



## NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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Dear Senators:

Last December, the Nebraska Auditor of Public Accounts (APA) completed its audit of the Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2024. Afterwards, we issued a management letter to the Nebraska Department of Revenue (Department), dated December 18, 2024, providing our observations with various provisions of the Nebraska Advantage Act (Act). A copy of that letter is found on the APA's webpage at <https://auditors.nebraska.gov/>.

The ACFR audit procedures involved a review of the Department's annual tax incentive reports prepared for the Legislature. Each of those yearly reports, dating from 1997 to the most recent "Nebraska Tax Incentives 2024 Annual Report to the Nebraska Legislature," is available online through the following link:

[https://revenue.nebraska.gov/sites/default/files/doc/incentives/annual\\_report/2024\\_Incentives\\_Annual\\_Report.pdf](https://revenue.nebraska.gov/sites/default/files/doc/incentives/annual_report/2024_Incentives_Annual_Report.pdf)

The Department's annual tax incentive reports contain much of the information presented in this letter; however, other public resources proved useful in that regard as well. Among those was the Department's 2024 "ImagiNE Nebraska Act and Key Employer and Jobs Retention Act Joint Report to the Legislature," the latest of such annual reports dating back to 2021. All of those reports provide important details about the operation of the ImagiNE Nebraska Act, the Act's successor incentive program, and may be accessed online through the following link:

<https://revenue.nebraska.gov/incentives/imagine-nebraska-act-and-key-employer-and-jobs-retention-act-annual-reports>

In addition to these annual reports, financial data found in the State's accounting system, as well as comments presented in our December 18, 2024, ACFR management letter to the Department, have contributed to the present observations regarding certain provisions of the Act.

The purpose of this communication is to highlight significant information regarding the State's tax incentive programs and to provide the Legislature with details that, though relevant thereto, were not necessarily appropriate for inclusion in our December 18, 2024, ACFR management letter.

While our primary focus is to explain certain specifics in the Department's annual tax incentive reports, we wish to highlight also the Department's steadily increasing delinquent tax balances – constituting hundreds of millions of taxes dollars owed but not collected. Earlier today, my office issued an attestation report on these tax balances, which can be found on the APA's webpage. The information in that report is included also in this letter in order to bring greater attention to the enormity of these uncollected tax proceeds.

Hopefully, the present disclosures will prove worthy of further review or study in the Legislature's efforts to find additional revenue sources within the State's current budget.

## Nebraska Advantage Act

Over the years, the Legislature has approved various tax incentive programs to attract new businesses or to retain and encourage existing economic enterprises in the State. The Nebraska Advantage Act (Act), found at Neb. Rev. Stat. §§ 77-5701 to 77-5735 (Reissue 2018, Cum. Supp. 2024), is currently the most utilized of these programs and, therefore, the primary focus of this letter.

Neb. Rev. Stat. § 77-5702 (Reissue 2018) of the Act declares the following:

*The Legislature hereby finds and declares that it is the policy of this state to make revisions in Nebraska's tax structure in order to (1) encourage new businesses to relocate to Nebraska, (2) retain existing businesses and aid in their expansion, (3) promote the creation and retention of new, quality jobs in Nebraska, specifically jobs related to research and development, manufacturing, and large data centers, and (4) attract and retain investment capital in the State of Nebraska.*

In furtherance of the above-declared policy, the Act was adopted in 2005 to allow participating businesses – which must be engaged in the type of enterprises specified under Neb. Rev. Stat. § 77-5715 (Reissue 2018) – to earn and use tax benefits based on various levels – or “tiers” – of investment and employment growth.

The Act became operative on January 1, 2006. Applications for participation in the resulting incentive program were accepted until December 31, 2020.

Each tier of participation under the Act requires the qualifying company to reach the different investment and employment levels set out at Neb. Rev. Stat. § 77-5725 (Cum. Supp. 2024). For example, a tier 1 project requires both a minimum \$1 million investment in qualified property – defined in Neb. Rev. Stat. § 77-5717 (Reissue 2018) as “any tangible property of a type subject to depreciation, amortization, or other recovery under the Internal Revenue Code of 1986, as amended, or the components of such property, that will be located and used at the project” – placed in service after the project date and a minimum of 10 new full-time equivalent employees. The highest-level tier, a tier 2 large data center, requires at least \$200 million in qualified property placed in service after the project date and a minimum of 30 new full-time equivalent employees. A tier 4 project requires 100 new full-time equivalent employees.

The Department’s administration of incentives under the Act involves the following periods for earning and using the various benefits available to participating companies:

- **Attainment Period** – The number of years, including the year of application, within which the company must meet the minimum required levels of investment and employment. Depending on the project tier, this generally ranges from five to seven years.
- **Entitlement Period** – The number of years during which a qualifying project may both earn and use credits, as explained below. The entitlement period begins the year the required investment and employment levels are met. Generally, this period continues until the end of the sixth or ninth year after the required increases were met. (Neb. Rev. Stat. § 77-5708 (Cum. Supp. 2024))
- **Carryover Period** – This period begins after the end of the entitlement period. No additional credits can be earned during the carryover period. Credits may not be carried over more than 9 or 14 years after the year of application for tiers 1 and 3 and 2 and 4, respectively. For Tier 6 projects, credits cannot be carried over more than 16 years past the end of the entitlement period.

Upon notification from a company that mandatory investment and employment levels are met, the Department will perform a qualification audit to verify that information. Successful completion of the qualification audit allows the following credits to become available under the program:

**Investment Credit** – Investment credits are calculated based on a certain percentage (depending on the tier of project) of the investment made in qualified property at the project during the attainment and entitlement periods. Companies typically earn investment credits both during the initial qualification audit and subsequently with the annual filing of the Form 312N – *Nebraska Advantage Act Incentive Computation*.

**Compensation Credit** – Compensation credits are calculated based on the number of new employees and their respective wages during the entitlement period in which the minimum required levels were met or maintained. Companies typically earn compensation credits during both the initial qualification audit and subsequently with the filing of the annual Form 312N – *Nebraska Advantage Act Incentive Computation*.

Once earned, these investment and compensation credits can be redeemed to receive the following tax refunds or reductions:

**Credit Refund of Sales and Use Taxes** – Companies can receive a refund of State and local sales and use taxes paid by the applicant on otherwise non-refundable purchases, utilizing investment credits and compensation credits earned in a previous year. Depending on the tier of the project, the purchases may or may not be required to be used at the project location itself (but still must be used within the State).

**Credit Refunds or Offsets of Income Tax** – Companies can receive a refund or reduce their income tax liability through the utilization of investment credits and compensation credits earned in a previous year. Certain project tiers can also use compensation credits to receive a refund or reduce their income withholding tax liability. The Department maintains each company's balance of investment and compensation credits. When the credits are used, for example, as a reduction in the tax liability on an income tax return, the Department will reduce the balance of the credits available to the Company.

**Credit Refunds of Real Property Tax Paid** – Companies with a tier 2 large data center or tier 6 project can receive a reimbursement from the State equal to real property taxes paid after the date of application through the end of the statutory carryover period. These reimbursements utilize investment and compensation credits earned in a previous year. The Department maintains each company's balance of investment and compensation credits. When the credits are used, for example, as a reimbursement of property taxes paid, the Department will reduce the balance of the credits available to the Company. It is important to note that companies pay property taxes to the county, not to the State. Because the Act allows for a reimbursement of the property taxes paid, however, other State tax funds must be used to pay for the reimbursement of property taxes to participating companies.

