NEBRASKA
Good Life. Great Service.
DEPARTMENT OF REVENUE

Federal/State Income Tax Institute

Nebraska Updates 2024

Effective through December 13, 2024

revenue.nebraska.gov

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Agenda

- Legislative Update for 2024 including Special Session
- Legislative Session Review for Revenue
- Good Life Districts

Greetings! I hope you are doing well! . Today we are going to go through a recap of the legislative changes from the regular session and special session. There are a lot of updates this year. We have put together several slides but will not have time to go over everything. The slides will be made available to you, and I would encourage you to refer to them or our website for additional information.

Session Review: Revenue

The link in previous slide takes you to the Revenue Committee's session review. The committee advanced bills this session creating several tax credits, allowing businesses to deduct certain expenses immediately and authorizing cites to use local tax revenue to pay for the development of special retail districts. During the regular session there were several proposals to change the sales tax base, the sales tax rate, and tax credits.

Legislative Bills Passed in 2024

[Major Legislative Changes]

- LB 146
- LB 685
- LB 937
- LB 1023
- LB 1088
- LB 1095
- LB 1197
- LB 1204
- LB 1317
- LB 1344
- LB 1394
- LB 1402

Ask you can see there were several bills that were passed that affect Revenue. LB 937 contains provisions of several other bills that were considered this session. We won't have time to dive deep into each of these. The bills listed on this slide are from the regular session. As you well know there was a special session.

Special Session

- LB 34 Property Tax Growth Limitation Act and the School District Tax Relief Act.
- Establishes the School District Property Tax Relief Act and the School District Property Tax Relief Credit fund.

For those of you who were paying attention during the special session this summer, you know that there were lots of proposals on the table. In the end, lawmakers passed a bill that helps reduce property taxes. Let's just talk briefly about LB34. The bill frontloads the credit of 30% of school district taxes paid automatically by reducing property tax statements instead of requiring the taxpayer to claim it as a refundable income tax credit. In other words, if you are a homeowner, you will not have to wait to file your income tax return before you get the credit.

School District Property Tax Relief

- Fiscal year 2024-25: $750 million
- Fiscal year 2025-26: $780 million
- Fiscal year 2026-27: $808 million
- Fiscal year 2027-28: $838 million
- Fiscal year 2028-29: $870 million
- Fiscal year 2029-30: $902 million
- Fiscal year 2030-31 and each tax year after: The amount of relief from the prior year increased by 3 percent.

LB 34

- Places limitations on how much cities, villages, and counties can increase their property tax request authority from year to year.
- Limits increases to the amount of property taxes levied in prior fiscal year decreased by any property tax request authority limitation exceptions utilized for approved bonds and declared emergencies in the prior year, increased by the political subdivision's growth percentages and the greater of zero or the inflation percentage.

LB 34 place limits on how much political subdivisions can increase their property tax request authority from year to year.

LB 34 and changes to PTC

- Frontloading of the K-12 School PTC Credit
- This Act provides property tax relief for school district taxes directly on the property tax statement reducing property taxes before they are paid, instead of refunding after they are paid.
- Will show up as a line on December 2024 Property Tax Statement
  Example Property Tax Statement :
  $5,000 property tax assessed for 2024
  -$500 K-12 School PTC credit
  $4,500 property tax due for 2024
- Minimum 3% yearly increase in tax credit
- Local Government Caps

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LB 34 and changes to PTC

- Estimated Payment Penalty Calculation Update–
- Forms 2210N and 2220N for 2024 have been revised to include the K-12 School PTC allowed on the 2023 tax return to adjust the calculation of penalty for underpayment of 2024 estimated taxes.
- Taxpayers will not need to file a Request for Abatement of Penalty, Form 21, if the adjustment on line 2 of the 2024 Form 2210N or Form 2220N is made as instructed.

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Sales and Use Tax Bills

- LB 937 provides a sales and use tax exemption for
  - Certain Nonprofit Organizations
  - Diapers
- LB 1317 changes to the Exemption on Currency and Bullion.

- LB 937 provides for a new exemption to be granted to any nonprofit organization for purchase of property that will be transferred to any of the organizations listed in Neb. Rev. Stat. 77-2704.12 (1) (a) through (i) provided the nonprofit organization acquires property that will be transferred or enters into a contract of construction, improvement, or repair upon property annexed to real estate if that property will be transferred. The exemption is granted until the property is transferred, or the contract is complete. This is operative October 1, 2024.

- LB 937 also creates a new sales and use tax exemption on the sale, storage, use, or other consumption of diapers. Diapers means absorbent garments worn by humans who are incapable of or have difficulty controlling their bladder or bowel movements. Note this will not be operative until July 1, 2027.

- LB 1317 the sales and use tax exemption for sales of bullion was expanded by adding to the definition of bullion coins, notes, leaf, foil, and film. The definition was also changed to bullion for which the value depends primarily on its content and not the form. This will be operative January 1, 2025.

Good Life District (GLD)

- The Good Life Transformational Projects Act was created in 2023 by LB 727.
- It provides for the establishment of special taxing jurisdictions within Nebraska, called Good Life Districts (GLDs).
- A GLD is established pursuant to Neb. Rev. Stat. §77-4405.
- Applications must be approved by the Department of Economic Development (DED).
- GLD is a defined area that has a reduced Nebraska (state) sales and use tax rate for purchases within the GLD.

