

E & R AMENDMENTS TO LB 1003

1           1.     Strike the original sections and all amendments  
2 thereto and insert the following new sections:

3           "Section 1.   The Legislature finds that the general  
4 welfare and well-being of the state are directly related to  
5 educational levels and skills of the citizens of the state and that  
6 a vital and valid public purpose is served by the creation and  
7 implementation of programs which encourage and make possible the  
8 attainment of higher education by the greatest number of citizens  
9 of the state.   The state has limited resources to provide  
10 additional programs for higher education funding and the continued  
11 operation and maintenance of the state's public institutions of  
12 higher education, and the general welfare of the citizens of the  
13 state will be enhanced by establishing a program which allows  
14 parents and others interested in the higher education of our youth  
15 to invest money in a public trust for future application to the  
16 payment of higher education costs.  The creation of the means of  
17 encouragement for persons to invest in such a program represents  
18 the carrying out of a vital and valid public purpose.  In order to  
19 make available to parents and others interested in the higher  
20 education of our youth an opportunity to fund future higher  
21 education needs, it is necessary that a public trust be established  
22 in which money may be invested for future educational use.  It is  
23 also necessary to establish an endowment fund which may be funded  
24 with public funds, among other sources, which will be made

1 available to participants in the trust to enhance their savings  
2 invested for the payment of future higher education costs.

3 Sec. 2. For purposes of sections 1 to 14 of this act:

4 (1) Administrative fund means the administrative fund  
5 created in section 7 of this act;

6 (2) Beneficiary means the individual designated by a  
7 participation agreement to benefit from advance payments of higher  
8 education costs on behalf of the beneficiary;

9 (3) Benefits means the payment of higher education costs  
10 on behalf of a beneficiary by the trust during the beneficiary's  
11 attendance at an institution of higher education;

12 (4) Endowment fund means the endowment fund created in  
13 section 7 of this act;

14 (5) Higher education costs means the certified costs of  
15 tuition and fees, books, supplies, and equipment required for  
16 enrollment or attendance at an institution of higher education.  
17 Reasonable room and board expenses, based on the minimum amount  
18 applicable for the institution of higher education during the  
19 period of enrollment, shall be included as a higher education cost  
20 for those students enrolled on at least a half-time basis;

21 (6) Institution of higher education means an institution  
22 described in section 481 of the federal Higher Education Act of  
23 1965, 20 U.S.C. 1088, which is eligible to participate in the  
24 United States Department of Education's student aid programs;

25 (7) Nebraska educational savings plan trust means the  
26 trust created in section 4 of this act;

27 (8) Nebraska institution of higher education means an

1 institution described in section 481 of the federal Higher  
2 Education Act of 1965, 20 U.S.C. 1088, which is eligible to  
3 participate in the United States Department of Education's student  
4 aid program and which is located in Nebraska;

5 (9) Participant means an individual, an individual's  
6 legal representative, or any other legal entity authorized to  
7 establish a savings account under section 529 of the Internal  
8 Revenue Code and the regulations interpreting such section who has  
9 entered into a participation agreement for the advance payment of  
10 higher education costs on behalf of a beneficiary;

11 (10) Participation agreement means an agreement between a  
12 participant and the Nebraska educational savings plan trust entered  
13 into under sections 1 to 14 of this act;

14 (11) Program fund means the program fund created in  
15 section 7 of this act;

16 (12) Refund penalty means the amount assessed by the  
17 State Treasurer for cancellation of a participation agreement which  
18 is not considered a de minimis penalty pursuant to section 529 of  
19 the Internal Revenue Code; and

20 (13) Tuition and fees means the quarter or semester  
21 charges imposed to attend an institution of higher education and  
22 required as a condition of enrollment.

23 Sec. 3. It is the intent of the Legislature that the  
24 Nebraska educational savings plan trust be operated with a minimum  
25 of General Fund appropriations and that earnings from the trust be  
26 utilized to pay for the costs of administering, operating, and  
27 maintaining the trust, to the extent permitted by section 529 of

1 the Internal Revenue Code, except to the extent that appropriations  
2 are made by the Legislature to the administrative fund.

