

Nebraska Advantage Rural Development Act, LB 608, as Amended by LB 312, Qualifying Activity Reported in 2007

The Nebraska Advantage Rural Development Act, as amended by LB 608 and LB 312, requires a qualifying business to file an application with the Nebraska Department of Revenue. The first applications under LB 608 were accepted for tax years beginning on or after January 1, 2004.

Level 1 project applications require a plan of expansion that includes a minimum of two (2) new full-time equivalent Nebraska employees who are paid at least the minimum required wage, and \$125,000 of net, new investment. The expansion must occur in a county with a population of less than 15,000 inhabitants or in an enterprise zone. Level 1 applications were accepted for tax years beginning on or after January 1, 2006.

Level 2 project applications require a plan of expansion that includes a minimum of five (5) new full-time equivalent Nebraska employees who are paid at least the minimum required wage, and \$250,000 of net, new investment. The expansion must occur in a county with a population of less than 25,000 inhabitants or in an enterprise zone. Level 2 applications were accepted for tax years beginning on or after January 1, 2004.

If the Level 1 or Level 2 applicant reaches and maintains the required levels of investment and employment, they are eligible for a \$3,000 credit for each new full-time equivalent Nebraska employee and a \$2,750 credit for each \$50,000 net gain in qualified investment. The credits may be used to obtain a refund of state sales and use taxes paid, may be used against the income tax liability of the taxpayer, or may be used as a refundable credit claimed on the income tax return of the taxpayer.

Livestock Modernization is defined as the construction, improvement or acquisition of depreciable buildings, facilities or equipment for livestock housing, confinement, feeding, production and waste management. The project must have a net investment increase of at least \$50,000. There is no employment increase required. Livestock Modernization project applications were accepted as of January 1, 2007.

If the Livestock Modernization applicant reaches and maintains the required level of investment, they are eligible to earn credits at 10% of investment. Each project is limited to a maximum of \$30,000 in credits. The credits may be used to obtain a refund of state sales and use taxes paid, may be used against the income tax liability of the taxpayer, or may be used as a refundable credit claimed on the income tax return of the taxpayer.

The application may be filed on or after the first day of the tax year. The application requests the total amount of expected credits for additional investment and employment in the year the application is filed and the following tax year. There is a statutory limit on the total benefits that may be approved for a year. The requested benefits are applied to the limit in the order in which the complete applications were filed.

Approved Application Activity

Fiscal Year Ending	Number of Applicants	Total Requested Benefits	Statutory Limit on Benefits
06/30/2005	12	\$713,000	\$2,500,000
06/30/2006	15	\$2,086,000	\$2,500,000
06/30/2007	15	\$1,555,250	\$3,000,000
06/30/2008	34	\$3,000,000	\$3,000,000

As of December 31, 2007 credits were allowed to qualified projects. However, due to the small number of recipients and confidentiality requirements no credit usage information is reported this year.