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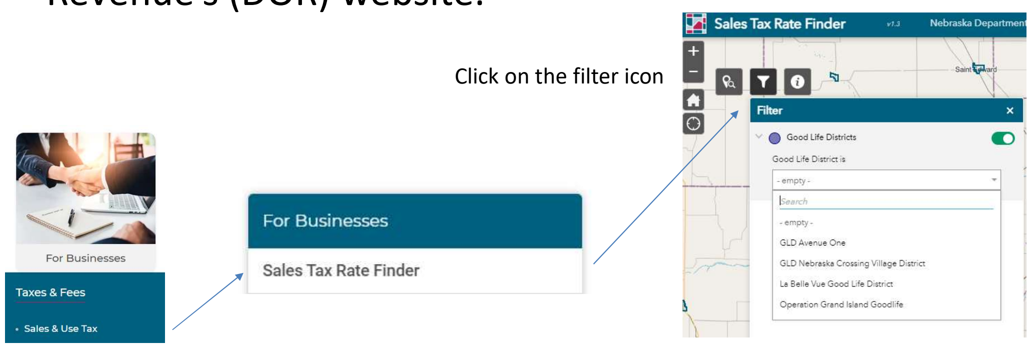
Effective July 1, 2024, LB 1317 provided that the state sales tax rate will be 5.5% on transactions made (1) outside a Nebraska GLD or (2) inside a GLD that is not within a city's boundaries. These are reported on the outside a GLD line on the GLD rate box.

The reduced state rate of 2.75% applies only on those transactions made within a GLD that are also within a city's boundaries. The local sales tax rate and any city-imposed occupation tax must still be collected in areas located inside a GLD.

Good Life District (GLD)

- Maps showing the location and boundaries of the GLDs are in the Sales Tax Rate Finder on the Nebraska Department of Revenue's (DOR) website.



Note: A tax rate can only change on the first day of a calendar quarter.

Transactions subject to sales and use tax that occur inside a GLD and also inside a city's boundaries are subject to the 2.75% GLD reduced state sales and use tax rate instead of the 5.5% state sales and use tax rate. The location of the sale is generally where the purchaser takes delivery of the property or service. Transactions made inside a GLD generally means the location that the purchaser tax possession of the property or receives the services. Licensable motor vehicles are an exception, they are taxed at the address where the vehicle is licensed.

To get to the rate finder on DOR's website, go to For Businesses, click on Sales & Use Tax. In the left menu on the next page, click on Sales Tax Rate finder.
To see each GLD, on the rate finder, click the filter icon and select which GLD to see.

Good Life District (GLD)

- There is also a Rates and Boundaries file, which is a comma separated file listed by address ranges, which has the correct tax rate and dates the rates are effective.
  - The Rates and Boundaries file is updated quarterly and can also be found on the DOR's website.

For Businesses

Taxes & Fees

- Sales & Use Tax

Frequently Asked Questions

Sales and Use Tax Rates and Boundary Files for Downloading

- 4th Quarter 2024
- 3rd Quarter 2024
- 2nd Quarter 2024
- 1st Quarter 2024

If your business is not located within a GLD but makes deliveries into a GLD what rate do you collect? You need to collect the 2.75% GLD reduced state sales tax rate on sales delivered into a GLD that are also within a city's boundaries. You need to collect the 5.5% state sales tax rate on sales delivered in Nebraska but outside of a GLD or within a GLD but outside of a city's boundaries. You will need to complete Section DC of Schedule I to report the tax correctly on Line 3 of Form 10.

To get to the Rates and Boundaries file on DOR's website, go to For Businesses, click on Sales & Use Tax. On the next page, scroll down to Frequently Asked Questions. The open the first item for downloadable csv Rates and Boundaries for the four most recent quarters.

Example at Nebraska Crossing Outlet Mall in Gretna

Cost of item	$200.00
Gretna Occupation Tax 1.95%	$ 3.90 (this occupation tax is sent to Gretna)
Amount subject to sales tax	**$203.90**
GLD state rate 2.75%	$ 5.61
Gretna local sales tax rate 2%	$ 4.08
Total amount	$213.59

State and local tax is reported and paid on Nebraska and Local Sales and Use Tax Return, Form 10. Schedule I and Section C must be completed prior to complete line 3 and 4 on Form 10.

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How are retailers to show the different GLD rate on the invoice or receipt?

- Show the Nebraska and local sales tax combined on the invoice or receipt and just identify this as Nebraska and local sales tax.
- Separately show the state tax and the local tax as two-line items and identify each as Nebraska sales or local sales tax.
- Sales tax must always be separated from any city-imposed occupation tax. You cannot identify sales tax and city-imposed occupation tax as "sales tax" on the invoice or receipt.

Here is an example at a business location at the Nebraska Crossing Outlet Mall, in Gretna. The mall is located within Gretna's boundaries and is located within GLD 80. The city occupation tax is on all sales made by the business. The state sales tax rate is 2.75% and Gretna's local sales tax rate is 2% of sales at that location.

PRINT FORM | RESET FORM

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Nebraska and Local Sales and Use Tax Return

FORM **10**

- **If applicable, complete Schedule I on reverse side.**
- **See Nebraska Net Taxable Sales and Use Tax Worksheets.**

Tax Category | Nebraska ID Number | Rpt.Code | Tax Period

Please Do Not Write In This Space

Due Date:

Name and Location Address | **Name and Mailing Address**

- **Name, address, or ownership changes? See instructions.**

☐ **Check this box if your business has permanently closed, has been sold to someone else, or your permit is no longer needed. New owners must apply for their own sales tax permit.**

1 Gross sales and services in Nebraska (see instructions and worksheets) .... 1 | 00

2 Net Nebraska taxable sales as shown on line 2, Form 10 Worksheets (see instructions) .... 2 | 00
If you had transactions in a Good Life District, complete Section C of Schedule I prior to completing Lines 3 and 4.

3 Nebraska sales tax (line 2 multiplied by) 3

4 Nebraska use tax (see instructions) 4
Complete Nebraska Schedule I prior to completing lines 5 & 6.

5 Local use tax from Nebraska Schedule I 5

6 Local sales tax from Nebraska Schedule I 6

7 Total Nebraska and local sales tax (line 3 plus line 6) 7

8 Sales tax collection fee (line 7 multiplied by .03; if the result is $150.00 or more, enter $150.00) 8

9 Sales tax due (line 7 **minus** line 8) 9

10 Total Nebraska and local use tax (line 4 plus line 5) 10

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Schedule I always needs to be completed prior to completing lines 5 and 6 on Form 10. The new instructions are on Line 2 when they have transactions in a GLD and then they must complete Section C of Schedule I prior to completing lines 3 or 4 on the Form 10. If there are no transactions to report from a GLD, they do not need to complete section C on Schedule I.

