

LEGISLATURE OF NEBRASKA

ONE HUNDRED FIRST LEGISLATURE

FIRST SESSION

LEGISLATIVE BILL 164

FINAL READING

Introduced by Cornett, 45.

Read first time January 12, 2009

Committee: Revenue

A BILL

1 FOR AN ACT relating to revenue and taxation; to amend sections
2 2-5413 and 81-12,125, Reissue Revised Statutes of
3 Nebraska, and sections 77-27,187.02, 77-5714, 77-5715,
4 77-5723, 77-5725, 77-5726, 77-5727, 77-5804, 77-5806,
5 77-5905, and 77-5906, Revised Statutes Cumulative
6 Supplement, 2008; to change economic development tax
7 incentive provisions; to provide operative dates; and to
8 repeal the original sections.

9 Be it enacted by the people of the State of Nebraska,

1 Section 1. Section 2-5413, Reissue Revised Statutes of
2 Nebraska, is amended to read:

3 2-5413 Sections 2-5413 to 2-5424 shall be known and
4 may be cited as the Agricultural Opportunities and Value-Added
5 Partnerships Act. The act terminates on January 1, ~~2011~~, 2015.

6 Sec. 2. Section 77-27,187.02, Revised Statutes Cumulative
7 Supplement, 2008, is amended to read:

8 77-27,187.02 (1) To earn the incentives set forth in the
9 Nebraska Advantage Rural Development Act, the taxpayer shall file
10 an application for an agreement with the Tax Commissioner.

11 (2) The application shall contain:

12 (a) A written statement describing the full expected
13 employment or type of livestock production and the investment
14 amount for a qualified business, as described in section 77-27,189,
15 in this state;

16 (b) Sufficient documents, plans, and specifications as
17 required by the Tax Commissioner to support the plan and to define
18 a project; and

19 (c) An application fee of five hundred dollars. The fee
20 shall be remitted to the State Treasurer for credit to the Nebraska
21 Incentives Fund. The application and all supporting information
22 shall be confidential except for the name of the taxpayer, the
23 location of the project, and the amounts of increased employment or
24 investment.

25 (3) (a) The Tax Commissioner shall approve the application

1 and authorize the total amount of credits expected to be earned as
2 a result of the project if he or she is satisfied that the plan in
3 the application defines a project that (i) meets the requirements
4 established in section 77-27,188 and such requirements will be
5 reached within the required time period and (ii) for projects other
6 than livestock modernization or expansion projects, is located in
7 an eligible county, city, or village.

8 (b) The Tax Commissioner shall not approve further
9 applications once the expected credits from the approved projects
10 total two million five hundred thousand dollars in each of fiscal
11 years 2004-05 and 2005-06, three million dollars in each of fiscal
12 years 2006-07 through 2008-09, and four million dollars in fiscal
13 year 2009-10. For applications filed in calendar year 2010 and
14 each calendar year thereafter, the Tax Commissioner shall not
15 approve further applications once the expected credits from the
16 approved projects total four million dollars. and each fiseal
17 year thereafter. Four hundred dollars of the application fee shall
18 be refunded to the applicant if the application is not approved
19 because the expected credits from approved projects exceed such
20 amounts.

21 (c) Applications for benefits shall be considered in the
22 order in which they are received.

23 (d) Applications shall be filed by November 1 and shall
24 be complete by December 1 of each calendar year. Any application
25 that is filed after November 1 or that is not complete on December

1 1 shall be considered to be filed during the following calendar
2 year.

3 (4) After approval, the taxpayer and the Tax Commissioner
4 shall enter into a written agreement. The taxpayer shall agree
5 to complete the project, and the Tax Commissioner, on behalf of
6 the State of Nebraska, shall designate the approved plans of the
7 taxpayer as a project and, in consideration of the taxpayer's
8 agreement, agree to allow the taxpayer to use the incentives
9 contained in the Nebraska Advantage Rural Development Act up to
10 the total amount that were authorized by the Tax Commissioner
11 at the time of approval. The application, and all supporting
12 documentation, to the extent approved, shall be considered a part
13 of the agreement. The agreement shall state:

14 (a) The levels of employment and investment required by
15 the act for the project;

16 (b) The time period under the act in which the required
17 level must be met;

18 (c) The documentation the taxpayer will need to supply
19 when claiming an incentive under the act;

20 (d) The date the application was filed; and

21 (e) The maximum amount of credits authorized.

22 Sec. 3. Section 77-5714, Revised Statutes Cumulative
23 Supplement, 2008, is amended to read:

24 77-5714 (1) Number of new employees, for a tier 1, tier
25 2, tier 3, or tier 4 project, means the number of equivalent

1 employees that are employed at the project during a year that are
2 in excess of the number of equivalent employees during the base
3 year, not to exceed the number of equivalent employees employed at
4 the project during a year who are not base-year employees and who
5 are paid wages at a rate equal to at least sixty percent of the
6 Nebraska average weekly wage for the year of application.

7 (2) Number of new employees, for a tier 6 project, means
8 the number of equivalent employees that are employed at the project
9 during a year that are in excess of the number of equivalent
10 employees during the base year, not to exceed the number of
11 equivalent employees employed at the project during a year who are
12 not base-year employees and who are paid at a rate equal to or
13 greater than the tier 6 weekly required compensation for the year
14 of application.

15 (3) Teleworkers working for wages or salaries in Nebraska
16 from their residences for a taxpayer on tasks interdependent with
17 the work performed at the project shall be considered to be
18 employed at the project.

