

LEGISLATURE OF NEBRASKA
ONE HUNDRED SEVENTH LEGISLATURE
SECOND SESSION

LEGISLATIVE BILL 873

FINAL READING

Introduced by Friesen, 34.

Read first time January 07, 2022

Committee: Revenue

1 A BILL FOR AN ACT relating to revenue and taxation; to amend section
2 77-2715.03, Reissue Revised Statutes of Nebraska, sections 77-6701
3 and 77-6702, Revised Statutes Cumulative Supplement, 2020, and
4 sections 77-2716, 77-2734.02, and 77-6703, Revised Statutes
5 Supplement, 2021; to change individual and corporate income tax
6 rates; to change provisions relating to the taxation of benefits
7 received under the federal Social Security Act and the calculation
8 of tax credits under the Nebraska Property Tax Incentive Act; to
9 authorize additional tax credits under the Nebraska Property Tax
10 Incentive Act; to define and redefine terms; to harmonize
11 provisions; and to repeal the original sections.
12 Be it enacted by the people of the State of Nebraska,

1 Section 1. Section 77-2715.03, Reissue Revised Statutes of Nebraska,
2 is amended to read:

3 77-2715.03 (1) For taxable years beginning or deemed to begin on or
4 after January 1, 2013, and before January 1, 2014, the following brackets
5 and rates are hereby established for the Nebraska individual income tax:

6 Individual Income Tax Brackets and Rates

7 Bracket	Single	Married,	Head of	Married,	Estates	Tax
8 Number	Individuals	Filing	Household	Filing	and	Rate
		Jointly		Separate	Trusts	
10 1	\$0-2,399	\$0-4,799	\$0-4,499	\$0-2,399	\$0-499	2.46%
11 2	\$2,400-	\$4,800-	\$4,500-	\$2,400-	\$500-	
12	17,499	34,999	27,999	17,499	4,699	3.51%
13 3	\$17,500-	\$35,000-	\$28,000-	\$17,500-	\$4,700-	
14	26,999	53,999	39,999	26,999	15,149	5.01%
15 4	\$27,000	\$54,000	\$40,000	\$27,000	\$15,150	
16	and Over	and Over	and Over	and Over	and Over	6.84%

17 (2) For taxable years beginning or deemed to begin on or after
18 January 1, 2014, the following brackets and rates are hereby established
19 for the Nebraska individual income tax:

20 Individual Income Tax Brackets and Rates

21 Bracket	Single	Married,	Head of	Married,	Estates	Tax
22 Number	Individuals	Filing	Household	Filing	and	Rate
		Jointly		Separate	Trusts	
24 1	\$0-2,999	\$0-5,999	\$0-5,599	\$0-2,999	\$0-499	2.46%
25 2	\$3,000-	\$6,000-	\$5,600-	\$3,000-	\$500-	
26	17,999	35,999	28,799	17,999	4,699	3.51%
27 3	\$18,000-	\$36,000-	\$28,800-	\$18,000-	\$4,700-	
28	28,999	57,999	42,999	28,999	15,149	5.01%
29 4	<u>\$29,000</u>	<u>\$58,000</u>	<u>\$43,000</u>	<u>\$29,000</u>	<u>\$15,150</u>	
30	<u>and Over</u>	<u>and Over</u>	<u>and Over</u>	<u>and Over</u>	<u>and Over</u>	<u>Top Rate</u>

1 4 ~~\$29,000~~ ~~\$58,000~~ ~~\$43,000~~ ~~\$29,000~~ ~~\$15,150~~
2 and Over and Over and Over and Over and Over 6.84%

3 For purposes of this subsection, the top rate shall be:

4 (a) 6.84% for taxable years beginning or deemed to begin on or after
5 January 1, 2014, and before January 1, 2023;

6 (b) 6.64% for taxable years beginning or deemed to begin on or after
7 January 1, 2023, and before January 1, 2024;

8 (c) 6.44% for taxable years beginning or deemed to begin on or after
9 January 1, 2024, and before January 1, 2025;

10 (d) 6.24% for taxable years beginning or deemed to begin on or after
11 January 1, 2025, and before January 1, 2026;

12 (e) 6.00% for taxable years beginning or deemed to begin on or after
13 January 1, 2026, and before January 1, 2027; and

14 (f) 5.84% for taxable years beginning or deemed to begin on or after
15 January 1, 2027.

16 (3)(a) For taxable years beginning or deemed to begin on or after
17 January 1, 2015, the minimum and maximum dollar amounts for each income
18 tax bracket provided in subsection (2) of this section shall be adjusted
19 for inflation by the percentage determined under subdivision (3)(b) of
20 this section. The rate applicable to any such income tax bracket shall
21 not be changed as part of any adjustment under this subsection. The
22 minimum and maximum dollar amounts for each income tax bracket as
23 adjusted shall be rounded to the nearest ten-dollar amount. If the
24 adjusted amount for any income tax bracket ends in a five, it shall be
25 rounded up to the nearest ten-dollar amount.

