

Legislative Performance Audit

Committee

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FOR IMMEDIATE RELEASE

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Comparative Tax Incentive Report News Release

State-by-state comparisons of tax incentive programs, although useful, should be made cautiously, according to an informational report released Wednesday by the Legislative Audit Office.

The report, which compared selected Nebraska tax incentive programs to those in nine other states, found that the close relationship between the programs and the economic environments specific to each state suggested that a more meaningful cross-state comparison would include analysis of each state's broader tax environment in addition to tax incentives.

Arkansas, Colorado, Iowa, Kansas, Missouri, Oklahoma, South Dakota, Texas and Wyoming were selected by the Office for comparison because these are considered to be Nebraska's primary competitors for business. The report briefly described the overall tax structure of the states and then discussed their tax incentives – particularly tax credits – as well as evaluation and reporting requirements.

Tax Incentives

Tax credit programs varied widely among the 10 states. Some states had tiered programs that included an array of industries, while others were more industry-specific. Nearly all the states, including Nebraska, offer tax credits for both job creation and investment. However, Nebraska offers fewer types of investment credits than most of the comparison states. Additionally, Nebraska does not offer job training credits, unlike the majority of comparison states.

Regarding other tax incentives, the report noted that:

- Nebraska was the only state that did not offer exemptions for corporate income taxes or inventory taxes. All states offered exemptions for sales tax, and all but South Dakota offered an exemption for personal property.
- All of the states reviewed allowed tax increment financing (TIF) to reduce property tax burdens. A few allowed TIF to be used with a variety of taxes, but most limited

usage to property taxes or to property and sales taxes. In most of the states, local governments administered TIF.

- Most of the comparison states offered cash awards, or “deal-closing funds.” Nebraska does not offer these funds.

Evaluations, Reporting and Benchmarks

Six of the comparison states conducted evaluations of their incentive programs—four were required to do so and two conducted them voluntarily. Most of the evaluations (whether required or voluntary) analyze whether the state is getting a good return on its investment. Nebraska and the other three states did not conduct evaluations of their incentive programs.

Nebraska and seven of the comparison states make program information available to policymakers and the public through required annual reports (Arkansas, Colorado, Kansas, Missouri, and Nebraska) or on-line databases of program information (Iowa, Oklahoma, and South Dakota).

None of the 10 states has statutory benchmarks for the programs.

Senator John Harms, chairman of the Performance Audit Committee, said his committee hopes this information will be useful to the Tax Modernization Committee interim review of the state tax system. “The (Performance Audit) Committee remains committed to better understanding the effectiveness of the incentive programs,” Harms said.

He said the committee has also directed the audit staff to conduct additional research on how the Legislature can establish goals for its tax incentive programs and metrics for assessing whether those goals are being met. The research will be completed in November so the Tax Modernization Committee may consider it before release of its report in December.

The report is available on the Legislature's Web site, nebraskalegislature.gov., in “Reports” > “Performance Audit,” and hard copies are available in the Legislative Audit Office on the 11th Floor of the State Capitol.



Audit Office Report

**Comparison of Selected Nebraska Tax
Incentives with Tax Incentives in Other
States**

**Legislative Audit Office
Nebraska Legislature**

September 2013

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This report is available on the Unicameral's Web site (www.nebraskalegislature.gov) and from the Legislative Audit Office.

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Audit Office Report

**Comparison of Selected Nebraska Tax Incentives with
Incentives in Other States**

September 2013

Prepared by
Stephanie Meese
Kathryn Gudmunson

Summary

This report compares selected Nebraska tax incentives to the incentives provided by nine competitor states—Arkansas, Colorado, Iowa, Kansas, Missouri, Oklahoma, South Dakota, Texas, and Wyoming—and provides information on ways other states evaluate and report on their tax incentive programs. The report is not a performance audit—it simply reports information—and consequently does not contain findings or recommendations.

In Section I of the report, we look at the overall tax structure of Nebraska and each of the competitor states. A state's tax structure is important to the discussion of tax incentives because the number and type of tax incentives offered by a state is partially determined by its tax structure. We compared the four types of taxes responsible for the vast majority of tax revenue in our 10-state group: income taxes, sales and use taxes, severance taxes, and property taxes.

In Section II of the report, we describe selected tax incentives offered by Nebraska and the comparison states. However, before presenting the results of that comparison, we note that even though Nebraska and the nine comparison states share certain economic characteristics, a number of factors complicate direct comparisons, including that:

- each state's tax structure is tailored to its particular economic environment. A tax credit can only be issued for income tax if an income tax exists, for example. There are some noteworthy differences in tax structure among our group of 10 states;
- many states also offer non-tax linked economic enticements to businesses such as loan programs, grants or bonds. We excluded those from this report;
- even simply looking at tax incentives is complicated because states offer a wide variety of incentive types including credits, exemptions, refunds, abatements, preferential rates, and rebates; and
- state tax incentives are continually evolving, so any comparison only represents a snapshot in time.

These complications do not mean that state-by-state comparisons are not useful, but they suggest that in order to

know whether an incentive that works in another state would work in Nebraska, it is important to look at both states' entire tax structure and incentive package.

Incentives Offered

All of the states we reviewed offered some form of tax incentives. We focused on tax credits, which make up the majority of Nebraska's incentives under the Advantage Act, as well as exemptions and tax increment financing, which we found were significant to current policy discussions on incentives. We also included closing funds—an incentive that is not tied to taxes—because of its current significance to policy discussions.

Exemptions

Nebraska and all of the comparison states offered tax exemptions. Nebraska was the only state that did not offer exemptions for corporate income taxes or inventory taxes. All states offered exemptions for sales tax, and all but one offered an exemption for personal property. The exception was South Dakota, which does not collect personal property taxes.

Tax Increment Financing

All of the states we reviewed allowed tax increment financing (TIF) to reduce property tax burdens. Missouri and Kansas allowed TIF to be used with a variety of taxes, but the other states were limited to either just property taxes (Arkansas, Nebraska, South Dakota, and Wyoming), or property and sales taxes (Colorado, Iowa, Oklahoma, and Texas). TIF is administered by local governments in all states except South Dakota and Wyoming, where it is approved by a planning commission. Missouri also has a state option for TIF in addition to the local option.

Closing Funds

Six of the comparison states we looked at offer cash awards, or “deal-closing funds.” As defined by Site Selection magazine, deal-closing funds are cash grants and tax credits from discretionary funds most often controlled by the governor. Nebraska does not offer these funds.

Tax Credits

Tax credit programs varied widely among the comparison states. Some states had tiered programs that reached many industries, while others were more specific. To make them easier to compare, we categorized the incentives based on industries or individuals that would benefit from them.

We found that Nebraska, like nearly all of the comparison states, offers tax credits for both job creation and investment, although Nebraska offers fewer types of investment credits than most of the comparison states. Additionally, Nebraska does not offer credits for job training, unlike the majority of the comparison states.

In Section III of the report, we found that, like Nebraska, none of the nine comparison states has statutory benchmarks for its tax incentive programs. However, six of the comparison states conducted evaluations of their incentive programs—four were required to do so and two conducted them voluntarily. Most of the evaluations (whether required or voluntary) analyze whether the state is getting a good return on its investment. Nebraska and the other three states did not conduct evaluations of their incentive programs.

Nebraska and seven of the comparison states make program information available to policymakers and the public through required annual reports (Arkansas, Colorado, Kansas, Nebraska, and Missouri) or on-line databases of program information (Iowa, Oklahoma, and South Dakota).

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INTRODUCTION

In February 2013, the Legislative Performance Audit Committee (Committee) released a report entitled *Nebraska Department of Revenue: An Examination of Nebraska Tax Incentive Programs*, which assessed the Nebraska Advantage Act, the state's largest incentive program, among other incentive programs. Following the release of that report, the Committee asked the Legislative Audit Office (Office) to compare Nebraska's Advantage Act tax incentives to the incentives provided by competitor states, and to provide information on ways other states evaluate and report on their tax incentive programs.

To identify states that are Nebraska's competitors for new, relocating, or expanding business, the Office:

- reviewed existing research on state tax incentive programs;
- researched states with similar geography, population, and/or predominant state industries; and
- consulted with experts and interested parties, including the staff of the Legislature's Revenue Committee, the National Conference of State Legislatures, and representatives of the Nebraska Chamber of Commerce.

This research resulted in a list of nine states that we believe compete directly with Nebraska: Arkansas, Colorado, Iowa, Kansas, Missouri, Oklahoma, South Dakota, Texas, and Wyoming.

Section I of this report gives an overview of the overall tax structures in these nine states and Section II presents comparative information on tax incentives. Section III describes requirements for tax incentive evaluations and for reporting on businesses that receive tax incentives.

SECTION I: Nebraska and Comparison States' Tax Structures

In this section, we describe the tax structures in Nebraska and the comparison states of: Arkansas, Colorado, Iowa, Kansas, Missouri, Oklahoma, South Dakota, Texas, and Wyoming. A state's tax structure is important to the discussion of tax incentives because the number and type of tax incentives offered by a state is partially determined by its tax structure. We compared the four types of taxes responsible for the vast majority of tax revenue in our 10-state group: income taxes, sales and use taxes, severance taxes, and property taxes.

Income Tax

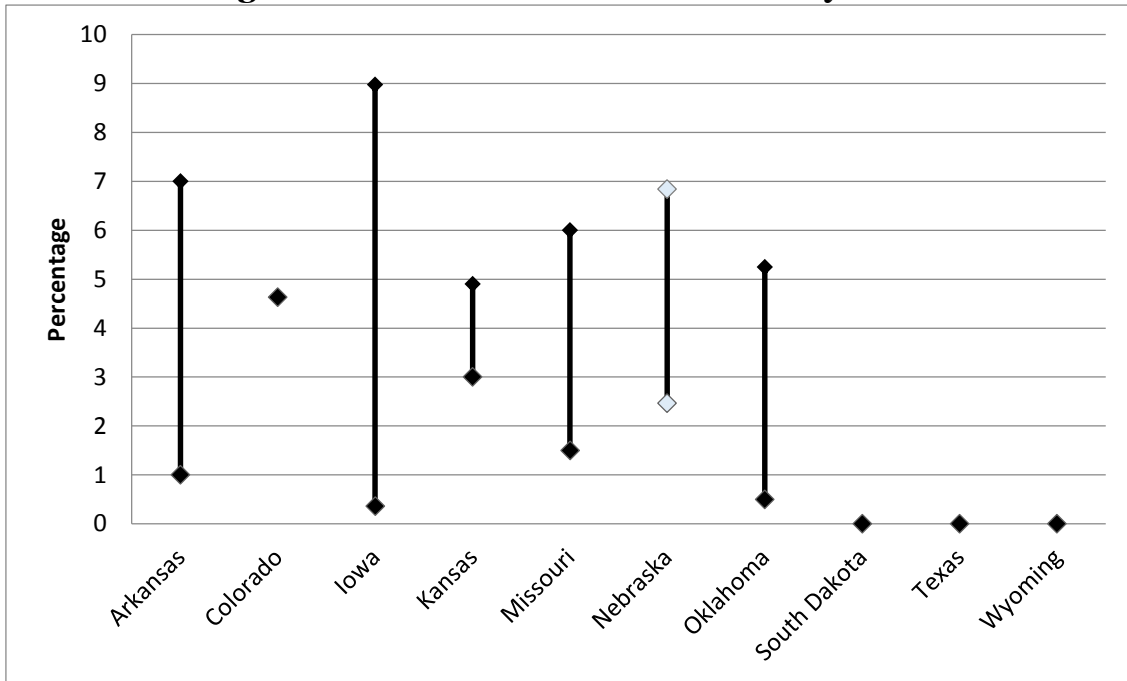
Nebraska and six of the comparison states have individual and corporate income taxes. South Dakota does not have an income tax and its corporate income tax applies only to financial institutions. Texas and Wyoming have no income taxes.

Of the states that have income taxes, some charge a flat rate, while others have a range of rates. Iowa and Kansas each offer a preferential rate to financial institutions, so the low end of the range for each of those states reflects that rate. Generally speaking, the states have lower rates for individuals rather than corporations. Nebraska's rates are in the middle of the range for both individual and corporate income taxes.

As a percentage of state tax revenue, the states collected significantly more from individual income taxes (about 30 to 35 percent) than from corporate income taxes (about 3 to 5 percent). Nebraska is on the higher end of our group of states, collecting nearly 42 percent of state tax revenue from individual income taxes. Nebraska is tied with Iowa for the highest percentage of corporate income taxes, but as noted, the difference among the states was much smaller—less than three percent.

