

LEGISLATURE OF NEBRASKA
ONE HUNDRED EIGHTH LEGISLATURE
FIRST SPECIAL SESSION

LEGISLATIVE BILL 7

Introduced by Blood, 3.

Read first time July 25, 2024

Committee: Revenue

1 A BILL FOR AN ACT relating to revenue and taxation; to amend section
2 77-2715.03, Revised Statutes Supplement, 2023; section 77-2716,
3 Revised Statutes Supplement, 2023, as amended by Laws 2024, LB937,
4 section 75, Laws 2024, LB1023, section 10, Laws 2024, LB1317,
5 section 85, and Laws 2024, LB1394, section 1; and Laws 2024, LB1023,
6 sections 3 and 5; to change provisions relating to individual income
7 tax rates; to harmonize provisions; to repeal the original sections;
8 and to declare an emergency.
9 Be it enacted by the people of the State of Nebraska,

1 Section 1. Section 77-2715.03, Revised Statutes Supplement, 2023, is
2 amended to read:

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

6 Individual Income Tax Brackets and Rates

| 7 Bracket | Single | Married, | Head of | Married, | Estates | Tax |
|-----------|-------------|-----------|-----------|-----------|----------|-------|
| 8 Number | Individuals | Filing | Household | Filing | and | Rate |
| | | Jointly | | Separate | Trusts | |
| 10 1 | \$0-2,399 | \$0-4,799 | \$0-4,499 | \$0-2,399 | \$0-499 | 2.46% |
| 11 2 | \$2,400- | \$4,800- | \$4,500- | \$2,400- | \$500- | |
| 12 | 17,499 | 34,999 | 27,999 | 17,499 | 4,699 | 3.51% |
| 13 3 | \$17,500- | \$35,000- | \$28,000- | \$17,500- | \$4,700- | |
| 14 | 26,999 | 53,999 | 39,999 | 26,999 | 15,149 | 5.01% |
| 15 4 | \$27,000 | \$54,000 | \$40,000 | \$27,000 | \$15,150 | |
| 16 | and Over | and Over | and Over | and Over | and Over | 6.84% |

17 (2)(a) For taxable years beginning or deemed to begin on or after
18 January 1, 2014, and before January 1, 2025, the following brackets and
19 rates are hereby established for the Nebraska individual income tax:

20 Individual Income Tax Brackets and Rates

| 21 Bracket | Single | Married, | Head of | Married, | Estates | Tax |
|------------|-------------|-----------|-----------|-----------|----------|-------|
| 22 Number | Individuals | Filing | Household | Filing | and | Rate |
| | | Jointly | | Separate | Trusts | |
| 24 1 | \$0-2,999 | \$0-5,999 | \$0-5,599 | \$0-2,999 | \$0-499 | 2.46% |
| 25 2 | \$3,000- | \$6,000- | \$5,600- | \$3,000- | \$500- | |
| 26 | 17,999 | 35,999 | 28,799 | 17,999 | 4,699 | 3.51% |
| 27 3 | \$18,000- | \$36,000- | \$28,800- | \$18,000- | \$4,700- | Rate |
| 28 | 28,999 | 57,999 | 42,999 | 28,999 | 15,149 | Three |
| 29 4 | \$29,000 | \$58,000 | \$43,000 | \$29,000 | \$15,150 | Rate |
| 30 | and Over | and Over | and Over | and Over | and Over | Four |

1 (b) For purposes of this subsection, rate three shall be 5.01%. ÷

2 ~~(i) 5.01% for taxable years beginning or deemed to begin on or after~~
3 ~~January 1, 2014, and before January 1, 2026;~~

4 ~~(ii) 4.55% for taxable years beginning or deemed to begin on or~~
5 ~~after January 1, 2026, and before January 1, 2027; and~~

6 ~~(iii) 3.99% for taxable years beginning or deemed to begin on or~~
7 ~~after January 1, 2027.~~

8 (c) For purposes of this subsection, rate four shall be:

9 (i) 6.84% for taxable years beginning or deemed to begin on or after
10 January 1, 2014, and before January 1, 2023;

11 (ii) 6.64% for taxable years beginning or deemed to begin on or
12 after January 1, 2023, and before January 1, 2024; and

