

LEGISLATURE OF NEBRASKA
ONE HUNDRED EIGHTH LEGISLATURE
FIRST SESSION

LEGISLATIVE BILL 318

Introduced by Bostar, 29.

Read first time January 11, 2023

Committee:

- 1 A BILL FOR AN ACT relating to revenue and taxation; to amend sections
- 2 77-3605 and 77-3606, Reissue Revised Statutes of Nebraska, and
- 3 sections 71-1962, 77-2715.07, 77-2717, 77-2734.03, and 77-3604,
- 4 Revised Statutes Cumulative Supplement, 2022; to adopt the Child
- 5 Care Tax Credit Act; to reauthorize tax credits under and change
- 6 provisions relating to the School Readiness Tax Credit Act; to
- 7 harmonize provisions; and to repeal the original sections.
- 8 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) Five 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;

25 (b) Three 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; or

28 (c) One thousand dollars per child if the parent's or legal
29 guardian's total household income is more than one hundred fifty thousand
30 dollars but no more than two hundred thousand dollars.

31 (3) A parent or legal guardian shall not be eligible for a credit

1 under this section if the parent's or legal guardian's total household
2 income is more than two hundred thousand dollars.

3 (4) A parent or legal guardian shall apply for the credit provided
4 in this section by submitting an application to the department with the
5 following information:

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

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

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

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

15 (6) The department shall consider applications in the order in which
16 they are received and may approve tax credits under this section each
17 year until the total amount of credits approved for the year equals
18 seventeen million five hundred thousand dollars.

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

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

29 (3) The credit shall be equal to seventy-five percent of the
30 qualifying contribution if:

31 (a) The eligible program that receives the contribution has a

1 physical presence in an opportunity zone in this state designated
2 pursuant to the federal Tax Cuts and Jobs Act, Public Law 115-97; or

3 (b) The eligible program that receives the contribution has at least
4 one child enrolled in the child care subsidy program established pursuant
5 to sections 68-1202 and 68-1206 and the child care provider is actively
6 caring and billing for the child as verified by the Department of Health
7 and Human Services.

8 (4) The credit shall be equal to fifty percent of the qualifying
9 contribution if subsection (3) of this section does not apply.

10 (5) A taxpayer shall apply for the credit provided in this section
11 by submitting an application to the department with the following
12 information:

13 (a) Documentation to show that the contribution is a qualifying
14 contribution; and

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

16 (6) Subject to subsection (7) of this section, if the department
17 determines that the taxpayer qualifies for tax credits under this
18 section, the department shall approve the application and certify the
19 amount of credits approved to the taxpayer.

20 (7) The department shall consider applications in the order in which
21 they are received and may approve tax credits under this section each
22 year until the total amount of credits approved for the year equals
23 fifteen million dollars.

24 (8) If a taxpayer's credit under this section exceeds the total tax
25 due, the taxpayer may carry forward the excess credit for up to five
26 taxable years after the taxable year in which the credit was first
27 allowed, but the taxpayer must use the carryover credit in the earliest
28 taxable year possible.

29 (9) A contribution shall not qualify for a credit under this section
30 if the contribution is made to a child care provider in which the
31 taxpayer or a person related to the taxpayer has a financial interest,

1 unless the contribution is part of a bona fide arm's length transaction.

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

4 Sec. 6. Section 71-1962, Revised Statutes Cumulative Supplement,
5 2022, is amended to read:

6 71-1962 (1) Not later than March 1, 2014, the State Department of
7 Education shall create and operate the Nebraska Early Childhood
8 Professional Record System. The system shall be designed in order to:

9 (a) Establish a database of Nebraska's early childhood education
10 workforce;

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

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

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

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

30 (4) The State Department of Education shall develop a classification
31 system for all eligible staff members as defined in section 77-3603 who

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

19 Sec. 7. Section 77-2715.07, Revised Statutes Cumulative Supplement,
20 2022, is amended to read:

21 77-2715.07 (1) There shall be allowed to qualified resident
22 individuals as a nonrefundable credit against the income tax imposed by
23 the Nebraska Revenue Act of 1967:

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

26 (b) A credit for taxes paid to another state as provided in section
27 77-2730.

