

April 30, 2021

Time is winding down on the 2021 Legislative Session as lawmakers have completed 70 days of the scheduled 90-day session. The past week saw a successful filibuster defeat a private school tax credit bill (LB 364) and advancement of a bill (LB 103) to provide the State funds (\$2 million in each of the next two years) to assist Gage County in satisfying the Beatrice 6 judgment.

FINANCIAL LITERACY

LB 452 – Financial Literacy Act: The Legislature gave first-round approval of LB 452 on Wednesday on a vote of 44-0. Introduced by Senator Terrell McKinney (Omaha) and designated as a Speaker’s priority bill, LB 452 would, beginning December 31, 2022, require each school district, in consultation with the state Department of Education, to develop, for incorporation into all phases of the curriculum of grades K-8, a financial literacy program (knowledge and skills regarding budget and financial record keeping, taxes, establishing, building, maintaining and monitoring credit; debt; savings; risk management; insurance; and investment strategies). The bill would require each school district to present evidence annually to the state Department of Education, that financial literacy is being taught to students in accordance with the requirements of the Act.

Prior to advancing the bill, the Committee adopted an amendment incorporating the provisions of LB 327 into LB 452. Introduced by Senator Julie Slama (Peru), LB 327 amendments would require a half-credit high school personal financial literacy course prior to graduation.

MULTIPLE SPENDING AND TAX MEASURES ADVANCE

The following measures supported by the NBA were advanced to the second round of debate this week:

LB 18 – Imagine Nebraska Act: Introduced by Senator Mark Kolterman (Seward) and designated as a priority bill by Senator John Stinner (Scottsbluff), LB 18 would provide that equivalent employees include hours paid to employees who were employed in Nebraska and subject to the Nebraska income tax on compensation received from the employer (previously limited to employees who were residents of the state).

LB 388 – Nebraska Broadband Bridge Act: Introduced by Senator Curt Friesen (Henderson) and designated as a priority bill by Speaker Mike Hilgers (Lincoln), LB 388 would appropriate \$20 million annually, beginning with fiscal year 2021-22 to facilitate and fund the development of broadband networks in unserved and underserved areas. The bill would create grants to be used for development costs for a qualifying project and require matching funds from political subdivisions making application for a grant, equal to 50 percent of the total development costs.

LB 432 – Corporate Income Tax Parity: As amended, LB 432 introduced and designated as a priority by the Revenue Committee would create parity between the highest marginal individual income tax rate of 6.84 percent and the top marginal corporate income tax rate by reducing the tax rate on corporate income in excess of \$100,000 from 7.81 percent to 6.84 percent beginning January 1, 2022. Nebraska’s corporate income tax currently has two brackets. The first \$100,000 of taxable income is taxed at 5.58 percent, with all taxable income in excess of \$100,000 taxed at a marginal rate of 7.81 percent.

The corporate income tax amendment was adopted on the following vote of 30–7:

Yes: Senators Aguilar, Albrecht, Arch, Brewer, Briese, Clements, Day, Dorn, Erdman, Flood, Geist, Gragert, Halloran, B. Hansen, Hilgers, Hilkemann, Kolterman, Lindstrom, Linehan, Lowe, McCollister, McDonnell, Moser, Murman, Pahls, Sanders, Slama, Stinner, Wayne and Williams.

No: Bostelman, Brandt, Friesen, Groene, M. Hansen, Hughes and Hunt.

Present – Not Voting: Senators Blood, Bostar, J. Cavanaugh, M. Cavanaugh, DeBoer, Lathrop, Morfeld, Pansing Brooks, Vargas, Walz and Wishart.

Excused – Not Voting: Senator McKinney

LB 682 – New Markets Job Growth Investment Act: Introduced by Senator Lou Ann Linehan (Omaha) and designated as a priority bill by the Speaker of the Legislature, LB 682 would provide additional utilization of federal dollars being appropriated to the United States Treasury Federal Program; provide additional transparency and extend the “sunset” date on new applications from December 31, 2022 to December 31, 2029.

The Legislature will have to make some tough decisions regarding spending measures and tax relief proposals as the fiscal impact of bills that have advanced to the floor of the legislature currently exceed the amount of funds available.

OTHER BILLS OF INTEREST

LB 501 – Medicaid Estate Recovery: LB 501, as amended, was given final approval by the Legislature on Thursday. The bill contains the provisions of LB 403, introduced by Senator Slama, that would establish a five-year statute of limitations for recovery of Medicaid benefits by the Department of Health and Human Services with respect to a retained life estate by the recipient of medical assistance. **(NBA Position – Support)**

LR 11CA – Consumption Tax: LR 11CA, introduced and designated as a priority bill by Senator Steve Erdman (Bayard), is expected to be debated on the floor of the legislature early next week. LR 11CA is a proposed Constitutional Amendment that would overhaul the state system of taxation by repealing the state’s corporate, income and property taxes, and replacing them with a new consumption tax levied on the purchase of services and new goods. **(NBA Position – Oppose)**

ECONOMIC FORECASTING ADVISORY BOARD

The Nebraska Economic Forecasting Advisory Board voted to increase revenue projections during a meeting held on Thursday. The Board serves in an advisory role in forecasting General Fund receipts that are utilized by the Legislature to prepare the state's budget. The Board raised revenue projections for the current fiscal year by \$90 million to \$5.6 billion. The adjustment was based on anticipated increases of \$65 million in corporate income tax receipts and \$25 million in individual income tax receipts.

Total projected revenue receipts for the next two years were lowered by \$5 million. The new forecast provides the legislature with \$245 million of unobligated revenues and if actual tax revenue meets projections, \$358.7 million would be dedicated to property tax credits resulting in over \$1.5 billion to direct property tax relief over the next two fiscal years.