

ONE HUNDRED SEVENTH LEGISLATURE - FIRST SESSION - 2021
COMMITTEE STATEMENT
LB544

Hearing Date: Thursday February 18, 2021
Committee On: Revenue
Introducer: Wayne
One Liner: Adopt the Urban Redevelopment Act and provide tax incentives

Roll Call Vote - Final Committee Action:
Advanced to General File

Vote Results:

Aye: 8 Senators Albrecht, Briese, Bostar, Flood, Friesen, Lindstrom, Linehan, Pahls

Nay:

Absent:

Present Not Voting:

Oral Testimony:

Proponents:

Senator Justin Wayne
Jennifer Creager
Lynn Rex

Representing:

Introducer
Greater Omaha Chamber
League of Nebraska Municipalities

Opponents:

Representing:

Neutral:

Representing:

Summary of purpose and/or changes:

The bill creates the Urban Redevelopment Act.

Many of the provisions in LB544 are similar to what is known as the small business tier under the ImagiNE Act, which was part of LB1107 (2020).

Many terms in LB544 are identical to the definitions in the ImagiNE Act. A qualified location is defined as an economic redevelopment area in both Acts. The significant differences in LB54 include:

- A shortened performance period from six to three years;
 - A shortened ramp-up period from four to two years;
 - A qualified location means an economic redevelopment area located with a city of the metropolitan class or a city of the primary class;
 - Applicants are required to only be subject to income tax or franchise tax, not sales and use or withholding tax - Note however that language on page 4 line 29
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- would seem to indicate an applicant could be exempt from such tax;
- Wages are not defined as "compensation" but rather as "wages and other payments subject to the federal Medicare tax;
 - The sunset date is one year later, December 31, 2031;
 - Taxpayers may earn credits under two tiers. The first tier requires an investment of \$150,000 and the hiring of five new full time equivalents. The second tier is an investment only tier, requiring the taxpayer to make an investment of \$50,000;
 - The employment credit for the first tier is a set dollar amount, rather than a percentage of wages paid, of \$3,000 per new equivalent employee and increases to \$4,000 if the new equivalent employee lives in an economic redevelopment zone;
 - The first tier investment credit is \$2,750 for each \$50,000 of new investment. The second tier requires investment only and the credit is increased from four percent under the ImagiNE Act to five percent of the new investment. Taxpayers may not qualify under both tiers and total credits are capped at \$50,000;
 - The program is capped at \$8 million;
 - Allowing teleworkers to qualify if their residence is within the economic redevelopment zone where the qualified location is located;
 - State and local sales and use taxes are to be refunded quarterly;
 - Investment and employment credits may be used for:
 - A refund of local option sales and use taxes;
 - A refundable income tax credit; or
 - To reduce income tax withholding;
 - Once the attainment levels are achieved, the taxpayer may receive a refund of property taxes paid for real property at the qualified location that is acquired after the date of application;
 - Any credits that are subject to recapture may only be collected during the three years after the performance period or three calendar years after the incentive was allowed, whichever is later; and
 - The director of the Department of Economic Development is tasked with the annual reporting requirement beginning on or before July 15, 2024 and beginning on or before September 1, 2024 must present the report to the Appropriations Committee.

The effective date of the bill is January 1, 2022.

Lou Ann Linehan, Chairperson