

NEBRASKA JOB CREATION AND MAINSTREET REVITALIZATION ACT LEGISLATIVE BILL 191 (ON GENERAL FILE, 2014 LEGISLATIVE SESSION)

Purposes

1. Provide an incentive for redevelopment of historic properties and districts across Nebraska.
2. Create jobs and drive economic development in Nebraska communities – rural and urban.
3. Preserve historically significant buildings and districts across Nebraska, and revitalize those communities using permanent, capital investment to be desirable places to live and work.

Executive Summary

- Provides a 20 percent credit against state personal, corporate or fiduciary income tax, and state bank franchise tax, up to and including \$5,000,000 of expenses to rehabilitate historically significant income-producing properties.
- Applies to properties that are: (a) federally listed, (b) state listed, or (c) locally designated.
- Requires rehabilitation to federal standards or locally-adopted standards if approved by the State Historic Preservation Office ("SHPO").
- Does not apply to owner-occupied, single-family residences.
- Drives significant economic development and job creation in large and small communities by leveraging private long-term, capital investment with state tax credits.
- Proven to pay back State's "investment" of foregone revenue in five to seven years; thereafter provides a windfall to the State through enhanced revenues driven by economic development.
- Sales and property tax revenues to the State of Nebraska and its municipalities will benefit immediately because developers must complete projects prior to claiming any tax credits.
- Taxpayers cannot claim the credit until 2015, further guaranteeing new revenue to State and local governments before the credit takes effect.
- One-quarter of one percent of the credit amount will be placed in the Civic and Community Center Financing Fund.

Operative Provisions

1. Makes available a 20 percent nonrefundable state income tax credit for costs up to and including \$5,000,000, incurred to rehabilitate, preserve, restore, or redevelop eligible historic properties. Timing is key:
 - a. may carry forward unused tax credits; but
 - b. cannot claim the credit against tax liability until 2015 so economic development precedes any foregone state revenues.
2. Applies broadly by defining eligible properties to include any real property:
 - a. individually listed on the National Register of Historic Places;
 - b. within a district listed in the National Register of Historic Places;
 - c. individually designated by local ordinance, if the SHPO approves such ordinance; or
 - d. within a locally-designated district providing for the conservation, preservation, restoration, or enhancement of historically significant properties (e.g., a Neighborhood Conservation and Enhancement District), if the SHPO approves the district.
3. Applies to rehabilitation work that either:
 - a. meets federal standards for rehabilitation; or
 - b. meets locally adopted standards for rehabilitation that are SHPO-approved.

4. Requires taxpayer to submit application to the Department of Revenue to claim credits.
 - a. Department of Revenue consults with the SHPO.
 - b. Department of Revenue issues a certificate evidencing the credits.
5. Credits are freely transferable to increase utility as a project financing tool, and to minimize shift of credit dollars to the federal government as federal income tax payments.
6. Sunsets on January 1, 2020 to provide a point for the Legislature to re-examine the program.

Key Benefits

Drives job creation and mainstreet revitalization across the State. Proven highly effective by decades of experience in neighboring states. Results in permanent capital investment.

The Federal Historic Tax Credit, which provides a 20 percent credit against federal income tax, has induced over \$90 billion in rehabilitation investment since the 1970s. The \$17.5 billion cost of the federal tax credit is more than offset by the \$22.3 billion in federal taxes paid on projects that used the credits. Nebraska is losing out on federal dollars because it lacks a state credit.

Historic property tax credits create jobs. For example, \$100 million in leveraged investment, on average, creates 2,245 FTE jobs, including: 399 service jobs; 331 retail jobs; 170 finance, insurance, and real estate jobs; 456 manufacturing jobs; and 658 construction jobs.

Regional Examples

Iowa generated \$300 million in investment between 2000 and 2007.

- \$11 million annually in increased property tax revenue.
- \$74 million in one-time cost to the state.
- In Dubuque, Iowa, alone, Iowa's state historic tax credit has generated \$12.7 million in investment; 600 permanent jobs, 225 construction jobs, and 144 service jobs.

Kansas generated \$271 million in investment between 2002 and 2009.

- Created 4,443 jobs: 2,003 construction jobs; 832 services jobs; 605 retail jobs; 500 manufacturing jobs; and 503 jobs in other sectors.
- \$14.8 million in increased state and local tax revenues.
- \$69 million in one-time cost to the state.

Missouri generated \$2.9 billion in leveraged private investment between 1998 and 2010.

- Resulted in 43,105 jobs created or retained.
- \$669 million in local and state tax revenues.
- \$900 million in cost to the state.

