

LEGISLATURE OF NEBRASKA
ONE HUNDRED FOURTH LEGISLATURE
FIRST SESSION

LEGISLATIVE BILL 591

FINAL READING

Introduced by Bolz, 29; Coash, 27; Gloor, 35; Pansing Brooks, 28;
Lindstrom, 18; Larson, 40; Garrett, 3; Hansen, 26;
Hilkemann, 4; Kintner, 2; Kolowski, 31; Williams, 36;
Campbell, 25; Craighead, 6; Crawford, 45; Haar, 21; Howard,
9; Sullivan, 41; Krist, 10.

Read first time January 21, 2015

Committee: Revenue

1 A BILL FOR AN ACT relating to revenue and taxation; to amend sections
2 72-1239.01, 77-3504, and 84-618, Reissue Revised Statutes of
3 Nebraska, and sections 68-1201, 77-2715.07, and 77-2716, Revised
4 Statutes Cumulative Supplement, 2014; to define terms; to create the
5 achieving a better life experience program; to provide powers and
6 duties; to change provisions relating to federal tax credits; to
7 provide for adjustments to taxable income; to redefine household
8 income for purposes of the homestead exemption; to provide startup
9 funding; to harmonize provisions; to provide operative dates; to
10 repeal the original sections; and to declare an emergency.
11 Be it enacted by the people of the State of Nebraska,

1 Section 1. For purposes of sections 1 to 9 of this act:

2 (1) Account means an achieving a better life experience account
3 established under the program for the purposes of funding future
4 qualified disability expenses of a designated beneficiary;

5 (2) Contracting state means a state without a qualified program
6 which has entered into a contract with a state with a qualified program
7 to provide residents of the contracting state access to a qualified
8 program;

9 (3) Designated administrator means any corporation or other entity
10 whose powers and privileges are provided for in any general or special
11 law, whether for profit or not, designated or retained by the State
12 Treasurer for the purpose of administering, subject to the ongoing
13 supervision of the State Treasurer, all or any portion of the investment,
14 marketing, recordkeeping, administrative, or other functions of the
15 program;

16 (4) Designated beneficiary means the individual with a disability
17 named as the beneficiary of an account;

18 (5) Individual with a disability means an individual who is an
19 eligible individual as defined under section 529A;

20 (6) Program means the qualified program established by the State
21 Treasurer as provided in section 2 of this act and administered by the
22 State Treasurer and, to the extent so delegated or contracted by the
23 State Treasurer, one or more designated administrators;

24 (7) Qualified disability expenses means any expenses related to the
25 blindness or disability of the individual with a disability which are
26 made for the benefit of an individual who is the designated beneficiary,
27 including education, housing, transportation, employment training and
28 support, assistive technology and personal support services, health,
29 prevention, and wellness, financial management and administrative
30 services, legal fees, expenses for oversight and monitoring, and funeral
31 and burial expenses; and other expenses which are approved under

1 regulations promulgated under section 529A;

2 (8) Qualified program means a qualified ABLE program as defined
3 under section 529A; and

4 (9) Section 529A means section 529A of the Internal Revenue Code of
5 1986, as amended, and any regulations promulgated thereunder.

6 Sec. 2. (1) For purposes of administering accounts established to
7 encourage and assist individuals and families in saving private funds for
8 the purpose of supporting individuals with disabilities, the State
9 Treasurer shall either establish the achieving a better life experience
10 program as provided in sections 3 to 9 of this act or contract with
11 another state with a qualified program. The State Treasurer may enter
12 into a contract with any contracting state to allow any resident of the
13 contracting state to participate in the program established by the State
14 Treasurer. Money from the Treasury Management Cash Fund may be
15 appropriated for a program pursuant to section 7 of this act and to
16 contract with another state with a qualified program under this section.

17 (2) Under a qualified program, one or more persons may make
18 contributions to an account to meet the qualified disability expenses of
19 the designated beneficiary of the account.

20 (3) If the State Treasurer establishes the program as authorized in
21 this section, sections 3 to 9 of this act apply.