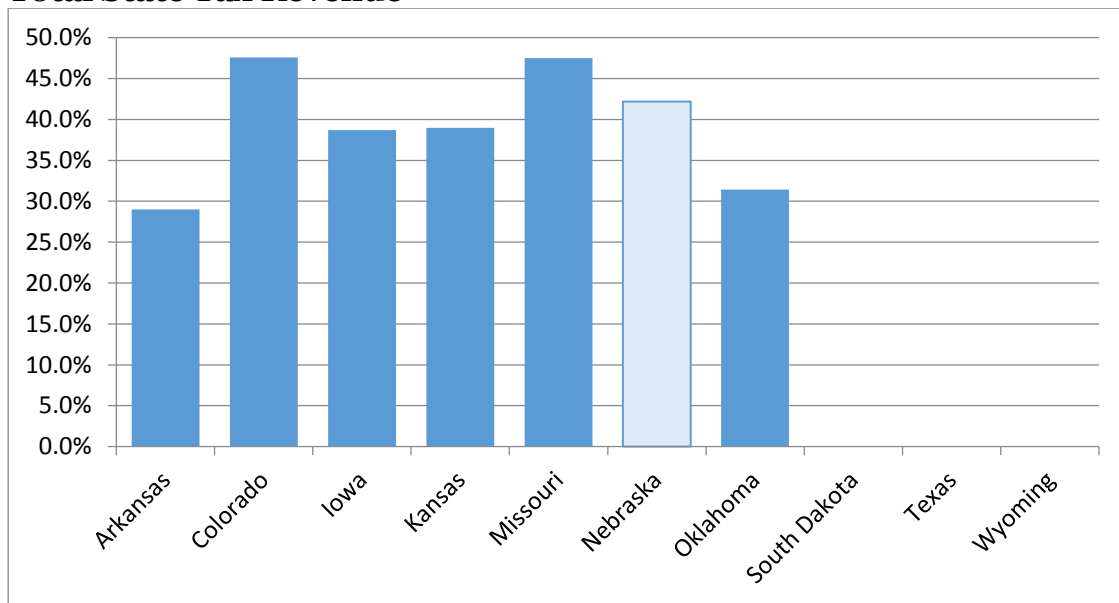
Charts 1.1 shows the individual income tax rates for the comparison states and Chart 1.2 shows the states' income tax revenue as a percentage of total revenue. Chart 1.3 shows the corporate income tax rates for the comparison states and Chart 1.4 shows the states' corporate tax revenue as a percentage of total revenue.

Chart 1.1: Range of Individual Income Tax Rates by State



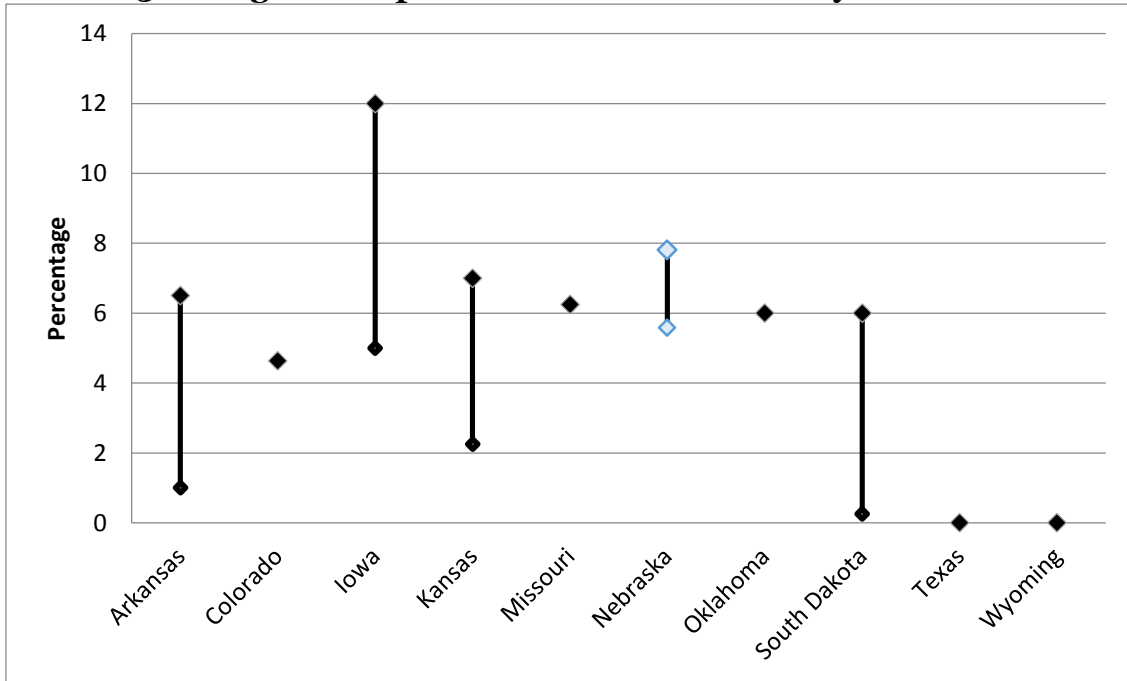
Graph created by the Legislative Audit Office using data from the Federation of Tax Administrators, State Individual Income Taxes, Rates for Tax Year 2013.

Chart 1.2: Individual Income Tax Revenue as a Percentage of Total State Tax Revenue



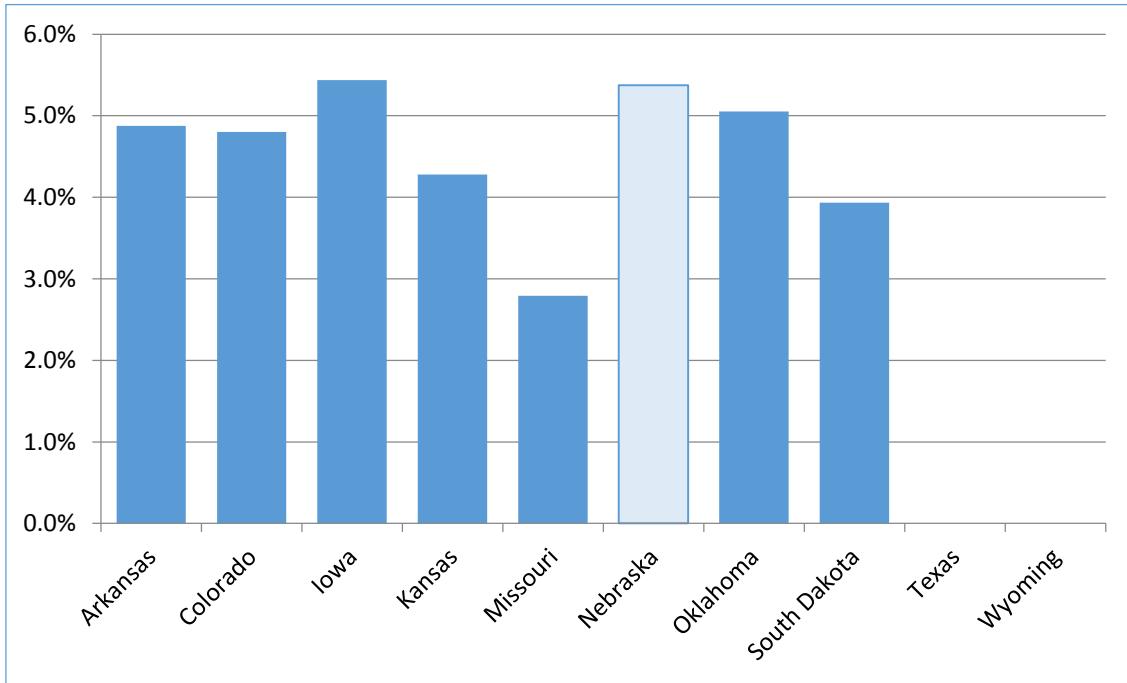
Graph created by the Legislative Audit Office using data from the U.S. Census Bureau 2012 Annual Survey of State Government Tax Collections.

Chart 1.3: Range of Corporate Income Tax Rates by State



Graph created by the Legislative Audit Office using data from Tax Foundation, Corporate Income Tax Rates, 2000-2013 and the Federation of Tax Administrators, Range of State Corporate Income Tax Rates for Tax Year 2013. Notes: South Dakota income tax only applies to financial institutions. Kansas and Iowa also have preferential rates for banks, with the rates for standard corporate income tax starting at 4% in Kansas and 6% in Iowa.

Chart 1.4: Corporate Income Tax Revenue as a Percentage of Total State Tax Revenue

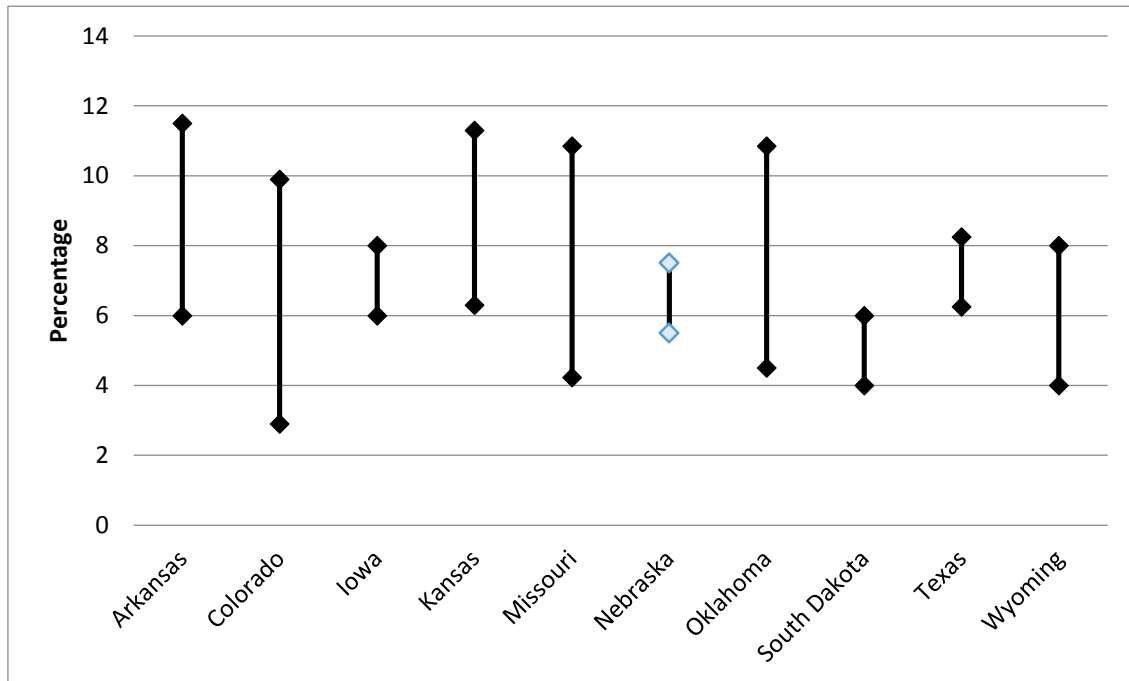


Graph created by the Legislative Audit Office using data from the U.S. Census Bureau 2012 Annual Survey of State Government Tax Collections.

Sales and Use Taxes

Nebraska and all of the comparison states have sales and use taxes, which are administered by both the state and local jurisdictions. Sales taxes apply to purchases that originate in the state, use taxes apply to tangible personal property that will be used within the state, regardless of origin. How these taxes are administered varies by state, usually on the local level. The base rate for state sales taxes ranged from 2.9% (Colorado) to 6.3% (Kansas). With the addition of the local rates, the upper end of the range reaches almost 12%. Again, Nebraska fell in the middle of the comparison states, with a 5.5% base rate that can vary by up to 2% more, depending on the city.

Chart 1.5: Sales and Use Tax Rate Ranges Including Both State and Local Taxes



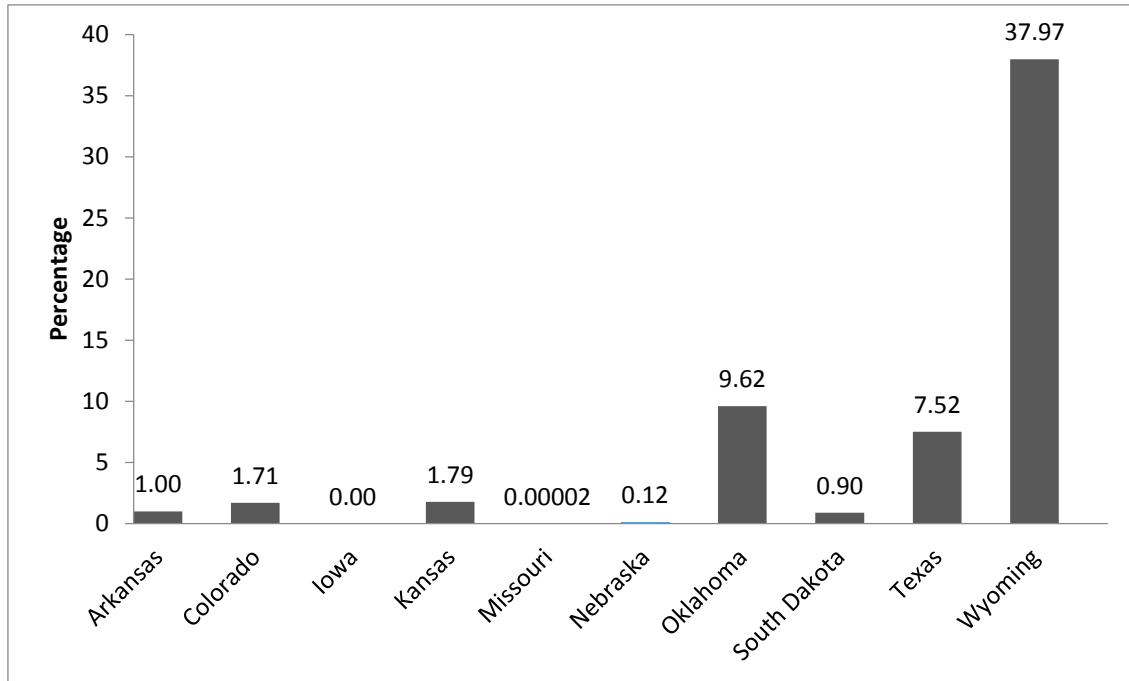
Graph created by the Legislative Audit Office using data from the Sales Tax Institute, State Sales Tax Rates as of April 1, 2013.

