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committee amendments.

SENATOR CUDABACK: Thank you, Mr. Clerk. Senator Landis, you're recognized to open on advancement of LB 1034.

SENATOR LANDIS: Thank you, Senator Cudaback, members of the Legislature. Last year we did some work on the estate tax, the year before we did the same, trying to adjust to the fact that the federal government has changed the lay of the land on estate tax. What we did last year was to try to find a way to minimize the impact of some of the federal changes on Nebraska state law. But inadvertently we created a cliff effect. Let me tell you what that means. At \$1 million the estate tax kicks in, now, in Nebraska. And we did a rate that started there, designed to make up for some of the lost ground that we used to tax before that \$1 million. Well, the net effect of that was to create a cliff effect between \$1 million and \$1,100,000 of a 41 percent tax rate, which would have meant that on that \$100,000, between \$1 million and \$1,100,000, there would be \$41,000 worth of taxes. And that meant specifically that people could go to their lawyer and find a financial planning tool that would mitigate that kind of taxes, and they can find it. They're going to have to spend 5,000 or 6,000 bucks for a lawyer to do it, but in fact you can plan your way out of that tax, that cliff effect. And by the way, it's large enough that it is attractive to do exactly that. So we have a counterproductive result. We have one bracket, from \$1 million to \$1,100,000, that has this cliff effect. That's the only place where it's present, but it is present there. It's large enough that it is attractive to find a way to plan out of it. And it can be planned out of if you go to your lawyer and find a couple of trusts to use, and move some property back and forth. So what we do in this bill is to end the cliff effect, and we just start the tax at \$1 million at, rather than the rate that produced the cliff effect, at the rate of 5.6 percent, a relatively modest amount of money. The actual tax would be larger if any state death tax credit that still is allowed on the tax or...is allowed, or the tax at the 5.6 rate. That's the rate that you'll pay on the first \$100,000. The larger of the state death tax credit that is still allowed or the tax of 5.6 percent. To make up for the lost revenue, an additional rate bracket would