LINEHAN: Good morning, everyone. Welcome to the joint Revenue/Appropriations Committee interim hearing. My name is--

__________________: The caller--

LINEHAN: --Lou Ann Linehan.

__________________: --Senator Tony Vargas--

LINEHAN: I'm from Elkhorn, Nebraska and I represent the--

__________________: --has joined the conference.

LINEHAN: --39th Legislative District. I co-chair this committee with Chairman Stinner. The purpose of today's hearing is to go over the tax incentive and tax expenditure reports. The Department of Revenue and the Department of Economic Development will be providing testimony. The hearing is invited testimony only. I will call up testifiers in their proper order. To better facilitate today's proceeding, I ask that you abide by the following procedures. Please turn off cell phones and other electronic devices. The order of testimony is-- if, if you have written materials that you would like to distribute to the committee, please hand them to the page, who I'll introduce in a minute. We need 11 copies for-- well, we'll need more than that, so the page can handle that. If you need additional copies, please ask the page to make copies for you now. When you begin to testify, please state and spell your name for the record. Please speak directly into the microphone so our transcribers are able to hear your testimony clearly. I'd like to introduce committee staff. To my left is Appropriations committee clerk, Tamara Hunt. And, Morgan, if you would stand up, please? Our page for the day is senior at UNL, Morgan Baird, who's majoring in political science. The committee members with us today will introduce themselves beginning at my far right. Senator Dover.

DOVER: Senator Dove-- Senator Dover, Madison County-- or, excuse me, District 19-- I'm new, sorry, I apologize-- District 19, Madison County, south half of Pierce County.

LINEHAN: Thank you. Welcome.

DOVER: Thank you.

DORN: Senator Myron Dorn, District 30, which is all of Gage County and part of Lancaster.

CLEMENTS: Rob Clements from Elmwood, District 2, Cass County and eastern Lancaster.

McDONNELL: Mike McDonnell, LD 5, south Omaha.

KOLTERMAN: Mark Kolterman, District 24, almost retired.

WISHART: Anna Wishart, District 27, west Lincoln and Lancaster County.

STINNER: You notice I'm the only one without a microphone.

LINEHAN: I know. How-- what this is--

STINNER: How much do you think [INAUDIBLE]

LINEHAN: Anna, would you please share?

STINNER: John Stinner, District 48: Scotts Bluff, Banner, and Kimball County.

KAUTH: Kathleen Kauth, LD 31, Millard and southwest Omaha.

BRIESE: Tom Briese, District 41.

FRIESEN: Curt Friesen, District 34: Hamilton, Merrick, Nance, and parts of Hall County. And, Senator Stinner, we've always been able to hear you.

LINEHAN: [LAUGHTER] Oh, boy. Senator Bostar is-- has texted me he's not well this morning, so he's not going to be here. Is Senator Albrecht on the phone? Well, she's going to try and get on the phone, so I don't know who's in charge of that. She told me yesterday she can't be here because of her husband's health. So with that, we'll start.

VARGAS: I'm here.

KOLTERMAN: Did she say that?

LINEHAN: I'm sorry, who's here?

KOLTERMAN: Did I hear that right?

VARGAS: This is Senator Vargas.

LINEHAN: Oh, Senator Vargas. Hello. Senator Vargas, you want to introduce yourself, Senator Vargas?

VARGAS: Yes. Tony Vargas, District 7.

ERDMAN: Steve Erdman-- Steve Erdman, District 47.

LINEHAN: Senator Vargas, introduce yourself, please.

VARGAS: Tony Vargas, District 7, south Omaha.

LINEHAN: Any, any other senator on the line?

ERDMAN: Steve Erdman, District 47.

LINEHAN: Steve Erdman, District 47. Anyone else? OK. We'll start. Where is my agenda? So we have the Department of Revenue first.

TONY FULTON: DED [INAUDIBLE] Economic Development is going to go first.

LINEHAN: OK. We will have the Economic Development go first. Does he need a green sheet?

TAMARA HUNT: Yes.

ANTHONY GOINS: Good morning, Chairwoman Linehan and Chairman Stinner and members of the Appropriations and Revenue Committees. For the record, my name is Anthony Goins, spelled A-n-t-h-o-n-y G-o-i-n-s. I'm the director of the Nebraska Department of Economic Development and I'm here today, along with my teammate, Tax Commissioner Tony, Tony Fulton, so you get two Tony's today. We will present reports for the ImagiNE Nebraska Act and the Key Employer Act. I am also here to represent a report for the Rural Projects Act. DED's Research Administrator, Dr. Dave Dearmont, is here with me to answer any technical questions you may have. The ImagiNE Nebraska Act is the shared responsibility of the Department of Economic Development and the Department of Revenue. DED accepts applications to the program and determines eligibility, while the Department of Revenue tracks and awards tax credits and refunds. Between January 21 and-- January 2021 and June 2022, DED has accepted 77 applications, representing a total projected investment of more than $642.9 million and projected employment of 3,183 employees. The Key Employer and Jobs Retention

Act, passed in 2020, provides a wage retention tax credit for employers who employ at least 1,000 FTEs in Nebraska and are at risk of moving 1,000 or more employees from the state due to a change in ownership and control within the previous 24 months, provided they retain at least 90 percent of their based employees here in Nebraska. DED signed an agreement with Fiserv, Inc. on March 31 and the agreement is still in effect. As of June 30, 2022, no credits have been used for this program. And lastly, applications for the Rural Projects Act opened on January 3, 2022. Four applications were received that day from North Platte Area Chamber and Development Corporation and the Greater Fremont Development Council, the Grand Island Area Economic Development Corporation and the Gateway Development Corporation in Blair. A fifth application was received from Cozard [SIC] Development Corporation on April 6. As of the end of fisc-- the fiscal year, no funds have been disbursed. However, since the beginning of this fiscal year, both North Platte and Fremont have signed agreements. Each of these projects will receive up to $30 million in state matching funds requested in their applications. The other three applicants are on the waiting list, pending the availability of matching funds. I will conclude by thanking the committees for their time, consideration, and to express my department's appreciation and gratitude for our state lawmakers. We look forward to working with you this year and beyond to achieve our mutual goals. On behalf of the state of Nebraska, thank you. And I'm happy to take your questions.

LINEHAN: Thank you. Are there questions from the committee? No questions from the committee? OK, thank you.

ANTHONY GOINS: Thank you.

LINEHAN: Good morning.

TONY FULTON: Good morning, Chairman Stinner, Chairwoman Linehan, members of the Appropriations and Revenue Committees. For the record, my name is Tony Fulton, T-o-n-y F-u-l-t-o-n, and I serve as Nebraska's Tax Commissioner. We are presenting the annual report for the ImagiNE Nebraska and Key Employer and Jobs Retention Act that you would have received on October 31. Nebraska Revised Statute 77-6837 provides that, beginning in 2021, the director of the Department of Economic Development and the Tax Commissioner jointly submit electronically an annual report for the previous fiscal year to the Legislature no later than October 31 of each year. The report is based on a fiscal year accrual basis, which satisfies the requirements set by the

Governmental Accounting Standards Board. Further, the Department of Economic Development and the Department of Revenue shall together, on or before December 15 of each numbered year, appear at a joint hearing of the Appropriations Committee of the Legislature and the Revenue Committee of the Legislature and do what we are doing here today. And I'm just going to shut it off there. This is partly a result of Chairwoman Linehan's introduction of a bill, at least this presentation, to more streamline, better streamline our presentations to the Revenue and Appropriations Committees. You'll hear a little bit more about that later, but in years past, we would be in front of you two or three or four times between now and the end of the year. And I think you just got tired of seeing us. Regardless, you know, the Governor has made it a goal to provide efficient and effective government, and this is an efficiency. So we, we do-- if it, if it has not been said, it should not remain unsaid. We appreciate Senator Linehan and the efficiencies that this provides for us and hopefully for you too. So we have experts to follow, but I will try to give you non-expert answers if you have any-- or answers to any of your questions.

LINEHAN: So who is going, who is going to present? I'm sorry. I should have asked. Anybody have questions from the committee? Senator Stinner.

STINNER: I have one that's a little bit off the record. How much more-- how much property tax has not been paid out that you projected to be paid out?

TONY FULTON: Oh.

STINNER: Last I checked, it was like $200 million. Is that going down?

TONY FULTON: I'm going to need to-- I don't know off the top of my head.

STINNER: OK. I knew this was off the subject, but I don't have very many days left so I just needed to have something like that.

TONY FULTON: We'll get you an answer.

STINNER: Days left in the Legislature-- I'm not--

TONY FULTON: Yes.

STINNER: [INAUDIBLE]

[LAUGHTER]

TONY FULTON: For the record, we'll get you an answer.

LINEHAN: I appreciate that question very much, Chairman Stinner, because I'd also-- because one of the thoughts-- my understanding is that, that-- if you can help me recall this for the committees, LLCs, joint groups that own property together, many of them ask for extensions and don't file until October 15, right?

TONY FULTON: Yes. And that's not just a result of this act or maybe the PTC. That, that happens regularly, but, you know-- a little off topic, but back to the PTC, I think that happened a lot more because we needed--

LINEHAN: It's complicated.

TONY FULTON: Yeah, we needed to change the law, which you guys did, and-- but that happens pretty regularly.

LINEHAN: OK. Thank you. Are there other questions from the committee? Seeing none, I was going--

TONY FULTON: OK, I should say-- yeah, go ahead.

LINEHAN: Yes. What, what is the program here?

TONY FULTON: Yeah, Dr. Dearmont, Dave Dearmont, from Department of Economic Development will follow me, and then Glen White, the deputy tax commissioner for the Nebraska Department of Revenue, will follow him.

LINEHAN: OK, I have-- do we have all the slides that are going to be used this morning? Maybe you don't know the answer to that, but--

TONY FULTON: I believe so.

LINEHAN: OK. All right. All right, thank you.

DAVE DEARMONT: Good morning--

LINEHAN: Good morning.

DAVE DEARMONT: Good morning, Senator Linehan, Senator Stinner, and members of the Appropriations and Revenue Committees. My name is Dave Dearmont, D-a-v-e D-e-a-r-m-o-n-t, and I'm the research administrator with the Nebraska Department of Economic Development and the interim incentives division administrator. And I'm going to present a few real basic slides on the ImagiNE Nebraska Act, along with a little more information on the Key Employer Act and the Rural Projects Act. So I have handed out a brochure, a couple brochures that have a little more detailed information in them. It's the information that our business recruiters pass out to prospective clients when they're out and around the world promoting Nebraska and our programs. So the, the basic outline in Nebraska-- the ImagiNE Nebraska Act is that applications come to the Department of Economic Development. There's the-- the applicant is an online application. We don't-- we try not to deal with any paper so the applications come in online. The applicant chooses a level for their application and they pay the fee, $5,000, and that sets up their application date, which determines their base year for the program. The DED director reviews and approves or denies the applications. By statute, this review is limited to 90 days unless the taxpayer opts for some-- provides some other information or asks us to do a qualification review. So if it's approved, the DED director enters into a written agreement with the taxpayer. There are several timelines involved: the ramp-up period, that's the application date through the end of the fourth year after the year the application was filed; performance period, which begins the year in which the company met the required employment and investment levels until the end of the sixth year after the required levels are made-- were met; and a carryover period of three years that allows businesses to use the last of their credits. These are the eight levels and the number of jobs and investment required to qualify under those levels.

LINEHAN: I-- excuse me.

DAVE DEARMONT: Yes.

LINEHAN: We don't have these slides, right?

DAVE DEARMONT: No.

LINEHAN: I'm not finding these slides.

DAVE DEARMONT: No.

LINEHAN: OK.

DAVE DEARMONT: A lot of this information is contained in--

LINEHAN: OK.

DAVE DEARMONT: --in this book, almost entirely.

LINEHAN: I'm just-- I was looking for them. I think others are looking for them. So just so we know, we don't have these slides.

DAVE DEARMONT: Yeah.

LINEHAN: OK.

DAVE DEARMONT: And the basic benefits by level, wage credits that run between 6 and 9 percent, depending on the level and, and then the level of employment and the, the amount of wages compared to a statewide standard, could get wage credits, direct sales and use tax refunds, investment tax credits, or in some cases, the higher levels of personal property tax exemption.

LINEHAN: So if we have questions on this, like, what number slide is that?

DAVE DEARMONT: This is number four.

LINEHAN: OK.

McDONNELL: Are you sending this? Are you going to send us these slides?

DAVE DEARMONT: Yeah, I can send them to you.

McDONNELL: All right, thank you.

LINEHAN: Yeah.

DAVE DEARMONT: And the uses of the tax credits under ImagiNE are basically outlined here. Wage credits can be used against the individual, against the individual or corporate income tax. They can be used against sales and use tax. They can be used for a loan repayment under the, the revolving loan fund that's part of the ImagiNE Act.

