

LEGISLATURE OF NEBRASKA
ONE HUNDRED EIGHTH LEGISLATURE
FIRST SESSION

LEGISLATIVE BILL 754

FINAL READING

Introduced by Linehan, 39; Albrecht, 17; Brieese, 41; Clements, 2;
Jacobson, 42; Kauth, 31; Sanders, 45; von Gillern, 4;
Moser, 22; Ballard, 21; Lippincott, 34; at the request of
the Governor.

Read first time January 18, 2023

Committee: Revenue

1 A BILL FOR AN ACT relating to revenue and taxation; to amend sections
2 77-2727, 77-2730, 77-2775, 77-3605, and 77-3606, Reissue Revised
3 Statutes of Nebraska, and sections 71-1962, 77-2715.03, 77-2715.07,
4 77-2716, 77-2717, 77-2734.01, 77-2734.02, 77-2734.03, and 77-3604,
5 Revised Statutes Cumulative Supplement, 2022; to adopt the Child
6 Care Tax Credit Act; to reduce individual and corporate income tax
7 rates as prescribed; to provide for certain income tax deductions;
8 to change provisions relating to taxation of partnerships and small
9 business corporations; to define terms; to reauthorize tax credits
10 under and change provisions relating to the School Readiness Tax
11 Credit Act; to harmonize provisions; to provide severability; to
12 repeal the original sections; and to declare an emergency.
13 Be it enacted by the people of the State of Nebraska,

1 Section 1. Sections 1 to 5 of this act shall be known and may be
2 cited as the Child Care Tax Credit Act.

3 Sec. 2. For purposes of the Child Care Tax Credit Act:

4 (1) Child means an individual who is five years of age or less;

5 (2) Department means the Department of Revenue;

6 (3) Eligible program means a program that is licensed as a family
7 child care home I, family child care home II, child care center, or
8 preschool and operates as a for-profit child care business or is a
9 nonprofit organization under the Internal Revenue Code of 1986, as
10 amended;

11 (4) Intermediary means any organization that distributes funds for
12 the purpose of supporting an eligible program;

13 (5) Parent or legal guardian means an individual who claims a child
14 as a dependent for federal income tax purposes;

15 (6) Qualifying contribution means a contribution in the form of
16 cash, check, cash equivalent, agricultural commodity, livestock, or
17 publicly traded security that is made:

18 (a) For the establishment or operation of an eligible program;

19 (b) For the establishment of a grant or loan program for parents
20 requiring financial assistance for an eligible program;

21 (c) To an early childhood collaborative or another intermediary to
22 provide training, technical assistance, or mentorship to child care
23 providers;

24 (d) For the establishment or ongoing costs of an information
25 dissemination program that assists parents with information and referral
26 services for child care;

27 (e) To a for-profit child care business, including family home
28 providers. The for-profit child care business must use the proceeds of a
29 qualifying contribution for (i) the acquisition or improvement of child
30 care facilities, (ii) the acquisition of equipment, (iii) providing
31 services, or (iv) employee retention; or

1 (f) To an intermediary for the establishment or operation of an
2 eligible program or for the establishment of a grant or loan program for
3 parents requiring financial assistance for an eligible program;

4 (7) Taxpayer means any person subject to the income tax imposed by
5 the Nebraska Revenue Act of 1986. The term includes resident and
6 nonresident individuals, estates, trusts, and corporations; and

7 (8) Total household income means federal modified adjusted gross
8 income.

9 Sec. 3. (1) For taxable years beginning or deemed to begin on or
10 after January 1, 2024, under the Internal Revenue Code of 1986, as
11 amended, a parent or legal guardian shall be eligible to receive a credit
12 against the income tax imposed by the Nebraska Revenue Act of 1967 if:

13 (a) The parent's or legal guardian's child is enrolled in a child
14 care program licensed pursuant to the Child Care Licensing Act;

15 (b) The parent's or legal guardian's child receives care from an
16 approved license-exempt provider enrolled in the child care subsidy
17 program pursuant to sections 68-1202 and 68-1206; or

18 (c) The parent's or legal guardian's total household income is less
19 than or equal to one hundred percent of the federal poverty level.

20 (2) The credit provided in this section shall be a refundable tax
21 credit equal to:

22 (a) Two thousand dollars per child if the parent's or legal
23 guardian's total household income is no more than seventy-five thousand
24 dollars; or

25 (b) One thousand dollars per child if the parent's or legal
26 guardian's total household income is more than seventy-five thousand
27 dollars but no more than one hundred fifty thousand dollars.

28 (3) A parent or legal guardian shall not be eligible for a credit
29 under this section if the parent's or legal guardian's total household
30 income is more than one hundred fifty thousand dollars.

31 (4) A parent or legal guardian shall apply for the credit provided

1 in this section by submitting an application to the department with the
2 following information:

3 (a) The number of children for which the parent or legal guardian is
4 claiming a credit;

5 (b) Documentation of the parent's or legal guardian's total
6 household income; and

7 (c) Any other documentation required by the department.

8 (5) Subject to subsection (6) of this section, if the department
9 determines that the parent or legal guardian qualifies for tax credits
10 under this section, the department shall approve the application and
11 certify the amount of credits approved to the parent or legal guardian.

12 (6) The department shall consider applications in the order in which
13 they are received and may approve tax credits under this section each
14 year until the total amount of credits approved for the year equals
15 fifteen million dollars.

16 Sec. 4. (1) For taxable years beginning or deemed to begin on or
17 after January 1, 2024, under the Internal Revenue Code of 1986, as
18 amended, any taxpayer who makes a qualifying contribution during the
19 taxable year shall be eligible to receive a credit against the income tax
20 imposed by the Nebraska Revenue Act of 1967.

21 (2) The credit provided in this section shall be a nonrefundable
22 credit equal to either one hundred percent or seventy-five percent of the
23 taxpayer's qualifying contribution made during the taxable year, except
24 that the credit for a taxpayer shall not exceed one hundred thousand
25 dollars for any single taxable year.

26 (3) The credit shall be equal to one hundred percent of the
27 qualifying contribution if:

28 (a) The eligible program that receives the contribution has a
29 physical presence in an opportunity zone in this state designated
30 pursuant to the federal Tax Cuts and Jobs Act, Public Law 115-97; or

31 (b) The eligible program that receives the contribution has at least

1 one child enrolled in the child care subsidy program established pursuant
2 to sections 68-1202 and 68-1206 and the child care provider is actively
3 caring and billing for the child as verified by the Department of Health
4 and Human Services. Attracting child care providers into the child care
5 subsidy program and retaining providers in the program are directly
6 connected to the administration of the program. Verifying that the child
7 care provider is actively caring and billing for an eligible child is in
8 furtherance of the child care subsidy program. The Department of Revenue
9 shall not use any verification information obtained from the Department
10 of Health and Human Services except for purposes directly connected with
11 the administration of the Child Care Tax Credit Act.

12 (4) The credit shall be equal to seventy-five percent of the
13 qualifying contribution if subsection (3) of this section does not apply.

14 (5) A taxpayer shall not be eligible for the credit provided in this
15 section if the taxpayer claimed a charitable contribution deduction for
16 the qualifying contribution on the taxpayer's federal income tax return.

17 (6) A taxpayer shall apply for the credit provided in this section
18 by submitting an application to the department with the following
19 information:

20 (a) Documentation to show that the contribution is a qualifying
21 contribution; and

22 (b) Any other documentation required by the department.

23 (7) Subject to subsection (8) of this section, if the department
24 determines that the taxpayer qualifies for tax credits under this
25 section, the department shall approve the application and certify the
26 amount of credits approved to the taxpayer.

27 (8) The department shall consider applications in the order in which
28 they are received and may approve tax credits under this section each
29 year until the total amount of credits approved for the year equals two
30 million five hundred thousand dollars.

31 (9) If a taxpayer's credit under this section exceeds the total tax

1 due, the taxpayer may carry forward the excess credit for up to five
2 taxable years after the taxable year in which the credit was first
3 allowed, but the taxpayer must use the carryover credit in the earliest
4 taxable year possible.

5 (10) A contribution shall not qualify for a credit under this
6 section if the contribution is made to a child care provider in which the
7 taxpayer or a person related to the taxpayer has a financial interest,
8 unless the contribution is part of a bona fide arm's length transaction.

9 Sec. 5. The department may adopt and promulgate rules and
10 regulations to carry out the Child Care Tax Credit Act.

11 Sec. 6. Section 71-1962, Revised Statutes Cumulative Supplement,
12 2022, is amended to read:

13 71-1962 (1) Not later than March 1, 2014, the State Department of
14 Education shall create and operate the Nebraska Early Childhood
15 Professional Record System. The system shall be designed in order to:

16 (a) Establish a database of Nebraska's early childhood education
17 workforce;

18 (b) Verify educational degrees and professional credentials held and
19 relevant training completed by employees of participating applicable
20 child care and early childhood education programs; and

21 (c) Provide such information to the Department of Health and Human
22 Services for use in evaluating applications to be rated at a step above
23 step one under section 71-1959.

24 (2) When an applicable child care or early childhood education
25 program participating in the quality rating and improvement system
26 developed pursuant to section 71-1955 applies under section 71-1959 to be
27 rated at a step above step one, the child care or early childhood
28 education program shall report the educational degrees and professional
29 credentials held and relevant training completed by its child care and
30 early childhood education employees to the Nebraska Early Childhood
31 Professional Record System for the program to be eligible for a quality

1 scale rating above step one.

2 (3) Any child care or early childhood education provider residing or
3 working in Nebraska may report his or her educational degrees and
4 professional credentials held, relevant training completed, and work
5 history to the Nebraska Early Childhood Professional Record System.

6 (4) The State Department of Education shall develop a classification
7 system for all eligible staff members as defined in section 77-3603 who
8 are employees of or who are self-employed individuals providing services
9 for applicable child care and early childhood education programs listed
10 in the Nebraska Early Childhood Professional Record System. The
11 classification system shall be based on the eligible staff members'
12 educational attainment degrees ~~and professional credentials held,~~
13 relevant training completed, and work history and shall be made up of
14 five ~~four~~ levels, with level one being the least qualified and level five
15 ~~four~~ being the most qualified. In order to meet the minimum qualification
16 for classification as level one, an eligible staff member must be
17 employed with, or be a self-employed individual providing services for,
18 an eligible program as defined in section 77-3603 and complete at least
19 twelve hours of in-service training at a licensed child care facility.
20 ~~The minimum qualification for an eligible staff member to be classified~~
21 ~~as level one shall be a Child Development Associate Credential or a one-~~
22 ~~year certificate or diploma in early childhood education or child~~
23 ~~development.~~ The classification system shall be used for purposes of the
24 tax credit granted in section 77-3605 under the School Readiness Tax
25 Credit Act.

