

State of Nebraska

2012
Tax Expenditure
Report

Prepared by
Nebraska Department of Revenue
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October 15, 2012

Prepared by
Nebraska Department of Revenue
Research, Policy, and Communications Sections of the Policy Division,

with the assistance of
the Motor Fuels, Property Assessment,
and Charitable Gaming Divisions,

and the cooperation of
the Nebraska Secretary of State,
the Nebraska Liquor Control Commission,
the Nebraska Department of Insurance,
and the Nebraska Department of Motor Vehicles.

Introduction

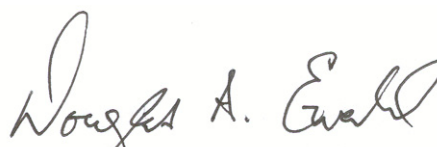
This 2012 Tax Expenditure Report and Summary is published by the Nebraska Department of Revenue (Department), pursuant to the Tax Expenditure Reporting Act, Neb. Rev. Stat. §§ [77-379 through 77-385](#). This report provides a review of tax and fee (tax) expenditures, which is required in even numbered years to enable the Legislature to better determine those sectors of the economy which are receiving indirect subsidies as a result of tax expenditures.

A “tax expenditure” is defined as a revenue reduction that occurs in the tax base of the state or a political subdivision as a result of an exemption, deduction, exclusion, tax deferral, credit, or preferential rate introduced into the tax structure. See Neb. Rev. Stat. § [77-381\(1\)](#). The tax expenditures included in this report are those in effect on July 1, 2012. All tax programs which generate state or local revenue annually in excess of \$2 million are included in the report.

This report is submitted to the Governor, the Executive Board of the Legislative Council, and the chairpersons of the Legislature’s Revenue and Appropriations Committees. This report is also available on the Department’s website at www.revenue.ne.gov.

A sincere thank you is extended to the following state agencies for their cooperation and contribution to this report: the Secretary of State; the Liquor Control Commission; the Department of Insurance; and the Department of Motor Vehicles.

Questions and comments regarding the format, content, and usefulness of the information provided in this report may be directed to James Bogatz, Policy Manager, at jim.bogatz@nebraska.gov or 402-471-5946. The Department appreciates input and feedback from the public on this report.



Douglas A. Ewald
Tax Commissioner

October 15, 2012

Nebraska Tax Expenditure Reporting Requirements

Neb. Rev. Stat. § 77-379 provides:

Sections 77-379 to 77-385 shall be known and may be cited as the Tax Expenditure Reporting Act.

Neb. Rev. Stat. § 77-380 provides:

It is the intent of sections 77-202.03 and 77-380 to 77-385 to provide a mechanism which will enable the Legislature to better determine those sectors of the economy which are receiving indirect subsidies as a result of tax expenditures. The Legislature recognizes that the present budgeting system fails to accurately and totally reflect the revenue lost due to such tax expenditures and that as a result undetermined amounts of potential revenue are escaping public or legislative scrutiny. The loss of such potential revenue causes a narrowing of the tax base which in turn forces higher tax rates on the remaining tax base.

Neb. Rev. Stat. § 77-381 provides:

For purposes of the Tax Expenditure Reporting Act, unless the context otherwise requires:

- (1) Tax expenditure shall mean a revenue reduction that occurs in the tax base of the state or a political subdivision as the result of an exemption, deduction, exclusion, tax deferral, credit, or preferential rate introduced into the tax structure;
- (2) Department shall mean the Department of Revenue;
- (3) Income tax shall mean the tax imposed upon individuals and corporations under the Nebraska Revenue Act of 1967;
- (4) Sales tax shall mean the tax imposed upon expenditures under the Nebraska Revenue Act of 1967;
- (5) Property tax shall mean the tax imposed upon real and personal property under Chapter 77; and
- (6) Miscellaneous tax shall mean revenue sources other than income, sales, and property taxes for state and local government including, but not limited to, motor fuel taxes, liquor taxes, cigarette taxes, inheritance and estate taxes, generation-skipping transfer taxes, insurance premium taxes, and occupation taxes and fees or other taxes which generate state or local revenue annually in excess of two million dollars.

Neb. Rev. Stat. § 77-382 provides:

(1) The department shall prepare a tax expenditure report describing (a) the basic provisions of the Nebraska tax laws, (b) the actual or estimated revenue loss caused by the exemptions, deductions, exclusions, deferrals, credits, and preferential rates in effect on July 1 of each year and allowed under Nebraska's tax structure and in the property tax, and (c) the elements which make up the tax base for state and local income, including income, sales and use, property, and miscellaneous taxes.

(2) The department shall review the major tax exemptions for which state general funds are used to reduce the impact of revenue lost due to a tax expenditure. The report shall indicate an estimate of the amount of the reduction in revenue resulting from the operation of all tax expenditures. The report shall list each tax expenditure relating to sales and use tax under the following categories:

- (a) Agriculture, which shall include a separate listing for the following items: Agricultural machinery; agricultural chemicals; seeds sold to commercial producers; water for irrigation and manufacturing; commercial artificial insemination; mineral oil as dust suppressant; animal grooming; oxygen for use in aquaculture; animal life whose products constitute food for human consumption; and grains;
- (b) Business across state lines, which shall include a separate listing for the following items: Property shipped out-of-state; fabrication labor for items to be shipped out-of-state; property to be transported out-of-state; property purchased in other states to be used in Nebraska; aircraft delivery to an out-of-state resident or business; state reciprocal agreements for industrial machinery; and property taxed in another state;
- (c) Common carrier and logistics, which shall include a separate listing for the following items: Railroad rolling stock and repair parts and services; common or contract carriers and repair parts and services; common or contract carrier accessories; and common or contract carrier safety equipment;
- (d) Consumer goods, which shall include a separate listing for the following items: Motor vehicles and motorboat trade-ins; merchandise trade-ins; certain medical equipment and medicine; newspapers; laundromats; telefloral deliveries; motor vehicle discounts for the disabled; and political campaign fundraisers;
- (e) Energy, which shall include a separate listing for the following items: Motor fuels; energy used in industry; energy used in agriculture; aviation fuel; and minerals, oil, and gas severed from real property;

- (f) Food, which shall include a separate listing for the following items: Food for home consumption; Supplemental Nutrition Assistance Program; school lunches; meals sold by hospitals; meals sold by institutions at a flat rate; food for the elderly, handicapped, and Supplemental Security Income recipients; and meals sold by churches;
 - (g) General business, which shall include a separate listing for the following items: Component and ingredient parts; manufacturing machinery; containers; film rentals; molds and dies; syndicated programming; intercompany sales; intercompany leases; sale of a business or farm machinery; and transfer of property in a change of business ownership;
 - (h) Lodging and shelter, which shall include a separate listing for the following item: Room rentals by certain institutions;
 - (i) Miscellaneous, which shall include a separate listing for the following items: Cash discounts and coupons; separately stated finance charges; casual sales; lease-to-purchase agreements; and separately stated taxes;
 - (j) Nonprofits, governments, and exempt entities, which shall include a separate listing for the following items: Purchases by political subdivisions of the state; purchases by churches and nonprofit colleges and medical facilities; purchasing agents for public real estate construction improvements; contractor as purchasing agent for public agencies; Nebraska lottery; admissions to school events; sales on Native American Indian reservations; school-supporting fundraisers; fine art purchases by a museum; purchases by the Nebraska State Fair Board; purchases by the Nebraska Investment Finance Authority and licensees of the State Racing Commission; purchases by the United States Government; public records; and sales by religious organizations;
 - (k) Recent sales tax expenditures, which shall include a separate listing for each sales tax expenditure created by statute or rule and regulation after July 19, 2012; and
 - (l) Telecommunications, which shall include a separate listing for the following items: Telecommunications access charges; prepaid calling arrangements; conference bridging services; and nonvoice data services.
- (3) The report shall make recommendations relating to the elimination, in whole or in part, of particular tax expenditures or to the limiting of the duration of particular tax expenditures to a fixed number of years.
- (4) It is the intent of the Legislature that nothing in the Tax Expenditure Reporting Act shall cause the valuation or assessment of any property exempt from taxation on the basis of its use exclusively for religious, educational, or charitable purposes.

Neb. Rev. Stat. § 77-383 provides:

The department may request from any state or local official or agency any information necessary to complete the report required under section 77-382. All state and local officials or agencies shall cooperate with the department with respect to any such request.

