



This Week in State Tax (TWIST)

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Nebraska: State enacts law to limit credits for “foreign adversarial companies”

The Nebraska Department of Revenue recently issued guidance addressing a bill enacted earlier this year that prohibits taxpayers with certain relationships to entities operating in select “foreign adversaries” from receiving benefits under various Nebraska corporate income tax incentive programs. Among the provisions of LB 644 (effective October 1, 2025) is a limitation on the receipt of certain tax incentives by “foreign adversarial companies.” In this context, “foreign adversarial company” is defined to include any company (1) organized under the laws of a foreign adversary; (2) with its principal place of business in a foreign adversary; (3) owned or controlled by the government of a foreign adversary; or (4) owned by or owning a company that qualifies under one of the other three conditions. “Company” is defined broadly to include any corporation, partnership, association, organization, or other combination of persons. “Foreign adversary” is defined by reference to federal law and includes China, Cuba, Iran, North Korea, Russia, and the Venezuelan Maduro regime. A Note to the guidance indicates that a foreign adversarial company includes a taxpayer being owned by or owning a subsidiary or affiliate located in a foreign adversary jurisdiction, as well as a subsidiary of a taxpayer that owns a subsidiary or affiliate located in such a jurisdiction.

The guidance specifically states that these restrictions extend to foreign adversarial companies applying for credits, as well as to investors who would claim the entity's credits on their tax returns and to all other taxpayers who would claim incentive credits from the foreign adversarial company. Additionally, incentive credits held by foreign adversarial companies on or after October 1, 2025, will be permanently disallowed, even if such credits are later transferred to an eligible entity. Furthermore, if any incentive credits are transferred to a foreign adversarial company, such credits will become disallowed once transferred, including credits from past years that have been carried forward. The new legislative restriction applies to over 25 listed incentive programs as well as any other tax or incentive programs created for recruiting or retaining businesses in Nebraska per the Notice. Contact [Kara Hernandez](#) with questions on Nebraska's [Foreign Adversarial Company Notice](#) or [LB 644](#).

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