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LEGISLATIVE BILL 314

Introduced by Briese, 41; Friesen, 34.
Read first time January 16, 2019

Committee: Revenue

A BILL FOR AN ACT relating to revenue and taxation; to amend sections 76-901, 76-903, 77-202, 77-382, 77-693, 77-801, 77-1116, 77-1238, 77-1248, 77-1327, 77-2602, 77-2701, 77-2701.02, 77-2701.16, 77-2704.24, 77-2715, 77-2715.07, 77-2715.09, 77-2716, 77-2716.01, 77-2717, 77-2734.01, 77-27, 132, 77-4001, 77-4002, 77-4007, 77-4025, 79-1142, 79-1145, 81-3706, and 81-3722, Reissue Revised Statutes of Nebraska, and sections 44-1095, 53-160, 53-187, 79-1005.01, and 79-1144, Revised Statutes Cumulative Supplement, 2018; to adopt the Remote Seller Sales Tax Collection Act; to remove a property tax exemption for fraternal benefit societies; to increase taxes on alcohol; to increase the documentary stamp tax and the cigarette tax; to provide sunset dates for the Personal Property Tax Relief Act and the New Markets Job Growth Investment Act; to impose a surtax on certain individuals; to increase the sales tax rate; to impose sales and use taxes on certain services; to eliminate certain sales and use tax exemptions; to change provisions relating to the alternative minimum tax, the earned income tax credit, the tax on certain extraordinary dividends and capital gains, the tax on certain small business corporation and limited liability company income, and itemized deductions; to provide an income tax credit for certain renters; to change the distribution of certain revenue; to tax vapor products under the Tobacco Products Tax Act; to change provisions relating to allocated income tax funds and special
education; to create the School Financing Review Commission and
provide duties; to change provisions of the Nebraska Visitors
Development Act; to harmonize provisions; to provide operative
dates; to repeal the original sections; to outright repeal sections
77-2704.65 and 77-2704.67, Reissue Revised Statutes of Nebraska; and
to declare an emergency.

Be it enacted by the people of the State of Nebraska,
Section 1. Sections 1 to 5 of this act shall be known and may be cited as the Remote Seller Sales Tax Collection Act.

Sec. 2. For purposes of the Remote Seller Sales Tax Collection Act:
(1) Department means the Department of Revenue;
(2) Property has the same meaning as in section 77-2701.27; and
(3) Remote seller means any person who:
   (a) Sells property for delivery into this state; and
   (b) Does not have a physical presence in this state.

Sec. 3. Notwithstanding any other provision of law, a remote seller shall be subject to the Nebraska Revenue Act of 1967, shall remit the sales tax due under such act, and shall follow all applicable procedures and requirements of law as if the remote seller had a physical presence in this state if the remote seller meets either of the following criteria in the previous or current calendar year:
   (1) The remote seller's gross revenue from the sale of property delivered into Nebraska exceeds one hundred thousand dollars; or
   (2) The remote seller sold property for delivery into Nebraska in two hundred or more separate transactions.

Sec. 4. Nothing in the Remote Seller Sales Tax Collection Act affects the obligation of any purchaser from this state to remit use tax as to any applicable transaction in which the remote seller does not collect and remit an offsetting sales tax.

Sec. 5. The department may adopt and promulgate rules and regulations to carry out the Remote Seller Sales Tax Collection Act.

Sec. 6. Section 44-1095, Revised Statutes Cumulative Supplement, 2018, is amended to read:

44-1095 Every society organized or licensed under sections 44-1072 to 44-10,109 shall be a charitable and benevolent institution, and all of its funds and property shall be exempt from all and every state, county, district, municipal, and school tax other than taxes on real estate and office equipment.
Sec. 7. Section 53-160, Revised Statutes Cumulative Supplement, 2018, is amended to read:

53-160 (1) For the purpose of raising revenue, a tax is imposed upon the privilege of engaging in business as a manufacturer or a wholesaler at a rate of one dollar and thirty-eight thirty-one cents per gallon on all beer; three dollars and fifty-one ninety-five cents per gallon for wine, except for wines produced and released from bond in farm wineries; two dollars and sixty-two six cents per gallon for wine produced and released from bond in farm wineries; and twelve three dollars and twenty-eight seventy-five cents per gallon on alcohol and spirits manufactured and sold by such manufacturer or shipped for sale in this state by such wholesaler in the course of such business. The gallonage tax imposed by this subsection shall be imposed only on alcoholic liquor upon which a federal excise tax is imposed.

(2) Manufacturers or wholesalers of alcoholic liquor shall be exempt from the payment of the gallonage tax on such alcoholic liquor upon satisfactory proof, including bills of lading furnished to the commission by affidavit or otherwise as the commission may require, that such alcoholic liquor was manufactured in this state but shipped out of the state for sale and consumption outside this state.

(3) Dry wines or fortified wines manufactured or shipped into this state solely and exclusively for sacramental purposes and uses shall not be subject to the gallonage tax.

(4) The gallonage tax shall not be imposed upon any alcoholic liquor, whether manufactured in or shipped into this state, when sold to a licensed nonbeverage user for use in the manufacture of any of the following when such products are unfit for beverage purposes: Patent and proprietary medicines and medicinal, antiseptic, and toilet preparations; flavoring extracts, syrups, food products, and confections or candy; scientific, industrial, and chemical products, except denatured alcohol; or products for scientific, chemical, experimental, or mechanical
purposes.

(5) The gallonage tax shall not be imposed upon the privilege of engaging in any business in interstate commerce or otherwise, which business may not, under the Constitution and statutes of the United States, be made the subject of taxation by this state.

(6) The gallonage tax shall be in addition to all other occupation or privilege taxes imposed by this state or by any municipal corporation or political subdivision thereof.

(7) The commission shall collect the gallonage tax and shall account for and remit to the State Treasurer at least once each week all money collected pursuant to this section. If any alcoholic liquor manufactured in or shipped into this state is sold to a licensed manufacturer or wholesaler of this state to be used solely as an ingredient in the manufacture of any beverage for human consumption, the tax imposed upon such manufacturer or wholesaler shall be reduced by the amount of the taxes which have been paid as to such alcoholic liquor so used under the Nebraska Liquor Control Act. The net proceeds of all revenue arising under this section shall be credited to the General Fund, except that the increase in revenue due to the changes in tax rates made by this legislative bill shall be credited to the Property Tax Credit Cash Fund.

Sec. 8. Section 53-187, Revised Statutes Cumulative Supplement, 2018, is amended to read:

53-187 No nonbeverage user shall sell, give away, or otherwise dispose of any alcoholic liquor, purchased under his or her license as such nonbeverage user, in any form fit for beverage purposes. Any nonbeverage user who violates this section shall pay to the commission, for the use of the General Fund, the sum of twelve three dollars and twenty-eight seventy-five cents for each gallon of alcoholic liquor so diverted, and in addition thereto shall be subject to the penalties provided in section 53-1,100.

Sec. 9. Section 76-901, Reissue Revised Statutes of Nebraska, is
amended to read:

76-901 There is hereby imposed a tax on the grantor executing the deed as defined in section 76-203 upon the transfer of a beneficial interest in or legal title to real estate at the rate of two dollars and seventy-five twenty-five cents for each one thousand dollars value or fraction thereof. For purposes of sections 76-901 to 76-908, value means (1) in the case of any deed, not a gift, the amount of the full actual consideration thereof, paid or to be paid, including the amount of any lien or liens assumed, and (2) in the case of a gift or any deed with nominal consideration or without stated consideration, the current market value of the property transferred. Such tax shall be evidenced by stamps to be attached to the deed. All deeds purporting to transfer legal title or beneficial interest shall be presumed taxable unless it clearly appears on the face of the deed or sufficient documentary proof is presented to the register of deeds that the instrument is exempt under section 76-902.

Sec. 10. Section 76-903, Reissue Revised Statutes of Nebraska, is amended to read:

76-903 The Tax Commissioner shall design such stamps in such denominations as in his or her judgment will be the most advantageous to all persons concerned. When any deed subject to the tax imposed by section 76-901 is offered for recordation, the register of deeds shall ascertain and compute the amount of the tax due thereon and shall collect such amount as a prerequisite to acceptance of the deed for recordation. If a dispute arises concerning the taxability of the transfer, the register of deeds shall not record the deed until the disputed tax is paid. If a disputed tax has been paid, the taxpayer may file for a refund pursuant to section 76-908. The taxpayer may also seek a declaratory ruling pursuant to rules and regulations adopted and promulgated by the Department of Revenue. From each two dollars and seventy-five twenty-five cents of tax collected pursuant to section 76-901, the register of deeds
shall retain fifty cents to be placed in the county general fund and shall remit the balance to the State Treasurer who shall credit ninety-five cents of such amount to the Affordable Housing Trust Fund, twenty-five cents of such amount to the Site and Building Development Fund, twenty-five cents of such amount to the Homeless Shelter Assistance Trust Fund, and thirty cents of such amount to the Behavioral Health Services Fund, and fifty cents of such amount to the Property Tax Credit Cash Fund.

Sec. 11. Section 77-202, Reissue Revised Statutes of Nebraska, is amended to read:

77-202 (1) The following property shall be exempt from property taxes:

(a) Property of the state and its governmental subdivisions to the extent used or being developed for use by the state or governmental subdivision for a public purpose. For purposes of this subdivision:

(i) Property of the state and its governmental subdivisions means (A) property held in fee title by the state or a governmental subdivision or (B) property beneficially owned by the state or a governmental subdivision in that it is used for a public purpose and is being acquired under a lease-purchase agreement, financing lease, or other instrument which provides for transfer of legal title to the property to the state or a governmental subdivision upon payment of all amounts due thereunder. If the property to be beneficially owned by a governmental subdivision has a total acquisition cost that exceeds the threshold amount or will be used as the site of a public building with a total estimated construction cost that exceeds the threshold amount, then such property shall qualify for an exemption under this section only if the question of acquiring such property or constructing such public building has been submitted at a primary, general, or special election held within the governmental subdivision and has been approved by the voters of the governmental subdivision. For purposes of this subdivision, threshold amount means the
greater of fifty thousand dollars or six-tenths of one percent of the
total actual value of real and personal property of the governmental
subdivision that will beneficially own the property as of the end of the
governmental subdivision's prior fiscal year; and

(ii) Public purpose means use of the property (A) to provide public
services with or without cost to the recipient, including the general
operation of government, public education, public safety, transportation,
public works, civil and criminal justice, public health and welfare,
developments by a public housing authority, parks, culture, recreation,
community development, and cemetery purposes, or (B) to carry out the
duties and responsibilities conferred by law with or without
consideration. Public purpose does not include leasing of property to a
private party unless the lease of the property is at fair market value
for a public purpose. Leases of property by a public housing authority to
low-income individuals as a place of residence are for the authority's
public purpose;

(b) Unleased property of the state or its governmental subdivisions
which is not being used or developed for use for a public purpose but
upon which a payment in lieu of taxes is paid for public safety, rescue,
and emergency services and road or street construction or maintenance
services to all governmental units providing such services to the
property. Except as provided in Article VIII, section 11, of the
Constitution of Nebraska, the payment in lieu of taxes shall be based on
the proportionate share of the cost of providing public safety, rescue,
or emergency services and road or street construction or maintenance
services unless a general policy is adopted by the governing body of the
governmental subdivision providing such services which provides for a
different method of determining the amount of the payment in lieu of
taxes. The governing body may adopt a general policy by ordinance or
resolution for determining the amount of payment in lieu of taxes by
majority vote after a hearing on the ordinance or resolution. Such
ordinance or resolution shall nevertheless result in an equitable contribution for the cost of providing such services to the exempt property;

(c) Property owned by and used exclusively for agricultural and horticultural societies;

(d) Property owned by educational, religious, charitable, or cemetery organizations, or any organization for the exclusive benefit of any such educational, religious, charitable, or cemetery organization, and used exclusively for educational, religious, charitable, or cemetery purposes, when such property is not (i) owned or used for financial gain or profit to either the owner or user, (ii) used for the sale of alcoholic liquors for more than twenty hours per week, or (iii) owned or used by an organization which discriminates in membership or employment based on race, color, or national origin. For purposes of this subdivision, educational organization means (A) an institution operated exclusively for the purpose of offering regular courses with systematic instruction in academic, vocational, or technical subjects or assisting students through services relating to the origination, processing, or guarantying of federally reinsured student loans for higher education or (B) a museum or historical society operated exclusively for the benefit and education of the public. For purposes of this subdivision, charitable organization means includes an organization operated exclusively for the purpose of the mental, social, or physical benefit of the public or an indefinite number of persons and a fraternal benefit society organized and licensed under sections 44-1072 to 44-10,109; and

(e) Household goods and personal effects not owned or used for financial gain or profit to either the owner or user.

(2) The increased value of land by reason of shade and ornamental trees planted along the highway shall not be taken into account in the valuation of land.

(3) Tangible personal property which is not depreciable tangible
(4) Motor vehicles, trailers, and semitrailers required to be registered for operation on the highways of this state shall be exempt from payment of property taxes.

(5) Business and agricultural inventory shall be exempt from the personal property tax. For purposes of this subsection, business inventory includes personal property owned for purposes of leasing or renting such property to others for financial gain only if the personal property is of a type which in the ordinary course of business is leased or rented thirty days or less and may be returned at the option of the lessee or renter at any time and the personal property is of a type which would be considered household goods or personal effects if owned by an individual. All other personal property owned for purposes of leasing or renting such property to others for financial gain shall not be considered business inventory.

(6) Any personal property exempt pursuant to subsection (2) of section 77-4105 or section 77-5209.02 shall be exempt from the personal property tax.

(7) Livestock shall be exempt from the personal property tax.