When a participating company begins either earning and using investment and compensation credits for tax refunds or reductions or receiving other tax benefits under the Act, the Department performs periodic maintenance audits to ensure that the required investment and employment levels are maintained.

In addition to using investment and compensation credits for the above tax incentives, participating companies may be entitled to other tax benefits – namely, refunds and exemptions – that do not involve the use of credits, as follows:

**Direct Refund of Sales and Use Taxes (Direct Refund)** – Direct refunds are available for State and local sales and use taxes paid on the purchase or lease of qualified property used at the project. These refunds are separate from the investment and compensation credits earned by the company, which are explained above.

**Personal Property Tax Exemption** – Companies may receive personal property tax exemption on certain types of property acquired after the date of application. The kinds of property qualifying for such exemption, as well as the length of time that they are exempt, depend upon the project's tier.

The following is a summary of investment and compensation credit usage and other tax benefit activity under the Act for fiscal year 2024, along with a cumulative total since the program's inception:

Category	FY 2024	Cumulative
Period Covered	7/1/2023 – 6/30/2024	1/1/2006 – 6/30/2024
Number of Qualifying Projects	280	
Number of Signed Agreements	428	
Tax Credits Earned	\$ 327,904,780	\$ 2,574,306,929
Tax Credits Used	\$ 115,986,264	\$ 1,181,902,605
Direct Sales/Use Tax Refunds on Investment	\$ 86,912,401	\$ 855,922,925
Personal Property Value Exempted	\$ 4,895,359,852	\$ 21,336,247,939
Value of Real Property Reimbursed	\$ 316,243,282	\$ 1,069,920,450

#### Investment and Compensation Credits Earned

In most cases, a participating company will use investment and compensation credits earned under the Act to obtain tax refunds or reductions. After its submission of an application to participate in the incentive program, a company has from four to seven years, depending on the project's tier, to attain the necessary level of investment and employment. Once the taxpayer notifies the Department that it has reached that threshold, an audit is conducted to verify not only the investment and employment levels but also the credits earned from the date of the application to the qualification year. Credits can continue to be earned throughout the entitlement period.

The following table shows a history of the credits earned for qualifying projects from the Act's inception in 2006 through fiscal year 2024:

Category	Calendar Years 2006-2019	Calendar Year 2020	1/1/2021 - 6/30/2022	7/1/2022 - 6/30/2023	7/1/2023 - 6/30/2024	Total
Investment Credits	\$ 826,018,947	\$ 243,032,166	\$331,712,377	\$382,937,979	\$243,712,947	\$2,027,414,416
Compensation Credits	\$ 267,132,332	\$ 46,804,988	\$ 76,206,679	\$ 72,556,681	\$ 84,191,833	\$ 546,892,513
<b>Total Tax Credits Earned</b>	<b>\$ 1,093,151,279</b>	<b>\$ 289,837,154</b>	<b>\$407,919,056</b>	<b>\$455,494,660</b>	<b>\$327,904,780</b>	<b>\$2,574,306,929</b>

*Note: In 2022, the Act was amended to change the Department's annual reporting requirements from calendar year to the State's fiscal year. Information from 2006 to 2020 is on a calendar year, and then an 18-month transition period was reported from January 2021 to June 2022. Thereafter, fiscal year is used.*

As of June 30, 2024, participating companies have earned nearly \$2.6 billion in investment and compensation credits, which can be converted to tax benefits. The above table shows the numbers for only currently qualified companies. In its most recently available information for November 2024, however, the Department reported 57 companies whose qualification audits were in progress. The APA believes there are also several companies whose qualification audits have not begun because those businesses are still in the process of meeting the required investment and employment thresholds.

Consequently, a number of companies have yet to qualify and may earn additional investment and compensation credits in the future. The Department has projected that there is still the potential for hundreds of millions of dollars' worth of additional credits to be earned, which is addressed later in the ***"Future Earnings and Use of Investment and Compensation Credits"*** section herein (pg. 6).

The APA is unaware of any limitations, statutory or otherwise, on the value of credits that a company can accumulate.

We recommend the Legislature consider whether allowing the accumulation of an unlimited amount of investment and compensation credits – totaling \$2.6 billion so far and potentially increasing by hundreds of millions of dollars more – to be used for tax incentives is both consistent with the intent of the Act and beneficial to the overall economic health of the State.

### Investment and Compensation Credits Used

Once earned by participating companies, investment and compensation credits can be converted to tax incentives in various ways. As explained already, a company may: 1) request a sales and use tax refund with the credits earned; 2) reduce its income tax liability with credits earned; 3) reduce or offset its income tax withholding liability, which often results in an income tax withholding refund with compensation credits earned; and 4) request a reimbursement from the State equal to property taxes paid.

Regardless of how the credits are used to receive a tax benefit, the result is a reduction of the State's tax revenues.

The following table shows the investment and compensation credits used as of June 30, 2024, by those companies that have completed a qualification audit:

Benefit Provided	Calendar Years 2006-2019	Calendar Year 2020	1/1/2021 - 6/30/2022	7/1/2022 - 6/30/2023	7/1/2023 - 6/30/2024	Total
Corporation Income Tax Credits	\$ 208,981,539	\$ 35,135,227	\$ 62,666,417	\$ 58,906,983	\$ 36,885,368	\$ 402,575,534
Individual Income Tax Credits	\$ 34,224,546	\$ 3,781,807	\$ 5,022,150	\$ 7,461,528	\$ 2,719,032	\$ 53,209,063
<b>Subtotal Income Tax Credits</b>	<b>\$ 243,206,085</b>	<b>\$ 38,917,034</b>	<b>\$ 67,688,567</b>	<b>\$ 66,368,511</b>	<b>\$ 39,604,400</b>	<b>\$ 455,784,597</b>
Sales/Use Tax Refunds	\$ 166,003,129	\$ 30,976,106	\$ 59,974,691	\$ 30,113,265	\$ 33,208,730	\$ 320,275,921
Income Tax Withholding Credits/Refunds	\$ 186,466,127	\$ 20,422,530	\$ 88,090,804	\$ 53,877,775	\$ 43,173,134	\$ 392,030,370
Real Property Tax Reimbursement	\$ 0	\$ 0	\$ 8,233,690	\$ 5,578,027	\$ 0	\$ 13,811,717
<b>Total Tax Credits Used</b>	<b>\$ 595,675,341</b>	<b>\$ 90,315,670</b>	<b>\$223,987,752</b>	<b>\$155,937,578</b>	<b>\$115,986,264</b>	<b>\$1,181,902,605</b>

*Note: In 2022, the Act was amended to change the Department's annual reporting requirements from calendar year to the State's fiscal year. Information from 2006 to 2020 is on a calendar year, and then an 18-month transition period was reported from January 2021 to June 2022. Thereafter, fiscal year is used.*

As shown above, nearly \$1.2 billion in investment and compensation credits have been used for tax incentives since the inception of the Act. As of June 30, 2024, the amount of credits earned, but not yet used, is still nearly \$1.4 billion – not including expired tax credits or those that have been recaptured due to failure to meet or maintain program requirements. This amount is taken from the \$2.6 billion in cumulative credits earned less the \$1.2 billion used. Also not included are future tax credits to be earned by existing or companies still to be qualified.

The investment and compensation credits used for tax incentives are limited only by the amount of such credits actually earned – which, as explained previously, is unlimited.