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Nebraska Schedule I — Local Sales and Use Tax

FORM 10
Schedule I
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Section B - MVL, ATV, UTV, Motorboat Leases or Rentals, and Aircraft Sales or Leases

To be completed by retailers who are leasing (1) motor vehicles to others for periods of more than 31 days; (2) ATVs or UTVs; (3) motorboats or motorized personal watercraft; or (4) Aircraft Sales or Leases.

1 Enter the amount of state sales tax included on Form 10, line 3, that was reported on long-term leases (more than 31 days) of motor vehicles (see instructions).. (Code 600-600)

2 Enter the amount of state sales tax included on Form 10, line 3, that was reported on all leases or rentals of all-terrain and utility-type vehicles (see instructions) .... (Code 626-626)

3 Enter the amount of state sales tax included on Form 10, line 3, that was reported on all leases or rentals of motorboats and motorized personal watercraft (see instructions)....................... (Code 633-633)

4a Enter the amount of state sales tax included on Form 10, Line 3 from the sale or lease of aircraft...(Code 694-694)

4b Enter the amount of state use tax included on Form 10, Line 4 from the purchase or lease of aircraft...(Code 694-694)

Section C - Good Life District (GLD) - Complete prior to completing Form 10

See Section C instructions.

A. GLD Name	B. GLD Code	State Rate	C. Use Tax	D. Sales Tax
Outside a GLD or Inside a Nebraska GLD but not within a city's boundaries.	N/A	.055	1	1
Inside GLD Avenue One	801-801	.0275	2	2
Inside GLD Nebraska Crossing Village District **and** inside Gretna's city limits**	802-802	.0275	3	3
Inside GLD Operation Grand Island Goodlife **and** inside Grand Island's city limits**	803-803	.0275	4	4
Inside GLD La Belle Vue Good Life District **and** inside Bellevue's city limits**	804-804	.0275	5	5
Enter Total of Column C on Line 4, Form 10 and Total of Column D on Line 3, Form 10				

****Effective July 1, 2024, the GLD state tax rate of 2.75% is only effective within a GLD that is also within a city boundary.**

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Schedule Part C is where Good Life District information is entered. Section C is completed to calculate the correct state sales tax to report on Line 3, Form 10, and state use tax to report on Line 4, Form 10 when you have taxable transactions INSIDE a GLD that are also within a city's boundaries. GLD 801-80 is entirely inside of Omaha, GLD 803-803 is entirely in entirely inside of Grand Island, and GLD 804-804 is entirely inside of Bellevue. GLD 802-802 has areas that are outside of Gretna's boundaries. Only the areas of a GLD that are also located inside a city's boundaries that have a state tax rate of 2.75%. See the Sales Tax Rate Finder to identify the correct rate by address.

For taxpayers that File a combined Form 10, they are required to file using the NebFile system, complete Schedule II, and only complete the Good Life Taxable sales fields if they have taxable transactions made within a GLD and are also within a city's boundaries .

Tax Incentive Bills

- LB 937
- LB 1088
- LB 1095
- LB 1197
- LB 1317
- LB 1344

You might notice that LB 937 was already mentioned. This bill contains provisions from several other bills considered by the Revenue Committee during the regular session.

Overview of Tax Incentive Bills

- Biodiesel Tax Credit Act
- E-15 Access Standard Act
- Cast and Crew Act
- Nebraska Shortline Modernization Act
- Sustainable Aviation Fuel Tax Credit Act
- Changes to Nebraska Advantage Act

The 2024 amendment to the Biodiesel tax credit clarifies that if the product sold is a blend of biodiesel, only the part of the product that is biodiesel is eligible for the tax credit and not the entire blend.
For example, a B25 blend of 25% biodiesel and 75% diesel fuel, sales of that fuel are eligible for 25% of the 14 cents per gallon credit.

The E-15 Access Standard Act was created in 2023 to increase consumer access to E-15 gasoline. Retailers of motor fuels are required to file a quarterly report with DOR that provides the number of gallons of each type of motor fuel sold and the percentage of ethanol in each gallon.
The 2024 legislation changed the definitions of motor fuel, motor fuel storage, and dispensing infrastructure, to clarify it does not include undyed diesel, dyed diesel, or aviation fuels.

Cast and Crew Act will be administered by Department of Economic Development.
Production companies receive a refundable credit of 20% qualifying expenditures.

Nebraska Shortline Modernization Act provides a nonrefundable credit for qualified maintenance expenditures by Class III railroads.

Sustainable Aviation Fuel Tax Credit Act provides producers a nonrefundable credit for use against income taxes or franchise taxes.

The Nebraska Advantage Act was changed for a one-time election for a two-year extension for Tier 6 projects that were submitted and approved by the Tax Commissioner on or December 1, 2020.

Overview of Tax Incentive Bills

- Sports Arena Facility Financing Act
- Creating High Impact Economic Futures Act
- Good Life Transformation Projects Act

The Sports Arena Facility Act was changed to allow a city or village and a nonprofit corporation to joint apply for financing assistance provided the project will be owned by one or both co-applicants. Covered property includes any real property and any project previously approved.

Creating High Impact Economic Futures Act replaces the Community Development Assistance Act (CDAA). It allows for a nonrefundable tax credit for contributions to a certified community betterment program or project as certified by the Department of Economic Development. **2025 & 2026:** $900K per year, allocated as $300K per congressional district. $150K limit per project. **2027 & beyond:** $3M per year, allocated as $1M per congressional district. $150K per project limit in the 1st & 3rd districts.