22 Sec. 3. (1) Unless otherwise permitted under section 529A, the
23 owner of an account shall be the designated beneficiary of the account,
24 except that if the designated beneficiary of the account is a minor or
25 has a custodian or other fiduciary appointed for the purposes of managing
26 such beneficiary's financial affairs, a custodian or fiduciary for such
27 designated beneficiary may serve as the account owner if such form of
28 ownership is permitted or not prohibited under section 529A.

29 (2) Unless otherwise permitted under section 529A, the designated
30 beneficiary of an account shall be a resident of the state or of a
31 contracting state. The State Treasurer shall determine residency of

1 Nebraska residents for such purpose in such manner as may be required or
2 permissible under section 529A or, in the absence of any guidance under
3 section 529A, by such other means as the State Treasurer shall consider
4 advisable for purposes of satisfying the requirements of section 529A.

5 Sec. 4. Any person may make contributions to an account to meet the
6 qualified disability expenses of the designated beneficiary of the
7 account if the account and contributions meet the other requirements of
8 sections 3 to 9 of this act and the rules and regulations adopted and
9 promulgated by the State Treasurer.

10 Sec. 5. The State Treasurer and, to the extent required by the
11 terms of such designation, any designated administrator shall operate the
12 program so that it constitutes a qualified program in compliance with the
13 requirements of section 529A.

14 Sec. 6. The State Treasurer and any designated administrator shall
15 provide investment options for the investment of amounts contributed to
16 an account, except that the state investment officer shall have fiduciary
17 responsibility to make all decisions regarding the investment of the
18 money in the expense fund and program fund created in section 7 of this
19 act and any money credited to the Treasury Management Cash Fund for
20 administrative expenses of the program, including the selection of all
21 investment options and the approval of all fees and other costs charged
22 to trust assets except costs for administration, operation, and
23 maintenance of the trust as appropriated by the Legislature, pursuant to
24 the directions, guidelines, and policies established by the Nebraska
25 Investment Council. The State Treasurer shall not adopt and promulgate
26 rules and regulations that in any way interfere with the fiduciary
27 responsibility of the state investment officer to make all decisions
28 regarding the investment of money in the expense fund and program fund or
29 money of the program credited to the Treasury Management Cash Fund. The
30 Nebraska Investment Council may adopt and promulgate rules and
31 regulations to provide for the prudent investment of the assets of the

1 program. The council or its designee also has the authority to select and
2 enter into agreements with individuals and entities to provide investment
3 advice and management of the assets held by the program, establish
4 investment guidelines, objectives, and performance standards with respect
5 to the assets held by the program, and approve any fees, commissions, and
6 expenses, which directly or indirectly affect the return on assets.

7 Sec. 7. (1) Funds contributed to the program shall be held in trust
8 by the State Treasurer. The State Treasurer shall credit money received
9 by the program into three funds: The ABLE Program Fund, the ABLE Expense
10 Fund, and the Treasury Management Cash Fund. The State Treasurer shall
11 credit money received into the appropriate fund. The State Treasurer and
12 Accounting Administrator of the Department of Administrative Services
13 shall determine the state fund types necessary to comply with section
14 529A and state policy. The money in the funds shall be invested by the
15 state investment officer pursuant to policies established by the Nebraska
16 Investment Council. The program fund, the expense fund, and the Treasury
17 Management Cash Fund shall be separately administered.

18 (2) The ABLE Program Fund is created. All money paid by participants
19 in connection with accounts and all investment income earned on such
20 money shall be deposited as received into separate accounts within the
21 program fund. Contributions to the program may only be made in the form
22 of cash. All funds generated in connection with accounts shall be
23 deposited into the appropriate accounts within the program fund. A
24 beneficiary shall not provide investment direction regarding
25 contributions or earnings held by the program. Money accrued by
26 designated beneficiaries in the program fund may be used for qualified
27 disability expenses. Any money in the program fund available for
28 investment shall be invested by the state investment officer pursuant to
29 the Nebraska Capital Expansion Act and the Nebraska State Funds
30 Investment Act.

31 (3)(a) The ABLE Expense Fund is created. The expense fund shall be

1 used to pay costs associated with the program and shall be funded with
2 fees assessed to the program fund.

