

# Committee on Revenue

## Summary and Disposition of Bills

One Hundred Third Legislature

Second Session

May, 2014

Senator Galen Hadley, Chair

# Committee on Revenue

## One Hundred Third Legislature

Second Session - 2014

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Senator Paul Schumacher, Vice Chair .....	Columbus
Senator Tom Hansen .....	North Platte
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One Hundred Third Legislature,  
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# ADMINISTRATIVE

## **LB 24 (Hadley): Update References to the Internal Revenue Code**

### **Introduced Version:**

Section 1: This bill is the annual update of all references to the Internal Revenue Code in Nebraska statutes. It ties us to the federal code as it exists on the effective date of the bill, except as provided by:

- (1) Article VIII, section 1B, of the Nebraska Constitution, which states that "When an income tax is adopted by the Legislature, the Legislature may adopt an income tax law based upon the laws of the United States.";
- (2) The statute sections listed in section 1 of the bill that govern Nebraska's income tax; and
- (3) The statute sections listed in section 1 of the bill that govern Nebraska's business tax incentive programs.

Section 2: Repeals Neb.Rev.Stat.49-801.01 as it existed before amendment by this bill.

Section 3: Contains the emergency clause.

### **Final Disposition:**

LB 24 was passed with the Emergency Clause 46-0-3, and was approved by the Governor on March 7, 2013.

## **LB 29 (Hadley): Provide a duty for county treasurers relating to recording tax assessments and collections**

### **Introduced Version:**

The bill as drafted would amend Section 77-1616 and 77-1710 of state law. These sections guide the actions of certain county officials, including the assessor, and the treasurer, in keeping a record of taxes assessed and taxes paid.

The bill also repeals Section 77-1615 of state law. This section of law was amended in the 2012 session by LB 897. This repealed section is shown below.

77-1615. Tax list; completion; controlling account.

The tax list shall be completed by the county assessor. The tax lists shall be completed by carrying out in a column by itself the consolidated tax as provided in section 77-1614, with the



labor tax, and any irregular tax, each in separate columns and, after adding up each column of taxes, the county assessor shall, in an abstract at the end of each precinct, township, city, and village list, or other subdivisions of a county, apportion the consolidated tax among the respective funds to which it belongs, according to the tax levied for each of such funds, showing a summary of each distinct tax. The county assessor, before transmission of the tax lists to the county treasurer, shall set up on his or her records a controlling account, which shall reflect the total tax assessed, against which the county assessor shall record the monthly tax collections, as shown by the county treasurer's records.

**Final Disposition:**

LB 29 passed on Final Reading 45-0-4 and was approved by the Governor on March 7, 2013.

**LB 33 (Hadley): Change and eliminate certain revenue laws and authorize agreements relating to tax collection**

**Introduced Version:**

This is the Department of Revenue's annual "clean up" bill. It covers several topics, some of which are purely technical in nature, some of which are substantive changes relative to enforcement.

Section 1: Creates a new statutory section to allow the Tax Commissioner to contract with financial institutions in Nebraska to levy against real and personal property of delinquent taxpayers.

Section 2: Eliminates the check off on tax returns for contributions to the Campaign Finance Limitation Cash Fund.

Section 3: Amends various provisions for tax liens issued by the Tax Commissioner.

The Tax Commissioner is currently authorized to file a lien with the appropriate official within three (3) years of assessment. Under the bill, if there is an agreement between the taxpayer and the commissioner to extend the payment due date, the lien may be filed within one (1) year of expiration of the agreement, whichever is later.

If the lien has not been filed with the appropriate official, the lien currently expires three (3) years from the time of assessment. New language provides liens may also expire within one (1) year after expiration of such an agreement with the commissioner, whichever is later.

Makes appropriate revisions to the relevant time periods for the commissioner to file a lien in the federal courts or the District of Columbia courts (e.g. U.S. Tax Court).

Section 4: Makes appropriate revisions to the relevant time periods for the commissioner to file an action in state or federal court to collect the delinquent amount.

Section 5: Amends various provisions to execute liens by adding financial institutions as authorized under the new statutory section.

Section 6: Amends the Tobacco Products Tax Act to allow imposition of a new 25 percent penalty, in addition to the existing interest, on any tax imposed under the Act which is delinquent. In addition to the new penalty, an additional 25 percent penalty is imposed in cases of fraud.

Section 7 and 8: Repeal the appropriate statutory sections.

**Revenue Committee Amendment: AM 271**

AM271 makes two changes to the new language on page 3, lines 8-10 and on page 4, line 1 of the original bill.

According to the Department, striking "to extend the time period" removes a potentially confusing phrase. Striking "may be" and inserting "is" also clarifies that the tax is officially delinquent, due and payable, and subject to levy.

The second change adds a reporting requirement for the tax commissioner, as the new language is limited to a pilot program. It also strikes "real" and limits the application of the program to personal property only.

**Final Disposition:**

LB 33 passed on Final Reading 42-0-7 and was approved by the Governor on February 13, 2014.

**LB 175 (Smith): Change the persons authorized to represent Nebraska under the streamlined sales and use tax agreement**

**Introduced Version:**

Section 77-2712.03 authorizes two members of the Legislature to represent Nebraska under the streamlined sales and use tax agreement. LB 175 would require that the chairperson of the Revenue Committee of the Legislature is one of the appointed legislative members.

**Final Disposition:**

LB 175 did not advance from committee and was indefinitely postponed at the end of the legislative session on April 17, 2014.

## **LB 739 (Hadley): Update References to the Internal Revenue Code**

### **Introduced Version:**

This is the annual bill to conform to the relevant Internal Revenue Code sections.

### **Final Disposition:**

LB 739 passed on Final Reading with the Emergency Clause 48-0-1 and was approved by the Governor on April 10, 2014.

## **LB 761 (Mello): Create a Tax Amnesty; Require Data Mining Contract**

### **Introduced Version:**

Current language allows the Department of Revenue to contract with vendors to identify non-filers and under reporters. The bill mandates that the Department enter into such a contract any time on or after October 31, 2014, for purposes of identifying non-filers and under reporters with an outstanding tax liability of at least \$25,000.

Reinstates the Tax Amnesty Program of 2004. The program would run from August 1 through October 31, 2014. Any accepted participant in the Amnesty Program must file returns and taxes due, but all penalties and interest will be waived. The program is not available to anyone under audit or investigation by the state or the U.S. Government as of April 16, 2014.

### **Revenue Committee Amendment AM 2257:**

Repeals the amnesty provision.

### **Final Disposition:**

LB 761 failed to advance from Committee and was indefinitely postponed at the end of the legislative session on April 17, 2014. However, the mandatory contracting provisions were amended into LB 851 which was enacted.

**LB 851 (Hadley): Change land bank, tax sales, liens and security interests, nonresident vehicle registration, ethanol facilities, Department of Revenue powers and duties, and taxation provisions**

**Introduced Version:**

This is the Department of Revenue's annual "clean up" bill. It covers several topics, some of which are purely technical in nature, some of which are substantive changes relative to enforcement.

Sections 1, 2 and 5: A rebuttable presumption of taxability is created with regard to certain motor homes that are registered in the state of Montana and owned by an LLC or other form of pass-through entity. If the entity meets the criteria established in this bill, the Department of Motor Vehicles or the Department of Revenue may make the determination that it is a shell company and that the motor home is owned by a Nebraska resident and subject to tax in this state. The taxpayer may protest the determination within thirty (30) days of a final determination by the Director of the DMV and within 60 days of a deficiency determination by the Tax Commissioner.

Section 3: Removes an obsolete reference to the Nebraska Ethanol Production Incentive Program (EPIC).

Section 4: The Nebraska Advantage Transformational Tourism and Redevelopment Act (LB1018, 2012) allows a city or village to turn back local sales tax for approved redevelopment or tourism projects. Beginning July 1, 2015, the Department is required to contract with an independent auditor to evaluate all local projects approved under the Act, with costs of the audit paid for by the developer. However, the Department is not involved in approving these projects and is not required to be notified by a city that a project exists. This section requires the city to notify the Department of any certified projects on or before January 1, 2015.

Section 6: This provision creates greater parity between the Department's enforcement authority for income taxes and sales/use taxes. For income taxes, the Department may assess at any time for non-filers or fraudulent returns. The assessment statute for significant under reporting is six (6) years. For sales/use taxes, the Department may assess non-filers for only five (5) years from the date the tax was due. The Department may only go back three (3) years if the sales/use tax return was fraudulent or significantly under reported. The bill would extend the sales/use tax assessment authority to six (6) years for failure to file, fraudulent returns, or significant under reporting.

Section 7: In *OEI, INC., v. Department of Revenue*, CI 12-4225, Dist.Ct. (July 24, 2013), the Lancaster County District Court held that the refundable credit under the Research and Development Act is not considered an overpayment of tax and therefore the statute of limitations for overpayments does not apply. This effectively allows a taxpayer to file a refund claim at any time. The bill would establish a statute of limitations – three (3) years from the due date of the return - for purposes of filing these types of refund claims.

Section 8: This provision allows the Department to exchange information with the Department of Insurance, subject to all confidentiality provisions, for the purpose of administering the New Markets Job Growth Investment Act (LB1128, 2011).

Sections 9-14: Repeals the relevant sections, clarifies applicability of the changes, and includes an Emergency Clause.

**AM 2510 (Mello):**

Adds the mandatory data mining contract (LB761).

**AM 2561 (Mello):**

Adds Land Bank Clean Up language (LB 681)

**AM 2611 (B. Harr):**

Adds clarification language for tax sale certificates (LB 979)

**AM 2621 (Hadley):**

Clarifies lien priorities on bulk sale of a business (LB 53).

**Final Disposition:**

LB 851 passed on Final Reading with the Emergency Clause 49-0-0, and was approved by the Governor on April 3, 2014.

# CIGARETTE AND OTHER TOBACCO PRODUCT TAXES

## **LB 25 (Hadley): Change provisions relating to the cigarette tax and the tobacco products tax**

### **Introduced Version:**

LB25 would change the manner and timing for reporting and payment of cigarette tax and tobacco products tax and eliminate obsolete provisions.

### **Final Disposition:**

LB 25 did not advance from committee and was indefinitely postponed with the end of the legislative session on April 17, 2014.

## **LB 26 (Hadley): Change the commission allowed to stamping agents for the cigarette tax**

### **Introduced Version:**

LB26 would change the commission rate allowed to stamping agents, as set forth in section 77-2608, from one and eighty-five hundredths to three percent.

### **Final Disposition:**

LB 26 did not advance from committee and was indefinitely postponed at the end of the legislative session on April 17, 2014.

## **LB 439 (Gloor): Change cigarette and tobacco tax provisions**

### **Introduced Version:**

The bill would increase the rate of the cigarette and tobacco products taxes. The cigarette tax would increase from .64 cents to 1.36 dollars per pack. Other tobacco products would see an increase from 21% to 30% of the items cost.

The proceeds of this tax increase would go to several health care related purposes. A Health Care and Human Services Provider Rate Stabilization Fund would be created. It would receive the bulk of the increase in taxes.

A portion of the proceeds would go to the Volunteer First Responder Incentive Act, found in LB 440.

**Final Disposition:**

LB 439 did not advance from committee and was indefinitely postponed at the end of the legislative session on April 17, 2014.

## CONFIRMATIONS

**Kim Conroy** - State Tax Commissioner, by Appointment of the Governor

Ms. Conroy's nomination was confirmed by the Revenue Committee 8-0, on January 24, 2014.

**Nancy Salmon** - Tax Equalization and Review Commissioner, by Appointment of the Governor

Ms. Salmon's nomination was confirmed by the Revenue Committee 8-0, on January 24, 2014.



## CONSTITUTIONAL AMENDMENTS

### **LR 2 CA (Pirsch): Constitutional amendment to require that any bill that imposes or increases a tax be approved by a majority of the members of the Legislature plus four**

#### **Introduced Version:**

LR 2CA would require any legislative proposal that imposes or increases the rate of a tax to be approved by a majority of all members elected to the Legislature plus four.

#### **Final Disposition:**

LR 2 CA did not advance from committee and was indefinitely postponed with the end of the legislative session on April 17, 2014.

### **LR 423 CA (Nordquist): Constitutional amendment to provide that residential real property may be classified separately for property taxation**

#### **Introduced Version:**

The intent of LR 423CA is to amend the Nebraska Constitution to provide a separate and distinct class for residential real property for tax purposes, which would allow for residential real property to be taxed at a rate that is not uniform and proportionate with other real property.

#### **Final Disposition:**

LR 423 CA failed to advance further and was indefinitely postponed with the end of the legislative session on April 17, 2014.

## ECONOMIC DEVELOPMENT

### **LB 97 (Mello): Adopt the Nebraska Municipal Land Bank Act and authorize land banks to acquire tax-delinquent properties**

#### **Introduced Version:**

LB97 would establish the Nebraska Municipal Land Bank Act. Municipal Land Banks could be established in cities of the metropolitan class, or counties which contain at least three cities of the first class.

Such agencies would be public corporations acting in a governmental capacity. The agencies primary purpose would be to facilitate the return to productive use properties which are vacant, abandoned, or tax delinquent. Tax delinquent may refer to property tax delinquent, and not other tax delinquencies of property owners for any other tax, state, local or federal.

The agency may enter into partnerships and joint ventures with private entities for the ownership of property. Properties acquired by the land bank are exempt from all taxation by the state or any political subdivision thereof.

The agency is prohibited from using the power of eminent domain to acquire property, but has other powers which include sale, lease, encumbrance and alienation. The agency may borrow money from private and public sources and may issue debt. The agency may sell property to private parties and when such property becomes subject to property tax, withhold for its purposes 50% of the property taxes on such property.

#### **Revenue Committee Amendment: AM 572**

The Committee amendments rearranged and reordered several sections of the original bill. The changes clarified that Land Bank board members have certain levels of expertise, required a report be made to the Legislature on the board activities, and narrowed the ability of the Land Bank board to use an automatically accepted bidding process to acquire property.

#### **Final Disposition:**

LB 97 passed 47-0-2 on final reading and was approved by the Governor on June 4, 2013.

### **LB 153 (Dubas): Change the Civic and Community Center Financing Act**

#### **Introduced Version:**

LB153 would revise the statutes governing the Civic and Community Center Financing Fund. This fund is derived from a dedicated portion of the state sales tax turn back revenues of the Convention Center Facility Financing Assistance Act. The fund is administered by the Department of Economic Development.

The bill adds a new term, recreation center, to the eligible uses of the funding provided by the state. A dedicated funding amount for a half time employee in the Department of Economic Development is included in the bill.

**Revenue Committee Amendment: AM 499**

The amendment adds language clarifying the criteria which are to be used by the Department of Economic Development in evaluating applications for the Civic and Community Center Financing Fund. The Committee amendment defines these criteria: retention impact, new resident impact and visitor impact.

The Committee amendment limits the size of grants awarded for certain purposes.

The Committee amendment adds requirements to the reporting provisions of the Department of Economic Development. This includes documenting the reasons why Department funding was or was not allocated.

**Final Disposition:**

LB 153 passed 45-0-4 on final reading and was approved by the Governor on April 24, 2013.

**LB 571 (B. Harr): Adopt the Community Enhancement Financing Assistance Act**

**Introduced Version:**

LB571 established The Community Enhancement Financing Assistance Act which would allow for state funding of public projects used for cultural, recreational, educational, or public purposes that enhance the quality of life in Nebraska.

Any county, city, village, or public post-secondary institution may apply. A five person board, including the governor, must approve the project by a majority vote. The governor must be one of the votes. At least one-third of the total cost of the project must come from private funds. New or increased state sales tax in a "turn back" zone is then used to match the amount of private donations and to pay down the cost of the project. (In a turn back zone, cities are allowed to keep the state portion of new or increased sales tax receipts generated within the zone.) The "turn back" zone is determined in the application and by using the Administrative Procedure Act.

