

LEGISLATURE OF NEBRASKA
ONE HUNDRED SEVENTH LEGISLATURE
SECOND SESSION

LEGISLATIVE BILL 1264

Introduced by McDonnell, 5.

Read first time January 20, 2022

Committee: Revenue

1 A BILL FOR AN ACT relating to revenue and taxation; to amend sections
2 77-2004, 77-2005, 77-2006, 77-2704.09, 77-2715.03, and 77-5803,
3 Reissue Revised Statutes of Nebraska, section 77-2716.01, Revised
4 Statutes Cumulative Supplement, 2020, and sections 77-382,
5 77-2701.16, 77-2716, and 77-2734.02, Revised Statutes Supplement,
6 2021; to eliminate inheritance taxes; to impose sales and use taxes
7 on certain services; to eliminate and change certain sales and use
8 tax exemptions; to change provisions relating to income tax brackets
9 and rates, standard deductions, and itemized deductions; to state
10 legislative intent relating to tax incentive programs and student
11 loan relief; to provide an operative date; to repeal the original
12 sections; and to outright repeal sections 77-2704.05, 77-2704.25,
13 and 77-2704.67, Reissue Revised Statutes of Nebraska.
14 Be it enacted by the people of the State of Nebraska,

1 Section 1. Section 77-382, Revised Statutes Supplement, 2021, is
2 amended to read:

3 77-382 (1) The department shall prepare a tax expenditure report
4 describing (a) the basic provisions of the Nebraska tax laws, (b) the
5 actual or estimated revenue loss caused by the exemptions, deductions,
6 exclusions, deferrals, credits, and preferential rates in effect on July
7 1 of each year and allowed under Nebraska's tax structure and in the
8 property tax, (c) the actual or estimated revenue loss caused by failure
9 to impose sales and use tax on services purchased for nonbusiness use,
10 and (d) the elements which make up the tax base for state and local
11 income, including income, sales and use, property, and miscellaneous
12 taxes.

13 (2) The department shall review the major tax exemptions for which
14 state general funds are used to reduce the impact of revenue lost due to
15 a tax expenditure. The report shall indicate an estimate of the amount of
16 the reduction in revenue resulting from the operation of all tax
17 expenditures. The report shall list each tax expenditure relating to
18 sales and use tax under the following categories:

19 (a) Agriculture, which shall include a separate listing for the
20 following items: Agricultural machinery; agricultural chemicals; seeds
21 sold to commercial producers; water for irrigation and manufacturing;
22 commercial artificial insemination; mineral oil as dust suppressant;
23 animal grooming; oxygen for use in aquaculture; animal life whose
24 products constitute food for human consumption; and grains;

25 (b) Business across state lines, which shall include a separate
26 listing for the following items: Property shipped out-of-state;
27 fabrication labor for items to be shipped out-of-state; property to be
28 transported out-of-state; property purchased in other states to be used
29 in Nebraska; aircraft delivery to an out-of-state resident or business;
30 state reciprocal agreements for industrial machinery; and property taxed
31 in another state;

1 (c) Common carrier and logistics, which shall include a separate
2 listing for the following items: Railroad rolling stock and repair parts
3 and services; common or contract carriers and repair parts and services;
4 common or contract carrier accessories; and common or contract carrier
5 safety equipment;

6 (d) Consumer goods, which shall include a separate listing for the
7 following items: Motor vehicles and motorboat trade-ins; merchandise
8 trade-ins; certain ~~medical equipment~~ and medicine; newspapers;
9 laundromats; telefloral deliveries; motor vehicle discounts for the
10 disabled; and political campaign fundraisers;

11 (e) Energy, which shall include a separate listing for the following
12 items: Energy ~~Motor fuels~~; energy used in industry; energy used in
13 agriculture; aviation fuel; and minerals, oil, and gas severed from real
14 property;

15 (f) Food, which shall include a separate listing for the following
16 items: Food for home consumption; Supplemental Nutrition Assistance
17 Program; school lunches; meals sold by hospitals; meals sold by
18 institutions at a flat rate; food for the elderly, handicapped, and
19 Supplemental Security Income recipients; and meals sold by churches;

20 (g) General business, which shall include a separate listing for the
21 following items: Component and ingredient parts; manufacturing machinery;
22 containers; film rentals; molds and dies; syndicated programming;
23 intercompany sales; intercompany leases; sale of a business or farm
24 machinery; and transfer of property in a change of business ownership;

25 (h) Lodging and shelter, which shall include a separate listing for
26 the following item: Room rentals by certain institutions;

27 (i) Miscellaneous, which shall include a separate listing for the
28 following items: Cash discounts and coupons; separately stated finance
29 charges; casual sales; lease-to-purchase agreements; and separately
30 stated taxes;

31 (j) Nonprofits, governments, and exempt entities, which shall

1 include a separate listing for the following items: Purchases by
2 political subdivisions of the state; purchases by churches and nonprofit
3 colleges and medical facilities; purchasing agents for public real estate
4 construction improvements; contractor as purchasing agent for public
5 agencies; Nebraska lottery; admissions to school events; sales on Native
6 American Indian reservations; ~~school-supporting fundraisers;~~ fine art
7 purchases by a museum; purchases by the Nebraska State Fair Board;
8 purchases by the Nebraska Investment Finance Authority and licensees of
9 the State Racing and Gaming Commission; purchases by the United States
10 Government; public records; and sales by religious organizations;

11 (k) Recent sales tax expenditures, which shall include a separate
12 listing for each sales tax expenditure created by statute or rule and
13 regulation after July 19, 2012;

14 (l) Services purchased for nonbusiness use, which shall include a
15 separate listing for each such service, including, but not limited to,
16 the following items: ~~Cleaning Motor vehicle cleaning, maintenance, and~~
17 ~~repair services; cleaning and repair of clothing; cleaning, maintenance,~~
18 ~~and repair of other tangible personal property; maintenance, painting,~~
19 ~~and repair of real property; entertainment admissions; personal care~~
20 ~~services; lawn care, gardening, and landscaping services; and pet-related~~
21 ~~services; storage and moving services; household utilities; other~~
22 ~~personal services; taxi, limousine, and other transportation services;~~
23 ~~legal services; accounting services; other professional services; and~~
24 ~~other real estate services; and~~

25 (m) Telecommunications, which shall include a separate listing for
26 the following items: Telecommunications access charges; prepaid calling
27 arrangements; conference bridging services; and nonvoice data services.