3 (b) The State Treasurer shall transfer from the expense fund to the
4 State Investment Officer's Cash Fund an amount equal to the pro rata
5 share of the budget appropriated to the Nebraska Investment Council as
6 permitted in section 72-1249.02, to cover reasonable expenses incurred
7 for investment management of the program. Annually and prior to such
8 transfer to the State Investment Officer's Cash Fund, the State Treasurer
9 shall report to the budget division of the Department of Administrative
10 Services and to the Legislative Fiscal Analyst the amounts transferred
11 during the previous fiscal year. The report submitted to the Legislative
12 Fiscal Analyst shall be submitted electronically.

13 (c) When the State Treasurer determines that the ABLE Program Fund
14 is generating enough fees to make the program self-sustaining, it is the
15 intent of the Legislature to reimburse the Treasury Management Cash Fund
16 for startup costs of the program from the expense fund.

17 (d) Any money in the expense fund available for investment shall be
18 invested by the state investment officer pursuant to the Nebraska Capital
19 Expansion Act and the Nebraska State Funds Investment Act.

20 (4) Until the State Treasurer determines that the ABLE Program Fund
21 is generating enough fees to make the program self-sustaining, the costs
22 of establishing, administering, operating, and maintaining the program
23 shall be paid from the Treasury Management Cash Fund and, to the extent
24 permitted by section 529A, from money transferred from the expense fund
25 to the Treasury Management Cash Fund, in an amount authorized by an
26 appropriation from the Legislature. The Treasury Management Cash Fund
27 shall not be credited with any money from the program other than money
28 transferred from the expense fund in an amount authorized by an
29 appropriation by the Legislature or any interest income earned on the
30 money from the program held in the Treasury Management Cash Fund.

31 (5) The assets of the program, including the program fund and

1 excluding the expense fund and the Treasury Management Cash Fund, shall
2 at all times be preserved, invested, and expended solely and only for the
3 purposes of the program and shall be held in trust for the designated
4 beneficiaries. No property rights in the program shall exist in favor of
5 the state. Such assets of the program shall not be transferred or used by
6 the state for any purposes other than the purposes of the program.

7 Sec. 8. (1) The State Treasurer shall submit an annual audited
8 financial report, prepared in accordance with generally accepted
9 accounting principles, on the operations of the program by November 1 to
10 the Governor and the Legislature. The report submitted to the Legislature
11 shall be submitted electronically. The State Treasurer shall cause the
12 audit to be made either by the Auditor of Public Accounts or by an
13 independent certified public accountant designated by the State
14 Treasurer, and the audit shall include direct and indirect costs
15 attributable to the use of outside consultants, independent contractors,
16 and any other persons who are not state employees.

17 (2) The annual audit shall be supplemented by all of the following
18 information prepared by the State Treasurer:

19 (a) Any related studies or evaluations prepared in the preceding
20 year;

21 (b) A summary of the benefits provided by the program, including the
22 number of designated beneficiaries in the program; and

23 (c) Any other information which is relevant in order to make a full,
24 fair, and effective disclosure of the operations of the program,
25 including the investment performance of the funds.

26 Sec. 9. The State Treasurer may adopt and promulgate rules and
27 regulations, enter into contracts and agreements, charge fees and
28 expenses to the funds held under the program or to persons establishing
29 or owning accounts, make reports, retain designated administrators,
30 employees, experts, and consultants, and do all other things necessary or
31 convenient to implement sections 1 to 9 of this act.

1 Sec. 10. Section 68-1201, Revised Statutes Cumulative Supplement,
2 2014, is amended to read:

3 68-1201 In determining eligibility for the program for aid to
4 dependent children pursuant to section 43-512, for the Supplemental
5 Nutrition Assistance Program administered by the State of Nebraska
6 pursuant to the federal Food and Nutrition Act of 2008, 7 U.S.C. 2011 et
7 seq., and for the child care subsidy program established pursuant to
8 section 68-1202, the following shall not be included in determining
9 assets or income:

10 (1) Assets in or income from an educational savings account, a
11 Coverdell educational savings account described in 26 U.S.C. 530, a
12 qualified tuition program established pursuant to 26 U.S.C. 529, or any
13 similar savings account or plan established to save for qualified higher
14 education expenses as defined in section 85-1802;

15 (2) Income from scholarships or grants related to postsecondary
16 education, whether merit-based, need-based, or a combination thereof;~~and~~

17 (3) Income from postsecondary educational work-study programs,
18 whether federally funded, funded by a postsecondary educational
19 institution, or funded from any other source; and ~~and~~

20 (4) Assets in or income from an account under a qualified program as
21 provided in section 2 of this act.