13 (iii) 5.84% for taxable years beginning or deemed to begin on or
14 after January 1, 2024, and before January 1, 2025. ÷

15 ~~(iv) 5.20% for taxable years beginning or deemed to begin on or~~
16 ~~after January 1, 2025, and before January 1, 2026;~~

17 ~~(v) 4.55% for taxable years beginning or deemed to begin on or after~~
18 ~~January 1, 2026, and before January 1, 2027; and~~

19 ~~(vi) 3.99% for taxable years beginning or deemed to begin on or~~
20 ~~after January 1, 2027.~~

21 (3)(a) For taxable years beginning or deemed to begin on or after
22 January 1, 2015, and before January 1, 2025, the minimum and maximum
23 dollar amounts for each income tax bracket provided in subsection (2) of
24 this section shall be adjusted for inflation by the percentage determined
25 under subdivision (3)(b) of this section. The rate applicable to any such
26 income tax bracket shall not be changed as part of any adjustment under
27 this subsection. The minimum and maximum dollar amounts for each income
28 tax bracket as adjusted shall be rounded to the nearest ten-dollar
29 amount. If the adjusted amount for any income tax bracket ends in a five,
30 it shall be rounded up to the nearest ten-dollar amount.

31 (b)(i) For taxable years beginning or deemed to begin on or after

1 January 1, 2015, and before January 1, 2018, the Tax Commissioner shall
 2 adjust the income tax brackets by the percentage determined pursuant to
 3 the provisions of section 1(f) of the Internal Revenue Code of 1986, as
 4 it existed prior to December 22, 2017, except that in section 1(f)(3)(B)
 5 of the code the year 2013 shall be substituted for the year 1992. For
 6 2015, the Tax Commissioner shall then determine the percent change from
 7 the twelve months ending on August 31, 2013, to the twelve months ending
 8 on August 31, 2014, and in each subsequent year, from the twelve months
 9 ending on August 31, 2013, to the twelve months ending on August 31 of
 10 the year preceding the taxable year. ~~The Tax Commissioner shall prescribe~~
 11 ~~new tax rate schedules that apply in lieu of the schedules set forth in~~
 12 ~~subsection (2) of this section.~~

13 (ii) For taxable years beginning or deemed to begin on or after
 14 January 1, 2018, and before January 1, 2025, the Tax Commissioner shall
 15 adjust the income tax brackets based on the percentage change in the
 16 Consumer Price Index for All Urban Consumers published by the federal
 17 Bureau of Labor Statistics from the twelve months ending on August 31,
 18 2016, to the twelve months ending on August 31 of the year preceding the
 19 taxable year. ~~The Tax Commissioner shall prescribe new tax rate schedules~~
 20 ~~that apply in lieu of the schedules set forth in subsection (2) of this~~
 21 ~~section.~~

22 (4)(a) For taxable years beginning or deemed to begin on or after
 23 January 1, 2025, the following brackets and rates are hereby established
 24 for the Nebraska individual income tax:

25 Individual Income Tax Brackets and Rates

| 26 | <u>Bracket</u> | <u>Single</u> | <u>Married,</u> | <u>Head of</u> | <u>Married,</u> | <u>Estates</u> | <u>Tax</u> |
|----|----------------|--------------------|------------------|------------------|------------------|----------------|---------------|
| 27 | <u>Number</u> | <u>Individuals</u> | <u>Filing</u> | <u>Household</u> | <u>Filing</u> | <u>and</u> | <u>Rate</u> |
| 28 | | | <u>Jointly</u> | | <u>Separate</u> | <u>Trusts</u> | |
| 29 | <u>1</u> | <u>\$0-2,999</u> | <u>\$0-5,599</u> | <u>\$0-5,999</u> | <u>\$0-2,999</u> | <u>\$0-499</u> | <u>Rate 1</u> |
| 30 | <u>2</u> | <u>\$3,000-</u> | <u>\$6,000-</u> | <u>\$5,600-</u> | <u>\$3,000-</u> | <u>\$500-</u> | <u>Rate 2</u> |
| 31 | | <u>17,999</u> | <u>35,999</u> | <u>28,799</u> | <u>17,999</u> | <u>4,699</u> | |