LINEHAN: OK. I'm going to interrupt you--

DAVE DEARMONT: Yes.

LINEHAN: --and ask if you could get this-- I know I'm older than most up here, but I can't read that slide. So if we could get a copy of the slides--

DAVE DEARMONT: Yes.

LINEHAN: --to us, like--

DAVE DEARMONT: This afternoon or this--

LINEHAN: Well, no, like, somebody could go make them right now. That would be my suggestion.

STINNER: Thank you for that.

LINEHAN: You're welcome.

STINNER: I thought maybe it was my eyes.

LINEHAN: No, it's-- Anna can read it.

KOLTERMAN: I can.

LINEHAN: OK, Kolterman. Kolterman can read it.

McDONNELL: I can't.

LINEHAN: Curt, can you read it? I hope you can read it. Curt? Excuse me, Senator Friesen, you can read it, right?

FRIESEN: What's that?

LINEHAN: You can read it probably.

FRIESEN: I can read it. Got a front row seat. I don't have to use my bifocals.

LINEHAN: Yeah.

DAVE DEARMONT: I apologize for this. I'm sorry.

LINEHAN: No, no, that's fine. I just-- you know. So you can go ahead--

DAVE DEARMONT: So--

LINEHAN: --and we can get the sides with my next question--

DAVE DEARMONT: --so then one of the big difference between ImagiNE and Advantage is there's a greater use of credits; probably less credits handed out, but more use of them. And hopefully sooner the, the businesses, taxpayers can amp-- can get to the credit level sooner, makes the credits more valuable to the businesses and a little less costly, perhaps, for the state. So that was kind of one of the main ideas behind Advantage. So as part of the use of credits, we allow for employee recruitment and retention activities. That can include the costs of doing a job search. It could even-- a small manufacturer in a rural area that needed an engineer could perhaps make an agreement to use some of their tax credits to pay some of the, some of that engineer's college loans or a down payment on a primary residence in Nebraska. So there, there's a number of ways they can use these retention and recruitment benefits. Job training expenses for new employees meets the guidelines, and that-- the guidelines are generally that it has to result in a recognized certificate or some sort. And then childcare expenses could be, could be refunded to the employer, provided they were sponsoring a childcare center. The investment tax credits can be used the same way, except for you can't use investment tax credit for with-- against their Nebraska income tax withholding for the employees. And this is the application since the program opened in January '21. We had a total of 77 applications. Those applications combined named 115 different locations around the state. The projected employment was 300-- was 3,183 FTEs on the applic--on the-- some of the applications with an investment of a little over $642.9 million.

WISHART: I have a question.

DAVE DEARMONT: I want to be really specific when I--

LINEHAN: Excuse me. Senator Wishart has a--

DAVE DEARMONT: Yes.

LINEHAN: --question.

WISHART: On that last slide with the 3,000-- projected 3,000 employees, remind me what the average salary is.

DAVE DEARMONT: The average salary needs to be 100 percent-- well, it's a little bit different for some of these, but 100 percent of the statewide average when the program began was $23 an hour and--

_________________: The caller, Senator Tony Vargas, has left the conference.

DAVE DEARMONT: I believe it's at almost $25.90 now for 100 percent. So if you want to get to the higher levels, the pay would have to be at

150 percent or 200 percent of that. So what this map shows is that for those 77 applications, they were spread around the state. There's-- and the 115 locations are in there. Those were covered-- 32 counties had at least one location in the, in an application. So the program, in the first year and a half, has managed to spread pretty well across the state. This is a, a list of signed agreements, not applications. There's 17 signed agreements that we have with businesses. Five of them, the most popular level is manufacturing growth and expansion for rural areas, which requires five FTE-- five new employees and $1 million in investment. The economic redevelopment area, at the top, there's 53 of those areas around the state. Those are, those are census tracts that have unemployment that's at least 150 percent of the state average and a poverty level that's greater than 20 percent. So there's about 53 of those that qualify. We've had a business in there. There is some additional benefits for, for projects that are in extremely blighted areas within here, so that's another-- adds another percent to the, to the wage and, and, and investment credits.

LINEHAN: So there's two tiers: blighted and extremely blighted.

DAVE DEARMONT: Yes. Yeah, those are local government decisions. I think the-- part of the-- if you're TIFing, I think it needs to be blighted, and there's a designation for extremely blighted. If you happen to be in one of those, then, then the benefits would increase.

LINEHAN: Wait a minute. Anybody jump in, so just-- if I don't see you and you have a question, just-- it's up to the local government to decide what's blighted and extremely blighted? I know on TIF, that's--

DAVE DEARMONT: Yes.

LINEHAN: --true, but on ImagiNE?

DAVE DEARMONT: Right, we're, we're using, we're using those designations, so.

LINEHAN: But who's deciding? The Department of Economic Development, not the local government.

DAVE DEARMONT: No, the local government would set the blighted-- determine what's blighted and extremely blighted. There's, there are some, there are some classifications I believe that they need to make. Needs to qualify to be extremely blighted, but they would have to make that designation. We've not, we've not seen one yet.

LINEHAN: You've not seen one what yet?

DAVE DEARMONT: Anyone asking for a designation in an extreme-- or an application in an extremely blighted area.

LINEHAN: OK. Senator Friesen, did you have a question?

FRIESEN: Thank you, Chairwoman Linehan. So, I mean, when, when we were last year during the session talking about blighted and extremely blighted areas, there, there were some scattered all across the state. But local entities do decide what those areas look like, but they have to meet--

DAVE DEARMONT: Right.

FRIESEN: --certain guidelines, correct?

DAVE DEARMONT: Yes, that's my understanding.

FRIESEN: Do they have to meet the guidelines in the whole area that they designate or does it just have to be a core area? I mean, I mean, if you designate ten blocks, but only four of those blocks were the core, can they make it a little bigger than that?

DAVE DEARMONT: I'll have to go back and look.

FRIESEN: OK.

DAVE DEARMONT: He asked that question and we'll get you an answer.

LINEHAN: OK. Anybody else have a question on this? OK. Go ahead.

DAVE DEARMONT: So for the locations in the-- that are-- have covered agreements, signed agreements, there are 17 agreements. They cover 40, 40 locations in 24 counties.

LINEHAN: So obviously, one, one applicant has multiple locations--

DAVE DEARMONT: Yeah. You may have--

LINEHAN: --more than one applicant.

DAVE DEARMONT: --more than one.

LINEHAN: OK.

DAVE DEARMONT: There's a-- you can apply at single location, you can-- in a county or you apply for everything in the county, you can apply statewide. So there's different, different ways you can do the applications. But one of the differences was-- between Advantage was it-- under Advantage, you could put multiple projects maybe at the same address and it created a nightmare for the Department of Revenue to do the audits on those to know what was-- you know, what investment was-- went with each project, with a project, or maybe with no project. And ImagiNE provided some more definitions and said, OK, if you're at this location, there's not going to be any more than one project there in the designated area, which allowed-- which will allow revenue to do far fewer qualification audits. It was-- previously under ImagiNE, everyone got an audit. Under this, there will only be an audit if something looks, looks a little suspicious or maybe close to the lines. So we think in most cases, it would just be a review and not a formal audit, which should save a lot-- the taxpayer a lot of time and effort to get their-- get to their credits.

LINEHAN: Senator Friesen.

FRIESEN: So when you say these locations that you have an application-- like, I think one of them-- what's that-- Cherry County, is that the big county up there?

DAVE DEARMONT: Yeah.

FRIESEN: Could-- are you saying possibly that could be an application that's from a location also in Douglas County that has a, a--

DAVE DEARMONT: Yeah, possibly.

FRIESEN: --branch?

DAVE DEARMONT: Yeah, possibly.

FRIESEN: Doesn't have to be a separate entity there. It could be part of a broader application.

DAVE DEARMONT: Yeah.

FRIESEN: OK. Thank you.

DAVE DEARMONT: So as of June 22, there had been no--

__________________: The caller has joined the conference.

DAVE DEARMONT: --there had been no ImagiNE benefits used in--

LINEHAN: We have our slides now so can you tell us which slide we're on?

DAVE DEARMONT: On slide 11.

KOLTERMAN: They're not numbered.

LINEHAN: They're not numbered? OK. Which slide? I'm sorry.

DAVE DEARMONT: 11.

LINEHAN: 11?

DAVE DEARMONT: Yes.

LINEHAN: OK.

DAVE DEARMONT: The top part of this table here is the forecast that the Department of Economic Development supplied to the Legislative Fiscal Analysts and the Nebraska Economic Forecasting Advisory Board for their October forecast. We think the rest of this year, we'll have about $9 million in sales and use tax refunds be claimed under ImagiNE and another $5.9 million could be used with an additional $10 million in credits that won't be used in this current fiscal year. And kind of singling out, looks like it would probably get to about $30 million of credit usage in '24-25. The bottom part of that is there's another required report that was sent out in October based on the calendar year basis. ImagiNE Act sets up a base appropriation for each year. We forecast that we'll have a tax year, calendar year where we're above the base appropriation. We'll suspend applications until things are back in balance. So if, for example, in 2025, we thought we were going to exceed the base appropriation, we would not take any applications that would-- where the taxpayer would expect to use credits in 2025 until such time as, as the base appropriation became available. So that base appropriation was $25 million in-- for calendar '21 and '22. It increased to $100 million for '23-24 and $150 million in '25. And in '26 thereafter, it's 3 percent of the general fund receipts. So we'll reset that number every three years going forward. There also is a cap going out to 2025 of $400 million. We can't exceed that.

LINEHAN: After 2025, you can't exceed $400 million?

DAVE DEARMONT: No, up to 2025, we can't exceed $400 million.

LINEHAN: Oh, I'm sorry. Senator Clements.

DAVE DEARMONT: Yes.

LINEHAN: Thank you.

CLEMENTS: Thank you, Chairman Linehan, and thank you for being here. On the refunds of sales tax, in the past, we've had cities that complained about the lag time and the surprise they got with having to have refunds subtracted. Has-- and I understood that there was a correction in how that procedure is and how is that working?

DAVE DEARMONT: It's a little early to tell because we haven't really had anybody ask for benefits yet. I, I'm trying to remember exactly what that was. I think it extended the time a little bit and allowed, allowed the cities to take it out a little at a time for a set amount, is my, my best recollection on that.

LINEHAN: There has not been sales tax refunds issued?

DAVE DEARMONT: Not for ImagiNE.

CLEMENTS: For ImagiNE, oh.

DAVE DEARMONT: Yeah.

CLEMENTS: All right.

DAVE DEARMONT: Not yet.

CLEMENTS: Thank you.

DAVE DEARMONT: And that, that last slide, that's the end of my presentation on ImagiNE Act.

KOLTERMAN: Senator.

DAVE DEARMONT: Next one is the Key Employer Act.

KOLTERMAN: Senator Linehan.

LINEHAN: What? I'm sorry. I'm sorry. Just-- Senator Kolterman.

KOLTERMAN: Thank you. Dave, thank you. In response to Senator Clements, as I recall, when we, when we developed that sales tax situation with the communities, we, we have to now give them advance notice that that-- what their, what their cost is going to be.

DAVE DEARMONT: Right.

KOLTERMAN: And then we give them more time to pay it back if they need it.

DAVE DEARMONT: Yeah.

KOLTERMAN: So there's no gotcha or caught you type of situations that will arise going forward.

DAVE DEARMONT: And we're also--

KOLTERMAN: Is that correct?

DAVE DEARMONT: --providing notice to the city when, when there is an application in their area so they know ahead of time.

KOLTERMAN: Yeah, and that's built into the statute.

DAVE DEARMONT: Yeah.

CLEMENTS: Thank you.

LINEHAN: Yes, Senator Friesen and then Senator Briese.

FRIESEN: So when we've had discussions in the past, I mean, is it to the point where we would be better off just giving them an exemption on the sales tax in the first place and if they don't reach their attainment, we can claw it back? Because now all it is is a timing issue of what it costs us in money. And it would cost-- cause a lot of confusion among cities at first, but if we just wouldn't collect it in the first place, it would be very simple.

DAVE DEARMONT: Yes, there is a provision in ImagiNE that at some-- at, at a point once they qualify, I think we're looking at now those sales taxes become an exemption rather than taxes paid in and refunded. And that will help [INAUDIBLE] with that because they won't see it as increase in sales tax and not know how much of it will be have to be refunded, you know, maybe four or five, six years later, so.

FRIESEN: Thank you.

LINEHAN: Senator Briese.

BRIESE: Thank you, Chairwoman Linehan. Thank you for being here, Mr. Dearmont. As we assess these programs, it seems to me that we need to try to determine if they're a win or a loss for everyday taxpayers. Somewhere in this material here, it says that, you know, once the economic growth is factored in, the overall fiscal impact of tax incentive programs can be either positive or negative. With the ImagiNE Act, would you predict that some day that our overall net fiscal impact to the state will be positive or negative?