19 (4) Employees who work at a military installation in
20 Nebraska for a taxpayer on tasks interdependent with the work
21 performed at the project shall be considered to be employed at the
22 project.

23 Sec. 4. Section 77-5715, Revised Statutes Cumulative
24 Supplement, 2008, is amended to read:

25 77-5715 (1) For a tier 2, tier 3, tier 4, or tier 5

1 project, qualified business means any business engaged in:

2 (a) The conducting of research, development, or testing
3 for scientific, agricultural, animal husbandry, food product, or
4 industrial purposes;

5 (b) The performance of data processing,
6 telecommunication, insurance, or financial services. For purposes
7 of this subdivision, financial services includes only financial
8 services provided by any financial institution subject to tax
9 under Chapter 77, article 38, or any person or entity licensed by
10 the Department of Banking and Finance or the federal Securities
11 and Exchange Commission and telecommunication services includes
12 community antenna television service, Internet access, satellite
13 ground station, data center, call center, or telemarketing;

14 (c) The assembly, fabrication, manufacture, or processing
15 of tangible personal property;

16 (d) The administrative management of the taxpayer's
17 activities, including headquarter facilities relating to such
18 activities or the administrative management of any of the
19 activities of any business entity or entities in which the taxpayer
20 or a group of its shareholders holds any direct or indirect
21 ownership interest of at least ten percent, including headquarter
22 facilities relating to such activities;

23 (e) The storage, warehousing, distribution,
24 transportation, or sale of tangible personal property;

25 (f) The sale of tangible personal property if the

1 taxpayer derives at least seventy-five percent or more of the
2 sales or revenue attributable to such activities relating to the
3 project from sales to consumers who are not related persons and are
4 located outside the state;

5 ~~(f)~~ (g) The sale of software development services,
6 computer systems design, product testing services, or guidance or
7 surveillance systems design services or the licensing of technology
8 if the taxpayer derives at least seventy-five percent of the sales
9 or revenue attributable to such activities relating to the project
10 from sales or licensing either to customers who are not related
11 persons and located outside the state or to the United States
12 Government;

13 ~~(g)~~ (h) The research, development, and maintenance of an
14 Internet web portal. For purposes of this subdivision, Internet web
15 portal means an Internet site that allows users to access, search,
16 and navigate the Internet; or

17 ~~(h)~~ (i) Any combination of the activities listed in this
18 subsection.

19 (2) For a tier 1 project, qualified business means any
20 business engaged in:

21 (a) The conducting of research, development, or testing
22 for scientific, agricultural, animal husbandry, food product, or
23 industrial purposes;

24 (b) The assembly, fabrication, manufacture, or processing
25 of tangible personal property;

1 (c) The sale of software development services, computer
2 systems design, product testing services, or guidance or
3 surveillance systems design services or the licensing of technology
4 if the taxpayer derives at least seventy-five percent of the sales
5 or revenue attributable to such activities relating to the project
6 from sales or licensing either to customers who are not related
7 persons and are located outside the state or to the United States
8 Government; or

9 (d) Any combination of activities listed in this
10 subsection.

11 (3) For a tier 6 project, qualified business means any
12 business except a business excluded by subsection (4) of this
13 section.

14 (4) ~~Qualified~~ Except for business activity described in
15 subdivision (1)(f) of this section, qualified business does not
16 include any business activity in which eighty percent or more of
17 the total sales are sales to the ultimate consumer of (a) food
18 prepared for immediate consumption or ~~are sales to the ultimate~~
19 ~~consumer of~~ (b) tangible personal property which is not assembled,
20 fabricated, manufactured, or processed by the taxpayer or used by
21 the purchaser in any of the activities listed in subsection (1) or
22 (2) of this section.

23 Sec. 5. Section 77-5723, Revised Statutes Cumulative
24 Supplement, 2008, is amended to read:

25 77-5723 (1) In order to utilize the incentives set

1 forth in the Nebraska Advantage Act, the taxpayer shall file
2 an application, on a form developed by the Tax Commissioner,
3 requesting an agreement with the Tax Commissioner.

4 (2) The application shall contain:

5 (a) A written statement describing the plan of employment
6 and investment for a qualified business in this state;

7 (b) Sufficient documents, plans, and specifications as
8 required by the Tax Commissioner to support the plan and to define
9 a project;

10 (c) If more than one location within this state is
11 involved, sufficient documentation to show that the employment and
12 investment at different locations are interdependent parts of the
13 plan. A headquarters shall be presumed to be interdependent with
14 each other location directly controlled by such headquarters. A
15 showing that the parts of the plan would be considered parts of
16 a unitary business for corporate income tax purposes shall not
17 be sufficient to show interdependence for the purposes of this
18 subdivision;

19 (d) A nonrefundable application fee of one thousand
20 dollars for a tier 1 project, two thousand five hundred dollars for
21 a tier 2, tier 3, or tier 5 project, five thousand dollars for a
22 tier 4 project, and ten thousand dollars for a tier 6 project. The
23 fee shall be credited to the Nebraska Incentives Fund; and

24 (e) A timetable showing the expected sales tax refunds
25 and what year they are expected to be claimed. The timetable shall

1 include both direct refunds due to investment and credits taken as
2 sales tax refunds as accurately as possible.

3 The application and all supporting information shall be
4 confidential except for the name of the taxpayer, the location of
5 the project, the amounts of increased employment and investment,
6 and the information required to be reported by sections 77-5731 and
7 77-5734.

