

December 20, 2005

Economic Development Tax Incentives -- New Employees at More Than One Location. TO DETERMINE THE NUMBER OF NEW EMPLOYEES, THE CREDIT ON WAGES PAID, OR WITHHOLDING ATTRIBUTABLE TO NEW EMPLOYEES AT THE PROJECT, NEW EMPLOYEES WHO ARE EMPLOYED AT MORE THAN ONE LOCATION CAN BE INCLUDED TO THE EXTENT THEY ARE PAID FOR WORK PERFORMED AT THE PROJECT.

Advice has been requested as to whether or not an employee who works at the project and also at other locations of the taxpayer could be included in determining the number of new employees, in the computation of the credit based on compensation, or in the retention of income tax withholding for the purposes of the Nebraska Advantage Act.

Section 77-5714, R.S.Supp. 2005, provides in part that:

Number of new employees means the number of equivalent employees that are employed at the project . . .

Section 77-5725(3), R.S.Supp. 2005, provides in part that:

. . . a credit equal to . . . percent times the average wage of new employees times the number of new employees . . .

The number of new employees is based on the number of hours worked at the project. The number of hours worked are converted to employee equivalents based on a forty hour week. Any part-time employees would have the number of hours they worked included in determining the equivalent number of employees working at the project.

If employees work both at the project and at other locations of the taxpayer, they are in effect part-time employees at the project. The number of hours they work at the project will be included in determining the number of new employees.

Employees who regularly work at the project, but who also perform some services for the taxpayer at other locations, will be considered employed full-time at the project if more than 80 percent of the time for which they are compensated is spent at the project.

For employees who work at more than one taxpayer location and who earn at least 60% of the Nebraska average wage for the year of application, the amount of the compensation on which the credit is computed will be based on the portion of the time that they work at the project. The number of hours included in computing the number of new employees can be used to determine the portion of the compensation paid on which the credit can be computed. The portion of the compensation that is attributable to the project will be used in determining the amount of withholding that may be retained using compensation credits.

APPROVED:



Mary Jane Egr
State Tax Commissioner

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