26 (b)(i) For taxable years beginning or deemed to begin on or after
27 January 1, 2015, and before January 1, 2018, the Tax Commissioner shall
28 adjust the income tax brackets by the percentage determined pursuant to
29 the provisions of section 1(f) of the Internal Revenue Code of 1986, as
30 it existed prior to December 22, 2017, except that in section 1(f)(3)(B)
31 of the code the year 2013 shall be substituted for the year 1992. For

1 2015, the Tax Commissioner shall then determine the percent change from
2 the twelve months ending on August 31, 2013, to the twelve months ending
3 on August 31, 2014, and in each subsequent year, from the twelve months
4 ending on August 31, 2013, to the twelve months ending on August 31 of
5 the year preceding the taxable year. The Tax Commissioner shall prescribe
6 new tax rate schedules that apply in lieu of the schedules set forth in
7 subsection (2) of this section.

8 (ii) For taxable years beginning or deemed to begin on or after
9 January 1, 2018, the Tax Commissioner shall adjust the income tax
10 brackets based on the percentage change in the Consumer Price Index for
11 All Urban Consumers published by the federal Bureau of Labor Statistics
12 from the twelve months ending on August 31, 2016, to the twelve months
13 ending on August 31 of the year preceding the taxable year. The Tax
14 Commissioner shall prescribe new tax rate schedules that apply in lieu of
15 the schedules set forth in subsection (2) of this section.

16 (4) Whenever the tax brackets or tax rates are changed by the
17 Legislature, the Tax Commissioner shall update the tax rate schedules to
18 reflect the new tax brackets or tax rates and shall publish such updated
19 schedules.

20 (5) The Tax Commissioner shall prepare, from the rate schedules, tax
21 tables which can be used by a majority of the taxpayers to determine
22 their Nebraska tax liability. The design of the tax tables shall be
23 determined by the Tax Commissioner. The size of the tax table brackets
24 may change as the level of income changes. The difference in tax between
25 two tax table brackets shall not exceed fifteen dollars. The Tax
26 Commissioner may build the personal exemption credit and standard
27 deduction amounts into the tax tables.

28 (6) For taxable years beginning or deemed to begin on or after
29 January 1, 2013, the tax rate applied to other federal taxes included in
30 the computation of the Nebraska individual income tax shall be 29.6
31 percent.

1 (7) The Tax Commissioner may require by rule and regulation that all
2 taxpayers shall use the tax tables if their income is less than the
3 maximum income included in the tax tables.

4 Sec. 2. Section 77-2716, Revised Statutes Supplement, 2021, is
5 amended to read:

6 77-2716 (1) The following adjustments to federal adjusted gross
7 income or, for corporations and fiduciaries, federal taxable income shall
8 be made for interest or dividends received:

9 (a)(i) There shall be subtracted interest or dividends received by
10 the owner of obligations of the United States and its territories and
11 possessions or of any authority, commission, or instrumentality of the
12 United States to the extent includable in gross income for federal income
13 tax purposes but exempt from state income taxes under the laws of the
14 United States; and

15 (ii) There shall be subtracted interest received by the owner of
16 obligations of the State of Nebraska or its political subdivisions or
17 authorities which are Build America Bonds to the extent includable in
18 gross income for federal income tax purposes;

19 (b) There shall be subtracted that portion of the total dividends
20 and other income received from a regulated investment company which is
21 attributable to obligations described in subdivision (a) of this
22 subsection as reported to the recipient by the regulated investment
23 company;

24 (c) There shall be added interest or dividends received by the owner
25 of obligations of the District of Columbia, other states of the United
26 States, or their political subdivisions, authorities, commissions, or
27 instrumentalities to the extent excluded in the computation of gross
28 income for federal income tax purposes except that such interest or
29 dividends shall not be added if received by a corporation which is a
30 regulated investment company;

31 (d) There shall be added that portion of the total dividends and

1 other income received from a regulated investment company which is
2 attributable to obligations described in subdivision (c) of this
3 subsection and excluded for federal income tax purposes as reported to
4 the recipient by the regulated investment company; and

5 (e)(i) Any amount subtracted under this subsection shall be reduced
6 by any interest on indebtedness incurred to carry the obligations or
7 securities described in this subsection or the investment in the
8 regulated investment company and by any expenses incurred in the
9 production of interest or dividend income described in this subsection to
10 the extent that such expenses, including amortizable bond premiums, are
11 deductible in determining federal taxable income.

12 (ii) Any amount added under this subsection shall be reduced by any
13 expenses incurred in the production of such income to the extent
14 disallowed in the computation of federal taxable income.