| | | | | | | | |
|---|----------|------------------|------------------|------------------|------------------|------------------|---------------|
| 1 | <u>3</u> | <u>\$18,000-</u> | <u>\$36,000-</u> | <u>\$28,800-</u> | <u>\$18,000-</u> | <u>\$4,700-</u> | <u>Rate 3</u> |
| 2 | | <u>28,999</u> | <u>57,999</u> | <u>42,999</u> | <u>28,999</u> | <u>15,149</u> | |
| 3 | <u>4</u> | <u>\$29,000-</u> | <u>\$58,000-</u> | <u>\$43,000-</u> | <u>\$29,000-</u> | <u>\$15,150-</u> | <u>Rate 4</u> |
| 4 | | <u>249,999</u> | <u>499,999</u> | <u>499,999</u> | <u>249,999</u> | <u>249,999</u> | |
| 5 | <u>5</u> | <u>\$250,000</u> | <u>\$500,000</u> | <u>\$500,000</u> | <u>\$250,000</u> | <u>\$250,000</u> | <u>Rate 5</u> |
| 6 | | <u>and Over</u> | <u>and Over</u> | <u>and Over</u> | <u>and Over</u> | <u>and Over</u> | |

7 (b) For purposes of this subsection:

8 (i) Rate 1 shall be 2.46%;

9 (ii) Rate 2 shall be 3.51%;

10 (iii) Rate 3 shall be:

11 (A) 5.01% for taxable years beginning or deemed to begin on or after
12 January 1, 2025, and before January 1, 2026;

13 (B) 4.55% for taxable years beginning or deemed to begin on or after
14 January 1, 2026, and before January 1, 2027; and

15 (C) 3.99% for taxable years beginning or deemed to begin on or after
16 January 1, 2027;

17 (iv) Rate 4 shall be:

18 (A) 5.20% for taxable years beginning or deemed to begin on or after
19 January 1, 2025, and before January 1, 2026;

20 (B) 4.55% for taxable years beginning or deemed to begin on or after
21 January 1, 2026, and before January 1, 2027; and

22 (C) 3.99% for taxable years beginning or deemed to begin on or after
23 January 1, 2027; and

24 (v) Rate 5 shall be 9.00%.

25 (5)(a) For taxable years beginning or deemed to begin on or after
26 January 1, 2026, the minimum and maximum dollar amounts for each income
27 tax bracket provided in subsection (4) of this section shall be adjusted
28 for inflation by the percentage determined under subdivision (5)(b) of
29 this section. The rate applicable to any such income tax bracket shall
30 not be changed as part of any adjustment under this subsection. The
31 minimum and maximum dollar amounts for each income tax bracket as

1 adjusted shall be rounded to the nearest ten-dollar amount. If the
2 adjusted amount for any income tax bracket ends in a five, it shall be
3 rounded up to the nearest ten-dollar amount.

4 (b) The Tax Commissioner shall adjust the income tax brackets based
5 on the percentage change in the Consumer Price Index for All Urban
6 Consumers published by the federal Bureau of Labor Statistics from the
7 twelve months ending on August 31, 2024, to the twelve months ending on
8 August 31 of the year preceding the taxable year.

9 (6) ~~(4)~~ Whenever the tax brackets or tax rates change pursuant to
10 this section ~~are changed by the Legislature~~, the Tax Commissioner shall
11 update the tax rate schedules to reflect the new tax brackets or tax
12 rates and shall publish such updated schedules.

13 (7) ~~(5)~~ The Tax Commissioner shall prepare, from the rate schedules,
14 tax tables which can be used by a majority of the taxpayers to determine
15 their Nebraska tax liability. The design of the tax tables shall be
16 determined by the Tax Commissioner. The size of the tax table brackets
17 may change as the level of income changes. The difference in tax between
18 two tax table brackets shall not exceed fifteen dollars. The Tax
19 Commissioner may build the personal exemption credit and standard
20 deduction amounts into the tax tables.

21 (8) ~~(6)~~ For taxable years beginning or deemed to begin on or after
22 January 1, 2013, the tax rate applied to other federal taxes included in
23 the computation of the Nebraska individual income tax shall be 29.6
24 percent.

25 (9) ~~(7)~~ The Tax Commissioner may require by rule and regulation that
26 all taxpayers shall use the tax tables if their income is less than the
27 maximum income included in the tax tables.