3 It is further the intent of the Legislature to  
4 appropriate two hundred thousand dollars for FY2000-01 to the  
5 administrative fund for startup costs for the trust and an  
6 additional one hundred thousand dollars for operating expenses to  
7 the State Treasurer for FY2000-01. If the State Treasurer  
8 determines that the level of General Fund appropriations is  
9 insufficient to administer, operate, and maintain a qualified  
10 program, the State Treasurer shall hold the trust in abeyance and  
11 shall request additional funds during the legislative session in  
12 2001 to establish, operate, and administer the program. If the  
13 trust has not begun operation by January 1, 2002, sections 1 to 14  
14 of this act shall terminate on January 2, 2002.

15 Sec. 4. Unless held in abeyance as provided in section 3  
16 of this act, the Nebraska educational savings plan trust is  
17 created. The State Treasurer is the trustee of the trust, is  
18 responsible for the administration, operation, and maintenance of  
19 the program, and has all powers necessary to carry out and  
20 effectuate the purposes, objectives, and provisions of sections 1  
21 to 14 of this act pertaining to the administration, operation, and  
22 maintenance of the trust and program, except that the state  
23 investment officer shall invest the money in the administrative  
24 fund, endowment fund, and program fund pursuant to policies  
25 established by the Nebraska Investment Council. The State  
26 Treasurer shall adopt and promulgate rules and regulations to  
27 implement sections 1 to 14 of this act and to provide for the

1 efficient administration, operation, and maintenance of the trust  
2 and program. The State Treasurer or his or her designee shall also  
3 have the power to:

4 (1) Enter into agreements with any institution of higher  
5 education, the state, any federal or other state agency, or any  
6 other entity to implement sections 1 to 14 of this act;

7 (2) Carry out the duties and obligations of the trust;

8 (3) Accept any grants, gifts, legislative appropriations,  
9 and other money from the state, any unit of federal, state, or  
10 local government, or any other person which shall be deposited into  
11 the administrative fund, endowment fund, or program fund;

12 (4) Carry out studies and projections to advise  
13 participants regarding present and estimated future higher  
14 education costs and levels of financial participation in the trust  
15 required in order to enable participants to achieve their  
16 educational funding objectives;

17 (5) Participate in any federal, state, or local  
18 governmental program for the benefit of the trust;

19 (6) Procure insurance against any loss in connection with  
20 the property, assets, or activities of the trust as provided in  
21 section 81-8,239.01;

22 (7) Solicit and accept for the benefit of the endowment  
23 fund gifts, grants, and other money, including legislative  
24 appropriations and grants from any federal, state, or local  
25 governmental agency;

26 (8) Enter into participation agreements with  
27 participants;

1           (9) Make payments to institutions of higher education  
2 pursuant to participation agreements on behalf of beneficiaries;

3           (10) Make refunds to participants upon the termination of  
4 participation agreements pursuant to the provisions, limitations,  
5 and restrictions set forth in sections 1 to 14 of this act;

6           (11) Contract for goods and services and engage personnel  
7 as necessary, including consultants, actuaries, managers, legal  
8 counsels, and auditors for the purpose of rendering professional,  
9 managerial, and technical assistance and advice regarding trust  
10 administration and operation; and

11           (12) Establish, impose, and collect administrative fees  
12 and charges in connection with transactions of the trust, and  
13 provide for reasonable service charges, including penalties for  
14 cancellations and late payments with respect to participation  
15 agreements.

16           Sec. 5. Any advertising or promotional materials  
17 relating to the Nebraska educational savings plan trust may include  
18 references to a public office but shall not refer to an  
19 officeholder by name.