Neb. Rev. Stat. § 77-385 provides:

The report required under section 77-382 and a summary of the report shall be submitted to the Governor, the Executive Board of the Legislative Council, and the chairpersons of the Legislature's Revenue and Appropriations Committees on or before October 15, 1991, and October 15 of every even-numbered year thereafter. The summary shall be included with or appended to the Governor's budget presented to the Legislature in odd-numbered years.

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SECTION A — Nebraska and Local Sales and Use Taxes

Changes Since Prior Reports

The Nebraska Legislature passed LB 962 in the 2012 session, which requires the Nebraska Department of Revenue (Department) to group the sales tax expenditures by category as they are seen in this report. The legislation also requires the grouping of new exemptions, which are shown in a new category at the end of the report.

New to this report are the dates when each exemption was enacted. Some exemptions have been amended over the years, and these dates are also included.

BASIC PROVISIONS AND TAX BASE

Sales Tax¹

Nebraska sales tax is imposed upon the gross receipts from:

- all sales, leases, rentals, installation, application, and repair of tangible personal property;
- every person providing or installing utility services;
- retailers of intellectual or entertainment property;
- the sale of admissions, bundled transactions, or specified digital products;
- renting or furnishing accommodations or lodging for periods of less than 30 days; and
- the sale or providing of certain services.

The state sales tax rate is 5.5%.

Property is defined as all tangible and sales of (taxable) intangible property (including rights, licenses, franchises,) and any services that are subject to tax.

Use Tax¹

Use tax is a complement to the sales tax and is imposed upon the storage, use, distribution, or other consumption of all tangible personal property, and taxable sales of intangible property, services, bundled transactions, or specified digital products purchased at retail when the sales tax has not been paid.

Local Sales and Use Taxes

Any Nebraska county or incorporated municipality (city) may impose a local sales and use tax upon approval by a majority of their voters in a regular election. The local tax applies to the identical transactions subject to the state sales and use tax, with the exception of direct-to-home satellite programming, which is exempt from local, but not state sales taxes under federal law. Local sales taxes of 0.5%, 1.0%, 1.5%, 1.75%, and 2.0% may be approved by city or county voters. The tax is collected and remitted to the state and is then remitted to the cities and counties after deducting refunds plus a 3% administrative fee. The 3% fee from cities is deposited in the Municipal Equalization Fund; the 3% fee from counties is deposited in the State General Fund.

Sources are listed for most estimates provided in Section A. Generally, sources include Department sales tax records, data from other State of Nebraska agencies, federal government sources such as the U.S. Census Bureau, and nonprofit organizations and trade groups. Some estimates are based on confidential Department data for which a data source is not provided. In some cases, no reliable data exist from which to provide an estimate, which are listed as “not available.”

¹The taxes collected are deposited into two funds: the State General Fund; and the Highway Trust Fund. Deposits to the Highway Trust Fund are made from the sales and use taxes derived from registration of motor vehicles, trailers, and semi-trailers in Nebraska. The balance of taxes collected is deposited into the State General Fund.

EXEMPTIONS

Consumer Goods

1. Motor Vehicle/Motorboat Trade-ins

Statutory citation: [77-2701.35\(3\)\(d\)\(ii\)](#)

Enacted: 1967

Description: The value of a motor vehicle or motorboat taken by any person in trade as all or part of the consideration for a sale of another motor vehicle or motorboat.

Estimate: \$55,527,000

Data source: Nebraska Department of Motor Vehicles

2. Merchandise Trade-ins

Statutory citation: [77-2701.35\(3\)\(d\)\(i\)](#)

Enacted: 1967

Description: The value of trade-ins taken in connection with a sale of property.

Estimate: Not available

3. Certain Medical Equipment and Medicine

Statutory citation: [77-2704.09\(1\)](#)

Enacted: 1967

Description: Insulin and prescription drugs, durable medical equipment, home medical supplies, mobility-enhancing equipment, prosthetic devices, oxygen, and any oxygen equipment for a patient's use sold under a doctor's prescription.

Estimate: \$114,346,000

Data source: U.S. Department of Health and Human Services, Center for Medicare Services, Office of the Actuary

4. Newspapers

Statutory citation: [77-2704.07](#)

Enacted: 1967

Description: Newspapers issued at least once a week; newspaper advertising supplements distributed with newspapers.

Estimate: \$2,274,000

Data source: U.S. Census Bureau, Annual Services Survey

5. Laundromats

Statutory citation: [77-2704.14](#)

Enacted: 1967

Description: The use of coin-operated machines for laundering and cleaning, except the washing of motor vehicles.

Estimate: \$444,000

Data source: U.S. Census Bureau, 2007 Economic Census; Annual Services Survey

6. Tele-floral Deliveries

Regulation: [1-052.03](#)

Description: Amounts received by Nebraska florists who make deliveries in this state pursuant to instructions received from florists in other states.

Estimate: \$230,000

Data source: Nebraska Department of Revenue sales tax records

7. Motor Vehicle Discounts for the Disabled

Statutory citation: [77-2704.21](#)

Enacted: 1969

Description: The entire purchase price of a motor vehicle purchased when the maximum amount allowed by law is contributed by the U.S. Department of Veterans Affairs or the Nebraska Department of Health and Human Services for a disabled person. If the amount contributed is less than the maximum amount, the exemption is based on the portion of the purchase price contributed.

Estimate: \$10,000

Data source: U.S. Department of Veteran Affairs

8. Political Campaign Fundraisers

Statutory citation: [77-2704.10\(4\)](#)

Enacted: 1993

Description: Fees for admissions, or prepared food charged by ballot question committees, candidate committees, independent committees, and political party committees as defined in the Nebraska Political Accountability and Disclosure Act.

Estimate: Minimal

Food

9. Food or Food Ingredients (including but not limited to, food for home consumption)

Statutory citation: [77-2704.24](#)

Enacted: 1983

Description: Food or food ingredients, except for prepared food and food sold through vending machines. (Estimate excludes Supplemental Nutrition Assistance Program purchases.)

Estimate: \$127,812,000

Data source: U.S. Department of Labor, Bureau of Labor Statistics, Consumer Expenditure Report

10. Supplemental Nutrition Assistance Program - SNAP (formerly "food stamps")

Statutory citation: [77-2704.54](#)

Enacted: 1983

Description: Food or food ingredients which are purchased by electronic benefits transfer or with food coupons.

Estimate: \$14,106,000

Data source: U.S. Department of Agriculture, Food and Nutrition Service, Supplemental Nutrition Assistance Program

Note: State taxation prohibited by federal law.

11. School Lunches

Statutory citation: [77-2704.10\(1\)](#)

Enacted: 1967

Description: Prepared food, including soft drinks and candy, served by public or private schools, school districts, student organizations, or parent-teacher associations pursuant to an agreement with the proper school authorities, in an elementary or secondary school or at any institution of higher education, public or private, during the regular school day, or at an approved function of any such school or institution. However, this exemption does not apply to sales at any facility or function which is open to the general public, except that concession sales by elementary and secondary schools, public or private, are exempt.

Estimate: \$3,541,000

Data source: Nebraska Department of Education Annual Financial Report

12. Meals Sold by Hospitals

Statutory citation: [77-2704.10\(3\)](#)

Enacted: 1967

Description: Prepared food, including soft drinks and candy, for human consumption when served to patients and inmates of hospitals and other institutions licensed by the State of Nebraska for care of human beings.

Estimate: \$819,000

Data source: U.S. Census Bureau Economic Census of 2007

13. Meals Sold by Institutions at a Flat Rate

Regulation: [1-083.04](#), [1-083.05](#)

Description: Meals furnished at fraternities, sororities, cooperative student societies, and summer camps which charge a single amount to attend.

Estimate: \$1,172,000

Data source: U.S. Census Bureau Economic Census of 2007

14. Food for Elderly, Handicapped, and Supplemental Security Income Recipients

Statutory citation: [77-2704.10\(5\)](#)

Enacted: 2003

Description: Prepared food sold to the elderly, handicapped, or recipients of Supplemental Security Income by an organization that accepts electronic benefits transfer or food coupons under regulations issued by the U.S. Department of Agriculture, although it is not necessary for the purchaser to use electronic benefits transfer or food coupons to pay for the meal.

