

LEGISLATURE OF NEBRASKA
ONE HUNDRED SEVENTH LEGISLATURE
SECOND SESSION

LEGISLATIVE BILL 1128

Introduced by DeBoer, 10.

Read first time January 19, 2022

Committee:

- 1 A BILL FOR AN ACT relating to teachers; to amend section 77-2716, Revised
- 2 Statutes Supplement, 2021; to adopt the Student Loan Repayment
- 3 Assistance for Teachers Act; to provide an income tax deduction as
- 4 prescribed; and to repeal the original section.
- 5 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 Student Loan Repayment Assistance for Teachers Act.

3 Sec. 2. For purposes of the Student Loan Repayment Assistance for
4 Teachers Act:

5 (1) Department means the State Department of Education; and

6 (2) Teaching full-time means teaching at least four hours each day
7 performing instructional duties as a full-time employee of a public
8 school in this state.

9 Sec. 3. (1) The department shall create and administer a student
10 loan repayment assistance program for Nebraska public preschool, primary,
11 and secondary teachers.

12 (2) To be eligible for repayment assistance under this section, an
13 applicant must:

14 (a) Be a resident of the State of Nebraska; and

15 (b) Be teaching full-time or have a contract to teach full-time at a
16 public preschool, primary, or secondary school in this state in the year
17 in which such person is a recipient of the repayment assistance.

18 (3) The amount of repayment assistance provided to an eligible
19 applicant pursuant to this section shall be limited to six thousand
20 dollars per year, with a maximum amount of thirty thousand dollars over
21 five years.

22 (4) Applications for repayment assistance must be submitted no later
23 than April 1, 2023, and no later than April 1 of each year thereafter, on
24 a form developed by the department.

25 (5) Repayment assistance awarded under this section shall be paid
26 directly to the entity that holds the outstanding balance of the student
27 loan.

28 (6) Repayment assistance received under this section may be applied
29 to the principal amount of the loan and to interest that accrues.

30 (7) An applicant may receive repayment assistance under this section
31 for the repayment of any student loan for education at any public or

1 private institution of higher education which was received through any
2 lender. If the loan is not a state or federal guaranteed student loan,
3 the note or other writing governing the terms of the loan must require
4 the loan proceeds to be used for expenses incurred by a person to attend
5 a public or private institution of higher education.

6 (8) The department shall not provide repayment assistance for a
7 student loan that is in default at the time of the individual's
8 application. For purposes of this subsection, a loan is considered in
9 default if it has been reduced to judgment.

10 Sec. 4. The department may adopt and promulgate rules and
11 regulations to carry out the Student Loan Repayment Assistance for
12 Teachers Act.

13 Sec. 5. It is the intent of the Legislature to appropriate five
14 million dollars in fiscal year 2022-23 and in each fiscal year thereafter
15 to the department for purposes of carrying out the Student Loan Repayment
16 Assistance for Teachers Act.

17 Sec. 6. Section 77-2716, Revised Statutes Supplement, 2021, is
18 amended to read:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

27 (9)(a) For income tax returns filed after September 10, 2001, for
28 taxable years beginning or deemed to begin before January 1, 2006, under
29 the Internal Revenue Code of 1986, as amended, federal adjusted gross
30 income or, for corporations and fiduciaries, federal taxable income shall
31 be increased by eighty-five percent of any amount of any federal bonus

1 depreciation received under the federal Job Creation and Worker
2 Assistance Act of 2002 or the federal Jobs and Growth Tax Act of 2003,
3 under section 168(k) or section 1400L of the Internal Revenue Code of
4 1986, as amended, for assets placed in service after September 10, 2001,
5 and before December 31, 2005.

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

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

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

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

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

22 (b) For taxable years beginning or deemed to begin before January 1,
23 2018, under the Internal Revenue Code of 1986, as amended, federal
24 adjusted gross income shall be increased by the withdrawals made as a
25 participant in the Nebraska long-term care savings plan under the act by
26 a person who is not a qualified individual or for any reason other than
27 transfer of funds to a spouse, long-term care expenses, long-term care
28 insurance premiums, or death of the participant, including withdrawals
29 made by reason of cancellation of the participation agreement, to the
30 extent previously deducted as a contribution or as investment earnings.

31 (12) There shall be added to federal adjusted gross income for

1 individuals, estates, and trusts any amount taken as a credit for
2 franchise tax paid by a financial institution under sections 77-3801 to
3 77-3807 as allowed by subsection (5) of section 77-2715.07.