22 Sec. 11. Section 72-1239.01, Reissue Revised Statutes of Nebraska,
23 is amended to read:

24 72-1239.01 (1)(a) The appointed members of the Nebraska Investment
25 Council shall have the responsibility for the investment management of
26 the assets of the retirement systems administered by the Public Employees
27 Retirement Board as provided in section 84-1503, ~~and~~ the assets of the
28 Nebraska educational savings plan trust created pursuant to sections
29 85-1801 to 85-1814, and the assets of the achieving a better life
30 experience program pursuant to sections 1 to 9 of this act. The appointed
31 members shall be deemed fiduciaries with respect to the investment of the

1 assets of the retirement systems, ~~and~~ of the Nebraska educational savings
2 plan trust, and of the achieving a better life experience program and
3 shall be held to the standard of conduct of a fiduciary specified in
4 subsection (3) of this section. The nonvoting, ex officio members of the
5 council shall not be deemed fiduciaries.

6 (b) As fiduciaries, the appointed members of the council and the
7 state investment officer shall discharge their duties with respect to the
8 assets of the retirement systems, ~~and~~ of the Nebraska educational savings
9 plan trust, and of the achieving a better life experience program solely
10 in the interests of the members and beneficiaries of the retirement
11 systems or the interests of the participants and beneficiaries of the
12 Nebraska educational savings plan trust and the achieving a better life
13 experience program, as the case may be, for the exclusive purposes of
14 providing benefits to members, members' beneficiaries, participants, and
15 participants' beneficiaries and defraying reasonable expenses incurred
16 within the limitations and according to the powers, duties, and purposes
17 prescribed by law.

18 (2)(a) The appointed members of the Nebraska Investment Council
19 shall have the responsibility for the investment management of the assets
20 of state funds. The appointed members shall be deemed fiduciaries with
21 respect to the investment of the assets of state funds and shall be held
22 to the standard of conduct of a fiduciary specified in subsection (3) of
23 this section. The nonvoting, ex officio members of the council shall not
24 be deemed fiduciaries.

25 (b) As fiduciaries, the appointed members of the council and the
26 state investment officer shall discharge their duties with respect to the
27 assets of state funds solely in the interests of the citizens of the
28 state within the limitations and according to the powers, duties, and
29 purposes prescribed by law.

30 (3) The appointed members of the council shall act with the care,
31 skill, prudence, and diligence under the circumstances then prevailing

1 that a prudent person acting in like capacity and familiar with such
2 matters would use in the conduct of an enterprise of a like character and
3 with like aims by diversifying the investments of the assets of the
4 retirement systems, the Nebraska educational savings plan trust, the
5 achieving a better life experience program, and state funds so as to
6 minimize risk of large losses, unless in light of such circumstances it
7 is clearly prudent not to do so. No assets of the retirement systems, ~~or~~
8 the Nebraska educational savings plan trust, or the achieving a better
9 life experience program shall be invested or reinvested if the sole or
10 primary investment objective is for economic development or social
11 purposes or objectives.

12 Sec. 12. Section 77-2715.07, Revised Statutes Cumulative Supplement,
13 2014, is amended to read:

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

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

19 (b) A credit for taxes paid to another state as provided in section
20 77-2730.