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

30 (a) For returns filed reporting federal adjusted gross incomes of
31 greater than twenty-nine thousand dollars, a nonrefundable credit equal

1 to twenty-five percent of the federal credit allowed under section 21 of
2 the Internal Revenue Code of 1986, as amended, except that for taxable
3 years beginning or deemed to begin on or after January 1, 2015, such
4 nonrefundable credit shall be allowed only if the individual would have
5 received the federal credit allowed under section 21 of the code after
6 adding back in any carryforward of a net operating loss that was deducted
7 pursuant to such section in determining eligibility for the federal
8 credit;

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

24 (c) A refundable credit as provided in section 77-5209.01 for
25 individuals who qualify for an income tax credit as a qualified beginning
26 farmer or livestock producer under the Beginning Farmer Tax Credit Act
27 for all taxable years beginning or deemed to begin on or after January 1,
28 2006, under the Internal Revenue Code of 1986, as amended;

29 (d) A refundable credit for individuals who qualify for an income
30 tax credit under the Angel Investment Tax Credit Act, the Nebraska
31 Advantage Microenterprise Tax Credit Act, the Nebraska Advantage Research

1 and Development Act, or the Volunteer Emergency Responders Incentive Act;
2 and

3 (e) A refundable credit equal to ten percent of the federal credit
4 allowed under section 32 of the Internal Revenue Code of 1986, as
5 amended, except that for taxable years beginning or deemed to begin on or
6 after January 1, 2015, such refundable credit shall be allowed only if
7 the individual would have received the federal credit allowed under
8 section 32 of the code after adding back in any carryforward of a net
9 operating loss that was deducted pursuant to such section in determining
10 eligibility for the federal credit.

11 (3) There shall be allowed to all individuals as a nonrefundable
12 credit against the income tax imposed by the Nebraska Revenue Act of
13 1967:

14 (a) A credit for personal exemptions allowed under section
15 77-2716.01;

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

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

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

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

29 (f) A credit to employers as provided in sections 77-27,238 and
30 77-27,240; and

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

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

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

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

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

19 (5)(a) For all taxable years beginning on or after January 1, 2007,
20 and before January 1, 2009, under the Internal Revenue Code of 1986, as
21 amended, there shall be allowed to each partner, shareholder, member, or
22 beneficiary of a partnership, subchapter S corporation, limited liability
23 company, or estate or trust a nonrefundable credit against the income tax
24 imposed by the Nebraska Revenue Act of 1967 equal to fifty percent of the
25 partner's, shareholder's, member's, or beneficiary's portion of the
26 amount of franchise tax paid to the state under sections 77-3801 to
27 77-3807 by a financial institution.

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

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

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

11 (6) There shall be allowed to all individuals nonrefundable credits
12 against the income tax imposed by the Nebraska Revenue Act of 1967 as
13 provided in section 77-3604 and refundable credits against the income tax
14 imposed by the Nebraska Revenue Act of 1967 as provided in section
15 77-3605.

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

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

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

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

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

31 (c) No more than one credit may be claimed under this subsection

1 with respect to a single residence.

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

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

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

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

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

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

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

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

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

28 (10) There shall be allowed to all individuals refundable credits
29 against the income tax imposed by the Nebraska Revenue Act of 1967 as
30 provided in section 3 of this act and nonrefundable credits against the
31 income tax imposed by the Nebraska Revenue Act of 1967 as provided in

1 section 4 of this act.