Estimate: \$40,000

Data source: National Center for Charitable Statistics

15. Prepared Food Sold by Churches

Statutory citation: [77-2704.10\(2\)](#)

Enacted: 1967

Description: Prepared food, including soft drinks and candy, for human consumption when sold by a church at a church function.

Estimate: Not available

Telecommunications

16. Telecommunications Access Charges

Statutory citation: [77-2704.51](#)

Enacted: 1989

Description: Gross receipts from the sale, lease, or rental of and the storage, use, or other consumption in Nebraska of telecommunication services between telecommunications companies, including division of revenue, settlements, or access charges.

Estimate: \$2,004,000

Data source: Federal Communications Commission ARMIS Report 43-01

17. Prepaid Calling Arrangements

Statutory citation: [77-2704.52](#)

Enacted: 1989

Description: Telephone services using a prepaid telephone calling arrangement.

Estimate: \$838,000

Data source: Federal Communications Commission

18. Conference Bridging Services

Statutory citation: [77-2701.16\(2\)\(a\)\(i\)](#)

Enacted: 2009

Description: Sales of conference bridging services associated with the provision of telephone communications services.

Estimate: \$1,080,000

Data source: U.S. Census Bureau Economic Census of 2007

19. Nonvoice Data Services

Statutory citation: [77-2701.16\(2\)\(a\)\(i\)](#)

Enacted: 2009

Description: Sales of value-added, nonvoice data service associated with the provision of telephone communications services.

Estimate: Not available

Agriculture

20. Agricultural Machinery

Statutory citation: [77-2704.36](#)

Enacted: 1992

Description: Agricultural machinery and equipment for use in commercial agriculture.

Estimate: \$60,090,000

Data source: U.S. Census Bureau Economic Census of 2007

21. Agricultural Chemicals

Statutory citation: [77-2704.41](#) and [77-2704.46\(3\)](#)

Enacted: 1967

Description: Agricultural chemicals, adjuvants, surfactants, bonding agents, clays, oils, and any other additives or compatibility agents used in commercial agriculture, including applications to land, crops, or any form of animal life whose products ordinarily constitute food for human consumption or whose pelts are ordinarily used for human apparel.

Estimate: \$77,617,000

Data source: U.S. Department of Agriculture, 2007 Agricultural Census

UPDATED 22. Seeds Sold to Commercial Producers and for Agricultural Purposes

Statutory citation: [77-2704.46\(2\)](#)

Enacted: 1967

Description: Seeds and annual plants, the products of which are food for human consumption, when sold to commercial producers of the products of such seeds, and seed legumes, seed grasses, and seed grains when sold to be used exclusively for agricultural purposes.

Estimate: \$37,724,000

Data source: U.S. Department of Agriculture, 2007 Agricultural Census

Note: [Neb. Rev. Stat. § 77-382\(2\)\(a\)](#) requires a separate listing for “seeds sold to commercial producers.” This exemption also applies to seeds sold and used exclusively for agricultural purposes. With the data sources used, it is not possible for the Department to break out commercial and agricultural uses for purposes of this exemption.

23. Water for Irrigation and Manufacturing

Statutory citation: [77-2704.13\(3\)](#)

Enacted: 1967

Description: Water used for irrigation of agricultural lands and manufacturing purposes.

Estimate: \$739,000

Data source: U.S. Geological Survey, Total Water Use Report; U.S. Department of Agriculture, 2007 Agriculture Census

24. Commercial Artificial Insemination

Statutory citation: [77-2704.23](#)

Enacted: 1971

Description: Semen and insemination services for use in ranching, farming, commercial, or industrial uses.

Estimate: \$522,000

Data source: National Association of Animal Breeders; U.S. Department of Agriculture, National Agricultural Statistics Service

25. Mineral Oil as Dust Suppressant

Statutory citation: [77-2704.60](#)

Enacted: 2009

Description: Mineral oil to be applied to grain as a dust suppressant.

Estimate: \$206,000

Data source: U.S. Department of Agriculture

26. Animal Grooming

Statutory citation: [77-2701.16\(3\)\(g\)](#)

Enacted: 2009

Description: Animal grooming services performed by a licensed veterinarian or licensed veterinary technician in conjunction with the medical treatment of an animal.

Estimate: \$52,000

Data source: U.S. Census Bureau Product Lines Data

27. Oxygen For Use in Aquaculture

Statutory citation: [77-2704.46\(4\)](#)

Enacted: 1993

Estimate: Not available

NEW 28. Animal Life Whose Products Constitute Food for Human Consumption or for Human Apparel

Statutory citation: [77-2704.46\(1\)](#)

Enacted: 1967

Description: Any form of animal life whose products ordinarily constitute food for human consumption or whose pelts are ordinarily used for human apparel.

Estimate: \$630,489,000

Data source: U.S. Department of Agriculture, Agricultural Census of 2007

Note: [Neb. Rev. Stat. § 77-382\(2\)\(a\)](#) requires a separate listing for “animal life whose products constitute food for human consumption.” This exemption also includes an exemption for animal life whose pelts are used for human apparel. With the data sources used, the Department cannot separate these two exemptions for purposes of this report.

NEW 29. Grains (including animal feed) for Animal Life that Constitute Food for Human Consumption or for Human Apparel

Statutory citation: [77-2704.41](#)

Enacted: 1967

Description: Grains for consumption by any form of animal life whose products ordinarily constitute food for human consumption or whose pelts are ordinarily used for human apparel. This category also includes minerals, salts, proteins, fats, fibers, vitamins, and grit commonly used as feed or feed supplements.

Estimate: \$167,043,000

Data source: U.S. Department of Agriculture, Agricultural Census of 2007

Note: [Neb. Rev. Stat. § 77-382\(2\)\(a\)](#) requires a separate listing for “grains.” This exemption also includes feed, other than grain, for consumption by animal life whose products constitute food for human consumption, including minerals, salts, proteins, fats, fibers, vitamins, and grit commonly used as feed or feed supplements. With the data sources used, the Department cannot separate these two exemptions for purposes of this report.

Seed grain is included in #22 above.

30. Water and Veterinary Medicines for Animal Life that Constitute Food for Human Consumption or for Human Apparel

Statutory citation: [77-2704.41](#)

Enacted: 1996

Description: Water and veterinary medicines for consumption by, to be used on, or which are otherwise used in caring for any form of animal life of a kind the products of which ordinarily constitute food for human consumption or of a kind the pelts of which ordinarily are used for human apparel.

Estimate: \$299,782,000

Data source: U.S. Geological Survey, Total Water Use Report; U.S. Department of Agriculture, National Agricultural Statistics Service

See 69. Energy Used in Agriculture in the Energy Section

Common Carrier/Logistics

31. Railroad Rolling Stock; Repair Parts and Services

Statutory citation: [77-2704.27](#)

Enacted: 1967 (Repair Parts and Services); 1980 (Rolling Stock)

Description: The purchase, rental, or lease, whether purchased by a railroad or by another person; repair and replacement parts; associated repair labor charges.

Estimate: \$18,337,000 (does not include services)

Data source: U.S. Census Bureau, Capital Expenditure Report

32. Common or Contract Carriers; Repair Parts and Services

Statutory citation: [77-2704.50](#), [77-2704.30\(1\)](#)

Enacted: 1967

Description: The purchase, rental, or lease of motor vehicles, watercraft, or aircraft used as a common or contract carrier; repair and replacement parts; and any associated labor charges.

Estimate: \$8,863,000

Data source: U.S. Census Bureau, Capital Expenditure Report

33. Common or Contract Carrier Accessories

Regulation: [1-069.03C](#)

Description: Accessories purchased for use with a common or contract carrier vehicle, watercraft, or aircraft which could have been included in the list price at the time of purchase.

Estimate: Not available.

34. Common or Contract Carrier Safety Equipment

Regulation: [1-069.03E](#)

Description: Equipment required by a federal or state regulatory agency to be included on a common or contract carrier vehicle, watercraft, or aircraft operating in or through the State of Nebraska for the health or safety of passengers or cargo.

Estimate: Not available

General Business

35. Component/Ingredient Parts

Statutory citation: [77-2704.45\(1\)](#)

Description: Property that becomes an ingredient or component part of property which is manufactured, processed, or fabricated for ultimate sale at retail.

Estimate: \$1,265,250,000

Data source: Nebraska Department of Revenue input-output model

36. Manufacturing Machinery

Statutory citation: [77-2704.22\(1\)](#), [77-2704.22\(2\)](#)

Enacted: Machinery installed in newly-constructed or expanded facilities was exempted in 1981. In 1985, this was amended to a sales tax refund on manufacturing machinery used to produce products not previously produced by the manufacturer. All manufacturing machinery and equipment was exempted from sales tax in 2005.