26 Sec. 7. Section 77-2715.03, Revised Statutes Cumulative Supplement,
27 2022, is amended to read:

28 77-2715.03 (1) For taxable years beginning or deemed to begin on or
29 after January 1, 2013, and before January 1, 2014, the following brackets
30 and rates are hereby established for the Nebraska individual income tax:

31 Individual Income Tax Brackets and Rates

1	Bracket	Single	Married,	Head of	Married,	Estates	Tax
2	Number	Individuals	Filing	Household	Filing	and	Rate
3			Jointly		Separate	Trusts	
4	1	\$0-2,399	\$0-4,799	\$0-4,499	\$0-2,399	\$0-499	2.46%
5	2	\$2,400-	\$4,800-	\$4,500-	\$2,400-	\$500-	
6		17,499	34,999	27,999	17,499	4,699	3.51%
7	3	\$17,500-	\$35,000-	\$28,000-	\$17,500-	\$4,700-	
8		26,999	53,999	39,999	26,999	15,149	5.01%
9	4	\$27,000	\$54,000	\$40,000	\$27,000	\$15,150	
10		and Over	and Over	and Over	and Over	and Over	6.84%

11 (2)(a) (2) For taxable years beginning or deemed to begin on or
 12 after January 1, 2014, the following brackets and rates are hereby
 13 established for the Nebraska individual income tax:

14 Individual Income Tax Brackets and Rates

15	Bracket	Single	Married,	Head of	Married,	Estates	Tax
16	Number	Individuals	Filing	Household	Filing	and	Rate
17			Jointly		Separate	Trusts	
18	1	\$0-2,999	\$0-5,999	\$0-5,599	\$0-2,999	\$0-499	2.46%
19	2	\$3,000-	\$6,000-	\$5,600-	\$3,000-	\$500-	
20		17,999	35,999	28,799	17,999	4,699	3.51%
21	<u>3</u>	<u>\$18,000-</u>	<u>\$36,000-</u>	<u>\$28,800-</u>	<u>\$18,000-</u>	<u>\$4,700-</u>	<u>Rate</u>
22		<u>28,999</u>	<u>57,999</u>	<u>42,999</u>	<u>28,999</u>	<u>15,149</u>	<u>Three</u>
23	<u>4</u>	<u>\$29,000</u>	<u>\$58,000</u>	<u>\$43,000</u>	<u>\$29,000</u>	<u>\$15,150</u>	<u>Rate</u>
24		<u>and Over</u>	<u>and Over</u>	<u>and Over</u>	<u>and Over</u>	<u>and Over</u>	<u>Four</u>
25	3	\$18,000-	\$36,000-	\$28,800-	\$18,000-	\$4,700-	
26		28,999	57,999	42,999	28,999	15,149	5.01%
27	4	\$29,000	\$58,000	\$43,000	\$29,000	\$15,150	
28		and Over	and Over	and Over	and Over	and Over	Top Rate

29 (b) For purposes of this subsection, rate three shall be:

30 (i) 5.01% for taxable years beginning or deemed to begin on or after

1 January 1, 2014, and before January 1, 2026;

2 (ii) 4.55% for taxable years beginning or deemed to begin on or
3 after January 1, 2026, and before January 1, 2027; and

4 (iii) 3.99% for taxable years beginning or deemed to begin on or
5 after January 1, 2027.

6 (c) For purposes of this subsection, the top rate four shall be:

7 (i) (a) 6.84% for taxable years beginning or deemed to begin on or
8 after January 1, 2014, and before January 1, 2023;

9 (ii) (b) 6.64% for taxable years beginning or deemed to begin on or
10 after January 1, 2023, and before January 1, 2024;

11 (iii) 5.84% (c) 6.44% for taxable years beginning or deemed to begin
12 on or after January 1, 2024, and before January 1, 2025;

13 (iv) 5.20% (d) 6.24% for taxable years beginning or deemed to begin
14 on or after January 1, 2025, and before January 1, 2026;

15 (v) 4.55% (e) 6.00% for taxable years beginning or deemed to begin
16 on or after January 1, 2026, and before January 1, 2027; and

17 (vi) 3.99% (f) 5.84% for taxable years beginning or deemed to begin
18 on or after January 1, 2027.

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

29 (b)(i) For taxable years beginning or deemed to begin on or after
30 January 1, 2015, and before January 1, 2018, the Tax Commissioner shall
31 adjust the income tax brackets by the percentage determined pursuant to

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

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

19 (4) Whenever the tax brackets or tax rates are changed by the
20 Legislature, the Tax Commissioner shall update the tax rate schedules to
21 reflect the new tax brackets or tax rates and shall publish such updated
22 schedules.

23 (5) The Tax Commissioner shall prepare, from the rate schedules, tax
24 tables which can be used by a majority of the taxpayers to determine
25 their Nebraska tax liability. The design of the tax tables shall be
26 determined by the Tax Commissioner. The size of the tax table brackets
27 may change as the level of income changes. The difference in tax between
28 two tax table brackets shall not exceed fifteen dollars. The Tax
29 Commissioner may build the personal exemption credit and standard
30 deduction amounts into the tax tables.

31 (6) For taxable years beginning or deemed to begin on or after

1 January 1, 2013, the tax rate applied to other federal taxes included in
2 the computation of the Nebraska individual income tax shall be 29.6
3 percent.

4 (7) The Tax Commissioner may require by rule and regulation that all
5 taxpayers shall use the tax tables if their income is less than the
6 maximum income included in the tax tables.

7 Sec. 8. Section 77-2715.07, Revised Statutes Cumulative Supplement,
8 2022, is amended to read:

9 77-2715.07 (1) There shall be allowed to qualified resident
10 individuals as a nonrefundable credit against the income tax imposed by
11 the Nebraska Revenue Act of 1967:

12 (a) A credit equal to the federal credit allowed under section 22 of
13 the Internal Revenue Code; and

14 (b) A credit for taxes paid to another state as provided in section
15 77-2730.

16 (2) There shall be allowed to qualified resident individuals against
17 the income tax imposed by the Nebraska Revenue Act of 1967:

18 (a) For returns filed reporting federal adjusted gross incomes of
19 greater than twenty-nine thousand dollars, a nonrefundable credit equal
20 to twenty-five percent of the federal credit allowed under section 21 of
21 the Internal Revenue Code of 1986, as amended, except that for taxable
22 years beginning or deemed to begin on or after January 1, 2015, such
23 nonrefundable credit shall be allowed only if the individual would have
24 received the federal credit allowed under section 21 of the code after
25 adding back in any carryforward of a net operating loss that was deducted
26 pursuant to such section in determining eligibility for the federal
27 credit;

28 (b) For returns filed reporting federal adjusted gross income of
29 twenty-nine thousand dollars or less, a refundable credit equal to a
30 percentage of the federal credit allowable under section 21 of the
31 Internal Revenue Code of 1986, as amended, whether or not the federal

1 credit was limited by the federal tax liability. The percentage of the
2 federal credit shall be one hundred percent for incomes not greater than
3 twenty-two thousand dollars, and the percentage shall be reduced by ten
4 percent for each one thousand dollars, or fraction thereof, by which the
5 reported federal adjusted gross income exceeds twenty-two thousand
6 dollars, except that for taxable years beginning or deemed to begin on or
7 after January 1, 2015, such refundable credit shall be allowed only if
8 the individual would have received the federal credit allowed under
9 section 21 of the code after adding back in any carryforward of a net
10 operating loss that was deducted pursuant to such section in determining
11 eligibility for the federal credit;

12 (c) A refundable credit as provided in section 77-5209.01 for
13 individuals who qualify for an income tax credit as a qualified beginning
14 farmer or livestock producer under the Beginning Farmer Tax Credit Act
15 for all taxable years beginning or deemed to begin on or after January 1,
16 2006, under the Internal Revenue Code of 1986, as amended;

17 (d) A refundable credit for individuals who qualify for an income
18 tax credit under the Angel Investment Tax Credit Act, the Nebraska
19 Advantage Microenterprise Tax Credit Act, the Nebraska Advantage Research
20 and Development Act, or the Volunteer Emergency Responders Incentive Act;
21 and

22 (e) A refundable credit equal to ten percent of the federal credit
23 allowed under section 32 of the Internal Revenue Code of 1986, as
24 amended, except that for taxable years beginning or deemed to begin on or
25 after January 1, 2015, such refundable credit shall be allowed only if
26 the individual would have received the federal credit allowed under
27 section 32 of the code after adding back in any carryforward of a net
28 operating loss that was deducted pursuant to such section in determining
29 eligibility for the federal credit.

30 (3) There shall be allowed to all individuals as a nonrefundable
31 credit against the income tax imposed by the Nebraska Revenue Act of

1 1967:

2 (a) A credit for personal exemptions allowed under section
3 77-2716.01;

4 (b) A credit for contributions to certified community betterment
5 programs as provided in the Community Development Assistance Act. Each
6 partner, each shareholder of an electing subchapter S corporation, each
7 beneficiary of an estate or trust, or each member of a limited liability
8 company shall report his or her share of the credit in the same manner
9 and proportion as he or she reports the partnership, subchapter S
10 corporation, estate, trust, or limited liability company income;

11 (c) A credit for investment in a biodiesel facility as provided in
12 section 77-27,236;

13 (d) A credit as provided in the New Markets Job Growth Investment
14 Act;

15 (e) A credit as provided in the Nebraska Job Creation and Mainstreet
16 Revitalization Act;

17 (f) A credit to employers as provided in sections 77-27,238 and
18 77-27,240; and

19 (g) A credit as provided in the Affordable Housing Tax Credit Act.

20 (4) There shall be allowed as a credit against the income tax
21 imposed by the Nebraska Revenue Act of 1967:

22 (a) A credit to all resident estates and trusts for taxes paid to
23 another state as provided in section 77-2730;

24 (b) A credit to all estates and trusts for contributions to
25 certified community betterment programs as provided in the Community
26 Development Assistance Act; and

27 (c) A refundable credit for individuals who qualify for an income
28 tax credit as an owner of agricultural assets under the Beginning Farmer
29 Tax Credit Act for all taxable years beginning or deemed to begin on or
30 after January 1, 2009, under the Internal Revenue Code of 1986, as
31 amended. The credit allowed for each partner, shareholder, member, or

1 beneficiary of a partnership, corporation, limited liability company, or
2 estate or trust qualifying for an income tax credit as an owner of
3 agricultural assets under the Beginning Farmer Tax Credit Act shall be
4 equal to the partner's, shareholder's, member's, or beneficiary's portion
5 of the amount of tax credit distributed pursuant to subsection (6) of
6 section 77-5211.

