

## Revenue Ruling 29-87-1 Economic Development Tax Incentives

This guidance document is advisory in nature but is binding on the Nebraska Department of Revenue (Department) until amended. A guidance document does not include internal procedural documents that only affect the internal operations of the Department and does not impose additional requirements or penalties on regulated parties or include confidential information or rules and regulations made in accordance with the Administrative Procedure Act. If you believe that this guidance document imposes additional requirements or penalties on regulated parties, you may request a review of the document.

This guidance document may change with updated information or added examples. The Department recommends you do not print this document. Instead, [sign up for the subscription service](#) at [revenue.nebraska.gov](http://revenue.nebraska.gov) to get updates on your topics of interest.

Economic Development Tax Incentives – Original Cost. THE ORIGINAL COST OF QUALIFIED PROPERTY INCLUDES THE PURCHASE PRICE AND THOSE ADDITIONAL COSTS INCURRED IN PLACING THE PROPERTY INTO SERVICE THAT ARE ACTUALLY CAPITALIZED UNDER THE INTERNAL REVENUE CODE.

Advice has been requested as to the expenditures that are part of the original cost for the purposes of the Employment and Investment Growth Act.

The taxpayer is purchasing equipment and is installing the equipment in the project with its own employees. The taxpayer has incurred interest expense on the money borrowed to pay for the equipment, shipping, and labor to prepare the equipment for use.

Section 77-103(6), R.S.Supp. 1987, provides in part that:

Investment . . . For qualified property owned by the taxpayer, the value shall be the original cost of the property.

Generally the amounts spent by the taxpayer in getting equipment ready for use are part of the original cost basis of the property under the Internal Revenue Code (IRC). This would include items such as the purchase price, transportation of the property, and interest expense incurred before the equipment is placed into service.

If the taxpayer had purchased the property installed, or the taxpayer had paid another party to install the property, the cost of the property under the IRC would include the installation. The IRC also requires the capitalization of the installation costs when the labor is provided by the taxpayer.

The term "original cost" shall mean the amount required to be capitalized for depreciation or the amount of the investment credit under the IRC. Any expense, including the labor of the taxpayer that is capitalized as a part of the cost of the equipment, will be considered part of the original cost. This amount shall be used in determining whether the required level of investment has been met and also in determining the amount of the credit earned on investment.

APPROVED:

Donald S. Leuenberger  
State Tax Commissioner

September 4, 1987