We recommend the Legislature consider whether allowing the use of an unlimited amount of investment and compensation credits – totaling only \$1.2 billion out of \$2.6 billion earned so far – for tax incentives is both consistent with the intent of the Act and beneficial to the overall economic health of the State.

### Investment and Compensation Credits Usage – Impact on Municipalities

It is important to understand that sales and use tax refunds result in the repayment of not only State taxes but also their local counterparts. Nebraska companies remit both State and local sales and use taxes to the Department monthly. The following month, the Department distributes the local taxes to the various cities and villages. Consequently, when a company receives sales and use tax refunds, the monthly distribution of those local taxes to municipalities is reduced proportionately.

Neb. Rev. Stat. § 77-5731(1) (Cum. Supp. 2024) requires the Department to “submit electronically an annual report to the Legislature no later than October 31 of each year.” Per subsection (6) of that same statute, the report must disclose for each approved project, among other things, “the total credits used, exemptions used, and refunds approved during the immediately preceding two years expressed as a single, aggregated total.” Despite providing this required information, the Department is not required to disclose the local portion of the refunds paid.

As detailed in the following table, the APA has accumulated from the State’s accounting system the local portion of the sales and use taxes refunded since the Act’s inception:

<b>Fiscal Year</b>	<b>Refunds of Local Sales and Use Tax</b>
FY 2019 and Prior	\$ 46,544,297
FY 2020	\$ 18,929,776
FY 2021	\$ 8,573,143
FY 2022	\$ 11,040,868
FY 2023	\$ 54,380,041
FY 2024	\$ 23,249,574
<b>Total</b>	<b>\$ 162,717,699</b>

*Note: These amounts represent direct payments to companies as recorded in the State’s accounting system.*

Under the Act, as shown above, nearly \$163 million in local sales and use taxes collected has been paid to participating companies, resulting in a proportionate reduction in the amount of those taxes paid to the municipalities that levied them.

The APA wants to identify additional impacts of language in Neb. Rev. Stat. § 77-5726(1)(c) (Cum. Supp. 2024) of the Act upon municipalities across the State. That statutory provision says the following:

*Credits may be used to obtain a refund of sales and use taxes under the Local Option Revenue Act, the Nebraska Revenue Act of 1967, and sections 13-319, 13-324, 13-2813, and 77-6403 which are not otherwise refundable that are paid on purchases, including rentals, for use at the project for a tier 1, tier 2, tier 3, or tier 4 project or for use within this state for a tier 2 large data center or a tier 6 project.*

(Emphasis added.) Tier 2 large data center projects or tier 6 projects can receive credit refunds for purchases occurring anywhere within the State. As a result, cities and villages throughout Nebraska may have their local sales and use tax collections reduced under the Act, regardless of whether those municipalities are home to a qualifying project.

We recommend the Legislature consider whether the nearly \$163 million in local sales tax revenues denied to municipalities thus far under the Act is both consistent with underlying legislative intent and beneficial to the overall economic health of the State, especially in those cities and villages that have experienced such loss of funding.

#### Future Earnings and Use of Investment and Compensation Credits

Having addressed both the earning and use of investment and compensation credits currently under the Act, it is instructive to consider their anticipated growth over the ensuing decade. As described in its “Nebraska Tax Incentives 2024 Annual Report to the Nebraska Legislature,” the Department has projected the earning and use of these credits for tax incentives through fiscal year 2034. Those projections are shown in the table below:

<b>Summary</b>	<b>FY 2024-2025</b>	<b>FY 2025-2026</b>	<b>FY 2026-2027</b>	<b>FY 2027-2028</b>	<b>FY 2028-2029</b>	<b>FY 2029 - 2034</b>
Cumulative Credit Balance	\$ 1,335,167,961	\$ 1,272,666,247	\$ 1,188,344,005	\$ 1,035,102,167	\$ 893,683,200	\$ 685,691,399
Credit Earned	\$ 271,702,966	\$ 212,568,405	\$ 173,189,581	\$ 94,457,742	\$ 69,120,891	\$ 290,905,896
Credits Used	\$ (270,196,678)	\$ (230,882,437)	\$ (256,235,641)	\$ (181,363,056)	\$ (216,551,290)	\$ (606,270,312)
Credits Recaptured / Expired Credits	\$ (64,008,002)	\$ (66,008,210)	\$ (70,195,778)	\$ (54,513,653)	\$ (60,561,402)	\$ (344,182,548)
<b>Cumulative Credit Balance*</b>	<b>\$ 1,272,666,247</b>	<b>\$ 1,188,344,005</b>	<b>\$ 1,035,102,167</b>	<b>\$ 893,683,200</b>	<b>\$ 685,691,399</b>	<b>\$ 26,414,435</b>

*\*The Cumulative Credit Balance shown, which the APA revised to ensure mathematical accuracy, does not agree to the amount contained in the Department’s 2024 Annual Report.*

Per the Department’s projections, companies will continue to earn and use investment and compensation credits well into the future – at a significant cost, it should be noted. The credits expected to be used through 2034 account for nearly \$1.8 billion in tax incentives.

Per the Department, however, such incentives are likely to be claimed through 2051 and beyond, well past the end date of the projections offered, meaning that the amount of tax incentives claimed could be significantly higher – resulting, of course, in the State and its political subdivisions being denied substantial tax revenues.

We recommend the Legislature consider whether \$1.8 billion, or possibly much more, in future investment and compensation credits being earned and used to obtain tax incentives, as projected by the Department, is both sustainable and reflective of a sound approach to Nebraska’s economic development.

#### Direct Refund of Sales and Use Taxes

As mentioned already, the use of investment and compensation credits for tax incentives is only one type of benefit available to companies under the Act. Another type of incentive offered, which does not involve the use of investment and compensation credits, is a direct refund to companies for State and local sales and use taxes paid on the purchase or lease of qualified property for a project. These direct refunds are paid regardless of the credits earned and have no impact on their use.

The following table provides a summary of the direct refunds of sales and use taxes paid since the Act’s inception:

Category	Calendar Years 2006-2019	Calendar Year 2020	1/1/2021 - 6/30/2022	7/1/2022 - 6/30/2023	7/1/2023 - 6/30/2024	Total
Direct Sales/Use Tax Refunds	\$ 318,153,340	\$ 53,688,434	\$ 303,671,921	\$ 93,496,829	\$ 86,912,401	\$ 855,922,925

*Note: In 2022, the Act was amended to change the Department’s annual reporting requirements from calendar year to the State’s fiscal year. Information from 2006 to 2020 is on a calendar year, and then an 18-month transition period was reported from January 2021 to June 2022. Thereafter, fiscal year is used.*

As shown above, almost \$856 million in sales and use tax direct refunds have been issued. When combined with the investment and compensation credits used for additional tax refunds, as discussed in the prior **“Investment and Compensation Credits Used”** section (pg. 5), the total of sales and use tax refunds received by participating companies under that Act amounts to nearly \$1.2 billion.

The table in the **“Economic Gain or Loss”** section below (pg. 8) shows an additional \$448 million projected for these direct sales tax refunds through fiscal year 2034.

The APA is unaware of any limit, statutory or otherwise, to the dollar amount of direct tax refunds paid to companies under the Act, which raises questions about whether the State is adequately prepared for an unusually large direct refund request under its current budgetary constraints. The APA believes there is a potential for the Department to receive a direct refund request of more than \$100 million at any time. Due to the Department’s confidentiality requirements, however, specific details regarding such a possible future claim cannot be disclosed herein.

