 and sections existed on January 1, 2015, and rules and regulations  
31 adopted thereunder, plus (b) for schools that provided free meals to all

1 students pursuant to the community eligibility provision, (i) for school  
2 fiscal year 2016-17, the product of the students who attended such school  
3 multiplied by the identified student percentage calculated pursuant to  
4 such federal provision or (ii) for school fiscal year 2017-18 and each  
5 school fiscal year thereafter, the greater of the number of students in  
6 such school who individually qualified for free lunch or free milk using  
7 the most recent school fiscal year for which the school did not provide  
8 free meals to all students pursuant to the community eligibility  
9 provision or one hundred ten percent of the product of the students who  
10 qualified for free meals at such school pursuant to the community  
11 eligibility provision multiplied by the identified student percentage  
12 calculated pursuant to such federal provision, except that the free lunch  
13 and free milk students calculated for any school pursuant to subdivision  
14 (18)(b)(ii) of this section shall not exceed one hundred percent of the  
15 students qualified for free meals at such school pursuant to the  
16 community eligibility provision;

17 (19) Free lunch and free milk student means, for school fiscal years  
18 prior to school fiscal year 2016-17, a student who qualified for free  
19 lunches or free milk from the most recent data available on November 1 of  
20 the school fiscal year immediately preceding the school fiscal year in  
21 which aid is to be paid;

22 (20) Full-day kindergarten means kindergarten offered by a district  
23 for at least one thousand thirty-two instructional hours;

24 (21) General fund budget of expenditures means the total budget of  
25 disbursements and transfers for general fund purposes as certified in the  
26 budget statement adopted pursuant to the Nebraska Budget Act, except that  
27 for purposes of the limitation imposed in section 79-1023, the general  
28 fund budget of expenditures does not include any special grant funds,  
29 exclusive of local matching funds, received by a district;

30 (22) General fund expenditures means all expenditures from the  
31 general fund;

1           (23) General fund operating expenditures means for state aid  
2 calculated for school fiscal years 2012-13 and each school fiscal year  
3 thereafter, as reported on the annual financial report for the second  
4 school fiscal year immediately preceding the school fiscal year in which  
5 aid is to be paid, the total general fund expenditures minus (a) the  
6 amount of all receipts to the general fund, to the extent that such  
7 receipts are not included in local system formula resources, from early  
8 childhood education tuition, summer school tuition, educational entities  
9 as defined in section 79-1201.01 for providing distance education courses  
10 through the Educational Service Unit Coordinating Council to such  
11 educational entities, private foundations, individuals, associations,  
12 charitable organizations, the textbook loan program authorized by section  
13 79-734, federal impact aid, and levy override elections pursuant to  
14 section 77-3444, (b) the amount of expenditures for categorical funds,  
15 tuition paid, transportation fees paid to other districts, adult  
16 education, community services, redemption of the principal portion of  
17 general fund debt service, retirement incentive plans authorized by  
18 section 79-855, and staff development assistance authorized by section  
19 79-856, (c) the amount of any transfers from the general fund to any bond  
20 fund and transfers from other funds into the general fund, (d) any legal  
21 expenses in excess of fifteen-hundredths of one percent of the formula  
22 need for the school fiscal year in which the expenses occurred, (e)(i)  
23 for state aid calculated for school fiscal years prior to school fiscal  
24 year 2018-19, expenditures to pay for sums agreed to be paid by a school  
25 district to certificated employees in exchange for a voluntary  
26 termination occurring prior to July 1, 2009, occurring on or after the  
27 last day of the 2010-11 school year and prior to the first day of the  
28 2013-14 school year, or, to the extent that a district has demonstrated  
29 to the State Board of Education pursuant to section 79-1028.01 that the  
30 agreement will result in a net savings in salary and benefit costs to the  
31 school district over a five-year period, occurring on or after the first