28 Sec. 2. Section 77-2716, Revised Statutes Supplement, 2023, as
29 amended by Laws 2024, LB937, section 75, Laws 2024, LB1023, section 10,
30 Laws 2024, LB1317, section 85, and Laws 2024, LB1394, section 1, is
31 amended to read:

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

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

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

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

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

26 (d) There shall be added that portion of the total dividends and
27 other income received from a regulated investment company which is
28 attributable to obligations described in subdivision (c) of this
29 subsection and excluded for federal income tax purposes as reported to
30 the recipient by the regulated investment company; and

31 (e)(i) Any amount subtracted under this subsection shall be reduced

1 by any interest on indebtedness incurred to carry the obligations or
2 securities described in this subsection or the investment in the
3 regulated investment company and by any expenses incurred in the
4 production of interest or dividend income described in this subsection to
5 the extent that such expenses, including amortizable bond premiums, are
6 deductible in determining federal taxable income.

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

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

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

28 (4) Federal adjusted gross income, or, for a fiduciary, federal
29 taxable income shall be modified to exclude the portion of the income or
30 loss received from a small business corporation with an election in
31 effect under subchapter S of the Internal Revenue Code or from a limited

1 liability company organized pursuant to the Nebraska Uniform Limited
2 Liability Company Act that is not derived from or connected with Nebraska
3 sources as determined in section 77-2734.01.

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

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

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

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

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

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

30 (8)(a) Federal adjusted gross income or, for corporations and
31 fiduciaries, federal taxable income shall be reduced, to the extent

1 included, by income from interest, earnings, and state contributions
2 received from the Nebraska educational savings plan trust created in
3 sections 85-1801 to 85-1817 and any account established under the
4 achieving a better life experience program as provided in sections
5 77-1401 to 77-1409.

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

22 (c) For taxable years beginning or deemed to begin on or after
23 January 1, 2021, under the Internal Revenue Code of 1986, as amended,
24 federal adjusted gross income shall be reduced, to the extent included in
25 the adjusted gross income of an individual, by the amount of any
26 contribution made by the individual's employer into an account under the
27 Nebraska educational savings plan trust owned by the individual, not to
28 exceed five thousand dollars per married filing separate return or ten
29 thousand dollars for any other return.

30 (d) Federal adjusted gross income or, for corporations and
31 fiduciaries, federal taxable income shall be increased by:

1 (i) The amount resulting from the cancellation of a participation
2 agreement refunded to the taxpayer as a participant in the Nebraska
3 educational savings plan trust to the extent previously deducted under
4 subdivision (8)(b) of this section; and

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

9 (9)(a) For income tax returns filed after September 10, 2001, for
10 taxable years beginning or deemed to begin before January 1, 2006, under
11 the Internal Revenue Code of 1986, as amended, federal adjusted gross
12 income or, for corporations and fiduciaries, federal taxable income shall
13 be increased by eighty-five percent of any amount of any federal bonus
14 depreciation received under the federal Job Creation and Worker
15 Assistance Act of 2002 or the federal Jobs and Growth Tax Act of 2003,
16 under section 168(k) or section 1400L of the Internal Revenue Code of
17 1986, as amended, for assets placed in service after September 10, 2001,
18 and before December 31, 2005.

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

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

30 (d) The amount of bonus depreciation added to federal adjusted gross
31 income or, for corporations and fiduciaries, federal taxable income by

1 this subsection shall be subtracted in a later taxable year. Twenty
2 percent of the total amount of bonus depreciation added back by this
3 subsection for tax years beginning or deemed to begin before January 1,
4 2003, under the Internal Revenue Code of 1986, as amended, may be
5 subtracted in the first taxable year beginning or deemed to begin on or
6 after January 1, 2005, under the Internal Revenue Code of 1986, as
7 amended, and twenty percent in each of the next four following taxable
8 years. Twenty percent of the total amount of bonus depreciation added
9 back by this subsection for tax years beginning or deemed to begin on or
10 after January 1, 2003, may be subtracted in the first taxable year
11 beginning or deemed to begin on or after January 1, 2006, under the
12 Internal Revenue Code of 1986, as amended, and twenty percent in each of
13 the next four following taxable years.