28 (3) It is the intent of the Legislature that nothing in the Tax
29 Expenditure Reporting Act shall cause the valuation or assessment of any
30 property exempt from taxation on the basis of its use exclusively for
31 religious, educational, or charitable purposes.

1 Sec. 2. Section 77-2004, Reissue Revised Statutes of Nebraska, is
2 amended to read:

3 77-2004 (1) In the case of a father, mother, grandfather,
4 grandmother, brother, sister, son, daughter, child or children legally
5 adopted as such in conformity with the laws of the state where adopted,
6 any lineal descendant, any lineal descendant legally adopted as such in
7 conformity with the laws of the state where adopted, any person to whom
8 the deceased for not less than ten years prior to death stood in the
9 acknowledged relation of a parent, or the spouse or surviving spouse of
10 any such persons, the rate of tax shall be:

11 (a) For decedents dying prior to January 1, 2023, one percent of the
12 clear market value of the property in excess of forty thousand dollars
13 received by each person; and -

14 (b) For decedents dying on or after January 1, 2023, zero percent.

15 (2) Any interest in property, including any interest acquired in the
16 manner set forth in section 77-2002, which may be valued at a sum less
17 than forty thousand dollars shall not be subject to tax. In addition the
18 homestead allowance, exempt property, and family maintenance allowance
19 shall not be subject to tax. Interests passing to the surviving spouse by
20 will, in the manner set forth in section 77-2002, or in any other manner
21 shall not be subject to tax.

22 Sec. 3. Section 77-2005, Reissue Revised Statutes of Nebraska, is
23 amended to read:

24 77-2005 (1) In the case of an uncle, aunt, niece, or nephew related
25 to the deceased by blood or legal adoption, or other lineal descendant of
26 the same, or the spouse or surviving spouse of any of such persons, the
27 rate of tax shall be:

28 (a) For decedents dying prior to January 1, 2023, thirteen percent
29 of the clear market value of the property received by each person in
30 excess of fifteen thousand dollars; and -

31 (b) For decedents dying on or after January 1, 2023, zero percent.

1 (2) If the clear market value of the beneficial interest is fifteen
2 thousand dollars or less, it shall not be subject to tax.

3 Sec. 4. Section 77-2006, Reissue Revised Statutes of Nebraska, is
4 amended to read:

5 77-2006 (1) In all other cases the rate of tax shall be:

6 (a) For decedents dying prior to January 1, 2023, eighteen percent
7 on the clear market value of the beneficial interests in excess of ten
8 thousand dollars; and -

9 (b) For decedents dying on or after January 1, 2023, zero percent.

10 (2) Such rates of tax shall be applied to the clear market value of
11 the beneficial interests in excess of ten thousand dollars received by
12 each person. If the clear market value of the beneficial interest is ten
13 thousand dollars or less, it shall not be subject to any tax.

14 Sec. 5. Section 77-2701.16, Revised Statutes Supplement, 2021, is
15 amended to read:

16 77-2701.16 (1) Gross receipts means the total amount of the sale or
17 lease or rental price, as the case may be, of the retail sales of
18 retailers.

19 (2) Gross receipts of every person engaged as a public utility
20 specified in this subsection, as a community antenna television service
21 operator, or as a satellite service operator or any person involved in
22 connecting and installing services defined in subdivision (2)(a), (b), or
23 (d) of this section means:

24 (a)(i) In the furnishing of telephone communication service, other
25 than mobile telecommunications service as described in section
26 77-2703.04, the gross income received from furnishing ancillary services,
27 except for conference bridging services, and intrastate
28 telecommunications services, except for value-added, nonvoice data
29 service.

30 (ii) In the furnishing of mobile telecommunications service as
31 described in section 77-2703.04, the gross income received from

1 furnishing mobile telecommunications service that originates and
2 terminates in the same state to a customer with a place of primary use in
3 Nebraska;

4 (b) In the furnishing of telegraph service, the gross income
5 received from the furnishing of intrastate telegraph services;

6 (c)(i) In the furnishing of gas, sewer, water, and electricity
7 service, other than electricity service to a customer-generator as
8 defined in section 70-2002, the gross income received from the furnishing
9 of such services upon billings or statements rendered to consumers for
10 such utility services.

11 (ii) In the furnishing of electricity service to a customer-
12 generator as defined in section 70-2002, the net energy use upon billings
13 or statements rendered to customer-generators for such electricity
14 service;

15 (d) In the furnishing of community antenna television service or
16 satellite service, the gross income received from the furnishing of such
17 community antenna television service as regulated under sections 18-2201
18 to 18-2205 or 23-383 to 23-388 or satellite service; and

19 (e) The gross income received from the provision, installation,
20 construction, servicing, or removal of property used in conjunction with
21 the furnishing, installing, or connecting of any public utility services
22 specified in subdivision (2)(a) or (b) of this section or community
23 antenna television service or satellite service specified in subdivision
24 (2)(d) of this section, except when acting as a subcontractor for a
25 public utility, this subdivision does not apply to the gross income
26 received by a contractor electing to be treated as a consumer of building
27 materials under subdivision (2) or (3) of section 77-2701.10 for any such
28 services performed on the customer's side of the utility demarcation
29 point. This subdivision also does not apply to:

30 (i) The gross income received by a political subdivision of the
31 state, an electric cooperative, or an electric membership association for

1 the lease or use of, or by a contractor for the construction of or
2 services provided on, electric generation, transmission, distribution, or
3 street lighting structures or facilities owned by a political subdivision
4 of the state, an electric cooperative, or an electric membership
5 association; or

6 (ii) The gross income received for the lease or use of towers or
7 other structures primarily used in conjunction with the furnishing of (A)
8 Internet access services, (B) agricultural global positioning system
9 locating services, or (C) over-the-air radio and television broadcasting
10 licensed by the Federal Communications Commission, including antennas and
11 studio transmitter link systems. For purposes of this subdivision, studio
12 transmitter link system means a system which serves as a conduit to
13 deliver audio from its origin in a studio to a broadcast transmitter.

14 (3) Gross receipts of every person engaged in selling, leasing, or
15 otherwise providing intellectual or entertainment property means:

16 (a) In the furnishing of computer software, the gross income
17 received, including the charges for coding, punching, or otherwise
18 producing any computer software and the charges for the tapes, disks,
19 punched cards, or other properties furnished by the seller; and

20 (b) In the furnishing of videotapes, movie film, satellite
21 programming, satellite programming service, and satellite television
22 signal descrambling or decoding devices, the gross income received from
23 the license, franchise, or other method establishing the charge.

