

ENGROSSED LEGISLATIVE BILL 647

Introduced by Revenue Committee: von Gillern, 4, Chairperson; Ibach, 44; Kauth, 31; Murman, 38; Sorrentino, 39.

A BILL FOR AN ACT relating to revenue and taxation; to amend sections 13-3106, 14-109, 15-202, 15-203, 16-205, 17-525, 77-1613, 85-1801, 85-1802, 85-1804, 85-1805, 85-1806, 85-1807, 85-1808, 85-1809, 85-1810, 85-1811, 85-1812, 85-1813, 85-1814, 85-1815, 85-1816, 85-1817, 85-2802, 85-2803, and 85-2804, Reissue Revised Statutes of Nebraska, and sections 13-518, 13-3103, 13-3402, 13-3403, 13-3405, 13-3406, 18-1208, 68-1201, 72-1239.01, 76-214, 77-202, 77-202.01, 77-202.03, 77-202.05, 77-3,110, 77-1631, 77-1701, 77-2715.07, 77-2716, 77-2727, 77-2734.01, 77-2776, and 77-7305, Revised Statutes Cumulative Supplement, 2024; to adopt the Recreational Trail Easement Property Tax Exemption Act; to adopt the Adoption Tax Credit Act; to change provisions of the Sports Arena Facility Financing Assistance Act; to redefine a term relating to budget limitations; to redefine terms and change provisions of the Property Tax Growth Limitation Act relating to calculation of property tax request authority, authorized increases to such authority, and unused property tax request authority; to change provisions relating to municipal occupation taxes; to change provisions relating to the filing of statements of recorded easements and property tax exemptions; to change provisions relating to property tax exemptions; to change provisions relating to duties of the county assessor regarding real property assessments; to define and redefine terms under the Property Tax Request Act; to change provisions relating to income tax credits allowed for the purchase of certain residences; to change provisions relating to the taxation of partnerships and small business corporations and notices of deficiency; to change certain calculations and authorize the county to retain certain funds for costs under the School District Property Tax Relief Act; to include savings plans for elementary and secondary education in the Nebraska educational savings plan trust and

redefine terms relating to such trust; to change the names of certain funds; to transfer provisions; to eliminate obsolete provisions; to harmonize provisions; to provide operative dates; to repeal the original sections; and to declare an emergency.

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

Section 1. Sections 1 to 6 of this act shall be known and may be cited as the Recreational Trail Easement Property Tax Exemption Act.

Sec. 2. The Legislature finds and declares that the purpose of the Recreational Trail Easement Property Tax Exemption Act is to serve a public purpose by:

(1) Promoting public health and wellness through access to recreational trails;

(2) Encouraging economic development and tourism by expanding regional and state trail systems;

(3) Supporting environmental conservation by protecting and maintaining open spaces for recreational use; and

(4) Enhancing connectivity between communities, cultural landmarks, and natural resources to provide equitable access for all Nebraskans.

Sec. 3. For purposes of the Recreational Trail Easement Property Tax Exemption Act:

(1) Eligible holder means:

(a) A municipality, county, agency, or a land trust accredited by the Land Trust Alliance authorized to hold recreational trail easements within the State of Nebraska; or

(b) A nonprofit organization with a mission explicitly aligned with public access, recreational land conservation, and community benefit, authorized to hold recreational trail easements within the State of Nebraska; and

(2) Recreational trail easement means a perpetual easement granting public access for recreational use, including, but not limited to, walking, hiking, bicycling, and equestrian activities.

Sec. 4. (1) A taxpayer who encumbers their property with a perpetual

recreational trail easement may apply for a property tax exemption for the portion of the property which has been encumbered with the easement as provided in section 77-202.01. The forms for such applications shall be prescribed as provided in section 77-202.05.

(2) Upon approval of the application for the exemption, the portion of the property encumbered with a perpetual recreational trail easement shall remain exempt from property taxes without requiring reapplication for the exemption until the property is no longer encumbered with a perpetual recreational trail easement.

Sec. 5. To qualify for the property tax exemption, the easement shall:

(1) Be perpetual and recorded with the appropriate county register of deeds;

(2) Provide public access and connect to existing or planned regional trails or significant local attractions, such as parks, waterways, cultural sites, or residential areas; and

(3) Be held by an eligible holder, including nonprofit organizations that demonstrate:

(a) A primary mission of promoting public access, health, and wellness through recreational land use;

(b) A commitment to environmental conservation and land stewardship; and

(c) Capacity to oversee and manage trail easements independently or through partnerships with accredited entities, ensuring compliance with public access goals.

Sec. 6. The Department of Revenue shall adopt and promulgate rules and regulations necessary to carry out the Recreational Trail Easement Property Tax Exemption Act. Such rules and regulations shall include:

(1) Clear guidelines for nonprofit organizations to demonstrate their eligibility as holders of recreational trail easements, ensuring alignment with public access and conservation goals;

(2) Procedures for certifying the public benefit of qualifying easements, including requirements for connectivity to existing or planned trail systems;

and

(3) Methods for ensuring compliance with the public purpose outlined in the act.

Sec. 7. Sections 7 to 9 of this act shall be known and may be cited as the Adoption Tax Credit Act.

Sec. 8. (1) For taxable years beginning or deemed to begin on or after January 1, 2026, under the Internal Revenue Code of 1986, as amended, there shall be allowed a credit against the income tax imposed by the Nebraska Revenue Act of 1967 for any taxpayer that is eligible for the federal adoption expenses tax credit provided in 26 U.S.C. 23.

(2) The credit shall be a refundable credit equal to ten percent of the federal tax credit allowed to the taxpayer under 26 U.S.C. 23 in the same taxable year.

Sec. 9. The Department of Revenue may adopt and promulgate rules and regulations to carry out the Adoption Tax Credit Act.

Sec. 10. Section 13-518, Revised Statutes Cumulative Supplement, 2024, is amended to read:

13-518 For purposes of sections 13-518 to 13-522:

(1) Allowable growth means (a) for governmental units other than community colleges, the percentage increase in taxable valuation in excess of the base limitation established under section 77-3446, if any, due to (i) improvements to real property as a result of new construction and additions to existing buildings, (ii) any other improvements to real property which increase the value of such property, (iii) any increase in valuation due to annexation of real property by the governmental unit, (iv) a change in the use of real property, (v) any increase in personal property valuation over the prior year, and (vi) the accumulated excess valuation over the redevelopment project valuation described in section 18-2147 of the Community Development Law for redevelopment projects within the governmental unit in the year immediately after the division of taxes for such redevelopment project has ended and (b) for community colleges, the percentage increase in excess of the base

limitation, if any, in full-time equivalent students from the second year to the first year preceding the year for which the budget is being determined;

(2) Capital improvements means (a) acquisition of real property or (b) acquisition, construction, or extension of any improvements on real property;

(3) Governing body has the same meaning as in section 13-503, except that for fiscal years beginning on or after July 1, 2025, such term shall not include the governing body of any county, city, or village;

(4) Governmental unit means every political subdivision which has authority to levy a property tax or authority to request levy authority under section 77-3443, except that such term shall not include (a) sanitary and improvement districts which have been in existence for five years or less, (b) school districts, or (c) for fiscal years beginning on or after July 1, 2025, counties, cities, or villages;

(5) Qualified sinking fund means a fund or funds maintained separately from the general fund to pay for acquisition or replacement of tangible personal property with a useful life of five years or more which is to be undertaken in the future but is to be paid for in part or in total in advance using periodic payments into the fund. The term includes sinking funds under subdivision (13) of section 35-508 for firefighting and rescue equipment or apparatus;

(6) Restricted funds means (a) property tax, excluding any amounts refunded to taxpayers, (b) payments in lieu of property taxes, (c) local option sales taxes, (d) motor vehicle taxes, (e) state aid, (f) transfers of surpluses from any user fee, permit fee, or regulatory fee if the fee surplus is transferred to fund a service or function not directly related to the fee and the costs of the activity funded from the fee, (g) any funds excluded from restricted funds for the prior year because they were budgeted for capital improvements but which were not spent and are not expected to be spent for capital improvements, (h) the tax provided in sections 77-27,223 to 77-27,227 beginning in the second fiscal year in which the county will receive a full year of receipts, and (i) any excess tax collections returned to the county

under section 77-1776. Funds received pursuant to the nameplate capacity tax levied under section 77-6203 for the first five years after a renewable energy generation facility has been commissioned are nonrestricted funds; and

(7) State aid means:

(a) For all governmental units, state aid paid pursuant to sections 60-3,202 and 77-3523 and reimbursement provided pursuant to section 77-1239;

(b) For municipalities, state aid to municipalities paid pursuant to sections 39-2501 to 39-2520, 60-3,190, and 77-27,139.04 and insurance premium tax paid to municipalities;

(c) For counties, state aid to counties paid pursuant to sections 60-3,184 to 60-3,190, insurance premium tax paid to counties, and reimbursements to counties from funds appropriated pursuant to section 29-3933;

(d) For community colleges, state aid to community colleges paid pursuant to the Community College Aid Act;

(e) For educational service units, state aid appropriated under sections 79-1241.01 and 79-1241.03; and

(f) For local public health departments as defined in section 71-1626, state aid as distributed under section 71-1628.08.

Sec. 11. Section 13-3103, Revised Statutes Cumulative Supplement, 2024, is amended to read:

13-3103 (1) Any applicant may apply to the board for state assistance if (a) the applicant has acquired, constructed, improved, or equipped an eligible sports arena facility, (b) the applicant has approved a revenue bond issue or a general obligation bond issue to acquire, construct, improve, or equip an eligible sports arena facility, (c) the applicant has adopted a resolution authorizing the applicant to pursue a general obligation bond issue to acquire, construct, improve, or equip an eligible sports arena facility, (d) a building permit has been issued within the applicant's jurisdiction for an eligible sports arena facility that is a privately owned concert venue, (e) a building permit has been issued or construction has been completed within the applicant's jurisdiction for an eligible sports arena facility that is a

privately owned sports complex, or (f) each coapplicant described in subdivision (1)(b) of section 13-3102 has adopted a resolution authorizing either the political subdivision or the nonprofit corporation to pursue financing or bonds to acquire, construct, improve, or equip an eligible sports arena facility for the purposes set forth in subdivision (4)(b) of section 13-3103.

(2) Except as provided in subsections (3) and (4) of this section, the state assistance shall only be used by the applicant to pay back amounts expended or borrowed through one or more issues of bonds to be expended by the applicant to acquire, construct, improve, or equip the publicly owned eligible sports arena facility and to acquire, construct, improve, or equip publicly owned nearby parking facilities.

(3) For an eligible sports arena facility that is a privately owned concert venue, the state assistance shall only be used by the applicant (a) to pay back amounts expended or borrowed through one or more issues of bonds to be expended by the applicant to acquire, construct, improve, or equip a nearby parking facility or (b) to promote arts and cultural events which are open to or made available to the general public.

(4) For an eligible sports arena facility that is a privately owned sports complex, the state assistance shall only be used by the applicant:

(a) To pay back amounts expended or borrowed through one or more issues of bonds to be expended by the applicant to acquire, construct, improve, or equip one or more public infrastructure projects, as defined in section 77-27,142, related to a privately owned sports complex;

(b) To lease all or a portion of such privately owned sports complex for the governmental use of the political subdivision. For purposes of this subdivision, lease means any contractual lease agreement between the coapplicants described in subdivision (1)(b) of section 13-3102 for the use of an eligible sports arena facility at fair market rental value for a term not to exceed twenty years;

(c) To promote sporting events which are open to or made available to the

general public; or

(d) To pay back amounts expended or borrowed through one or more debt issues to be expended by the nonprofit corporation coapplicant to acquire, construct, improve, or equip a privately owned sports complex, subject to voter approval as provided in section 13-3110.

(5)(a) No more than ten years of funding for promotion of the arts and cultural events shall be paid by state assistance received pursuant to section 13-3108.

(b) No more than ten years of funding for promotion of sporting events shall be paid by state assistance received pursuant to section 13-3108.

(c) No more than five years of funding for a sports complex located in a city of the second class or village shall be paid by state assistance received pursuant to section 13-3108.

(6) For any application for state assistance for a large public stadium approved on or after July 19, 2024, up to one hundred percent of the final cost of the project may be funded by state assistance received pursuant to section 13-3108.

Sec. 12. Section 13-3106, Reissue Revised Statutes of Nebraska, is amended to read:

13-3106 (1) After consideration of the application and the evidence, if the board finds that the project described in the application is eligible and that state assistance is in the best interest of the state, the application shall be approved, except that:

(a) An approval of an application submitted because of the requirement in subdivision (1)(c) of section 13-3103 is a temporary approval. If the general obligation bond issue is subsequently approved by the voters of the political subdivision, the approval by the board becomes permanent. If the general obligation bond issue is not approved by such voters, the temporary approval shall become void; and

(b) An approval of an application submitted because of the requirement in subdivision (1)(f) of section 13-3103 is a temporary approval. If a building

permit for the eligible sports arena facility is issued within twenty-four months of the temporary approval, the approval by the board becomes permanent. If a building permit is not issued within twenty-four months of the temporary approval, the temporary approval shall become void.

(2) In determining whether state assistance is in the best interest of the state, the board shall consider the fiscal and economic capacity of the applicant to finance the local share of the project.

(3) A majority of the board members constitutes a quorum for the purpose of conducting business. All actions of the board shall be by a majority vote of all the board members, one of whom must be the Governor.

Sec. 13. Section 13-3402, Revised Statutes Cumulative Supplement, 2024, is amended to read:

13-3402 For purposes of the Property Tax Growth Limitation Act:

(1) Approved bonds means bonds as defined in subdivision (1) of section 10-134 that are approved according to law, excluding any bonds issued to finance a project or projects if the issuance of bonds for such project or projects was the subject of a general obligation bond election held at the most recent regularly scheduled election and was not approved at such election;

(2) Auditor means the Auditor of Public Accounts;

(3) Emergency means an emergency, as defined in section 81-829.39, for which a state of emergency proclamation or local state of emergency proclamation has been issued under the Emergency Management Act;

(4) Growth percentage means the percentage obtained by dividing (a) the political subdivision's growth value by (b) the political subdivision's total property valuation from the prior year;

(5) Growth value means the increase in a political subdivision's total property valuation from the prior year to the current year due to (a) improvements to real property as a result of new construction and additions to existing buildings, (b) any other improvements to real property which increase the value of such property, (c) annexation of real property by the political subdivision, (d) a change in the use of real property, (e) any increase in

personal property valuation over the prior year, and (f) the accumulated excess valuation over the redevelopment project valuation described in section 18-2147 of the Community Development Law for redevelopment projects within the political subdivision in the year immediately after the division of taxes for such redevelopment project has ended;

(6) Inflation percentage means the percentage change in the State and Local Consumption Expenditures and Gross Investment for the twelve-month period ending on December 31 of the prior year, as reported by March 31 of the current year by the United States Bureau of Economic Analysis;

(7) Political subdivision means any county, city, or village;

(8) Property tax request means the total amount of property taxes requested to be raised for a political subdivision through the levy imposed pursuant to section 77-1601;

(9) Property tax request authority means the amount that may be included in a political subdivision's property tax request as determined pursuant to the Property Tax Growth Limitation Act; and

(10) State aid means:

(a) For all political subdivisions, state aid paid pursuant to sections 60-3,202 and 77-3523 and reimbursement provided pursuant to section 77-1239;

(b) For cities and villages, state aid to cities and villages paid pursuant to sections 39-2501 to 39-2520, 60-3,190, and 77-27,139.04 and insurance premium tax paid to cities and villages; and

(c) For counties, state aid to counties paid pursuant to sections 60-3,184 to 60-3,190, insurance premium tax paid to counties, and reimbursements to counties from funds appropriated pursuant to section 29-3933.

Sec. 14. Section 13-3403, Revised Statutes Cumulative Supplement, 2024, is amended to read:

13-3403 (1) Except as otherwise provided in the Property Tax Growth Limitation Act, for fiscal years beginning on or after July 1, 2025, a political subdivision's property tax request for any year shall not exceed its property tax request authority as determined under this section. The

preliminary property tax request authority for each political subdivision shall be the amount of property taxes requested and approved by each political subdivision and included on the budget document filed with the auditor in the prior fiscal year pursuant to subsection (2) of section 13-506, less the sum of exceptions utilized in the prior year pursuant to subdivisions (1) to (7) of section 13-3404.