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

27 (11)(a) For taxable years beginning or deemed to begin before
28 January 1, 2018, under the Internal Revenue Code of 1986, as amended,
29 federal adjusted gross income shall be reduced by contributions, up to
30 two thousand dollars per married filing jointly return or one thousand
31 dollars for any other return, and any investment earnings made as a

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

4 (b) For taxable years beginning or deemed to begin before January 1,
5 2018, under the Internal Revenue Code of 1986, as amended, federal
6 adjusted gross income shall be increased by the withdrawals made as a
7 participant in the Nebraska long-term care savings plan under the act by
8 a person who is not a qualified individual or for any reason other than
9 transfer of funds to a spouse, long-term care expenses, long-term care
10 insurance premiums, or death of the participant, including withdrawals
11 made by reason of cancellation of the participation agreement, to the
12 extent previously deducted as a contribution or as investment earnings.

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

17 (13)(a) For taxable years beginning or deemed to begin on or after
18 January 1, 2015, and before January 1, 2024, under the Internal Revenue
19 Code of 1986, as amended, federal adjusted gross income shall be reduced
20 by the amount received as benefits under the federal Social Security Act
21 which are included in the federal adjusted gross income if:

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

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

26 (b) For taxable years beginning or deemed to begin on or after
27 January 1, 2020, and before January 1, 2024, under the Internal Revenue
28 Code of 1986, as amended, the Tax Commissioner shall adjust the dollar
29 amounts provided in subdivisions (13)(a)(i) and (ii) of this section by
30 the same percentage used to adjust individual income tax brackets under
31 ~~subsection (3) of section 77-2715.03.~~

1 (c) For taxable years beginning or deemed to begin on or after
2 January 1, 2021, and before January 1, 2024, under the Internal Revenue
3 Code of 1986, as amended, a taxpayer may claim the reduction to federal
4 adjusted gross income allowed under this subsection or the reduction to
5 federal adjusted gross income allowed under subsection (14) of this
6 section, whichever provides the greater reduction.

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

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

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

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

21 (iv) One hundred percent for taxable years beginning or deemed to
22 begin on or after January 1, 2024, under the Internal Revenue Code of
23 1986, as amended.

24 (b) For purposes of this subsection, social security benefits means
25 benefits received under the federal Social Security Act.

26 (c) For taxable years beginning or deemed to begin on or after
27 January 1, 2021, and before January 1, 2024, under the Internal Revenue
28 Code of 1986, as amended, a taxpayer may claim the reduction to federal
29 adjusted gross income allowed under this subsection or the reduction to
30 federal adjusted gross income allowed under subsection (13) of this
31 section, whichever provides the greater reduction.

1 (15)(a) For taxable years beginning or deemed to begin on or after
2 January 1, 2015, and before January 1, 2022, under the Internal Revenue
3 Code of 1986, as amended, an individual may make a one-time election
4 within two calendar years after the date of his or her retirement from
5 the military to exclude income received as a military retirement benefit
6 by the individual to the extent included in federal adjusted gross income
7 and as provided in this subdivision. The individual may elect to exclude
8 forty percent of his or her military retirement benefit income for seven
9 consecutive taxable years beginning with the year in which the election
10 is made or may elect to exclude fifteen percent of his or her military
11 retirement benefit income for all taxable years beginning with the year
12 in which he or she turns sixty-seven years of age.

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

18 (c) For purposes of this subsection, military retirement benefit
19 means retirement benefits that are periodic payments attributable to
20 service in the uniformed services of the United States for personal
21 services performed by an individual prior to his or her retirement. The
22 term includes retirement benefits described in this subdivision that are
23 reported to the individual on either:

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

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

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

1 in federal adjusted gross income.

2 (17) For taxable years beginning or deemed to begin on or after
3 January 1, 2022, under the Internal Revenue Code of 1986, as amended,
4 federal adjusted gross income shall be reduced by the amount received by
5 or on behalf of a firefighter for cancer benefits under the Firefighter
6 Cancer Benefits Act to the extent included in federal adjusted gross
7 income.

8 (18) There shall be subtracted from the federal adjusted gross
9 income of individuals any amount received by the individual as student
10 loan repayment assistance under the Teach in Nebraska Today Act, to the
11 extent such amount is included in federal adjusted gross income.

