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AMENDMENTS TO LB 970

(Amendments to E & R amendments, ER224)

Introduced by Schumacher

1. Insert the following new section:

Sec. 10. (1) To mitigate the fiscal impact of the reduction in income tax rates commencing on January 1, 2013, the Deferred Benefit Investment Program is created.

(2) An individual taxpayer may annually elect to compute and pay income tax liability under the income tax rates in force immediately prior to January 1, 2013, in lieu of paying at the current rates. The election shall be known as a deferred benefit investment. Commencing on the earlier of seven calendar years after the making of a deferred benefit investment or the taxpayer reaching the age of sixty-two, the taxpayer making the election shall be entitled to claim a tax credit against the taxpayer's income tax liability in an amount equal to the deferred benefit multiplied by the program rate.

(3) For purposes of calculating the deferred benefit investment:

(a) Deferred benefit equals the difference between the taxpayer's tax liability (i) as computed and paid under the election and (ii) as computed had the election not been made, in addition to any self-imposed additional tax remitted by the taxpayer not to exceed one hundred times such difference. A taxpayer shall not make a deferred benefit investment in any year

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greater than twenty thousand dollars for a married taxpayer filing jointly return and ten thousand dollars for any other return; and

(b) Program rate means the sum of (i) an inflation adjustment calculated by dividing the United States Department of Labor, Bureau of Labor Statistics, Consumer Price Index for Urban Wage Earners and Clerical Workers factor on June 30 of the year the credit is claimed by the Consumer Price Index for Urban Wage Earners and Clerical Workers factor on June 30 of the year in which the deferred benefit investment was made, plus (ii) the United States Government Bond Yield for 10 Year Notes on the last business day of the first quarter of the year in which the deferred benefit investment was made times the number of years, or fraction thereof, between the making of the deferred benefit investment and the claiming of the tax credit.

(4) The sums paid to the State of Nebraska by a taxpayer pursuant to the program shall become the property of the State of Nebraska and the tax credits to which the taxpayer may be entitled to claim as a result thereof are not a debt or general obligation of the State of Nebraska. The tax credits (a) are not refundable, transferable, or taxable as income, (b) have recourse only against future income taxes due from the taxpayer, and (c) may be claimed only as a credit against taxpayer's income tax in years subsequent to the deferred benefit investment. Deferred benefit investments made under a joint tax return may be claimed by either taxpayer signing the joint return. Tax credits remaining upon the death of the taxpayer will to the extent of inheritance tax owed by the decedent reduce the amount of inheritance tax due.

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(5) Tax credits claimed by a taxpayer are claimed on a first earned, first claimed basis and once claimed are extinguished. The state may redeem outstanding tax credits by paying to the taxpayer entitled thereto the deferred benefit multiplied by the program rate.

(6) The Tax Commissioner may adopt and promulgate rules and regulations to carry out the program.

2. On page 1, line 6, strike "section 5" and insert "sections 5 and 10".

3. Renumber the remaining section accordingly.