PREPARED BY: Dave Dearmont
DATE PREPARED: February 24, 2026
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LB 1165

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)

EXPENDITURES	GENERAL	CASH	FEDERAL	REVOLVING	TOTAL
FY2025-2026	0	0	0	0	0
FY2026-2027	0	5,300,000	0	0	5,300,000
FY2027-2028	0	300,000	0	0	300,000
FY2028-2029	0	300,000	0	0	300,000
REVENUE	GENERAL	CASH	FEDERAL	REVOLVING	TOTAL
FY2025-2026	0	0	0	0	0
FY2026-2027	(8,760,000)	5,000,000	0	0	(3,760,000)
FY2027-2028	(4,580,000)	0	0	0	(4,580,000)
FY2028-2029	(6,741,000)	0	0	0	(6,741,000)

Any Fiscal Notes received from state agencies and political subdivisions are attached following the Legislative Fiscal Analyst Estimate.

LB1165 amends sections of the Key Employer and Jobs Retention Act, the ImagiNE Nebraska Act, and the Site and Building Development Act. The bill also adds a new grant program, administered by the Department of Labor (DOL), and amends grants available under the Site and Building Development Act, administered by the Department of Economic Development (DED).

The bill would expand the applicability of the Key Employer and Jobs Retention Act by amending Neb. Rev. Stat. § 77-6507 to add circumstances where a "new ownership structure," contemplates moving some or all of a key employer's jobs to another state. The expanded applicability would now include mergers between a key employer headquartered in Nebraska and a foreign entity headquartered in another state, provided that the merger occurs between July 1, 2025 and December 29, 2029. LB1165 expands the cap on the wage credit available under the Key Employer act from $4 million to $5 million per year, but will not accrue or be paid before January 1, 2030.

LB1165 makes several changes to the ImagiNE Nebraska Act, including:

- Increasing the amount of tax credits available for wages paid to new employees in the "Quality Jobs" level (20 FTE) in Neb. Rev. Stat. § 77-6831(4)(b) from 7% to 8% if the average wage is 150% of the statewide average wage, or from 9% to 10% if the average wage is 200% of the statewide average.
- Increasing the wage credit available for projects in an Economic Redevelopment Area (level requiring $250,000 to $1,000,000 in new investment and adding 5 FTEs) from 6% to 7%.
- Increasing the investment credit available for projects in the "Manufacturing Growth & Expansion—Urban" level (requiring $1,000,000 in investment and 10 FTSs) from 4% to 5%, and from 7% to 8% if investment is over $10,000,000.
- Eliminates the 1% additional wage and investment credits available to benefit corporations.
- Adding an additional 1% to wage and investment credits to any applicant who employees 3,000 or more Nebraska-based full-time employees; and withing seven years after a merger that meets the definition of a key employer and adds an additional 1,000 full-time employees with average wages of at least $90,000 per year. The additional employees may be either newly employed in Nebraska, or existing employees of the business transferred from non-Nebraska locations to Nebraska.

The bill also amends the Site and Building Development Act to add to the list of eligible grants, a grant to a key employer for "site and building development related to the retention and recruitment of employees following a change of ownership and control event." The grant would be made at the rate of $5.00 per square foot of capital improvements, capped at $5,000,000. The bill includes intent language to transfer $5,000,000 from the General Fund to the Site and Building Development Fund for FY2026-27 to support grants made to a key employer under the Site and Building Development Act.

Finally, LB1165 would create the Key Employer Grant Program to provide financial assistance to key employers in Nebraska that are undergoing a change in ownership or control, to support the retention and recruitment of employees during such transitions. This grant would be administered by DOL, and would not exceed $300,000 per year for each employer from the Workforce Development Program Cash Fund. To qualify, a key employer must submit an application to DOL which would include a retention and relocation plan for its employees and other information.

The Department of Revenue estimates that the provisions of LB1165 would have the following impacts on General Fund Revenues:

- FY2026-27 $ (8,760,000)
- FY2027-28 $ (4,580,000)
- FY2028-29 $ (6,741,000)

DOR notes that LB1165 would have no fiscal impact on the Key Employer and Jobs Retention Act will be zero because the language in §77-6516(4) "The total amount all key employers may receive in credits pursuant to the Key Employer and Jobs Retention Act shall not exceed $40 million" was not amended. The revenue impact estimated by DOR contains only the impacts of the changes to ImagiNE Nebraska, and the $5,000,000 transfer from the General Fund to the Site and Building Development Fund in FY2026-27.