Once the nonprofit corporation deed is paid, the title to the facility is deeded to the political subdivision and officially belongs to the political subdivision for tax purposes.

**Final Disposition:**

LB 571 did not advance from committee, and was indefinitely postponed with the end of the legislative session on April 17, 2014.

**LB 681 (Mello): Change provisions relating to land banks and tax sales for delinquent property taxes**

**Introduced Version:**

In 2013, both LB 97 (the “Land Bank Bill”) and LB 341 amended Section 77-1807. Because the sections were not correlated as part of the normal legislative process and the Revisor of Statutes determined that the amendments were not entirely reconcilable as passed, only the changes from LB 97 went into effect. LB 681 would correlate both amendments which were previously enacted into law in 2013.

**Final Disposition:**

LB 681 was placed on General File but failed to advance. It was indefinitely postponed with the end of the legislative session on April 17, 2014. However, its provisions were amended into LB 851 which was enacted.

# TAX INCENTIVES

## **LB 34 (Hadley): Change provisions of the Nebraska Advantage Act**

### **Introduced Version:**

This bill makes several changes to the Nebraska Advantage Act.

Section 1: Changes "calendar year" to "year" for purposes of calculating the county average weekly wage.

Section 2: Amends the definition of "equivalent employees" to clarify that salaried employees (as opposed to employees paid at an hourly rate) are "deemed" to have worked 40 hours per week for purposes of calculating the number of equivalent employees.

Section 3: Changes "calendar year" to "year" for purposes of calculating the Nebraska average weekly wage.

Section 4: Changes the definition of "taxpayer." Current law restricts the definition of taxpayer to any person that is subject to sales and use taxes and withholding. Current law also defines taxpayer as specified types of entities (e.g. corporations, partnerships, etc.) that are subject to the same taxes and to those specified entities that would otherwise be a member of the same unitary group, if incorporated, and that are subject to the same taxes. The bill eliminates the specific references and substitutes the word "entity."

Current law prohibits flow-through entities and cooperatives from meeting the definition of taxpayer if more than 20 percent of the partners or members are political subdivisions or exempt under I.R.C. Statute 501(c) or (d). The bill strikes this language, so that flow-through entities and cooperatives may qualify as taxpayer's even though all or some portion of the partners or members are political subdivisions or exempt entities.

Current law excludes from the definition of taxpayer "political subdivisions" or an organization that is exempt from income taxes under section 501(a) of the I.R.C. The bill creates a definition of "political subdivision" for purposes of the Act and includes in the definition a group of political subdivisions that form a joint public agency or are organized through an interlocal agreement or other method of joint action.

Section 5: Changes definition of "year" from "taxable year of the taxpayer" to "calendar year" for purposes of the Act.

Section 6: Creates a presumption of "interdependency" when the taxpayer's application or plan includes every location in the state that is "involved" in a qualified business activity.

Section 7: Changes the provisions for establishing and using credits. For purposes of establishing credits, the bill changes "year" to "taxable year which includes the end of the year the credits were earned." The bill creates new language for using credits: "Credits may be used beginning with the taxable year which includes December 31 of the year the required

minimum levels were reached. The last year for which credits may be used is the taxable year which includes December 31 of the last year of the carryover period."

Changes "calendar year" to "year" for purposes of filing a refund claim.

Section 8: Creates a new provision allowing the Department to disclose information to an acquiring taxpayer about the project they are purchasing in order to determine future benefits and liabilities.

Section 9: Changes "calendar year" to "year" for purposes of the annual report. The bill further modifies the annual report so that taxpayers will no longer report and the Department will not track the total number of employees in the state prior to the application date and in subsequent years. This change applies to individual taxpayer agreements as well as aggregated amounts reported by the Department.

Section 10: The changes in the bill apply to applications filed on or after the effective date of the bill.

**Revenue Committee Amendment: AM 650**

The Committee amendment changes the approval period timelines for applications under the Nebraska Advantage Act. The amendment also clarifies the method by which the timeline shall be determined to have started, and allows the Tax Commissioner and the taxpayer to agree on the extension of this timeline.

**Final Disposition:**

LB 34 passed on Final Reading 46-0-3 and was approved by the Governor on June 4, 2013.

**LB 104 (Lathrop): Change sales and use tax increases under the Local Option Revenue Act and provide tax incentives for renewable energy projects under the Nebraska Advantage Act**

**Introduced Version:**

For purposes of the Nebraska Advantage Act, Nebraska statute defines "qualified business" to specifically include those types of business activities which may qualify for incentives under the Act. LB 104 would add a new Tier 7 for businesses engaged in "the production of electricity by using one or more sources of renewable energy to produce electricity for sale", and defines the term. It specifies the incentives for a Tier 7 project and adds new requirements for receiving the incentives.

**Revenue Committee Amendment: AM 525**

The bill, as amended by the Committee, contains the provisions of LB 501. It does not create a new Tier 7 but amends the definition of "qualified business" for existing Tiers 2 through 5, using the same language as LB 104 and defines the term "sources of renewable energy" to include, but not be limited to, "wind, solar, geothermal, hydroelectric, biomass, and transmutation of elements." It also adds the emergency clause for the operative date.

### **AM1446 (Hadley)**

The amendment requires an investment of \$20 million for these projects rather than the \$30 million requirement for other Tier 5 projects. It also excludes these new projects from the annual inflation adjustment for minimum investment requirements.

### **Final Disposition:**

LB 104 passed with the Emergency Clause 38-2-9 on Final Reading and was approved by the Governor on June 4, 2013.

### **LB 191 (Nordquist): Adopt the Nebraska Job Creation and Mainstreet Revitalization Act and provide tax credits**

#### **Introduced Version:**

LB191 creates the Nebraska Job Creation and Mainstreet Revitalization Act. It provides income tax credits for private property historic preservation activities regulated by the State Historic Preservation officer and the Nebraska Department of Revenue.

The income tax credits would be non-refundable, but qualified credit recipients may transfer, sell, or assign all or any portion of the credits to other persons or entities. Failure to comply with the historic preservation credits criteria enforced by the State Historic Preservation Officer could result in recapture of the credits, in whole or in part.

The Nebraska State Historical Society would be authorized to establish and collect an application fee for any person or entity filing an application for the credit. The fees could be set in amounts sufficient to offset the costs of processing and monitoring applications.

#### **Revenue Committee Amendment: AM 707**

The amendment added a requirement for a municipal ordinance, limited the amount of the credit, and added annual reporting requirements for the Historical Society and the Department.

#### **AM 2569 (Nordquist)**

The amendment made significant changes to the original bill. It added numerous definitions, imposes different project cost qualification levels for primary and metropolitan class cities, added details to the ordinance requirements, placed a cap on the total amount of credits per taxpayer, placed a cap on the total amount of credits per year, added details to the application and certification process, added additional fees for transferring the credits, made provisions for liens against the properties in the event of credit recapture, and imposed sunset dates for the program and for claiming the credits.

#### **Final Disposition:**

LB 191 passed on Final Reading 45-0-4, and was signed by the Governor April 10, 2014.

**LB 281 (Pirsch): Change the amount of tax credits allowed under the Angel Investment Tax Credit Act**

**Introduced Version:**

This bill amends the Angel Investment Tax Credit Act to increase the annual cap for credits from \$3 million to \$5 million for qualified investors. Qualified investor means an individual, trust, or pass-through entity which has been certified by the director of the Department of Economic Development.

**Final Disposition:**

LB 281 was placed on General File, but failed to advance to Enrollment and Review Initial. LB 281 was indefinitely postponed with the end of the legislative session on April 17, 2014.

**LB 411 (Nordquist): Change a renewable energy tax credit**

**Introduced Version:**

LB 411 enhances the state-level production tax credit for renewable electric generation facilities placed into operation on or after January 1, 2013 by increasing the amount of the tax credit and making it transferable. The credit would be phased-in over four years until reaching \$0.005/per kilowatt-hour in 2019.

LB 411 caps the renewable energy tax credits for any taxpayer in any tax year at \$2 million. The credit could be earned for production of renewable electricity for 8 years after the date that the facility is placed into operation.

**Final Disposition:**

LB 411 did not advance from committee and was indefinitely postponed with the end of the legislative session on April 17, 2014.

**LB 475 (Carlson): Change the Angel Investment Tax Credit Act and the Business Innovation Act**

**Introduced Version:**

LB 475 would modify the Business Innovation Act (BIA) and the Angel Investment Tax Credit Act (AITC) by increasing maximum funding in each program to \$4 million total and change the microenterprise program in the BIA.

The bill would further modify the act by defining an investment date, authorize corporations to participate, and eliminate pass-through entities as a qualified investor. LB 475 would add a confidentiality provision for both programs except for annual report requirements.



**Final Disposition:**

LB 475 did not advance from committee. However, the provisions relative to the AITC were amended into LB 1067.

**AM 4520 (Hadley) to LB 1067**

The provisions of LB 475, relative to the AITC, were amended into LB 1067, but the provisions relative to the BIA were not. The amendment removed the pass-through entity elimination, adding certain notification requirements for investors, created an exception to accommodate the death of an individual qualified, granted discretionary authority to the director of DED to revoke the certificate and/or impose a fine if the annual report is not filed by July 1 (currently mandatory provisions), and extended the sunset date from 2017 to 2019.

**LB 501 (Hadley): Redefine a term in the Nebraska Advantage Act**

**Introduced Version:**

LB 501 would add a definition for renewable energy production as a qualifying business under a tier 2, tier 3, tier 4 or tier 5 project under the Nebraska Advantage Act.

**Final Disposition:**

LB 501 failed to advance from committee and was indefinitely postponed with the end of the legislative session on April 17, 2014. However, the provisions of LB 501 were amended into LB 104 which was enacted.

**LB 572 (B. Harr): Change the Nebraska Advantage Act and provisions relating to extraordinary dividends and capital gains on certain capital stock**

**Introduced Version:**

LB 572 made significant changes to the Nebraska Advantage Act by expanding eligible taxpayers, removing some reporting requirements by taxpayers and by expanding the provisions related to the one-time exclusion from income tax for certain extraordinary dividends and capital gains.

**Final Disposition:**

LB 572 did not advance from committee and was indefinitely postponed with the end of the legislative session on April 17, 2014.

## **LB 606 (Pirsch): Adopt the Nebraska Technology Entrepreneur**

### **Introduced Version:**

Section 1: This bill creates the Nebraska Technology Entrepreneur Act.

Section 2: Defines relevant terms including qualified small business and qualified high-technology field.

Section 3: Provides a sales and use tax refund to qualified small businesses for purchases of depreciable business equipment, if they can demonstrate a financial need. Sets the application fee at \$100.

Section 4: Caps the refund at \$5,000 per qualified business per fiscal year and the total refunds under the Act at \$300,000 per fiscal year.

Section 5: Subjects participants to audit by the Department of Revenue with respect to the refund.

Section 6: Sets the operative date as October 1, 2013.

### **Final Disposition:**

LB 606 advanced to General File and was indefinitely postponed with the end of the legislative session on April 17, 2014.

## **LB 626 (Conrad): Eliminate an income reduction for extraordinary dividends and certain capital gains**

### **Introduced Version:**

LB 626 eliminates the one-time exclusion from income tax for certain extraordinary dividends and capital gains.

### **Final Disposition:**

LB 626 did not advance from committee and was indefinitely postponed with the end of the legislative session on April 17, 2014.

**LB 627 (Conrad): Provide for termination of certain tax incentives as prescribed**

**Introduced Version:**

LB 627 provides for termination of certain tax incentive laws on a five-year recurring basis.

The Nebraska Advantage Rural Development Act and The Nebraska Advantage Act would terminate on July 1, 2018, unless extended by the Legislature, and would terminate every five years thereafter unless extended by the Legislature. Termination would not affect any agreements existing on the date of termination.

**Final Disposition:**

LB 627 did not advance from committee and was indefinitely postponed with the end of the legislative session on April 17, 2014.

**LB 836 (Performance Audit Committee): Provide and change provisions relating to legislative findings for tax incentive programs**

**Introduced Version:**

The bill adds findings and declarations of legislative intent to the Nebraska Advantage Act and the Angel Investment Tax Credit Act.

**Final Disposition:**

LB 836 passed on Final Reading 42-0-7 and was approved by the Governor on April 2, 2014.

**LB 1067 (Hadley): Change sales and use tax refund provisions, extend sunset dates under certain tax incentive laws, and change provisions of the Angel Investment Tax Credit Act**

**Introduced Version:**

The bill extends various sunset dates in the Nebraska Advantage Act. Specifically, it amends the following statutory sections and programs:

77-5701-5735: Nebraska Advantage Act

Tiers 1 and 3 are extended from December 31, 2015 to December 31, 2017; and  
Tier 6 is extended from January 1, 2016 to January 1, 2018;

77-5806: Nebraska Advantage Research and Development Credit is extended from December 31, 2015 to December 31, 2017; and

77-5905: Nebraska Advantage Microenterprise Credit is extended from December 31, 2015 to December 31, 2017.

**AM 4520 (Hadley):**

In addition to the original provisions of LB 475 regarding the Angel Investment Credit, the amendment removed the pass-through entity elimination, adding certain notification requirements for investors, created an exception to accommodate the death of an individual qualified, granted discretionary authority to the director of DED to revoke the certificate and/or impose a fine if the annual report is not filed by July 1 (currently mandatory provisions), and extended the sunset date from 2017 to 2019.

**Final Disposition:**

LB 1067 passed on final reading with the emergency clause 49-0-0 and was approved by the Governor on April 9, 2014.

# INCOME TAX

## **LB 5 (Krist): Exempt social security benefits and military retirement income from income taxation**

### **Introduced Version:**

The bill exempts Social Security benefits, military retirement pay, and military civilian retirement pay from income taxation.

### **Final Disposition:**

LB 5 did not advance from committee and was indefinitely postponed with the end of the legislative session on April 17, 2014.

## **LB 14 (Krist): Adopt the Elementary and Secondary Educational Opportunity Act and provide for income tax credits**

### **Introduced Version:**

Legislative Bill 14 adopts the Elementary and Secondary Educational Opportunity Act, which establishes and makes available to donors (e.g. individuals and businesses) a limited tax credit for contributions to state-certified, nonprofit scholarship-granting organizations, which would be required to use no less than 95 percent of their revenue for scholarships to help children be able to attend private elementary and secondary schools in Nebraska.

A tax credit could be claimed for 60 percent of qualifying contributions made during the tax year. The credit would be nonrefundable, but any amount credit exceeding the taxpayer's liability could be carried forward up to five years. The bill proposes an aggregate, statewide cap of \$10 million in tax credits for 2013, increasing incrementally.

In addition to being required to distribute almost all of their revenue as scholarships, scholarship granting organizations also would be required to award scholarships in conjunction with at least two different schools. A qualifying school is defined as any nonprofit, private school (K-12) that satisfies the state's requirements for legal operation and does not discriminate on the basis of race, color, or national origin.

Scholarship eligibility would be means-tested. First-time scholarship eligibility would be limited to children entering either kindergarten or ninth grade and to any-grade transfers (K-12) from public schools to qualifying private schools.

### **Final Disposition:**

LB 14 did not advance from committee and was indefinitely postponed with the end of the legislative session on April 17, 2014

### **LB 17 (Nordquist): Exempt social security benefits from state income taxation**

#### **Introduced Version:**

LB 17 updates the current income thresholds, set in 1984, at which Social Security benefits become taxable. For taxable years beginning after January 1, 2013, Social Security benefits shall be exempt from taxation for taxpayers filing a married joint return with federal adjusted gross income of \$80,000 or less or for taxpayers filing any other return with federal adjusted gross income of \$60,000 or less.

#### **Final Disposition:**

LB 17 did not advance from committee and was indefinitely postponed with the end of the legislative session on April 17, 2014.

### **LB 74 (Janssen): Exempt social security benefits from state income taxation**

#### **Introduced Version:**

LB 74 would exempt taxable Social Security benefits from the Nebraska individual income tax.

