

TRANSCRIPT PREPARED BY THE CLERK OF THE LEGISLATURE
Transcriber's Office
FLOOR DEBATE

February 8, 2005 LB 28

of the body, I do want to correct one thing I said previously. Four thousand dollars would be the credit on a \$10,000 contribution, but in fact the bill allows up to \$10,000 in credit. So far I've been discussing what would happen if a person made a planned gift, but in Section 5 of the bill it also deals with corporations, a small business corporation, a partnership, or a limited liability company that can provide a gift to a qualified endowment for which deductions are allowed under the IRS code. And under that provision of the bill, the maximum credit is \$10,000 per shareholder, per partner, or per member in the limited liability company. So we're probably talking about people within a limited liability company that may be at the federal income tax rate of 35 percent. Currently, they would receive a 35 percent deduction...because of the income tax, the equivalent of a 35 percent deduction on their taxes. The state of Nebraska currently allows them at our maximum rate, which is just under 7 percent. So right now the taxpayers are actually contributing part of that gift to any endowment, but under this bill we would also be giving them a 40 percent credit per shareholder or per partner or per member right straight out of our treasury. So 40 percent here and a 35 percent deduction cost at the federal level, and what we end up with is a contribution to one of these organizations equivalent to 75 percent paid by the taxpayers and only 25 percent actually paid by the donor. Remember, per person. So Section 5 is...has a lot of potential damage to our state. If you are a small corporation and you're looking at your tax statement for the state of Nebraska, you could say, well, I could pay those income taxes, corporate taxes, to the state of Nebraska, or I could give the money away and I could limit that payment so actually the charity gets 75 percent. That's good for the charity, but it's not very good for the revenue receipts of the state of Nebraska. So again, unlimited, because it would be dependent upon the number of members or shareholders in that small corporation, times \$10,000 each, is what we're talking about here in Section 5. When we were in Revenue Committee, you'll see that I was one of the members that voted no to advance this bill. Senator Landis made a strong argument last Friday as to the existence of some entities, both in the state of Nebraska and nationally, that were really 501(c)(3)s, nonprofit organizations, that were set up more for the benefit