(8) Any personal property exempt pursuant to the Nebraska Advantage Act shall be exempt from the personal property tax.

(9) Any depreciable tangible personal property used directly in the generation of electricity using wind as the fuel source shall be exempt from the property tax levied on depreciable tangible personal property. Any depreciable tangible personal property used directly in the generation of electricity using solar, biomass, or landfill gas as the fuel source shall be exempt from the property tax levied on depreciable tangible personal property if such depreciable tangible personal property was installed on or after January 1, 2016, and has a nameplate capacity of one hundred kilowatts or more. Depreciable tangible personal property
used directly in the generation of electricity using wind, solar, biomass, or landfill gas as the fuel source includes, but is not limited to, wind turbines, rotors and blades, towers, solar panels, trackers, generating equipment, transmission components, substations, supporting structures or racks, inverters, and other system components such as wiring, control systems, switchgears, and generator step-up transformers.

(10) Any tangible personal property that is acquired by a person operating a data center located in this state, that is assembled, engineered, processed, fabricated, manufactured into, attached to, or incorporated into other tangible personal property, both in component form or that of an assembled product, for the purpose of subsequent use at a physical location outside this state by the person operating a data center shall be exempt from the personal property tax. Such exemption extends to keeping, retaining, or exercising any right or power over tangible personal property in this state for the purpose of subsequently transporting it outside this state for use thereafter outside this state. For purposes of this subsection, data center means computers, supporting equipment, and other organized assembly of hardware or software that are designed to centralize the storage, management, or dissemination of data and information, environmentally controlled structures or facilities or interrelated structures or facilities that provide the infrastructure for housing the equipment, such as raised flooring, electricity supply, communication and data lines, Internet access, cooling, security, and fire suppression, and any building housing the foregoing.

(11) For each person who owns property required to be reported to the county assessor under section 77-1201, there shall be allowed, for tax years prior to tax year 2020, an exemption amount as provided in the Personal Property Tax Relief Act. For each person who owns property required to be valued by the state as provided in section 77-601, 77-682, 77-801, or 77-1248, there shall be allowed, for tax years prior to tax year 2020, a compensating exemption factor as provided in the Personal
Property Tax Relief Act.

Sec. 12. Section 77-382, Reissue Revised Statutes of Nebraska, is amended to read:

77-382 (1) The department shall prepare a tax expenditure report describing (a) the basic provisions of the Nebraska tax laws, (b) the actual or estimated revenue loss caused by the exemptions, deductions, exclusions, deferrals, credits, and preferential rates in effect on July 1 of each year and allowed under Nebraska's tax structure and in the property tax, (c) the actual or estimated revenue loss caused by failure to impose sales and use tax on services purchased for nonbusiness use, and (d) the elements which make up the tax base for state and local income, including income, sales and use, property, and miscellaneous taxes.

(2) The department shall review the major tax exemptions for which state general funds are used to reduce the impact of revenue lost due to a tax expenditure. The report shall indicate an estimate of the amount of the reduction in revenue resulting from the operation of all tax expenditures. The report shall list each tax expenditure relating to sales and use tax under the following categories:

(a) Agriculture, which shall include a separate listing for the following items: Agricultural machinery; agricultural chemicals; seeds sold to commercial producers; water for irrigation and manufacturing; commercial artificial insemination; mineral oil as dust suppressant; animal grooming; oxygen for use in aquaculture; animal life whose products constitute food for human consumption; and grains;

(b) Business across state lines, which shall include a separate listing for the following items: Property shipped out-of-state; fabrication labor for items to be shipped out-of-state; property to be transported out-of-state; property purchased in other states to be used in Nebraska; aircraft delivery to an out-of-state resident or business; state reciprocal agreements for industrial machinery; and property taxed
in another state;

(c) Common carrier and logistics, which shall include a separate listing for the following items: Railroad rolling stock and repair parts and services; common or contract carriers and repair parts and services; common or contract carrier accessories; and common or contract carrier safety equipment;

(d) Consumer goods, which shall include a separate listing for the following items: Motor vehicles and motorboat trade-ins; merchandise trade-ins; certain medical equipment and medicine; newspapers; laundromats; telefloral deliveries; motor vehicle discounts for the disabled; and political campaign fundraisers;

(e) Energy, which shall include a separate listing for the following items: Motor fuels; energy used in industry; energy used in agriculture; aviation fuel; and minerals, oil, and gas severed from real property;

(f) Food, which shall include a separate listing for the following items: Food for home consumption; Supplemental Nutrition Assistance Program; school lunches; meals sold by hospitals; meals sold by institutions at a flat rate; food for the elderly, handicapped, and Supplemental Security Income recipients; and meals sold by churches;

(g) General business, which shall include a separate listing for the following items: Component and ingredient parts; manufacturing machinery; containers; film rentals; molds and dies; syndicated programming; intercompany sales; intercompany leases; sale of a business or farm machinery; and transfer of property in a change of business ownership;

(h) Lodging and shelter, which shall include a separate listing for the following item: Room rentals by certain institutions;

(i) Miscellaneous, which shall include a separate listing for the following items: Cash discounts and coupons; separately stated finance charges; casual sales; lease-to-purchase agreements; and separately stated taxes;

(j) Nonprofits, governments, and exempt entities, which shall
include a separate listing for the following items: Purchases by political subdivisions of the state; purchases by churches and nonprofit colleges and medical facilities; purchasing agents for public real estate construction improvements; contractor as purchasing agent for public agencies; Nebraska lottery; admissions to school events; sales on Native American Indian reservations; school-supporting fundraisers; fine art purchases by a museum; purchases by the Nebraska State Fair Board; purchases by the Nebraska Investment Finance Authority and licensees of the State Racing Commission; purchases by the United States Government; public records; and sales by religious organizations;

(k) Recent sales tax expenditures, which shall include a separate listing for each sales tax expenditure created by statute or rule and regulation after July 19, 2012;

(l) Services purchased for nonbusiness use, which shall include a separate listing for each such service, including, but not limited to, the following items: Cleaning, Motor vehicle cleaning, maintenance, and repair services; cleaning and repair of clothing; cleaning, maintenance, and repair of other tangible personal property; maintenance, painting, and repair of real property; entertainment admissions; personal care services; lawn care, gardening, and landscaping services; pet-related services; storage and moving services; household utilities; other personal services; taxi, limousine, and other transportation services; legal services; accounting services; other professional services; and other real estate services; and

(m) Telecommunications, which shall include a separate listing for the following items: Telecommunications access charges; prepaid calling arrangements; conference bridging services; and nonvoice data services.

(3) It is the intent of the Legislature that nothing in the Tax Expenditure Reporting Act shall cause the valuation or assessment of any property exempt from taxation on the basis of its use exclusively for religious, educational, or charitable purposes.
Sec. 13. Section 77-693, Reissue Revised Statutes of Nebraska, is amended to read:

77-693 (1) The Property Tax Administrator in determining the taxable value of railroads and car lines shall determine the following ratios involving railroad and car line property and commercial and industrial property:

(a) The ratio of the taxable value of all commercial and industrial personal property in the state actually subjected to property tax divided by the market value of all commercial and industrial personal property in the state;

(b) The ratio of the taxable value of all commercial and industrial real property in the state actually subjected to property tax divided by the market value of all commercial and industrial real property in the state;

(c) The ratio of the taxable value of railroad personal property to the market value of railroad personal property. The numerator of the ratio shall be the taxable value of railroad personal property. The denominator of the ratio shall be the railroad system value allocated to Nebraska and multiplied by a factor representing the net book value of rail transportation personal property divided by the net book value of total rail transportation property;

(d) The ratio of the taxable value of railroad real property to the market value of railroad real property. The numerator of the ratio shall be the taxable value of railroad real property. The denominator of the ratio shall be the railroad system value allocated to Nebraska and multiplied by a factor representing the net book value of rail transportation real property divided by the net book value of total rail transportation property; and

(e) Similar calculations shall be made for car line taxable properties.

(2) If the ratio of the taxable value of railroad and car line
personal or real property exceeds the ratio of the comparable taxable
commercial and industrial property by more than five percent, the
Property Tax Administrator may adjust the value of such railroad and car
line property to the percentage of the comparable taxable commercial and
industrial property pursuant to federal statute or Nebraska federal court
decisions applicable thereto.

(3) For purposes of this section, commercial and industrial property
shall mean all real and personal property which is devoted to commercial
or industrial use other than rail transportation property and land used
primarily for agricultural purposes.

(4) After the adjustment made pursuant to subsections (1) and (2) of
this section, the Property Tax Administrator shall, for tax years prior
to tax year 2020, multiply the value of the tangible personal property of
each railroad and car line by the compensating exemption factor
calculated in section 77-1238.

Sec. 14. Section 77-801, Reissue Revised Statutes of Nebraska, is
amended to read:

77-801 (1) All public service entities shall, on or before April 15
of each year, furnish a statement specifying such information as may be
required by the Property Tax Administrator on forms prescribed by the Tax
Commissioner to determine and distribute the entity's total taxable value
including the franchise value. All information reported by the public
service entities, not available from any other public source, and any
memorandum thereof shall be confidential and available to taxing
officials only. For good cause shown, the Property Tax Administrator may
allow an extension of time in which to file such statement. Such
extension shall not exceed fifteen days after April 15.

(2) The returns of public service entities shall not be held to be
conclusive as to the taxable value of the property, but the Property Tax
Administrator shall, from all the information which he or she is able to
obtain, find the taxable value of all such property, including tangible
property and franchises, and shall assess such property on the same basis
as other property is required to be assessed.

(3) The county assessor shall assess all nonoperating property of
any public service entity. A public service entity operating within the
State of Nebraska shall, on or before January 1 of each year, report to
the county assessor of each county in which it has situs all nonoperating
property belonging to such entity which is not subject to assessment and
assessed by the Property Tax Administrator under section 77-802.

(4) The Property Tax Administrator shall, for tax years prior to tax
year 2020, multiply the value of the tangible personal property of each
public service entity by the compensating exemption factor calculated in
section 77-1238.

Sec. 15. Section 77-1116, Reissue Revised Statutes of Nebraska, is
amended to read:

77-1116 (1) A qualified community development entity that seeks to
have an equity investment or long-term debt security designated as a
qualified equity investment and eligible for tax credits under the New
Markets Job Growth Investment Act shall apply to the Tax Commissioner.
There shall be no new applications for such designation filed under this
section on or after January 1, 2020 December 31, 2022.

(2) The qualified community development entity shall submit an
application on a form that the Tax Commissioner provides that includes:

(a) Evidence of the entity's certification as a qualified community
development entity, including evidence of the service area of the entity
that includes this state;

(b) A copy of the allocation agreement executed by the entity, or
its controlling entity, and the Community Development Financial
Institutions Fund referred to in section 77-1109;

(c) A certificate executed by an executive officer of the entity
attesting that the allocation agreement remains in effect and has not
been revoked or canceled by the Community Development Financial
Institutions Fund referred to in section 77-1109;

(d) A description of the proposed amount, structure, and purchaser of the equity investment or long-term debt security;

(e) Identifying information for any taxpayer eligible to utilize tax credits earned as a result of the issuance of the qualified equity investment;

(f) Information regarding the proposed use of proceeds from the issuance of the qualified equity investment; and

(g) A nonrefundable application fee of five thousand dollars.

(3) Within thirty days after receipt of a completed application containing the information necessary for the Tax Commissioner to certify a potential qualified equity investment, including the payment of the application fee, the Tax Commissioner shall grant or deny the application in full or in part. If the Tax Commissioner denies any part of the application, the Tax Commissioner shall inform the qualified community development entity of the grounds for the denial. If the qualified community development entity provides any additional information required by the Tax Commissioner or otherwise completes its application within fifteen days after the notice of denial, the application shall be considered completed as of the original date of submission. If the qualified community development entity fails to provide the information or complete its application within the fifteen-day period, the application remains denied and must be resubmitted in full with a new submission date.

(4) If the application is deemed complete, the Tax Commissioner shall certify the proposed equity investment or long-term debt security as a qualified equity investment that is eligible for tax credits, subject to the limitations contained in section 77-1115. The Tax Commissioner shall provide written notice of the certification to the qualified community development entity. The notice shall include the names of those taxpayers who are eligible to utilize the credits and
their respective credit amounts. If the names of the taxpayers who are eligible to utilize the credits change due to a transfer of a qualified equity investment or a change in an allocation pursuant to section 77-1114, the qualified community development entity shall notify the Tax Commissioner of such change.

(5) The Tax Commissioner shall certify qualified equity investments in the order applications are received. Applications received on the same day shall be deemed to have been received simultaneously. For applications received on the same day and deemed complete, the Tax Commissioner shall certify, consistent with remaining tax credit capacity, qualified equity investments in proportionate percentages based upon the ratio of the amount of qualified equity investment requested in an application to the total amount of qualified equity investments requested in all applications received on the same day.

(6) Once the Tax Commissioner has certified qualified equity investments that, on a cumulative basis, are eligible for the maximum limitation contained in section 77-1115, the Tax Commissioner may not certify any more qualified equity investments for that fiscal year. If a pending request cannot be fully certified, the Tax Commissioner shall certify the portion that may be certified unless the qualified community development entity elects to withdraw its request rather than receive partial credit.

(7) Within thirty days after receiving notice of certification, the qualified community development entity shall issue the qualified equity investment and receive cash in the amount of the certified amount. The qualified community development entity shall provide the Tax Commissioner with evidence of the receipt of the cash investment within ten business days after receipt. If the qualified community development entity does not receive the cash investment and issue the qualified equity investment within thirty days after receipt of the certification notice, the certification shall lapse and the entity may not issue the qualified
equity investment without reapplying to the Tax Commissioner for certification. A certification that lapses reverts back to the Tax Commissioner and may be reissued only in accordance with the application process outlined in this section.