(2) In addition to the preliminary property tax request authority, the political subdivision's property tax request authority may be increased by:

(a) The product of (i) the amount of property taxes levied in the prior year, less the sum of exceptions utilized in the prior year pursuant to subdivisions (1) and (2) of section 13-3404, and (ii) the political subdivision's growth percentage; and

(b) The product of (i) the amount of property taxes levied in the prior year, less the sum of exceptions utilized in the prior year pursuant to subdivisions (1) and (2) of section 13-3404, and (ii) the greater of zero or the inflation percentage.

Sec. 15. Section 13-3405, Revised Statutes Cumulative Supplement, 2024, is amended to read:

13-3405 (1) A political subdivision may increase its property tax request authority over the amount determined under section 13-3403 if such increase is approved by a majority of legal voters voting on the issue at an election described in subsection (2) of this section. Such issue shall be placed on the ballot (a) upon the recommendation of the governing body of such political subdivision or (b) upon the receipt by the county clerk or election commissioner of a petition requesting such issue to be placed on the ballot which is signed by at least five percent of the legal voters of the political subdivision. The recommendation of the governing body or the petition of the legal voters shall include the amount by which the political subdivision would increase its property tax request authority over and above the amount determined under section 13-3403.

(2) Upon receipt of such recommendation or legal voter petition, the

county clerk or election commissioner shall place such issue on the ballot at the next regularly scheduled election or a special election called for such purpose. The election shall be held pursuant to the Election Act, and all costs shall be paid by the political subdivision. The issue may be approved on the same question as a vote to exceed the levy limits provided in section 77-3444. If a majority of the votes cast on the issue are in favor of increasing the political subdivision's property tax request authority, the political subdivision shall be empowered to do so.

Sec. 16. Section 13-3406, Revised Statutes Cumulative Supplement, 2024, is amended to read:

13-3406 (1) A political subdivision may choose not to increase its total property taxes levied by the full amount of the property tax request authority allowed in a particular year. In such cases, the political subdivision may carry forward to future budget years the amount of unused property tax request authority, but accumulation of unused property tax request authority shall not exceed an aggregate of five percent of the total property tax request authority from the prior year.

(2) A political subdivision may choose to convert its accumulated amount of unused restricted funds authority existing on June 30, 2025, as determined in accordance with section 13-521, into unused property tax request authority. The amount converted may then be used by the political subdivision as unused property tax request authority for fiscal years beginning on or after July 1, 2025. The amount converted shall not exceed five percent of the total property taxes levied for the political subdivision in calendar year 2024.

Sec. 17. Section 14-109, Reissue Revised Statutes of Nebraska, is amended to read:

14-109 (1)(a) The city council of a city of the metropolitan class shall have power to tax for revenue, license, and regulate any person within the limits of the city by ordinance except as otherwise provided in this section. Such tax may include both a tax for revenue and license. The city council may raise revenue by levying and collecting a tax on any occupation or business

within the limits of the city. After March 27, 2014, any occupation tax imposed pursuant to this section shall make a reasonable classification of businesses, users of space, or kinds of transactions for purposes of imposing such tax, except that no occupation tax shall be imposed on any transaction which is subject to tax under section 53-160, 66-489, 66-489.02, 66-4,140, 66-4,145, 66-4,146, 77-2602, or 77-4008 or which is exempt from tax under section 77-2704.24. All such taxes shall be uniform in respect to the class upon which they are imposed. All scientific and literary lectures and entertainments shall be exempt from taxation, as well as concerts and all other musical entertainments given exclusively by the citizens of the city. It shall be the duty of the city clerk to deliver to the city treasurer a copy of the ordinance levying such tax.

(b) For purposes of this subsection, limits of the city does not include the extraterritorial zoning jurisdiction of such city.

(2)(a) Except as otherwise provided in subdivision (c) of this subsection, the city council shall also have the power to require any individual whose primary residence or person who owns a place of business which is within the limits of the city and that owns and operates a motor vehicle within such limits to annually register such motor vehicle in such manner as may be provided and to require such person to pay an annual motor vehicle fee therefor and to require the payment of such fee upon the change of ownership of such vehicle. All such fees which may be provided for under this subsection shall be credited to a separate fund of the city, thereby created, to be used exclusively for constructing, repairing, maintaining, or improving streets, roads, alleys, public ways, or parts of such streets, roads, alleys, or ways or for the amortization of bonded indebtedness when created for such purposes.

(b) No motor vehicle fee shall be required under this subsection if (i) a vehicle is used or stored but temporarily in such city for a period of six months or less in a twelve-month period, (ii) an individual does not have a primary residence or a person does not own a place of business within the limits of the city and does not own and operate a motor vehicle within the

limits of the city, or (iii) an individual is a full-time student attending a postsecondary institution within the limits of the city and the motor vehicle's situs under the Motor Vehicle Certificate of Title Act is different from the place at which he or she is attending such institution.

(c) After December 31, 2012, no motor vehicle fee shall be required of any individual whose primary residence is within the extraterritorial zoning jurisdiction of such city or any person who owns a place of business within such jurisdiction.

(d) For purposes of this subsection, limits of the city includes the extraterritorial zoning jurisdiction of such city.

(3) For purposes of this section, person includes bodies corporate, societies, communities, the public generally, individuals, partnerships, limited liability companies, joint-stock companies, cooperatives, and associations. Person does not include any federal, state, or local government or any political subdivision thereof.

Sec. 18. Section 15-202, Reissue Revised Statutes of Nebraska, is amended to read:

15-202 A city of the primary class shall have the power to levy taxes for general revenue purposes on all property within the corporate limits of the city taxable according to the laws of Nebraska and to levy an occupation tax on public service property or corporations in such amounts as may be proper and necessary, in the judgment of the mayor and city council, for purposes of revenue. All such taxes shall be uniform with respect to the class upon which they are imposed. The occupation tax may be based upon a certain percentage of the gross receipts of such public service corporation or upon such other basis as may be determined upon by the mayor and city council. After March 27, 2014, any occupation tax imposed pursuant to this section shall make a reasonable classification of businesses, users of space, or kinds of transactions for purposes of imposing such tax, except that no occupation tax shall be imposed on any transaction which is subject to tax under section 53-160, 66-489, 66-489.02, 66-4,140, 66-4,145, 66-4,146, 77-2602, or 77-4008 or which is exempt

from tax under section 77-2704.24.

Sec. 19. Section 15-203, Reissue Revised Statutes of Nebraska, is amended to read:

15-203 A city of the primary class shall have power to raise revenue by levying and collecting a license or occupation tax on any person, partnership, limited liability company, corporation, or business within the limits of the city and regulate the same by ordinance except as otherwise provided in this section and in section 15-212. After March 27, 2014, any occupation tax imposed pursuant to this section shall make a reasonable classification of businesses, users of space, or kinds of transactions for purposes of imposing such tax, except that no occupation tax shall be imposed on any transaction which is subject to tax under section 53-160, 66-489, 66-489.02, 66-4,140, 66-4,145, 66-4,146, 77-2602, or 77-4008 or which is exempt from tax under section 77-2704.24. All such taxes shall be uniform in respect to the class upon which they are imposed. All scientific and literary lectures and entertainments shall be exempt from such taxation as well as concerts and all other musical entertainments given exclusively by the citizens of the city.

Sec. 20. Section 16-205, Reissue Revised Statutes of Nebraska, is amended to read:

16-205 A city of the first class may raise revenue by levying and collecting a license or occupation tax on any person, partnership, limited liability company, corporation, or business within the limits of the city and may regulate the same by ordinance. After March 27, 2014, any occupation tax imposed pursuant to this section shall make a reasonable classification of businesses, users of space, or kinds of transactions for purposes of imposing such tax, except that no occupation tax shall be imposed on any transaction which is subject to tax under section 53-160, 66-489, 66-489.02, 66-4,140, 66-4,145, 66-4,146, 77-2602, or 77-4008 or which is exempt from tax under section 77-2704.24. All such taxes shall be uniform in respect to the class upon which they are imposed. All scientific and literary lectures and entertainments shall be exempt from such taxation as well as concerts and all

other musical entertainments given exclusively by the citizens of the city.

Sec. 21. Section 17-525, Reissue Revised Statutes of Nebraska, is amended to read:

17-525 Cities of the second class and villages shall have power to raise revenue by levying and collecting a license tax on any occupation or business within the limits of the city or village and regulate such occupation or business by ordinance. After March 27, 2014, any occupation tax imposed pursuant to this section shall make a reasonable classification of businesses, users of space, or kinds of transactions for purposes of imposing such tax, except that no occupation tax shall be imposed on any transaction which is subject to tax under section 53-160, 66-489, 66-489.02, 66-4,140, 66-4,145, 66-4,146, 77-2602, or 77-4008 or which is exempt from tax under section 77-2704.24. All such taxes shall be uniform in respect to the classes upon which they are imposed. All scientific and literary lectures and entertainments shall be exempt from such taxation, as well as concerts and other musical entertainments given exclusively by the citizens of the city or village.

Sec. 22. Section 18-1208, Revised Statutes Cumulative Supplement, 2024, is amended to read:

18-1208 No later than ninety days after the end of the fiscal year, each municipality that imposes a new occupation tax or increases the rate of an existing occupation tax on or after the operative date of this section shall provide an annual report on the collection and use of such occupation tax. The report shall be posted on the municipality's public website or made available for public inspection at a location designated by the municipality. The report shall include, but not be limited to:

- (1) A list of all such occupation taxes collected by the municipality;
- (2) The amount generated annually by each such occupation tax;
- (3) Whether funds generated by each such occupation tax are deposited in the general fund, cash funds, or other funds of the municipality;
- (4) Whether any such occupation tax is dedicated for a specific purpose, and if so, the amount dedicated for such purpose; and

(5) The scheduled or projected termination date, if any, of each such occupation tax.

Sec. 23. Section 68-1201, Revised Statutes Cumulative Supplement, 2024, is amended to read:

68-1201 (1) In determining eligibility for the program for aid to dependent children pursuant to section 43-512 as administered by the State of Nebraska pursuant to the federal Temporary Assistance for Needy Families program, 42 U.S.C. 601 et seq., for the low-income home energy assistance program administered by the State of Nebraska pursuant to the federal Energy Policy Act of 2005, 42 U.S.C. 8621 to 8630, for the Supplemental Nutrition Assistance Program administered by the State of Nebraska pursuant to the federal Food and Nutrition Act of 2008, 7 U.S.C. 2011 et seq., and for the child care subsidy program established pursuant to section 68-1202, the following shall not be included in determining assets or income:

(a) Assets in or income from an educational savings account, a Coverdell educational savings account described in 26 U.S.C. 530, a qualified tuition program established pursuant to 26 U.S.C. 529, or any similar savings account or plan established to save for qualified education expenses as defined in section 41 of this act;

(b) Income from scholarships or grants related to postsecondary education, whether merit-based, need-based, or a combination thereof;

(c) Income from postsecondary educational work-study programs, whether federally funded, funded by a postsecondary educational institution, or funded from any other source;

(d) Assets in or income from an account under a qualified program as provided in section 77-1402;

(e) Income received for participation in grant-funded research on the impact that income has on the development of children in low-income families, except that such exclusion of income must not exceed four thousand dollars per year for a maximum of eight years and such exclusion shall only be made if the exclusion is permissible under federal law for each program referenced in this

section. No such exclusion shall be made for such income on or after December 31, 2026; and

(f) Income from any tax credits received pursuant to the School Readiness Tax Credit Act.

(2) In determining eligibility for the program for aid to dependent children pursuant to section 43-512 as administered by the State of Nebraska pursuant to the federal Temporary Assistance for Needy Families program, 42 U.S.C. 601 et seq., passed-through child support as described in section 43-512.07, shall not be included in determining assets or income.

Sec. 24. Section 72-1239.01, Revised Statutes Cumulative Supplement, 2024, is amended to read:

72-1239.01 (1)(a) The appointed members of the council shall have the responsibility for the investment management of the assets of the retirement systems administered by the Public Employees Retirement Board as provided in section 84-1503, the assets of the Nebraska educational savings plan trust as provided in section 45 of this act, the assets of the achieving a better life experience program pursuant to sections 77-1401 to 77-1409, and beginning January 1, 2017, the assets of each retirement system provided for under the Class V School Employees Retirement Act. Except as provided in subsection (4) of this section, the appointed members shall be deemed fiduciaries with respect to the investment of the assets of the retirement systems, of the Nebraska educational savings plan trust, and of the achieving a better life experience program and shall be held to the standard of conduct of a fiduciary specified in subsection (3) of this section. The nonvoting, ex officio members of the council shall not be deemed fiduciaries.

(b) As fiduciaries, the appointed members of the council and the state investment officer shall discharge their duties with respect to the assets of the retirement systems, of the Nebraska educational savings plan trust, and of the achieving a better life experience program solely in the interests of the members and beneficiaries of the retirement systems or the interests of the participants and beneficiaries of the Nebraska educational savings plan trust

and the achieving a better life experience program, as the case may be, for the exclusive purposes of providing benefits to members, members' beneficiaries, participants, and participants' beneficiaries and defraying reasonable expenses incurred within the limitations and according to the powers, duties, and purposes prescribed by law.

(2)(a) The appointed members of the council shall have the responsibility for the investment management of the assets of state funds. The appointed members shall be deemed fiduciaries with respect to the investment of the assets of state funds and shall be held to the standard of conduct of a fiduciary specified in subsection (3) of this section. The nonvoting, ex officio members of the council shall not be deemed fiduciaries.

(b) As fiduciaries, the appointed members of the council and the state investment officer shall discharge their duties with respect to the assets of state funds solely in the interests of the citizens of the state within the limitations and according to the powers, duties, and purposes prescribed by law.

(3) The appointed members of the council shall act with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims by diversifying the investments of the assets of the retirement systems, the Nebraska educational savings plan trust, the achieving a better life experience program, and state funds so as to minimize risk of large losses, unless in light of such circumstances it is clearly prudent not to do so. No assets of the retirement systems, the Nebraska educational savings plan trust, or the achieving a better life experience program shall be invested or reinvested if the sole or primary investment objective is for economic development or social purposes or objectives.

(4) Neither the appointed members of the council nor the state investment officer shall be deemed fiduciaries with respect to investments of the assets of a retirement system provided for under the Class V School Employees

Retirement Act made by or on behalf of the board of education as defined in section 79-978 or the board of trustees provided for in section 79-980. Neither the council nor any member thereof nor the state investment officer shall be liable for the action or inaction of the board of education or the board of trustees with respect to the investment of the assets of a retirement system provided for under the Class V School Employees Retirement Act, the consequences of any such action or inaction of the board of education or the board of trustees, and any claims, suits, losses, damages, fees, and costs related to such action or inaction or consequences thereof.

Sec. 25. Section 76-214, Revised Statutes Cumulative Supplement, 2024, is amended to read:

76-214 (1) Except as provided in subsection (4) of this section, every grantee who has a deed to real estate recorded and every purchaser of real estate who has a memorandum of contract or land contract recorded shall, at the time such deed, memorandum of contract, or land contract is presented for recording, file with the register of deeds a completed statement as prescribed by the Tax Commissioner. For all deeds and all memoranda of contract and land contracts recorded on and after January 1, 2001, the statement shall not require the social security number of the grantee or purchaser or the federal employer identification number of the grantee or purchaser. This statement may require the recitation of any information contained in the deed, memorandum of contract, or land contract, the total consideration paid, the amount of the total consideration attributable to factors other than the purchase of the real estate itself, and other factors which may influence the transaction. If a death certificate is recorded as provided in subsection (2) of this section, this statement may require a date of death, the name of the decedent, and whether the title is affected as a result of a transfer on death deed, a joint tenancy deed, or the expiration of a life estate or by any other means. This statement shall ask whether the affidavit described in section 76-2,141 is required with respect to the deed, memorandum of contract, or land contract and, if so, whether such affidavit has been completed. This statement shall be

signed and filed by the grantee, the purchaser, or his or her authorized agent. The register of deeds shall forward the statement to the county assessor. If the grantee or purchaser fails to furnish the prescribed statement, the register of deeds shall not record the deed, memorandum of contract, or land contract. The register of deeds shall indicate on the statement the book and page or computer system reference where the deed, memorandum of contract, or land contract is recorded and shall immediately forward the statement to the county assessor. The county assessor shall process the statement according to the instructions of the Property Tax Administrator and shall, pursuant to the rules and regulations of the Tax Commissioner, forward the statement to the Tax Commissioner.