8 (3) An application must be complete to establish the date
9 of the application. An application shall be considered complete
10 once it contains the items listed in subsection (2) of this
11 section, regardless of the Tax Commissioner's additional needs
12 pertaining to information or clarification in order to approve or
13 not approve the application.

14 (4) Once satisfied that the plan in the application
15 defines a project consistent with the purposes stated in the
16 Nebraska Advantage Act in one or more qualified business activities
17 within this state, that the taxpayer and the plan will qualify for
18 benefits under the act, and that the required levels of employment
19 and investment for the project will be met prior to the end of the
20 fourth year after the year in which the application was submitted
21 for a tier 1, tier 3, or tier 6 project or the end of the sixth
22 year after the year in which the application was submitted for
23 a tier 2, tier 4, or tier 5 project, the Tax Commissioner shall
24 approve the application.

25 (5) After approval, the taxpayer and the Tax Commissioner

1 shall enter into a written agreement. The taxpayer shall agree
2 to complete the project, and the Tax Commissioner, on behalf of
3 the State of Nebraska, shall designate the approved plan of the
4 taxpayer as a project and, in consideration of the taxpayer's
5 agreement, agree to allow the taxpayer to use the incentives
6 contained in the Nebraska Advantage Act. The application, and
7 all supporting documentation, to the extent approved, shall be
8 considered a part of the agreement. The agreement shall state:

9 (a) The levels of employment and investment required by
10 the act for the project;

11 (b) The time period under the act in which the required
12 levels must be met;

13 (c) The documentation the taxpayer will need to supply
14 when claiming an incentive under the act;

15 (d) The date the application was filed; and

16 (e) A requirement that the company update the Department
17 of Revenue annually on any changes in plans or circumstances which
18 affect the timetable of sales tax refunds as set out in the
19 application. If the company fails to comply with this requirement,
20 the Tax Commissioner may defer any pending sales tax refunds until
21 the company does comply.

22 (6) The incentives contained in section 77-5725 shall be
23 in lieu of the tax credits allowed by the Nebraska Advantage Rural
24 Development Act for any project. In computing credits under the
25 act, any investment or employment which is eligible for benefits

1 or used in determining benefits under the Nebraska Advantage Act
2 shall be subtracted from the increases computed for determining
3 the credits under section 77-27,188. New investment or employment
4 at a project location that results in the meeting or maintenance
5 of the employment or investment requirements, the creation of
6 credits, or refunds of taxes under the Employment and Investment
7 Growth Act shall not be considered new investment or employment
8 for purposes of the Nebraska Advantage Act. The use of carryover
9 credits under the Employment and Investment Growth Act, the Invest
10 Nebraska Act, the Nebraska Advantage Rural Development Act, or the
11 Quality Jobs Act shall not preclude investment and employment from
12 being considered new investment or employment under the Nebraska
13 Advantage Act. The use of property tax exemptions at the project
14 under the Employment and Investment Growth Act shall not preclude
15 investment not eligible for the property tax exemption from being
16 considered new investment under the Nebraska Advantage Act.

17 (7) A taxpayer and the Tax Commissioner may enter into
18 agreements for more than one project and may include more than
19 one project in a single agreement. The projects may be either
20 sequential or concurrent. A project may involve the same location
21 as another project. No new employment or new investment shall be
22 included in more than one project for either the meeting of the
23 employment or investment requirements or the creation of credits.
24 When projects overlap and the plans do not clearly specify, then
25 the taxpayer shall specify in which project the employment or

1 investment belongs.

2 (8) The taxpayer may request that an agreement be
3 modified if the modification is consistent with the purposes
4 of the act and does not require a change in the description of
5 the project. An agreement may not be modified to a tier that
6 would grant a higher level of benefits to the taxpayer or to
7 a tier 1 project. Once satisfied that the modification to the
8 agreement is consistent with the purposes stated in the act, the
9 Tax Commissioner and taxpayer may amend the agreement. For a tier 6
10 project, the taxpayer must agree to limit the project to qualified
11 activities allowable under tier 2 and tier 4.

12 Sec. 6. Section 77-5725, Revised Statutes Cumulative
13 Supplement, 2008, is amended to read:

14 77-5725 (1) Applicants may qualify for benefits under the
15 Nebraska Advantage Act in one of six tiers:

16 (a) Tier 1, investment in qualified property of at least
17 one million dollars and the hiring of at least ten new employees.
18 There shall be no new project applications for benefits under this
19 tier filed ~~on or~~ after ~~January 1, 2011,~~ December 31, 2015, without
20 further authorization of the Legislature. All complete project
21 applications filed on or before January 1, 2011, December 31,
22 2015, shall be considered by the Tax Commissioner and approved if
23 the project and taxpayer qualify for benefits. Agreements may be
24 executed with regard to completed project applications filed on or
25 before January 1, 2011. December 31, 2015. All project agreements

1 pending, approved, or entered into before such date shall continue
2 in full force and effect;

3 (b) Tier 2, investment in qualified property of at least
4 three million dollars and the hiring of at least thirty new
5 employees;

6 (c) Tier 3, the hiring of at least thirty new employees.
7 There shall be no new project applications for benefits under this
8 tier filed ~~on or~~ after ~~January 1, 2011,~~ December 31, 2015, without
9 further authorization of the Legislature. All complete project
10 applications filed on or before January 1, 2011, December 31,
11 2015, shall be considered by the Tax Commissioner and approved if
12 the project and taxpayer qualify for benefits. Agreements may be
13 executed with regard to completed project applications filed on or
14 before January 1, 2011, December 31, 2015. All project agreements
15 pending, approved, or entered into before such date shall continue
16 in full force and effect;