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

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

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

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

19 (c) For taxable years beginning or deemed to begin on or after
20 January 1, 2021, under the Internal Revenue Code of 1986, as amended, a
21 taxpayer may claim the reduction to federal adjusted gross income allowed
22 under this subsection or the reduction to federal adjusted gross income
23 allowed under subsection (14) of this section, whichever provides the
24 greater reduction.

25 (14)(a) For taxable years beginning or deemed to begin on or after
26 January 1, 2021, under the Internal Revenue Code of 1986, as amended,
27 federal adjusted gross income shall be reduced by a percentage of the
28 social security benefits that are received and included in federal
29 adjusted gross income. The pertinent percentage shall be:

30 (i) Five percent for taxable years beginning or deemed to begin on
31 or after January 1, 2021, and before January 1, 2022, under the Internal

1 Revenue Code of 1986, as amended;

2 (ii) Twenty percent for taxable years beginning or deemed to begin
3 on or after January 1, 2022, and before January 1, 2023, under the
4 Internal Revenue Code of 1986, as amended;

5 (iii) Thirty percent for taxable years beginning or deemed to begin
6 on or after January 1, 2023, and before January 1, 2024, under the
7 Internal Revenue Code of 1986, as amended;

8 (iv) Forty percent for taxable years beginning or deemed to begin on
9 or after January 1, 2024, and before January 1, 2025, under the Internal
10 Revenue Code of 1986, as amended; and

11 (v) Fifty percent for taxable years beginning or deemed to begin on
12 or after January 1, 2025, under the Internal Revenue Code of 1986, as
13 amended.

14 (b) It is the intent of the Legislature to enact legislation within
15 five years after August 28, 2021, to increase the percentage of social
16 security benefits that are excluded under this subsection to (i) sixty
17 percent for taxable years beginning or deemed to begin on or after
18 January 1, 2026, and before January 1, 2027, under the Internal Revenue
19 Code of 1986, as amended, (ii) seventy percent for taxable years
20 beginning or deemed to begin on or after January 1, 2027, and before
21 January 1, 2028, under the Internal Revenue Code of 1986, as amended,
22 (iii) eighty percent for taxable years beginning or deemed to begin on or
23 after January 1, 2028, and before January 1, 2029, under the Internal
24 Revenue Code of 1986, as amended, (iv) ninety percent for taxable years
25 beginning or deemed to begin on or after January 1, 2029, and before
26 January 1, 2030, under the Internal Revenue Code of 1986, as amended, and
27 (v) one hundred percent for taxable years beginning or deemed to begin on
28 or after January 1, 2030, under the Internal Revenue Code of 1986, as
29 amended.

30 (c) For purposes of this subsection, social security benefits means
31 benefits received under the federal Social Security Act.

1 (d) For taxable years beginning or deemed to begin on or after
2 January 1, 2021, under the Internal Revenue Code of 1986, as amended, a
3 taxpayer may claim the reduction to federal adjusted gross income allowed
4 under this subsection or the reduction to federal adjusted gross income
5 allowed under subsection (13) of this section, whichever provides the
6 greater reduction.

7 (15)(a) For taxable years beginning or deemed to begin on or after
8 January 1, 2015, and before January 1, 2022, under the Internal Revenue
9 Code of 1986, as amended, an individual may make a one-time election
10 within two calendar years after the date of his or her retirement from
11 the military to exclude income received as a military retirement benefit
12 by the individual to the extent included in federal adjusted gross income
13 and as provided in this subdivision. The individual may elect to exclude
14 forty percent of his or her military retirement benefit income for seven
15 consecutive taxable years beginning with the year in which the election
16 is made or may elect to exclude fifteen percent of his or her military
17 retirement benefit income for all taxable years beginning with the year
18 in which he or she turns sixty-seven years of age.

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

24 (c) For purposes of this subsection, military retirement benefit
25 means retirement benefits that are periodic payments attributable to
26 service in the uniformed services of the United States for personal
27 services performed by an individual prior to his or her retirement. The
28 term includes retirement benefits described in this subdivision that are
29 reported to the individual on either:

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

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

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

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

14 (18) There shall be subtracted from the federal adjusted gross
15 income of individuals any amount received as student loan repayment
16 assistance under the Student Loan Repayment Assistance for Teachers Act,
17 to the extent such amount is included in federal adjusted gross income.

18 Sec. 7. Original section 77-2716, Revised Statutes Supplement,
19 2021, is repealed.