(2)(a) The statement described in subsection (1) of this section shall be filed at the time that a certified or authenticated copy of the grantor's death certificate is filed if such death certificate is required to be filed under section 76-2,126 and the conveyance of real estate was pursuant to a transfer on death deed.

(b) The statement described in subsection (1) of this section shall not be required to be filed at the time that a transfer on death deed is filed or at the time that an instrument of revocation of a transfer on death deed as described in subdivision (a)(1)(B) of section 76-3413 is filed.

(3) Any person shall have access to the statements at the office of the Tax Commissioner, county assessor, or register of deeds if the statements are available and have not been disposed of pursuant to the records retention and disposition schedule as approved by the State Records Administrator.

(4) The statement described in subsection (1) of this section shall not be required if the document being recorded is an easement or an oil, gas, or mineral lease, or any subsequent assignment of an easement or such lease, except that such statement shall be required for conservation easements and preservation easements as such terms are defined in section 76-2,111 and recreational trail easements used to qualify for the property tax exemption provided by the Recreational Trail Easement Property Tax Exemption Act.

Sec. 26. Section 77-202, Revised Statutes Cumulative Supplement, 2024, is amended to read:

77-202 (1) The following property shall be exempt from property taxes:

(a) Property of the state and its governmental subdivisions to the extent used or being developed for use by the state or governmental subdivision for a public purpose. For purposes of this subdivision:

(i) Property of the state and its governmental subdivisions means (A) property held in fee title by the state or a governmental subdivision or (B) property beneficially owned by the state or a governmental subdivision in that it is used for a public purpose and is being acquired under a lease-purchase agreement, financing lease, or other instrument which provides for transfer of legal title to the property to the state or a governmental subdivision upon payment of all amounts due thereunder. If the property to be beneficially owned by a governmental subdivision has a total acquisition cost that exceeds the threshold amount or will be used as the site of a public building with a total estimated construction cost that exceeds the threshold amount, then such property shall qualify for an exemption under this section only if the question of acquiring such property or constructing such public building has been submitted at a primary, general, or special election held within the governmental subdivision and has been approved by the voters of the governmental subdivision. For purposes of this subdivision, threshold amount means the greater of fifty thousand dollars or six-tenths of one percent of the total actual value of real and personal property of the governmental subdivision that will beneficially own the property as of the end of the governmental subdivision's prior fiscal year; and

(ii) Public purpose means use of the property (A) to provide public services with or without cost to the recipient, including the general operation of government, public education, public safety, transportation, public works, civil and criminal justice, public health and welfare, developments by a public housing authority, parks, culture, recreation, community development, and cemetery purposes, or (B) to carry out the duties and responsibilities

conferred by law with or without consideration. Public purpose does not include leasing of property to a private party unless the lease of the property is at fair market value for a public purpose. Leases of property by a public housing authority to low-income individuals as a place of residence are for the authority's public purpose;

(b) Unleased property of the state or its governmental subdivisions which is not being used or developed for use for a public purpose but upon which a payment in lieu of taxes is paid for public safety, rescue, and emergency services and road or street construction or maintenance services to all governmental units providing such services to the property. Except as provided in Article VIII, section 11, of the Constitution of Nebraska, the payment in lieu of taxes shall be based on the proportionate share of the cost of providing public safety, rescue, or emergency services and road or street construction or maintenance services unless a general policy is adopted by the governing body of the governmental subdivision providing such services which provides for a different method of determining the amount of the payment in lieu of taxes. The governing body may adopt a general policy by ordinance or resolution for determining the amount of payment in lieu of taxes by majority vote after a hearing on the ordinance or resolution. Such ordinance or resolution shall nevertheless result in an equitable contribution for the cost of providing such services to the exempt property;

(c) Property owned by and used exclusively for agricultural and horticultural societies;

(d)(i) Property owned by educational, religious, charitable, or cemetery organizations, or any organization for the exclusive benefit of any such educational, religious, charitable, or cemetery organization, and used exclusively for educational, religious, charitable, or cemetery purposes, when such property is not (A) owned or used for financial gain or profit to either the owner or user, (B) used for the sale of alcoholic liquors for more than twenty hours per week, or (C) owned or used by an organization which discriminates in membership or employment based on race, color, or national

origin.

(ii) For purposes of subdivision (1)(d) of this section:

(A) Educational organization means (I) an institution operated exclusively for the purpose of offering regular courses with systematic instruction in academic, vocational, or technical subjects or assisting students through services relating to the origination, processing, or guarantying of federally reinsured student loans for higher education, (II) a museum or historical society operated exclusively for the benefit and education of the public, or (III) a nonprofit organization that owns or operates a child care facility; and

(B) Charitable organization includes (I) an organization operated exclusively for the purpose of the mental, social, or physical benefit of the public or an indefinite number of persons and (II) a fraternal benefit society organized and licensed under sections 44-1072 to 44-10,109.

(iii) The property tax exemption authorized in subdivision (1)(d)(i) of this section shall apply to any skilled nursing facility as defined in section 71-429, nursing facility as defined in section 71-424, or assisted-living facility as defined in section 71-5903 that provides housing for medicaid beneficiaries, except that the exemption amount for such property shall be a percentage of the property taxes that would otherwise be due. Such percentage shall be equal to the average percentage of occupied beds in the facility provided to medicaid beneficiaries over the most recent three-year period.

(iv) The property tax exemption authorized in subdivision (1)(d)(i) of this section shall apply to a building that (A) is owned by a charitable organization, (B) is made available to students in attendance at an educational institution, and (C) is recognized by such educational institution as approved student housing, except that the exemption shall only apply to the commons area of such building, including any common rooms and cooking and eating facilities;

(e) Household goods and personal effects not owned or used for financial gain or profit to either the owner or user; and

(f) A portion of the property owned by a taxpayer as provided in the Recreational Trail Easement Property Tax Exemption Act.

(2) The increased value of land by reason of shade and ornamental trees planted along the highway shall not be taken into account in the valuation of land.

(3) Tangible personal property which is not depreciable tangible personal property as defined in section 77-119 shall be exempt from property tax.

(4) Motor vehicles, trailers, and semitrailers required to be registered for operation on the highways of this state shall be exempt from payment of property taxes.

(5) Business and agricultural inventory shall be exempt from the personal property tax. For purposes of this subsection, business inventory includes personal property owned for purposes of leasing or renting such property to others for financial gain only if the personal property is of a type which in the ordinary course of business is leased or rented thirty days or less and may be returned at the option of the lessee or renter at any time and the personal property is of a type which would be considered household goods or personal effects if owned by an individual. All other personal property owned for purposes of leasing or renting such property to others for financial gain shall not be considered business inventory.

(6) Any personal property exempt pursuant to subsection (2) of section 77-4105 or section 77-5209.02 shall be exempt from the personal property tax.

(7) Livestock shall be exempt from the personal property tax.

(8) Any personal property exempt pursuant to the Nebraska Advantage Act or the ImagiNE Nebraska Act shall be exempt from the personal property tax.

(9) Any depreciable tangible personal property used directly in the generation of electricity using wind as the fuel source shall be exempt from the property tax levied on depreciable tangible personal property. Any depreciable tangible personal property used directly in the generation of electricity using solar, biomass, or landfill gas as the fuel source shall be exempt from the property tax levied on depreciable tangible personal property if such depreciable tangible personal property was installed on or after January 1, 2016, and has a nameplate capacity of one hundred kilowatts or more.

Depreciable tangible personal property used directly in the generation of electricity using wind, solar, biomass, or landfill gas as the fuel source includes, but is not limited to, wind turbines, rotors and blades, towers, solar panels, trackers, generating equipment, transmission components, substations, supporting structures or racks, inverters, and other system components such as wiring, control systems, switchgears, and generator step-up transformers.

(10) Any tangible personal property that is acquired by a person operating a data center located in this state, that is assembled, engineered, processed, fabricated, manufactured into, attached to, or incorporated into other tangible personal property, both in component form or that of an assembled product, for the purpose of subsequent use at a physical location outside this state by the person operating a data center shall be exempt from the personal property tax. Such exemption extends to keeping, retaining, or exercising any right or power over tangible personal property in this state for the purpose of subsequently transporting it outside this state for use thereafter outside this state. For purposes of this subsection, data center means computers, supporting equipment, and other organized assembly of hardware or software that are designed to centralize the storage, management, or dissemination of data and information, environmentally controlled structures or facilities or interrelated structures or facilities that provide the infrastructure for housing the equipment, such as raised flooring, electricity supply, communication and data lines, Internet access, cooling, security, and fire suppression, and any building housing the foregoing.

(11) For tax years prior to tax year 2020, each person who owns property required to be reported to the county assessor under section 77-1201 shall be allowed an exemption amount as provided in the Personal Property Tax Relief Act. For tax years prior to tax year 2020, each person who owns property required to be valued by the state as provided in section 77-601, 77-682, 77-801, or 77-1248 shall be allowed a compensating exemption factor as provided in the Personal Property Tax Relief Act.

(12)(a) Broadband equipment shall be exempt from the personal property tax if such broadband equipment is:

(i) Deployed in an area funded in whole or in part by funds from the Broadband Equity, Access, and Deployment Program, authorized by the federal Infrastructure Investment and Jobs Act, Public Law 117-58; or

(ii) Deployed in a qualified census tract located within the corporate limits of a city of the metropolitan class and being utilized to provide end-users with access to the Internet at speeds of at least one hundred megabits per second for downloading and at least one hundred megabits per second for uploading.

(b) An owner of broadband equipment seeking an exemption under this section shall apply for an exemption to the county assessor on or before December 31 of the year preceding the year for which the exemption is to begin. If the broadband equipment meets the criteria described in this subsection, the county assessor shall approve the application within thirty calendar days after receiving the application. The application shall be on forms prescribed by the Tax Commissioner.

(c) For purposes of this subsection:

(i) Broadband communications service means telecommunications service as defined in section 86-121, video programming as defined in 47 U.S.C. 522, as such section existed on January 1, 2024, or Internet access as defined in section 1104 of the federal Internet Tax Freedom Act, Public Law 105-277;

(ii) Broadband equipment means machinery or equipment used to provide broadband communications service and includes, but is not limited to, wires, cables, fiber, conduits, antennas, poles, switches, routers, amplifiers, rectifiers, repeaters, receivers, multiplexers, duplexers, transmitters, circuit cards, insulating and protective materials and cases, power equipment, backup power equipment, diagnostic equipment, storage devices, modems, and other general central office or headend equipment, such as channel cards, frames, and cabinets, or equipment used in successor technologies, including items used to monitor, test, maintain, enable, or facilitate qualifying

equipment, machinery, software, ancillary components, appurtenances, accessories, or other infrastructure that is used in whole or in part to provide broadband communications service. Machinery or equipment used to produce broadband communications service does not include personal consumer electronics, including, but not limited to, smartphones, computers, and tablets; and

(iii) Qualified census tract means a qualified census tract as defined in 26 U.S.C. 42(d)(5)(B)(ii)(I), as such section existed on January 1, 2024.

Sec. 27. Section 77-202.01, Revised Statutes Cumulative Supplement, 2024, is amended to read:

77-202.01 (1) Any organization, society, or taxpayer seeking a tax exemption provided in subdivision (1)(c), (d), or (f) of section 77-202 for any real or tangible personal property, except real property used for cemetery purposes, shall apply for exemption to the county assessor on or before December 31 of the year preceding the year for which the exemption is sought on forms prescribed by the Tax Commissioner. Applications that lack an estimated valuation, or any other required information, shall result in the denial of the requested exemption. The county assessor shall examine the application and recommend either taxable or exempt for the real property or tangible personal property to the county board of equalization on or before March 1 following. For applications involving property described in subdivision (1)(d)(iii) or (iv) of section 77-202, the county assessor shall also calculate the exemption amount for the property and shall submit such calculation to the county board of equalization along with his or her recommendations. Notice that a list of the applications from organizations, societies, and taxpayers seeking tax exemption, descriptions of the property, and recommendations of the county assessor are available in the county assessor's office shall be published in a newspaper of general circulation in the county at least ten days prior to consideration of any application by the county board of equalization.

(2) Any organization, society, or taxpayer which fails to file an exemption application on or before December 31 may apply on or before June 30

to the county assessor. The organization, society, or taxpayer shall also file in writing a request with the county board of equalization for a waiver so that the county assessor may consider the application for exemption. The county board of equalization shall grant the waiver upon a finding that good cause exists for the failure to make application on or before December 31. When the waiver is granted, the county assessor shall examine the application and recommend either taxable or exempt for the real property or tangible personal property to the county board of equalization, shall calculate the exemption amount for any property described in subdivision (1)(d)(iii) or (iv) of section 77-202, and shall assess a penalty against the property of ten percent of the tax that would have been assessed had the waiver been denied or one hundred dollars, whichever is less, for each calendar month or fraction thereof for which the filing of the exemption application missed the December 31 deadline. The penalty shall be collected and distributed in the same manner as a tax on the property and interest shall be assessed at the rate specified in section 45-104.01, as such rate may from time to time be adjusted by the Legislature, from the date the tax would have been delinquent until paid. The penalty shall also become a lien in the same manner as a tax pursuant to section 77-203.

Sec. 28. Section 77-202.03, Revised Statutes Cumulative Supplement, 2024, is amended to read:

77-202.03 (1) Except as provided in section 77-202.10 and subsection (2) of this section, a properly granted exemption of real or tangible personal property provided for in subdivisions (1)(c) and (d) of section 77-202 shall continue for a period of four years if the statement of reaffirmation of exemption required by subsection (3) of this section is filed when due. The four-year period shall begin with years evenly divisible by four. A properly granted exemption of real property provided for in subdivision (1)(f) of section 77-202 shall continue for the period described in section 4 of this act without the need to file any statement of reaffirmation of exemption under subsection (3) of this section.

(2) An owner of property which has been granted an exemption under

subdivision (1)(d)(iii) or (iv) of section 77-202 shall be required to reapply for the exemption each year so that the exemption amount for the year can be recalculated.

(3) In each intervening year occurring between application years, the organization or society which filed the granted exemption application under subdivision (1)(c) or (d) of section 77-202 for the real or tangible personal property, except real property used for cemetery purposes and real property described in subdivision (1)(d)(iii) or (iv) of section 77-202, shall file a statement of reaffirmation of exemption with the county assessor on or before December 31 of the year preceding the year for which the exemption is sought, on forms prescribed by the Tax Commissioner, certifying that the ownership and use of the exempted property has not changed during the year. Any organization or society which misses the December 31 deadline for filing the statement of reaffirmation of exemption may file the statement of reaffirmation of exemption by June 30. Such filing shall maintain the tax-exempt status of the property without further action by the county and regardless of any previous action by the county board of equalization to deny the exemption due to late filing of the statement of reaffirmation of exemption. Upon any such late filing, the county assessor shall assess a penalty against the property of ten percent of the tax that would have been assessed had the statement of reaffirmation of exemption not been filed or one hundred dollars, whichever is less, for each calendar month or fraction thereof for which the filing of the statement of reaffirmation of exemption is late. The penalty shall be collected and distributed in the same manner as a tax on the property and interest shall be assessed at the rate specified in section 45-104.01, as such rate may from time to time be adjusted by the Legislature, from the date the tax would have been delinquent until paid. The penalty shall also become a lien in the same manner as a tax pursuant to section 77-203.

(4)(a) If any organization, society, or taxpayer seeks a tax exemption under subdivision (1)(c), (d), or (f) of section 77-202 for any real or tangible personal property acquired on or after January 1 of any year or

converted to exempt use on or after January 1 of any year, the organization, society, or taxpayer shall make application for exemption on or before July 1 of that year as provided in subsection (1) of section 77-202.01. The procedure for reviewing the application shall be as in sections 77-202.01 to 77-202.05, except that the exempt use shall be determined as of the date of application and the review by the county board of equalization shall be completed by August 15.