We recommend the Legislature consider whether the payment of unlimited direct refunds under the Act – including the potential for a single disbursement exceeding \$100 million – is both consistent with the intent of the Act and beneficial to the overall economic health of the State.

#### Personal Property Tax Exemptions

A personal property tax exemption is another benefit available to certain qualified companies under the Act. In Nebraska, all depreciable tangible personal property, used in a trade or business, with a life of more than one year, is subject to net book personal property tax. Personal property must be reported annually to the county assessor and is based on the depreciated life of an asset. The payments of personal property taxes by a company are directly reduced by the value of these personal property exemptions.



It should be noted that personal property tax exemptions may be received in addition to both investment and compensation credits and direct refunds of State and local sales and use taxes – all of which provide, separately and collectively alike, enormous economic incentives to participating companies.

The APA has estimated the financial impact of the personal property value exemption by multiplying the average property tax rates found on the Department’s website (<https://revenue.nebraska.gov/PAD/research-statistical-reports/average-tax-rates-county>) by the various county exemptions reported in the Department’s “Nebraska Tax Incentives 2024 Annual Report to the Nebraska Legislature.”

The table below shows the APA’s estimate of total personal property taxes exempted under the Act during the last two fiscal years:

Estimated Personal Property Tax Exempted			
	Fiscal Year 2023	Fiscal Year 2024	Total
Total	\$ 67,676,139	\$ 96,368,257	\$ 164,044,396

The above amounts represent personal property taxes not paid to counties by those companies participating in the Act’s incentives program.

As noted previously, two of the project tiers may also qualify for a reimbursement of real property taxes paid using investment and compensation credits earned. Those companies, as explained already, must pay property taxes to their respective counties and then request reimbursement from the State for those payments. Because the State does not collect property taxes, however, the reimbursements must come from other sources of tax revenues.

Between 2006 and 2024, as shown in the “*Investment and Compensation Credits Used*” section above (pg. 5), participating companies have used investment and compensation credits to obtain nearly \$14 million in reimbursements for property taxes paid.

Along with reimbursement of real property taxes with investment and compensation credits earned, personal property tax exemptions offer a tremendous – if not costly to the State and its municipalities – benefit to participating companies.

We recommend the Legislature consider whether utilization of personal property tax exemptions under the Act – which, along with reimbursement of real property taxes paid using investment and compensation credits, has diminished local tax revenues by almost \$165 million for fiscal years 2023 and 2024, as well as required alternate revenue sources from which to draw nearly \$14 million in refund payments since January 1, 2022 – is both consistent with underlying legislative intent and beneficial to the economic health of the State, especially in those municipalities that have experienced the resulting loss of revenue.

Economic Gain or Loss

Some of the most relevant and interesting information contained in the Department’s “Nebraska Tax Incentives 2024 Annual Report to the Nebraska Legislature” is its projection of future State revenue gains and losses under the Act. The gains are comprised of the Department’s projected revenues generated by the anticipated increase in economic activities. The losses constitute the Department’s projection of tax benefits paid to participating companies.

The Department’s projections for fiscal year 2025 through 2034 are shown below:



Summary	FY 2024-2025	FY 2025-2026	FY 2026-2027	FY 2027-2028	FY 2028-2029	FY 2029 to 2034
Revenue Generated by Increase in Economic Activities Due to the Act	\$ 144,727,194	\$ 121,495,270	\$ 107,300,741	\$ 86,135,872	\$ 69,229,763	\$ 262,828,071
Total Tax Credit Used	\$ 270,196,679	\$ 230,882,437	\$ 256,235,640	\$ 181,363,056	\$ 216,551,291	\$ 606,270,310
Direct Sales and Use Tax Refunds	\$ 72,719,228	\$ 63,845,866	\$ 65,125,160	\$ 64,182,131	\$ 39,318,872	\$ 143,183,174
<b>Revenue Gain (Loss)</b>	<b>\$ (198,188,713)</b>	<b>\$ (173,233,033)</b>	<b>\$ (214,060,059)</b>	<b>\$ (159,409,315)</b>	<b>\$ (186,640,400)</b>	<b>\$ (486,625,413)</b>
<b>Cumulative Revenue Gain (Loss)</b>	<b>\$(1,197,087,475)</b>	<b>\$(1,370,320,508)</b>	<b>\$(1,584,380,567)</b>	<b>\$(1,743,789,882)</b>	<b>\$(1,930,430,282)</b>	<b>\$(2,417,055,695)</b>

As of June 30, 2025, the cumulative loss for the Act's incentive program was projected to be nearly \$1.2 billion, and it will grow to \$2.4 billion by fiscal year 2034.

The total tax credits used and direct sales and use tax refunds for the next four fiscal years – commencing July 1, 2025, are projected to be over \$1.1 billion.

Based on these projections, the benefits due to the companies appear to be outpacing by far the revenue generated under the Act. Nevertheless, the Department anticipates continuing to make incentives available through, at least, 2051 and beyond.

We recommend the Legislature consider whether a projected \$2.4 billion loss under the Act is both consistent with underlying legislative intent and beneficial to the economic health of the State.

#### Qualifying Investment and New Employment Verification

In addition to considering the cost of the various incentives made available under the Act, as addressed in the previous sections herein, it is instructive to weigh against those expenses the amount of investment and new employment created. In its "Nebraska Tax Incentives 2024 Annual Report to the Nebraska Legislature," the Department publishes both the amount of qualified capital investment and the increase in new jobs at the qualifying projects of participating companies. Those cumulative amounts, from the Act's inception through June 30, 2024, are shown in the table below:

Category	Calendar Years 2006-2019	Calendar Year 2020	1/1/2021 - 6/30/2022	7/1/2022 - 6/30/2023	7/1/2023 - 6/30/2024	Total
Qualified Capital Investment	\$11,934,777,525	\$2,846,031,079	\$3,906,124,292	\$3,891,904,807	\$2,642,471,590	\$25,221,309,293
Increase in New Jobs at Qualifying Projects (FTE)	22,245	3,294	2,515	1,602	3,555	33,211

*Note: In 2022, the Act was amended to change the Department's annual reporting requirements from calendar year to the State's fiscal year. Information from 2006 to 2020 is on a calendar year, and then an 18-month transition period was reported from January 2021 to June 2022. Thereafter, fiscal year is used.*

The above figures are reported by each participating company through its annual filing of the Form 312N – *Nebraska Advantage Act Incentive Computation*. The Department has the ability to verify this information during the initial qualification audit of the project, as well as through routine maintenance audits performed later.

In our December 18, 2024, ACFR management letter to the Department, the APA addressed the length of time that the Department took to perform qualification audits for participating companies. Specifically, 14 of the 20 projects tested lacked a qualification audit that was either started or completed in a timely manner. Resulting, at least partially, from the lack of statutory directives in the Act, such untimely qualification audits increase the risk of not only fraud, waste, and abuse involving State funds but also the reporting of inaccurate information regarding performance under the Act.

Our December 18, 2024, ACFR management letter to the Department also noted that 17 of 20 companies tested (85%) had never undergone a maintenance audit. A maintenance audit is the only instance (after the initial qualification audit) in which the Department verifies, through an independent examination of supporting documentation, the qualified capital investment and increase in new jobs at qualifying projects.

Without the consistent performance of timely qualification and maintenance audits, the Department is incapable of confirming the accuracy of either the qualified capital investment or the increase in new jobs statistics received from companies at qualifying projects. Reliance upon such unsubstantiated data jeopardizes State funds, placing them at significant risk of improper use, and prevents the Legislature from receiving dependable information needed to understand fully the true impact of the Act.