24 (4) Gross receipts for providing a service means:

25 (a) The gross income received for building cleaning and maintenance,
26 pest control, and security;

27 (b) The gross income received for motor vehicle washing, waxing,
28 towing, and painting;

29 (c) The gross income received for computer software training;

30 (d) The gross income received for installing and applying tangible
31 personal property if the sale of the property is subject to tax. If any

1 or all of the charge for installation is free to the customer and is paid
2 by a third-party service provider to the installer, any tax due on that
3 part of the activation commission, finder's fee, installation charge, or
4 similar payment made by the third-party service provider shall be paid
5 and remitted by the third-party service provider;

6 (e) The gross income received for services of recreational vehicle
7 parks;

8 (f) The gross income received for labor for repair or maintenance
9 services performed with regard to tangible personal property the sale of
10 which would be subject to sales and use taxes, ~~excluding motor vehicles,~~
11 except as otherwise provided in section 77-2704.26 or 77-2704.50;

12 (g) The gross income received for animal specialty services, ~~including~~
13 including ~~except~~ (i) veterinary services, (ii) specialty services
14 performed on livestock as defined in section 54-183, and (iii) animal
15 grooming performed by a licensed veterinarian or a licensed veterinary
16 technician in conjunction with medical treatment; ~~and~~

17 (h) The gross income received for detective services; ~~and~~

18 (i) The gross income received for maintenance, painting, and repair
19 services to real property;

20 (j) The gross income received for storage and moving services;

21 (k) The gross income received for cleaning of tangible personal
22 property;

23 (l) The gross income received for investment counseling services;

24 (m) The gross income received for taxi, limousine, and other
25 transportation services;

26 (n) The gross income received for weight loss services;

27 (o) The gross income received for burial-related services;

28 (p) The gross income received for accounting services;

29 (q) The gross income received for the services of physicians,
30 dentists, optometrists, and chiropractors, except that only twenty
31 percent of the gross income for such services shall be subject to sales

1 and use taxes;

2 (r) The gross income received for real estate agent and appraisal
3 services; and

4 (s) The gross income received for legal services.

5 (5) Gross receipts includes the sale of admissions. When an
6 admission to an activity or a membership constituting an admission is
7 combined with the solicitation of a contribution, the portion or the
8 amount charged representing the fair market price of the admission shall
9 be considered a retail sale subject to the tax imposed by section
10 77-2703. The organization conducting the activity shall determine the
11 amount properly attributable to the purchase of the privilege, benefit,
12 or other consideration in advance, and such amount shall be clearly
13 indicated on any ticket, receipt, or other evidence issued in connection
14 with the payment.

15 (6) Gross receipts includes the sale of live plants incorporated
16 into real estate except when such incorporation is incidental to the
17 transfer of an improvement upon real estate or the real estate.

18 (7) Gross receipts includes the sale of any building materials
19 annexed to real estate by a person electing to be taxed as a retailer
20 pursuant to subdivision (1) of section 77-2701.10.

21 (8) Gross receipts includes the sale of and recharge of prepaid
22 calling service and prepaid wireless calling service.

23 (9) Gross receipts includes the retail sale of digital audio works,
24 digital audiovisual works, digital codes, and digital books delivered
25 electronically if the products are taxable when delivered on tangible
26 storage media. A sale includes the transfer of a permanent right of use,
27 the transfer of a right of use that terminates on some condition, and the
28 transfer of a right of use conditioned upon the receipt of continued
29 payments.

30 (10) Gross receipts includes any receipts from sales of tangible
31 personal property made over a multivendor marketplace platform that acts

1 as the intermediary by facilitating sales between a seller and the
2 purchaser and that, either directly or indirectly through agreements or
3 arrangements with third parties, collects payment from the purchaser and
4 transmits payment to the seller.

5 (11) Gross receipts does not include:

6 (a) The amount of any rebate granted by a motor vehicle or motorboat
7 manufacturer or dealer at the time of sale of the motor vehicle or
8 motorboat, which rebate functions as a discount from the sales price of
9 the motor vehicle or motorboat; or

10 (b) The price of property or services returned or rejected by
11 customers when the full sales price is refunded either in cash or credit.

12 Sec. 6. Section 77-2704.09, Reissue Revised Statutes of Nebraska, is
13 amended to read:

14 77-2704.09 (1) Sales and use taxes shall not be imposed on the gross
15 receipts from the sale, lease, or rental of and the storage, use, or
16 other consumption in this state of (a) insulin, (b) mobility enhancing
17 equipment and drugs, not including over-the-counter drugs, when sold for
18 a patient's use under a prescription, and (c) the following when sold for
19 a patient's use under a prescription and which are of the type eligible
20 for coverage under the medical assistance program established pursuant to
21 the Medical Assistance Act: Durable medical equipment, except that only
22 sixty percent of the gross receipts from the sale, lease, or rental of
23 durable medical equipment shall be exempt from sales and use taxes; home
24 medical supplies; prosthetic devices; oxygen; and oxygen equipment.

25 (2) For purposes of this section:

26 (a) Drug means a compound, substance, preparation, and component of
27 a compound, substance, or preparation, other than food and food
28 ingredients, dietary supplements, or alcoholic beverages:

29 (i) Recognized in the official United States Pharmacopoeia, official
30 Homeopathic Pharmacopoeia of the United States, or official National
31 Formulary, and any supplement to any of them;

1 (ii) Intended for use in the diagnosis, cure, mitigation, treatment,
2 or prevention of disease; or

3 (iii) Intended to affect the structure or any function of the body;

4 (b) Durable medical equipment means equipment which can withstand
5 repeated use, is primarily and customarily used to serve a medical
6 purpose, generally is not useful to a person in the absence of illness or
7 injury, is appropriate for use in the home, and is not worn in or on the
8 body. Durable medical equipment includes repair and replacement parts for
9 such equipment;

10 (c) Home medical supplies means supplies primarily and customarily
11 used to serve a medical purpose which are appropriate for use in the home
12 and are generally not useful to a person in the absence of illness or
13 injury;

14 (d) Mobility enhancing equipment means equipment which is primarily
15 and customarily used to provide or increase the ability to move from one
16 place to another, which is not generally used by persons with normal
17 mobility, and which is appropriate for use either in a home or a motor
18 vehicle. Mobility enhancing equipment includes repair and replacement
19 parts for such equipment. Mobility enhancing equipment does not include
20 any motor vehicle or equipment on a motor vehicle normally provided by a
21 motor vehicle manufacturer;