Sec. 16. Section 77-1238, Reissue Revised Statutes of Nebraska, is amended to read:

77-1238 (1) For tax years prior to tax year 2020, every person who is required to list his or her taxable tangible personal property as defined in section 77-105, as required under section 77-1229, shall receive an exemption from taxation for the first ten thousand dollars of valuation of his or her tangible personal property in each tax district as defined in section 77-127 in which a personal property return is required to be filed. Failure to report tangible personal property on the personal property return required by section 77-1229 shall result in a forfeiture of the exemption for any tangible personal property not timely reported for that year.

(2) For tax years prior to tax year 2020, the Property Tax Administrator shall reduce the value of the tangible personal property owned by each railroad, car line company, public service entity, and air carrier by a compensating exemption factor to reflect the exemption allowed in subsection (1) of this section for all other personal property taxpayers. The compensating exemption factor is calculated by multiplying the value of the tangible personal property of the railroad, car line company, public service entity, or air carrier by a fraction, the numerator of which is the total amount of locally assessed tangible personal property that is actually subjected to property tax after the exemption allowed in subsection (1) of this section, and the denominator of which is the net book value of locally assessed tangible personal property prior to the exemptions allowed in subsection (1) of this section.

Sec. 17. Section 77-1248, Reissue Revised Statutes of Nebraska, is
amended to read:

77-1248 (1) The Property Tax Administrator shall ascertain from the reports made and from any other information obtained by him or her the taxable value of the flight equipment of air carriers and the proportion allocated to this state for the purposes of taxation as provided in section 77-1245.

(2)(a) In determining the taxable value of the flight equipment of air carriers pursuant to subsection (1) of this section, the Property Tax Administrator shall determine the following ratios:

(i) The ratio of the taxable value of all commercial and industrial depreciable tangible personal property in the state actually subjected to property tax to the market value of all commercial and industrial depreciable tangible personal property in the state; and

(ii) The ratio of the taxable value of flight equipment of air carriers to the market value of flight equipment of air carriers.

(b) If the ratio of the taxable value of flight equipment of air carriers exceeds the ratio of the taxable value of commercial and industrial depreciable tangible personal property by more than five percent, the Property Tax Administrator may adjust the value of such flight equipment of air carriers to the percentage of the taxable commercial and industrial depreciable tangible personal property pursuant to federal law applicable to air carrier transportation property or Nebraska federal court decisions applicable thereto.

(c) For purposes of this subsection, commercial and industrial depreciable tangible personal property means all personal property which is devoted to commercial or industrial use other than flight equipment of air carriers.

(3) The Property Tax Administrator shall, for tax years prior to tax year 2020, multiply the valuation of each air carrier by the compensating exemption factor calculated in section 77-1238.
amended to read:

77-1327 (1) It is the intent of the Legislature that accurate and comprehensive information be developed by the Property Tax Administrator and made accessible to the taxing officials and property owners in order to ensure the uniformity and proportionality of the assessments of real property valuations in the state in accordance with law and to provide the statistical and narrative reports pursuant to section 77-5027.

(2) All transactions of real property for which the statement required in section 76-214 is filed shall be available for development of a sales file by the Property Tax Administrator. All transactions with stated consideration of more than one hundred dollars or upon which more than two dollars and twenty-five cents in documentary stamp taxes are paid shall be considered sales. All sales shall be deemed to be arm's length transactions unless determined to be otherwise under professionally accepted mass appraisal techniques. The Department of Revenue shall not overturn a determination made by a county assessor regarding the qualification of a sale unless the department reviews the sale and determines through the review that the determination made by the county assessor is incorrect.

(3) The Property Tax Administrator annually shall make and issue comprehensive assessment ratio studies of the average level of assessment, the degree of assessment uniformity, and the overall compliance with assessment requirements for each major class of real property subject to the property tax in each county. The comprehensive assessment ratio studies shall be developed in compliance with professionally accepted mass appraisal techniques and shall employ such statistical analysis as deemed appropriate by the Property Tax Administrator, including measures of central tendency and dispersion. The comprehensive assessment ratio studies shall be based upon the sales file as developed in subsection (2) of this section and shall be used by the Property Tax Administrator for the analysis of the level of value and
quality of assessment for purposes of section 77-5027 and by the Property Tax Administrator in establishing the adjusted valuations required by section 79-1016. Such studies may also be used by assessing officials in establishing assessed valuations.

(4) For purposes of determining the level of value of agricultural and horticultural land subject to special valuation under sections 77-1343 to 77-1347.01, the Property Tax Administrator shall annually make and issue a comprehensive study developed in compliance with professionally accepted mass appraisal techniques to establish the level of value if in his or her opinion the level of value cannot be developed through the use of the comprehensive assessment ratio studies developed in subsection (3) of this section.

(5) County assessors and other taxing officials shall electronically report data on the assessed valuation and other features of the property assessment process for such periods and in such form and content as the Property Tax Administrator shall deem appropriate. The Property Tax Administrator shall so construct and maintain the system used to collect and analyze the data to enable him or her to make intracounty comparisons of assessed valuation, including school districts and other political subdivisions, as well as intercounty comparisons of assessed valuation, including school districts and other political subdivisions. The Property Tax Administrator shall include analysis of real property sales pursuant to land contracts and similar transfers at the time of execution of the contract or similar transfer.

Sec. 19. Section 77-2602, Reissue Revised Statutes of Nebraska, is amended to read:

77-2602 (1) Every stamping agent engaged in distributing or selling cigarettes at wholesale in this state shall pay to the Tax Commissioner of this state a special privilege tax. This shall be in addition to all other taxes. It shall be paid prior to or at the time of the sale, gift, or delivery to the retail dealer in the several amounts as follows: On
each package of cigarettes containing not more than twenty cigarettes, two dollars and fourteen sixty-four cents per package; and on packages containing more than twenty cigarettes, the same tax as provided on packages containing not more than twenty cigarettes for the first twenty cigarettes in each package and a tax of one-twentieth of the tax on the first twenty cigarettes on each cigarette in excess of twenty cigarettes in each package.

(2) Beginning October 1, 2004, the State Treasurer shall place the equivalent of forty-nine cents of such tax in the General Fund. The State Treasurer shall reduce the amount placed in the General Fund under this subsection by the amount prescribed in subdivision (3)(d) of this section. For purposes of this section, the equivalent of a specified amount number of cents of the tax shall mean that portion of the proceeds of the tax equal to the specified amount number divided by the tax rate per package of cigarettes containing not more than twenty cigarettes.

(3) The State Treasurer shall distribute the remaining proceeds of such tax in the following order:

(a) First, beginning July 1, 1980, the State Treasurer shall place the equivalent of one cent of such tax in the Nebraska Outdoor Recreation Development Cash Fund. For fiscal year distributions occurring after FY1998-99, the distribution under this subdivision shall not be less than the amount distributed under this subdivision for FY1997-98. Any money needed to increase the amount distributed under this subdivision to the FY1997-98 amount shall reduce the distribution to the General Fund;

(b) Second, beginning July 1, 1993, the State Treasurer shall place the equivalent of three cents of such tax in the Health and Human Services Cash Fund to carry out sections 81-637 to 81-640. For fiscal year distributions occurring after FY1998-99, the distribution under this subdivision shall not be less than the amount distributed under this subdivision for FY1997-98. Any money needed to increase the amount distributed under this subdivision to the FY1997-98 amount shall reduce
the distribution to the General Fund;

(c) Third, beginning October 1, 2002, and continuing until all the purposes of the Deferred Building Renewal Act have been fulfilled, the State Treasurer shall place the equivalent of seven cents of such tax in the Building Renewal Allocation Fund. The distribution under this subdivision shall not be less than the amount distributed under this subdivision for FY1997-98. Any money needed to increase the amount distributed under this subdivision to the FY1997-98 amount shall reduce the distribution to the General Fund;

(d) Fourth, until July 1, 2009, the State Treasurer shall place in the Municipal Infrastructure Redevelopment Fund the sum of five hundred twenty thousand dollars each fiscal year to carry out the Municipal Infrastructure Redevelopment Fund Act. The Legislature shall appropriate the sum of five hundred twenty thousand dollars each year for fiscal year 2003-04 through fiscal year 2008-09;

(e) Fifth, beginning July 1, 2001, and continuing until June 30, 2008, the State Treasurer shall place the equivalent of two cents of such tax in the Information Technology Infrastructure Fund. The distribution under this subdivision shall not be less than two million fifty thousand dollars. Any money needed to increase the amount distributed under this subdivision to two million fifty thousand dollars shall reduce the distribution to the General Fund;

(f) Sixth, beginning July 1, 2001, and continuing until June 30, 2016, the State Treasurer shall place one million dollars each fiscal year in the City of the Primary Class Development Fund. If necessary, the State Treasurer shall reduce the distribution of tax proceeds to the General Fund pursuant to subsection (2) of this section by such amount required to fulfill the one million dollars to be distributed pursuant to this subdivision;

(g) Seventh, beginning July 1, 2001, and continuing until June 30, 2016, the State Treasurer shall place one million five hundred thousand
dollars each fiscal year in the City of the Metropolitan Class Development Fund. If necessary, the State Treasurer shall reduce the
distribution of tax proceeds to the General Fund pursuant to subsection
(2) of this section by such amount required to fulfill the one million
five hundred thousand dollars to be distributed pursuant to this
subdivision;

(h) Eighth, beginning July 1, 2008, and continuing until June 30, 2009, the State Treasurer shall place the equivalent of two million fifty thousand dollars of such tax in the Nebraska Public Safety Communication System Cash Fund. Beginning July 1, 2009, and continuing until June 30, 2016, the State Treasurer shall place the equivalent of two million five hundred seventy thousand dollars of such tax in the Nebraska Public Safety Communication System Cash Fund. Beginning July 1, 2016, and every fiscal year thereafter, the State Treasurer shall place the equivalent of three million eight hundred twenty thousand dollars of such tax in the Nebraska Public Safety Communication System Cash Fund. If necessary, the State Treasurer shall reduce the distribution of tax proceeds to the General Fund pursuant to subsection (2) of this section by such amount required to fulfill the distribution pursuant to this subdivision; and

(i) Ninth, beginning July 1, 2016, and every fiscal year thereafter, the State Treasurer shall place the equivalent of one million two hundred fifty thousand dollars of such tax in the Nebraska Health Care Cash Fund. If necessary, the State Treasurer shall reduce the distribution of tax proceeds to the General Fund pursuant to subsection (2) of this section by such amount required to fulfill the distribution pursuant to this subdivision; and

(j) Tenth, beginning January 1, 2020, the State Treasurer shall place the equivalent of one dollar and fifty cents of such tax in the Property Tax Credit Cash Fund.

(4) If, after distributing the proceeds of such tax pursuant to subsections (2) and (3) of this section, any proceeds of such tax remain,
the State Treasurer shall place such remainder in the Nebraska Capital Construction Fund.

(5) The Legislature hereby finds and determines that the projects funded from the Municipal Infrastructure Redevelopment Fund and the Building Renewal Allocation Fund are of critical importance to the State of Nebraska. It is the intent of the Legislature that the allocations and appropriations made by the Legislature to such funds or, in the case of allocations for the Municipal Infrastructure Redevelopment Fund, to the particular municipality's account not be reduced until all contracts and securities relating to the construction and financing of the projects or portions of the projects funded from such funds or accounts of such funds are completed or paid or, in the case of the Municipal Infrastructure Redevelopment Fund, the earlier of such date or July 1, 2009, and that until such time any reductions in the cigarette tax rate made by the Legislature shall be simultaneously accompanied by equivalent reductions in the amount dedicated to the General Fund from cigarette tax revenue. Any provision made by the Legislature for distribution of the proceeds of the cigarette tax for projects or programs other than those to (a) the General Fund, (b) the Nebraska Outdoor Recreation Development Cash Fund, (c) the Health and Human Services Cash Fund, (d) the Municipal Infrastructure Redevelopment Fund, (e) the Building Renewal Allocation Fund, (f) the Information Technology Infrastructure Fund, (g) the City of the Primary Class Development Fund, (h) the City of the Metropolitan Class Development Fund, (i) the Nebraska Public Safety Communication System Cash Fund, and (j) the Nebraska Health Care Cash Fund, and (k) the Property Tax Credit Cash Fund shall not be made a higher priority than or an equal priority to any of the programs or projects specified in subdivisions (a) through (k) (j) of this subsection.

Sec. 20. Section 77-2701, Reissue Revised Statutes of Nebraska, is amended to read:

77-2701 Sections 77-2701 to 77-27,135.01, 77-27,222, 77-27,235,
Sec. 21. (1) For taxable years beginning or deemed to begin on or after January 1, 2020, under the Internal Revenue Code of 1986, as amended, there is hereby imposed a surtax upon any individual who:

(a) Is subject to state income taxes under the Nebraska Revenue Act of 1967; and

(b) Has federal adjusted gross income for the taxable year of (i) five hundred thousand dollars or more for individuals whose federal filing status is married filing jointly or (ii) two hundred fifty thousand dollars or more for individuals with any other federal filing status.

(2) The surtax shall be in addition to any other taxes owed under the Nebraska Revenue Act of 1967 and shall be equal to the individual’s state income tax liability multiplied by a rate of seven and eighty-four hundredths percent.

(3) The surtax shall be collected when the individual files his or her individual income tax return. The Tax Commissioner shall adjust the income tax forms to include the calculation of the surtax.

(4) The Tax Commissioner may adopt and promulgate rules and regulations to carry out this section.