7 (5)(a) For all taxable years beginning on or after January 1, 2007,
8 and before January 1, 2009, under the Internal Revenue Code of 1986, as
9 amended, there shall be allowed to each partner, shareholder, member, or
10 beneficiary of a partnership, subchapter S corporation, limited liability
11 company, or estate or trust a nonrefundable credit against the income tax
12 imposed by the Nebraska Revenue Act of 1967 equal to fifty percent of the
13 partner's, shareholder's, member's, or beneficiary's portion of the
14 amount of franchise tax paid to the state under sections 77-3801 to
15 77-3807 by a financial institution.

16 (b) For all taxable years beginning on or after January 1, 2009,
17 under the Internal Revenue Code of 1986, as amended, there shall be
18 allowed to each partner, shareholder, member, or beneficiary of a
19 partnership, subchapter S corporation, limited liability company, or
20 estate or trust a nonrefundable credit against the income tax imposed by
21 the Nebraska Revenue Act of 1967 equal to the partner's, shareholder's,
22 member's, or beneficiary's portion of the amount of franchise tax paid to
23 the state under sections 77-3801 to 77-3807 by a financial institution.

24 (c) Each partner, shareholder, member, or beneficiary shall report
25 his or her share of the credit in the same manner and proportion as he or
26 she reports the partnership, subchapter S corporation, limited liability
27 company, or estate or trust income. If any partner, shareholder, member,
28 or beneficiary cannot fully utilize the credit for that year, the credit
29 may not be carried forward or back.

30 (6) There shall be allowed to all individuals nonrefundable credits
31 against the income tax imposed by the Nebraska Revenue Act of 1967 as

1 provided in section 77-3604 and refundable credits against the income tax
2 imposed by the Nebraska Revenue Act of 1967 as provided in section
3 77-3605.

4 (7)(a) For taxable years beginning or deemed to begin on or after
5 January 1, 2020, and before January 1, 2026, under the Internal Revenue
6 Code of 1986, as amended, a nonrefundable credit against the income tax
7 imposed by the Nebraska Revenue Act of 1967 in the amount of five
8 thousand dollars shall be allowed to any individual who purchases a
9 residence during the taxable year if such residence:

10 (i) Is located within an area that has been declared an extremely
11 blighted area under section 18-2101.02;

12 (ii) Is the individual's primary residence; and

13 (iii) Was not purchased from a family member of the individual or a
14 family member of the individual's spouse.

15 (b) The credit provided in this subsection shall be claimed for the
16 taxable year in which the residence is purchased. If the individual
17 cannot fully utilize the credit for such year, the credit may be carried
18 forward to subsequent taxable years until fully utilized.

19 (c) No more than one credit may be claimed under this subsection
20 with respect to a single residence.

21 (d) The credit provided in this subsection shall be subject to
22 recapture by the Department of Revenue if the individual claiming the
23 credit sells or otherwise transfers the residence or quits using the
24 residence as his or her primary residence within five years after the end
25 of the taxable year in which the credit was claimed.

26 (e) For purposes of this subsection, family member means an
27 individual's spouse, child, parent, brother, sister, grandchild, or
28 grandparent, whether by blood, marriage, or adoption.

29 (8) There shall be allowed to all individuals refundable credits
30 against the income tax imposed by the Nebraska Revenue Act of 1967 as
31 provided in the Nebraska Higher Blend Tax Credit Act, the Nebraska

1 Property Tax Incentive Act, and the Renewable Chemical Production Tax
2 Credit Act.

3 (9)(a) For taxable years beginning or deemed to begin on or after
4 January 1, 2022, under the Internal Revenue Code of 1986, as amended, a
5 refundable credit against the income tax imposed by the Nebraska Revenue
6 Act of 1967 shall be allowed to the parent of a stillborn child if:

7 (i) A fetal death certificate is filed pursuant to subsection (1) of
8 section 71-606 for such child;

9 (ii) Such child had advanced to at least the twentieth week of
10 gestation; and

11 (iii) Such child would have been a dependent of the individual
12 claiming the credit.

13 (b) The amount of the credit shall be two thousand dollars.

14 (c) The credit shall be allowed for the taxable year in which the
15 stillbirth occurred.

16 (10) There shall be allowed to all individuals refundable credits
17 against the income tax imposed by the Nebraska Revenue Act of 1967 as
18 provided in section 3 of this act and nonrefundable credits against the
19 income tax imposed by the Nebraska Revenue Act of 1967 as provided in
20 section 4 of this act.

21 Sec. 9. Section 77-2716, Revised Statutes Cumulative Supplement,
22 2022, is amended to read:

23 77-2716 (1) The following adjustments to federal adjusted gross
24 income or, for corporations and fiduciaries, federal taxable income shall
25 be made for interest or dividends received:

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

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

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

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

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

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

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

1 (2) There shall be allowed a net operating loss derived from or
2 connected with Nebraska sources computed under rules and regulations
3 adopted and promulgated by the Tax Commissioner consistent, to the extent
4 possible under the Nebraska Revenue Act of 1967, with the laws of the
5 United States. For a resident individual, estate, or trust, the net
6 operating loss computed on the federal income tax return shall be
7 adjusted by the modifications contained in this section. For a
8 nonresident individual, estate, or trust or for a partial-year resident
9 individual, the net operating loss computed on the federal return shall
10 be adjusted by the modifications contained in this section and any
11 carryovers or carrybacks shall be limited to the portion of the loss
12 derived from or connected with Nebraska sources.

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

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

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

30 (6) There shall be subtracted from federal taxable income a portion
31 of the income earned by a corporation subject to the Internal Revenue

1 Code of 1986 that is actually taxed by a foreign country or one of its
2 political subdivisions at a rate in excess of the maximum federal tax
3 rate for corporations. The taxpayer may make the computation for each
4 foreign country or for groups of foreign countries. The portion of the
5 taxes that may be deducted shall be computed in the following manner:

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

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

13 (c) The result of the calculation in subdivision (b) of this
14 subsection shall be subtracted from the amount of federal taxable income
15 used in subdivision (a) of this subsection. The result of such
16 calculation, if greater than zero, shall be subtracted from federal
17 taxable income.

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

21 (8)(a) Federal adjusted gross income or, for corporations and
22 fiduciaries, federal taxable income shall be reduced, to the extent
23 included, by income from interest, earnings, and state contributions
24 received from the Nebraska educational savings plan trust created in
25 sections 85-1801 to 85-1817 and any account established under the
26 achieving a better life experience program as provided in sections
27 77-1401 to 77-1409.

28 (b) Federal adjusted gross income or, for corporations and
29 fiduciaries, federal taxable income shall be reduced by any contributions
30 as a participant in the Nebraska educational savings plan trust or
31 contributions to an account established under the achieving a better life

1 experience program made for the benefit of a beneficiary as provided in
2 sections 77-1401 to 77-1409, to the extent not deducted for federal
3 income tax purposes, but not to exceed five thousand dollars per married
4 filing separate return or ten thousand dollars for any other return. With
5 respect to a qualified rollover within the meaning of section 529 of the
6 Internal Revenue Code from another state's plan, any interest, earnings,
7 and state contributions received from the other state's educational
8 savings plan which is qualified under section 529 of the code shall
9 qualify for the reduction provided in this subdivision. For contributions
10 by a custodian of a custodial account including rollovers from another
11 custodial account, the reduction shall only apply to funds added to the
12 custodial account after January 1, 2014.

13 (c) For taxable years beginning or deemed to begin on or after
14 January 1, 2021, under the Internal Revenue Code of 1986, as amended,
15 federal adjusted gross income shall be reduced, to the extent included in
16 the adjusted gross income of an individual, by the amount of any
17 contribution made by the individual's employer into an account under the
18 Nebraska educational savings plan trust owned by the individual, not to
19 exceed five thousand dollars per married filing separate return or ten
20 thousand dollars for any other return.

21 (d) Federal adjusted gross income or, for corporations and
22 fiduciaries, federal taxable income shall be increased by:

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

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

31 (9)(a) For income tax returns filed after September 10, 2001, for

1 taxable years beginning or deemed to begin before January 1, 2006, under
2 the Internal Revenue Code of 1986, as amended, federal adjusted gross
3 income or, for corporations and fiduciaries, federal taxable income shall
4 be increased by eighty-five percent of any amount of any federal bonus
5 depreciation received under the federal Job Creation and Worker
6 Assistance Act of 2002 or the federal Jobs and Growth Tax Act of 2003,
7 under section 168(k) or section 1400L of the Internal Revenue Code of
8 1986, as amended, for assets placed in service after September 10, 2001,
9 and before December 31, 2005.

10 (b) For a partnership, limited liability company, cooperative,
11 including any cooperative exempt from income taxes under section 521 of
12 the Internal Revenue Code of 1986, as amended, limited cooperative
13 association, subchapter S corporation, or joint venture, the increase
14 shall be distributed to the partners, members, shareholders, patrons, or
15 beneficiaries in the same manner as income is distributed for use against
16 their income tax liabilities.

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

21 (d) The amount of bonus depreciation added to federal adjusted gross
22 income or, for corporations and fiduciaries, federal taxable income by
23 this subsection shall be subtracted in a later taxable year. Twenty
24 percent of the total amount of bonus depreciation added back by this
25 subsection for tax years beginning or deemed to begin before January 1,
26 2003, under the Internal Revenue Code of 1986, as amended, may be
27 subtracted in the first taxable year beginning or deemed to begin on or
28 after January 1, 2005, under the Internal Revenue Code of 1986, as
29 amended, and twenty percent in each of the next four following taxable
30 years. Twenty percent of the total amount of bonus depreciation added
31 back by this subsection for tax years beginning or deemed to begin on or

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

5 (10) For taxable years beginning or deemed to begin on or after
6 January 1, 2003, and before January 1, 2006, under the Internal Revenue
7 Code of 1986, as amended, federal adjusted gross income or, for
8 corporations and fiduciaries, federal taxable income shall be increased
9 by the amount of any capital investment that is expensed under section
10 179 of the Internal Revenue Code of 1986, as amended, that is in excess
11 of twenty-five thousand dollars that is allowed under the federal Jobs
12 and Growth Tax Act of 2003. Twenty percent of the total amount of
13 expensing added back by this subsection for tax years beginning or deemed
14 to begin on or after January 1, 2003, may be subtracted in the first
15 taxable year beginning or deemed to begin on or after January 1, 2006,
16 under the Internal Revenue Code of 1986, as amended, and twenty percent
17 in each of the next four following tax years.

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

26 (b) For taxable years beginning or deemed to begin before January 1,
27 2018, under the Internal Revenue Code of 1986, as amended, federal
28 adjusted gross income shall be increased by the withdrawals made as a
29 participant in the Nebraska long-term care savings plan under the act by
30 a person who is not a qualified individual or for any reason other than
31 transfer of funds to a spouse, long-term care expenses, long-term care

1 insurance premiums, or death of the participant, including withdrawals
2 made by reason of cancellation of the participation agreement, to the
3 extent previously deducted as a contribution or as investment earnings.