(b) If an organization as described in subdivision (1)(c) or (d) of section 77-202 purchases, between July 1 and the levy date, property that has been granted tax exemption and the property continues to be qualified for a property tax exemption, the purchaser shall on or before November 15 make application for exemption as provided in section 77-202.01. The procedure for reviewing the application shall be as in sections 77-202.01 to 77-202.05, and the review by the county board of equalization shall be completed by December 15.

(c) If a taxpayer purchases, between July 1 and the levy date, property described in subdivision (1)(f) of section 77-202 that has been granted tax exemption and the property continues to be qualified for a property tax exemption, the purchaser shall on or before November 15 make application for exemption as provided in section 77-202.01. The procedure for reviewing the application shall be as in sections 77-202.01 to 77-202.05, and the review by the county board of equalization shall be completed by December 15.

(5) In any year, the county assessor or the county board of equalization may cause a review of any exemption to determine whether the exemption is proper. Such a review may be taken even if the ownership or use of the property has not changed from the date of the allowance of the exemption. If it is determined that a change in an exemption is warranted, the procedure for hearing set out in section 77-202.02 shall be followed, except that the published notice shall state that the list provided in the county assessor's office only includes those properties being reviewed. If an exemption is denied, the county board of equalization shall place the property on the tax

rolls retroactive to January 1 of that year if on the date of the decision of the county board of equalization the property no longer qualifies for an exemption.

The county board of equalization shall give notice of the assessed value of the real property in the same manner as outlined in section 77-1507, and the procedures for filing a protest shall be the same as those in section 77-1502.

When personal property which was exempt becomes taxable because of lost exemption status, the owner or his or her agent has thirty days after the date of denial to file a personal property return with the county assessor. Upon the expiration of the thirty days for filing a personal property return pursuant to this subsection, the county assessor shall proceed to list and value the personal property and apply the penalty pursuant to section 77-1233.04.

(6) During the month of September of each year, the county board of equalization shall cause to be published in a paper of general circulation in the county a list of all real estate in the county exempt from taxation for that year pursuant to subdivisions (1)(c), (d), and (f) of section 77-202. Such list shall be grouped into categories as provided by the Property Tax Administrator. An electronic copy of the list of real property exemptions and a copy of the proof of publication shall be forwarded to the Property Tax Administrator on or before November 1 of each year.

Sec. 29. Section 77-202.05, Revised Statutes Cumulative Supplement, 2024, is amended to read:

77-202.05 The Tax Commissioner shall prescribe forms for distribution to the county assessors on which persons, corporations, and organizations may apply for tax-exempt status for real or tangible personal property. The forms shall include the following information:

(1) Name of owner or owners of the property, and if a corporation, the names of the officers and directors, and place of incorporation;

(2) Legal description of real property and a general description as to class and use of all tangible personal property;

(3) The precise statutory provision under which exempt status for such

property is claimed;

(4) An estimated valuation for the property; and

(5) For applications for tax-exempt status for property described in subdivision (1)(f) of section 77-202:

(a) Proof of the recorded easement; and

(b) Certification from the eligible holder, as defined in section 3 of this act, confirming compliance with public access and connectivity requirements.

Sec. 30. Section 77-3,110, Revised Statutes Cumulative Supplement, 2024, is amended to read:

77-3,110 (1) All funds received pursuant to sections 77-3,109 and 77-3,118 shall be remitted to the State Treasurer for credit to the Department of Revenue Miscellaneous Receipts Fund which is hereby created.

(2) All money in the Department of Revenue Miscellaneous Receipts Fund shall be administered by the Department of Revenue and shall be used to defray the cost of production of the publications listed in section 77-3,109 or of the listings described in section 77-3,118 and to carry out any administrative responsibilities of the department.

(3) Transfers may be made from the fund to the General Fund at the direction of the Legislature. Any money in the Department of Revenue Miscellaneous Receipts Fund available for investment shall be invested by the state investment officer pursuant to the Nebraska Capital Expansion Act and the Nebraska State Funds Investment Act.

Sec. 31. Section 77-1613, Reissue Revised Statutes of Nebraska, is amended to read:

77-1613 After the levy of taxes has been made and before November 20, the county assessor shall transcribe the assessments into a suitable book to be provided at the expense of the county, properly ruled and headed with the distinct columns in which shall be entered the description of the lands, number of acres and value, number of city and village lots and their value, taxable value of taxable personal property, delinquent taxes of previous years, the

amount of property tax credits not reimbursed by the state, the amount of taxes due on the day the first installment becomes due, and the amount of delinquent taxes due on the day the second installment thereof becomes due, as provided by law, in the event the taxpayer elects to pay taxes in two equal semiannual installments.

Sec. 32. Section 77-1631, Revised Statutes Cumulative Supplement, 2024, is amended to read:

77-1631 For purposes of the Property Tax Request Act:

(1) Allowable growth percentage means a percentage equal to the sum of (a) two percent plus (b) the political subdivision's real growth percentage;

(2) Property tax request means the total amount of property taxes requested to be raised for a political subdivision through the levy imposed pursuant to section 77-1601, excluding the amount to be levied for the payment of principal or interest on bonds issued or authorized to be issued by a school district;

(3) Real growth percentage means the percentage obtained by dividing (a) the political subdivision's real growth value by (b) the political subdivision's total property valuation from the prior year; and

(4) Real growth value means the increase in a political subdivision's total property valuation from the prior year to the current year due to (a) improvements to real property as a result of new construction and additions to existing buildings, (b) any other improvements to real property which increase the value of such property, (c) annexation of real property by the political subdivision, (d) a change in the use of real property, (e) any increase in personal property valuation over the prior year, and (f) the accumulated excess valuation over the redevelopment project valuation described in section 18-2147 of the Community Development Law for redevelopment projects within the political subdivision in the year immediately after the division of taxes for such redevelopment project has ended.

Sec. 33. Section 77-1701, Revised Statutes Cumulative Supplement, 2024, is amended to read:

77-1701 (1) The county treasurer shall be ex officio county collector of all taxes levied within the county. The county board shall designate a county official to mail or otherwise deliver a statement of the amount of taxes due and a notice that special assessments are due, to the last-known address of the person, firm, association, or corporation against whom such taxes or special assessments are assessed or to the lending institution or other party responsible for paying such taxes or special assessments. Such statement shall clearly indicate, for each political subdivision, the amount of property taxes due to fund any and all public safety services as defined in section 13-320, county attorneys, and public defenders, regardless of whether such amount is taken as an exception to the political subdivision's property tax request authority under section 13-3404. Such statement shall also clearly indicate, for each political subdivision, the levy rate and the amount of taxes due as the result of principal or interest payments on bonds issued by the political subdivision and shall show such rate and amount separate from any other levy. When taxes on real property are delinquent for a prior year, the county treasurer shall indicate this information on the current year tax statement in bold letters. The information provided shall inform the taxpayer that delinquent taxes and interest are due for the prior year or years and shall indicate the specific year or years for which such taxes and interest remain unpaid. The language shall read "Back Taxes and Interest Due For", followed by numbers to indicate each year for which back taxes and interest are due and a statement indicating that failure to pay the back taxes and interest may result in the loss of the real property. Failure to receive such statement or notice shall not relieve the taxpayer from any liability to pay such taxes or special assessments and any interest or penalties accrued thereon. In any county in which a city of the metropolitan class is located, all statements of taxes shall also include notice that special assessments for cutting weeds, removing litter, and demolishing buildings are due.

(2) Notice that special assessments are due shall not be required for special assessments levied by sanitary and improvement districts organized

under Chapter 31, article 7, except that such notice may be provided by the county at the discretion of the county board or by the sanitary and improvement district with the approval of the county board.

(3) A statement of the amount of taxes due and a notice that special assessments are due shall not be required to be mailed or otherwise delivered pursuant to subsection (1) of this section if the total amount of the taxes and special assessments due is less than two dollars. Failure to receive the statement or notice shall not relieve the taxpayer from any liability to pay the taxes or special assessments but shall relieve the taxpayer from any liability for interest or penalties. Taxes and special assessments of less than two dollars shall be added to the amount of taxes and special assessments due in subsequent years and shall not be considered delinquent until the total amount is two dollars or more.

Sec. 34. Section 77-2715.07, Revised Statutes Cumulative Supplement, 2024, is amended to read:

77-2715.07 (1) There shall be allowed to qualified resident individuals as a nonrefundable credit against the income tax imposed by the Nebraska Revenue Act of 1967:

(a) A credit equal to the federal credit allowed under section 22 of the Internal Revenue Code; and

(b) A credit for taxes paid to another state as provided in section 77-2730.

(2) There shall be allowed to qualified resident individuals against the income tax imposed by the Nebraska Revenue Act of 1967:

(a) For returns filed reporting federal adjusted gross incomes of greater than twenty-nine thousand dollars, a nonrefundable credit equal to twenty-five percent of the federal credit allowed under section 21 of the Internal Revenue Code of 1986, as amended, except that for taxable years beginning or deemed to begin on or after January 1, 2015, such nonrefundable credit shall be allowed only if the individual would have received the federal credit allowed under section 21 of the code after adding back in any carryforward of a net operating

loss that was deducted pursuant to such section in determining eligibility for the federal credit;

(b) For returns filed reporting federal adjusted gross income of twenty-nine thousand dollars or less, a refundable credit equal to a percentage of the federal credit allowable under section 21 of the Internal Revenue Code of 1986, as amended, whether or not the federal credit was limited by the federal tax liability. The percentage of the federal credit shall be one hundred percent for incomes not greater than twenty-two thousand dollars, and the percentage shall be reduced by ten percent for each one thousand dollars, or fraction thereof, by which the reported federal adjusted gross income exceeds twenty-two thousand dollars, except that for taxable years beginning or deemed to begin on or after January 1, 2015, such refundable credit shall be allowed only if the individual would have received the federal credit allowed under section 21 of the code after adding back in any carryforward of a net operating loss that was deducted pursuant to such section in determining eligibility for the federal credit;

(c) A refundable credit as provided in section 77-5209.01 for individuals who qualify for an income tax credit as a qualified beginning farmer or livestock producer under the Beginning Farmer Tax Credit Act for all taxable years beginning or deemed to begin on or after January 1, 2006, under the Internal Revenue Code of 1986, as amended;

(d) A refundable credit for individuals who qualify for an income tax credit under the Adoption Tax Credit Act, the Angel Investment Tax Credit Act, the Nebraska Advantage Microenterprise Tax Credit Act, the Nebraska Advantage Research and Development Act, the Reverse Osmosis System Tax Credit Act, or the Volunteer Emergency Responders Incentive Act; and

(e) A refundable credit equal to ten percent of the federal credit allowed under section 32 of the Internal Revenue Code of 1986, as amended, except that for taxable years beginning or deemed to begin on or after January 1, 2015, such refundable credit shall be allowed only if the individual would have received the federal credit allowed under section 32 of the code after adding

back in any carryforward of a net operating loss that was deducted pursuant to such section in determining eligibility for the federal credit.

(3) There shall be allowed to all individuals as a nonrefundable credit against the income tax imposed by the Nebraska Revenue Act of 1967:

(a) A credit for personal exemptions allowed under section 77-2716.01;

(b) A credit for contributions to programs or projects certified for tax credit status as provided in the Creating High Impact Economic Futures Act. Each partner, each shareholder of an electing subchapter S corporation, each beneficiary of an estate or trust, or each member of a limited liability company shall report his or her share of the credit in the same manner and proportion as he or she reports the partnership, subchapter S corporation, estate, trust, or limited liability company income;

(c) A credit for investment in a biodiesel facility as provided in section 77-27,236;

(d) A credit as provided in the New Markets Job Growth Investment Act;

(e) A credit as provided in the Nebraska Job Creation and Mainstreet Revitalization Act;

(f) A credit to employers as provided in sections 77-27,238 and 77-27,240;

(g) A credit as provided in the Affordable Housing Tax Credit Act;

(h) A credit to grocery store retailers, restaurants, and agricultural producers as provided in section 77-27,241;

(i) A credit as provided in the Sustainable Aviation Fuel Tax Credit Act;

(j) A credit as provided in the Nebraska Shortline Rail Modernization Act;

(k) A credit as provided in the Nebraska Pregnancy Help Act; and

(l) A credit as provided in the Caregiver Tax Credit Act.

(4) There shall be allowed as a credit against the income tax imposed by the Nebraska Revenue Act of 1967:

(a) A credit to all resident estates and trusts for taxes paid to another state as provided in section 77-2730;

(b) A credit to all estates and trusts for contributions to programs or projects certified for tax credit status as provided in the Creating High

Impact Economic Futures Act; and

(c) A refundable credit for individuals who qualify for an income tax credit as an owner of agricultural assets under the Beginning Farmer Tax Credit Act for all taxable years beginning or deemed to begin on or after January 1, 2009, under the Internal Revenue Code of 1986, as amended. The credit allowed for each partner, shareholder, member, or beneficiary of a partnership, corporation, limited liability company, or estate or trust qualifying for an income tax credit as an owner of agricultural assets under the Beginning Farmer Tax Credit Act shall be equal to the partner's, shareholder's, member's, or beneficiary's portion of the amount of tax credit distributed pursuant to subsection (6) of section 77-5211.

(5)(a) For all taxable years beginning on or after January 1, 2007, and before January 1, 2009, under the Internal Revenue Code of 1986, as amended, there shall be allowed to each partner, shareholder, member, or beneficiary of a partnership, subchapter S corporation, limited liability company, or estate or trust a nonrefundable credit against the income tax imposed by the Nebraska Revenue Act of 1967 equal to fifty percent of the partner's, shareholder's, member's, or beneficiary's portion of the amount of franchise tax paid to the state under sections 77-3801 to 77-3807 by a financial institution.

(b) For all taxable years beginning on or after January 1, 2009, under the Internal Revenue Code of 1986, as amended, there shall be allowed to each partner, shareholder, member, or beneficiary of a partnership, subchapter S corporation, limited liability company, or estate or trust a nonrefundable credit against the income tax imposed by the Nebraska Revenue Act of 1967 equal to the partner's, shareholder's, member's, or beneficiary's portion of the amount of franchise tax paid to the state under sections 77-3801 to 77-3807 by a financial institution.

(c) Each partner, shareholder, member, or beneficiary shall report his or her share of the credit in the same manner and proportion as he or she reports the partnership, subchapter S corporation, limited liability company, or estate or trust income. If any partner, shareholder, member, or beneficiary cannot

fully utilize the credit for that year, the credit may not be carried forward or back.

(6) There shall be allowed to all individuals nonrefundable credits against the income tax imposed by the Nebraska Revenue Act of 1967 as provided in section 77-3604 and refundable credits against the income tax imposed by the Nebraska Revenue Act of 1967 as provided in section 77-3605.

(7)(a) For taxable years beginning or deemed to begin on or after January 1, 2020, and before January 1, 2032, under the Internal Revenue Code of 1986, as amended, a nonrefundable credit against the income tax imposed by the Nebraska Revenue Act of 1967 in the amount of five thousand dollars shall be allowed to any individual who purchases a residence during the taxable year if such residence:

(i) Is located within an area that has been declared an extremely blighted area under section 18-2101.02;

(ii) Is the individual's primary residence; and

(iii) Was not purchased from a family member of the individual or a family member of the individual's spouse.

(b) The credit provided in this subsection shall be claimed for the taxable year in which the residence is purchased. If the individual cannot fully utilize the credit for such year, the credit may be carried forward to subsequent taxable years until fully utilized.

(c) No more than one credit may be claimed under this subsection with respect to a single residence.

(d) The credit provided in this subsection shall be subject to recapture by the Department of Revenue if the individual claiming the credit sells or otherwise transfers the residence or quits using the residence as his or her primary residence within five years after the end of the taxable year in which the credit was claimed.

(e) For purposes of this subsection, family member means an individual's spouse, child, parent, brother, sister, grandchild, or grandparent, whether by blood, marriage, or adoption.