#### **Final Disposition:**

LB 74 did not advance from committee and was indefinitely postponed with the end of the legislative session on April 17, 2014.

### **LB 75 (Janssen): Exempt military retirement benefits from taxation as prescribed**

#### **Introduced Version:**

LB 75 would exempt military retirement benefits from state income taxation.

The income excluded shall not exceed forty-eight thousand dollars per married filing jointly return if both spouses are receiving military retirement benefits or twenty-four thousand dollars per tax year for any other return.

#### **Final Disposition:**

LB 75 failed to advance from committee and was indefinitely postponed with the end of the legislative session on April 17, 2014. However, an amended version of the bill was included in the provisions of LB 987 which was enacted.

**AM2458 (Janssen) to LB987:**

Military retirees may make a one-time election, within two years of retirement from the military, to exempt up to 40 percent of their military retirement income from state income tax for a period of seven consecutive years or they may elect to exclude 15 percent of their military retirement income at age 67 for all subsequent tax years.

**LB 81 (Schumacher): Provide an income tax deduction for corporate dividends**

**Introduced Version:**

This bill amends the corporation income tax laws to allow a subtraction from federal taxable income for the amount of dividends paid for taxable years beginning or deemed to begin on or after January 1, 2014, to the extent that they have not otherwise reduced federal taxable income.

This would provide equal treatment for corporate dividends of "C" (ordinary) corporations as compared with "S" corporations, partnerships, and limited liability companies. It would also provide equal treatment for capital paid as interest (currently deductible) as compared with return on capital paid as dividends (currently not deductible). The bill leaves open for committee discussion the percentage of deductibility.

**Final Disposition:**

LB 81 did not advance from committee and was indefinitely postponed with the end of the legislative session on April 17, 2014.

**LB 176 (Smith): Exempt military retirement benefits from taxation as prescribed**

**Introduced Version:**

LB 176 would exempt military retirement benefits from state income tax. The bill would allow for the exemption in 10% increments. Beginning with tax year 2014, 10% of retirement benefits would be exempt. The exemption would increase by 10% each year thereafter until 100% of retirement benefits are exempt from income tax in year 2023.

**Final Disposition:**

LB 176 did not advance from committee and was indefinitely postponed with the end of the legislative session on April 17, 2014.

## **LB 227 (Kitner): Exclude retirement benefits from state income taxation**

### **Introduced Version:**

LB 227 would eliminate retirement income from state income taxation. The bill proposes a three-year phase-out of state taxation of retirement benefits.

### **Final Disposition:**

LB 227 did not advance from committee and was indefinitely postponed with the end of the legislative session on April 17, 2014.

## **LB 238 (Crawford): Exempt social security and certain retirement benefits from state income taxation**

### **Introduced Version:**

LB 238 provides that for a retiree filing a single return could exempt from state income tax up to \$30,000 of the federal adjusted gross income that comes from retirement benefits or \$60,000 for a married couple filing jointly. Eligible retirees must earn other income in the state of Nebraska to receive this exemption. Specifically, one dollar of retirement income would be excluded for every one dollar of non-retirement income earned. Nonretirement income excludes investment income. Retirement income includes Social Security benefits, public pension benefits, military retirement benefits and other qualified retirement income under the Internal Revenue Code.

Under LB 238, this benefit will decrease by one dollar for every one dollar that the taxpayer's federal adjusted gross income exceeds \$60,000 for taxpayers filing a single return. For married taxpayers filing a joint return, this benefit will decrease by one dollar for every one dollar that the taxpayer's income exceeds \$120,000.

### **Final Disposition:**

LB 238 did not advance from committee and was indefinitely postponed with the end of the legislative session on April 17, 2014.

## **LB 264 (Bolz): Provide an income tax credit for individuals caring for dependents**

### **Introduced Version:**

LB 264 would provide for a nonrefundable tax credit for individuals caring for an elder with a self-care disability who resides in their home.



**Final Disposition:**

LB 264 did not advance from committee and was indefinitely postponed with the end of the legislative session on April 17, 2014.

**LB 296 (Hadley): Change provisions of the educational savings plan relating to income tax reductions and participation agreements**

**Introduced Version:**

The bill increases the deduction for contributions to the plan to \$5,000 for married filing separate returns and \$10,000 for all other returns. It allows for a qualified rollover from another state's plan, including interest, earnings and state contributions, to qualify for the deduction. Contributions from a custodian including rollovers from another custodial account qualify for the deduction to the extent the funds were contributed after the effective date of the bill.

It amends the definition of "participant or account owner" to include the parent or guardian of a minor, which is also the custodian of the account, for purposes of qualified contributions under certain circumstances. In cases where a participant dies or becomes legally incapacitated and has not designated a successor account owner, ownership of the account transfers to the account owner's spouse or the account beneficiary. The participant's estate is removed as a successor account owner.

**Revenue Committee Amendment: AM 354**

The bill was amended so that 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.

**Final Disposition:**

LB 296 passed on Final Reading 48-0-1 and was approved by the Governor on June 3, 2013.

**LB 308 (Schumacher): Change provisions relating to the federal alternative minimum tax and net operating losses and capital losses**

**Introduced Version:**

This bill repeals the alternative minimum tax for taxable years beginning or deemed to begin on or after January 1, 2014.

**Revenue Committee Amendment: AM 583**

The Committee amendments merged the provisions of LB 457 into LB 308. LB 457 changes the net operating loss carry forward rule from five to 20 years to comport with federal rules.

**Final Disposition:**

LB 308 passed on Final Reading 48-0-1 and was approved by the Governor on June 3, 2013.

**LB 327 (Pirsch): Change income tax rates**

**Introduced Version:**

LB 327 would lower income tax rates across all brackets as follows:

- Bracket 1 from 2.46% to 2.2%
- Bracket 2 from 3.51% to 3.2%
- Bracket 3 from 5.01% to 4.5%
- Bracket 4 from 6.84% to 6.2%

**Final Disposition:**

LB 327 did not advance from committee and was indefinitely postponed with the end of the legislative session on April 17, 2014.

**LB 328 (Pirsch): Change Corporate Income Tax Rates**

**Introduced Version:**

LB 328 would reduce the corporate income tax rates.

**Final Disposition:**

LB 328 did not advance from committee and was indefinitely postponed with the end of the legislative session on April 17, 2014.

**LB 389 (Bolz): Provide an income tax credit for adoption and guardianship costs**

**Introduced Version:**

LB 389 would provide an income tax credit to individuals who incurred expenses for the adoption or guardianship of any minor child who is a citizen or legal resident of the United States and was in the custody of a public agency of either this state or a political subdivision of this state.

**Final Disposition:**

LB 389 did not advance from committee and was indefinitely postponed with the end of the legislative session on April 17, 2014.

**LB 440 (Gloor): Adopt the Volunteer Emergency Responders Incentive Act and provide an income tax credit**

**Introduced Version:**

LB 440 would create a \$500 refundable income tax credit for volunteer emergency responders who meet the stated criteria. The city, village, or rural or suburban fire protection district will certify the list of those volunteers who have qualified as active emergency responders, active rescue squad members, or active firefighters. This list will be filed with the Department of Revenue.

**Final Disposition:**

LB 440 did not advance from committee and was indefinitely postponed with the end of the legislative session on April 17, 2014

**LB 457 (Krist): Change provisions relating to deductions for net operating losses and capital losses**

**Introduced Version:**

This bill extends the length of time a corporation would be allowed to carry forward net operating losses from five years to 20 years, beginning with tax year 2014.

**Final Disposition:**

LB 457 failed to advance from committee and was indefinitely postponed with the end of the legislative session on April 17, 2014. However, the provisions of LB 457 were amended into LB 308 which was enacted.

**LB 468 (Scheer): Allow an income tax deduction for tuition payments**

**Introduced Version:**

LB 468 would provide a tuition-based income tax deduction for recent post-secondary graduate students in the State of Nebraska.

**Final Disposition:**

LB 468 did not advance from committee and was indefinitely postponed with the end of the legislative session on April 17, 2014.

**LB 490 (Revenue Committee): Change income tax rates**

**Introduced Version:**

The bill was introduced by the Committee to act as a placeholder for any needed changes in the rate of the income tax.

**Final Disposition:**

LB 490 did not advance from committee and was indefinitely postponed with the end of the legislative session on April 17, 2014

**LB 532 (Conrad): Change income tax rates**

**Introduced Version:**

LB 532 creates a new state income tax bracket for high income earners. The new tier would tax income over \$399,999 for individuals and income over \$449,999 for married couples filing jointly or head of household at a rate of 7.74%.

**Final Disposition:**

LB 532 did not advance from committee and was indefinitely postponed with the end of the legislative session on April 17, 2014

**LB 547 (Kolowski): Provide an income tax credit for payments to school districts for extracurricular activities and character education programs**

**Introduced Version:**

Provides an income tax credit for payments to school districts for extracurricular activities and character education programs.

**Final Disposition:**

LB 547 did not advance from committee and was indefinitely postponed with the end of the legislative session on April 17, 2014

**LB 573 (B. Harr): Change provisions relating to an adjustment to income for certain capital gains and extraordinary dividends**

**Introduced Version:**

The bill would clarify that for purposes of the special capital gains election, an employee stock ownership plan (ESOP) defined under I.R.C. Statute 401(a) qualifies as a "corporation" or what is commonly called a "qualified corporation" under the election provisions. It is important to note that ESOP's qualified under I.R.C. Statute 401(a) are retirement plans (26 USC Statute 401 - Qualified pension, profit-sharing, and stock bonus plans.)

The bill would clarify that purposes of this definition, an ESOP is not treated as a single shareholder, but that each participant in the ESOP constitutes a separate shareholder. As a result, any participant in the ESOP who redeems their stock when they retire could claim the exclusion from taxable income for all distributions received from the ESOP.

**Final Disposition:**

LB 573 passed on Final Reading 46-0-3 and was approved by the Governor on June 3, 2013.

**LB 691 (Bolz): Increase a child and dependent care tax credit**

**Introduced Version:**

The bill increases the amount of the Child/Dependent Care Nonrefundable Income Tax Credit.

Currently, taxpayers with AGI above \$29,000 receive twenty five percent (25%) of the federal credit. The bill would increase the percentage to twenty-eight percent (28%).

**Final Disposition:**

LB 691 did not advance from committee and was indefinitely postponed with the end of the legislative session on April 17, 2014

**LB 708 (Kintner): Exempt social security benefits from state income taxation**

**Introduced Version:**

The bill exempts benefits received under Social Security to the extent they are included in federal AGI. The exemption would be limited to married filing joint returns where AGI does not exceed \$250,000 and \$125,000 for all other returns.

**Final Disposition:**

LB 708 did not advance from committee and was indefinitely postponed with the end of the legislative session on April 17, 2014

## **LB 709 (Kintner): Exempt military retirement benefits from state income taxation**

### **Introduced Version:**

The bill phases in an exemption over five years for benefits received as military retirement income to the extent they are included in federal AGI. The exemption would be limited to married filing joint returns where AGI does not exceed \$250,000 and \$125,000 for all other returns.

### **Final Disposition:**

LB 709 did not advance from committee and was indefinitely postponed with the end of the legislative session on April 17, 2014.

## **LB 721 (Janssen): Change tax provisions**

### **Introduced Version:**

The bill changes multiple areas of taxation.

Section 1. Reduces the valuation of agricultural land from seventy five percent (75%) to sixty five percent (65%).

Section 2. Makes mandatory the Department of Revenue's authority to enter into contracts for data mining purposes.

Section 3. Reduces the income tax rates over a four year period starting with tax years beginning or deemed to begin on January 1, 2014 through January 1, 2018. When fully implemented, the new rates would by bracket would be:

Bracket 1 – 1.96%    Bracket 2 – 2.78%    Bracket 3 – 4.02%    Bracket 4 – 5.5%.

The brackets would also be indexed annually for inflation for tax years beginning or deemed to begin on January 1, 2015

Section 4. Exempts both Social Security income and military retirement income to the extent included in federal AGI for tax years beginning or deemed to begin on January 1, 2015.

Section 5. Increases the amount appropriated to the Property Tax Credit Act Fund from \$105 million to \$150 million for tax year 2014.

Section 6. Reduces the acceptable range of valuation for agricultural land from sixty nine percent (69%) to seventy five percent (75%) of actual value to fifty nine percent (59%) to sixty five percent (65%) of actual value.

Section 7. Amends the definition of "state aid value" for agricultural land from seventy two percent (72%) to sixty two percent (62%) of actual value.

**Final Disposition:**

LB 721 did not advance from committee and was indefinitely postponed with the end of the legislative session on April 17, 2014.

**LB 787 (Schumacher): Provide an income tax deduction for loan principal payments for graduate students**

**Introduced Version:**

Federal AGI would be reduced by the amount of principal paid by the taxpayer during the tax year for any qualified education loan. The deduction would be available for the first ten tax years after obtaining a graduate degree.

**Final Disposition:**

LB 787 did not advance from committee and was indefinitely postponed with the end of the legislative session on April 17, 2014.

**LB 897 (Cook): Provide an income tax credit to employers of public assistance recipients**

**Introduced Version:**

The bill creates a new, nonrefundable income tax credit. It is available to certain employers as a credit against individual, corporate, fiduciary or estate taxes, up to the actual tax liability of the employer. The credit is for employers of any person receiving public assistance pursuant to the Welfare Reform Act. It is available for no more than two tax years.

The credit would be up to twenty percent (20%) of the employer's "annual expenditures for any one or more of the following services that are incidental to the employer's business:"

- Provision of basic education at a public institution of postsecondary education;
- Provision of basic health or dental insurance for employees receiving such public assistance;
- Provision of child care services or cost associated with child care services for employees receiving such public assistance; and
- Provision of transportation programs to and from work for employees receiving such public assistance.

**Final Disposition:**

LB 897 did not advance from committee and was indefinitely postponed with the end of the legislative session on April 17, 2014.

## **LB 902 (Crawford): Exempt military retirement income from state income taxation**

### **Introduced Version:**

The bill creates a deduction from income tax for military retirement income. The deduction is a dollar-for-dollar match. For every dollar of nonmilitary retirement income included in federal AGI the taxpayer may deduct a dollar of military retirement. Taxpayers who are married filing joint are limited to a deduction of \$60,000. All other taxpayers are limited to a deduction of \$30,000.

If AGI exceeds \$120,000 for taxpayers who are married filing joint, the deduction is reduced by the amount AGI exceeds \$120,000. All other taxpayers are subject to a \$60,000 threshold and the same reduction amount. The bill defines “military retirement income” and “nonretirement income.” The latter is defined as anything other than military retirement income that is included in federal AGI, and excludes investment income from the definition.

### **Final Disposition:**

LB 902 did not advance from committee and was indefinitely postponed with the end of the legislative session on April 17, 2014.

## **LB 913 (Kolowski): Provide an income tax credit for property taxes paid**

### **Introduced Version:**

The bill as drafted would provide a non-refundable income tax credit for property taxes paid on homeowner occupied residences. The credit would be limited to \$250 for single filers, and \$500 for married filing joint. Filers with federal adjusted gross income over \$200,000 for married filing joint filers, and over \$100,000 for other filers, would not be allowed to claim the credit.

### **Final Disposition:**

LB 913 did not advance from committee and was indefinitely postponed with the end of the legislative session on April 17, 2014.

## **LB 922 (Christensen): Change qualification provisions under the Beginning Farmer Tax Credit Act**

### **Introduced Version:**

The bill raises the maximum net worth guidelines for the beginning farmer program from \$200,000 to \$500,000. This would allow farmers with larger net worth to qualify for the provisions of the Beginning Farmer Act. This amount of net worth will continue to be indexed



using the Producer Price Index, as it was when the amount was established in the law. The indexing will begin in 2015.

**Final Disposition:**

LB 922 did not advance from committee and was indefinitely postponed with the end of the legislative session on April 17, 2014.

