

LEGISLATURE OF NEBRASKA
ONE HUNDRED FIFTH LEGISLATURE
SECOND SESSION

LEGISLATIVE BILL 936

Introduced by Legislative Performance Audit Committee: Kuehn, 38,
Chairperson; Briese, 41; Geist, 25; Linehan, 39; Scheer,
19; Stinner, 48; Watermeier, 1.

Read first time January 09, 2018

Committee: Executive Board

- 1 A BILL FOR AN ACT relating to the Legislative Performance Audit Act; to
- 2 amend section 50-1209, Revised Statutes Cumulative Supplement, 2016;
- 3 to change provisions relating to tax incentive performance audits;
- 4 to define terms; and to repeal the original section.
- 5 Be it enacted by the people of the State of Nebraska,

1 Section 1. Section 50-1209, Revised Statutes Cumulative Supplement,
2 2016, is amended to read:

3 50-1209 (1) Tax incentive performance audits shall be conducted by
4 the office pursuant to this section on the following tax incentive
5 programs:

- 6 (a) The Angel Investment Tax Credit Act;
- 7 (b) The Beginning Farmer Tax Credit Act;
- 8 (c) The Nebraska Advantage Act;
- 9 (d) The Nebraska Advantage Microenterprise Tax Credit Act;
- 10 (e) The Nebraska Advantage Research and Development Act;
- 11 (f) The Nebraska Advantage Rural Development Act;
- 12 (g) The Nebraska Job Creation and Mainstreet Revitalization Act;
- 13 (h) The New Markets Job Growth Investment Act; and

14 (i) Any other tax incentive program created by the Legislature for
15 the purpose of recruitment or retention of businesses in Nebraska. In
16 determining whether a future tax incentive program is enacted for the
17 purpose of recruitment or retention of businesses, the office shall
18 consider legislative intent, including legislative statements of purpose
19 and goals, and may also consider whether the tax incentive program is
20 promoted as a business incentive by the Department of Economic
21 Development or other relevant state agency.

22 (2) The office shall develop a schedule for conducting tax incentive
23 performance audits and shall update the schedule annually. The schedule
24 shall ensure that each tax incentive program is reviewed at least once
25 every five ~~three~~ years.

26 (3) Each tax incentive performance audit conducted by the office
27 pursuant to this section shall include the following:

28 (a) An analysis of whether the tax incentive program is meeting the
29 following goals:

- 30 (i) Strengthening the state's economy overall by:
 - 31 (A) Attracting ~~attracting~~ new business to the state;

1 (B) Expanding ~~expanding~~ existing businesses;

2 (C) Increasing ~~increasing~~ employment, particularly employment of
3 full-time workers. The analysis shall consider whether the job growth in
4 those businesses receiving tax incentives is at least ten percent above
5 industry averages;

6 (D) Creating ~~creating~~ high-quality jobs; ~~and~~

7 (E) Increasing ~~increasing~~ business investment;

8 (ii) Revitalizing rural areas and other distressed areas of the
9 state;

10 (iii) Diversifying the state's economy and positioning Nebraska for
11 the future by stimulating entrepreneurial firms, high-tech firms, and
12 renewable energy firms; and

13 (iv) Any other program-specific goals found in the statutes for the
14 tax incentive program being evaluated;

15 (b) An analysis of the economic and fiscal impacts of the tax
16 incentive program. The analysis may take into account the following
17 considerations in addition to other relevant factors:

18 (i) The costs per full-time worker. When practical and applicable,
19 such costs shall be considered in at least the following two ways:

20 (A) By an estimation including the minimum investment required to
21 qualify for benefits; and

22 (B) By an estimation including all investment;

23 (ii) ~~(i)~~ The extent to which the tax incentive changes business
24 behavior;

25 (iii) ~~(ii)~~ The results of the tax incentive for the economy of
26 Nebraska as a whole. This consideration includes both direct and indirect
27 impacts generally and any effects on other Nebraska businesses; and

28 (iv) ~~(iii)~~ A comparison to the results of other economic development
29 strategies with similar goals, other policies, or other incentives;

30 (c) An assessment of whether adequate protections are in place to
31 ensure the fiscal impact of the tax incentive does not increase

1 substantially beyond the state's expectations in future years;

2 (d) An assessment of the fiscal impact of the tax incentive on the
3 budgets of local governments, if applicable; and

4 (e) Recommendations for any changes to statutes or rules and
5 regulations that would allow the tax incentive program to be more easily
6 evaluated in the future, including changes to data collection, reporting,
7 sharing of information, and clarification of goals.

8 (4) For purposes of this section:

9 (a) Distressed area means an area of substantial unemployment as
10 determined by the Department of Labor pursuant to the Nebraska Workforce
11 Innovation and Opportunity Act;

12 (b) Full-time worker means an individual (i) who usually works
13 thirty-five hours per week or more, (ii) whose employment is reported to
14 the Department of Labor on two consecutive quarterly wage reports, and
15 (iii) who earns wages equal to or exceeding the state minimum wage;

16 (c) High-quality job means a job that (i) averages at least thirty-
17 five hours of employment per week, (ii) is reported to the Department of
18 Labor on two consecutive quarterly wage reports, and (iii) earns wages
19 that are at least ten percent higher than the statewide industry sector
20 average;

21 (d) High-tech firm means a person or unitary group that has a
22 location with any of the following four-digit code designations under the
23 North American Industry Classification System as assigned by the
24 Department of Labor: 2111, 3254, 3341, 3342, 3344, 3345, 3364, 5112,
25 5173, 5179, 5182, 5191, 5413, 5415, or 5417;

26 (e) New business means a person or unitary group participating in a
27 tax incentive program that did not pay income taxes or wages in the state
28 more than two years prior to submitting an application under the tax
29 incentive program. For any tax incentive program without an application
30 process, new business means a person or unitary group participating in
31 the program that did not pay income taxes or wages in the state more than

1 two years prior to the first day of the first tax year for which a tax
2 benefit was earned;

3 (f) Renewable energy firm means a person or unitary group that has a
4 location with any of the following six-digit code designations under the
5 North American Industry Classification System as assigned by the
6 Department of Labor: 111110, 111120, 111130, 111140, 111150, 111160,
7 111191, 111199, 111211, 111219, 111310, 111320, 111331, 111332, 111333,
8 111334, 111335, 111336, 111339, 111411, 111419, 111930, 111991, 113310,
9 221111, 221114, 221115, 221116, 221117, 221118, 221330, 237130, 237210,
10 237990, 325193, 325199, 331512, 331513, 331523, 331524, 331529, 332111,
11 332112, 333414, 333415, 333511, 333611, 333612, 333613, 334519, 485510,
12 541330, 541360, 541370, 541620, 541690, 541713, 541714, 541715, 561730,
13 or 562213;

14 (g) Rural area means any village or city of the second class in this
15 state or any county in this state with fewer than twenty-five thousand
16 residents; and

17 (h) Unitary group has the same meaning as in section 77-2734.04.

18 Sec. 2. Original section 50-1209, Revised Statutes Cumulative
19 Supplement, 2016, is repealed.