(8) There shall be allowed to all individuals refundable credits against the income tax imposed by the Nebraska Revenue Act of 1967 as provided in the Cast and Crew Nebraska Act, the Nebraska Biodiesel Tax Credit Act, the Nebraska Higher Blend Tax Credit Act, the Nebraska Property Tax Incentive Act, the Relocation Incentive Act, and the Renewable Chemical Production Tax Credit Act.

(9)(a) For taxable years beginning or deemed to begin on or after January 1, 2022, under the Internal Revenue Code of 1986, as amended, a refundable credit against the income tax imposed by the Nebraska Revenue Act of 1967 shall be allowed to the parent of a stillborn child if:

(i) A fetal death certificate is filed pursuant to subsection (1) of section 71-606 for such child;

(ii) Such child had advanced to at least the twentieth week of gestation; and

(iii) Such child would have been a dependent of the individual claiming the credit.

(b) The amount of the credit shall be two thousand dollars.

(c) The credit shall be allowed for the taxable year in which the stillbirth occurred.

(10) There shall be allowed to all individuals refundable credits against the income tax imposed by the Nebraska Revenue Act of 1967 as provided in section 77-7203 and nonrefundable credits against the income tax imposed by the Nebraska Revenue Act of 1967 as provided in section 77-7204.

(11) There shall be allowed to all individuals refundable credits against the income tax imposed by the Nebraska Revenue Act of 1967 as provided in section 77-3157 and nonrefundable credits against the income tax imposed by the Nebraska Revenue Act of 1967 as provided in sections 77-3156, 77-3158, and 77-3159.

Sec. 35. Section 77-2716, Revised Statutes Cumulative Supplement, 2024, 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)(i) 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 small business 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 Revenue Code.

(6) 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) The amount of after-tax 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.

(7) Federal adjusted gross 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.

(8)(a) 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 as provided in sections 40 to 55 of this act and any account established under the achieving a better life experience program as provided in sections 77-1401 to 77-1409.

(b) 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 made 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 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 which is qualified under section 529 of the code shall qualify for the reduction provided in this subdivision. For contributions by a custodian of a custodial account including rollovers from another custodial account, the reduction shall only apply to funds added to the custodial account after January 1, 2014.

(c) 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 in the adjusted gross income of an individual, by the amount of any contribution made by the individual's employer into an account under 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.

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

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

(ii) The amount of any withdrawals by the owner of an 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.

(9)(a) 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 federal Job Creation and Worker Assistance 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 September 10, 2001, and before December 31, 2005.

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

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

(d) The amount of bonus depreciation added to federal adjusted gross income or, for corporations and fiduciaries, federal taxable income by this subsection shall be subtracted in a later taxable year. Twenty percent of the total amount of bonus depreciation added back by this subsection for tax years beginning or deemed to begin before 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 investment that is expensed under section 179 of the Internal Revenue Code of 1986, as amended, that is in excess of twenty-five thousand dollars that is allowed under the federal Jobs and Growth Tax Act of 2003. Twenty percent of the total amount of expensing 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 tax years.

(11)(a) 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 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.

(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 shall be increased by the withdrawals made as a participant in the Nebraska long-term care savings plan under the act by a person who is not a qualified individual or for any reason other than transfer of funds to a spouse, long-term care expenses, long-term care insurance premiums, or death of the participant, including withdrawals made by reason of cancellation of the participation agreement, to the extent previously deducted as a contribution or as investment earnings.

(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 77-3801 to 77-3807 as allowed by subsection (5) of section 77-2715.07.

(13)(a) For taxable years beginning or deemed to begin on or after January 1, 2015, and before January 1, 2024, 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 if:

(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, and before January 1, 2024, 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, and before January 1, 2024, 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) Forty 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) Sixty 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; and

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

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

(c) For taxable years beginning or deemed to begin on or after January 1, 2021, and before January 1, 2024, 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 (13) of this section, whichever provides the greater reduction.

(15)(a) For taxable years beginning or deemed to begin on or after January 1, 2015, and before January 1, 2022, under the Internal Revenue Code of 1986, as amended, an individual may make a one-time election within two calendar years after the date of his or her retirement from the military to exclude income received as a military retirement benefit by the individual to the extent included in federal adjusted gross income 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 retirement benefits that are periodic 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 either:

(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 or on behalf of a firefighter for cancer benefits under the Firefighter Cancer Benefits Act to the extent included in federal adjusted gross income.

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

(19) 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 firefighter or 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.

(20) For taxable years beginning or deemed to begin on or after January 1, 2024, under the Internal Revenue Code of 1986, as amended, an individual may

reduce his or her federal adjusted gross income by the amounts received as annuities under the Civil Service Retirement System which were earned for being employed by the federal government, to the extent such amounts are included in federal adjusted gross income.

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

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

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

(c) Serving in a state active duty status.

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

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

(23) For taxable years beginning or deemed to begin on or after January 1, 2025, under the Internal Revenue Code of 1986, as amended, an individual who is a qualifying employee as defined in section 77-3108 may reduce his or her federal adjusted gross income by the amount allowed under section 77-3111.

(24) For taxable years beginning or deemed to begin on or after January 1, 2026, under the Internal Revenue Code of 1986, as amended, federal adjusted

gross income or, for corporations and fiduciaries, federal taxable income shall be reduced by the amounts allowed to be deducted pursuant to section 77-27,242.

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

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

Sec. 36. Section 77-2727, Revised Statutes Cumulative Supplement, 2024, is amended to read:

77-2727 (1) Except as provided in subsection (6) of this section and subsection (5) of section 77-2775, a partnership as such shall not be subject to the income tax imposed by the Nebraska Revenue Act of 1967. Persons or their authorized representatives carrying on business as partners shall be liable for the income tax imposed by the Nebraska Revenue Act of 1967 only in their separate or individual capacities.

(2) The partners of such partnership who are residents of this state or corporations shall include in their incomes their proportionate share of such partnership's income.

(3) If any partner of such partnership is a nonresident individual during any part of the partnership's reporting year, he or she shall file a Nebraska income tax return which shall include in Nebraska adjusted gross income that portion of the partnership's Nebraska income, as determined under the provisions of sections 77-2728 and 77-2729, allocable to his or her interest in the partnership and shall execute and forward to the partnership, on or before the original due date of the Nebraska partnership return, an agreement which states that he or she will file a Nebraska income tax return and pay income tax on all income derived from or attributable to sources in this state, and such agreement shall be attached to the partnership's Nebraska return for such reporting year.

(4)(a) Except as provided in subdivision (c) of this subsection, in the absence of the nonresident individual partner's executed agreement being attached to the Nebraska partnership return, the partnership shall remit a portion of such partner's income which was derived from or attributable to Nebraska sources with its Nebraska return for the reporting year. For tax years beginning or deemed to begin before January 1, 2013, the amount of remittance, in such instance, shall be the highest individual income tax rate determined under section 77-2715.02 multiplied by the nonresident individual partner's share of the partnership income which was derived from or attributable to sources within this state. For tax years beginning or deemed to begin on or after January 1, 2013, the amount of remittance, in such instance, shall be the highest individual income tax rate determined under section 77-2715.03 multiplied by the nonresident individual partner's share of the partnership income which was derived from or attributable to sources within this state.

(b) Any amount remitted on behalf of any partner shall be allowed as a credit against the Nebraska income tax liability of the partner.

(c) Subdivision (a) of this subsection does not apply to a publicly traded partnership as defined by section 7704(b) of the Internal Revenue Code of 1986, as amended, that is treated as a partnership for the purposes of the code and that has agreed to file an annual information return with the Department of

Revenue reporting the name, address, taxpayer identification number, and other information requested by the department of each unit holder with an income in the state in excess of five hundred dollars.

(5) The Tax Commissioner may allow a nonresident individual partner to not file a Nebraska income tax return if the nonresident individual partner's only source of Nebraska income was his or her share of the partnership's income which was derived from or attributable to sources within this state, the nonresident did not file an agreement to file a Nebraska income tax return, and the partnership has remitted the amount required by subsection (4) of this section on behalf of such nonresident individual partner. The amount remitted shall be retained in satisfaction of the Nebraska income tax liability of the nonresident individual partner.

(6) Notwithstanding any provision of this section to the contrary:

(a) For tax years beginning or deemed to begin on or after January 1, 2018, a partnership may annually make an irrevocable election to pay the taxes, interest, or penalties levied by the Nebraska Revenue Act of 1967 at the entity level for the taxable period covered by such return. For tax years beginning on or after January 1, 2023, such election may be made on the applicable income tax return and shall be made on or before the due date for filing the applicable income tax return, including any extensions that have been granted;

(b) An electing partnership with respect to a taxable period shall pay an income tax equivalent to the highest individual income tax rate provided in section 77-2715.03 multiplied by the electing partnership's net income as apportioned or allocated to this state in accordance with the Nebraska Revenue Act of 1967, for such taxable period;

(c) An electing partnership shall be treated as a corporation with respect to the requirements of section 77-2769 for payments of estimated tax. The requirement for payment of estimated tax under section 77-2769 shall not apply for tax years beginning prior to January 1, 2024. Payments of estimated tax made by an eligible partnership that does not make an election under this subsection shall be treated as income tax withholding on behalf of the

partners;

(d) Except as provided in subdivision (e) of this subsection, the partners of an electing partnership shall file a Nebraska return to report their pro rata or distributive share of the income of the electing partnership in accordance with the Nebraska Revenue Act of 1967, as applicable. In determining the sum of its pro rata or distributive share and computing the tax under this subsection, an electing partnership shall add back any amount of Nebraska income tax imposed under the Nebraska Revenue Act of 1967 and deducted by the electing partnership for federal income tax purposes under section 164 of the Internal Revenue Code;

(e) A nonresident individual who is a partner of an electing partnership shall not be required to file a Nebraska tax return for a taxable year if, for such taxable year, the only source of income derived from or connected with sources within this state for such partner, or for the partner and the partner's spouse if a joint federal income tax return is filed, is from one or more electing partnerships or electing small business corporations as defined in subdivision (9)(a) of section 77-2734.01 for such taxable year and such nonresident individual partner's tax under the Nebraska Revenue Act of 1967 would be fully satisfied by the credit allowed to such partner under subdivision (g) of this subsection;

(f) If the amount calculated under subdivision (a) of this subsection results in a net operating loss, such net operating loss may not be carried forward to succeeding taxable years;

(g)(i) A refundable credit shall be available to the partners in an amount equal to their pro rata or distributive share of the Nebraska income tax paid by the electing partnership. For tax returns filed for taxable years beginning or deemed to begin on or after January 1, 2022, such credit shall be allowed for the same taxable year for which the election is made, without regard to the year in which the tax is paid to Nebraska or deducted on a federal income tax return;

(ii) In the case of a partnership or small business corporation that is a

partner of an electing partnership, the refundable credit under this subdivision (g) shall (A) be allowed to its partners or shareholders in accordance with the determination of income and distributive share of the Nebraska income tax paid by the electing partnership or (B) be applied against the partner's tax, interest, and penalty. Any excess credit deemed an overpayment may be refunded or applied to the subsequent tax year;

(iii) If a partnership making the election under this subsection is a partner of another electing partnership, net income shall be computed as provided in subsection (1) of this section. The upper tier electing partnership shall claim a credit for the tax paid by the lower tier electing partnership. The upper tier electing partnership shall distribute out the pro rata or distributive share of the credits to its partners for tax paid under this subsection by all tiers of electing partnerships. As used in this subdivision, the term lower tier electing partnership means an electing partnership in which some or all of the partners are an electing partnership. The term upper tier electing partnership means an electing partnership that is a partner of a lower tier electing partnership. An electing partnership may have two or more tiers; and

(h)(i) For tax years beginning or deemed to begin on or after January 1, 2018, but prior to January 1, 2023, the electing partnership shall make the election under this subsection on or after January 1, 2023, but before December 31, 2025, in the form and manner prescribed by the Tax Commissioner for all years for which the election under this subsection is made on behalf of the electing partnership. The Tax Commissioner shall establish the form and manner, which shall not include any changes to the past returns other than those that are directly related to the election under this subsection.

(ii) Notwithstanding any other provision of law, if an electing partnership files in the form and manner as specified in subdivision (h)(i) of this subsection, the deadline for filing a claim for credit or refund prescribed in section 77-2793 shall be extended for affected partners of the electing partnership until the timeframe specified in section 77-2793 or

January 31, 2026, whichever is later. The resulting claim of refund for tax years beginning prior to January 1, 2023, shall be submitted in the form and manner as prescribed by the Tax Commissioner. Neither the electing partnership nor its partners shall incur any penalties for late filing nor owe interest on such amounts. The Tax Commissioner shall not be required to pay interest on any amounts owed to the partners resulting from such refund claims.

(iii) Notwithstanding the dates provided in subdivision (h)(i) of this subsection, the Tax Commissioner shall have one year from the date an electing partnership files in the form and manner as specified in subdivision (h)(i) of this subsection to review and make a written proposed deficiency determination in accordance with section 77-2786. Any notice of deficiency determination made as specified in this subdivision may be enforced at any time within six years from the date of the notice of deficiency determination.

(7) For purposes of this section:

(a) Electing partnership means, with respect to a taxable period, an eligible partnership that has made an election pursuant to subsection (6) of this section with respect to such taxable period; and

(b) Eligible partnership means any partnership as provided for in section 7701(a)(2) of the Internal Revenue Code that has a filing requirement under the Nebraska Revenue Act of 1967 other than a publicly traded partnership as defined in section 7704 of the Internal Revenue Code. An eligible partnership includes any entity, including a limited liability company, treated as a partnership for federal income tax purposes that otherwise meets the requirements of this subdivision.

(8) For purposes of this section, any partner that is a grantor trust of a nonresident shall be disregarded and this section shall apply as though the nonresident grantor was the partner.

Sec. 37. Section 77-2734.01, Revised Statutes Cumulative Supplement, 2024, is amended to read:

77-2734.01 (1) Residents of Nebraska who are shareholders of a small business corporation having an election in effect under subchapter S of the

Internal Revenue Code or who are members of a limited liability company organized pursuant to the Nebraska Uniform Limited Liability Company Act shall include in their Nebraska taxable income, to the extent includable in federal gross income, their proportionate share of such corporation's or limited liability company's federal income adjusted pursuant to this section. Income or loss from such corporation or limited liability company conducting a business, trade, profession, or occupation shall be included in the Nebraska taxable income of a shareholder or member who is a resident of this state to the extent of such shareholder's or member's proportionate share of the net income or loss from the conduct of such business, trade, profession, or occupation within this state, determined under subsection (2) of this section. A resident of Nebraska shall include in Nebraska taxable income fair compensation for services rendered to such corporation or limited liability company. Compensation actually paid shall be presumed to be fair unless it is apparent to the Tax Commissioner that such compensation is materially different from fair value for the services rendered or has been manipulated for tax avoidance purposes.

(2) The income of any small business corporation having an election in effect under subchapter S of the Internal Revenue Code or limited liability company organized pursuant to the Nebraska Uniform Limited Liability Company Act that is derived from or connected with Nebraska sources shall be determined in the following manner:

(a) If the small business corporation is a member of a unitary group, the small business corporation shall be deemed to be doing business within this state if any part of its income is derived from transactions with other members of the unitary group doing business within this state, and such corporation shall apportion its income by using the apportionment factor determined for the entire unitary group, including the small business corporation, under sections 77-2734.05 to 77-2734.15;

(b) If the small business corporation or limited liability company is not a member of a unitary group and is subject to tax in another state, it shall apportion its income under sections 77-2734.05 to 77-2734.15; and

(c) If the small business corporation or limited liability company is not subject to tax in another state, all of its income is derived from or connected with Nebraska sources.

(3) Nonresidents of Nebraska who are shareholders of such corporations or members of such limited liability companies shall file a Nebraska income tax return and shall include in Nebraska adjusted gross income their proportionate share of the corporation's or limited liability company's Nebraska income as determined under subsection (2) of this section.

(4) The nonresident shareholder or member shall execute and forward to the corporation or limited liability company before the filing of the corporation's or limited liability company's return an agreement which states he or she will file a Nebraska income tax return and pay the tax on the income derived from or connected with sources in this state, and such agreement shall be attached to the corporation's or limited liability company's Nebraska return for such taxable year.