17 (d) Tier 4, investment in qualified property of at least
18 ten million dollars and the hiring of at least one hundred new
19 employees;

20 (e) Tier 5, investment in qualified property of at least
21 thirty million dollars. Failure to maintain an average number of
22 equivalent employees as defined in section 77-5727 greater than or
23 equal to the number of equivalent employees in the base year shall
24 result in a partial recapture of benefits; and

25 (f) Tier 6, investment in qualified property of at least

1 ten million dollars and the hiring of at least seventy-five new
2 employees or the investment in qualified property of at least
3 one hundred million dollars and the hiring of at least fifty new
4 employees. Agreements may be executed with regard to completed
5 project applications filed before January 1, 2016. All project
6 agreements pending, approved, or entered into before such date
7 shall continue in full force and effect.

8 (2) When the taxpayer has met the required levels of
9 employment and investment contained in the agreement for a tier 1,
10 tier 2, tier 4, tier 5, or tier 6 project, the taxpayer shall be
11 entitled to the following incentives:

12 (a) A refund of all sales and use taxes for a tier 2,
13 tier 4, tier 5, or tier 6 project or a refund of one-half of all
14 sales and use taxes for a tier 1 project paid under the Local
15 Option Revenue Act, the Nebraska Revenue Act of 1967, and sections
16 13-319, 13-324, and 13-2813 from the date of the application
17 through the meeting of the required levels of employment and
18 investment for all purchases, including rentals, of:

19 (i) Qualified property used as a part of the project;

20 (ii) Property, excluding motor vehicles, based in this
21 state and used in both this state and another state in connection
22 with the project except when any such property is to be used for
23 fundraising for or for the transportation of an elected official;

24 (iii) Tangible personal property by the owner of the
25 improvement to real estate that is incorporated into real estate as

1 a part of a project; and

2 (iv) Tangible personal property by a contractor or
3 repairperson after appointment as a purchasing agent of the owner
4 of the improvement to real estate. The refund shall be based on
5 fifty percent of the contract price, excluding any land, as the
6 cost of materials subject to the sales and use tax; and

7 (b) A refund of all sales and use taxes for a tier 2,
8 tier 4, tier 5, or tier 6 project or a refund of one-half of all
9 sales and use taxes for a tier 1 project paid under the Local
10 Option Revenue Act, the Nebraska Revenue Act of 1967, and sections
11 13-319, 13-324, and 13-2813 on the types of purchases, including
12 rentals, listed in subdivision (a) of this subsection for such
13 taxes paid during each year of the entitlement period in which
14 the taxpayer is at or above the required levels of employment and
15 investment.

16 (3) Any taxpayer who qualifies for a tier 1, tier 2,
17 tier 3, or tier 4 project shall be entitled to a credit equal to
18 three percent times the average wage of new employees times the
19 number of new employees if the average wage of the new employees
20 equals at least sixty percent of the Nebraska average annual wage
21 for the year of application. The credit shall equal four percent
22 times the average wage of new employees times the number of new
23 employees if the average wage of the new employees equals at least
24 seventy-five percent of the Nebraska average annual wage for the
25 year of application. The credit shall equal five percent times the

1 average wage of new employees times the number of new employees
2 if the average wage of the new employees equals at least one
3 hundred percent of the Nebraska average annual wage for the year of
4 application. The credit shall equal six percent times the average
5 wage of new employees times the number of new employees if the
6 average wage of the new employees equals at least one hundred
7 twenty-five percent of the Nebraska average annual wage for the
8 year of application. For computation of such credit:

9 (a) Average annual wage means the total compensation paid
10 to employees during the year at the project who are not base-year
11 employees and who are paid wages equal to at least sixty percent
12 of the Nebraska average weekly wage for the year of application,
13 excluding any compensation in excess of one million dollars paid
14 to any one employee during the year, divided by the number of
15 equivalent employees making up such total compensation;

16 (b) Average wage of new employees means the average
17 annual wage paid to employees during the year at the project who
18 are not base-year employees and who are paid wages equal to at
19 least sixty percent of the Nebraska average weekly wage for the
20 year of application, excluding any compensation in excess of one
21 million dollars paid to any one employee during the year; and

22 (c) Nebraska average annual wage means the Nebraska
23 average weekly wage times fifty-two.

24 (4) Any taxpayer who qualifies for a tier 6 project shall
25 be entitled to a credit equal to ten percent times the total

1 compensation paid to all employees, other than base-year employees,
2 excluding any compensation in excess of one million dollars paid to
3 any one employee during the year, employed at the project.

4 (5) Any taxpayer who has met the required levels of
5 employment and investment for a tier 2 or tier 4 project shall
6 receive a credit equal to ten percent of the investment made in
7 qualified property at the project. Any taxpayer who has met the
8 required levels of investment and employment for a tier 1 project
9 shall receive a credit equal to three percent of the investment
10 made in qualified property at the project. Any taxpayer who has
11 met the required levels of investment and employment for a tier
12 6 project shall receive a credit equal to fifteen percent of the
13 investment made in qualified property at the project.

14 (6) The credits prescribed in subsections (3), (4), and
15 (5) of this section shall be allowable for compensation paid and
16 investments made during each year of the entitlement period that
17 the taxpayer is at or above the required levels of employment and
18 investment.