Severance Taxes

Nebraska and eight of the comparison states have severance taxes, which apply to companies that extract non-renewable resources. Only Iowa does not have a severance tax. We found a wide variation in the proportion of each state's revenue from the severance tax. At the low end, Missouri has one tax that yielded only \$2,000 in 2012. At the high end, Wyoming

collected over \$968 million in 2012. Wyoming is unique in that it reserves a portion of severance tax revenue in a permanent fund that earns interest for the state, which can later be used to make up budget deficits. Nebraska is at the low end of the range on this tax.

Chart 1.6: Severance Tax Income as a Percentage of State Tax Revenue



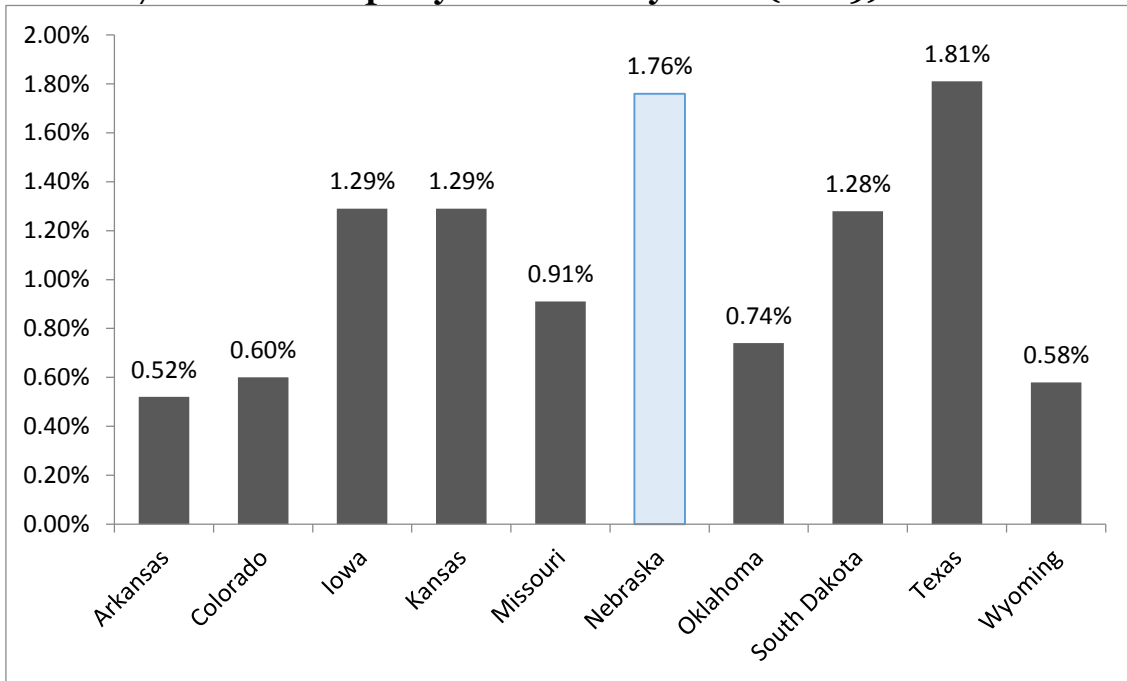
Graph created by the Legislative Audit Office using data from the U.S. Census Bureau State Government Tax Collections, 2012, and NCSL Oil & Gas Severance Taxes As of 2012.

Property Tax

Property tax is the only tax collected in all 50 states, but it is typically locally administered, which makes it hard to compare across states. The best information we were able to find was a 2009 comparison of state's median property tax rate calculated based on census data.¹ Nebraska's rate of 1.76% was the second highest among the states we reviewed. Texas, at 1.81%, was the highest. Arkansas and Wyoming had the lowest median property taxes, at 0.52% and 0.58% respectively.

¹ The rates were calculated based on census data by tax-rates.org. The median values are the property tax rates based on property value. <http://www.tax-rates.org/taxtables/property-tax-by-state> (As a reminder, the median is the number that has an equal number of rates above and below it.)

Chart 1.7: Median Property Tax Rates by State (2009)



Graph created by the Legislative Audit Office using data from Tax-rates.org, Median Property Tax by State.

In comparing property taxes among the states, it is also important to note that Nebraska values agricultural land differently than do the surrounding states. The surrounding states take into account the value of the product from the land, while Nebraska strictly evaluates the land value. Due to the differences in land valuation methodology, agricultural land is taxed at a greater rate in Nebraska than in several other states.

The table on page 15 shows the current rates of the taxes discussed in this section for Nebraska and the comparison states.

Rates of Major Taxes: Nebraska and Comparison States

Type of Tax	Tax Rates									
	Arkansas	Colorado	Iowa	Kansas	Missouri	Nebraska	Oklahoma	South Dakota	Texas	Wyoming
2013 Income— Individual	1-7%	4.63%	0.36- 8.98%	3-4.9%	1.5-6%	2.46- 6.84%	0.5-5.25%	None	None	None
2013 Income— Corporate	1-6.5%	4.63%	6-12% Banks: 5%	4-7% Banks: 2.25%	6.25%	5.58- 7.81%	6.00%	Banks only: 6-0.25%*	None	None
2012 Sales and Use (local)	6% (0-5.5%)	2.9% (0-7%)	6% (0-2%)	6.3% (0-5%)	4.225% (0.5-6.625%)	5.5% (0-2%)	4.5% (0-6.35%)	4% (0-2%)	6.25% (0-2%)	4% (0-4%)
Severance**	Brine, Gas, Minerals, Oil, Ore, Timber	Coal, Gas, Minerals, Oil, Oil Shale, Ore	None	Coal, Gas, Oil	Coal	Gas, Oil, Uranium	Gas, Minerals, Oil	Coal, Gas, Precious Metals, Oil, Uranium	Condensate, Gas, Minerals, Oil	Coal, Gas, Minerals, Oil, Uranium
2009 Property (median)	0.52%	0.60%	1.29%	1.29%	0.91%	1.76%	0.74%	1.28%	1.81%	0.58%

Table created by the Legislative Audit Office using sources cited in the previous charts (and listed in the report appendix).

*The higher the company's assets, the lower the rate. **The rate structures for severance taxes are too complex to depict in this table.

SECTION II: Nebraska and Comparison States' Tax Incentives

In this section, we describe selected tax incentives offered by Nebraska and the comparison states. Before presenting the results of our analysis, we note that even though Nebraska and the nine comparison states share certain economic characteristics, a number of factors complicate direct comparisons. First, each state's tax structure is tailored to its particular economic environment. A tax credit can only be issued for income tax if an income tax exists, for example. There are some noteworthy differences in tax structure among our group of 10 states including (as noted in Section I):

- three of the states (South Dakota, Texas, and Wyoming) have no individual income tax, while Nebraska relies heavily on income tax; and
- Nebraska and all but one of the comparison states have severance taxes, but only Oklahoma, Texas, and Wyoming collect a significant percentage of tax revenue from them.

A second complication is that many states also offer non-tax linked economic enticements to businesses such as loan programs, grants or bonds. We excluded those from this report, which focuses on tax incentives.

Simply looking at tax incentives is complicated because states offer a wide variety of incentive types including credits, exemptions, refunds, abatements, preferential rates, and rebates. The Advantage Act in Nebraska provides direct refunds of sales and use taxes, exemptions from personal property taxes, and credits that may be used to reduce other tax liabilities. The Act also creates tiers that award greater benefits for higher levels of investment or job creation. The comparison states offer different combinations of incentives, but few have overarching incentive programs like the Advantage Act or the ArkPlus program in Arkansas. Most of the other states have more narrowly focused programs, some of which are limited to a specific industry or geographical area. These programs are difficult to compare to a large, multi-industry, tiered program like those found in Nebraska or Arkansas.

Finally, state tax incentives are continually evolving, so any

comparison only represents a snapshot in time. The incentives reviewed in this report are those that will be accepting new applications throughout 2013.² However, some of the programs are scheduled to sunset soon, so even a year from now the incentive landscape may be very different.

These complications do not mean that state-by-state comparisons are not useful, but they suggest that in order to know whether something that works in another state would work in Nebraska, it is important to look at both states' entire tax structure and incentive package.

Types of Incentives

All of the states we reviewed offered some form of tax incentives. We focused on tax credits, which make up the majority of Nebraska's incentives under the Advantage Act, as well as exemptions and tax increment financing, which we found were significant to current policy discussions on incentives. We also included closing funds—an incentive that is not tied to taxes—because of its current significance to policy discussions.³

Exemptions

Nebraska and all of the comparison states offered tax exemptions. The table on page 24 shows which states offer exemptions for each type of tax. Nebraska was the only state that did not offer exemptions for corporate income taxes or inventory taxes. All states offered exemptions for sales tax, and all but one offered an exemption for personal property. The exception was South Dakota, which does not collect personal property taxes.

Tax Increment Financing

All of the states we reviewed allowed tax increment financing (TIF) to reduce property tax burdens. Missouri and Kansas allowed TIF to be used with a variety of taxes, but the other states were limited to either just property taxes (Arkansas, Nebraska, South Dakota, and Wyoming), or property and

² It does not include programs that have been terminated but are continuing to pay out benefits under earlier agreements—like LB 775 in Nebraska—or tax incentives scheduled to sunset during 2013, such as a Kansas film incentive.

³ As noted earlier in the report, we did not review all economic business incentives offered by the states, we focused on those connected to taxes.

sales taxes (Colorado, Iowa, Oklahoma, and Texas). TIF is administered by local governments in all states except South Dakota and Wyoming, where it is approved by a planning commission. Missouri also has a state option for TIF in addition to the local option.

Closing Funds

Six of the comparison states we looked at offer cash awards, or “deal-closing funds.” As defined by Site Selection magazine, deal-closing funds are cash grants and tax credits from discretionary funds most often controlled by the governor. Nebraska does not offer these funds.

Credits for Investments and Jobs

Tax credit programs varied widely among the comparison states. Some states had tiered programs that reached many industries, while others were more specific. To make them easier to compare, we categorized the incentives based on industries or individuals that would benefit from them.

We found that Nebraska, like nearly all of the comparison states, offers tax credits for both job creation and investment, although Nebraska offers fewer types of investment credits than most of the comparison states. Additionally, Nebraska does not offer credits for job training, unlike the majority of the comparison states.

Most-common Tax Credits

Most of the states we reviewed have credits for general investments and for specific investments in agricultural/rural areas, the environment, historic preservation, small business, and quality of life. Nebraska only addresses some of these categories directly, though projects in additional categories may qualify for tax credits under the Advantage Act.

Table 2.1 shows the most common credits. A brief discussion of each follows the table.

Table 2.1: Credits Offered by Most Comparison States

	AR	CO	IA	KS	MO	NE	OK	SD	TX	WY
Job Creation Tax Credits	X	X	X	X	X	X	X		X	
Job Training Tax Credits	X	X	X	X	X		X			
Agricultural/Rural Investment Tax Credits	X	X	X	X	X	X	X			
Angel Investment/Small Business/Venture Capital Tax Credits	X		X	X	X	X	X		X	
Environmental Investment Tax Credits	X	X	X	X	X		X		X	
Fuel Investment Tax Credits	X	X	X	X			X			
General Investment Tax Credits	X	X	X	X	X	X	X		X	
Historic Preservation Investment Tax Credits	X	X	X	X	X		X			
Research and Development Investment Tax Credits	X	X	X	X		X				
Quality of Life Investment Tax Credits	X	X	X	X	X		X			

Table created by the Legislative Audit Office using information from individual state web sites, which are listed in the report appendix.

Credits for Jobs

This category of incentives includes those for both job creation and job training.

Nebraska and seven of the comparison states (all but South Dakota and Wyoming) provided tax credits for job creation. Some offered umbrella programs that require a business to invest a certain amount in the state as well as create a certain number of jobs. Those include the Nebraska Advantage Act, ArkPlus in Arkansas, and the High Quality Job Creation Program in Iowa. Other states had narrower job creation programs, such as those aimed at a particular industry (e.g. Oklahoma's Aerospace Engineer Workforce Tax Credit).

Six of the states—Arkansas, Colorado, Iowa, Kansas, Missouri, and Oklahoma—offered separate incentives for job training programs. These included apprenticeship programs, job retention and existing worker training incentives, new job

training programs, and tuition reimbursement. Nebraska offers credits for job creation, but does not specifically require any job training or school-to-work agreements.

Agricultural/Rural Credits

Nebraska and the six other states we reviewed that collect income tax had agricultural or rural area credits. These credits ranged from very broad (like the Nebraska Advantage Rural Development Act, which applies to any type of project in a rural or economically distressed area that meets the job creation and investment thresholds) to the very specific (like a Kansas credit available only for swine facility improvement).

Small Business Credits

Seven states (Arkansas, Iowa, Kansas, Missouri, Nebraska, Oklahoma, and Texas) offered incentives for angel investment, venture capital investment, or small businesses. Generally speaking, these incentives are intended to encourage companies or individuals to provide funding for entrepreneurs and small businesses, which often have too few employees or too small an investment in a state to qualify for traditional tax incentives. By incentivizing the larger investors, the states can benefit small businesses while encouraging investment.

Environmental Credits

Tax credits for environmental projects or improvements are available in all of the states in our group that collect income tax except Nebraska. Texas, which does not have an income tax, offers credits for investment in environmental projects that are applicable to property taxes. Among the 10 states we reviewed, these credits range widely in specificity. Credits for renewable energy projects, recycling, and alternative fuels are common.

