

LEGISLATURE OF NEBRASKA
ONE HUNDRED SEVENTH LEGISLATURE
FIRST SESSION

LEGISLATIVE BILL 318

Introduced by Cavanaugh, J., 9.

Read first time January 13, 2021

Committee: Revenue

- 1 A BILL FOR AN ACT relating to income taxes; to amend section 77-2715.07,
- 2 Revised Statutes Cumulative Supplement, 2020; to increase the earned
- 3 income tax credit as prescribed; and to repeal the original section.
- 4 Be it enacted by the people of the State of Nebraska,

1 Section 1. Section 77-2715.07, Revised Statutes Cumulative
2 Supplement, 2020, is amended to read:

3 77-2715.07 (1) There shall be allowed to qualified resident
4 individuals as a nonrefundable credit against the income tax imposed by
5 the Nebraska Revenue Act of 1967:

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

8 (b) A credit for taxes paid to another state as provided in section
9 77-2730.

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

12 (a) For returns filed reporting federal adjusted gross incomes of
13 greater than twenty-nine thousand dollars, a nonrefundable credit equal
14 to twenty-five percent of the federal credit allowed under section 21 of
15 the Internal Revenue Code of 1986, as amended, except that for taxable
16 years beginning or deemed to begin on or after January 1, 2015, such
17 nonrefundable credit shall be allowed only if the individual would have
18 received the federal credit allowed under section 21 of the code after
19 adding back in any carryforward of a net operating loss that was deducted
20 pursuant to such section in determining eligibility for the federal
21 credit;

22 (b) For returns filed reporting federal adjusted gross income of
23 twenty-nine thousand dollars or less, a refundable credit equal to a
24 percentage of the federal credit allowable under section 21 of the
25 Internal Revenue Code of 1986, as amended, whether or not the federal
26 credit was limited by the federal tax liability. The percentage of the
27 federal credit shall be one hundred percent for incomes not greater than
28 twenty-two thousand dollars, and the percentage shall be reduced by ten
29 percent for each one thousand dollars, or fraction thereof, by which the
30 reported federal adjusted gross income exceeds twenty-two thousand
31 dollars, except that for taxable years beginning or deemed to begin on or

1 after January 1, 2015, such refundable credit shall be allowed only if
2 the individual would have received the federal credit allowed under
3 section 21 of the code after adding back in any carryforward of a net
4 operating loss that was deducted pursuant to such section in determining
5 eligibility for the federal credit;

6 (c) A refundable credit as provided in section 77-5209.01 for
7 individuals who qualify for an income tax credit as a qualified beginning
8 farmer or livestock producer under the Beginning Farmer Tax Credit Act
9 for all taxable years beginning or deemed to begin on or after January 1,
10 2006, under the Internal Revenue Code of 1986, as amended;

11 (d) A refundable credit for individuals who qualify for an income
12 tax credit under the Angel Investment Tax Credit Act, the Nebraska
13 Advantage Microenterprise Tax Credit Act, the Nebraska Advantage Research
14 and Development Act, or the Volunteer Emergency Responders Incentive Act;
15 and

16 (e)(i) ~~(e)~~ A refundable credit equal to:

17 (A) Ten ~~ten~~ percent of the federal credit allowed under section 32
18 of the Internal Revenue Code of 1986, as amended, for taxable years
19 beginning or deemed to begin before January 1, 2022;

20 (B) Thirteen percent of the federal credit allowed under section 32
21 of the Internal Revenue Code of 1986, as amended, for taxable years
22 beginning or deemed to begin on or after January 1, 2022, and before
23 January 1, 2023;

24 (C) Seventeen percent of the federal credit allowed under section 32
25 of the Internal Revenue Code of 1986, as amended, for taxable years
26 beginning or deemed to begin on or after January 1, 2023, and before
27 January 1, 2024; and

28 (D) Twenty percent of the federal credit allowed under section 32 of
29 the Internal Revenue Code of 1986, as amended, for taxable years
30 beginning or deemed to begin on or after January 1, 2024.