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

21 (20) For taxable years beginning or deemed to begin on or after
22 January 1, 2024, under the Internal Revenue Code of 1986, as amended, an
23 individual may reduce his or her federal adjusted gross income by the
24 amounts received as annuities under the Civil Service Retirement System
25 which were earned for being employed by the federal government, to the
26 extent such amounts are included in federal adjusted gross income.

27 (21) For taxable years beginning or deemed to begin on or after
28 January 1, 2025, under the Internal Revenue Code of 1986, as amended, an
29 individual who is a member of the Nebraska National Guard may exclude one
30 hundred percent of the income received from any of the following sources
31 to the extent such income is included in the individual's federal

1 adjusted gross income:

2 (a) Serving in a 32 U.S.C. duty status such as members attending
3 drills, annual training, and military schools and members who are serving
4 in a 32 U.S.C. active guard reserve or active duty for operational
5 support duty status;

6 (b) Employment as a 32 U.S.C. federal dual-status technician with
7 the Nebraska National Guard; or

8 (c) Serving in a state active duty status.

9 (22)(a) For taxable years beginning or deemed to begin on or after
10 January 1, 2024, under the Internal Revenue Code of 1986, as amended, an
11 individual may reduce his or her federal adjusted gross income by the
12 amount of interest and principal balance of medical debt discharged under
13 the Medical Debt Relief Act, to the extent included in such individual's
14 federal adjusted gross income.

15 (b) For taxable years beginning or deemed to begin on or after
16 January 1, 2024, under the Internal Revenue Code of 1986, as amended,
17 federal adjusted gross income or, for corporations and fiduciaries,
18 federal taxable income shall be reduced by the amount of contributions
19 made to the Medical Debt Relief Fund, to the extent not deducted for
20 federal income tax purposes.

21 (23) For taxable years beginning or deemed to begin on or after
22 January 1, 2025, under the Internal Revenue Code of 1986, as amended, an
23 individual who is a qualifying employee as defined in section 2 of this
24 act may reduce his or her federal adjusted gross income by the amount
25 allowed under section 5 of this act.

26 (24) For taxable years beginning or deemed to begin on or after
27 January 1, 2026, under the Internal Revenue Code of 1986, as amended,
28 federal adjusted gross income or, for corporations and fiduciaries,
29 federal taxable income shall be reduced by the amounts allowed to be
30 deducted pursuant to section 11 of this act.

31 (25) There shall be added to federal adjusted gross income or, for

1 corporations and fiduciaries, federal taxable income for all taxable
2 years beginning on or after January 1, 2025, the amount of any net
3 capital loss that is derived from the sale or exchange of gold or silver
4 bullion to the extent such loss is included in federal adjusted gross
5 income except that such loss shall not be added if the loss is derived
6 from the sale of bullion as a taxable distribution from any retirement
7 plan account that holds gold or silver bullion. For the purposes of this
8 subsection, bullion has the same meaning as in section 77-2704.66.

9 (26) There shall be subtracted from federal adjusted gross income
10 or, for corporations and fiduciaries, federal taxable income for all
11 taxable years beginning on or after January 1, 2025, the amount of any
12 net capital gain that is derived from the sale or exchange of gold or
13 silver bullion to the extent such gain is included in federal adjusted
14 gross income except that such gain shall not be subtracted if the gain is
15 derived from the sale of bullion as a taxable distribution from any
16 retirement plan account that holds gold or silver bullion. For the
17 purposes of this subsection, bullion has the same meaning as in section
18 77-2704.66.

19 Sec. 3. Laws 2024, LB1023, section 3, is amended to read:

20 Sec. 3. (1) For taxable years beginning or deemed to begin on or
21 after January 1, 2025, under the Internal Revenue Code of 1986, as
22 amended, an employer that pays relocation expenses for a qualifying
23 employee shall be eligible to receive a credit that may be used to offset
24 any income taxes due under the Nebraska Revenue Act of 1967, any premium
25 and related retaliatory taxes due under section 44-150, 77-908, or
26 81-523, or any franchise taxes due under sections 77-3801 to 77-3807.

27 (2) The credit provided in this section shall be a refundable credit
28 in an amount equal to fifty percent of the relocation expenses that were
29 paid by the employer for a qualifying employee during the taxable year,
30 not to exceed a maximum credit of five thousand dollars per qualifying
31 employee.

1 (3) No credit shall be granted under this section unless the
2 qualifying employee will receive an annual salary of at least seventy
3 thousand dollars per year and not more than two hundred fifty thousand
4 dollars per year.

