

March 23, 1981

LB 197

CLERK: Mr. President, LB 197 was introduced by Senator Kilgarin and Senator Marsh. (Read title) The bill was read on January 15 of this year. It was referred to the Revenue Committee for public hearing. The bill was advanced to General File.

SPEAKER MARVEL: Senator Kilgarin, do you want to explain the bill?

SENATOR KILGARIN: Thank you, Mr. Speaker and colleagues. This should take about five minutes as opposed to LB 167. You should all have informational packets detailing exactly what LB 197 does so I will just briefly summarize. For decades the federal government recognizing the frequent financial plight of many of our senior citizens enacted legislation providing an exemption for certain retirement income. Social security was exempt from taxation. Some pensions and other miscellaneous income was exempt. By the 60's they also noticed some private pensions and other people with minimal social security also needed this, some type of relief from their income tax. So they enacted an exemption under Section 37 of the Internal Revenue Code dealing with this. As an exemption taken against all taxable income, this also carried through to Nebraska state income tax because Nebraska bases its income tax off the federal income tax, but in 1976, the exemption was changed to a credit and, therefore, the flow through effect onto the state income tax was lost. The result was Nebraska senior citizens were unduly taxed without specific legislation and basically by default. This is a situation which I really feel needs to be corrected. I think it is long overdue. I would ask your support of 197. It basically just piggybacks a section of the Internal Revenue Code onto our state income tax just as our state income tax just piggybacks onto the federal income tax. Some of the most frequently asked questions about 197 are: Can we do this? What is it going to mean to us fiscally and what will it mean to our senior citizens? Honestly, there would be a revenue loss to the State of Nebraska of approximately \$500,000, more persuasively noted as one tenth of one percent of the state budget we are talking about establishing this year. If you judge that against its effect on the senior citizens, you are talking about sixty to one hundred and fifty dollars in real money that our senior citizens would receive from this tax credit and that is money for heating bills, grocery bills, medical expenses and basically survival money. The Supreme Court ruled in its landmark case that we can refer to federal statute in our statutes and federal codes so that that has been the precedent that has been set in court cases. I think in this case it is incumbent