15 (2) There shall be allowed a net operating loss derived from or
16 connected with Nebraska sources computed under rules and regulations
17 adopted and promulgated by the Tax Commissioner consistent, to the extent
18 possible under the Nebraska Revenue Act of 1967, with the laws of the
19 United States. For a resident individual, estate, or trust, the net
20 operating loss computed on the federal income tax return shall be
21 adjusted by the modifications contained in this section. For a
22 nonresident individual, estate, or trust or for a partial-year resident
23 individual, the net operating loss computed on the federal return shall
24 be adjusted by the modifications contained in this section and any
25 carryovers or carrybacks shall be limited to the portion of the loss
26 derived from or connected with Nebraska sources.

27 (3) There shall be subtracted from federal adjusted gross income for
28 all taxable years beginning on or after January 1, 1987, the amount of
29 any state income tax refund to the extent such refund was deducted under
30 the Internal Revenue Code, was not allowed in the computation of the tax
31 due under the Nebraska Revenue Act of 1967, and is included in federal

1 adjusted gross income.

2 (4) Federal adjusted gross income, or, for a fiduciary, federal
3 taxable income shall be modified to exclude the portion of the income or
4 loss received from a small business corporation with an election in
5 effect under subchapter S of the Internal Revenue Code or from a limited
6 liability company organized pursuant to the Nebraska Uniform Limited
7 Liability Company Act that is not derived from or connected with Nebraska
8 sources as determined in section 77-2734.01.

9 (5) There shall be subtracted from federal adjusted gross income or,
10 for corporations and fiduciaries, federal taxable income dividends
11 received or deemed to be received from corporations which are not subject
12 to the Internal Revenue Code.

13 (6) There shall be subtracted from federal taxable income a portion
14 of the income earned by a corporation subject to the Internal Revenue
15 Code of 1986 that is actually taxed by a foreign country or one of its
16 political subdivisions at a rate in excess of the maximum federal tax
17 rate for corporations. The taxpayer may make the computation for each
18 foreign country or for groups of foreign countries. The portion of the
19 taxes that may be deducted shall be computed in the following manner:

20 (a) The amount of federal taxable income from operations within a
21 foreign taxing jurisdiction shall be reduced by the amount of taxes
22 actually paid to the foreign jurisdiction that are not deductible solely
23 because the foreign tax credit was elected on the federal income tax
24 return;

25 (b) The amount of after-tax income shall be divided by one minus the
26 maximum tax rate for corporations in the Internal Revenue Code; and

27 (c) The result of the calculation in subdivision (b) of this
28 subsection shall be subtracted from the amount of federal taxable income
29 used in subdivision (a) of this subsection. The result of such
30 calculation, if greater than zero, shall be subtracted from federal
31 taxable income.

1 (7) Federal adjusted gross income shall be modified to exclude any
2 amount repaid by the taxpayer for which a reduction in federal tax is
3 allowed under section 1341(a)(5) of the Internal Revenue Code.

4 (8)(a) Federal adjusted gross income or, for corporations and
5 fiduciaries, federal taxable income shall be reduced, to the extent
6 included, by income from interest, earnings, and state contributions
7 received from the Nebraska educational savings plan trust created in
8 sections 85-1801 to 85-1817 and any account established under the
9 achieving a better life experience program as provided in sections
10 77-1401 to 77-1409.

11 (b) Federal adjusted gross income or, for corporations and
12 fiduciaries, federal taxable income shall be reduced by any contributions
13 as a participant in the Nebraska educational savings plan trust or
14 contributions to an account established under the achieving a better life
15 experience program made for the benefit of a beneficiary as provided in
16 sections 77-1401 to 77-1409, to the extent not deducted for federal
17 income tax purposes, but not to exceed five thousand dollars per married
18 filing separate return or ten thousand dollars for any other return. With
19 respect to a qualified rollover within the meaning of section 529 of the
20 Internal Revenue Code from another state's plan, any interest, earnings,
21 and state contributions received from the other state's educational
22 savings plan which is qualified under section 529 of the code shall
23 qualify for the reduction provided in this subdivision. For contributions
24 by a custodian of a custodial account including rollovers from another
25 custodial account, the reduction shall only apply to funds added to the
26 custodial account after January 1, 2014.

27 (c) For taxable years beginning or deemed to begin on or after
28 January 1, 2021, under the Internal Revenue Code of 1986, as amended,
29 federal adjusted gross income shall be reduced, to the extent included in
30 the adjusted gross income of an individual, by the amount of any
31 contribution made by the individual's employer into an account under the

1 Nebraska educational savings plan trust owned by the individual, not to
2 exceed five thousand dollars per married filing separate return or ten
3 thousand dollars for any other return.

4 (d) Federal adjusted gross income or, for corporations and
5 fiduciaries, federal taxable income shall be increased by:

6 (i) The amount resulting from the cancellation of a participation
7 agreement refunded to the taxpayer as a participant in the Nebraska
8 educational savings plan trust to the extent previously deducted under
9 subdivision (8)(b) of this section; and

10 (ii) The amount of any withdrawals by the owner of an account
11 established under the achieving a better life experience program as
12 provided in sections 77-1401 to 77-1409 for nonqualified expenses to the
13 extent previously deducted under subdivision (8)(b) of this section.