Sec. 22. Section 77-2701.02, Reissue Revised Statutes of Nebraska, is amended to read:

77-2701.02 Pursuant to section 77-2715.01:

(1) Until July 1, 1998, the rate of the sales tax levied pursuant to section 77-2703 shall be five percent;

(2) Commencing July 1, 1998, and until July 1, 1999, the rate of the sales tax levied pursuant to section 77-2703 shall be four and one-half percent;

(3) Commencing July 1, 1999, and until the start of the first calendar quarter after July 20, 2002, the rate of the sales tax levied
pursuant to section 77-2703 shall be five percent; and

(4) Commencing on the start of the first calendar quarter after July 20, 2002, and until January 1, 2020, the rate of the sales tax levied pursuant to section 77-2703 shall be five and one-half percent; and

(5) Commencing January 1, 2020, the rate of the sales tax levied pursuant to section 77-2703 shall be six percent.

Sec. 23. Section 77-2701.16, Reissue Revised Statutes of Nebraska, is amended to read:

77-2701.16 (1) Gross receipts means the total amount of the sale or lease or rental price, as the case may be, of the retail sales of
retailers.

(2) Gross receipts of every person engaged as a public utility specified in this subsection, as a community antenna television service operator, or as a satellite service operator or any person involved in connecting and installing services defined in subdivision (2)(a), (b), or (d) of this section means:

(a)(i) In the furnishing of telephone communication service, other than mobile telecommunications service as described in section 77-2703.04, the gross income received from furnishing ancillary services, except for conference bridging services, and intrastate telecommunications services, except for value-added, nonvoice data service.

(ii) In the furnishing of mobile telecommunications service as described in section 77-2703.04, the gross income received from furnishing mobile telecommunications service that originates and terminates in the same state to a customer with a place of primary use in Nebraska;

(b) In the furnishing of telegraph service, the gross income received from the furnishing of intrastate telegraph services;

(c)(i) In the furnishing of gas, sewer, water, and electricity service, other than electricity service to a customer-generator as
defined in section 70-2002, the gross income received from the furnishing of such services upon billings or statements rendered to consumers for such utility services.

(ii) In the furnishing of electricity service to a customer-generator as defined in section 70-2002, the net energy use upon billings or statements rendered to customer-generators for such electricity service;

(d) In the furnishing of community antenna television service or satellite service, the gross income received from the furnishing of such community antenna television service as regulated under sections 18-2201 to 18-2205 or 23-383 to 23-388 or satellite service; and

(e) The gross income received from the provision, installation, construction, servicing, or removal of property used in conjunction with the furnishing, installing, or connecting of any public utility services specified in subdivision (2)(a) or (b) of this section or community antenna television service or satellite service specified in subdivision (2)(d) of this section, except when acting as a subcontractor for a public utility, this subdivision does not apply to the gross income received by a contractor electing to be treated as a consumer of building materials under subdivision (2) or (3) of section 77-2701.10 for any such services performed on the customer's side of the utility demarcation point.

(3) Gross receipts of every person engaged in selling, leasing, or otherwise providing intellectual or entertainment property means:

(a) In the furnishing of computer software, the gross income received, including the charges for coding, punching, or otherwise producing any computer software and the charges for the tapes, disks, punched cards, or other properties furnished by the seller; and

(b) In the furnishing of videotapes, movie film, satellite programming, satellite programming service, and satellite television signal descrambling or decoding devices, the gross income received from
the license, franchise, or other method establishing the charge.

(4) Gross receipts for providing a service means:

(a) The gross income received for building cleaning and maintenance, pest control, and security;

(b) The gross income received for motor vehicle washing, waxing, towing, and painting;

(c) The gross income received for computer software training;

(d) The gross income received for installing and applying tangible personal property if the sale of the property is subject to tax. If any or all of the charge for installation is free to the customer and is paid by a third-party service provider to the installer, any tax due on that part of the activation commission, finder’s fee, installation charge, or similar payment made by the third-party service provider shall be paid and remitted by the third-party service provider;

(e) The gross income received for services of recreational vehicle parks;

(f) The gross income received for labor for repair or maintenance services performed with regard to tangible personal property the sale of which would be subject to sales and use taxes, excluding motor vehicles, except as otherwise provided in section 77-2704.26 or 77-2704.50;

(g) The gross income received for animal specialty and pet-related services, including, but not limited to, except (i) veterinary services, (ii) specialty services performed on livestock as defined in section 54-183, and (iii) animal grooming performed by a licensed veterinarian or a licensed veterinary technician in conjunction with medical treatment; and

(h) The gross income received for detective services;

(i) The gross income received for the cleaning of clothing;

(j) The gross income received for storage and moving services;

(k) The gross income received for ride-sharing services;

(l) The gross income received for personal care services, including
hair care, massages, tanning services, nail services, spa services, and
tattoo services;

(m) The gross income received for maintenance, painting, repair, and
interior decoration services for single-family housing;

(n) The gross income received for limousine, taxi, and other
transportation services;

(o) The gross income received for the services of travel agents and
tour operators and for online travel services;

(p) The gross income received for lawn care, gardening, and
landscaping services;

(q) The gross income received for parking services;

(r) The gross income received for swimming pool cleaning and
maintenance services;

(s) The gross income received for dating and escort services;

(t) The gross income received for instruction in music, dance, golf,
and other recreational activities; and

(u) The gross income received for telefloral delivery services.

(5) Gross receipts includes the sale of admissions. When an
admission to an activity or a membership constituting an admission is
combined with the solicitation of a contribution, the portion or the
amount charged representing the fair market price of the admission shall
be considered a retail sale subject to the tax imposed by section
77-2703. The organization conducting the activity shall determine the
amount properly attributable to the purchase of the privilege, benefit,
or other consideration in advance, and such amount shall be clearly
indicated on any ticket, receipt, or other evidence issued in connection
with the payment.

(6) Gross receipts includes the sale of live plants incorporated
into real estate except when such incorporation is incidental to the
transfer of an improvement upon real estate or the real estate.

(7) Gross receipts includes the sale of any building materials
annexed to real estate by a person electing to be taxed as a retailer pursuant to subdivision (1) of section 77-2701.10.

(8) Gross receipts includes the sale of and recharge of prepaid calling service and prepaid wireless calling service.

(9) Gross receipts includes the retail sale of digital audio works, digital audiovisual works, digital codes, and digital books delivered electronically if the products are taxable when delivered on tangible storage media. A sale includes the transfer of a permanent right of use, the transfer of a right of use that terminates on some condition, and the transfer of a right of use conditioned upon the receipt of continued payments.

(10) Gross receipts does not include:

(a) The amount of any rebate granted by a motor vehicle or motorboat manufacturer or dealer at the time of sale of the motor vehicle or motorboat, which rebate functions as a discount from the sales price of the motor vehicle or motorboat; or

(b) The price of property or services returned or rejected by customers when the full sales price is refunded either in cash or credit.

Sec. 24. Section 77-2704.24, Reissue Revised Statutes of Nebraska, is amended to read:

77-2704.24 (1) Sales and use taxes shall not be imposed on the gross receipts from the sale, lease, or rental of and the storage, use, or other consumption in this state of food or food ingredients except for prepared food and food sold through vending machines.

(2) For purposes of this section:

(a) Alcoholic beverages means beverages that are suitable for human consumption and contain one-half of one percent or more of alcohol by volume;

(b) Dietary supplement means any product, other than tobacco, intended to supplement the diet that contains one or more of the following dietary ingredients: (i) A vitamin, (ii) a mineral, (iii) an
herb or other botanical, (iv) an amino acid, (v) a dietary substance for use by humans to supplement the diet by increasing the total dietary intake, or (vi) a concentrate, metabolite, constituent, extract, or combination of any ingredients described in subdivisions (2)(b)(i) through (v) of this section; that is intended for ingestion in tablet, capsule, powder, softgel, gelcap, or liquid form or, if not intended for ingestion in such a form, is not presented as conventional food and is not represented for use as a sole item of a meal or of the diet; and that is required to be labeled as a dietary supplement, identifiable by the supplemental facts box found on the label and as required pursuant to 21 C.F.R. 101.36, as such regulation existed on January 1, 2003;

(c) Food and food ingredients means substances, whether in liquid, concentrated, solid, frozen, dried, or dehydrated form, that are sold for ingestion or chewing by humans and are consumed for their taste or nutritional value. Food and food ingredients does not include alcoholic beverages, dietary supplements, e.g. tobacco, candy, soft drinks, or bottled water;

(d) Food sold through vending machines means food that is dispensed from a machine or other mechanical device that accepts payment;

(e) Prepared food means:

(i) Food sold with eating utensils provided by the seller, including plates, knives, forks, spoons, glasses, cups, napkins, or straws. A plate does not include a container or packaging used to transport the food; or

(ii) Two or more food ingredients mixed or combined by the seller for sale as a single item and food sold in a heated state or heated by the seller, except:

(A) Food that is only cut, repackaged, or pasteurized by the seller;

(B) Eggs, fish, meat, poultry, and foods containing these raw animal foods requiring cooking by the consumer as recommended by the federal Food and Drug Administration in chapter 3, part 401.11 of its Food Code, as it existed on January 1, 2003, so as to prevent food borne illnesses;
(C) Food sold by a seller whose proper primary North American Industry Classification System classification is manufacturing in sector 311, except subsector 3118, bakeries;

(D) Food sold in an unheated state by weight or volume as a single item;

(E) Bakery items, including bread, rolls, buns, biscuits, bagels, croissants, pastries, donuts, danish, cakes, tortes, pies, tarts, muffins, bars, cookies, and tortillas; and

(F) Food that ordinarily requires additional cooking to finish the product to its desired final condition; and

(f) Tobacco means cigarettes, cigars, chewing or pipe tobacco, or any other item that contains tobacco.

Sec. 25. Section 77-2715, Reissue Revised Statutes of Nebraska, is amended to read:

77-2715 (1) A tax is hereby imposed for each taxable year on the entire income of every resident individual and on the income of every nonresident individual and partial-year resident individual which is derived from sources within this state, except that any individual who has additions to adjusted gross income pursuant to section 77-2716 of less than five thousand dollars shall not have an individual income tax liability after nonrefundable credits under the Nebraska Revenue Act of 1967 that exceeds his or her individual income tax liability before credits under the Internal Revenue Code of 1986.

(2)(a) For taxable years beginning or deemed to begin before January 1, 2014, the tax for each resident individual shall be a percentage of such individual's federal adjusted gross income as modified in sections 77-2716 and 77-2716.01, plus a percentage of the federal alternative minimum tax and the federal tax on premature or lump-sum distributions from qualified retirement plans. The additional taxes shall be recomputed by (i) substituting Nebraska taxable income for federal taxable income, (ii) calculating what the federal alternative minimum tax would be on
Nebraska taxable income and adjusting such calculations for any items which are reflected differently in the determination of federal taxable income, and (iii) applying Nebraska rates to the result. The federal credit for prior year minimum tax, after the recomputations required by the act, shall be allowed as a reduction in the income tax due.

(b) For taxable years beginning or deemed to begin on or after January 1, 2014, and before January 1, 2020, the tax for each resident individual shall be a percentage of such individual's federal adjusted gross income as modified in sections 77-2716 and 77-2716.01, plus a percentage of the federal tax on premature or lump-sum distributions from qualified retirement plans. The additional taxes shall be recomputed by substituting Nebraska taxable income for federal taxable income and applying Nebraska rates to the result.

(c) For taxable years beginning or deemed to begin on or after January 1, 2020, the tax for each resident individual shall be a percentage of such individual's federal adjusted gross income as modified in sections 77-2716 and 77-2716.01, plus a percentage of the federal alternative minimum tax and the federal tax on premature or lump-sum distributions from qualified retirement plans. The additional taxes shall be recomputed by (i) substituting Nebraska taxable income for federal taxable income, (ii) calculating what the federal alternative minimum tax would be on Nebraska taxable income and adjusting such calculations for any items which are reflected differently in the determination of federal taxable income, and (iii) applying Nebraska rates to the result. The federal credit for prior year minimum tax, after the recomputations required by the Nebraska Revenue Act of 1967, shall be allowed as a reduction in the income tax due.

(3) The tax for each nonresident individual and partial-year resident individual shall be the portion of the tax imposed on resident individuals which is attributable to the income derived from sources within this state. The tax which is attributable to income derived from
sources within this state shall be determined by subtracting from the
liability to this state for a resident individual with the same total
income the credit for personal exemptions and multiplying the result by a
fraction, the numerator of which is the nonresident individual's or
partial-year resident individual's Nebraska adjusted gross income as
determined by section 77-2733 or 77-2733.01 and the denominator of which
is his or her total federal adjusted gross income, after first adjusting
each by the amounts provided in section 77-2716. If this determination
attributes more or less tax than is reasonably attributable to income
derived from sources within this state, the taxpayer may petition for or
the Tax Commissioner may require the employment of any other method to
attribute an amount of tax which is reasonable and equitable in the
circumstances.

(4) The tax for each estate and trust, other than trusts taxed as
corporations under the Internal Revenue Code of 1986, shall be as
determined under section 77-2717.

(5) A refund shall be allowed to the extent that the income tax paid
by the individual, estate, or trust for the taxable year exceeds the
income tax payable, except that no refund shall be made in any amount
less than two dollars.

Sec. 26. Section 77-2715.07, Reissue Revised Statutes of Nebraska,
is amended to read:

77-2715.07 (1) There shall be allowed to qualified resident
individuals as a nonrefundable credit against the income tax imposed by
the Nebraska Revenue Act of 1967:

(a) A credit equal to the federal credit allowed under section 22 of
the Internal Revenue Code; and

(b) A credit for taxes paid to another state as provided in section
77-2730.