2 Sec. 8. Section 77-2717, Revised Statutes Cumulative Supplement,
3 2022, is amended to read:

4 77-2717 (1)(a)(i) For taxable years beginning or deemed to begin
5 before January 1, 2014, the tax imposed on all resident estates and
6 trusts shall be a percentage of the federal taxable income of such
7 estates and trusts as modified in section 77-2716, plus a percentage of
8 the federal alternative minimum tax and the federal tax on premature or
9 lump-sum distributions from qualified retirement plans. The additional
10 taxes shall be recomputed by (A) substituting Nebraska taxable income for
11 federal taxable income, (B) calculating what the federal alternative
12 minimum tax would be on Nebraska taxable income and adjusting such
13 calculations for any items which are reflected differently in the
14 determination of federal taxable income, and (C) applying Nebraska rates
15 to the result. The federal credit for prior year minimum tax, after the
16 recomputations required by the Nebraska Revenue Act of 1967, and the
17 credits provided in the Nebraska Advantage Microenterprise Tax Credit Act
18 and the Nebraska Advantage Research and Development Act shall be allowed
19 as a reduction in the income tax due. A refundable income tax credit
20 shall be allowed for all resident estates and trusts under the Angel
21 Investment Tax Credit Act, the Nebraska Advantage Microenterprise Tax
22 Credit Act, and the Nebraska Advantage Research and Development Act. A
23 nonrefundable income tax credit shall be allowed for all resident estates
24 and trusts as provided in the New Markets Job Growth Investment Act.

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

1 result. The credits provided in the Nebraska Advantage Microenterprise
2 Tax Credit Act and the Nebraska Advantage Research and Development Act
3 shall be allowed as a reduction in the income tax due. A refundable
4 income tax credit shall be allowed for all resident estates and trusts
5 under the Angel Investment Tax Credit Act, the Nebraska Advantage
6 Microenterprise Tax Credit Act, the Nebraska Advantage Research and
7 Development Act, the Nebraska Higher Blend Tax Credit Act, the Nebraska
8 Property Tax Incentive Act, and the Renewable Chemical Production Tax
9 Credit Act. A nonrefundable income tax credit shall be allowed for all
10 resident estates and trusts as provided in the Nebraska Job Creation and
11 Mainstreet Revitalization Act, the New Markets Job Growth Investment Act,
12 the School Readiness Tax Credit Act, the Child Care Tax Credit Act, the
13 Affordable Housing Tax Credit Act, and sections 77-27,238 and 77-27,240.

14 (b) The tax imposed on all nonresident estates and trusts shall be
15 the portion of the tax imposed on resident estates and trusts which is
16 attributable to the income derived from sources within this state. The
17 tax which is attributable to income derived from sources within this
18 state shall be determined by multiplying the liability to this state for
19 a resident estate or trust with the same total income by a fraction, the
20 numerator of which is the nonresident estate's or trust's Nebraska income
21 as determined by sections 77-2724 and 77-2725 and the denominator of
22 which is its total federal income after first adjusting each by the
23 amounts provided in section 77-2716. The federal credit for prior year
24 minimum tax, after the recomputations required by the Nebraska Revenue
25 Act of 1967, reduced by the percentage of the total income which is
26 attributable to income from sources outside this state, and the credits
27 provided in the Nebraska Advantage Microenterprise Tax Credit Act and the
28 Nebraska Advantage Research and Development Act shall be allowed as a
29 reduction in the income tax due. A refundable income tax credit shall be
30 allowed for all nonresident estates and trusts under the Angel Investment
31 Tax Credit Act, the Nebraska Advantage Microenterprise Tax Credit Act,

1 the Nebraska Advantage Research and Development Act, the Nebraska Higher
2 Blend Tax Credit Act, the Nebraska Property Tax Incentive Act, and the
3 Renewable Chemical Production Tax Credit Act. A nonrefundable income tax
4 credit shall be allowed for all nonresident estates and trusts as
5 provided in the Nebraska Job Creation and Mainstreet Revitalization Act,
6 the New Markets Job Growth Investment Act, the School Readiness Tax
7 Credit Act, the Child Care Tax Credit Act, the Affordable Housing Tax
8 Credit Act, and sections 77-27,238 and 77-27,240.

9 (2) In all instances wherein a fiduciary income tax return is
10 required under the provisions of the Internal Revenue Code, a Nebraska
11 fiduciary return shall be filed, except that a fiduciary return shall not
12 be required to be filed regarding a simple trust if all of the trust's
13 beneficiaries are residents of the State of Nebraska, all of the trust's
14 income is derived from sources in this state, and the trust has no
15 federal tax liability. The fiduciary shall be responsible for making the
16 return for the estate or trust for which he or she acts, whether the
17 income be taxable to the estate or trust or to the beneficiaries thereof.
18 The fiduciary shall include in the return a statement of each
19 beneficiary's distributive share of net income when such income is
20 taxable to such beneficiaries.