(5) For taxable years beginning or deemed to begin before January 1, 2013, in the absence of the nonresident shareholder's or member's executed agreement being attached to the Nebraska return, the corporation or limited liability company shall remit with the return an amount equal to the highest individual income tax rate determined under section 77-2715.02 multiplied by the nonresident shareholder's or member's share of the corporation's or limited liability company's income which was derived from or attributable to this state. For taxable years beginning or deemed to begin on or after January 1, 2013, in the absence of the nonresident shareholder's or member's executed agreement being attached to the Nebraska return, the corporation or limited liability company shall remit with the return an amount equal to the highest individual income tax rate determined under section 77-2715.03 multiplied by the nonresident shareholder's or member's share of the corporation's or limited liability company's income which was derived from or attributable to this state. The amount remitted shall be allowed as a credit against the Nebraska income tax liability of the shareholder or member.

(6) The Tax Commissioner may allow a nonresident individual shareholder or member to not file a Nebraska income tax return if the nonresident individual shareholder's or member's only source of Nebraska income was his or her share of the small business corporation's or limited liability company's income which was derived from or attributable to sources within this state, the nonresident did not file an agreement to file a Nebraska income tax return, and the small business corporation or limited liability company has remitted the amount required by subsection (5) of this section on behalf of such nonresident individual shareholder or member. The amount remitted shall be retained in satisfaction of the Nebraska income tax liability of the nonresident individual shareholder or member.

(7) A small business corporation or limited liability company return shall be filed if the small business corporation or limited liability company has income derived from Nebraska sources.

(8) Notwithstanding any provision of this section to the contrary:

(a) For tax years beginning or deemed to begin on or after January 1, 2018, a small business corporation may annually make an irrevocable election to pay the taxes, interest, or penalties levied by the Nebraska Revenue Act of 1967 at the entity level for the taxable period covered by such return. For tax years beginning on or after January 1, 2023, such election may be made on the applicable income tax return and shall be made on or before the due date for filing the applicable income tax return, including any extensions that have been granted;

(b) An electing small business corporation with respect to a taxable period shall pay an income tax equivalent to the highest individual income tax rate provided in section 77-2715.03 multiplied by the electing small business corporation's net income as apportioned or allocated to this state in accordance with the Nebraska Revenue Act of 1967, for such taxable period;

(c) An electing small business corporation shall be treated as a corporation with respect to the requirements of section 77-2769 for payments of estimated tax. The requirement for payment of estimated tax under section

77-2769 shall not apply for tax years beginning prior to January 1, 2024. Payments of estimated tax made by an eligible small business corporation that does not make an election under this subsection shall be treated as income tax withholding on behalf of the shareholders;

(d) Except as provided in subdivision (e) of this subsection, the shareholders of an electing small business corporation shall file a Nebraska return to report their pro rata or distributive share of the income of the electing small business corporation in accordance with the Nebraska Revenue Act of 1967, as applicable. In determining the sum of its pro rata or distributive share and computing the tax under this subsection, an electing small business corporation shall add back any amount of Nebraska income tax imposed under the Nebraska Revenue Act of 1967 and deducted by the electing small business corporation for federal income tax purposes under section 164 of the Internal Revenue Code;

(e) A nonresident individual who is a shareholder of an electing small business corporation shall not be required to file a Nebraska tax return for a taxable year if, for such taxable year, the only source of income derived from or connected with sources within this state for such shareholder, or for the shareholder and the shareholder's spouse if a joint federal income tax return is filed, is from one or more electing small business corporations or electing partnerships as defined in subdivision (7)(a) of section 77-2727 for such taxable year and such nonresident individual shareholder's tax under the Nebraska Revenue Act of 1967 would be fully satisfied by the credit allowed to such shareholder under subdivision (g) of this subsection;

(f) If the amount calculated under subdivision (a) of this subsection results in a net operating loss, such net operating loss may not be carried forward to succeeding taxable years;

(g) A refundable credit shall be available to the shareholders in an amount equal to their pro rata or distributive share of the Nebraska income tax paid by the electing small business corporation. For tax returns filed for taxable years beginning or deemed to begin on or after January 1, 2022, such

credit shall be allowed for the same taxable year for which the election is made, without regard to the year in which the tax is paid to Nebraska or deducted on a federal income tax return; and

(h)(i) For tax years beginning or deemed to begin on or after January 1, 2018, but prior to January 1, 2023, the electing small business corporation shall make the election under this subsection on or after January 1, 2023, but before December 31, 2025, in the form and manner prescribed by the Tax Commissioner for all years for which the election under this subsection is made on behalf of the electing small business corporation. The Tax Commissioner shall establish the form and manner, which shall not include any changes to the past returns other than those that are directly related to the election under this subsection.

(ii) Notwithstanding any other provision of law, if an electing small business corporation files in the form and manner as specified in subdivision (h)(i) of this subsection, the deadline for filing a claim for credit or refund prescribed in section 77-2793 shall be extended for affected shareholders of the electing small business corporation until the timeframe specified in section 77-2793 or January 31, 2026, whichever is later. The resulting claim of refund for tax years beginning prior to January 1, 2023, shall be submitted in the form and manner as prescribed by the Tax Commissioner. Neither the electing small business corporation nor its shareholders shall incur any penalties for late filing nor owe interest on such amounts. The Tax Commissioner shall not be required to pay interest on any amounts owed to the shareholders resulting from such refund claims.

(iii) Notwithstanding the dates provided in subdivision (h)(i) of this subsection, the Tax Commissioner shall have one year from the date an electing small business corporation files in the form and manner as specified in subdivision (h)(i) of this subsection to review and make a written proposed deficiency determination in accordance with section 77-2786. Any notice of deficiency determination made as specified in this subdivision may be enforced at any time within six years from the date of the notice of deficiency

determination.

(9) For purposes of this section:

(a) Electing small business corporation means, with respect to a taxable period, an eligible small business corporation having an election in effect under subchapter S of the Internal Revenue Code that has made an election pursuant to subsection (8) of this section with respect to such taxable period; and

(b) Eligible small business corporation means an entity subject to taxation under subchapter S of the Internal Revenue Code and the regulations thereunder.

(10) For purposes of this section, any shareholder or member of the corporation or limited liability company that is a grantor trust of a nonresident shall be disregarded and this section shall apply as though the nonresident grantor was the shareholder or member.

Sec. 38. Section 77-2776, Revised Statutes Cumulative Supplement, 2024, is amended to read:

77-2776 (1) As soon as practical after an income tax return is filed, the Tax Commissioner shall examine it to determine the correct amount of tax. If the Tax Commissioner finds that the amount of tax shown on the return is less than the correct amount, he or she shall notify the taxpayer of the amount of the deficiency proposed to be assessed. If the Tax Commissioner finds that the tax paid is more than the correct amount, he or she shall credit the overpayment against any taxes due by the taxpayer and refund the difference. The Tax Commissioner shall, upon request, make prompt assessment of taxes due as provided by the laws of the United States for federal income tax purposes.

(2) If the taxpayer fails to file an income tax return, the Tax Commissioner shall estimate the taxpayer's tax liability from any available information and notify the taxpayer of the amount proposed to be assessed as in the case of a deficiency.

(3) A notice of deficiency shall set forth the reason for the proposed assessment or for the change in the amount of credit or loss to be carried over

to another year. The notice shall include a written statement containing the details of the facts, circumstances, and reasons the Tax Commissioner used to determine that the taxpayer did not report the correct amount of tax. The notice may be mailed to the taxpayer at his or her last-known address. In the case of a joint return, the notice of deficiency may be a single joint notice, except that if the Tax Commissioner is notified by either spouse that separate residences have been established, the Tax Commissioner shall mail joint notices to each spouse. If the taxpayer is deceased or under a legal disability, a notice of deficiency may be mailed to his or her last-known address unless the Tax Commissioner has received notice of the existence of a fiduciary relationship with respect to such taxpayer.

(4) A notice of deficiency regarding an item of entity income may be mailed to the entity at its last-known address or to the address of the entity's tax matters person for federal income tax purposes. Such notice shall be deemed to have been received by each partner, shareholder, or member of such entity, but only for items of entity income reported by the partner, shareholder, or member. The actions taken thereon on behalf of the partnership, limited liability company, small business corporation, estate, or trust are binding on the partners, members, shareholders, or beneficiaries.

Sec. 39. Section 77-7305, Revised Statutes Cumulative Supplement, 2024, is amended to read:

77-7305 (1) The School District Property Tax Relief Act shall apply to tax year 2024 and each tax year thereafter. For tax year 2024, the total amount of relief granted under the act shall be seven hundred fifty million dollars. For tax year 2025, the total amount of relief granted under the act shall be seven hundred eighty million dollars. For tax year 2026, the total amount of relief granted under the act shall be eight hundred eight million dollars. For tax year 2027, the total amount of relief granted under the act shall be eight hundred thirty-eight million dollars. For tax year 2028, the total amount of relief granted under the act shall be eight hundred seventy million dollars. For tax year 2029, the total amount of relief granted under the act shall be

nine hundred two million dollars. For tax year 2030 and each tax year thereafter, the total amount of relief granted under the act shall be the total amount of relief from the prior year increased by three percent. The relief shall be in the form of property tax credits which appear on property tax statements. Property tax credits granted under the act shall be credited against the amount of property taxes owed to school districts.

(2) To determine the amount of the property tax credit for each parcel, the county treasurer shall multiply the amount disbursed to the county under subsection (4) of this section by the ratio of the school district taxes levied in the current year on the parcel to the school district taxes levied in the current year on all real property in the county. The amount so determined shall be the property tax credit for that parcel.

(3) If the real property owner qualifies for a homestead exemption under sections 77-3501 to 77-3529, the owner shall also be qualified for the property tax credit provided in this section to the extent of any remaining liability after calculation of the homestead exemption. If the property tax credit provided in this section results in a property tax liability on the homestead that is less than zero, the amount of the credit which cannot be used by the taxpayer shall be returned to the Property Tax Administrator by July 1 of the year the amount disbursed to the county was disbursed. The Property Tax Administrator shall immediately credit any funds returned under this subsection to the School District Property Tax Relief Credit Fund. Upon the return of any funds under this subsection, the county treasurer shall electronically file a report with the Property Tax Administrator, on a form prescribed by the Tax Commissioner, indicating the amount of funds distributed to each school district in the county in the year the funds were returned and the amount of unused credits returned.

(4) The amount disbursed to each county under this section shall be equal to the amount available for disbursement under subsection (1) of this section multiplied by the ratio of the school district taxes levied in the prior year on all real property in the county to the school district taxes levied in the

prior year on all real property in the state. By September 15, 2024, and by September 15 of each year thereafter, the Property Tax Administrator shall determine the amount to be disbursed under this subsection to each county and shall certify such amounts to the State Treasurer and to each county. The disbursements to the counties shall occur in two equal payments, the first on or before January 31 and the second on or before April 1.

(5) After retaining one percent of the amount received under subsection (4) of this section for costs, the county treasurer shall disburse the remaining funds, which are credited against the amount of property taxes owed to school districts, in the same manner as if such funds had been received in the form of property tax payments for property taxes owed to school districts, meaning any amounts attributable to divided taxes pursuant to section 18-2147 of the Community Development Law shall be remitted to the applicable authority for which such taxes were divided.

(6) The School District Property Tax Relief Credit Fund shall be used for purposes of making the disbursements to counties required under subsection (4) of this section.

Sec. 40. Section 85-1801, Reissue Revised Statutes of Nebraska, is amended to read:

The Legislature finds that the general welfare and well-being of the state are directly related to educational levels and skills of the citizens of the state and that a vital and valid public purpose is served by the creation and implementation of programs which encourage and make possible the attainment of higher levels of education by the greatest number of citizens of the state. The state has limited resources to provide additional programs for education funding and the continued operation and maintenance of the state's public institutions of elementary, secondary, and postsecondary education, and the general welfare of the citizens of the state will be enhanced by establishing a program which allows parents and others interested in the education of our youth to invest money in a public trust for future application to the payment of qualified education expenses. The creation of the means of encouragement for

persons to invest in such a program represents the carrying out of a vital and valid public purpose. In order to make available to parents and others interested in the education of our youth an opportunity to fund future education needs, it is necessary that a public trust be established in which money may be invested for future educational use.

Sec. 41. Section 85-1802, Reissue Revised Statutes of Nebraska, is amended to read:

For purposes of sections 40 to 55 of this act:

(1) Administrative fund means the Education Savings Plan Administrative Fund created in section 45 of this act;

(2) Beneficiary means the individual designated by a participation agreement to benefit from advance payments of qualified education expenses on behalf of the beneficiary;

(3) Benefits means the payment of qualified education expenses on behalf of a beneficiary or, in the case of a qualified education loan payment, on behalf of a beneficiary or the sibling of a beneficiary by the Nebraska educational savings plan trust;

(4) Eligible postsecondary educational institution means an institution described in 20 U.S.C. 1088 which is eligible to participate in a program under Title IV of the federal Higher Education Act of 1965;

(5) Expense fund means the Education Savings Plan Expense Fund created in section 45 of this act;

(6) Nebraska educational savings plan trust means the trust created in section 42 of this act;

(7) Nonqualified withdrawal refers to (a) a distribution from an account to the extent it is not used to pay the qualified education expenses of the beneficiary or, in the case of a qualified education loan payment, to the extent it is not used to pay the qualified education expenses of the beneficiary or a sibling of the beneficiary or to the extent it does not constitute a rollover to a Roth individual retirement account as permitted by section 529 of the Internal Revenue Code, (b) a qualified rollover permitted by

section 529 of the Internal Revenue Code where the funds are transferred to a qualified tuition program sponsored by another state or entity, or (c) until January 1, 2029, a distribution from an account to pay the costs of attending kindergarten through grade twelve;

(8) Participant or account owner means an individual, an individual's legal representative, or any other legal entity authorized to establish a savings account under section 529 of the Internal Revenue Code who has entered into a participation agreement for the advance payment of qualified education expenses on behalf of a beneficiary. For purposes of section 77-2716, as to contributions by a custodian to a custodial account established pursuant to the Nebraska Uniform Transfers to Minors Act or similar law in another state, which account has been established under a participation agreement, participant includes the parent or guardian of a minor, which parent or guardian is also the custodian of the account;

(9) Participation agreement means an agreement between a participant and the Nebraska educational savings plan trust entered into under sections 40 to 55 of this act;

(10) Program fund means the Education Savings Plan Program Fund created in section 45 of this act;

(11) Qualified education loan payment means the payment of principal or interest on a qualified education loan as defined in 26 U.S.C. 221(d), as such section existed on January 1, 2022, of the beneficiary or a sibling of the beneficiary as described in 26 U.S.C. 152(d)(2)(B), as such section existed on January 1, 2022. For purposes of this subdivision, the aggregate total of qualified education loan payments for the qualified education loans of a single beneficiary or sibling shall not exceed ten thousand dollars for all taxable years combined. The aggregate total for qualified education loan payments for the qualified education loans of a sibling of a beneficiary shall be calculated with respect to such sibling and not with respect to the beneficiary and shall include all qualified education loan payments for loans of such sibling, including any qualified education loan payments for which such sibling is the

beneficiary or the sibling of a beneficiary;

(12)(a) Qualified education expenses means:

(i) The certified costs of tuition, fees, books, supplies, and equipment required (A) for enrollment or attendance at an eligible postsecondary educational institution or (B) for costs incurred on or after January 1, 2021, for participation in an apprenticeship program registered and certified with the United States Secretary of Labor under 29 U.S.C. 50, as such section existed on January 1, 2021;

(ii) Reasonable room and board expenses, based on the minimum amount applicable for the eligible postsecondary educational institution during the period of enrollment for those students enrolled on at least a half-time basis;

(iii) In the case of a special needs beneficiary, expenses for special needs services incurred in connection with enrollment or attendance at an eligible postsecondary educational institution;

(iv) Expenses paid or incurred on or after January 1, 2022, for the purchase of computer technology or equipment or Internet access and related services in connection with enrollment or attendance at an eligible postsecondary educational institution, subject to the limitations set forth in section 529 of the Internal Revenue Code;

(v) Qualified education loan payments; or

(vi) Beginning January 1, 2029, expenses for tuition in connection with enrollment or attendance at an elementary or secondary school but does not include any amounts in excess of ten thousand dollars per beneficiary per taxable year.