4 (12) There shall be added to federal adjusted gross income for
5 individuals, estates, and trusts any amount taken as a credit for
6 franchise tax paid by a financial institution under sections 77-3801 to
7 77-3807 as allowed by subsection (5) of section 77-2715.07.

8 (13)(a) For taxable years beginning or deemed to begin on or after
9 January 1, 2015, and before January 1, 2024 ~~2025~~, under the Internal
10 Revenue Code of 1986, as amended, federal adjusted gross income shall be
11 reduced by the amount received as benefits under the federal Social
12 Security Act which are included in the federal adjusted gross income if:

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

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

17 (b) For taxable years beginning or deemed to begin on or after
18 January 1, 2020, and before January 1, 2024 ~~2025~~, under the Internal
19 Revenue Code of 1986, as amended, the Tax Commissioner shall adjust the
20 dollar amounts provided in subdivisions (13)(a)(i) and (ii) of this
21 section by the same percentage used to adjust individual income tax
22 brackets under subsection (3) of section 77-2715.03.

23 (c) For taxable years beginning or deemed to begin on or after
24 January 1, 2021, and before January 1, 2024 ~~2025~~, under the Internal
25 Revenue Code of 1986, as amended, a taxpayer may claim the reduction to
26 federal adjusted gross income allowed under this subsection or the
27 reduction to federal adjusted gross income allowed under subsection (14)
28 of this section, whichever provides the greater reduction.

29 (14)(a) For taxable years beginning or deemed to begin on or after
30 January 1, 2021, under the Internal Revenue Code of 1986, as amended,
31 federal adjusted gross income shall be reduced by a percentage of the

1 social security benefits that are received and included in federal
2 adjusted gross income. The pertinent percentage shall be:

3 (i) Five percent for taxable years beginning or deemed to begin on
4 or after January 1, 2021, and before January 1, 2022, under the Internal
5 Revenue Code of 1986, as amended;

6 (ii) Forty percent for taxable years beginning or deemed to begin on
7 or after January 1, 2022, and before January 1, 2023, under the Internal
8 Revenue Code of 1986, as amended;

9 (iii) Sixty percent for taxable years beginning or deemed to begin
10 on or after January 1, 2023, and before January 1, 2024, under the
11 Internal Revenue Code of 1986, as amended; and

12 (iv) One hundred ~~Eighty~~ percent for taxable years beginning or
13 deemed to begin on or after January 1, 2024, ~~and before January 1, 2025,~~
14 under the Internal Revenue Code of 1986, as amended. ~~;~~ and

15 ~~(v) One hundred percent for taxable years beginning or deemed to~~
16 ~~begin on or after January 1, 2025, under the Internal Revenue Code of~~
17 ~~1986, as amended.~~

18 (b) For purposes of this subsection, social security benefits means
19 benefits received under the federal Social Security Act.

20 (c) For taxable years beginning or deemed to begin on or after
21 January 1, 2021, and before January 1, 2024 ~~2025~~, under the Internal
22 Revenue Code of 1986, as amended, a taxpayer may claim the reduction to
23 federal adjusted gross income allowed under this subsection or the
24 reduction to federal adjusted gross income allowed under subsection (13)
25 of this section, whichever provides the greater reduction.

26 (15)(a) For taxable years beginning or deemed to begin on or after
27 January 1, 2015, and before January 1, 2022, under the Internal Revenue
28 Code of 1986, as amended, an individual may make a one-time election
29 within two calendar years after the date of his or her retirement from
30 the military to exclude income received as a military retirement benefit
31 by the individual to the extent included in federal adjusted gross income

1 and as provided in this subdivision. The individual may elect to exclude
2 forty percent of his or her military retirement benefit income for seven
3 consecutive taxable years beginning with the year in which the election
4 is made or may elect to exclude fifteen percent of his or her military
5 retirement benefit income for all taxable years beginning with the year
6 in which he or she turns sixty-seven years of age.

7 (b) For taxable years beginning or deemed to begin on or after
8 January 1, 2022, under the Internal Revenue Code of 1986, as amended, an
9 individual may exclude one hundred percent of the military retirement
10 benefit income received by such individual to the extent included in
11 federal adjusted gross income.

12 (c) For purposes of this subsection, military retirement benefit
13 means retirement benefits that are periodic payments attributable to
14 service in the uniformed services of the United States for personal
15 services performed by an individual prior to his or her retirement. The
16 term includes retirement benefits described in this subdivision that are
17 reported to the individual on either:

18 (i) An Internal Revenue Service Form 1099-R received from the United
19 States Department of Defense; or

20 (ii) An Internal Revenue Service Form 1099-R received from the
21 United States Office of Personnel Management.

22 (16) For taxable years beginning or deemed to begin on or after
23 January 1, 2021, under the Internal Revenue Code of 1986, as amended,
24 federal adjusted gross income shall be reduced by the amount received as
25 a Segal AmeriCorps Education Award, to the extent such amount is included
26 in federal adjusted gross income.

27 (17) For taxable years beginning or deemed to begin on or after
28 January 1, 2022, under the Internal Revenue Code of 1986, as amended,
29 federal adjusted gross income shall be reduced by the amount received by
30 or on behalf of a firefighter for cancer benefits under the Firefighter
31 Cancer Benefits Act to the extent included in federal adjusted gross

1 income.

2 (18) There shall be subtracted from the federal adjusted gross
3 income of individuals any amount received by the individual as student
4 loan repayment assistance under the Teach in Nebraska Today Act, to the
5 extent such amount is included in federal adjusted gross income.

6 (19) For taxable years beginning or deemed to begin on or after
7 January 1, 2023, under the Internal Revenue Code of 1986, as amended, a
8 retired individual who was employed full time as a certified law
9 enforcement officer for at least twenty years and who is at least sixty
10 years of age as of the end of the taxable year may reduce his or her
11 federal adjusted gross income by the amount of health insurance premiums
12 paid by such individual during the taxable year, to the extent such
13 premiums were not already deducted in determining the individual's
14 federal adjusted gross income.

15 (20) For taxable years beginning or deemed to begin on or after
16 January 1, 2024, under the Internal Revenue Code of 1986, as amended, an
17 individual may reduce his or her federal adjusted gross income by the
18 amounts received as annuities under the Federal Employees Retirement
19 System or the Civil Service Retirement System which were earned for being
20 employed by the federal government, to the extent such amounts are
21 included in federal adjusted gross income.

22 Sec. 10. Section 77-2717, Revised Statutes Cumulative Supplement,
23 2022, is amended to read:

24 77-2717 (1)(a)(i) For taxable years beginning or deemed to begin
25 before January 1, 2014, the tax imposed on all resident estates and
26 trusts shall be a percentage of the federal taxable income of such
27 estates and trusts as modified in section 77-2716, plus a percentage of
28 the federal alternative minimum tax and the federal tax on premature or
29 lump-sum distributions from qualified retirement plans. The additional
30 taxes shall be recomputed by (A) substituting Nebraska taxable income for
31 federal taxable income, (B) calculating what the federal alternative

1 minimum tax would be on Nebraska taxable income and adjusting such
2 calculations for any items which are reflected differently in the
3 determination of federal taxable income, and (C) applying Nebraska rates
4 to the result. The federal credit for prior year minimum tax, after the
5 recomputations required by the Nebraska Revenue Act of 1967, and the
6 credits provided in the Nebraska Advantage Microenterprise Tax Credit Act
7 and the Nebraska Advantage Research and Development Act shall be allowed
8 as a reduction in the income tax due. A refundable income tax credit
9 shall be allowed for all resident estates and trusts under the Angel
10 Investment Tax Credit Act, the Nebraska Advantage Microenterprise Tax
11 Credit Act, and the Nebraska Advantage Research and Development Act. A
12 nonrefundable income tax credit shall be allowed for all resident estates
13 and trusts as provided in the New Markets Job Growth Investment Act.

14 (ii) For taxable years beginning or deemed to begin on or after
15 January 1, 2014, the tax imposed on all resident estates and trusts shall
16 be a percentage of the federal taxable income of such estates and trusts
17 as modified in section 77-2716, plus a percentage of the federal tax on
18 premature or lump-sum distributions from qualified retirement plans. The
19 additional taxes shall be recomputed by substituting Nebraska taxable
20 income for federal taxable income and applying Nebraska rates to the
21 result. The credits provided in the Nebraska Advantage Microenterprise
22 Tax Credit Act and the Nebraska Advantage Research and Development Act
23 shall be allowed as a reduction in the income tax due. A refundable
24 income tax credit shall be allowed for all resident estates and trusts
25 under the Angel Investment Tax Credit Act, the Nebraska Advantage
26 Microenterprise Tax Credit Act, the Nebraska Advantage Research and
27 Development Act, the Nebraska Higher Blend Tax Credit Act, the Nebraska
28 Property Tax Incentive Act, and the Renewable Chemical Production Tax
29 Credit Act. A nonrefundable income tax credit shall be allowed for all
30 resident estates and trusts as provided in the Nebraska Job Creation and
31 Mainstreet Revitalization Act, the New Markets Job Growth Investment Act,

1 the School Readiness Tax Credit Act, the Child Care Tax Credit Act, the
2 Affordable Housing Tax Credit Act, and sections 77-27,238 and 77-27,240.

3 (b) The tax imposed on all nonresident estates and trusts shall be
4 the portion of the tax imposed on resident estates and trusts which is
5 attributable to the income derived from sources within this state. The
6 tax which is attributable to income derived from sources within this
7 state shall be determined by multiplying the liability to this state for
8 a resident estate or trust with the same total income by a fraction, the
9 numerator of which is the nonresident estate's or trust's Nebraska income
10 as determined by sections 77-2724 and 77-2725 and the denominator of
11 which is its total federal income after first adjusting each by the
12 amounts provided in section 77-2716. The federal credit for prior year
13 minimum tax, after the recomputations required by the Nebraska Revenue
14 Act of 1967, reduced by the percentage of the total income which is
15 attributable to income from sources outside this state, and the credits
16 provided in the Nebraska Advantage Microenterprise Tax Credit Act and the
17 Nebraska Advantage Research and Development Act shall be allowed as a
18 reduction in the income tax due. A refundable income tax credit shall be
19 allowed for all nonresident estates and trusts under the Angel Investment
20 Tax Credit Act, the Nebraska Advantage Microenterprise Tax Credit Act,
21 the Nebraska Advantage Research and Development Act, the Nebraska Higher
22 Blend Tax Credit Act, the Nebraska Property Tax Incentive Act, and the
23 Renewable Chemical Production Tax Credit Act. A nonrefundable income tax
24 credit shall be allowed for all nonresident estates and trusts as
25 provided in the Nebraska Job Creation and Mainstreet Revitalization Act,
26 the New Markets Job Growth Investment Act, the School Readiness Tax
27 Credit Act, the Child Care Tax Credit Act, the Affordable Housing Tax
28 Credit Act, and sections 77-27,238 and 77-27,240.

