



City of Omaha
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Omaha, NE – A significant and unexpected increase in sales tax refunds accounts for a loss of projected revenue in the 2019 2nd Quarter Financial Report.

Payment of sales tax refunds to qualifying businesses is required by the Employment and Investment Growth Act (LB775) passed by the Nebraska Legislature in 1987 and the Nebraska Advantage Act (LB312) passed in 2005. Both are tax incentive programs offered to businesses to expand and/or increase employment in the State of Nebraska.

In the first eight months of 2019, the City paid \$12.6 million in refunds, higher than any year dating back ten years. Based on the refund payment history since 2009, the 2019 budget includes \$8.5 million in refunds, which has already been exceeded.

“This incentive program is an economic development tool that has been successful for business growth in the state, but it comes at a cost,” said Mayor Jean Stothert. “When refunds are high, we benefit from new investment and new jobs in Omaha, but we also lose revenue that we count on to provide services for our citizens.”

In the 2019 legislative session, Sen. John McCollister introduced LB441 on behalf of the City of Omaha to require the state to provide notice of companies that plan to apply for refunds in the next calendar year. The bill did not advance, however the Nebraska Imagine Act (LB720) does include that notification for future incentives. LB720 is expected to be debated in the 2020 legislative session.

“We introduced LB441 to give us the ability to budget an agreed upon amount and then true up any differences in the next budget”, said Finance Director Steve Curtiss. “A process to appropriately plan and budget provides more certainty for our taxpayers.”

In addition to higher refunds, sales tax projections are down \$2.4 million. Total revenue to date is under budget by \$4 million.

After six months, all city departments are under budget, with the exception of Omaha Police. The OPD budget is expected to balance over the rest of the year.

The second quarter report shows total revenue is \$4 million under projections, expenses are \$702,019 under budget, health care savings is expected to reach \$9.0 million, \$4.8 million for active employees, and \$4.2 for retirees, resulting in a projected \$1.6 million end of year carryover.

The 2nd Quarter revenue report shows:

- Motor Vehicle Taxes - \$972,113 surplus
- Other Revenue and Fees - \$4 million surplus
This is the \$4.4 million payment Freestone Capital makes to the City for the Hilton Hotel, the city then pays the bondholders. This is a pass-through, listed in the budget for the first time.
- City Sales and Use Tax - \$6.8 million under projection (includes the sales tax refunds)
- Restaurant Tax-\$95,878 under projection
- Building licenses and permits - \$802,299 under projection

The 2nd Quarter expense report shows:

- Omaha Police Department - \$0.7 million over budget
- Planning Department - \$391,005 under budget
- Public Works - \$354,160 under budget
- Finance-\$297,031 under budget
- Human Resources-\$369,810 under budget