ONE HUNDRED SEVENTH LEGISLATURE - SECOND SESSION - 2022
COMMITTEE STATEMENT
LB730

Hearing Date: Wednesday February 09, 2022
Committee On: Revenue
Introducer: Lindstrom
One Liner: Adopt the Growing Our Workforce Investment Now Act and provide tax credits

Roll Call Vote - Final Committee Action:
Advanced to General File with amendment(s)

Vote Results:

Aye:	6	Senators Albrecht, Briese, Flood, Lindstrom, Linehan, Pahls
Nay:		
Absent:		
Present Not Voting:	2	Senators Bostar, Friesen

Oral Testimony:

Proponents:	**Representing:**
Senator Brett Lindstrom	Introducer
Kristen Hassebrook	Nebraska Chamber, Greater Omaha Chamber, Lincoln Chamber of Commerce, Nebraska Bankers Association
Jean Petsch	Associated General Contractors - Building Chapter

Opponents:	**Representing:**

Neutral:	**Representing:**

Summary of purpose and/or changes:
LB730 creates the Growing Our Workforce Now Act.

Employers who employee qualified apprentices or qualified trainees for seven months of the tax year will receive a nonrefundable credit of $1,000 for each such qualified employee.

The credit is available for apprentices or trainees who begin these positions on or after the effective date of the Act. The credit may be used against the individual or corporate income tax. The credit may not be claimed for the same employee for more than four tax years.

The program is to be administered by the Department of Revenue.

Explanation of amendments:
The following bills were amended into LB730:
- LB701
- LB702

- LB1103 as amended
- LB1117
- LB1237 as amended with AM1725

LB701 was heard on January 28, 2022, at 1:30 PM in Room 1524.

Testifiers
Proponents:
- Senator Matt Williams; Introducer
- Nick Panko; Nebraska Chamber, Greater Omaha Chamber, Lincoln Chamber of Commerce, Nebraska Bankers Association
- Trevor Jones; Nebraska State Historical Society
- Ryan Durant; RMD Real Estate Group
- Carol Bodeen; Nebraska Housing Developers Association
Opponents: NONE
Neutral: NONE

Summary for LB701:
LB701 would extend the sunset date for the Job Creation and Main Street Revitalization Act, also known as the Historic Tax Credit. Further, it extends the sunset date for the Nebraska Advantage Research and Development Act, also known as the R&D Credit.

The Historic Tax Credit was created in 2014. It provides up to $15 million in credits allocated annually from January 1, 2015 to December 31, 2022.

The credit is equal to 20% of eligible expenditures incurred for improvements to qualifying historically significant real property and is limited to $1 million of tax credits per project. Credits may be used against income tax, premium tax, or the franchise tax on financial institutions. The credit is transferrable and subject to certain limitations.

LB701 would extend the sunset date of this program from December 31, 2022 to 2027. The statutes currently prohibit the allocation of credits after December 31, 2027. The bill would extend that date to December 31, 2032.

The R&D Credit is available to a business firm that incurs research and experimental expenditures (as defined in Sec. 174 of the Internal Revenue Code). It is equal to 15 percent of the federal tax credit allowed. The tax credit may be used to obtain a refund of sales and use taxes paid, or as a refundable income tax credit. The tax credit is allowed for the first tax year it is claimed, and may be claimed for the following 20 tax years if the business firm continues to earn the federal credit.

In addition, business firms that make these expenditures on the campus of a college or university in Nebraska, or at a facility in Nebraska owned by a college or university, may claim a credit equal to 35 percent of the federal credit. The credit is allowed for the first tax year it is claimed and may be claimed for the following four tax years if the business continues to earn the federal credit and continues to have expenditures on campus.

Under current law, taxpayers who first claim a credit under the R&D Act must do so before December 31, 2022. LB701 would extend this deadline by one year, to December 31, 2023.

The Committee voted to amend LB701 into LB730.
7 Yes - Linehan, Lindstrom, Albrecht, Bostar, Briese, Flood, Pahls
1 No - Friesen

LB702 was heard on January 28, 2022, at 1:30 PM in Room 1524.

Testifiers
Proponents:
- Senator Matt Williams; Introducer
- Elizabeth Everett; First Five Nebraska
- Kristen Hassebrook; Nebraska Chamber, Greater Omaha Chamber, Lincoln Chamber of Commerce
- Jenny Nelson; Self
Opponents: NONE
Neutral: NONE

Summary for LB702:
LB702 would extend the sunset date for the School Readiness Tax Credit.

There are two credits allowed -- one for providers of the child care and education program and one for individuals who are staff members at such a program or who are self-employed.

Both credits are based on the step or level achieved under the Step Up to Quality Child Care Act. The provider credit is nonrefundable. The staff member/self-employed credit is refundable.