29 (2) In all instances wherein a fiduciary income tax return is
30 required under the provisions of the Internal Revenue Code, a Nebraska
31 fiduciary return shall be filed, except that a fiduciary return shall not

1 be required to be filed regarding a simple trust if all of the trust's
2 beneficiaries are residents of the State of Nebraska, all of the trust's
3 income is derived from sources in this state, and the trust has no
4 federal tax liability. The fiduciary shall be responsible for making the
5 return for the estate or trust for which he or she acts, whether the
6 income be taxable to the estate or trust or to the beneficiaries thereof.
7 The fiduciary shall include in the return a statement of each
8 beneficiary's distributive share of net income when such income is
9 taxable to such beneficiaries.

10 (3) The beneficiaries of such estate or trust who are residents of
11 this state shall include in their income their proportionate share of
12 such estate's or trust's federal income and shall reduce their Nebraska
13 tax liability by their proportionate share of the credits as provided in
14 the Angel Investment Tax Credit Act, the Nebraska Advantage
15 Microenterprise Tax Credit Act, the Nebraska Advantage Research and
16 Development Act, the Nebraska Job Creation and Mainstreet Revitalization
17 Act, the New Markets Job Growth Investment Act, the School Readiness Tax
18 Credit Act, the Child Care Tax Credit Act, the Affordable Housing Tax
19 Credit Act, the Nebraska Higher Blend Tax Credit Act, the Nebraska
20 Property Tax Incentive Act, the Renewable Chemical Production Tax Credit
21 Act, and sections 77-27,238 and 77-27,240. There shall be allowed to a
22 beneficiary a refundable income tax credit under the Beginning Farmer Tax
23 Credit Act for all taxable years beginning or deemed to begin on or after
24 January 1, 2001, under the Internal Revenue Code of 1986, as amended.

25 (4) If any beneficiary of such estate or trust is a nonresident
26 during any part of the estate's or trust's taxable year, he or she shall
27 file a Nebraska income tax return which shall include (a) in Nebraska
28 adjusted gross income that portion of the estate's or trust's Nebraska
29 income, as determined under sections 77-2724 and 77-2725, allocable to
30 his or her interest in the estate or trust and (b) a reduction of the
31 Nebraska tax liability by his or her proportionate share of the credits

1 as provided in the Angel Investment Tax Credit Act, the Nebraska
2 Advantage Microenterprise Tax Credit Act, the Nebraska Advantage Research
3 and Development Act, the Nebraska Job Creation and Mainstreet
4 Revitalization Act, the New Markets Job Growth Investment Act, the School
5 Readiness Tax Credit Act, the Child Care Tax Credit Act, the Affordable
6 Housing Tax Credit Act, the Nebraska Higher Blend Tax Credit Act, the
7 Nebraska Property Tax Incentive Act, the Renewable Chemical Production
8 Tax Credit Act, and sections 77-27,238 and 77-27,240 and shall execute
9 and forward to the fiduciary, on or before the original due date of the
10 Nebraska fiduciary return, an agreement which states that he or she will
11 file a Nebraska income tax return and pay income tax on all income
12 derived from or connected with sources in this state, and such agreement
13 shall be attached to the Nebraska fiduciary return for such taxable year.

14 (5) In the absence of the nonresident beneficiary's executed
15 agreement being attached to the Nebraska fiduciary return, the estate or
16 trust shall remit a portion of such beneficiary's income which was
17 derived from or attributable to Nebraska sources with its Nebraska return
18 for the taxable year. For taxable years beginning or deemed to begin
19 before January 1, 2013, the amount of remittance, in such instance, shall
20 be the highest individual income tax rate determined under section
21 77-2715.02 multiplied by the nonresident beneficiary's share of the
22 estate or trust income which was derived from or attributable to sources
23 within this state. For taxable years beginning or deemed to begin on or
24 after January 1, 2013, the amount of remittance, in such instance, shall
25 be the highest individual income tax rate determined under section
26 77-2715.03 multiplied by the nonresident beneficiary's share of the
27 estate or trust income which was derived from or attributable to sources
28 within this state. The amount remitted shall be allowed as a credit
29 against the Nebraska income tax liability of the beneficiary.

30 (6) The Tax Commissioner may allow a nonresident beneficiary to not
31 file a Nebraska income tax return if the nonresident beneficiary's only

1 source of Nebraska income was his or her share of the estate's or trust's
2 income which was derived from or attributable to sources within this
3 state, the nonresident did not file an agreement to file a Nebraska
4 income tax return, and the estate or trust has remitted the amount
5 required by subsection (5) of this section on behalf of such nonresident
6 beneficiary. The amount remitted shall be retained in satisfaction of the
7 Nebraska income tax liability of the nonresident beneficiary.

8 (7) For purposes of this section, unless the context otherwise
9 requires, simple trust shall mean any trust instrument which (a) requires
10 that all income shall be distributed currently to the beneficiaries, (b)
11 does not allow amounts to be paid, permanently set aside, or used in the
12 tax year for charitable purposes, and (c) does not distribute amounts
13 allocated in the corpus of the trust. Any trust which does not qualify as
14 a simple trust shall be deemed a complex trust.

15 (8) For purposes of this section, any beneficiary of an estate or
16 trust that is a grantor trust of a nonresident shall be disregarded and
17 this section shall apply as though the nonresident grantor was the
18 beneficiary.

19 Sec. 11. Section 77-2727, Reissue Revised Statutes of Nebraska, is
20 amended to read:

21 77-2727 (1) Except as provided in subsection (6) of this section and
22 subsection (5) of section 77-2775, a A partnership as such shall not be
23 subject to the income tax imposed by the Nebraska Revenue Act of 1967.
24 Persons or their authorized representatives carrying on business as
25 partners shall be liable for the income tax imposed by the Nebraska
26 Revenue Act of 1967 only in their separate or individual capacities.

27 (2) The partners of such partnership who are residents of this state
28 or corporations shall include in their incomes their proportionate share
29 of such partnership's income.

30 (3) If any partner of such partnership is a nonresident individual
31 during any part of the partnership's reporting year, he or she shall file

1 a Nebraska income tax return which shall include in Nebraska adjusted
2 gross income that portion of the partnership's Nebraska income, as
3 determined under the provisions of sections 77-2728 and 77-2729,
4 allocable to his or her interest in the partnership and shall execute and
5 forward to the partnership, on or before the original due date of the
6 Nebraska partnership return, an agreement which states that he or she
7 will file a Nebraska income tax return and pay income tax on all income
8 derived from or attributable to sources in this state, and such agreement
9 shall be attached to the partnership's Nebraska return for such reporting
10 year.

11 (4)(a) Except as provided in subdivision (c) of this subsection, in
12 the absence of the nonresident individual partner's executed agreement
13 being attached to the Nebraska partnership return, the partnership shall
14 remit a portion of such partner's income which was derived from or
15 attributable to Nebraska sources with its Nebraska return for the
16 reporting year. For tax years beginning or deemed to begin before January
17 1, 2013, the amount of remittance, in such instance, shall be the highest
18 individual income tax rate determined under section 77-2715.02 multiplied
19 by the nonresident individual partner's share of the partnership income
20 which was derived from or attributable to sources within this state. For
21 tax years beginning or deemed to begin on or after January 1, 2013, the
22 amount of remittance, in such instance, shall be the highest individual
23 income tax rate determined under section 77-2715.03 multiplied by the
24 nonresident individual partner's share of the partnership income which
25 was derived from or attributable to sources within this state.

26 (b) Any amount remitted on behalf of any partner shall be allowed as
27 a credit against the Nebraska income tax liability of the partner.

28 (c) Subdivision (a) of this subsection does not apply to a publicly
29 traded partnership as defined by section 7704(b) of the Internal Revenue
30 Code of 1986, as amended, that is treated as a partnership for the
31 purposes of the code and that has agreed to file an annual information

1 return with the Department of Revenue reporting the name, address,
2 taxpayer identification number, and other information requested by the
3 department of each unit holder with an income in the state in excess of
4 five hundred dollars.

5 (5) The Tax Commissioner may allow a nonresident individual partner
6 to not file a Nebraska income tax return if the nonresident individual
7 partner's only source of Nebraska income was his or her share of the
8 partnership's income which was derived from or attributable to sources
9 within this state, the nonresident did not file an agreement to file a
10 Nebraska income tax return, and the partnership has remitted the amount
11 required by subsection (4) of this section on behalf of such nonresident
12 individual partner. The amount remitted shall be retained in satisfaction
13 of the Nebraska income tax liability of the nonresident individual
14 partner.

15 (6) Notwithstanding any provision of this section to the contrary:

16 (a) For tax years beginning or deemed to begin on or after January
17 1, 2018, a partnership may annually make an irrevocable election to pay
18 the taxes, interest, or penalties levied by the Nebraska Revenue Act of
19 1967 at the entity level for the taxable period covered by such return.
20 For tax years beginning on or after January 1, 2023, such election must
21 be made on or before the due date for filing the applicable income tax
22 return, including any extensions that have been granted;

23 (b) An electing partnership with respect to a taxable period shall
24 pay an income tax equivalent to the highest individual income tax rate
25 provided in section 77-2715.03 multiplied by the electing partnership's
26 net income as apportioned or allocated to this state in accordance with
27 the Nebraska Revenue Act of 1967, for such taxable period;

28 (c) An electing partnership shall be treated as a corporation with
29 respect to the requirements of section 77-2769 for payments of estimated
30 tax. The requirement for payment of estimated tax under section 77-2769
31 shall not apply for tax years beginning prior to January 1, 2024.