(2) There shall be allowed to qualified resident individuals against
the income tax imposed by the Nebraska Revenue Act of 1967:
(a) For returns filed reporting federal adjusted gross incomes of greater than twenty-nine thousand dollars, a nonrefundable credit equal to twenty-five percent of the federal credit allowed under section 21 of the Internal Revenue Code of 1986, as amended, except that for taxable years beginning or deemed to begin on or after January 1, 2015, such nonrefundable credit shall be allowed only if the individual would have received the federal credit allowed under section 21 of the code after adding back in any carryforward of a net operating loss that was deducted pursuant to such section in determining eligibility for the federal credit;

(b) For returns filed reporting federal adjusted gross income of twenty-nine thousand dollars or less, a refundable credit equal to a percentage of the federal credit allowable under section 21 of the Internal Revenue Code of 1986, as amended, whether or not the federal credit was limited by the federal tax liability. The percentage of the federal credit shall be one hundred percent for incomes not greater than twenty-two thousand dollars, and the percentage shall be reduced by ten percent for each one thousand dollars, or fraction thereof, by which the reported federal adjusted gross income exceeds twenty-two thousand dollars, except that for taxable years beginning or deemed to begin on or after January 1, 2015, such refundable credit shall be allowed only if the individual would have received the federal credit allowed under section 21 of the code after adding back in any carryforward of a net operating loss that was deducted pursuant to such section in determining eligibility for the federal credit;

(c) A refundable credit as provided in section 77-5209.01 for individuals who qualify for an income tax credit as a qualified beginning farmer or livestock producer under the Beginning Farmer Tax Credit Act for all taxable years beginning or deemed to begin on or after January 1, 2006, under the Internal Revenue Code of 1986, as amended;

(d) A refundable credit for individuals who qualify for an income
tax credit under the Angel Investment Tax Credit Act, the Nebraska Advantage Microenterprise Tax Credit Act, the Nebraska Advantage Research and Development Act, or the Volunteer Emergency Responders Incentive Act; and

(e)(i) (e) A refundable credit equal to:

(A) Ten percent of the federal credit allowed under section 32 of the Internal Revenue Code of 1986, as amended, for taxable years beginning or deemed to begin before January 1, 2020; and

(B) Fifteen percent of the federal credit allowed under section 32 of the Internal Revenue Code of 1986, as amended, for taxable years beginning or deemed to begin on or after January 1, 2020.

(ii) For except that for taxable years beginning or deemed to begin on or after January 1, 2015, the such refundable credit provided in subdivision (2)(e)(i) of this section shall be allowed only if the individual would have received the federal credit allowed under section 32 of the code after adding back in any carryforward of a net operating loss that was deducted pursuant to such section in determining eligibility for the federal credit; and

(f) For taxable years beginning or deemed to begin on or after January 1, 2020, under the Internal Revenue Code of 1986, as amended, a refundable credit for individuals who rent their primary residence in an amount equal to two percent of the rent paid by the individual during the taxable year for such primary residence, not to exceed five hundred dollars.

(3) There shall be allowed to all individuals as a nonrefundable credit against the income tax imposed by the Nebraska Revenue Act of 1967:

(a) A credit for personal exemptions allowed under section 77-2716.01;

(b) A credit for contributions to certified community betterment programs as provided in the Community Development Assistance Act. Each
partner, each shareholder of an electing subchapter S corporation, each
beneficiary of an estate or trust, or each member of a limited liability
corporation shall report his or her share of the credit in the same manner
and proportion as he or she reports the partnership, subchapter S
corporation, estate, trust, or limited liability company income;

(c) A credit for investment in a biodiesel facility as provided in
section 77-27,236;

(d) A credit as provided in the New Markets Job Growth Investment
Act;

(e) A credit as provided in the Nebraska Job Creation and Mainstreet
Revitalization Act;

(f) A credit to employers as provided in section 77-27,238; and

(g) A credit as provided in the Affordable Housing Tax Credit Act.

(4) There shall be allowed as a credit against the income tax
imposed by the Nebraska Revenue Act of 1967:

(a) A credit to all resident estates and trusts for taxes paid to
another state as provided in section 77-2730;

(b) A credit to all estates and trusts for contributions to
certified community betterment programs as provided in the Community
Development Assistance Act; and

(c) A refundable credit for individuals who qualify for an income
tax credit as an owner of agricultural assets under the Beginning Farmer
Tax Credit Act for all taxable years beginning or deemed to begin on or
after January 1, 2009, under the Internal Revenue Code of 1986, as
amended. The credit allowed for each partner, shareholder, member, or
beneficiary of a partnership, corporation, limited liability company, or
estate or trust qualifying for an income tax credit as an owner of
agricultural assets under the Beginning Farmer Tax Credit Act shall be
equal to the partner's, shareholder's, member's, or beneficiary's portion
of the amount of tax credit distributed pursuant to subsection (4) of
section 77-5211.
(5)(a) For all taxable years beginning on or after January 1, 2007, and before January 1, 2009, under the Internal Revenue Code of 1986, as amended, there shall be allowed to each partner, shareholder, member, or beneficiary of a partnership, subchapter S corporation, limited liability company, or estate or trust a nonrefundable credit against the income tax imposed by the Nebraska Revenue Act of 1967 equal to fifty percent of the partner's, shareholder's, member's, or beneficiary's portion of the amount of franchise tax paid to the state under sections 77-3801 to 77-3807 by a financial institution.

(b) For all taxable years beginning on or after January 1, 2009, under the Internal Revenue Code of 1986, as amended, there shall be allowed to each partner, shareholder, member, or beneficiary of a partnership, subchapter S corporation, limited liability company, or estate or trust a nonrefundable credit against the income tax imposed by the Nebraska Revenue Act of 1967 equal to the partner's, shareholder's, member's, or beneficiary's portion of the amount of franchise tax paid to the state under sections 77-3801 to 77-3807 by a financial institution.

(c) Each partner, shareholder, member, or beneficiary shall report his or her share of the credit in the same manner and proportion as he or she reports the partnership, subchapter S corporation, limited liability company, or estate or trust income. If any partner, shareholder, member, or beneficiary cannot fully utilize the credit for that year, the credit may not be carried forward or back.

(6) There shall be allowed to all individuals nonrefundable credits against the income tax imposed by the Nebraska Revenue Act of 1967 as provided in section 77-3604 and refundable credits against the income tax imposed by the Nebraska Revenue Act of 1967 as provided in section 77-3605.

Sec. 27. Section 77-2715.09, Reissue Revised Statutes of Nebraska, is amended to read:

77-2715.09 (1) This section applies to taxable years beginning or
deemed to begin before January 1, 2020.

(2) Every resident individual may elect under this section to subtract from federal adjusted gross income, or for trusts qualifying under subdivision (3)(c) (2)(c) of this section from taxable income, the extraordinary dividends paid on and the capital gain from the sale or exchange of capital stock of a corporation acquired by the individual (a) on account of employment by such corporation or (b) while employed by such corporation.

(3)(a) (2)(a) Each individual shall be entitled to one election under subsection (2) (1) of this section during his or her lifetime for the capital stock of one corporation.

(b) The election shall apply to subsequent extraordinary dividends paid and sales and exchanges in a taxable year if the dividend is received on, or the sale or exchange is of, capital stock in the same corporation and such capital stock was acquired as provided in subsection (2) (1) of this section.

(c) After the individual makes an election, such election shall apply to extraordinary dividends paid on, and the sale or exchange of, capital stock of the corporation transferred by int vivos gift from the individual to his or her spouse or issue or a trust for the benefit of the individual's spouse or issue if such capital stock was acquired as provided in subsection (2) (1) of this section. This subdivision shall apply, in the case of the spouse, only if the spouse was married to such individual on the date of the extraordinary dividend or sale or exchange or the date of death of the individual.

(d) If the individual dies without making an election, the surviving spouse or, if there is no surviving spouse, the oldest surviving issue may make the election for capital stock that would have qualified under subdivision (c) of this subsection.

(4) (3) An election under subsection (2) (1) of this section shall be made by including a written statement with the taxpayer's Nebraska
income tax return or an amended return for the taxable year for which the
election is made. The written statement shall identify the corporation
that issued the stock and the grounds for the election under this section
and shall state that the taxpayer elects to have this section apply.

Sec. 28. Section 77-2716, Reissue Revised Statutes of Nebraska, is
amended to read:

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

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

(ii) There shall be subtracted interest received by the owner of
obligations of the State of Nebraska or its political subdivisions or
authorities which are Build America Bonds to the extent includable in
gross income for federal income tax purposes;

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

(c) There shall be added interest or dividends received by the owner
of obligations of the District of Columbia, other states of the United
States, or their political subdivisions, authorities, commissions, or
instrumentalities to the extent excluded in the computation of gross
income for federal income tax purposes except that such interest or
dividends shall not be added if received by a corporation which is a
regulated investment company;
(d) There shall be added that portion of the total dividends and other income received from a regulated investment company which is attributable to obligations described in subdivision (c) of this subsection and excluded for federal income tax purposes as reported to the recipient by the regulated investment company; and

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

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

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

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

(4) For taxable years beginning or deemed to begin before January 1, 2020, under the Internal Revenue Code of 1986, as amended, federal adjusted gross income, or, for a fiduciary, federal taxable income shall be modified to exclude the portion of the income or loss received from a small business corporation with an election in effect under subchapter S of the Internal Revenue Code or from a limited liability company organized pursuant to the Nebraska Uniform Limited Liability Company Act that is not derived from or connected with Nebraska sources as determined in section 77-2734.01.

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

(6) There shall be subtracted from federal taxable income a portion of the income earned by a corporation subject to the Internal Revenue Code of 1986 that is actually taxed by a foreign country or one of its political subdivisions at a rate in excess of the maximum federal tax rate for corporations. The taxpayer may make the computation for each foreign country or for groups of foreign countries. The portion of the taxes that may be deducted shall be computed in the following manner:

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

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

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

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

(8)(a) Federal adjusted gross income or, for corporations and fiduciaries, federal taxable income shall be reduced, to the extent included, by income from interest, earnings, and state contributions received from the Nebraska educational savings plan trust created in sections 85-1801 to 85-1814 and any account established under the achieving a better life experience program as provided in sections 77-1401 to 77-1409.

(b) Federal adjusted gross income or, for corporations and fiduciaries, federal taxable income shall be reduced by any contributions as a participant in the Nebraska educational savings plan trust or contributions to an account established under the achieving a better life experience program made for the benefit of a beneficiary as provided in sections 77-1401 to 77-1409, to the extent not deducted for federal income tax purposes, but not to exceed five thousand dollars per married filing separate return or ten thousand dollars for any other return. With respect to a qualified rollover within the meaning of section 529 of the Internal Revenue Code from another state's plan, any interest, earnings, and state contributions received from the other state's educational savings plan which is qualified under section 529 of the code shall qualify for the reduction provided in this subdivision. For contributions by a custodian of a custodial account including rollovers from another custodial account, the reduction shall only apply to funds added to the custodial account after January 1, 2014.

(c) Federal adjusted gross income or, for corporations and fiduciaries, federal taxable income shall be increased by:
(i) The amount resulting from the cancellation of a participation agreement refunded to the taxpayer as a participant in the Nebraska educational savings plan trust to the extent previously deducted under subdivision (8)(b) of this section; and

(ii) The amount of any withdrawals by the owner of an account established under the achieving a better life experience program as provided in sections 77-1401 to 77-1409 for nonqualified expenses to the extent previously deducted under subdivision (8)(b) of this section.

(9)(a) For income tax returns filed after September 10, 2001, for taxable years beginning or deemed to begin before January 1, 2006, under the Internal Revenue Code of 1986, as amended, federal adjusted gross income or, for corporations and fiduciaries, federal taxable income shall be increased by eighty-five percent of any amount of any federal bonus depreciation received under the federal Job Creation and Worker Assistance Act of 2002 or the federal Jobs and Growth Tax Act of 2003, under section 168(k) or section 1400L of the Internal Revenue Code of 1986, as amended, for assets placed in service after September 10, 2001, and before December 31, 2005.

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

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

(d) The amount of bonus depreciation added to federal adjusted gross income or, for corporations and fiduciaries, federal taxable income by
this subsection shall be subtracted in a later taxable year. Twenty percent of the total amount of bonus depreciation added back by this subsection for tax years beginning or deemed to begin before January 1, 2003, under the Internal Revenue Code of 1986, as amended, may be subtracted in the first taxable year beginning or deemed to begin on or after January 1, 2005, under the Internal Revenue Code of 1986, as amended, and twenty percent in each of the next four following taxable years. Twenty percent of the total amount of bonus depreciation added back by this subsection for tax years beginning or deemed to begin on or after January 1, 2003, may be subtracted in the first taxable year beginning or deemed to begin on or after January 1, 2006, under the Internal Revenue Code of 1986, as amended, and twenty percent in each of the next four following taxable years.

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

(11)(a) For taxable years beginning or deemed to begin before January 1, 2018, under the Internal Revenue Code of 1986, as amended, federal adjusted gross income shall be reduced by contributions, up to two thousand dollars per married filing jointly return or one thousand dollars for any other return, and any investment earnings made as a
participant in the Nebraska long-term care savings plan under the Long-Term Care Savings Plan Act, to the extent not deducted for federal income tax purposes.

(b) For taxable years beginning or deemed to begin before January 1, 2018, under the Internal Revenue Code of 1986, as amended, federal adjusted gross income shall be increased by the withdrawals made as a participant in the Nebraska long-term care savings plan under the act by a person who is not a qualified individual or for any reason other than transfer of funds to a spouse, long-term care expenses, long-term care insurance premiums, or death of the participant, including withdrawals made by reason of cancellation of the participation agreement, to the extent previously deducted as a contribution or as investment earnings.

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

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

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

(ii) For taxpayers filing any other return, federal adjusted gross income is forty-three thousand dollars or less.