DAVE DEARMONT: That's-- Department of Revenue actually does an analysis of that over time. I'll throw them under the bus here. But I think in general, they're positive. And I know one thing that comes up a lot is they'll do surveys of businesses and they'll say, well, what's the most important thing for your business? And they'll start out with, well, access to markets for raw materials or refined goods, a good labor force, all these-- a number of things. But the interesting thing, though, we've kind of noticed, is when you go-- when businesses go through that, site selectors are trying to pick a site, they'll, they'll generally wind up with three or four places that are just about as good. Maybe, you know, workforce is maybe a little better here, but this is a little-- saves some transportation costs over in this other state. So sometimes right at the end of the day, what, what it comes down to is, is the tax climate and incentives.

BRIESE: As I look at the report that we were provided on tax incentives, I think it's page 42 suggests, under the Advantage Act, that the cumulative effect has been a net loss of projected close to $1 billion here in a few years. Is, is the ImagiNE designed any differently that we can expect a positive--

DAVE DEARMONT: It's designed a little--

BRIESE: --that it will change the tax revenue?

DAVE DEARMONT: Yeah, it's designed a little bit differently. As I-- as I said, one of the things that we're trying to do is maybe provide fewer credits, but provide access to those credits a lot faster. Generally, a business will have a pretty high discount rate for, for a project. I think some of them have hurdle rates that are 20 or 30 percent before they'll even look at the project. And the state of Nebraska, well-- while our-- I would say that our discount rate isn't exactly zero. It's pretty close. We don't borrow much money. It's a kind of a pay-as-you-go resolution, so we would have a lot lower discount rate. So we could, we could afford to pay things that are-- that difference in that discount rate can provide a little less on our end to give them more-- to give them access to their funds faster than they can get, perhaps-- hopefully, it will be incentivized by a smaller, by a smaller amount of tax credits.

BRIESE: So we, we can be hopeful that it will be a win for everyday taxpayers?

DAVE DEARMONT: If we can be hopeful and I'm not-- to my best recollection on the way that particular piece-- that study played out, it may not, it may not contain all the benefits.

BRIESE: OK. OK. Thank you.

LINEHAN: Thank you, Senator Briese and Senator Friesen. Senator Kolterman.

KOLTERMAN: Thank you, Senator Linehan. Dave, on your, on your slides up there, you had two, two different slides; one showed that-- the application locations and then the other one showed actual agreements. And, and I noticed that in the actual agreements, the counties way out west weren't signed yet. Does that mean that they've fallen away or are they still in process? Is a potential for them to get an agreement still coming forward?

DAVE DEARMONT: My-- best of my recollection, one of them for sure is fairly new and we're still working with them. So there's every-- have every hope that they will eventually sign an agreement. There was at the end of the Advantage when-- as Advantage was sunsetting, I know a lot of CPA firms that were working with businesses had to file, file one with each and then, then you can decide later which program that suits your needs. So there could be a little of that where there's some applications signed where they went ahead and took it or intent to take-- to use Advantage instead.

KOLTERMAN: And that, that leads into my next question. Thank you. So if, if you had somebody that was in that particular time, they were evaluating whether the Advantage Act or the ImaginNE Act was going to be the best, if they once signed in the Advantage Act, that that remains where they stay until their project is complete--

DAVE DEARMONT: Yeah.

KOLTERMAN: --or even if they would expand, as I understand. Is that correct?

DAVE DEARMONT: That's my understanding. Yes, for, for both. They could expand above what they had planned on doing under the act as long as they were still in the, as long as they're still within the timeframe of their contracts.

KOLTERMAN: And then another question. When we, when we first looked at this and you, you were instrumental in getting a lot of this information to us, we had-- the very first program, has that pretty much washed off the books now that we started with years ago?

DAVE DEARMONT: LB775?

KOLTERMAN: Yes.

DAVE DEARMONT: I think so, but I'm sure the Department of Revenue will have some--

KOLTERMAN: OK.

DAVE DEARMONT: --information on that.

KOLTERMAN: Thank you.

LINEHAN: Thank you, Senator Kolterman. Other questions from the committee? I'm just going to suggest something. Before we go to new-- because the next-- we're on that slide now, but then we're going to a different act. So if we have any-- if any of you have questions on the ImagiNE Act, I think you need to ask them now, right, because we're going to a different act. Senator Friesen.

FRIESEN: One last question, kind of. I mean, I think the last slide that you have talked about the, the agreement we have with Fiserv and it says as of June 30, '22, no credits were used yet. They've earned them, but they have not taken advantage of. Is that presumably--

DAVE DEARMONT: This is another one of the-- along with ImagiNE, this is one that's jointly administered by Department of Revenue and DED. We took the applications here. I don't know if they have, if they have claimed any credits yet and it just hasn't been paid. I do know that they haven't been paid yet.

FRIESEN: But it's-- I mean, if they choose not to take them yet, they could accumulate and at some point ask for them. Is that a-- something that's on the books that we're going to end up paying for down the road sooner or later?

DAVE DEARMONT: I think I better defer that question to Department of Revenue.

FRIESEN: OK. All right. Fair enough. Thank you.

LINEHAN: Other questions on these slides? Can you go back to slide four and five, please? So on four-- yes. Which one-- this rural is number two, right? I'm sorry. Manufacturing growth and expansion is rural.

DAVE DEARMONT: Yeah.

LINEHAN: Those wages are less, aren't they?

DAVE DEARMONT: Yes.

LINEHAN: Can't they be less?

DAVE DEARMONT: Yes. I believe it's page 10 of this bigger brochure has the-- not the wages, but it has the percentages of them.

LINEHAN: OK. All right. OK. Then if you go to the next slide, I just-- more for getting this on the record and also make sure I understand this. So the next slide, economic development-- redevelopment areas, so those would be the-- is that which would be blighted?

DAVE DEARMONT: No, not necessarily. There's, there's a definition for those that's set in, in the ImagiNE Act.

LINEHAN: OK. So let's say I did-- I qualify for that. So the wage credit is 6, 6 percent of what, of all their wages paid?

DAVE DEARMONT: Yeah, total compensation.

LINEHAN: Total compensation to employees. So 6 percent of that, and then investment credit is 4 percent of whatever they invested?

DAVE DEARMONT: Yes.

LINEHAN: So they can stack those on top of each other, right?

DAVE DEARMONT: Yes.

LINEHAN: So it's really 10 percent.

DAVE DEARMONT: Not--

LINEHAN: It's 4, it's 4 percent of what they invested plus 6 percent on their wages.

DAVE DEARMONT: Yeah, right, and those are new investment, new wages, not [INAUDIBLE]

LINEHAN: Right, new investment, new wages. And then when we go down here to quality jobs investment, why is there five, seven and nine?

DAVE DEARMONT: Those are-- those increase depending on the wage level. So if you're at 100 percent, 7-- or it's 5 percent. If you pay at 150 percent, it is 7 percent. If your average wages are 200 percent higher, then 9 percent credit.

LINEHAN: So do you have those numbers in close-- in an approximation of an annual salary?

DAVE DEARMONT: You know, I bet I do.

LINEHAN: And just when you're looking, there's no real property tax exemption on-- in the ImagiNE Act, right?

DAVE DEARMONT: No.

LINEHAN: OK. You know, I don't know if anybody else is interested. You could just get it to both committees.

DAVE DEARMONT: Actually, I just found it.

LINEHAN: OK.

DAVE DEARMONT: So the 100 percent level is for the-- for applications in '23 or for applications in '22, the 100 percent is $51,428, so that-- at that 70 percent level, it's $36,000 even. That 100--

LINEHAN: I'm sorry. I thought it was-- the 5 percent was for 100 percent and then it went up from there.

DAVE DEARMONT: Yeah, right. OK. I'm sorry. I misunderstood. So it's 50-- at 100 percent for the 5 percent wage credit, it's $51,428.

LINEHAN: OK.

DAVE DEARMONT: You go to 150 percent, it's $77,142; and at 200,000 [SIC] it's $102,856.

LINEHAN: Now do the wages-- is it-- they take all the wages and then average them out? Let's say you had ten new people and the average is $51,000. Or do they get a percentage on if they have somebody at $102,000, they get 9 percent; they have somebody at $51,000, they get 5 percent?

DAVE DEARMONT: Yeah, this escapes me right now.

LINEHAN: OK.

DAVE DEARMONT: Department, Department of Revenue--

LINEHAN: That's fine. I think it would be helpful for the committee to understand how that works--

DAVE DEARMONT: Yeah.

LINEHAN: --like in a real-life situation. Are there other questions from the committee? OK. I guess we can go to the next act.

DAVE DEARMONT: The Key Employer Act was passed in LB1107 in, in August of 2020. Its purpose was to provide incentives to encourage key employers to remain in the state, retain well-paid employees in the state when there was a change of ownership and control of a key employer and the new ownership's planning on moving some or all of their jobs to other states. The available credit is a 5 percent wage retention credit on all-- on the total compensation of all the retained employees. That-- all the retained employees are paid at 100 percent of the state average. The credits are capped at $4 million a year, but the program would go for ten years so there's a $40 million cap on that. To be eligible, you had to employ at least 1,000 employees FTEs in Nebraska, gone through a change of ownership in the prior 24 months, and are at risk of losing-- of moving more than 1,000 employees from Nebraska, but you have to retain 90 percent of your base-year employment to earn the credits.

KAUTH: Senator Linehan.

LINEHAN: Oh, I'm sorry.

KAUTH: Is that credits are capped at $4 million per year per company or for the program?

DAVE DEARMONT: I don't remember, but it's a moot point now and I'll get into that. The, the application deadline ended. There was only one applicant and I believe it was in total now that I think about it.

LINEHAN: This is Fireserve [SIC], right?

DAVE DEARMONT: Fiserv, yes.

LINEHAN: Fiserv. Thank you, Senator Kauth. Senator Kolterman.

KOLTERMAN: But it could have been more than one company--

DAVE DEARMONT: Could have been, but I think i--

KOLTERMAN: --they just happened to be the one that were going to apply.

LINEHAN: Right. Any other questions? Senator Stinner.

STINNER: Has Fiserv decided to stay in the state of Nebraska, downsize or upsize, or if-- has any corporate decision been made?

DAVE DEARMONT: Not that I'm aware of. I believe they're still operating in Omaha. That agreement is still in effect. And the deadline ended in May 2021 with no other applicants, so. And as of June 30, there were no credits used.

LINEHAN: So is it $4 million a year? Can they pile those on top of each other and come someday and say, we will-- we have $16 million in credits?

DAVE DEARMONT: That's a better answered by Department of Revenue.

LINEHAN: Revenue, OK. You guys are going to be busy. Senator Dorn.

DORN: Thank you, Senator Linehan. Thank you, thank you for being here today. What's the probability [INAUDIBLE] you have there? As of June 30, 2022, no credits will be used, and is that better for the Department of Revenue to ask? Is, is this still an active--

DAVE DEARMONT: It's still an active program.

DORN: --program in that a lot of those credits may be used or probably will be used?

DAVE DEARMONT: I couldn't tell you.

DORN: I'll ask the Department of Revenue when they come up.

DAVE DEARMONT: So the last one is the Rural Projects Act that was passed in LB--

LINEHAN: Wait a minute. If we're going to a different act, does anybody have any questions on-- so far through this? Before-- when we get done here, because-- and this is probably a better question for the Department of Revenue. I would like an explanation of what these credits can be used against: used against income taxes, used against employee payroll taxes, used against-- what if they don't owe any taxes? Do they get a check? Department of Revenue?

DAVE DEARMONT: Yeah.

LINEHAN: OK, thanks.

KAUTH: I do have one, one more question.

LINEHAN: OK. Senator Kauth.

KAUTH: Why is there only one company that applied for this? Were they the only ones that met the criteria or--

DAVE DEARMONT: It's probably they were the only one that met the criteria.

KAUTH: Was the program developed specifically for that company or do we have any indication that there were more companies that were going to be using it or leaving?

DAVE DEARMONT: Not that I know of. I was not involved in those discussions, so.

LINEHAN: Yes, one. Any other questions? OK, Rural Projects Act.

DAVE DEARMONT: So the Rural, the Rural Project Act was-- LB40 passed in 2021. The applications for that program were opened on January 3, 2022. This program provides $2 in matching funds for every dollar invested by applicants to build an industrial park with rail access. And for-- then it increases to $5 match for every dollar invested in excess of $2.5 million. For each project, the, the amount that's capped-- amount that they can earn was capped at $30 million. I believe the original bill had a $50 million-- an intent perhaps of $5 million a year for ten years to get to $50 million. It was set up as a first-come, first-serve program. So on January 3, we got four applications within 30 minutes or so of each other.

LINEHAN: I'm sorry, say that again.

DAVE DEARMONT: We got four applications within 30 minutes of each other, 45 minutes. The-- since then, I believe in LB1014 that passed last year, there was another $50 million put into that fund.

