

2025 POLICY GUIDES

Tax Incentives

Issue

Economic incentives can play a role in convincing businesses to build and invest in Nebraska. If designed properly, they not only help provide residents with jobs and opportunities for financial security but also help expand a tax base that supports important public services.

According to State Auditor Mike Foley, the Nebraska Advantage Act and its successor, the Imagine Nebraska Act, appear to have structural inadequacies that hamper their effectiveness.

Also, the Legislature's Urban Affairs Committee will be conducting an interim study to determine whether modifications need to be made to the state's tax increment financing statutes to address Nebraska's workforce housing needs.

Background

Earlier this year, the state auditor sent a letter to state senators highlighting significant concerns regarding Nebraska's tax incentive programs. A summary of those concerns follows.

- The Advantage Act contains no limits on the investment and compensation credits that may be earned or used. As of last year, a total of \$2.6 billion in credits have been earned and \$1.2 billion has been used.
- The Department of Revenue (DOR) has projected the future credits earned and used from fiscal years 2025 through 2034 to be \$1.1 billion and \$1.8 billion, respectively.
- \$163 million in local sales and use tax revenues have been denied to municipalities under the act. In some cases, purchases may occur anywhere within the state, but some municipalities could have their local sales and use tax collections reduced if they are not home to a qualifying project.
- There are no limits to the amount of direct tax refunds that a participant may receive.
- The cumulative loss for the Advantage Act's incentive program was projected to be \$1.2 billion as of June 30 this year, and it will grow to \$2.4 billion by 2034. Despite those losses, DOR anticipates making those incentives available through, at least, 2051 and beyond.
- DOR has not performed timely qualification and maintenance audits for participating companies.
- DOR allows companies to enter into extension agreements to prolong the availability of credits.
- The delinquent tax balances from these programs are more than \$650 million.

Farm Bureau Policy

RURAL ECONOMIC DEVELOPMENT (2023). We believe greater emphasis should be placed on developing a public/private partnership for implementing a long-term strategy for rural economic development. Such a strategy should give strong consideration for utilization of agriculture as a foundation for rural growth and opportunity.

Farm Bureau supports a policy to encourage legislation and economic development incentives for meaningful and supportive economic development programs to encourage and promote the creation and expansion of entrepreneurialism, microbusiness, and agriculture-related enterprises and diversification in Nebraska to reverse population loss in rural areas.

TAX REFORM/RELIEF (2025). We oppose the renewal of state business incentives until meaningful property tax relief is achieved.

BEGINNING FARMER ASSISTANCE (2024). NEFB encourages the entrance of young farmers and ranchers into agriculture. We support programs to provide loans, grants, and technical assistance to beginning farmers. We support tax exemptions or credits, like credits against personal property taxes or income tax credits for capital investments made, for beginning farmers as part of a package to encourage entrance into farming and ranching. We believe efforts assisting beginning farmers and ranchers should be targeted toward beginning farmers and ranchers rather than asset owners.

We support a tax incentive program for retiring farmers and ranchers to sell equipment to beginning/young farmers or ranchers.

TAX INCREMENT FINANCING (TIF) (2020) - Lapsed Policy. We support the original intent of tax increment financing. However, we support the exploration of new incentives, especially for new development in rural areas.

If a redevelopment project that has undergone third-party analysis fails to meet requirements to be considered truly substandard and blighted, the payback period of the bonds issued from such a TIF project should be shortened from the current maximum of 15 years to a shorter period, which could be calculated in relation to the amount and/or degree of blighted and substandard property within the project. To receive the maximum 15-year payback period for the bonds, the project should encompass an area that has been determined to be entirely blighted and substandard. There should also be more scrutiny and consideration given to the use of TIF for residential projects.

We support limited use of TIF for residential and industrial uses and to exclude retail.

Questions

Are the following beneficial to our state's economic health?

- The accumulation of unlimited investment and compensation credits – totaling \$2.6 billion and potentially increasing by hundreds of millions of dollars?
- The use of an unlimited amount of investment and compensation credits – totaling \$1.2 billion out of \$2.6 billion earned so far – for tax incentives?
- \$163 million in local sales tax revenues denied to municipalities?
- \$1.8 billion, or much more, in future credits earned and used?
- Unlimited direct refunds?
- \$2.4 billion loss under the Advantage Act?
- Failure to perform consistent qualification and maintenance audits of qualifying projects?
- Indefinite extensions for credits to be earned, despite express statutory language to require otherwise?
- Steadily increasing delinquent tax balances more than \$650 million?

Do we need to amend our policy relative to this situation?

Are there any changes that need to be made to our policy regarding TIF?