We recommend the Legislature consider whether the Department's failure to perform consistent qualification and maintenance audits of qualifying projects under the Act, relying instead upon the unverified qualified capital investment and increase in new jobs data reported by the companies, is both consistent with underlying legislative intent and beneficial to the economic health of the State.

#### Program End Date

Finally, in our December 18, 2024, ACFR management letter to the Department, the APA discussed whether the credits granted under the Act ever expire. In its "Nebraska Tax Incentives 2024 Annual Report to the Nebraska Legislature," the Department has added language to indicate that the credits may be claimed through 2051. This language is not found in any of the Department's earlier publications. Specifically, the report states the following:

*No new Nebraska Advantage Act applications may be filed after December 31, 2020. However, benefits under the Nebraska Advantage Act may be claimed through 2051, not including extensions or legal matters that remain open.*

(Emphasis added.) The new language above, which has emerged for the first time in the 2024 annual report, appears incompatible with the clear statutory restrictions found in the Act.

To start, Neb. Rev. Stat. § 77-5726(1)(a) (Cum. Supp. 2024) states, as is relevant, the following:

*The last year for which credits may be used is the taxable year which includes December 31 of the last year of the carryover period.*

(Emphasis added.) Furthermore, § 77-5726(1)(e) designates the length of the carryover period per project tier, as follows:

*Credits may be carried over until fully utilized, except that such credits may not be carried over more than nine years after the year of application for a tier 1 or tier 3 project, fourteen years after the year of application for a tier 2 or tier 4 project, or more than sixteen years past the end of the entitlement period for a tier 6 project.*

(Emphasis added.) As explained in our December 18, 2024, ACFR management letter to the Department, the APA interprets these statutes as providing a definite end date for using credits earned under the Act. Once that date has passed, these statutes appear to indicate that the credits cease to exist.

In our ACFR testing for fiscal year 2024, however, the APA identified payments to three companies that received a combined total of \$453,421 in credit refunds after the expiration date of the credits. This occurred because the Department has allowed companies to file extensions – though not authorized expressly in the Act – to keep the credits operative indefinitely.

We recommend the Legislature consider whether the Department's use of extensions to allow credits earned under the Act to exist indefinitely, despite express statutory language appearing to require otherwise, is both consistent with underlying legislative intent and beneficial to the economic health of the State.

## ImagineNE Nebraska Act

The ImagineNE Nebraska Act, which is set out at Neb. Rev. Stat. §§ 77-6801 to 77-6843 (Reissue 2018, Cum. Supp. 2024), is this State's newest economic incentive program. Authorized in 2020, it was designed to be the successor program to the Act. Similar to the Act, the ImagineNE Nebraska Act seeks to encourage Nebraska businesses to create and retain high-paying jobs, invest capital, and develop the workforce in Nebraska. Applications to this most recent incentive program are open until December 31, 2030.

Neb. Rev. Stat. § 77-6802 (Cum. Supp. 2024) of the ImagineNE Nebraska Act states the following:

*The Legislature hereby finds and declares that it is the policy of this state to modernize its economic development platform in order to (1) encourage new businesses to relocate to Nebraska, (2) encourage existing businesses to remain and grow in Nebraska, (3) encourage the creation and retention of new, high-paying jobs in Nebraska, (4) attract and retain investment capital in Nebraska, (5) develop the Nebraska workforce, (6) simplify the administration of the tax incentive program created in the ImagineNE Nebraska Act for both businesses and the state, and (7) improve the transparency and accountability of such program.*

Comparable to the provisions of the Act, Neb. Rev. Stat. § 77-6831 (Cum. Supp. 2024) of the ImagineNE Nebraska Act establishes eight application levels that have varying requirements for participant investment and employment. Each level offers its own set of benefits for obtaining and maintaining those mandatory benchmarks.

Because it is relatively new, the ImagineNE Nebraska Act has comparatively little data to offer regarding its activities. Nevertheless, this letter will report on the available details.

As it has done for the Act, the Department produces – jointly with the Nebraska Department of Economic Development (NDED) – an annual report containing specific details about the ImagineNE Nebraska Act. The latest version of that publication is titled the “2024 ImagineNE Nebraska Annual Report” and is available online at the following link:

<https://revenue.nebraska.gov/incentives/imagine-nebraska-act-and-key-employer-and-jobs-retention-act-annual-reports>.

The information below was obtained from that 2024 report:

Description	FY 2024
Qualified Jobs Created	246
Investment and Employment Credits Earned	\$ 8,133,602
Qualified Capital Investment	\$ 151,698,715
Income Tax Withholding Credits Filed to be Used	\$ 1,845,509
Direct Refunds Filed	\$ 0*
Personal Property Tax Exempted	\$ 176,603,948
FY 2024-2025 Estimated Refunds Paid and Tax Credits Used	\$ 7,000,000
FY 2025-2026 Estimated Refunds Paid and Tax Credits Used	\$ 25,000,000

*\*According to the State's accounting system, no refunds had been issued as of June 30, 2024. Subsequent thereto, however, more than \$800,000 in refunds have been paid.*

The ImagineNE Nebraska Act has both similarities and differences to the Nebraska Advantage Act. To start, as mentioned already, there are different application levels, each of which have specific minimum requirements for new investment and employment in the State. Likewise, the benefits made available to participating companies are in the form of wage and investment credits, sales and use tax direct refunds, and personal property tax exemptions. Those benefits vary by application level.

An important difference between the Act and the ImagiNE Nebraska Act is the role of the NDED in administering this new program. Applications are filed with the NDED director, who is responsible for approving them and entering into a written agreement with each company. All annual reporting is still made to the Department, however.

The ImagiNE Nebraska Act is unique in that it has a revolving loan program for workforce training and infrastructure development expenses – which is administered by NDED – in accordance with Neb. Rev. Stat. § 77-6841 (Cum. Supp. 2024). Subsection (4) of that statute provides the following:

*The Department of Economic Development, as part of its comprehensive business development strategy, shall administer the ImagiNE Nebraska Revolving Loan Fund and may loan funds to applicants under the ImagiNE Nebraska Act to secure new, high-paying jobs in Nebraska . . . . Loans made to applicants under the ImagiNE Nebraska Act and interest on such loans may be repaid using credits earned under the ImagiNE Nebraska Act. If that occurs, the Department of Revenue shall certify the credit usage to the State Treasurer, who shall, within thirty days, transfer the amount of the credit used from the General Fund to the ImagiNE Nebraska Revolving Loan Fund.*

Neb. Rev. Stat. § 77-6839(2)(b) (Cum. Supp. 2024) limits the base authority (i.e., “the total amount of refunds and credits that may be approved in any calendar year”), as shown in the table below:

Calendar Year	Base Authority
2021-2022	\$25,000,000
2023-2024	\$100,000,000
2025	\$150,000,000
2026 and every three years thereafter	3% of the actual General Fund net receipts for the most recent fiscal year for which such information is available.

Additionally, § 77-6839(2)(b) places the following restriction upon carrying forward unused base authority:

*Any amount of base authority that is unused in a calendar year shall carry forward to the following calendar year and shall be added to the limit applicable to such following calendar year, except that in no case shall the base authority for any calendar year prior to 2026 exceed four hundred million dollars.*

For fiscal year 2024, the Tax Commissioner certified \$7,155,810,580 in actual net receipts. Three percent of that amount would be a limit of \$214,674,317 – had the last provision in the table above been in effect.