Description: The sale, lease, rental, storage, use, or other consumption in Nebraska by a manufacturer of qualified manufacturing machinery and equipment.

Estimate: \$69,837,000

Data source: U.S. Department of Commerce, Bureau of Economic Analysis

Note: This figure includes installation, repair, and maintenance services performed on qualified manufacturing machinery and equipment.

37. Containers

Statutory citation: [77-2704.47\(1\)](#)

Enacted: 1967

Description: Nonreturnable containers sold to persons who place contents in the container and sell the contents with the container.

Estimate: \$17,386,000*

Data source: U.S. Census Bureau Economic Census of 2007

***Note:** The figure above includes containers which hold contents that are not subject to sales or use tax ([77-2704.47\[2\]](#)) and returnable containers when sold with the contents or resold for refilling ([77-2704.47\[3\]](#)).

38. Film Rentals

Statutory citation: [77-2704.53](#)

Enacted: 1983

Description: Gross income received from videotape, film rentals, and satellite programming when tax is charged on the admission or service.

Estimate: \$149,000

Data source: U.S. Census Bureau Economic Census of 2007

39. Molds and Dies

Statutory citation: [77-2704.40](#)

Enacted: 1995

Description: Sales of molds, dies, and patterns which are used to manufacture a single product that is either injection-molded from plastic or stamped from metal.

Estimate: \$3,980,000

Data source: U.S. Census Bureau, Annual Survey of Manufacturers

40. Syndicated Programming

Statutory citation: [77-2704.39](#)

Enacted: 1994

Description: Sales of syndicated programming for rebroadcast by a radio or television station.

Estimate: \$40,000

Data source: U.S. Census Bureau Economic Census of 2007

41. Inter-company Sales

Statutory citation: [77-2701.24\(1\)](#), [77-2704.48](#)

Enacted: 1967; amended to current definition in 1974

Description: An inter-company sale, but not a lease or rental of property to a parent or vice versa, from one subsidiary to another subsidiary having the same parent, or between brother-sister companies.

Estimate: Not available

42. Inter-company Leases

Statutory citation: [77-2704.28](#)

Enacted: 1967

Description: An inter-company lease from a subsidiary to the parent company or vice versa, from one subsidiary to another subsidiary of the same parent company, or between brother-sister companies if the seller or transferor directly or indirectly has previously paid a sales or use tax on the leased property.

Estimate: Not available

43. Sale of a Business or Farm Machinery

Statutory citation: [77-2701.24\(3\)](#), [77-2704.48](#)

Enacted: 1967

Description: The sale of a business or farm machinery and equipment if each of the conditions in this subsection are met.

Estimate: Not available

44. Transfer of Property in Change of Business Ownership

Statutory citation: [77-2701.24\(5\)](#), [77-2704.48](#)

Enacted: 1967

Description: Sale of property that is made in connection with the sale to a single buyer of all or substantially all of the property of a trade or business if the seller has previously paid a sales or use tax on the property sold.

Estimate: Not available

See 23. Water for Irrigation and Manufacturing in the Agriculture section.

Business Across State Lines

45. Property Shipped Out-of-State

Statutory citation: [77-2704.11](#)

Enacted: 1967

Description: Property shipped outside Nebraska pursuant to a sales contract calling for out-of-state delivery by the retailer, or delivery by the retailer to a carrier, to the post office, or to a forwarding agent for its shipment out-of-state, to be installed/used in another state.

Estimate: Not available

46. Fabrication Labor for Items to be Shipped Out-of-State

Statutory citation: [77-2704.11](#)

Enacted: 1987

Description: The amount charged for the fabrication (production labor) of property owned and furnished by an in-state or out-of-state customer which is fabricated in Nebraska and then shipped by the Nebraska retailer performing the fabrication to a point outside Nebraska. This statute also exempts installation and application labor, and any other services.

Estimate: Not available

47. Property to be Transported Out-of-State

Statutory citation: [77-2704.44\(1\)](#)

Enacted: 1967

Description: Property purchased from a non-nexus seller and retained solely for transporting out-of-state or to be incorporated into other property which will then be transported out-of-state.

Estimate: Not available

48. Property Purchased in Other States to be Used in Nebraska

Statutory citation: [77-2704.44\(2\)](#)

Enacted: 1987

Description: Property purchased in another state, territory, or possession of the United States, the Commonwealth of Puerto Rico, or any foreign country which is intended to be used at that location, and which is actually used for its intended purpose (motor vehicles or motorboats registered in another state, commonwealth, territory, possession or country); and this property is brought into the State of Nebraska for use.

Estimate: Not available

49. Aircraft Delivery to Out-of-State Resident or Business

Statutory citation: [77-2704.26](#)

Enacted: 1990

Description: An aircraft delivered or any service listed in [77-2701.16\(4\)](#) that is performed on an aircraft brought into Nebraska by an individual who is a resident of another state or any other person who has a business in another state when the aircraft is not to be registered or based in Nebraska and it will not remain in Nebraska more than ten days after the sale or service is completed.

Estimate: Not available

50. State Reciprocal Agreements for Industrial Machinery

Statutory citation: [77-2704.43](#)

Enacted: 1967

Description: Industrial machinery and equipment, including parts for repairs, by another state or political subdivision of another state if the other state provides a similar reciprocal exemption.

Estimate: Not available

51. Property Taxed in Another State

Statutory citation: [77-2704.49](#), [77-2704.31](#)

Enacted: 1967

Description: Property which has been taxed in another state, territory, or possession of the U.S., when a reciprocal exclusion or an exemption similar to transactions in Nebraska is granted.

Estimate: Not available

Nonprofits/Governments/Exempt

52. Purchases by Political Subdivisions of the State

Statutory citation: [77-2704.15\(1\)](#)

Enacted: 1967

Description: Purchases by the state, including public educational institutions recognized or established under the provisions of Chapter 85, any Nebraska county, township, city, village, rural or suburban fire protection district, city airport authority, county airport authority, joint airport authority, drainage district organized under §§ [31-401 to 31-450](#), natural resource district, elected county fair board, housing agency as defined in § [71-1575](#) except for purchases for any commercial operation that does not exclusively benefit the residents of an affordable housing project, cemetery created under § [12-101](#), or joint entity or agency formed to fulfill the purposes described in the Integrated Solid Waste Management Act by any combination of two or more counties, townships, cities, or villages pursuant to the Interlocal Cooperation Act, the Integrated Solid Waste Management Act, or the Joint Public Agency Act, except for purchases for use in the business of furnishing gas, water, electricity, or heat, or by any irrigation or reclamation district, the irrigation division of any public power and irrigation district, or public schools established under Chapter 79.

Estimate: \$315,477,000

Data source: U.S. Census Bureau, State and Local Government Finances

53. Purchases by Churches and Nonprofit Colleges and Medical Facilities

Statutory citation: [77-2704.12\(1\)](#)

Enacted: 1967

Description: Purchases made by-

Nonprofit organizations created exclusively for religious purposes;

Nonprofit organizations providing services exclusively to the blind;

Nonprofit Nebraska-licensed private educational institution established under §§ [79-1601 to 79-1607](#);

Nonprofit Nebraska-licensed private college or university with its primary campus located in Nebraska;

Nonprofit Nebraska-licensed hospitals;

Nonprofit Nebraska-licensed health clinics when two or more hospitals or the parent corporations of the hospitals own or control the health clinic for the purpose of reducing the cost of health services, or when the health clinic receives federal funds through the United States Public Health Service for the populations that are medically under-served;

Nonprofit Nebraska-licensed skilled nursing facilities;

Nonprofit Nebraska-licensed intermediate care facilities;

Nonprofit Nebraska-licensed assisted-living facilities;

Nonprofit Nebraska-licensed intermediate care facilities for the mentally retarded;

Nonprofit Nebraska-licensed nursing facilities;

Nonprofit Nebraska-licensed home health agency, hospice or hospice service, and respite care service;

Nonprofit Nebraska-licensed child-caring agencies or child placement agencies; and

Nonprofit organizations certified by the Department of Health and Human Services (HHS) to provide community-based services for persons with developmental disabilities.