1 day of the 2013-14 school year or (ii) for state aid calculated for  
2 school fiscal year 2018-19 and each school fiscal year thereafter,  
3 expenditures to pay for incentives agreed to be paid by a school district  
4 to certificated employees in exchange for a voluntary termination of  
5 employment for which the State Board of Education approved an exclusion  
6 pursuant to subdivision (1)(h), (i), (j), or (k) of section 79-1028.01,  
7 (f)(i) expenditures to pay for employer contributions pursuant to  
8 subsection (2) of section 79-958 to the School Employees Retirement  
9 System of the State of Nebraska to the extent that such expenditures  
10 exceed the employer contributions under such subsection that would have  
11 been made at a contribution rate of seven and thirty-five hundredths  
12 percent or (ii) expenditures to pay for school district contributions  
13 pursuant to subdivision (1)(c)(i) or (1)(d)(i) of section 79-9,113 to the  
14 retirement system established pursuant to the Class V School Employees  
15 Retirement Act to the extent that such expenditures exceed the school  
16 district contributions under such subdivision that would have been made  
17 at a contribution rate of seven and thirty-seven hundredths percent, and  
18 (g) any amounts paid by the district for lobbyist fees and expenses  
19 reported to the Clerk of the Legislature pursuant to section 49-1483.

20 For purposes of this subdivision (23) of this section, receipts from  
21 levy override elections shall equal ninety-nine percent of the difference  
22 of the total general fund levy minus a levy of one dollar and five cents  
23 per one hundred dollars of taxable valuation multiplied by the assessed  
24 valuation for school districts that have voted pursuant to section  
25 77-3444 to override the maximum levy provided pursuant to section  
26 77-3442;

27 (24) Income tax liability means the amount of the reported income  
28 tax liability for resident individuals pursuant to the Nebraska Revenue  
29 Act of 1967 less all nonrefundable credits earned and refunds made;

30 (25) Income tax receipts means the amount of income tax collected  
31 pursuant to the Nebraska Revenue Act of 1967 less all nonrefundable

1 credits earned and refunds made;

2 (26) Limited English proficiency students means the number of  
3 students with limited English proficiency in a district from the most  
4 recent data available on November 1 of the school fiscal year preceding  
5 the school fiscal year in which aid is to be paid plus the difference of  
6 such students with limited English proficiency minus the average number  
7 of limited English proficiency students for such district, prior to such  
8 addition, for the three immediately preceding school fiscal years if such  
9 difference is greater than zero;

10 (27) Local system means a unified system or a school district;

11 (28) Low-income child means (a) for school fiscal years prior to  
12 2016-17, a child under nineteen years of age living in a household having  
13 an annual adjusted gross income for the second calendar year preceding  
14 the beginning of the school fiscal year for which aid is being calculated  
15 equal to or less than the maximum household income that would allow a  
16 student from a family of four people to be a free lunch and free milk  
17 student during the school fiscal year immediately preceding the school  
18 fiscal year for which aid is being calculated and (b) for school fiscal  
19 year 2016-17 and each school fiscal year thereafter, a child under  
20 nineteen years of age living in a household having an annual adjusted  
21 gross income for the second calendar year preceding the beginning of the  
22 school fiscal year for which aid is being calculated equal to or less  
23 than the maximum household income pursuant to sections 9(b)(1) and 17(c)  
24 (4) of the Richard B. Russell National School Lunch Act, 42 U.S.C.  
25 1758(b)(1) and 42 U.S.C. 1766(c)(4), respectively, and sections 3(a)(6)  
26 and 4(e)(1)(A) of the Child Nutrition Act of 1966, 42 U.S.C. 1772(a)(6)  
27 and 42 U.S.C. 1773(e)(1)(A), respectively, as such acts and sections  
28 existed on January 1, 2015, for a household of that size that would have  
29 allowed the child to meet the income qualifications for free meals during  
30 the school fiscal year immediately preceding the school fiscal year for  
31 which aid is being calculated;

1           (29) Low-income students means the number of low-income children  
2 within the district multiplied by the ratio of the formula students in  
3 the district divided by the total children under nineteen years of age  
4 residing in the district as derived from income tax information;

5           (30) Most recently available complete data year means the most  
6 recent single school fiscal year for which the annual financial report,  
7 fall school district membership report, annual statistical summary,  
8 Nebraska income tax liability by school district for the calendar year in  
9 which the majority of the school fiscal year falls, and adjusted  
10 valuation data are available;

