

## Common Adjustments Identified for Nebraska Advantage Act Audits

The purpose of this form is to identify the most common adjustments made by DOR auditors in audits related to Incentive benefits. If you perform a self-audit and make corrections for the following items, then the qualified company may receive benefits sooner.

<b>Investment</b>	
<b>Topic</b>	<b>Proper Treatment</b>
Assets placed in service prior to application date	<p>Excluded from investment See <a href="#">Revenue Ruling 29-05-5 Time of Investment</a></p> <ul style="list-style-type: none"> <li>• Not based on date capitalized, but date ready and available for use</li> </ul>
Sales and use taxes paid	<p>Excluded from investment See Revenue Ruling 29-05-01 Sales or Use Tax Paid Is Not Part of Investment</p> <ul style="list-style-type: none"> <li>• Tangible personal property: Sales tax properly paid to vendor or use tax properly remitted</li> <li>• Property incorporated into real estate: [Contract price X 50%/(1 + tax rate)] X tax rate X taxed percentage See <a href="#">Form 312C</a></li> <li>• Property annexed to real estate: [Contract price X Materials percentage/(1 + tax rate)] X tax rate X taxed percentage See Form 312C</li> </ul> <p>For Tier 1, the 50% of the tax that is not allowable for direct refund can be included in investment.</p>
Lease of qualified property	<p>Included in investment in the year the applicant gains control of the property under the lease. See Revenue Ruling 29-05-5 Time of Investment</p> <ul style="list-style-type: none"> <li>• Operating lease: Include entire value in year the lease starts. <ul style="list-style-type: none"> <li>o Value is average net annual rent multiplied by the number of years of the lease for which the taxpayer was originally bound, not to exceed 10 years</li> </ul> </li> <li>• Related party lease: Include at cost to property owner and disregard value of the lease <ul style="list-style-type: none"> <li>o Property is valued as though the project holder owned property</li> <li>o Lease payments must have been made</li> </ul> </li> <li>• Capital lease: Include based on cost of asset instead of using lease payments</li> </ul>
Software	<p>Include if software is located at the project and meets the definition of tangible personal property. Complete the <a href="#">Software Cover Sheet</a> for all software placed in service during the attainment and entitlement period.</p>
Cumulative Investment	<p>Cumulative investment determines whether project has met or maintained investment level</p> <ul style="list-style-type: none"> <li>• Sum of the value of all qualified property placed in service after application, still in use at the project at the end of each year <ul style="list-style-type: none"> <li>o Deduct retirements of qualified property</li> <li>o Deduct value of leases no longer in effect <ul style="list-style-type: none"> <li>■ Cancelled or completed</li> </ul> </li> </ul> </li> </ul>

## Full-time Equivalent Employee Calculation

Topic	Proper Treatment
E-Verify	<p><b>For applications on or after 10/1/2009</b></p> <p>New employees hired after the application date:</p> <ul style="list-style-type: none"> <li>• Must be timely confirmed with E-Verify; and</li> <li>• Must be eligible to work in U.S.</li> </ul> <p>If not, they are excluded from any FTE calculations for the life of the project. See <a href="#">Revenue Ruling 29-13-3 Electronic Verification of Employees' Eligibility Status</a></p> <p>Employees who worked for the taxpayer prior to the date of application who leave employment and are rehired, must be E-verified timely.</p>
Hours paid	<p>Include hours paid in the year when the paycheck for the hours was issued in the year, even if the hours were worked in the prior year.</p> <ul style="list-style-type: none"> <li>• Hours paid in the year <ul style="list-style-type: none"> <li>o Paycheck was issued in the year</li> <li>o Hours may have been worked in the prior year</li> </ul> </li> <li>• Include hours paid for time worked and leave time used instead of work <ul style="list-style-type: none"> <li>o Examples: regular hours, overtime at straight time, vacation, holiday, funeral, or sick leave</li> </ul> </li> <li>• Exclude hours recorded to generate additional pay <ul style="list-style-type: none"> <li>o Examples: severance, vacation upon termination, overtime differential, or bonuses</li> </ul> </li> <li>• Salaried employees hours paid are based on number of weeks worked times the number of hours allowed per week. The hours allowed per week depends on the date of application. <ul style="list-style-type: none"> <li>o Applications prior to 9/6/2013: All salaried employees are deemed to work the regular work week of the company</li> <li>o Applications on or after 9/6/2013: All salaried employees are deemed to work 40 hours a week</li> </ul> </li> </ul>
Base year could be fiscal year	<p>The base year is the calendar year prior to the date of application, except for the following situation for an applicant with a prior incentive project.</p> <p>If the Applicant has a prior incentive project with an entitlement period that ends within the year that includes the date of application, the base year is the 12 months prior to the end of the entitlement period of the prior project.</p>
Base-Year Employees	<p>Base-year employees are individuals who were:</p> <ul style="list-style-type: none"> <li>• Employed anywhere in Nebraska and received compensation from taxpayer (or predecessors) during the base year;</li> <li>• Employed by acquired business within 366 days prior to date of acquisition (if acquisition was after date of application); or</li> <li>• Employed by taxpayer (or predecessors) during the 366 days prior to the date of application if business activities moved from another Nebraska location</li> <li>• Base year FTEs do not decrease when an employee leaves</li> </ul>

## Compensation Credit Calculation

Topic	Proper Treatment
Wages	<p>Amount allowable as wages varies based on the date of application. Wages are not equal to gross wages.</p> <ul style="list-style-type: none"> <li>• Applications prior to 7/15/2010: Wages subject to income tax withholding</li> <li>• Applications on or after 7/15/2010: Wages subject to federal Medicare tax <ul style="list-style-type: none"> <li>o An employee with zero Medicare wages will not have earned the required rate of pay</li> </ul> </li> </ul>