Current law prohibits any credits to be used for tax years beginning on or after January 1, 2022. LB702 would extend this date to January 1, 2027. The bill would also extend the sunset date that requires indexing for inflation the amount of staff member/self-employed credit.

The Committee voted to amend LB702 into LB730.
8 Yes - Linehan, Lindstrom, Albrecht, Bostar, Briese, Flood, Friesen, Pahls

LB1103 was heard on January 28, 2022, at 1:30 PM in Room 1524.

Testifiers
Proponents:
- Senator Tom Brandt; Introducer
- Heath Snodgrass; Ag Leaders Working Group, NE State Dairy Assoc., NE Cattlemen, NE Corn Growers Assoc., NE Soybean Assoc., NE Farm Bureau, NE Pork Producers, NE Wheat Growers Assoc.
- John Hansen; Nebraska Farmers Union
Opponents: NONE
Neutral:
- Bradley Lubben; Nebraska Beginning Farmer Board

Summary for LB1103:
LB1103 changes certain provisions under the Beginning Farmer Tax Credit Act.

The first change is in the definition of "farm":

Farm means any improved or unimproved tract of land used for or devoted to the commercial production of farm products;

Second, it changes the qualifications for a qualified beginning farmer or livestock producer by increasing the amount of allowable net worth from a maximum of $200,000 to not more than $1,000,000.

Third, it adds the following new limitation on determining net worth:

When determining a qualified beginning farmer's or livestock producer's net worth, the board shall exclude from such determination any pension, retirement, or other types of deferred benefit accounts owned by the beginning farmer or livestock producer, including such accounts owned by a spouse or dependent.

Explanation of Amendments for LB1103:
The amendment sets the amount of allowable net worth to no more than $500,000.

The Committee voted to amend LB1103 into LB730.
8 Yes - Linehan, Lindstrom, Albrecht, Bostar, Briese, Flood, Friesen, Pahls

LB1117 was heard on February 16, 2022, at 1:30 PM in Room 1524.

Testifiers
Proponents:
- Senator Justin Wayne; Introducer
Opponents: NONE
Neutral: NONE

Summary for LB1117:
LB1117 changes the Community Development Assistance Act.

The bill adds a second definition to the term "community development area" to include any economic redevelopment area within a city of the metropolitan class.

An economic redevelopment area is then defined as one with a 5 year average unemployment rate that is 150% of the state 5 year average and with an average poverty rate that is 20% or more for the census tract in the area.

Tax credits issued under the Act are increased from $350,000 for any fiscal year prior to 2022-2023, to $5 million for 2022-23 and each year thereafter, with a sunset date for granting credits on or after July 1, 2027.

The Committee voted to amend LB1117 into LB730.
8 Yes - Linehan, Lindstrom, Albrecht, Bostar, Briese, Flood, Friesen, Pahls

LB1237 was heard on February 9, 2022, at 1:30 PM in Room 1524.

Testifiers
Proponents:
- Senator Tom Brewer; Introducer
- Shelby Swanson; Self
- Felicity Davis; Self
- Rachel Terry; Self
- Katherine Villa; Self
- Tobias Jordan; Self
- Alondra Cobian; Self
- Andrew Bauer; Sts. Peter and Paul Catholic School
- Clarice Jackson; Self
- Don Blackbird Jr.; St. Augustine Indian Mission

- James Shuls; EdChoice
Opponents:
- T. Michael Williams; NAACP Omaha, Baptist Pastors and Ministers Conference
- Tiffany Friesen Milone; OpenSky Policy Institute
- Connie Duncan; Lincoln Board of Education, Nebraska Association of School Boards, Nebraska Rural Community Schools Association, Nebraska Council of School Administrators, STANCE
- Jenni Benson; NSEA
- Abbi Swatsworth; Out Nebraska
- Dave Welsch; Milford Public Schools, Milford Schools Foundation
- Joey Adler; Holland Children's Movement
- Ann Hunter-Pirtle; Stand for Schools
Neutral: NONE

Summary for LB1237:
LB1237 would create the Opportunity Scholarships Act and the Nebraska Child Care Contribution Tax Credit Act.

Sections 1 through 13 of the bill are the Opportunity Scholarships Act. It is very similar to LB364.

It defines an eligible student as a resident of Nebraska who:
- Is a dependent member of a household that for the most recently completed calendar year has a gross income which does not exceed the income indicated in the income eligibility guidelines for reduced price meals under the National School Lunch Program in 7 C.F.R. part 210 as such part existed on January 1, 2021; and
- Is receiving a scholarship for the first-time and is either entering kindergarten or 9th grade in a qualified school; or
- Transferring from a public school where they were enrolled for at least one semester immediately preceding the first semester for which they are receiving the scholarship; and
- Is entering any grade from kindergarten through grade 12;
- Has previously received a scholarship and is continuing education at a qualified school until they graduate from high school or reach 21 years of age, whichever comes first; or
- Is the sibling of a student who is receiving a scholarship and resides in the same household.