14 (9)(a) For income tax returns filed after September 10, 2001, for
15 taxable years beginning or deemed to begin before January 1, 2006, under
16 the Internal Revenue Code of 1986, as amended, federal adjusted gross
17 income or, for corporations and fiduciaries, federal taxable income shall
18 be increased by eighty-five percent of any amount of any federal bonus
19 depreciation received under the federal Job Creation and Worker
20 Assistance Act of 2002 or the federal Jobs and Growth Tax Act of 2003,
21 under section 168(k) or section 1400L of the Internal Revenue Code of
22 1986, as amended, for assets placed in service after September 10, 2001,
23 and before December 31, 2005.

24 (b) For a partnership, limited liability company, cooperative,
25 including any cooperative exempt from income taxes under section 521 of
26 the Internal Revenue Code of 1986, as amended, limited cooperative
27 association, subchapter S corporation, or joint venture, the increase
28 shall be distributed to the partners, members, shareholders, patrons, or
29 beneficiaries in the same manner as income is distributed for use against
30 their income tax liabilities.

31 (c) For a corporation with a unitary business having activity both

1 inside and outside the state, the increase shall be apportioned to
2 Nebraska in the same manner as income is apportioned to the state by
3 section 77-2734.05.

4 (d) The amount of bonus depreciation added to federal adjusted gross
5 income or, for corporations and fiduciaries, federal taxable income by
6 this subsection shall be subtracted in a later taxable year. Twenty
7 percent of the total amount of bonus depreciation added back by this
8 subsection for tax years beginning or deemed to begin before January 1,
9 2003, under the Internal Revenue Code of 1986, as amended, may be
10 subtracted in the first taxable year beginning or deemed to begin on or
11 after January 1, 2005, under the Internal Revenue Code of 1986, as
12 amended, and twenty percent in each of the next four following taxable
13 years. Twenty percent of the total amount of bonus depreciation added
14 back by this subsection for tax years beginning or deemed to begin on or
15 after January 1, 2003, may be subtracted in the first taxable year
16 beginning or deemed to begin on or after January 1, 2006, under the
17 Internal Revenue Code of 1986, as amended, and twenty percent in each of
18 the next four following taxable years.

19 (10) For taxable years beginning or deemed to begin on or after
20 January 1, 2003, and before January 1, 2006, under the Internal Revenue
21 Code of 1986, as amended, federal adjusted gross income or, for
22 corporations and fiduciaries, federal taxable income shall be increased
23 by the amount of any capital investment that is expensed under section
24 179 of the Internal Revenue Code of 1986, as amended, that is in excess
25 of twenty-five thousand dollars that is allowed under the federal Jobs
26 and Growth Tax Act of 2003. Twenty percent of the total amount of
27 expensing added back by this subsection for tax years beginning or deemed
28 to begin on or after January 1, 2003, may be subtracted in the first
29 taxable year beginning or deemed to begin on or after January 1, 2006,
30 under the Internal Revenue Code of 1986, as amended, and twenty percent
31 in each of the next four following tax years.

1 (11)(a) For taxable years beginning or deemed to begin before
2 January 1, 2018, under the Internal Revenue Code of 1986, as amended,
3 federal adjusted gross income shall be reduced by contributions, up to
4 two thousand dollars per married filing jointly return or one thousand
5 dollars for any other return, and any investment earnings made as a
6 participant in the Nebraska long-term care savings plan under the Long-
7 Term Care Savings Plan Act, to the extent not deducted for federal income
8 tax purposes.

9 (b) For taxable years beginning or deemed to begin before January 1,
10 2018, under the Internal Revenue Code of 1986, as amended, federal
11 adjusted gross income shall be increased by the withdrawals made as a
12 participant in the Nebraska long-term care savings plan under the act by
13 a person who is not a qualified individual or for any reason other than
14 transfer of funds to a spouse, long-term care expenses, long-term care
15 insurance premiums, or death of the participant, including withdrawals
16 made by reason of cancellation of the participation agreement, to the
17 extent previously deducted as a contribution or as investment earnings.

18 (12) There shall be added to federal adjusted gross income for
19 individuals, estates, and trusts any amount taken as a credit for
20 franchise tax paid by a financial institution under sections 77-3801 to
21 77-3807 as allowed by subsection (5) of section 77-2715.07.

22 (13)(a) For taxable years beginning or deemed to begin on or after
23 January 1, 2015, and before January 1, 2025, under the Internal Revenue
24 Code of 1986, as amended, federal adjusted gross income shall be reduced
25 by the amount received as benefits under the federal Social Security Act
26 which are included in the federal adjusted gross income if:

27 (i) For taxpayers filing a married filing joint return, federal
28 adjusted gross income is fifty-eight thousand dollars or less; or

29 (ii) For taxpayers filing any other return, federal adjusted gross
30 income is forty-three thousand dollars or less.

