

One Hundred Sixth Legislature - Second Session - 2020

Introducer's Statement of Intent

LB1042

Chairperson: Senator Lou Ann Linehan

Committee: Revenue

Date of Hearing: January 29, 2020

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

LB1042 will amend portions of the 529 savings program to expand educational opportunity for students in Nebraska.

First, the bill will eliminate the requirement that contributors to 529 accounts must be the registered participant of an account in order to get the tax deduction for contributing to that account. This change will allow grandparents and other family members, like aunts and uncles, to donate to a beneficiary's savings without having to open an additional 529 savings account in order to get the deduction that they are already entitled to. In other words, it eliminates the red tape of needing multiple accounts.

Second, the bill ensures that employees whose employers contributed to their 529 accounts are not charged state income tax on those contributions, and that no employee loses their state aid benefits because of the funds contributed by their employer to a 529 account.

Finally, the bill updates Nebraska's 529 statutes to allow Nebraskans to take advantage of recent changes to the federal 529 laws. First, it includes the costs of participation in an apprenticeship program as an expense that funds in a 529 account can be used for. Second, it allows beneficiaries to spend up to ten thousand dollars out of their 529 accounts to pay off their student loans.

Principal Introducer: _____

Senator Andrew La Grone