

## FACT SHEET:

# NEBRASKA ADVANTAGE MICROENTERPRISE TAX CREDIT

The Nebraska Advantage Microenterprise Tax Credit program is designed for and only available to small business owners in Nebraska. It is a **refundable** tax credit for up to \$10,000.

## ARE YOU ELIGIBLE?

All applicants must be actively involved in the daily operations of the business and have five or fewer full-time equivalent (FTE) employees. Restrictions and exemptions:<sup>1,2</sup>

- A business owner is not eligible if a related person has already been granted the maximum credit amount.<sup>3,4</sup>
- Farmers and livestock operators with more than \$500,000 in assets may only claim for:
  - Meat processing, aquaculture, agritourism, production of fruits, herbs, trees, vegetables, or nuts, dried fruit, organic crops, or nursery crops.



### How to calculate “full-time equivalent” employees example:

Total annual hours paid to three employees: **6,000**

Divided by 1 annual FTE hours: **2,080**

Total FTE employees: **2.9**

Applicants with employees must verify their FTE at the time of application with a payroll register and, when claiming the credit, produce a year-end payroll register listing all paid staff. In most cases, the owner counts toward the FTE employee total.

## WHICH INVESTMENTS QUALIFY?

An applicant can run a new or continuing business but must invest new dollars to receive the tax credit. Qualifying investments include:

- New or raised employee compensation up to 150 percent of Nebraska’s average weekly wage (\$1,380 in 2021), including pay to an owner.
- New employee health insurance coverage.
- Building and real property purchases.
- Increasing building lease payments.
- Repairs and maintenance to property.
- Legal and professional fees.
- Advertising.
- Purchase or lease of depreciable assets, such as equipment, machinery, computers, office equipment, etc.

Non-qualifying expenditures:

- Changing the legal business structure (e.g. sole proprietorship to S Corporation).
- Purchasing an existing business with no additional investment.
- An investment also claimed by a business partner.
- Licensed motor vehicle purchase, lease, repair, or maintenance.



### How to calculate your credit example:

Total investment in business:  
\$10,000 in new employee compensation  
+ \$7,000 business building renovation =  
**Total investment of \$17,000**  
20 percent of investment = **\$3,400**  
Final tax credit = **\$3,400**



# HOW TO APPLY

- 1 Determine your eligibility. Use the information above and from the Department of Revenue to determine your eligibility. If unsure, contact the Department of Revenue.
- 2 Prepare for application. Gather required documents and information for applying. This includes tax forms, business registration documents, payroll registers, descriptions of the business and one's involvement in it, and other documents required by the Nebraska Department of Revenue.
  - Applicants will also need to generate a business investment plan with estimated outcomes to include the following:
    - Projected income and expenditures of the business.
    - The market being served and how the business fits into the market.
    - The projected investment and/or employment increase.
    - Projected increase in income or employment generated by the investment.
  - For a full list of required items visit the Nebraska Department of Revenue's website, [revenue.nebraska.gov](https://revenue.nebraska.gov).
- 3 Submit the application. It may be helpful, but not required, to seek the assistance of an accountant or other professional. Applications should be submitted to the Department of Revenue directly.
- 4 Maintain documentation. If your application is approved, you **must** hold onto documentation of your business finances, investments, employees, payments, and income to receive the credit. This includes:
  - Personal and business tax returns,
  - Tax depreciation schedule,
  - Lease agreements,
  - Year-end payroll register,
  - W-3N and W-2 forms,
  - Health insurance billing,
  - List of claimed expenditures,
  - Documentation of expenditures (e.g. invoices), and
  - E-Verify employee confirmation pages.
- 5 File tax credit claim. Once approved, the applicant has **two consecutive tax years** to make the investment and claim the tax credit. The credit will be disbursed after **submitting form 3800N Worksheet M** when filing taxes.

Visit [cfra.org/nebraska-advantage-microenterprise-tax-credit](https://cfra.org/nebraska-advantage-microenterprise-tax-credit) for more information, examples, helpful links, and current information on the Nebraska Advantage Microenterprise Tax Credit.

## Sources and notes

- 1 Previously, the Department of Revenue required the recipient business be in a distressed area. This is no longer required.
- 2 "Nebraska Legislative Bill 217, 2017." The Nebraska Legislature, April 27, 2017, [nebraskalegislature.gov/FloorDocs/105/PDF/Slip/LB217.pdf](https://nebraskalegislature.gov/FloorDocs/105/PDF/Slip/LB217.pdf). Accessed December 2020.
- 3 Spouse, parents, siblings, children, and other related parties under Internal Revenue Code §267(b) or §707(b). "26 U.S. Code §267 - Losses, expenses, and interest with respect to transactions between related taxpayers." Legal Information Institute, [law.cornell.edu/uscode/text/26/267](https://law.cornell.edu/uscode/text/26/267). Accessed December 2020.
- 4 "26 U.S. Code §707 - Transactions between partner and partnership." Legal Information Institute, [law.cornell.edu/uscode/text/26/707](https://law.cornell.edu/uscode/text/26/707). Accessed December 2020.