31 (b) For taxable years beginning or deemed to begin on or after

1 January 1, 2020, and before January 1, 2025, under the Internal Revenue
2 Code of 1986, as amended, the Tax Commissioner shall adjust the dollar
3 amounts provided in subdivisions (13)(a)(i) and (ii) of this section by
4 the same percentage used to adjust individual income tax brackets under
5 subsection (3) of section 77-2715.03.

6 (c) For taxable years beginning or deemed to begin on or after
7 January 1, 2021, and before January 1, 2025, under the Internal Revenue
8 Code of 1986, as amended, a taxpayer may claim the reduction to federal
9 adjusted gross income allowed under this subsection or the reduction to
10 federal adjusted gross income allowed under subsection (14) of this
11 section, whichever provides the greater reduction.

12 (14)(a) For taxable years beginning or deemed to begin on or after
13 January 1, 2021, under the Internal Revenue Code of 1986, as amended,
14 federal adjusted gross income shall be reduced by a percentage of the
15 social security benefits that are received and included in federal
16 adjusted gross income. The pertinent percentage shall be:

17 (i) Five percent for taxable years beginning or deemed to begin on
18 or after January 1, 2021, and before January 1, 2022, under the Internal
19 Revenue Code of 1986, as amended;

20 (ii) ~~Forty~~ Twenty percent for taxable years beginning or deemed to
21 begin on or after January 1, 2022, and before January 1, 2023, under the
22 Internal Revenue Code of 1986, as amended;

23 (iii) ~~Sixty~~ Thirty percent for taxable years beginning or deemed to
24 begin on or after January 1, 2023, and before January 1, 2024, under the
25 Internal Revenue Code of 1986, as amended;

26 (iv) ~~Eighty~~ Forty percent for taxable years beginning or deemed to
27 begin on or after January 1, 2024, and before January 1, 2025, under the
28 Internal Revenue Code of 1986, as amended; and

29 (v) One hundred ~~Fifty~~ percent for taxable years beginning or deemed
30 to begin on or after January 1, 2025, under the Internal Revenue Code of
31 1986, as amended.

1 ~~(b) It is the intent of the Legislature to enact legislation within~~
2 ~~five years after August 28, 2021, to increase the percentage of social~~
3 ~~security benefits that are excluded under this subsection to (i) sixty~~
4 ~~percent for taxable years beginning or deemed to begin on or after~~
5 ~~January 1, 2026, and before January 1, 2027, under the Internal Revenue~~
6 ~~Code of 1986, as amended, (ii) seventy percent for taxable years~~
7 ~~beginning or deemed to begin on or after January 1, 2027, and before~~
8 ~~January 1, 2028, under the Internal Revenue Code of 1986, as amended,~~
9 ~~(iii) eighty percent for taxable years beginning or deemed to begin on or~~
10 ~~after January 1, 2028, and before January 1, 2029, under the Internal~~
11 ~~Revenue Code of 1986, as amended, (iv) ninety percent for taxable years~~
12 ~~beginning or deemed to begin on or after January 1, 2029, and before~~
13 ~~January 1, 2030, under the Internal Revenue Code of 1986, as amended, and~~
14 ~~(v) one hundred percent for taxable years beginning or deemed to begin on~~
15 ~~or after January 1, 2030, under the Internal Revenue Code of 1986, as~~
16 ~~amended.~~

17 ~~(b)~~ (c) For purposes of this subsection, social security benefits
18 means benefits received under the federal Social Security Act.

19 ~~(c)~~ (d) For taxable years beginning or deemed to begin on or after
20 January 1, 2021, and before January 1, 2025, under the Internal Revenue
21 Code of 1986, as amended, a taxpayer may claim the reduction to federal
22 adjusted gross income allowed under this subsection or the reduction to
23 federal adjusted gross income allowed under subsection (13) of this
24 section, whichever provides the greater reduction.

25 (15)(a) For taxable years beginning or deemed to begin on or after
26 January 1, 2015, and before January 1, 2022, under the Internal Revenue
27 Code of 1986, as amended, an individual may make a one-time election
28 within two calendar years after the date of his or her retirement from
29 the military to exclude income received as a military retirement benefit
30 by the individual to the extent included in federal adjusted gross income
31 and as provided in this subdivision. The individual may elect to exclude

1 forty percent of his or her military retirement benefit income for seven
2 consecutive taxable years beginning with the year in which the election
3 is made or may elect to exclude fifteen percent of his or her military
4 retirement benefit income for all taxable years beginning with the year
5 in which he or she turns sixty-seven years of age.

6 (b) For taxable years beginning or deemed to begin on or after
7 January 1, 2022, under the Internal Revenue Code of 1986, as amended, an
8 individual may exclude one hundred percent of the military retirement
9 benefit income received by such individual to the extent included in
10 federal adjusted gross income.

