

One Hundred Eighth Legislature - First Session - 2023

Introducer's Statement of Intent

LB206

Chairperson: Senator Lou Ann Linehan

Committee: Revenue

Date of Hearing: January 25, 2023

The following constitutes the reasons for this bill and the purposes which are sought to be accomplished thereby:

LB206 seeks to allow partnerships filing Nebraska partnership tax returns to make an election to pay Nebraska income tax directly when an amended return is filed, rather than “passing through” the tax liability to its partners.

In 2017, the federal partnership tax audit rules were modified. The new federal audit rules provide that if a partnership adjustment occurs, the default rule is that the partnership pays the deficiency, rather than the partners. While some states have adopted rules similar to the federal partnership audit rules, Nebraska has not.

Under Nebraska’s current law, amended income tax returns would require a K-1N form for each partnership to be forwarded out to partners. In turn, partners that are “flow-through” entities would amend their returns and send out additional K-1Ns.

LB206 would allow partnerships to pay the income tax on behalf of their partners to avoid this burdensome K-1N requirement.

Principal Introducer: _____

Senator R. Brad von Gillern