21 (3) The beneficiaries of such estate or trust who are residents of
22 this state shall include in their income their proportionate share of
23 such estate's or trust's federal income and shall reduce their Nebraska
24 tax liability by their proportionate share of the credits as provided in
25 the Angel Investment Tax Credit Act, the Nebraska Advantage
26 Microenterprise Tax Credit Act, the Nebraska Advantage Research and
27 Development Act, the Nebraska Job Creation and Mainstreet Revitalization
28 Act, the New Markets Job Growth Investment Act, the School Readiness Tax
29 Credit Act, the Child Care Tax Credit Act, the Affordable Housing Tax
30 Credit Act, the Nebraska Higher Blend Tax Credit Act, the Nebraska
31 Property Tax Incentive Act, the Renewable Chemical Production Tax Credit

1 Act, and sections 77-27,238 and 77-27,240. There shall be allowed to a
2 beneficiary a refundable income tax credit under the Beginning Farmer Tax
3 Credit Act for all taxable years beginning or deemed to begin on or after
4 January 1, 2001, under the Internal Revenue Code of 1986, as amended.

5 (4) If any beneficiary of such estate or trust is a nonresident
6 during any part of the estate's or trust's taxable year, he or she shall
7 file a Nebraska income tax return which shall include (a) in Nebraska
8 adjusted gross income that portion of the estate's or trust's Nebraska
9 income, as determined under sections 77-2724 and 77-2725, allocable to
10 his or her interest in the estate or trust and (b) a reduction of the
11 Nebraska tax liability by his or her proportionate share of the credits
12 as provided in the Angel Investment Tax Credit Act, the Nebraska
13 Advantage Microenterprise Tax Credit Act, the Nebraska Advantage Research
14 and Development Act, the Nebraska Job Creation and Mainstreet
15 Revitalization Act, the New Markets Job Growth Investment Act, the School
16 Readiness Tax Credit Act, the Child Care Tax Credit Act, the Affordable
17 Housing Tax Credit Act, the Nebraska Higher Blend Tax Credit Act, the
18 Nebraska Property Tax Incentive Act, the Renewable Chemical Production
19 Tax Credit Act, and sections 77-27,238 and 77-27,240 and shall execute
20 and forward to the fiduciary, on or before the original due date of the
21 Nebraska fiduciary return, an agreement which states that he or she will
22 file a Nebraska income tax return and pay income tax on all income
23 derived from or connected with sources in this state, and such agreement
24 shall be attached to the Nebraska fiduciary return for such taxable year.

25 (5) In the absence of the nonresident beneficiary's executed
26 agreement being attached to the Nebraska fiduciary return, the estate or
27 trust shall remit a portion of such beneficiary's income which was
28 derived from or attributable to Nebraska sources with its Nebraska return
29 for the taxable year. For taxable years beginning or deemed to begin
30 before January 1, 2013, the amount of remittance, in such instance, shall
31 be the highest individual income tax rate determined under section

1 77-2715.02 multiplied by the nonresident beneficiary's share of the
2 estate or trust income which was derived from or attributable to sources
3 within this state. For taxable years beginning or deemed to begin on or
4 after January 1, 2013, the amount of remittance, in such instance, shall
5 be the highest individual income tax rate determined under section
6 77-2715.03 multiplied by the nonresident beneficiary's share of the
7 estate or trust income which was derived from or attributable to sources
8 within this state. The amount remitted shall be allowed as a credit
9 against the Nebraska income tax liability of the beneficiary.

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

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

26 (8) For purposes of this section, any beneficiary of an estate or
27 trust that is a grantor trust of a nonresident shall be disregarded and
28 this section shall apply as though the nonresident grantor was the
29 beneficiary.