31 (ii) For ~~except that for~~ taxable years beginning or deemed to begin

1 on or after January 1, 2015, ~~the such~~ refundable credit provided in
2 subdivision (2)(e)(i) of this section shall be allowed only if the
3 individual would have received the federal credit allowed under section
4 32 of the code after adding back in any carryforward of a net operating
5 loss that was deducted pursuant to such section in determining
6 eligibility for the federal credit.

7 (3) There shall be allowed to all individuals as a nonrefundable
8 credit against the income tax imposed by the Nebraska Revenue Act of
9 1967:

10 (a) A credit for personal exemptions allowed under section
11 77-2716.01;

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

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

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

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

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

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

27 (4) There shall be allowed as a credit against the income tax
28 imposed by the Nebraska Revenue Act of 1967:

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

31 (b) A credit to all estates and trusts for contributions to

1 certified community betterment programs as provided in the Community
2 Development Assistance Act; and

3 (c) A refundable credit for individuals who qualify for an income
4 tax credit as an owner of agricultural assets under the Beginning Farmer
5 Tax Credit Act for all taxable years beginning or deemed to begin on or
6 after January 1, 2009, under the Internal Revenue Code of 1986, as
7 amended. The credit allowed for each partner, shareholder, member, or
8 beneficiary of a partnership, corporation, limited liability company, or
9 estate or trust qualifying for an income tax credit as an owner of
10 agricultural assets under the Beginning Farmer Tax Credit Act shall be
11 equal to the partner's, shareholder's, member's, or beneficiary's portion
12 of the amount of tax credit distributed pursuant to subsection (6) of
13 section 77-5211.

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

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

31 (c) Each partner, shareholder, member, or beneficiary shall report

1 his or her share of the credit in the same manner and proportion as he or
2 she reports the partnership, subchapter S corporation, limited liability
3 company, or estate or trust income. If any partner, shareholder, member,
4 or beneficiary cannot fully utilize the credit for that year, the credit
5 may not be carried forward or back.

6 (6) There shall be allowed to all individuals nonrefundable credits
7 against the income tax imposed by the Nebraska Revenue Act of 1967 as
8 provided in section 77-3604 and refundable credits against the income tax
9 imposed by the Nebraska Revenue Act of 1967 as provided in section
10 77-3605.

11 (7)(a) For taxable years beginning or deemed to begin on or after
12 January 1, 2020, and before January 1, 2026, under the Internal Revenue
13 Code of 1986, as amended, a nonrefundable credit against the income tax
14 imposed by the Nebraska Revenue Act of 1967 in the amount of five
15 thousand dollars shall be allowed to any individual who purchases a
16 residence during the taxable year if such residence:

17 (i) Is located within an area that has been declared an extremely
18 blighted area under section 18-2101.02;

19 (ii) Is the individual's primary residence; and

20 (iii) Was not purchased from a family member of the individual or a
21 family member of the individual's spouse.

22 (b) The credit provided in this subsection shall be claimed for the
23 taxable year in which the residence is purchased. If the individual
24 cannot fully utilize the credit for such year, the credit may be carried
25 forward to subsequent taxable years until fully utilized.

26 (c) No more than one credit may be claimed under this subsection
27 with respect to a single residence.

28 (d) The credit provided in this subsection shall be subject to
29 recapture by the Department of Revenue if the individual claiming the
30 credit sells or otherwise transfers the residence or quits using the
31 residence as his or her primary residence within five years after the end

1 of the taxable year in which the credit was claimed.

2 (e) For purposes of this subsection, family member means an
3 individual's spouse, child, parent, brother, sister, grandchild, or
4 grandparent, whether by blood, marriage, or adoption.

5 (8) There shall be allowed to all individuals refundable credits
6 against the income tax imposed by the Nebraska Revenue Act of 1967 as
7 provided in the Nebraska Property Tax Incentive Act and the Renewable
8 Chemical Production Tax Credit Act.

9 Sec. 2. Original section 77-2715.07, Revised Statutes Cumulative
10 Supplement, 2020, is repealed.