11           (31) Poverty students means (a) for school fiscal years prior to  
12 2016-17, the number of low-income students or the number of students who  
13 are free lunch and free milk students in a district plus the difference  
14 of the number of low-income students or the number of students who are  
15 free lunch and free milk students in a district, whichever is greater,  
16 minus the average number of poverty students for such district, prior to  
17 such addition, for the three immediately preceding school fiscal years if  
18 such difference is greater than zero and (b) for school fiscal year  
19 2016-17 and each school fiscal year thereafter, the unadjusted poverty  
20 students plus the difference of such unadjusted poverty students minus  
21 the average number of poverty students for such district, prior to such  
22 addition, for the three immediately preceding school fiscal years if such  
23 difference is greater than zero;

24           (32) Qualified early childhood education average daily membership  
25 means the product of the average daily membership for school fiscal year  
26 2006-07 and each school fiscal year thereafter of students who will be  
27 eligible to attend kindergarten the following school year and are  
28 enrolled in an early childhood education program approved by the  
29 department pursuant to section 79-1103 for such school district for such  
30 school year multiplied by the ratio of the actual instructional hours of  
31 the program divided by one thousand thirty-two if: (a) The program is

1 receiving a grant pursuant to such section for the third year; (b) the  
2 program has already received grants pursuant to such section for three  
3 years; or (c) the program has been approved pursuant to subsection (5) of  
4 section 79-1103 for such school year and the two preceding school years,  
5 including any such students in portions of any of such programs receiving  
6 an expansion grant;

7 (33) Qualified early childhood education fall membership means the  
8 product of membership on October 1 of each school year of students who  
9 will be eligible to attend kindergarten the following school year and are  
10 enrolled in an early childhood education program approved by the  
11 department pursuant to section 79-1103 for such school district for such  
12 school year multiplied by the ratio of the planned instructional hours of  
13 the program divided by one thousand thirty-two if: (a) The program is  
14 receiving a grant pursuant to such section for the third year; (b) the  
15 program has already received grants pursuant to such section for three  
16 years; or (c) the program has been approved pursuant to subsection (5) of  
17 section 79-1103 for such school year and the two preceding school years,  
18 including any such students in portions of any of such programs receiving  
19 an expansion grant;

20 (34) Regular route transportation means the transportation of  
21 students on regularly scheduled daily routes to and from the attendance  
22 center;

23 (35) Reorganized district means any district involved in a  
24 consolidation and currently educating students following consolidation;

25 (36) School year or school fiscal year means the fiscal year of a  
26 school district as defined in section 79-1091;

27 (37) Sparse local system means a local system that is not a very  
28 sparse local system but which meets the following criteria:

29 (a)(i) Less than two students per square mile in the county in which  
30 each high school is located, based on the school district census, (ii)  
31 less than one formula student per square mile in the local system, and



1 (iii) more than ten miles between each high school attendance center and  
2 the next closest high school attendance center on paved roads;

3 (b)(i) Less than one and one-half formula students per square mile  
4 in the local system and (ii) more than fifteen miles between each high  
5 school attendance center and the next closest high school attendance  
6 center on paved roads;

7 (c)(i) Less than one and one-half formula students per square mile  
8 in the local system and (ii) more than two hundred seventy-five square  
9 miles in the local system; or

10 (d)(i) Less than two formula students per square mile in the local  
11 system and (ii) the local system includes an area equal to ninety-five  
12 percent or more of the square miles in the largest county in which a high  
13 school attendance center is located in the local system;

14 (38) Special education means specially designed kindergarten through  
15 grade twelve instruction pursuant to section 79-1125, and includes  
16 special education transportation;

17 (39) Special grant funds means the budgeted receipts for grants,  
18 including, but not limited to, categorical funds, reimbursements for  
19 wards of the court, short-term borrowings including, but not limited to,  
20 registered warrants and tax anticipation notes, interfund loans,  
21 insurance settlements, and reimbursements to county government for  
22 previous overpayment. The state board shall approve a listing of grants  
23 that qualify as special grant funds;

24 (40) State aid means the amount of assistance paid to a district  
25 pursuant to the Tax Equity and Educational Opportunities Support Act;

26 (41) State board means the State Board of Education;

27 (42) State support means all funds provided to districts by the  
28 State of Nebraska for the general fund support of elementary and  
29 secondary education;