30 Sec. 9. Section 77-2734.03, Revised Statutes Cumulative Supplement,
31 2022, is amended to read:

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

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

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

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

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

30 (4) The changes made to this section by Laws 2004, LB 983, apply to
31 motor fuels purchased during any tax year ending or deemed to end on or

1 after January 1, 2005, under the Internal Revenue Code of 1986, as
2 amended.

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

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

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

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

18 77-3604 (1) A child care and education provider whose eligible
19 program provides services to children who participate in the child care
20 subsidy program established pursuant to section 68-1202 may apply to the
21 department to receive a nonrefundable tax credit against the income tax
22 imposed by the Nebraska Revenue Act of 1967.

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

28	Quality Scale Rating of Eligible Program	Tax Credit Per Child Attending
29		Eligible Program
30	<u>Step Five</u>	<u>\$1,500</u>
31	<u>Step Four</u>	<u>\$1,250</u>

1	<u>Step Three</u>	<u>\$1,000</u>
2	<u>Step Two</u>	<u>\$750</u>
3	<u>Step One</u>	<u>\$0</u>
4	Step Five	\$750
5	Step Four	\$500
6	Step Three	\$250
7	Step Two	\$0
8	Step One	\$0

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

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

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

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

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

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

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

1 limited liability company, subchapter S corporation, estate, or trust
2 income.

3 (7) The credit provided in this section shall be available for
4 taxable years beginning or deemed to begin on or after January 1, 2024
5 ~~2017, and before January 1, 2022~~, under the Internal Revenue Code of
6 1986, as amended.

7 Sec. 11. Section 77-3605, Reissue Revised Statutes of Nebraska, is
8 amended to read:

9 77-3605 (1) An eligible staff member may apply to the department to
10 receive a refundable tax credit against the income tax imposed by the
11 Nebraska Revenue Act of 1967. The amount of the credit shall be based on
12 the eligible staff member's classification under subsection (4) of
13 section 71-1962 as follows:

14 Eligible Staff Member's Classification	Tax Credit
15 <u>Level Five</u>	<u>\$3,200</u>
16 <u>Level Four</u>	<u>\$2,700</u>
17 <u>Level Three</u>	<u>\$2,200</u>
18 <u>Level Two</u>	<u>\$1,700</u>
19 <u>Level One</u>	<u>\$1,200</u>
20 Level Four	\$1,500
21 Level Three	\$1,250
22 Level Two	\$750
23 Level One	\$500

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

- 27 (a) The eligible staff member's name and place of employment;
- 28 (b) An attestation form provided by the Nebraska Early Childhood
29 Professional Record System verifying the level at which the eligible
30 staff member is classified under subsection (4) of section 71-1962; and
- 31 (c) Any other documentation required by the department.

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

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

9 (5) The credit provided in this section shall be available for
10 taxable years beginning or deemed to begin on or after January 1, 2024
11 ~~2017, and before January 1, 2022~~, under the Internal Revenue Code of
12 1986, as amended.

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

21 Sec. 12. Section 77-3606, Reissue Revised Statutes of Nebraska, is
22 amended to read:

23 77-3606 (1) The department may approve tax credits under the School
24 Readiness Tax Credit Act each taxable year until the total amount of
25 credits approved for the taxable year reaches seventeen ~~five~~ million five
26 hundred thousand dollars.

27 (2) A child care and education provider shall claim any tax credits
28 granted under the act by attaching the tax credit certification received
29 from the department under section 77-3604 to the child care and education
30 provider's tax return. An eligible staff member shall claim any tax
31 credits granted under the act by attaching the tax credit certification

1 received from the department under section 77-3605 to the eligible staff
2 member's tax return.

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

7 (4) Credits granted to a taxpayer, but later disallowed, may be
8 recovered by the department within three years from the end of the year
9 in which the credit was claimed.

10 Sec. 13. Original sections 77-3605 and 77-3606, Reissue Revised
11 Statutes of Nebraska, and sections 71-1962, 77-2715.07, 77-2717,
12 77-2734.03, and 77-3604, Revised Statutes Cumulative Supplement, 2022,
13 are repealed.