

## LEGISLATIVE BILL 355

Approved by the Governor January 30, 2004

Introduced by Revenue Committee: Landis, 46, Chairperson; Baker, 44;  
Bourne, 8; Connealy, 16; Hartnett, 45; Janssen, 15; Redfield, 12

AN ACT relating to income tax; to amend section 77-2716.01, Reissue Revised Statutes of Nebraska; to change provisions relating to standard deduction amounts; to provide an operative date; to repeal the original section; and to declare an emergency.

Be it enacted by the people of the State of Nebraska,

Section 1. Section 77-2716.01, Reissue Revised Statutes of Nebraska, is amended to read:

77-2716.01. (1) Every individual shall be allowed to subtract from his or her income tax liability an amount for personal exemptions. The amount allowed to be subtracted shall be the credit amount for the year as provided in this section multiplied by the number of exemptions allowed on the federal return. For tax year 1993, the credit amount shall be sixty-five dollars; for tax year 1994, the credit amount shall be sixty-nine dollars; for tax year 1995, the credit amount shall be sixty-nine dollars; for tax year 1996, the credit amount shall be seventy-two dollars; for tax year 1997, the credit amount shall be eighty-six dollars; for tax year 1998, the credit amount shall be eighty-eight dollars; for tax year 1999, and each year thereafter, the credit amount shall be adjusted for inflation by the method provided in section 151 of the Internal Revenue Code of 1986, as amended. The eighty-eight-dollar credit amount shall be adjusted for cumulative inflation since 1998. If any credit amount is not an even dollar amount, the amount shall be rounded to the nearest dollar. The amount allowed for each personal exemption shall be reduced, but not below zero, by five dollars for each five thousand dollars, or portion thereof, that federal adjusted gross income exceeds ninety thousand dollars for married filing joint returns, fifty-four thousand dollars for single returns, seventy-five thousand dollars for head-of-household returns, and for married filing separate returns, one-half the amount stated in this subsection for married filing joint returns. For nonresident individuals and partial-year resident individuals, the personal exemption credit shall be subtracted as specified in subsection (3) of section 77-2715. For tax year 1994 and each tax year thereafter, the income levels stated in this subsection shall be adjusted for inflation by the method provided in section 151 of the Internal Revenue Code of 1986, as amended. If any income level in this subsection is not a multiple of one thousand dollars, the amount shall be rounded to the next highest multiple of one thousand dollars.

(2) (a) For tax years beginning or deemed to begin before January 1, 2003, under the Internal Revenue Code of 1986, as amended, every individual who did not itemize deductions on his or her federal return shall be allowed to subtract from federal adjusted gross income a standard deduction equal to the federal standard deduction for the filing status used on the federal return except as the amount is adjusted under section 77-2716.03.

(b) For tax years beginning or deemed to begin on or after January 1, 2003, and before January 1, 2004, under the Internal Revenue Code of 1986, as amended, every individual who did not itemize deductions on his or her federal return shall be allowed to subtract from federal adjusted gross income a standard deduction based on the filing status used on the federal return except as the amount is adjusted under section 77-2716.03. The standard deduction shall be the smaller of the federal standard deduction actually allowed or (i) for single taxpayers four thousand seven hundred fifty dollars, (ii) for head of household taxpayers seven thousand dollars, (iii) for married filing jointly taxpayers seven thousand nine hundred fifty dollars, and (iv) for married filing separately taxpayers three thousand nine hundred seventy-five dollars. Taxpayers who are allowed additional federal standard deduction amounts because of age or blindness shall be allowed an increase in the Nebraska standard deduction for each additional amount allowed on the federal return. The additional amounts shall be for married taxpayers, nine hundred fifty dollars, and for single or head of household taxpayers, one thousand one hundred fifty dollars.

(c) For tax years beginning or deemed to begin on or after January 1, 2004, the standard deduction amounts, including the additional standard deduction amounts, in subdivision (2) (b) of this section shall be adjusted for inflation by the method provided in section 151 of the Internal Revenue Code

of 1986, as amended. If any amount is not a multiple of ten dollars, the amount shall be rounded to the next highest multiple of ten dollars except that the standard deduction for the married filing separately taxpayers may be a multiple of five dollars.

(3) Every individual who itemized deductions on his or her federal return shall be allowed to subtract from federal adjusted gross income the greater of either the standard deduction allowed in subsection (2) of this section or the amount before the federal disallowance of his or her federal itemized deductions, except for the amount deducted on the federal return for state or local income taxes paid and the amount of any adjustment required under section 77-2716.03.

Sec. 2. This act is operative for all taxable years beginning or deemed to begin on or after January 1, 2003, under the Internal Revenue Code of 1986, as amended.

Sec. 3. Original section 77-2716.01, Reissue Revised Statutes of Nebraska, is repealed.

Sec. 4. Since an emergency exists, this act takes effect when passed and approved according to law.