

LEGISLATURE OF NEBRASKA  
ONE HUNDRED EIGHTH LEGISLATURE  
FIRST SESSION

**LEGISLATIVE BILL 294**

Introduced by Conrad, 46; Cavanaugh, J., 9.

Read first time January 11, 2023

Committee: Revenue

1 A BILL FOR AN ACT relating to revenue and taxation; to amend section  
2 25-1553, Reissue Revised Statutes of Nebraska, and section  
3 77-2715.07, Revised Statutes Cumulative Supplement, 2022; to adopt  
4 the Child Tax Credit Act; to exempt certain tax credit refunds from  
5 claims of creditors; to harmonize provisions; and to repeal the  
6 original sections.

7 Be it enacted by the people of the State of Nebraska,

1           Section 1. Sections 1 to 5 of this act shall be known and may be  
2 cited as the Child Tax Credit Act.

3           Sec. 2. For purposes of the Child Tax Credit Act:

4           (1) Department means the Department of Revenue;

5           (2) Qualifying child means an individual who:

6           (a) Is under eighteen years of age at the end of the taxable year;

7           (b) Is claimed as a dependent on the taxpayer's federal income tax  
8 return; and

9           (c) Has been issued either a social security number or an individual  
10 taxpayer identification number; and

11           (3) Taxpayer means an individual who is subject to the income tax  
12 imposed by the Nebraska Revenue Act of 1967.

13           Sec. 3. (1) For taxable years beginning or deemed to begin on or  
14 after January 1, 2023, under the Internal Revenue Code of 1986, as  
15 amended, any taxpayer with a qualifying child shall be eligible to  
16 receive a credit against the income tax imposed by the Nebraska Revenue  
17 Act of 1967.

18           (2) The credit provided in this section shall be a refundable credit  
19 in an amount calculated as follows:

20           (a) For taxpayers with a filing status of married filing jointly,  
21 the credit shall be equal to one thousand dollars per qualifying child,  
22 except that the credit amount shall be reduced, but not below zero, by  
23 five percent for each two thousand dollars, or fraction thereof, by which  
24 the taxpayer's federal adjusted gross income exceeds one hundred ten  
25 thousand dollars;

26           (b) For taxpayers with a filing status of head of household, the  
27 credit shall be equal to one thousand dollars per qualifying child,  
28 except that the credit amount shall be reduced, but not below zero, by  
29 five percent for each one thousand five hundred dollars, or fraction  
30 thereof, by which the taxpayer's federal adjusted gross income exceeds  
31 ninety-two thousand five hundred dollars; and

1       (c) For taxpayers with any other filing status, the credit shall be  
2 equal to one thousand dollars per qualifying child, except that the  
3 credit amount shall be reduced, but not below zero, by five percent for  
4 each one thousand dollars, or fraction thereof, by which the taxpayer's  
5 federal adjusted gross income exceeds seventy-five thousand dollars.

6       (3) For taxable years beginning or deemed to begin on or after  
7 January 1, 2024, under the Internal Revenue Code of 1986, as amended, the  
8 department shall adjust the amounts in subsection (2) of this section for  
9 inflation by the same percentage used to adjust individual income tax  
10 brackets under section 77-2715.03. Such adjustment shall be made to:

11       (a) The tax credit amounts;

12       (b) The threshold amounts at which the tax credit amounts begin to  
13 be reduced; and

14       (c) The increments at which the tax credit amounts are reduced.

15       Sec. 4. Beginning in 2024, the department shall submit an annual  
16 report to the Legislature on the usage of credits under the Child Tax  
17 Credit Act. The report shall be submitted no later than July 15 of each  
18 year and shall include the following information for the most recently  
19 completed tax year:

20       (1) The number of taxpayers who claimed the credit;

21       (2) The number of taxpayers who claimed the credit disaggregated by  
22 race and ethnicity, to the extent possible by the department;

23       (3) The number of taxpayers who were eligible for the credit but did  
24 not claim it;

25       (4) The income levels of the taxpayers who claimed the credit;

26       (5) The income levels of the taxpayers who were eligible for the  
27 credit but did not claim it;

28       (6) The total amount of credits claimed;

29       (7) The effectiveness of the credits in lifting children out of  
30 poverty; and

31       (8) Any problems that exist with taxpayers being able to claim the

1 credit.

2       Sec. 5.     The department may adopt and promulgate rules and  
3 regulations to carry out the Child Tax Credit Act.

4       Sec. 6. Section 25-1553, Reissue Revised Statutes of Nebraska, is  
5 amended to read:

6       25-1553 In bankruptcy and in the collection of a money judgment, the  
7 full amount of (1) any federal or state earned income tax credit refund  
8 and (2) any tax credit refund received under the Child Tax Credit Act  
9 shall be exempt from attachment, garnishment, or other legal or equitable  
10 process and from all claims of creditors.

