

LEGISLATURE OF NEBRASKA

ONE HUNDRED SECOND LEGISLATURE

SECOND SESSION

**LEGISLATIVE BILL 850**

Introduced by Hadley, 37; Brasch, 16; Larson, 40; Sullivan, 41.

Read first time January 06, 2012

Committee: Revenue

A BILL

1 FOR AN ACT relating to revenue and taxation; to amend section  
2 77-2715.07, Revised Statutes Supplement, 2011; to create  
3 incentive area tax credit program; to provide an income  
4 tax credit; to harmonize provisions; and to repeal the  
5 original section.

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

1           Section 1. The incentive area tax credit program is  
2 created. The program shall be administered by the Tax Commissioner.  
3 Beginning January 1, 2013, an individual may apply to the Tax  
4 Commissioner for an income tax credit pursuant to section 3 of this  
5 act. If approved, the tax credit shall be available each year without  
6 reapplication until the program terminates. The program terminates on  
7 December 31, 2017, except as necessary to fulfill the final year of  
8 tax credits under the program.

9           Sec. 2. For purposes of sections 1 to 5 of this act,  
10 incentive area means any county in Nebraska that had a net loss of  
11 five percent or more in population between the 2000 federal decennial  
12 census and the 2010 federal decennial census.

13           Sec. 3. (1) An individual who meets the requirements of  
14 this section may apply to the Tax Commissioner for a refundable  
15 income tax credit. Upon approval, the Tax Commission shall send a  
16 copy of the approved application to the taxpayer. The approval shall  
17 apply to each tax year of the program beginning January 1, 2013,  
18 through tax year 2017. The tax credit shall be one thousand five  
19 hundred dollars per year, subject to appropriations for the incentive  
20 area tax credit program.

21           (2) To be eligible for an incentive area tax credit an  
22 individual shall:

23           (a) Establish residency in an incentive area on or after  
24 July 1, 2012, after residing outside Nebraska for at least five years  
25 immediately preceding establishing residency in the incentive area;

1           (b) Have had less than ten thousand dollars of income  
2 from a Nebraska source in any year during the five years preceding  
3 establishing residency in the incentive area;

4           (c) Be a resident of the incentive area for the entire  
5 tax year; and

6           (d) Not be delinquent in filing any return with, or  
7 paying any tax due, the state or any political subdivision.

8           Sec. 4. The Tax Commissioner may adopt and promulgate  
9 rules and regulations to carry out sections 1 to 5 of this act.

10           Sec. 5. On or before January 1, 2014, and each year  
11 thereafter through 2019, the Tax Commissioner shall prepare a report  
12 showing how many individuals applied for and received incentive area  
13 tax credits under the program created in section 1 of this act and  
14 the dollar amount of the credits. The report shall be provided to the  
15 Governor and the Legislature.

16           Sec. 6. Section 77-2715.07, Revised Statutes Supplement,  
17 2011, is amended to read:

18           77-2715.07 (1) There shall be allowed to qualified  
19 resident individuals as a nonrefundable credit against the income tax  
20 imposed by the Nebraska Revenue Act of 1967:

21           (a) A credit equal to the federal credit allowed under  
22 section 22 of the Internal Revenue Code; and

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

25           (2) There shall be allowed to qualified resident

1 individuals against the income tax imposed by the Nebraska Revenue  
2 Act of 1967:

3 (a) For returns filed reporting federal adjusted gross  
4 incomes of greater than twenty-nine thousand dollars, a nonrefundable  
5 credit equal to twenty-five percent of the federal credit allowed  
6 under section 21 of the Internal Revenue Code of 1986, as amended;

7 (b) For returns filed reporting federal adjusted gross  
8 income of twenty-nine thousand dollars or less, a refundable credit  
9 equal to a percentage of the federal credit allowable under section  
10 21 of the Internal Revenue Code of 1986, as amended, whether or not  
11 the federal credit was limited by the federal tax liability. The  
12 percentage of the federal credit shall be one hundred percent for  
13 incomes not greater than twenty-two thousand dollars, and the  
14 percentage shall be reduced by ten percent for each one thousand  
15 dollars, or fraction thereof, by which the reported federal adjusted  
16 gross income exceeds twenty-two thousand dollars;