LINEHAN: I'm sorry. Senator Friesen, do you have a question?

FRIESEN: I did. I mean, the applications, you said they-- it was first come, first serve and, and I was-- how did you accept those applications? Was it electronically or--

DAVE DEARMONT: Yes.

FRIESEN: Because I-- I was told in Hall County, when they applied, they were, like, three minutes late, as they would have been. I mean, so it's a timing thing. Everyone knew it was first come, first serve. They admitted they kind of messed up and probably didn't hit the send button in time, but I found it kind of ironic that they even recognized that they were 3 minutes late. Otherwise, they may have gotten their application filed this year versus have to wait, but--

DAVE DEARMONT: If my math is right, they were 14 minutes behind there.

FRIESEN: Fourteen minutes-- I, I'll tell them that.

DAVE DEARMONT: I doubt if it'd make them feel any better.

FRIESEN: I don't think they'll feel any better, but anyhow, I found it interesting. But it was-- it was set up first come, first serve.

DAVE DEARMONT: Yeah.

FRIESEN: Everyone knew that.

DAVE DEARMONT: And-- well, from--

FRIESEN: Yeah [INAUDIBLE]

DAVE DEARMONT: It is what it is. So there was another $50 million added to that this last session. That provided-- with the $10 million that we had from last year and this year, from the $5 million, at the time, we had enough money to fund the requests for the two-- first two applicants. So as of the end of the year, North Platte and Fremont's applications were approved for up to the $30 million that they requested. At this point, no funds have been distributed, but most likely there will be some fairly soon. The application-- we have since got signed agreements from them so those projects are underway.

LINEHAN: So this is not a tax incentive.

DAVE DEARMONT: No.

LINEHAN: This is just hard, cold cash.

DAVE DEARMONT: Yeah.

LINEHAN: OK.

DAVE DEARMONT: Matching funds for investment was made by the-- so they've applied for $30 million, but if they don't quite meet their investment levels, they won't, they want to see the full amount.

LINEHAN: And that's 50 percent. They have to come up with-- for every dollar they get of state funding, they have to come up with a dollar of local money?

DAVE DEARMONT: Well, for the first, for the first $2.5 million of their investment, it's-- they get 2.5-- they get-- actually, they get 7.5. They get $2 for every dollar.

LINEHAN: OK.

DAVE DEARMONT: And then when they get above that, it's $5 for every dollar.

LINEHAN: OK. Questions? Thank you.

DAVE DEARMONT: The other three-- the other two applicants that, that applied on January 3 are on the waiting list, along with the fifth applicant, because they had put in an application in, in April.

WISHART: I have a question.

LINEHAN: I'm sorry.

WISHART: So when you're talking about put on a waiting list, when I look at this list of applicants, are they on a waiting list because they are still putting together their private matching funds? Or are they-- even if they were able to come up with the private matching funds, do we have enough money appropriated to meet all of the requests?

DAVE DEARMONT: No.

WISHART: What is, what is the total amount of request?

DAVE DEARMONT: All told, we need $23 million more to be--

WISHART: Additional $23 million---

DAVE DEARMONT: Yeah.

WISHART: --to meet Cozad, Blair, all of that list then.

DAVE DEARMONT: Yeah.

LINEHAN: Thank you, Senator Wishart. To follow up on Senator Wishart's question, if we had more money, we would probably have more applicants, wouldn't we?

DAVE DEARMONT: Yes, although the application window, I believe, closes here maybe at the end of the fiscal year. At some point here, there is an end date on it. It slipped my mind, which-- what it is.

LINEHAN: OK. Could you get that for the committee, please.

DAVE DEARMONT: Yeah.

WISHART: So--

LINEHAN: For both committees? Senator Wishart.

WISHART: Yeah, I have a follow-up. Chairman Stinner and I were talking about, if I recollect, we put in $50 million for the next five years. I thought it was a, it was a continued fund, not just one-time $50 (million).

DAVE DEARMONT: There was-- my recollection is there's $5 million a year. There was intent to do that for ten years--

WISHART: For ten years.

DAVE DEARMONT: --to get to the $50 (million). However, there was a transfer from the Cash Reserve Fund, I believe, of $50 million.

WISHART: Fifty million and then $5 million per year--

DAVE DEARMONT: Yeah.

WISHART: --for the next--

DAVE DEARMONT: Currently, it's in the--

WISHART: OK.

DAVE DEARMONT: I believe it's in the base appropriation now.

LINEHAN: OK. Is that clear to everybody? Any more questions from the committee?

KAUTH: One.

LINEHAN: Yes.

KAUTH: Why have no projects signed an agreement yet?

DAVE DEARMONT: As of the 30-- as of the end of the fiscal year for the group-- for recording purposes, but the first two have signed agreements afterwards.

LINEHAN: Is this part of-- other questions? I'm sorry. Is this part of-- I wasn't there, but ribbon-cutting ceremony in North Platte where they announced $20 million through state funds or something, which I--

DAVE DEARMONT: Well--

FRIESEN: I think packing plant was--

WISHART: That was Sustainable Beef.

LINEHAN: So that's a different fund?

WISHART: Yes.

LINEHAN: OK.

STINNER: That was ARPA.

LINEHAN: ARPA, OK. Any other questions from the committee? All right, thank you very much.

DAVE DEARMONT: Thank you.

LINEHAN: Good morning.

GLEN WHITE: Good morning, Senators Linehan and Stinner and the rest-- and the Revenue Committee and the Appropriations Committee. My name is Glen White and I'm the deputy commissioner with Department of Revenue. It's G-l-e-n W-h-i-t-e. I'm responsible at the Rev-- Department of Revenue for the finance, HR, research and policy sections. Those are my main responsibilities and today I'm here to testify with regard to the Nebraska Advantage Act and some other miscellaneous programs that we have. And I'll-- let's see here.

LINEHAN: Are you going to cover ImagiNE too?

GLEN WHITE: I certainly can. In fact, I brought ImagiNE with me, so.

LINEHAN: OK.

GLEN WHITE: And I thought I would start out, before I start my-- my presentation, to go into some questions that you guys had asked--

LINEHAN: That would be helpful.

GLEN WHITE: --before. Senator Friesen, you had asked about the exemption. And in ImagiNE, the-- when you make a purchase, there is a sales tax on the qualifying property. During the ramp-up period, you pay that tax and then you have to ask for it back once you qualify. But after you qualify, you're eligible for an exemption from qualification forward. So during the performance period, you get an exemption for the sales tax you pay on qualified property. The reason why we developed the program of not giving the exemption during the ramp-up period is because about half-- our experience with Advantage and Employment Investment Growth Act was-- is that about half the applicants don't qualify. And so we'd have to be-- we'd have to claw back a ton of, of tax revenue. And from our experience, we wouldn't get 100 percent of that back. We'd get, you know, 80, 90 percent. I'm not sure how much we get back, but we'd get--

LINEHAN: But if they're bankrupt, you're not going to--

GLEN WHITE: Right, exactly. Yep, um-hum. And we, and we-- in the program, we have had bankruptcies and, and had to write some stuff off. And then--

LINEHAN: There were other questions--

GLEN WHITE: Yep.

LINEHAN: --on--

GLEN WHITE: And then, oh, stacking your credits. You asked a question about that stacking of credits. And so you only get the, the employment credits on the new employees that you hire. And so-- and not to get too technical, but that's on method two. There's two calculations in ImagiNE and it's the lower of the two and-- but when you, when you do qualify, you get your-- the employment percentage credits on the withholding, on the employees, the wages of the employees that are new under method two. And then you talked about stacking. You, you can't stack, technically, but if you do have a piece of equipment that your new employees build and then you-- you capitalize and start depreciating and it becomes new investment, then you'd get that 4 percent on that stuff. So that is some--

LINEHAN: So you add them together. You get the employee credit, wage credit--

GLEN WHITE: And on this-- and then you get the 4 percent.

LINEHAN: -- and the investment credit.

GLEN WHITE: Yeah, only in that particular instance.

LINEHAN: On what you invest, on what you invested, right.

GLEN WHITE: Yeah, only in that particular circumstance where you've got an asset that you've constructed yourself, but nowhere else. So if you purchase a piece of equipment, you're only going to get the 4 percent investment credit.

LINEHAN: OK, but if you invest a million dollars--

GLEN WHITE: Yeah.

LINEHAN: --you get an investment credit, don't you?

GLEN WHITE: If you invest it-- if you buy qualified property with that $1 million, yes.

LINEHAN: OK. So I buy qualified property, a building, whatever--

GLEN WHITE: Yep.

LINEHAN: --invest a million dollars, hire 50 new people.

GLEN WHITE: Yep.

LINEHAN: So I get the investment credit for this investment--

GLEN WHITE: For the million dollars, yeah.

LINEHAN: --and the employee credit on the employee wages.

GLEN WHITE: Yes.

LINEHAN: And you can add them together for what you-- what credits I've earned.

GLEN WHITE: Yeah. So they'd be added together as credits, but the-- they're actually treated as two buckets because you can use the employee credits, the wage credits to get back withholding. So you use that against withholding. You can't do that with the investment credits.

LINEHAN: OK. So you can use your wage credits for withholding. So is there a situation where you would have enough investment credits on your investment to take-- to erase your income tax liability?

GLEN WHITE: Yeah, yeah.

LINEHAN: And then we base-- the state then pays them, writes them a check for their employees' withholding?

GLEN WHITE: Um-hum, yes.

LINEHAN: OK. All right. Senator-- I saw Senator Clements first, then--

STINNER: OK.

LINEHAN: --Chairman Stinner.

CLEMENTS: Thank you, Chairman Linehan. Thank you, Mr. White. The investment credit, if you zero out your income tax liability, is it a refundable credit or carried forward?

GLEN WHITE: Carried forward. It can be carried forward, yes.

CLEMENTS: You don't get a, you don't get a refund, you have to carry it to the next tax year?

GLEN WHITE: Yes.

CLEMENTS: Thank you.

GLEN WHITE: And there was a question on the Key Employer Act about what the, the credit can be used for. It can be used against withholding and income tax and you can carry that forward. And then the question was whether you could double up in a year and you, and you technically can't double up in a year. You're limited to $4 million per year. It's ten years, $40 million. So you're limited to $4 million, but you can go back. So let's say you, you missed the first year. So in the second year, you can amend your returns for your first year and you can get technically $8 million in that year, but you're amending to get it because you missed it the first year. Does that make sense?

LINEHAN: Yes. You can amend your taxes back for three years, right?

GLEN WHITE: Correct.

LINEHAN: OK.

GLEN WHITE: Unless you have it-- unless you have an extension.

LINEHAN: Senator-- Chairman Stinner.

STINNER: I'm a little unclear on your explanation about employees. Let's use an example. I'm an employer. I'm employing 50 people. Ten of those people are at 200 percent, which would qualify for a certain tier of, of the ImagiNE Act. The next one down would be 150 and then the next level down, say 20 employees are at that base 100 percent. When I claim my credit, would I break into those tiers and add the difference or is it just the total and the lowest? I thought you said the total and the lowest.

GLEN WHITE: No, no. So you're in the tier you're in.

STINNER: OK.

GLEN WHITE: So that's-- those are your new employees.

STINNER: Right.

GLEN WHITE: And those would be the-- your new employees for calculating the credit.

STINNER: OK. Thank you. I needed some clarification.

LINEHAN: OK. So I'm going to dive a little deeper on that same question the Chairman just asked. So if I have five employees at 200 percent, then that's where I get that percentage back. If I have ten employees at 150, I get that percentage back. I think it was 9, 7. And then ten employees at 100 percent, I get, I get 5 percent back. I think those were the numbers, 5, 7--

GLEN WHITE: So, so you, you basically-- the tier that you're in is the tier you're-- as well as for the, for the employment. So if you're at the 200 percent, then, as I understand the program, you only get the employees at the 200 percent. Those-- that's the calculation you would then do under method two at 5 percent and that's what you would get. You don't get this waterfall.

LINEHAN: OK.

STINNER: There would be tiers of employment that you would have, and I guess you'd aggregate all of that into the total.

LINEHAN: Senator Friesen.

FRIESEN: I think if I understood it correctly, I mean, when you, you take all of your employees and whatever tier you qualify for, you do. And that's where we got into, what if an employee is paid over a million dollars? I think that they're capped there, but they're part of that average.

GLEN WHITE: Right.

FRIESEN: So let's say you have one employee or two that are making a million-plus and the rest of the employees, 50 employees are at 150 percent. You can only use the million, I think, instead of a million-plus-- as a cap, but you average them and that determines your tier that you're in.

GLEN WHITE: Yeah, it's an average.

FRIESEN: Your average employee wages is--

LINEHAN: The average new employees--

GLEN WHITE: Um-hum.

FRIESEN: Yeah, new.

LINEHAN: --just new.

FRIESEN: --hits the 150 percent, that's the tier you qualify for.

LINEHAN: OK. All right. Other questions? OK.