22 (e) Over-the-counter drug means a drug that contains a label that
23 identifies the product as a drug as required by 21 C.F.R. 201.66, as such
24 regulation existed on January 1, 2003. The over-the-counter drug label
25 includes a drug facts panel or a statement of the active ingredients with
26 a list of those ingredients contained in the compound, substance, or
27 preparation;

28 (f) Oxygen equipment means oxygen cylinders, cylinder transport
29 devices including sheaths and carts, cylinder studs and support devices,
30 regulators, flowmeters, tank wrenches, oxygen concentrators, liquid
31 oxygen base dispensers, liquid oxygen portable dispensers, oxygen tubing,

1 nasal cannulas, face masks, oxygen humidifiers, and oxygen fittings and
2 accessories;

3 (g) Prescription means an order, formula, or recipe issued in any
4 form of oral, written, electronic, or other means of transmission by a
5 duly licensed practitioner authorized under the Uniform Credentialing
6 Act; and

7 (h) Prosthetic devices means a replacement, corrective, or
8 supportive device worn on or in the body to artificially replace a
9 missing portion of the body, prevent or correct physical deformity or
10 malfunction, or support a weak or deformed portion of the body, and
11 includes any supplies used with such device and repair and replacement
12 parts.

13 Sec. 7. Section 77-2715.03, Reissue Revised Statutes of Nebraska, is
14 amended to read:

15 77-2715.03 (1) For taxable years beginning or deemed to begin on or
16 after January 1, 2013, and before January 1, 2014, the following brackets
17 and rates are hereby established for the Nebraska individual income tax:

18 Individual Income Tax Brackets and Rates

19 Bracket	Single	Married,	Head of	Married,	Estates	Tax
20 Number	Individuals	Filing	Household	Filing	and	Rate
		Jointly		Separate	Trusts	
22 1	\$0-2,399	\$0-4,799	\$0-4,499	\$0-2,399	\$0-499	2.46%
23 2	\$2,400-	\$4,800-	\$4,500-	\$2,400-	\$500-	
24	17,499	34,999	27,999	17,499	4,699	3.51%
25 3	\$17,500-	\$35,000-	\$28,000-	\$17,500-	\$4,700-	
26	26,999	53,999	39,999	26,999	15,149	5.01%
27 4	\$27,000	\$54,000	\$40,000	\$27,000	\$15,150	
28	and Over	and Over	and Over	and Over	and Over	6.84%

29 (2) For taxable years beginning or deemed to begin on or after
30 January 1, 2014, and before January 1, 2022, the following brackets and
31 rates are hereby established for the Nebraska individual income tax:

Individual Income Tax Brackets and Rates

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

(3)(a) For taxable years beginning or deemed to begin on or after January 1, 2015, and before January 1, 2022, the minimum and maximum dollar amounts for each income tax bracket provided in subsection (2) of this section shall be adjusted for inflation by the percentage determined under subdivision (3)(b) of this section. The rate applicable to any such income tax bracket shall not be changed as part of any adjustment under this subsection. The minimum and maximum dollar amounts for each income tax bracket as adjusted shall be rounded to the nearest ten-dollar amount. If the adjusted amount for any income tax bracket ends in a five, it shall be rounded up to the nearest ten-dollar amount.

(b)(i) For taxable years beginning or deemed to begin on or after January 1, 2015, and before January 1, 2018, the Tax Commissioner shall adjust the income tax brackets by the percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue Code of 1986, as it existed prior to December 22, 2017, except that in section 1(f)(3)(B) of the code the year 2013 shall be substituted for the year 1992. For 2015, the Tax Commissioner shall then determine the percent change from the twelve months ending on August 31, 2013, to the twelve months ending on August 31, 2014, and in each subsequent year, from the twelve months ending on August 31, 2013, to the twelve months ending on August 31 of

1 the year preceding the taxable year. The Tax Commissioner shall prescribe
2 new tax rate schedules that apply in lieu of the schedules set forth in
3 subsection (2) of this section.

4 (ii) For taxable years beginning or deemed to begin on or after
5 January 1, 2018, and before January 1, 2022, the Tax Commissioner shall
6 adjust the income tax brackets based on the percentage change in the
7 Consumer Price Index for All Urban Consumers published by the federal
8 Bureau of Labor Statistics from the twelve months ending on August 31,
9 2016, to the twelve months ending on August 31 of the year preceding the
10 taxable year. The Tax Commissioner shall prescribe new tax rate schedules
11 that apply in lieu of the schedules set forth in subsection (2) of this
12 section.

13 (4) For taxable years beginning or deemed to begin on or after
14 January 1, 2022, and before January 1, 2025, the following brackets and
15 rates are hereby established for the Nebraska individual income tax:

16 Individual Income Tax Brackets and Rates

17 <u>Bracket</u>	<u>Single</u>	<u>Married,</u>	<u>Head of</u>	<u>Married,</u>	<u>Estates</u>	<u>Tax</u>
18 <u>Number</u>	<u>Individuals</u>	<u>Filing</u>	<u>Household</u>	<u>Filing</u>	<u>and</u>	<u>Rate</u>
		<u>Jointly</u>		<u>Separate</u>	<u>Trusts</u>	
20 1	\$0-49,999	\$0-99,999	\$0-49,999	\$0-49,999	\$0-49,999	0.00%
21 2	\$50,000	\$100,000	\$50,000	\$50,000	\$50,000	
22	and Over	and Over	and Over	and Over	and Over	5.60%

23 (5) For taxable years beginning or deemed to begin on or after
24 January 1, 2025, and before January 1, 2028, the following brackets and
25 rates are hereby established for the Nebraska individual income tax:

26 Individual Income Tax Brackets and Rates

27 <u>Bracket</u>	<u>Single</u>	<u>Married,</u>	<u>Head of</u>	<u>Married,</u>	<u>Estates</u>	<u>Tax</u>
28 <u>Number</u>	<u>Individuals</u>	<u>Filing</u>	<u>Household</u>	<u>Filing</u>	<u>and</u>	<u>Rate</u>
		<u>Jointly</u>		<u>Separate</u>	<u>Trusts</u>	
30 1	\$0-49,999	\$0-99,999	\$0-49,999	\$0-49,999	\$0-49,999	0.00%
31 2	\$50,000	\$100,000	\$50,000	\$50,000	\$50,000	

1 and Over and Over and Over and Over and Over 5.30%

2 (6) For taxable years beginning or deemed to begin on or after
3 January 1, 2028, the following brackets and rates are hereby established
4 for the Nebraska individual income tax:

5 Individual Income Tax Brackets and Rates

6 <u>Bracket</u>	<u>Single</u>	<u>Married,</u>	<u>Head of</u>	<u>Married,</u>	<u>Estates</u>	<u>Tax</u>
7 <u>Number</u>	<u>Individuals</u>	<u>Filing</u>	<u>Household</u>	<u>Filing</u>	<u>and</u>	<u>Rate</u>
8		<u>Jointly</u>		<u>Separate</u>	<u>Trusts</u>	
9 <u>1</u>	<u>\$0-49,999</u>	<u>\$0-99,999</u>	<u>\$0-49,999</u>	<u>\$0-49,999</u>	<u>\$0-49,999</u>	<u>0.00%</u>
10 <u>2</u>	<u>\$50,000</u>	<u>\$100,000</u>	<u>\$50,000</u>	<u>\$50,000</u>	<u>\$50,000</u>	
11	<u>and Over</u>	<u>and Over</u>	<u>and Over</u>	<u>and Over</u>	<u>and Over</u>	<u>4.99%</u>

12 (7) (4) Whenever the tax brackets or tax rates are changed by the
13 Legislature, the Tax Commissioner shall update the tax rate schedules to
14 reflect the new tax brackets or tax rates and shall publish such updated
15 schedules.

16 (8) (5) The Tax Commissioner shall prepare, from the rate schedules,
17 tax tables which can be used by a majority of the taxpayers to determine
18 their Nebraska tax liability. The design of the tax tables shall be
19 determined by the Tax Commissioner. The size of the tax table brackets
20 may change as the level of income changes. The difference in tax between
21 two tax table brackets shall not exceed fifteen dollars. The Tax
22 Commissioner may build the personal exemption credit and standard
23 deduction amounts, if applicable, into the tax tables.

24 (9) (6) For taxable years beginning or deemed to begin on or after
25 January 1, 2013, the tax rate applied to other federal taxes included in
26 the computation of the Nebraska individual income tax shall be 29.6
27 percent.

28 (10) (7) The Tax Commissioner may require by rule and regulation
29 that all taxpayers shall use the tax tables if their income is less than
30 the maximum income included in the tax tables.

31 Sec. 8. Section 77-2716, Revised Statutes Supplement, 2021, is

1 amended to read:

2 77-2716 (1) The following adjustments to federal adjusted gross
3 income or, for corporations and fiduciaries, federal taxable income shall
4 be made for interest or dividends received:

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

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

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

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

27 (d) There shall be added that portion of the total dividends and
28 other income received from a regulated investment company which is
29 attributable to obligations described in subdivision (c) of this
30 subsection and excluded for federal income tax purposes as reported to
31 the recipient by the regulated investment company; and

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

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

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

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

29 (4) Federal adjusted gross income, or, for a fiduciary, federal
30 taxable income shall be modified to exclude the portion of the income or
31 loss received from a small business corporation with an election in

1 effect under subchapter S of the Internal Revenue Code or from a limited
2 liability company organized pursuant to the Nebraska Uniform Limited
3 Liability Company Act that is not derived from or connected with Nebraska
4 sources as determined in section 77-2734.01.

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

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

16 (a) The amount of federal taxable income from operations within a
17 foreign taxing jurisdiction shall be reduced by the amount of taxes
18 actually paid to the foreign jurisdiction that are not deductible solely
19 because the foreign tax credit was elected on the federal income tax
20 return;

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

23 (c) The result of the calculation in subdivision (b) of this
24 subsection shall be subtracted from the amount of federal taxable income
25 used in subdivision (a) of this subsection. The result of such
26 calculation, if greater than zero, shall be subtracted from federal
27 taxable income.

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

31 (8)(a) Federal adjusted gross income or, for corporations and

1 fiduciaries, federal taxable income shall be reduced, to the extent
2 included, by income from interest, earnings, and state contributions
3 received from the Nebraska educational savings plan trust created in
4 sections 85-1801 to 85-1817 and any account established under the
5 achieving a better life experience program as provided in sections
6 77-1401 to 77-1409.

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

23 (c) For taxable years beginning or deemed to begin on or after
24 January 1, 2021, under the Internal Revenue Code of 1986, as amended,
25 federal adjusted gross income shall be reduced, to the extent included in
26 the adjusted gross income of an individual, by the amount of any
27 contribution made by the individual's employer into an account under the
28 Nebraska educational savings plan trust owned by the individual, not to
29 exceed five thousand dollars per married filing separate return or ten
30 thousand dollars for any other return.

31 (d) Federal adjusted gross income or, for corporations and

1 fiduciaries, federal taxable income shall be increased by:

2 (i) The amount resulting from the cancellation of a participation
3 agreement refunded to the taxpayer as a participant in the Nebraska
4 educational savings plan trust to the extent previously deducted under
5 subdivision (8)(b) of this section; and

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

10 (9)(a) For income tax returns filed after September 10, 2001, for
11 taxable years beginning or deemed to begin before January 1, 2006, under
12 the Internal Revenue Code of 1986, as amended, federal adjusted gross
13 income or, for corporations and fiduciaries, federal taxable income shall
14 be increased by eighty-five percent of any amount of any federal bonus
15 depreciation received under the federal Job Creation and Worker
16 Assistance Act of 2002 or the federal Jobs and Growth Tax Act of 2003,
17 under section 168(k) or section 1400L of the Internal Revenue Code of
18 1986, as amended, for assets placed in service after September 10, 2001,
19 and before December 31, 2005.

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

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

31 (d) The amount of bonus depreciation added to federal adjusted gross

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

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

28 (11)(a) For taxable years beginning or deemed to begin before
29 January 1, 2018, under the Internal Revenue Code of 1986, as amended,
30 federal adjusted gross income shall be reduced by contributions, up to
31 two thousand dollars per married filing jointly return or one thousand

1 dollars for any other return, and any investment earnings made as a
2 participant in the Nebraska long-term care savings plan under the Long-
3 Term Care Savings Plan Act, to the extent not deducted for federal income
4 tax purposes.

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

14 (12) There shall be added to federal adjusted gross income for
15 individuals, estates, and trusts any amount taken as a credit for
16 franchise tax paid by a financial institution under sections 77-3801 to
17 77-3807 as allowed by subsection (5) of section 77-2715.07.