30 (43) Statewide average basic funding per formula student means the  
31 statewide total basic funding for all districts divided by the statewide

1 total formula students for all districts;

2 (44) Statewide average general fund operating expenditures per  
3 formula student means the statewide total general fund operating  
4 expenditures for all districts divided by the statewide total formula  
5 students for all districts;

6 (45) Teacher has the definition found in section 79-101;

7 (46) Temporary aid adjustment factor means (a) for school fiscal  
8 years before school fiscal year 2007-08, one and one-fourth percent of  
9 the sum of the local system's transportation allowance, the local  
10 system's special receipts allowance, and the product of the local  
11 system's adjusted formula students multiplied by the average formula cost  
12 per student in the local system's cost grouping and (b) for school fiscal  
13 year 2007-08, one and one-fourth percent of the sum of the local system's  
14 transportation allowance, special receipts allowance, and distance  
15 education and telecommunications allowance and the product of the local  
16 system's adjusted formula students multiplied by the average formula cost  
17 per student in the local system's cost grouping;

18 (47) Tuition receipts from converted contracts means tuition  
19 receipts received by a district from another district in the most  
20 recently available complete data year pursuant to a converted contract  
21 prior to the expiration of the contract;

22 (48) Tuitioned students means students in kindergarten through grade  
23 twelve of the district whose tuition is paid by the district to some  
24 other district or education agency;

25 (49) Unadjusted poverty students means, for school fiscal year  
26 2016-17 and each school fiscal year thereafter, the greater of the number  
27 of low-income students or the free lunch and free milk calculated  
28 students in a district; and

29 (50) Very sparse local system means a local system that has:

30 (a)(i) Less than one-half student per square mile in each county in  
31 which each high school attendance center is located based on the school

1 district census, (ii) less than one formula student per square mile in  
2 the local system, and (iii) more than fifteen miles between the high  
3 school attendance center and the next closest high school attendance  
4 center on paved roads; or

5 (b)(i) More than four hundred fifty square miles in the local  
6 system, (ii) less than one-half student per square mile in the local  
7 system, and (iii) more than fifteen miles between each high school  
8 attendance center and the next closest high school attendance center on  
9 paved roads.

10 Sec. 17. Section 79-1005.01, Revised Statutes Cumulative Supplement,  
11 2018, is amended to read:

12 79-1005.01 (1) Not later than November 15 of each year, the Tax  
13 Commissioner shall certify to the department for the preceding tax year  
14 the income tax liability of resident individuals for each local system.

15 (2) For school fiscal years prior to 2017-18, one hundred two  
16 million two hundred eighty-nine thousand eight hundred seventeen dollars  
17 which is equal to the amount appropriated to the School District Income  
18 Tax Fund for distribution in school fiscal year 1992-93 shall be  
19 disbursed as option payments as determined under section 79-1009 and as  
20 allocated income tax funds as determined in this section and sections  
21 79-1008.01, 79-1015.01, 79-1017.01, and 79-1018.01, except as provided in  
22 section 79-1008.02 for school fiscal years prior to school fiscal year  
23 2017-18. For school fiscal years prior to school fiscal year 2017-18,  
24 funds not distributed as allocated income tax funds due to minimum levy  
25 adjustments shall not increase the amount available to local systems for  
26 distribution as allocated income tax funds.

27 (3) Using the data certified by the Tax Commissioner pursuant to  
28 subsection (1) of this section, the department shall calculate the  
29 allocation percentage and each local system's allocated income tax funds.  
30 The allocation percentage shall be the amount stated in subsection (2) of  
31 this section minus the total amount paid for option students pursuant to

1 section 79-1009, with the difference divided by the aggregate statewide  
2 income tax liability of all resident individuals certified pursuant to  
3 subsection (1) of this section. Each local system's allocated income tax  
4 funds shall be calculated by multiplying the allocation percentage times  
5 the local system's income tax liability certified pursuant to subsection  
6 (1) of this section.

7 (4) For school fiscal ~~years~~ year 2017-18 through 2018-19 and ~~each~~  
8 ~~school fiscal year thereafter~~, each local system's allocated income tax  
9 funds shall be calculated by multiplying the local system's income tax  
10 liability certified pursuant to subsection (1) of this section by two and  
11 twenty-three hundredths percent.