(b) Qualified education expenses does not include any amounts in excess of those allowed by section 529 of the Internal Revenue Code;

(13) Section 529 of the Internal Revenue Code means such section of the code and the regulations interpreting such section; and

(14) Tuition means:

(a) Beginning January 1, 2029, for purposes of an elementary or secondary school, the charges imposed for tuition in connection with enrollment or

attendance at such elementary or secondary school; and

(b) For purposes of an eligible postsecondary educational institution, the quarter or semester charges imposed to attend an eligible postsecondary educational institution.

Sec. 42. Section 85-1804, Reissue Revised Statutes of Nebraska, is amended to read:

The Nebraska educational savings plan trust is created. The State Treasurer is the trustee of the trust and as such is responsible for the administration, operation, and maintenance of the program and has all powers necessary to carry out and effectuate the purposes, objectives, and provisions of sections 40 to 55 of this act pertaining to the administration, operation, and maintenance of the trust and program, except that the state investment officer shall have fiduciary responsibility to make all decisions regarding the investment of the money in the administrative fund, expense fund, and program fund, including the selection of all investment options and the approval of all fees and other costs charged to trust assets except costs for administration, operation, and maintenance of the trust as appropriated by the Legislature, pursuant to the directions, guidelines, and policies established by the Nebraska Investment Council. The State Treasurer may adopt and promulgate rules and regulations to provide for the efficient administration, operation, and maintenance of the trust and program. The State Treasurer shall not adopt and promulgate rules and regulations that in any way interfere with the fiduciary responsibility of the state investment officer to make all decisions regarding the investment of money in the administrative fund, expense fund, and program fund. The State Treasurer or his or her designee shall have the power to:

(1) Enter into agreements with any eligible postsecondary educational institution, the state, any federal or other state agency, or any other entity to implement sections 40 to 55 of this act, except agreements which pertain to the investment of money in the administrative fund, expense fund, or program fund;

(2) Beginning January 1, 2029, enter into agreements with any elementary

or secondary school to implement sections 40 to 55 of this act, except agreements which pertain to the investment of money in the administrative fund, expense fund, or program fund;

(3) Carry out the duties and obligations of the trust;

(4) Carry out studies and projections to advise participants regarding present and estimated future qualified education expenses and levels of financial participation in the trust required in order to enable participants to achieve their educational funding objectives;

(5) Participate in any federal, state, or local governmental program for the benefit of the trust;

(6) Procure insurance against any loss in connection with the property, assets, or activities of the trust as provided in section 81-8,239.01;

(7) Enter into participation agreements with participants;

(8) Make payments to elementary or secondary schools or eligible postsecondary educational institutions pursuant to participation agreements on behalf of beneficiaries and make qualified education loan payments on behalf of beneficiaries or their siblings;

(9) Make distributions to participants upon the termination of participation agreements pursuant to the provisions, limitations, and restrictions set forth in sections 40 to 55 of this act;

(10) Contract for goods and services and engage personnel as necessary, including consultants, actuaries, managers, legal counsels, and auditors for the purpose of rendering professional, managerial, and technical assistance and advice regarding trust administration and operation, except contracts which pertain to the investment of the administrative, expense, or program funds; and

(11) Establish, impose, and collect administrative fees and charges in connection with transactions of the trust, and provide for reasonable service charges, including penalties for cancellations and late payments with respect to participation agreements.

The Nebraska Investment Council may adopt and promulgate rules and regulations to provide for the prudent investment of the assets of the trust.

The council or its designee also has the authority to select and enter into agreements with individuals and entities to provide investment advice and management of the assets held by the trust, establish investment guidelines, objectives, and performance standards with respect to the assets held by the trust, and approve any fees, commissions, and expenses, which directly or indirectly affect the return on assets.

Sec. 43. Section 85-1805, Reissue Revised Statutes of Nebraska, is amended to read:

Any advertising or promotional materials relating to the Nebraska educational savings plan trust may include references to a public office but shall not refer to an officeholder by name.

Sec. 44. Section 85-1806, Reissue Revised Statutes of Nebraska, is amended to read:

The Nebraska educational savings plan trust may enter into participation agreements with participants on behalf of beneficiaries pursuant to the following terms and conditions:

(1) A participation agreement shall authorize a participant to make contributions to an account which is established for the purpose of meeting the qualified education expenses of a beneficiary as allowed by section 529 of the Internal Revenue Code. A participant shall not be required to make an annual contribution on behalf of a beneficiary, shall not be subject to minimum contribution requirements, and shall not be required to maintain a minimum account balance. The maximum contribution shall not exceed the amount allowed under section 529 of the Internal Revenue Code. The State Treasurer may set a maximum cumulative contribution, as necessary, to maintain compliance with section 529 of the Internal Revenue Code. Participation agreements may be amended to provide for adjusted levels of contributions based upon changed circumstances or changes in educational plans or to ensure compliance with section 529 of the Internal Revenue Code or any other applicable laws and regulations;

(2) Beneficiaries designated in participation agreements shall meet the

requirements established by the trustee and section 529 of the Internal Revenue Code;

(3) Payment of benefits provided under participation agreements shall be made in a manner consistent with section 529 of the Internal Revenue Code;

(4) The execution of a participation agreement by the trust shall not guarantee in any way that qualified education expenses will be equal to projections and estimates provided by the trust or that the beneficiary named in any participation agreement will (a) be admitted to an eligible postsecondary educational institution, (b) if admitted, be determined a resident for tuition purposes by the eligible postsecondary educational institution, (c) be allowed to continue attendance at the eligible postsecondary educational institution following admission, or (d) graduate from the eligible postsecondary educational institution;

(5) Beginning January 1, 2029, the execution of a participation agreement by the trust shall not guarantee in any way that qualified education expenses will be equal to projections and estimates provided by the trust or that the beneficiary named in any participation agreement will (a) be admitted to an elementary or secondary school, (b) if admitted, be determined a resident for tuition purposes by the elementary or secondary school, (c) be allowed to continue attendance at the elementary or secondary school following admission, or (d) graduate from the elementary or secondary school;

(6) A beneficiary under a participation agreement may be changed as permitted under the rules and regulations adopted under sections 40 to 55 of this act and consistent with section 529 of the Internal Revenue Code upon written request of the participant as long as the substitute beneficiary is eligible for participation. Participation agreements may otherwise be freely amended throughout their term in order to enable participants to increase or decrease the level of participation, change the designation of beneficiaries, and carry out similar matters as authorized by rule and regulation; and

(7) Each participation agreement shall provide that the participation agreement may be canceled upon the terms and conditions and upon payment of

applicable fees and costs set forth and contained in the rules and regulations.

Sec. 45. Section 85-1807, Reissue Revised Statutes of Nebraska, is amended to read:

(1) The State Treasurer shall deposit money received by the Nebraska educational savings plan trust into three funds: The Education Savings Plan Program Fund, the Education Savings Plan Expense Fund, and the Education Savings Plan Administrative Fund. The State Treasurer shall deposit money received by the trust into the appropriate fund. The State Treasurer and Accounting Administrator of the Department of Administrative Services shall determine the state fund types necessary to comply with section 529 of the Internal Revenue Code and state policy. The money in the funds shall be invested by the state investment officer pursuant to policies established by the Nebraska Investment Council. The program fund, the expense fund, and the administrative fund shall be separately administered. The Nebraska educational savings plan trust shall be operated with no General Fund appropriations.

(2) The Education Savings Plan Program Fund is created. All money paid in connection with participation agreements and all investment income earned on such money shall be deposited as received into separate accounts within the program fund. Contributions to the trust may only be made in the form of cash. All funds generated in connection with participation agreements shall be deposited into the appropriate accounts within the program fund. A participant or beneficiary shall not provide investment direction regarding program contributions or earnings held by the trust. Until January 1, 2029, money accrued in the program fund may be used for the benefit of a beneficiary for payments to any eligible postsecondary educational institution, but shall not be used to pay expenses associated with attending kindergarten through grade twelve. Beginning January 1, 2029, money accrued in the program fund may be used for the benefit of a beneficiary for payments to any elementary or secondary school or eligible postsecondary educational institution. Any money in the program fund available for investment shall be invested by the state investment officer pursuant to the Nebraska Capital Expansion Act and the

Nebraska State Funds Investment Act.

(3) The Education Savings Plan Administrative Fund is created. Money from the trust transferred from the expense fund to the administrative fund in an amount authorized by an appropriation from the Legislature shall be utilized to pay for the costs of administering, operating, and maintaining the trust, to the extent permitted by section 529 of the Internal Revenue Code. The administrative fund shall not be credited with any money other than money transferred from the expense fund in an amount authorized by an appropriation by the Legislature or any interest income earned on the balances held in the administrative fund. Any money in the administrative fund available for investment shall be invested by the state investment officer pursuant to the Nebraska Capital Expansion Act and the Nebraska State Funds Investment Act.

(4)(a) The Education Savings Plan Expense Fund is created. The expense fund shall be funded with fees assessed to the program fund. The State Treasurer shall use the expense fund:

(i) To pay costs associated with the Nebraska educational savings plan trust; and

(ii) For the purposes described in the Meadowlark Act;

(iii) To transfer from the expense fund to the State Investment Officer's Cash Fund an amount equal to the pro rata share of the budget appropriated to the Nebraska Investment Council as permitted in section 72-1249.02, to cover reasonable expenses incurred for investment management of the Nebraska educational savings plan trust. Annually and prior to such transfer to the State Investment Officer's Cash Fund, the State Treasurer shall report to the budget division of the Department of Administrative Services and to the Legislative Fiscal Analyst the amounts transferred during the previous fiscal year. The report submitted to the Legislative Fiscal Analyst shall be submitted electronically.

(b) Any money in the expense fund available for investment shall be invested by the state investment officer pursuant to the Nebraska Capital Expansion Act and the Nebraska State Funds Investment Act.

Sec. 46. Section 85-1808, Reissue Revised Statutes of Nebraska, is amended to read:

(1) A participant may cancel a participation agreement at will by submitting a request to terminate the participation agreement. Additionally, if a participant requests and obtains a nonqualified withdrawal, the participation agreement shall be deemed canceled with respect to the amount of the nonqualified withdrawal. A participation agreement shall not be deemed canceled if a participant requests and obtains a distribution of his or her entire account balance for qualified education expenses and subsequently closes his or her account. Furthermore, the State Treasurer shall have the power to terminate, freeze, or suspend a participation agreement if he or she determines that the participant provided false or misleading information to the detriment of the Nebraska educational savings plan trust, if the participant's account has a zero balance, or if the State Treasurer is unable to verify the identity of the participant.

(2) If a participation agreement is canceled for any of the causes listed in this subsection, the participant shall be entitled to receive the principal amount of all contributions made by the participant under the participation agreement plus the actual program fund investment income earned on the contributions, less any losses incurred on the investment, and such distribution will generally not be subject to federal tax penalty:

(a) Death of the beneficiary if the distribution is paid to the estate of the beneficiary or transferred to another beneficiary as set forth in subsection (10) of section 47 of this act;

(b) Permanent disability or mental incapacity of the beneficiary;

(c) The beneficiary is awarded a scholarship as defined in section 529 of the Internal Revenue Code, but only to the extent the distribution of earnings does not exceed the scholarship amount; or

(d) A qualified rollover is made as permitted by section 529 of the Internal Revenue Code, except that if a qualified rollover is made into a plan sponsored by another state or entity, the participation agreement shall be

deemed to have been canceled for purposes of subdivision (8)(d) of section 77-2716 and federal adjusted gross income shall be increased to the extent previously deducted as a contribution to the trust.

(3) Notwithstanding any other provisions of this section, under no circumstances shall a participant or beneficiary receive a distribution that is more than the fair market value of the specific account on the applicable liquidation date.

(4) If a participant cancels a participation agreement, obtains a rollover into a plan sponsored by another state or entity, or obtains a distribution, a portion of which constitutes a nonqualified withdrawal, the amount of the distribution, rollover, or withdrawal will be subject to recapture of previous Nebraska state income tax deductions as set forth in subdivision (8)(d) of section 77-2716. The transfer of assets among plans sponsored by the State of Nebraska shall be considered an investment option change and not a rollover.

Sec. 47. Section 85-1809, Reissue Revised Statutes of Nebraska, is amended to read:

(1) A participant retains ownership of all contributions made under a participation agreement up to the date of utilization for payment of qualified education expenses for the beneficiary or, in the case of a qualified education loan payment, for the beneficiary or a sibling of the beneficiary. Notwithstanding any other provision of law, any amount credited to any account is not susceptible to any levy, execution, judgment, or other operation of law, garnishment, or other judicial enforcement, and the amount is not an asset or property of either the participant or the beneficiary for the purposes of any state insolvency or inheritance tax laws. All income derived from the investment of the contributions made by the participant shall be considered to be held in trust for the benefit of the beneficiary.

(2) If the program created by sections 40 to 55 of this act is terminated prior to payment of qualified education expenses, the participant is entitled to receive the fair market value of the account established in the program.

(3) If the beneficiary graduates from an eligible postsecondary

educational institution and a balance remains in the participant's account, any remaining funds may be used to make qualified education loan payments for siblings of the beneficiary or transferred as allowed by rule or regulation, subject to the provisions of section 529 of the Internal Revenue Code, as well as any other applicable state or federal laws or regulations.

(4)(a) The eligible postsecondary educational institution shall obtain ownership of the payments made for the qualified education expenses paid to the institution at the time each payment is made to the institution.

(b) Beginning January 1, 2029, the elementary or secondary school shall obtain ownership of the payments made for the qualified education expenses paid to the school at the time each payment is made to the school.

(5) Any amounts which may be paid to any person or persons pursuant to the Nebraska educational savings plan trust but which are not listed in this section are owned by the trust.

(6) A participant may transfer ownership rights to another eligible participant, including a gift of the ownership rights to a minor beneficiary. The transfer shall be made and the property distributed in accordance with the rules and regulations or with the terms of the participation agreement.

(7) A participant shall not be entitled to utilize any interest in the Nebraska educational savings plan trust as security for a loan.

(8) The Nebraska educational savings plan trust may accept transfers of cash investments from a custodian under the Nebraska Uniform Transfers to Minors Act or any other similar laws under the terms and conditions established by the trustee.

(9) A participant may designate a successor account owner to succeed to all of the participant's rights, title, and interest in an account, including the right to change the account beneficiary, upon the death or legal incapacity of the participant. If a participant dies or becomes legally incapacitated and has failed to name a successor account owner, the account beneficiary shall become the account owner.

(10) Upon the death of a beneficiary, the participant may change the

beneficiary on the account, transfer assets to another beneficiary who is a member of the family of the former beneficiary, or request a nonqualified withdrawal.

Sec. 48. Section 85-1810, Reissue Revised Statutes of Nebraska, is amended to read:

(1) A student loan program, student grant program, or other program administered by any agency of the state, except as may be otherwise provided by federal law or the provisions of any specific grant applicable to the federal law, shall not take into account and shall not consider amounts available for the payment of qualified education expenses pursuant to the Nebraska educational savings plan trust in determining need and eligibility for student aid.

(2) A government program administered by any agency of the state that provides benefits or aid to individuals based on financial need, except as may be otherwise provided by federal law or the provisions of any specific grant applicable to the federal law, shall not take into account and shall not consider contributions made to a participant's account by the participant's employer in determining the income of such participant.

Sec. 49. Section 85-1811, Reissue Revised Statutes of Nebraska, is amended to read:

(1) The State Treasurer shall submit an annual audited financial report, prepared in accordance with generally accepted accounting principles, on the operations of the Nebraska educational savings plan trust by November 1 to the Governor and the Legislature. The report submitted to the Legislature shall be submitted electronically. The State Treasurer shall cause the audit to be made either by the Auditor of Public Accounts or by an independent certified public accountant designated by the State Treasurer, and the audit shall include direct and indirect costs attributable to the use of outside consultants, independent contractors, and any other persons who are not state employees.

(2) The annual audit shall be supplemented by all of the following information prepared by the State Treasurer:

- (a) Any related studies or evaluations prepared in the preceding year;
- (b) A summary of the benefits provided by the trust, including the number of participants and beneficiaries in the trust; and
- (c) Any other information which is relevant in order to make a full, fair, and effective disclosure of the operations of the trust, including the investment performance of the funds.