**LB 938 (Janssen): Provide an income tax credit to Individuals who pay a federal health insurance penalty**

**Introduced Version:**

The bill creates a nonrefundable credit against individual income tax for the amount paid as a penalty under §5000A of the Internal Revenue Code. This is the provision of the Code that allows the IRS to impose a penalty against taxpayers who do not maintain minimum health insurance coverage. The credit must be taken in the year in which the penalty was paid.

**Final Disposition:**

LB 922 did not advance from committee and was indefinitely postponed with the end of the legislative session on April 17, 2014.

**LB 956 (Conrad): Increase the earned income tax credit**

**Introduced Version:**

The bill increases the Earned Income Tax Credit (EITC) for qualified taxpayers. Under current law, Nebraska allows a refundable EITC equal to ten percent (10%) of the federal EITC (§32 of the Internal Revenue Code). The bill would increase the amount to 13%.

**Final Disposition:**

LB 956 did not advance from committee and was indefinitely postponed with the end of the legislative session on April 17, 2014.

**LB 978 (Harr): Authorize funding for on-bill payment programs under the Low-Income Home Energy Conservation Act**

**Introduced Version:**

The bill amends various provisions of the Low-Income Energy Conservation Act. The bill amends no tax law sections. The bill's provisions appear to put public power districts in the position of being bill collectors for energy conservation equipment providers. The bill was referred to the Revenue Committee as the original Act created income tax credits for low-income energy conservation.

**Final Disposition:**

LB 978 did not advance from committee and was indefinitely postponed with the end of the legislative session on April 17, 2014.

**LB 987 (Revenue Committee): Adjust individual income tax brackets for inflation and exempt social security and military retirement benefits from income taxation**

**Introduced Version:**

The bill makes two major changes to the individual income tax code.

The first change is to begin indexing the brackets for tax years beginning or deemed to begin on or after January 1, 2015. This will significantly reduce what is known as "bracket creep" which occurs when brackets are not adjusted for inflation.

The second change is to increase the income thresholds under which Social Security Income is exempt from taxation. For married filing joint taxpayers, the exemption threshold is \$58,000 federal adjusted gross income. For all other filers, the exemption threshold is \$43,000 federal adjusted gross income. Above these thresholds, the current system which matches federal treatment would remain in place. This also applies to tax years beginning or deemed to begin on or after January 1, 2015.

**AM2458 (Janssen) to LB987:**

Military retirees may make a one-time election, within two years of retirement from the military, to exempt up to 40 percent of their military retirement income from state income tax for a period of seven consecutive years or they may elect to exclude 15 percent of their military retirement income at age 67 for all subsequent tax years.

**Final Disposition:**

LB 987 passed on Final Reading 44-0-5 and was approved by the Governor on April 2, 2014.

**LB 995 (Hadley): Provide an income tax credit for state and local taxes paid**

**Introduced Version:**

The bill creates a refundable low income tax credit for tax years beginning or deemed to begin on or after January 1, 2015. The credit is available whether or not a tax return is due. The credit is limited to residents (physically present in the state for at least six months) whose federal adjusted gross income is below certain thresholds.

The credit is phased out at \$25,500 federal adjusted gross income and ranges from a low of \$10 to a high of \$340. The threshold is indexed annually for inflation.

**Final Disposition:**

LB 995 did not advance from committee and was indefinitely postponed with the end of the legislative session on April 17, 2014.

**LB 1038 (Dubas): Provide an income tax credit for certain property taxes paid on agricultural land and horticultural land**

**Introduced Version:**

The bill would create a non-refundable income tax credit for taxes paid on agricultural land for the portion of those taxes that exceed 5% of the filer's federal adjusted gross income.

**Final Disposition:**

LB 1038 did not advance from committee and was indefinitely postponed with the end of the legislative session April 17, 2014.

**LB 1056 (Davis): Change individual income tax brackets and rates**

**Introduced Version:**

The bill creates a fifth bracket in the individual income tax for tax years beginning or deemed to being on or after January 1, 2015. The rate of tax for the fifth bracket is 7.84% and applies to returns as follows:

MFJ – AGI \$150,000 or more; Single and MFS – AGI \$75,000 or more; and HOH – AGI \$112,500 or more.

**Final Disposition:**

LB 1056 did not advance from committee and was indefinitely postponed with the end of the legislative session on April 17, 2014.

**LB 1097 (Harr): Change individual income tax brackets and rates and corporate income tax rates**

**Introduced Version:**

The bill makes changes to the individual income tax and corporation income tax brackets and rates. The individual brackets are reduced from four to three and adjusted in the first year. The reduced rates are phased in over three years. For tax years beginning or deemed to begin on or after January 1, 2018, the brackets are to be indexed for inflation.

The corporation income tax brackets are also reduced over three years.

**Final Disposition:**

LB 1097 did not advance from committee and was indefinitely postponed with the end of the legislative session on April 17, 2014.

# INHERITANCE TAX

## **LB 600 (Wightman): Change Inheritance tax rates**

### **Introduced Version:**

LB 600 intended to make changes to the Nebraska inheritance laws but keep the total revenues raised from the inheritance taxes at the same level as the previous years or to be "revenue neutral."

In order to reduce gross inheritances revenues the tax rates are reduced:

- From thirteen percent to nine percent on the value of property received by Class 2 beneficiaries. Class 2 beneficiaries are uncles, aunts, nieces nephews or lineal descendants or adoptees of the same or the surviving spouses of any such persons.
- From eighteen percent to thirteen percent for all other non-family beneficiaries or class 3 beneficiaries.

The amount exempted from the inheritance tax is unchanged and tax rate for immediate family members or class one beneficiaries is unchanged.

### **Final Disposition:**

LB 600 did not advance from committee and was indefinitely postponed with the end of the legislative session on April 17, 2014.

## **LB 812 (Hansen): Terminate the inheritance tax**

### **Introduced Version:**

The bill would repeal the inheritance tax. Persons inheriting assets from Decedents passing after January 1, 2015 would no longer be liable for the tax.

### **Final Disposition:**

LB 812 did not advance from committee and was indefinitely with the end of the legislative session on April 17, 2014.

## **LB 960 (Carlson): Change inheritance tax rates**

### **Introduced Version:**

The bill would reduce two rates of the inheritance tax. The rate for Class 2 beneficiaries, those described in Section 77-2005, would be reduced from 13% to 7%. No change is made in the exempt amount. The rate for Class 3 beneficiaries, those described in Section 77-2006, would be reduced from 18% to 9%.

### **Final Disposition:**

LB 960 did not advance from committee and was indefinitely postponed with the end of the legislative session on April 17, 2014.

## LOCAL BUDGET AND LEVY LIMITATIONS

### **LB 266 (Chambers): Eliminate provisions relating to increases in local option sales tax rates**

#### **Introduced Version:**

Legislative Bill 266 repeals LB 357 (2012), allowing a half-cent increase in the local option sales tax. Cities currently may levy up to a 1.5-cent sales tax.

#### **Final Disposition:**

LB266 failed to advance from committee and was indefinitely postponed with the end of the legislative session on April 17, 2014. However, the provisions of LB 357 were modified, to the extent of its application to cities of the Metropolitan class. Omaha is the only such city, therefore, Omaha may not increase its local option sales tax. This provision of LB 266 was amended into LB 104 which was enacted.

### **LB 474 (Krist): Change provisions relating to occupation taxes**

#### **Introduced Version:**

The bill would redefine the term occupation tax and the powers of cities to impose such a tax. Provisions of law affecting all classes of cities are amended.

Also modified are the occupation tax statutes which give powers to natural resource districts to impose an occupation tax.

#### **Revenue Committee Amendment: AM 652:**

The committee amended the bill which redefined the term occupation tax and the powers of cities to impose such a tax. The amendments removed any references to natural resource districts but the provisions would still apply to all classes of cities.

A moratorium is imposed on any new occupation tax or on an increase in local option sales tax above one and a-half percent. A "grandfather clause" is provided for those municipalities that have finalized all of the technical aspects of implementing a new occupation tax or local option sales tax increase above one and a-half percent. For example, the new occupation tax on cigarettes and other tobacco products imposed by the city of Omaha, which became effective January 1, 2013, would continue to be imposed. However, any occupation tax that has been approved by a municipality's governing board but still requires voter approval to become effective is declared null and void.

The bill was carried over to the 2014 Session.

**AM 1815 (Hadley):**

The amendment replaces the contents of LB474 with the contents of LB488, below.

**AM2044 (B. Harr):**

The amendment extends the prohibitions to cities operating a redevelopment project within an enhanced employment area pursuant to Section 18-2142.02.

**Final Disposition:**

LB 474 passed on Final Reading with the emergency clause 45-0-4 and was approved by the Governor on March 26, 2014.

**LB 488 (Revenue Committee): Change provisions relating to municipal occupation taxes**

**Introduced Version:**

The bill would prohibit cities in Nebraska from imposing a city occupation tax on any transaction subject to tax by the State under the following sections of Nebraska law: 53-160, 66-489, 66-489.02, 66-4,140, 66-4,145, 66-4,146, 77-2602, or 77-4008. These are sections imposing excise taxes on alcohol, motor fuels, and tobacco products.

**Final Disposition:**

LB 488 advanced to General File and was indefinitely postponed with the end of the Legislative Session on April 17, 2014. However, its provisions were amended into LB 474 and replaced the original provisions of LB 474 which was enacted.



## MISCELLANEOUS

### **LB 82 (Schumacher): Adopt the Taxpayer Investment Program**

#### **Introduced Version:**

The bill creates the Taxpayer Investment Program. The Program would allow taxpayers to make "advance tax payments" or "tax investments" that would accumulate interest at the rate specified in the bill. The taxpayer could then redeem the investment as a credit against taxes owed to the State after five years or upon reaching the age of 62, or upon death, whichever is earlier.

Credits may be transferred subject to certain conditions, including a ten percent transfer fee to the State. Credits remaining unclaimed upon the death of the taxpayer would be applied first to any inheritance tax, then to reimburse any state aid paid under Chapter 68 (Public Assistance), then a ten percent transfer fee to the state and then to the heirs or devisees of the decedent.

Credits must be claimed on a first paid, first claimed basis. The State may redeem outstanding credits. Credits expire unless claimed within twenty years of the underlying payment.

#### **Revenue Committee Amendment: AM 693**

The Committee amendments clarify the formula used to determine the program rate described in the original bill and by limiting credits claimed applicable only to the personal income tax, corporate income tax, and to inheritance tax liability.

#### **Final Disposition:**

LB 82 was placed on General File but failed to advance and was indefinitely postponed with the end of the legislative session on April 17, 2014.

### **LB 251 (Hansen): Change a fee relating to the rental of motor vehicles**

#### **Introduced Version:**

Section 1: This bill amends the fees that may be charged by a car rental company. Current law allows these companies to charge a fee of four and one-half percent of each rental contract, not including sales tax, for car rentals lasting less than 31 days. The fee is not subject to the sales tax. The companies are allowed to keep the fees as reimbursement for motor vehicle taxes and fees paid in Nebraska and any fees in excess of that actually paid for the previous calendar year must be remitted to the county treasurer.

This bill would strike the set amount of the fee and replace it with language allowing the companies to charge a fee "not to exceed five and seventy-five hundredths" of each rental

contract. Any excess of that actually paid for the previous calendar still must be remitted to the county treasurer.

Section 2: Provides an operative date of October 1, 2013.

**Final Disposition:**

LB 251 passed on Final Reading 43-0-6, and was approved by the Governor on April 2, 2014.

**LB 405 (McCoy): Eliminate certain sales tax exemptions, corporate and individual income taxes, and the franchise tax and change other tax provisions**

**Introduced Version:**

This bill is summarized in three sections:

- Section I: Sales and Use Tax Exemptions That Are Repealed
- Section II: Other Sales and Use Tax Changes
- Section III: Income and Other Related Taxes That Are Repealed
- Section IV: Changes to Nebraska Tax Incentive Programs

Each major provision of the bill is addressed and noted by its page number in the bill. The first section is a table listing the sales tax exemptions that are repealed, the specific statutory reference from the bill, and the page location in the bill. Section 58, page 135, lists those provisions that are repealed by statutory reference only and are listed as "Outright Repeal." Other provisions effecting sales and use tax are described in Section II.

Section III include repeal of the individual and corporation income taxes for tax years beginning or deemed to begin on or after January 1, 2014. In addition, the withholding, fiduciary and financial institutions taxes are repealed for the same tax year. The various filing requirements for each tax are repealed. Both refundable and nonrefundable credits against the various taxes are repealed for the same tax years or limited in application to other taxes such as sales and use tax.

Changes to Nebraska's tax incentive programs are summarized in Section IV.

Section 55, 134, provides that sections 1, 2, 3, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 57, and 58 become operative on October 1, 2013. Other sections become operative on their effective dates as specified in the bill.

**SECTION I: SALES AND USE TAX EXEMPTIONS REPEALED**

<b>EXEMPTION DESCRIPTION</b>	<b>LB405</b>
Special Tractor Exemption through Tractor Testing Center(2-2701-2711)	Repealed Page 3
Aviation Fuel (3-149)	Repealed Page 6

Repair labor on aircraft & 10 day rule exemption 2704.26 and 2701.16(4)	Outright Repeal and Page 14
Occasional sale exemption for sales of certain business or farm machinery & equipment 2701.24(3)	Repealed Page 18
Manufacturing Machinery & Equipment/Related Services 2704.22	Outright Repeal
Agricultural Machinery & Equipment 2704.36	Outright Repeal
Occasional sale exemption for sales made by Religious Organizations 2701.24(4)	Repealed Page 19
Renting or furnishing rooms for less than 30 days by Health Care Facilities Rooms 2701.33(2)	Repealed Page 22
Renting or furnishing rooms for less than 30 days by Educational Institutions 2701.33(2)-(3)	Repealed Page 22
Sale for resale exemption for containers 2701.34(1); new definition of "containers" 2701.34(2)	Repealed Page 23
Exemption from "sales price" for AV fuel tax 2701.35(3)(c)	Repealed Page 26
Exclusion from "storage" definition for Ingredient & Component Parts 2701.37; Exclusion from "use" definition for Ingredient & Component Parts 2701.42	Repealed Page 27
Bundled transaction exclusion for Rx drugs, durable medical, mobility enhancing, OTC drugs, prosthetic devices & med supplies 2701.48(5)	Repealed Page 30
Purchases made by religious orgs, nonprofit for the blind, nonprofit private schools, hospitals, skilled nursing, intermediate care for mentally retarded, assisted living, nursing facilities, home health, hospice or hospice services, respite care services, nonprofit child care, child placement or any nonprofit for developmentally disabled 2704.12(1)	Repealed (except for any licensed nonprofit mental health center) Page 30
Ag chemicals used for animal life 2704.41(1)	Repealed Page 33
Seeds & plants for human consumption 2704.46(2)	Repealed Page 34
Ag chemicals used in commercial ag (not chemicals used on harvested grains stored in commercial elevators) 2704.46(3)	Repealed Page 34
Oxygen used in ag 2704.46(4)	Repealed Page 34
Tax-free inventory for multistate businesses engaged as common or contract carriers 2706(6)	Repealed Page 36
Refund of tax paid on depreciable repairs or parts for agricultural machinery or equipment 2708.01	Outright Repeal
Definition of Manufacturing 2701.46	Outright Repeal
Definition of Manufacturing M&E 2701.47(1)-(2)	Outright Repeal

Aircraft Fuel 2704.03	Outright Repeal
Minerals, Oil & Gas Extraction 2704.04	Outright Repeal
Lease/Purchase Agreements 2704.08	Outright Repeal
Insulin; prescription drugs; mobility enhancing equipment; medical equipment; home medical supplies; prosthetic devices; oxygen; and oxygen equipment. 2704.09	Outright Repeal
Goods sold in NE but shipped outside the state 2704.11	Outright Repeal
Electricity, coal, gas, fuel oil, diesel fuel, tractor fuel, propane, gasoline, coke, nuclear fuel, butane, wood and corn as fuel used directly in irrigation or farming 2704.13(1)	Outright Repeal
Electricity, coal, gas, fuel oil, diesel fuel, tractor fuel, propane, gasoline, coke, nuclear fuel, butane, wood and corn as fuel used directly in processing, manufacturing, refining, generation of electricity or by any hospital. 2704.13(2)	Outright Repeal
Sales and purchases of water used for irrigation of agricultural lands and manufacturing purposes 2704.13(3)	Outright Repeal
Bull Semen 2704.23	Outright Repeal
R.R.Rolling Stock materials, replacement parts & any associated labor 2704.27 & 2704.50	Outright Repeal and Page 14
Mold, dies & patterns 2704.40	Outright Repeal
M&E for other States with a Reciprocal Agreement 2704.43	Outright Repeal
Ingredient/Component Part including specified services 2704.45	Outright Repeal
Containers 2704.47	Outright Repeal
Mineral oil applied to grain as dust suppressant 2704.60	Outright Repeal
Definition of Data Center/Data Center Exemption 2701.54/2704.62	Outright Repeal
Biochips 2704.61	Outright Repeal

## **SECTION II: OTHER PROVISIONS RELATING TO SALES AND USE TAXES**

### **Page 6**

Eliminates requirement to report on specific exemptions in the tax expenditure report that are now repealed

\*Note that the language appears to repeal reporting on items that will continue to be exempt under the bill.