DOR estimates minimal costs to implement the changes in the bill.

DOL's estimate reflects a minimal number of qualifying applicants and a $300,000 increase in operating expenses for the Workforce Development Program Cash Fund, and any administration costs can be absorbed using existing staff and resources.

DED estimates that $5,000,000 in additional state aid will be processed through the Site and Building Development Act, with no additional administrative costs.

There is no basis to disagree with DOR's estimates of General Fund impacts, or DOR, DOL or DED's estimates of administration costs.

LB1165 contains the emergency clause.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 1165	AM:	AGENCY/POLT. SUB: Nebraska Department of Labor (NDOL)
REVIEWED BY: Ryan Yang	DATE: 2/23/2026	PHONE: (402) 471-4178
COMMENTS: The NDOL assessment of fiscal impact from LB 1165 appears reasonable.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 1165	AM:	AGENCY/POLT. SUB: Department of Economic Development (DED)
REVIEWED BY: Ryan Yang	DATE: 2/23/2025	PHONE: (402) 471-4178
COMMENTS: Concur with the DED assessment of fiscal impact from LB 1165.		

Please complete **ALL** (5) blanks in the first three lines. **2026**

LB(1) 1165 **FISCAL NOTE**

State Agency OR Political Subdivision Name: (2) Department of Economic Development

Prepared by: (3) Kob Kitcharoen Date Prepared: (4) 01/22/25 Phone: (5) (402) 471-3741

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2026-27		FY 2027-28	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS	$5,000,000	$5,000,000		
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	$5,000,000	$5,000,000		

Explanation of Estimate:

Sections 2 through 5 of LB1165 amend the Key Employer and Jobs Retention Act. LB1165 expands the purpose of the Key Employer and Jobs Retention Act by broadening its applicability to pertain to circumstances of "new ownership structure" rather than "new owners." (Section 2 amending Neb. Rev. Stat. § 77-6502). LB1165 expands the definition of change in ownership and control by adding mergers, combinations, and acquisition of assets. To fall under the mergers and combinations prong: (i) the key employer must have its corporate headquarters in Nebraska; (ii) the key employer has 3,000 full-time employees within Nebraska for each of the ten years immediately preceding the merger or combination; (iii) the foreign entity is not organized under the laws of Nebraska and has its corporate headquarters outside of Nebraska; (iv) the foreign entity has an actual or implied enterprise value in excess of $25 billion; and (v) the merger or combination occurs between July 1, 2025, and December 31, 2029. (Section 3 amending Neb. Rev. Stat. § 77-6507). LB1165 amends the definition of key employer to include a taxpayer headquartered in Nebraska that falls within the mergers and combination prong of change in ownership and control. (Section 4 amending Neb. Rev. Stat. § 77-6509). Neb. Rev. Stat. § 77-6516 caps the total wage retention credit in any year at $4 million for all qualified key employers, but LB1165 provides an exception to increase the cap to $5 million for key employers qualifying under the mergers and combination prong. LB1165 specifies that wage retention credits under the ownership and control prong shall not accrue or be paid prior to January 1, 2030. LB1165 also specifies that if two or more key employers qualify for benefits in any given year, the key employer qualifying under the mergers and combination prong will be fully funded first. (Section 5 amending Neb. Rev. Stat. § 77-6516).

Section 6 of LB1165 amends the ImagiNE Nebraska Act by increasing the amount of tax credits available for wages paid to new employees under Neb. Rev. Stat. § 77-6831(4)(b). If a taxpayer hires at least twenty new employees at the qualified location before the end of the ramp-up period, the taxpayer will be entitled to a credit of 8% (increased from 7%) times the average wage of new employees multiplied by the number of new employees if the average wage of the new employees equals at least 150% of the Nebraska statewide average hourly wage for the year of application. If a taxpayer hires at least twenty new employees at the qualified location before the end of the ramp-up period, the taxpayer will be entitled to a credit of 10% (increased from 9%) times the average wage of new employees multiplied by the number of new employees if the average wage of the new employees equals at least 200% of the Nebraska statewide average hourly wage for the year of application.

Section 6 of LB1165 also amends the ImagiNE Nebraska Act by increasing the amount of tax credits available for wages paid to new employees under Neb. Rev. Stat. § 77-6831(4)(e). If a taxpayer attains a cumulative investment in qualified property of at least $250,000.00 but less than $1 million and hires at least five new employees at the qualified location before the end of the ramp-up period and the number of new employees and investment are at a qualified location within an economic redevelopment area, the taxpayer shall be entitled to a credit equal to 7% (increased from 6%) times the average wage of new employees multiplied by the number of new employees if the average wage of the new employees equals at least 75% of the Nebraska statewide average hourly wage for the year of application.