The Good Life Transformation Projects Act now defines a qualified inland port district as a district created pursuant to the Municipal Inland Port Authority Act that is located within a city of the metropolitan class. Legislation also limits the number of Good Life Districts(GLD) to no more than 5 GLDs statewide, and no more than one GLD in any county with a population of 500,000 or more, excluding any GLD within a qualified inland port district.

Overview of Other Changes

- Electronic or secure messages
- Tobacco Products Tax Act
- Motor Fuel provisions
- Financial Institution Data Match Act
- Gambling Winnings Setoff for Outstanding Debt Act
- Electric Motor Vehicles
- Inheritance Tax Reporting
- First Responder Recruitment and Retention Act

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LB 146 relates to Notices by the Tax Commissioner (or his designee). With written authorization by the taxpayer, the Tax Commissioner (TC) may send any notice required under the Nebraska Revenue Act of 1967 by electronic mail or other secure electronic means. This legislation also removed the return receipt request requirement for notices sent by certified mail.

The Tobacco Products Tax Act was amended to prohibit delivers sales of electronic nicotine delivery systems (ENDS). A wholesaler or retailer cannot purchase or receive for purposes of resale, any cigars, tobacco, ENDS, cigarettes or cigarette material if the manufacturer does not hold a license or certification required by the Act. ENDS manufacturers must submit a certification under the Act with the DOR. It requires an application and $75 fee for each type of ENDS sold.

The excise tax paid by producers of ethanol is expanded to include sales of gasoline and other gasoline components produced from biomass feedstock. The excise tax is established on two percent of agricultural ethyl alcohol sold that is unfit for beverage purposes and does not meet the American Society for Testing and Materials D4806 standards.

Financial Institution Data Match Act (FIDM Act) which authorizes DOR to operate a financial institution data match system for the collection of delinquent tax, fees, or other type of repayment under any program administered by the Tax Commissioner. Within 30 days after the end of each calendar a financial institution will receive a list of debtors, including name, SSN, or FEIN. The financial institution will compare the lists to its records of accounts held in one or more person's names which are open accounts or accounts that were closed the preceding quarter. Any matches will be provided within five working days.

Casino winnings, parimutuel winnings, sports wagering winnings, and cash device winnings above certain amounts will be setoff and used for non-payment of child or spousal support and then outstanding tax liabilities under any program administered by the TC, Dept. of Labor, or Department of Motor Vehicles.

Excise tax of three cents per kilowatt hour that applies to the electric energy used to charge the battery of a motor vehicle at a commercial vehicle charging station. Sales and use taxes will not be imposed on the electric energy used to charge the battery of a motor vehicle at a commercial electric vehicle charging station once the excise tax is in place.

Inheritance Tax Reporting requirements have been updated.

First Responder Recruitment and Retention Act. Expands the eligibility for tuition waivers under the act by using a different definition of a law enforcement officer and expands the meaning of a professional firefighter to include those that provide fire protection to state military installations.

Overview of Lottery/Charitable Gaming Changes

- Mechanical Amusement Device Tax
- Requirements Distributors and Operators
- 1099s
- DOR Authority
- Cash Devices
- Lotteries and Raffles
- Prize winners

LB 685 amended the Mechanical Amusement Device Tax Act to impose a 5% tax on the net operating revenue of all cash devices operating in Nebraska. There is an exemption for cash devices operated by a fraternal benefit society or veterans' organization.

The TC will remit the net operating tax will remit to the State Treasurer to be credited as follows: 20% to the Charitable Gaming Operations Fund; 2.5% to Compulsive Gamblers Assistance Fund; 10% to the Nebraska Tourism Commission Promotional Cash Fund; 40% to Property Tax Credit Cash Fund; and 25% to county in which the cash device is located. Taxes collected by DOR in relation to net operating revenue must be used by the Charitable Gaming Division for enforcement and to maintain a central server.

Distributors must pay income, occupation, and net operating taxes quarterly to be filed January 1, April 1, June 1, and October 1. Distributors outside of Nebraska will pay income taxes on all income earned in Nebraska. Operators are required to pay income taxes on income taxes on income generated by such cash devices quarterly to also be filed January 1, April, June 1, and October 1 of each calendar year.

Operators must pay occupation tax and net operating tax quarterly on the same schedule unless the operator is subject to a revenue-sharing or other agreement with a distributor who pays the taxes on a quarterly basis as is required by the Act.

Distributors or operators will provide IRS Forms 1099 to each winner of a prize as required.

DOR is authorized to review documentation between distributors, manufacturers, and operators related to cash devices. DOR may seek suspension or revocation for violations of the Act. DOR has authority to approve all cash device locations in Nebraska. No cash device can be moved from its approved location without prior approval by DOR.

The minimum age to play a cash device is increased from 19 to 21 years old. Age must be verified.

DOR will determine the retail establishment standards when licensing a location to operate a cash device there. A retail establishment must generate at least 60% of its gross operating revenue from sources other than cash devices to place a cash device.

The maximum number of cash devices is the lesser of:

- Four, unless space requirements are met under the Act; or
- Except for a fraternal benefit society or veterans' organization, the number of cash devices it takes to generate 40% of the gross operating revenue of the retail establishment.

The Nebraska Lottery and Raffle Act is amended to cover lotteries and raffles with gross proceeds greater than $15,000. The tax imposed remains at a rate of 2% of lotteries/raffles greater than 15,000.

Qualifying nonprofit organizations may conduct one lottery per month that has gross proceeds not greater than $15,000 and may conduct one or more raffles if the total gross proceeds from such raffles do not exceed 15,000 .

Lottery prize winners of $250,000 or more will remain anonymous, except upon written authorization by the winner.

Overview of Income Tax Changes

- Nebraska National Guard Income Exclusion
- Opportunity Scholarships Act
- Pregnancy Help Act
- Individuals with Intellectual & Developmental Disabilities Support Act
- Medical Debt Relief Act
- Caregiver Tax Credit

LB 1394 is operative taxable years beginning on or after January 1, 2025, members of the Nebraska National Guard may exclude 100% of the National Guard income received, to the extent included in the federal AGI, who are serving in:

- Active-duty status attending drills, annual training, and military schools,
- Active guard reserve;
- Active duty for operational support duty status; or
- State active duty.