Estimate: \$163,793,000

Data source: National Center for Charitable Statistics

54. Purchasing Agents for Public Real Estate Construction Improvements

Statutory citation: [77-2704.15\(2\)](#)

Enacted: 1980

Description: The appointment of purchasing agents will be recognized for the purpose of altering the status of the construction contractor as the ultimate consumer of building materials which are annexed to the structure and belong to the state or governmental subdivision. The appointment of purchasing agents must be in writing and occur prior to the annexing of any property to real estate.

Note: Estimate is included in Exemption #52, [77-2704.15\(1\)](#) above.

55. Contractor as Purchasing Agent for Public Agencies

Statutory citation: [77-2704.12\(3\)](#)

Enacted: 1980

Description: A construction contractor may be appointed as purchasing agent for these entities and make tax exempt purchases of building materials that will be annexed to real property.

Estimate: \$34,763,000

Data source: U.S. Census Bureau, State and Local Government Finances

56. Nebraska Lottery

Statutory citation: [77-2704.38](#)

Enacted: 1993

Description: Nebraska Lottery tickets sold pursuant to the State Lottery Act.

Estimate: \$15,539,000

Data source: Nebraska Department of Revenue, Charitable Gaming Division

57. Admissions to School Events

Statutory citation: [77-2704.10\(6\)](#)

Enacted: 1967

Description: Fees charged by a school district, student organization, or parent-teacher association for functions at elementary or secondary schools, public or private.

Estimate: \$338,000

Data source: Nebraska High School Activities Association, Lincoln Public Schools Annual Budget, National Center for Education Statistics

58. Sales on Native American Indian Reservations

Regulation: [1-012.02C\(22\)](#)

Description: Property sold to a Native American Indian living on an Indian Reservation or to a Native American Tribal Council when it is within the boundaries of an Indian Reservation.

Estimate: \$616,000

Data source: Nebraska Department of Revenue sales tax records

59. School-supporting Fundraisers

Statutory citation: [77-2704.25](#)

Enacted: 1986

Description: Property sold by parent-booster clubs, parent-teacher associations, parent-teacher-student associations, or school-operated stores approved by an elementary or secondary school, public or private, if the proceeds are used to support school activities or the school itself.

Estimate: \$285,000

Data source: National Center for Charitable Statistics

60. Fine Art Purchases by a Museum

Statutory citation: [77-2704.56](#)

Enacted: 2006

Description: Sales and use tax is not imposed on purchases of fine art by a museum as defined by [§ 51-702](#).

Estimate: \$442,000

Data source: National Center for Charitable Statistics

61. Purchases by the Nebraska State Fair Board

Statutory citation: [77-2704.16](#)

Enacted: 1992

Estimate: \$67,000

Data source: Nebraska State Fair Board

62. Purchases by the Nebraska Investment Finance Authority, and Licensees of the State Racing Commission

Statutory citation: [77-2704.17](#), [77-2704.20](#)

Enacted: 1992

Estimate: Minimal

63. Purchases by U.S. Government

Statutory citation: [77-2704.02](#)

Enacted: 1967

Description: Purchases by the U.S. Government, its agencies, and wholly-owned corporations.

Note: State taxation prohibited by federal law.

64. Public Records

Statutory citation: [77-2704.42](#)

Enacted: 2002

Description: Copies of public records, except those documents developed, produced, or acquired and made available for commercial sale to the general public.

Estimate: Not available

65. Sales by Religious Organizations

Statutory citation: [77-2701.24\(4\)](#), [77-2704.48](#)

Enacted: 1967

Description: An annual sale of property by an organization created exclusively for religious purposes.

Estimate: \$27,000

Data source: National Center for Charitable Statistics

Lodging/Shelter

66. Room Rentals by Certain Institutions

Statutory citation: [77-2701.33\(2\)](#)

Enacted: 1967

Description: Room rentals made by certain facilities licensed under the Health Care Facility Licensure Act, college dormitories, and other facilities licensed by the State of Nebraska.

Estimate: \$63,966,000

Data source: U.S. Census Bureau, 2007 Economic Census; University of Nebraska on-campus enrollment and boarding rates; National Center for Health Statistics

Note: Above figure includes lodging over 30 days.

Energy

67. Motor Fuels

Statutory citation: [77-2704.05](#)

Enacted: 1967

Description: Motor vehicle fuels such as gasoline, including casing head or natural gasoline, and any other liquids or gases for use in motor vehicles or motorboats; diesel and compressed fuels delivered into the fuel supply tanks of other vehicles; and railroad use.

Estimate: \$248,042,000

Data source: Nebraska Department of Revenue, Motor Fuels Section

68. Energy Used in Industry

Statutory citation: [77-2704.13\(2\)](#)

Enacted: 1967; amended in 1985 to include more than 50% of purchased energy for certain industries.

Description: Sales and purchases of the energy sources in § [77-2704.13\(1\)](#) when more than 50% of the amount purchased is for use directly in processing, manufacturing, generation of electricity, refining of property, or by any hospital.

Estimate: \$124,235,000

Data source: U.S. Department of Energy, Energy Information Administration

69. Energy Used in Agriculture

Statutory citation: [77-2704.13\(1\)](#)

Enacted: 1967; amended in 1985 to include more than 50% of purchased energy used directly in irrigation or farming; wood and corn as fuel sources added in 2009.

Description: Sales and purchases of electricity, coal, gas, fuel oil, diesel fuel, tractor fuel, propane, gasoline, coke, nuclear fuel, butane, wood as fuel, and corn as fuel when more than 50% of the amount purchased for use directly in irrigation or farming.

Estimate: \$82,805,000

Data source: U.S. Department of Agriculture, 2007 Agricultural Census

70. Aviation Fuel

Statutory citation: [77-2704.03](#)

Enacted: 1967

Description: Fuel for use in aircraft, specifically aviation gasoline and jet fuel.

Estimate: \$8,216,000

Data source: Nebraska Department of Revenue, Motor Fuels Section

71. Minerals, Oil, and Gas Severed from Real Property

Statutory citation: [77-2704.04](#)

Enacted: 1967

Estimate: \$10,654,000

Data source: Nebraska Department of Revenue, Form 61 returns

Miscellaneous

72. Cash Discounts/Coupons

Statutory citation: [77-2701.35\(3\)\(a\)](#)

Enacted: 1967

Description: Cash discounts allowed and taken on sales not reimbursed by a third party, including coupons issued and redeemed by the retailer.

Estimate: Not available

73. Separately-stated Finance Charges

Statutory citation: [77-2701.35\(3\)\(b\)](#)

Enacted: 1967

Description: Separately-stated finance, carrying, service, or interest charges in connection with credit extended under a deferred payment plan.

Estimate: Not available

74. Casual Sales

Statutory citation: [77-2701.24\(2\)](#), [77-2704.48](#)

Enacted: 1967; amended to include household goods in 1974, and occasional online sales in 2009.

Description: Garage sales and sales made by individuals on an online auction site of household goods and personal belongings. The sale cannot be held more than three days in a year and the sales must meet additional criteria contained in these sections.

Estimate: Not available

75. Lease-to-Purchase Agreements

Statutory citation: [77-2704.08](#)

Enacted: 1967

Description: Leased property sold to a lessee of the property under a rental agreement (lease-purchase agreement) where the rental payments are credited against the purchase price of the property to the extent tax was collected on the payments.

Estimate: Not available

76. Separately-stated Taxes

Statutory citation: [77-2701.35\(3\)\(c\)](#)

Enacted: 2003

Description: Any taxes legally-imposed on the consumer that are separately-stated on the invoice, bill of sale, or other similar document given to the purchaser.

Note: An example of this type of tax is the federal luxury or the Universal Service Fund surcharge.

Estimate: Minimal

Recent Sales Tax Exemptions

77. Admission to Statewide Sports Events

Statutory citation: [77-2704.10\(7\)](#) and [\(8\)](#)

Enacted: 2012

Description: Fees and admissions charged to participants by nonprofit IRC § 501(c)(3) organizations that conduct statewide sports events with multiple sports for both adults and youth.

Estimate: \$20,000

Data source: Fiscal note

78. Admission Charged by Organizations Dedicated to Youth Development and Healthy Living

Statutory citation: [77-2704.10\(8\)](#)

Enacted: 2012

Description: Fees and admissions charged to participants by nonprofit IRC § 501(c)(3) organizations that are affiliated with a national organization that is primarily dedicated to youth development and healthy living and offers sports instruction or sports events in multiple sports.