### **Page 13-14**

New tax on labor services on motor vehicles for common or contract carrier (Definition of "Gross receipts for providing a service means:")

Page 13 (f) The gross income received for labor for repair or maintenance services performed with regard to tangible personal property the sale of which would be subject to sales and use taxes, excluding motor vehicles, except ~~as otherwise provided in section 77-2704.26 or 77-2704.50;~~ for motor vehicles used by a common or contract carrier;

### **SECTION III: INCOME AND OTHER RELATED TAXES**

#### **Page 10**

Adds Sec. 40 of bill to the Revenue Act of 1967

Page 94 Sec. 40. Any refundable or nonrefundable income tax credit authorized for any individual, estate or trust, or corporation or any other entity taxed as a corporation under the Internal Revenue Code of 1986, as amended, shall be applied to the tax liability of such individual, estate or trust, or corporation or other entity taxed as a corporation under the Internal Revenue Code of 1986, as amended, for only taxable years beginning or deemed to begin before January 1, 2014, unless otherwise specifically provided by law. For taxable years beginning on or after January 1, 2014, no refundable or nonrefundable income tax credits will be allowed.

\*Note that last sentence appears to contradict subsequent sections that address credit usage (ie. R&D Credit)

#### **Page 46 forward**

Repeals the individual income tax for taxable years beginning or deemed to begin on or after January 1, 2014. Repeals the filing requirements accordingly, including the filing of an amended return as currently required.

#### **Page 51 forward**

Nonrefundable individual income tax credits only apply for taxable years beginning or deemed to begin before January 1, 2014.

#### **Page 55**

Repeals the tax on estates and trusts for taxable years beginning or deemed to begin on or after January 1, 2014.

#### **Page 56**

Repeals the fiduciary income tax for taxable years beginning or deemed to begin on or after January 1, 2014. Repeals the filing requirement for such corporations accordingly, including the filing of an amended return as currently required.

#### **Page 60, 63**

Repeals reporting by flow-through entities (LLC's, SCorp's, Partnerships) and the reporting of such entities income by the shareholders, members or partners.

**Page 67 forward**

Repeals the corporation income tax for taxable years beginning or deemed to begin on or after January 1, 2014. Repeals the filing requirement for such corporations accordingly, including the filing of an amended return as currently required. Limits the filing of an application for adjustment of an overpayment of corporation income tax to taxable years beginning or deemed to begin before January 1, 2014.

**Page 70 forward**

Repeals the withholding tax (both for employees and independent contractors) for taxable years beginning or deemed to begin on or after January 1, 2014. Repeals the filing requirements accordingly.

**Page 81**

Repeals the payment of estimated taxes for all filers for taxable years beginning or deemed to begin on or after January 1, 2014

**Page 94**

Repeals the tax on financial institutions (i.e. deposits tax) for taxable years beginning or deemed to begin on or after January 1, 2014. Repeals the filing requirement for such companies accordingly.

**SECTION IV: TAX INCENTIVE PROGRAM CHANGES**

**Page 90, 92**

Purports to change the NE Advantage Rural Development Act from a refundable to nonrefundable credit but still allows taxpayers to obtain a sales and use tax refund for taxes paid, claim it as a refundable credit on the taxpayer's income tax return or be applied against income tax liability for tax years beginning or deemed to begin before January 1, 2014.

**Page 94**

New Section 40 (See Above)

**Page 100 forward**

NE Advantage Changes for Applications Filed After Operative Date of Bill:

- Entitlement period reduced from nine (9) to four (4) years for all tiers;
- Must meet required levels before end of fourth year after year of application (certain Tiers had longer qualification periods);
- Tier 5 projects that are sequential to a tier 2 large data center project must meet required levels before end of fourth year after expiration of the tier 2 large data center project entitlement period;
- Reduces credit from ten (10) to five (5) percent of the investment made in qualified property except for tier 3 or tier 5 projects which never received this credit;
- Carryover period reduced from nine (9) to five (5) years past the end of the entitlement period for all tiers;
- Recapture provisions kick in at end of fourth year after the end of the year of application (some tiers had longer periods);
- MicroEnterprise program terminates early (2013 instead of 2015).

(ii) Credits may not be used or carried over to any taxable year beginning or deemed to begin on or after January 1, 2014.\*

\*Note that this appears to be limited to income taxes by the phrase “taxable year” but it is uncertain.

**Final Disposition:**

LB 405 was Indefinitely Postponed by the Revenue Committee on February 20, 2013.

**LB 406 (McCoy): Change tax provisions**

**Introduced Version:**

This bill is summarized in four sections:

- Section I: Sales and Use Tax Exemptions That Are Repealed
- Section II: Other Sales and Use Tax Changes
- Section III: Corporation Income Tax Repealed
- Section IV: Changes to Nebraska Tax Incentive Programs

Each major provision of the bill is addressed and noted by its page number in the bill. The first section is a table listing the sales tax exemptions that are repealed, the specific statutory reference from the bill, and the page location in the bill. Section 28, page 68, lists those provisions that are repealed by statutory reference only and are listed as “Outright Repeal.” Other provisions effecting sales and use tax are described in Section II.

Section III repeals the corporation income and financial institutions tax for tax years beginning or deemed to begin on or after January 1, 2014. The various filing requirements for the taxes are repealed. Both refundable and nonrefundable credits against the various taxes are repealed for the same tax years or limited in application to other taxes such as sales and use tax. Repeals the Earned Income Tax Credit.

Changes to Nebraska's tax incentive programs are summarized in Section IV.

Section 25, 67, provides that sections 2, 3, 6, 7, 8, 9, 27, and 28 become operative on October 1, 2013. Other sections become operative on their effective dates as specified in the bill.

**SECTION I: SALES AND USE TAX EXEMPTIONS REPEALED**

<b>EXEMPTION DESCRIPTION</b>	<b>LB406</b>
Special Tractor Exemption through Tractor Testing Center(2-2701-2711)	
Aviation Fuel (3-149)	
Repair labor on aircraft & 10 day rule exemption 2704.26 and 2701.16(4)	
Occasional sale exemption for sales of certain business or farm machinery & equipment 2701.24(3)	
Manufacturing Machinery & Equipment/Related Services 2704.22	Retained except for Molds & Dies
Agricultural Machinery & Equipment 2704.36	
Occasional sale exemption for sales made by Religious Organizations 2701.24(4)	
Renting or furnishing rooms for less than 30 days by Health Care Facilities Rooms 2701.33(2)	
Renting or furnishing rooms for less than 30 days by Educational Institutions 2701.33(2)-(3)	
Sale for resale exemption for containers 2701.34(1); new definition of “containers” 2701.34(2)	Outright Repeal and Page 8
Exemption from “sales price” for AV fuel tax 2701.35(3)(c)	
Exclusion from “storage” definition for Ingredient & Component Parts 2701.37; Exclusion from “use” definition for Ingredient & Component Parts 2701.42	
Bundled transaction exclusion for Rx drugs, durable medical, mobility enhancing, OTC drugs, prosthetic devices & med supplies 2701.48(5)	Repealed except for Rx drugs Page 12-115
Purchases made by religious orgs, nonprofit for the blind, nonprofit private schools, hospitals, skilled nursing, intermediate care for mentally retarded, assisted living, nursing facilities, home health, hospice or hospice services, respite care services, nonprofit child care, child placement or any nonprofit for developmentally disabled 2704.12(1)	
Ag chemicals used for animal life 2704.41(1)	Repealed Page 16
Seeds & plants for human consumption 2704.46(2)	Repealed Page 17
Ag chemicals used in commercial ag (not chemicals used on harvested grains stored in commercial elevators) 2704.46(3)	Repealed Page 17-18
Oxygen used in ag 2704.46(4)	Repealed Page 18



Tax-free inventory for multistate businesses engaged as common or contract carriers 2706(6)	
Refund of tax paid on depreciable repairs or parts for agricultural machinery or equipment 2708.01	
Definition of Manufacturing 2701.46	
Definition of Manufacturing M&E 2701.47(1)-(2)	Retained except for molds and dies Page 8, 9
Aircraft Fuel 2704.03	
Minerals, Oil & Gas Extraction 2704.04	
Lease/Purchase Agreements 2704.08	
Insulin; prescription drugs; mobility enhancing equipment; medical equipment; home medical supplies; prosthetic devices; oxygen; and oxygen equipment. 2704.09	Repealed except for insulin and prescription drugs
Goods sold in NE but shipped outside the state 2704.11	
Electricity, coal, gas, fuel oil, diesel fuel, tractor fuel, propane, gasoline, coke, nuclear fuel, butane, wood and corn as fuel used directly in irrigation or farming 2704.13(1)	Repealed Page 15
Electricity, coal, gas, fuel oil, diesel fuel, tractor fuel, propane, gasoline, coke, nuclear fuel, butane, wood and corn as fuel used directly in processing, manufacturing, refining, generation of electricity or by any hospital. 2704.13(2)	Repealed Page 15-16
Sales and purchases of water used for irrigation of agricultural lands and manufacturing purposes 2704.13(3)	
Bull Semen 2704.23	
R.R.Rolling Stock materials, replacement parts & any associated labor 2704.27 & 2704.50	Outright Repeal
Mold, dies & patterns 2704.40	Outright Repeal
M&E for other States with a Reciprocal Agreement 2704.43	
Ingredient/Component Part including specified services 2704.45	
Containers 2704.47	Outright Repeal
Mineral oil applied to grain as dust suppressant 2704.60	
Definition of Data Center/Data Center Exemption 2701.54/2704.62	
Biochips 2704.61	

## **SECTION II: OTHER SALES AND USE TAX CHANGES**

### **Page 3 forward**

Eliminates requirement to report on specific exemptions in the tax expenditure report that are now repealed.

## **SECTION III: INCOME AND OTHER RELATED TAXES THAT ARE REPEALED**

### **Page 3**

Decouples the R&D credit from federal rules Section 49-801.01 (Exceptions to IRC conformity). Section 77-5804 now excluded from conformity.

### **Page 19**

Eliminates the Earned Income Tax Credit 77-2715.07 (2)(e)

### **Page 19-20**

Retains the refundable R&D credit for individuals and converts it to a nonrefundable credit.

### **Page 30**

Repeals individual income tax on certain types of retirement income up to a cap of \$12,000 for married filing joint returns and \$6,000 for all other returns.

\*Note that there is no reference to the Social Security Act or Social Security income, which would not be covered by the bill language. It is unclear whether this would apply to military retirement benefits and to which “governmental” agencies or units it would apply.

### **Page 30**

Repeals the corporation income tax for taxable years beginning or deemed to begin on or after July 1, 2014. Repeals the filing requirement for such corporations accordingly, including the filing of an amended return as currently required.

### **Page 33**

Repeals the R&D refundable credit for corporate taxpayers and converts it to a nonrefundable credit.

### **Page 37**

Repeals the tax on financial institutions (i.e. deposits tax) for taxable years beginning or deemed to begin on or after July 1, 2014. Repeals the filing requirement for such companies accordingly

## **SECTION IV: CHANGES TO TAX INCENTIVE PROGRAMS**

### **Page 39 forward**

NE Advantage Changes for Applications Filed After Operative Date of Bill:

- Entitlement period reduced from nine (9) to four (4) years for all tiers;
- Must meet required levels before end of fourth year after year of application (certain Tiers had longer qualification periods);
- Reduces credit from ten (10) to five (5) percent of the investment made in qualified

- property except for tier 3 or tier 5 projects which never received this credit;
- Carryover period reduced from nine (9) to five (5) years past the end of the entitlement period for all tiers
  - Recapture provisions kick in at end of fourth year after the end of the year of application (some tiers had longer periods);

**Page 66**

Clarifies the availability of R&D credits:

- For taxable years beginning or deemed to begin before January 1, 2014, allows use of credits to obtain sales and use tax refunds, to offset income tax liability or to obtain refund on income tax;
- For taxable years beginning or deemed to begin on or after January 1, 2014, allows use of credits to obtain sales and use tax refunds or to offset income tax liability. Credits may be carried over for five (5) years or until fully utilized, whichever occurs first.

**Final Disposition:**

LB 406 was Indefinitely Postponed by the Revenue Committee on February 20, 2013.

**LB 1092 (Dubas):**

**Introduced Version:**

The bill would allow the issuance of highway bonds to finance road construction. The bonds would be issued upon a recommendation of the Department of Roads. The funds pledged for repayment would be those resulting from the Build Nebraska Act. That act pledges the proceeds from a ¼ cent state sales tax to the State Highway Capital Improvement Fund. Section 2 of the bill states that the bonds must be paid off by June 30, 2033.

**Revenue Committee Amendment:**

AM 2067 reduces the amount of bonding allowed, from \$400 million to \$200 million; reduces the time period during which the Highway Commission may issue bonds to two years; and requires that bonds carry a fixed interest rate which may be no higher than 5%.

**Final Disposition:**

LB 1092 advanced to final reading. However, because this bill involves the issuance of highway construction bonds, a three-fifths vote of the legislature is required for passage. The bill failed to receive the three-fifths vote on final reading, and therefore did not become law. Please see Article XIII, Section 1 of the Nebraska State Constitution.

## PROPERTY TAX

### **LB 28 (Hadley): Change a late filing penalty relating to personal property tax**

#### **Introduced Version:**

The bill would change two dates that are part of the personal property valuation filing schedule found in Section 77-1233.04. Both are dates at which penalties for late filing begin to apply.

Taxpayers must file personal property valuation information with the county assessor by May 1. The bill adds a 10% penalty for personal property value added after May 1 and before June 30. Value added after July 1 is subject to a 25% penalty.

#### **Final Disposition:**

LB 28 passed on Final Reading 43-0-6 and was approved by the Governor on March 7, 2013.

### **LB 36 (Wightman): Change an exemption to the documentary stamp tax**

#### **Introduced Version:**

Nebraska currently imposes a tax on the transfers of a deed occurring when real estate ownership changes. A portion of this tax goes to the county and another portion to the state. The bill affects exemptions from this tax. Numerous exemptions from this tax are listed in 76-902.

The bill strikes the following exemption language as indicated:

Certified or authenticated death certificates ~~pertaining to transfer on death deeds;~~

#### **Revenue Committee Amendment: AM 42**

The Committee Amendment establishes the Emergency Clause.

#### **Final Disposition:**

LB 36 was passed with the Emergency Clause 45-0-4, and was approved by the Governor on March 7, 2013.