LB 1402 repeals the Opportunity Scholarships Act and appropriates funds to the State Treasurer for a new program for the purpose of providing education scholarships. Beginning October 31, 2024, the DOR will no longer certify any Scholarship-Granting Organizations (SGO) or accept any Forms NSGO-IC/X submitted by an SGO. Taxpayers who contributed to an SGO before 10/31/24 and receive a receipt from an SGO will remain eligible to claim the tax credit on their 2024 Nebraska Income Returns. Any unused credit on the 2024 return may be carried forward for an additional five years.

LB 937 established the Nebraska Pregnancy Help Act which is a program to provide nonrefundable tax credits to taxpayers who make cash contributions to eligible charitable organizations that are pregnancy help organizations during the taxable year. The nonrefundable tax credits are for individuals and entities. Taxpayers must notify the eligible organization of their intent to make a contribution. DOR will notify the organization, and provided the contribution is timely made, the organization will issue a receipt. There are annual limitations for credits for July 1, 2025, to June 30, 2026, $500, 000; and after that $1,000,000. Organizations that wish to become eligible must submit a written certification to DOR that meets certain criteria.

LB 937 also established the Individuals with Intellectual & Developmental Disabilities Support act which consists of three nonrefundable credits for employers and one refundable credit for direct support professionals. DOR may approve the four tax credits under the Act until the limitation is reached:

- July 1, 2025. to June 30, 2026, is $1,000,000
- July 1, 2026, to June 30, 2027, is $1,500,000
- State fiscal years after $2,000,000

Nonrefundable Credits for Employers
- $500 for each direct support professional who was employed at least 6 months and worked at least 500 hours for the employer during the taxable year.
- $1,000 for each employee who is receiving services pursuant to a Medicaid home and community-based services waiver that is employed at least 6 months and worked at least 200 hours for the employer during the taxable year.
- $1,000 fore providing any of the following services to an individual pursuant to a Medicaid home and community-based services waiver:
    - Prevocational
    - Supported employment – individual;
    - Small group vocational support; or
    - Supported employment – follow along.

Refundable Credit for Direct Support Professionals -$500 refundable credit if during the taxable year the individual worked for at least 6 months and 500 hours as a direct support professional.

LB 937 also established the Medical Debt Relief Act for Nebraska residents with low household income unable to pay their medical debt. The program is administered the Nebraska State Treasurer. The STO will contract with a medical debt relief coordinator to negotiate for and elect to buy dischargeable medical debt from health care providers for accounts described in the Act.

Contributions made under this act to the STO qualify for a decreasing adjustment to the individual's federal AGI or the corporation or fiduciary's federal taxable income to the extent a deduction is not taken on the federal return. For the individual who had medical debt discharged under the program, the Act provides a decreasing adjustment from federal AGI for the interest and principal balance of the medical debt to the extent included in the federal AGI.

LB 937 established a nonrefundable tax credit for family caregivers who provide care and support to an eligible family member for tax years beginning on or after January 1, 2025, and requires an application with the DOR. Family caregiver means one who has less than $100,000 federal AGI for married filing jointly or $50,000 federal AGI for all other filing types. The tax credit amounts to 50% of eligible expenditures incurred by family caregivers during the taxable year with a maximum credit of $2,000 or $3,000 if the family member is a veteran or diagnosed with dementia.

Eligible expenditures do not include general household maintenance activities such as painting, plumbing, electrical repairs, or exterior maintenance. If two or more family caregivers claim the credit for the same family member, the maximum credit is allocated equally between caregivers. Any unused credit cannot be carried forward. Caregivers must apply for the tax credit with the DOR and include documentation of the eligible expenditures. If approved DOR, will certify the tax credits. DOR will consider applications in the order received based on the following limitations for the State fiscal years:

- July 1, 2025, to June 30, 2026, $1,500,000
- July 1, 2026, to June 30, 2027, $1,500,000
- State fiscal years after $2,500,000

Gambling Winnings Setoff for Outstanding Debt Act

- Casino winnings, parimutuel winnings, sports wagering winnings, and cash device winnings above certain amounts will be setoff and used for non-payment of child or spousal support and then outstanding tax liabilities under any program administered by the TC, Department of Labor, or Department of Motor Vehicles after the child support setoff

Overview of Income Tax Changes

- Reverse Osmosis System Tax Credit Act
- Nonrefundable Income Tax Credit to Grocery Store Retailers, Restaurants, and Agricultural Producers for Food Bank, Food Pantry, or Food Rescue Donations
- Relocation Incentive Act
- Qualified Property and Qualified Improvement Property

LB 937 establishes a one-time refundable income tax credit for the installation of a reverse osmosis system at a primary residence of a taxpayer. The credit equals 50% of the cost incurred by the taxpayer for installing the reverse osmosis system during the tax year, up to a maximum credit of $1,000. Beginning with the 2024 tax year, individual income taxpayers may claim a credit for the cost of installing a reverse osmosis water filtration system if the test results for the drinking water are above the following:

- Ten parts per million for nitrate nitrogen;
- Four parts per trillion for perfluorooctanoic acid or perfluorooctanesulfonic acid;
- Thirty micrograms per liter or 30 parts per billion for uranium; or
- One on the Hazard Index for perfluorononanoic acid, perfluorohexanesulfonic acid, hexafluoropropylene oxide dimer acid and its ammonium salt, or perfluorobutanesulfonic acid.