Section 6 of LB1165 amends the ImagiNE Nebraska Act by increasing the amount of tax credits available for new investment under Neb. Rev. Stat. § 77-6831(5)(a)(ii)—increasing the credit to 5% (up from 4%) of the investment made in qualified property of at least $1 million and 8% (up from 7%) of the investment made in qualified property if the cumulative investment exceeds $10 million.
Section 6 of LB1165 increases the credit percentages allowed under § 77-6831(4) and (5) if the taxpayer employs three thousand or more Nebraska-based full-time employees.

Section 6 of LB1165 increases the wage and new investment tax credit percentages allowed under § 77-6831(4) and (5) of the ImagiNE Nebraska Act if, within a seven-year period of an ownership and control event under the merger and combination prong of § 77-6507(2) of the Key Employer and Jobs Retention Act, the taxpayer hires an additional one thousand full-time employees (amending § 77-6831(6) of ImagiNE). The average annual wages for such additional full-time employees must be ninety thousand dollars or more. The additional full-time employees must be either newly employed in Nebraska or be an existing employee of the taxpayer who transfers from a position not within the state to a position in Nebraska.

Sections 7 through 12 of LB1165 amend the Site and Building Development Act.

Section 9 of LB1165 amends § 81-12,146 and provides that it is the intent of the Legislature to transfer $5 million from the General Fund to the Site and Building Development Fund for FY 2026-27 solely for capital improvement grants for taxpayers who qualify under the merger and combination prong of § 77-6507(2) of the Key Employer and Jobs Retention Act.

Section 10 of LB1165 adds capital improvement grants for taxpayers who qualify under the merger and combination prong of § 77-6507(2) to the list of eligible uses of Site and Building Development Funds.

Section 11 of LB1165 exempts taxpayers who qualify under the merger and combination prong of § 77-6507(2) from the strictures of § 81-12,148.

Section 13 of LB1165 requires the Department of Labor to establish a key employer grant program for the implementation of a plan to retain or attract workforce in the state. The grant is capped at $300,000.00 annually for any key employer.

LB1165 contains an emergency clause.

Based on the current language, DED does not expect any change with current resources.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

POSITION TITLE	NUMBER OF POSITIONS 26-27	27-28	2026-27 EXPENDITURES	2027-28 EXPENDITURES
Benefits				
Operating				
Travel				
Capital outlay				
Aid			$5,000,000	
Capital improvements				
TOTAL			$5,000,000	

Please complete ALL (5) blanks in the first three lines. **2026**

LB(1) 1165 **FISCAL NOTE**

State Agency OR Political Subdivision Name: (2) Nebraska Department of Labor

Prepared by: (3) Rea Easton **Date Prepared:** (4) 02/19/2026 **Phone:** (5) 402-416-6809

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2026-27		FY 2027-28	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS	300,000		300,000	
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	300,000		300,000	

Explanation of Estimate: LB1165 creates the Key Employer Grant Program, which provides financial assistance to key employers in Nebraska that are undergoing a change in ownership or control. The purpose of the program is to support the retention and recruitment of employees during such transitions. Under the bill, the Department of Labor is responsible for administering the program which authorizes the Department to issue grant awards from the Workforce Development Program Cash Fund to key employers in an amount not to exceed $300,000 annually for each employer. To qualify, a key employer must submit an application to the Department which, in part, includes a retention and relocation plan for its employees. The Department is required to develop this application and ensure it includes all information specified in the legislation. The number of employers likely to utilize this program is unknown; however, the Department anticipates that participation will be minimal. As a result, the Department estimates any administrative costs can be absorbed using existing staff and resources, and no additional appropriations will be required to implement the bill.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

POSITION TITLE	NUMBER OF POSITIONS 26-27	27-28	2026-27 EXPENDITURES	2027-28 EXPENDITURES
Benefits………………………………………				
Operating……………………………………			300,000	300,000
Travel…………………………………………				
Capital outlay…………………………………				
Aid……………………………………………				
Capital improvements………………………				
TOTAL…………………………………………			300,000	300,000

LB 1165 Fiscal Note 2026

State Agency Estimate

State Agency Name: Department of Revenue | Date Due LFO:

Approved by: James R. Kamm | Date Prepared: 02/20/2026 | Phone: 471-5896

	FY 2026-2027		FY 2027-2028		FY 2028-2029	
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue
General Funds		$(8,760,000)		$(4,580,000)		$(6,741,000)
Cash Funds		$5,000,000				
Federal Funds						
Other Funds						
Total Funds		$(3,760,000)		$(4,580,000)		$(6,741,000)

LB 1165 amends the Key Employer and Jobs Retention and the ImagiNE Nebraska Acts, adds to the Site and Building Development Fund, and authorizes the Department of Labor to establish and administer a grant program.