11 (c) For purposes of this subsection, military retirement benefit
12 means retirement benefits that are periodic payments attributable to
13 service in the uniformed services of the United States for personal
14 services performed by an individual prior to his or her retirement. The
15 term includes retirement benefits described in this subdivision that are
16 reported to the individual on either:

17 (i) An Internal Revenue Service Form 1099-R received from the United
18 States Department of Defense; or

19 (ii) An Internal Revenue Service Form 1099-R received from the
20 United States Office of Personnel Management.

21 (16) For taxable years beginning or deemed to begin on or after
22 January 1, 2021, under the Internal Revenue Code of 1986, as amended,
23 federal adjusted gross income shall be reduced by the amount received as
24 a Segal AmeriCorps Education Award, to the extent such amount is included
25 in federal adjusted gross income.

26 (17) For taxable years beginning or deemed to begin on or after
27 January 1, 2022, under the Internal Revenue Code of 1986, as amended,
28 federal adjusted gross income shall be reduced by the amount received by
29 or on behalf of a firefighter for cancer benefits under the Firefighter
30 Cancer Benefits Act to the extent included in federal adjusted gross
31 income.

1 Sec. 3. Section 77-2734.02, Revised Statutes Supplement, 2021, is
2 amended to read:

3 77-2734.02 (1) Except as provided in subsection (2) of this section,
4 a tax is hereby imposed on the taxable income of every corporate taxpayer
5 that is doing business in this state:

6 (a) For taxable years beginning or deemed to begin before January 1,
7 2013, at a rate equal to one hundred fifty and eight-tenths percent of
8 the primary rate imposed on individuals under section 77-2701.01 on the
9 first one hundred thousand dollars of taxable income and at the rate of
10 two hundred eleven percent of such rate on all taxable income in excess
11 of one hundred thousand dollars. The resultant rates shall be rounded to
12 the nearest one hundredth of one percent;

13 (b) For taxable years beginning or deemed to begin on or after
14 January 1, 2013, and before January 1, 2022, at a rate equal to 5.58
15 percent on the first one hundred thousand dollars of taxable income and
16 at the rate of 7.81 percent on all taxable income in excess of one
17 hundred thousand dollars;

18 (c) For taxable years beginning or deemed to begin on or after
19 January 1, 2022, and before January 1, 2023, at a rate equal to 5.58
20 percent on the first one hundred thousand dollars of taxable income and
21 at the rate of 7.50 percent on all taxable income in excess of one
22 hundred thousand dollars;~~and~~

23 (d) For taxable years beginning or deemed to begin on or after
24 January 1, 2023, and before January 1, 2024, at a rate equal to 5.58
25 percent on the first one hundred thousand dollars of taxable income and
26 at the rate of 7.25 percent on all taxable income in excess of one
27 hundred thousand dollars; ~~and~~

28 (e) For taxable years beginning or deemed to begin on or after
29 January 1, 2024, and before January 1, 2025, at a rate equal to 5.58
30 percent on the first one hundred thousand dollars of taxable income and
31 at the rate of 6.50 percent on all taxable income in excess of one

1 hundred thousand dollars;

2 (f) For taxable years beginning or deemed to begin on or after
3 January 1, 2025, and before January 1, 2026, at a rate equal to 5.58
4 percent on the first one hundred thousand dollars of taxable income and
5 at the rate of 6.24 percent on all taxable income in excess of one
6 hundred thousand dollars;

7 (g) For taxable years beginning or deemed to begin on or after
8 January 1, 2026, and before January 1, 2027, at a rate equal to 5.58
9 percent on the first one hundred thousand dollars of taxable income and
10 at the rate of 6.00 percent on all taxable income in excess of one
11 hundred thousand dollars; and

12 (h) For taxable years beginning or deemed to begin on or after
13 January 1, 2027, at a rate equal to 5.58 percent on the first one hundred
14 thousand dollars of taxable income and at the rate of 5.84 percent on all
15 taxable income in excess of one hundred thousand dollars.

16 ~~It is the intent of the Legislature to enact legislation after~~
17 ~~August 28, 2021, to lower the tax rate applicable to income in excess of~~
18 ~~one hundred thousand dollars to 7.00 percent for taxable years beginning~~
19 ~~or deemed to begin on or after January 1, 2024, and before January 1,~~
20 ~~2025, and to 6.84 percent for taxable years beginning or deemed to begin~~
21 ~~on or after January 1, 2025.~~

22 For corporate taxpayers with a fiscal year that does not coincide
23 with the calendar year, the individual rate used for this subsection
24 shall be the rate in effect on the first day, or the day deemed to be the
25 first day, of the taxable year.

26 (2) An insurance company shall be subject to taxation at the lesser
27 of the rate described in subsection (1) of this section or the rate of
28 tax imposed by the state or country in which the insurance company is
29 domiciled if the insurance company can establish to the satisfaction of
30 the Tax Commissioner that it is domiciled in a state or country other
31 than Nebraska that imposes on Nebraska domiciled insurance companies a

1 retaliatory tax against the tax described in subsection (1) of this
2 section.