Alternative Fuel Credits

Arkansas, Colorado, Iowa, Kansas, and Oklahoma offer incentives related to the production or distribution of fuel. Nebraska used to offer incentives for ethanol production, but those have expired. In addition to fuels, we found credits for other transportation related industries in two other states. Arkansas provides an incentive to businesses that invest in public road projects. Oklahoma offers incentives for air

transportation and the commercial space industry.

Historic Preservation Credits

Tax credits for the restoration of historic sites are available in Arkansas, Colorado, Iowa, Kansas, Missouri, and Oklahoma. Nebraska does not have a state tax credit available for historic preservation.

Research and Development Credits

Nebraska and four of the comparison states have credits specifically aimed at increasing research and development. The details of these credits vary. Some states provide credits for creation of research jobs or investments, others provide tax relief to companies that help to fund research projects. Missouri did not have a specific research and development credit, but research companies can still receive credits under a larger umbrella program (Quality Jobs). Oklahoma also did not have a general research and development program, but other credits specific to certain industries could apply.

Quality of Life Credits

This category groups incentives that contribute to the health and well-being of employees or state citizens. Three states (Arkansas, Colorado, and Missouri) offer credits to companies that invest in affordable housing projects. Arkansas, Colorado, Kansas, and Oklahoma also have incentives for companies that provide child care for employees. Kansas and Missouri offer credits to companies that provide health insurance benefits for employees. Colorado and Iowa offer educational incentives. Missouri is unique in providing credits to companies that fund domestic violence and residential treatment facilities. Nebraska does not have any incentives for these specific quality of life issues.

Less-common Tax Credits

Less common in our group of 10 states were tax credits for investments in films, natural resources, or tourism. These are shown in Table 2.2.

Table 2.2. Credits Offered by a Few Comparison States

	AR	CO	IA	KS	MO	NE	OK	SD	TX	WY
Film Investment Tax Credits					X		X			
Natural Resource Investment Tax Credits	X						X		X	
Tourism Investment Tax Credits	X			X			X			

Table created by the Legislative Audit Office using information from individual state web sites, which are listed in the report appendix.

Film Credits

Film credits are rare in our comparison states. Only Missouri and Oklahoma offer tax credits for film production. However, Arkansas, Colorado, Texas and Wyoming offer rebates for in-state expenditures for film production. These rebates vary by state. In Texas, there is a cap on the rebates of \$2 million. In Colorado, 25 percent of the actors and crew must be Colorado residents to qualify for the rebate. Nebraska currently offers no state incentives for film production.

Natural Resource Credits

Three of the states we reviewed offered credits related to non-renewable natural resource industries. Arkansas and Oklahoma offer tax credits related to coal mining, and Texas offers credits for the oil industry. (Iowa also offers credits to gasoline producers, which we categorize under fuel credits.)

Tourism Credits

Three of the comparison states – Arkansas, Kansas, and Oklahoma – offer tax credits for tourism. Nebraska does not offer any incentives for this industry.

The table on page 24 shows which states offer the incentives discussed in this section.

Summary: Tax Incentives Offered by Nebraska and Comparison States

Type	AR	CO	IA	KS	MO	NE	OK	SD	TX	WY
Tax Exemptions										
Corporate Income	x	x	x	x	x		x	n/a*	n/a	n/a
Individual Income			x	x	x	x	x	n/a	n/a	n/a
Sales	x	x	x	x	x	x	x	x	x	x
Inventory	x	x	x	x	x		x	n/a	x	x
Real Property	x		x	x	x	x	x	x	x	
Personal Property	x	x	x	x	x	x	x	n/a	x	x
Excise	x	x	x		x		x	x		
Research and Development	x		x	x	x	x	x	x	x	
Other										severance
Tax Increment Financing (TIF)										
Property Tax	x	x	x	x	x	x	x	x	x	x
Sales Tax		x	x	x	x		x		x	
Income Tax					x					
Closing Funds										
Closing Funds	x	x		x			x	x	x	
Tax Credits										
Investment	x	x	x	x	x	x	x		x	
Job Creation	x	x	x	x	x	x	x		x	

Table created by the Legislative Audit Office using source data cited in previous charts (and listed in the report appendix).

*Not applicable because state does not have this tax.

SECTION III: Evaluation of Tax Incentive Programs and Transparency in Nebraska and Comparison States

In this section, we describe the benchmarks, evaluation procedures, and reporting requirements in place for Nebraska and each of the comparison states. To do this, we reviewed each state's website, statutes, a 2012 report by the Pew Center on the States, titled *Evidence Counts: Evaluating State Tax Incentives for Jobs and Growth*, and contacted the states directly to get information regarding their tax incentive programs.

Due to the variation in each state's tax incentive programs, for ease of understanding, we first present a summary of what we found across the states. We then provide more detail in our state-by-state portion of this section.

Summary

Benchmarks and Evaluations

We found that, like Nebraska, none of the nine comparison states has statutory benchmarks for its tax incentive programs. However, six of the comparison states conducted evaluations of their incentive programs—four were required to do so and two conducted them voluntarily. Most of the evaluations (whether required or voluntary) analyze whether the state is getting a good return on its investment. Nebraska and the other three states did not conduct evaluations of their incentive programs.

Transparency

Nebraska and seven of the comparison states make program information available to policymakers and the public through required annual reports (Arkansas, Colorado, Kansas, Missouri, and Nebraska) or on-line databases of program information (Iowa, Oklahoma, and South Dakota).

Table 3.1 and Table 3.2 summarize the evaluations conducted in and reporting requirements for each state, respectively. Details about each state follow the tables.

Table 3.1. Evaluations

State	Evaluation Required?	Evaluation Details
Arkansas	Yes	Comparison of the Department's performance over the past two years, comparison of actual performance to projections, Arkansas's economic performance compared to neighboring states, evaluating Arkansas's business climate in the coming year, and calculation of a cost/benefit ratio for projects that received incentives in the past year.
Colorado	Yes	Actual job creation compared to forecasted job creation.
Iowa	Yes	Each tax credit is reviewed every five years for: equity, simplicity, competitiveness, public purpose, adequacy, and extent of conformance with the original purpose of the enacting legislation. Also, return-on-investment calculation and a ratio of private investment to public investment through incentives.
Kansas	No	
Nebraska	No	LB 629 (2013) changed the requirement that the Department of Revenue make recommendations relating to the continuation or elimination of tax incentive programs and instead permitted the Governor to do so.
Missouri	No	Bi-Partisan Tax Credit Review Commission created to review each of the state's 61 tax credit programs and make recommendations for greater efficacy and enhanced return on investment.
Oklahoma	Yes	Economic impact study
South Dakota	No	
Texas	No	Recent evaluation looked at whether each incentive is truly necessary to attract business, the cost of the program, and whether the state fully controls the incentive cost.
Wyoming	No	

Table created by the Legislative Audit Office using information from individual state web sites, which are listed in the report appendix.

Table 3.2. Report Requirements

State	Required Report?	Report Details
Arkansas	Yes	Two annual reports covering different information. The Department of Finance and Administrative Program Costs Report: http://www.dfa.arkansas.gov/offices/exciseTax/TaxCredits/Documents/programCost.pdf and the Arkansas Economic Development Commission's annual report: http://www.arkleg.state.ar.us/assembly/2011/Meeting%20Attachments/000/I10445/Exhibit%20H.5a%20-%20AEDC%20-%20Annual%20Report%20for%202011.pdf
Colorado	Yes	Information includes the company name, total incentive awarded, funds disbursed, forecasted job creation, actual job creation, and the average wage rate. Also included is what percentage of funded projects are in rural or urban areas, and which projects are state-wide. http://www.advancecolorado.com/sites/default/files/Assets/IncentivesFinance/Documents/EDC2012.pdf
Iowa	No	Has searchable database: http://www.iowaeconomicdevelopment.com/annualrpt/Default.aspx
Kansas	Yes	Details the fiscal impact of exemptions, credits, deductions, modifications, and exclusions relating to taxes and programs. http://www.ksrevenue.org/pdf/taxexpreport.pdf
Missouri	Yes	The Tax Credit Accountability Report includes information about incentives given out by category type and program, by industry, and by business size, as well as a document with individual recipient data. Both can be found here: http://www.ded.mo.gov/Ded/TaxCreditReporting.aspx
Nebraska	Yes	Tax Incentives Report, which includes information about agreements signed and summary of benefits approved: http://www.revenue.ne.gov/incentiv/annrep/annl_rep.html and a Tax Expenditure Report: http://www.revenue.ne.gov/research/tax_exp_reports.html
Oklahoma	No	Searchable database: https://www.ok.gov/okaa/tax/app/search.php
South Dakota	No	Online database: http://www.state.sd.us/drr2/business/tax/statistics/2012/constructionparticipants.pdf
Texas	No	
Wyoming	No	

Table created by the Legislative Audit Office using information from the web sites listed.

Evaluations and Reporting: Details on Each State

We found that evaluation and reporting information on the states were difficult to separate, so the following discussion covers both issues. We begin with an overview of what we found in Nebraska in our February 2013 report entitled *Nebraska Department of Revenue: An Examination of Nebraska Tax Incentive Programs*.

Nebraska

Nebraska has two legislatively required reports prepared by the Revenue Department—a biennial Tax Expenditure Report and an annual Tax Incentives Report to the Legislature. The Tax Expenditure Report requires the Department to report to the Legislature on the state's major tax exemptions, while the Tax Incentives Report provides information on eight tax incentive programs, as required by provisions in each of the programs' statutes. The amount of information required to be reported varies considerably, with the most required for the Nebraska Advantage Act, the largest program in terms of its impact on state revenue, and less for programs with smaller budget impacts.

We found in our report, based in part on the Pew Center's evaluation, that Nebraska does not have any clear conclusions about the effectiveness of the tax incentives in the reports and for integration of the reports into the policy-making process. Clear conclusions are necessary in order for policy-makers to make sound decisions about whether to continue, eliminate, or modify tax incentive programs. The need to better integrate information into the policy making process reflects the fact that often incentive programs—especially their costs in terms of foregone revenue—are not regularly reviewed in a manner comparable to direct appropriations. Without proper evaluations, some incentives could be funded that are not the best investment and others that would be better investments are not being sufficiently funded.

Arkansas

Like Nebraska, Arkansas publishes an annual report detailing the amount of incentive funds given out. Arkansas's Department of Finance and Administration's Tax Credits/Special Refunds Section is responsible for maintaining statistical data regarding the various tax credits

and business incentives received by Arkansas taxpayers. This report does not identify which businesses receive tax incentives because, by law, taxpayer records are confidential unless disclosure is specifically outlined in statute.

Additionally, the Arkansas Economic Development Commission (AEDC) also produces an annual report, which is required by law. This report includes the following information:

- Accounting of all projects
 - Type of company, location, number of jobs, average hourly wage, incentives offered;
- Assessment of projects that did not materialize
 - Type of company, location, number of jobs, average hourly wage, incentives offered, reason company did not locate in Arkansas, General Assembly proposals to assist AEDC;
- Accounting of major factory and plant closures
 - Location city, number of jobs lost, reason for closure;
- Strategies and recommendations for current year
 - Plans for preventing closures and job loss, assessment of the relative risk of losing factories, plants, and jobs, plans for increasing the number of economic development proposals, plans for creating new initiatives/incentives; and
- The Director's assessment of the Department's performance
 - Comparison of the Department's performance over the past two years, comparison of actual performance to projections, Arkansas's economic performance compared to neighboring states, evaluating Arkansas's business climate in the coming year)

Each annual report also includes an average cost/benefit ratio for all projects receiving incentives during the previous calendar year based on an Implan model. These calculations are projections based on company provided information on employees, wages, investment, etc. In addition to this analysis, the Arkansas Division of Legislative Audit is required to prepare a cost-benefit analysis of the economic incentive programs once every five years.

In 2013, Arkansas added requirements to AEDC's annual report to include information on which projects contain clawbacks (tools for the recovery of incentive funds when program stipulations are no longer being met) and to refocus Arkansas's Division of Legislative Audit's evaluation of incentives from a review of "programs" to a review of "projects." AEDC states that the ensuing result from these requirements will be to focus on what actually happened in terms of how many employees were hired, what was the actual payroll and investment and how much was paid in taxes by the company receiving benefits. These projects will be reviewed and calculations made on what the state received in benefits, which will result in a much needed comparison of AEDC projections versus what actually happened. As these changes were made so recently, AEDC reported that they will be meeting with legislative auditors soon to establish protocols for evaluation to make sure the projections (AEDC responsibility) and actual data (Legislative Audit and Department of Finance and Administration) are handled consistently so accurate comparisons can be made.

Colorado

Colorado's Economic Development Commission (EDC) publishes an annual report on projects supported by the EDC in the previous year. Information on these projects includes the company name, total incentive awarded, funds disbursed, forecasted job creation, actual job creation, and the average wage rate. Also included is the percentage of funded projects in rural and/or urban areas, and which projects are state-wide.

(Note: We requested information from Colorado but did not receive a response so we have less information available for that state.)