Companies are allowed to use their wage and investment credits for income tax, payroll withholdings, sales and use tax refunds, loan repayments, recruitment and retention activities, job training activities, and childcare expenses.

Impact on General Fund

In the August 2020 fiscal note to Legislative Bill (LB) 1107, which adopted the ImagiNE Nebraska Act and other smaller incentive programs, the Department estimated the bills impact on the State’s General Fund as follows:

Fiscal Year	Tax Incentive (ImagiNE + Other Incentives)
FY 2020-21	-
FY 2021-22	\$ (10,000,000)
FY 2022-23	\$ (24,000,000)
FY 2023-24	\$ (50,000,000)
FY 2024-25	\$ (66,000,000)
FY 2025-26	\$ (88,000,000)
FY 2026-27	\$ (107,000,000)
FY 2027-28	\$ (125,000,000)
FY 2028-29	\$ (141,000,000)
FY 2029-30	\$ (156,000,000)
FY 2030-31	\$ (168,000,000)

According to the Department, approximately \$10 million per year is attributed to programs other than the ImagiNE Nebraska Act. Therefore, in the next four fiscal years – commencing July 1, 2025 – the estimated impact to the General Fund of the ImagiNE Nebraska Act is approximately \$421 million.

This amount, coupled with the \$1.1 billion impact of the Nebraska Advantage Act over the next four fiscal years, results in an approximate impact to the General Fund of over \$1.5 billion starting July 1, 2025.

#### Lack of Audits

The ImagiNE Nebraska Act appears to preclude the Department from performing qualification audits of participating companies before awarding promised tax incentives. Specifically, Neb. Rev. Stat. § 77-6832(5) (Cum. Supp. 2024) states, in relevant part, the following:

*Once the director and the taxpayer have signed the agreement under section 77-6828, the taxpayer, and its owners or members where applicable, may report and claim and shall receive all incentives allowed by the ImagiNE Nebraska Act, subject to the base authority limitations provided in section 77-6839, without waiting for a determination by the director or the Tax Commissioner or other taxing authority that the taxpayer has met the required employment and investment levels or otherwise qualifies, has qualified, or continues to qualify for such incentives . . . .*

(Emphasis added.) Instead of authorizing qualification audits, the ImagiNE Nebraska Act relies upon self-reporting by participating companies. Neb. Rev. Stat. § 77-6828(1)(f) (Cum. Supp. 2024) requires, for instance, that the “taxpayers provide an annually updated timetable showing the expected sales and use tax refunds and what year they are expected to be claimed . . . .” Nothing in the ImagiNE Nebraska Act obligates the Department to audit or verify, however, the information provided. Any other provisions for subsequent audits under the ImagiNE Nebraska Act are similarly discretionary in nature.

The ImagiNE Nebraska Act’s apparent proscription of qualification audits before tax incentives may be awarded – as well as the discretionary nature of other audit provisions – seems incongruous given the hundreds of millions of dollars in tax credits, refunds, and exemptions being made available to participating companies. As pointed out previously herein, every penny of those incentives represents revenue denied to the State and its political subdivisions, which must be offset in some other way.

We recommend the Legislature consider whether the ImagiNE Nebraska Act contains safeguards – despite no mandatory audits of base-year employment, compensation, or wage level information reported by participating companies – sufficient to ensure not only adherence to underlying legislative intent but also furtherance of the State’s economic development.

#### Comparability of Annual Report Information

The APA has noted inconsistencies in the Department’s reporting of estimated sales and use tax refunds to be paid and tax credits to be used under the ImagiNE Nebraska Act for the next two fiscal years.

According to the “ImagiNE Nebraska Annual Reports,” the information for sales and use tax refunds and tax credits, which is used for all incentive programs, is provided to the Nebraska Economic Forecasting Board. The APA compared the estimated sales and use tax refunds to be paid and the tax credits to be used for all incentive programs, as reported in the 2022 and 2023 “ImagiNE Nebraska Annual Reports” to the sales and use tax refunds reported in the Department’s annual “Nebraska Tax Incentives Annual Reports to the Legislature.”

The table below shows the results of that comparison:

Fiscal Year	Estimated Amounts from the 2022 and 2023 ImagiNE Nebraska Annual Reports	Actual Amounts from the 2023 and 2024 Nebraska Tax Incentives Annual Report			Variance
		Direct Sales and Use Tax Refunds	Credit Sales and Use Tax Refunds	Total	
2023	\$ 132,000,000	\$ 93,496,829	\$ 30,113,265	\$ 123,610,094	\$ 8,389,906
2024	\$ 112,000,000	\$ 86,912,401	\$ 33,208,730	\$ 120,121,131	\$ (8,121,131)

The APA also compared the estimated sales and use tax refunds, as well as tax credits used, for 2025 and 2026 from the “2024 ImagiNE Nebraska Annual Report” to the future projections of sales and use tax refunds and tax credits used in the Department’s annual “Nebraska Tax Incentives 2024 Annual Report to the Nebraska Legislature.”

Significant variances were discovered again, as follows:

Fiscal Year	Estimated Amounts from the 2024 ImagiNE Nebraska Annual Report	Estimated Amounts from the 2024 Nebraska Tax Incentives Annual Report			Variance
		Direct Sales and Use Tax Refunds	Credit Sales and Use Tax Refunds	Total	
2025	\$ 107,000,000	\$ 72,719,228	\$ 55,513,566	\$ 128,232,794	\$ (21,232,794)
2026	\$ 110,000,000	\$ 63,845,866	\$ 48,852,273	\$ 112,698,139	\$ (2,698,139)

Based upon these comparisons, the estimates reported in the ImagiNE Annual Report appear to be mostly understated.

We recommend the Legislature consider whether the estimates reported in the ImagiNE Nebraska Annual Report are sufficiently reliable to ensure not only adherence to underlying legislative intent but also furtherance of the State’s economic development.

## Delinquent and Protested Tax Balances

Unrelated to the administration of this State’s incentive programs, the Department maintains significant balances for taxes that have not been paid by taxpayers. Earlier today, our office issued an attestation report on these delinquent and protested tax balances. The information presented below is taken directly from that report.

As of June 30, 2024, the amount of delinquent and protested tax balances exceeded \$657 million. The delinquent balances are comprised of taxes owed but not collected as of June 30, 2024. The protested balances include specific cases in which a taxpayer has formally protested the amount of taxes assessed to him or her. As part of the ACFR, the Department must estimate its projected collections on delinquent tax balances. This information is reviewed annually by the APA.