12 (5) For school fiscal year 2019-20 and each school fiscal year  
13 thereafter, each local system's allocated income tax funds shall be  
14 calculated by multiplying the local system's income tax liability  
15 certified pursuant to subsection (1) of this section by twenty percent.

16 Sec. 18. (1) For school fiscal year 2019-20 and each school fiscal  
17 year thereafter, the department shall determine the supplemental state  
18 aid to be paid to each school district. The amount distributed as  
19 supplemental state aid shall equal .0433 percent of the statewide average  
20 general fund operating expenditures. Supplemental state aid shall be  
21 distributed proportionately to each local system based on formula  
22 students. Supplemental state aid shall be included in the calculation of  
23 formula resources pursuant to section 79-1017.01.

24 (2) For school fiscal year 2019-20 and each school fiscal year  
25 thereafter, a property tax relief allowance equal to the supplemental  
26 state aid shall be included in the calculation of formula need for each  
27 school district.

28 Sec. 19. Section 79-1007.11, Revised Statutes Cumulative Supplement,  
29 2018, is amended to read:

30 79-1007.11 (1) Except as otherwise provided in this section, for  
31 school fiscal years 2013-14 through 2015-16, each school district's

1 formula need shall equal the difference of the sum of the school  
2 district's basic funding, poverty allowance, limited English proficiency  
3 allowance, focus school and program allowance, summer school allowance,  
4 special receipts allowance, transportation allowance, elementary site  
5 allowance, instructional time allowance, teacher education allowance,  
6 distance education and telecommunications allowance, averaging  
7 adjustment, new learning community transportation adjustment, student  
8 growth adjustment, any positive student growth adjustment correction, and  
9 new school adjustment, minus the sum of the limited English proficiency  
10 allowance correction, poverty allowance correction, and any negative  
11 student growth adjustment correction.

12 (2) Except as otherwise provided in this section, for school fiscal  
13 year 2016-17, each school district's formula need shall equal the  
14 difference of the sum of the school district's basic funding, poverty  
15 allowance, limited English proficiency allowance, focus school and  
16 program allowance, summer school allowance, special receipts allowance,  
17 transportation allowance, elementary site allowance, distance education  
18 and telecommunications allowance, averaging adjustment, new learning  
19 community transportation adjustment, student growth adjustment, any  
20 positive student growth adjustment correction, and new school adjustment,  
21 minus the sum of the limited English proficiency allowance correction,  
22 poverty allowance correction, and any negative student growth adjustment  
23 correction.

24 (3) Except as otherwise provided in this section, for school fiscal  
25 years 2017-18 and 2018-19, each school district's formula need shall  
26 equal the difference of the sum of the school district's basic funding,  
27 poverty allowance, poverty allowance adjustment, limited English  
28 proficiency allowance, focus school and program allowance, summer school  
29 allowance, special receipts allowance, transportation allowance,  
30 elementary site allowance, distance education and telecommunications  
31 allowance, averaging adjustment, new community achievement plan

1 adjustment, student growth adjustment, any positive student growth  
2 adjustment correction, and new school adjustment minus the sum of the  
3 limited English proficiency allowance correction, poverty allowance  
4 correction, and any negative student growth adjustment correction.

5 (4) Except as otherwise provided in this section, for school fiscal  
6 year 2019-20 and each school fiscal year thereafter, each school  
7 district's formula need shall equal the difference of the sum of the  
8 school district's basic funding, poverty allowance, limited English  
9 proficiency allowance, focus school and program allowance, summer school  
10 allowance, special receipts allowance, transportation allowance,  
11 elementary site allowance, distance education and telecommunications  
12 allowance, community achievement plan allowance, property tax relief  
13 allowance, averaging adjustment, new community achievement plan  
14 adjustment, student growth adjustment, any positive student growth  
15 adjustment correction, and new school adjustment minus the sum of the  
16 limited English proficiency allowance correction, poverty allowance  
17 correction, and any negative student growth adjustment correction.

18 (5) If the formula need calculated for a school district pursuant to  
19 subsections (1) through (4) of this section is less than one hundred  
20 percent of the formula need for such district for the school fiscal year  
21 immediately preceding the school fiscal year for which aid is being  
22 calculated, the formula need for such district shall equal one hundred  
23 percent of the formula need for such district for the school fiscal year  
24 immediately preceding the school fiscal year for which aid is being  
25 calculated.