Iowa

Iowa recently established a Legislative Tax Expenditure Committee, which is tasked with approving annual estimates of the cost of tax expenditures each year and performing a scheduled review of specified tax credits so that each credit is reviewed at least every five years. This Committee held its first meeting in the fall of 2011. Iowa law requires the Legislative Tax Expenditure Review Committee to evaluate each tax expenditure and "assess its equity, simplicity, competitiveness, public purpose, adequacy, and extent of

conformance with the original purposes of the legislation that enacted the tax expenditure, as those issues pertain to taxation in Iowa.” Additionally, the Committee is also required to perform a return on investment calculation for tax incentive programs. This is defined in statute as “analyzing the cost to the state of providing the tax expenditure, analyzing the benefits realized by the state from providing the tax expenditure, and reaching a conclusion as to whether the benefits of the tax expenditure are worth the cost to the state of providing the tax expenditure.”

In addition to this, Iowa has an incentive evaluation tool named the Fiscal Impact Ratio (FIR) that exists in statute. The FIR is a ratio of the private investment to the public investment provided through incentives. Staff calculates a FIR for every application that is considered for funding by the Iowa Economic Development Authority's (IEDA's) board. IEDA also uses another economic impact model (REMI) to evaluate the public benefits accruing from a company's new investment.

IEDA provides a searchable database, updated annually, that provides a wealth of information regarding businesses that have applied for or have received incentives. This database is not required by law. The information in the database is broken down by:

- Projects in contract negotiations
 - Company name, project location, total award amount, tax credit estimated value, total projected jobs, and total projected project cost;
- Projects under contract in the performance stage of the process
 - Company name, project location, total award amount, tax credit estimated value, contracted number of jobs, total jobs as of report deadline (contracted amount), excess jobs (not eligible to be included in the contract obligations), total contracted project cost, actual amount spent, and contracted capital investment);
- Projects under contract in the maintenance stage of the process
 - Company name, project location, total award amount, tax credit estimated value, contract obligations (total jobs), jobs at project completion, maintenance status as of report

date, total contracted project cost, and actual amount spent at project completion;

- Completed contracts
 - Company name, project location, total award amount, tax credit estimated value, contract obligations (total jobs), final job numbers, total contracted project cost, and actual amount spent at project completion;
- Projects declined or rescinded
 - Company name, project location, total award amount, tax credit estimated value, total projected jobs, and total projected project cost;
- Projects in default
 - Company name, project location, total award amount, tax credit estimated value, total projected jobs, and total projected project cost;
- Projects in collections
 - Company name, project location, total award amount, tax credit estimated value, contract obligations (total jobs), total contracted project costs, amount owed, negotiated settlement, amount collected, and amount outstanding; and
- Projects too new to report
 - Company name, project location, total award amount, tax credit estimated value, total projected jobs, and total projected project cost.

Kansas

The Kansas Department of Revenue provides an annual tax credit report to the Kansas Legislature. This report provides the number of filers and amount of credit allowed each year for the tax incentives administered by the Department of Revenue. No individual statistics are provided by company as that is considered confidential information and cannot be released.

Missouri

Missouri law does not require a formal evaluation of any incentive, however, several incentive programs do require reporting the fiscal impact of the incentive. In 2004, the Missouri legislature passed the “Tax Credit Accountability

Act,” which requires an annual report. The Tax Credit Accountability Report details the incentives given out by the Department of Economic Development (DED) by category type and program, by industry, and by business size. This report also includes information about any legal action taken by the state against any parties that have failed to comply with their contract or agreement with the state. A separate DED report details the amount given to individual businesses.

Missouri also has a Bipartisan Tax Credit Review Commission that was created to review each of the state's 61 tax credit programs and make recommendations for greater efficacy and enhanced return on investment. This Commission released a report in 2010, and, at the request of the Governor, updated this report in 2012.

Further information about the amount of funds received by individual companies can also be found on Missouri's MAP (Missouri Accountability Portal) Tax Credits site. On this site, individuals can view tax credit issuances by Tax Credit Category, Customer or Legislative District. Missouri's DED also issues a tax credit analysis for each individual incentive category type that details the amounts authorized, issued, and redeemed within the category, as well a cost-benefit analysis of the category.

Oklahoma

Two incentive programs in Oklahoma (Quality Events and the Quality Jobs & Investment program) require an economic impact study to be performed and evaluated by the state's Department of Commerce.

Oklahoma also offers an OpenBooks Tax Credits Public Search, which is a searchable database that allows the public to search for tax credits given out, by name or type of tax credit. This database provides information regarding the name of business/recipient, tax year credit was received, the credit amount, and the type of tax credit.

South Dakota

Although South Dakota does not have any benchmarks or formal evaluation procedures in statute, they do report tax refund information, which includes the name of the person or entity receiving the funds and the amount of the refund. This information is presented cumulatively from July 1996 in the

statistical section of their Department of Revenue's website.

Texas

Texas reviewed its tax incentives in 2010 and made recommendations regarding nine programs. The report stated, "In order for Texas to maximize the value of its incentives, it should maintain a commitment to transparency, which then allows an ongoing evaluation of each individual program by the administering agency, policy makers and the public. The state should also focus on properly evaluating both proposed and existing incentives, including whether the incentive is truly necessary to attract business, the cost of the program and whether the state fully controls the incentive cost, both in the near term and over a longer horizon." Several of the changes proposed by the Comptroller's report were discussed this legislative session.

Wyoming

Wyoming does not have any benchmarks, beyond the requirements for each incentive, and does not perform any formal evaluations of the tax incentives they offer. According to the Wyoming Business council, because Wyoming's tax structure provides low taxes, over a three to five year time period they can beat out other states that can offer many incentives.

Appendix

This appendix includes a summary of each states' tax structure and the incentives we reviewed for this report. Additional incentives, such as refunds and exemptions, are noted, but not examined in detail as they were not studied for this report.

Arkansas

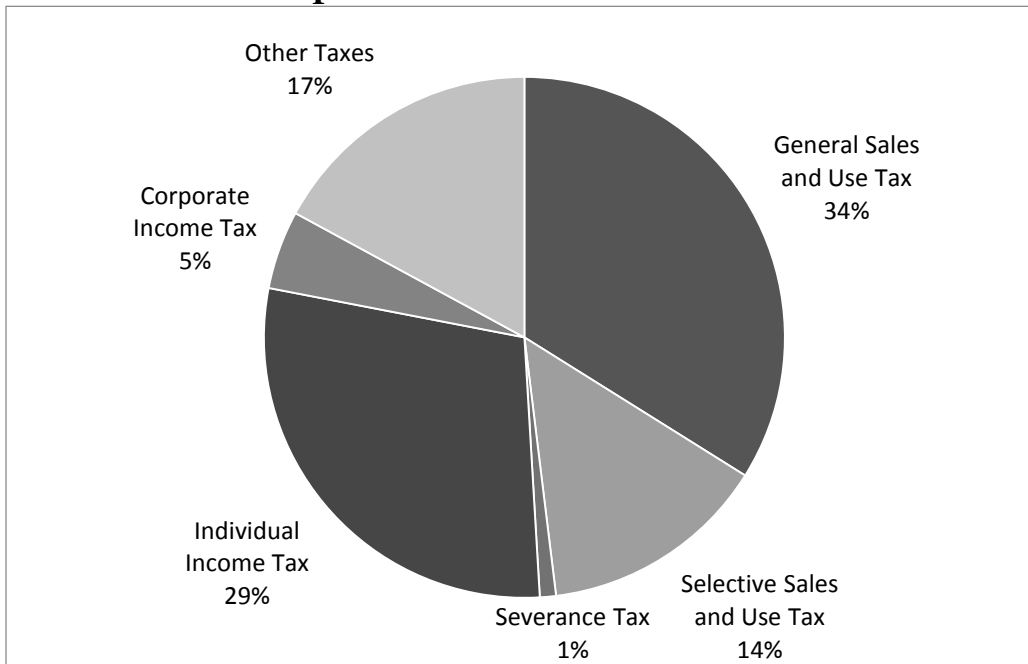
Overall Tax Structure and Rates

Total Tax Revenue (2012, in millions): \$8,288

Type of Tax	Rate
Corporate Income Tax (2013):	1-6.5%
Individual Income Tax (2013):	1-7%
State Sales and Use Tax Rate (April 2013):	6% (0-5.5%)*

*local range in parentheses

Individual Tax Proportion of Total Revenue



Incentives Offered

Type	Offered?
Exemptions	✓
TIF	✓ (local)
Closing Funds	✓
Tax Credits	✓

Arkansas Tax Credits Reviewed for This Report

Job Creation Tax Credits

- Advantage Arkansas
- ArkPlus
- Create Rebate

Job Training Tax Credits

- Existing Workforce Training Tax Credit
- Tuition Reimbursement Act
- Youth Apprenticeship Program Credit

Angel Investment/Small Business/Venture Capital Tax Credits

- Equity Investment Incentive Act
- Venture Capital Investment Credit

Agricultural/Rural Investment Tax Credits: Rice Straw Tax Credit

Environmental Investment Tax Credits

- Private Wetland/Riparian Zone Creation, Restoration, and Conservation
- Recycling Equipment Tax Credit
- Water Resource Conservation Credits

Film Investment Tax Credits: None

Fuel Investment Tax Credits: Biodiesel Incentive Act

General Investment Tax Credits

- Arkansas Central Business Improvement District Rehabilitation and Development Investment Tax Credit Act
- ArkPlus
- InvestArk
- Rice Straw Tax Credit
- Targeted Business Incentives

Historic Preservation Investment Tax Credits: Historic Rehabilitation Credit

Non-renewable Natural Resource Investment Tax Credits: Coal Mining Tax Credit

Research and Development Investment Tax Credits

- Donations of Education/Research and Development Equipment or Sale Below Cost Tax Credit
- Research and Development Incentives
- Research Park Authority

Quality of Life Investment Tax Credits

- Affordable Housing Credit
- Childcare Facility Tax Credit
- Family Savings Initiative Tax Credit
- Low Income Housing Credit

Tourism Investment Tax Credits

- Delta Geotourism Incentive Act
- Tourism Development Act

Transportation Investment Tax Credits: Public Roads Improvement Credit

References—Arkansas

Arkansas Department of Finance and Administration – Business Incentives and Tax Credit Programs

(<http://www.dfa.arkansas.gov/offices/exciseTax/TaxCredits/Pages/BusinessIncentivesandTaxCreditPrograms.aspx>)

Arkansas Economic Development Commission – Incentives

(<http://arkansasedc.com/site-selectors/incentives>)

Arkansas Statutes and Laws – Laws.com

(<http://statutes.laws.com/arkansas/title-19/chapter-5/subchapter-12/19-5-1231>)

References – All States

Council of State Governments

(<http://apps.csg.org/BusinessIncentives/>)

Site Selection Magazine

(<http://www.siteselection.com/issues/2012/nov/incentives-chart.cfm?s=ra>)

Colorado

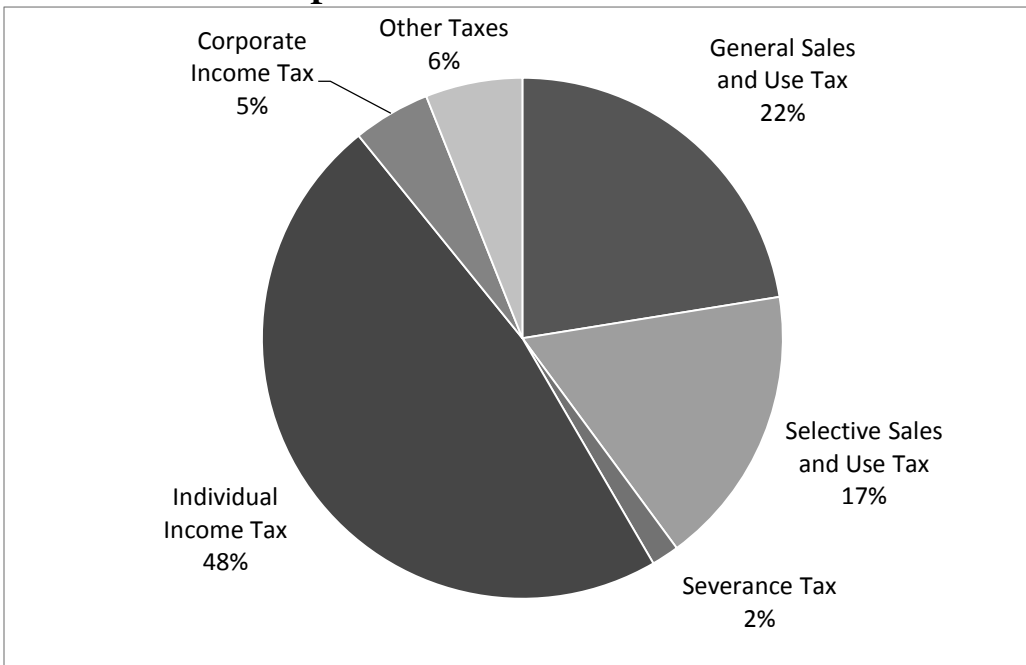
Overall Tax Structure and Rates

Total Tax Revenue (2012, in millions): \$10,251

Type of Tax	Rate
Corporate Income Tax (2013):	4.63%
Individual Income Tax (2013):	4.63%
State Sales and Use Tax Rate (April 2013):	2.9% (0-7)*

*local range in parentheses

Individual Tax Proportion of Total Revenue



Incentives Offered

Type	Offered?
Exemptions	√
TIF	√ (local)
Closing Funds	√
Tax Credits	√

Colorado Tax Credits Reviewed for This Report

Job Creation Tax Credits

- Aircraft Manufacturer New Employee Tax Credit
- Enterprise Zones
- Job Growth Incentive Tax Credit

Job Training Tax Credits

- Enterprise Zones
- School-to-career Investment Credit

Angel Investment/Small Business/Venture Capital Tax Credits: None

Agricultural/Rural Investment Tax Credits: Crop and Livestock Contribution Credit

Environmental Investment Tax Credits

- Contaminated Land Redevelopment Credit
- Gross Conservation Easement Income Tax Credit

Film Investment Tax Credits: None

Fuel Investment Tax Credits

- Alternative Fuel Income Tax Credit
- Alternative Fuel Refueling Facility Income Tax Credit

General Investment Tax Credits

- Enterprise Zones
- New Investment Income Tax Credit
- Old Investment Income Tax Credit

Historic Preservation Investment Tax Credits: Historic Property Preservation Income Tax Credit

Natural Resource Investment Tax Credits

- *Research and Development Investment Tax Credits*
- Enterprise Zones

Quality of Life Investment Tax Credits

- Child Care Center Investment Credit
- Child Care Contribution Credit
- Colorado Works Program Credit
- Employer Child Care Facility Investment
- Enterprise Zones
- Low Income Housing Credit

Tourism Investment Tax Credits: None

Transportation Investment Tax Credits: None

References – Colorado

Colorado Department of Revenue Division of Taxation
(<http://www.colorado.gov/cs/Satellite/Revenue/REVX/1199696458907>)

Colorado Office of Economic Development and International Trade – Strategic Cash Fund Incentive
(<http://www.advancecolorado.com/funding-incentives/incentives/strategic-cash-fund-incentive>)

Colorado Office of Economic Development and International Trade – Tax Credit Resources
(<http://www.advancecolorado.com/funding-incentives/incentives/enterprise-zone-tax-credits/tax-credits>)

References – All States

See sources and citations on page 3.