19 (7) The credit prescribed in subsection (5) of this
20 section shall also be allowable during the first year of the
21 entitlement period for investment in qualified property at the
22 project after the date of the application and before the required
23 levels of employment and investment were met.

24 (8)(a) A taxpayer who has met the required levels of
25 employment and investment for a tier 4 or tier 6 project shall

1 receive the incentive provided in this subsection. A taxpayer who
2 has a project for an Internet web portal and who has met the
3 required level of investment for a tier 5 project shall receive the
4 incentive provided in this subsection for property in subdivision
5 (8)(b)(ii) of this section. Such investment and hiring of new
6 employees shall be considered a required level of investment and
7 employment for this subsection and for the recapture of benefits
8 under this subsection only.

9 (b) The following property used in connection with such
10 project or projects and acquired by the taxpayer, whether by
11 lease or purchase, after the date the application was filed shall
12 constitute separate classes of personal property:

13 (i) Turbine-powered aircraft, including turboprop,
14 turbojet, and turbofan aircraft, except when any such aircraft is
15 used for fundraising for or for the transportation of an elected
16 official;

17 (ii) Computer systems, made up of equipment that is
18 interconnected in order to enable the acquisition, storage,
19 manipulation, management, movement, control, display, transmission,
20 or reception of data involving computer software and hardware, used
21 for business information processing which require environmental
22 controls of temperature and power and which are capable of
23 simultaneously supporting more than one transaction and more than
24 one user. A computer system includes peripheral components which
25 require environmental controls of temperature and power connected

1 to such computer systems. Peripheral components shall be limited to
2 additional memory units, tape drives, disk drives, power supplies,
3 cooling units, data switches, and communication controllers;

4 (iii) Depreciable personal property used for a
5 distribution facility, including, but not limited to, storage
6 racks, conveyor mechanisms, forklifts, and other property used to
7 store or move products;

8 (iv) Personal property which is business equipment
9 located in a single project if the business equipment is involved
10 directly in the manufacture or processing of agricultural products;
11 and

12 (v) For a tier 6 project, any other personal property
13 located at the project.

14 (c) Such property shall be eligible for exemption from
15 the tax on personal property from the first January 1 following
16 the date of acquisition for property in subdivision (8)(b)(i)
17 of this section, or from the first January 1 following the end
18 of the year during which the required levels were exceeded for
19 property in subdivisions (8)(b)(ii), (iii), (iv), and (v) of this
20 section, through the ninth December 31 after the first year any
21 property included in subdivisions (8)(b)(ii), (iii), (iv), and (v)
22 of this section qualifies for the exemption. In order to receive
23 the property tax exemptions allowed by subdivision (8)(b) of this
24 section, the taxpayer shall annually file a claim for exemption
25 with the Tax Commissioner on or before May 1. The form and

1 supporting schedules shall be prescribed by the Tax Commissioner
2 and shall list all property for which exemption is being sought
3 under this section. A separate claim for exemption must be filed
4 for each project and each county in which property is claimed
5 to be exempt. A copy of this form must also be filed with the
6 county assessor in each county in which the applicant is requesting
7 exemption. The Tax Commissioner shall determine the eligibility
8 of each item listed for exemption and, on or before August 1,
9 certify such to the taxpayer and to the affected county assessor.
10 In determining the eligibility of items of personal property for
11 exemption, the Tax Commissioner is limited to the question of
12 whether the property claimed as exempt by the taxpayer falls
13 within the classes of property described in subdivision (8)(b) of
14 this section. The determination of whether a taxpayer is eligible
15 to obtain exemption for personal property based on meeting the
16 required levels of investment and employment is the responsibility
17 of the Tax Commissioner.

18 ~~(9)~~ (9)(a) The investment thresholds in this section for
19 a particular year of application shall be adjusted by the method
20 provided in this subsection.

21 (b) For tier 1, tier 2, tier 4, and tier 5, beginning
22 Beginning October 1, 2006, and each October 1 thereafter, the
23 average Producer Price Index for all commodities, published by
24 the United States Department of Labor, Bureau of Labor Statistics,
25 for the most recent ~~available period~~ twelve available periods

1 shall be divided by the Producer Price Index for the first
2 quarter of 2006 and the result multiplied by the applicable
3 investment threshold. The investment thresholds shall be adjusted
4 for cumulative inflation since 2006.

5 (c) For tier 6, beginning October 1, 2008, and each
6 October 1 thereafter, the average Producer Price Index for all
7 commodities, published by the United States Department of Labor,
8 Bureau of Labor Statistics, for the most recent twelve available
9 periods shall be divided by the Producer Price Index for the
10 first quarter of 2008 and the result multiplied by the applicable
11 investment threshold. The investment thresholds shall be adjusted
12 for cumulative inflation since 2008.

13 (d) If the resulting amount is not a multiple of one
14 million dollars, the amount shall be rounded to the next lowest one
15 million dollars.

16 (e) The investment thresholds established by this
17 subsection apply for purposes of project qualifications for all
18 applications filed on or after January 1 of the following year for
19 all years of the project. Adjustments do not apply to projects
20 after the year of application.

21 Sec. 7. Section 77-5726, Revised Statutes Cumulative
22 Supplement, 2008, is amended to read:

23 77-5726 (1) (a) The credits prescribed in section 77-5725
24 shall be established by filing the forms required by the Tax
25 Commissioner with the income tax return for the year. The credits

1 may be used and shall be applied in the order in which they
2 were first allowed. The credits may be used after any other
3 nonrefundable credits to reduce the taxpayer's income tax liability
4 imposed by sections 77-2714 to 77-27,135. Any decision on how part
5 of the credit is applied shall not limit how the remaining credit
6 could be applied under this section.

