

LEGISLATURE OF NEBRASKA
ONE HUNDRED SIXTH LEGISLATURE
FIRST SESSION

LEGISLATIVE BILL 420

Introduced by Bolz, 29.

Read first time January 18, 2019

Committee: Revenue

- 1 A BILL FOR AN ACT relating to revenue and taxation; to amend section
- 2 77-2715.07, Reissue Revised Statutes of Nebraska; to adopt the
- 3 Property Tax Circuit Breaker Act; to harmonize provisions; to
- 4 provide an operative date; and to repeal the original section.
- 5 Be it enacted by the people of the State of Nebraska,

1 Section 1. Sections 1 to 6 of this act shall be known and may be
2 cited as the Property Tax Circuit Breaker Act.

3 Sec. 2. The purpose of the Property Tax Circuit Breaker Act is to
4 provide tax relief through a refundable income tax credit for taxpayers
5 with limited income available to pay property taxes.

6 Sec. 3. For purposes of the Property Tax Circuit Breaker Act:

7 (1) Agricultural land and horticultural land has the same meaning as
8 in section 77-1359;

9 (2) Department means the Department of Revenue;

10 (3) Qualifying agricultural taxpayer means an individual who owns
11 agricultural land and horticultural land that is located in this state
12 and that has been used as part of a farming operation which has federal
13 adjusted gross income of less than three hundred fifty thousand dollars
14 in the most recently completed taxable year; and

15 (4) Qualifying residential taxpayer means an individual who owns or
16 rents his or her principal residence in the State of Nebraska and who has
17 federal adjusted gross income of less than one hundred thousand dollars
18 for a married filing jointly taxpayer or fifty thousand dollars for any
19 other taxpayer.

20 Sec. 4. (1) A qualifying agricultural taxpayer may apply to the
21 department for a refundable income tax credit under the Property Tax
22 Circuit Breaker Act from January 1 to April 15 of each year beginning in
23 2020. The application shall be made on a form developed by the department
24 and shall include:

25 (a) The address of the qualifying agricultural taxpayer's
26 agricultural land and horticultural land;

27 (b) The amount of property taxes paid by the qualifying agricultural
28 taxpayer on the agricultural land and horticultural land during the most
29 recently completed taxable year;

30 (c) The federal adjusted gross income generated by the qualifying
31 agricultural taxpayer's farming operation for the most recently completed

1 taxable year; and

2 (d) Any other documentation required by the department.

3 (2) If the department determines that the qualifying agricultural
4 taxpayer qualifies for a tax credit under the act and that the
5 information in the application is correct, the department shall grant the
6 qualifying agricultural taxpayer a tax credit in an amount equal to the
7 amount of property taxes paid on the agricultural land and horticultural
8 land during the most recently completed taxable year minus seven percent
9 of the qualifying agricultural taxpayer's federal adjusted gross income
10 reported under subdivision (1)(c) of this section. The credit amount
11 shall not be less than zero. The department shall issue the qualifying
12 agricultural taxpayer a certification stating the amount of such credit
13 no later than December 31 of the year of application.

14 (3) The department may certify tax credits under this section of up
15 to one hundred seven million six hundred thousand dollars for each
16 taxable year. If the total amount of tax credits calculated under
17 subsection (2) of this section for all applications received in any year
18 exceeds one hundred seven million six hundred thousand dollars, the
19 department shall certify tax credits in proportionate percentages based
20 upon the ratio of the amount of tax credits requested in each application
21 to the total amount of tax credits requested in all applications so that
22 the limitation in this subsection is not exceeded.

23 (4) The qualifying agricultural taxpayer shall claim the tax credit
24 provided in this section by filing a form developed by the Tax
25 Commissioner and attaching the tax credit certification issued by the
26 department under this section. Such form and certification shall be filed
27 with the next income tax return filed by the qualifying agricultural
28 taxpayer after receiving the tax credit certification. Tax credits
29 allowed under this section may be claimed for taxable years beginning or
30 deemed to begin on or after January 1, 2020, under the Internal Revenue
31 Code of 1986, as amended.

1 (5) Only one tax credit may be claimed under this section per parcel
2 of agricultural land and horticultural land.

3 Sec. 5. (1) A qualifying residential taxpayer may apply to the
4 department for a refundable income tax credit under the Property Tax
5 Circuit Breaker Act from January 1 to April 15 of each year beginning in
6 2020. The application shall be made on a form developed by the department
7 and shall include:

8 (a) The address of the qualifying residential taxpayer's principal
9 residence in this state;

10 (b)(i) If the qualifying residential taxpayer owns his or her
11 principal residence, the amount of property taxes paid by the qualifying
12 residential taxpayer on his or her principal residence during the most
13 recently completed taxable year; or

14 (ii) If the qualifying residential taxpayer rents his or her
15 principal residence, the amount of rent paid by the qualifying
16 residential taxpayer for the right to occupy his or her principal
17 residence during the most recently completed taxable year;

18 (c) The qualifying residential taxpayer's federal adjusted gross
19 income for the most recently completed taxable year;

20 (d) If the qualifying residential taxpayer owns his or her principal
21 residence, the assessed value of such residence used for determining the
22 property taxes paid during the most recently completed taxable year; and

23 (e) Any other documentation required by the department.