Iowa

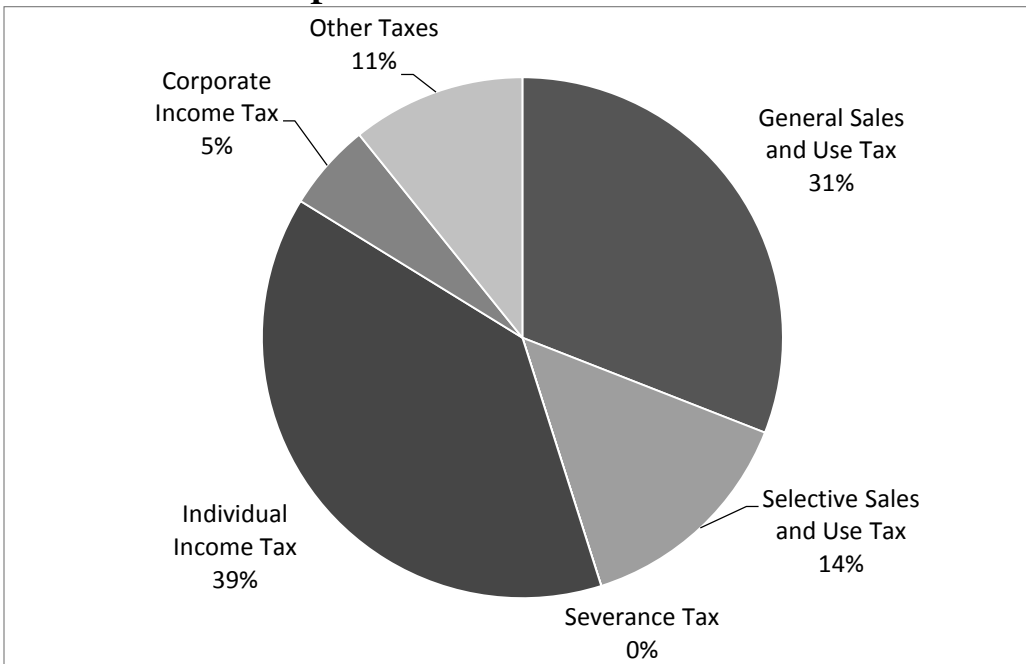
Overall Tax Structure and Rates

Total Tax Revenue (2012, in millions): \$7,832

Type of Tax	Rate
Corporate Income Tax (2013):	6-12%
Individual Income Tax (2013):	0.36-8.98%
State Sales and Use Tax Rate (April 2013):	6% (0-2%)*

*local range in parentheses

Individual Tax Proportion of Total Revenue



Incentives Offered

Type	Offered?
Exemptions	√
TIF	√ (local)
Closing Funds	No
Tax Credits	√

Iowa Tax Credits Reviewed for This Report

Job Creation Tax Credits

- Enterprise Zones
- High Quality Job Creation Program
- New Jobs Tax Credit
- Targeted Job Credit from Withholding

Job Training Tax Credits

- Accelerated Career Education Program
- Industrial New Jobs Training Program
- New Jobs Tax Credit

Angel Investment/Small Business/Venture Capital Tax Credits

- Innovation Fund Tax Credit
- Venture Capital Credit – Contingent Tax Credit for Investments in Iowa Fund of Funds
- Venture Capital Credit – Investments in Qualifying Businesses and Community Based Seed Capital Funds
- Venture Capital Credit – Investments in Venture Capital Funds

Agricultural/Rural Investment Tax Credits: Agricultural Asset Transfer Tax Credit

Environmental Investment Tax Credits

- Brownfield/Grayfield Tax Credit Program (Includes Redevelopment Tax Credit)
- Charitable Conservation Contribution Tax Credit
- Renewable Energy Tax Credit
- Solar Energy System Tax Credit
- Wind Energy Production Tax Credit

Film Investment Tax Credits: None

Fuel Investment Tax Credits

- Biodiesel Blended Fuel Tax Credit
- E15 Gasoline Promotion Tax Credit
- E85 Gasoline Promotion Tax Credit
- Ethanol Promotion Tax Credit
- Motor Vehicle Fuel Tax Credit

General Investment Tax Credits

- Brownfield/Grayfield Tax Credit Program (Includes Redevelopment Tax Credit)
- Corporation Tax Credit for Certain Sales Taxes Paid by Third Party Developer
- Disaster Recovery Housing Tax Credit

- Endow Iowa Tax Credit
- Enterprise Zones
- Franchise Tax Credit
- High Quality Job Creation Program
- Investment Tax Credit
- Minimum Tax Credit
- S Corporation Apportionment Credit

Historic Preservation Investment Tax Credits

- Charitable Conservation Contribution Tax Credit
- Historic Preservation and Cultural and Entertainment District Tax Credit

Non-renewable Natural Resource Investment Tax Credits: None

Research and Development Investment Tax Credits

- Enterprise Zones
- High Quality Job Creation Program
- Innovation Fund Tax Credit
- Research Activities Credit

Quality of Life Investment Tax Credits

- Assistive Device Tax Credit
- School Tuition Organization Tax Credit

Tourism Investment Tax Credits: None

Transportation Investment Tax Credits: None

References – Iowa

Iowa Administrative Code 701—42.30 (15E,422)

(<https://www.legis.iowa.gov/DOCS/ACO/IAC/LINC/10-31-2012.Rule.701.42.30.pdf>)

Iowa Economic Development Department – Brownfield/Grayfield Tax Credit) Program (<http://www.iowaeconomicdevelopment.com/Regulatory/brownfield>)

Iowa Tax Credits Available for Individual Income, Corporation Income, and Franchise Tax (<http://www.iowa.gov/tax/taxlaw/Taxcredits.pdf>)

Iowa Tax Credits User's Manual

(<http://www.iowa.gov/tax/taxlaw/IDRTaxCreditsUsersManual.pdf>)

Radio Iowa (<http://www.radioiowa.com/2013/03/06/study-analyzes-iowas-economic-incentive-programs/>)

References – All States

See sources and citations on page 3.

Kansas

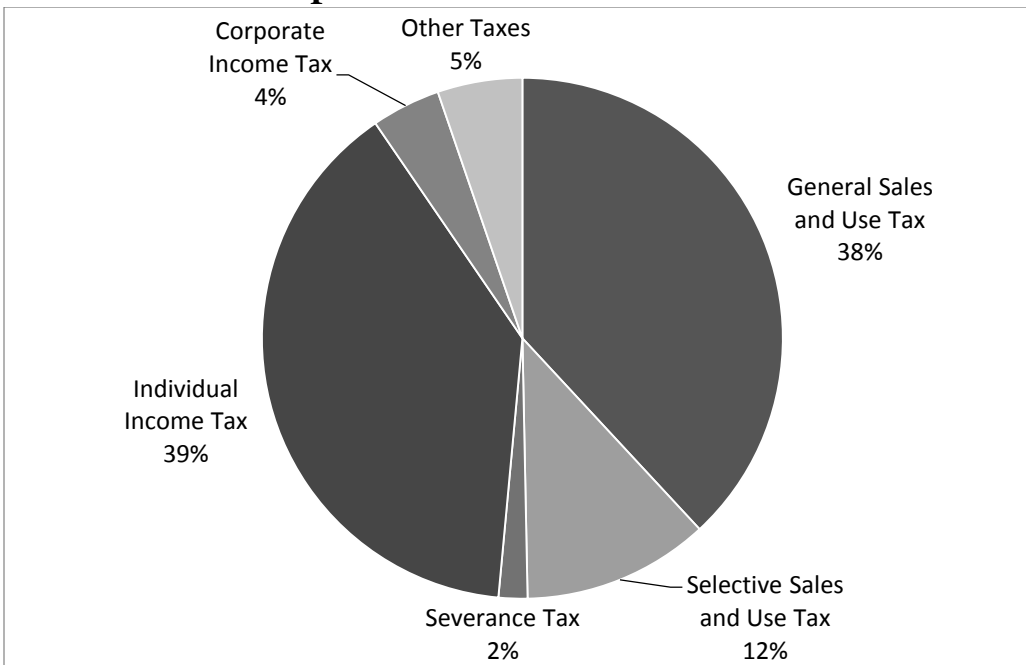
Overall Tax Structure and Rates

Total Tax Revenue (2012, in millions): \$7,418

Type of Tax	Rate
Corporate Income Tax (2013):	4-7%
Individual Income Tax (2013):	3-4.9%
State Sales and Use Tax Rate (April 2013):	6.3% (0-5%)*

*local range in parentheses

Individual Tax Proportion of Total Revenue



Incentives Offered

Type	Offered?
Exemptions	✓
TIF	✓ (local)
Closing Funds	✓
Tax Credits	✓

Kansas Tax Credits Reviewed for This Report

Job Creation Tax Credits

- National Guard and Reserve Employer Credit
- Promoting Employment Across Kansas (PEAK) Credit

Job Training Tax Credits: High Performance Incentive Program

Angel Investment/Small Business/Venture Capital Tax Credits

- Angel Investor Tax Credit
- Center for Entrepreneurship Credit
- Certified Venture Capital Credit
- Local Seed Capital Pool Tax Credit

Agricultural/Rural Investment Tax Credits

- Rural Business Development Tax Credit
- Swine Facility Improvement Credit

Environmental Investment Tax Credits

- Abandoned Well Plugging Credit
- Environmental Compliance Credit

Film Investment Tax Credits: None

Fuel Investment Tax Credits: Alternative Fuel Tax Credit

General Investment Tax Credits

- Community Service Contribution Credit
- High Performance Incentive Program
- Individual Development Account Credit
- Telecommunications Credit

Historic Preservation Investment Tax Credits: Historic Preservation Credit

Non-renewable Natural Resource Investment Tax Credits: None

Research and Development Investment Tax Credits: Research and Development Credit

Quality of Life Investment Tax Credits

- Assistive Technology Contribution Credit
- Child Day Care Assistance Credit
- Disabled Access Credit
- Employer Health Insurance Contribution Credit

Tourism Investment Tax Credits: Agri-tourism Liability Insurance Credit

Transportation Investment Tax Credits: None

References – Kansas

Kansas Department of Commerce – Business Incentives
(<http://www.kansascommerce.com/index.aspx?NID=459>)

Kansas Department of Revenue – Corporation Income Tax Form 2012
(<http://www.ksrevenue.org/pdf/k-12012.pdf>)

Kansas Department of Revenue – Tax Credits
(<http://www.ksrevenue.org/taxcredits.html>)

South Central Kansas Economic Development District – Kansas Economic Development Legislation
(<http://www.sckedd.org/content/upload/files/Presentation%20by%20Bernie%20Koch.pdf>)

U.S. Chamber of Commerce Foundation – Kansas
(<http://emerging.uschamber.com/library/2012/06/kansas>)

References – All States

See sources and citations on page 3.

