

# **URBAN REDEVELOPMENT ACT**

## **APPLICATION GUIDE**

**ECONOMIC  
DEVELOPMENT  
INCENTIVES**

**[opportunity.nebraska.gov](http://opportunity.nebraska.gov)**

# **NOTICE**

This guidance document is advisory in nature but is binding on the Department of Economic Development (DED) until amended. A guidance document does not include internal operations of DED 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.

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## How to Apply:

### Step One: Obtain Tax ID Numbers

If your business is organized as a corporation or a partnership, you will need a Nebraska Corporation Income Tax or Partnership State Identification Number before you can begin an online application for the Urban Redevelopment Act (URA). If you do not have the required state ID number, you will first need to obtain one from the Nebraska Department of Revenue (DOR). You may apply for a state ID number [online](#) or by filing a [Nebraska Application, Form 20](#).

### Step Two: Complete Urban Redevelopment Act Application

The [URA application](#) is only available online. To establish an application date, you must provide complete answers to all required questions and submit the [\\$500 application fee](#). You will receive a confirmation email when the application is submitted. Once the application is complete and the application fee is received, you will receive a second email confirming the application date.

### Step Three: Submit Supplemental Information to Complete Approval Process

After the application and payment is submitted, DED will issue a request for additional information, such as the taxpayer's additional taxpayer entity information and E-Verify number if that information was not included with your application. Failure to provide the required information within the time requested may result in denial of the application. If you wish to participate in the program at a later time, a new application and application fee will need to be submitted.

## Approval or Denial:

The DED Director will make the determination to approve or not approve an application within the 90-day statutory period.

- Approval: If the application is approved, you will receive a URA Agreement for signature sent to your email for electronic signature.
- Denial: If the application is denied, you will receive a written notice of denial and all but \$100 of the application fee will be refunded.
  - Failure to submit the requested supplemental documents within 90s days could be grounds for application denial.

An applicant will not qualify for any credits under the URA if the applicant is a [taxpayer](#) receiving any benefits under any other tax incentive program offered by the State of Nebraska.

## Optional Review and Certification:

You have the option to request review and certification of [base-year employment levels](#). Upon request, DOR will review and certify that your base-year employment numbers are as reported. The certification is binding on DOR when you claim benefits on a return to the extent the information you provided was accurate and to the extent that information is not affected by any of the situations described in [Neb. Rev. Stat. § 77-6921](#).

The review will be completed within 90 days, but the 90-day period for completion will be tolled (paused) if DOR requests additional information. If review and certification is not requested, the issue remains subject to later audit. For more information about the base year employment certification process, contact [DOR](#).

## Additional Information:

### Application Date

The application date is the date DED receives a complete application. The application will be considered complete when you have submitted full responses to all items marked as required in the online application and the \$500 application fee has been received. If the online application is incomplete when received, DED will notify you of the items needed. In that case, the application date will be the date that DED receives the last required item. You will receive an email confirming the application date.

The application date is important because it establishes the base year for employment, the required wage rate, and the qualifying census tracts. The application date also determines from when new investment will be counted towards the qualification thresholds of the Urban Redevelopment Act. [Qualified property](#) placed in-service after the application date will count towards the investment requirement.

The following may affect the application date:

#### *1. Method of Delivery:*

The delivery method for the last item needed to complete an application may affect the application date. If the item is delivered electronically, the application date will be the date the item is received electronically. If the item is sent by mail, the date the last item required to complete the application is received by DED is the application date.

#### *2. Selection of a Later Date:*

The application includes the option to choose an application date up to 30 days after the date you submit the application. If this option is chosen, the application date will be the date selected or the date the last item needed to complete the application is submitted, whichever is later.

## Agreement Levels

The URA allows you to choose either an Employment and Investment option or an Investment Only option. This selection will define the terms of your agreement. The selection may be amended upon the year of qualification and is binding. An application is not eligible to earn credits under both levels.

1. Employment and Investment: Applicants qualify for tax credits by attaining a cumulative investment in qualified property of at least \$150,000 and hiring at least 5 new full-time equivalent employees (FTEs) at the qualified location or locations before the end of the ramp-up period. Applicants are eligible to earn:
  - A tax credit of \$3,000 for each new FTE, with an additional \$1,000 credit for each new FTE that lives in an Economic Redevelopment Area (ERA), **and**
  - A tax credit of \$2,750 for each \$50,000 of investment.