20           Sec. 6. The Nebraska educational savings plan trust may  
21 enter into participation agreements with participants on behalf of  
22 beneficiaries pursuant to the following terms and conditions:

23           (1) A participation agreement shall require a participant  
24 to agree to invest a specific amount of money in the trust for a  
25 specific period of time for the benefit of a specific beneficiary.  
26 A participant shall not be required to make an annual contribution  
27 on behalf of a beneficiary. The minimum contribution per

1 beneficiary per year, in a year in which a participant is making a  
2 contribution, shall be three hundred dollars, and the maximum  
3 contribution shall not exceed the amount allowed under section 529  
4 of the Internal Revenue Code and the regulations interpreting such  
5 section. The State Treasurer may set a maximum cumulative  
6 contribution, as necessary, to maintain compliance with section 529  
7 of the Internal Revenue Code. Participation agreements may be  
8 amended to provide for adjusted levels of contributions based upon  
9 changed circumstances or changes in educational plans or to ensure  
10 compliance with section 529 of the Internal Revenue Code or any  
11 other applicable laws and regulations;

12 (2) Beneficiaries designated in participation agreements  
13 may be designated from date of birth up to, but not including,  
14 their seventeenth birthday;

15 (3) Payment of benefits provided under participation  
16 agreements must begin not later than the first full fall academic  
17 quarter or semester of enrollment at an institution of higher  
18 education following the twenty-second birthday or high school  
19 graduation of the beneficiary, whichever is later;

20 (4) The execution of a participation agreement by the  
21 trust shall not guarantee in any way that higher education costs  
22 will be equal to projections and estimates provided by the trust or  
23 that the beneficiary named in any participation agreement will (a)  
24 be admitted to an institution of higher education, (b) if admitted,  
25 be determined a resident for tuition purposes by the institution of  
26 higher education, (c) be allowed to continue attendance at the  
27 institution of higher education following admission, or (d)

1 graduate from the institution of higher education;

2 (5) A beneficiary under a participation agreement may be  
3 changed as permitted under the rules and regulations adopted under  
4 sections 1 to 14 of this act and consistent with section 529 of the  
5 Internal Revenue Code upon written request of the participant prior  
6 to the date of admission of the beneficiary to an institution of  
7 higher education as long as the substitute beneficiary is eligible  
8 for participation. Participation agreements may otherwise be  
9 freely amended throughout their term in order to enable  
10 participants to increase or decrease the level of participation,  
11 change the designation of beneficiaries, and carry out similar  
12 matters as authorized by rule and regulation; and

13 (6) Each participation agreement shall provide that the  
14 participation agreement may be canceled upon the terms and  
15 conditions and upon payment of applicable fees and costs set forth  
16 and contained in the rules and regulations.

17 Sec. 7. (1) The State Treasurer shall segregate money  
18 received by the Nebraska educational savings plan trust into three  
19 funds: The program fund, the endowment fund, and the  
20 administrative fund. The money in the funds shall be invested by  
21 the state investment officer pursuant to policies established by  
22 the Nebraska Investment Council. All money paid by participants in  
23 connection with participation agreements shall be deposited as  
24 received into separate accounts within the program fund. All money  
25 received by the trust from the proceeds of gifts and other  
26 endowments for the purposes of the trust shall be deposited as  
27 received into the endowment fund. The Legislature may appropriate

1 amounts to the endowment fund in its discretion. The State  
2 Treasurer may receive gifts of funds which are for the sole purpose  
3 of defraying the costs of administering the trust, which gifts  
4 shall be deposited into the administrative fund. The program fund  
5 and endowment fund shall be separately administered. Any gifts,  
6 grants, or donations made by any governmental entity or any person  
7 to the trust for deposit to the endowment fund shall be a grant,  
8 gift, or donation to the state for the accomplishment of a valid  
9 public eleemosynary, charitable, and educational purpose and shall  
10 not be included in the income of the donor for state income tax  
11 purposes. Contributions to the trust made by participants or  
12 received in the form of gifts, grants, or donations may only be  
13 made in the form of cash. A participant or beneficiary shall not  
14 provide investment direction regarding program contributions or  
15 earnings held by the trust.

