A BILL FOR AN ACT relating to law enforcement officers; to amend section 85-2603, Revised Statutes Cumulative Supplement, 2020, and section 77-2716, Revised Statutes Supplement, 2021; to provide an income tax deduction to retired law enforcement officers for health insurance premiums; to change provisions relating to a waiver of tuition for law enforcement officers; and to repeal the original sections.

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

Section 1. Section 77-2716, Revised Statutes Supplement, 2021, 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)(1) 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) 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 new 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
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) Federal adjusted gross 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.

Federal taxable 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.

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 85-1817 and any account established under the achieving a better life experience program as provided in sections 77-1401 to 77-1409.

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 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 as a 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 to the Nebraska educational savings plan trust created in sections 85-1801 to 85-1817 and any 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; and

For taxable years beginning or deemed to begin on or after January 1, 2021, under the Internal Revenue Code of 1986, as amended, federal adjusted gross income shall be reduced, to the extent included, by income from interest, earnings, and state contributions received from the Nebraska educational savings plan trust owned by the individual, 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 trust created in sections 85-1801 to 85-1817 and any 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.

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 Jobs and Growth Tax 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 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 before January 1, 2003, under the Internal Revenue Code of 1986, as amended, for assets placed in service after 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 gains or losses that are included in the federal adjusted gross income; and the participant, including withdrawals made by reason of cancellation of the participation agreement, to the extent previously deducted as a contribution or investment earnings.

(11)(a) For taxable years beginning or deemed to begin before January 1, 2018, under the Internal Revenue Code of 1986, as amended, 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.

(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 or, for corporations and fiduciaries, federal taxable income shall be increased by the amount of any capital gains or losses that are included in the federal adjusted gross income; and

(b)(i) For taxpayers filing a married filing joint return, federal adjusted gross income shall be reduced by a percentage of the social security benefits paid by a financial institution under sections 77-3801 to 77-3807 as allowed by subsection (5) of section 77-2715.07.

(b)(ii) For taxpayers filing any other return, 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.

(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 77-3861 to 77-3867 as allowed by subsection (5) of section 77-2715.07.

(13)(a) For taxable years beginning or deemed to begin on or before 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:

(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.

(c) For taxable years beginning or deemed to begin on or after January 1, 2021, under the Internal Revenue Code of 1986, as amended, a taxpayer may claim the reduction to federal adjusted gross income allowed under this subsection or the reduction to federal adjusted gross income allowed under subsection (14) of this section, whichever provides the greater reduction.

(14)(a) For taxable years beginning or deemed to begin on or after January 1, 2021, under the Internal Revenue Code of 1986, as amended, federal adjusted gross income shall be reduced by a percentage of the social security benefits that are received and included in federal adjusted gross income. The pertinent percentage shall be:

(i) Five percent for taxable years beginning or deemed to begin on or after January 1, 2021, and before January 1, 2022, under the Internal Revenue Code of 1986, as amended;

(ii) Twenty percent for taxable years beginning or deemed to begin on or after January 1, 2022, and before January 1, 2023, under the Internal Revenue Code of 1986, as amended;

(iii) Thirty percent for taxable years beginning or deemed to begin on or after January 1, 2023, and before January 1, 2024, under the Internal Revenue Code of 1986, as amended;

(iv) Forty percent for taxable years beginning or deemed to begin on or after January 1, 2024, and before January 1, 2025, under the Internal Revenue Code of 1986, as amended; and

(v) Fifty percent for taxable years beginning or deemed to begin on or after January 1, 2025, under the Internal Revenue Code of 1986, as amended.

(b) It is the intent of the Legislature to enact legislation within five years after August 28, 2021, to increase the percentage of social security benefits that are excluded under this subsection to (i) sixty percent for taxable years beginning or deemed to begin on or after January 1, 2026, and before January 1, 2027, under the Internal Revenue Code of 1986, as amended,
firefighter for cancer benefits under the Firefighter Cancer Benefits Act to
exclude one hundred percent of the military retirement benefit income received
taxable year may reduce his or her federal adjusted gross income by the amount

of health insurance premiums paid by such individual during the taxable year,

and as provided in this subdivision. 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.

(b) For taxable years beginning or deemed to begin on or after January 1,
2022, under the Internal Revenue Code of 1986, as amended, an individual may
exclude one hundred percent of the military retirement benefit income received
by such individual to the extent included in federal adjusted gross income.

(c) For purposes of this subsection, military retirement benefit means
retroactive 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. The term includes retirement
benefits described in this subdivision that are reported to the individual on:

(i) An Internal Revenue Service Form 1099-R received from the United
States Department of Defense; or

(ii) An Internal Revenue Service Form 1099-R received from the United
States Office of Personnel Management.

(16) For taxable years beginning or deemed to begin on or after January 1,
2021, under the Internal Revenue Code of 1986, as amended, federal adjusted
gross income shall be reduced by the amount received as a Segal AmeriCorps
Education Award, to the extent such amount is included in federal adjusted
gross income.

(17) For taxable years beginning or deemed to begin on or after January 1,
2022, under the Internal Revenue Code of 1986, as amended, federal adjusted
gross income shall be reduced by the amount received by the firefighter for
cancer benefits under the Firefighter Cancer Benefits Act to

(18) For taxable years beginning or deemed to begin on or after January 1,
2023, under the Internal Revenue Code of 1986, as amended, a retired individual
who was employed full time as a certified law enforcement officer for at least
twenty years and who is at least sixty years of age as of the end of the
taxable year may reduce his or her federal adjusted gross income by the amount
of health insurance premiums paid by such individual during the taxable year,
to the extent such premiums were not already deducted in determining the
individual’s federal adjusted gross income.

Sec. 2. Section 85-2603, Revised Statutes Cumulative Supplement, 2020, is
amended to read:

85-2603 (1) A law enforcement officer shall be entitled to a waiver of one
hundred thirty percent of the resident tuition charges of any state university,
state college, or community college if the officer:

(a) Maintains satisfactory performance with his or her law enforcement
agency;

(b) Meets all admission requirements of the state university, state
college, or community college; and

(c) Pursues studies leading to a degree that relates to a career in law
enforcement from an associate degree program or a baccalaureate degree program.
The officer may receive the tuition waiver for up to five years if he or
she otherwise continues to be eligible for participation.

(2) The state university, state college, or community college shall waive
one hundred thirty percent of the officer’s tuition remaining due after
subtraction of federal financial aid grants and state scholarships and
grants for an eligible law enforcement officer during the time the officer is
enrolled. To remain eligible, the officer must comply with all requirements of
the institution for continued attendance and award of an associate degree or a
baccalaureate degree.

(3) An application for the tuition waiver shall include a verification of
the law enforcement officer’s satisfactory performance as a law enforcement
officer. It shall be the responsibility of the officer to obtain a certificate
of verification from his or her superior officer in such officer’s law enforcement agency attesting to such officer’s satisfactory performance. The officer shall include the certificate of verification when applying to the state university, state college, or community college in order to obtain tuition waiver upon initial enrollment.

(4) Within forty-five days after receipt of a completed application, the state university, state college, or community college shall send written notice of the law enforcement officer’s eligibility or ineligibility for the tuition waiver. If the officer is determined not to be eligible for the tuition waiver, the notice shall include the reason or reasons for such determination and an indication that an appeal of the determination may be made pursuant to the Administrative Procedure Act.

Sec. 3. Original section 85-2603, Revised Statutes Cumulative Supplement, 2020, and section 77-2716, Revised Statutes Supplement, 2021, are repealed.