1 Payments of estimated tax made by an eligible partnership that does not
2 make an election under this subsection shall be treated as income tax
3 withholding on behalf of the partners;

4 (d) Except as provided in subdivision (e) of this subsection, the
5 partners of an electing partnership must file a Nebraska return to report
6 their pro rata or distributive share of the income of the electing
7 partnership in accordance with the Nebraska Revenue Act of 1967, as
8 applicable. In determining the sum of its pro rata or distributive share
9 and computing the tax under this subsection, an electing partnership
10 shall add back any amount of Nebraska tax imposed under the Nebraska
11 Revenue Act of 1967 and deducted by the electing partnership for federal
12 income tax purposes under section 164 of the Internal Revenue Code;

13 (e) A nonresident individual who is a partner of an electing
14 partnership shall not be required to file a Nebraska tax return for a
15 taxable year if, for such taxable year, the only source of income derived
16 from or connected with sources within this state for such partner, or for
17 the partner and the partner's spouse if a joint federal income tax return
18 is filed, is from one or more electing partnerships or electing small
19 business corporations as defined in subdivision (9)(a) of section
20 77-2734.01 for such taxable year and such nonresident individual
21 partner's tax under the Nebraska Revenue Act of 1967 would be fully
22 satisfied by the credit allowed to such partner under subdivision (g) of
23 this subsection;

24 (f) If the amount calculated under subdivision (a) of this
25 subsection results in a net operating loss, such net operating loss may
26 not be carried forward to succeeding taxable years;

27 (g)(i) A refundable credit shall be available to the partners in an
28 amount equal to their pro rata or distributive share of the Nebraska
29 income tax paid by the electing partnership;

30 (ii) In the case of a partnership or small business corporation that
31 is a partner of an electing partnership, the refundable credit under this

1 subdivision (g) shall (A) be allowed to its partners or shareholders in
2 accordance with the determination of income and distributive share of the
3 Nebraska income tax paid by the electing partnership or (B) be applied
4 against the partner's tax, interest, and penalty. Any excess credit
5 deemed an overpayment may be refunded or applied to the subsequent tax
6 year;

7 (iii) If a partnership making the election under this subsection is
8 a partner of another electing partnership, net income shall be computed
9 as provided in subsection (1) of this section. The upper tier electing
10 partnership shall claim a credit for the tax paid by the lower tier
11 electing partnership. The upper tier electing partnership shall
12 distribute out the pro rata or distributive share of the credits to its
13 partners for tax paid under this subsection by all tiers of electing
14 partnerships. As used in this subdivision, the term lower tier electing
15 partnership means an electing partnership in which some or all of the
16 partners are an electing partnership. The term upper tier electing
17 partnership means an electing partnership that is a partner of a lower
18 tier electing partnership. An electing partnership may have two or more
19 tiers; and

20 (h)(i) For tax years beginning or deemed to begin on or after
21 January 1, 2018, but prior to January 1, 2023, the electing partnership
22 must make the election under this subsection on or after January 1, 2023,
23 but before December 31, 2025, in the form and manner prescribed by the
24 Tax Commissioner for all years for which the election under this
25 subsection is made on behalf of the electing partnership. The Tax
26 Commissioner shall establish the form and manner, which shall not include
27 any changes to the past returns other than those that are directly
28 related to the election under this subsection.

29 (ii) Notwithstanding any other provision of law, if an electing
30 partnership files in the form and manner as specified in subdivision (h)
31 (i) of this subsection, the deadline for filing a claim for credit or

1 refund prescribed in section 77-2793 shall be extended for affected
2 partners of the electing partnership until the timeframe specified in
3 section 77-2793 or January 31, 2026, whichever is later. The resulting
4 claim of refund for tax years beginning prior to January 1, 2023, shall
5 be submitted in the form and manner as prescribed by the Tax
6 Commissioner. Neither the electing partnership nor its partners shall
7 incur any penalties for late filing nor owe interest on such amounts. The
8 Tax Commissioner shall not be required to pay interest on any amounts
9 owed to the partners resulting from such refund claims.

10 (iii) Notwithstanding the dates provided in subdivision (h)(i) of
11 this subsection, the Tax Commissioner shall have one year from the date
12 an electing partnership files in the form and manner as specified in
13 subdivision (h)(i) of this subsection to review and make a written
14 proposed deficiency determination in accordance with section 77-2786. Any
15 notice of deficiency determination made as specified in this subdivision
16 may be enforced at any time within six years from the date of the notice
17 of deficiency determination.

18 (7) For purposes of this section:

19 (a) Electing partnership means, with respect to a taxable period, an
20 eligible partnership that has made an election pursuant to subsection (6)
21 of this section with respect to such taxable period; and

22 (b) Eligible partnership means any partnership as provided for in
23 section 7701(a)(2) of the Internal Revenue Code that has a filing
24 requirement under the Nebraska Revenue Act of 1967 other than a publicly
25 traded partnership as defined in section 7704 of the Internal Revenue
26 Code. An eligible partnership includes any entity, including a limited
27 liability company, treated as a partnership for federal income tax
28 purposes that otherwise meets the requirements of this subdivision.

29 (8) ~~(6)~~ For purposes of this section, any partner that is a grantor
30 trust of a nonresident shall be disregarded and this section shall apply
31 as though the nonresident grantor was the partner.

1 Sec. 12. Section 77-2730, Reissue Revised Statutes of Nebraska, is
2 amended to read:

3 77-2730 (1) A resident individual and a resident estate or trust
4 shall be allowed a credit against the income tax otherwise due for the
5 amount of any income tax imposed on him or her for each taxable year
6 commencing on or after January 1, 1983, by another state of the United
7 States or a political subdivision thereof or the District of Columbia on
8 income derived from sources therein and which is also subject to income
9 tax under sections 77-2714 to 77-27,123.

10 (2) The credit provided under sections 77-2714 to 77-27,135 shall
11 not exceed the proportion of the income tax otherwise due under such
12 sections that the amount of the taxpayer's adjusted gross income or total
13 income derived from sources in the other taxing jurisdiction bears to
14 federal adjusted gross income or total federal income.

15 (3) For purposes of subsection (1) of this section, a resident
16 individual, estate, or trust shall be deemed to have paid a portion of
17 the income tax imposed by another state, a political subdivision thereof,
18 or the District of Columbia on the income of any partnership, trust, or
19 estate when such resident individual, estate, or trust is a partner, or
20 beneficiary and (a) the income taxed is included in the federal taxable
21 income of the resident individual, estate, or trust and (b) the taxation
22 of such partnership, trust, or estate by the other state is inconsistent
23 with the taxation of such entity under the Internal Revenue Code,
24 including any tax similar to the tax imposed under subsection (6) of
25 section 77-2727 and subsection (8) of section 77-2734.01 for the taxable
26 year imposed by another state of the United States or a political
27 subdivision of such a state, or by the District of Columbia, with respect
28 to the direct and indirect taxable income attributable to the resident
29 individual, estate, or trust from an entity that is also subject to tax
30 under sections 77-2714 to 77-2734.16. The amount of income tax deemed
31 paid by the resident individual, estate, or trust shall be the same

1 percentage of the total tax paid by the entity as the income included in
2 federal taxable income of the resident is to the total taxable income of
3 the entity as computed for the other state.

4 Sec. 13. Section 77-2734.01, Revised Statutes Cumulative Supplement,
5 2022, is amended to read:

6 77-2734.01 (1) Residents of Nebraska who are shareholders of a small
7 business corporation having an election in effect under subchapter S of
8 the Internal Revenue Code or who are members of a limited liability
9 company organized pursuant to the Nebraska Uniform Limited Liability
10 Company Act shall include in their Nebraska taxable income, to the extent
11 includable in federal gross income, their proportionate share of such
12 corporation's or limited liability company's federal income adjusted
13 pursuant to this section. Income or loss from such corporation or limited
14 liability company conducting a business, trade, profession, or occupation
15 shall be included in the Nebraska taxable income of a shareholder or
16 member who is a resident of this state to the extent of such
17 shareholder's or member's proportionate share of the net income or loss
18 from the conduct of such business, trade, profession, or occupation
19 within this state, determined under subsection (2) of this section. A
20 resident of Nebraska shall include in Nebraska taxable income fair
21 compensation for services rendered to such corporation or limited
22 liability company. Compensation actually paid shall be presumed to be
23 fair unless it is apparent to the Tax Commissioner that such compensation
24 is materially different from fair value for the services rendered or has
25 been manipulated for tax avoidance purposes.

26 (2) The income of any small business corporation having an election
27 in effect under subchapter S of the Internal Revenue Code or limited
28 liability company organized pursuant to the Nebraska Uniform Limited
29 Liability Company Act that is derived from or connected with Nebraska
30 sources shall be determined in the following manner:

31 (a) If the small business corporation is a member of a unitary

1 group, the small business corporation shall be deemed to be doing
2 business within this state if any part of its income is derived from
3 transactions with other members of the unitary group doing business
4 within this state, and such corporation shall apportion its income by
5 using the apportionment factor determined for the entire unitary group,
6 including the small business corporation, under sections 77-2734.05 to
7 77-2734.15;

8 (b) If the small business corporation or limited liability company
9 is not a member of a unitary group and is subject to tax in another
10 state, it shall apportion its income under sections 77-2734.05 to
11 77-2734.15; and

12 (c) If the small business corporation or limited liability company
13 is not subject to tax in another state, all of its income is derived from
14 or connected with Nebraska sources.

15 (3) Nonresidents of Nebraska who are shareholders of such
16 corporations or members of such limited liability companies shall file a
17 Nebraska income tax return and shall include in Nebraska adjusted gross
18 income their proportionate share of the corporation's or limited
19 liability company's Nebraska income as determined under subsection (2) of
20 this section.

21 (4) The nonresident shareholder or member shall execute and forward
22 to the corporation or limited liability company before the filing of the
23 corporation's or limited liability company's return an agreement which
24 states he or she will file a Nebraska income tax return and pay the tax
25 on the income derived from or connected with sources in this state, and
26 such agreement shall be attached to the corporation's or limited
27 liability company's Nebraska return for such taxable year.

28 (5) For taxable years beginning or deemed to begin before January 1,
29 2013, in the absence of the nonresident shareholder's or member's
30 executed agreement being attached to the Nebraska return, the corporation
31 or limited liability company shall remit with the return an amount equal

1 to the highest individual income tax rate determined under section
2 77-2715.02 multiplied by the nonresident shareholder's or member's share
3 of the corporation's or limited liability company's income which was
4 derived from or attributable to this state. For taxable years beginning
5 or deemed to begin on or after January 1, 2013, in the absence of the
6 nonresident shareholder's or member's executed agreement being attached
7 to the Nebraska return, the corporation or limited liability company
8 shall remit with the return an amount equal to the highest individual
9 income tax rate determined under section 77-2715.03 multiplied by the
10 nonresident shareholder's or member's share of the corporation's or
11 limited liability company's income which was derived from or attributable
12 to this state. The amount remitted shall be allowed as a credit against
13 the Nebraska income tax liability of the shareholder or member.

14 (6) The Tax Commissioner may allow a nonresident individual
15 shareholder or member to not file a Nebraska income tax return if the
16 nonresident individual shareholder's or member's only source of Nebraska
17 income was his or her share of the small business corporation's or
18 limited liability company's income which was derived from or attributable
19 to sources within this state, the nonresident did not file an agreement
20 to file a Nebraska income tax return, and the small business corporation
21 or limited liability company has remitted the amount required by
22 subsection (5) of this section on behalf of such nonresident individual
23 shareholder or member. The amount remitted shall be retained in
24 satisfaction of the Nebraska income tax liability of the nonresident
25 individual shareholder or member.

26 (7) A small business corporation or limited liability company return
27 shall be filed if the small business corporation or limited liability
28 company has income derived from Nebraska sources.

