

# Tax Incentives for New & Expanding Businesses



NEBRASKA  
possibilities...endless<sup>SM</sup>

## Eligible Business Activities

- Research and development
- Data processing
- Telecommunications
- Insurance services
- Financial services
- Manufacturing, transportation, warehousing, and distribution of tangible personal property
- Retail sale of tangible personal property if more than 20% is at wholesale, manufactured by seller, or sold to others in a qualified activity
- Administrative management or headquarters

## Who Qualifies?

- Any company subject to Nebraska sales and use taxes, and either the income tax or franchise tax

## Who Does Not Qualify?

- Restaurants
- Farms or ranches
- Most retail stores
- Contracting and repair businesses

# An Investment in Nebraska

## Possibilities...Endless

Nebraska has a new vision. And like our horizons, this vision stretches for miles in every direction.

Your journey to higher profits begins with this publication. Explore the details within; then call the Nebraska Department of Economic Development at 402-471-3111 or 800-426-6505 for more information.



McFerson Nebraska 003

## Employment and Investment Growth Act (LB 775) < < <

The Employment and Investment Growth Act allows eligible businesses to substantially reduce—or possibly eliminate—their tax liability.

These credits can be earned over a seven-year entitlement period, and accumulated credits may be used over a 15-year period. Businesses have up to seven years to meet qualifying employment and investment levels.

*A \$500 application fee will be assessed in conjunction with LB 775.*

### Benefits Summary

**Option 1:** Invest \$3 million and create 30 new full-time jobs.

- Obtain a direct refund of all Nebraska and city sales and use taxes paid on purchases of depreciable property used in conjunction with a qualified project.
- Receive a 5% tax credit for seven years on the amount of total wages paid to new or additional employees.
- Reap a 10% tax credit on the total investment in qualified property.
- Have the option of applying these credits to income tax liabilities or obtaining a refund of sales and use taxes paid on other purchases for the project.

**Option 2:** Invest \$10 million and create 100 new full-time jobs.

- Receive all of the benefits listed under Option 1, plus up to 15 years of personal property tax exemption on any of the following newly acquired assets:
  - 1) Turbine-powered aircraft or jets.
  - 2) Business computers and peripheral components used in the project.
  - 3) Equipment used directly in processing agricultural products.

**Option 3:** Invest a net of \$20 million with no increased employment.

- Receive a direct refund of all sales and use taxes paid on purchases of qualified property at the project.

## Employment Expansion and Investment Incentive Act (LB 608) < < <

This program is only available in counties with a population less than 25,000 or in federal enterprise zones.

Thresholds: Applicants must invest a minimum of \$250,000 and create at least five full-time jobs with a minimum wage of \$8.57. This minimum wage of \$8.57 is for 2005 and will be updated annually.

The business has the year of application plus one additional year to achieve the investment and employment levels applied for and approved. The business must maintain the employment and investment levels for three years.

*The statute identifies an annual ceiling on available credits for the Employment Expansion and Investment Incentive Act. A \$500 application fee will be assessed in conjunction with LB 608.*

### Benefits Summary

- Secure \$2,750 of refundable credits per \$50,000 of the qualifying investment.
- Obtain \$3,000 of refundable credits per full-time equivalent employee.
- Receive refundable credits to create a positive cash flow and meaningful cash reward for job creation.
- Ability to use credits to refund paid state income and state sales and use taxes; the refundable tax credit feature makes this a true cash-back program.
- The company must be located in counties with population less than 25,000 or in state or federal enterprise zones.

## Invest Nebraska Act (LB 620) < < <

The Invest Nebraska Act allows companies that significantly increase employment and investment in Nebraska to qualify for wage benefit credits. These credits may be used against withholding tax liability, for funding employee programs, and for offsetting a company's income taxes. This incentive is in addition to any other incentives earned.

A company has up to seven years to earn these credits. Upon attainment, the company has up to ten years to earn and use the credits. After that period, unused credits can be carried over and used for an additional eight years.

*A \$5,000 application fee will be assessed in conjunction with LB 620.*

### Benefits Summary

**Option 1 – Non-Metro:** Invest \$10 million and create 25 jobs paying 100% of the Nebraska average wage.

- Receive an Annual Wage Benefit Credit of 3%, 4%, or 5% of compensation paid to Qualified New Employees. The credit level depends on compensation paid (see table).
- Apply the credit against either the company's income tax or employee income tax withholding obligation.

