

LEGISLATURE OF NEBRASKA  
ONE HUNDRED SIXTH LEGISLATURE  
SECOND SESSION

**LEGISLATIVE BILL 892**

Introduced by Hilgers, 21.

Read first time January 09, 2020

Committee: Revenue

- 1 A BILL FOR AN ACT relating to revenue and taxation; to amend section
- 2 77-2715.03, Reissue Revised Statutes of Nebraska, and section
- 3 77-2716, Revised Statutes Supplement, 2019; to change individual
- 4 income tax brackets as prescribed; to harmonize provisions; and to
- 5 repeal the original sections.
- 6 Be it enacted by the people of the State of Nebraska,

1 Section 1. Section 77-2715.03, Reissue Revised Statutes of Nebraska,  
2 is amended to read:

3 77-2715.03 (1) For taxable years beginning or deemed to begin on or  
4 after January 1, 2013, and before January 1, 2014, the following brackets  
5 and rates are hereby established for the Nebraska individual income tax:

6 Individual Income Tax Brackets and Rates

7 Bracket	Single	Married,	Head of	Married,	Estates	Tax
8 Number	Individuals	Filing	Household	Filing	and	Rate
		Jointly		Separate	Trusts	
10 1	\$0-2,399	\$0-4,799	\$0-4,499	\$0-2,399	\$0-499	2.46%
11 2	\$2,400-	\$4,800-	\$4,500-	\$2,400-	\$500-	
12	17,499	34,999	27,999	17,499	4,699	3.51%
13 3	\$17,500-	\$35,000-	\$28,000-	\$17,500-	\$4,700-	
14	26,999	53,999	39,999	26,999	15,149	5.01%
15 4	\$27,000	\$54,000	\$40,000	\$27,000	\$15,150	
16	and Over	and Over	and Over	and Over	and Over	6.84%

17 (2) For taxable years beginning or deemed to begin on or after  
18 January 1, 2014, and before January 1, 2021, the following brackets and  
19 rates are hereby established for the Nebraska individual income tax:

20 Individual Income Tax Brackets and Rates

21 Bracket	Single	Married,	Head of	Married,	Estates	Tax
22 Number	Individuals	Filing	Household	Filing	and	Rate
		Jointly		Separate	Trusts	
24 1	\$0-2,999	\$0-5,999	\$0-5,599	\$0-2,999	\$0-499	2.46%
25 2	\$3,000-	\$6,000-	\$5,600-	\$3,000-	\$500-	
26	17,999	35,999	28,799	17,999	4,699	3.51%
27 3	\$18,000-	\$36,000-	\$28,800-	\$18,000-	\$4,700-	
28	28,999	57,999	42,999	28,999	15,149	5.01%
29 4	\$29,000	\$58,000	\$43,000	\$29,000	\$15,150	
30	and Over	and Over	and Over	and Over	and Over	6.84%

1           (3) For taxable years beginning or deemed to begin on or after  
 2 January 1, 2021, the following brackets and rates are hereby established  
 3 for the Nebraska individual income tax:

4                           Individual Income Tax Brackets and Rates

5 <u>Bracket</u>	<u>Single</u>	<u>Married,</u>	<u>Head of</u>	<u>Married,</u>	<u>Estates</u>	<u>Tax</u>
6 <u>Number</u>	<u>Individuals</u>	<u>Filing</u>	<u>Household</u>	<u>Filing</u>	<u>and</u>	<u>Rate</u>
7		<u>Jointly</u>		<u>Separate</u>	<u>Trusts</u>	
8 <u>1</u>	<u>\$0-3,289</u>	<u>\$0-6,569</u>	<u>\$0-6,129</u>	<u>\$0-3,289</u>	<u>\$0-499</u>	<u>2.46%</u>
9 <u>2</u>	<u>\$3,290-</u>	<u>\$6,570-</u>	<u>\$6,130-</u>	<u>\$3,290-</u>	<u>\$500-</u>	
10	<u>19,699</u>	<u>39,409</u>	<u>31,529</u>	<u>19,699</u>	<u>4,699</u>	<u>3.51%</u>
11 <u>3</u>	<u>\$19,700-</u>	<u>\$39,410-</u>	<u>\$31,530-</u>	<u>\$19,700-</u>	<u>\$4,700-</u>	
12	<u>49,999</u>	<u>99,999</u>	<u>74,139</u>	<u>49,999</u>	<u>15,149</u>	<u>5.01%</u>
13 <u>4</u>	<u>\$50,000</u>	<u>\$100,000</u>	<u>\$74,140</u>	<u>\$50,000</u>	<u>\$15,150</u>	
14	<u>and Over</u>	<u>and Over</u>	<u>and Over</u>	<u>and Over</u>	<u>and Over</u>	<u>6.84%</u>