GLEN WHITE: Well, let's-- yeah, you got-- you all do have this one?

LINEHAN: Yes.

GLEN WHITE: Good. All right. So-- and there, there's been some-- a little bit of discussion about, I think it was, the Key Employer Act where we were talking a little bit about you wanted to know some of the benefits that a particular company was getting, and that is one thing that we can't disclose. So we can't disclose on a particular applicant or anything like that what credits they received or anything like that, except for every two years there is a disclosure in Advantage as well as it's going to be in ImagiNE, and I believe it's in the Key Employer, as well, where you-- it will be disclosed exactly what they, what they received and it's two years they qualify, and then two years later we make that disclosure. And then from that point on, if you're odd or even, depending on what year it is, every even year or odd year, depending on when you qualify, is when we have that specific disclosure with regard to a particular company. And then these are-- so I'll talk about what is disclosed, what is not disclosed. The-- we're not accepting applications obviously on Advantage anymore. The impact of LB1150, and that's kind of what we're doing today, is that LB1150 was the bill that basically changed how we did-- how we do the-- these reports. And so before, if you remember, we did a calendar year report that was cash basis, and then we did it during the summer and then we testified in front of you all at the end of the summer. And of course, this has all now changed. We're on a fiscal year report that is accrual based. And one of the reasons why we did that was to get rid of some of the confusion that happened with the old report because you'd also see the, the GASB 77 reporting, which was on a fiscal year basis that was accrual based, and so the numbers didn't match. And so this puts everything on that accrual and GASB 77 time frame, and so there shouldn't be any confusion. And these are the programs that I talked about: rural development, microenterprise, research and development, and then you have some programs that-- and someone had asked a question about the Employment and Investment Growth Act. Yes, we are still paying out on that and it is still active. And then we have the Nebraska-- Invest Nebraska Act. That's also-- I think it's still-- we're still paying in that too, right? What is disclosed? So what we disclose in the report is essentially the-- and you can kind of go through the report. On an aggregate basis, we, we are required to report certain things about employment and investment, benefits approved on a calendar year basis-- or excuse me, not a-- on a fiscal year basis, active and signed agreements for Nebraska Advantage, for-- I'll call it LB775, but that's Employment and Investment Growth Act. And then we do have project-specific information on both Advantage and the Advantage Rural Development Act. And then I think ImagiNE will have specific reporting, as well as the Key Employer Act. And this is kind of why I talked before, what's not disclosed, what we can't disclose. And we follow a particular IRS publication. It's called Pub. 1075. And what that says is that we can't, we can't disclose data from fewer than three taxpayers; for areas that are less than the entire state, no fewer than ten taxpayers. No data which directly or indirectly identifies a particular taxpayer can ever be disclosed, and we follow that in our reporting. So kind of what we're saying here is that there's no-- we're not accepting any new applications for Nebraska Advantage, for LB775 or Invest Nebraska. Employment and Investment Growth Act has pretty limited activity. And then we have some-- as the program dies off, we have problems reporting some of the things because there's fewer and fewer, fewer folks in the program. So we have to start combining years and combining industry groups and those kinds of things. And you will kind of see that in the report.

LINEHAN: I have a question on LB775, and it came up earlier. So they can keep extending if they're in the program. When does the program end? I'm probably not asking that right, but there were some--

GLEN WHITE: So you're saying when are we going to stop paying benefits on it?

LINEHAN: No. Well, that's a good question too. That would be good to know. But also, earlier, when Department of Economic Development was up, they were like, once you're in the program, then you can re-up or-- let's say you invest a million dollars, hire 20 people. You're in the program. Five years later, you invest another million dollars and another five people. Can these contracts go on and on forever or is there a definite no, no more, even if you're in the program, you can't, you can't reapply in that program?

GLEN WHITE: Yeah. So I'll use Nebraska Advantage as an example. So we have-- I can go through-- I think 90-some-- or probably more than that. We have several hundred folks who are in the program with agreements. And so you can-- so in Nebraska Advantage, you have the entitlement period, you have the, the performance period and then you have the carryover period. And so as long as you're in the entitlement or the seven-year performance period, you can add employees' investment and you're going to get full benefits for that. But it ends-- once that-- once that seven-year performance period ends, it ends.

LINEHAN: OK.

GLEN WHITE: You can no longer get benefits under the program.

LINEHAN: So the most you could go is you could, you could add something in that seventh year.

GLEN WHITE: Yes.

LINEHAN: OK.

GLEN WHITE: And remember, there's a carryover period for Nebraska Advantage and the length of the carryover period is dependent on how long it took you to qualify. But there is a carryover period for all the tiers, I believe, except maybe one, where you can then use credits. So once that carryover period ends, then-- and that's where you see-- in the report, where you see expired credits, where you'd see those expire.

LINEHAN: OK. Senator Kolterman.

KOLTERMAN: Thank you, Senator Linehan. Correct me if I'm wrong, though. If, if I'm in the Advantage Act, and as we had-- we just ended that program for new applicants, but if you're in that, you have the option to stay in that until those other periods run out. Or you have-- if, if the new program-- the Advantage Act or the, the new program--

GLEN WHITE: ImagiNE.

KOLTERMAN: --is better-- ImagiNE Act is better, you can pick and choose which one of those you want to stay in or go to, can't you--

GLEN WHITE: So--

KOLTERMAN: --as a company?

GLEN WHITE: So, so it's a fairly complicated process to do that. So let's say you've got a location in Lincoln. So you're in Advantage right now and you want to-- you see that you, you might want to transfer over to ImagineNE. You, you can-- and during-- you can do that, but you have to pay back your benefits under Advantage if you're still in sort of that attainment/performance period in Advantage.

KOLTERMAN: OK.

GLEN WHITE: And some, some do do that. Some do cut off. In fact, some will do that on a, on an Advantage pro-- Advantage project where they've got-- you know, they've, they've got a-- they're in their sixth or seventh year of their performance period where they want to start a new program and they'll, they'll go ahead and go into recapture for those two years, two years that remain. They'll pay, pay the benefits on that, on the recapture, and then they'll start a new, new project. So it is possible. It just costs the applicant a little bit of money if they do it that way. If they have a location A that's a Nebraska Advantage location, but then they have another location that's not, they can certainly do this location as an ImagiNE project if they wanted to.

KOLTERMAN: OK, thank you.

LINEHAN: Thank you, Senator Kolterman. Other questions from the committee? Don't see any right now, thank you.

GLEN WHITE: OK. And this is LB1150 and this just kind of explains what you probably already know. It's a, it's-a-- now the reporting is on a fiscal year basis now and it's an accrual basis. But this, this cause, though-- and, and with my next slide, might be a little sticker shock there, but we've got a year-and-a-half period now. So the, the payments or the benefits that have paid out on Nebraska Advantage is a little bit richer than-- or a lot richer than it may have been in, in previous years. So here's the bee's knees right here. This is the expenditures that have been done. And you see Nebraska Advantage Act is based on-- the report for this year, for this, for this year-and-a-half period, it's $522 million. You can kind of see how that compares to the previous two years. And then you'll see rural development, about a million and a half; micro tax is another million and a half; research and development, about $13 million; and employment and investment is $19 million. So this is what you had been asking for. So we are still paying benefits out on the Employment and Investment Growth Act. And here you can see the credit usage. You see the spike in the, in that year and a half that we're in now.

LINEHAN: Yes, Senator Friesen.

FRIESEN: So on the previous slide, you showed-- these are the expenditures made, but there's a lot of credits that have been earned but not reclaimed yet. Do you have a slide showing that yet or is that, that coming or, or what is the-- what is our obligation going forward in some of these where they could ask for that refund but may not?

GLEN WHITE: So I think, if I remember correctly, it was $400 million.

_________________: Oh, it's on the next slide.

GLEN WHITE: OK. So, yes, to answer your question, it is on the next slide.

FRIESEN: OK.

GLEN WHITE: It's on page 22 on-- in the report, as well, if you want to go to that. I think it's-- oh, there it is. So the main-- and just so you know, the main-- on page 22, you'll see the--

LINEHAN: Page 22 or slide 22?

GLEN WHITE: Not slide 22. It's page 22 of the annual report. I don't know if you have a copy of that or not. It might have a link to it. So you don't have a copy of the actual report?

WISHART: It's on slide 16.

GLEN WHITE: Oh, it is, OK.

WISHART: Yep.

GLEN WHITE: So here's-- this is just a graph showing the credit usage. Here's the refund usage. You can see a big spike there in 2000-- our current period. And there's some credit usage. LB775, you can see that there was a spike in, in LB775 in '16-17 year. So it was-- we were spending quite a bit. We were still spending quite a bit of money on LB775 in 2016, and the program sunsetted in 2005.

LINEHAN: OK, wait a minute. We spent-- in '16, we paid out a hundred million on LB775? [INAUDIBLE] subtracting--

GLEN WHITE: A hundred million? I think so, yeah.

LINEHAN: Chart 13.

GLEN WHITE: Yes, I believe that is correct.

LINEHAN: OK, because when they, when they get to-- is there a time when they have to use the credits or they go away?

GLEN WHITE: Yes.

LINEHAN: OK.

GLEN WHITE: Yeah, and in ImaginNE, it's 14 years. I think 14 years is about as long as the program can go. It says in the, in the actual act it's 15 years, but if you do-- if you add up the, the ramp-up period and the performance period and the carryover period, it's actually 14 for your benefit.

LINEHAN: OK. Senator Stinner.

STINNER: Just going back to that slide on 13, and this is more for Appropriations people's reference, that hundred million was paid out in refunds at the time we were short of revenue by $1.2 billion. And it would have been helpful to know that because we probably cut-- normally, it sits at about $20-25 million. We normally-- we cut $75 million more because of that excessive amount of refunds. It'd be nice to have had a heads-up on that while we were preparing the budget. I don't know if-- if that's possible, but for future reference, when you get a big spike in refunds-- and actually we have several large corporations out there that are under the Advantage Act-- that could hit us pretty hard in a budget cycle, so just asking Department of Revenue to consider that, making this committee-- this is kind of an object lesson, let's just put it that way-- aware that can happen.

GLEN WHITE: And so-- and we did have a big, we had--

STINNER: We certainly did.

GLEN WHITE: --fairly significant refunds on direct refunds--

STINNER: Yes.

GLEN WHITE: --so the $300 million on direct refunds if you look at the report. So that, that's unusual.

STINNER: And actually, to your defense, I do get projections on what you think the refunds are going to get under each program, so that will be something that could be shared with the committee as well. I think Senator Linehan and I get it, get those reports, so.

GLEN WHITE: OK. Yeah, because I think we do, we do a, we do a projection based on the inventory of refund requests that we have.

STINNER: And we did get a spike.

LINEHAN: Sen-- thank you, Chairman Stinner. Senator Friesen.

FRIESEN: So I think in a previous hearing, I remember we talked a little bit about this, but you really don't know when a company is going to ask for their-- use their tax credits. There's companies out there that may just decide to carry them on the books; for instance, they don't need money, they-- they just leave it sit there. And so really, you don't have any advance notice, so to speak, of when a company may request those refunds. And so it is a large sum of money that some may never be claimed. Is that correct?

GLEN WHITE: Yeah, some, some-- exactly. And sometimes companies will, depending on their, on their resources, so maybe they're a little short staffed, they won't claim them for a while. And then once they get staffed appropriately or they hire an outside consultant, then they'll start filing, filing them. We don't know that. We don't know a lot of times when these things are going to come in, and sometimes they are very delayed. And then the other problem is, is that, kind of what I was talking about, the attainment for Advantage and then the ramp-up period for ImagiNE is, is that you have a situation where they've got several years of direct refund that just accumulates and they have no choice but to wait till they qualify in order to claim that. And so you'll have this large one-time claim that's, you know, three or four years in arrears. And so that-- and we don't necessarily know that's coming, and that's going to sort of have an adverse impact on-- especially if it's a really, really big one-- on the budget.

LINEHAN: Thank you, Senator Friesen.

FRIESEN: Thank you.

LINEHAN: Other questions? Seeing none, go ahead.

GLEN WHITE: So for Advantage, we took no new-- kind of what I explained before. We took no new applications after December 31, 2020. And kind of what we discussed also is that the benefits depend on the tier that you've selected. And then I'll go through sort of a summary of-- and this is on page 22, and this is that-- that graph that's on the report. That's probably the-- page 22 is probably the most important page, especially if you're on the Appropriations or Revenue Committee, with regard to this report. And you can see the tremendous amount of capital investment that's been made. And this is over the life of the, of the Advantage program, direct refunds of $675 million, the credits earned, and then the total credits used, total credit recaptured, and then you've got that-- what we were-- what you guys were asking for before, the credits that are outstanding. That's $847 million, and then there's the reported increase in employment of 28,000 FTEs.

DORN: Question.

LINEHAN: Yes, sorry. Senator Dorn.