A qualified school is defined as:
- Any nongovernmental, privately operated elementary or secondary school located in this state that:
- Is not operated for profit;
- Complies with the antidiscrimination provisions of 42 U.S.C. 1981;
- Complies with all health and life safety laws or codes that apply to privately operated schools; and
- Fulfills the applicable accreditation or approval requirements established under Neb.Rev.Stat.Sec.79-318.

A scholarship-granting organization is defined as one:
- That it is exempt under IRC Sec. 501(c)(3);
- That it will provide one or more scholarships to eligible students;
- That it will be able to comply with requirements of Section 10 of the Act;
- That it will not limit scholarships to only one qualified school;
- That it will give first priority to eligible students who received a scholarship during the previous school year and then to new applicants whose household income levels do not exceed 185% of the federal poverty level or who are in foster care or out-of-home care, with priority given to students whose household income is the lowest;
- That it will limit scholarship amounts to the cost of tuition and fees at the qualified school; and
- That it will limit scholarship amounts to no more than 75% of the statewide average general fund operating expenditures per formula student for the most recently available complete data year per Neb.Rev.Stat.Sec.79-1003.

The credit is allowed for any individual, corporation, trust or estate that makes a contribution to a qualified scholarship-granting organization. The credit is limited to the 50% of the contributions made during the tax year not to exceed $25,000, or 50% of the taxpayer's income tax liability, whichever is less. The credit is also limited to the portion of the contribution that was not claimed as a charitable contribution on the taxpayer's federal income tax return. Taxpayers who are married but filing separately are limited to one-half of the credit.
The credit is nonrefundable but may be carried forward for the five years immediately following the first year it is allowed. The credit may not be carried back. Taxpayers are not allowed to designate all or any part of the contribution for the benefit of a specifically identified student.

To be eligible for the credit, the taxpayer must make the contribution between 31 and 60 days after notifying the scholarship-granting organization of the intent to make the contribution. The credit allowed under the Act is limited to $5 million per year for tax years 2023 to 2028.

The remainder of the bill creates the Nebraska Child Care Contribution Tax Credit Act.

The Act provides a nonrefundable income tax credit for contributions to an eligible child care and early education program which is defined as a program that:
- Is enrolled to participate in the quality rating and improvement system developed under the Step Up to Quality Child Care Act;
- Is licensed as a family child care home I, family child care home II, child care center, preschool, or school-age-only center; and
- Operates as a for-profit child care business or is a nonprofit organization under the Internal Revenue Code of 1986.

A child is defined as an individual who is 12 years old or less. The credit is available for tax years 2023 to 2028.
It is equal to 75% of the contribution made if the eligible child care and early childhood education program that receives the contribution has at least one child enrolled in the child care subsidy program established pursuant to section 68-1202 and the child care and education provider is actively caring and billing for the child as verified by the Department of Health and Human Services. If not, then the credit is limited to 50% of the contribution. In no event may the credit exceed $25,000 or 50% of the taxpayer's liability, whichever is less.

Credits may be carried forward for 5 years but may not be carried back.

In order to be considered a qualifying contribution, the contribution must be:
- For the establishment or operation of an eligible child care and early childhood education program;
- For the establishment of a registered grant or loan program for parents requiring financial assistance for an eligible child care and early childhood education program;
- To an early childhood collaborative or another intermediary for the training, technical assistance, or mentorship of child care and education providers;
- For the establishment or ongoing costs of an information dissemination program that assists parents with information and referral services for child care;
- To a for-profit child care business, including a family home provider. The for-profit child care business must use the proceeds of a qualifying contribution for (i) the acquisition or improvement of the child care facilities or (ii) equipment; or
- To an intermediary for the establishment or operation of an eligible child care and early childhood education program or a program for parents requiring financial assistance for an eligible child care and early childhood education program.

The bill contains the Severability Clause.

Explanation of the Amendment to LB1237:
The amendment sets the following priorities for the scholarship granting organizations first priority is to students who

received a scholarship during the previous school year. The second priority is to students whose household income does not exceed 185% of the federal poverty level, with higher priority given to students whose household income is the lowest. Third priority to students who are in foster care or out-of-home care.

The amendment changes the limit on credits from 50% to 100% of the contribution made.

The Committee voted to amend LB1237 into LB730.
6 Yes - Linehan, Lindstrom, Albrecht, Briese, Flood, Pahls
1 No - Bostar
1 PNV - Friesen

Lou Ann Linehan, Chairperson