15           (4)(a) ~~(3)(a)~~ For taxable years beginning or deemed to begin on or  
 16 after January 1, 2015, and before January 1, 2021, the minimum and  
 17 maximum dollar amounts for each income tax bracket provided in subsection  
 18 (2) of this section shall be adjusted for inflation by the percentage  
 19 determined under subdivision (4)(b) ~~(3)(b)~~ of this section. For taxable  
 20 years beginning or deemed to begin on or after January 1, 2022, the  
 21 minimum and maximum dollar amounts for each income tax bracket provided  
 22 in subsection (3) of this section shall be adjusted for inflation by the  
 23 percentage determined under subdivision (4)(c) of this section. The rate  
 24 applicable to any such income tax bracket shall not be changed as part of  
 25 any adjustment under this subsection. The minimum and maximum dollar  
 26 amounts for each income tax bracket as adjusted shall be rounded to the  
 27 nearest ten-dollar amount. If the adjusted amount for any income tax  
 28 bracket ends in a five, it shall be rounded up to the nearest ten-dollar  
 29 amount.

30           (b)(i) For taxable years beginning or deemed to begin on or after  
 31 January 1, 2015, and before January 1, 2018, the Tax Commissioner shall

1 adjust the income tax brackets by the percentage determined pursuant to  
2 the provisions of section 1(f) of the Internal Revenue Code of 1986, as  
3 it existed prior to December 22, 2017, except that in section 1(f)(3)(B)  
4 of the code the year 2013 shall be substituted for the year 1992. For  
5 2015, the Tax Commissioner shall then determine the percent change from  
6 the twelve months ending on August 31, 2013, to the twelve months ending  
7 on August 31, 2014, and in each subsequent year, from the twelve months  
8 ending on August 31, 2013, to the twelve months ending on August 31 of  
9 the year preceding the taxable year. The Tax Commissioner shall prescribe  
10 new tax rate schedules that apply in lieu of the schedules set forth in  
11 subsection (2) of this section.

12 (ii) For taxable years beginning or deemed to begin on or after  
13 January 1, 2018, and before January 1, 2021, the Tax Commissioner shall  
14 adjust the income tax brackets based on the percentage change in the  
15 Consumer Price Index for All Urban Consumers published by the federal  
16 Bureau of Labor Statistics from the twelve months ending on August 31,  
17 2016, to the twelve months ending on August 31 of the year preceding the  
18 taxable year. The Tax Commissioner shall prescribe new tax rate schedules  
19 that apply in lieu of the schedules set forth in subsection (2) of this  
20 section.

21 (c) For taxable years beginning or deemed to begin on or after  
22 January 1, 2022, the Tax Commissioner shall adjust the income tax  
23 brackets based on the percentage change in the Consumer Price Index for  
24 All Urban Consumers published by the federal Bureau of Labor Statistics  
25 from the twelve months ending on August 31, 2020, to the twelve months  
26 ending on August 31 of the year preceding the taxable year. The Tax  
27 Commissioner shall prescribe new tax rate schedules that apply in lieu of  
28 the schedules set forth in subsection (3) of this section.

29 (5) (4) Whenever the tax brackets or tax rates are changed by the  
30 Legislature, the Tax Commissioner shall update the tax rate schedules to  
31 reflect the new tax brackets or tax rates and shall publish such updated

1 schedules.

2 ~~(6)~~ (5) The Tax Commissioner shall prepare, from the rate schedules,  
3 tax tables which can be used by a majority of the taxpayers to determine  
4 their Nebraska tax liability. The design of the tax tables shall be  
5 determined by the Tax Commissioner. The size of the tax table brackets  
6 may change as the level of income changes. The difference in tax between  
7 two tax table brackets shall not exceed fifteen dollars. The Tax  
8 Commissioner may build the personal exemption credit and standard  
9 deduction amounts into the tax tables.

10 ~~(7)~~ (6) For taxable years beginning or deemed to begin on or after  
11 January 1, 2013, the tax rate applied to other federal taxes included in  
12 the computation of the Nebraska individual income tax shall be 29.6  
13 percent.

14 ~~(8)~~ (7) The Tax Commissioner may require by rule and regulation that  
15 all taxpayers shall use the tax tables if their income is less than the  
16 maximum income included in the tax tables.