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

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

1 credit;

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

17 (c) A refundable credit as provided in section 77-5209.01 for
18 individuals who qualify for an income tax credit as a qualified beginning
19 farmer or livestock producer under the Beginning Farmer Tax Credit Act
20 for all taxable years beginning or deemed to begin on or after January 1,
21 2006, under the Internal Revenue Code of 1986, as amended;

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

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

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

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

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

28 (c) A refundable credit for individuals who qualify for an income
29 tax credit as an owner of agricultural assets under the Beginning Farmer
30 Tax Credit Act for all taxable years beginning or deemed to begin on or
31 after January 1, 2009, under the Internal Revenue Code of 1986, as

1 amended. The credit allowed for each partner, shareholder, member, or
2 beneficiary of a partnership, corporation, limited liability company, or
3 estate or trust qualifying for an income tax credit as an owner of
4 agricultural assets under the Beginning Farmer Tax Credit Act shall be
5 equal to the partner's, shareholder's, member's, or beneficiary's portion
6 of the amount of tax credit distributed pursuant to subsection (4) of
7 section 77-5211.

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

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

25 (c) Each partner, shareholder, member, or beneficiary shall report
26 his or her share of the credit in the same manner and proportion as he or
27 she reports the partnership, subchapter S corporation, limited liability
28 company, or estate or trust income. If any partner, shareholder, member,
29 or beneficiary cannot fully utilize the credit for that year, the credit
30 may not be carried forward or back.

31 Sec. 13. Section 77-2716, Revised Statutes Cumulative Supplement,

1 2014, is amended to read:

2 77-2716 (1) The following adjustments to federal adjusted gross
3 income or, for corporations and fiduciaries, federal taxable income shall
4 be made for interest or dividends received:

5 (a) There shall be subtracted interest or dividends received by the
6 owner of obligations of the United States and its territories and
7 possessions or of any authority, commission, or instrumentality of the
8 United States to the extent includable in gross income for federal income
9 tax purposes but exempt from state income taxes under the laws of the
10 United States;

11 (b) There shall be subtracted that portion of the total dividends
12 and other income received from a regulated investment company which is
13 attributable to obligations described in subdivision (a) of this
14 subsection as reported to the recipient by the regulated investment
15 company;

16 (c) There shall be added interest or dividends received by the owner
17 of obligations of the District of Columbia, other states of the United
18 States, or their political subdivisions, authorities, commissions, or
19 instrumentalities to the extent excluded in the computation of gross
20 income for federal income tax purposes except that such interest or
21 dividends shall not be added if received by a corporation which is a
22 regulated investment company;

23 (d) There shall be added that portion of the total dividends and
24 other income received from a regulated investment company which is
25 attributable to obligations described in subdivision (c) of this
26 subsection and excluded for federal income tax purposes as reported to
27 the recipient by the regulated investment company; and

28 (e)(i) Any amount subtracted under this subsection shall be reduced
29 by any interest on indebtedness incurred to carry the obligations or
30 securities described in this subsection or the investment in the
31 regulated investment company and by any expenses incurred in the

1 production of interest or dividend income described in this subsection to
2 the extent that such expenses, including amortizable bond premiums, are
3 deductible in determining federal taxable income.

4 (ii) Any amount added under this subsection shall be reduced by any
5 expenses incurred in the production of such income to the extent
6 disallowed in the computation of federal taxable income.

7 (2) There shall be allowed a net operating loss derived from or
8 connected with Nebraska sources computed under rules and regulations
9 adopted and promulgated by the Tax Commissioner consistent, to the extent
10 possible under the Nebraska Revenue Act of 1967, with the laws of the
11 United States. For a resident individual, estate, or trust, the net
12 operating loss computed on the federal income tax return shall be
13 adjusted by the modifications contained in this section. For a
14 nonresident individual, estate, or trust or for a partial-year resident
15 individual, the net operating loss computed on the federal return shall
16 be adjusted by the modifications contained in this section and any
17 carryovers or carrybacks shall be limited to the portion of the loss
18 derived from or connected with Nebraska sources.

19 (3) There shall be subtracted from federal adjusted gross income for
20 all taxable years beginning on or after January 1, 1987, the amount of
21 any state income tax refund to the extent such refund was deducted under
22 the Internal Revenue Code, was not allowed in the computation of the tax
23 due under the Nebraska Revenue Act of 1967, and is included in federal
24 adjusted gross income.

25 (4) Federal adjusted gross income, or, for a fiduciary, federal
26 taxable income shall be modified to exclude the portion of the income or
27 loss received from a small business corporation with an election in
28 effect under subchapter S of the Internal Revenue Code or from a limited
29 liability company organized pursuant to the Nebraska Uniform Limited
30 Liability Company Act that is not derived from or connected with Nebraska
31 sources as determined in section 77-2734.01.

