

LEGISLATURE OF NEBRASKA
ONE HUNDRED THIRD LEGISLATURE
SECOND SESSION

LEGISLATIVE BILL 987

Introduced by Revenue Committee: Hadley, 37, Chairperson; Hansen, 42; Harr, 8; Pirsch, 4; Schumacher, 22; Sullivan, 41; Mello, 5.

Read first time January 21, 2014

Committee: Revenue

A BILL

1 FOR AN ACT relating to revenue and taxation; to amend section
2 77-2715.03, Revised Statutes Cumulative Supplement, 2012,
3 and section 77-2716, Revised Statutes Supplement, 2013;
4 to adjust individual income tax brackets for inflation;
5 to exempt social security benefits from state income
6 taxation as prescribed; and to repeal the original
7 sections.

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

1 Section 1. Section 77-2715.03, Revised Statutes
 2 Cumulative Supplement, 2012, is amended to read:

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

7 Individual Income Tax Brackets and Rates

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

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

21 Individual Income Tax Brackets and Rates

22 Bracket	Single	Married,	Head of	Married,	Estates	Tax
23 Number	Individuals	Filing	Household	Filing	and	Rate

		Jointly	Separate	Trusts		
1						
2	1	\$0-2,999	\$0-5,999	\$0-5,599	\$0-2,999	\$0-499 2.46%
3	2	\$3,000-	\$6,000-	\$5,600-	\$3,000-	\$500-
4		17,999	35,999	28,799	17,999	4,699 3.51%
5	3	\$18,000-	\$36,000-	\$28,800-	\$18,000-	\$4,700-
6		28,999	57,999	42,999	28,999	15,149 5.01%
7	4	\$29,000	\$58,000	\$43,000	\$29,000	\$15,150
8		and Over	and Over	and Over	and Over	and Over 6.84%

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

20 (b) The Tax Commissioner shall adjust the income tax
 21 brackets by the percentage determined pursuant to the provisions of
 22 section 1(f) of the Internal Revenue Code of 1986, as amended, except
 23 that in section 1(f)(3)(B) of the code the year 2013 shall be
 24 substituted for the year 1992. For 2015, the Tax Commissioner shall

1 then determine the percent change from the twelve months ending on
2 August 31, 2013, to the twelve months ending on August 31, 2014, and
3 in each subsequent year, from the twelve months ending on August 31,
4 2013, to the twelve months ending on August 31 of the year preceding
5 the taxable year. The Tax Commissioner shall prescribe new tax rate
6 schedules that apply in lieu of the schedules set forth in subsection
7 (2) of this section.

8 ~~(3)~~(4) Whenever the tax brackets or tax rates are
9 changed by the Legislature, the Tax Commissioner shall update the tax
10 rate schedules to reflect the new tax brackets or tax rates and shall
11 publish such updated schedules.

12 ~~(4)~~(5) The Tax Commissioner shall prepare, from the rate
13 schedules, tax tables which can be used by a majority of the
14 taxpayers to determine their Nebraska tax liability. The design of
15 the tax tables shall be determined by the Tax Commissioner. The size
16 of the tax table brackets may change as the level of income changes.
17 The difference in tax between two tax table brackets shall not exceed
18 fifteen dollars. The Tax Commissioner may build the personal
19 exemption credit and standard deduction amounts into the tax tables.

20 ~~(5)~~(6) For taxable years beginning or deemed to begin on
21 or after January 1, 2013, the tax rate applied to other federal taxes
22 included in the computation of the Nebraska individual income tax
23 shall be 29.6 percent.

24 ~~(6)~~(7) The Tax Commissioner may require by rule and
25 regulation that all taxpayers shall use the tax tables if their

1 income is less than the maximum income included in the tax tables.

2 Sec. 2. Section 77-2716, Revised Statutes Supplement,
3 2013, is amended to read:

4 77-2716 (1) The following adjustments to federal adjusted
5 gross income or, for corporations and fiduciaries, federal taxable
6 income shall be made for interest or dividends received:

7 (a) There shall be subtracted interest or dividends
8 received by the owner of obligations of the United States and its
9 territories and possessions or of any authority, commission, or
10 instrumentality of the United States to the extent includable in
11 gross income for federal income tax purposes but exempt from state
12 income taxes under the laws of the United States;

13 (b) There shall be subtracted that portion of the total
14 dividends and other income received from a regulated investment
15 company which is attributable to obligations described in subdivision
16 (a) of this subsection as reported to the recipient by the regulated
17 investment company;