11       Sec. 7. Section 77-2715.07, Revised Statutes Cumulative Supplement,  
12 2022, is amended to read:

13       77-2715.07 (1) There shall be allowed to qualified resident  
14 individuals as a nonrefundable credit against the income tax imposed by  
15 the Nebraska Revenue Act of 1967:

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

18       (b) A credit for taxes paid to another state as provided in section  
19 77-2730.

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

22       (a) For returns filed reporting federal adjusted gross incomes of  
23 greater than twenty-nine thousand dollars, a nonrefundable credit equal  
24 to twenty-five percent of the federal credit allowed under section 21 of  
25 the Internal Revenue Code of 1986, as amended, except that for taxable  
26 years beginning or deemed to begin on or after January 1, 2015, such  
27 nonrefundable credit shall be allowed only if the individual would have  
28 received the federal credit allowed under section 21 of the code after  
29 adding back in any carryforward of a net operating loss that was deducted  
30 pursuant to such section in determining eligibility for the federal  
31 credit;

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

16 (c) A refundable credit as provided in section 77-5209.01 for  
17 individuals who qualify for an income tax credit as a qualified beginning  
18 farmer or livestock producer under the Beginning Farmer Tax Credit Act  
19 for all taxable years beginning or deemed to begin on or after January 1,  
20 2006, under the Internal Revenue Code of 1986, as amended;

21 (d) A refundable credit for individuals who qualify for an income  
22 tax credit under the Angel Investment Tax Credit Act, the Nebraska  
23 Advantage Microenterprise Tax Credit Act, the Nebraska Advantage Research  
24 and Development Act, or the Volunteer Emergency Responders Incentive Act;  
25 and

26 (e) A refundable credit equal to ten percent of the federal credit  
27 allowed under section 32 of the Internal Revenue Code of 1986, as  
28 amended, except that for taxable years beginning or deemed to begin on or  
29 after January 1, 2015, such refundable credit shall be allowed only if  
30 the individual would have received the federal credit allowed under  
31 section 32 of the code after adding back in any carryforward of a net

1 operating loss that was deducted pursuant to such section in determining  
2 eligibility for the federal credit.

3 (3) There shall be allowed to all individuals as a nonrefundable  
4 credit against the income tax imposed by the Nebraska Revenue Act of  
5 1967:

6 (a) A credit for personal exemptions allowed under section  
7 77-2716.01;

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

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

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

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

21 (f) A credit to employers as provided in sections 77-27,238 and  
22 77-27,240; and

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

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

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

28 (b) A credit to all estates and trusts for contributions to  
29 certified community betterment programs as provided in the Community  
30 Development Assistance Act; and

31 (c) A refundable credit for individuals who qualify for an income

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

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

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

28 (c) Each partner, shareholder, member, or beneficiary shall report  
29 his or her share of the credit in the same manner and proportion as he or  
30 she reports the partnership, subchapter S corporation, limited liability  
31 company, or estate or trust income. If any partner, shareholder, member,

1 or beneficiary cannot fully utilize the credit for that year, the credit  
2 may not be carried forward or back.

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

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

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

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

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

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

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

25 (d) The credit provided in this subsection shall be subject to  
26 recapture by the Department of Revenue if the individual claiming the  
27 credit sells or otherwise transfers the residence or quits using the  
28 residence as his or her primary residence within five years after the end  
29 of the taxable year in which the credit was claimed.

30 (e) For purposes of this subsection, family member means an  
31 individual's spouse, child, parent, brother, sister, grandchild, or

1 grandparent, whether by blood, marriage, or adoption.

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

7 (9)(a) For taxable years beginning or deemed to begin on or after  
8 January 1, 2022, under the Internal Revenue Code of 1986, as amended, a  
9 refundable credit against the income tax imposed by the Nebraska Revenue  
10 Act of 1967 shall be allowed to the parent of a stillborn child if:

11 (i) A fetal death certificate is filed pursuant to subsection (1) of  
12 section 71-606 for such child;

13 (ii) Such child had advanced to at least the twentieth week of  
14 gestation; and

15 (iii) Such child would have been a dependent of the individual  
16 claiming the credit.

17 (b) The amount of the credit shall be two thousand dollars.

18 (c) The credit shall be allowed for the taxable year in which the  
19 stillbirth occurred.

20 Sec. 8. Original section 25-1553, Reissue Revised Statutes of  
21 Nebraska, and section 77-2715.07, Revised Statutes Cumulative Supplement,  
22 2022, are repealed.