**Option 2 – Metro:** Invest \$50 million and create 500 jobs OR invest \$100 million and create 250 jobs, with all jobs paying 100% of the Nebraska average wage.

- Receive an Annual Wage Benefit Credit of 3%, 4%, or 5% of compensation paid to Qualified New Employees.

- Apply the credit against either the company's income tax or employee income tax withholding obligation.

**Option 3 – Alternative Benefit:** Invest \$200 million and create 500 jobs, with all jobs paying 120% of the Nebraska average wage.

- Receive a 15% Investment Income Tax Credit.
- Credits are allowed in relation to average employee compensation as follows:

Over	But Not Over	Credit % Is
\$0	\$20,000	0
\$20,000	\$30,000	3
\$30,000	\$40,000	4
\$40,000	—	5

## What Qualifies as an Investment?

- Improvements to real estate (e.g., buildings)
- Tangible property of a type subject to depreciation, amortization, or other recovery under IRS Code of 1986. Capitalized amount less Nebraska sales or use tax is used in calculating investment (property excluded: aircraft, barges, motor vehicles, railroad rolling stock, water craft, or property rented to another person)
- Property transferred into Nebraska (valued at original cost)
- Rental property (gross up annual lease payments to a maximum of ten years or three years beyond the entitlement period, whichever is earlier)



Courtesy of Caterpillar and Leo A. Daly

# The Nebraska Advantage

**Location.** Nebraska lies at the heart of the United States and the North American continent. Our state is ideally located for companies that serve regional, national, and international markets. This centralized location minimizes delivery times and costs, making it advantageous for doing business nationwide.



**Tax Incentives.** Nebraska's progressive, pro-business tax climate rewards companies that invest and hire within the state by reducing or virtually eliminating corporate income and sales taxes for up to 15 years.

**Public Power.** Nebraska is the only state with 100% public power. Public ownership provides customers with some of the lowest electric rates in the nation plus excellent reliability, excess supply, and a history of meeting the needs of new and expanding businesses.



**Cooperative Government.** Nebraska offers a great fit between the public and private sectors. State government consistently supports economic development, helping companies begin operations in a timely manner. Nebraska offers a pro-business tax climate and a constitutional provision that requires a balanced budget and prohibits deficit spending.



**Exceptional Education System.** Nebraska offers one of the nation's highest ratios of teachers to pupils. Additionally, the high school graduation rate is one of the highest in the United States, and a greater proportion of Nebraska's high school students take and score higher than the national average on college aptitude tests such as the ACT and SAT.

**Available Buildings.** Throughout Nebraska, you will find an inventory of available buildings that offer flexible terms and low lease or purchase rates. You can save substantially on real estate.

**Workforce.** Nebraska offers quality labor at a reasonable price. Our highly educated workforce is known for its strong work ethic, which Nebraska's industries cite as the key to their productivity and profitability.

**Low Cost of Living.** Nebraska's overall cost of living is lower than the national average in all major categories including food, housing, utilities, transportation, and health care.

**Telecommunications.** Nebraska is a leader in telecommunications and is home to one of the strongest telecommunications infrastructures in the nation. A critical mass of skilled workforce is available to serve information-intensive companies.

**Job Training Programs.** The Nebraska Department of Economic Development and the Nebraska Department of Labor provide training benefits to qualified employees.

**Transportation.** Interstate highway systems allow rapid access to major markets in all directions. Two major railroads and several shortline railroads operate across Nebraska. A quality air freight network affords direct, convenient access. Passenger air service is accessible throughout the state.



**Quality of Life.** Good schools, clean air, abundant water, low cost of living, and low crime rates make Nebraska a better place to live, work, and play.

This publication provides only an overview of the benefits available to qualifying businesses and industries in Nebraska. For a detailed, customized business incentive analysis, contact us today at 800-426-6505.

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Nebraska Department of Economic Development  
402-471-3111 • 402-471-3778 Fax  
[www.neded.org](http://www.neded.org)

Nebraska Department of Revenue  
402-471-2971  
[www.revenue.state.ne.us](http://www.revenue.state.ne.us)