17 (c) A refundable credit as provided in section 77-5209.01  
18 for individuals who qualify for an income tax credit as a qualified  
19 beginning farmer or livestock producer under the Beginning Farmer Tax  
20 Credit Act for all taxable years beginning or deemed to begin on or  
21 after January 1, 2006, under the Internal Revenue Code of 1986, as  
22 amended;

23 (d) A refundable credit for individuals who qualify for  
24 an income tax credit under the Angel Investment Tax Credit Act, the  
25 Nebraska Advantage Microenterprise Tax Credit Act, or the Nebraska

1 Advantage Research and Development Act; ~~and~~

2 (e) A refundable credit equal to ten percent of the  
3 federal credit allowed under section 32 of the Internal Revenue Code  
4 of 1986, as amended; and -

5 (f) A refundable incentive area income tax credit as  
6 provided in sections 1 to 5 of this act.

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

10 (a) A credit for personal exemptions allowed under  
11 section 77-2716.01;

12 (b) A credit for contributions to certified community  
13 betterment programs as provided in the Community Development  
14 Assistance Act. Each partner, each shareholder of an electing  
15 subchapter S corporation, each beneficiary of an estate or trust, or  
16 each member of a limited liability company shall report his or her  
17 share of the credit in the same manner and proportion as he or she  
18 reports the partnership, subchapter S corporation, estate, trust, or  
19 limited liability company income; and

20 (c) A credit for investment in a biodiesel facility as  
21 provided in section 77-27,236.

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

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

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

4           (c) A refundable credit for individuals who qualify for  
5 an income tax credit as an owner of agricultural assets under the  
6 Beginning Farmer Tax Credit Act for all taxable years beginning or  
7 deemed to begin on or after January 1, 2009, under the Internal  
8 Revenue Code of 1986, as amended. The credit allowed for each  
9 partner, shareholder, member, or beneficiary of a partnership,  
10 corporation, limited liability company, or estate or trust qualifying  
11 for an income tax credit as an owner of agricultural assets under the  
12 Beginning Farmer Tax Credit Act shall be equal to the partner's,  
13 shareholder's, member's, or beneficiary's portion of the amount of  
14 tax credit distributed pursuant to subsection (4) of section 77-5211.

15           (5)(a) For all taxable years beginning on or after  
16 January 1, 2007, and before January 1, 2009, under the Internal  
17 Revenue Code of 1986, as amended, there shall be allowed to each  
18 partner, shareholder, member, or beneficiary of a partnership,  
19 subchapter S corporation, limited liability company, or estate or  
20 trust a nonrefundable credit against the income tax imposed by the  
21 Nebraska Revenue Act of 1967 equal to fifty percent of the partner's,  
22 shareholder's, member's, or beneficiary's portion of the amount of  
23 franchise tax paid to the state under sections 77-3801 to 77-3807 by  
24 a financial institution.

25           (b) For all taxable years beginning on or after January

1 1, 2009, under the Internal Revenue Code of 1986, as amended, there  
2 shall be allowed to each partner, shareholder, member, or beneficiary  
3 of a partnership, subchapter S corporation, limited liability  
4 company, or estate or trust a nonrefundable credit against the income  
5 tax imposed by the Nebraska Revenue Act of 1967 equal to 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 (c) Each partner, shareholder, member, or beneficiary  
10 shall report his or her share of the credit in the same manner and  
11 proportion as he or she reports the partnership, subchapter S  
12 corporation, limited liability company, or estate or trust income. If  
13 any partner, shareholder, member, or beneficiary cannot fully utilize  
14 the credit for that year, the credit may not be carried forward or  
15 back.

16 Sec. 7. Original section 77-2715.07, Revised Statutes  
17 Supplement, 2011, is repealed.