

Revenue Ruling 29-87-8 Economic Development Tax Incentives

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Economic Development Tax Incentives – Equipment moved into the State. QUALIFIED PROPERTY PLACED IN SERVICE IN NEBRASKA FOR THE FIRST TIME AFTER FILING AN APPLICATION UNDER THE EMPLOYMENT AND INVESTMENT GROWTH ACT WILL BE AN INVESTMENT IN THIS STATE.

Advice has been requested as to the effect of Revenue Ruling 29-87-2, entitled Economic Development Tax Incentives - Time of Investment, on property that is originally placed into service in another state and then is moved into Nebraska.

The taxpayer has applied for an agreement under the Employment and Investment Growth Act (Act). The taxpayer is currently operating a manufacturing facility in another state. The project includes the relocation of equipment from the other state into the project in Nebraska. Most of the equipment that will be relocated was originally placed into service in the other state before the filing of the application, and some of the equipment that will be relocated has been placed into service after the date of the application. All of the equipment will be relocated into Nebraska after the date of the application.

Section 77-4102(2), R.S.Supp. 1987, provides in part that:

It is the policy of this state to make revisions in Nebraska's tax structure in order to encourage new businesses to relocate to Nebraska,

Section 77-4103(6), R.S.Supp. 1987, provides in part that:

Investment shall mean the value of qualified property incorporated into or used at the project. For qualified property owned by the taxpayer, the value shall be the original cost of the property,

Section 77-4104(3), R.S.Supp. 1987, provides in part that:

Once reasonably satisfied that the plans of the applicant constitute a project in a qualified business within this state, that the plans will result in either (a) the investment in qualified property of at least three million dollars and the hiring of at least thirty new employees or (b) the investment in qualified property of at least twenty million dollars, . . . the Tax Commissioner shall approve the application.

The Act requires an investment in qualified property in Nebraska in order for the taxpayer to receive the benefits allowable under the Act. Revenue Ruling 29-87-2, Economic Development Tax Incentives - Time of Investment states that the property has to be placed into service after the date of the application.

The intent of the Act is to provide incentives for the investment in and creation of new jobs in Nebraska, and one of the state purposes of the Act is to encourage the relocation of businesses into the state. The benefit to the state is substantially the same whether the new jobs are coupled with the purchase of new property or the moving of other property into the state.

Since the Act does not limit the investment to new purchases, property that is placed in service in Nebraska for the first time after the date of the application will qualify for the purpose of meeting the required level of investment and for the computation of the credit on investment.

The property that is moved into the state will be valued in the following manner. For property owned by the taxpayer, the original cost of the property, as defined in Revenue Ruling 29-87-1, Economic Development Tax Incentives - Original Cost, will be used. For property leased by the taxpayer, the value of the property shall be the net annual lease amount multiplied by the number of years of the lease for which the taxpayer was originally bound that are remaining at the time the property was moved into Nebraska.

APPROVED:

Donald S. Leuenberger
State Tax Commissioner

November 9, 1987