1 (5) There shall be subtracted from federal adjusted gross income or,
2 for corporations and fiduciaries, federal taxable income dividends
3 received or deemed to be received from corporations which are not subject
4 to the Internal Revenue Code.

5 (6) There shall be subtracted from federal taxable income a portion
6 of the income earned by a corporation subject to the Internal Revenue
7 Code of 1986 that is actually taxed by a foreign country or one of its
8 political subdivisions at a rate in excess of the maximum federal tax
9 rate for corporations. The taxpayer may make the computation for each
10 foreign country or for groups of foreign countries. The portion of the
11 taxes that may be deducted shall be computed in the following manner:

12 (a) The amount of federal taxable income from operations within a
13 foreign taxing jurisdiction shall be reduced by the amount of taxes
14 actually paid to the foreign jurisdiction that are not deductible solely
15 because the foreign tax credit was elected on the federal income tax
16 return;

17 (b) The amount of after-tax income shall be divided by one minus the
18 maximum tax rate for corporations in the Internal Revenue Code; and

19 (c) The result of the calculation in subdivision (b) of this
20 subsection shall be subtracted from the amount of federal taxable income
21 used in subdivision (a) of this subsection. The result of such
22 calculation, if greater than zero, shall be subtracted from federal
23 taxable income.

24 (7) Federal adjusted gross income shall be modified to exclude any
25 amount repaid by the taxpayer for which a reduction in federal tax is
26 allowed under section 1341(a)(5) of the Internal Revenue Code.

27 (8)(a) Federal adjusted gross income or, for corporations and
28 fiduciaries, federal taxable income shall be reduced, to the extent
29 included, by income from interest, earnings, and state contributions
30 received from the Nebraska educational savings plan trust created in
31 sections 85-1801 to 85-1814 and the achieving a better life experience

1 program as provided in sections 1 to 9 of this act.

2 (b) Federal adjusted gross income or, for corporations and
3 fiduciaries, federal taxable income shall be reduced by any contributions
4 as a participant in the Nebraska educational savings plan trust or in the
5 achieving a better life experience program as provided in sections 1 to 9
6 of this act, to the extent not deducted for federal income tax purposes,
7 but not to exceed five thousand dollars per married filing separate
8 return or ten thousand dollars for any other return. With respect to a
9 qualified rollover within the meaning of section 529 of the Internal
10 Revenue Code from another state's plan, any interest, earnings, and state
11 contributions received from the other state's educational savings plan
12 which is qualified under section 529 of the code shall qualify for the
13 reduction provided in this subdivision. For contributions by a custodian
14 of a custodial account including rollovers from another custodial
15 account, the reduction shall only apply to funds added to the custodial
16 account after January 1, 2014.

17 (c) Federal adjusted gross income or, for corporations and
18 fiduciaries, federal taxable income shall be increased by the amount
19 resulting from the cancellation of a participation agreement refunded to
20 the taxpayer as a participant in the Nebraska educational savings plan
21 trust to the extent previously deducted as a contribution to the trust or
22 in the achieving a better life experience program as provided in sections
23 1 to 9 of this act, if applicable.

24 (9)(a) For income tax returns filed after September 10, 2001, for
25 taxable years beginning or deemed to begin before January 1, 2006, under
26 the Internal Revenue Code of 1986, as amended, federal adjusted gross
27 income or, for corporations and fiduciaries, federal taxable income shall
28 be increased by eighty-five percent of any amount of any federal bonus
29 depreciation received under the federal Job Creation and Worker
30 Assistance Act of 2002 or the federal Jobs and Growth Tax Act of 2003,
31 under section 168(k) or section 1400L of the Internal Revenue Code of

1 1986, as amended, for assets placed in service after September 10, 2001,
2 and before December 31, 2005.

3 (b) For a partnership, limited liability company, cooperative,
4 including any cooperative exempt from income taxes under section 521 of
5 the Internal Revenue Code of 1986, as amended, limited cooperative
6 association, subchapter S corporation, or joint venture, the increase
7 shall be distributed to the partners, members, shareholders, patrons, or
8 beneficiaries in the same manner as income is distributed for use against
9 their income tax liabilities.