Estimate: \$50,000

Data source: Fiscal note

79. Entry Fees for Youth Sports Events

Statutory citation: [77-2704.63](#)

Enacted: 2012

Description: Entry fees or other amounts charged by political subdivisions or IRC § 501(c)(3) organizations to participate in sports events, sports leagues, or competitive educational activities that are restricted to participants who are less than 19 years old.

Estimate: Included in #78

Data source: Fiscal note

80. Biochips

Statutory citation: [77-2704.61](#)

Enacted: 2012

Description: Solid substrates upon or into which is incorporated genetic or protein information when used for the purpose of genotyping or analyzing gene expression, protein expression, genomic sequencing, or protein profiling.

Estimate: \$362,000

Data source: Fiscal note

81. Data Centers

Statutory citation: [77-2704.62](#)

Enacted: 2012

Description: Tangible personal property, acquired by a person operating a data center, to be assembled, engineered, processed, fabricated, manufactured into, attached to, or incorporated into other tangible personal property for subsequent use outside of Nebraska.

Estimate: \$1,674,000

Data source: Nebraska Department of Revenue sales and use tax records

82. Nonprofit Nebraska-licensed Mental Health Centers

Regulation: [1-090](#)

Description: Purchases by nonprofit mental health centers licensed under the Health Care Facility Licensure Act are exempt only on purchases for use at the licensed facility.

Estimate: \$426,000

Data source: Fiscal note

83. Nonprofit Nebraska-licensed Health Clinics

Regulation: [1-090](#)

Description: If one or more hospitals or the parent corporations of the hospitals own or control the health clinic for the purpose of reducing the cost of health services, or when the health clinic receives federal funds through the U.S. Public Health Service.

Estimate: \$2,290,000

Data source: Fiscal note

84. Nonprofit Corporations Formed by Exempt Government Entities

Regulation: [1-093](#)

Description: These corporations must be essentially public in nature and formed for the sole purpose of issuing tax exempt bonds on behalf of the exempt governmental entities to finance one or more projects of the exempt governmental entities.

Estimate: \$5,125,000

Data source: Fiscal note

RECOMMENDATIONS

The Nebraska Department of Revenue has no recommendations.

SECTION B — Income Tax: Individual, Fiduciary, Corporation, and Financial Institution Tax

BASIC PROVISIONS AND TAX BASE

Individual Income Tax¹

Nebraska individual income tax is imposed for each taxable year on the entire income of every resident individual. Nonresident and partial-year resident individuals are taxed on income derived from Nebraska sources. For tax year 2012, the rates are 2.56%, 3.57%, 5.12%, and 6.84% of Nebraska taxable income. Brackets for each filing status are outlined in Neb. Rev. Stat. § [77-2715.02](#). A personal exemption credit is allowed against the tax computed for every federal personal exemption of the taxpayer. For tax year 2012, the credit is \$123.

The tax is calculated as a percentage of Nebraska taxable income. Additional taxes are computed on alternative minimum tax and premature and lump-sum distributions from qualified retirement plans at a rate equal to 29.6% of the federal tax amount. Nebraska taxable income starts with federal adjusted gross income (AGI), adds interest from non-Nebraska state and local government obligations, and subtracts U.S. government obligations and other adjustments decreasing income. Nebraska taxable income is further reduced by either federal itemized deductions less Nebraska income tax; or a standard deduction equal to the smaller of the federal standard deduction or the Nebraska standard deduction amounts specified in § [77-2716.01\(2\)\(b\)](#). Additional standard deduction amounts are allowed to elderly and blind taxpayers. For 2012, the standard deduction, including the additional standard deduction amounts, is adjusted for inflation. An additional tax which phases out the benefit of lower tax rates in the lower income brackets is also computed by higher income taxpayers.

Fiduciary Income Tax¹

Nebraska income tax is imposed for each taxable year on the federal taxable income of a resident estate or trust after the adjustments contained in § [77-2716](#). Nonresident estates and trusts have the Nebraska income tax imposed for each taxable year on the portion of their income derived from sources within Nebraska.

In both cases, the tax is calculated as a percentage of Nebraska taxable income. The rates are 2.56%, 3.57%, 5.12%, and 6.84%. The brackets are established in § [77-2715.02](#). Additional tax is imposed on alternative minimum tax and premature and lump-sum distributions from qualified retirement plans at a rate equal to 29.6% of the federal amount.

Corporation Income Tax¹

Nebraska corporation income tax is imposed upon any corporation or any other entity taxed as a corporation (not including a corporation with a valid federal subchapter S election or any financial institution defined in § [77-3801](#)) which is doing business in Nebraska. For a corporate taxpayer subject to tax in another state, the entire federal taxable income of the unitary business, after the adjustments in §§ [77-2716](#) and [77-2734.07\(1\)](#), is apportioned according to the statutory formula to determine the portion attributable to sources within Nebraska. For a corporate taxpayer not subject to tax in another state, the entire taxable income is subject to tax in Nebraska. Each corporate taxpayer is required to file a single, combined unitary tax return for each taxable year.

The corporation income tax rate is calculated as a percentage of the primary individual rate. The primary individual rate is 3.70%. The corporation rate on the first \$100,000 of taxable income is 150.8% of the primary rate and 211% of the primary rate on the excess. The 2011 and 2012 rates are 5.58% and 7.81% respectively.

Financial Institution Tax¹

Every financial institution which is chartered or qualified to do business in Nebraska, or which maintains a permanent place of business in Nebraska and actively solicits deposits from residents of Nebraska, must file a

¹The taxes collected are deposited to the State General Fund for these tax programs.

[Nebraska Financial Institution Tax Return, Form 1120NF](#). This franchise tax is based on the average deposits of the financial institution. The rate of tax on deposits is 12.3 times the limitation rate. The limitation rate is 48.8% of the maximum corporate income tax rate in effect for the taxable year. The maximum corporate income tax rate in effect for the 2012 taxable year is 7.81%. The franchise tax imposed cannot exceed the limitation amount. The limitation amount is the product of the net financial income of the financial institution multiplied by the limitation rate. Financial institutions pay a franchise tax of 47 cents per \$1,000 of average deposits, limited by the institution's net financial income multiplied by 3.81%. Each financial institution is required to file a separate franchise tax return.

The tax imposed is based on the amount of average deposits connected with the financial institution's operations in Nebraska. These deposits are deposits which are accepted at the financial institution's offices located in Nebraska, plus deposits solicited from residents in Nebraska even if accepted at an office of the financial institution outside of Nebraska.

INDIVIDUAL, FIDUCIARY, AND CORPORATION INCOME TAXES

Statutory Reference and Description	Actual or Estimated Tax Expenditure Cost (NA = Not Available)
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EXEMPTIONS

<p>Nebraska utilizes the federal calculation of taxable income for corporations as a base for computing taxpayers' Nebraska liability. Federal adjusted gross income, plus and minus certain adjustments, is used to determine Nebraska taxable income for individuals. Income tax for fiduciaries is based on taxable income. Nebraska tax tables, rates, and credits are used to determine tax liability. Some deductions (Nebraska corporation income tax) and adjustments to income (Nebraska individual, fiduciary, and corporation income tax) adopted under the Internal Revenue Code and federal regulations are recognized by Nebraska due to the linkage between the two systems. Federal tax credits are not recognized unless specifically approved by the Legislature. Any federal taxable income that is exempt from state taxation pursuant to federal law is not taxed by Nebraska.</p>	<p>NA²</p>
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Nebraska income tax liability after nonrefundable credits no greater than federal income tax liability before credits.

Statutory citation: [77-2715](#)

Description: A taxpayer with less than \$5,000 in adjustments increasing income will not have a Nebraska tax larger than their federal tax.

Estimate: \$5,400,000

²Figures are not available, nor applicable for any deductions (corporate) and adjustments to income (individual, fiduciary, and corporate) allowed by the Internal Revenue Service and federal regulations; since Nebraska corporate income tax is based on federal taxable income, Nebraska individual income tax is based on federal adjusted gross income, plus and minus adjustments, and Nebraska fiduciary income tax is based on taxable income.

DEDUCTIONS

Interest and Dividends on U.S. Obligations

Statutory citation: [77-2716\(1\)\(a\)\(b\)](#)

Description: A subtraction from the tax base is allowed for interest or dividend income derived from federal obligations. This applies to federal taxable income for corporations and fiduciaries and to adjusted gross income for individuals.

