

## **LB 1124, LB 270, as amended Qualified Activity Reported in 2004**

A separate application process is not required for this incentive program. The number of credits earned, jobs created, and investment made is reported by the filing a Nebraska Employment and Investment Credit Computation, Form 3800N, with a tax return. In order to earn credits, a company must be in a qualifying business and within the taxable year have an increase of \$75,000 in qualifying investment and two new full-time equivalent employees. For five years after the initial year of qualification, the business may receive additional credits for new employees without any additional investment.

This report includes 1996 through 2003 tax returns processed during 2004. A total of 1,364 separate businesses have filed for benefits under LB 1124 through 2004.

In 2004, the department approved 215 returns from businesses, 81 of which reported new investment made and/or employees hired. These 81 returns reflected the following:

- Net new investment of \$93,793,170
- New full-time jobs of 559
- Credits of \$2,022,370, excluding the Enterprise Zone credits

Seventy-seven returns processed in 2004 showed maintenance of past levels of employment and investment. If a taxpayer fails to maintain the required levels of investment and employment for at least two years after the year for which the credit was first allowed, part of the used and unused credits are subject to recapture. During the subsequent two years, the taxpayer must repay to the state one-third of the amount of the credit subject to recapture for each year that the taxpayer did not maintain the required levels. Fifty-seven returns processed in 2004 reported recapture of past credits.

Credits may be carried over and used for the five immediately succeeding taxable years. Any credit carryover remaining at the end of the fifth year expires.

### **Legislative Change:**

LB 608 was passed during the 2003 legislative session. LB 608 changed the provisions of the Employment Expansion and Investment Incentive Act, the Act. The provisions of the Act, as described at the top of this page, are effective for tax years before 2004. For tax years beginning on or after January 1, 2004, the provisions of LB 608 must be met in order to earn credits under the Act.

A company which created credits in tax years before 2004 may use these credits during its five year carryover period. The company must file to show maintenance of the required investment and employment levels for two years.