

Tax change affects refund, payment

By Lisa Richardson
Staff Reporter

Many Nebraskans this year will owe more state income tax than was withheld from their paychecks, while others will pocket unexpected refunds because of changed tax laws.

The Nebraska Legislature in 1987 made major changes in state tax laws, but continued to withhold state income taxes under the previous state tax system.

Under the previous system, 19 percent of expected federal tax liability was withheld from workers' paychecks. Nebraska withheld under this system in January and February 1987.

In March, the Legislature enacted a law that increased Nebraska's withholding rate to 21 percent of federal tax liability. This increase came as a first response to the expected cuts in federal income tax, said Jim Garver of the policy division of the Nebraska Department of Revenue.

The law required the State Tax Commissioner to withhold at 21 per-

cent of federal liability until Jan. 1, 1988.

Later in 1987, the Legislature passed LB773, which changed tax laws so state income tax was no longer based on federal income tax liability. The Legislature did not adjust the withholding system to match the new

tax system. Even if the withholding method had changed, Garver said, there wasn't time to design and test a new withholding system.

Sen. Vard Johnson of Omaha said senators on the Revenue Committee intended LB773 to increase Nebraska's income tax base by \$10 million, from \$360 million to \$370 million.

Johnson, chairman of the committee, said he thinks the average Nebraskan will pay 7 to 8 percent more state income tax than under the old system.

Under LB773, state income tax will be based on an individual's adjusted gross income. Four tax brackets, ranging from 2 percent to 5.9 percent, will be used to calculate the tax.

Since many people will pay less federal tax this year, retaining the old method would have reduced the amount of tax the state could collect.

A separate measure passed last year will eliminate state income taxes for the approximately 30,000 Nebraskans who will not owe any federal income tax, Garver said.

Garver said Nebraska's 1987 withholding system was inadequate for many reasons.

A study done by Syracuse University last year recommended that Nebraska withhold at least 21.6 percent of federal liability to keep its tax base stable, he said.

Nebraska's average withholding rate for 1987 was 20.7 percent of federal liability, Garver said.

"There will be a measure of underwithholding based on that alone," he said.

Changes in federal taxes compounded the state withholding problem. Trouble with the new W-4 forms, Garver said, has made it uncertain whether federal tax was underwithheld or overwithheld.

Also, most federal tax credits are not recognized by Nebraska's new system, so people who used certain federal withholding allowances

probably will owe more state taxes than were withheld. Garver said the allowance for child care tax credits was an example.

There is at least one victim of underwithholding at the University of Nebraska-Lincoln. Bart Goddard, a graduate student in the math department, said his 1987 federal income tax is \$480. His state income tax is \$402, more than twice the \$140 that had been withheld. "That's a far cry from 21 percent," he said.

Goddard is married with two children. He said his family's income is average. He said he called the Taxpayer Assistance Office at the Nebraska Department of Revenue and was told that many people's 1987 state income taxes had been underwithheld.

Goddard said he thought it was unfair to expect people to suddenly pay large amounts of money because of underwithholding.

"We should raise a big stink about this," he said. "We should annoy our

senators as much as we can until they come to their senses."

Johnson said that although he expected the average Nebraskan's tax bill to go up, he was surprised that anyone would show a 100 percent increase. He said that was not the Legislature's intention.

Garver said he thinks Goddard's case is unusual.

Both overwithholding and underwithholding have occurred, he said. With so many complicating factors, it's hard to make any generalizations about withholding problems, he said.

1986 state income taxes will not be a good indicator of what most people will pay, Garver said. However, the majority will pay about 5 percent more or less than they did last year, according to Department of Revenue projections, he said.

Garver said a more accurate system of state income tax withholding, similar to the present federal system, will be used in 1988. Employers were notified of the change Oct. 15.

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Chambers' bill seeks pay for UNL athletes

By Mary Nell Westbrook
Senior Reporter

University of Nebraska-Lincoln student-athletes would be treated as employees of the university under a bill introduced Thursday.

LB1226, proposed by Sen. Ernie Chambers of Omaha, would give all football players many of the same benefits as university employees.

Thursday was the last day to submit new legislation. Fifty-two bills were introduced Thursday, bringing the total this session to 454.

Chambers suggested that players get \$1,000 a month for 12 months. The players need some kind of compensation for all the benefits, grants and salaries the university receives from the football program, he said.

This bill does not only apply to, but concentrates on, football players, Chambers said.

Athletes are not treated as other students because of their year-round obligation. "They're under a contract of indenture," he said.

Chambers compared college football to minor-league teams and said the athletes should get some kind of compensation. Nebraska football coach Tom Osborne also has supported compensation for college athletes.

The NCAA would probably put UNL's team on suspension if the bill ever passed because it violates rules against being paid as a professional.

But Chambers said he wonders why the NCAA would want to "keep indentured servitude."

The bill states that the NCAA itself is evidence of the problems with ruling against compensation. The rules are "unreasonable, promote unfairness, encourage dishonesty in recruiting and retaining players and come perilously near to violating the 13th Amendment," the bill states.

Chambers has rallied for this cause since the late 1960s, he said, but the only way he'll get it to pass is if more senators side with his ideas.

"But they're afraid they would lose their season tickets," Chambers said.

Student falls prey to scheme

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said. "I'm laughing at myself because it's the most stupid thing I've ever done."

Although E.D. Gebhardt, president of Global Communications Inc., could not be reached by phone, his secretary said Gebhardt declined to comment on any allegations at this time.

The postal service is preparing a

deal with Global Communications Inc. where it would not press criminal charges if the company stops its operation. Schneringer said most operators of work-at-home schemes are so small that the postal service is able to shut them down without any criminal proceedings.

It may be a worn-out phrase, but Schneringer said the best advice he has is: "If it sounds too good to be true, than it probably is."

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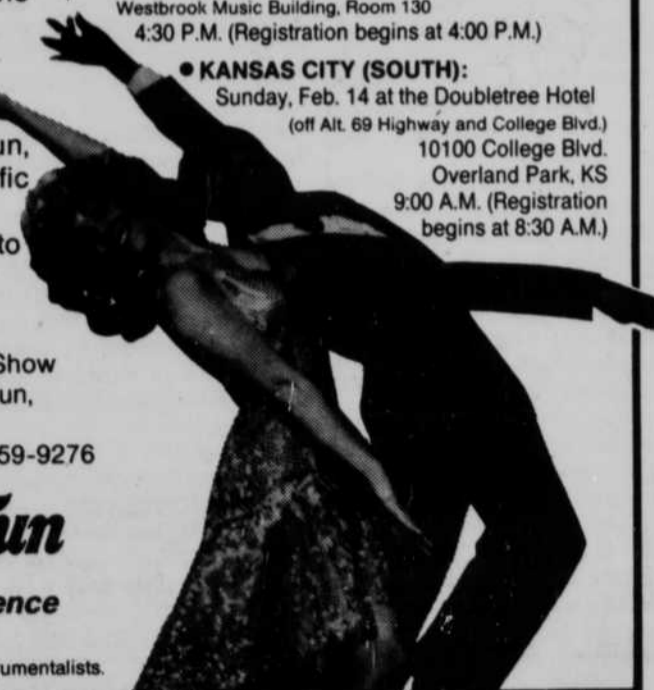
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