The following table shows a five-year history of the balances due and the estimated collection percentages:

Tax Category	FY 2020		FY 2021		FY 2022		FY 2023		FY 2024	
	Balances Due	Estimated Collection %	Balances Due	Estimated Collection %	Balances Due	Estimated Collection %	Balances Due	Estimated Collection %	Balances Due	Estimated Collection %
<b>Delinquent Tax Balances and Collection Percentages</b>										
Delinquent Sales and Use	\$ 41,719,386	21%	\$ 47,919,826	19%	\$ 48,288,562	18%	\$ 58,400,026	17%	\$ 62,010,250	16%
Delinquent Payroll Withholding	\$ 16,003,617	28%	\$ 15,888,521	28%	\$ 26,637,932	31%	\$ 18,422,879	25%	\$ 24,205,643	26%
Delinquent Individual Income Tax	\$ 87,679,045	15%	\$ 95,442,901	14%	\$ 115,026,069	11%	\$ 125,118,131	13%	\$ 129,373,558	20%
Delinquent Corporate Income Tax	\$ 71,726,691	38%	\$ 53,161,968	40%	\$ 45,030,877	38%	\$ 58,442,587	36%	\$ 51,559,046	34%
Delinquent Partnership Income Tax	\$ 0		\$ 0		\$ 0		\$ 0		\$ 2,370,264	28%
<b>Total Delinquent Tax Balances</b>	<b>\$217,128,739</b>		<b>\$212,413,216</b>		<b>\$234,983,440</b>		<b>\$260,383,623</b>		<b>\$269,518,761</b>	
<b>Protested Tax Balances and Collections</b>										
Protested Sales and Use	\$ 81,177,998	16%	\$ 59,358,385	23%	\$ 74,871,523	30%	\$ 60,820,709	41%	\$ 77,537,471	44%
Protested Payroll Withholding	\$ 2,200,596	16%	\$ 1,971,153	23%	\$ 1,292,389	30%	\$ 494,720	4%	\$ 362,828	4%
Protested Individual Income Tax	\$ 0		\$ 0		\$ 33,700,386	4%	\$ 32,970,587	2%	\$ 42,833,284	3%
Protested Corporate Income Tax	\$272,953,445	16%	\$208,632,794	23%	\$311,003,813	30%	\$280,149,942	1%	\$267,623,744	1%
<b>Total Protested Tax Balances</b>	<b>\$356,332,039</b>		<b>\$269,962,332</b>		<b>\$420,868,111</b>		<b>\$374,435,958</b>		<b>\$388,357,327</b>	
<b>Total Delinquent and Protested Taxes</b>	<b>\$573,460,778</b>		<b>\$482,375,548</b>		<b>\$655,851,551</b>		<b>\$634,819,581</b>		<b>\$657,876,088</b>	

A graphic representation of a 10-year history of these balances is included as an attachment to this letter.

It is worth noting that the total of the delinquent and protested balances is more than \$650 million.

Clearly, a sizeable amount of taxes assessed to various taxpayers is not being collected. Based upon past performance, the APA expects the amount of delinquent and protested balances to persist.

We recommend the Legislature consider whether action is needed to encourage more aggressive collection of delinquent and protested taxes owed to the State.

## Conclusion

The APA recognizes that economic incentive programs can play a fundamental role in encouraging businesses to build and invest in Nebraska. When carried out properly, such programs not only help to provide residents with jobs and opportunities for financial security but also support an expanding tax base that makes possible important public services.

Despite having been adopted and implemented with both the best of intentions and the highest hopes for success, the Act and the ImagiNE Nebraska Act appear to contain some operational inadequacies that may hamper their effectiveness – resulting in the possibility of them becoming a drain upon, as opposed to a boon to, this State’s economy. As detailed previously herein, a summary of the items for review include the following:

- The Act contains no limits upon the amount of investment and compensation credits that companies may earn or use. As of June 30, 2024, a total of \$2.6 billion in such credits have been earned by companies and \$1.2 billion in credits have been used. This does not include the potential for the accrual and usage of hundreds of millions of dollars more.
- The Department has projected the future credits earned and used from fiscal years 2025 through 2034 to be \$1.1 billion and \$1.8 billion, respectively. Of the latter amount, \$885 million is expected to be used in the next four fiscal years – commencing July 1, 2025.



- Nearly \$163 million in local sales and use tax revenues have been denied thus far to municipalities under the Act. For two tiers of projects, moreover, credit refunds are available for purchases occurring anywhere within the State, meaning that some municipalities could have their local sales and use tax collections reduced under the Act even if they are not home to a qualifying project.
- Similar to tax credits earned and used, the Act places no limits upon the amount of direct tax refunds that a participating company may receive. Consequently, almost \$856 million in sales and use tax direct refunds have been issued already, and the Department could potentially receive a direct refund request of more than \$100 million at any time.
- According to the Department's projections, the cumulative loss for the Act's incentive program was projected to be nearly \$1.2 billion as of June 30, 2025, and it will grow to \$2.4 billion by fiscal year 2034. Although monetary benefits due to participating companies appear to be outpacing by far revenue generated under the Act, the Department anticipates continuing to make those incentives available through, at least, 2051 and beyond.
- Due to the lack of express statutory directives in the Act, the Department has not performed timely qualification and maintenance audits for participating companies. Rather, those entities have been permitted to report, without sufficient subsequent verification by the Department, that both mandatory qualified capital investments and new job increases have been met.
- The Department allows companies to enter into extension agreements in order to prolong the availability of investment and compensation credits under the Act. It is unclear whether such agreements are consistent with legislative intent because not only are they not specifically authorized in the Act, but also their unrestricted use effectively eliminates express statutory time limits for using any credits earned.
- In addition to lacking safeguards – such as audits and verification of base-year employment and compensation, or wage level information reported by participating companies – sufficient to ensure its success, the ImagiNE Nebraska Annual Reports have been subject to slightly unreliable reporting of estimated sales and use tax refunds to be paid and tax credits to be used. Additionally, the Department estimated an approximate \$421 million impact to the State General fund in the next four fiscal years – commencing on July 1, 2025. This amount, coupled with the \$1.1 billion for the Nebraska Advantage Act described above for the same period, results in an approximate \$1.5 billion impact on the General fund for the next four fiscal years.

Furthermore, in addition to the above observations regarding this State's incentive programs, the APA noted the following regarding the Department's collection of delinquent and protested taxes:

- In excess of \$650 million in delinquent and protested taxes due to the State of Nebraska remain uncollected as of June 30, 2024, indicating that action may be needed to encourage more aggressive collection of those delinquent revenues.

The above items, as well as possibly others, merit serious consideration when evaluating the ability of the Act and the ImagiNE Nebraska Act to promote and expand Nebraska's economy. By providing the information herein, the APA hopes to help enable the Legislature to take whatever action needed, if any, to ensure that this State's economic incentive programs serve the best interests of our citizens.

\* \* \* \* \*

Our limited procedures for this letter were based on publicly available information and may not bring to light all weaknesses in policies or procedures that could exist. Nevertheless, our objective is to use that information to make recommendations that we hope will be useful to the Legislature.

This communication is intended solely for the information and use of the Nebraska Legislature and is not suitable for any other purposes. However, this letter is a matter of public record, and its distribution is not limited.

If you have any questions regarding the above information, please contact our office.