7 (b) The taxpayer may use the credit provided in
8 ~~subsections (3) and (4)~~ subsection (3) of section 77-5725 to
9 reduce the taxpayer's income tax withholding employer or payor
10 tax liability under section 77-2756 or 77-2757 to the extent
11 such liability is attributable to the number of new employees at
12 the project, excluding any compensation in excess of one million
13 dollars paid to any one employee during the year. The taxpayer
14 may use the credit provided in subsection (4) of section 77-5725
15 to reduce the taxpayer's income tax withholding employer or payor
16 tax liability under section 77-2756 or 77-2757 to the extent such
17 liability is attributable to all employees employed at the project,
18 other than base-year employees and excluding any compensation in
19 excess of one million dollars paid to any one employee during the
20 year. To the extent of the credit used, such withholding shall
21 not constitute public funds or state tax revenue and shall not
22 constitute a trust fund or be owned by the state. The use by the
23 taxpayer of the credit shall not change the amount that otherwise
24 would be reported by the taxpayer to the employee under section
25 77-2754 as income tax withheld and shall not reduce the amount that

1 otherwise would be allowed by the state as a refundable credit
2 on an employee's income tax return as income tax withheld under
3 section 77-2755.

4 The For a tier 1, tier 2, tier 3, or tier 4 project,
5 the amount of credits used against income tax withholding shall not
6 exceed the withholding attributable to new employees employed at
7 the project, excluding any compensation in excess of one million
8 dollars paid to any one employee during the year.

9 For a tier 6 project, the amount of credits used
10 against income tax withholding shall not exceed the withholding
11 attributable to all employees employed at the project, other than
12 base-year employees and excluding any compensation in excess of one
13 million dollars paid to any one employee during the year.

14 If the amount of credit used by the taxpayer against
15 income tax withholding exceeds this amount, the excess withholding
16 shall be returned to the Department of Revenue in the manner
17 provided in section 77-2756, such excess amount returned shall be
18 considered unused, and the amount of unused credits may be used
19 as otherwise permitted in this section or shall carry over to the
20 extent authorized in subdivision (1)(d) of this section.

21 (c) Credits may be used to obtain a refund of sales and
22 use taxes under the Local Option Revenue Act, the Nebraska Revenue
23 Act of 1967, and sections 13-319, 13-324, and 13-2813 which are not
24 otherwise refundable that are paid on purchases, including rentals,
25 for use at the project for a tier 1, tier 2, tier 3, or tier 4

1 project or for use within this state for a tier 6 project.

2 (d) The credits earned for a tier 6 project may be used
3 to obtain a payment from the state equal to the real property
4 taxes due after the year the required levels of employment and
5 investment were met and before the end of the carryover period,
6 for real property that is included in such project and acquired
7 by the taxpayer, whether by lease or purchase, after the date the
8 application was filed. The payment from the state shall be made
9 only after payment of the real property taxes have been made to the
10 county as required by law. Payments shall not be allowed for any
11 taxes paid on real property for which the taxes are divided under
12 section 18-2147 or 58-507.

13 (e) Credits may be carried over until fully utilized,
14 except that such credits may not be carried over more than nine
15 years after the year of application for a tier 1 or tier 3 project,
16 fourteen years after the year of application for a tier 2 or tier
17 4 project, or more than one year past the end of the entitlement
18 period for a tier 6 project.

19 (2)(a) No refund claims shall be filed until after the
20 required levels of employment and investment have been met.

21 (b) Refund claims shall be filed no more than once each
22 quarter for refunds under the Nebraska Advantage Act, except that
23 any claim for a refund in excess of twenty-five thousand dollars
24 may be filed at any time.

25 (c) Any refund claim for sales and use taxes on materials

1 incorporated into real estate as a part of the project shall be
2 filed by and the refund paid to the owner of the improvement
3 to real estate. A refund claim for such materials purchased
4 by a purchasing agent shall include a copy of the purchasing
5 agent appointment, the contract price, and a certification by
6 the contractor or repairperson of the percentage of the materials
7 incorporated into the project on which sales and use taxes were
8 paid to Nebraska after appointment as purchasing agent.

9 (d) All refund claims shall be filed, processed, and
10 allowed as any other claim under section 77-2708, except that
11 the amounts allowed to be refunded under the Nebraska Advantage
12 Act shall be deemed to be overpayments and shall be refunded
13 notwithstanding any limitation in subdivision (2)(a) of section
14 77-2708. The refund may be allowed if the claim is filed within
15 three calendar years from the end of the year the required levels
16 of employment and investment are met or within the period set forth
17 in section 77-2708.

18 (e) If a claim for a refund of sales and use taxes
19 under the Local Option Revenue Act or sections 13-319, 13-324, and
20 13-2813 of more than twenty-five thousand dollars is filed by June
21 15 of a given year, the refund shall be made on or after November
22 15 of the same year. If such a claim is filed on or after June
23 16 of a given year, the refund shall not be made until on or
24 after November 15 of the following year. The Tax Commissioner shall
25 notify the affected city, village, county, or municipal county of

1 the amount of refund claims of sales and use taxes under the Local
2 Option Revenue Act or sections 13-319, 13-324, and 13-2813 that are
3 in excess of twenty-five thousand dollars on or before July 1 of
4 the year before the claims will be paid under this section.

