

March 18, 2022

The number of days remaining in the 2022 Legislative Session are rapidly winding down. The Legislature spent the last three days of the week trying to advance the budget, cash reserve and funds transfers bills to the second round of debate. With only two of the three budget proposals having advanced by the end of the week, lawmakers will return next Tuesday to wrap up the initial round of budget consideration and will spend most of the upcoming week on second round budget debate. Debate will also commence on LB 1014, which contains the Appropriations Committee priorities for spending just over \$1 billion in American Rescue Plan Act (ARPA) funds for one-time spending projects.

ACTION ON BUDGET PROPOSALS

Lawmakers advanced the main budget bill (LB 1011) on Thursday after eight hours of debate focused primarily on the overcrowded state prison system. Debate centered on whether \$175 million should be appropriated to build a new prison without taking steps to ease prison overcrowding by reducing sentences for some offenses, limiting the ability to increase sentences and assisting more inmates to qualify for parole.

While the Legislature was able to advance LB 1011 (main budget bill) and LB 1012 (funds transfers), LB 1013 (cash reserve transfers) is still pending. Each of the budget bills have resulted in eight hours of debate, necessitating motions for cloture, requiring 33 votes to cease debate and vote on advancement of the bills. Included among the cash reserve transfers under LB 1013 are \$30 million for rural workforce housing (LB 1071) and \$20 million for middle-income workforce housing (LB 1252), both of which are supported by the NBA.

TAX RELIEF BILLS ON TAP

Both LB 825 (Social Security Tax Exemption) and LB 939 (Individual Income Tax/Corporate Income Tax Rate Reductions) have surfaced on the agenda for next Tuesday for Select File debate.

LB 825 - SOCIAL SECURITY BENEFITS: Introduced by Senator Brett Lindstrom (Omaha), LB 825 would provide for a full exemption from taxation for social security income phased-in over a four-year period beginning with tax years beginning on January 1, 2022, with such income to be deducted from adjusted gross income as follows: tax year 2022 (40%); tax year 2023 (60%); tax year 2024 (80%); and tax year 2025 (100%). **(NBA Position: Support)**

LB 939 - INDIVIDUAL INCOME TAX RATES/CORPORATE INCOME TAX RATES: Introduced by Senator Lou Ann Linehan (Omaha), LB 939 would reduce the maximum individual income tax rate on incomes over \$66,360 for joint returns from 6.84% to 6.34% in 2023; to 6.14% in 2024; and to 5.84% in 2025. Provisions of LB 938 (Corporate Income Tax Rates) would be integrated into the bill. **(NBA Position: Support)**

Amendments introduced by Senator Tom Briese (Albion) and Senator Linehan would extend the time period in which maximum corporate income tax rates would be reduced from 5.84% from four years to five years. The amendment would reduce the maximum corporate income tax rate from 7.25% to 6.50% in 2024; to 6.24% in January 2025; to 6.00% in January 2026; and to 5.84% in January 2027.

The timeframe for the proposed reduction in individual income tax rates would be extended from three years to five years, with the amendment reducing the maximum individual income tax rate from 6.84% to 6.64% in January 2023; to 6.44% in January 2024; to 6.24% in January 2025; to 6.00% in January 2026 and to 5.84% in January 2027.

In addition, additional property tax relief is being proposed for the portion of real estate taxes paid for community colleges, with initial funding for property tax credits in the amount of \$50 million in 2022 and increasing to \$195 million by 2026, with the credit percentage to be adjusted going forward on the basis of credits allowed in the prior year increased by the allowable growth percentage.

RENTAL ASSISTANCE BILL ADVANCES

A bill that would require Governor Ricketts to apply for \$120 million of federal rent and utility assistance funds has advanced to the final stage of debate. While the bill is expected to receive final approval from the Legislature, it is anticipated that Gov. Ricketts will issue a veto of the bill. Gov. Ricketts has questioned the need for additional funding since the state is holding almost \$30 million of unused federal funding from the first round of the Emergency Rental Assistance Program.