

TRANSCRIPT PREPARED BY THE CLERK OF THE LEGISLATURE
Transcriber's Office
FLOOR DEBATE

March 21, 2002 LB 905

on LB 905.

SENATOR WICKERSHAM: Mr. President, members of the body, LB 905 is another bill that is in response to federal legislation. It's going to be kind of a familiar theme here for a little while. In this instance, the response is to federal legislation changing the federal estate tax. As you're aware, Congress, about a year ago now, adopted significant changes to the federal estate tax. They increased exemption amounts, they changed rates over time, they changed a number of aspects of the federal estate tax. One of the most interesting things is that if you die during the year 2010, there would be no federal estate tax on your estate regardless of its size. If you die in the year 2011, you might as well die today because you'll be in the same circumstance. (laugh) It was a very perplexing and complicated set of changes that the federal government enacted into the federal estate tax a year ago. It has perplexed attorneys; it has perplexed accountants; it has confused persons who wish to plan their estate, and to minimize tax in their estates while still preserving adequate assets for their own use. It has just been a complete mess. Now, at the same time they were confusing taxpayers, accountants, and lawyers, the federal government affected state revenues. They affected state revenues by what seemed to be an innocuous change. They removed a credit in their system. You would actually calculate the tax, and then you had...you were eligible for a credit against the tax. The credit was developed on a schedule. It looked like a graduated schedule that you would find for income tax or, in fact, like the graduated schedule that you would find if you were calculating the primary estate tax. But the graduated schedule in that instance was to calculate a credit for state transfer inheritance or estate taxes, and you got to claim the full credit on your federal return if you paid in the amount of the credit to either the state or one of the state's local taxing jurisdictions. So the choice was either pay the federal government or pay a state and local government on your death in the amount of that credit. In Nebraska, we had a system that kind of split that payment that people would make between the local jurisdictions, in this case, the counties because the counties collect the inheritance tax and the state of Nebraska. The state of Nebraska would collect the difference between the