Audit Staff Involved:

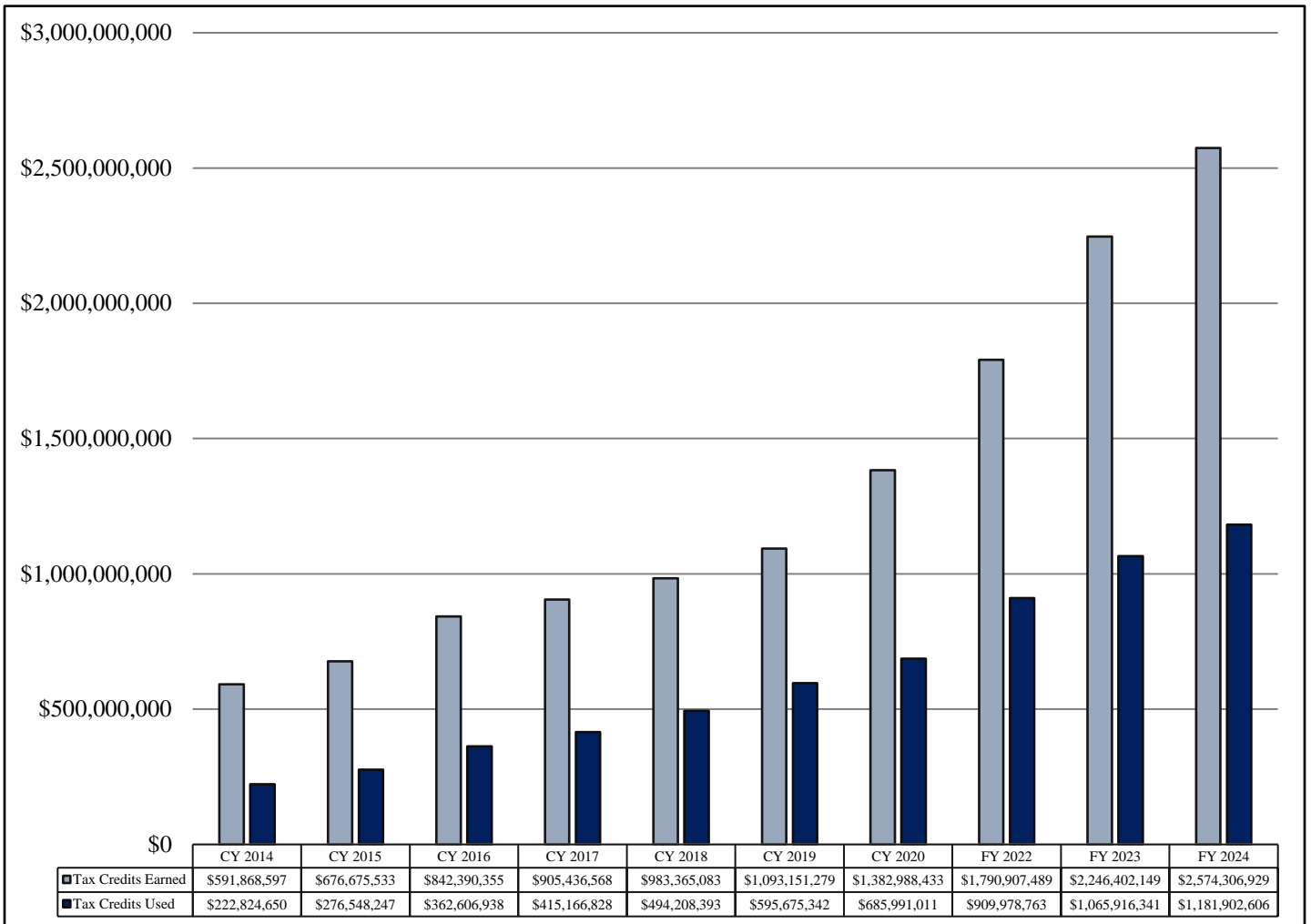
Cindy Janssen, Audit Manager  
Alex List, Senior Auditor-In-Charge  
Damon Woehr, Auditor II  
Leavitt Reno, Auditor

Sincerely,

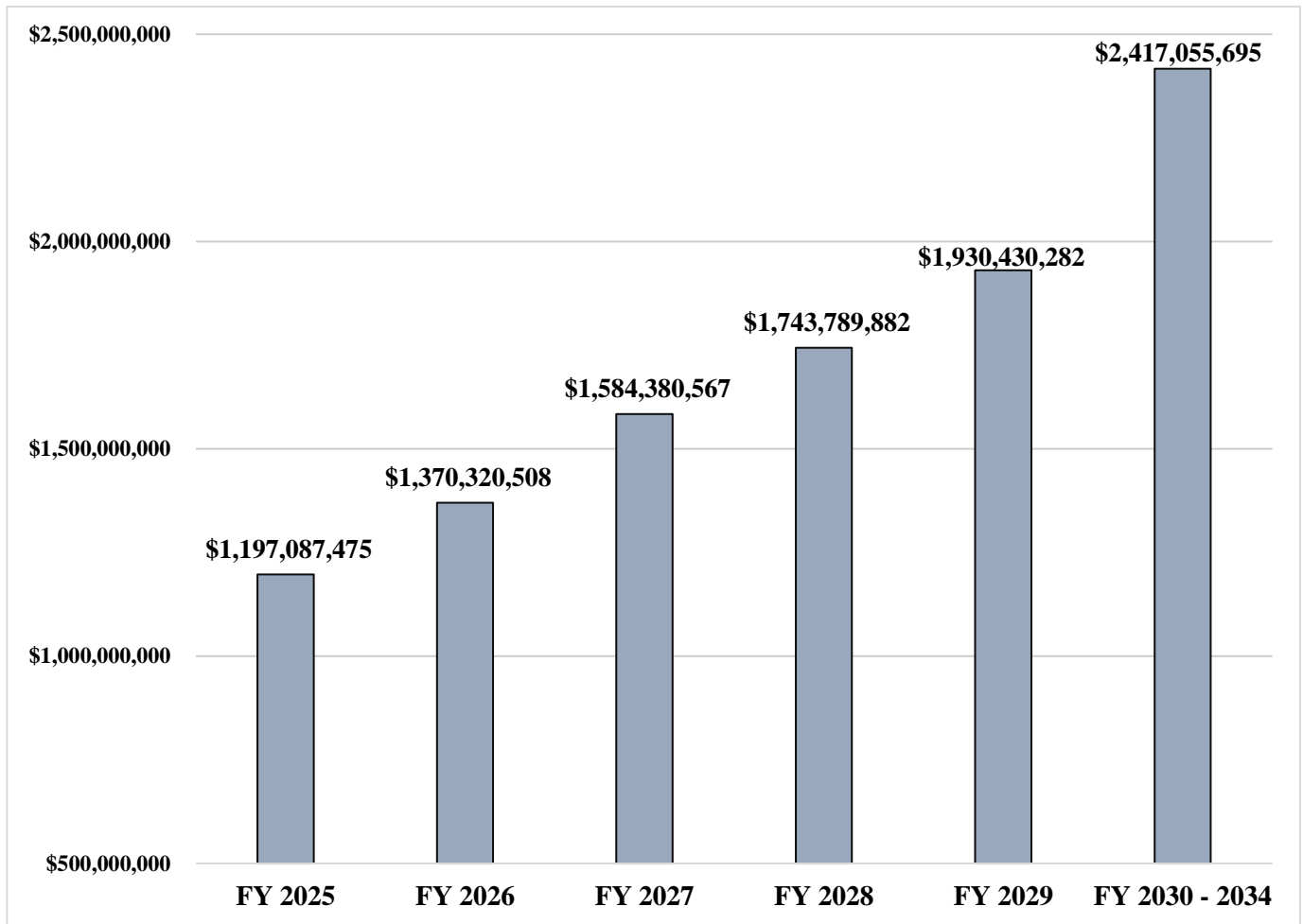
Mike Foley  
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cc: Nebraska Department of Revenue  
Nebraska Department of Economic Development

Nebraska Tax Incentives 2024 Annual Report to the Nebraska Legislature  
**Cumulative Tax Credits Earned and Used**  
 Last Ten Reporting Periods



Nebraska Tax Incentives 2024 Annual Report to the Nebraska Legislature  
**Estimated Future Cumulative Revenue Loss**  
Fiscal Year 2025 through 2034



**Nebraska Department of Revenue**  
**Delinquent and Protested Tax Balances**  
 Last Ten Fiscal Years