29 (8) Notwithstanding any provision of this section to the contrary:

30 (a) For tax years beginning or deemed to begin on or after January
31 1, 2018, a small business corporation may annually make an irrevocable

1 election to pay the taxes, interest, or penalties levied by the Nebraska
2 Revenue Act of 1967 at the entity level for the taxable period covered by
3 such return. For tax years beginning on or after January 1, 2023, such
4 election must be made on or before the due date for filing the applicable
5 income tax return, including any extensions that have been granted;

6 (b) An electing small business corporation with respect to a taxable
7 period shall pay an income tax equivalent to the highest individual
8 income tax rate provided in section 77-2715.03 multiplied by the electing
9 small business corporation's net income as apportioned or allocated to
10 this state in accordance with the Nebraska Revenue Act of 1967, for such
11 taxable period;

12 (c) An electing small business corporation shall be treated as a
13 corporation with respect to the requirements of section 77-2769 for
14 payments of estimated tax. The requirement for payment of estimated tax
15 under section 77-2769 shall not apply for tax years beginning prior to
16 January 1, 2024. Payments of estimated tax made by an eligible small
17 business corporation that does not make an election under this subsection
18 shall be treated as income tax withholding on behalf of the shareholders;

19 (d) Except as provided in subdivision (e) of this subsection, the
20 shareholders of an electing small business corporation must file a
21 Nebraska return to report their pro rata or distributive share of the
22 income of the electing small business corporation in accordance with the
23 Nebraska Revenue Act of 1967, as applicable. In determining the sum of
24 its pro rata or distributive share and computing the tax under this
25 subsection, an electing small business corporation shall add back any
26 amount of Nebraska tax imposed under the Nebraska Revenue Act of 1967 and
27 deducted by the electing small business corporation for federal income
28 tax purposes under section 164 of the Internal Revenue Code;

29 (e) A nonresident individual who is a shareholder of an electing
30 small business corporation shall not be required to file a Nebraska tax
31 return for a taxable year if, for such taxable year, the only source of

1 income derived from or connected with sources within this state for such
2 shareholder, or for the shareholder and the shareholder's spouse if a
3 joint federal income tax return is filed, is from one or more electing
4 small business corporations or electing partnerships as defined in
5 subdivision (7)(a) of section 77-2727 for such taxable year and such
6 nonresident individual shareholder's tax under the Nebraska Revenue Act
7 of 1967 would be fully satisfied by the credit allowed to such
8 shareholder under subdivision (g) of this subsection;

9 (f) If the amount calculated under subdivision (a) of this
10 subsection results in a net operating loss, such net operating loss may
11 not be carried forward to succeeding taxable years;

12 (g) A refundable credit shall be available to the shareholders in an
13 amount equal to their pro rata or distributive share of the Nebraska
14 income tax paid by the electing small business corporation; and

15 (h)(i) For tax years beginning or deemed to begin on or after
16 January 1, 2018, but prior to January 1, 2023, the electing small
17 business corporation must make the election under this subsection on or
18 after January 1, 2023, but before December 31, 2025, in the form and
19 manner prescribed by the Tax Commissioner for all years for which the
20 election under this subsection is made on behalf of the electing small
21 business corporation. The Tax Commissioner shall establish the form and
22 manner, which shall not include any changes to the past returns other
23 than those that are directly related to the election under this
24 subsection.

25 (ii) Notwithstanding any other provision of law, if an electing
26 small business corporation files in the form and manner as specified in
27 subdivision (h)(i) of this subsection, the deadline for filing a claim
28 for credit or refund prescribed in section 77-2793 shall be extended for
29 affected shareholders of the electing small business corporation until
30 the timeframe specified in section 77-2793 or January 31, 2026, whichever
31 is later. The resulting claim of refund for tax years beginning prior to

1 January 1, 2023, shall be submitted in the form and manner as prescribed
2 by the Tax Commissioner. Neither the electing small business corporation
3 nor its shareholders shall incur any penalties for late filing nor owe
4 interest on such amounts. The Tax Commissioner shall not be required to
5 pay interest on any amounts owed to the shareholders resulting from such
6 refund claims.

7 (iii) Notwithstanding the dates provided in subdivision (h)(i) of
8 this subsection, the Tax Commissioner shall have one year from the date
9 an electing small business corporation files in the form and manner as
10 specified in subdivision (h)(i) of this subsection to review and make a
11 written proposed deficiency determination in accordance with section
12 77-2786. Any notice of deficiency determination made as specified in this
13 subdivision may be enforced at any time within six years from the date of
14 the notice of deficiency determination.

15 (9) For purposes of this section:

16 (a) Electing small business corporation means, with respect to a
17 taxable period, an eligible small business corporation having an election
18 in effect under subchapter S of the Internal Revenue Code that has made
19 an election pursuant to subsection (8) of this section with respect to
20 such taxable period; and

21 (b) Eligible small business corporation means an entity subject to
22 taxation under subchapter S of the Internal Revenue Code and the
23 regulations thereunder.

24 (10) ~~(8)~~ For purposes of this section, any shareholder or member of
25 the corporation or limited liability company that is a grantor trust of a
26 nonresident shall be disregarded and this section shall apply as though
27 the nonresident grantor was the shareholder or member.

28 Sec. 14. Section 77-2734.02, Revised Statutes Cumulative Supplement,
29 2022, is amended to read:

30 77-2734.02 (1) Except as provided in subsection (2) of this section,
31 a tax is hereby imposed on the taxable income of every corporate taxpayer

1 that is doing business in this state:

2 (a) For taxable years beginning or deemed to begin before January 1,
3 2013, at a rate equal to one hundred fifty and eight-tenths percent of
4 the primary rate imposed on individuals under section 77-2701.01 on the
5 first one hundred thousand dollars of taxable income and at the rate of
6 two hundred eleven percent of such rate on all taxable income in excess
7 of one hundred thousand dollars. The resultant rates shall be rounded to
8 the nearest one hundredth of one percent;

9 (b) For taxable years beginning or deemed to begin on or after
10 January 1, 2013, and before January 1, 2022, at a rate equal to 5.58
11 percent on the first one hundred thousand dollars of taxable income and
12 at the rate of 7.81 percent on all taxable income in excess of one
13 hundred thousand dollars;

14 (c) For taxable years beginning or deemed to begin on or after
15 January 1, 2022, and before January 1, 2023, at a rate equal to 5.58
16 percent on the first one hundred thousand dollars of taxable income and
17 at the rate of 7.50 percent on all taxable income in excess of one
18 hundred thousand dollars;

19 (d) For taxable years beginning or deemed to begin on or after
20 January 1, 2023, and before January 1, 2024, at a rate equal to 5.58
21 percent on the first one hundred thousand dollars of taxable income and
22 at the rate of 7.25 percent on all taxable income in excess of one
23 hundred thousand dollars;

24 (e) For taxable years beginning or deemed to begin on or after
25 January 1, 2024, and before January 1, 2025, at a rate equal to 5.58
26 percent on the first one hundred thousand dollars of taxable income and
27 at the rate of 5.84 ~~6.50~~ percent on all taxable income in excess of one
28 hundred thousand dollars;

29 (f) For taxable years beginning or deemed to begin on or after
30 January 1, 2025, and before January 1, 2026, ~~at a rate equal to 5.58~~
31 ~~percent on the first one hundred thousand dollars of taxable income and~~

1 at the rate of 5.20 ~~6.24~~ percent on all taxable income ~~in excess of one~~
2 ~~hundred thousand dollars;~~

3 (g) For taxable years beginning or deemed to begin on or after
4 January 1, 2026, and before January 1, 2027, ~~at a rate equal to 5.58~~
5 ~~percent on the first one hundred thousand dollars of taxable income and~~
6 at the rate of 4.55 ~~6.00~~ percent on all taxable income ~~in excess of one~~
7 ~~hundred thousand dollars; and~~

8 (h) For taxable years beginning or deemed to begin on or after
9 January 1, 2027, ~~at a rate equal to 5.58 percent on the first one hundred~~
10 ~~thousand dollars of taxable income and~~ at the rate of 3.99 ~~5.84~~ percent
11 on all taxable income ~~in excess of one hundred thousand dollars.~~

12 For corporate taxpayers with a fiscal year that does not coincide
13 with the calendar year, the individual rate used for this subsection
14 shall be the rate in effect on the first day, or the day deemed to be the
15 first day, of the taxable year.

16 (2) An insurance company shall be subject to taxation at the lesser
17 of the rate described in subsection (1) of this section or the rate of
18 tax imposed by the state or country in which the insurance company is
19 domiciled if the insurance company can establish to the satisfaction of
20 the Tax Commissioner that it is domiciled in a state or country other
21 than Nebraska that imposes on Nebraska domiciled insurance companies a
22 retaliatory tax against the tax described in subsection (1) of this
23 section.

24 (3) For a corporate taxpayer that is subject to tax in another
25 state, its taxable income shall be the portion of the taxpayer's federal
26 taxable income, as adjusted, that is determined to be connected with the
27 taxpayer's operations in this state pursuant to sections 77-2734.05 to
28 77-2734.15.

29 (4) Each corporate taxpayer shall file only one income tax return
30 for each taxable year.

31 Sec. 15. Section 77-2734.03, Revised Statutes Cumulative Supplement,

1 2022, is amended to read:

2 77-2734.03 (1)(a) For taxable years commencing prior to January 1,
3 1997, any (i) insurer paying a tax on premiums and assessments pursuant
4 to section 77-908 or 81-523, (ii) electric cooperative organized under
5 the Joint Public Power Authority Act, or (iii) credit union shall be
6 credited, in the computation of the tax due under the Nebraska Revenue
7 Act of 1967, with the amount paid during the taxable year as taxes on
8 such premiums and assessments and taxes in lieu of intangible tax.

9 (b) For taxable years commencing on or after January 1, 1997, any
10 insurer paying a tax on premiums and assessments pursuant to section
11 77-908 or 81-523, any electric cooperative organized under the Joint
12 Public Power Authority Act, or any credit union shall be credited, in the
13 computation of the tax due under the Nebraska Revenue Act of 1967, with
14 the amount paid during the taxable year as (i) taxes on such premiums and
15 assessments included as Nebraska premiums and assessments under section
16 77-2734.05 and (ii) taxes in lieu of intangible tax.

17 (c) For taxable years commencing or deemed to commence prior to, on,
18 or after January 1, 1998, any insurer paying a tax on premiums and
19 assessments pursuant to section 77-908 or 81-523 shall be credited, in
20 the computation of the tax due under the Nebraska Revenue Act of 1967,
21 with the amount paid during the taxable year as assessments allowed as an
22 offset against premium and related retaliatory tax liability pursuant to
23 section 44-4233.

24 (2) There shall be allowed to corporate taxpayers a tax credit for
25 contributions to community betterment programs as provided in the
26 Community Development Assistance Act.

27 (3) There shall be allowed to corporate taxpayers a refundable
28 income tax credit under the Beginning Farmer Tax Credit Act for all
29 taxable years beginning or deemed to begin on or after January 1, 2001,
30 under the Internal Revenue Code of 1986, as amended.