26 (6) If the formula need calculated for a school district pursuant to  
27 subsections (1) through (4) of this section is more than one hundred  
28 twelve percent of the formula need for such district for the school  
29 fiscal year immediately preceding the school fiscal year for which aid is  
30 being calculated, the formula need for such district shall equal one  
31 hundred twelve percent of the formula need for such district for the

1 school fiscal year immediately preceding the school fiscal year for which  
2 aid is being calculated, except that the formula need shall not be  
3 reduced pursuant to this subsection for any district receiving a student  
4 growth adjustment for the school fiscal year for which aid is being  
5 calculated.

6 (7) For purposes of subsections (5) and (6) of this section, the  
7 formula need for the school fiscal year immediately preceding the school  
8 fiscal year for which aid is being calculated shall be the formula need  
9 used in the final calculation of aid pursuant to section 79-1065 and for  
10 districts that were affected by a reorganization with an effective date  
11 in the calendar year preceding the calendar year in which aid is  
12 certified for the school fiscal year for which aid is being calculated,  
13 the formula need for the school fiscal year immediately preceding the  
14 school fiscal year for which aid is being calculated shall be attributed  
15 to the affected school districts based on information provided to the  
16 department by the school districts or proportionally based on the  
17 adjusted valuation transferred if sufficient information has not been  
18 provided to the department.

19 Sec. 20. Section 79-1017.01, Revised Statutes Cumulative Supplement,  
20 2018, is amended to read:

21 79-1017.01 (1) For state aid calculated for school fiscal years  
22 2014-15 and 2015-16, local system formula resources includes other actual  
23 receipts determined pursuant to section 79-1018.01, net option funding  
24 determined pursuant to section 79-1009, teacher education aid determined  
25 pursuant to section 79-1007.25, instructional time aid determined  
26 pursuant to subsection (2) of section 79-1007.23, allocated income tax  
27 funds determined pursuant to section 79-1005.01, and minimum levy  
28 adjustments determined pursuant to section 79-1008.02 and is reduced by  
29 amounts paid by the district in the most recently available complete data  
30 year as property tax refunds pursuant to or in the manner prescribed by  
31 section 77-1736.06.

1           (2) For state aid calculated for school fiscal years ~~year~~ 2016-17  
2 through 2018-19 and ~~each school fiscal year thereafter~~, local system  
3 formula resources includes other actual receipts determined pursuant to  
4 section 79-1018.01, net option funding determined pursuant to section  
5 79-1009, allocated income tax funds determined pursuant to section  
6 79-1005.01, community achievement plan aid determined pursuant to section  
7 79-1005, and minimum levy adjustments determined pursuant to section  
8 79-1008.02 for school fiscal years prior to school fiscal year 2017-18,  
9 and is reduced by amounts paid by the district in the most recently  
10 available complete data year as property tax refunds pursuant to or in  
11 the manner prescribed by section 77-1736.06.

12           (3) For state aid calculated for school fiscal year 2019-20 and each  
13 school fiscal year thereafter, local system formula resources includes  
14 other actual receipts determined pursuant to section 79-1018.01, net  
15 option funding determined pursuant to section 79-1009, allocated income  
16 tax funds determined pursuant to section 79-1005.01, community  
17 achievement plan aid determined pursuant to section 79-1005, and  
18 supplemental state aid determined pursuant to section 18 of this act, and  
19 is reduced by amounts paid by the district in the most recently available  
20 complete data year as property tax refunds pursuant to or in the manner  
21 prescribed by section 77-1736.06.

22           Sec. 21. Section 79-1142, Reissue Revised Statutes of Nebraska, is  
23 amended to read:

24           79-1142 (1) Level I services refers to services provided to children  
25 with disabilities who require an aggregate of not more than three hours  
26 per week of special education services and support services and includes  
27 all administrative, diagnostic, consultative, and vocational-adjustment  
28 counselor services.

