

Major 1998 Legislative Changes



Several of the bills passed by the 1998 Legislature directly affect Nebraska's tax programs. Changes to the motor fuels and charitable gaming tax programs are not included in this notice. Contact the Motor Fuels Division at 1-800-554-3835 and Charitable Gaming at 402-471-5937 for more information on those changes.

1998 Income Tax

Child and Dependent Care Credit

The child and dependent care credit has been modified for tax years 1998 and beyond. For individuals reporting federal adjusted gross income not greater than \$22,000 the credit is refundable and is 100% of the federal credit. For individuals reporting federal adjusted gross income over \$22,000 and not more than \$29,000, the credit is refundable and the amount of the credit ranges from 90% to 30% of the federal credit. The percentage of the federal credit is reduced by 10% for each \$1,000 of adjusted gross income over \$22,000.

For individuals with adjusted gross income in excess of \$29,000 the credit is unchanged. The credit remains nonrefundable and is limited to 25% of the federal credit allowed. Operative for tax year 1998. (LB 1028)

Income Tax Changes Effective in Future Years

Individual Tax Rates

The current tax rates have been extended to years beyond 1998. (LB 1028)

Personal Exemption Credit

The personal exemption credits for tax years after 1998 were increased. (LB 1028)

Medical Insurance

The current deduction allowed for health insurance premiums by self-employed individuals was extended to tax years beyond 1998. Premiums are deductible to the extent such expenses are not deductible federally. (LB 1028)

Sales Tax

For one year beginning July 1, 1998, the Nebraska sales and use tax rate is decreased from 5.0% to 4.5%. (LB1104)

Miscellaneous

Companies applying for benefits under the Quality Jobs Act have up to seven years to attain the required levels of investment and employment. The previous attainment period was five years. Effective for applications filed on or after January 1, 1998. (LB 939)

Interest will not be allowed on refund claims filed on or after October 1, 1998, on any economic incentive benefits. (LB 1104)