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

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

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

27 (b) For taxable years beginning or deemed to begin on or after
28 January 1, 2020, under the Internal Revenue Code of 1986, as amended, the
29 Tax Commissioner shall adjust the dollar amounts provided in subdivisions
30 (13)(a)(i) and (ii) of this section based on the percentage change in the
31 Consumer Price Index for All Urban Consumers published by the federal

1 ~~Bureau of Labor Statistics over the twelve-month period ending on August~~
2 ~~31 of the year preceding the taxable year by the same percentage used to~~
3 ~~adjust individual income tax brackets under subsection (3) of section~~
4 ~~77-2715.03.~~

5 (c) For taxable years beginning or deemed to begin on or after
6 January 1, 2021, under the Internal Revenue Code of 1986, as amended, a
7 taxpayer may claim the reduction to federal adjusted gross income allowed
8 under this subsection or the reduction to federal adjusted gross income
9 allowed under subsection (14) of this section, whichever provides the
10 greater reduction.

11 (14)(a) For taxable years beginning or deemed to begin on or after
12 January 1, 2021, under the Internal Revenue Code of 1986, as amended,
13 federal adjusted gross income shall be reduced by a percentage of the
14 social security benefits that are received and included in federal
15 adjusted gross income. The pertinent percentage shall be:

16 (i) Five percent for taxable years beginning or deemed to begin on
17 or after January 1, 2021, and before January 1, 2022, under the Internal
18 Revenue Code of 1986, as amended;

19 (ii) Twenty percent for taxable years beginning or deemed to begin
20 on or after January 1, 2022, and before January 1, 2023, under the
21 Internal Revenue Code of 1986, as amended;

22 (iii) Thirty percent for taxable years beginning or deemed to begin
23 on or after January 1, 2023, and before January 1, 2024, under the
24 Internal Revenue Code of 1986, as amended;

25 (iv) Forty percent for taxable years beginning or deemed to begin on
26 or after January 1, 2024, and before January 1, 2025, under the Internal
27 Revenue Code of 1986, as amended; and

28 (v) Fifty percent for taxable years beginning or deemed to begin on
29 or after January 1, 2025, under the Internal Revenue Code of 1986, as
30 amended.

31 (b) It is the intent of the Legislature to enact legislation within

1 five years after August 28, 2021, to increase the percentage of social
2 security benefits that are excluded under this subsection to (i) sixty
3 percent for taxable years beginning or deemed to begin on or after
4 January 1, 2026, and before January 1, 2027, under the Internal Revenue
5 Code of 1986, as amended, (ii) seventy percent for taxable years
6 beginning or deemed to begin on or after January 1, 2027, and before
7 January 1, 2028, under the Internal Revenue Code of 1986, as amended,
8 (iii) eighty percent for taxable years beginning or deemed to begin on or
9 after January 1, 2028, and before January 1, 2029, under the Internal
10 Revenue Code of 1986, as amended, (iv) ninety percent for taxable years
11 beginning or deemed to begin on or after January 1, 2029, and before
12 January 1, 2030, under the Internal Revenue Code of 1986, as amended, and
13 (v) one hundred percent for taxable years beginning or deemed to begin on
14 or after January 1, 2030, under the Internal Revenue Code of 1986, as
15 amended.

16 (c) For purposes of this subsection, social security benefits means
17 benefits received under the federal Social Security Act.

18 (d) For taxable years beginning or deemed to begin on or after
19 January 1, 2021, under the Internal Revenue Code of 1986, as amended, a
20 taxpayer may claim the reduction to federal adjusted gross income allowed
21 under this subsection or the reduction to federal adjusted gross income
22 allowed under subsection (13) of this section, whichever provides the
23 greater reduction.

24 (15)(a) For taxable years beginning or deemed to begin on or after
25 January 1, 2015, and before January 1, 2022, under the Internal Revenue
26 Code of 1986, as amended, an individual may make a one-time election
27 within two calendar years after the date of his or her retirement from
28 the military to exclude income received as a military retirement benefit
29 by the individual to the extent included in federal adjusted gross income
30 and as provided in this subdivision. The individual may elect to exclude
31 forty percent of his or her military retirement benefit income for seven

1 consecutive taxable years beginning with the year in which the election
2 is made or may elect to exclude fifteen percent of his or her military
3 retirement benefit income for all taxable years beginning with the year
4 in which he or she turns sixty-seven years of age.

5 (b) For taxable years beginning or deemed to begin on or after
6 January 1, 2022, under the Internal Revenue Code of 1986, as amended, an
7 individual may exclude one hundred percent of the military retirement
8 benefit income received by such individual to the extent included in
9 federal adjusted gross income.

10 (c) For purposes of this subsection, military retirement benefit
11 means retirement benefits that are periodic payments attributable to
12 service in the uniformed services of the United States for personal
13 services performed by an individual prior to his or her retirement. The
14 term includes retirement benefits described in this subdivision that are
15 reported to the individual on either:

16 (i) An Internal Revenue Service Form 1099-R received from the United
17 States Department of Defense; or

18 (ii) An Internal Revenue Service Form 1099-R received from the
19 United States Office of Personnel Management.

20 (16) For taxable years beginning or deemed to begin on or after
21 January 1, 2021, under the Internal Revenue Code of 1986, as amended,
22 federal adjusted gross income shall be reduced by the amount received as
23 a Segal AmeriCorps Education Award, to the extent such amount is included
24 in federal adjusted gross income.

25 (17) For taxable years beginning or deemed to begin on or after
26 January 1, 2022, under the Internal Revenue Code of 1986, as amended,
27 federal adjusted gross income shall be reduced by the amount received by
28 or on behalf of a firefighter for cancer benefits under the Firefighter
29 Cancer Benefits Act to the extent included in federal adjusted gross
30 income.

31 Sec. 9. Section 77-2716.01, Revised Statutes Cumulative Supplement,

1 2020, is amended to read:

2 77-2716.01 (1)(a) Through tax year 2017, every individual shall be
3 allowed to subtract from his or her income tax liability an amount for
4 personal exemptions. The amount allowed to be subtracted shall be the
5 credit amount for the year as provided in this subdivision multiplied by
6 the number of exemptions allowed on the federal return. For tax year
7 1993, the credit amount shall be sixty-five dollars; for tax year 1994,
8 the credit amount shall be sixty-nine dollars; for tax year 1995, the
9 credit amount shall be sixty-nine dollars; for tax year 1996, the credit
10 amount shall be seventy-two dollars; for tax year 1997, the credit amount
11 shall be eighty-six dollars; for tax year 1998, the credit amount shall
12 be eighty-eight dollars; for tax year 1999, and each year thereafter
13 through tax year 2017, the credit amount shall be adjusted for inflation
14 by the method provided in section 151 of the Internal Revenue Code of
15 1986, as it existed prior to December 22, 2017. The eighty-eight-dollar
16 credit amount shall be adjusted for cumulative inflation since 1998. If
17 any credit amount is not an even dollar amount, the amount shall be
18 rounded to the nearest dollar. For nonresident individuals and partial-
19 year resident individuals, the personal exemption credit shall be
20 subtracted as specified in subsection (3) of section 77-2715.

