



Pete Ricketts, Governor

MEMO

To: Tom Bergquist, Legislative Fiscal Analyst

Members of the Nebraska Economic Forecasting Advisory Board

Hoaphu Tran, PhD, Nebraska Department of Revenue

From: David Dearthmont, PhD, Department of Economic Development

Date: April 22, 2021

RE: ImagiNE Nebraska

LB1107, passed in August 2020, created the ImagiNE Nebraska Act. ImagiNE became operative on January 1, replacing the Nebraska Advantage Act, which sunset on December 31, 2020. The ImagiNE act included several new reporting provisions. Among these reporting requirements is Section 77-6839(1) Neb. Rev. Statutes, which states in part:

The Department of Economic Development and the Department of Revenue shall jointly, on or before the fifteenth day of October and February of every year and the fifteenth day of April in odd-numbered years, make an estimate of the amount of sales and use tax refunds to be paid and tax credits to be used under the ImagiNE Nebraska Act during the fiscal years to be forecast under section 77-27,158. ... The estimate shall be forwarded to the Legislative Fiscal Analyst and the Nebraska Economic Forecasting Advisory Board and made a part of the advisory forecast required by section 77-27,158.

This memorandum serves as the Department of Economic Development's (DED) report.

The ImagiNE Nebraska program began accepting applications for 2021 on December 29, 2020. As of today, the ImagiNE Nebraska program has received 17 completed applications. DED forecasts that approximately 310 complete applications, resulting in signed agreements, will be submitted during calendar years 2021-2025, and that 186 qualifying locations will receive benefits through the program.

The table below presents our estimate of sales and use tax refunds and tax credits used under the ImagiNE act for the current fiscal year and the next four fiscal years. The second column represents DED's forecast of direct sales tax refunds earned and refunds by ImagiNE applicants for qualified property. Qualified

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property includes purchases and rents on such things as equipment and other property used at the project location—excluding motor vehicles—and improvements to new and existing real estate. The third column represents DED’s forecast of the total amount of ImagiNE tax credits used by taxpayers in each of those fiscal years. Note that tax credits used do not represent refunds to taxpayers. Taxpayers using the ImagiNE act, like previous tax incentives acts, are able to use earned tax credits in ways that reduce the state’s gross receipts. For example, tax credits used against income tax estimated payments and employees’ individual income tax withholding, reduce gross tax receipts, and as such are not collected and later refunded once the taxpayer project qualifies for benefits.

Finally, upon consultation with the Department of Revenue and the Legislative Fiscal Office, the amounts of refunds and credits used in the table are consistent with the forecasts of refunds and gross receipts that have been prepared for the use of the Nebraska Economic Forecasting Advisory Board for the April 29, 2021 meeting.

ImagiNE Refunds and Tax Credit Use		
Fiscal Year	Sales Tax Direct Refunds (in Thousands of Dollars)	Total Tax Credit Use (in Thousands of Dollars)
FY2020-21	\$0.0	\$0.0
FY2021-22	4,159.0	6,594.0
FY2022-23	11,290.0	22,851.0
FY2023-24	15,334.0	48,825.0
FY2024-25	17,503.0	76,762.0

If you have questions about this forecast, or about the ImagiNE act, please contact me.

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