DORN: Thank you, Senator Linehan. Thank you for being here and giving it. So that last slide, though, if, if I read that right, there's a possibility of $847 million in credits--

GLEN WHITE: To be collected.

DORN: --that could be collected.

GLEN WHITE: Correct.

DORN: What percent do you expect or what percent-- you just talked about some of them never are collected or, or I mean-- or what-- do you have some kind of idea on what kind of a percent over the years has been used? I mean, $847 million out there outlying in the next probably-- I think it's roughly ten years maybe--

GLEN WHITE: Yes.

DORN: --at least could be used in? And I don't know if the ten years is right.

GLEN WHITE: So we have on the Employment Investment Growth Act, that's in its sunset. That's almost done. We had about $336 million worth of credits expire.

DORN: Expire.

GLEN WHITE: That would be the best estimate for--

DORN: That's kind of a gauge you can go by a little bit. So there may be half of these that may not be collected or used.

GLEN WHITE: And I'll use a caution there because ImagiNE has more ways to use those credits than--

DORN: OK.

GLEN WHITE: --the Employment and Investment Growth Act.

DORN: That's what I'm saying.

GLEN WHITE: It did have the withholding that the Employment and Investment Growth Act do not have.

DORN: So--

GLEN WHITE: So I would expect this to be even less. So I wouldn't expect it to be half.

DORN: You expect more than half--

GLEN WHITE: Used.

DORN: --of these to be used.

GLEN WHITE: Yeah.

DORN: Somewhere in that half to all of them.

GLEN WHITE: Yeah. The other difference between this program and the Employment and Investment Growth Act is that the carryover period is longer for LB775 than it is for this program. So that could swing the other way where you'd actually see more credits being expired.

LINEHAN: Thank you, Senator Dorn. Senator Kauth.

KAUTH: So basically the state is paying an average of $30,000 per full-time job to be created. Is that correct?

GLEN WHITE: I don't, I have not done that math.

KAUTH: What is the average wage for those jobs?

GLEN WHITE: That is-- I think we get into that in a later slide. I want to say it depends on whether you're manufacturing or non-manufacturing.

STINNER: Next slide.

GLEN WHITE: Yeah. Is it the next slide? Yeah. So that's at $67,000. And this is for everything. The report breaks it out between different industries.

KAUTH: Right, but the average?

GLEN WHITE: Yeah. And this is for-- and just-- further answer your question, this is just for the jobs created in the year and a half.

KAUTH: OK.

GLEN WHITE: And so as we go through, I think I've got a slide where it's the entire program. And you can see that the reported new jobs is 2,531. We talked about the direct refunds. That's $303 million for this, which is significantly high for direct refunds. I don't know I've ever seen that quite that high. And then you have $407 million of tax credits earned, and then tax credits used was $223 million, so you've got $100-some million of credits that weren't used that are going to be carried forward. That's part of $847 (million) I showed you earlier.

LINEHAN: Other questions? So on this-- wait, go back. I'm sorry. So when it says direct refunds on investment, what does that-- they get a check? It's not a credit?

GLEN WHITE: They do not get a check.

LINEHAN: OK.

GLEN WHITE: They have to apply that to either income tax, sales tax. Yeah.

LINEHAN: So it has to be-- it makes their tax liability go away, part of their tax liability.

GLEN WHITE: Yes. And, and I'm sorry, direct refunds are sales tax.

LINEHAN: OK.

GLEN WHITE: Yeah.

LINEHAN: OK, sales tax.

GLEN WHITE: So, yeah, so these are, these are taxes that they paid on qualified property.

LINEHAN: OK. I understand that. Got it. OK. So they do get a check back?

GLEN WHITE: Yes.

LINEHAN: OK. Thank you. But it's taxes they paid.

GLEN WHITE: Yes, it's not refundable.

LINEHAN: OK.

GLEN WHITE: And as you can see from this chart, most of the money is paid out on sales tax. So half the money is paid out through the sales tax program. And then--

LINEHAN: And is this-- I'm sorry, is this total on sales tax, is that just the state sales tax? Because they'd also, if they were in Omaha, they'd get the city sales tax back, too, right?

KOLTERMAN: Yes, they do.

GLEN WHITE: I believe this is what-- yeah, this is everything.

LINEHAN: This is everything, OK.

GLEN WHITE: Yep.

KOLTERMAN: That's, that's why we give them time to pay that back.

LINEHAN: Right, right. OK.

TONY FULTON: Senator Stinner, your question on property taxes is on that slide now.

GLEN WHITE: That's the personal property taxes exempted. We had to estimate that. So we took an average. I think we took an average of, of the rate, right, the levy? Yeah, we took an average levy and then we came up with this number just for this, this, this presentation so you can see kind of in the, in the grand scheme of things, what kind of benefit they're getting on their personal property.

LINEHAN: But again, it's only on personal property; it's not on real property.

GLEN WHITE: So unlike ImagiNE, Advantage does have real property credit. So you can use credits to get back your real property taxes in tier six.

TONY FULTON: And it's just your sixth year. Yeah, so--

GLEN WHITE: And I don't see that in this-- oh, there it is, right there--

KOLTERMAN: One percent.

GLEN WHITE: One percent? So real properties is at 1 percent.

LINEHAN: OK.

GLEN WHITE: That-- and that's a-- that's paid by the state. The--

LINEHAN: Not by the county or the school district?

GLEN WHITE: Right, so the personal property is paid by the local jurisdiction. Right?

TONY FULTON: Yeah, it's exempted.

GLEN WHITE: Yeah. So that property is exempted. The local jurisdiction pays that.

LINEHAN: OK.

GLEN WHITE: The real property, the 1 percent, the state pays that.

LINEHAN: OK. Senator Friesen.

FRIESEN: So when we talk about tax rates and corporate taxes, and technically is it possible that you could have a company located in Nebraska that has a negative effective tax rate?

GLEN WHITE: Yes.

FRIESEN: OK.

GLEN WHITE: It is possible.

FRIESEN: Just through the process of where they can apply these tax credits--

GLEN WHITE: Yep, because of the withholding. Yep.

FRIESEN: So even though you may not pay enough income taxes through withholding, you could actually achieve negative effective tax.

GLEN WHITE: Yeah. So if you're getting 100 percent of your-- it's possible. It's-- not sure how likely it is, but it's possible.

FRIESEN: Yeah, it's possible.

GLEN WHITE: Yeah. And ImagiNE probably is, is more so than Advantage because ImagiNE has other avenues, like the revolving loan fund, you know, the, the daycare benefit, recruiting benefit and those things where it goes beyond the taxes that you're able to use credits for. Yeah-- oh, and the training too. Advantage only has, has the withholding.

LINEHAN: Thank you, Senator Friesen. Anybody else?

ERDMAN: Senator Linehan, this is Erdman. Can you hear me?

LINEHAN: Yes, sir.

ERDMAN: I, I have a question. First of all, I appreciate what Senator Stinner said about knowing what credits are coming our way when we're in a deficit. I think Senator Dorn also spoke to the $847 (million) outstanding. And I had to ask the question if the Forecasting Board takes into consideration what's outstanding there, because the state doesn't have to write a check so we don't have to approve that $847 million, so the question is, is it possible that if those corporations all lined up, they could take that all, all of the $847 million in one year?

GLEN WHITE: No, I don't believe that's possible, simply because the, the-- there's not enough taxes in order to do the the 140. On an individual basis, there's just not enough-- mathematically, there's not enough taxes to do it in one year.

LINEHAN: Does that make--

ERDMAN: So what is the total, what is the total obligation? What's the maximum they could claim?

GLEN WHITE: So what's the total yearly obligation of, of qualified projects on average? I suppose we could look at-- I don't know what that would be.

LINEHAN: I think that's what, Chairman Stinner, to your point--

ERDMAN: Well, I that's-- I think there's a-- I think it's important we know what that number is.

GLEN WHITE: OK.

LINEHAN: That's what you were asking, right? Then, Senator Erdman, if I understood you, your first question-- you had another question. The first question you asked-- there was, like, two questions.

ERDMAN: Well, my, my question is, on that $847 (million) that's earned but not collected, could they take it all that one year? His answer was no, and he gave a vague answer as to what the total possibly could be, the maximum amount. We need to know what that is.

LINEHAN: Yes. And I also-- I think you asked-- and this is what I wanted to get answered because I think I know, but ask the Department of Revenue-- when the Forecasting Board looks at forecasts, they, they look at what incentives are outstanding, right?

GLEN WHITE: I believe so.

ERDMAN: They-- I don't think they do.

LINEHAN: No, they do. They do. It's part-- because it's part of their presentation.

GLEN WHITE: Yeah.

LINEHAN: OK. Other questions from the committee? OK, continue.

GLEN WHITE: Thank you. This is benefits approved by industry, and this just tells you that some industries we had to combine in those kinds of things in order to adhere to the Pub. 1075 confidentiality provisions. We have eight industry groups reported this year. And this is manufacturing. And then, Senator Kauth, you had mentioned new jobs, estimated new jobs, wages of new jobs. This gives you more of a-- by manufacturing. And this is for-- the, the year and a half is the first column. That's that period that we're in now. And then you see the cumulative right there? And then this is non-manufacturing, and you can see that this is a bit higher than manufacturing. You see that there's a number of reported new jobs. Kind of curious as to see-- so you have-- for cumulative, you have 11,000 reported new jobs for manufacturing, and then here you have 16,000. Any questions on those two sides? And this is, this is project specific and I did kind of-- that is on page, let's see-- and this is another page that is-- can be pretty informative for some, at least some people like to look at it just to see which, which businesses are claiming the lion's share of the money. And that's page 36 on the report.

LINEHAN: OK.

GLEN WHITE: And then it kind of goes into the different reporting on the types of property exempted-- personal property exempted. Then it goes into some of the active signed agreements that we have. And then we have a provision in the, in the report that goes through and compares our, our program to the other programs in other states. And so of the 429 companies that has provided our reporting, we have 207 that are qualified projects and, and 227 that have not requested the qualification on it. And we kind of warn folks that the self-reported amounts are estimates a lot of times. Sometimes the companies will just report the minimum of the tier that they're in.

HOAPHU TRAN: [INAUDIBLE]

HOAPHU TRAN: Right. And I'm going to hand this off to HoaPhu--

LINEHAN: OK.

GLEN WHITE: --who is going to go through the next few slides. Do you want this at all?

__________________: No. [INAUDIBLE]

STINNER: Let me ask a few questions.

LINEHAN: Oh, yes. Senator-- Chairman Stinner has a--

GLEN WHITE: Oh, I'm sorry.

STINNER: I'm going to try to respond a little bit to Senator Erdman, and maybe you can comment on this. Now, if I look at the chart on refunds and credit utilized under the Nebraska Advantage Act, over the last couple of years, it was a little over $50-- maybe $60 million. And then, of course, we had the big spike at $304 million.

GLEN WHITE: Yeah.

STINNER: And then, of course, the ramp down of LB775 is now a little bit below, below $20 (million).

GLEN WHITE: Yeah.

STINNER: So that's ramping out and going down. Nebraska Advantage Act obviously had the big spike. Obviously, that was somebody really big claiming their credits. So hopefully that's off the board. And then is that accounted for in your total of $845 (million)? I presumed it is.

GLEN WHITE: It is, yes.

STINNER: OK. So if I, if I look at that and also the ramp-up of ImagiNE Nebraska Act, we're going to be probably sitting on an average of about $100 million of tax credits over a period of time. And that's something we could probably contemplate in, in our budgeting process, knowing full well that there's probably a spike-up somewhere in that for other larger folks coming in. So would that be a-- maybe HoaPhu could answer that a little bit better because I think we're using $100-120 (million) as refunds in our forecasting.

__________________: For sales taxes.

STINNER: For sales tax, you're right, direct [INAUDIBLE]

GLEN WHITE: Yeah, I was going to say that's a little lean for the program-- for the two programs together, all-- yeah.

STINNER: OK.

GLEN WHITE: Yeah.

STINNER: OK.

GLEN WHITE: Yeah.

STINNER: And then obviously then we've got the income side of things from the corporate income tax side. And individual income tax are also impacted through your LLCs and pass-throughs.

GLEN WHITE: Yeah.

STINNER: So hopefully we've contemplated that chunk, as well, in our forecasting, so that would then take you well above-- that would probably take in that $200 (million) area, wouldn't it?

GLEN WHITE: Yeah.

STINNER: OK. So if I take the $200 (million) and how much of that would be in Nebraska Advantage Act and divide that by $800 (million), about ten years of $80 million coming out of the Nebraska Advantage Act would dissipate that. And obviously then we cap with a 3 percent cap on growth-- I believe it's gross revenue. Somebody said appropriations. I thought it was gross revenue, but, like, things were fluid at that time in the revenue, so I'm not sure what that is.

LINEHAN: I think it's 3 percent gross revenue.

