

Employment Expansion and Investment Incentive Act

Qualified Activity Reported in 2008

A separate application process is not required for this incentive program. The number of tax credits earned, jobs created, and investment made is reported by the filing a Nebraska Employment and Investment Credit Computation, Form 3800N, with a tax return. In order to earn tax credits, a company must be in a qualifying business and have an increase of \$75,000 in qualifying investment and two new full-time equivalent employees within the taxable year. For five years after the initial year of qualification, the business may receive additional tax credits for new employees without any additional investment.

This report includes tax returns for 2001 through 2007, processed during 2008. A total of 1,382 separate businesses have filed for benefits under LB 1124 through 2008.

In 2008, the Department approved 23 returns from businesses, two of which reported new investment made and/or employees hired in 2003 or earlier. The Department conducts periodic audits of the investment and employment credits claimed under LB 1124. These returns, claiming new tax credits, and the audits reflected the following:

- Net new investment of (\$3,528,258)
- New full-time jobs of (2)
- Tax credits of (\$27,000)

Seventeen returns, processed in 2008, showed maintenance of past levels of employment and investment. If a taxpayer fails to maintain the required levels of investment and employment for at least two years after the year for which the tax credit was first allowed, part of the used and unused tax credits are subject to recapture. During the subsequent two years, the taxpayer must repay to the state one-third of the amount of the tax credit subject to recapture for each year that the taxpayer did not maintain the required levels. Four returns processed in 2008 reported recapture of past tax credits.

Tax credits may be carried over and used for the immediately succeeding five taxable years. Any tax credit carryover remaining at the end of the fifth year expires.

Legislative Change:

LB 608 was passed during the 2003 legislative session. LB 608 changed the provisions of the Employment Expansion and Investment Incentive Act. The provisions of the Act, as described at the top of this page, are effective for tax years before 2004. For tax years beginning on or after January 1, 2004, the provisions of LB 608 must be met in order to earn tax credits under the Act.

A company which created tax credits in tax years before 2004 may use these tax credits during its five year carryover period. The company must file to show maintenance of the required investment and employment levels for two years.