5 (4) Any credit claimed by an employer under this section shall be
6 recaptured by the department if the qualifying employee moves out of the
7 state within two years after the credit is claimed. Any amount required
8 to be recaptured shall be deemed an underpayment of tax and shall be due
9 and payable on the tax return that is due immediately following the loss
10 of residency.

11 (5) Notwithstanding any other limitation contained in the laws of
12 this state, collection of any taxes deemed to be an underpayment by this
13 section shall be allowed for a period of three years following the due
14 date of the recaptured taxes.

15 (6) For taxable years beginning or deemed to begin on or after
16 January 1, 2026, under the Internal Revenue Code of 1986, as amended, the
17 department shall adjust the dollar amounts provided in subsection (3) of
18 this section by the same percentage used to adjust individual income tax
19 brackets under ~~subsection (3) of~~ section 77-2715.03.

20 (7) An employer shall apply for the credit provided in this section
21 by submitting an application to the department on a form prescribed by
22 the department. Subject to subsection (8) of this section, if the
23 department determines that the employer qualifies for tax credits under
24 this section, the department shall approve the application and certify
25 the amount of credits approved to the employer.

26 (8) The department shall consider applications in the order in which
27 they are received and may approve tax credits under this section in any
28 year until the aggregate limit allowed under section 4 of this act has
29 been reached.

30 (9) An employer shall claim any tax credits granted under this
31 section by attaching the tax credit certification received from the

1 department under subsection (7) of this section to the employer's tax
2 return.

3 (10) An employer claiming a tax credit under the Relocation
4 Incentive Act against any premium and related retaliatory taxes due under
5 section 44-150, 77-908, or 81-523 shall not be required to pay any
6 additional retaliatory tax as a result of claiming the tax credit. The
7 tax credit may fully offset any retaliatory tax imposed under Nebraska
8 law. Any tax credit claimed shall be considered a payment of tax for
9 purposes of subsection (1) of section 77-2734.03.

10 Sec. 4. Laws 2024, LB1023, section 5, is amended to read:

11 Sec. 5. (1) For taxable years beginning or deemed to begin on or
12 after January 1, 2025, under the Internal Revenue Code of 1986, as
13 amended, a qualifying employee shall be eligible to make a one-time
14 election within two calendar years of becoming a Nebraska resident to
15 exclude all Nebraska-sourced wage income earned and received from an
16 employer, to the extent included in federal adjusted gross income, if (a)
17 the annual Nebraska-sourced wage income of the position accepted by the
18 qualifying employee is at least seventy thousand dollars per year but not
19 more than two hundred fifty thousand dollars per year and (b) the
20 qualifying employee was not a resident of the state in the year prior to
21 the year in which residency is being claimed for purposes of qualifying
22 for such exclusion.

23 (2) For any qualifying employee who fails to maintain residency for
24 two full calendar years following the calendar year in which the
25 exclusion was taken, any reduction in tax as a result of such exclusion
26 shall be fully recaptured from the qualifying employee by the department.
27 The amount required to be recaptured shall be deemed an underpayment of
28 tax and shall be due and payable on the tax return that is due
29 immediately following the loss of residency.

30 (3) Notwithstanding any other limitation contained in the laws of
31 this state, collection of any taxes deemed to be an underpayment by this

1 section shall be allowed for a period of three years following the due
2 date of the recaptured taxes.

3 (4) For taxable years beginning or deemed to begin on or after
4 January 1, 2026, under the Internal Revenue Code of 1986, as amended, the
5 department shall adjust the dollar amounts provided in subsection (1) of
6 this section by the same percentage used to adjust individual income tax
7 brackets under ~~subsection (3) of~~ section 77-2715.03.

8 Sec. 5. Original section 77-2715.03, Revised Statutes Supplement,
9 2023; section 77-2716, Revised Statutes Supplement, 2023, as amended by
10 Laws 2024, LB937, section 75, Laws 2024, LB1023, section 10, Laws 2024,
11 LB1317, section 85, and Laws 2024, LB1394, section 1; and Laws 2024,
12 LB1023, sections 3 and 5, are repealed.

13 Sec. 6. Since an emergency exists, this act takes effect when
14 passed and approved according to law.