

LEGISLATIVE BILL 739

Approved by the Governor May 23, 1989

Introduced by Barrett, 39, Speaker, for the Governor;
Hannibal, 4

AN ACT relating to revenue and taxation; to amend sections 77-2715.02, 77-2715.07, and 77-2716.01, Revised Statutes Supplement, 1988; to change provisions relating to the computation of income tax rates, income tax credits, and income tax exemptions as prescribed; to provide an operative date; and to repeal the original sections.

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

Section 1. That section 77-2715.02, Revised Statutes Supplement, 1988, be amended to read as follows:

77-2715.02. (1) Whenever the primary rate is changed by the Legislature under section 77-2715.01, the Tax Commissioner shall update the rate schedules required in subsection (2) of this section to reflect the new primary rate and shall publish such updated schedules.

(2) The following rate schedules are hereby established for the Nebraska individual income tax and shall be in the following form:

(a) The income amounts for columns A, B, and E shall be the same as for the federal rate schedules in effect for tax year 1987;

(b) The amount in column C shall be the total amount of the tax imposed on income less than the amount in column A;

(c) The amount in column D shall be the rate on the income in excess of the amount in column E;

(d) The primary rate set by Legislature shall be multiplied by the following factors to compute the tax rates for column D. The factors for the brackets, from lowest to highest bracket, shall be .64, ~~1.0~~ .98, ~~1.59~~ 1.52, 1.87, and 1.87;

(e) The amounts for column C shall be rounded to the nearest dollar, and the amounts in column D shall be rounded to tenths of one percent, except for the primary rate which shall be expressed in hundredths of one percent; and

(f) One rate schedule shall be established for

each federal filing status.

(3) The tax rate schedules shall use the format set forth in this subsection.

A	B	C	D	E
Taxable income	but not	pay	plus	of the
over	over			amount over

(4) The tax rate applied to other federal taxes included in the computation of the Nebraska individual income tax shall be seven times the primary rate.

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

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

Sec. 2. That section 77-2715.07, Revised Statutes Supplement, 1988, be amended to read as follows:

77-2715.07. (1) There shall be allowed to qualified resident individuals as a credit against the tax imposed by sections 77-2714 to 77-27,123:

(a) A credit equal to ~~fifty percent~~ of the federal credit allowed under section 22 of the Internal Revenue Code; ~~and~~

(b) A credit equal to twenty-five percent of the federal credit allowed under section 21 of the Internal Revenue Code; and

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

(2) There shall be allowed to all individuals as a credit against the tax imposed by the Nebraska Revenue Act of 1967:

(a) A carryover of the credit for renewable energy source systems as provided under section 66-1047; and

(b) A credit for contributions to certified community betterment programs as provided in the Community Development Assistance Act. Each partner or each shareholder of an electing subchapter S corporation shall report his or her share of the credit in the same

manner and proportion as he or she reports the partnership or subchapter S corporation income.

Sec. 3. That section 77-2716.01, Revised Statutes Supplement, 1988, be amended to read as follows:

77-2716.01. (1) Every individual shall be allowed to subtract from federal adjusted gross income an amount for personal exemptions. For tax year 1987, the amount allowed to be subtracted shall be one thousand one hundred dollars multiplied by the number of exemptions allowed on the federal return. For tax years ~~commencing or deemed to begin on or after January 1,~~ year 1988, the amount allowed to be subtracted shall be one thousand one hundred ~~and thirty~~ dollars multiplied by the number of exemptions allowed on the federal return. For tax year 1989, the amount allowed to be subtracted shall be one thousand one hundred eighty dollars multiplied by the number of exemptions allowed on the federal return. For tax year 1990 and each tax year thereafter, the amount to be subtracted shall be adjusted for inflation by the method provided in section 151 of the Internal Revenue Code. If any amount to be subtracted is not a multiple of ten dollars, the amount shall be rounded to the next lowest multiple of ten dollars. The amount shall then be multiplied by the number of exemptions allowed on the federal return.

(2) Every individual who did not itemize deductions on his or her federal return shall be allowed to subtract from federal adjusted gross income a standard deduction equal to the federal standard deduction for the filing status used on the federal return.

(3) Every individual who itemized deductions on his or her federal return shall be allowed to subtract from federal adjusted gross income the greater of either the standard deduction allowed in subsection (2) of this section or all of his or her federal itemized deductions, except for the amount deducted on the federal return for state or local income taxes paid.

Sec. 4. This act shall be operative for all taxable years beginning or deemed to begin on or after January 1, 1989, under the Internal Revenue Code of 1986, as amended.

Sec. 5. That original sections 77-2715.02, 77-2715.07, and 77-2716.01, Revised Statutes Supplement, 1988, are repealed.