

ONE HUNDRED SEVENTH LEGISLATURE - SECOND SESSION - 2022
COMMITTEE STATEMENT
LB864

Hearing Date: Thursday February 10, 2022
Committee On: Revenue
Introducer: Gragert
One Liner: Authorize qualified education loan payments under the Nebraska educational savings plan trust

Roll Call Vote - Final Committee Action:
Advanced to General File

Vote Results:

Aye: 8 Senators Albrecht, Bostar, Briese, Flood, Friesen, Lindstrom, Linehan, Pahls

Nay:

Absent:

Present Not Voting:

Oral Testimony:

Proponents:

Senator Tim Gragert
State Treasurer John Murante
Jay Steinacher
Brenda Reichle

Representing:

Introducer
Nebraska State Treasurer
Union Bank
Self

Opponents:

Representing:

Neutral:

Representing:

Summary of purpose and/or changes:

LB864 would make changes to the College Savings Plan Administrative Fund, otherwise known as NEST.

The bill would add qualified education loan payments to the definition of qualified higher education expenses. Further, the designated beneficiary of a NEST account could utilize funds from the account to pay the education loan payments of a sibling.

Payments must be for principal and interest under the education loan. All payments for qualified loans of the beneficiary or the sibling of a beneficiary would be capped at \$10,000 for all taxable years combined.

A qualified education loan payment is defined under federal code 26 U.S.C. 221(d):

(1) Qualified education loan. The term "qualified education loan" means any indebtedness incurred by the taxpayer solely to pay qualified higher education expenses

(A) which are incurred on behalf of the taxpayer, the taxpayer's spouse, or any dependent of the taxpayer as of the time the indebtedness was incurred,

(B) which are paid or incurred within a reasonable period of time before or after the indebtedness is incurred, and

(C) which are attributable to education furnished during a period during which the recipient was an eligible student.

Such term includes indebtedness used to refinance indebtedness which qualifies as a qualified education loan. The term "qualified education loan" shall not include any indebtedness owed to a person who is related (within the meaning of section 267(b) or 707(b)(1)) to the taxpayer or to any person by reason of a loan under any qualified employer plan (as defined in section 72(p)(4)) or under any contract referred to in section 72(p)(5).

A sibling of a beneficiary is defined in 26 U.S.C. 152(d)(2)(B), which is the federal definition of "dependents" for various tax provisions.

Other provisions under NEST are also amended to exclude these uses from the definition of nonqualified withdrawals and various penalty provisions.

Lou Ann Linehan, Chairperson