

Revenue Ruling 29-90-1 Economic Development Tax Incentives

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Economic Development Tax Incentives – Short Period Returns. UNDER THE EMPLOYMENT EXPANSION AND INVESTMENT INCENTIVE ACT, THE QUALIFIED EMPLOYEE CALCULATION MUST BE MODIFIED FOR A SHORT PERIOD RETURN. HOWEVER, THE QUALIFIED INVESTMENT CALCULATION IS NOT MODIFIED FOR A SHORT PERIOD RETURN.

Advice has been requested regarding the employment and investment calculations for short period tax returns under the Employment Expansion and Investment Incentive Act.

A Nebraska Employment and Investment Credit Computation, Form 3800N, may be filed for a short tax period when a new business is created or when an existing business first moves into Nebraska. A short period return cannot be filed when an existing business creates a new location or changes business form (e.g., sole proprietor to corporation).

The qualified employee calculation must be modified for a short period return. Entries on the Nebraska Employment and Investment Credit Computation, Form 3800N, shall be modified as follows:

- (a) Employment is entered in column A, Form 3800N, only if the taxpayer had a preceding tax year.
- (b) Employment is entered in columns B through D for any calendar quarter which both began and ended during the taxable year.
- (c) Employment at the end of the tax year is entered in column E.
- (d) The employment columns are totaled and that amount is divided by the number of columns for which employment was properly entered.

The Nebraska qualified investment calculation does not change for short period returns. A beginning of the year investment and an end of the year investment must be entered on the Employment and Investment Credit Computation, Form 3800N. The end of the year investment must then be compared to the beginning of the year investment and the average investment for each of the three preceding years. The investment increase equals the amount by which the end of the year investment exceeds the beginning of the year investment or the average investment during each of the three preceding years, whichever is greater.

For example, X Corporation incorporates June 1, 1990, and X has a short tax year from June 1, 1990 through December 31, 1990. The business didn't exist in a different business form prior to the short tax year. X Corporation has two employees on June 30, 1990, three employees on September 30, 1990, and nine employees on December 31,

1990. X Corporation had no investment on June 1, 1990, but added investment in the amount of \$300,000 by December 31, 1990. The Nebraska Employment and Investment Credit Computation, Form 3800N, should be completed in the following manner:

APPROVED:

John M. Boehm
State Tax Commissioner

December 26, 1990