3 (3) For a corporate taxpayer that is subject to tax in another
4 state, its taxable income shall be the portion of the taxpayer's federal
5 taxable income, as adjusted, that is determined to be connected with the
6 taxpayer's operations in this state pursuant to sections 77-2734.05 to
7 77-2734.15.

8 (4) Each corporate taxpayer shall file only one income tax return
9 for each taxable year.

10 Sec. 4. Section 77-6701, Revised Statutes Cumulative Supplement,
11 2020, is amended to read:

12 77-6701 Sections 77-6701 to 77-6705 and section 7 of this act shall
13 be known and may be cited as the Nebraska Property Tax Incentive Act.

14 Sec. 5. Section 77-6702, Revised Statutes Cumulative Supplement,
15 2020, is amended to read:

16 77-6702 For purposes of the Nebraska Property Tax Incentive Act:

17 (1) Allowable growth percentage means the percentage increase, if
18 any, in the total assessed value of all real property in the state from
19 the prior year to the current year, as determined by the department,
20 except that in no case shall the allowable growth percentage exceed five
21 percent in any one year;

22 (2) Community college taxes means property taxes levied on real
23 property in this state by a community college area, excluding any
24 property taxes levied for bonded indebtedness and any property taxes
25 levied as a result of an override of limits on property tax levies
26 approved by voters pursuant to section 77-3444;

27 (3) (2) Department means the Department of Revenue;

28 (4) (3) Eligible taxpayer means any individual, corporation,
29 partnership, limited liability company, trust, estate, or other entity
30 that pays school district taxes or community college taxes during a
31 taxable year; and

1 (5) (4) School district taxes means property taxes levied on real
2 property in this state by a school district or multiple-district school
3 system, excluding any property taxes levied for bonded indebtedness and
4 any property taxes levied as a result of an override of limits on
5 property tax levies approved by voters pursuant to section 77-3444.

6 Sec. 6. Section 77-6703, Revised Statutes Supplement, 2021, is
7 amended to read:

8 77-6703 (1) For taxable years beginning or deemed to begin on or
9 after January 1, 2020, under the Internal Revenue Code of 1986, as
10 amended, there shall be allowed to each eligible taxpayer a refundable
11 credit against the income tax imposed by the Nebraska Revenue Act of 1967
12 or against the franchise tax imposed by sections 77-3801 to 77-3807. The
13 credit shall be equal to the credit percentage for the taxable year, as
14 set by the department under subsection (2) of this section, multiplied by
15 the amount of school district taxes paid by the eligible taxpayer during
16 such taxable year.

17 (2)(a) For taxable years beginning or deemed to begin during
18 calendar year 2020, the department shall set the credit percentage so
19 that the total amount of credits for such taxable years shall be one
20 hundred twenty-five million dollars;

21 (b) For taxable years beginning or deemed to begin during calendar
22 year 2021, the department shall set the credit percentage so that the
23 total amount of credits for such taxable years shall be one hundred
24 twenty-five million dollars plus either (i) the amount calculated for
25 such calendar year under subdivision (3)(b)(ii)(B) of section 77-4602 or
26 (ii) the amount calculated for such calendar year under subdivision (3)
27 (c)(ii)(B) of section 77-4602, whichever is applicable;

28 (c) For taxable years beginning or deemed to begin during calendar
29 year 2022, the department shall set the credit percentage so that the
30 total amount of credits for such taxable years shall be five hundred
31 forty-eight million dollars ~~the maximum amount of credits allowed under~~

1 ~~subdivision (2)(b) of this section plus either (i) the amount calculated~~
2 ~~for such calendar year under subdivision (3)(b)(ii)(B) of section 77-4602~~
3 ~~or (ii) the amount calculated for such calendar year under subdivision~~
4 ~~(3)(c)(ii)(B) of section 77-4602, whichever is applicable;~~

5 (d) For taxable years beginning or deemed to begin during calendar
6 year 2023, the department shall set the credit percentage so that the
7 total amount of credits for such taxable years shall be five hundred
8 sixty million seven hundred thousand dollars ~~the maximum amount of~~
9 ~~credits allowed under subdivision (2)(c) of this section plus either (i)~~
10 ~~the amount calculated for such calendar year under subdivision (3)(b)(ii)~~
11 ~~(B) of section 77-4602 or (ii) the amount calculated for such calendar~~
12 ~~year under subdivision (3)(c)(ii)(B) of section 77-4602, whichever is~~
13 ~~applicable; and~~

14 (e) ~~For taxable years beginning or deemed to begin during calendar~~
15 ~~year 2024, the department shall set the credit percentage so that the~~
16 ~~total amount of credits for such taxable years shall be three hundred~~
17 ~~seventy-five million dollars; and~~

18 (e) (f) For taxable years beginning or deemed to begin during
19 calendar year 2024 ~~2025~~ and each calendar year thereafter, the department
20 shall set the credit percentage so that the total amount of credits for
21 such taxable years shall be the maximum amount of credits allowed in the
22 prior year increased by the allowable growth percentage.