29           (2) The total allowable reimbursable cost for support services shall  
30 not exceed a percentage, established by the State Board of Education, of  
31 the school district's or approved cooperative's total allowable



1 reimbursable cost for all special education programs and support  
2 services. The percentage established by the State Board of Education for  
3 support services shall not exceed the difference of ten percent minus the  
4 percentage of the appropriations for special education approved by the  
5 Legislature set aside for reimbursements for support services pursuant to  
6 subsection (5) of this section.

7 (3)(a) (3) For special education and support services provided in  
8 each school fiscal year prior to school fiscal year 2018-19, the State  
9 Department of Education shall reimburse each school district in the  
10 following school fiscal year a pro rata amount determined by the  
11 department. The reimbursement percentage shall be the ratio of the  
12 difference of the appropriations for special education approved by the  
13 Legislature minus the amounts set aside pursuant to subsection (5) of  
14 this section divided by the total allowable excess costs for all special  
15 education programs and support services.

16 (b) For special education and support services provided in school  
17 fiscal year 2018-19 and each school fiscal year thereafter, the State  
18 Department of Education shall reimburse each school district in the  
19 following school fiscal year at least eighty percent of the total excess  
20 allowable costs for all special education programs and support services  
21 provided by such school district. If the appropriation for special  
22 education approved by the Legislature exceeds, after subtracting amounts  
23 set aside pursuant to subsection (5) of this section, an amount equal to  
24 eighty percent of the aggregate total excess allowable costs for all  
25 special education programs and support services provided by school  
26 districts, the reimbursement percentage shall be the ratio of the  
27 difference of the appropriation for special education approved by the  
28 Legislature minus the amounts set aside pursuant to subsection (5) of  
29 this section divided by the aggregate total excess allowable costs for  
30 all special education programs and support services provided by school  
31 districts.

1           (4) Cooperatives of school districts or educational service units  
2 shall also be eligible for reimbursement for cooperative programs  
3 pursuant to this section if such cooperatives or educational service  
4 units have complied with the reporting and approval requirements of  
5 section 79-1155 for cooperative programs which were offered the preceding  
6 year. The payments shall be made by the department to the school district  
7 of residence, cooperative of school districts, or educational service  
8 unit each year in a minimum of seven payments between the fifth and  
9 twentieth day of each month beginning in December. Additional payments  
10 may be made based upon additional valid claims submitted. The State  
11 Treasurer shall, between the fifth and twentieth day of each month,  
12 notify the Director of Administrative Services of the amount of funds  
13 available in the General Fund for payment purposes. The director shall,  
14 upon receiving such certification, draw warrants against funds  
15 appropriated.

16           (5) On and after August 1, 2010, residential settings described in  
17 subdivision (10)(c) of section 79-215 shall be reimbursed for the  
18 educational services, including special education services and support  
19 services, provided pursuant to such subdivision on or after August 1,  
20 2010, in an amount determined pursuant to the average per pupil cost of  
21 the service agency. Reimbursements pursuant to this section shall be made  
22 from funds set aside for such purpose within sixty days after receipt of  
23 a reimbursement request submitted in the manner required by the  
24 department and including any documentation required by the department for  
25 educational services that have been provided, except that if there are  
26 not any funds available for the remainder of the state fiscal year for  
27 such reimbursements, the reimbursement shall occur within thirty days  
28 after the beginning of the immediately following state fiscal year. The  
29 department may audit any required documentation and subtract any payments  
30 made in error from future reimbursements. The State Board of Education  
31 shall set aside separate amounts from the appropriations for special

1 education approved by the Legislature for reimbursements pursuant to this  
2 subsection for students receiving special education services and for  
3 students receiving support services for each state fiscal year. The  
4 amounts set aside for each purpose shall be based on estimates of the  
5 reimbursements to be requested during the state fiscal year and shall not  
6 be less than the total amount of reimbursements requested in the prior  
7 state fiscal year plus any unpaid requests from the prior state fiscal  
8 year.

9 Sec. 22. Section 79-1145, Reissue Revised Statutes of Nebraska, is  
10 amended to read:

11 79-1145 (1) For each fiscal year prior to fiscal year 2014-15, the  
12 aggregate amount of General Funds appropriated for special education  
13 programs and support services pursuant to sections 79-1129, 79-1132, and  
14 79-1144 shall not exceed the aggregate amount of General Funds  
15 appropriated pursuant to such sections for the previous fiscal year,  
16 increased by five percent.

