



One Hundred First Legislature - First Session - 2009
Introducer's Statement of Intent
LB 112

Chairperson: Abbie Cornett
Committee: Revenue
Date of Hearing: February 12, 2009

The following constitutes the reasons for this bill and the purposes which are sought to be accomplished thereby:

The purpose of LB 112 is to exclude from state income taxes the loan repayment made to eligible health professionals who practice in state defined medical shortage areas under the Loan Repayment Program, established as part of the Rural Health Systems and Professional Incentive Act.

Nebraska created its own state loan repayment program in 1994, thereby selecting its own criteria for determining shortage areas, since many of Nebraska's communities that were experiencing a shortage of health professionals did not meet the rigid definition for a federal shortage area. However, the money that a health professional receives to use for loan repayment is first subject to federal income taxes on the same basis as earned income. Consequently, a significant portion of the loan repayment is owed to taxes and thus not available for repayment on the loan.

The federal government recognized this unfairness and voted to exempt certain loan repayments from gross income and employment taxes in 2004. However, the Nebraska program does not qualify for the tax exemption because our program does not place health professionals in "federally" designated shortage areas, doesn't insist that practitioners use a sliding fee scale, and allows part-time practice in shortage areas.

The Nebraska Rural Health Advisory Commission is working with our congressional delegation, investigating the feasibility of expanding the federal law to further recognize successful state loan repayment programs. Our federal representatives have indicated that we first need to address this issue on the state level. Therefore, LB 112 provides that federal adjusted gross income shall be reduced by educational loan repayments paid under the Rural Health Systems and Professional Incentive Act when calculating Nebraska's Income Tax.

Principal Introducer: _____
Senator Lavon Heidemann