17 Sec. 2. Section 77-2716, Revised Statutes Supplement, 2019, is  
18 amended to read:

19 77-2716 (1) The following adjustments to federal adjusted gross  
20 income or, for corporations and fiduciaries, federal taxable income shall  
21 be made for interest or dividends received:

22 (a)(i) There shall be subtracted interest or dividends received by  
23 the owner of obligations of the United States and its territories and  
24 possessions or of any authority, commission, or instrumentality of the  
25 United States to the extent includable in gross income for federal income  
26 tax purposes but exempt from state income taxes under the laws of the  
27 United States; and

28 (ii) There shall be subtracted interest received by the owner of  
29 obligations of the State of Nebraska or its political subdivisions or  
30 authorities which are Build America Bonds to the extent includable in  
31 gross income for federal income tax purposes;

1 (b) There shall be subtracted that portion of the total dividends  
2 and other income received from a regulated investment company which is  
3 attributable to obligations described in subdivision (a) of this  
4 subsection as reported to the recipient by the regulated investment  
5 company;

6 (c) There shall be added interest or dividends received by the owner  
7 of obligations of the District of Columbia, other states of the United  
8 States, or their political subdivisions, authorities, commissions, or  
9 instrumentalities to the extent excluded in the computation of gross  
10 income for federal income tax purposes except that such interest or  
11 dividends shall not be added if received by a corporation which is a  
12 regulated investment company;

13 (d) There shall be added that portion of the total dividends and  
14 other income received from a regulated investment company which is  
15 attributable to obligations described in subdivision (c) of this  
16 subsection and excluded for federal income tax purposes as reported to  
17 the recipient by the regulated investment company; and

18 (e)(i) Any amount subtracted under this subsection shall be reduced  
19 by any interest on indebtedness incurred to carry the obligations or  
20 securities described in this subsection or the investment in the  
21 regulated investment company and by any expenses incurred in the  
22 production of interest or dividend income described in this subsection to  
23 the extent that such expenses, including amortizable bond premiums, are  
24 deductible in determining federal taxable income.

25 (ii) Any amount added under this subsection shall be reduced by any  
26 expenses incurred in the production of such income to the extent  
27 disallowed in the computation of federal taxable income.

28 (2) There shall be allowed a net operating loss derived from or  
29 connected with Nebraska sources computed under rules and regulations  
30 adopted and promulgated by the Tax Commissioner consistent, to the extent  
31 possible under the Nebraska Revenue Act of 1967, with the laws of the

1 United States. For a resident individual, estate, or trust, the net  
2 operating loss computed on the federal income tax return shall be  
3 adjusted by the modifications contained in this section. For a  
4 nonresident individual, estate, or trust or for a partial-year resident  
5 individual, the net operating loss computed on the federal return shall  
6 be adjusted by the modifications contained in this section and any  
7 carryovers or carrybacks shall be limited to the portion of the loss  
8 derived from or connected with Nebraska sources.

9 (3) There shall be subtracted from federal adjusted gross income for  
10 all taxable years beginning on or after January 1, 1987, the amount of  
11 any state income tax refund to the extent such refund was deducted under  
12 the Internal Revenue Code, was not allowed in the computation of the tax  
13 due under the Nebraska Revenue Act of 1967, and is included in federal  
14 adjusted gross income.

15 (4) Federal adjusted gross income, or, for a fiduciary, federal  
16 taxable income shall be modified to exclude the portion of the income or  
17 loss received from a small business corporation with an election in  
18 effect under subchapter S of the Internal Revenue Code or from a limited  
19 liability company organized pursuant to the Nebraska Uniform Limited  
20 Liability Company Act that is not derived from or connected with Nebraska  
21 sources as determined in section 77-2734.01.

22 (5) There shall be subtracted from federal adjusted gross income or,  
23 for corporations and fiduciaries, federal taxable income dividends  
24 received or deemed to be received from corporations which are not subject  
25 to the Internal Revenue Code.

26 (6) There shall be subtracted from federal taxable income a portion  
27 of the income earned by a corporation subject to the Internal Revenue  
28 Code of 1986 that is actually taxed by a foreign country or one of its  
29 political subdivisions at a rate in excess of the maximum federal tax  
30 rate for corporations. The taxpayer may make the computation for each  
31 foreign country or for groups of foreign countries. The portion of the

1 taxes that may be deducted shall be computed in the following manner:

2 (a) The amount of federal taxable income from operations within a  
3 foreign taxing jurisdiction shall be reduced by the amount of taxes  
4 actually paid to the foreign jurisdiction that are not deductible solely  
5 because the foreign tax credit was elected on the federal income tax  
6 return;

7 (b) The amount of after-tax income shall be divided by one minus the  
8 maximum tax rate for corporations in the Internal Revenue Code; and

9 (c) The result of the calculation in subdivision (b) of this  
10 subsection shall be subtracted from the amount of federal taxable income  
11 used in subdivision (a) of this subsection. The result of such  
12 calculation, if greater than zero, shall be subtracted from federal  
13 taxable income.