24 (2) If the department determines that the qualifying residential
25 taxpayer resided at the property described in the qualifying residential
26 taxpayer's application for at least six months of the most recently
27 completed taxable year, the department shall grant the qualifying
28 residential taxpayer a tax credit in an amount calculated pursuant to
29 this section and shall issue the qualifying residential taxpayer a
30 certification stating the amount of such credit no later than December 31
31 of the year of application.

1 (3)(a) For a qualifying residential taxpayer who paid property taxes
 2 on his or her principal residence for the most recently completed taxable
 3 year, the qualifying residential taxpayer shall be eligible for a credit,
 4 subject to the limits described in subsections (5) and (7) of this
 5 section, equal to the amount by which the total amount of such property
 6 taxes paid on the principal residence exceeds the sum of the amounts
 7 calculated in subdivision (3)(b) of this section. For purposes of this
 8 subdivision, the amount of property taxes paid on a qualifying
 9 residential taxpayer's principal residence shall not exceed the amount of
 10 taxes paid on a residence with a taxable value equal to two hundred
 11 percent of the average assessed value of single-family residential
 12 property in the taxpayer's county of residence in the most recently
 13 completed taxable year as determined under section 77-3506.02.

14 (b) The amounts to be added together for purposes of subdivision (3)
 15 (a) of this section shall be determined from the following table:

		<u>For Married Filing</u>	<u>For All Other</u>
		<u>Jointly Taxpayers</u>	<u>Taxpayers</u>
18	<u>(i) 1% of the taxpayer's</u>	<u>\$0 - 14,000</u>	<u>\$0 - 7,000</u>
19	<u>federal adjusted gross</u>		
20	<u>income that falls</u>		
21	<u>within the following</u>		
22	<u>income bracket:</u>		
23	<u>(ii) 2% of the taxpayer's</u>	<u>\$14,001 -</u>	<u>\$7,001 -</u>
24	<u>federal adjusted gross</u>	<u>30,000</u>	<u>15,000</u>
25	<u>income that falls</u>		
26	<u>within the following</u>		
27	<u>income bracket:</u>		
28	<u>(iii) 3% of the taxpayer's</u>	<u>\$30,001 -</u>	<u>\$15,001 -</u>
29	<u>federal adjusted gross</u>	<u>50,000</u>	<u>25,000</u>
30	<u>income that falls</u>		
31	<u>within the following</u>		

1 income bracket:
 2 (iv) 4% of the taxpayer's \$50,001 - \$25,001 -
 3 federal adjusted gross 75,000 37,500

4 income that falls
 5 within the following

6 income bracket:
 7 (v) 5% of the taxpayer's \$75,001 - \$37,501 -
 8 federal adjusted gross 100,000 50,000

9 income that falls
 10 within the following

11 income bracket:

12 (4)(a) For a qualifying residential taxpayer who paid rent for the
 13 right to occupy his or her principal residence for the most recently
 14 completed taxable year, the qualifying residential taxpayer shall be
 15 eligible for a credit, subject to the limits described in subsections (5)
 16 and (7) of this section, equal to the amount by which twenty percent of
 17 the total amount of rent paid exceeds the sum of the amounts calculated
 18 in subdivision (4)(b) of this section.

19 (b) The amounts to be added together for purposes of subdivision (4)
 20 (a) of this section shall be determined from the following table:

		<u>For Married Filing</u>	<u>For All Other</u>
		<u>Jointly Taxpayers</u>	<u>Taxpayers</u>
23	(i) <u>1% of the taxpayer's</u>	<u>\$0 - 14,000</u>	<u>\$0 - 7,000</u>

24 federal adjusted gross
 25 income that falls within
 26 the following
 27 income bracket:

28	(ii) <u>2% of the taxpayer's</u>	<u>\$14,001 -</u>	<u>\$7,001 -</u>
29	<u>federal adjusted gross</u>	<u>30,000</u>	<u>15,000</u>
30	<u>income that falls within</u>		

1 the following
 2 income bracket:
 3 (iii) 3% of the taxpayer's \$30,001 - \$15,001 -
 4 federal adjusted gross 50,000 25,000
 5 income that falls within

6 the following
 7 income bracket:
 8 (iv) 4% of the taxpayer's \$50,001 - \$25,001 -
 9 federal adjusted gross 75,000 37,500
 10 income that falls within

