

## Revenue Ruling 29-89-1 Economic Development Tax Incentives

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Economic Development Tax Incentives – Mainframe Business Computers. MAINFRAME COMPUTERS MUST BE LOCATED IN A SEPARATELY SUPPORTED ENVIRONMENTALLY CONTROLLED AREA TO QUALIFY FOR EXEMPTION FROM PERSONAL PROPERTY TAX. THIS RULING IS EFFECTIVE FOR APPLICATIONS FILED BOTH BEFORE AND ON OR AFTER JANUARY 1, 1988.

Advice has been requested as to what computer systems may qualify for the exemption from personal property tax provided in the Employment and Investment Growth Act.

Section 77-4105(2)(b), R.S.Supp., 1988, provides an exemption from personal property tax for:

Mainframe business computers used for business information processing which require environmental controls of temperature and power and which are capable of simultaneously supporting more than one transaction and more than one user plus peripheral components which require environmental controls of temperature and power connected to such computers.

In determining whether this equipment qualifies for the exemption from personal property tax, the following definitions will be used by the State Tax Commissioner:

**MAINFRAME** - The main hardware unit of a computer system, which includes but is not limited to the Central Processing Unit (CPU), Random Access Memory (RAM) or main memory, Input/Output (I/O) Controllers, Disk Controllers, and Tape Controllers. Computers using a microprocessor as their CPU shall be considered microcomputers and not mainframes.

**BUSINESS INFORMATION PROCESSING** - The system must process analog or digital data or any combination thereof which is used for business purposes. Information processing, which is the totality of operations performed by a computer, involves evaluating, analyzing, and processing data to produce usable information.

**ENVIRONMENTAL CONTROLS OF TEMPERATURE AND POWER** - The mainframe shall be located in a temperature and humidity controlled environment which is capable of being sustained within the manufacturer's specifications, independent from the ambient conditions of the surrounding work area. If the mainframe is located within a building exclusively used to house the mainframe, the building must be supported by environmental controls of temperature and humidity capable of maintaining the

environmental tolerances within the manufacturer's specifications. The power controls must maintain controlled levels of voltage within the limits prescribed by the mainframe manufacturer.

**SIMULTANEOUS SUPPORT OF MORE THAN ONE TRANSACTION AND USER** - The mainframe must contain sufficient hardware and software to enable it to be used on a "time-sharing" basis by multiple users of the taxpayer. "Time-sharing" is a method of operation in which a computer is shared by several users for different purposes at (apparently) the same time. Although the computer actually services each user in sequence, the high speed of the computer makes it appear as though the users are all handled simultaneously. "Time-sharing" does not include the use of a mainframe system by any third party.

Upon receipt of a Nebraska Personal Property Return, Form 775P, the Nebraska Department of Revenue shall determine whether each item claimed qualifies for exemption. This determination will be made in accordance with section 77-4105(2)(b), R.S.Supp., 1988, subject to the definitions contained in this ruling. Applicants will be required to provide sufficient explanation and documentation in support of each item's claim for exemption.

APPROVED:

John M. Boehm  
State Tax Commissioner

June 7, 1989

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