

ONE HUNDRED EIGHTH LEGISLATURE - FIRST SESSION - 2023
COMMITTEE STATEMENT
LB206

Hearing Date: Wednesday January 25, 2023
Committee On: Revenue
Introducer: von Gillern
One Liner: Change provisions relating to the taxation of partnerships

Roll Call Vote - Final Committee Action:
Advanced to General File with amendment(s)

Vote Results:

Aye: 8 Senators Bostar, Briese, Dungan, Kauth, Linehan, Murman, von Gillern, Albrecht

Nay:

Absent:

Present Not Voting:

Testimony:

Proponents:

Senator R. Brad von Gillern
Jesse Sitz
Jim Stewart
Dawn Caldwell
Korby Gilbertson
Craig Beck
John Cederberg

Representing:

Introducer
KAAPA Ethanol Holdings, LLC
Nebraska Farm Bureau
Renewable Fuels Nebraska
Nebraska Society of CPAs
Open Sky
N/A

Opponents:

Representing:

Neutral:

Representing:

* ADA Accomodation Written Testimony

Summary of purpose and/or changes:

LB 206 would change the provisions relating to the taxation of partnerships when filing an amended return. It would allow the partnership to elect to make any tax payments owed and outstanding based on the amended return on behalf of the partners. As such, the partners would not be subject to any additional taxes as a result of the partnerships amended return.

Section-by-Section Summary of LB 206:

Section 1 - Amends the language of NRS 77-2727 to provide for an exception to the exclusion of partnerships from income tax liability pursuant to the proposed subsection (5) of NRS 77-2775.

Section 2 - Amends NRS 77-2775 to add a new subsection (5). This subsection will alter the available options for how partnerships file amended returns. Under the amendment, a partnership required to file an amended return may elect to file and pay income taxes at the highest individual tax rate on behalf of the partners. If this election is made, the individual partners would not be required to file individual amended returns required due to the amendment of the partnership's income. However, the individual partners will still have their basis and other tax items treated as though the election was not made.

Explanation of amendments:

AM 138 amends Section 2 of LB 206 as it relates to the bill adding subsection 5 to NRS 77-2775 which had problematic language. Subsection (a) of this section provided that upon the election of the partnership to pay in lieu of the individual partners, the partners have no liability for "income tax, penalties, or interest arising as a result of such amended return." This language is not mirrored in the provisions for the partnership making the election which provides only that it pay the income taxes. AM 138 clarifies that a partnership making this election must pay not only the income tax, but also the penalties and interest that is applicable.

Lou Ann Linehan, Chairperson