10 (c) For a corporation with a unitary business having activity both
11 inside and outside the state, the increase shall be apportioned to
12 Nebraska in the same manner as income is apportioned to the state by
13 section 77-2734.05.

14 (d) The amount of bonus depreciation added to federal adjusted gross
15 income or, for corporations and fiduciaries, federal taxable income by
16 this subsection shall be subtracted in a later taxable year. Twenty
17 percent of the total amount of bonus depreciation added back by this
18 subsection for tax years beginning or deemed to begin before January 1,
19 2003, under the Internal Revenue Code of 1986, as amended, may be
20 subtracted in the first taxable year beginning or deemed to begin on or
21 after January 1, 2005, under the Internal Revenue Code of 1986, as
22 amended, and twenty percent in each of the next four following taxable
23 years. Twenty percent of the total amount of bonus depreciation added
24 back by this subsection for tax years beginning or deemed to begin on or
25 after January 1, 2003, may be subtracted in the first taxable year
26 beginning or deemed to begin on or after January 1, 2006, under the
27 Internal Revenue Code of 1986, as amended, and twenty percent in each of
28 the next four following taxable years.

29 (10) For taxable years beginning or deemed to begin on or after
30 January 1, 2003, and before January 1, 2006, under the Internal Revenue
31 Code of 1986, as amended, federal adjusted gross income or, for

1 corporations and fiduciaries, federal taxable income shall be increased
2 by the amount of any capital investment that is expensed under section
3 179 of the Internal Revenue Code of 1986, as amended, that is in excess
4 of twenty-five thousand dollars that is allowed under the federal Jobs
5 and Growth Tax Act of 2003. Twenty percent of the total amount of
6 expensing added back by this subsection for tax years beginning or deemed
7 to begin on or after January 1, 2003, may be subtracted in the first
8 taxable year beginning or deemed to begin on or after January 1, 2006,
9 under the Internal Revenue Code of 1986, as amended, and twenty percent
10 in each of the next four following tax years.

11 (11)(a) Federal adjusted gross income shall be reduced by
12 contributions, up to two thousand dollars per married filing jointly
13 return or one thousand dollars for any other return, and any investment
14 earnings made as a participant in the Nebraska long-term care savings
15 plan under the Long-Term Care Savings Plan Act, to the extent not
16 deducted for federal income tax purposes.

17 (b) Federal adjusted gross income shall be increased by the
18 withdrawals made as a participant in the Nebraska long-term care savings
19 plan under the act by a person who is not a qualified individual or for
20 any reason other than transfer of funds to a spouse, long-term care
21 expenses, long-term care insurance premiums, or death of the participant,
22 including withdrawals made by reason of cancellation of the participation
23 agreement or termination of the plan, to the extent previously deducted
24 as a contribution or as investment earnings.

25 (12) There shall be added to federal adjusted gross income for
26 individuals, estates, and trusts any amount taken as a credit for
27 franchise tax paid by a financial institution under sections 77-3801 to
28 77-3807 as allowed by subsection (5) of section 77-2715.07.

29 (13) For taxable years beginning or deemed to begin on or after
30 January 1, 2015, under the Internal Revenue Code of 1986, as amended,
31 federal adjusted gross income shall be reduced by the amount received as

1 benefits under the federal Social Security Act which are included in the
2 federal adjusted gross income if:

3 (a) For taxpayers filing a married filing joint return, federal
4 adjusted gross income is fifty-eight thousand dollars or less; or

5 (b) For taxpayers filing any other return, federal adjusted gross
6 income is forty-three thousand dollars or less.

7 (14) For taxable years beginning or deemed to begin on or after
8 January 1, 2015, under the Internal Revenue Code of 1986, as amended, an
9 individual may make a one-time election within two calendar years after
10 the date of his or her retirement from the military to exclude income
11 received as a military retirement benefit by the individual to the extent
12 included in federal adjusted gross income and as provided in this
13 subsection. The individual may elect to exclude forty percent of his or
14 her military retirement benefit income for seven consecutive taxable
15 years beginning with the year in which the election is made or may elect
16 to exclude fifteen percent of his or her military retirement benefit
17 income for all taxable years beginning with the year in which he or she
18 turns sixty-seven years of age. For purposes of this subsection, military
19 retirement benefit means retirement benefits that are periodic payments
20 attributable to service in the uniformed services of the United States
21 for personal services performed by an individual prior to his or her
22 retirement.

