

ONE HUNDRED FIRST LEGISLATURE - FIRST SESSION - 2009
COMMITTEE STATEMENT
LB164

Hearing Date: Wednesday January 21, 2009
Committee On: Revenue
Introducer: Cornett
One Liner: Change provisions relating to tax incentive programs

Roll Call Vote - Final Committee Action:
Advanced to General File with amendment(s)

Vote Results:
Aye: 6 Senators Adams, Cornett, Friend, Hadley, Utter, White
Nay:
Absent: 2 Senators Dierks, Louden
Present Not Voting:

Proponents: Senator Abbie Cornett Richard Baier, Director Doug Ewald, Tax Commissioner Ron Sedlacek Karl Elmshaeuser	Representing: Introducer Department of Economic Development Department of Revenue Nebraska Chamber of Commerce Rural Development Commission
--------------------------------------------------------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------------------------------------------------------------------------------

Opponents:	Representing:
-------------------	----------------------

Neutral:	Representing:
-----------------	----------------------

Summary of purpose and/or changes:

LB 164 would simplify several tax incentive programs, extend the Agricultural Opportunities and Value-Added Partnerships Act and the Building Entrepreneurial Communities Act, and eliminate or change various termination dates for several economic development tax incentive programs.

Section 1 extends the Agricultural Opportunities and Value-Added Partnership grant program until January 1, 2015. The program is set to expire on January 1, 2011.

Section 2 amends the Nebraska Advantage Rural Development Act to provide credits from the approved projects on a calendar year rather than a fiscal year because all other tax incentive programs operate on a calendar year.

Section 3 amends the definition of new employee under the Nebraska Advantage Act to include employees who work at a military installation in Nebraska for a taxpayer on tasks interdependent with the work performed at the project.

Section 4 amends and expands the definition of a qualified business under the Nebraska Advantage Act to include businesses in which seventy-five percent or more of their revenue is derived from the sale of tangible personal property to unrelated consumers outside of the state.

Section 5 allows a taxpayer and the Tax Commissioner to amend an application under the Nebraska Advantage Act to a lower Tier of benefits provided the amendment is consistent with the purpose of the Act and meets the definition of a

qualified business under the respective Tier.

Section 6 eliminates the sunset under Nebraska Advantage for Tier 1 and Tier 3 projects. Currently, no new Tier 1 and Tier 3 applications will be accepted on or after January 1, 2011. Section 6 adjusts the investment thresholds index formula under the Nebraska Advantage Act. It also adjusts the base index for Tier 6 from the first quarter of 2006 to the first quarter of 2008.

Section 7 allows credit usage against income tax withholding for Tier 6 projects to apply to all employees employed at the respective project. Currently, credits may only be used against withholding attributable to new employees employed at the project.

Section 8 amends Nebraska Advantage to apply uniform recapture of benefits between the Tiers. Currently, the amount subject to recapture equals one-seventh of the benefits used regardless of the respective entitlement period.

Section 9 prohibits interest on refunds under the Nebraska Advantage Research and Development Act.

Section 10 eliminates the sunset for the Nebraska Advantage Research and Development Act. The program is set to expire on January 1, 2011.

Section 11 eliminates the sunset for the Nebraska Advantage Microenterprise Tax Credit Act. Currently, no applications will be approved after December 31, 2010.

Section 12 prohibits interest on refunds under the Nebraska Advantage Microenterprise Tax Credit Act.

Section 13 extends the Building Entrepreneurial Communities Act grant program until January 1, 2015. The program is set to expire on January 1, 2011.

Section 14. Section 6 and 7 will be effective January 1, 2009.

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

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

Explanation of amendments:

The Committee Amendments altered the original bill to extend sunset dates on three sections. The sunset dates were terminated by the original language of the bill. The Committee chose to extend sunset dates to December 31, 2015. The programs with extended sunset dates are Tiers One and Three of the Nebraska Advantage Act (Section 6), the Nebraska Advantage Research and Development Act (Section 10), and the Nebraska Advantage Microenterprise Tax Credit Act (Section 11).

Abbie Cornett, Chairperson