

What to Expect During the Review of the Nebraska Historic Tax Credit Part 4 – Request for Certification of Credits

Overview

Applicants submitting a Nebraska Historic Tax Credit Part 4 – Request for Certification of Credits (Part 4) will need to compile and submit all supporting documentation with the submitted Part 4. The Nebraska Department of Revenue (DOR) has prepared a Checklist to help applicants ensure that all required documents are submitted with the Part 4 to allow timely completion of DOR's review. The review by DOR must be completed within a 60 day period, or 90 day period if the applicant and DOR agree to an extension, after the applicant submits a Part 4. To help assure timely review of the information, applicants may contact DOR to review documents and address any questions prior to submitting their Part 4.

This guidance document is advisory in nature but is binding on the DOR until amended. A guidance document does not include internal procedural documents that only affect the internal operations of DOR 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. DOR recommends you do not print this document. Instead, sign up for the [subscription service](#) at revenue.nebraska.gov to get updates on your topics of interest.

[Nebraska Historic Tax Credits \(NHTCs\)](#) are available to applicants under the Nebraska Job Creation and Mainstreet Revitalization Act who have incurred eligible expenditures for improvements to qualifying historically significant property.

This guide explains what to expect during a review of the Part 4 performed by DOR. All records necessary for the review must be compiled and provided to DOR when the Part 4 is submitted. Any information or records not provided may result in DOR disallowing eligible expenditures or credits in part or in total. Any denial of eligible expenditures or credits must be protested to the District Court of Lancaster County. [Neb. Rev. Stat. § 77-2906](#) provides DOR the right to examine a taxpayer's records, including electronic records, to determine:

- ❖ The total amount of eligible expenditures; and
- ❖ The total amount of credits.

Part 4 Process

The applicant may submit the Part 4 to DOR after the Nebraska State Historic Preservation Officer (NeSHPO) has reviewed and approved the NHTC Part 3, or the NeSHPO fails to make a determination within 30 days after the filing of the Part 3 and the request is deemed approved. In order for the review process to begin, the applicant must complete the [Checklist for Nebraska Historic Tax Credit – Part 4 Review \(Checklist\)](#), and related Schedule I – Project Cost Summary and Schedule II - Project Cost Detail. These documents are available on [DOR's website](#).

Checklist

The Checklist, which is combined with the Schedule I and Schedule II, was developed to ensure that the required documents are submitted to DOR for timely review of your Part 4. All information and documentation necessary for the review must be compiled before the Part 4 is submitted. You must include the Checklist along with all the required documentation with the Part 4. Any information or documentation not provided may result in DOR disallowing the credits in part or in total.

Examination of Records

DOR will review the Part 4 and supporting documents to determine if they are complete. If incomplete, DOR will notify the applicant and allow a short time frame for providing the necessary documents.

The review team will confirm the validity of the information reported by reviewing source documents requested in the Checklist. Sampling may be used to expedite a review of the claim. Errors found in the sample will be projected over the entire test population. Errors include missing documentation.

If there is missing information or issues identified by the review team, DOR will provide the review findings which identify the missing information and the review determinations. The taxpayer will be given an opportunity to provide additional information to resolve any issues. This response must be provided within the designated timeframe. If any information is not provided or is not timely, DOR will disallow the corresponding expenditures and issue a full or partial denial of NHTCs.

Common Issues

Each of the common issues identified in this section have the potential to result in the denial of the eligible expenditures or credits requested. It is best practice to ensure that all issues are resolved prior to submitting a Part 4 Application. If you have questions, please contact DOR prior to submitting your Part 4 Application.

Pre-application Review Available

If requested, DOR will perform a pre-application review of documents related to common issues. The applicant should prepare the Checklist and contact DOR to arrange the pre-application review after their NHTC Part 3 is approved but prior to submitting the Part 4.

Depreciation Schedule

The Part 4 must include a copy of the applicant's depreciation schedule for the year the building was placed in service, if applicable. Other issues related to depreciation include:

- ❖ Assets on depreciation schedule do not tie to Schedule II
- ❖ Expenditures that are not depreciated have been included on the Schedule II
- ❖ Assets were not depreciated using straight-line depreciation

Political subdivisions that are not required to produce a depreciation schedule need to produce documentation showing that expenditures created long-term assets.

Missing Documentation

All items listed in the Checklist or requested by DOR need to be submitted to DOR to approve your eligible expenditures and credits. See the Checklist for assistance in gathering your documentation.

Ownership Structure

If the building owner and contractor are related parties, additional documentation is needed. (Contact DOR for additional information if this is your situation.)

Non-Eligible Expenditures in the Schedule II

Only costs that are related to the historically significant real property will be allowed as qualified expenditures. For example, when architect costs include both the structures and grounds, the architect costs must be split out based on the costs for the eligible and non-eligible areas. The total non-eligible expenditures must equal the amount listed on Part 4, line 4.

❖ Legal bills – charges for non-project charges or non-qualifying charges.

Examples of non-qualifying legal bills include fees for:

- Tax Increment Financing (TIF)
 - Organizational (LLC setup, Secretary of State queries)
 - Legal services related to parking lots
 - Legal services related to other projects
- ❖ Environmental and site surveys; appraisals and market studies
- ❖ Security patrols
- ❖ Window treatments
- ❖ Landscaping, sidewalks, parking lots
- ❖ Fees for TIF, History Nebraska, and DOR
- ❖ Expenditures incurred prior to the date of application other than architectural fees, accounting and legal fees, and any costs related to the protection of the historically significant real property from deterioration.

Credits

Information on the types, transferability, and issuance of tax credit certificates can be found on DOR's [Nebraska Historic Tax Credit webpage](#). Applicants must pay the Part 4 fee before the end of the 60 day review period, or 90 day review period if the applicant and DOR agree to an extension. If the applicant fails to pay the fee before this deadline, DOR will deny all credits and issue a certificate reflecting \$0.00 in credits.

Review Comments

Your opinion is important to us. Following the completion of your review, an evaluation form will be provided to you for feedback.

Confidentiality

By law, any tax return and audit information is confidential. DOR takes this requirement very seriously and has instituted safeguards to protect your information. If you have any questions about confidentiality, please discuss them with the DOR contact. DOR also has a [Taxpayer Bill of Rights](#) that covers the topic of confidentiality.

Resource List

Additional information concerning NHTC can be found on DOR's [NHTC Web Page](#).

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