(b) For taxable years beginning or deemed to begin on or after January 1, 2020, under the Internal Revenue Code of 1986, as amended, the Tax Commissioner shall adjust the dollar amounts provided in subdivisions (13)(a)(i) and (ii) of this section by the same percentage used to adjust individual income tax brackets under subsection (3) of section 77-2715.03.
(14) For taxable years beginning or deemed to begin on or after January 1, 2015, under the Internal Revenue Code of 1986, as amended, an individual may make a one-time election within two calendar years after the date of his or her retirement from the military to exclude income received as a military retirement benefit by the individual to the extent included in federal adjusted gross income and as provided in this subsection. The individual may elect to exclude forty percent of his or her military retirement benefit income for seven consecutive taxable years beginning with the year in which the election is made or may elect to exclude fifteen percent of his or her military retirement benefit income for all taxable years beginning with the year in which he or she turns sixty-seven years of age. For purposes of this subsection, military retirement benefit means retirement benefits that are periodic payments attributable to service in the uniformed services of the United States for personal services performed by an individual prior to his or her retirement.

Sec. 29. Section 77-2716.01, Reissue Revised Statutes of Nebraska, is amended to read:

77-2716.01 (1)(a) Through tax year 2017, every individual shall be allowed to subtract from his or her income tax liability an amount for personal exemptions. The amount allowed to be subtracted shall be the credit amount for the year as provided in this subdivision multiplied by the number of exemptions allowed on the federal return. For tax year 1993, the credit amount shall be sixty-five dollars; for tax year 1994, the credit amount shall be sixty-nine dollars; for tax year 1995, the credit amount shall be sixty-nine dollars; for tax year 1996, the credit amount shall be seventy-two dollars; for tax year 1997, the credit amount shall be eighty-six dollars; for tax year 1998, the credit amount shall be eighty-eight dollars; for tax year 1999, and each year thereafter through tax year 2017, the credit amount shall be adjusted for inflation by the method provided in section 151 of the Internal Revenue Code of
1986, as it existed prior to December 22, 2017. The eighty-eight-dollar credit amount shall be adjusted for cumulative inflation since 1998. If any credit amount is not an even dollar amount, the amount shall be rounded to the nearest dollar. For nonresident individuals and partial-year resident individuals, the personal exemption credit shall be subtracted as specified in subsection (3) of section 77-2715.

(b) Beginning with tax year 2018, every individual, except an individual that can be claimed for a child credit or dependent credit on the federal return of another taxpayer, shall be allowed to subtract from his or her income tax liability an amount for personal exemptions. The amount allowed to be subtracted shall be the credit amount for the year as provided in this subdivision multiplied by the sum of the number of child credits and dependent credits taken on the federal return, plus two for a married filing jointly return or plus one for a single or head of household return. For tax year 2018, the credit amount shall be one hundred thirty-four dollars. For tax year 2019 and each tax year thereafter, the credit amount shall be adjusted for inflation based on the percentage change in the Consumer Price Index for All Urban Consumers published by the federal Bureau of Labor Statistics from the twelve months ending on August 31, 2017, to the twelve months ending on August 31 of the year preceding the taxable year. If any credit amount is not an even dollar amount, the amount shall be rounded to the nearest dollar. For nonresident individuals and partial-year resident individuals, the personal exemption credit shall be subtracted as specified in subsection (3) of section 77-2715.

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

(b) For tax years beginning or deemed to begin on or after January 1, 2007, and before January 1, 2018, under the Internal Revenue Code of 1986, as amended, every individual who did not itemize deductions on his or her federal return shall be allowed to subtract from federal adjusted gross income a standard deduction based on the filing status used on the federal return. The standard deduction shall be the smaller of the federal standard deduction actually allowed or (i) for single taxpayers three thousand dollars and (ii) for head of household taxpayers four thousand four hundred dollars. The standard deduction for married filing jointly taxpayers shall be double the standard deduction for single taxpayers, and for married filing separately taxpayers, the standard deduction shall be the same as single taxpayers. Taxpayers who are allowed additional federal standard deduction amounts because of age or blindness shall be allowed an increase in the Nebraska standard deduction for each additional amount allowed on the federal return. The additional amounts shall be for married taxpayers six hundred dollars and for single or head of household taxpayers seven hundred fifty dollars. The amounts in this subdivision will be indexed using 1987 as the base year.

(c) For tax years beginning or deemed to begin on or after January
1, 2007, and before January 1, 2018, the standard deduction amounts, including the additional standard deduction amounts, in this subsection shall be adjusted for inflation by the method provided in section 151 of the Internal Revenue Code of 1986, as it existed prior to December 22, 2017. If any amount is not a multiple of fifty dollars, the amount shall be rounded to the next lowest multiple of fifty dollars.

(3)(a) For tax years beginning or deemed to begin on or after January 1, 2018, every individual who did not itemize deductions on his or her federal return shall be allowed to subtract from federal adjusted gross income a standard deduction based on the filing status used on the federal return. The standard deduction shall be the smaller of the federal standard deduction actually allowed or (i) six thousand seven hundred fifty dollars for single taxpayers and (ii) nine thousand nine hundred dollars for head of household taxpayers. The standard deduction for married filing jointly taxpayers shall be double the standard deduction for single taxpayers, and the standard deduction for married filing separately taxpayers shall be the same as the standard deduction for single taxpayers. Taxpayers who are allowed additional federal standard deduction amounts because of age or blindness shall be allowed an increase in the Nebraska standard deduction for each additional amount allowed on the federal return. The additional amounts shall be one thousand three hundred dollars for married taxpayers and one thousand six hundred dollars for single or head of household taxpayers.

(b) For tax years beginning or deemed to begin on or after January 1, 2019, the standard deduction amounts, including the additional standard deduction amounts, in this subsection shall be adjusted for inflation based on the percentage change in the Consumer Price Index for All Urban Consumers published by the federal Bureau of Labor Statistics from the twelve months ending on August 31, 2017, to the twelve months ending on August 31 of the year preceding the taxable year. If any amount is not a multiple of fifty dollars, the amount shall be rounded to the
next lowest multiple of fifty dollars.

(4) Every individual who itemized deductions on his or her federal return shall be allowed to subtract from federal adjusted gross income the greater of either the standard deduction allowed in this section or his or her federal itemized deductions as defined in section 63(d) of the Internal Revenue Code of 1986, as amended, except for the amount for state or local income taxes included in federal itemized deductions before any federal disallowance.

Sec. 30. Section 77-2717, Reissue Revised Statutes of Nebraska, is amended to read:

77-2717 (1)(a)(i) For taxable years beginning or deemed to begin before January 1, 2014, the tax imposed on all resident estates and trusts shall be a percentage of the federal taxable income of such estates and trusts as modified in section 77-2716, plus a percentage of the federal alternative minimum tax and the federal tax on premature or lump-sum distributions from qualified retirement plans. The additional taxes shall be recomputed by (A) substituting Nebraska taxable income for federal taxable income, (B) calculating what the federal alternative minimum tax would be on Nebraska taxable income and adjusting such calculations for any items which are reflected differently in the determination of federal taxable income, and (C) applying Nebraska rates to the result. The federal credit for prior year minimum tax, after the recomputations required by the Nebraska Revenue Act of 1967, and the credits provided in the Nebraska Advantage Microenterprise Tax Credit Act and the Nebraska Advantage Research and Development Act shall be allowed as a reduction in the income tax due. A refundable income tax credit shall be allowed for all resident estates and trusts under the Angel Investment Tax Credit Act, the Nebraska Advantage Microenterprise Tax Credit Act, and the Nebraska Advantage Research and Development Act. A nonrefundable income tax credit shall be allowed for all resident estates and trusts as provided in the New Markets Job Growth Investment Act.
(ii) For taxable years beginning or deemed to begin on or after January 1, 2014, and before January 1, 2020, the tax imposed on all resident estates and trusts shall be a percentage of the federal taxable income of such estates and trusts as modified in section 77-2716, plus a percentage of the federal tax on premature or lump-sum distributions from qualified retirement plans. The additional taxes shall be recomputed by substituting Nebraska taxable income for federal taxable income and applying Nebraska rates to the result. The credits provided in the Nebraska Advantage Microenterprise Tax Credit Act and the Nebraska Advantage Research and Development Act shall be allowed as a reduction in the income tax due. A refundable income tax credit shall be allowed for all resident estates and trusts under the Angel Investment Tax Credit Act, the Nebraska Advantage Microenterprise Tax Credit Act, and the Nebraska Advantage Research and Development Act. A nonrefundable income tax credit shall be allowed for all resident estates and trusts as provided in the Nebraska Job Creation and Mainstreet Revitalization Act, the New Markets Job Growth Investment Act, the School Readiness Tax Credit Act, the Affordable Housing Tax Credit Act, and section 77-27,238.

(iii) For taxable years beginning or deemed to begin on or after January 1, 2020, the tax imposed on all resident estates and trusts shall be a percentage of the federal taxable income of such estates and trusts as modified in section 77-2716, plus a percentage of the federal alternative minimum tax and the federal tax on premature or lump-sum distributions from qualified retirement plans. The additional taxes shall be recomputed by (A) substituting Nebraska taxable income for federal taxable income, (B) calculating what the federal alternative minimum tax would be on Nebraska taxable income and adjusting such calculations for any items which are reflected differently in the determination of federal taxable income, and (C) applying Nebraska rates to the result. The federal credit for prior year minimum tax, after the recomputations required by the Nebraska Revenue Act of 1967, shall be allowed as a
reduction in the income tax due. A refundable income tax credit shall be
allowed for all resident estates and trusts under the Angel Investment
Tax Credit Act, the Nebraska Advantage Microenterprise Tax Credit Act,
and the Nebraska Advantage Research and Development Act. A nonrefundable
income tax credit shall be allowed for all resident estates and trusts as
provided in the Nebraska Job Creation and Mainstreet Revitalization Act,
the New Markets Job Growth Investment Act, the School Readiness Tax
Credit Act, the Affordable Housing Tax Credit Act, and section 77-27,238.

(b) The tax imposed on all nonresident estates and trusts shall be
the portion of the tax imposed on resident estates and trusts which is
attributable to the income derived from sources within this state. The
tax which is attributable to income derived from sources within this
state shall be determined by multiplying the liability to this state for
a resident estate or trust with the same total income by a fraction, the
numerator of which is the nonresident estate's or trust's Nebraska income
as determined by sections 77-2724 and 77-2725 and the denominator of
which is its total federal income after first adjusting each by the
amounts provided in section 77-2716. The federal credit for prior year
minimum tax, after the recomputations required by the Nebraska Revenue
Act of 1967, reduced by the percentage of the total income which is
attributable to income from sources outside this state, and the credits
provided in the Nebraska Advantage Microenterprise Tax Credit Act and the
Nebraska Advantage Research and Development Act shall be allowed as a
reduction in the income tax due. A refundable income tax credit shall be
allowed for all nonresident estates and trusts under the Angel Investment
Tax Credit Act, the Nebraska Advantage Microenterprise Tax Credit Act,
and the Nebraska Advantage Research and Development Act. A nonrefundable
income tax credit shall be allowed for all nonresident estates and trusts
as provided in the Nebraska Job Creation and Mainstreet Revitalization
Act, the New Markets Job Growth Investment Act, the School Readiness Tax
Credit Act, the Affordable Housing Tax Credit Act, and section 77-27,238.
(2) In all instances wherein a fiduciary income tax return is required under the provisions of the Internal Revenue Code, a Nebraska fiduciary return shall be filed, except that a fiduciary return shall not be required to be filed regarding a simple trust if all of the trust's beneficiaries are residents of the State of Nebraska, all of the trust's income is derived from sources in this state, and the trust has no federal tax liability. The fiduciary shall be responsible for making the return for the estate or trust for which he or she acts, whether the income be taxable to the estate or trust or to the beneficiaries thereof. The fiduciary shall include in the return a statement of each beneficiary's distributive share of net income when such income is taxable to such beneficiaries.

(3) The beneficiaries of such estate or trust who are residents of this state shall include in their income their proportionate share of such estate's or trust's federal income and shall reduce their Nebraska tax liability by their proportionate share of the credits as provided in the Angel Investment Tax Credit Act, the Nebraska Advantage Microenterprise Tax Credit Act, the Nebraska Advantage Research and Development Act, the Nebraska Job Creation and Mainstreet Revitalization Act, the New Markets Job Growth Investment Act, the School Readiness Tax Credit Act, the Affordable Housing Tax Credit Act, and section 77-27,238. There shall be allowed to a beneficiary a refundable income tax credit under the Beginning Farmer Tax Credit Act for all taxable years beginning or deemed to begin on or after January 1, 2001, under the Internal Revenue Code of 1986, as amended.

(4) If any beneficiary of such estate or trust is a nonresident during any part of the estate's or trust's taxable year, he or she shall file a Nebraska income tax return which shall include (a) in Nebraska adjusted gross income that portion of the estate's or trust's Nebraska income, as determined under sections 77-2724 and 77-2725, allocable to his or her interest in the estate or trust and (b) a reduction of the
Nebraska tax liability by his or her proportionate share of the credits as provided in the Angel Investment Tax Credit Act, the Nebraska Advantage Microenterprise Tax Credit Act, the Nebraska Advantage Research and Development Act, the Nebraska Job Creation and Mainstreet Revitalization Act, the New Markets Job Growth Investment Act, the School Readiness Tax Credit Act, the Affordable Housing Tax Credit Act, and section 77-27,238 and shall execute and forward to the fiduciary, on or before the original due date of the Nebraska fiduciary return, an agreement which states that he or she will file a Nebraska income tax return and pay income tax on all income derived from or connected with sources in this state, and such agreement shall be attached to the Nebraska fiduciary return for such taxable year.

