

May 23, 1973

SENATOR BURBACH: Mr. President and Members of the Legislature. LB 526 would include the individual income tax based on the Federal tax of items of tax preferenced with a Federal surcharge when applicable. The amendment would further include all Federal taxes levied, individual income in Nebraska, individual income on his income tax base. Amendment also includes the source of income subject to income taxation of the following items: Wages earned in Nebraska defined under the Model Compensation Act, used for unemployment insurance purpose. The income earned by non resident fiduciary for services rendered, a resident estate or trust, income earned from the ownership, management and control of Nebraska business by a non resident individual. Now this amendment also clarifies that the Nebraska taxable income for base of cooperatives which was fully discussed here this morning. The amendment clarifies the taxation of non resident shareholders and requires Subchapter S corporation to pay over to the State 10% of each non resident individual shareholder's share of the corporation's income derived or attributable to the Nebraska source of the absent, of source of absent, a signed agreement being executed by each non resident shareholder. Members of the Legislature this provision that we just now discussed will bring in to the State one and one-half million dollars in 73-74. In 74-75 this will be a total then of \$5,200,000. This is not necessarily considered an increase in taxes in any area. It is asking for the remission of the estimated tax in a greater amount at an earlier date so that those people living in the State report those non resident owners so that there then is withheld their money which would be subject--which would equal a portion of their income tax, a greater amount so this is not necessarily a windfall. This money would come sooner by the various corporations paid into the State coffers and after this once has been accumulated, it would have no greater result but it would bring in \$5,200,000 in the year 74-75 so in this respect, this is a money bill. It's important that we pass it so that we do have the extra revenue. As I indicated they are not an increase in the revenues. I move that LB 526 be advanced to select file, to E&R for Engrossment.

PRESIDENT: Any further discussion of the motion? Senator Kelly. Motion is to advance the bill.

SENATOR KELLY: Mr. President, a question of Senator Burbach.

PRESIDENT: Senator Burbach, will you yield to a question?

SENATOR KELLY: If a shareholder of a Subchapter S corporation signs the agreement, then the corporation does not have to withhold the 10% and pay it to the State, is that correct?

SENATOR BURBACH: If they sign an agreement? I would have to check this, just a moment. To pay over to the State 10% of each non resident individual shareholder's share of the corporation income derived from or attributable to the Nebraska source, a signed, a signed agreement being executed by each non resident shareholder stating that he will file a Nebraska individual income tax return and pay any tax due. The amount paid over by the Subchapter S corporation shall constitute a credit against the individual income tax liability so this money is demanded, requested of the Subchapter S corporation to provide for the payment of that non resident if in such a time that there is that income.

SENATOR KELLY: My further question would be that if the Subchapter S corporation pays 10% of the income attributable