16 (2) Each beneficiary under a participation agreement  
17 shall receive a pro rata interest in the endowment fund each year  
18 after any transfers to the administrative fund have been made. The  
19 amount received from the endowment fund shall be in the ratio that  
20 the principal amount paid by the participant under the  
21 participation agreement and investment income earned to date under  
22 the agreement bears to the principal amount of all money, funds,  
23 and securities then held in the program fund, but not to exceed the  
24 amount which, in combination with the current payment due from the  
25 program fund, equals the beneficiary's higher education costs for  
26 the current period of enrollment. Money accrued by participants in  
27 the program fund may be used for payments to any institution of

1 higher education. No rights to any money derived from the  
2 endowment fund shall exist if money payable under the participation  
3 agreement is paid to an institution of higher education which is  
4 not a Nebraska institution of higher education.

5           Sec. 8. (1) A participant may cancel a participation  
6 agreement at will. If the participation agreement is canceled by a  
7 participant prior to the expiration of two years from the date of  
8 original execution of the participation agreement, the participant  
9 shall receive one hundred percent of the principal amount of all  
10 contributions made by the participant, but any program fund  
11 investment income or endowment fund money which has been credited  
12 to the participant's account shall be retained by the Nebraska  
13 educational savings plan trust to cover administration expenses.  
14 After a participation agreement has been in effect for two years, a  
15 participant shall be entitled to the return upon cancellation of  
16 the agreement of the principal amount of all contributions made by  
17 the participant plus actual program fund investment income on the  
18 contributions, but not endowment fund money, less a refund penalty  
19 to be levied by the trust. The penalty shall be deposited in the  
20 administrative fund.

21           (2) Upon the occurrence of any of the following  
22 circumstances, no refund penalty shall be levied by the trust in  
23 the event of termination of a participation agreement:

24           (a) Death of the beneficiary;

25           (b) Permanent disability or mental incapacity of the  
26 beneficiary; or

27           (c) The beneficiary is awarded a scholarship as defined

1 in section 529 of the Internal Revenue Code, but only to the extent  
2 the refund of earnings does not exceed the scholarship amount.

3 In the event of cancellation of a participation agreement  
4 for any of the causes listed in this subsection, the participant  
5 shall be entitled to receive the principal amount of all  
6 contributions made by the participant under the participation  
7 agreement plus the actual program fund investment income earned on  
8 the contributions, but not endowment fund money.

9 Sec. 9. (1) A participant retains ownership of all  
10 contributions made under a participation agreement up to the date  
11 of utilization for payment of higher education costs for the  
12 beneficiary. Notwithstanding any other provision of law, any  
13 amount credited to any account is not susceptible to any levy,  
14 execution, judgment, or other operation of law, garnishment, or  
15 other judicial enforcement, and the amount is not an asset or  
16 property of either the participant or the beneficiary for the  
17 purposes of any state insolvency laws. All income derived from the  
18 investment of the contributions made by the participant shall be  
19 considered to be held in trust for the benefit of the beneficiary.

20 (2) If the program created by sections 1 to 14 of this  
21 act is terminated prior to payment of higher education costs for  
22 the beneficiary, the participant is entitled to a full refund of  
23 all contributions made under the participation agreement and all  
24 investment income credited on all the contributions. No right to  
25 receive investment income shall exist in cases of voluntary  
26 participant termination except as provided in section 8 of this  
27 act.

1           (3) If the beneficiary graduates from an institution of  
2 higher education and a balance remains in the participant's  
3 account, any remaining funds may be transferred as allowed by rule  
4 or regulation, subject to the provisions of section 529 of the  
5 Internal Revenue Code and regulations interpreting such section, as  
6 well as any other applicable state or federal laws or regulations.

7           (4) The institution of higher education shall obtain  
8 ownership of the payments made for the higher education costs paid  
9 to the institution at the time each payment is made to the  
10 institution.

11           (5) Any amounts which may be paid to any person or  
12 persons pursuant to the Nebraska educational savings plan trust but  
13 which are not listed in this section are owned by the trust.

14           (6) A participant may transfer ownership rights to  
15 another eligible participant, including a gift of the ownership  
16 rights to a minor beneficiary. The transfer shall be made and the  
17 property distributed in accordance with the rules and regulations  
18 or with the terms of the participation agreement.

19           (7) A participant shall not be entitled to utilize any  
20 interest in the trust as security for a loan.