Estimate: \$45,300,000

Subtraction for Foreign Income Taxed in Excess of Maximum Federal Tax Rate**Statutory citation:** [77-2716\(6\)](#)**Description:** A subtraction is allowed from federal taxable income for any portion of income subject to tax by a foreign country that is higher than the maximum federal tax rate.**Estimate:** \$39,100,000**Net Operating Losses****Statutory citation:** [77-2716\(2\)](#)**Description:** A subtraction is allowed a resident individual, estate, or trust for a federal net operating loss which is adjusted for the modifications to federal AGI in the statutes. A nonresident or partial-year resident individual, estate, or trust is allowed a subtraction for a federal NOL adjusted by the modifications in the statutes. Any carryovers or carrybacks are limited to the portion of the loss derived from Nebraska sources.**Estimate:** \$27,100,000**State Income Tax Refund****Statutory citation:** [77-2716\(3\)](#)**Description:** A subtraction is allowed for any state income tax refund included in federal AGI.**Estimate:** \$6,800,000**Foreign Dividend Subtraction****Statutory citation:** [77-2716\(5\)](#)**Description:** A subtraction is allowed from taxable income for any dividends received for a foreign corporation not subject to the Internal Revenue Code.**Estimate:** Not available**IRC § 1341(A)(5) Exclusion****Statutory citation:** [77-2716\(7\)](#)**Description:** Federal AGI is reduced by any amount repaid by the taxpayer under the federal claim of right principle.**Estimate:** Not available**Contributions to the Nebraska Educational Savings Plan Trust****Statutory citation:** [77-2716\(8\)\(b\)](#)**Description:** A subtraction is allowed from AGI (for individuals), and from taxable income (for corporations and fiduciaries), for any contribution as a participant in the Nebraska educational savings plan trust. The subtraction cannot exceed \$2,500 for a married, filing separately return, or \$5,000 for any other return.**Estimate:** \$2,100,000**Nebraska Long-term Care Savings Plan****Statutory citation:** [77-2716\(11\)\(a\)](#)**Description:** Individuals may take a deduction for contributions to the Nebraska Long-term Care Savings Plan. The deduction is limited to \$2,000 per year for married, filing jointly returns and \$1,000 for all other returns.**Estimate:** \$125,000**Nebraska Standard Deduction****Statutory citation:** [77-2716.01\(2\)](#)**Description:** An individual taxpayer not itemizing deductions is allowed a standard deduction equal to the smaller of the federal standard deduction or the Nebraska standard deduction amounts in § 77-2716.01(2)(b). Additional standard deduction amounts are allowed to elderly and blind taxpayers.**Estimate:** \$187,700,000**Nebraska Itemized Deductions****Statutory citation:** [77-2716.01\(3\)](#)**Description:** An individual taxpayer itemizing deductions is allowed the greater of either the Nebraska standard deduction or the federal itemized deduction, except for the amount deducted on the federal return for Nebraska income taxes paid.**Estimate:** \$252,000,000

Corporation Allocable Income**Statutory citation:** [77-2734.06](#)**Description:** Corporate taxpayers are allowed to deduct allocable/nonapportionable income, less related expenses from the income subject to apportionment.**Estimate:** Not available**Corporation Net Operating/Capital Losses (NOLs)****Statutory citation:** [77-2734.07](#)**Description:** Corporate taxpayers are required to add to federal taxable income any federal deduction due to a carryforward of an NOL. Corporate taxpayers are allowed an NOL carryforward (if connected with operations in Nebraska) for the five years following the loss year.**Estimate:** \$17,400,000**Relocation Assistance Act Awards****Statutory citation:** [76-1235](#)**Description:** Awards to displaced persons under the Relocation Assistance Act can be deducted if included in federal AGI.**Estimate:** Not available

EXCLUSIONS

Dividends and Capital Gains Deduction**Statutory citation:** [77-2715.09](#)**Description:** Resident individuals or trusts may elect to subtract from federal AGI or from taxable income, respectively, the extraordinary dividends paid on, and the capital gain from the sale or exchange of, capital stock of a corporation acquired by the individual (i) on account of employment by the corporation, or (ii) while employed by the corporation.**Estimate:** \$26,000,000**Non-Nebraska S Corporation Income/Loss Deduction****Statutory citation:** [77-2716\(4\)](#)**Description:** An exclusion is allowed from federal AGI (or for a fiduciary, federal taxable income) for the portion of the income or loss received from an S corporation or from a limited liability company (LLC), that is not connected with Nebraska sources as determined in § [77-2734.01](#).**Estimate:** \$45,000,000

CREDITS

Credit for Elderly and Disabled**Statutory citation:** [77-2715.07\(1\)\(a\)](#)**Description:** A nonrefundable credit for qualified residents is allowed in an amount equal to 100% of the federal credit for the elderly and the disabled.**Estimate:** \$16,000**Credits for Child/Dependent Care****Statutory citation:** [77-2715.07\(2\)](#)**Description:** A nonrefundable credit for qualified residents is allowed in an amount equal to 25% of the federal credit. For returns reporting federal AGI of \$29,000 or less, a refundable credit equal to a percentage of the federal credit under IRC § 21 is allowed, whether or not the federal credit was limited by the federal tax liability. The percentage of the federal credit varies for incomes between \$22,000 and \$29,000.**Estimate:** \$5,600,000

Credit for Tax Paid to Another State

Statutory citation: [77-2715.07\(1\)\(b\)](#), [77-1507\(4\)\(a\)](#), [77-2730](#)

Description: A resident individual and a resident estate or trust are allowed a credit against income tax for some or all of any income tax imposed on them for the taxable year by another state, political subdivision, or the District of Columbia on income derived from sources therein which is also subject to Nebraska income tax.

Estimate: \$39,000,000

Beginning Farmer Tax Credit

Statutory citation: [77-2715.07\(2\)\(c\)](#), [77-3403\(3\)](#), [77-5701through 5715](#).

Description: Individuals, estates, trusts, and corporations are allowed a refundable credit under the Beginning Farmer Tax Credit Act.

Estimate: \$900,000

Community Development Tax Credit

Statutory citation: [77-2715.07\(3\)\(b\)](#), [77-2715.07\(4\)\(b\)](#), [77-2734.03\(2\)](#), [13-203 through 13-207](#)

Description: Individuals, estates, trusts, and corporations are allowed a credit for contributions to certified community betterment programs.

Estimate: \$150,000

Credits for Franchise Tax Paid by Financial institution

Statutory citation: [77-2715.07\(5\)\(b\)](#)

Description: A nonrefundable credit for partners, S corporation shareholders, LLC members, or beneficiaries of an estate or trust who have ownership in a financial institution is allowed against an individual's income tax liability for 100% of the individual's share of the franchise taxes paid by the financial institution.

Estimate: \$4,100,000

Refundable Earned Income Credits

Statutory citation: [77-2715.07\(2\)](#)

Description: A refundable credit is allowed to resident individuals equal to 10% of the federal earned income credit.

Estimate: \$29,000,000

Nebraska Personal Exemption Credit

Statutory citation: [77-2716.01](#)

Description: A nonrefundable credit of \$120 for 2011 is allowed to resident individuals for every federal personal exemption.

Estimate: \$171,000,000

Resident of Two States

Statutory citation: [77-2731](#)

Description: An individual considered to be a resident of Nebraska and of another state (dual state resident), is allowed a reduction of tax on the portion of income subject to tax in both jurisdictions, provided the other taxing jurisdiction allows a similar reduction.

Estimate: Minimal

Credit for In-lieu-of Intangible Tax Paid

Statutory citation: [77-2734.03](#), [77-908](#), [81-523](#), [44-4233](#)

Description: A credit is allowed to insurers, electric cooperatives, or credit unions for certain in-lieu-of intangible taxes paid.

Estimate: \$21,700,000

Income Tax Credit for Investment in Biodiesel Facility

Statutory citation: [77-2734.03\(6\)](#), [77-27,236\(1\)](#), [77-27,236\(2\)\(a\) through \(f\)](#)

Description: A nonrefundable credit is allowed a taxpayer investing in a biodiesel facility.

