

LEGISLATURE OF NEBRASKA
ONE HUNDRED FIFTH LEGISLATURE
FIRST SESSION

LEGISLATIVE BILL 380

Introduced by Harr, 8.

Read first time January 13, 2017

Committee: Revenue

1 A BILL FOR AN ACT relating to revenue and taxation; to amend section
2 77-2716.01, Reissue Revised Statutes of Nebraska, and section
3 77-2715.03, Revised Statutes Cumulative Supplement, 2016; to change
4 an income tax rate as prescribed; to change provisions relating to
5 itemized deductions and standard deductions; to provide an operative
6 date; and to repeal the original sections.

7 Be it enacted by the people of the State of Nebraska,

1 Section 1. Section 77-2715.03, Revised Statutes Cumulative
2 Supplement, 2016, is amended to read:

3 77-2715.03 (1) For taxable years beginning or deemed to begin on or
4 after January 1, 2013, and before January 1, 2014, the following brackets
5 and rates are hereby established for the Nebraska individual income tax:

6 Individual Income Tax Brackets and Rates

7 Bracket	Single	Married,	Head of	Married,	Estates	Tax
8 Number	Individuals	Filing	Household	Filing	and	Rate
		Jointly		Separate	Trusts	
10 1	\$0-2,399	\$0-4,799	\$0-4,499	\$0-2,399	\$0-499	2.46%
11 2	\$2,400-	\$4,800-	\$4,500-	\$2,400-	\$500-	
12	17,499	34,999	27,999	17,499	4,699	3.51%
13 3	\$17,500-	\$35,000-	\$28,000-	\$17,500-	\$4,700-	
14	26,999	53,999	39,999	26,999	15,149	5.01%
15 4	\$27,000	\$54,000	\$40,000	\$27,000	\$15,150	
16	and Over	and Over	and Over	and Over	and Over	6.84%

17 (2) For taxable years beginning or deemed to begin on or after
18 January 1, 2014, and before January 1, 2019, the following brackets and
19 rates are hereby established for the Nebraska individual income tax:

20 Individual Income Tax Brackets and Rates

21 Bracket	Single	Married,	Head of	Married,	Estates	Tax
22 Number	Individuals	Filing	Household	Filing	and	Rate
		Jointly		Separate	Trusts	
24 1	\$0-2,999	\$0-5,999	\$0-5,599	\$0-2,999	\$0-499	2.46%
25 2	\$3,000-	\$6,000-	\$5,600-	\$3,000-	\$500-	
26	17,999	35,999	28,799	17,999	4,699	3.51%
27 3	\$18,000-	\$36,000-	\$28,800-	\$18,000-	\$4,700-	
28	28,999	57,999	42,999	28,999	15,149	5.01%
29 4	\$29,000	\$58,000	\$43,000	\$29,000	\$15,150	
30	and Over	and Over	and Over	and Over	and Over	6.84%

1 (3) For taxable years beginning or deemed to begin on or after
 2 January 1, 2019, the following brackets and rates are hereby established
 3 for the Nebraska individual income tax:

4 Individual Income Tax Brackets and Rates

5 <u>Bracket</u>	<u>Single</u>	<u>Married,</u>	<u>Head of</u>	<u>Married,</u>	<u>Estates</u>	<u>Tax</u>
6 <u>Number</u>	<u>Individuals</u>	<u>Filing</u>	<u>Household</u>	<u>Filing</u>	<u>and</u>	<u>Rate</u>
7		<u>Jointly</u>		<u>Separate</u>	<u>Trusts</u>	
8 <u>1</u>	<u>\$0-2,999</u>	<u>\$0-5,999</u>	<u>\$0-5,599</u>	<u>\$0-2,999</u>	<u>\$0-499</u>	<u>2.46%</u>
9 <u>2</u>	<u>\$3,000-</u>	<u>\$6,000-</u>	<u>\$5,600-</u>	<u>\$3,000-</u>	<u>\$500-</u>	
10	<u>17,999</u>	<u>35,999</u>	<u>28,799</u>	<u>17,999</u>	<u>4,699</u>	<u>3.51%</u>
11 <u>3</u>	<u>\$18,000-</u>	<u>\$36,000-</u>	<u>\$28,800-</u>	<u>\$18,000-</u>	<u>\$4,700-</u>	
12	<u>28,999</u>	<u>57,999</u>	<u>42,999</u>	<u>28,999</u>	<u>15,149</u>	<u>5.01%</u>
13 <u>4</u>	<u>\$29,000</u>	<u>\$58,000</u>	<u>\$43,000</u>	<u>\$29,000</u>	<u>\$15,150</u>	
14	<u>and Over</u>	<u>and Over</u>	<u>and Over</u>	<u>and Over</u>	<u>and Over</u>	<u>5.99%</u>

15 ~~(4)(a) (3)(a)~~ For taxable years beginning or deemed to begin on or
 16 after January 1, 2015, the minimum and maximum dollar amounts for each
 17 income tax bracket provided in ~~subsections~~ ~~subsection~~ (2) and (3) of this
 18 section shall be adjusted for inflation by the percentage determined
 19 under subdivision ~~(4)(b) (3)(b)~~ of this section. The rate applicable to
 20 any such income tax bracket shall not be changed as part of any
 21 adjustment under this subsection. The minimum and maximum dollar amounts
 22 for each income tax bracket as adjusted shall be rounded to the nearest
 23 ten-dollar amount. If the adjusted amount for any income tax bracket ends
 24 in a five, it shall be rounded up to the nearest ten-dollar amount.

25 (b) The Tax Commissioner shall adjust the income tax brackets by the
 26 percentage determined pursuant to the provisions of section 1(f) of the
 27 Internal Revenue Code of 1986, as amended, except that in section 1(f)(3)
 28 (B) of the code the year 2013 shall be substituted for the year 1992. For
 29 2015, the Tax Commissioner shall then determine the percent change from
 30 the twelve months ending on August 31, 2013, to the twelve months ending
 31 on August 31, 2014, and in each subsequent year, from the twelve months

1 ending on August 31, 2013, to the twelve months ending on August 31 of
2 the year preceding the taxable year. The Tax Commissioner shall prescribe
3 new tax rate schedules that apply in lieu of the schedules set forth in
4 ~~subsections~~ subsection (2) and (3) of this section.

5 ~~(5) (4)~~ Whenever the tax brackets or tax rates are changed by the
6 Legislature, the Tax Commissioner shall update the tax rate schedules to
7 reflect the new tax brackets or tax rates and shall publish such updated
8 schedules.

9 ~~(6) (5)~~ The Tax Commissioner shall prepare, from the rate schedules,
10 tax tables which can be used by a majority of the taxpayers to determine
11 their Nebraska tax liability. The design of the tax tables shall be
12 determined by the Tax Commissioner. The size of the tax table brackets
13 may change as the level of income changes. The difference in tax between
14 two tax table brackets shall not exceed fifteen dollars. The Tax
15 Commissioner may build the personal exemption credit and standard
16 deduction amounts into the tax tables.

17 ~~(7) (6)~~ For taxable years beginning or deemed to begin on or after
18 January 1, 2013, the tax rate applied to other federal taxes included in
19 the computation of the Nebraska individual income tax shall be 29.6
20 percent.

21 ~~(8) (7)~~ The Tax Commissioner may require by rule and regulation that
22 all taxpayers shall use the tax tables if their income is less than the
23 maximum income included in the tax tables.