21           Sec. 10. A student loan program, student grant program,  
22 or other program administered by any agency of the state, except as  
23 may be otherwise provided by federal law or the provisions of any  
24 specific grant applicable to the federal law, shall not take into  
25 account and shall not consider amounts available for the payment of  
26 higher education costs pursuant to the Nebraska educational savings  
27 plan trust in determining need and eligibility for student aid.

1           Sec. 11. (1) The State Treasurer shall submit an annual  
2 audited financial report, prepared in accordance with generally  
3 accepted accounting principles, on the operations of the Nebraska  
4 educational savings plan trust by November 1 to the Governor and  
5 the Legislature. The State Treasurer shall cause the audit to be  
6 made either by the the Auditor of Public Accounts or by an  
7 independent certified public accountant designated by the State  
8 Treasurer, and the audit shall include direct and indirect costs  
9 attributable to the use of outside consultants, independent  
10 contractors, and any other persons who are not state employees.

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

13           (a) Any related studies or evaluations prepared in the  
14 preceding year;

15           (b) A summary of the benefits provided by the trust,  
16 including the number of participants and beneficiaries in the  
17 trust; and

18           (c) Any other information which is relevant in order to  
19 make a full, fair, and effective disclosure of the operations of  
20 the trust, including the investment performance of the funds.

21           Sec. 12. (1) For federal income tax purposes, the  
22 Nebraska educational savings plan trust shall be considered a  
23 qualified state tuition program exempt from taxation pursuant to  
24 section 529 of the Internal Revenue Code. The trust meets the  
25 requirements of section 529(b) of the Internal Revenue Code as  
26 follows:

27           (a) Pursuant to section 6 of this act, a participant may

1 make contributions to an account which is established for the  
2 purpose of meeting the qualified higher education costs of the  
3 designated beneficiary of the account;

4 (b) Pursuant to section 6 of this act, a maximum  
5 contribution level is established;

6 (c) Pursuant to section 7 of this act, a separate account  
7 is established for each beneficiary;

8 (d) Pursuant to section 7 of this act, contributions may  
9 only be made in the form of cash;

10 (e) Pursuant to section 7 of this act, a participant or  
11 beneficiary shall not provide investment direction regarding  
12 program contributions or earnings held by the trust;

13 (f) Pursuant to section 8 of this act, penalties are  
14 provided on refunds of earnings which are not used for qualified  
15 higher education costs of the beneficiary, made on account of the  
16 death or disability of the designated beneficiary, or made due to  
17 scholarship, allowance, or payment receipt as provided in section  
18 529(b)(3) of the Internal Revenue Code; and

19 (g) Pursuant to section 9 of this act, a participant  
20 shall not pledge any interest in the trust as security for a loan.

21 (2) State income tax treatment of the Nebraska  
22 educational savings plan trust shall be as provided in section  
23 77-2716.

24 Sec. 13. The assets of the Nebraska educational savings  
25 plan trust, including the program fund and endowment fund, shall at  
26 all times be preserved, invested, and expended solely and only for  
27 the purposes of the trust and shall be held in trust for the

1 participants and beneficiaries. No property rights in the trust  
2 shall exist in favor of the state. The assets of the trust shall  
3 not be transferred or used by the state for any purposes other than  
4 the purposes of the trust.

5           Sec. 14. Nothing in sections 1 to 13 of this act shall  
6 be deemed to prohibit both resident and nonresident participants  
7 and designated beneficiaries from being eligible to participate in  
8 and benefit from the Nebraska educational savings plan trust and  
9 program. It is the intent of the Legislature that funds and income  
10 credited to the program fund are fully portable and may be used at  
11 any institution of higher education.

