ONE HUNDRED SEVENTH LEGISLATURE - SECOND SESSION - 2022
COMMITTEE STATEMENT
LB873

Hearing Date: Friday February 11, 2022
Committee On: Revenue
Introducer: Friesen
One Liner: Change provisions relating to the levy authority for community college areas

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

Vote Results:

Aye:	6	Senators Albrecht, Briese, Flood, Friesen, Linehan, Lindstrom
Nay:		
Absent:	1	Senator Pahls
Present Not Voting:	1	Senator Bostar

Oral Testimony:

Proponents:	**Representing:**
Senator Curt Friesen	Introducer
Dick Pierce	Nebraska Cattlemen, Nebraska CornGrowers, Nebraska Farm Bureau, Nebraska Soybean Association, Nebraska State Dairy, Nebraska Pork Producers

Opponents:	**Representing:**
Courtney Wittstruck	Nebraska Community College Association
Ashley Bridger	Southeast Community College
Leah Barrett	Northeast Community College
Diane Keller	Central Community College, Nebraska Community College Association
Neal Stenberg	Southeast Community College
John Hansen	Nebraska Farmers Union
Bryan Seck	Kawasaki Motors Manufacturing, USA
Craig Beck	OpenSky Policy Institute
Matt Gotschall	Central Community College

Neutral:	**Representing:**

Summary of purpose and/or changes:
LB873 will change the statutory maximum levy for community colleges.

Currently, a community college may levy a maximum of 11.25 cents per $100 of taxable valuation for the operating expenditures of a community college plus a maximum levy of 2 cents per $100 of taxable valuation to retire general obligation bonds.

This bill repeals the statutory maximum of 11.25 cents per $100 of taxable valuation for the operating expenditures of a community college.

The maximum levy of 2 cents per $100 of taxable valuation to retire general obligation bonds will become the only levy authority available to a community college. This levy may be exceeded to retire any general obligation bonds or other obligations that were entered into prior to January 1, 1997.

The provisions in LB873 will become effective for fiscal 2022-2023.

LB873 contains the Emergency Clause.

Explanation of amendments:
Provisions/portions of LB939, LB723 & LB825 were in AM2649.

AM2649 becomes the bill.

- It stretches out the reduction in the top nominal individual rate over 5 years rather than 3 years. This helps to reduce the cost in each year;

- It stretches out the reduction in the top nominal corporate rate over 4 more years rather than 3 years. Again, this helps to reduce the cost in each year;

- By Tax Year 2027, the top nominal individual and corporate rates reach parity at 5.84%, but it takes us a little longer to get there;

- Regarding property taxes, it adds a refundable income tax credit for Community College taxes paid in addition to the refundable credit for school district taxes paid;

    - This refundable credit is set at $50 Million for Tax Year 2022, then $100 Million in 2023, $125 Million for 2024, $150 Million for 2025, $195 Million for 2026.

    - For 2027 forward, the credit is the prior year's amount, increased by the allowable growth percentage. This is set at 5%.

- It incorporates the core provisions of LB723 introduced by Senator Briese which sets a floor for the refundable income tax credit;

    - The credit is set at $548 Million for Tax Year 2022 and at nearly $561 Million for Tax Year 2023;

    - For Tax Year 2024 and forward, the credit is the prior year's amount, increased by the allowable growth percentage. This is set at 5%.

- It incorporates provisions of LB825.

    - During floor debate, AM1360 was adopted. The language in the amendment provided that: "(b) It is the intent of the Legislature to enact legislation within five years after the effective date of this act to increase the percentage of social security benefits that are excluded under this subsection to (i) sixty percent for taxable years beginning or deemed to begin on or after January 1, 2026, and before January 1, 2027, under the

Internal Revenue Code of 1986, as amended, (ii) seventy percent for taxable years beginning or deemed to begin on or after January 1, 2027, and before January 1, 2028, under the Internal Revenue Code of 1986, as amended, (iii) eighty percent for taxable years beginning or deemed to begin on or after January 1, 2028, and before January 1, 2029, under the Internal Revenue Code of 1986, as amended, (iv) ninety percent for taxable years beginning or deemed to begin on or after January 1, 2029, and before January 1, 2030, under the Internal Revenue Code of 1986, as amended, and (v) one hundred percent for taxable years beginning or deemed to begin on or after January 1, 2030, under the Internal Revenue Code of 1986, as amended.

- LB825 carries out the intent provisions of the AM and also increases the exemption amount. For tax year 2021, the exempt amount is 5%. Beginning with tax year 2022, the exempt amount would be 40% of. such income, to the extent it was included in federal adjusted gross income. The rate of exemption would continue as follows:

Tax Year 2023 60%
Tax Year 2024 80%
Tax Year 2025 100%

The intent language is stricken.

Lou Ann Linehan, Chairperson