14 (7) Federal adjusted gross income shall be modified to exclude any  
15 amount repaid by the taxpayer for which a reduction in federal tax is  
16 allowed under section 1341(a)(5) of the Internal Revenue Code.

17 (8)(a) Federal adjusted gross income or, for corporations and  
18 fiduciaries, federal taxable income shall be reduced, to the extent  
19 included, by income from interest, earnings, and state contributions  
20 received from the Nebraska educational savings plan trust created in  
21 sections 85-1801 to 85-1817 and any account established under the  
22 achieving a better life experience program as provided in sections  
23 77-1401 to 77-1409.

24 (b) Federal adjusted gross income or, for corporations and  
25 fiduciaries, federal taxable income shall be reduced by any contributions  
26 as a participant in the Nebraska educational savings plan trust or  
27 contributions to an account established under the achieving a better life  
28 experience program made for the benefit of a beneficiary as provided in  
29 sections 77-1401 to 77-1409, to the extent not deducted for federal  
30 income tax purposes, but not to exceed five thousand dollars per married  
31 filing separate return or ten thousand dollars for any other return. With



1 respect to a qualified rollover within the meaning of section 529 of the  
2 Internal Revenue Code from another state's plan, any interest, earnings,  
3 and state contributions received from the other state's educational  
4 savings plan which is qualified under section 529 of the code shall  
5 qualify for the reduction provided in this subdivision. For contributions  
6 by a custodian of a custodial account including rollovers from another  
7 custodial account, the reduction shall only apply to funds added to the  
8 custodial account after January 1, 2014.

9 (c) Federal adjusted gross income or, for corporations and  
10 fiduciaries, federal taxable income shall be increased by:

11 (i) The amount resulting from the cancellation of a participation  
12 agreement refunded to the taxpayer as a participant in the Nebraska  
13 educational savings plan trust to the extent previously deducted under  
14 subdivision (8)(b) of this section; and

15 (ii) The amount of any withdrawals by the owner of an account  
16 established under the achieving a better life experience program as  
17 provided in sections 77-1401 to 77-1409 for nonqualified expenses to the  
18 extent previously deducted under subdivision (8)(b) of this section.

19 (9)(a) For income tax returns filed after September 10, 2001, for  
20 taxable years beginning or deemed to begin before January 1, 2006, under  
21 the Internal Revenue Code of 1986, as amended, federal adjusted gross  
22 income or, for corporations and fiduciaries, federal taxable income shall  
23 be increased by eighty-five percent of any amount of any federal bonus  
24 depreciation received under the federal Job Creation and Worker  
25 Assistance Act of 2002 or the federal Jobs and Growth Tax Act of 2003,  
26 under section 168(k) or section 1400L of the Internal Revenue Code of  
27 1986, as amended, for assets placed in service after September 10, 2001,  
28 and before December 31, 2005.

29 (b) For a partnership, limited liability company, cooperative,  
30 including any cooperative exempt from income taxes under section 521 of  
31 the Internal Revenue Code of 1986, as amended, limited cooperative

1 association, subchapter S corporation, or joint venture, the increase  
2 shall be distributed to the partners, members, shareholders, patrons, or  
3 beneficiaries in the same manner as income is distributed for use against  
4 their income tax liabilities.

5 (c) For a corporation with a unitary business having activity both  
6 inside and outside the state, the increase shall be apportioned to  
7 Nebraska in the same manner as income is apportioned to the state by  
8 section 77-2734.05.

9 (d) The amount of bonus depreciation added to federal adjusted gross  
10 income or, for corporations and fiduciaries, federal taxable income by  
11 this subsection shall be subtracted in a later taxable year. Twenty  
12 percent of the total amount of bonus depreciation added back by this  
13 subsection for tax years beginning or deemed to begin before January 1,  
14 2003, under the Internal Revenue Code of 1986, as amended, may be  
15 subtracted in the first taxable year beginning or deemed to begin on or  
16 after January 1, 2005, under the Internal Revenue Code of 1986, as  
17 amended, and twenty percent in each of the next four following taxable  
18 years. Twenty percent of the total amount of bonus depreciation added  
19 back by this subsection for tax years beginning or deemed to begin on or  
20 after January 1, 2003, may be subtracted in the first taxable year  
21 beginning or deemed to begin on or after January 1, 2006, under the  
22 Internal Revenue Code of 1986, as amended, and twenty percent in each of  
23 the next four following taxable years.