12           Sec. 15. Section 77-2716, Revised Statutes Supplement,  
13 1998, is amended to read:

14           77-2716. (1) The following adjustments to federal  
15 adjusted gross income or, for corporations and fiduciaries, federal  
16 taxable income shall be made for interest or dividends received:

17           (a) There shall be subtracted interest or dividends  
18 received by the owner of obligations of the United States and its  
19 territories and possessions or of any authority, commission, or  
20 instrumentality of the United States to the extent includable in  
21 gross income for federal income tax purposes but exempt from state  
22 income taxes under the laws of the United States;

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

1           (c) There shall be added interest or dividends received  
2 by the owner of obligations of the District of Columbia, other  
3 states of the United States, or their political subdivisions,  
4 authorities, commissions, or instrumentalities to the extent  
5 excluded in the computation of gross income for federal income tax  
6 purposes except that such interest or dividends shall not be added  
7 if received by a corporation which is a regulated investment  
8 company;

9           (d) There shall be added that portion of the total  
10 dividends and other income received from a regulated investment  
11 company which is attributable to obligations described in  
12 subdivision (c) of this subsection and excluded for federal income  
13 tax purposes as reported to the recipient by the regulated  
14 investment company; and

15           (e)(i) Any amount subtracted under this subsection shall  
16 be reduced by any interest on indebtedness incurred to carry the  
17 obligations or securities described in this subsection or the  
18 investment in the regulated investment company and by any expenses  
19 incurred in the production of interest or dividend income described  
20 in this subsection to the extent that such expenses, including  
21 amortizable bond premiums, are deductible in determining federal  
22 taxable income.

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

27           (2) There shall be allowed a net operating loss derived

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

13 (3) There shall be subtracted from federal adjusted gross  
14 income for all taxable years beginning on or after January 1, 1987,  
15 the amount of any state income tax refund to the extent such refund  
16 was deducted under the Internal Revenue Code, was not allowed in  
17 the computation of the tax due under the Nebraska Revenue Act of  
18 1967, and is included in federal adjusted gross income.

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

26 (5) There shall be subtracted from federal adjusted gross  
27 income or, for corporations and fiduciaries, federal taxable income

1 dividends received or deemed to be received from corporations which  
2 are not subject to the Internal Revenue Code.

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

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

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

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

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

1           (8)(a) There shall be subtracted from federal adjusted  
2 gross income an amount equal to the difference between the amount  
3 qualified for calculation of a deduction as provided in section  
4 162(1) of the Internal Revenue Code and the amount actually allowed  
5 pursuant to section 162(1)(1) of the Internal Revenue Code.

6           (b) For an individual who itemized deductions on his or  
7 her federal return, the maximum amount subtracted under subdivision  
8 (8)(a) of this section shall be seven and one-half percent of  
9 federal adjusted gross income.

10           (9)(a) Federal adjusted gross income or, for corporations  
11 and fiduciaries, federal taxable income shall be reduced, to the  
12 extent included, by income from interest, earnings, and state  
13 contributions received from the Nebraska educational savings plan  
14 trust created in sections 1 to 14 of this act.

15           (b) Federal adjusted gross income or, for corporations  
16 and fiduciaries, federal taxable income shall be reduced, to the  
17 extent not deducted for federal income tax purposes, by the amount  
18 of any gift, grant, or donation made to the Nebraska educational  
19 savings plan trust for deposit in the endowment fund of the trust.

20           (c) Federal adjusted gross income or, for corporations  
21 and fiduciaries, federal taxable income shall be reduced by any  
22 contributions as a participant in the Nebraska educational savings  
23 plan trust, not to exceed two thousand dollars per beneficiary.

24           (d) Federal adjusted gross income or, for corporations  
25 and fiduciaries, federal taxable income shall be increased by the  
26 amount resulting from the cancellation of a participation agreement  
27 refunded to the taxpayer as a participant in the Nebraska

AM7252  
LB 1003  
DSH-03-31

AM7252  
LB 1003  
DSH-03-31

1 educational savings plan trust to the extent previously deducted as  
2 a contribution to the trust.

3           Sec. 16.     Sections 1 to 14 and 16 of this act become  
4 operative on January 1, 2001.   The other sections of this act  
5 become operative for taxable years beginning or deemed to begin on  
6 or after January 1, 2001, under the Internal Revenue Code of 1986,  
7 as amended.

8           Sec. 17.     Original section 77-2716, Revised Statutes  
9 Supplement, 1998, is repealed."