STINNER: So if, if gross revenue in ten years is $10 million, obviously that 3 percent would be a $300 million potential allocation on an annual basis to the ImagiNE Nebraska.

GLEN WHITE: Yes.

STINNER: OK. So we do have some protection, I guess, in ImagiNE Nebraska. We have a ramp-up period that was supposed to allow for this 300 to come through, or some of the Nebraska Advantage to come through, and then a ramp-up period and then a cap on gross revenue--

GLEN WHITE: On ImagiNE, yeah.

STINNER: --in order not to have a real budget spike because imagiNE Nebraska pays off quick.

GLEN WHITE: It does, yes.

STINNER: We won't have those tails.

GLEN WHITE: Right.

STINNER: Does that make sense? I don't know if that makes sense to Senator Erdman, but I, I just wanted to kind of tease out the fact that, first of all, we're in forecasting, we use the sales tax, we have the income tax. We're around 200 million impact on an annual basis as we look forward, and then we try to figure out what the fiscal impact of Advantage Nebraska is going to be on an annual basis with the ramp-up and the 3 percent limitation on, on ImagiNE. So I'm not sure that answers any of the questions, but that's kind of how it's supposed to work. Now, it isn't kind of how it's-- probably it does work that way.

GLEN WHITE: Well, I'll hand it off to HoaPhu.

KAUTH: I have a question.

LINEHAN: Oh, wait a minute. Senator Kauth.

GLEN WHITE: Oh, I'm sorry. Yep.

KAUTH: So on the-- page 37 of that report, the lists of all the tax credits that have been used, and that's January 1 of 2020 through June 30 of 2022. There's one that has-- it's $192 million in tax credits. Is that correct in that short of amount of period? That's significantly higher than any of the other-- I'm just wondering, what, what would account for that much of a tax credit?

GLEN WHITE: Is this Raven?

KAUTH: Yes, Raven.

GLEN WHITE: OK. Yeah, Raven at Northbrook. I don't know what [INAUDIBLE]. Yeah, it's sales, income-- yeah, that was a refund. I don't know how, how specific-- I mean-- Rave-- is there articles about Raven? Yeah, I-- if you, if you were to Google Raven Northbrook, you'd understand why.

LINEHAN: Because it's Facebook?

GLEN WHITE: OK, there you go.

KAUTH: But I'm just wondering what went--

GLEN WHITE: So--

KAUTH: --into $192 million tax credits. What made that up? And to Senator Stinner's point, will we see spikes like that again that are going to affect--

GLEN WHITE: Yes.

KAUTH: --from any other companies as well?

GLEN WHITE: Yes, you will see that.

LINEHAN: So my recollection is fuzzy here, but didn't we have, like, $300-and-some million in sales tax credits in the last fiscal year?

GLEN WHITE: You-- we had $303 million and we're-- you're talking about in--

LINEHAN: Three hundred million.

GLEN WHITE: --direct sales tax refund. And what I was explaining before was, is that when you have that ramp-up period, or in Advantage it's an attainment period, you have three or four years for these companies to stack up all these.

KAUTH: So that's more than likely an accrual, so-- OK.

GLEN WHITE: Yeah, it's an accrual that then, all of a sudden, there it goes. And so if you're a data center, for example, you're a data-- for example, you buy, you know, hundreds of millions of dollars' worth of servers, you put them in your, in your server warehouse in Sarpy County or wherever they might be, and then for three years, you're, you're adding all that up. And then all of a sudden, you're sending it to us for a refund and then you get a massive direct refund of, you know, here we have a $300 million direct refund, which completely eclipses the $60 million.

KAUTH: Right. So, so the Forecast Board would be taking into account--

LINEHAN: Oh, yeah.

KAUTH: --the data centers going in, we know in three or four years, we're going to have a huge spike.

GLEN WHITE: Yes. Right, you can predict that, yeah, because we know when those applications come in, when--

KAUTH: Right.

GLEN WHITE: --here they are. It's pretty public. The Governor's there with the [INAUDIBLE]

LINEHAN: And the good news is, even with $304 million in refunds, we were still up in sales tax.

GLEN WHITE: Yeah, it just-- and it just so happens that a lot of times when we're seeing a lot of money coming in, especially on corporate, the companies have a lot of tax liability. And so we'll also see spikes in the usage of credits in those circumstances, not because they're earning more credits or anything, but because they have more availability to use them.

LINEHAN: I think I saw a hand over here. Did I see a hand over here? OK. Chairman Stinner.

STINNER: I have one more question for you, and maybe, maybe you have a feel for this, maybe you don't, but as we approach tax season coming up, I think all of us are now doing our tax planning. And if you haven't watched, the stock market is down, the bond market is down. All the asset groups except for the dollar is up. But do you contemplate a lot of tax selling and how that's going to impact on revenue as you move forward? I presume Fiscal-- or the Forecasting Board talked about it, but could we have a material decrease due to refunds, due to tax planning, due to-- and I know that-- for a fact that mutual funds right now are starting to sell down, starting to make sure that they are in the appropriate position tax wise. So have you thought about that and did-- was that related to the Forecasting Board?

GLEN WHITE: So I've thought about that, but HoaPhu is the one who actually is very competent--

STINNER: He had the computer, right? OK.

GLEN WHITE: --to answer that question.

STINNER: Well, the tax planning thing, I think, is something we haven't heard about, at least on TV. But I think it's going to have a material impact as we move forward simply because all the asset classes are down.

GLEN WHITE: Yeah. And, you know, he'll-- HoaPhu can explain sort of what he anticipates as far as, you know, capital gains and those kinds of things. But that's kind of what you're seeing in the spikes is you see a lot of people taking, taking their gains and because they see the losses coming.

STINNER: A lot of people are taking their losses.

GLEN WHITE: Right. Yeah, right. And that goes the other direction.

STINNER: Tax harvesting.

GLEN WHITE: Yeah. Well--

STINNER: And you-- Clements can give the example of his tax harvesting.

GLEN WHITE: Well, some people try to reset their, their base, right, at 30 days. They use the 30 days to reset the, reset their base, but Tony Fulton kind of caught me on that one. Are we ready for HoaPhu?

LINEHAN: Thank you very much. Are we done? I mean, thank you. You've been very helpful. That's praying, right, there we're done?

McDONNELL: Yeah, let's pray. Let's [INAUDIBLE]

HOAPHU TRAN: All right.

LINEHAN: Just a second.

HOAPHU TRAN: Oh, sorry.

TAMARA HUNT: It's, it's-- so the next. Yeah.

HOAPHU TRAN: Oh, we're not leaving.

STINNER: Staying.

LINEHAN: Oh, OK. OK. Never mind. I thought we had a break. Good morning.

HOAPHU TRAN: All right. My name is HoaPhu Tran, H-o-a-P-h-u, last name, Tran, T-r-a-n. I am just here to present two slides. Go the previous slide. So this is kind of a-- get into the economics a little bit about how--

LINEHAN: I'm sorry, HoaPhu, what side did you go to there?

HOAPHU TRAN: I am slide-- on 26.

KOLTERMAN: On page 9.

DORN: Page 26, or-- or the chart 26, page 9.

LINEHAN: OK. All right, thank you.

HOAPHU TRAN: So, so this slide, basically-- so as we all know, tax incentives were designed to kind of help economic growth and in the incentive program, this kind of affect state tax revenue. And here we just talking about state tax revenue. We're not talking about income and-- which is the benefit of the tax incentive program. But on the state tax revenue side, we see basically two impact. One is the positive impact because of-- you have more investment, more hiring. That's increased, you know, spending, wage, whatever the case might be, for those new hire people due to the tax incentive. All right? So you get the increased economic activity. The second effect is the negative impact, which is the direct forgone of tax revenue that the state has given to those specific company to create a particular job or make a particular investment. So those are the forgone tax revenue. So the net impact of the state is positive or negative, depending on how those two factor play out. So at the department, we have utilized what we call a computable general equilibrium model, which is kind of a dynamic impact that take into account the company, household, and all the sector of the economy. Example is, if you have a company A that's hired a lot of people due to they have this tax incentive program, tax incentive, you can think of it as technically a lower cost of capital and labor, right, compared to other group of people. So when you have a lower cost for capital or labor, you tend to hire more people, make investment. When you hire those people or buy more material for investing, or maybe you pay those construction or buy those materials from company B, but company B technically don't really get an incentive other than just the overflow of-- from company A increase in economic activity. So you get some spillover effect from company B. That get captured into this, what we call a general equilibrium model. So it's kind of feedback, economic theory here. So doing that, we will get what we call the revenue-- and work here-- it's the revenue created by tax incentive credit for this-- let's look at the fiscal year 2020 here. To get to those $122 million in revenue generated by the incentive tax credit, we basically project how much taxpayers use in direct refund and those are basically the amount that lower the capital investment by, right? So when you have a lower cost, you hire more people. But then at the cost of $213 million, roughly, for those direct [INAUDIBLE] on the tax revenue. So the total gain for the state will be the revenue generated by the incentive tax credit minus the direct cost that's foregone by giving those companies the tax incentive. So you get the negative $93 million for [INAUDIBLE] fiscal year. And then how you read this company estimated new job qualifying tax credit, so you see-- let's say fiscal year '23 here, you see 4,582. That's kind of our projection of how much-- how many new employee the company will claim-- use to claim the credit. So basically they're saying, due to this credit, we hire 4,582 new employee. Well, as we know, the economy grow with or without incentive, right? So part of that 4,582 basically will get created anyway just because, you know, you get more demand, you get more people buying your stuff, you need to upscale so you need to hire people. And the net-- so we took another step which is coming out from the, the trend model. That's what we used to generate this 2,064 job direct-- that we think are the direct result of this incen-- tax incentive program. So you will always see this estimated net job increase due to the tax incentive program, kind of a smaller than what the company is using for credit. And there was a question earlier on will we ever see a positive back to the state on an annual basis? Based on this table, I would say no, so.

LINEHAN: Senator Briese.

BRIESE: Should a well-designed program show a positive?

HOAPHU TRAN: See, my-- this presentation is basically directly tied to state revenue. We use state tax, collect more when you collect tax, but that's debatable. But, but the help that-- I think I want to say that state is not in the business of maximizing profit. We are maximizing people's welfare. So as long as-- this incentive program will have those making more money, right? Those-- more people get jobs, personal income increase, standard of living increase. So if you look from that sense, it's positive. But from a cash-- direct accounting, I believe that this table doesn't show that.

BRIESE: And thank--

LINEHAN: Go ahead.

BRIESE: And thank you for your testimony here today. But is a similar analysis-- or do they do this analysis in other states' programs or relative to other states' programs, that you know of, you're aware of?

HOAPHU TRAN: Some do. I think Oregon does.

BRIESE: And do you know their-- do they come up with a positive number by chance or--

HOAPHU TRAN: No, I don't recall what they have.

BRIESE: And if we come up with a negative number here, could we characterize this more as a subsidy, as an incentive?

HOAPHU TRAN: We subsidize to incentivize those companies to hire people, right, so.

BRIESE: OK. Well, thank you very much.

LINEHAN: Thank you, Senator Briese. Other questions? Yes, Senator Clements.

CLEMENTS: Thank you, Chairman Linehan. Thank you, Mr. Tran. I am also looking at the revenue losses increasing on-- you know, to $207 million in the last year. And the Advantage Act is rolling off, but I would have thought that we would be having increased revenue. But I see the job-- estimated job increase is just year by year. Wouldn't we continue to have those employees from the previous years and contributing to our revenues?

HOAPHU TRAN: Yes, but after the attainment period, those jobs-- so you're gonna-- yeah, so-- so you mentioned this table. So the incentive program end-- you know, we, we don't accept anymore applications. So the investment due to the incentive gets declined. But the economy will still grow. Some of those [INAUDIBLE] that carry over. But at the same time, if you get more and more jobs down the line when the said program is done, looks at contributing not to incentive anymore, but those are technically contributing to the growth of the economy in general.

CLEMENTS: This is really looking at year by year--

HOAPHU TRAN: Yes, this is year by year.

CLEMENTS: --rather than--

HOAPHU TRAN: Yes, it is a fixed point.

CLEMENTS: The previous jobs created aren't really being credited to the--

HOAPHU TRAN: Yes.

CLEMENTS: --the following years.

HOAPHU TRAN: It's a fixed--

CLEMENTS: All right.

HOAPHU TRAN: --stacking. Yes.

CLEMENTS: All right. That, that does help explain that. Thank you.

LINEHAN: Thank you, Senator Clements. Other questions from the committee? Seeing none, go ahead.

HOAPHU TRAN: Thank you. And I think the rest of this [INAUDIBLE]--

LINEHAN: Welcome back.

GLEN WHITE: Thank you. Glen White. Do I have to do the--

LINEHAN: Does he need to say his name again?

GLEN WHITE: I'm OK?

LINEHAN: Yes.

