

One Hundred Second Legislature - Second Session - 2012

Introducer's Statement of Intent

LB902

Chairperson: Senator Abbie Cornett

Committee: Revenue

Date of Hearing: February 09, 2012

The following constitutes the reasons for this bill and the purposes which are sought to be accomplished thereby:

LB902 addresses state law on tax exemptions for nonprofit corporations. The nonprofit is a private, non-stock corporation formed under the Nebraska Nonprofit Corporation Act. The nonprofit corporation must be for a lawful purpose other than for pecuniary profit, including, without limitation, any charitable, benevolent, educational, civic, or scientific purpose. Charitable purposes include "lessening the burdens of government," which can be accomplished when a nonprofit corporation provides a benefit or service traditionally offered by the State or its governmental units. Like other nonprofit corporations, no dividends are paid and no part of the income or profit of a nonprofit corporation may be distributed to its members, trustees, or officers.

The nonprofit corporation issues bonds to finance buildings and then leases the structure back to municipalities. The lease payments then cover the nonprofit corporation's debt, once the nonprofit corporation deed is paid, the title to the facility is reverted back to the municipality. Cities, counties, and other government bodies rely on this manner of financing for the construction of public buildings, including hospitals, libraries, auditoriums, convention centers, city halls, court houses, and schools as an alternative to issuing bonds. While the federal government has declared these corporations to be nonprofits by a 1963 IRS ruling, the state has taken a different view.

Principal Introducer: _____

Senator Burke Harr