5 (f) Interest shall not be allowed on any taxes refunded
6 under the Nebraska Advantage Act.

7 (3) The appointment of purchasing agents shall be
8 recognized for the purpose of changing the status of a contractor
9 or repairperson as the ultimate consumer of tangible personal
10 property purchased after the date of the appointment which is
11 physically incorporated into the project and becomes the property
12 of the owner of the improvement to real estate. The purchasing
13 agent shall be jointly liable for the payment of the sales and use
14 tax on the purchases with the owner of the improvement to real
15 estate.

16 (4) A determination that a taxpayer is not engaged in a
17 qualified business or has failed to meet or maintain the required
18 levels of employment or investment for incentives, exemptions, or
19 recapture may be protested within sixty days after the mailing of
20 the written notice of the proposed determination. If the notice
21 of proposed determination is not protested within the sixty-day
22 period, the proposed determination is a final determination. If the
23 notice is protested, the Tax Commissioner shall issue a written
24 order resolving such protests. The written order of the Tax
25 Commissioner resolving a protest may be appealed to the district

1 court of Lancaster County within thirty days after the issuance of
2 the order.

3 Sec. 8. Section 77-5727, Revised Statutes Cumulative
4 Supplement, 2008, is amended to read:

5 77-5727 (1)(a) If the taxpayer fails either to meet the
6 required levels of employment or investment for the applicable
7 project by the end of the fourth year after the end of the year
8 the application was submitted for a tier 1, tier 3, or tier 6
9 project or by the end of the sixth year after the end of the
10 year the application was submitted for a tier 2, tier 4, or tier
11 5 project or to utilize such project in a qualified business at
12 employment and investment levels at or above those required in the
13 agreement for the entire entitlement period, all or a portion of
14 the incentives set forth in the Nebraska Advantage Act shall be
15 recaptured or disallowed.

16 (b) In the case of a taxpayer who has failed to meet
17 the required levels of investment or employment within the required
18 time period, all reduction in the personal property tax because of
19 the act shall be recaptured.

20 (2) In the case of a taxpayer who has failed to maintain
21 the project at the required levels of employment or investment
22 for the entire entitlement period, any reduction in the personal
23 property tax, any refunds in tax allowed under subsection (2)
24 of section 77-5725, and any refunds or reduction in tax allowed
25 because of the use of a credit allowed under section 77-5725 shall

1 be partially recaptured from either the taxpayer or the owner of
2 the improvement to real estate and any carryovers of credits shall
3 be partially disallowed. ~~One-seventh of the refunds, one-seventh~~
4 ~~of the reduction in personal property tax, and one-seventh of~~
5 ~~the credits used shall be recaptured and one-seventh of the~~
6 ~~remaining carryovers and~~ The amount of the recapture shall be
7 a percentage equal to the number of years the taxpayer did not
8 maintain the project at or above the required levels of investment
9 and employment divided by the number of years of the project's
10 entitlement period multiplied by the refunds allowed, reduction
11 in personal property tax, the credits used, and the remaining
12 carryovers. In addition, the last remaining year of personal
13 property tax exemption shall be disallowed for each year the
14 taxpayer did not maintain such project at or above the required
15 levels of employment or investment.

16 (3) In the case of a taxpayer qualified under tier 5 who
17 has failed to maintain the average number of equivalent employees
18 at the project at the end of the six years following the year the
19 taxpayer attained the required amount of investment, any refunds
20 in tax allowed under ~~subdivision (2)(a)~~ subsection (2) of section
21 77-5725 or any reduction in the personal property tax under section
22 77-5725 shall be partially recaptured from the taxpayer. The amount
23 of recapture shall be the total amount of refunds and reductions in
24 tax allowed for all years times the reduction in the average number
25 of equivalent employees employed at the end of the entitlement

1 period from the number of equivalent employees employed in the
2 base year divided by the number of equivalent employees employed
3 in the base year. For purposes of this subsection, the average
4 number of equivalent employees shall be calculated at the end of
5 the entitlement period by adding the number of equivalent employees
6 in the year the taxpayer attains the required level of investment
7 and each of the next following six years and dividing the result by
8 seven.

9 (4) If the taxpayer receives any refunds or reduction
10 in tax to which the taxpayer was not entitled or which were in
11 excess of the amount to which the taxpayer was entitled, the refund
12 or reduction in tax shall be recaptured separate from any other
13 recapture otherwise required by this section. Any amount recaptured
14 under this subsection shall be excluded from the amounts subject to
15 recapture under other subsections of this section.

16 (5) Any refunds or reduction in tax due, to the extent
17 required to be recaptured, shall be deemed to be an underpayment of
18 the tax and shall be immediately due and payable. When tax benefits
19 were received in more than one year, the tax benefits received
20 in the most recent year shall be recovered first and then the
21 benefits received in earlier years up to the extent of the required
22 recapture.

23 (6) Any personal property tax that would have been due
24 except for the exemption allowed under the Nebraska Advantage
25 Act, to the extent it becomes due under this section, shall be

1 considered delinquent and shall be immediately due and payable to
2 the county or counties in which the property was located when
3 exempted. All amounts received by a county under this section shall
4 be allocated to each taxing unit levying taxes on tangible personal
5 property in the county in the same proportion that the levy on
6 tangible personal property of such taxing unit bears to the total
7 levy of all of such taxing units.

8 (7) Notwithstanding any other limitations contained in
9 the laws of this state, collection of any taxes deemed to be
10 underpayments by this section shall be allowed for a period of
11 three years after the end of the entitlement period.