You must pay a minimum qualifying wage of 70% of the Nebraska [statewide average hourly wage](#) to the new FTEs for whom tax incentives are sought. A teleworker working from his or her residence will not be considered an equivalent employee for purposes of the URA unless the teleworker resides in an ERA provided in the application.

2. Investment Only: Applicants qualify for tax credits by attaining a cumulative investment in qualified property of at least \$50,000 at the qualified location or locations before the end of the ramp-up period. Applicants are eligible to earn:
  - A tax credit in the amount of 5% of the investment.

An applicant may earn up to \$50,000 in tax credits per year for each year of the performance period that the taxpayer is at or above the required levels of employment and cumulative investment.

## Electronic Verification of Employees' Work Eligibility

The Nebraska Urban Development Act requires taxpayers to utilize E-Verify, the federal electronic verification program, to ensure that new employees are legally able to work in the United States.

E-Verify is a free and simple to use web-based system that electronically verifies the employment eligibility of newly hired employees. E-Verify allows participating employers to electronically compare employee information taken from the Form I-9, Employment Eligibility Verification, against Social Security Administration, Department of Homeland Security, and Department of State databases. For additional information, go to [e-verify.gov](http://e-verify.gov).

If you are audited under this program you will be required to provide proof of timely confirmation of employment eligibility. Examples of documents for the taxpayer to retain include, but are not limited to, the following:

- Case Verification Number;
- Copies of the Case Details page which includes the Case Verification Number; and

- The User Audit Report which provides general data on cases.

Benefits will not be granted for newly hired employees unless the applicant can prove that it has timely electronically verified the work eligibility status of all newly hired employees employed in Nebraska within 90 days of hire. In addition, all hours worked by, and compensation paid to, any employee who is not timely confirmed as eligible to work in Nebraska will be excluded from the calculation of any tax incentive.

### Signature

The application must be signed by an authorized person (owner, partner, corporate officer, or a person authorized by a completed [Power of Attorney](#)).

### Records

You should retain documents to verify that you have met the minimum requirements defined in the agreement until three years after the end of the agreement, or until any pending protest or court case concerning the agreement is resolved.

## **Using Earned Credits:**

A taxpayer may claim tax credits earned under the URA agreement by filing the appropriate form with DOR upon reaching the required levels of employment and/or investment. These credits may be used, subject to the limitation under Neb. Rev. Stat. § 77-6922:

- To obtain a refund of sales and use taxes
- As a refundable income tax credit
- To reduce income tax withholding employer or payor tax liability
- To obtain a refund of property taxes on real property at a qualified location
- To reduce the income tax liability of a partner, LLC member, shareholder, or beneficiary.

Upon attainment of required levels of employment and investment, the taxpayer will also be entitled to a direct refund of all sales and use taxes paid, either directly or indirectly on the qualifying investment.

## **Terms and Definitions:**

**Note:** Refer to the [Urban Redevelopment Act statutes](#) for statutory definitions of terms. The definitions stated in these instructions do not supersede, alter, or otherwise change any provisions of the Nebraska tax code, regulations, or court decisions.

Applicant. An applicant is one or more persons listed in the application, or in an amendment to the application, who conducts business activities at the qualified location, and is part of the taxpayer.

Base Year. The base-year is the calendar year immediately preceding the year of application.

Base Year Employee. Base-year employee means any individual who was employed in Nebraska and subject to the Nebraska income tax on compensation received from the taxpayer or its predecessors during the base year and who is employed at the qualified location.

Census Tract. A census tract is a small statistical subdivision of a county determined by the United States Bureau of the Census and is uniquely numbered with a numeric code.

Cumulative Investment. The cumulative investment is all investment made on or after the date of application and prior to the end of the current year, less retirements of the value of owned property previously claimed and value of leases no longer in effect. Cumulative investment determines whether the required investment level has been attained or maintained.

DED. Nebraska Department of Economic Development.

DOR. Nebraska Department of Revenue.