Under the Key Employer and Jobs Retention Act, the bill expands two definitions and makes changes to the credit limits.

Section §77-6507, the definition of change of ownership and control is expanded to include a merger or combination of a key employer headquartered in Nebraska resulting from the merger or combination with a non-Nebraska entity that was not organized under the laws of this state and headquartered in another state if the following requirements are met:

- For each of the 10 years prior to the date of the merger or combination, the key employer within the state employed more than 3,000 full-time employees;
- The non-Nebraska entity has a value over $25 million on the merger/combination date; and
- The merger/combination date is between 7/1/2025 and 12/31/2029.

Section §77-6509, the definition of key employer is expanded to include a taxpayer that is headquarter in Nebraska and meets the criteria of the expanded definition of change of ownership and control under §77-6507.

The wage credit for such an expanded key employer is capped at $5 million per year and will not accrue or be paid before 1/1/2030. If two or more key employers qualify for benefits in any given year, the expanded key employer will be fully funded first, and if two or more expanded key employers qualify, the expanded key employer with the earlier approval will have funding priority over another with later approval.

LB 1165 also amends the ImagiNE Nebraska Act to:

Major Objects of Expenditure

Class Code	Classification Title	26-27 FTE	27-28 FTE	28-29 FTE	26-27 Expenditures	27-28 Expenditures	28-29 Expenditures
Benefits……							
Operating Costs……							
Travel……							
Capital Outlay……							
Capital Improvements……							
Total……							

- Increase the wage credit for a Qualify Jobs (20FTE) applicant to 8% (from 7%) if the average wages if 150% of the NE average, and 10% (from 9%) if the average wage is 200% of the NE average;
- Increase the wage credit for an Economic Redevelopment Area ($250,000 to $1 million + 5 FTE) applicant to 7% (from 6%);
- Increase the investment credit for a Manufacturing Growth & Expansion – Urban ($1 million + 10 FTE) applicant to 5% (from 4%), increasing to 8% (from 7%) once investment reaches over $10 million;
- Eliminate the 1% increase in credit to a benefit corporation; and
- Allow a 1% additional wage credit and an additional 1% investment credit to any applicant who:
  - Employes 3,000 or more Nebraska based full-time employees; and
  - Within seven years after a merger/combination that meets the definition of an expanded key employer under §77-6507, adds an additional 1,000 full-time employees with an average wages of at least $90,000, who are either newly employed by the taxpayer in Nebraska or an existing employee of the taxpayer who transfers from a non-Nebraska location.

LB 1165 also amends the Site and Building Development Fund, administered by DED, to add $5 million in fiscal year 2026-27 for grants to taxpayers are expanded key employers, calculated at $5 per square foot of capital improvements related to site and building development.

LB 1165 also required the Department of Labor to establish a grant program for expanded key employers to retain or attract workforce in the state, with funding priority for the key employer with the largest number of employees within Nebraska in the 10 years prior to the key employer's change of ownership and control.

It is estimated that LB 1165 will have the following fiscal impact to the General Fund revenues and the Site and Building Development Fund:

FY	General Fund revenues	Site and Building Fund
FY2026-27	$ (8,760,000)	$ 5,000,000
FY2027-28	$ (4,580,000)	$ -
FY2028-29	$ (6,741,000)	$ -
FY2029-30	$ (9,264,000)	$ -
FY2030-31	$ (12,227,000)	$ -
FY2031-32	$ (14,840,000)	$ -
FY2032-33	$ (17,968,000)	$ -

Note that the fiscal impact due to the change in the Key Employer is zero because the original language in §77-6516(4) remains "The total amount all key employers may receive in credits pursuant to the Key Employer and Jobs Retention Act shall not exceed $40 million." Therefore, the program is still capped at $40 million despite the amended language allowing an expanded key employer. The Department of Revenue expects the program will reach the $40 million cap by 2030.

It is estimated that there would be minimal costs for the Department of Revenue to implement LB 1165.