

LEGISLATURE OF NEBRASKA  
ONE HUNDRED NINTH LEGISLATURE  
FIRST SESSION

**LEGISLATIVE BILL 28**

Introduced by Conrad, 46; Hunt, 8.

Read first time January 09, 2025

Committee:

- 1 A BILL FOR AN ACT relating to revenue and taxation; to amend section
- 2 77-2716, Revised Statutes Cumulative Supplement, 2024; to provide
- 3 for an income tax adjustment for tip income; and to repeal the
- 4 original section.
- 5 Be it enacted by the people of the State of Nebraska,

1           **Section 1.** Section 77-2716, Revised Statutes Cumulative Supplement,  
2 2024, is amended to read:

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

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

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

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

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

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

1 the recipient by the regulated investment company; and

2 (e)(i) Any amount subtracted under this subsection shall be reduced  
3 by any interest on indebtedness incurred to carry the obligations or  
4 securities described in this subsection or the investment in the  
5 regulated investment company and by any expenses incurred in the  
6 production of interest or dividend income described in this subsection to  
7 the extent that such expenses, including amortizable bond premiums, are  
8 deductible in determining federal taxable income.

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

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

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

30 (4) Federal adjusted gross income, or, for a fiduciary, federal  
31 taxable income shall be modified to exclude the portion of the income or

1 loss received from a small business corporation with an election in  
2 effect under subchapter S of the Internal Revenue Code or from a limited  
3 liability company organized pursuant to the Nebraska Uniform Limited  
4 Liability Company Act that is not derived from or connected with Nebraska  
5 sources as determined in section 77-2734.01.

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

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

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

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

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

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

1           (8)(a) Federal adjusted gross income or, for corporations and  
2 fiduciaries, federal taxable income shall be reduced, to the extent  
3 included, by income from interest, earnings, and state contributions  
4 received from the Nebraska educational savings plan trust created in  
5 sections 85-1801 to 85-1817 and any account established under the  
6 achieving a better life experience program as provided in sections  
7 77-1401 to 77-1409.

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

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

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

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

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

11 (9)(a) For income tax returns filed after September 10, 2001, for  
12 taxable years beginning or deemed to begin before January 1, 2006, under  
13 the Internal Revenue Code of 1986, as amended, federal adjusted gross  
14 income or, for corporations and fiduciaries, federal taxable income shall  
15 be increased by eighty-five percent of any amount of any federal bonus  
16 depreciation received under the federal Job Creation and Worker  
17 Assistance Act of 2002 or the federal Jobs and Growth Tax Act of 2003,  
18 under section 168(k) or section 1400L of the Internal Revenue Code of  
19 1986, as amended, for assets placed in service after September 10, 2001,  
20 and before December 31, 2005.

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

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

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

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

29 (11)(a) For taxable years beginning or deemed to begin before  
30 January 1, 2018, under the Internal Revenue Code of 1986, as amended,  
31 federal adjusted gross income shall be reduced by contributions, up to

1 two thousand dollars per married filing jointly return or one thousand  
2 dollars for any other return, and any investment earnings made as a  
3 participant in the Nebraska long-term care savings plan under the Long-  
4 Term Care Savings Plan Act, to the extent not deducted for federal income  
5 tax purposes.

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

15 (12) There shall be added to federal adjusted gross income for  
16 individuals, estates, and trusts any amount taken as a credit for  
17 franchise tax paid by a financial institution under sections 77-3801 to  
18 77-3807 as allowed by subsection (5) of section 77-2715.07.

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

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

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

28 (b) For taxable years beginning or deemed to begin on or after  
29 January 1, 2020, and before January 1, 2024, under the Internal Revenue  
30 Code of 1986, as amended, the Tax Commissioner shall adjust the dollar  
31 amounts provided in subdivisions (13)(a)(i) and (ii) of this section by



1 the same percentage used to adjust individual income tax brackets under  
2 subsection (3) of section 77-2715.03.

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

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

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

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

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

23 (iv) One hundred percent for taxable years beginning or deemed to  
24 begin on or after January 1, 2024, under the Internal Revenue Code of  
25 1986, as amended.

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

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

1 federal adjusted gross income allowed under subsection (13) of this  
2 section, whichever provides the greater reduction.

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

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

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

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

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

30 (16) For taxable years beginning or deemed to begin on or after  
31 January 1, 2021, under the Internal Revenue Code of 1986, as amended,

1 federal adjusted gross income shall be reduced by the amount received as  
2 a Segal AmeriCorps Education Award, to the extent such amount is included  
3 in federal adjusted gross income.

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

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

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

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

29 (21) For taxable years beginning or deemed to begin on or after  
30 January 1, 2025, under the Internal Revenue Code of 1986, as amended, an  
31 individual who is a member of the Nebraska National Guard may exclude one

1 hundred percent of the income received from any of the following sources  
2 to the extent such income is included in the individual's federal  
3 adjusted gross income:

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

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

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

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

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

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

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

1 deducted pursuant to section 77-27,242.

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

11 (26) There shall be subtracted from federal adjusted gross income  
12 or, for corporations and fiduciaries, federal taxable income for all  
13 taxable years beginning on or after January 1, 2025, the amount of any  
14 net capital gain that is derived from the sale or exchange of gold or  
15 silver bullion to the extent such gain is included in federal adjusted  
16 gross income except that such gain shall not be subtracted if the gain is  
17 derived from the sale of bullion as a taxable distribution from any  
18 retirement plan account that holds gold or silver bullion. For the  
19 purposes of this subsection, bullion has the same meaning as in section  
20 77-2704.66.

21 (27) For taxable years beginning or deemed to begin on or after  
22 January 1, 2025, under the Internal Revenue Code of 1986, as amended,  
23 there shall be subtracted from the federal adjusted gross income of  
24 individuals any amount received by the individual as tip income to the  
25 extent such amount is included in federal adjusted gross income.

26 **Sec. 2.** Original section 77-2716, Revised Statutes Cumulative  
27 Supplement, 2024, is repealed.