

LEGISLATURE OF NEBRASKA  
ONE HUNDRED EIGHTH LEGISLATURE  
SECOND SESSION

**LEGISLATIVE BILL 1184**

Introduced by Bostar, 29; Ibach, 44.

Read first time January 12, 2024

Committee:

- 1 A BILL FOR AN ACT relating to revenue and taxation; to amend section
- 2 77-2715.07, Revised Statutes Supplement, 2023; to adopt the Reverse
- 3 Osmosis System Tax Credit Act; to provide income tax credits; to
- 4 state legislative intent for appropriations; to harmonize
- 5 provisions; and to repeal the original section.
- 6 Be it enacted by the people of the State of Nebraska,

1           Section 1. Sections 1 to 4 of this act shall be known and may be  
2 cited as the Reverse Osmosis System Tax Credit Act.

3           Sec. 2. For purposes of the Reverse Osmosis System Tax Credit Act:

4           (1) Department means the Department of Revenue;

5           (2) Hazard Index means a calculation used to evaluate potential  
6 health risks from exposure to one or more of the four listed chemicals  
7 using their individual health safety limits as established by the  
8 Environmental Protection Agency. The Hazard Index is the sum of the  
9 ratios of actual chemical concentrations to the respective health safety  
10 limit;

11           (3) Reverse osmosis system means a water filtration system that uses  
12 a semi-permeable membrane to remove impurities from water; and

13           (4) Taxpayer means any individual subject to the income tax imposed  
14 by the Nebraska Revenue Act of 1967.

15           Sec. 3. (1) A taxpayer shall be eligible to receive a one-time  
16 credit against the income tax imposed by the Nebraska Revenue Act of 1967  
17 for the cost of installation of a reverse osmosis system at the primary  
18 residence of the taxpayer if test results for the following in the  
19 drinking water for such residence are above:

20           (a) Ten parts per million for nitrate nitrogen;

21           (b) Four parts per trillion for perfluorooctanoic acid or  
22 perfluorooctanesulfonic acid; or

23           (c) One on the Hazard Index for perfluorononanoic acid,  
24 perfluorohexanesulfonic acid, hexafluoropropylene oxide dimer acid and  
25 its ammonium salt, or perfluorobutanesulfonic acid.

26           (2) Only one taxpayer per residence may be a recipient of the  
27 credit.

28           (3) The credit provided in this section shall be a refundable tax  
29 credit equal to fifty percent of the cost incurred by the taxpayer during  
30 the taxable year for installation of the reverse osmosis system, up to a  
31 maximum of one thousand dollars.

1       (4) A taxpayer shall apply for the credit provided in this section  
2 by submitting an application to the department with the following  
3 information:

4       (a) Documentation of the test results of the drinking water for the  
5 taxpayer's primary residence;

6       (b) Documentation of the cost of the reverse osmosis system  
7 installed at such residence; and

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

9       (5) If the department determines that the taxpayer qualifies for the  
10 tax credit under this section, the department shall approve the  
11 application and certify the amount of the approved credit to the  
12 taxpayer.

13       Sec. 4.     The department may adopt and promulgate rules and  
14 regulations to carry out the Reverse Osmosis System Tax Credit Act.

15       Sec. 5. Section 77-2715.07, Revised Statutes Supplement, 2023, is  
16 amended to read:

17       77-2715.07 (1) There shall be allowed to qualified resident  
18 individuals as a nonrefundable credit against the income tax imposed by  
19 the Nebraska Revenue Act of 1967:

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

22       (b) A credit for taxes paid to another state as provided in section  
23 77-2730.

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

26       (a) For returns filed reporting federal adjusted gross incomes of  
27 greater than twenty-nine thousand dollars, a nonrefundable credit equal  
28 to twenty-five percent of the federal credit allowed under section 21 of  
29 the Internal Revenue Code of 1986, as amended, except that for taxable  
30 years beginning or deemed to begin on or after January 1, 2015, such  
31 nonrefundable credit shall be allowed only if the individual would have

1 received the federal credit allowed under section 21 of the code after  
2 adding back in any carryforward of a net operating loss that was deducted  
3 pursuant to such section in determining eligibility for the federal  
4 credit;

5 (b) For returns filed reporting federal adjusted gross income of  
6 twenty-nine thousand dollars or less, a refundable credit equal to a  
7 percentage of the federal credit allowable under section 21 of the  
8 Internal Revenue Code of 1986, as amended, whether or not the federal  
9 credit was limited by the federal tax liability. The percentage of the  
10 federal credit shall be one hundred percent for incomes not greater than  
11 twenty-two thousand dollars, and the percentage shall be reduced by ten  
12 percent for each one thousand dollars, or fraction thereof, by which the  
13 reported federal adjusted gross income exceeds twenty-two thousand  
14 dollars, except that for taxable years beginning or deemed to begin on or  
15 after January 1, 2015, such refundable credit shall be allowed only if  
16 the individual would have received the federal credit allowed under  
17 section 21 of the code after adding back in any carryforward of a net  
18 operating loss that was deducted pursuant to such section in determining  
19 eligibility for the federal credit;

20 (c) A refundable credit as provided in section 77-5209.01 for  
21 individuals who qualify for an income tax credit as a qualified beginning  
22 farmer or livestock producer under the Beginning Farmer Tax Credit Act  
23 for all taxable years beginning or deemed to begin on or after January 1,  
24 2006, under the Internal Revenue Code of 1986, as amended;