17 (2) For fiscal year 2014-15 and each fiscal year prior to fiscal  
18 year 2019-20 thereafter, the aggregate amount of General Funds  
19 appropriated for special education programs and support services pursuant  
20 to sections 79-1129, 79-1132, and 79-1144 shall not exceed the aggregate  
21 amount of General Funds appropriated pursuant to such sections for the  
22 previous fiscal year, increased by ten percent. For purposes of this  
23 section, for fiscal year 2016-17 the aggregate amount of General Funds  
24 appropriated for special education programs and support services pursuant  
25 to sections 79-1129, 79-1132, and 79-1144 for the previous fiscal year  
26 shall be the net amount after any decrease required pursuant to section  
27 43-2515.

28 (3) For fiscal year 2019-20 and each fiscal year thereafter, the  
29 aggregate amount of General Funds appropriated for special education  
30 programs and support services pursuant to section 79-1129, 79-1132, and  
31 79-1144 shall not be less than eighty percent of the total excess

1 allowable costs for all special education programs and support services  
2 provided by school districts plus the amount to be set aside for the  
3 reimbursement of residential settings pursuant to subsection (5) of  
4 section 79-1142.

5       Sec. 23. (1) Before the school board of any school district or the  
6 board of any educational service unit approves a budget for the ensuing  
7 fiscal year, the board shall publish a budget summary that includes the  
8 percentage of the budget that comes from federal sources, the percentage  
9 of the budget that comes from state sources, and the percentage of the  
10 budget that comes from local sources. The summary shall include any  
11 budgeted reductions or additions to staff, programs, or services and  
12 shall provide a reasonable estimate and description of all current and  
13 future cost savings the school district or educational service unit will  
14 realize if the proposed budget were to be adopted. The summary shall be  
15 published at least three days prior to the hearing at which the proposed  
16 budget will be considered. Electronic publication on the web site of the  
17 school district or educational service unit shall satisfy the requirement  
18 of this subsection if such electronic publication is prominently  
19 displayed and allows public access to the entire summary.

20       (2) If the school board of any school district or the board of any  
21 educational service unit fails to timely publish the budget summary as  
22 required in subsection (1) of this section, the Commissioner of  
23 Education, after notice to the applicable board and an opportunity to be  
24 heard, shall direct that any state aid granted pursuant to the Tax Equity  
25 and Educational Opportunities Support Act to the school district or core  
26 services and technology infrastructure funds granted pursuant to section  
27 79-1241.03 to the educational service unit be withheld until such time as  
28 the budget summary is published. In addition, the commissioner shall  
29 direct each county treasurer of a county with territory in the school  
30 district or educational service unit to withhold all money belonging to  
31 the school district or educational service unit until such time as the

1 commissioner notifies such county treasurer of publication of such budget  
2 summary. Each such county treasurer shall withhold such money. If the  
3 board does not comply with this section prior to October 1 following the  
4 school fiscal year for which the state aid or core services and  
5 technology infrastructure funding was calculated, the funds shall revert  
6 to the General Fund. The amount of any reverted funds shall be included  
7 in data provided to the Governor, the Appropriations Committee of the  
8 Legislature, and the Education Committee of the Legislature in accordance  
9 with section 79-1031.

10       Sec. 24. Sections 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14,  
11 and 26 of this act become operative on January 1, 2020. The other  
12 sections of this act become operative on their effective date.

13       Sec. 25. Original sections 79-1142 and 79-1145, Reissue Revised  
14 Statutes of Nebraska, and sections 79-1001, 79-1003, 79-1005.01,  
15 79-1007.11, and 79-1017.01, Revised Statutes Cumulative Supplement, 2018,  
16 are repealed.

17       Sec. 26. Original sections 77-202, 77-693, 77-801, 77-1238,  
18 77-1248, 77-2602, 77-2704.24, 77-2715.07, 77-2715.09, 77-2716,  
19 77-2716.01, and 77-2734.01, Reissue Revised Statutes of Nebraska, and  
20 sections 53-160 and 53-187, Revised Statutes Cumulative Supplement, 2018,  
21 are repealed.

22       Sec. 27. Since an emergency exists, this act takes effect when  
23 passed and approved according to law.