

One Hundred Seventh Legislature - Second Session - 2022

Introducer's Statement of Intent

LB1264

Chairperson: Senator Lou Ann Linehan

Committee: Revenue

Date of Hearing: February 23, 2022

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

Legislative Bill 1264 proposes to modernize Nebraska's income, sales, and inheritance tax provisions to be more competitive with our peers and to recruit and retain additional residents and workers to the state. In addition to removing a range of sales tax exemptions, while maintaining the exemption of unprepared food, this bill eliminates itemized income tax deductions, and expresses the intent of the Legislature to offset reduced General Fund revenues through the elimination of tax incentive programs (with the exception of the Nebraska Advantage Research and Development Act). The bill also expresses the intent of the Legislature to create two student loan relief programs for recent graduates in STEM programs or qualified trades.

Income tax changes under the bill are as follows:

The three bottom Nebraska individual income tax brackets would be replaced with a single 0% tax bracket on incomes from \$0-49,999 for single filing individuals. The amount of income included in the 0% tax rate would increase to \$99,999 for married taxpayers filing jointly.

Effective in 2022, the top individual income tax rate would be reduced to 5.60% on all income above the aforementioned amounts. Effective in 2025, the top rate would be reduced to 5.30%. Effective in 2028, the rate would be reduced to 4.99%.

Effective in 2022, the lower corporate income tax rate would be reduced from 5.58% to 4%. The top corporate income tax rate would be reduced to 5.60%, and subsequently reduced in parity with the top individual income tax rate by 2028.

The bill would also end the county inheritance tax, effective January 1, 2023.

Principal Introducer: _____

Senator Mike McDonnell