

ONE HUNDRED NINTH LEGISLATURE - FIRST SESSION - 2025
COMMITTEE STATEMENT
LB649

Hearing Date: Wednesday March 26, 2025
Committee On: Revenue
Introducer: Revenue
One Liner: Change provisions relating to an income tax rate

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

Vote Results:

Aye: 8 Senators von Gillern, Bostar, Dungan, Ibach, Jacobson, Kauth, Murman, Sorrentino
Nay:
Absent:
Present Not Voting:

Testimony:

Proponents:

Senator R. Brad von Gillern
Senator Rita Sanders
Rusty Hike
Dana Bradford
Heath Mello

Mike Cassling
Bryan Slone

Representing:

Opening Presenter
District 45
City of Bellevue
Strategic Command Consultation Committee (SCCC)
Greater Omaha Chamber of Commerce, Lincoln Chamber
Self
Nebraska Chamber of Commerce & Industry

Opponents:

Representing:

Neutral:

Representing:

* ADA Accommodation Written Testimony

Summary of purpose and/or changes:

LB649 amends section 77-2715.03, to change language which pertains to the tax rate used in computing the Nebraska individual income tax for taxable years beginning or deemed to begin on or after January 1, 2013.

Explanation of amendments:

AM933 is a white copy amendment that strikes and replaces the original sections of LB649. The amendment creates the Defense Efforts Workforce Act (Act), which incentivizes military defense employers to operate in Nebraska through wage credits for qualifying employers. To qualify, employers must have a minimum of ten employees that meet certain criteria. The wage credits are capped at four million dollars annually and have a total program cap of



forty million dollars, which could be reached within ten years. If an employer no longer meets the qualifications, the wage credits may be subject to recapture. Under certain circumstances, wage credits can be transferred. The Department of Revenue will provide annual reports to the Legislature on the implementation of the Act, and the Revenue Committee and Appropriations Committee will hold a joint annual hearing on the Act.

Section-by-Section Summary:

Section 1: Provides that sections 1 to 19 of the bill shall be known as the Defense Efforts Workforce Act (Act).

Section 2: States the legislative purpose for the Act.

Section 3: Provides that sections 4 to 13 of the bill shall be the definition sections of the Act.

Section 4: Incorporates by reference any definitions found in the Nebraska Revenue Act of 1967, unless the Act otherwise requires a different meaning.

Section 5: Defines “base year” as the year before the year of application.

Section 6: Defines “full-time employee” as someone who works on average at least thirty hours a week.

Section 7: Defines “Nebraska statewide average hourly wage” as the most recent statewide average hourly wage as calculated by the Department of Labor.

Section 8: Defines “performance period” as the year of application plus the next nine years.

Section 9: Defines “qualified employee” as a full-time employee, earning at least one hundred fifty percent of the Nebraska statewide average hourly wage, and working exclusively for military defense.

Section 10: Defines “qualified employer” as a taxpayer who employs at least ten full-time qualified employees in Nebraska who have been electronically verified as having eligible work status, and pays wages at the rates prescribed.

Section 11: Defines “taxpayer” as any person or corporation subject to sales and use taxes under the Nebraska Revenue Act of 1967 and subject to withholding. The definition excludes certain classes such as political subdivisions or 501(a) organizations.

Section 12: Defines “wage credit” to mean the credit described the Act.

Section 13: Defines “year” as calendar year.

Section 14: Provides that upon entering into an agreement with the state, a qualified employer shall receive a wage credit during each year of the performance period. The wage credit shall equal five percent of total compensation paid to all qualified employees. The wage credit is capped at four million dollars a year for all qualified employers and prioritizes funding on a first-approved basis. There is also a program cap of forty million dollars total, making the Act operate for ten years in duration. Qualified employers may still qualify for other incentive programs in addition to the Act. Finally, unused wage credits can be carried forward.

Section 15: Outlines the application for an agreement process for an applicant to be eligible for the wage credits. The Tax Commissioner shall review the application and make a determination whether the applicant is a qualified



employer and provide notice to the applicant of such determination within thirty days after receipt of the application. If determined to be a qualified employer, then the Tax Commissioner and the qualified employer shall enter into a written agreement to carry out the purposes of the Act.

Section 16: Provides for the recapture or disallowal of wage credits for years where the qualified employer did not maintain the proper number of qualified employees or wage requirements. The taxpayer, not the employees, shall be responsible for wage credits that must be paid back. This section provides the process for such recapture or disallowal, and for interest and penalties.

Section 17: Provides for the transfer of wage credits, who they can be transferred to, liability for any repayment or recapture, and the process for any credit remaining when the taxpayer dies.

Section 18: Authorizes the Tax Commissioner to adopt and promulgate rules and regulations necessary to carry out the Act.

Section 19: Requires the Department of Revenue to report annually to the Legislature on the particulars of the Act and outlines the report requirements. This report is due no later than October 31. Requires the Department of Revenue to annually appear at a joint hearing before the Revenue Committee and the Appropriations Committee no later than December 15 and present the report.

Section 20: Sets the operative date of the Act as July 1, 2027.

R. Brad von Gillern, Chairperson