31 (4) The changes made to this section by Laws 2004, LB 983, apply to

1 motor fuels purchased during any tax year ending or deemed to end on or
2 after January 1, 2005, under the Internal Revenue Code of 1986, as
3 amended.

4 (5) There shall be allowed to corporate taxpayers refundable income
5 tax credits under the Nebraska Advantage Microenterprise Tax Credit Act,
6 the Nebraska Advantage Research and Development Act, the Nebraska Higher
7 Blend Tax Credit Act, the Nebraska Property Tax Incentive Act, and the
8 Renewable Chemical Production Tax Credit Act.

9 (6) There shall be allowed to corporate taxpayers a nonrefundable
10 income tax credit for investment in a biodiesel facility as provided in
11 section 77-27,236.

12 (7) There shall be allowed to corporate taxpayers a nonrefundable
13 income tax credit as provided in the Nebraska Job Creation and Mainstreet
14 Revitalization Act, the New Markets Job Growth Investment Act, the School
15 Readiness Tax Credit Act, the Child Care Tax Credit Act, the Affordable
16 Housing Tax Credit Act, and sections 77-27,238 and 77-27,240.

17 Sec. 16. Section 77-2775, Reissue Revised Statutes of Nebraska, is
18 amended to read:

19 77-2775 (1) If the amount of a taxpayer's federal adjusted gross
20 income, taxable income, or tax liability reported on his or her federal
21 income tax return for any taxable year is changed or corrected by the
22 Internal Revenue Service or other competent authority or as the result of
23 a renegotiation of a contract or subcontract with the United States, the
24 taxpayer shall report such change or correction in federal adjusted gross
25 income, taxable income, or tax liability within sixty days after the
26 final determination of such change, correction, or renegotiation.

27 (2) Whenever the amount of a taxpayer's income which is taxable in
28 any state for any taxable year or any tax credits allowable in such state
29 are changed or corrected in a way material to the tax liability owed to
30 this state by the agency having authority to examine returns filed with
31 such state or any other competent authority or whenever an amended return

1 is filed by any taxpayer with a change or correction material to the tax
2 liability owed to this state with another state, such change or
3 correction shall be reported to the Tax Commissioner within sixty days
4 after the final change or correction or filing of the amended return. The
5 Tax Commissioner shall by rule and regulation provide the nature of any
6 change or correction which must be reported.

7 (3) The taxpayer shall report all changes or corrections required to
8 be reported under this section by filing an amended income tax return and
9 shall give such information as the Tax Commissioner may require. The
10 taxpayer shall concede the accuracy of any change or correction or state
11 why it is erroneous.

12 (4) Any taxpayer filing an amended federal income tax return shall
13 also file within sixty days thereafter an amended income tax return under
14 the Nebraska Revenue Act of 1967 and shall give such information as the
15 Tax Commissioner may require. For any amended federal income tax return
16 requesting a credit or refund, the amended Nebraska income tax return
17 shall be filed within sixty days after the taxpayer has received proof of
18 federal acceptance of the credit or refund or within the time for filing
19 an amended Nebraska income tax return that would otherwise be applicable
20 notwithstanding the amended federal income tax return, whichever is
21 later.

22 (5) Notwithstanding the foregoing, any partnership that is required
23 to file an amended return pursuant to this section shall be allowed, at
24 the partnership's election, to file an amended Nebraska income tax return
25 and to pay all Nebraska income tax, penalties, or interest associated
26 with such amended return, determined after taking into consideration
27 offsetting positive and negative adjustments of partnership items, at the
28 top individual tax rate set forth in section 77-2715.03 as if the
29 partnership were an individual. For a partnership making an election
30 pursuant to this subsection and paying the tax, penalties, or interest
31 arising from the amended return, (a) the partners of such electing

1 partnership shall not be required to file amended Nebraska income tax
 2 returns for the year of the election and shall not be required to pay
 3 Nebraska income tax, penalties, or interest arising as a result of such
 4 amended return and (b) the basis, and other tax items in the hands of the
 5 partner, arising from the partner's interest in the partnership shall be
 6 determined as if the election under this subsection had not been made and
 7 shall be determined in a similar manner as set forth for federal income
 8 tax purposes.

9 Sec. 17. Section 77-3604, Revised Statutes Cumulative Supplement,
 10 2022, is amended to read:

11 77-3604 (1) A child care and education provider whose eligible
 12 program provides services to children who participate in the child care
 13 subsidy program established pursuant to section 68-1202 may apply to the
 14 department to receive a nonrefundable tax credit against the income tax
 15 imposed by the Nebraska Revenue Act of 1967.

16 (2) The nonrefundable credit provided in this section shall be an
 17 amount equal to the average monthly number of children described in
 18 subsection (1) of this section who are attending the child care and
 19 education provider's eligible program, multiplied by an amount based upon
 20 the quality scale rating of such eligible program as follows:

21 Quality Scale Rating of Eligible Program	22 Tax Credit Per Child Attending Eligible Program
23 <u>Step Five</u>	<u>\$1,200</u>
24 <u>Step Four</u>	<u>\$1,000</u>
25 <u>Step Three</u>	<u>\$800</u>
26 <u>Step Two</u>	<u>\$600</u>
27 <u>Step One</u>	<u>\$400</u>
28 Step Five	\$750
29 Step Four	\$500
30 Step Three	\$250
31 Step Two	\$0

1 ~~Step One~~ \$0

2 (3) A child care and education provider shall apply for the credit
3 provided in this section by submitting an application to the department
4 with the following information:

5 (a) The number of children described in subsection (1) of this
6 section who attended the child care and education provider's eligible
7 program during each month of the most recently completed taxable year;

8 (b) Documentation to show the quality scale rating of the child care
9 and education provider's eligible program; and

10 (c) Any other documentation required by the department.

11 (4) Subject to subsection (5) of this section, if the department
12 determines that the child care and education provider qualifies for tax
13 credits under this section, it shall approve the application and certify
14 the amount of credits approved to the child care and education provider.

15 (5) The department shall consider applications in the order in which
16 they are received and may approve tax credits under this section in any
17 taxable year until the aggregate limit allowed under subsection (1) of
18 section 77-3606 has been reached.

19 (6) If the child care and education provider is (a) a partnership,
20 (b) a limited liability company, (c) a corporation having an election in
21 effect under subchapter S of the Internal Revenue Code of 1986, as
22 amended, or (d) an estate or trust, the tax credit provided in this
23 section may be distributed in the same manner and proportion as the
24 partner, member, shareholder, or beneficiary reports the partnership,
25 limited liability company, subchapter S corporation, estate, or trust
26 income.

27 (7) The credit provided in this section shall be available for
28 taxable years beginning or deemed to begin on or after January 1, 2024
29 ~~2017, and before January 1, 2022~~, under the Internal Revenue Code of
30 1986, as amended.

31 Sec. 18. Section 77-3605, Reissue Revised Statutes of Nebraska, is

1 amended to read:

2 77-3605 (1) An eligible staff member may apply to the department to
3 receive a refundable tax credit against the income tax imposed by the
4 Nebraska Revenue Act of 1967. The amount of the credit shall be based on
5 the eligible staff member's classification under subsection (4) of
6 section 71-1962 as follows:

7 Eligible Staff Member's Classification	Tax Credit
8 <u>Level Five</u>	<u>\$3,500</u>
9 <u>Level Four</u>	<u>\$3,200</u>
10 <u>Level Three</u>	<u>\$2,900</u>
11 <u>Level Two</u>	<u>\$2,600</u>
12 <u>Level One</u>	<u>\$2,300</u>
13 Level Four	\$1,500
14 Level Three	\$1,250
15 Level Two	\$750
16 Level One	\$500

17 (2) An eligible staff member shall apply for the credit provided in
18 this section by submitting an application to the department with the
19 following information:

20 (a) The eligible staff member's name and place of employment;

21 (b) An attestation form provided by the Nebraska Early Childhood
22 Professional Record System verifying the level at which the eligible
23 staff member is classified under subsection (4) of section 71-1962; and

24 (c) Any other documentation required by the department.

25 (3) Subject to subsection (4) of this section, if the department
26 determines that the eligible staff member qualifies for tax credits under
27 this section, it shall approve the application and certify the amount of
28 credits approved to the eligible staff member.

29 (4) The department shall consider applications in the order in which
30 they are received and may approve tax credits under this section in any
31 taxable year until the aggregate limit allowed under subsection (1) of

1 section 77-3606 has been reached.

2 (5) The credit provided in this section shall be available for
3 taxable years beginning or deemed to begin on or after January 1, 2024
4 ~~2017, and before January 1, 2022~~, under the Internal Revenue Code of
5 1986, as amended.

6 (6) For taxable years beginning or deemed to begin on or after
7 January 1, 2025 ~~2018, and before January 1, 2022~~, under the Internal
8 Revenue Code of 1986, as amended, the Tax Commissioner shall adjust the
9 credit amounts provided for in subsection (1) of this section by the
10 percentage change in the Consumer Price Index for All Urban Consumers, as
11 prepared by the United States Department of Labor, Bureau of Labor
12 Statistics, for the twelve-month period ending on August 31 of the year
13 preceding the taxable year.

14 Sec. 19. Section 77-3606, Reissue Revised Statutes of Nebraska, is
15 amended to read:

16 77-3606 (1) The department may approve tax credits under the School
17 Readiness Tax Credit Act each taxable year until the total amount of
18 credits approved for the taxable year reaches seven ~~five~~ million five
19 hundred thousand dollars.

20 (2) A child care and education provider shall claim any tax credits
21 granted under the act by attaching the tax credit certification received
22 from the department under section 77-3604 to the child care and education
23 provider's tax return. An eligible staff member shall claim any tax
24 credits granted under the act by attaching the tax credit certification
25 received from the department under section 77-3605 to the eligible staff
26 member's tax return.

27 (3) If the department finds that a person has obtained a credit by
28 fraud or misrepresentation, the credits shall be disallowed and the
29 taxpayer's state income tax for such taxable year shall be increased by
30 the amount necessary to recapture the credit.

31 (4) Credits granted to a taxpayer, but later disallowed, may be

1 recovered by the department within three years from the end of the year
2 in which the credit was claimed.

3 Sec. 20. If any section in this act or any part of any section is
4 declared invalid or unconstitutional, the declaration shall not affect
5 the validity or constitutionality of the remaining portions.

6 Sec. 21. Original sections 77-2727, 77-2730, 77-2775, 77-3605, and
7 77-3606, Reissue Revised Statutes of Nebraska, and sections 71-1962,
8 77-2715.03, 77-2715.07, 77-2716, 77-2717, 77-2734.01, 77-2734.02,
9 77-2734.03, and 77-3604, Revised Statutes Cumulative Supplement, 2022,
10 are repealed.

11 Sec. 22. Since an emergency exists, this act takes effect when
12 passed and approved according to law.