21 (b) Beginning with tax year 2018, every individual, except an
22 individual that can be claimed for a child credit or dependent credit on
23 the federal return of another taxpayer, shall be allowed to subtract from
24 his or her income tax liability an amount for personal exemptions. The
25 amount allowed to be subtracted shall be the credit amount for the year
26 as provided in this subdivision multiplied by the sum of the number of
27 child credits and dependent credits taken on the federal return, plus two
28 for a married filing jointly return or plus one for any other return. For
29 tax year 2018, the credit amount shall be one hundred thirty-four
30 dollars. For tax year 2019 and each tax year thereafter, the credit
31 amount shall be adjusted for inflation based on the percentage change in

1 the Consumer Price Index for All Urban Consumers published by the federal
2 Bureau of Labor Statistics from the twelve months ending on August 31,
3 2017, to the twelve months ending on August 31 of the year preceding the
4 taxable year. If any credit amount is not an even dollar amount, the
5 amount shall be rounded to the nearest dollar. For nonresident
6 individuals and partial-year resident individuals, the personal exemption
7 credit shall be subtracted as specified in subsection (3) of section
8 77-2715.

9 (2)(a) For tax years beginning or deemed to begin on or after
10 January 1, 2003, and before January 1, 2004, under the Internal Revenue
11 Code of 1986, as amended, every individual who did not itemize deductions
12 on his or her federal return shall be allowed to subtract from federal
13 adjusted gross income a standard deduction based on the filing status
14 used on the federal return except as the amount is adjusted under section
15 77-2716.03. The standard deduction shall be the smaller of the federal
16 standard deduction actually allowed or (i) for single taxpayers four
17 thousand seven hundred fifty dollars, (ii) for head of household
18 taxpayers seven thousand dollars, (iii) for married filing jointly
19 taxpayers seven thousand nine hundred fifty dollars, and (iv) for married
20 filing separately taxpayers three thousand nine hundred seventy-five
21 dollars. Taxpayers who are allowed additional federal standard deduction
22 amounts because of age or blindness shall be allowed an increase in the
23 Nebraska standard deduction for each additional amount allowed on the
24 federal return. The additional amounts shall be for married taxpayers,
25 nine hundred fifty dollars, and for single or head of household
26 taxpayers, one thousand one hundred fifty dollars.

27 (b) For tax years beginning or deemed to begin on or after January
28 1, 2007, and before January 1, 2018, under the Internal Revenue Code of
29 1986, as amended, every individual who did not itemize deductions on his
30 or her federal return shall be allowed to subtract from federal adjusted
31 gross income a standard deduction based on the filing status used on the

1 federal return. The standard deduction shall be the smaller of the
2 federal standard deduction actually allowed or (i) for single taxpayers
3 three thousand dollars and (ii) for head of household taxpayers four
4 thousand four hundred dollars. The standard deduction for married filing
5 jointly taxpayers shall be double the standard deduction for single
6 taxpayers, and for married filing separately taxpayers, the standard
7 deduction shall be the same as single taxpayers. Taxpayers who are
8 allowed additional federal standard deduction amounts because of age or
9 blindness shall be allowed an increase in the Nebraska standard deduction
10 for each additional amount allowed on the federal return. The additional
11 amounts shall be for married taxpayers six hundred dollars and for single
12 or head of household taxpayers seven hundred fifty dollars. The amounts
13 in this subdivision will be indexed using 1987 as the base year.

14 (c) For tax years beginning or deemed to begin on or after January
15 1, 2007, and before January 1, 2018, the standard deduction amounts,
16 including the additional standard deduction amounts, in this subsection
17 shall be adjusted for inflation by the method provided in section 151 of
18 the Internal Revenue Code of 1986, as it existed prior to December 22,
19 2017. If any amount is not a multiple of fifty dollars, the amount shall
20 be rounded to the next lowest multiple of fifty dollars.

21 (3)(a) For tax years beginning or deemed to begin on or after
22 January 1, 2018, and before January 1, 2022, every individual who did not
23 itemize deductions on his or her federal return shall be allowed to
24 subtract from federal adjusted gross income a standard deduction based on
25 the filing status used on the federal return. The standard deduction
26 shall be the smaller of the federal standard deduction actually allowed
27 or (i) six thousand seven hundred fifty dollars for single taxpayers and
28 (ii) nine thousand nine hundred dollars for head of household taxpayers.
29 The standard deduction for married filing jointly taxpayers or qualifying
30 widows or widowers shall be double the standard deduction for single
31 taxpayers, and the standard deduction for married filing separately

1 taxpayers shall be the same as the standard deduction for single
2 taxpayers. Taxpayers who are allowed additional federal standard
3 deduction amounts because of age or blindness shall be allowed an
4 increase in the Nebraska standard deduction for each additional amount
5 allowed on the federal return. The additional amounts shall be one
6 thousand three hundred dollars for married taxpayers and one thousand six
7 hundred dollars for single or head of household taxpayers.

8 (b) For tax years beginning or deemed to begin on or after January
9 1, 2019, and before January 1, 2022, the standard deduction amounts,
10 including the additional standard deduction amounts, in this subsection
11 shall be adjusted for inflation based on the percentage change in the
12 Consumer Price Index for All Urban Consumers published by the federal
13 Bureau of Labor Statistics from the twelve months ending on August 31,
14 2017, to the twelve months ending on August 31 of the year preceding the
15 taxable year. If any amount is not a multiple of fifty dollars, the
16 amount shall be rounded to the next lowest multiple of fifty dollars.

17 (4) For tax years beginning or deemed to begin before January 1,
18 2022, ~~Every~~ individual who itemized deductions on his or her
19 federal return shall be allowed to subtract from federal adjusted gross
20 income the greater of either the standard deduction allowed in this
21 section or his or her federal itemized deductions as defined in section
22 63(d) of the Internal Revenue Code of 1986, as amended, except for the
23 amount for state or local income taxes included in federal itemized
24 deductions before any federal disallowance.