24 Sec. 2. Section 77-2716.01, Reissue Revised Statutes of Nebraska, is
25 amended to read:

26 77-2716.01 (1) Every individual shall be allowed to subtract from
27 his or her income tax liability an amount for personal exemptions. The
28 amount allowed to be subtracted shall be the credit amount for the year
29 as provided in this section multiplied by the number of exemptions
30 allowed on the federal return. For tax year 1993, the credit amount shall
31 be sixty-five dollars; for tax year 1994, the credit amount shall be

1 sixty-nine dollars; for tax year 1995, the credit amount shall be sixty-
2 nine dollars; for tax year 1996, the credit amount shall be seventy-two
3 dollars; for tax year 1997, the credit amount shall be eighty-six
4 dollars; for tax year 1998, the credit amount shall be eighty-eight
5 dollars; for tax year 1999, and each year thereafter, the credit amount
6 shall be adjusted for inflation by the method provided in section 151 of
7 the Internal Revenue Code of 1986, as amended. The eighty-eight-dollar
8 credit amount shall be adjusted for cumulative inflation since 1998. If
9 any credit amount is not an even dollar amount, the amount shall be
10 rounded to the nearest dollar. For nonresident individuals and partial-
11 year resident individuals, the personal exemption credit shall be
12 subtracted as specified in subsection (3) of section 77-2715.

13 (2)(a) For tax years beginning or deemed to begin on or after
14 January 1, 2003, and before January 1, 2004, under the Internal Revenue
15 Code of 1986, as amended, every individual who did not itemize deductions
16 on his or her federal return shall be allowed to subtract from federal
17 adjusted gross income a standard deduction based on the filing status
18 used on the federal return except as the amount is adjusted under section
19 77-2716.03. The standard deduction shall be the smaller of the federal
20 standard deduction actually allowed or (i) for single taxpayers four
21 thousand seven hundred fifty dollars, (ii) for head of household
22 taxpayers seven thousand dollars, (iii) for married filing jointly
23 taxpayers seven thousand nine hundred fifty dollars, and (iv) for married
24 filing separately taxpayers three thousand nine hundred seventy-five
25 dollars. Taxpayers who are allowed additional federal standard deduction
26 amounts because of age or blindness shall be allowed an increase in the
27 Nebraska standard deduction for each additional amount allowed on the
28 federal return. The additional amounts shall be for married taxpayers,
29 nine hundred fifty dollars, and for single or head of household
30 taxpayers, one thousand one hundred fifty dollars.

31 (b) For tax years beginning or deemed to begin on or after January

1 1, 2007, under the Internal Revenue Code of 1986, as amended, every
2 individual who did not itemize deductions on his or her federal return
3 shall be allowed to subtract from federal adjusted gross income a
4 standard deduction based on the filing status used on the federal return.
5 The standard deduction shall be the smaller of the federal standard
6 deduction actually allowed or (i) for single taxpayers three thousand
7 dollars and (ii) for head of household taxpayers four thousand four
8 hundred dollars. The standard deduction for married filing jointly
9 taxpayers shall be double the standard deduction for single taxpayers,
10 and for married filing separately taxpayers, the standard deduction shall
11 be the same as single taxpayers. Taxpayers who are allowed additional
12 federal standard deduction amounts because of age or blindness shall be
13 allowed an increase in the Nebraska standard deduction for each
14 additional amount allowed on the federal return. The additional amounts
15 shall be for married taxpayers six hundred dollars and for single or head
16 of household taxpayers seven hundred fifty dollars. The amounts in this
17 subdivision will be indexed for inflation as provided in subdivision (2)
18 (c) of this section and then adjusted as provided in subsection (4) of
19 this section to determine the final Nebraska standard deduction amount
20 using 1987 as the base year.

21 (c) For tax years beginning or deemed to begin on or after January
22 1, 2007, the standard deduction amounts, including the additional
23 standard deduction amounts, in subdivision (2)(b) of this section ~~this~~
24 ~~subsection~~ shall be adjusted for inflation by the method provided in
25 section 151 of the Internal Revenue Code of 1986, as amended, using 1987
26 as the base year. If any amount is not a multiple of fifty dollars, the
27 amount shall be rounded to the next lowest multiple of fifty dollars.

