

One Hundred Fourth Legislature - First Session - 2015

Introducer's Statement of Intent

LB63

Chairperson: Senator Mike Gloor

Committee: Revenue

Date of Hearing: January 28, 2015

The following constitutes the reasons for this bill and the purposes which are sought to be accomplished thereby:

Nebraska's economy faces many human resource challenges. It faces a shortage of skilled labor and of experienced executives. Baby boomers who have been the mainstay of the economy are calculating when the best time is for them to come off line. Economic development programs to attract younger employees from other states can not be expected to offset the loss from retirement.

The Legislature faces an interesting choice for the application of limited resources targeted at the demographic over 65 years old. The first choice is to apply resources to tax policies that exempt from taxation the withdrawal of income from retirement accounts. Such assets were deposited into the accounts tax free and such a policy would make them tax free on withdrawal. Such a policy shifts burden to working young families at an ever increasing rate and tilts retirement calculations toward earlier retirement, an earlier loss of tax proceeds from earned income, and an earlier start to the depletion of individual retirement accounts.

The other choice is to incent workers over 65 years to remain in the workforce for a few more years and contribute their skills and connections to economic growth. Exempting from state taxation the earned income of people otherwise apt to retire earlier keeps those people paying taxes and conserves their retirement resources. Any lost tax revenue is offset by the reality that the revenue is lost if they retire. Those who have worked until they are 65 simply have paid enough in income taxes on their earned income and need a little boost in building up their nest egg before retirement.

The intent of LB 63 is to exempt from state income tax the earned income of workers over 65 years old.

Principal Introducer: _____

Senator Paul Schumacher