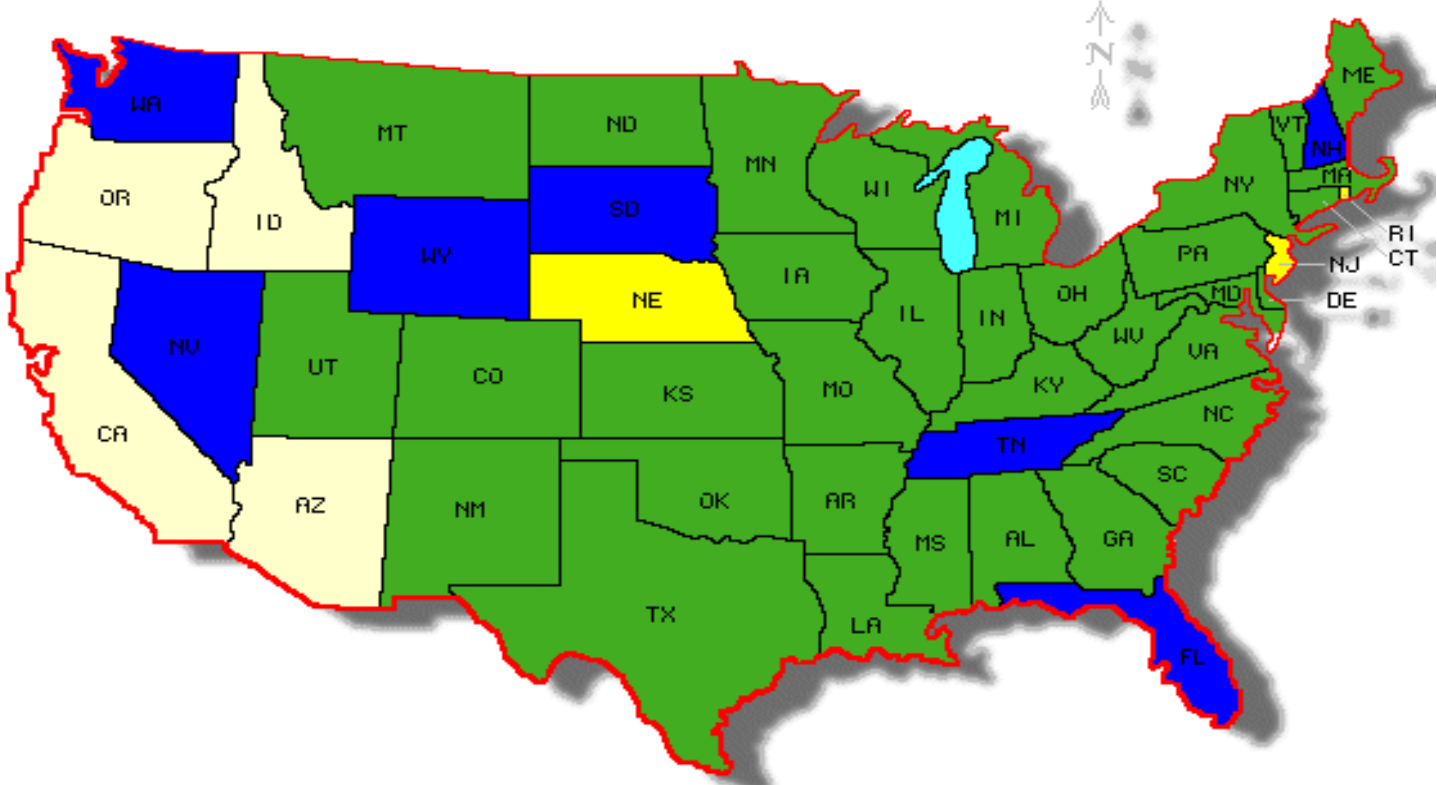
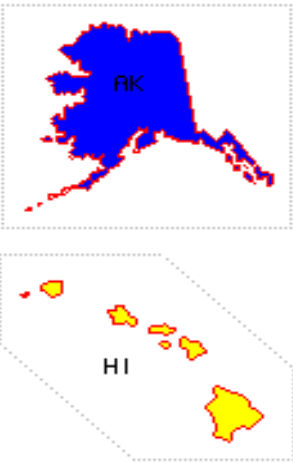
Revenue Committee: Senator Hadley (Chair) (Kearney), Senator Schumacher (Vice-Chair) (Columbus), Senator Hansen (North Platte), Senator B. Harr (Omaha), Senator Janssen (Fremont), Senator McCoy (Omaha), Senator Pirsch (Omaha), Senator Sullivan (Cedar Rapids).

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Sources: Rutgers Univ. Ctr. for Urban Policy Research, Second Annual Report on the Economic Impact of the Federal Historic Tax Credit (2011); Nat'l Trust for Historic Pres., State Tax Credits for Historic Preservation: A State-by-State Summary (2007); Iowa Dep't of Revenue, Iowa's Historic Preservation and Cultural and Entertainment District Tax Credit Program Evaluation Study (2008); Dep't of Pub. Policy Studies, Saint Louis Univ., An Evaluation of the Missouri Historic Preservation Tax Credit Program's Impact on Job Creation and Economic Activity Across the State (2010).

11/13/13

STATE-BY-STATE SUMMARY OF HISTORIC TAX CREDIT PROGRAMS



- STATES WITH NO INCOME TAX (8)
- STATES WITH HISTORIC TAX CREDIT (34)*
- STATES WITH PROPOSED HTC (4)
- STATES WITH NO HTC (4)

**SOME STATES PROVIDE ONLY CORPORATE HISTORIC TAX CREDITS*

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