(5) In the absence of the nonresident beneficiary's executed agreement being attached to the Nebraska fiduciary return, the estate or trust shall remit a portion of such beneficiary's income which was derived from or attributable to Nebraska sources with its Nebraska return for the taxable year. For taxable years beginning or deemed to begin before January 1, 2013, the amount of remittance, in such instance, shall be the highest individual income tax rate determined under section 77-2715.02 multiplied by the nonresident beneficiary's share of the estate or trust income which was derived from or attributable to sources within this state. For taxable years beginning or deemed to begin on or after January 1, 2013, the amount of remittance, in such instance, shall be the highest individual income tax rate determined under section 77-2715.03 multiplied by the nonresident beneficiary's share of the estate or trust income which was derived from or attributable to sources within this state. The amount remitted shall be allowed as a credit against the Nebraska income tax liability of the beneficiary.

(6) The Tax Commissioner may allow a nonresident beneficiary to not file a Nebraska income tax return if the nonresident beneficiary's only source of Nebraska income was his or her share of the estate's or trust's
income which was derived from or attributable to sources within this
state, the nonresident did not file an agreement to file a Nebraska
income tax return, and the estate or trust has remitted the amount
required by subsection (5) of this section on behalf of such nonresident
beneficiary. The amount remitted shall be retained in satisfaction of the
Nebraska income tax liability of the nonresident beneficiary.

(7) For purposes of this section, unless the context otherwise
requires, simple trust shall mean any trust instrument which (a) requires
that all income shall be distributed currently to the beneficiaries, (b)
does not allow amounts to be paid, permanently set aside, or used in the
tax year for charitable purposes, and (c) does not distribute amounts
allocated in the corpus of the trust. Any trust which does not qualify as
a simple trust shall be deemed a complex trust.

(8) For purposes of this section, any beneficiary of an estate or
trust that is a grantor trust of a nonresident shall be disregarded and
this section shall apply as though the nonresident grantor was the
beneficiary.

Sec. 31. Section 77-2734.01, Reissue Revised Statutes of Nebraska,
is amended to read:

77-2734.01 (1)(a) For taxable years beginning or deemed to begin
before January 1, 2020, residents (1) Residents of Nebraska who are
shareholders of a small business corporation having an election in effect
under subchapter S of the Internal Revenue Code or who are members of a
limited liability company organized pursuant to the Nebraska Uniform
Limited Liability Company Act shall include in their Nebraska taxable
income, to the extent includable in federal gross income, their
proportionate share of such corporation's or limited liability company's
federal income adjusted pursuant to this section. Income or loss from
such corporation or limited liability company conducting a business,
trade, profession, or occupation shall be included in the Nebraska
taxable income of a shareholder or member who is a resident of this state
to the extent of such shareholder's or member's proportionate share of
the net income or loss from the conduct of such business, trade,
profession, or occupation within this state, determined under subsection
(2) of this section. A resident of Nebraska shall include in Nebraska
taxable income fair compensation for services rendered to such
corporation or limited liability company. Compensation actually paid
shall be presumed to be fair unless it is apparent to the Tax
Commissioner that such compensation is materially different from fair
value for the services rendered or has been manipulated for tax avoidance
purposes.

(b) For taxable years beginning or deemed to begin on or after
January 1, 2020, residents of Nebraska who are shareholders of a small
business corporation having an election in effect under subchapter S of
the Internal Revenue Code or who are members of a limited liability
company organized pursuant to the Nebraska Uniform Limited Liability
Company Act shall include in their Nebraska taxable income, to the extent
includable in federal gross income, their proportionate share of such
corporation's or limited liability company's federal income. A resident
of Nebraska shall include in Nebraska taxable income fair compensation
for services rendered to such corporation or limited liability company.
Compensation actually paid shall be presumed to be fair unless it is
apparent to the Tax Commissioner that such compensation is materially
different from fair value for the services rendered or has been
manipulated for tax avoidance purposes.

(2) The income of any small business corporation having an election
in effect under subchapter S of the Internal Revenue Code or limited
liability company organized pursuant to the Nebraska Uniform Limited
Liability Company Act that is derived from or connected with Nebraska
sources shall be determined in the following manner:

(a) If the small business corporation is a member of a unitary
group, the small business corporation shall be deemed to be doing
business within this state if any part of its income is derived from transactions with other members of the unitary group doing business within this state, and such corporation shall apportion its income by using the apportionment factor determined for the entire unitary group, including the small business corporation, under sections 77-2734.05 to 77-2734.15;

(b) If the small business corporation or limited liability company is not a member of a unitary group and is subject to tax in another state, it shall apportion its income under sections 77-2734.05 to 77-2734.15; and

(c) If the small business corporation or limited liability company is not subject to tax in another state, all of its income is derived from or connected with Nebraska sources.

(3) Nonresidents of Nebraska who are shareholders of such corporations or members of such limited liability companies shall file a Nebraska income tax return and shall include in Nebraska adjusted gross income their proportionate share of the corporation's or limited liability company's Nebraska income as determined under subsection (2) of this section.

(4) The nonresident shareholder or member shall execute and forward to the corporation or limited liability company before the filing of the corporation's or limited liability company's return an agreement which states he or she will file a Nebraska income tax return and pay the tax on the income derived from or connected with sources in this state, and such agreement shall be attached to the corporation's or limited liability company's Nebraska return for such taxable year.

(5) For taxable years beginning or deemed to begin before January 1, 2013, in the absence of the nonresident shareholder's or member's executed agreement being attached to the Nebraska return, the corporation or limited liability company shall remit with the return an amount equal to the highest individual income tax rate determined under section
77-2715.02 multiplied by the nonresident shareholder's or member's share
of the corporation's or limited liability company's income which was
derived from or attributable to this state. For taxable years beginning
or deemed to begin on or after January 1, 2013, in the absence of the
nonresident shareholder's or member's executed agreement being attached
to the Nebraska return, the corporation or limited liability company
shall remit with the return an amount equal to the highest individual
income tax rate determined under section 77-2715.03 multiplied by the
nonresident shareholder's or member's share of the corporation's or
limited liability company's income which was derived from or attributable
to this state. The amount remitted shall be allowed as a credit against
the Nebraska income tax liability of the shareholder or member.

(6) The Tax Commissioner may allow a nonresident individual
shareholder or member to not file a Nebraska income tax return if the
nonresident individual shareholder's or member's only source of Nebraska
income was his or her share of the small business corporation's or
limited liability company's income which was derived from or attributable
to sources within this state, the nonresident did not file an agreement
to file a Nebraska income tax return, and the small business corporation
or limited liability company has remitted the amount required by
subsection (5) of this section on behalf of such nonresident individual
shareholder or member. The amount remitted shall be retained in
satisfaction of the Nebraska income tax liability of the nonresident
individual shareholder or member.

(7) A small business corporation or limited liability company return
shall be filed only if one or more of the shareholders of the corporation
or members of the limited liability company are not residents of the
State of Nebraska or if such corporation or limited liability company has
income derived from sources outside this state.

(8) For purposes of this section, any shareholder or member of the
corporation or limited liability company that is a grantor trust of a
nonresident shall be disregarded and this section shall apply as though the nonresident grantor was the shareholder or member.

Sec. 32. Section 77-27,132, Reissue Revised Statutes of Nebraska, is amended to read:

77-27,132 (1) There is hereby created a fund to be designated the Revenue Distribution Fund which shall be set apart and maintained by the Tax Commissioner. Revenue not required to be credited to the General Fund or any other specified fund may be credited to the Revenue Distribution Fund. Credits and refunds of such revenue shall be paid from the Revenue Distribution Fund. The balance of the amount credited, after credits and refunds, shall be allocated as provided by the statutes creating such revenue.

(2) The Tax Commissioner shall pay to a depository bank designated by the State Treasurer all amounts collected under the Nebraska Revenue Act of 1967. The Tax Commissioner shall present to the State Treasurer bank receipts showing amounts so deposited in the bank, and of the amounts so deposited the State Treasurer shall:

(a) For transactions occurring on or after October 1, 2014, and before October 1, 2022, credit to the Game and Parks Commission Capital Maintenance Fund all of the proceeds of the sales and use taxes imposed pursuant to section 77-2703 on the sale or lease of motorboats as defined in section 37-1204, personal watercraft as defined in section 37-1204.01, all-terrain vehicles as defined in section 60-103, and utility-type vehicles as defined in section 60-135.01;

(b) Credit to the Highway Trust Fund all of the proceeds of the sales and use taxes derived from the sale or lease for periods of more than thirty-one days of motor vehicles, trailers, and semitrailers, except that the proceeds equal to any sales tax rate provided for in section 77-2701.02 that is in excess of five and one-half percent derived from the sale or lease for periods of more than thirty-one days of motor vehicles, trailers, and semitrailers shall be credited to the Highway
Allocation Fund;

(c) For transactions occurring on or after July 1, 2013, and before July 1, 2033, of the proceeds of the sales and use taxes derived from transactions other than those listed in subdivisions (2)(a) and (b) of this section from a sales tax rate of one-quarter of one percent, credit monthly eighty-five percent to the State Highway Capital Improvement Fund and fifteen percent to the Highway Allocation Fund; and

(d) Of the proceeds of the sales and use taxes derived from transactions other than those listed in subdivisions (2)(a) and (b) of this section, credit to the Property Tax Credit Cash Fund the amount certified under section 77-27,237, if any such certification is made; and

(e) Credit to the Property Tax Credit Cash Fund an amount equal to the net increase in state sales and use tax revenue and state income tax revenue received as a result of the changes made by this legislative bill, minus the increase in funds paid to school districts pursuant to the Tax Equity and Educational Opportunities Support Act as a result of the changes made by this legislative bill, minus any appropriations made to pay for the School Financing Review Commission created in section 39 of this act, and minus the increase in reimbursements for special education as a result of the changes made by this legislative bill. The amount to be credited under this subdivision shall be determined annually by the Tax Commissioner.

The balance of all amounts collected under the Nebraska Revenue Act of 1967 shall be credited to the General Fund.

Sec. 33. Section 77-4001, Reissue Revised Statutes of Nebraska, is amended to read:

77-4001 Sections 77-4001 to 77-4025 and section 36 of this act shall be known and may be cited as the Tobacco Products Tax Act.

Sec. 34. Section 77-4002, Reissue Revised Statutes of Nebraska, is amended to read:
77-4002 For purposes of the Tobacco Products Tax Act, unless the context otherwise requires, the definitions found in sections 77-4003 to 77-4007 and section 36 of this act shall be used.

Sec. 35. Section 77-4007, Reissue Revised Statutes of Nebraska, is amended to read:

77-4007 Tobacco products shall mean (1) cigars, (2) cheroots, (3) stogies, (4) periques, (5) granulated, plug cut, crimp cut, ready rubbed, and other smoking tobacco, (6) snuff, (7) snuff flour, (8) cavendish, (9) plug and twist tobacco, (10) fine cut and other chewing tobacco, (11) shorts, refuse scraps, clippings, cuttings, and sweepings of tobacco, and (12) other kinds and forms of tobacco, prepared in such manner as to be suitable for chewing or smoking in a pipe or otherwise or both for chewing and smoking, and (13) vapor products, except that tobacco products shall not mean cigarettes as defined in section 77-2601.

Sec. 36. Vapor product means any noncombustible product containing nicotine that employs a heating element, power source, electronic circuit, or other electronic, chemical, or mechanical means, regardless of shape or size, that can be used to produce vapor from nicotine in a solution or other form. Vapor product includes any electronic cigarette, electronic cigar, electronic cigarillo, electronic pipe, or similar product or device and any vapor cartridge or other container of nicotine in a solution or other form that is intended to be used with or in an electronic cigarette, electronic cigar, electronic cigarillo, electronic pipe, or similar product or device. Vapor product does not include any product regulated as a drug or device by the United States Food and Drug Administration under Chapter V of the federal Food, Drug, and Cosmetic Act.

Sec. 37. Section 77-4025, Reissue Revised Statutes of Nebraska, is amended to read:

77-4025 There is hereby created a cash fund in the Department of Revenue to be known as the Tobacco Products Administration Cash Fund. All
revenue collected or received by the Tax Commissioner from the license
fees and taxes imposed by the Tobacco Products Tax Act shall be remitted
to the State Treasurer for credit to the Tobacco Products Administration
Cash Fund, except that all revenue collected or received from the taxes
imposed on vapor products shall be remitted to the State Treasurer for
credit to the Property Tax Credit Cash Fund. All costs required for
administration of the Tobacco Products Tax Act shall be paid from such
fund. Credits and refunds allowed under the act shall be paid from the
Tobacco Products Administration Cash Fund. Any receipts, after credits
and refunds, in excess of the amounts sufficient to cover the costs of
administration may be transferred to the General Fund at the direction of
the Legislature. Any money in the Tobacco Products Administration Cash
Fund available for investment shall be invested by the state investment
officer pursuant to the Nebraska Capital Expansion Act and the Nebraska
State Funds Investment Act.

Sec. 38. Section 79-1005.01, Revised Statutes Cumulative Supplement, 2018, is amended to read:

79-1005.01 (1) Not later than November 15 of each year, the Tax
Commissioner shall certify to the department for the preceding tax year
the income tax liability of resident individuals for each local system.

(2) For school fiscal years prior to 2017-18, one hundred two
million two hundred eighty-nine thousand eight hundred seventeen dollars
which is equal to the amount appropriated to the School District Income
Tax Fund for distribution in school fiscal year 1992-93 shall be
disbursed as option payments as determined under section 79-1009 and as
allocated income tax funds as determined in this section and sections
79-1008.01, 79-1015.01, 79-1017.01, and 79-1018.01, except as provided in
section 79-1008.02 for school fiscal years prior to school fiscal year
2017-18. For school fiscal years prior to school fiscal year 2017-18,
funds not distributed as allocated income tax funds due to minimum levy
adjustments shall not increase the amount available to local systems for
distribution as allocated income tax funds.

