

One Hundred Fifth Legislature - First Session - 2017

Introducer's Statement of Intent

LB475

Chairperson: Senator Jim Smith

Committee: Revenue

Date of Hearing: March 03, 2017

The following constitutes the reasons for this bill and the purposes which are sought to be accomplished thereby:

The Nebraska Job Creation and Mainstreet Revitalization Act, an unprecedented refundable and transferrable tax credit program, proposed in 2013 and enacted in 2014 via LB191, was intended to offer a mechanism with no aggregate limits to assist in the preservation of the facades of 50 year old buildings for at least five years. After hitting stiff opposition on the floor of the Legislature LB191 underwent significant modification from its original purpose. As amended it was intended to establish a \$15,000,000 per year ceiling tax credit program with a 2018 sunset; and, to replace funds cities and counties lost when state aid was eliminated in 2011 as part of an effort to fill a \$950 million two-year budget gap. As the State faces another \$900 million plus two-year budget gap LB475 proposes to shut down the Act.

Because the tax credits in the Job Creation and Mainstreet Revitalization Act are refundable it means the credits are paid directly from the General Fund. A global extension of tax credit program sunsets subsequently passed by the Legislature prior to the current budget crisis continued the program until 2022, and it now amounts to a total \$120 million direct drain on the General Fund over the course of eight years.

The act is jointly administered by the Nebraska Department of Revenue and the Nebraska Historical Society. The administration for project eligibility for the program's tax credits in the Historical Society took the simple procedure outlined in the Act and contorted them into a complicated application process prefaced by 19 pages of "guidance", which puts it beyond practical use by many of those it was designed to serve. The Act states very simple qualifications for tax credit projects. They are to meet either 1) the Secretary of the Interior's standards for the Treatment of Historic Properties as promulgated by the U.S. Department of the Interior; or 2) specific standards for the rehabilitation, preservation, and restoration of historically significant real property or wide ranging infrastructure supporting the locality pursuant to a local preservation ordinance or resolution. The local ordinances or resolutions must be approved if the ordinance or resolution meets standards spelled out in the Act.

Although funding is first come first serve, and \$4 million dollars per year is reserved for four months for smaller communities, the Historical Society has failed to adopt rules and regulations regarding its administrative responsibilities and program management is arbitrary. With few exceptions the program has become a special subsidy for a limited number of developers in a limited geographic area and is not being used as intended. In 2015, there were 13 project applications for the program's tax credits, all of which have been completed; yet, all but one are located in Omaha/Douglas County and the majority of which rehabilitated commercial buildings in the Old Market. Despite efforts by non-metro communities to access the program all have encountered substantial bureaucratic complexities with only a few having met with success.

Principal Introducer: _____

Senator Paul Schumacher