**LB 43 (Cook): Change provisions relating to a property tax exemption**

**Introduced Version:**

Expands the definition of a charitable organization eligible for a property tax exemption to include an organization that owns and operates a property such that at least one-quarter of the property, calculated by dwelling units, is a health care facility licensed under the Health Care Facility Licensure Act and is internally connected to a licensed health care facility housing residents in which a portion of remuneration or rent is paid to the licensed health care facility to provide or make available at all times to all residents onsite care by licensed health care professionals employed by the licensed health care facility.

**Final Disposition:**

LB 43 did not advance from committee and was indefinitely postponed with the end of the legislative session April 17, 2014.

**LB 55 (Wightman): Allow Counties to Terminate Contracts**

**Introduced Version:**

The bill would change provisions of property assessment duties of county government. Several years ago the Legislature chose to shift back to counties the duties of assessment which had been assumed by the state Department of Property Assessment and Taxation. The issue addressed by the bill was the transfer of contracts entered into by the state to the local county assessor. Language on transfer of contracts is changed from SHALL to MAY, giving local officials the option of ending or continuing the contracts.

**Final Disposition:**

LB 55 passed on Final Reading 45-0-4 and was signed by the Governor on April 24, 2013.

**LB 101 (Watermeier): Change valuation of agricultural land and horticultural land**

**Introduced Version:**

LB 101 would reduce the valuation of agricultural and horticultural land for school district taxation purposes by 2% per year for five years. Such land would remain valued at 75% for other taxation purposes.

**Final Disposition:**

LB 101 did not advance from committee and was indefinitely postponed with the end of the legislative session April 17, 2014.

**LB 110 (McGill): Change the eligibility determination for homestead exemptions**

**Introduced Version:**

In order for a homeowner to be eligible for the Homestead exemption, the homeowner must be the owner of record of the property in question from January 1 through August 15. LB 110 changes this requirement so that the owner of record for the purposes of the homestead exemption is determined solely on January 1.

**Final Disposition:**

LB 110 did not advance from committee and was indefinitely postponed with the end of the legislative session April 17, 2014.

**LB 145 (Brasch): Change valuation of agricultural land and horticultural land**

**Introduced Version:**

LB145 provides for a reduction in the valuation of agricultural land and horticultural land for the purposes of property taxation from the current reduced rate of seventy-five percent to sixty-five percent.

**Final Disposition:**

LB 145 did not advance from committee and was indefinitely postponed with the end of the legislative session April 17, 2014.

**LB 237 (Karpisek): Change provisions relating to a property tax exemption**

**Introduced Version:**

LB 237 redefines what a charitable organization is in terms of low income retirement housing in order to maintain a previously existing property tax exemption for certain facilities.

**Final Disposition:**

LB 237 did not advance from committee and was indefinitely postponed with the end of the legislative session on April 17, 2014.

## **LB 317 (Price): Change a duty of county assessors relating to real property valuation**

### **Introduced Version:**

LB 317 requires county assessors in counties with a population greater than one hundred thousand to inspect and review all parcels of real property in the county every three years.

### **Final Disposition:**

LB 317 did not advance from committee and was indefinitely postponed with the end of the legislative session on April 17, 2014.

## **LB 341 (Wightman): Change tax sale procedures**

### **Introduced Version:**

The bill would alter delinquent tax sale procedures on properties. Under current law property owners who are delinquent on payment of property taxes are subject to a process where the delinquent taxes are sold to other persons by the county treasurer. In this process, the purchaser of the tax sale certificate pays the delinquent local property taxes to the county treasurer, and is issued a certificate of a lien on the property for taxes paid. These tax sale certificates are sold to investors in an annual event at which people can "buy the taxes". The property itself remains in the hands of the property owner, who may redeem the tax sale certificate by buying it from the holder of the tax sale certificate.

The bill modifies the process for selling tax sale certificates by proscribing a bidding procedure. These procedures may include bidding in a "round robin" format. Bidders would be required to register. A twenty-five dollar fee is required by each registered bidder.

The bill raises a current tax certificate issuance fee from \$10 per deed or certificate to \$20. The bill also changes current law to require a certificate for each property. Under current law several deeds may be combined into one.

### **Revenue Committee Amendment: AM 564**

The Committee amendments clarified that each tax lien shall be shown on a single certificate. Redemption of the certificate will require payment of fees. Timelines for tax deeds for owner occupied properties are prescribed by new language.

### **Final Disposition:**

LB 341 passed on Final Reading 42-0-7 and was approved by the Governor on May 29, 2013.

**LB 346 (Kolowski): Authorize school districts to levy a tax and exceed budget authority for school security measures**

**Introduced Version:**

For each fiscal year, school districts may, upon a 2/3 majority vote, levy a maximum of an additional one cent above their existing maximum levy for school security improvements.

If a school district uses this funding option, the school board or board of education of such school district shall establish a school security fund separate and apart from the general fund. This fund shall be used only for school security measures.

**Final Disposition:**

LB 346 did not advance from committee and was indefinitely postponed with the end of the legislative session on April 17, 2014.

**LB 348 (B. Harr): Change provisions relating to the assessment of certain rent-restricted housing projects**

**Introduced Version:**

The bill provides a new procedure for determining the taxable property value of certain types of housing developments. The procedure would allow the Nebraska Investment Finance Authority to determine a capitalization rate to be used in the income capitalization approach to determining taxable value.

The bill cites the provisions of federal law which are to be used to describe the housing eligible for this valuation approach.

**Revenue Committee Amendment: AM 642**

The Committee amendment mandates that county assessors use the income method of valuing certain rent restricted housing. Further, the Committee amendment requires the county assessor to use the capitalization rate provided to the assessor by the Nebraska Investment Finance Authority. The Nebraska Investment Finance Authority is required to calculate the capitalization rate annually using a market derived capitalization rate. The capitalization rate must take into account low income housing tax credits available. The capitalization rate must include an added factor reflecting the property tax levy applicable to the property. Capitalization rates shall, if necessary, be calculated for each county, or for a group of counties, taking into account the unique market conditions existing therein.

**Final Disposition:**

LB 348 advanced to general file and was carried over to the 2014 Session, but failed to advance and was indefinitely postponed with the end on the legislative session on April 17, 2014.



**LB 370 (Lathrop): Create the County Property Tax Assistance Program and the Municipal Property Tax Assistance Program**

**Introduced Version:**

This bill creates the County Property Tax Assistance Program and the Municipal Property Tax Assistance Program. Nebraska's counties or municipalities would reduce the amount of property tax that they collect by the same amount that they receive from the programs.

**Final Disposition:**

LB 370 did not advance from committee and was indefinitely postponed with the end of the legislative session on April 17, 2014.

**LB 419: (Hadley): Change provisions relating to the nameplate capacity tax**

**Introduced Version:**

LB419 would amend Section 77-6203 and change provisions relating to the nameplate capacity tax.

**Final Disposition:**

LB 419 did not advance from committee and was indefinitely postponed with the end of the legislative session on April 17, 2014.

**LB 558 (Kintner): Change provisions relating to certain declaratory judgments and illegal taxes paid**

**Introduced Version:**

LB 558 would amend current law to extend the time period in which a taxpayer could bring a lawsuit seeking a declaratory judgment that any tax or penalty is unconstitutional.

Under existing statutes, such a lawsuit must be brought in the same tax year in which the tax or penalty was levied or assessed by a governmental agency. The bill would extend the time to start a lawsuit from the same tax year in which the tax was levied to any time within 12 months after the tax was levied or assessed.

The bill would also harmonize current statutes to clarify that a taxpayer may claim that a property tax levied or assessed is either illegal or unconstitutional and then start the process that is set forth in current law to challenge the tax.

**Final Disposition:**

LB 558 passed on final reading 44-0-5, and was approved by the Governor on April 2, 2014.

**LB 574 (B. Harr): Provide that certain assessments are levied and collected as special assessments**

**Introduced Version:**

The bill amends 50 or more sections of city statutes which describe and define the administration of special assessments. The statutes amended apply to all classes of cities, and appears to provide greater uniformity in definitions as well as powers and duties.

**Revenue Committee Amendment: AM 446**

LB 574 was amended by the Committee to delete five sections. These deleted sections refer to natural resource districts, special improvement area assessments, joint solid waste agencies assessments and charges, cities of the metropolitan class sewage special assessments, and assessments by a county for usage fees charged by the county government under the County Industrial Sewer Construction Act.

**Final Disposition:**

LB 574 advanced to general file but was indefinitely postponed with the end of the legislative session on April 17, 2014.

**LB 618 (Karpisek): Create the Agricultural Land Valuation Task Force**

**Introduced Version:**

Legislative Bill 618 creates the Agricultural Land Valuation Task Force to examine alternative methods for an income capitalization approach to the valuation of agricultural land.

**Final Disposition:**

LB 618 did not advance from committee and was indefinitely postponed with the end of the legislative session on April 17, 2014.

## **LB 670 (McCoy): Change Property Tax Valuations of Agricultural Land and Horticultural Land**

### **Introduced Version:**

The bill phases in a taxable value reduction for agricultural land from 75% to 65% by 2017 and modifies the statistical standards for assessment measurement in the same fashion to preserve statistical accuracy and comparability. The bill also modifies the valuation levels for purposes of calculating school aid.

We note here that the last time this valuation standard was reduced, the valuation standard for school aid calculation was reduced a year in advance of its applicability for tax calculation. This allowed school aid amount to be calculated based on lower valuation, increasing state aid amounts in the year that followed, which was also the year in which tax valuation capacity was reduced. This mitigated the tax loss from a valuation reduction, reducing the fiscal strain on school resources.

Other governments would face loss of total valuation capacity, unless the taxable value growth of their agricultural land exceeds the reduction percentage in taxable value. To illustrate, if taxable percentage value is reduced from 75% to 72% the reduction is 4%. If the taxable value of agricultural land were to increase by 4% from the year of current tax to the next, there would be no net reduction in taxable value.

### **Final Disposition:**

LB 670 did not advance from committee and was indefinitely postponed with the end of the legislative session on April 17, 2014.

## **LB 675 (Chambers): Eliminate the property tax exemption for religious organizations**

### **Introduced Version:**

The bill strikes the language which exempts religious property from property taxation.

### **Final Disposition:**

LB 675 did not advance from committee and was indefinitely postponed with the end of the legislative session on April 17, 2014.

## **LB 697 (Larson): Require publication of a statewide list of tax-delinquent properties**

### **Introduced Version**

The bill requires each county treasurer to forward a list of property tax delinquent properties to the State Department of Revenue. The Department is required to make public this list on the web site of the Department.

**Final Disposition:**

LB 697 passed on Final Reading 48-0-1 and was approved by the Governor on April 10, 2014.

**LB 723 (Christensen): Change property tax provisions relating to the valuation of irrigated cropland and comparable sales**

**Introduced Version:**

The bill would insert new definitions of irrigated land into statutes which define agricultural land for purposes of establishing its actual taxable value. The bill also would add another criteria for reviewing comparable sales of property. This factor involves the reasons why water use may be limited, and suggests that this factor affected the sales of the property.

**Revenue Committee Amendment:**

AM2270 removes the mandate to create subclasses of irrigated crop land for valuation purposes. It also clarifies statutory guidelines for valuation of such irrigated crop land.

**Final Disposition:**

LB 723 advanced to General File and was indefinitely postponed with the end of the legislative session on April 17, 2014. However, its provisions were amended into LB 1098 which was enacted.

**LB 733 (Schumacher): Adopt the Mass Assessment Act for valuation of real property for ad valorem tax purposes**

**Introduced Version:**

The bill creates a licensing process for persons engaged in the mass assessment of property. A new board to approve licenses is created. The board consists of five members, 3 locally elected county assessors, the Tax Commissioner, and one person appointed by the other 4 members of the board. This remaining member must be a credentialed real estate appraiser.

The board has the authority to make rules for the practice of mass appraisal and create licensing procedures and qualifications for licensees. A person licensed under this new act by this new board shall be exempt from the Real Property Appraiser Act. Other exemptions from this licensing process are found in Section 76-2221.

**Final Disposition:**

LB 733 did not advance from committee and was indefinitely postponed with the end of the legislative session on April 17, 2014.

**LB 813 (Hansen): Change valuation of agricultural land and horticultural land for property tax purposes**

**Introduced Version:**

The bill phases in a taxable value reduction for agricultural land from the current 75% to 65% by 2017 and modifies the statistical standards for assessment measurement in the same fashion to preserve statistical accuracy and comparability. The bill also modifies the valuation levels for purposes of calculating school aid in the same fashion.

We note here that the last time this valuation standard was reduced, the valuation standard for school aid calculation was reduced a year in advance of its applicability for tax calculation. This allowed the school aid amount to be calculated based on lower valuation, increasing state aid amounts in the year that followed, which was also the year in which tax valuation capacity was reduced. This mitigated the tax loss from a valuation reduction, reducing the fiscal strain on school resources.

Other governments would face loss of total valuation capacity, unless the taxable value growth of their agricultural land exceeds the reduction percentage in taxable value. To illustrate, if taxable percentage value is reduced from 75% to 70% the reduction is approximately 7%. If the taxable value of agricultural land were to increase by 7% from the year of current tax to the next, there would be no net reduction in taxable value.

**Final Disposition:**

LB 813 did not advance from committee and was indefinitely postponed with the end of the legislative session on April 17, 2014.

**LB 850 (Watermeier): Provide a Homestead Exemption for individuals with developmental disabilities**

**Introduced Version:**

The bill would give a homestead exemption to persons defined as developmentally disabled by Section 83-1205, shown below:

**83-1205. Developmental disability, defined.**

Developmental disability shall mean:

- (1) Intellectual disability; or
- (2) A severe, chronic disability other than an intellectual disability or mental illness which:
  - (a) Is attributable to a mental or physical impairment other than a mental or physical impairment caused solely by mental illness;
  - (b) Is manifested before the age of twenty-two years;
  - (c) Is likely to continue indefinitely; and
  - (d) Results in:
    - (i) In the case of a person under three years of age, at least one developmental delay; or
    - (ii) In the case of a person three years of age or older, a substantial limitation in three or more of the following areas of major life activity, as appropriate for the person's age:
      - (A) Self-care;
      - (B) Receptive and expressive language development and use;
      - (C) Learning;
      - (D) Mobility;
      - (E) Self-direction;
      - (F) Capacity for independent living; and
      - (G) Economic self-sufficiency.

Income qualification and house valuation limits would apply to these homesteads, as they do in other homestead programs.

**Final Disposition:**

LB 850 advanced to General File and was indefinitely postponed with the end of the legislative session on April 17, 2014. However, its provisions were amended into LB 986 which was enacted.

**LB 885 (Harr): Require the use of the income approach to value certain real property for tax purposes**

**Introduced Version:**

The bill would mandate a valuation methodology for vacant and unimproved parcels of real estate held for sale by developers, known as the “developers’ discount.”

**Revenue Committee Amendment: AM 2201**

AM2201 clarifies the use of the "developers' discount" method of assessment for multiple parcels of land may only be used when the parcels are in the same subdivision or the same tax district.

**Final Disposition:**

LB 885 advanced to General File but was indefinitely postponed with the end of the legislative session on April 17, 2014. However, its provisions were amended into LB 191 which was enacted.

**LB 894 (Harr): Change provisions relating to applying for property tax exemptions**

**Introduced Version:**

The bill changes filing dates and language controlling the transfer of property which has a property tax exemption.

**Final Disposition:**

LB 894 did not advance from committee and was indefinitely postponed with the end of the legislative session on April 17, 2014.

**LB 912 (Kolowski): Adopt the Property Tax Relief Act**

**Introduced Version:**

The bill would create a General Homestead Exemption for homeowners of all ages regardless of income. The Homestead exemption value would be the first \$8,000 of assessed value. Occupancy rules would be applied.

**Final Disposition:**

LB 912 did not advance from committee and was indefinitely postponed with the end of the legislative session on April 17, 2014.

