



LB 477 FAQs

*The materials in this document do not qualify as tax advice. Please always consult a tax expert when seeking tax advice.

Q: What is LB 477?

A: LB 477 is a legislative bill passed by the Nebraska State Legislature and signed by Governor Ricketts into law in August of 2020.

Q: What does LB 477 mean for AmeriCorps members in Nebraska?

A: Previously, AmeriCorps members filing taxes with the state of Nebraska were taxed on the amount of their Segal Education Award that they used. The award was included in the federal gross income and was taxed at the federal and state level accordingly. LB 477 provides an exemption from Nebraska state income taxes for the amount of the Segal Education Award used in that tax year and included in federal adjusted gross income.

Q: Will I still have to pay federal income tax on the Segal Education Award?

A: Yes. LB 477 only provides an exemption from Nebraska state income taxes.

Q: Can part of my Segal Education Award be used to pay taxes?

A: No.

Q: When does the Nebraska state tax exemption of LB 477 go into effect?

A: The exclusion is available for taxable years beginning or deemed to begin on or after January 1, 2021. This means that your education award that is used in the year 2021, is exempt from Nebraska state income tax when you file your taxes in 2022.

Q: What if I spent part or all of my Segal Education Award in 2020? Will I receive the exemption when I file my taxes in 2021?

A: No. This law only applies to portions of the Segal Education Award that are spent starting in year 2021.

Q: Who does this law affect?

A: AmeriCorps members who have used part or all of their Segal Education Award who are filing taxes with the state of Nebraska.

Q: What if I used my Segal Education Award in a different state, but I am still required to file taxes with the state of Nebraska? Can I still receive the exemption on my Nebraska state taxes?

A: As long as you have used part or all of your Segal Education Award after the date of January 1, 2021 and are filing Nebraska state income taxes, you may exempt the portion of your Segal Education Award



used in 2021 for Nebraska state income tax. The decreasing adjustment can be used on the Nebraska return regardless if the taxpayer could exclude the award from the income taxed by another state.

Q: How can I prove that I used my Segal Education Award?

A: If you use \$600 or more of your Segal Education Award in a tax year, you will receive a 1099-MISC form showing the amount of interest and education award payments that were made on your behalf in the previous year. The 1099-MISC will show the amount of the award in box 3, "Other Income". If you used less than \$600 of your Segal Education Award in a tax year, you can use your Certification of Service Letter in combination with proofs of payment to show its use.

Q: If I only used part of my Segal Education Award in a tax year, should I claim that portion I used?

A: Yes. Only claim the amount of your Segal Education Award that was used and included in the federal adjusted gross income. If you use your award over several years, then claim only the amount included in the federal adjusted gross income for each year it is used. If you used the entire award in one year, then you would claim the full amount of the award in that year when filing your taxes.

Q: Will this exemption be available in online tax filing software, such as TurboTax?

A: Possibly. If the tax filing software you are using does not support the "Nebraska Schedule I" adjustment decreasing federal adjusted gross income, choose a different software.

Q: What if I am filing my taxes on paper?

A: The Nebraska Department of Revenue will update the "Nebraska Schedule I", a document which provides Nebraska adjustments to income for Nebraska residents, partial-year residents and nonresidents to include the Segal Education Award exemption. On the 2019 Nebraska Individual Income Tax Return Form 1040 N (see image below), you can see that line 5 is your federal adjusted gross income, which will include the amount of Segal Education Award used. Line 13 will pull the amount of the Segal Education Award used from the "Nebraska Schedule I" as an adjustment decreasing your federal adjusted gross income. And line 14 show your Nebraska Taxable Income after the Segal Education Award is removed.

5	Federal adjusted gross income (AGI) (line 8b, Federal Form 1040 or 1040-SR) Do not leave blank	5	00
6	Nebraska standard deduction (if you checked any boxes on line 2a or 2b above, see instructions; otherwise, enter \$6,900 if single; \$13,800 if married, filing jointly or qualified widow[er]; \$6,900 if married, filing separately; or \$10,100 if head of household)	6	00
7	Total itemized deductions (line 17, Federal Schedule A – see instructions)	7	00
8	State and local income taxes (line 5a, Schedule A, Federal Form 1040 or 1040-SR)	8	00
9	Nebraska itemized deductions (line 7 minus line 8)	9	00
10	Nebraska standard deduction or the Nebraska itemized deductions, whichever is greater (the larger of line 6 or line 9)	10	00
11	Nebraska income before adjustments (line 5 minus line 10)	11	00
12	Adjustments increasing federal AGI (line 9, from attached Nebraska Schedule I)	12	00
13	Adjustments decreasing federal AGI (line 29, from attached Nebraska Schedule I)	13	00
14	Nebraska Taxable Income (enter line 11 plus line 12 minus line 13). If less than -0-, enter -0-. Residents complete lines 15 and 16. Partial-year residents and nonresidents complete Nebr. Sch. III before continuing	14	00
15	Nebraska income tax (Partial-year residents and nonresidents enter the result		



Q: Where can I find more resources?

AmeriCorps Segal Education Award Tax Implications:

<https://www.nationalservice.gov/programs/ameri-corps/segal-ameri-corps-education-award/tax-implications>

Nebraska Department of Revenue:

<https://revenue.nebraska.gov/>

Nebraska 2020 Legislative Changes:

<https://revenue.nebraska.gov/about/2020-nebraska-legislative-changes>

2019 Nebraska Individual Income Tax Booklet:

https://revenue.nebraska.gov/sites/revenue.nebraska.gov/files/doc/tax-forms/2019/f_1040n_booklet.pdf