Missouri

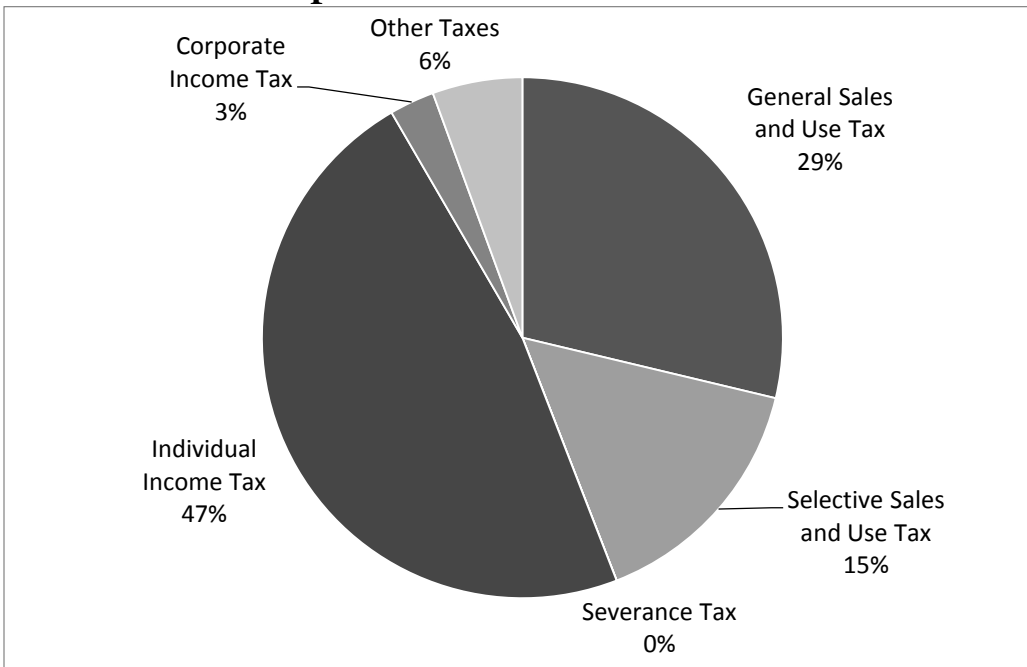
Overall Tax Structure and Rates

Total Tax Revenue (2012, in millions): \$10,801

Type of Tax	Rate
Corporate Income Tax (2013):	6.25%
Individual Income Tax (2013):	1.5-6%
State Sales and Use Tax Rate (April 2013):	4.225% (0.5-6.625%)*

*local range in parentheses

Individual Tax Proportion of Total Revenue



Incentives Offered

Type	Offered?
Exemptions	✓
TIF	✓ (local & state)
Closing Funds	No
Tax Credits	✓

Missouri Tax Credits Reviewed for This Report

Job Creation Tax Credits

- Brownfield Jobs and Investment Credit (Includes Remediation and Demolition Incentives)
- BUILD
- Manufacturing Jobs Program
- New Jobs Training Program
- Quality Jobs Program
- Sponsorship and Mentoring Program Tax Credit
- Work Opportunity Tax Credit
- Youth Opportunity Program

Job Training Tax Credits

- New Jobs Training Program
- Job Retention Training Program

Angel Investment/Small Business/Venture Capital Tax Credits

- New Enterprise Creation Act
- Small Business Incubator Tax Credit

Agricultural/Rural Investment Tax Credits

- Agricultural Product Utilization Contributor Credit
- Wine and Grape Tax Credit

Environmental Investment Tax Credits

- Charcoal Producers Credit
- New Generation Cooperative Incentive Credit
- Processed Wood Energy Credit

Film Investment Tax Credits: Film Production Tax Credit

Fuel Investment Tax Credits: None

General Investment Tax Credits

- Bank Franchise Tax Credit
- Bank Tax Credit for S Corporation Shareholders
- Bond Enhancement Credit
- Brownfield Jobs and Investment Credit
- BUILD
- Chapter 353 (blighted area improvement) Tax Abatement
- Community Bank Tax Credit
- Development Reserve Tax Credit
- Development Tax Credit
- Dry Fire Hydrant Credit

- Enhanced Enterprise Zone
- Export Finance Credit
- Infrastructure Development Credit
- Neighborhood Preservation Act
- Processed Wood Energy Credit
- Rebuilding Communities Credit
- Tax Credit for Contribution Program

Historic Preservation Investment Tax Credits: Historic Preservation Credit

Non-renewable Natural Resource Investment Tax Credits: None

Research and Development Investment Tax Credits: None

Quality of Life Investment Tax Credits

- Advantage Missouri Tax Credit
- Affordable Housing Assistance Credit
- Developmental Disability Care Provider Tax Credit
- Disabled Access Credit
- Domestic Violence Shelter Tax Credit
- Family Development Account Credit
- Insurance Premiums Tax Credit
- Low Income Housing Credit
- Maternity Home Tax Credit
- Neighborhood Assistance Program
- Residential Treatment Tax Credit

Tourism Investment Tax Credits: None

Transportation Investment Tax Credits: None

References – Missouri

Connecticut General Assembly – Missouri's Research and Development Tax Credit Program (<http://www.cga.ct.gov/2008/rpt/2008-R-0536.htm>)

Missouri Department of Economic Development
(<http://www.ded.mo.gov/Programs.aspx>)

Missouri Department of Revenue – Miscellaneous Tax Credits
(<http://dor.mo.gov/taxcredit/>)

St. Louis Post-Dispatch

(http://www.stltoday.com/business/local/state-mulls-deal-closing-fund-to-woo-jobs/article_6c48b6bb-07b6-5cc1-9656-7b530febc3cc.html)

References – All States

See sources and citations on page 3.

Nebraska

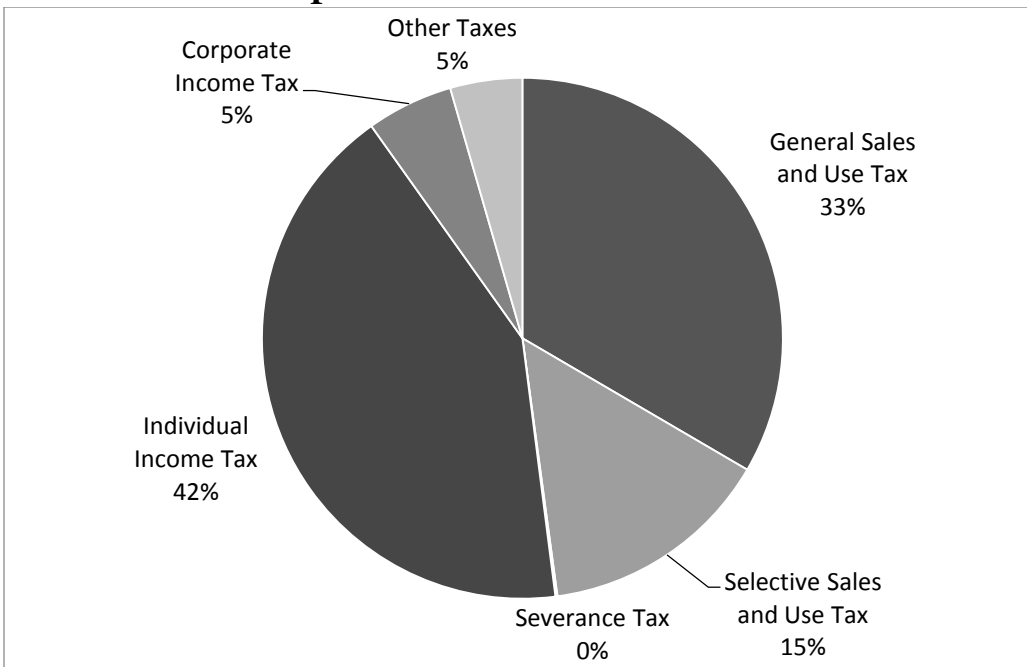
Overall Tax Structure and Rates

Total Tax Revenue (2012, in millions): \$4,358

Type of Tax	Rate
Corporate Income Tax (2013):	5.58-7.81%
Individual Income Tax (2013):	2.46-6.84%
State Sales and Use Tax Rate (April 2013):	5.5% (0-2%)*

*local range in parentheses

Individual Tax Proportion of Total Revenue



Incentives Offered

Type	Offered?
Exemptions	✓
TIF	✓ (local)
Closing Funds	No
Tax Credits	✓

Nebraska Tax Credits Reviewed for This Report

Job Creation Tax Credits

- Nebraska Advantage Act
- Nebraska Advantage Microenterprise Act
- Nebraska Advantage Rural Development Act

Job Training Tax Credits: None

Angel Investment/Small Business/Venture Capital Tax Credits

- Angel Investment Act
- Nebraska Advantage Microenterprise Act

Agricultural/Rural Investment Tax Credits

- Beginning Farmer Tax Credit
- Nebraska Advantage Rural Development Act

Environmental Investment Tax Credits: None

Film Investment Tax Credits: None

Fuel Investment Tax Credits: None

General Investment Tax Credits

- Community Development Assistance Act
- Nebraska Advantage Act
- Nebraska Advantage Microenterprise Act

Historic Preservation Investment Tax Credits: None

Non-renewable Natural Resource Investment Tax Credits: None

Research and Development Investment Tax Credits: Nebraska Advantage Research and Development Act

Quality of Life Investment Tax Credits: None

Tourism Investment Tax Credits: None

Transportation Investment Tax Credits: None

References – Nebraska

Nebraska Department of Agriculture – Beginning Farmer Tax Credit Program

(http://www.nda.nebraska.gov/beg_farmer/taxcp.html)

Nebraska Department of Economic Development – Nebraska Angel Investment Tax Credit

(<http://neded.org/business/talent-a-innovation-initiative/angel-investment>)

Nebraska Department of Economic Development – Tax Incentives, Nebraska Advantage

(<http://www.neded.org/business/tax-incentives>)

References – All States

See sources and citations on page 3.

Oklahoma

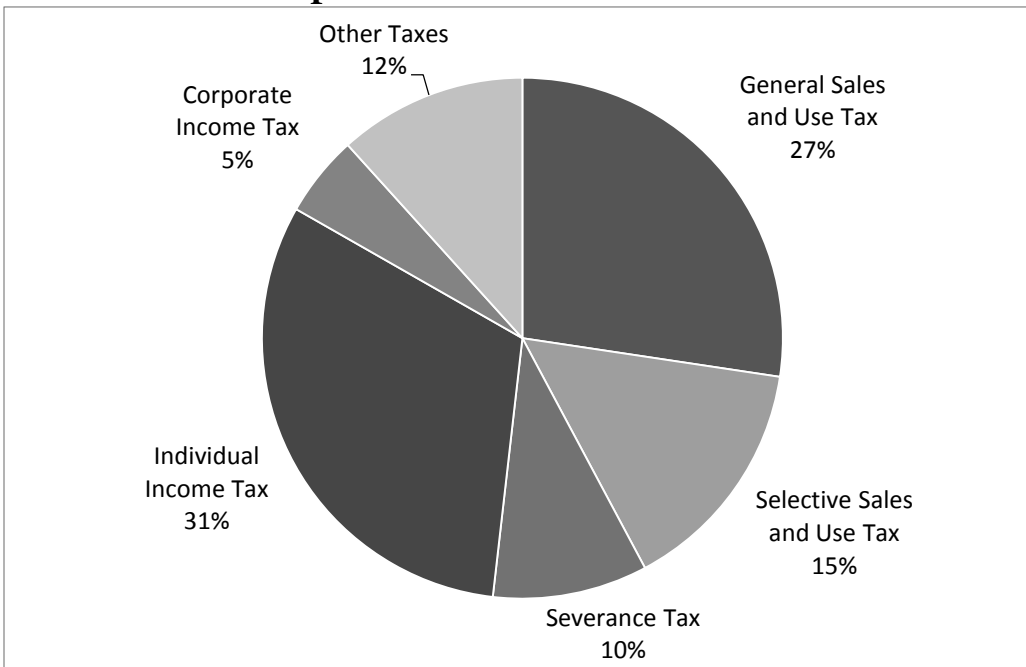
Overall Tax Structure and Rates

Total Tax Revenue (2012, in millions): \$8,826

Type of Tax	Rate
Corporate Income Tax (2013):	6%
Individual Income Tax (2013):	0.5-2.5%
State Sales and Use Tax Rate (April 2013):	4.5% (0-6.35%)*

*local range in parentheses

Individual Tax Proportion of Total Revenue



Incentives Offered

Type	Offered?
Exemptions	√
TIF	√ (local)
Closing Funds	√
Tax Credits	√

Oklahoma Tax Credits Reviewed for This Report

Job Creation Tax Credits

- 21st Century Quality Jobs
- Aerospace Engineer Workforce Tax Credit
- Commercial Space Industry Jobs Credit
- Computer, Data Processing and Research and Development Businesses Jobs Credit
- Former Indian Lands Tax Credit
- Insurance Premium Tax Credit
- Investment/New Jobs Income Tax Credit
- Small Employer Quality Jobs Program
- Work Opportunity Tax Credit
- Quality Jobs Program

Job Training Tax Credits: Aerospace Engineer Workforce Tax Credit

Angel Investment/Small Business/Venture Capital Tax Credits

- Small Business Capital Formation Tax Credit
- Small Business Guaranty Fee Tax Credit
- Venture Capital Credit

Agricultural/Rural Investment Tax Credits

- Agricultural Commodity Processing Facility Credit
- Agricultural Producers Credit
- Rural Economic Development Loan Program Tax Credit

Environmental Investment Tax Credits

- Alternative Energy Sources Tax Credit
- Clean-Burning Fuel Vehicle Infrastructure Credit
- Electric Motor Vehicle Investment Credit
- Electricity Generated by Zero-Emission Facilities Credit
- Energy Conservation Assistance Fund Credit
- Hazardous Waste Control Credits
- Qualified Recycling Facility Credit

Film Investment Tax Credits

- Construction of Film/Music Facilities Credit
- Oklahoma Film Act

Fuel Investment Tax Credits

- Biodiesel Production Tax Credit
- Clean-Burning Motor Fuel Credit
- Ethanol Fuel Retailer Tax Credit

- Manufacturer's Gas Credit
- Qualified Ethanol Facilities Credit

General Investment Tax Credits

- Enterprise Zone Investment Tax Credit
- Insurance Premium Tax Credit
- Investment/New Jobs Income Tax Credit

Historic Preservation Investment Tax Credits: Historic Rehabilitation Tax Credit

Natural Resource Investment Tax Credits: Coal Credit (3 types)

Research and Development Investment Tax Credits: None

Quality of Life Investment Tax Credits

- Child Care Services Provider Credit
- Employer Provided Child Care Credit

Tourism Investment Tax Credits: Tourism Development Credit

Transportation Investment Tax Credits

- Air Transportation Establishments Investment Credit
- Commercial Space Industry Jobs Credit
- Qualified Space Transportation Vehicle Investment Credit

References – Oklahoma

Area Development – Oklahoma Basic Business Taxes

(<http://www.areadevelopment.com/stateResources/oklahoma/Oklahoma-Basic-Business-Taxes.shtml>)

Capitol Beat OK (<http://capitolbeatok.com/reports/house-sends-oklahoma-quick-action-closing-fund-to-senate>)

Clean Cities Central Oklahoma – State Tax Incentives

(<http://www.okcleancities.org/state-tax-incentives>)

Oklahoma Department of Commerce 2012 Oklahoma Incentives and Tax Guide

(<http://ww3.tulsachamber.com/upload/file/Economic%20Development/2013%20March%20OK%20Tax%20Guide.pdf>)

Oklahoma Department of Commerce – Incentives

(<http://okcommerce.gov/location-or-expansion/incentives/>)

Oklahoma Historical Society – Investment Tax Credits for Rehabilitation
(<http://www.okhistory.org/shpo/taxcredits.htm>)

References – All States

See sources and citations on page 3.