11 the following
 12 income bracket:
 13 (v) 5% of the taxpayer's \$75,001 - \$37,501 -
 14 federal adjusted gross 100,000 50,000
 15 income that falls
 16 within the following
 17 income bracket:

18 (5) The credit allowed to a qualifying residential taxpayer under
 19 this section for any taxable year shall not exceed the applicable amount
 20 from the following table:

		<u>For Married Filing</u>	<u>For All Other</u>
		<u>Jointly Taxpayers</u>	<u>Taxpayers</u>
23	(a) <u>\$1,200 if the taxpayer's</u>	<u>\$0 - 14,000</u>	<u>\$0 - 7,000</u>
24	<u>total federal adjusted</u>		
25	<u>gross income for the</u>		
26	<u>taxable year falls</u>		
27	<u>into the following</u>		
28	<u>income bracket:</u>		
29	(b) <u>\$900 if the taxpayer's</u>	<u>\$14,001 -</u>	<u>\$7,001 -</u>
30	<u>total federal adjusted</u>	<u>30,000</u>	<u>15,000</u>

1 gross income for the
2 taxable year falls
3 into the following
4 income bracket:

5 (c) \$600 if the taxpayer's \$30,001 - \$15,001 -
6 total federal adjusted 50,000 25,000

7 gross income for the
8 taxable year falls
9 into the following
10 income bracket:

11 (d) \$300 if the taxpayer's \$50,001 - \$25,001 -
12 total federal adjusted 100,000 50,000

13 gross income for the
14 taxable year falls
15 into the following
16 income bracket:

17 (6) For taxable years beginning or deemed to begin on or after
18 January 1, 2021, the minimum and maximum dollar amounts for each income
19 tax bracket provided in subsections (3), (4), and (5) of this section and
20 the amount of maximum credits provided in subsection (5) of this section
21 shall be adjusted for inflation by the same percentage used to adjust
22 individual income tax brackets under subsection (3) of section
23 77-2715.03.

24 (7) The department may certify tax credits under this section of up
25 to eighty-two million seven hundred thousand dollars for each taxable
26 year. If the total amount of tax credits calculated under this section
27 for all applications received in any year exceeds eighty-two million
28 seven hundred thousand dollars, the department shall certify tax credits
29 in proportionate percentages based upon the ratio of the amount of tax
30 credits requested in each application to the total amount of tax credits
31 requested in all applications so that the limitation in this subsection

1 is not exceeded.

2 (8) The qualifying residential taxpayer shall claim the tax credit
3 provided in this section by filing a form developed by the Tax
4 Commissioner and attaching the tax credit certification issued by the
5 department under this section. Such form and certification shall be filed
6 with the next income tax return filed by the qualifying residential
7 taxpayer after receiving the tax credit certification.

8 (9) Tax credits allowed under this section may be claimed for
9 taxable years beginning or deemed to begin on or after January 1, 2020,
10 under the Internal Revenue Code of 1986, as amended.

11 (10) Any qualifying residential taxpayer who rents property that is
12 owned by a tax-exempt charitable organization or that is exempt in any
13 way from property taxation shall not be eligible to receive a tax credit
14 under this section.

15 (11) Only one tax credit may be claimed under this section per
16 residence.

17 Sec. 6. The department may adopt and promulgate rules and
18 regulations to carry out the Property Tax Circuit Breaker Act.

19 Sec. 7. Section 77-2715.07, Reissue Revised Statutes of Nebraska, is
20 amended to read:

21 77-2715.07 (1) There shall be allowed to qualified resident
22 individuals as a nonrefundable credit against the income tax imposed by
23 the Nebraska Revenue Act of 1967:

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

26 (b) A credit for taxes paid to another state as provided in section
27 77-2730.

28 (2) There shall be allowed to qualified resident individuals against
29 the income tax imposed by the Nebraska Revenue Act of 1967:

30 (a) For returns filed reporting federal adjusted gross incomes of
31 greater than twenty-nine thousand dollars, a nonrefundable credit equal

1 to twenty-five percent of the federal credit allowed under section 21 of
2 the Internal Revenue Code of 1986, as amended, except that for taxable
3 years beginning or deemed to begin on or after January 1, 2015, such
4 nonrefundable credit shall be allowed only if the individual would have
5 received the federal credit allowed under section 21 of the code after
6 adding back in any carryforward of a net operating loss that was deducted
7 pursuant to such section in determining eligibility for the federal
8 credit;

