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DEPARTMENT OF REVENUE

Information Guide

April 2024

Nebraska Advantage Rural Development Act Livestock Modernization Overview Guide

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This guidance document may change with updated information or added examples. DOR recommends you do not print this document. Instead, sign up for the subscription service at revenue.nebraska.gov to get updates on your topics of interest.

The purpose of this document is to provide an overview of the Livestock Modernization level of the Nebraska Advantage Rural Development Act. For specific instructions on how to complete the application please refer to the application guide.

There are four different phases of the Nebraska Advantage Rural Development Act. These include the application, the agreement, the verification process, and claiming the credit.

1. Application

The application defines the project including the type of livestock production, the location, and the investment to be made. Worksheet LM of the application estimates the net new investment increase over a two-tax year period. Qualified investment for livestock modernization includes depreciable buildings, facilities, and equipment, (other than planes, vehicles, and railroad stock), used for livestock housing, confinement, feeding, production, and waste management. Equipment used for planting or harvesting row crops and breeding stock are not considered qualified investment.

The expected new investment credit is 10% of the new net investment increase. There is $10 million available for all applications within a calendar year, with a maximum limit of $500,000 per application. Refer to the Authorization Table for information on the remaining funds available. Complete applications are considered in the order they are received. Applications need to be submitted by the earlier of November 1st or before the remaining funding has been authorized.

DOR will send out notification to the taxpayer when the application is received. DOR will indicate if the application is complete and if additional information is required. Revenue Ruling 29-03-1 requires DOR to send notification within 15 business days of receipt of the application. Notification is typically issued by secure email and sent within three days of receipt.

2. Agreement

After the application has been reviewed, an agreement will be sent to the taxpayer. The agreement specifies the plan, the commitments, the required documentation, the determination of investment, and how the credits can be used. A sample agreement is available on the DOR's website. An agreement is usually issued by secure email and sent within 90 days of when the application was submitted. If DOR requests additional information regarding the application the 90 day period is paused.

3. Verification

After the taxpayer has met the minimum level of investment listed in the agreement, the taxpayer can begin a pre-review process by completing an updated Worksheet LM based on actual expenditures and the investment listing. The documents are uploaded through DOR's secure filing sharing system. Other documents to be provided include for DOR's review include the tax depreciation schedule, copies of construction contracts, invoices, lease/rental contracts along with proof of payment. DOR will review the documents to verify the level of investment was met and the credits earned. The tax year must be completed before the verification is finalized. Once DOR is satisfied the level has been reached, DOR will issue a letter of approval for the amount of credits the taxpayer can claim. The length of the verification process depends on the completeness of the information provided.

4. Claiming the Credit

After the taxpayer has received the notice of approval from DOR, the taxpayer can claim the refundable credit on their Nebraska income tax return for the year the level was met. If the original return has already been filed, an amended return is submitted to claim the credit. Credits must be used in the tax year earned. There is no carryover of credits. The taxpayer can claim the credit even if the entity is a flow through such as a partnership or an S-corporation. The income tax return claiming the refundable credit must be filed within three years after the due date of the return unless the taxpayer has a statute of limitations agreement with DOR.

A partnership or S-corporation may also elect to distribute the credits to its partners or shareholders, in the same percentage as ordinary income. The distributed credit is nonrefundable to the recipient, and may only be used against the recipient's Nebraska income tax liability for the tax year earned. Once distributed, a credit cannot be returned to the entity.

If you have any questions regarding the preparation of the application, contact Garrett Nedved at 402-471-5862 or garrett.nedved@nebraska.gov.

If you have any questions regarding the verification process, contact Mary Hugo at 402-471-5790 or mary.hugo@nebraska.gov.