25 (d) A refundable credit for individuals who qualify for an income  
26 tax credit under the Angel Investment Tax Credit Act, the Nebraska  
27 Advantage Microenterprise Tax Credit Act, the Nebraska Advantage Research  
28 and Development Act, the Reverse Osmosis System Tax Credit Act, or the  
29 Volunteer Emergency Responders Incentive Act; and

30 (e) A refundable credit equal to ten percent of the federal credit  
31 allowed under section 32 of the Internal Revenue Code of 1986, as

1 amended, except that for taxable years beginning or deemed to begin on or  
2 after January 1, 2015, such refundable credit shall be allowed only if  
3 the individual would have received the federal credit allowed under  
4 section 32 of the code after adding back in any carryforward of a net  
5 operating loss that was deducted pursuant to such section in determining  
6 eligibility for the federal credit.

7 (3) There shall be allowed to all individuals as a nonrefundable  
8 credit against the income tax imposed by the Nebraska Revenue Act of  
9 1967:

10 (a) A credit for personal exemptions allowed under section  
11 77-2716.01;

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

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

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

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

25 (f) A credit to employers as provided in sections 77-27,238 and  
26 77-27,240;

27 (g) A credit as provided in the Affordable Housing Tax Credit Act;

28 (h) A credit to grocery store retailers, restaurants, and  
29 agricultural producers as provided in section 77-27,241; and

30 (i) A credit as provided in the Opportunity Scholarships Act.

31 (4) There shall be allowed as a credit against the income tax

1 imposed by the Nebraska Revenue Act of 1967:

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

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

7 (c) A refundable credit for individuals who qualify for an income  
8 tax credit as an owner of agricultural assets under the Beginning Farmer  
9 Tax Credit Act for all taxable years beginning or deemed to begin on or  
10 after January 1, 2009, under the Internal Revenue Code of 1986, as  
11 amended. The credit allowed for each partner, shareholder, member, or  
12 beneficiary of a partnership, corporation, limited liability company, or  
13 estate or trust qualifying for an income tax credit as an owner of  
14 agricultural assets under the Beginning Farmer Tax Credit Act shall be  
15 equal to the partner's, shareholder's, member's, or beneficiary's portion  
16 of the amount of tax credit distributed pursuant to subsection (6) of  
17 section 77-5211.

18 (5)(a) For all taxable years beginning on or after January 1, 2007,  
19 and before January 1, 2009, under the Internal Revenue Code of 1986, as  
20 amended, there shall be allowed to each partner, shareholder, member, or  
21 beneficiary of a partnership, subchapter S corporation, limited liability  
22 company, or estate or trust a nonrefundable credit against the income tax  
23 imposed by the Nebraska Revenue Act of 1967 equal to fifty percent of the  
24 partner's, shareholder's, member's, or beneficiary's portion of the  
25 amount of franchise tax paid to the state under sections 77-3801 to  
26 77-3807 by a financial institution.

27 (b) For all taxable years beginning on or after January 1, 2009,  
28 under the Internal Revenue Code of 1986, as amended, there shall be  
29 allowed to each partner, shareholder, member, or beneficiary of a  
30 partnership, subchapter S corporation, limited liability company, or  
31 estate or trust a nonrefundable credit against the income tax imposed by

1 the Nebraska Revenue Act of 1967 equal to the partner's, shareholder's,  
2 member's, or beneficiary's portion of the amount of franchise tax paid to  
3 the state under sections 77-3801 to 77-3807 by a financial institution.

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

10 (6) There shall be allowed to all individuals nonrefundable credits  
11 against the income tax imposed by the Nebraska Revenue Act of 1967 as  
12 provided in section 77-3604 and refundable credits against the income tax  
13 imposed by the Nebraska Revenue Act of 1967 as provided in section  
14 77-3605.

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

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

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

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

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

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

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

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

9 (8) There shall be allowed to all individuals refundable credits  
10 against the income tax imposed by the Nebraska Revenue Act of 1967 as  
11 provided in the Nebraska Biodiesel Tax Credit Act, the Nebraska Higher  
12 Blend Tax Credit Act, the Nebraska Property Tax Incentive Act, and the  
13 Renewable Chemical Production Tax Credit Act.

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

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

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

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

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

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

27 (10) There shall be allowed to all individuals refundable credits  
28 against the income tax imposed by the Nebraska Revenue Act of 1967 as  
29 provided in section 77-7203 and nonrefundable credits against the income  
30 tax imposed by the Nebraska Revenue Act of 1967 as provided in section  
31 77-7204.

1           Sec. 6. The Department of Natural Resources and the Department of  
2 Environment and Energy shall have a real-time nitrate management plan in  
3 place by August 31, 2024. Full implementation of such shall be complete  
4 by January 1, 2025. Such plan will consider how state agencies, natural  
5 resources districts, farmers, and irrigators can obtain the necessary  
6 data to reduce fertilizer use and reuse nitrates contained in groundwater  
7 through the irrigation systems that will thereby lower input costs and  
8 reduce nitrate levels statewide.

9           Sec. 7. It is the intent of the Legislature to appropriate ten  
10 million dollars for fiscal year 2024-25 from the General Fund to the  
11 Department of Environment and Energy to fund the installation of real-  
12 time nitrate sensors in monitoring wells statewide to prioritize nitrate  
13 management and reduction.

14           Sec. 8. Original section 77-2715.07, Revised Statutes Supplement,  
15 2023, is repealed.