24 (10) For taxable years beginning or deemed to begin on or after  
25 January 1, 2003, and before January 1, 2006, under the Internal Revenue  
26 Code of 1986, as amended, federal adjusted gross income or, for  
27 corporations and fiduciaries, federal taxable income shall be increased  
28 by the amount of any capital investment that is expensed under section  
29 179 of the Internal Revenue Code of 1986, as amended, that is in excess  
30 of twenty-five thousand dollars that is allowed under the federal Jobs  
31 and Growth Tax Act of 2003. Twenty percent of the total amount of

1 expensing added back by this subsection for tax years beginning or deemed  
2 to begin on or after January 1, 2003, may be subtracted in the first  
3 taxable year beginning or deemed to begin on or after January 1, 2006,  
4 under the Internal Revenue Code of 1986, as amended, and twenty percent  
5 in each of the next four following tax years.

6 (11)(a) For taxable years beginning or deemed to begin before  
7 January 1, 2018, under the Internal Revenue Code of 1986, as amended,  
8 federal adjusted gross income shall be reduced by contributions, up to  
9 two thousand dollars per married filing jointly return or one thousand  
10 dollars for any other return, and any investment earnings made as a  
11 participant in the Nebraska long-term care savings plan under the Long-  
12 Term Care Savings Plan Act, to the extent not deducted for federal income  
13 tax purposes.

14 (b) For taxable years beginning or deemed to begin before January 1,  
15 2018, under the Internal Revenue Code of 1986, as amended, federal  
16 adjusted gross income shall be increased by the withdrawals made as a  
17 participant in the Nebraska long-term care savings plan under the act by  
18 a person who is not a qualified individual or for any reason other than  
19 transfer of funds to a spouse, long-term care expenses, long-term care  
20 insurance premiums, or death of the participant, including withdrawals  
21 made by reason of cancellation of the participation agreement, to the  
22 extent previously deducted as a contribution or as investment earnings.

23 (12) There shall be added to federal adjusted gross income for  
24 individuals, estates, and trusts any amount taken as a credit for  
25 franchise tax paid by a financial institution under sections 77-3801 to  
26 77-3807 as allowed by subsection (5) of section 77-2715.07.

27 (13)(a) For taxable years beginning or deemed to begin on or after  
28 January 1, 2015, under the Internal Revenue Code of 1986, as amended,  
29 federal adjusted gross income shall be reduced by the amount received as  
30 benefits under the federal Social Security Act which are included in the  
31 federal adjusted gross income if:

1 (i) For taxpayers filing a married filing joint return, federal  
2 adjusted gross income is fifty-eight thousand dollars or less; or

3 (ii) For taxpayers filing any other return, federal adjusted gross  
4 income is forty-three thousand dollars or less.

5 (b) For taxable years beginning or deemed to begin on or after  
6 January 1, 2020, under the Internal Revenue Code of 1986, as amended, the  
7 Tax Commissioner shall adjust the dollar amounts provided in subdivisions  
8 (13)(a)(i) and (ii) of this section by the same percentage used to adjust  
9 individual income tax brackets under subsection (4) ~~(3)~~ of section  
10 77-2715.03.

11 (14) For taxable years beginning or deemed to begin on or after  
12 January 1, 2015, under the Internal Revenue Code of 1986, as amended, an  
13 individual may make a one-time election within two calendar years after  
14 the date of his or her retirement from the military to exclude income  
15 received as a military retirement benefit by the individual to the extent  
16 included in federal adjusted gross income and as provided in this  
17 subsection. The individual may elect to exclude forty percent of his or  
18 her military retirement benefit income for seven consecutive taxable  
19 years beginning with the year in which the election is made or may elect  
20 to exclude fifteen percent of his or her military retirement benefit  
21 income for all taxable years beginning with the year in which he or she  
22 turns sixty-seven years of age. For purposes of this subsection, military  
23 retirement benefit means retirement benefits that are periodic payments  
24 attributable to service in the uniformed services of the United States  
25 for personal services performed by an individual prior to his or her  
26 retirement.

27 Sec. 3. Original section 77-2715.03, Reissue Revised Statutes of  
28 Nebraska, and section 77-2716, Revised Statutes Supplement, 2019, are  
29 repealed.