Economic Redevelopment Area. An economic redevelopment area is an area within the State of Nebraska in which:

- (1) The average rate of unemployment in the area during the period covered by the most recent federal decennial census or American Community Survey 5-Year Estimate by the United States Bureau of the Census is at least 150% of the average rate of unemployment in the state during the same period; and
- (2) The average poverty rate in the area is 20% or more for the federal census tract in the area.

Equivalent Employees. Equivalent employees mean the number of employees computed by dividing the total hours paid in a year by the product of 40 times the number of weeks in a year. This number is often referred to as the number of Full-Time Equivalent Employees or “FTEs.”

Full-Time Employee. A full-time employee is defined as described in Section 4980 of the Internal Revenue Code of 1986, as amended, and the regulations for this section.

Investment. Investment is the value of qualified property incorporated into or used at the qualified location. For qualified property owned by the taxpayer, the value is the amount required to be capitalized for depreciation, amortization, or other recovery for federal tax purposes. For qualified property rented by the taxpayer, the average net annual rent is multiplied by the number of years of the lease for which the taxpayer was originally bound, not to exceed 10 years. This includes land that is rented in connection with, and incidental to, a building that is leased.

Nebraska Statewide Average Weekly Wage. Nebraska statewide average hourly wage for any year means the most recent statewide average hourly wage paid by all employers in all counties in



Nebraska as calculated by the Office of Labor Market Information of the Department of Labor using annual data from the Quarterly Census of Employment and Wages by October 1 of the calendar year prior to application. Hourly wages are calculated by dividing the reported average annual weekly wage by 40.

Number of New Employees. Number of new employees means the number of equivalent employees that are employed at the qualified location during a year that are in excess of the number of base-year employees.

Performance Period. Performance period means the year during which the required increases in employment and investment were met or exceeded and each year thereafter until the end of the third year after the year the required increases were met or exceeded.

Qualified Location. Qualified location means any location in a city of the metropolitan class or a city of the primary class that is used or will be used by the taxpayer to conduct business activities and that is located within an economic redevelopment area. More than one qualified location may be part of the same agreement.

Qualified Property. Qualified property is any tangible property of a type subject to depreciation, amortization, or other recovery under the Internal Revenue Code of 1986, as amended, or the components of such property, that will be located and used at the qualified location. Qualified property does not include (1) aircraft, barges, motor vehicles, railroad rolling stock, or watercraft or (2) property that is rented by the taxpayer qualifying under the URA to another person.

Ramp-up Period. Ramp-up period means two years from the date the complete application was filed with the Director of DED.

Related Taxpayers. Related taxpayers include any corporations that are part of a unitary business under the Nebraska Revenue Act of 1967 but are not part of the same corporate taxpayer, any business entities that are not corporations but which would be a part of the unitary business if they were corporations, and any business entities if at least 50% of such entities are owned by the same persons or related taxpayers and family members as defined in the ownership attribution rules of the Internal Revenue Code of 1986, as amended.

Taxpayer. Taxpayer means any person subject to sales and use taxes under the Nebraska Revenue Act of 1967 and subject to withholding under [Neb. Rev. Stat. § 77-2753](#) and any entity that is or would otherwise be a member of the same unitary group, if incorporated, that is subject to such sales and use taxes and such withholding. Taxpayer does not include a political subdivision or an organization that is exempt from income taxes under section 501(a) of the Internal Revenue Code of 1986, as amended. Political subdivision includes any public corporation created for the benefit of a political subdivision and any group of political subdivisions forming a joint public agency, organized by interlocal agreement, or utilizing any other method of joint action.

Unitary Group. A unitary group is one or more corporations or other business entities with common ownership, and which conduct business as a single economic unit, including all activities

in different lines of business which contribute to the single economic unit. Common ownership means one or more business entity owning 50% or more of another business entity.

Wages. Wages means the wages and other payments subject to the federal Medicare tax.

Year. Year means the taxable year of the taxpayer.

### **Contact Information:**

For additional information regarding completing an application under the URA, please refer to our [website](#). For assistance in completing an application, please contact us at 402-471-3111 or email at [ded.ura@nebraska.gov](mailto:ded.ura@nebraska.gov).

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