**LB 913 (Kolowski): Provide an income tax credit for property taxes paid**

**Introduced Version:**

The bill as drafted would provide a non-refundable income tax credit for property taxes paid on homeowner occupied residences. The credit would be limited to \$250 for single filers, and \$500 for married filing joint. Filers with federal adjusted gross income over \$200,000 for married filing joint filers, and over \$100,000 for other filers, would not be allowed to claim the credit.

**Final Disposition:**

LB 913 did not advance from committee and was indefinitely postponed with the end of the legislative session on April 17, 2014.

**LB 979 (Harr): Change provisions relating to tax sales for delinquent property taxes**

**Introduced Version:**

The bill amends various provisions of state laws governing tax delinquent properties including refunding the tax sale certificate fee which is currently not refundable. New language affects the transactions for tax delinquent properties in which the property sells more than once, and establishes a priority of lien on that property. Taxpayer notice language is amended and the bill provides new procedures for “bid down” sales and the transfer of the title.

The bill limits the applicability of laws on tax sale certificates sold within a defined time period, ending in 2014, and suggests that all transactions shall be governed by laws in effect on December 31, 2009.

**Final Disposition:**

LB 979 did not advance from committee and was indefinitely postponed with the end of the legislative session on April 17, 2014. However, the provisions regarding application of the law in effect on December 31, 2009, were amended into LB 851 which was enacted.

**LB 986 (Revenue Committee): Change homestead exemption income limitations and provide a homestead exemption for individuals with developmental disabilities**

**Introduced Version:**

The bill increases the income thresholds for all categories of homestead exemptions beginning in 2014. The percentage amounts are also adjusted to soften the “cliff effect” for taxpayers at the margin. This will allow more taxpayers to qualify for at least a partial exemption and a full exemption for some. The bill also requires that the thresholds be indexed annually for inflations.



The old and new thresholds for each category are as follows:

1. **GENERAL CLAIMANTS**

a. **QUALIFIED MARRIED OR CLOSELY RELATED CLAIMANT:**

**OLD**

<u>Column A</u> Household Income In Dollars	<u>Column B</u> Percentage Of Relief
0 through 22,500	100
22,501 through 23,700	85
23,701 through 24,900	70
24,901 through 26,100	55
26,101 through 27,300	40
27,301 through 28,500	25
228,501 and over	0

**NEW**

<u>Column A</u> Household Income In Dollars	<u>Column B</u> Percentage Of Relief
0 through 31,600	100
31,601 through 33,300	90
33,301 through 35,000	80
35,001 through 36,700	70
36,701 through 38,400	60
38,401 through 40,100	50
40,101 through 41,800	40
41,801 through 43,500	30
43,501 through 45,200	20
45,201 through 46,900	10
46,901 and over	0

b. **QUALIFIED SINGLE CLAIMANT:**

**OLD**

<u>Column A</u> Household Income In Dollars	<u>Column B</u> Percentage Of Relief
0 through 19,200	100
19,201 through 20,200	85
20,201 through 21,200	70
21,201 through 22,200	55
22,201 through 23,200	40

23,201 through 24,200	25
24,201 and over	0

**NEW**

<u>Column A</u> Household Income In Dollars	<u>Column B</u> Percentage Of Relief
0 through 26,900	100
26,901 through 28,300	90
28,301 through 29,700	80
29,701 through 31,100	70
31,101 through 32,500	60
32,501 through 33,900	50
33,901 through 35,300	40
35,301 through 36,700	30
36,701 through 38,100	20
38,101 through 39,500	10
39,501 and over	0

**2. VETERANS AND THE DISABLED**

**a. MARRIED OR CLOSELY RELATED CLAIMANT:**

**OLD**

<u>Column A</u> Household Income In Dollars	<u>Column B</u> Percentage Of Relief
0 through 24,700	100
24,701 through 25,900	85
25,901 through 27,100	70
27,101 through 28,300	55
28,301 through 29,500	40
29,501 through 30,700	25
30,701 and over	0

**NEW**

<u>Column A</u> Household Income In Dollars	<u>Column B</u> Percentage Of Relief
0 through 34,700	100
34,701 through 36,400	90
36,401 through 38,100	80
38,101 through 39,800	70
39,801 through 41,500	60
41,501 through 43,200	50

43,201 through 44,900	40
44,901 through 46,600	30
46,601 through 48,300	20
48,301 through 50,000	10
50,001 and over	0

**b. SINGLE CLAIMANT:**

**OLD**

<u>Column A</u> Household Income In Dollars	<u>Column B</u> Percentage Of Relief
0 through 21,600	100
21,601 through 22,600	85
22,601 through 23,600	70
23,601 through 24,600	55
24,601 through 25,600	40
25,601 through 26,600	25
26,601 and over	0

**NEW**

<u>Column A</u> Household Income In Dollars	<u>Column B</u> Percentage Of Relief
0 through 30,300	100
30,301 through 31,700	90
31,701 through 33,100	80
33,101 through 34,500	70
34,501 through 35,900	60
35,901 through 37,300	50
37,301 through 38,700	40
38,701 through 40,100	30
40,101 through 41,500	20
41,501 through 42,900	10
42,901 and over	0

**3. CERTAIN VETERANS, WIDOWS AND WIDOWERS:**

**a. MARRIED OR CLOSELY RELATED CLAIMANT:**

**OLD**

<u>Column A</u> Household Income In Dollars	<u>Column B</u> Percentage Of Relief
0 through 24,700	100
24,701 through 25,900	85
25,901 through 27,100	70
27,101 through 28,300	55
28,301 through 29,500	40
29,501 through 30,700	25
30,701 and over	0

**NEW**

<u>Column A</u> Household Income In Dollars	<u>Column B</u> Percentage Of Relief
0 through 34,700	100
34,701 through 36,400	90
36,401 through 38,100	80
38,101 through 39,800	70
39,801 through 41,500	60
41,501 through 43,200	50
43,201 through 44,900	40
44,901 through 46,600	30
46,601 through 48,300	20
48,301 through 50,000	10
50,001 and over	0

**b. SINGLE CLAIMANT**

**OLD**

<u>Column A</u> Household Income In Dollars	<u>Column B</u> Percentage Of Relief
0 through 21,600	100
21,601 through 22,600	85
22,601 through 23,600	70
23,601 through 24,600	55
24,601 through 25,600	40
25,601 through 26,600	25
26,601 and over 0	

**NEW**

<u>Column A</u> Household Income In Dollars	<u>Column B</u> Percentage Of Relief
0 through 30,300	100
30,301 through 31,700	90
31,701 through 33,100	80
33,101 through 34,500	70
34,501 through 35,900	60
35,901 through 37,300	50
37,301 through 38,700	40
38,701 through 40,100	30
40,101 through 41,500	20
41,501 through 42,900	10
42,901 and over	0

**Revenue Committee Amendment: AM 2041**

AM2041 makes technical corrections from the green copy regarding the correct household income limits.

**AM 2060 (Watermeier):**

Amends the provisions of LB 850 into the bill. This allows a homestead exemption for persons defined as developmentally disabled by Section 83-1205.

**Final Disposition:**

LB 986 passed on Final Reading with the Emergency Clause 43-0-6 and was approved by the Governor on April 2, 2014.

**LB 1038 (Dubas): Provide an income tax credit for certain property taxes paid on agricultural land and horticultural land**

**Introduced Version:**

The bill would create a non-refundable income tax credit for taxes paid on agricultural land for the portion of those taxes that exceed 5% of the filer's federal adjusted gross income.

**Final Disposition:**

LB 1038 did not advance from committee and was indefinitely postponed with the end of the legislative session April 17, 2014.

**LB 1043 (Nelson): Exempt certain deeds from the documentary stamp tax**

**Introduced Version:**

The bill would add number 25 to the list of 24 exemptions to the real estate transfer tax established by Section 76-901.

The exemption is specific to nonprofit corporations receiving a donated property, if the nonprofit is not a private foundation as defined by Section 509 (a) of federal code.

**Final Disposition:**

LB 1043 advanced to General File and was indefinitely postponed with the end of the legislative session on April 17, 2014. However, the provisions of LB 1043 were amended into LB 867 which was enacted.

**LB 1079 (Davis): Authorize grants to certain county agricultural societies under the Civic and Community Center Financing Act**

**Introduced Version:**

Bill withdrawn prior to public hearing. No summary of green copy available.

**Final Disposition:**

Bill withdrawn.

**LB 1087 (Pirsch): Create a homestead exemption for disabled veterans, widows, and widowers**

**Introduced Version:**

The bill creates a new class of homestead recipients. The traditional homestead program limitations on the value of the homestead and on household income would not apply to these recipients. In other words, these recipients would receive a 100% homestead exemption, regardless of its value or household income.

New Section 4 applicants:

1. 100% service connected disabled;
2. Unremarried widow/widower of the above person;
3. Unremarried widow/widower of any veteran whose death was service connected; and
4. Unremarried widow/widower of active duty personnel whose death was service connected.

The operative date is set as January 1, 2015.

**Final Disposition:**

LB 1087 passed on Final Reading 48-0-1 and was approved by the Governor on April 2, 2014.

## SALES TAX

### **LB 53 (Hadley): Change provisions relating to sales and use tax with respect to the sale of a business or stock of goods**

#### **Introduced Version:**

LB 53 is designed to address the provisions of two state statutes that are seemingly in conflict regarding the priority of liens in cases in which unpaid sales and use taxes exist. Under current law (Section 77-2707), if a person liable for sales or use tax sells out his or her business or stock of goods or quits the business, his or her successor or assign is required to withhold amounts from the purchase price sufficient to cover any unpaid sales and use taxes until the former owner produces a tax clearance letter from the Department indicating that the sales and use tax liability has been paid or that no amount is due. Failure to withhold a portion of the purchase price as required results in the purchaser or successor or assign becoming personally liable for payment of the amount that should have been withheld to the extent of the purchase price, valued in money.

However, under the Uniform State Tax Lien Registration and Enforcement Act, Section 77-3901, a lien against real or personal property filed prior to the filing of a "notice of lien" by the Tax Commissioner retains its priority over the tax lien.

LB 53 would clarify the definition of "purchase price" under Section 77-2707 by providing that the "purchase price" does not include any amounts required to satisfy, in whole or in part, any liens against real property or personal property acquired by the purchaser if the Tax Commissioner has not filed a notice of lien under the Uniform State Tax Lien Registration and Enforcement Act or if the "notice of lien" does not have priority under the Act.

The changes contained within LB 53, would in essence, limit a purchaser's liability for the seller's sales and use tax debt to the fair market value of the business assets acquired, less the sales proceeds applied to debts for which there is a superior secured interest.

#### **Final Disposition:**

LB 53 did not advance from committee and was indefinitely postponed with the end of the legislative session on April 17, 2014.

### **LB 63 (Schilz): Change Distribution of Certain Sales and Use Tax Revenue**

#### **Introduced Version:**

This bill amends disbursements from the Revenue Distribution Fund under Section 77-27,132(1). Currently, revenue that is not designated for the general fund or another specific fund is credited to this fund. Sales and use taxes from the sale or lease of motor vehicles, trailers and semitrailers are credited to this fund first and then to the Highway Trust Fund. To



the extent these types of receipts exceed a five percent sales tax rate, the excess is credited to the Highway Allocation Fund.

Beginning on July 1, 2013 through July 1, 2033, one-quarter of one percent of sales tax receipts from sources other than these will be credited eighty-five percent to the State Highway Capital Improvement Fund and fifteen percent to the Highway Allocation Fund. Any excess receipts are credited to the General Fund.

This bill would divert one-half of the sales and use taxes from the sale or lease of motorboats to the Revenue Distribution Fund and then to the State Game Fund, to be used for motorboat access development and aquatic invasive species monitoring and control. This revenue would also be excluded from the one-quarter of one percent sales tax provision (like motor vehicles) as described above and any excess receipts would be credited to the General Fund

**Final Disposition:**

LB 63 was not advanced from committee and was indefinitely postponed with the end of the legislative session on April 17, 2014.

**LB 64 (Schilz): Change provisions relating to deductions of refunds from municipal sales tax receipts**

**Introduced Version:**

LB209 (2012) states that if the city portion of a sales tax refund is more than 25% of a municipality's total sales and use tax receipts for the previous year, then the Department of Revenue shall deduct the refund over a period of one year in equal monthly installments. LB64 would lower the percentage rate from 25% to 12%.

**Final Disposition:**

LB 64 was not advanced from committee and was indefinitely postponed with the end of the legislative session on April 17, 2014.

**LB 90 (Haar): Change sales tax provisions on the furnishing of electricity service**

**Introduced Version:**

The bill would create a sales tax exemption for net energy billings for customer-generators of electricity service.

**Final Disposition:**

LB 90 passed on Final Reading 41-7-1 and was approved by the Governor on June 5, 2013.

**LB 96 (Dubas): Exempt repair or replacement parts for agricultural machinery and equipment from sales and use tax**

**Introduced Version:**

The bill would provide a sales tax exemption for agricultural machinery repair and replacement parts. The exemption is limited to those parts used in commercial agriculture.

**Final Disposition:**

LB 96 passed on Final Reading 40-0-9, and was approved by the Governor on April 2, 2014.

**LB 150 (Nordquist): Change provisions relating to the sale of natural gas by metropolitan utilities districts and exempt certain purchases of energy and fuel from sales tax**

**Introduced Version:**

Current law requires the Metropolitan Utilities District (M.U.D.) to pay municipalities 2% of their annual gross revenue derived from the retail sales of gas and water. When this law was enacted, the use of compressed natural gas (CNG) as a vehicular fuel was not contemplated. The exemption proposed in LB 150 applies only to the retail sale of CNG for vehicular fuel and maintains the intent of the original legislation.

LB 150 also provides clarity that the the current statutory sales tax exemption for energy purchased for processing, manufacturing, or refining shall include energy used for the compression of natural gas for use as a vehicular fuel.

**Revenue Committee Amendment AM 1711:**

Exempts from the calculation of the payment in lieu of taxes by MUD the gross receipts from the sale of compressed natural gas as a vehicle fuel through January 1, 2020. It creates energy equivalents for CNG and liquefied natural gas ("LNG") for purposes of taxation. Changes the effective date to January 1, 2015

**Final Disposition:**

LB 150 advanced from committee and was placed on General File but failed to advance and was indefinitely postponed with the end of the legislative session on April 17, 2014. However, the provisions of LB 150 were amended into LB 867 which was enacted.

**LB 159 (Schumacher): Provide and change sales tax provisions relating to gold, silver, and platinum and provide a tax amnesty**

**Introduced Version:**

The bill creates a tax amnesty program for purchases of gold, silver and platinum commodities as investments. The amnesty would begin on October 1, 2013 and close on December 31, 2013. Approved applicants must pay the tax due but the tax commissioner is authorized to waive penalty and interest. All proceeds from the amnesty are credited to the General Fund.

For any purchases made after October 1, 2013, the taxpayer is authorized to obtain a refund of some amount of the tax paid on the commodities in exchange for disclosing the name of the seller or sellers, the amount purchased and the dollar amount of each purchase. The refund must be repaid if the taxpayer ultimately fails to make the appropriate disclosures.

For purchases made on or after January 1, 2007 and before January 1, 2013, the commissioner is authorized to issue deficiency determinations for up to 20 years, rather than the usual three years, from the date the tax was due if not paid, or from when the return was filed but without payment, whichever is later. For the same period of 2007-2013, and in the case of fraud, the commissioner is authorized to prosecute such taxpayers within 20 years after the commission of the offense, rather than the usual three years.

**Revenue Committee Amendment: AM 1579**

The amendment exempts from sales and use taxes the purchase of currency or bullion, which are defined as bars, ingots, or commemorative medallions of gold, silver, platinum, or palladium, or a combination of these, and currency means a coin or currency made of gold, silver, or other metal or paper which is or has been used as legal tender. AM1579 removes the amnesty provision from the original bill.