28 (3) Every individual who itemized deductions on his or her federal
29 return shall be allowed to subtract from federal adjusted gross income
30 the greater of either (a) the standard deduction allowed in subsection
31 (2) of this section, as adjusted under subsection (4) of this section, or

1 (b) his or her federal itemized deductions, excluding except for the
2 amount for state or local income taxes included in federal itemized
3 deductions before any federal disallowance, as adjusted under subsection
4 (4) of this section.

5 (4) Standard deduction amounts and itemized deduction amounts for
6 each taxpayer shall be adjusted as follows:

7 (a) Step 1: The percentage of the taxpayer's total federal adjusted
8 gross income that falls within each income bracket from the following
9 table shall be calculated, with the applicable brackets to be based on
10 the taxpayer's federal filing status:

11 <u>Bracket</u>	<u>Single</u>	<u>Head of</u>	<u>Married</u>	<u>Married</u>
12 <u>Number</u>	<u>Individuals</u>	<u>Household</u>	<u>Filing</u>	<u>Filing</u>
			<u>Separately</u>	<u>Jointly</u>
14 <u>1</u>	<u>\$0-75,000</u>	<u>\$0-75,000</u>	<u>\$0-75,000</u>	<u>\$0-150,000</u>
15 <u>2</u>	<u>\$75,001-</u>	<u>\$75,001-</u>	<u>\$75,001-</u>	<u>\$150,001-</u>
16	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>200,000</u>
17 <u>3</u>	<u>\$100,001-</u>	<u>\$100,001-</u>	<u>\$100,001-</u>	<u>\$200,001-</u>
18	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>	<u>300,000</u>
19 <u>4</u>	<u>\$150,001-</u>	<u>\$150,001-</u>	<u>\$150,001-</u>	<u>\$300,001-</u>
20	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	<u>400,000</u>
21 <u>5</u>	<u>\$200,001</u>	<u>\$200,001</u>	<u>\$200,001</u>	<u>\$400,001</u>
22	<u>and Over</u>	<u>and Over</u>	<u>and Over</u>	<u>and Over</u>

23 (b) Step 2:

24 (i) The standard deduction amount or itemized deduction amount,
25 whichever is being calculated, shall be multiplied by the percentage for
26 bracket number 1 determined under Step 1, and then that product shall be
27 multiplied by one hundred percent;

28 (ii) The standard deduction amount or itemized deduction amount,
29 whichever is being calculated, shall be multiplied by the percentage for
30 bracket number 2 determined under Step 1, and then that product shall be
31 multiplied by seventy-five percent;

1 (iii) The standard deduction amount or itemized deduction amount,
2 whichever is being calculated, shall be multiplied by the percentage for
3 bracket number 3 determined under Step 1, and then that product shall be
4 multiplied by fifty percent;

5 (iv) The standard deduction amount or itemized deduction amount,
6 whichever is being calculated, shall be multiplied by the percentage for
7 bracket number 4 determined under Step 1, and then that product shall be
8 multiplied by twenty-five percent; and

9 (v) The standard deduction amount or itemized deduction amount,
10 whichever is being calculated, shall be multiplied by the percentage for
11 bracket number 5 determined under Step 1, and then that product shall be
12 multiplied by zero percent; and

13 (c) Step 3: All of the numbers calculated under Step 2 shall be
14 added together. The resulting sum shall be the Nebraska standard
15 deduction amount or itemized deduction amount for the year.

16 Sec. 3. This act becomes operative for all taxable years beginning
17 or deemed to begin on or after January 1, 2019, under the Internal
18 Revenue Code of 1986, as amended.

19 Sec. 4. Original section 77-2716.01, Reissue Revised Statutes of
20 Nebraska, and section 77-2715.03, Revised Statutes Cumulative Supplement,
21 2016, are repealed.