Deloitte.

State Tax Matters
The power of knowing.
May 3, 2024

Income/Franchise:
Nebraska: New Law Enhances Deductions for Qualified Property and R&D and Addresses Mobile Workforce

L.B. 1023, signed by gov. 4/23/24. Newly signed legislation contains several tax-related measures, including enhanced state income tax deductions for certain costs of qualifying business assets and research and development expenditures in response to now-expired provisions under the federal 2017 Tax Cuts and Jobs Act, which had allowed businesses to fully and immediately deduct expenses for certain business machinery and equipment, as well as research or experimental expenditures. Specifically, under the new state law, Nebraska taxpayers may recover some costs of expenditures for business assets that constitute qualified property or qualified improvement property (QIP) under Internal Revenue Code (IRC) section 168 by immediately deducting 60% of the full cost of such expenditures in the tax year in which the eligible property is placed in service, applicable for taxable years beginning or deemed to begin on or after January 1, 2026. This new deduction is allowed only to the extent that such costs have not already been deducted in determining an individual's federal adjusted gross income or, for corporations, federal taxable income. Furthermore, if a taxpayer does not expense such costs under the new deduction in the taxable year in which the eligible property is placed in service, the taxpayer may elect to depreciate the costs over a five-year irrevocable term.
URL: https://nebraskalegislature.gov/bills/view_bill.php?DocumentID=55302

For taxable years beginning or deemed to begin on or after January 1, 2026, the legislation also provides that a taxpayer may elect to treat certain IRC section 174-related research and experimental expenditures (specifically, those defined under 26 C.F.R. 1.174-2) which are paid or incurred by the taxpayer during the taxable year in connection with the taxpayer's trade or business as expenses that are not chargeable to the capital account – and such expenditures "shall be allowed as a deduction, notwithstanding any changes to the Internal Revenue Code related to the amortization of such research or experimental expenditures." This new Nebraska deduction is allowed only to the extent that such research or experimental expenditures have not already been deducted in determining an individual's federal adjusted gross income or, for corporations, federal taxable income. Furthermore, if a taxpayer does not fully deduct such research or experimental expenditures in the taxable year in which the expenditures are paid or incurred, the taxpayer may elect to amortize these expenditures over a five-year irrevocable term.

Other provisions in the bill address Nebraska income tax liability and withholding requirements for some nonresident individuals earning wages in Nebraska, including adopting a bright-line seven-day "safe harbor" threshold for employers to determine nonresident state income tax withholding requirements in certain circumstances. The legislation revises computation of Nebraska-sourced income for certain telecommuting nonresident individuals, as well as aspects of Nebraska's "convenience of the employer" rule. Please contact us with any questions.

— Sarah Murray (Houston)
Principal
Deloitte Tax LLP
sarmurray@deloitte.com

Natalie Rogozinsky (Chicago)
Senior Manager
Deloitte Tax LLP
nrogozinsky@deloitte.com

Joe Garrett (Birmingham)
Managing Director
Deloitte Tax LLP
jogarrett@deloitte.com

Tyler Greaves (Boston)
Senior Manager
Deloitte Tax LLP
tgreaves@deloitte.com