**Final Disposition:**

LB 159 advanced from committee and was placed on General File. LB 159 failed to advance and was indefinitely postponed with the end of the legislative session on April 17, 2014. However, the provisions of LB 159 were amended into LB 867 which was enacted.

**LB 282 (Pirsch): Exempt motor vehicle washing and waxing from sales taxation**

**Introduced Version:**

The bill would exempt motor vehicle washing and waxing from sales taxation.

**Final Disposition:**

LB 282 did not advance from committee and was indefinitely postponed with the end of the legislative session on April 17, 2014.

**LB 333 (Schumacher): Change the sales and use tax collection fees**

**Introduced Version:**

This bill restores the 2002 level of compensation to those businesses and other entities that collect the tax on behalf of the State.

**Final Disposition:**

LB 333 failed to advance from committee and was indefinitely postponed with the end of the legislative session on April 17, 2014.

**LB 447 (Avery): Provide for sales tax on soft drinks, change the distribution of sales tax proceeds, and provide funding for projects to help children**

**Introduced Version:**

The bill amends sales tax law to tax soft drinks which are defined. It dedicates revenue from sales of soft drinks to two newly created funds; The Nebraska Healthy Kids fund (67% of funds) and the Evidence Based Practice Fund (33%). A Committee is created called the Evidence-Based Practice Grant Fund Committee.

Other provisions of the bill require transfers of specified amounts to certain university funds for specified programs. The bill appears to require direct distributions to school districts of specified amounts, provided they have hired or contracted for persons to act as wellness coordinators.

**Final Disposition:**

LB 447 did not advance from committee and was indefinitely postponed with the end of the legislative session on April 17, 2014.

**LB 489 (Revenue Committee): Change the sales tax rate**

**Introduced Version:**

The bill was introduced by the Committee to act as a placeholder for any needed changes in the rate of the sales tax.

**Final Disposition:**

LB 489 did not advance from committee and was indefinitely postponed with the end of the legislative session on April 17, 2014.

**LB 502 (Hadley): Change a sales tax exemption for health clinics**

**Introduced Version:**

LB502 was introduced with the purpose of amending section 77-2704.12 to change a sales tax exemption for health clinics.

**Final Disposition:**

LB 502 did not advance from committee and was indefinitely postponed with the end of the legislative session on April 17, 2014.

**LB 516 (Carlson): Adopt the Nebraska Water Legacy Act**

**Introduced Version:**

The bill would divert a portion of state sales tax in unspecified future years to the Nebraska Water Legacy Fund. The funds purposes and administration are described by the other sections of the bill.

**Final Disposition:**

LB 516 did not advance from committee and was indefinitely postponed with the end of the legislative session on April 17, 2014.

**LB 531 (Conrad): Change distribution of sales and use tax revenue and repeal the Build Nebraska Act**

**Introduced Version:**

LB 531 would repeal the Build Nebraska Act, created by the passage of LB 84 in 2011.

**Final Disposition:**

LB 531 did not advance from committee and was indefinitely postponed with the end of the legislative session on April 17, 2014.

## **LB 581 (Crawford): Change the sales and use tax collection fees**

### **Introduced Version:**

LB 581 restores a 0.5% monthly commission to counties across the state for all motor vehicle sales tax collections over \$3,000. Prior to October 1, 2002, counties received this commission in addition to the 2.5% monthly commission on the first \$3,000 of motor vehicle taxes collected by the county.

### **Final Disposition:**

LB 581 did not advance from committee and was indefinitely postponed with the end of the legislative session on April 17, 2014.

## **LB 783 (Lathrop): Change distributions under the Sports Arena Facility Financing Assistance Act**

### **Introduced Version:**

LB783 changes the timing of distributions under the Sports Arena Facility Financing Act.

Under current law, an eligible facility receives:

- State sales tax collected by retailers on sales made at the facility;
- State sales tax collected on primary and secondary box office sales of admissions; and
- New state sales tax collected by nearby retailers.

Current law also requires the Department of Revenue to conduct an audit and make an annual certification to the State Treasurer of the amount of sales tax to be turned back to the facility.

LB783 would require the Department to make quarterly estimates of the sales tax turn back and certify such amount quarterly to the State Treasurer for transfer to the facility. Upon audit and annual certification by the Department, the State Treasurer is required to transfer the amount necessary to reconcile the quarterly estimated transfers, either to or from the Sports Arena Facility Support Fund.

### **Final Disposition:**

LB 783 did not advance from Committee and was indefinitely postponed with the end of the legislative session on April 17, 2014. However, amended provisions of LB 783 were included in LB 867 which was enacted.

**LB 794 (Harr): Change provisions relating to the collection of sales and use taxes on credit and debit card transactions and change sales and use tax collection fees**

**Introduced Version:**

LB794 creates a requirement that all sales made by credit or debit card must have the sales or use tax amount separated from the sales amount and the taxes due remitted electronically on a daily basis. Retailers are required to purchase the necessary software. All other transactions remain under the current system. The effective date is January 1, 2015.

It reinstates the additional collection allowance for retailers that existed prior to October 1, 2002. Effective January 1, 2015, sales and use retailers or use tax collection agents would be allowed to retain one-half of one percent (1/2%) of all amounts collected and remitted that exceed \$3,000. The current allowance is limited to only two and one-half percent (2 1/2%) of the first \$3,000.

**Final Disposition:**

LB 794 did not advance from committee and was indefinitely postponed with the end of the legislative session on April 17, 2014.

**LB 809 (Coash): Exempt purchases by historic automobile museums from sales and use taxes**

**Introduced Version:**

The bill creates a new sales tax exemption for purchases by an automobile museums. The bill cites Section 51-702 for a new definition of a museum, and creates a set of minimum criteria for the number of historical motor vehicles and minimum hours of operation. Items purchased by museums as defined here, when reasonably related to the general purpose of such a museum, are to be exempt from sales taxes when purchased.

**Final Disposition:**

LB 809 did not advanced from committee and was indefinitely postponed with the end of the legislative session on April 17, 2014. However, the provisions of LB 809 were amended into LB 867 which was enacted.

**LB 814 (Avery): Redefine all-terrain vehicle, utility-type vehicle, and sales price, change sales and use tax provisions relating to ATV's and UTV's, change duties of sellers, and change distribution of sales tax revenue from motorboats, personal watercraft and such vehicles to provide funding to the Game and Parks Commission**

**Introduced Version:**

The bill creates a new fund, the Game and Parks Capital Maintenance Fund, and diverts state and local sales tax paid on motorboats and personal watercraft to that fund.

**Revenue Committee Amendment AM 1876:**

AM1876 inserts the provisions of LB 841 into LB 814 and adds a sunset date of October 1, 2019.

**Final Disposition:**

LB 814 passed on Final Reading 43-1-5 and was approved by the Governor on April 2, 2014.

**LB 829 (Schumacher): Exempt separately stated postage charges from sales and use taxes**

**Introduced Version:**

The current definition of "sales price" for sales and use tax purposes specifically includes delivery charges as part of the sales price. Delivery charges are defined to include postage. LB829 would exclude from the definition of "sales price" charges for postage on direct mail that are separately stated on the invoice, bill of sale, or similar document given to the purchaser.

**Direct mail is defined as:**

Printed material delivered or distributed by United States mail or other delivery service to a mass audience or to addressees on a mailing list provided by the purchaser or at the direction of the purchaser when the cost of the items are not billed directly to the recipients. Direct mail includes tangible personal property supplied directly or indirectly by the purchaser to the direct mail seller for inclusion in the package containing the printed material. Direct mail does not include multiple items of printed material delivered to a single address.

**Revenue Committee Amendment AM 2003:**

The amendment makes technical corrections to clarify the bills intent.

**Final Disposition:**

LB 829 was placed on General File but failed to advance was indefinitely postponed with the end of the legislative session on April 17, 2014. However, its provisions were amended into LB 867 which was enacted.



**LB 841 (Hadley): Change sales and use tax provisions relating to all-terrain vehicles, utility-type vehicles, and distribution of revenue**

**Introduced Version:**

The bill requires sales tax paid on these vehicles to be placed in the new Game and Parks Commission Capital Maintenance Fund.

Under current law, an in-state retailer or seller of the ATV or UTV is required to collect the sales tax but would be relieved of this obligation under the bill. The sales and use tax enforcement provisions of the bill state that county treasurers would begin to collect the tax at the time the vehicles are titled. These vehicles are required to be titled but they are not required to be registered. Purchasers would be required to pay use tax at the time of titling if the vehicle was purchased out of state.

**Final Disposition:**

LB 841 did not advance from committee and was indefinitely postponed with the end of the legislative session on April 17, 2014. However, the provisions of the bill were amended into LB 814 which was enacted.

**LB 867 (Hadley): Change provisions relating to distribution of, exemptions from, and review of taxes and tax information**

**Introduced Version:**

LB209 (2011) authorized cities to review sales tax returns and sales tax information regarding sales tax permit holders within the requesting city's boundaries. It also required cities to certify one city employee who would be authorized to review the sales tax information. Certified city employees are subject to the same restrictions regarding confidential tax information as any other person authorized to see such tax information, including civil and criminal liability, for any unauthorized disclosure.

The purposes of LB209 was to allow city governments to go to the Department of Revenue to review sales tax information for businesses within the city to determine whether the local option sales tax was being paid and properly allocated to the city. However, there has been confusion as to whether the cities may also access use tax information. Many business do not hold a sales tax permit because they do not make retail sales. However, these business are required to self-assess and remit use taxes on out-of-state purchases. These taxes are reported on a different form than sales taxes collected by retailers or use tax reported by retailers. (Sales tax permit holders file a Form 10. Non retailers remitting use tax file a Form 2.)

LB867 authorizes cities to access the business use tax reports, Form 2, for businesses located within the cities' boundaries. It also allows this information to be examined by either a city employee or an individual who contracts with the requesting municipality to provide financial, accounting, or other administrative services. The individual would be under the same confidentiality requirements imposed on the city employee.

**Revenue Committee Amendment AM1954:**

Exempts purchases by historic automobile museums from sales and use taxes (LB 805). Changes distributions under the Sports Arena Facility Financing Assistance Act (LB783).

**AM 2449 (Hadley):**

Further clarifies the timing of sales tax turn back distributions under the Sports Arena Facility Financing Assistance Act (LB783).

**AM 2011 (Schumacher):**

Exempts postage on direct mail when such charges are separately stated (LB 829). Exempts purchases of bullion and currency (LB 159).

**AM 2233 (Nelson):**

Exempts from documentary stamp tax donated property received by nonprofit corporations if the nonprofit is not a private foundation as defined by Section 509 (a) of federal code.

**AM 2262 (Nordquist):**

Exempts from the calculation of the payment in lieu of taxes by MUD the gross receipts from the sale of compressed natural gas as a vehicle fuel through January 1, 2020. It creates energy equivalents for CNG and liquefied natural gas (“LNG”) for purposes of taxation. Also exempts energy purchased for the compression of natural gas for use as a vehicular fuel.

**Final Disposition:**

LB 867 passed on Final Reading with the Emergency Clause 49-0-0 and was approved by the Governor on April 2, 2014.

**LB 1025 (Bolz): Change the distribution of sales and use tax revenue**

**Introduced Version:**

The bill creates the Nebraska Educational Trust Fund and transfers the sales and use taxes from “online purchases” to the fund, for such transactions occurring on or after January 1, 2015. In the event that Congress should authorize the states to mandate the collection of sales and use taxes from non-nexus vendors, the bill would require the Department of Revenue to determine the amount so collected for the first twelve months.

These sales tax receipts would be excluded from the provisions of LB84, which directs one-quarter of one percent of the state sales tax to state highway funds.

**Final Disposition:**

LB 1025 did not advance from committee and was indefinitely postponed with the end of the legislative session on April 17, 2014.

**LB 1031 (Kintner): Change the distribution of sales and use tax revenue and provide for decreased income tax rates**

**Introduced Version:**

In the event that Congress should authorize the states to mandate the collection of sales and use taxes from non-nexus vendors, the bill would require the Department of Revenue to determine the amount so collected for the first twelve months. One-half of the calculated amount would be used to reduce the individual income tax rates for the following tax year, in proportion to the share of gross tax attributable to each of the income tax brackets. One-half is to be credited to the Property Tax Credit Cash Fund.

These sales tax receipts would be excluded from the provisions of LB84, which directs one-quarter of one percent of the state sales tax to state highway funds.

**Final Disposition:**

LB 1031 did not advance from committee and was indefinitely postponed with the end of the legislative session on April 17, 2014.

**LB 1057 (Davis): Change the distribution of sales and use tax revenue and provide duties for the Department of Revenue**

**Introduced Version:**

LB 1057 would direct the first year of sales tax receipts on internet transactions to the Property Tax Credit Cash Fund when collection of these taxes is authorized by the United States Congress.

**Revenue Committee Amendment AM2645:**

The amendment clarified the intent of the bill and restored the retailer' collection fee to 2002 levels beginning on or after January 1, 2105.

**Final Disposition:**

LB 1057 was placed on General File but failed to advance. It was indefinitely postponed with the end of the legislative session on April 17, 2014.

## STATE AID

### **LB 62 (Schilz): Change Levy Provisions for Rural and Suburban Fire Protection Districts.**

#### **Introduced Version:**

The bill would alter the levy limits imposed on counties and fire district users of property tax authority found in current law. Currently, county boards allocate levy authority to several other sub county units of government in order to control use of the 45 cent statutory levy limit imposed on counties.

#### **Final Disposition:**

LB 62 failed to advance from Committee and was indefinitely postponed at the end of the legislative session on April 17, 2014.

### **LB 414 (Schumacher): Change funding for the Municipal Equalization Fund**

#### **Introduced Version:**

This bill would replace the funding for the Municipal Equalization Fund presently coming from a 3% deduction by the Tax Commissioner in the remittance due to the taxing municipality with funding from the general fund in order to facilitate local tax relief or restore some state aid to municipalities.

#### **Final Disposition:**

LB 414 was carried over to 2104 but did not advance from committee and was indefinitely postponed with the end of the legislative session on April 17, 2014.

### **LB 760 (Mello): Adopt the Combined Sewer Overflow Infrastructure Assistance Act and the Unfunded Federal Mandate Infrastructure Assistance Act**

#### **Introduced Version:**

The bill would divert state sales tax to be used to fund the Combined Sewer Overflow Infrastructure Assistance Act. Ninety (90%) of the state sales tax collected on monthly sewer fees would be diverted to this fund. The 90% diversion of sales tax would apply only to the fee increases attributable to combined sewer overflow projects. Presumably, the city or public enterprise charging customers a fee would separate that portion of the fee from other portions of the fee, and provide state officials information on this separate fee amount. The sales tax on the increase in these fees would be calculated using this rate information.

A new state board would be created to audit or review the fees, the increase in fees, and sales tax amounts on the increase. This Board would be composed of the Director of Environmental Quality, the Chief Executive Officer of the Department of Health and Human Services, and the State Fire Marshall.

In addition to this new board, the Tax Commissioner and the Department of Revenue are directed to audit or review audits of the sewer use fees collected by the municipality. In order to receive the diverted state sales tax a city must also divert and contribute its local option sales tax share to the same project.

Finally, a second fund is created, the Unfunded Federal Mandates Fund. This fund will receive the 10% portion of the diverted states sales tax. Cities building water and sewer projects, other than combined sewer overflow projects, can receive these funds.

**Final Disposition:**

LB 760 did not advance from committee and was indefinitely postponed with the end of the legislative session on April 17, 2014. However, its' provisions were amended into LB 1098 which was enacted.

**LB 1053 (Karpisek): Provide state aid to municipalities, counties, and natural resources districts**

**Introduced Version:**

The bill would restore several local government aid programs which were repealed by LB 383 (2011).

**Final Disposition:**

LB 1053 did not advance from committee and was indefinitely postponed with the end of the legislative session on April 17, 2014.