Hearing Date: Friday January 28, 2022
Committee On: Revenue
Introducer: Cavanaugh, J.
One Liner: Increase the earned income tax credit

Roll Call Vote - Final Committee Action:
Indefinitely postponed

Vote Results:
Aye: 7 Senators Albrecht, Briese, Flood, Friesen, Lindstrom, Linehan, Pahls
Nay: 1 Senator Bostar
Absent:
Present Not Voting:

Oral Testimony:
Proponents: Representing:
Senator John Cavanaugh Introducer
Diane Amdor Nebraska Appleseed

Opponents: Representing:
Neutral: Representing:
Rebecca Firestone OpenSky Policy Institute

Summary of purpose and/or changes:
LB951 would increase the amount of the Earned Income Tax Credit ("EITC").

The federal EITC provides a refundable tax credit to taxpayers who have earned income with AGI below a threshold amount during the taxable year. The amount of the EITC and applicable threshold amount depends on the marital status, the number of qualifying children claimed by the taxpayer, and the earned income amount of the taxpayer.

Except for nonresidents and taxpayers who file married filing separately, Nebraska generally allows a refundable credit equal to 10% of the federal EITC.

According to the Department of Revenue, the American Rescue Plan Act of 2021 made several temporary and permanent changes to the EITC. The Department concluded that the temporary changes for tax year 2021 and the permanent changes to the federal EITC will allow more taxpayers to qualify for the federal EITC and more taxpayers to claim higher federal EITC amounts. The federal changes will generally increase the related Nebraska earned income tax credit amounts, which will decrease Nebraska individual income tax receipts.

LB951 would increase the credit from 10% to 17% of the federal credit for tax years beginning or deemed to begin on or
after January 1, 2023.

Lou Ann Linehan, Chairperson