23 (3) If the school district taxes are paid by a corporation having an
24 election in effect under subchapter S of the Internal Revenue Code, a
25 partnership, a limited liability company, a trust, or an estate, the
26 amount of school district taxes paid during the taxable year may be
27 allocated to the shareholders, partners, members, or beneficiaries in the
28 same proportion that income is distributed for taxable years beginning or
29 deemed to begin before January 1, 2021, under the Internal Revenue Code
30 of 1986, as amended. The department shall provide forms and schedules
31 necessary for verifying eligibility for the credit provided in this

1 section and for allocating the school district taxes paid. For taxable
2 years beginning or deemed to begin on or after January 1, 2021, under the
3 Internal Revenue Code of 1986, as amended, the refundable credit shall be
4 claimed by the corporation having an election in effect under subchapter
5 S of the Internal Revenue Code, the partnership, the limited liability
6 company, the trust, or the estate that paid the school district taxes.

7 (4) For any fiscal year or short year taxpayer, the credit may be
8 claimed in the first taxable year that begins following the calendar year
9 for which the credit percentage was determined. The credit shall be taken
10 for the school district taxes paid by the taxpayer during the immediately
11 preceding calendar year.

12 (5) For the first taxable year beginning or deemed to begin on or
13 after January 1, 2021, and before January 1, 2022, under the Internal
14 Revenue Code of 1986, as amended, for a corporation having an election in
15 effect under subchapter S of the Internal Revenue Code, a partnership, a
16 limited liability company, a trust, or an estate that paid school
17 district taxes in calendar year 2020 but did not claim the credit
18 directly or allocate such school district taxes to the shareholders,
19 partners, members, or beneficiaries as permitted under subsection (3) of
20 this section, there shall be allowed an additional refundable credit.
21 This credit shall be equal to six percent, multiplied by the amount of
22 school district taxes paid during 2020 by the eligible taxpayer.

23 Sec. 7. (1) For taxable years beginning or deemed to begin on or
24 after January 1, 2022, under the Internal Revenue Code of 1986, as
25 amended, there shall be allowed to each eligible taxpayer a refundable
26 credit against the income tax imposed by the Nebraska Revenue Act of 1967
27 or against the franchise tax imposed by sections 77-3801 to 77-3807. The
28 credit shall be equal to the credit percentage for the taxable year, as
29 set by the department under subsection (2) of this section, multiplied by
30 the amount of community college taxes paid by the eligible taxpayer
31 during such taxable year.

1 (2)(a) For taxable years beginning or deemed to begin during
2 calendar year 2022, the department shall set the credit percentage so
3 that the total amount of credits for such taxable years shall be fifty
4 million dollars;

5 (b) For taxable years beginning or deemed to begin during calendar
6 year 2023, the department shall set the credit percentage so that the
7 total amount of credits for such taxable years shall be one hundred
8 million dollars;

9 (c) For taxable years beginning or deemed to begin during calendar
10 year 2024, the department shall set the credit percentage so that the
11 total amount of credits for such taxable years shall be one hundred
12 twenty-five million dollars;

13 (d) For taxable years beginning or deemed to begin during calendar
14 year 2025, the department shall set the credit percentage so that the
15 total amount of credits for such taxable years shall be one hundred fifty
16 million dollars;

17 (e) For taxable years beginning or deemed to begin during calendar
18 year 2026, the department shall set the credit percentage so that the
19 total amount of credits for such taxable years shall be one hundred
20 ninety-five million dollars; and

21 (f) For taxable years beginning or deemed to begin during calendar
22 year 2027 and each calendar year thereafter, the department shall set the
23 credit percentage so that the total amount of credits for such taxable
24 years shall be the maximum amount of credits allowed in the prior year
25 increased by the allowable growth percentage.

26 (3) If the community college taxes are paid by a corporation having
27 an election in effect under subchapter S of the Internal Revenue Code, a
28 partnership, a limited liability company, a trust, or an estate, the
29 refundable credit shall be claimed by such corporation, partnership,
30 limited liability company, trust, or estate.

31 (4) For any fiscal year or short year taxpayer, the credit may be

1 claimed in the first taxable year that begins following the calendar year
2 for which the credit percentage was determined. The credit shall be taken
3 for the community college taxes paid by the taxpayer during the
4 immediately preceding calendar year.

5 Sec. 8. Original section 77-2715.03, Reissue Revised Statutes of
6 Nebraska, sections 77-6701 and 77-6702, Revised Statutes Cumulative
7 Supplement, 2020, and sections 77-2716, 77-2734.02, and 77-6703, Revised
8 Statutes Supplement, 2021, are repealed.