23 Sec. 14. Section 77-3504, Reissue Revised Statutes of Nebraska, is
24 amended to read:

25 77-3504 Household income means the total federal adjusted gross
26 income, as defined in the Internal Revenue Code, plus (1) any Nebraska
27 adjustments increasing the total federal adjusted gross income, (2) any
28 interest or dividends received by the owner regarding obligations of the
29 State of Nebraska or any political subdivision, authority, commission, or
30 instrumentality thereof to the extent excluded in the computation of
31 gross income for federal income tax purposes, and (3) any social security

1 or railroad retirement benefit to the extent excluded in the computation
2 of gross income for federal income tax purposes, and (4) any carryforward
3 of a net operating loss to the extent deducted for federal income tax
4 purposes, of the claimant and spouse, and any additional owners who are
5 natural persons and who occupy the homestead, for the taxable year of the
6 claimant immediately prior to the year for which the claim for exemption
7 is made, less all medical expenses actually incurred and paid by the
8 claimant, his or her spouse, or any owner-occupant which are in excess of
9 four percent of household income calculated prior to the deduction for
10 medical expenses. For purposes of this section, medical expenses means
11 the costs of health insurance premiums and the costs of goods and
12 services purchased from a person licensed under the Uniform Credentialing
13 Act or a health care facility or health care service licensed under the
14 Health Care Facility Licensure Act for purposes of restoring or
15 maintaining health, including insulin and prescription medicine, but not
16 including nonprescription medicine.

17 Sec. 15. Section 84-618, Reissue Revised Statutes of Nebraska, is
18 amended to read:

19 84-618 (1) The Treasury Management Cash Fund is created. A pro rata
20 share of the budget appropriated for the treasury management functions of
21 the State Treasurer and for the administration of the achieving a better
22 life experience program as provided in sections 1 to 9 of this act shall
23 be charged to the income of each fund held in invested cash, and such
24 charges shall be transferred to the Treasury Management Cash Fund. The
25 allocation of charges may be made by any method determined to be
26 reasonably related to actual costs incurred by the State Treasurer in
27 carrying out the treasury management functions under section 84-602 and
28 in carrying out the achieving a better life experience program as
29 provided in sections 1 to 9 of this act. Approval of the agencies,
30 boards, and commissions administering these funds shall not be required.

31 (2) It is the intent of this section to have funds held in invested

1 cash be charged a pro rata share of such expenses ~~the treasury management~~
2 ~~expense~~ when this is not prohibited by statute or the Constitution of
3 Nebraska.

4 (3) The Treasury Management Cash Fund shall be used for the treasury
5 management functions of the State Treasurer and for the administration of
6 the achieving a better life experience program as provided in sections 1
7 to 9 of this act. To the extent permitted by section 529A as defined in
8 section 1 of this act, the fund may receive gifts for administration,
9 operation, and maintenance of a program established under sections 3 to 9
10 of this act.

11 (4) Transfers may be made from the Treasury Management Cash Fund to
12 the General Fund at the direction of the Legislature. Any money in the
13 Treasury Management Cash Fund available for investment shall be invested
14 by the state investment officer pursuant to the Nebraska Capital
15 Expansion Act and the Nebraska State Funds Investment Act.

16 Sec. 16. Sections 14 and 17 of this act become operative on January
17 1, 2016. The other sections of this act become operative on their
18 effective date.

19 Sec. 17. Original section 77-3504, Reissue Revised Statutes of
20 Nebraska, is repealed.

21 Sec. 18. Original sections 72-1239.01 and 84-618, Reissue Revised
22 Statutes of Nebraska, and sections 68-1201, 77-2715.07, and 77-2716,
23 Revised Statutes Cumulative Supplement, 2014, are repealed.

24 Sec. 19. Since an emergency exists, this act takes effect when
25 passed and approved according to law.