GLEN WHITE: OK. So this is sort of the-- these are miscellaneous programs. This is also in the, in the report that we do for Nebraska Advantage. So this is the Rural Development Act basically has the livestock modernization, as well as then level one, level two projects, which is mostly limited to counties of-- smaller counties and, and certain villages and, and, and census tracts. I won't get into too much about where these are at. As you can see, they have $1 million for the level one, level two, and then $10 million for the livestock modernization. You can kind of see some of the benefits there. So you can get a maximum of $150,000 for a livestock project, and its earned based on 10 percent on the investment. And then for level one, level two, you get so much money per FTE and then $2,750 per increment of $50,000. And then we spent-- we, this last period, we spent one and a half million dollars on this particular program. And here is more of the same. Oh, whoops they're in the wrong way. And this is-- let's see, I may have skipped one. And then this is the Microenterprise Act. The Legislature modified this program here, I think, last year. Was it last year?

LINEHAN: '21, I think.

GLEN WHITE: Yeah, 2021.

LINEHAN: In '21.

GLEN WHITE: Yeah. And so before it was at-- the benefits were $10,000 per person per business that applied for this, now it's $20,000. And the limitation is $2 million. If you look at the history on this, you'll see that over time we've had less and less money go out on the program. And a lot of that is because we have this late-- related provision in here where if I were to apply, my brother couldn't also apply. So if I get the $10,000 then my brother can't get the $10,000. And we still do have-- related folks still can't get the money.

LINEHAN: Wait a minute, I thought we changed that.

GLEN WHITE: You did. You-- you still have limitations, though. But it's not like it was before.

LINEHAN: OK.

GLEN WHITE: It's a narrower group of folks that can't get the benefits, isn't that right? Yeah. So that's why we're seeing a little bit of a, of an increase in the folks taking it. And this program is-- on the report, this program is on page 65 and 67. And the way this works is that only-- it's only relevant with regard to businesses that have five or fewer equivalent employees at the time you apply. And there aren't very many limitations on the type of businesses that can apply for this. And then this is the new, the new amounts. So it's 20-- so it's 20 percent of your increased employment. And then the lifetime limit is $20,000. This was LB366 that changed it. And in the Research and Development Act, and basically you have-- we allow a percentage of the federal credit and then we give enan-- enhanced credit for research and development that is done on a university location. I think this is $13 million. So you can see here we have 15 percent or-- of the federal credit for the folks that are off the university and then we have the 35 percent for the research that's done on the university.

LINEHAN: Was this a carryover from Nebraska Advantage? I mean, why is it called Nebraska Advantage Research and Development Act?

GLEN WHITE: It was part of Nebraska Advantage, wasn't it?

LINEHAN: Originally.

GLEN WHITE: Yeah, passed in the same bill.

LINEHAN: So then we re--

GLEN WHITE: It, it, it does sunset this year, December 31, right? Yeah, for folks to start on, on the, on the program.

LINEHAN: OK.

GLEN WHITE: And this is the-- and this is for LB775, and this is on page, page 77 of the report. And this is the total capital investment of $25 billion, direct refunds of $876 million. And you see the credits, we kind of talked about these are credits recaptured. [INAUDIBLE]. When I did the math, it was 460-something, but--

LINEHAN: So credits earned were $2.8 billion, but credits used was $2.3 billion?

GLEN WHITE: Yes.

LINEHAN: OK.

GLEN WHITE: Yeah. And then you've got the credits that were recaptured or expired.

LINEHAN: OK.

GLEN WHITE: And so the outstanding credits is $109 million. And then for the appropriations and the-- when you set, when we set the, the budget, you really only have-- that's your exposure, the 109. So a lot of those could get, you know, could expire or maybe they could get used in the next year. [INAUDIBLE]. Yeah. So we could have extensions out and stuff, so we could still have--

____________: The caller has left the conference.

GLEN WHITE: And then Invest Nebraska. This was-- this sunsetted in 2002 and 2005. So part of it sunsetted in 2002 and the other part sunsetted in 2005. Any questions?

LINEHAN: Are there any questions from the committee? I don't see any.

GLEN WHITE: Perfect. OK, thank you.

LINEHAN: Thank you very much. Thank you for being here.

____________: The caller has joined the conference.

LINEHAN: So who's doing the tax expenditure report? Welcome back, Commissioner. He already signed in once. Yeah, he already signed in once.

TONY FULTON: Thank you.

LINEHAN: You're welcome. But thank you too for paying attention, so we have-- following the rules.

TONY FULTON: I will give these to you. In the interest of time, I'm going to introduce myself, what we're doing, and then I'm going to hand it off. Chairman Stinner, Chairwoman Linehan, members of the Appropriations and Revenue Committee, my name is Tony Fulton, T-o-n-y F-u-l-t-o-n, and I serve as Nebraska's Tax Commissioner, representing to you the interim tax expenditure reports that you would have received on October 31. I'm just going to shut it off there. If you have any specific questions for me, because I'm in handed over to Dr. Tran. He'll cover the tax expenditures. I will say that I have always hated the word "expenditure" because I approach taxation and politics in a more conservative bent, and I don't think these are expenditures. But that is a statutory term. A tax expenditure is that amount that has been foregone because of some exemption or other benefit to a taxpayer.

LINEHAN: And there's exemptions and things that we've never taxed. What do we call those, exclusions?

TONY FULTON: I think we still call them exemptions, but--

LINEHAN: OK. All right.

HOAPHU TRAN: All right, I'm gonna make this quick and sweet and-- my name is HoaPhu Tran. Again, it's H-o-a-P-h-u, last name Tran, T-r-a-n. I'm here to present the tax expending report. This is the four-year tax expense report. But before I do that, can I-- slight off-topically? But I forgot to address your question on the capital gain last time. Is it OK to do it now?

LINEHAN: Sure, you can do.

HOAPHU TRAN: So, so in the forecast we actually account for the capital gain. Usually in late October we get the IRS data which lists out how much capital gain was claimed in 2021, taxed in '21. Unfortunately, we don't have that file yet this year, the IRS is delaying their data sending to us. However, when we analyzed the data, tax year 2022, we have roughly about $3 billion in capital gain realization up to August of that particular year. We've been talking to some other states and that have the capital gain on their state return, and they are showing roughly about 65 to 70 percent higher. That's not including [INAUDIBLE] return, so the extensions are not in yet. So looking up to that point, you're looking at 65 or 70 percent increase in capital gain for tax year '21. That translates into roughly about $2 billion in capital gains realization in '21. That's pushed up our individual income tax roughly $140 million roughly, given 6.84 tax rate. Going into tax year 2022, which people will file next year, we don't expect capital gains to be that strong. We actually call for a reduction in that stance when we do the forecast back in October. So that's why you see some of that forecast number a little bit lower. So but, but we don't have anything that-- backing up that number quite yet, but [INAUDIBLE] talking to other states so. All right, back to our tax expense report. So the outline here, we will go over just briefly some of the topics that we cover, define some of the terms, sales tax basic and then just talk about [INAUDIBLE] data source and then do some of the estimate of the fiscal impact, the major component. In this particular report, I will only-- presentation, I will only cover section A and B, which is the sales and income tax, which is the largest two components of General Fund revenue. So the purpose of this report is to provide some method for the Legislature to better determine the sectors of the economy which are receiving indirect subsidies as a result of the tax expenditure. When we have a tax exemption or tax expenditure, that technically kind of makes them narrow the base of the tax, which sometimes force a higher tax rate on the remaining component of the tax base. So the full report is published by since 1979 and then just switched to an even year number in '92. Usually we only do one every two years, but now that's in the odd number year we have to do a smaller section of the report, which is outlined by this cycle. So this year we do the full report; '23 we do consumer goods, energy and food; '24, the full report again; and then '25, we do a subsection of sales tax, the recent sale tax exemption, services purchased for nonbusiness use and telecommunication. And then every four years, the cycle kind of repeats itself. This is all the section in the report with submitted and on our website. But again, we will only do A and B for this particular presentation. So sales tax basis. So Nebraska Revenue Act of 1967 basically enacted income tax and sales tax to replace the statewide property tax. Many of the exemptions from 1967 remain intact today, so the sales tax is basically 5.5 percent on all tangible property, personal property, some retail, intellectual entertainment property, admissions, warranties, selling or providing certain type of services. So the type of the exemption, the tax exemption can be-- depend on who the seller are. This is like the school group, youth support group and things like that of that nature or the item is being sold, like for food for home consumption, prescription drug. Those are just depend on the type of good. And then the exemption can also be on the buyer, the government, the school, the church--

____________: The caller--

ERDMAN: Steve Erdman.

____________: --has left the conference.

HOAPHU TRAN: --government, schools and churches that don't get tax exemption based on who they are, and then the intended use for the particular item like manufacturing machinery, ag machinery, things like that. Those are all exempt. A quick note on how we do the estimation. Again, estimating all this is-- the accuracy of this is highly depend on the available data source. In some case, there's no data available to calculate an estimate. We look at other states, how they are doing this, and then, you know, we talk to each other and then we, we find how they're doing it and then borrow their idea from time to time. And the key here is estimates are static, not dynamic. Meaning we just pick whatever we think the consumption is and apply the tax rate. Keep in mind that when we exempt something or tax something, that changes the price, and the price would change behavior. That it's not accounted for in this, all this estimate. And then some of the category I need-- overlap with each other and they're independent, so I caution again [INAUDIBLE] all of these numbers. And all of this is estimate of fiscal year '21-22, unless otherwise noted. So some type of exemption here, we have the first one I listed. Agricultural machinery and equipment come in about roughly $262 million; agricultural chemical, $150 million exemptions; seed sold to commercial producers, $88 million; water for irrigation and manufacturing, $30 million; animal life for human consumption, $1.17 billion; grain for animal feed, $360 million; motor vehicle, motorboat trade-in, $66 million.

LINEHAN: It's just on trade-ins?

HOAPHU TRAN: Yeah, just on the trade-ins. Yes, yes. Certain medical equipment and medicine, $247 million. Again, this, this go back to where we say, you know, tax-- all these numbers are static, meaning so you can't tax whatever is paid by Medicare, which is including that four-- [INAUDIBLE] million. Motor fuels, $268 million; energy used in industry, $158 million; energy used in agriculture, $87 million; mineral oil and gas, $10 million; food or food ingredients, $265 million; manufacturing machinery and equipment, $128 million; containers, about 61; room rental by certain institutions like colleges, university, dormitory, things like that, $122 million; purchased by political subdivision of the state, $213 million; purchased by church and nonprofit college, medical facility, $237. Some services exemption: Legal service, $95 million, that includes both legal service purchased by individual and businesses. There is no data source that we can break them out. Pet-related services, $24 million; other related service 49; and professional services, about $382 million. Some of the recent sale tax exemption, which it passed a couple of years ago. Net Wrap was new last year, coming about $0.4 million; residential water services, about $8 million. So that's what I have for the sales tax. Now, if I just briefly cover some of the income tax exemption here. So Nebraska income tax for the steel--

LINEHAN: Can I, can we stop you on the sales tax and see if anybody has any questions?

HOAPHU TRAN: Yes.

LINEHAN: Any have any questions on the sales tax? Thank you. No questions.

HOAPHU TRAN: On the individual income tax [INAUDIBLE] tax, we have four brackets going from 2.46 percent to 6.84 percent for 2022. The rate will-- top rate will decline on from '23 on to whatever is in the record, I think 0.2 percent every year. Corporation income tax rate for '22 still 5.58 percent on the first $100,000 of taxable income at 7.5. Anything above that. Some of the income tax expenditure. The standard deduction come in at about 900-- $590 million. The estimate here assumed that if, you know, if there is no standard deduction, then the taxpayer will not get any deduction, no standard deduction, no itemized deduction. Both of that are zero for this particular calculation. Nebraska itemized deductions, that's coming about $80 million. And again this assuming that everybody who is currently taking, taking itemized deductions will switch to standard deduction, not zero. So that's coming about $80 million; Social Security, about $51 million, that's subtracted about 40 percent for this tax year '22. If their federal AGI is below $61,760 for married and filing joint, or $45,790 for other. If their AGI is less than that, they'll get all exempt. So there's two component in there. Dividends and capital gains deduction, $25 million; military retirement income, 18; non-Nebraska S corporation and LLC, $53 million; refundable Earned Income Tax Credit, $33 million; Nebraska Personal Exemption Credit, so this is $146 per exemption for tax year '22, coming about $217 million; and then Nebraska Property Tax Refundable Credit for tax year '22, we put them at 548, which is the limit on the statute. And that's all I have.

LINEHAN: Are there questions? Seeing none.

HOAPHU TRAN: All right, perfect.

LINEHAN: Thank you.

HOAPHU TRAN: Thank you.

LINEHAN: Thank you. Does that bring the hearing to a close? That brings this hearing to a close, and then can we have a break here?

STINNER: We can have a break. Let's take a 15 minute break.

LINEHAN: OK, that's good. Yep. Yep.