

One Hundred Fifth Legislature - Second Session - 2018

Introducer's Statement of Intent

LB1045

Chairperson: Senator Jim Smith

Committee: Revenue

Date of Hearing: February 21, 2018

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

LB1045 was introduced in response to a 2018 Federal income tax change that eliminated the itemized deduction for state and local taxes. This deduction had substantial support in the Congress but had to be eliminated in a procedural maneuver necessary to qualify the proposed Federal legislation to pass with fewer votes than otherwise required. The Federal legislation was not meant to harm taxpayers who pay substantial state and local taxes. LB1045 and similar legislation pending in many of our sister states remediates the situation and neutralizes the adverse aspects of the Federal law.

For the many Nebraskans who itemized federal deductions and who shoulder a high state and local tax burden the effect of the Federal income tax change was to increase the impact of state and local taxes by approximately one third. The Federal changes, however, left intact the charitable deduction. LB 1045 suggests a mechanism that would generate revenue for State purposes that is deductible as a charitable contribution and which dollar for dollar is a credit against the non-deductible state tax. Without LB1045 or a comparable mechanism the Federal tax changes will severely impact Nebraskans who itemized federal deductions and had deducted substantial state and local taxes.

Principal Introducer: _____

Senator Paul Schumacher