18 (c) There shall be added interest or dividends received
19 by the owner of obligations of the District of Columbia, other states
20 of the United States, or their political subdivisions, authorities,
21 commissions, or instrumentalities to the extent excluded in the
22 computation of gross income for federal income tax purposes except
23 that such interest or dividends shall not be added if received by a
24 corporation which is a regulated investment company;

25 (d) There shall be added that portion of the total

1 dividends and other income received from a regulated investment
2 company which is attributable to obligations described in subdivision
3 (c) of this subsection and excluded for federal income tax purposes
4 as reported to the recipient by the regulated investment company; and

5 (e)(i) Any amount subtracted under this subsection shall
6 be reduced by any interest on indebtedness incurred to carry the
7 obligations or securities described in this subsection or the
8 investment in the regulated investment company and by any expenses
9 incurred in the production of interest or dividend income described
10 in this subsection to the extent that such expenses, including
11 amortizable bond premiums, are deductible in determining federal
12 taxable income.

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

16 (2) There shall be allowed a net operating loss derived
17 from or connected with Nebraska sources computed under rules and
18 regulations adopted and promulgated by the Tax Commissioner
19 consistent, to the extent possible under the Nebraska Revenue Act of
20 1967, with the laws of the United States. For a resident individual,
21 estate, or trust, the net operating loss computed on the federal
22 income tax return shall be adjusted by the modifications contained in
23 this section. For a nonresident individual, estate, or trust or for a
24 partial-year resident individual, the net operating loss computed on
25 the federal return shall be adjusted by the modifications contained

1 in this section and any carryovers or carrybacks shall be limited to
2 the portion of the loss derived from or connected with Nebraska
3 sources.

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

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

17 (5) There shall be subtracted from federal adjusted gross
18 income or, for corporations and fiduciaries, federal taxable income
19 dividends received or deemed to be received from corporations which
20 are not subject to the Internal Revenue Code.

21 (6) There shall be subtracted from federal taxable income
22 a portion of the income earned by a corporation subject to the
23 Internal Revenue Code of 1986 that is actually taxed by a foreign
24 country or one of its political subdivisions at a rate in excess of
25 the maximum federal tax rate for corporations. The taxpayer may make

1 the computation for each foreign country or for groups of foreign
2 countries. The portion of the taxes that may be deducted shall be
3 computed in the following manner:

4 (a) The amount of federal taxable income from operations
5 within a foreign taxing jurisdiction shall be reduced by the amount
6 of taxes actually paid to the foreign jurisdiction that are not
7 deductible solely because the foreign tax credit was elected on the
8 federal income tax return;

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

12 (c) The result of the calculation in subdivision (b) of
13 this subsection shall be subtracted from the amount of federal
14 taxable income used in subdivision (a) of this subsection. The result
15 of such calculation, if greater than zero, shall be subtracted from
16 federal taxable income.

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

21 (8)(a) Federal adjusted gross income or, for corporations
22 and fiduciaries, federal taxable income shall be reduced, to the
23 extent included, by income from interest, earnings, and state
24 contributions received from the Nebraska educational savings plan
25 trust created in sections 85-1801 to 85-1814.

1 (b) Federal adjusted gross income or, for corporations
2 and fiduciaries, federal taxable income shall be reduced by any
3 contributions as a participant in the Nebraska educational savings
4 plan trust, to the extent not deducted for federal income tax
5 purposes, but not to exceed five thousand dollars per married filing
6 separate return or ten thousand dollars for any other return. With
7 respect to a qualified rollover within the meaning of section 529 of
8 the Internal Revenue Code from another state's plan, any interest,
9 earnings, and state contributions received from the other state's
10 educational savings plan which is qualified under section 529 of the
11 code shall qualify for the reduction provided in this subdivision.
12 For contributions by a custodian of a custodial account including
13 rollovers from another custodial account, the reduction shall only
14 apply to funds added to the custodial account after January 1, 2014.

15 (c) Federal adjusted gross income or, for corporations
16 and fiduciaries, federal taxable income shall be increased by the
17 amount resulting from the cancellation of a participation agreement
18 refunded to the taxpayer as a participant in the Nebraska educational
19 savings plan trust to the extent previously deducted as a
20 contribution to the trust.

