

One Hundred Second Legislature - Second Session - 2012

Introducer's Statement of Intent

LB872

Chairperson: Senator Abbie Cornett

Committee: Revenue

Date of Hearing: January 27, 2012

The following constitutes the reasons for this bill and the purposes which are sought to be accomplished thereby:

LB872 amends sections 77-2734.04 and 77-2734.14, Reissue Revised Statutes of Nebraska, to define terms and to change provisions relating to the apportionment of income between states for the purposes of taxation. The intent of the bill is to provide that for purposes of income taxation, the sale of intangibles and services be treated the same as current Nebraska law treats the sale of manufactured and retail tangible goods and imposes the state income tax based on a market-based source of income approach rather than the current “all or nothing” cost of performance approach. In this regard, business revenue from services and intangibles are attributed to the state where the customer is located or uses the intangible rather than to the state in which the income-producing activity is performed. The bill removes the current disincentive to grow jobs and infrastructure. Under the proposed structure income would be less likely be double taxed.

The bill does not change any of Nebraska’s rules on “nexus.”

LB872 further defines terms, repeals the original sections and provides an operative date.

Principal Introducer: _____

Senator Galen Hadley