

LEGISLATURE OF NEBRASKA
ONE HUNDRED THIRD LEGISLATURE
SECOND SESSION

LEGISLATIVE BILL 1026

Introduced by Bolz, 29.

Read first time January 22, 2014

Committee:

A BILL

1 FOR AN ACT relating to state funds; to amend section 77-2715.01,
2 Revised Statutes Cumulative Supplement, 2012; to create
3 and provide for the purpose and use of the Nebraska
4 Educational Trust Fund; to harmonize provisions; and to
5 repeal the original section.
6 Be it enacted by the people of the State of Nebraska,

1 Section 1. Section 77-2715.01, Revised Statutes
2 Cumulative Supplement, 2012, is amended to read:

3 77-2715.01 (1)(a) Commencing in 1987 the Legislature
4 shall set the rates for the income tax imposed by section 77-2715 and
5 the rate of the sales tax imposed by subsection (1) of section
6 77-2703. For taxable years beginning or deemed to begin before
7 January 1, 2013, the rate of the income tax set by the Legislature
8 shall be considered the primary rate for establishing the tax rate
9 schedules used to compute the tax.

10 (b) The Legislature shall set the rates of the sales tax
11 and income tax so that the estimated funds available plus estimated
12 receipts from the sales, use, income, and franchise taxes will be not
13 less than three percent nor more than seven percent in excess of the
14 appropriations and express obligations for the biennium for which the
15 appropriations are made. The purpose of this subdivision is to insure
16 that there shall be maintained in the state treasury an adequate
17 General Fund balance, considering cash flow, to meet the
18 appropriations and express obligations of the state.

19 (c)(i) Of the amount included as General Fund balance
20 under subdivision (1)(b) of this section, an amount that equals ten
21 percent of the amount appropriated for state aid to public schools
22 shall be credited to the Nebraska Educational Trust Fund which is
23 hereby created. The purpose of the fund is to stabilize the total
24 amount of state aid to education when there is a significant decline
25 in revenue from income tax and sales taxes.

1 (ii) When there is a significant decline in revenue from
2 income and sales taxes in any fiscal year, funds may be transferred
3 from the Nebraska Educational Trust Fund to the Tax Equity and
4 Educational Opportunities Fund for distribution as state aid pursuant
5 to the Tax Equity and Educational Opportunities Support Act. The
6 Legislature shall determine the amount to be transferred for the
7 fiscal year in which the decline in revenue occurs.

8 (iii) In any fiscal year in which the total state revenue
9 from income and sales taxes increases beyond the historic ten-year
10 average annual growth rate, an annual amount equal to the difference
11 between the historic ten-year average annual growth rate and the
12 growth rate in excess of it may be appropriated to the trust fund to
13 maintain an amount equal to but not more than ten percent of the
14 annual amount appropriated for such fiscal year for state aid to
15 education.

16 ~~(c)~~(d) For purposes of this section, (i) express
17 obligation shall mean means an obligation which has fiscal impact
18 identifiable by a sum certain or by an established percentage or
19 other determinative factor or factors and (ii) significant decline in
20 revenue from income and sales taxes means a decrease in the amount of
21 revenue collected from income and sales taxes in a fiscal year of
22 more than five percent below the historic ten-year annual growth
23 rate.

24 (2) The Speaker of the Legislature and the chairpersons
25 of the Legislature's Executive Board, Revenue Committee, and

1 Appropriations Committee shall constitute a committee to be known as
2 the Tax Rate Review Committee. The Tax Rate Review Committee shall
3 meet with the Tax Commissioner within ten days after July 15 and
4 November 15 of each year and shall determine whether the rates for
5 sales tax and income tax should be changed. In making such
6 determination the committee shall recalculate the requirements
7 pursuant to the formula set forth in subsection (1) of this section,
8 taking into consideration the appropriations and express obligations
9 for any session, all miscellaneous claims, deficiency bills, and all
10 emergency appropriations. The committee shall prepare an annual
11 report of its determinations under this section. The committee shall
12 submit such report electronically to the Legislature and shall append
13 the tax expenditure report required under section 77-382.

14 In the event it is determined by a majority vote of the
15 committee that the rates must be changed as a result of a regular or
16 special session or as a result of a change in the Internal Revenue
17 Code of 1986 and amendments thereto, other provisions of the laws of
18 the United States relating to federal income taxes, and the rules and
19 regulations issued under such laws, the committee shall petition the
20 Governor to call a special session of the Legislature to make
21 whatever rate changes may be necessary.

22 Sec. 2. Original section 77-2715.01, Revised Statutes
23 Cumulative Supplement, 2012, is repealed.