25 Sec. 10. Section 77-2734.02, Revised Statutes Supplement, 2021, is
26 amended to read:

27 77-2734.02 (1) Except as provided in subsection (2) of this section,
28 a tax is hereby imposed on the taxable income of every corporate taxpayer
29 that is doing business in this state:

30 (a) For taxable years beginning or deemed to begin before January 1,
31 2013, at a rate equal to one hundred fifty and eight-tenths percent of

1 the primary rate imposed on individuals under section 77-2701.01 on the
2 first one hundred thousand dollars of taxable income and at the rate of
3 two hundred eleven percent of such rate on all taxable income in excess
4 of one hundred thousand dollars. The resultant rates shall be rounded to
5 the nearest one hundredth of one percent;

6 (b) For taxable years beginning or deemed to begin on or after
7 January 1, 2013, and before January 1, 2022, at a rate equal to 5.58
8 percent on the first one hundred thousand dollars of taxable income and
9 at the rate of 7.81 percent on all taxable income in excess of one
10 hundred thousand dollars;

11 (c) For taxable years beginning or deemed to begin on or after
12 January 1, 2022, and before January 1, ~~2025~~ 2023, at a rate equal to 4.00
13 ~~5.58~~ percent on the first one hundred thousand dollars of taxable income
14 and at the rate of 5.60 ~~7.50~~ percent on all taxable income in excess of
15 one hundred thousand dollars; ~~and~~

16 (d) For taxable years beginning or deemed to begin on or after
17 January 1, 2025, and before January 1, ~~2028~~ 2023, at a rate equal to 4.00
18 ~~5.58~~ percent on the first one hundred thousand dollars of taxable income
19 and at the rate of 5.30 ~~7.25~~ percent on all taxable income in excess of
20 one hundred thousand dollars; ~~and~~ -

21 (e) For taxable years beginning or deemed to begin on or after
22 January 1, 2028, at a rate equal to 4.00 percent on the first one hundred
23 thousand dollars of taxable income and at the rate of 4.99 percent on all
24 taxable income in excess of one hundred thousand dollars.

25 ~~It is the intent of the Legislature to enact legislation after~~
26 ~~August 28, 2021, to lower the tax rate applicable to income in excess of~~
27 ~~one hundred thousand dollars to 7.00 percent for taxable years beginning~~
28 ~~or deemed to begin on or after January 1, 2024, and before January 1,~~
29 ~~2025, and to 6.84 percent for taxable years beginning or deemed to begin~~
30 ~~on or after January 1, 2025.~~

31 For corporate taxpayers with a fiscal year that does not coincide

1 with the calendar year, the individual rate used for this subsection
2 shall be the rate in effect on the first day, or the day deemed to be the
3 first day, of the taxable year.

4 (2) An insurance company shall be subject to taxation at the lesser
5 of the rate described in subsection (1) of this section or the rate of
6 tax imposed by the state or country in which the insurance company is
7 domiciled if the insurance company can establish to the satisfaction of
8 the Tax Commissioner that it is domiciled in a state or country other
9 than Nebraska that imposes on Nebraska domiciled insurance companies a
10 retaliatory tax against the tax described in subsection (1) of this
11 section.

12 (3) For a corporate taxpayer that is subject to tax in another
13 state, its taxable income shall be the portion of the taxpayer's federal
14 taxable income, as adjusted, that is determined to be connected with the
15 taxpayer's operations in this state pursuant to sections 77-2734.05 to
16 77-2734.15.

17 (4) Each corporate taxpayer shall file only one income tax return
18 for each taxable year.

19 Sec. 11. Section 77-5803, Reissue Revised Statutes of Nebraska, is
20 amended to read:

21 77-5803 (1)(a) Except as provided in subdivision (1)(b) of this
22 section, any business firm which makes expenditures in research and
23 experimental activities as defined in section 174 of the Internal Revenue
24 Code of 1986, as amended, in this state shall be allowed a research tax
25 credit as provided in the Nebraska Advantage Research and Development
26 Act. The credit amount under this subdivision shall equal thirty fifteen
27 percent of the federal credit allowed under section 41 of the Internal
28 Revenue Code of 1986, as amended, or as apportioned to this state under
29 subsection (2) of this section. The credit shall be allowed for the first
30 tax year it is claimed and for the twenty tax years immediately
31 following.

1 (b) Any business firm which makes expenditures in research and
2 experimental activities as defined in section 174 of the Internal Revenue
3 Code of 1986, as amended, on the campus of a college or university in
4 this state or at a facility owned by a college or university in this
5 state shall be allowed a research tax credit as provided in the Nebraska
6 Advantage Research and Development Act. The credit amount under this
7 subdivision shall equal seventy ~~thirty-five~~ percent of the federal credit
8 allowed under section 41 of the Internal Revenue Code of 1986, as
9 amended, or as apportioned to this state under subsection (2) of this
10 section. The credit shall be allowed for the first tax year it is claimed
11 and for the twenty tax years immediately following.

12 (2) For any business firm doing business both within and without
13 this state, the amount of the federal credit may be determined either by
14 dividing the amount expended in research and experimental activities in
15 this state in any tax year by the total amount expended in research and
16 experimental activities or by apportioning the amount of the credit on
17 the federal income tax return to the state based on the average of the
18 property factor as determined in section 77-2734.12 and the payroll
19 factor as determined in section 77-2734.13.

20 Sec. 12. It is the intent of the Legislature to eliminate tax
21 incentive programs in order to offset the reductions in General Fund
22 revenue that occur as a result of the changes made in this legislative
23 bill, except that the Legislature shall not eliminate the Nebraska
24 Advantage Research and Development Act.

25 Sec. 13. (1) It is the intent of the Legislature to create a
26 program to provide student loan relief of up to twelve thousand dollars
27 annually for up to five years for recent graduates with a qualifying
28 degree in science, technology, engineering, or mathematics.

29 (2) It is further the intent of the Legislature to create a program
30 to provide student loan relief of up to one thousand two hundred dollars
31 annually for up to five years for recent graduates of a qualified trade

1 program.

2 Sec. 14. This act becomes operative on October 1, 2022.

3 Sec. 15. Original sections 77-2004, 77-2005, 77-2006, 77-2704.09,
4 77-2715.03, and 77-5803, Reissue Revised Statutes of Nebraska, section
5 77-2716.01, Revised Statutes Cumulative Supplement, 2020, and sections
6 77-382, 77-2701.16, 77-2716, and 77-2734.02, Revised Statutes Supplement,
7 2021, are repealed.

8 Sec. 16. The following sections are outright repealed: Sections
9 77-2704.05, 77-2704.25, and 77-2704.67, Reissue Revised Statutes of
10 Nebraska.