The tax credit is limited to tone taxpayer per residence. Taxpayers subject to the income tax imposed by the Nebraska Revenue Act of 1967 may submit an application with the test results to DOR. All applications for the tax credit will be processed in the order received based on the following annual limitations in the State fiscal years:

- July 1, 2024, to June 30, 2025, $ 500,000
- July 1, 2025, to June 30, 2026, $ 500,000
- July 1, 2026, to June 30, 2027, $ 500,000

- State fiscal years after $1,000,000

For taxable years beginning on or after January 1, 2025, DOR may approve up to $500,000 of tax credits beginning with the State fiscal year 2025-26, and each State fiscal year after for applications filed by grocery store retailers, restaurants, and agricultural producers for food donations made to food banks, food pantries, or food rescues.

LB 1023 created the Nebraska Relocation Incentive Act (NRIA). This act establishes a refundable credit for employers that pay relocation expenses for a qualified individual. A qualified individual is an individual who moves to Nebraska for the purpose of accepting a position of employment. The credit is equal to 50% of the relocation expenses paid during the tax year and is limited to $5,000 for each qualified employee. The refundable credit may be used to offset income taxes, franchise taxes, and premium taxes, including retaliatory taxes. The employer must file an application with DOR requesting credits provided under the Act.

DOR will approve the NRIA credits requested if the:
- Employer files a complete application;
- Employee is a qualified employee;
- Employee's annual salary is from $70,00 to $250,000 (2025 tax year);
- Employer pays relocation expenses for a qualified employee;
- Credit requested for each qualified employee does not exceed $5,000; and
- Calendar year limitation of $5 million has not been reached.

For tax years beginning on or after January 1, 2026, the annual salary thresholds will be adjusted each tax year by the same percentage used to adjust the individual income tax brackets.

NRIA credits may be recaptured from the employer if the qualified employee moves out of Nebraska within two years after the employer claimed the credit. The recaptured amount is an underpayment of tax and is due and payable on the tax return due immediately following the qualified employee's loss of residency.

A qualified employee may make a one-time election to exclude his or her Nebraska source wages within two years of becoming a Nebraska resident. A qualified employee is an employee who moves to Nebraska for the purpose of accepting a position of employment. The exclusion is available to qualified employees if the election is made within 2 years of becoming a Nebraska resident, the wages were included in the employee's federal AGI, the annual income of the position accepted is from $70,000 to $250,000 (2025 tax year) and the employee was not a resident of Nebraska in the year prior to the year residency is claimed for purposes of the exclusion.

LB 1023 also allows for full expensing on qualified property and qualified improvement property and an adjustment for certain research or experimental expenditures. Individuals, corporations, and fiduciaries may reduce federal AGI or federal taxable income by 60% of the cost of qualified property or qualified improvement property the year the asset is placed in service. The reduction is limited to the amount not deducted on the federal return.

Individuals, corporations, and fiduciaries may reduce federal AGI or federal taxable income by the cost of research and experimental expenses in the year the expenses are incurred or paid. The reduction is limited to the amount not deducted on the federal return.

Overview of Income Tax Changes

- Federal Civil Service Retirement Exclusion
- Gain or Loss on the Sale or Exchange of Bullion
- Changes to Income Taxation of Nonresident Individuals Earning Compensation from a Business, Trade, or Profession
- Changes to Interest and Penalties Imposed for an Employer's Failure to Withhold

LB 1317 limits the decreasing adjustment from federal AGI for amounts received as annuities under the Civil Service Retirement System that were earned from employment with the federal government, to the extent included in AGI and this is for taxable years beginning on or after January 1, 2024. Under this same bill, the decreasing adjustment does not apply to annuities received under the Federal Employees Retirement System.

LB 1317 also deals with the gains or losses on the sale or exchange of bullion for taxable years beginning on or after January 1, 2025.

Individuals, corporations, and fiduciaries must add to federal adjusted gross income or federal taxable income any net capital loss from the sale or exchange of gold or silver bullion to the extent included in federal adjusted gross income. The adjustments do not apply to a taxable distribution of a gain or loss on the sale of bullion from a retirement account plan account.

Overview of Income Tax Changes

- School Readiness Tax Credit Act, amended 2023
  - Effective for tax years beginning on or after Jan. 1, 2024
  - Two separate income tax credits
    - Non-refundable credit for an eligible program
    - Refundable credit for staff member or self-employed individual of an eligible program
  - Annual amount available for both credits limited to $7.5M

Two Acts passed in 2023, effective for tax years beginning on or after 1/1/24 we've been asked to highlight.
School Readiness Tax Credit Act and Child Care Tax Credit Act.
Credit for an Eligible Program: A nonrefundable income tax credit is available to individuals, partnerships, limited liability companies (LLCs), S corporations, corporations, or fiduciaries who owned or operated an eligible childcare and education program that served children who participated in the childcare subsidy program established in Neb. Rev. Stat. § 68-1202. The tax credit to the provider is equal to the average monthly number of children, age 5 or under, who participated in the childcare subsidy program and who attended the provider's program, multiplied by a dollar amount based on the quality scale rating of the eligible program. Steps One through Five qualify for the credit:

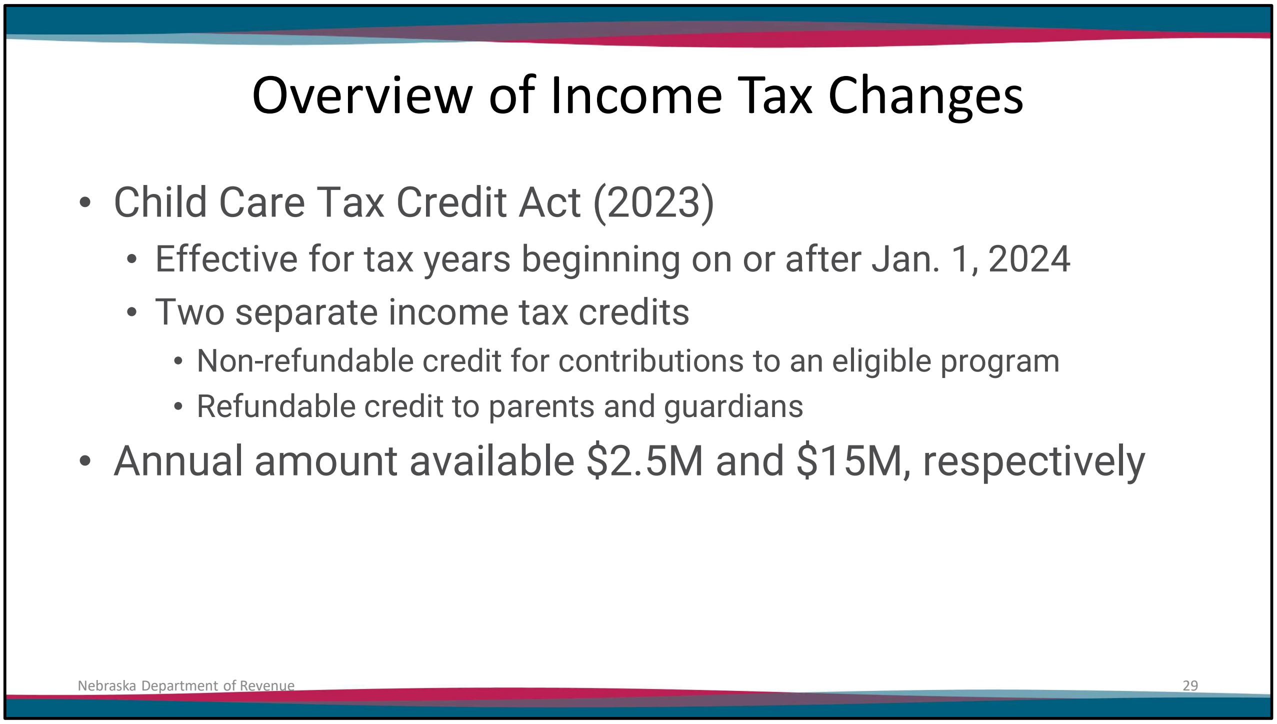
A) $400 for a Step One program;
B) $600 for a Step Two program;
C) $800 for a Step Three program;
D) $1,000 for a Step Four program; and
E) $1,200 for a Step Five program.

An application for this tax credit must be filed with DOR after the close of the tax year for which you are claiming or distributing the credit. Partnerships, LLCs, S corporations, and fiduciaries who distribute the tax credit must complete page 2 of the application with the name, Social Security number (SSN) or Nebraska ID number, percentage share of income, and the amount of tax credit for each partner, shareholder, member, or beneficiary. Please allow four weeks to process and respond to your application. **The tax credit may only be claimed after your application has been approved in writing by DOR.**

Credit for Staff Member or Self-Employed Individual of an Eligible Program: A refundable income tax credit is available to an individual who was employed with, or who is a self-employed individual providing child care and early childhood education for, an eligible program for at least six months during the taxable year and was classified in the Nebraska Early Childhood Professional Record System. For tax year 2024, eligible staff members receive a tax credit equal to:

A) $2,300 for a Level One classification;
B) $2,600 for a Level Two classification;
C) $2,900 for a Level Three classification;
D) $3,200 for a Level Four classification; and
E) $3,500 for a Level Five classification.

An application for this tax credit may be filed with DOR any time after the applicant met all the required eligibility criteria. The School Readiness Tax Credit Act - Attestation of Staff Member Classification Level form from the Nebraska Department of Education must be attached to the application. DOR will process the applications in the order received. The tax credit may only be claimed after your application has been approved in writing by DOR. Please allow four weeks for DOR to process and respond to your application.



The Nonrefundable Tax Credit is available to taxpayers who make qualifying contributions during the tax year.
Taxpayer means any person subject to the income tax imposed by the Nebraska Revenue Act of 1986, and includes resident and nonresident individuals, estates, trusts, and corporations.
Contributors are required to submit an application to DOR with documentation supporting a qualifying contribution was made.
DOR will process the applications in the order received until the certified credits reach the annual limit of $2 1/2 million.

A qualifying contribution means a contribution of cash, check, cash equivalent, agricultural commodity, livestock, or publicly traded security that is made.
The qualifying contribution must be made for:
•Establishment or operation of an eligible program;
•Establishment of a grant or loan program for parents requiring financial assistance for an eligible program;
•To an early childhood collaborative or an intermediary to provide training, technical assistance, or mentorship to childcare providers;
•For the establishment or ongoing costs of an information dissemination program that assists parents with information and referral services for childcare;

Further detail can be found on DOR's website. Search Child Care Tax Credit

Refundable Parents/Guardians credit:

