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FLOOR DEBATE

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gross income exceeds \$122,000 for a joint return; \$73,000 for a single return; \$101,000 for a head of household; \$61,000 for married filing separate. Under the committee amendment, the phaseout would disappear in the year 2006. By phasing that out, we were collecting more money from those people than would otherwise be the marginal rate that they would be paying. In Section 7, we would end the phaseout of the standard deduction and the itemized deductions for high income taxpayers; again, something that we did during the Nelson administration to make sure that we got the most money from the well-to-do. For tax year 2005, taxpayers with a federal adjusted gross income over \$145,000 must reduce the standard deduction \$1 for each \$10 that income exceeds this threshold. The itemized deductions are reduced in a similar manner, except that charitable deductions and certain other protected deductions are not phased out by Nebraska law. These phaseouts would be repealed under the committee amendment for tax year 2006. Now, those...what those phaseouts represent is sort of a strange bubble, because we have a very progressive system. And, by the way, if we take these three provisions out, we'll still have a very, very progressive income tax, one of the most progressive in the country. This is not letting rich people off the hook. What we did is we have a very high progressivity in the state and then we poked him in the eye about four times during the (laugh) Nelson administration by asking for a special bump at this, about the \$120,000, range. It kicked in for another \$60,000 or \$70,000, about \$200,000. It started disappearing again so that people above it wound up actually paying a lower marginal utility rate than the people affected by this--a strange sort of a place where it comes up, flattens out, blips higher, and then flattens back out for people who are even more wealthy than these folks. That amount of savings represents about \$13 million: about \$1.6 million for the phaseout of the standard deduction, about \$4.1 million for the phaseout of the itemized deductions, and \$7.6 million for the phaseout of the personal exemptions. First idea, undoing those phaseouts, leaving our progressive system in place, but taking out these exceptional "warts," if you will. By the way, there's a fourth "wart," but it's pretty darn expensive to undo and we didn't have the money to do it. Secondly, there is a set of changes to our brackets, which, by the way, was the underlying bill that Senator Redfield gave to