9 (b) For returns filed reporting federal adjusted gross income of
10 twenty-nine thousand dollars or less, a refundable credit equal to a
11 percentage of the federal credit allowable under section 21 of the
12 Internal Revenue Code of 1986, as amended, whether or not the federal
13 credit was limited by the federal tax liability. The percentage of the
14 federal credit shall be one hundred percent for incomes not greater than
15 twenty-two thousand dollars, and the percentage shall be reduced by ten
16 percent for each one thousand dollars, or fraction thereof, by which the
17 reported federal adjusted gross income exceeds twenty-two thousand
18 dollars, except that for taxable years beginning or deemed to begin on or
19 after January 1, 2015, such refundable credit shall be allowed only if
20 the individual would have received the federal credit allowed under
21 section 21 of the code after adding back in any carryforward of a net
22 operating loss that was deducted pursuant to such section in determining
23 eligibility for the federal credit;

24 (c) A refundable credit as provided in section 77-5209.01 for
25 individuals who qualify for an income tax credit as a qualified beginning
26 farmer or livestock producer under the Beginning Farmer Tax Credit Act
27 for all taxable years beginning or deemed to begin on or after January 1,
28 2006, under the Internal Revenue Code of 1986, as amended;

29 (d) A refundable credit for individuals who qualify for an income
30 tax credit under the Angel Investment Tax Credit Act, the Nebraska
31 Advantage Microenterprise Tax Credit Act, the Nebraska Advantage Research

1 and Development Act, or the Volunteer Emergency Responders Incentive Act;
2 and

3 (e) A refundable credit equal to ten percent of the federal credit
4 allowed under section 32 of the Internal Revenue Code of 1986, as
5 amended, except that for taxable years beginning or deemed to begin on or
6 after January 1, 2015, such refundable credit shall be allowed only if
7 the individual would have received the federal credit allowed under
8 section 32 of the code after adding back in any carryforward of a net
9 operating loss that was deducted pursuant to such section in determining
10 eligibility for the federal credit.

11 (3) There shall be allowed to all individuals as a nonrefundable
12 credit against the income tax imposed by the Nebraska Revenue Act of
13 1967:

14 (a) A credit for personal exemptions allowed under section
15 77-2716.01;

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

23 (c) A credit for investment in a biodiesel facility as provided in
24 section 77-27,236;

25 (d) A credit as provided in the New Markets Job Growth Investment
26 Act;

27 (e) A credit as provided in the Nebraska Job Creation and Mainstreet
28 Revitalization Act;

29 (f) A credit to employers as provided in section 77-27,238; and

30 (g) A credit as provided in the Affordable Housing Tax Credit Act.

31 (4) There shall be allowed as a credit against the income tax

1 imposed by the Nebraska Revenue Act of 1967:

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

4 (b) A credit to all estates and trusts for contributions to
5 certified community betterment programs as provided in the Community
6 Development Assistance Act;~~and~~

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

18 (d) A refundable credit for individuals who qualify for an income
19 tax credit under the Property Tax Circuit Breaker Act.

20 (5)(a) For all taxable years beginning on or after January 1, 2007,
21 and before January 1, 2009, under the Internal Revenue Code of 1986, as
22 amended, there shall be allowed to each partner, shareholder, member, or
23 beneficiary of a partnership, subchapter S corporation, limited liability
24 company, or estate or trust a nonrefundable credit against the income tax
25 imposed by the Nebraska Revenue Act of 1967 equal to fifty percent of the
26 partner's, shareholder's, member's, or beneficiary's portion of the
27 amount of franchise tax paid to the state under sections 77-3801 to
28 77-3807 by a financial institution.

29 (b) For all taxable years beginning on or after January 1, 2009,
30 under the Internal Revenue Code of 1986, as amended, there shall be
31 allowed to each partner, shareholder, member, or beneficiary of a

1 partnership, subchapter S corporation, limited liability company, or
2 estate or trust a nonrefundable credit against the income tax imposed by
3 the Nebraska Revenue Act of 1967 equal to the partner's, shareholder's,
4 member's, or beneficiary's portion of the amount of franchise tax paid to
5 the state under sections 77-3801 to 77-3807 by a financial institution.

6 (c) Each partner, shareholder, member, or beneficiary shall report
7 his or her share of the credit in the same manner and proportion as he or
8 she reports the partnership, subchapter S corporation, limited liability
9 company, or estate or trust income. If any partner, shareholder, member,
10 or beneficiary cannot fully utilize the credit for that year, the credit
11 may not be carried forward or back.

12 (6) There shall be allowed to all individuals nonrefundable credits
13 against the income tax imposed by the Nebraska Revenue Act of 1967 as
14 provided in section 77-3604 and refundable credits against the income tax
15 imposed by the Nebraska Revenue Act of 1967 as provided in section
16 77-3605.

17 Sec. 8. This act becomes operative on January 1, 2020.

18 Sec. 9. Original section 77-2715.07, Reissue Revised Statutes of
19 Nebraska, is repealed.