South Dakota

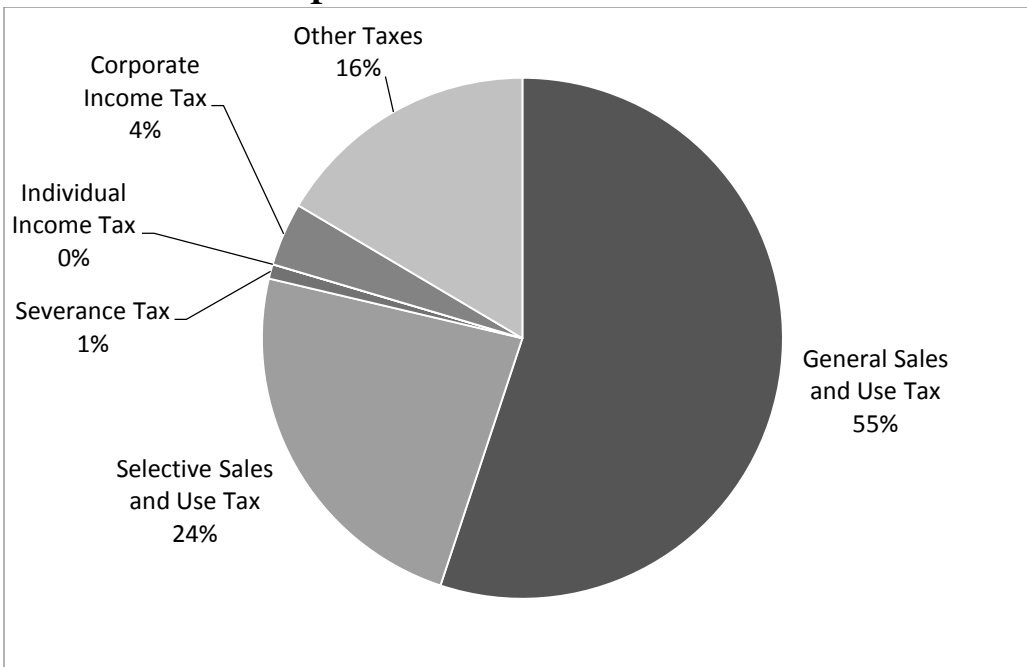
Overall Tax Structure and Rates

Total Tax Revenue (2012, in millions): \$1,521

Type of Tax	Rate
Corporate Income Tax (2013):	6-0.25%*
Individual Income Tax (2013):	None
State Sales and Use Tax Rate (April 2013):	4% (0-2%)**

*declining scale for banks only; **local range in parentheses

Individual Tax Proportion of Total Revenue



Incentives Offered

Type	Offered?
Exemptions	✓
TIF	✓ (local)
Closing Funds	✓
Tax Credits	✓

South Dakota Tax Credits Reviewed for This Report

Because South Dakota has no income tax, it has none of the following credits that generally apply to income tax liabilities.

Job Creation Tax Credits

Job Training Tax Credits

Angel Investment/Small Business/Venture Capital Tax Credits

Agricultural/Rural Investment Tax Credits

Environmental Investment Tax Credits

Film Investment Tax Credits

Fuel Investment Tax Credits

General Investment Tax Credits

Historic Preservation Investment Tax Credits

Natural Resource Investment Tax Credits

Research and Development Investment Tax Credits

Quality of Life Investment Tax Credits

Tourism Investment Tax Credits

Transportation Investment Tax Credits

References – South Dakota

Business Xpansion Journal

(<http://bxjmag.com/south-dakota-on-budget-and-investing-in-itself/>)

South Dakota Department of Revenue – Financial Institutions

(<http://www.state.sd.us/drr2/businessstax/publications/taxfacts/financial.pdf>)

South Dakota Department of Revenue FY 2012 Annual Report

(<http://dor.sd.gov/2012%20Annual%20Report%20final%20print%20friendly.pdf>)

South Dakota Department of Revenue Property Tax Division

(<http://www.state.sd.us/drr2/prospectax/property/relief.htm>)

South Dakota Governor's Office of Economic Development – Tax Incentives

(<http://www.sdreadytowork.com/Financing-and-Incentives--Incentives.aspx>)

References – All States

See sources and citations on page 3.

Texas

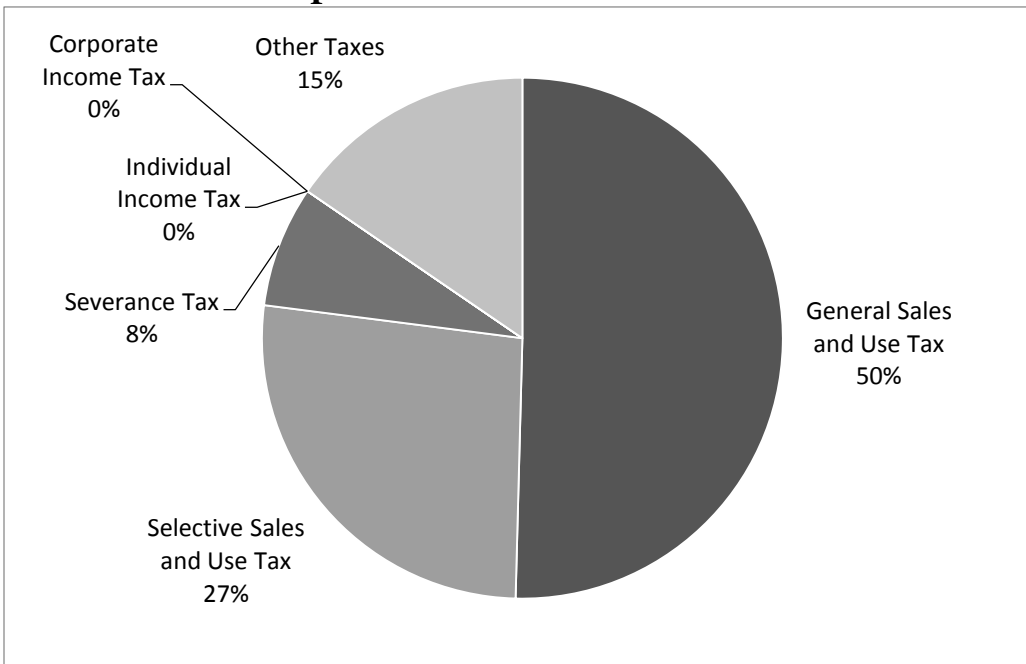
Overall Tax Structure and Rates

Total Tax Revenue (2012, in millions): \$48,597

Type of Tax	Rate
Corporate Income Tax (2013):	None
Individual Income Tax (2013):	None
State Sales and Use Tax Rate (April 2013):	6.25% (0-2%)*

*local range in parentheses

Individual Tax Proportion of Total Revenue



Incentives Offered

Type	Offered?
Exemptions	√
TIF	√ (local)
Closing Funds	√
Tax Credits	√

Texas Tax Credits Reviewed for This Report

The following credits are usually applied to income tax liabilities, however Texas has no income tax. Instead, it applies the credits to other types of taxes.

Job Creation Tax Credits: Texas Economic Development Act

Job Training Tax Credits: None

Angel Investment/Small Business/Venture Capital Tax Credits: Certified Capital Company Program

Agricultural/Rural Investment Tax Credits: None

Environmental Investment Tax Credits

- Clean Energy Project Credit
- Renewable Energy Incentives

Film Investment Tax Credits: None

Fuel Investment Tax Credit: None

General Investment Tax Credits

- Texas Economic Development Act
- Defense Economic Development Act

Historic Preservation Investment Tax Credits: None

Natural Resource Investment Tax Credits

- Enhanced Efficiency Equipment (oil)
- Low Producing Oil Lease
- Low Productivity Wells (gas)

Research and Development Investment Tax Credits: None

Quality of Life Investment Tax Credits: None

Tourism Investment Tax Credits: None

Transportation Investment Tax Credits: None

References – Texas

Texas Economic Development Division – Tax Incentives

(<http://www.texaswideopenforbusiness.com/incentives-financing/tax/>)

Texas Office of the Governor – Economic Development and Tourism, Texas Enterprise Fund

(http://governor.state.tx.us/ecodev/financial_resources/texas_enterprise_fund/)

*Texas Taxpayers and Research Association – Economic Development in Texas,
Programs and Incentives*

(<http://www.ttara.org/files/document/file-4e9f142fa2eeb.pdf>)

References – All States

See sources and citations on page 3.

Wyoming

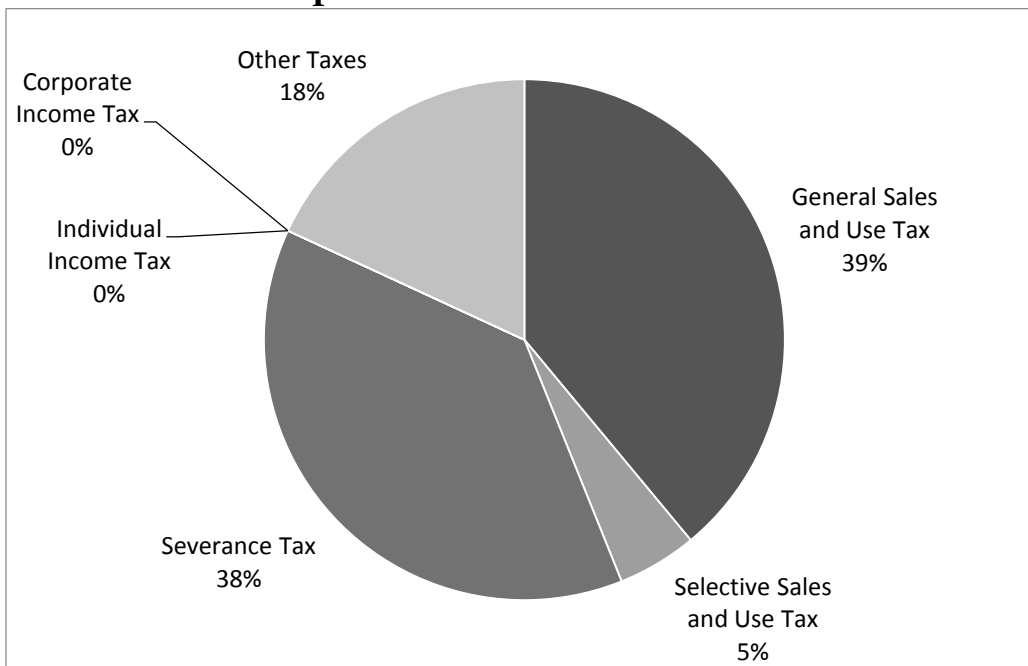
Overall Tax Structure and Rates

Total Tax Revenue (2012, in millions): \$2,551

Type of Tax	Rate
Corporate Income Tax (2013):	None
Individual Income Tax (2013):	None
State Sales and Use Tax Rate (April 2013):	4% (0-4%)*

*local range in parentheses

Individual Tax Proportion of Total Revenue



Incentives Offered

Type	Offered?
Exemptions	√
TIF	√ (local)
Closing Funds	No
Tax Credits	√

Wyoming Tax Credits Reviewed for This Report

Because Wyoming has no income tax, it has none of the following credits that generally apply to income tax liabilities.

Job Creation Tax Credits

Job Training Tax Credits

Angel Investment/Small Business/Venture Capital Tax Credits

Agricultural/Rural Investment Tax Credits

Environmental Investment Tax Credits

Film Investment Tax Credits

Fuel Investment Tax Credits

General Investment Tax Credits

Historic Preservation Investment Tax Credits

Natural Resource Investment Tax Credits

Research and Development Investment Tax Credits

Quality of Life Investment Tax Credits

Tourism Investment Tax Credits

Transportation Investment Tax Credits

References – Wyoming

Wyoming Business Council – Incentives

(<http://www.wyomingbusiness.org/program/incentives/1241>)

Wyoming Department of Revenue – Tax Exemption Reports

(<https://sites.google.com/a/wyo.gov/wy-dor/home/tax-relief-programs>)

References – All States

See sources and citations on page 3.