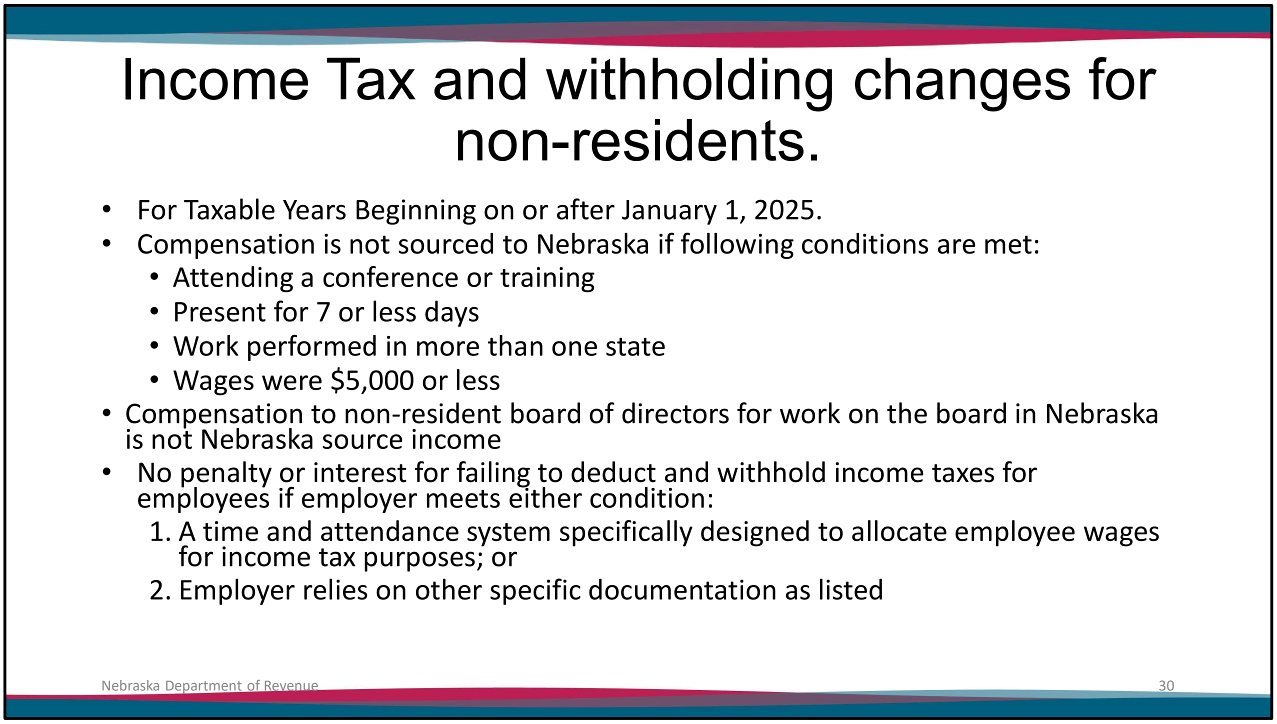
- Child must be 5 years old or younger
- claimed as a dependent for federal income tax purposes.
- child must be enrolled in a childcare program licensed with DHHS.

Or the child receives care from an approved licensed-exempt provider enrolled in the childcare subsidy program administered by DHHS;
Or the parent's or guardian's total household income is under the federal poverty level.

Parents who meet those qualifications may apply to the DOR to receive a refundable tax credit.
Online portal to directly enter application information will be available by the beginning of 2025. (Encourage subscription to GovDelivery)
Credit is based on the total household income.

- $2,000 if total household income under $75,000;
- $1,000 if total household income is between $75,000 and $150,000, or
- No credit for total household income more than $150,000.

Limited to $15million annually



LB 1023 for taxable years beginning on or after January 1, 2025, compensation paid to a nonresident by a business, trade, or profession is Nebraska sourced income of the nonresident if:

- The nonresident performs services in Nebraska for more than seven days during the taxable year for which the compensation is paid; and
- The nonresident is paid compensation for performing services outside Nebraska that are directly related to a business, trade, or profession carried on within Nebraska for the nonresident's convenience, the services could have been performed within Nebraska.

Only the compensation paid for services performed within Nebraska constitutes Nebraska sourced income of the nonresident under this provision.

For taxable years beginning on or after January 1, 2025, any compensation paid to a nonresident employee by a business, trade, or profession is not Nebraska sourced income if all of the following conditions are met:

- The wages are paid to the nonresident employee while present in Nebraska for a conference or training;
- The nonresident employee is present and earning wages in Nebraska for seven days or less during the taxable year; and
- The nonresident employee earned wages for work performed in more than one state

during the taxable year; and
- The total wages earned while in Nebraska is $5,000 or less during the taxable years.

For taxable years beginning on or after January 1, 2025, Nebraska sourced income does not include compensation paid to a nonresident board of directors or nonresidents holding similar positions on the governing body of a business, if the compensation relates to the activities of the board or governing body that take place in Nebraska.

LB 1023 also made changes to interest and penalties imposed for an employer's failure to withhold. For taxable years beginning on or after January 1, 2025, no penalty or interest will apply to an employer for failing to deduct and withhold income taxes for employees if the employer meets either condition:

1. The employer maintains a time and attendance system specifically designed to allocate employee wages for income tax purposes among all taxing jurisdictions in which an employee works for such employer and the employer did not withhold Nebraska Income taxes in reliance on data from that system: or
2. The employe does not maintain a time and attendance system as described above, and the employer relied on:
    1. Its own records of the employee's locations. As maintained in the regular course of business;
    2. The employee's reasonable determination of the time the employee expects to work in Nebraska, provided the employer had no actual knowledge of fraud on the part of the employee, and the employer and employee did not conspire to evade tax in determining the location;
    3. Travel records;
    4. Travel expense reimbursement records; or
    5. A written statement from the individual of the number of days spent performing services during the taxable year.

Income Tax and withholding changes for non-residents.

- Compensation paid to a nonresident by a business, trade, or profession is Nebraska sourced income of the nonresident if:
  - The nonresident performs services in Nebraska for more than seven days during the taxable year for which the compensation is paid; and
  - The nonresident is paid compensation for performing services outside Nebraska that are directly related to a business, trade, or profession carried on within Nebraska for the nonresident’s convenience, and except for the nonresident’s convenience, the services could have been performed within Nebraska
- Only the compensation paid for services performed within Nebraska constitutes Nebraska sourced income of the nonresident under this provision

Individual Income Tax Rate Changes (LB 754)

Tax year beginning in	3rd Bracket		4th (top) Bracket	
LB 754 Rate Changes	Before	After	Before	After
January 1, 2024	5.01%	5.01%	6.44%	5.84%
January 1, 2025	5.01%	5.01%	6.24%	5.20%
January 1, 2026	5.01%	4.55%	6.00%	4.55%
January 1, 2027	5.01%	3.99%	5.84%	3.99%

Corporate Income Tax Rate (LB 754)

Tax year beginning in	Under 100,000		Over 100,000	
LB 754 Rate Changes	Before	After	Before	After
January 1, 2024	5.58%	5.58%	6.50%	5.84%
January 1, 2025	5.58%	5.20%	6.24%	5.20%
January 1, 2026	5.58%	4.55%	6.00%	4.55%
January 1, 2027	5.58%	3.99%	5.84%	3.99%

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Thank you!