12 (8) Any amounts due under this section shall be
13 recaptured notwithstanding other allowable credits and shall not be
14 subsequently refunded under any provision of the Nebraska Advantage
15 Act unless the recapture was in error.

16 (9) The recapture required by this section shall not
17 occur if the failure to maintain the required levels of employment
18 or investment was caused by an act of God or national emergency.

19 Sec. 9. Section 77-5804, Revised Statutes Cumulative
20 Supplement, 2008, is amended to read:

21 77-5804 (1) The credit allowed under section 77-5803 may
22 be used to obtain a refund of state sales and use taxes paid, may
23 be used against the income tax liability of the taxpayer, or may be
24 used as a refundable credit claimed on an income tax return of the
25 taxpayer. The return need not reflect any income tax liability owed

1 by the taxpayer.

2 (2) A claim for the credit may be filed quarterly for
3 refund of the state sales and use taxes paid, either directly or
4 indirectly, after the filing of the income tax return for the tax
5 year in which the credit was first allowed.

6 (3) The credit may be used to obtain a refund of state
7 sales and use taxes paid before the end of the tax year for which
8 the credit was allowed, except that the amount refunded under this
9 subsection shall not exceed the amount of the state sales and use
10 taxes paid, either directly or indirectly, by the taxpayer on the
11 qualifying expenditures.

12 (4) Credits distributed to a partner, limited liability
13 company member, shareholder, or beneficiary may be used against
14 the income tax liability of the partner, member, shareholder, or
15 beneficiary receiving the credits.

16 (5) Interest shall not be allowed on any taxes refunded
17 under the Nebraska Advantage Research and Development Act.

18 Sec. 10. Section 77-5806, Revised Statutes Cumulative
19 Supplement, 2008, is amended to read:

20 77-5806 The Nebraska Advantage Research and Development
21 Act shall be operative for all tax years beginning or deemed to
22 begin on or after January 1, 2006, under the Internal Revenue Code
23 of 1986, as amended. No business firm shall be allowed to first
24 claim the credit for any tax year beginning or deemed to begin ~~on~~
25 ~~or~~ after ~~January 1, 2011,~~ December 31, 2015, under the Internal

1 Revenue Code of 1986, as amended.

2 Sec. 11. Section 77-5905, Revised Statutes Cumulative
3 Supplement, 2008, is amended to read:

4 77-5905 (1) If the Department of Revenue determines
5 that an application meets the requirements of section 77-5904 and
6 that the investment or employment is eligible for the credit and
7 (a) the applicant is actively engaged in the operation of the
8 microbusiness or will be actively engaged in the operation upon its
9 establishment, (b) the majority of the assets of the microbusiness
10 are located in a distressed area or will be upon its establishment,
11 (c) the applicant will make new investment or employment in the
12 microbusiness, and (d) the new investment or employment will create
13 new income or jobs in the distressed area, the department shall
14 approve the application and authorize tentative tax credits to the
15 applicant within the limits set forth in this section and certify
16 the amount of tentative tax credits approved for the applicant.
17 Applications for tax credits shall be considered in the order in
18 which they are received.

19 (2) The department may approve applications up to the
20 adjusted limit for each calendar year beginning January 1, 2006,
21 through December 31, ~~2010.~~ 2015. After applications totaling the
22 adjusted limit have been approved for a calendar year, no further
23 applications shall be approved for that year. The adjusted limit
24 in a given year is two million dollars plus tentative tax credits
25 that were not granted by the end of the preceding year. Tax credits

1 shall not be allowed for a taxpayer receiving benefits under the
2 Employment and Investment Growth Act, the Nebraska Advantage Act,
3 or the Nebraska Advantage Rural Development Act.

4 Sec. 12. Section 77-5906, Revised Statutes Cumulative
5 Supplement, 2008, is amended to read:

6 77-5906 Taxpayers shall be entitled to refundable tax
7 credits equal to twenty percent of the taxpayer's new investment or
8 employment in the microbusiness during the tax year not to exceed
9 the amount of tentative tax credits approved by the department
10 under section 77-5905. The taxpayer shall claim the tax credit
11 by filing a form developed by the Tax Commissioner and attaching
12 the tentative tax credit certification granted by the department.
13 Tentative tax credits expire after the end of the tax year
14 following the year the tentative tax credit was certified. The
15 total lifetime tax credits claimed by any one taxpayer and any
16 related person under the Nebraska Advantage Microenterprise Tax
17 Credit Act shall be limited to ten thousand dollars. Interest shall
18 not be allowed on any taxes refunded under the act.

19 Sec. 13. Section 81-12,125, Reissue Revised Statutes of
20 Nebraska, is amended to read:

21 81-12,125 Sections 81-12,125 to 81-12,127 shall be known
22 and may be cited as the Building Entrepreneurial Communities Act.
23 The act terminates on January 1, ~~2011~~ 2015.

24 Sec. 14. Sections 6, 7, and 15 of this act become
25 operative on January 1, 2009. The other sections of this act become

1 operative on their effective date.

2 Sec. 15. Original sections 77-5725 and 77-5726, Revised
3 Statutes Cumulative Supplement, 2008, are repealed.

4 Sec. 16. Original sections 2-5413 and 81-12,125, Reissue
5 Revised Statutes of Nebraska, and sections 77-27,187.02, 77-5714,
6 77-5715, 77-5723, 77-5727, 77-5804, 77-5806, 77-5905, and 77-5906,
7 Revised Statutes Cumulative Supplement, 2008, are repealed.