21 (9)(a) For income tax returns filed after September 10,
22 2001, for taxable years beginning or deemed to begin before January
23 1, 2006, under the Internal Revenue Code of 1986, as amended, federal
24 adjusted gross income or, for corporations and fiduciaries, federal
25 taxable income shall be increased by eighty-five percent of any

1 amount of any federal bonus depreciation received under the federal
2 Job Creation and Worker Assistance Act of 2002 or the federal Jobs
3 and Growth Tax Act of 2003, under section 168(k) or section 1400L of
4 the Internal Revenue Code of 1986, as amended, for assets placed in
5 service after September 10, 2001, and before December 31, 2005.

6 (b) For a partnership, limited liability company,
7 cooperative, including any cooperative exempt from income taxes under
8 section 521 of the Internal Revenue Code of 1986, as amended, limited
9 cooperative association, subchapter S corporation, or joint venture,
10 the increase shall be distributed to the partners, members,
11 shareholders, patrons, or beneficiaries in the same manner as income
12 is distributed for use against their income tax liabilities.

13 (c) For a corporation with a unitary business having
14 activity both inside and outside the state, the increase shall be
15 apportioned to Nebraska in the same manner as income is apportioned
16 to the state by section 77-2734.05.

17 (d) The amount of bonus depreciation added to federal
18 adjusted gross income or, for corporations and fiduciaries, federal
19 taxable income by this subsection shall be subtracted in a later
20 taxable year. Twenty percent of the total amount of bonus
21 depreciation added back by this subsection for tax years beginning or
22 deemed to begin before January 1, 2003, under the Internal Revenue
23 Code of 1986, as amended, may be subtracted in the first taxable year
24 beginning or deemed to begin on or after January 1, 2005, under the
25 Internal Revenue Code of 1986, as amended, and twenty percent in each

1 of the next four following taxable years. Twenty percent of the total
2 amount of bonus depreciation added back by this subsection for tax
3 years beginning or deemed to begin on or after January 1, 2003, may
4 be subtracted in the first taxable year beginning or deemed to begin
5 on or after January 1, 2006, under the Internal Revenue Code of 1986,
6 as amended, and twenty percent in each of the next four following
7 taxable years.

8 (10) For taxable years beginning or deemed to begin on or
9 after January 1, 2003, and before January 1, 2006, under the Internal
10 Revenue Code of 1986, as amended, federal adjusted gross income or,
11 for corporations and fiduciaries, federal taxable income shall be
12 increased by the amount of any capital investment that is expensed
13 under section 179 of the Internal Revenue Code of 1986, as amended,
14 that is in excess of twenty-five thousand dollars that is allowed
15 under the federal Jobs and Growth Tax Act of 2003. Twenty percent of
16 the total amount of expensing added back by this subsection for tax
17 years beginning or deemed to begin on or after January 1, 2003, may
18 be subtracted in the first taxable year beginning or deemed to begin
19 on or after January 1, 2006, under the Internal Revenue Code of 1986,
20 as amended, and twenty percent in each of the next four following tax
21 years.

22 (11)(a) Federal adjusted gross income shall be reduced by
23 contributions, up to two thousand dollars per married filing jointly
24 return or one thousand dollars for any other return, and any
25 investment earnings made as a participant in the Nebraska long-term

1 care savings plan under the Long-Term Care Savings Plan Act, to the
2 extent not deducted for federal income tax purposes.

3 (b) Federal adjusted gross income shall be increased by
4 the withdrawals made as a participant in the Nebraska long-term care
5 savings plan under the act by a person who is not a qualified
6 individual or for any reason other than transfer of funds to a
7 spouse, long-term care expenses, long-term care insurance premiums,
8 or death of the participant, including withdrawals made by reason of
9 cancellation of the participation agreement or termination of the
10 plan, to the extent previously deducted as a contribution or as
11 investment earnings.

12 (12) There shall be added to federal adjusted gross
13 income for individuals, estates, and trusts any amount taken as a
14 credit for franchise tax paid by a financial institution under
15 sections 77-3801 to 77-3807 as allowed by subsection (5) of section
16 77-2715.07.

17 (13) For taxable years beginning or deemed to begin on or
18 after January 1, 2015, under the Internal Revenue Code of 1986, as
19 amended, federal adjusted gross income shall be reduced by the amount
20 received as benefits under the federal Social Security Act which are
21 included in the federal adjusted gross income if:

22 (a) For taxpayers filing a married filing joint return,
23 federal adjusted gross income is fifty-eight thousand dollars or
24 less; or

25 (b) For taxpayers filing any other return, federal

1 adjusted gross income is forty-three thousand dollars or less.

2 Sec. 3. Original section 77-2715.03, Revised Statutes
3 Cumulative Supplement, 2012, and section 77-2716, Revised Statutes
4 Supplement, 2013, are repealed.