Sec. 50. Section 85-1812, Reissue Revised Statutes of Nebraska, is amended to read:

(1) For federal income tax purposes, the Nebraska educational savings plan trust shall be considered a qualified state tuition program exempt from taxation pursuant to section 529 of the Internal Revenue Code. The trust meets the requirements of section 529(b) of the Internal Revenue Code as follows:

(a) Pursuant to section 44 of this act, a participant may make contributions to an account which is established for the purpose of meeting the qualified education expenses of the designated beneficiary of the account or, in the case of a qualified education loan payment, the designated beneficiary of the account or a sibling of the designated beneficiary;

(b) Pursuant to section 44 of this act, a maximum contribution level is established;

(c) Pursuant to section 45 of this act, a separate account is established for each beneficiary;

(d) Pursuant to section 45 of this act, contributions may only be made in the form of cash;

(e) Pursuant to section 45 of this act, a participant or beneficiary shall not provide investment direction regarding program contributions or earnings held by the trust;

(f) Penalties are provided on distributions of earnings which are: (i) Not used for qualified education expenses of the beneficiary or, in the case of a qualified education loan payment, the beneficiary or a sibling of the beneficiary; (ii) made on account of the death of the designated beneficiary if the distribution is not transferred to another beneficiary or paid to the

estate of the beneficiary; (iii) not made on account of the permanent disability or mental incapacity of the designated beneficiary; or (iv) made due to scholarship, allowance, or payment receipt in excess of the scholarship, allowance, or payment receipt; and

(g) Pursuant to section 47 of this act, a participant shall not pledge any interest in the trust as security for a loan.

(2) State income tax treatment of the Nebraska educational savings plan trust shall be as provided in section 77-2716.

(3) For purposes of federal gift and generation-skipping transfer taxes, contributions to an account are considered a completed gift from the contributor to the beneficiary.

Sec. 51. Section 85-1813, Reissue Revised Statutes of Nebraska, is amended to read:

The assets of the Nebraska educational savings plan trust, including the program fund and excluding the administrative fund and the expense fund, shall at all times be preserved, invested, and expended solely and only for the purposes of the trust and shall be held in trust for the participants and beneficiaries. No property rights in the trust shall exist in favor of the state. Assets of the trust, including the program fund, the administrative fund, and the expense fund, shall not be transferred or used by the state for any purposes other than the purposes of the trust.

Sec. 52. Section 85-1814, Reissue Revised Statutes of Nebraska, is amended to read:

Nothing in sections 40 to 51 of this act shall be deemed to prohibit both resident and nonresident participants and designated beneficiaries from being eligible to participate in and benefit from the Nebraska educational savings plan trust and program. It is the intent of the Legislature that funds and income credited to the program fund are fully portable and may be used at any eligible postsecondary educational institution and beginning January 1, 2029, at any elementary or secondary school.

Sec. 53. Section 85-1815, Reissue Revised Statutes of Nebraska, is amended

to read:

(1) The College Savings Incentive Cash Fund is created. The fund shall be administered by the State Treasurer and shall be used to provide incentive payments under the Employer Matching Contribution Incentive Program established in section 54 of this act and to provide matching scholarships under the College Savings Plan Low-Income Matching Scholarship Program established in section 55 of this act. The State Treasurer shall accept contributions from any private individual or private entity and shall credit all such contributions received to the College Savings Incentive Cash Fund for the purpose of providing an ongoing source of funding for the College Savings Plan Low-Income Matching Scholarship Program. The matching contributions for which incentive payments are made under the Employer Matching Contribution Incentive Program and the matching scholarships provided under the College Savings Plan Low-Income Matching Scholarship Program shall not be used to pay expenses associated with attending kindergarten through grade twelve.

(2) The College Savings Incentive Cash Fund shall not be considered an asset of the Nebraska educational savings plan trust.

(3) Any money in the fund available for investment shall be invested by the state investment officer pursuant to the Nebraska Capital Expansion Act and the Nebraska State Funds Investment Act.

Sec. 54. Section 85-1816, Reissue Revised Statutes of Nebraska, is amended to read:

(1) The Employer Matching Contribution Incentive Program is created. The program shall begin on January 1, 2022, and shall be implemented and administered by the State Treasurer. The purpose of the program is to encourage employers to make matching contributions by providing incentive payments for such contributions.

(2) For purposes of this section:

(a) Employer means any individual, partnership, limited liability company, association, corporation, business trust, legal representative, or organized group of persons employing one or more employees at any one time, but such term

does not include the United States, the state, or any political subdivision thereof; and

(b) Matching contribution means a contribution made by an employer to an account established under the Nebraska educational savings plan trust in an amount matching all or part of a contribution made to that same account by an individual who resided in the State of Nebraska during the most recently completed taxable year and is an employee of such employer.

(3) Beginning January 1, 2022, an employer shall be eligible to receive an incentive payment under this section if the employer made matching contributions during the immediately preceding calendar year.

(4) In order to receive an incentive payment under this section, an employer shall submit an application to the State Treasurer on forms prescribed by the State Treasurer. The State Treasurer shall accept applications from January 1 to June 1 of each year beginning in 2022. The application shall include:

(a) The number of employees for whom matching contributions were made in the immediately preceding calendar year;

(b) The amount of the matching contributions made in the immediately preceding calendar year for each employee; and

(c) Any other information required by the State Treasurer.

(5) If the State Treasurer determines that the employer qualifies for an incentive payment under this section, the State Treasurer shall approve the application and shall notify the employer of the approval. The State Treasurer may approve applications until the annual limit provided in subsection (6) of this section has been reached. An employer whose application is approved shall receive an incentive payment equal to twenty-five percent of the total matching contributions made during the immediately preceding calendar year, not to exceed two thousand dollars per contributing employee per year. An employer shall not receive an incentive payment for a matching contribution if the employer claimed an income tax deduction pursuant to subdivision (8)(b) of section 77-2716 for such matching contribution. Employers shall be limited to

one incentive payment per beneficiary. The matching contributions for which incentive payments are made shall not be used to pay expenses associated with attending kindergarten through grade twelve.

(6) The State Treasurer may approve a total of two hundred fifty thousand dollars of incentive payments each calendar year.

(7) On or before June 30, 2022, and on or before June 30 of each year thereafter, the State Treasurer shall determine the total amount of incentive payments approved for the year, shall transfer such amount from the Education Savings Plan Expense Fund or the Unclaimed Property Trust Fund, as determined by the State Treasurer, to the College Savings Incentive Cash Fund, and shall distribute such incentive payments to the approved employers.

(8) The State Treasurer may adopt and promulgate rules and regulations to carry out the Employer Matching Contribution Incentive Program.

Sec. 55. Section 85-1817, Reissue Revised Statutes of Nebraska, is amended to read:

(1) Beginning January 1, 2022, there is hereby established the College Savings Plan Low-Income Matching Scholarship Program. The purpose of the program is to encourage private contributions to accounts established under the Nebraska educational savings plan trust for the benefit of individuals with limited means. The State Treasurer shall implement and administer the program.

(2) A participant shall be eligible for the program if the beneficiary for whom private contributions are made is part of a family whose household income for the most recently completed taxable year is not more than two hundred fifty percent of the federal poverty level and the beneficiary is a resident of the State of Nebraska.

(3) Applications for participation in the program shall be submitted to the State Treasurer on forms prescribed by the State Treasurer. If the requirements of subsection (2) of this section are met, the State Treasurer shall approve the application and notify the applicant of the approval. The State Treasurer may approve applications until the annual limit provided in subsection (7) of this section has been reached.

(4) Any participant who is approved for the program under subsection (3) of this section must resubmit an application each year thereafter and be reapproved in order to continue participation in the program.

(5) If a participant is approved for the program, any contribution made by such participant under the program shall be matched with scholarship funds provided by the State of Nebraska. The matching scholarship shall be equal to:

(a) One hundred percent of the participant's contribution if the beneficiary for whom the contribution is made is part of a family whose household income for the most recently completed taxable year is more than two hundred percent of the federal poverty level but not more than two hundred fifty percent of the federal poverty level, not to exceed one thousand dollars annually; or

(b) Two hundred percent of the participant's contribution if the beneficiary for whom the contribution is made is part of a family whose household income for the most recently completed taxable year is not more than two hundred percent of the federal poverty level, not to exceed one thousand dollars annually.

(6) Between January 1 and January 31 of each year, the State Treasurer shall transfer the amount necessary to meet the matching obligations of this section for the preceding calendar year, minus the amount of any private contributions received pursuant to subsection (1) of section 53 of this act during the preceding calendar year, from the Education Savings Plan Expense Fund or the Unclaimed Property Trust Fund, as determined by the State Treasurer, to the College Savings Incentive Cash Fund. The State Treasurer shall transfer from the College Savings Incentive Cash Fund to the Education Savings Plan Program Fund the amount necessary to meet the matching obligations of this section for the preceding calendar year. The Nebraska educational savings plan trust shall own all scholarships awarded under this section. Neither the participant nor the beneficiary shall have any ownership rights to or interest in, title to, or power or control over such scholarships. Scholarship funds disbursed shall only be used to pay the qualified education

expenses associated with attending an eligible postsecondary educational institution located in this state and shall not be used to pay expenses associated with attending kindergarten through grade twelve. Any disbursement of such scholarships shall be made before the beneficiary reaches thirty years of age. Once the beneficiary reaches thirty years of age, any unused scholarship funds shall be transferred to the Meadowlark Endowment Fund.

(7) The State Treasurer may approve a total of two hundred fifty thousand dollars of scholarships each calendar year under the College Savings Plan Low-Income Matching Scholarship Program.

Sec. 56. Section 85-2802, Reissue Revised Statutes of Nebraska, is amended to read:

85-2802 For purposes of the Meadowlark Act:

(1) Contribution means a donation which is made for the purpose of providing a source of funding for the Meadowlark Program established in section 85-2804;

(2) Eligible postsecondary educational institution has the same meaning as in section 41 of this act;

(3) Nebraska educational savings plan trust has the same meaning as in section 41 of this act;

(4) Qualified education expenses has the same meaning as in section 41 of this act; and

(5) Qualified individual means an individual born on or after January 1, 2020, who is a resident of this state at the time of birth.

Sec. 57. Section 85-2803, Reissue Revised Statutes of Nebraska, is amended to read:

85-2803 (1) There is hereby established in the state treasury a trust fund to be known as the Meadowlark Endowment Fund. The fund shall be administered by the State Treasurer and shall consist of qualified private contributions and any amounts appropriated or transferred to the fund by the Legislature. No General Funds shall be transferred to the Meadowlark Endowment Fund. Any money in the fund available for investment shall be invested by the state investment

officer pursuant to the Nebraska Capital Expansion Act and the Nebraska State Funds Investment Act. No portion of the principal of the fund shall be expended for any purpose except investment pursuant to this subsection.

(2) The State Treasurer may accept contributions and shall credit all such contributions received either to the Meadowlark Endowment Fund or to accounts opened under the Meadowlark Program, at the direction of the donor. Such contributions shall not be used to pay expenses associated with attending kindergarten through grade twelve.

(3) On or before April 1 of each year, the State Treasurer shall determine the total amount of contributions received under subsection (2) of this section in the previous calendar year and shall transfer an equal amount from the Education Savings Plan Expense Fund or the Unclaimed Property Trust Fund, as determined by the State Treasurer, to the Meadowlark Endowment Fund or to accounts opened under the Meadowlark Program. For any amount transferred from the Education Savings Plan Expense Fund or the Unclaimed Property Trust Fund that is not being transferred to the Meadowlark Endowment Fund, the State Treasurer shall evenly distribute such amount to the accounts opened under the Meadowlark Program in the previous calendar year.

Sec. 58. Section 85-2804, Reissue Revised Statutes of Nebraska, is amended to read:

85-2804 (1) The Meadowlark Program is created. The program shall be administered by the State Treasurer. The purpose of the program is to promote access to postsecondary educational opportunities by providing funds to qualified individuals to help pay the qualified education expenses associated with attendance at an eligible postsecondary educational institution located in this state.

(2) Any qualified individual shall be eligible to participate in the Meadowlark Program. No later than March 1 of each year, the Department of Health and Human Services shall transmit information to the State Treasurer which is necessary to administer the program and to establish whether the children born in the previous calendar year are qualified individuals. Such

information shall include, but not be limited to, the full name and residential address of each child's parent or legal guardian and the birthdate of each child. Costs associated with the transfer of information by the Department of Health and Human Services shall be paid from the Education Savings Plan Expense Fund.

(3) Following receipt of the information described in subsection (2) of this section, the State Treasurer shall send a notification explaining the Meadowlark Program to the parent or legal guardian of each qualified individual. The State Treasurer shall provide such parent or legal guardian with the opportunity to exclude his or her child from the program. Any child who is not excluded shall be deemed to be enrolled in the program. Upon enrollment into the program, the child shall have an account opened for him or her under the Nebraska educational savings plan trust.

(4) On or before April 1 of each year, the State Treasurer shall determine (a) the number of accounts opened under the Meadowlark Program in the previous calendar year and (b) the amount of investment income generated by the Meadowlark Endowment Fund in the previous calendar year. The State Treasurer shall evenly distribute the investment income from the previous calendar year to the accounts opened in the previous calendar year.

(5) The Nebraska educational savings plan trust shall own all accounts opened under the Meadowlark Program. Neither the qualified individual nor his or her parent or legal guardian shall have any ownership rights or interest in, title to, or power or control over such an account.

(6) Any disbursement from an account opened under the Meadowlark Program shall be made before the qualified individual reaches thirty years of age. Once a qualified individual reaches thirty years of age, any unused funds in his or her account shall be transferred to the Meadowlark Endowment Fund.

(7) Funds disbursed from an account opened under the Meadowlark Program shall only be used to pay the qualified education expenses associated with attending an eligible postsecondary educational institution located in this state and shall not be used to pay expenses associated with attending

kindergarten through grade twelve.

(8) The State Treasurer shall take measures to ensure the security and confidentiality of the information received under subsection (2) of this section.

Sec. 59. Sections 23, 24, 30, 35, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, and 62 of this act become operative on October 1, 2025. Sections 1, 2, 3, 4, 5, 6, 25, 26, 27, 28, 29, 31, and 63 of this act become operative on January 1, 2026. Sections 7, 8, 9, 11, 12, 34, 36, 37, 38, and 61 of this act become operative three calendar months after the adjournment of this legislative session. The other sections of this act become operative on their effective date.

Sec. 60. Original sections 14-109, 15-202, 15-203, 16-205, and 17-525, Reissue Revised Statutes of Nebraska, and sections 13-518, 13-3402, 13-3403, 13-3405, 13-3406, 18-1208, 77-1631, 77-1701, and 77-7305, Revised Statutes Cumulative Supplement, 2024, are repealed.

Sec. 61. Original section 13-3106, Reissue Revised Statutes of Nebraska, and sections 13-3103, 77-2715.07, 77-2727, 77-2734.01, and 77-2776, Revised Statutes Cumulative Supplement, 2024, are repealed.

Sec. 62. Original sections 85-1801, 85-1802, 85-1804, 85-1805, 85-1806, 85-1807, 85-1808, 85-1809, 85-1810, 85-1811, 85-1812, 85-1813, 85-1814, 85-1815, 85-1816, 85-1817, 85-2802, 85-2803, and 85-2804, Reissue Revised Statutes of Nebraska, and sections 68-1201, 72-1239.01, 77-3,110, and 77-2716, Revised Statutes Cumulative Supplement, 2024, are repealed.

Sec. 63. Original section 77-1613, Reissue Revised Statutes of Nebraska, and sections 76-214, 77-202, 77-202.01, 77-202.03, and 77-202.05, Revised Statutes Cumulative Supplement, 2024, are repealed.

Sec. 64. Since an emergency exists, this act takes effect when passed and approved according to law.

PRESIDENT OF THE LEGISLATURE

*THIS IS TO CERTIFY that the within LB 647 was passed by the One Hundred Ninth
Legislature of Nebraska at its First Session on the day
of 20.....*

CLERK OF THE LEGISLATURE

Approved:

..... 20....., o'clockM.

GOVERNOR