(3) Using the data certified by the Tax Commissioner pursuant to subsection (1) of this section, the department shall calculate the allocation percentage and each local system's allocated income tax funds. The allocation percentage shall be the amount stated in subsection (2) of this section minus the total amount paid for option students pursuant to section 79-1009, with the difference divided by the aggregate statewide income tax liability of all resident individuals certified pursuant to subsection (1) of this section. Each local system's allocated income tax funds shall be calculated by multiplying the allocation percentage times the local system's income tax liability certified pursuant to subsection (1) of this section.

(4) For school fiscal years 2017-18 through 2019-20 and each school fiscal year thereafter, each local system's allocated income tax funds shall be calculated by multiplying the local system's income tax liability certified pursuant to subsection (1) of this section by two and twenty-three hundredths percent.

(5) For school fiscal year 2020-21 and each school fiscal year thereafter, each local system's allocated income tax funds shall be calculated by multiplying the local system's income tax liability certified pursuant to subsection (1) of this section by twenty percent.

Sec. 39. (1) The School Financing Review Commission is created. The commission shall consist of eighteen members, including: (a) Three members of the Legislature, including one member of the Revenue Committee of the Legislature, one member of the Education Committee of the Legislature, and one member of the Appropriations Committee of the Legislature, appointed by the Executive Board of the Legislative Council; (b) the Property Tax Administrator or his or her designee, who shall be a nonvoting, ex officio member; (c) the council director of the Educational Service Unit Coordinating Council; (d) the Commissioner of Education or his or her designee; (e) a representative of the Governor selected by the
Governor; (f) two members representing postsecondary education with expertise in the area of school finance; (g) two members who reside in a Class III school district, one of whom shall be a school administrator and one of whom shall be a school board member; (h) two members who reside in a Class IV school district, one of whom shall be a school administrator and one of whom shall be a school board member; (i) two members who reside in a Class V school district, one of whom shall be a school administrator and one of whom shall be a school board member; and (j) three members from the state at large, one from each congressional district, who reside in school districts of varied sizes and with varying percentages of limited English proficiency students and poverty students. At least one of the members appointed pursuant to this subdivision shall have experience in the teaching profession in public schools, at least one shall have experience in business, and at least one shall have experience in agriculture-related business.

(2) The members described in subdivisions (1)(f) through (j) of this section shall be appointed by the Commissioner of Education to serve through December 31, 2026. To the extent possible, the membership of the commission shall be diverse in terms of race, gender, and other demographic factors. Vacancies shall be filled by the Commissioner of Education for the remainder of the term. The Commissioner of Education or his or her designee shall be the chairperson of the commission, and the commission shall elect a vice-chairperson from among its members. Members of the commission shall not receive any compensation for their services but shall be reimbursed for their actual and necessary expenses incurred as members of the commission as provided in sections 81-1174 to 81-1177.

(3) The commission shall cease to exist on December 31, 2026, unless extended by the Legislature.

(4) For administrative purposes, the commission shall be housed within the State Department of Education.

Sec. 40. (1) The School Financing Review Commission shall conduct
an in-depth review of the financing of the public elementary and
secondary schools. The commission shall:

(a) Examine the option of using income as a component in the
financing of schools;

(b) Examine the option of using sales tax as a component in the
financing of schools, including, but not limited to, an examination of
the experience of any other states with such option;

(c) Examine financing methods used in other states which offer
alternatives to heavy reliance on property tax;

(d) Examine financing issues as they relate to the quality and
performance of the schools;

(e) Examine options for funding expanded prekindergarten services;

(f) Examine options for funding college-readiness and career-
readiness programs, including, but not limited to, programs of
excellence, dual-enrollment courses, and career academies;

(g) Examine the costs and resources necessary to educate poverty
students and limited English proficiency students;

(h) Examine methods used by other states to fund kindergarten
through twelfth grade infrastructure needs;

(i) Examine other issues related to public elementary and secondary
school finance as necessary and as determined by the chairperson;

(j) Prepare a report on the progress of the work of the commission
and submit it electronically to the Legislature on or before December 31,
2020; and

(k) Prepare a preliminary report and present it to the Legislative
Council in November 2021. A final report with recommendations on
maintaining adequate and equitable funding for public schools in light of
information gathered through the review shall be presented to the
Governor, the State Board of Education, and the Legislature by December
1, 2021.

(2) On and after December 1, 2021, to assure that every Nebraskan is
educated for success, the commission shall:

(a) Review the mission of providing Nebraskans the opportunity to acquire the necessary skills and knowledge to be productive individuals;

(b) Review, make recommendations on, and report on the progress of the goals established by the Legislature and the State Department of Education. The committee may solicit comments, concerns, and case studies from all sizes of schools in Nebraska and develop best practices for implementing and achieving such goals; and

(c) Review the implementation of the Tax Equity and Educational Opportunities Support Act and the implementation of any recommendations contained in reports issued under section 41 of this act.

Sec. 41. On or before July 1 of each even-numbered year beginning in 2022, the School Financing Review Commission shall report to the Governor, to the State Board of Education, and electronically to the Legislature on the adequacy of school funding sources. The State Department of Education and the staff of the Revenue Committee, the Education Committee, and the Appropriations Committee of the Legislature, with the consent of the chairpersons of such committees, may assist as needed and requested by the chairperson of the commission in accordance with guidelines developed by the commission.

Sec. 42. The School Financing Review Commission may:

(1) Hire staff, including, but not limited to, consultants; and

(2) Obtain assistance from the State Department of Education and the Department of Revenue in acquiring data needed to carry out its duties.

Sec. 43. It is the intent of the Legislature to appropriate at least one hundred thousand dollars from the General Fund to the School Financing Review Commission to carry out its duties.

Sec. 44. Section 79-1142, Reissue Revised Statutes of Nebraska, is amended to read:

79-1142 (1) Level I services refers to services provided to children with disabilities who require an aggregate of not more than three hours
per week of special education services and support services and includes all administrative, diagnostic, consultative, and vocational-adjustment counselor services.

(2) The total statewide reimbursement for allowable reimbursable cost for support services shall not exceed ten percent of the a percentage, established by the State Board of Education, of the school district's or approved cooperative's total allowable reimbursable cost for all special education programs and support services. The percentage established by the State Board of Education for support services shall not exceed the difference of ten percent minus the total percentage of the appropriations for special education approved by the Legislature set aside for reimbursements for support services pursuant to subsection (5) of this section.

(3) For special education and support services provided in each school fiscal year, the State Department of Education shall reimburse each school district in the following school fiscal year eighty percent of the pro rata amount determined by the department. The reimbursement percentage shall be the ratio of the difference of the appropriations for special education approved by the Legislature minus the amounts set aside pursuant to subsection (5) of this section divided by the total allowable excess costs for all special education programs and support services for such school district.

(4) Cooperatives of school districts or educational service units shall also be eligible for reimbursement for cooperative programs pursuant to this section if such cooperatives or educational service units have complied with the reporting and approval requirements of section 79-1155 for cooperative programs which were offered the preceding year. The payments shall be made by the department to the school district of residence, cooperative of school districts, or educational service unit each year in a minimum of seven payments between the fifth and twentieth day of each month beginning in December. Additional payments
may be made based upon additional valid claims submitted. The State Treasurer shall, between the fifth and twentieth day of each month, notify the Director of Administrative Services of the amount of funds available in the General Fund for payment purposes. The director shall, upon receiving such certification, draw warrants against funds appropriated.

(5) On and after August 1, 2010, residential settings described in subdivision (10)(c) of section 79-215 shall be reimbursed for the educational services, including special education services and support services, provided pursuant to such subdivision on or after August 1, 2010, in an amount determined pursuant to the average per pupil cost of the service agency. Reimbursements pursuant to this section shall be made from funds set aside for such purpose within sixty days after receipt of a reimbursement request submitted in the manner required by the department and including any documentation required by the department for educational services that have been provided, except that if there are not any funds available for the remainder of the state fiscal year for such reimbursements, the reimbursement shall occur within thirty days after the beginning of the immediately following state fiscal year. The department may audit any required documentation and subtract any payments made in error from future reimbursements. The State Board of Education shall set aside separate amounts from the appropriations for special education approved by the Legislature for reimbursements pursuant to this subsection for students receiving special education services and for students receiving support services for each state fiscal year. The amounts set aside for each purpose shall be based on estimates of the reimbursements to be requested during the state fiscal year and shall not be less than the total amount of reimbursements requested in the prior state fiscal year plus any unpaid requests from the prior state fiscal year.

Sec. 45. Section 79-1144, Revised Statutes Cumulative Supplement,
2018, is amended to read:

79-1144 (1) Funds shall be appropriated by the Legislature to carry out sections 79-1142 to 79-1144 and 79-1147. Such funds shall be channeled through the State Department of Education. The department is authorized to expend such funds upon proper vouchers approved by the department and warrants issued by the Director of Administrative Services for financial reimbursement to school districts, educational service units, special education cooperatives created by school districts, agencies, and parents or guardians, including (a) reimbursement pursuant to section 79-1129 for eighty percent of actual transportation expenses per year for children with disabilities a pro rata amount which shall be determined by the State Board of Education from appropriations for special education approved by the Legislature based on all actual allowable transportation costs for children with disabilities, (b) reimbursement for instructional aids and consultative, supervisory, research, and testing services to school districts, and (c) reimbursement for salaries, wages, maintenance, supplies, travel, and other expenses essential to carrying out the provisions for special education programs. Minor building modifications shall not be eligible for state reimbursement as an allowable expense. Applications for state reimbursement for actual transportation costs shall be submitted to the department annually on a date and on forms prescribed by the department. Amendments to applications for actual transportation costs shall be submitted on dates prescribed by the department during the school year in which the original application was made.

(2) Any adjustment of payments pursuant to section 79-1065 caused by the failure of a school district to meet federal spending requirements under the federal Individuals with Disabilities Education Act as such act existed on January 1, 2017, may be used by the department to reimburse the United States Department of Education in the amount of the federal funds awarded to such school district or the amount of such adjustment,
Sec. 46. Section 79-1145, Reissue Revised Statutes of Nebraska, is amended to read:

79-1145 (1) For each fiscal year prior to fiscal year 2014-15, the aggregate amount of General Funds appropriated for special education programs and support services pursuant to sections 79-1129, 79-1132, and 79-1144 shall not exceed the aggregate amount of General Funds appropriated pursuant to such sections for the previous fiscal year, increased by five percent.

(2) For fiscal year 2014-15 and each fiscal year thereafter through fiscal year 2019-20, the aggregate amount of General Funds appropriated for special education programs and support services pursuant to sections 79-1129, 79-1132, and 79-1144 shall not exceed the aggregate amount of General Funds appropriated pursuant to such sections for the previous fiscal year, increased by ten percent. For purposes of this section, for fiscal year 2016-17 the aggregate amount of General Funds appropriated for special education programs and support services pursuant to sections 79-1129, 79-1132, and 79-1144 for the previous fiscal year shall be the net amount after any decrease required pursuant to section 43-2515.

Sec. 47. Section 81-3706, Reissue Revised Statutes of Nebraska, is amended to read:

81-3706 Consideration means the monetary charge for the use of space in a hotel only if the space is one ordinarily used for accommodations. Consideration includes any intermediary fees charged by an online travel company for booking space in a hotel through such company's online platform. Consideration does and shall not include the charge for any food or beverage served or personal services rendered to the occupant of such space.

Sec. 48. Section 81-3722, Reissue Revised Statutes of Nebraska, is amended to read:

81-3722 (1) Unless otherwise specifically provided, any sales tax
on transient lodging imposed under the Nebraska Visitors Development Act is in addition to that sales tax imposed under the provisions of Chapter 77, article 27, and shall be interpreted, collected, remitted, and enforced by the Tax Commissioner under the provisions of such article. The hotel is responsible for collecting and remitting all such sales taxes, except that if the hotel space is rented through an online travel company that charges an intermediary fee for booking such space, the online travel company is responsible for collecting and remitting all such sales taxes.

(2) Any sales tax on transient lodging imposed under the Nebraska Visitors Development Act shall be due and payable to the Tax Commissioner monthly on or before the twenty-fifth day of the month next succeeding each monthly period.

Sec. 49. Sections 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 47, 48, 50, and 52 of this act become operative on January 1, 2020. Sections 44, 45, 46, and 51 of this act become operative on July 1, 2020. The other sections of this act become operative on July 1, 2019.

Sec. 50. Original sections 76-901, 76-903, 77-202, 77-382, 77-693, 77-801, 77-1116, 77-1238, 77-1248, 77-1327, 77-2602, 77-2701, 77-2701.02, 77-2701.16, 77-2704.24, 77-2715, 77-2715.07, 77-2715.09, 77-2716, 77-2716.01, 77-2717, 77-2734.01, 77-27,132, 77-4001, 77-4002, 77-4007, 77-4025, 81-3706, and 81-3722, Reissue Revised Statutes of Nebraska, and sections 44-1095, 53-150, 53-187, and 79-1005.01, Revised Statutes Cumulative Supplement, 2018, are repealed.

Sec. 51. Original sections 79-1142 and 79-1145, Reissue Revised Statutes of Nebraska, and section 79-1144, Revised Statutes Cumulative Supplement, 2018, are repealed.

Sec. 52. The following sections are outright repealed: Sections 77-2704.65 and 77-2704.67, Reissue Revised Statutes of Nebraska.
1 Sec. 53. Since an emergency exists, this act takes effect when
2 passed and approved according to law.