Estimate: \$0

Employment and Investment Growth Act (LB 775) Tax Incentive Credits

Statutory citation: [77-4101](#)

Description: A taxpayer's business may be eligible for tax incentives under LB 775 if the business is in a qualified activity and the plans result in (a) the investment in qualified property of at least \$3,000,000 and the hiring of at least 30 new employees, (b) the investment in qualified property of at least \$10,000,000 and the hiring of at least 100 new employees, or (c) the investment in qualified property of at least \$20,000,000. New applications are no longer being accepted.

Estimate: See [Section U](#).

Quality Jobs Act Credits

Statutory citation: [77-4901](#)

Description: Taxpayers who have previously been approved may qualify for additional benefits beyond those received under § [77-4101](#) (LB 775). Each taxpayer must make an investment of \$50,000,000 in qualified property and hire 500 new employees, or \$100,000,000 in investment and hire 250 new employees by the end of the sixth year after filing of the application. New applications are no longer being accepted.

Estimate: See [Section U](#).

Invest Nebraska Act Credits

Statutory citation: [77-5501](#)

Description: A qualifying business selects one of the following options in its application: (1) \$10,000,000 investment and 25 new employees whose annual wage exceeds the Nebraska average annual wage [only available for projects located outside of counties with 100,000 or more population]; (2) \$50,000,000 investment and 500 new employees, or \$100,000,000 investment and 250 new employees, whose annual wage must exceed 110% of the Nebraska average annual wage; or (3) \$200,000,000 investment and 500 new employees whose annual wage must exceed 125% of the Nebraska average annual wage. If the company reaches and maintains the selected levels, it is eligible for benefits. New applications are no longer being accepted.

Estimate: See [Section U](#).

Nebraska Advantage Act Credits

Statutory citation: [77-5701](#)

Description: Businesses may qualify for benefits under six different tiers of new investment and new jobs ranging from an investment of at least \$1,000,000 and the hiring of at least ten new employees, to \$30,000,000 of new investment and maintaining the same number of employees.

Estimate: See [Section U](#).

Nebraska Advantage Research and Development Act Credits

Statutory citation: [77-5801](#)

Description: Businesses which make investments in research and experimental activities in Nebraska are allowed a research tax credit equal to 15% of any federal credit allowed under IRC § 41 of 1986, as amended. If the investment in research and experimental activities takes place on the campus of a college or university in Nebraska, or at a facility in Nebraska owned by a college or university, the credit is increased to 35%. The credit may be used to obtain a refund of sales and use taxes paid, or as a refundable income tax credit.

Estimate: See [Section U](#).

Nebraska Advantage Act Microenterprise Tax Credit Act

Statutory citation: [77-5901](#)

Description: Businesses creating or expanding microbusinesses (five or fewer employees) are entitled to refundable tax credits equal to 20% of new investment or employment.

Estimate: See [Section U](#).

Nebraska Advantage Rural Development Act Credits

Statutory citation: [77-27,188](#)

Description: Income tax credits are available to businesses which make investment in new property and/or add employees. There are separate required levels of employment and investment for counties with populations of less than 25,000 and for those with less than 15,000.

Estimate: See [Section U](#).

Renewable Energy Tax Credit

Statutory citation: [77-27,235](#)

Description: Income tax credits or sales tax refunds are available to producers of electricity generated by a new zero emission facility based on kilowatt-hours generated.

Estimate: Minimal

PREFERENTIAL TAX RATES

Individual and Fiduciary Income Tax Rates

Statutory citation: [77-2715.02](#)

Description: The individual and fiduciary income tax rates are calculated as a percentage of the primary rate of 3.7%. The primary rate set by the Legislature is multiplied by the following factors to compute the tax rates. The factors for the brackets, from lowest to highest bracket, are .6932, .9646, 1.3846, and 1.848. The tax rates for the 2011 tax year are 2.56%, 3.57%, 5.12%, and 6.84% of Nebraska taxable income, using the brackets listed in § 77-2715.02. The preferential rate is the difference between the top rate, 6.84%, and the lowest rate, 2.56%.

Estimate: \$639,300,000

Corporation Income Tax Rates

Statutory citation: [77-2734.02\(1\)](#)

Description: The corporation income tax rates are calculated as a percentage of the primary rate of 3.7%. This results in a corporation rate of 5.58% applied to the first \$100,000 of taxable income and a rate of 7.81% applied to the excess.

Estimate: \$7,400,000

Insurance Company Tax Rates

Statutory citation: [77-2734.02\(2\)](#)

Description: Insurance companies are subject to the lesser of the rates set under § [77-2734.02\(1\)](#) or the rate of tax imposed in the state or country in which the insurance company is domiciled, if the state or country of domicile imposes a retaliatory tax on Nebraska insurance companies, which includes the Nebraska corporate income tax.

Estimate: Not available

FINANCIAL INSTITUTION TAX

EXEMPTIONS

Federal Credit Unions & Mutual Fund Companies

Statutory citation: [77-3802\(1\)](#), [77-3801\(4\)\(a\)](#), [77-3801\(4\)\(b\)](#)

Description: The franchise tax is not imposed on federal credit unions and mutual fund companies.

Estimate: \$350,000

CREDITS

Community Development Tax Credit

Statutory citation: [13-201 through 13-208](#)

Description: Financial institutions are allowed a credit for contributions to certified community betterment programs.

Estimate: \$40,000

RECOMMENDATIONS

The Nebraska Department of Revenue has no recommendations.

SECTION C — Property Assessment and Homestead Exemptions

BASIC PROVISIONS AND TAXATION LAWS

All property in the State of Nebraska is subject to property tax unless an exemption is mandated by the Nebraska Constitution, Article VIII, or is permitted by the Constitution and enabling legislation is adopted by the Legislature. Federal law may supersede the Nebraska Constitution with regard to taxation of property owned by the federal government or its agencies or instrumentalities. All property in the State of Nebraska, which is subject to taxation, must be valued as of January 1, 12:01 a.m., of each year.

The county assessor is responsible for valuing all real and personal property with the exception of railroads, public service entities, and specific personal property of air carrier and rail car line companies, which are assessed by the Property Tax Administrator. The valuation of real property is determined according to professionally accepted mass appraisal techniques, including but not limited to the following: (1) sales comparison approach; (2) income approach; and (3) cost approach. The valuation of personal property is determined using a statutory method of depreciated values similar to the federal Modified Accelerated Cost Recovery System and 150% declining balance depreciation schedules.

All real property is assessed at or near 100% of actual value, except agricultural and horticultural land which is assessed at or near 75% of actual value. Agricultural and horticultural land receiving special valuation pursuant to Neb. Rev. Stat. § [77-1344](#) is assessed at or near 75% of its special value which is the uninfluenced value of the land for agricultural and horticultural purposes. Personal property is assessed at 100% of the net book taxable value as determined by the statutory method.

Permissive exemptions are allowed for certain organizations such as educational, religious, charitable, cemeteries, and agricultural societies pursuant to Neb. Rev. Stat. § [77-202](#). The organization must file an application for exemption of real and/or personal property. The county assessor will recommend approval or denial to the county board of equalization which will meet to make the final decision regarding the application for exemption.

There is an exemption for certain business personal property belonging to qualifying companies under Nebraska's tax incentive programs the Employment and Investment Growth Act and the Nebraska Advantage Act.

Personal property used directly in the generation of electricity using wind as the fuel source is exempt from personal property tax. The wind energy generation facilities pay a nameplate capacity tax in place of personal property tax and the real property is assessed locally by the county assessor.

There is an exemption for certain personal property belonging to qualified beginning farmers, pursuant to Neb. Rev. Stat. § [77-5209.02](#) of the Beginning Farmer Act.

For individuals, the homestead exemption program is designed to provide local property tax relief to qualifying elderly individuals, certain disabled veterans, and certain disabled individuals and their widowers who own and live in the home for which an exemption application is made. The exemption applies to all or part of the property taxes levied against the home, within the State of Nebraska reimbursing local governments from general fund revenues for those taxes exempted under the program (see [Homestead Exemption](#)).

Between January 1 and March 19 of each year, the county assessor updates and revises the real property assessment roll. Each year between early April and May 15, the Tax Equalization and Review Commission has the authority to adjust the valuation of classes or subclasses of real property in any county in order to achieve equalization of property values. Decisions of the Tax Equalization and Review Commission may be appealed to the Nebraska Court of Appeals.

The county assessor revises the real property assessment rolls for any orders issued by the Tax Equalization and Review Commission and notifies property owners of value increases or decreases by June 1. Individual protests

of real property valuations may be made to the county board of equalization. The county board of equalization may adjust the protested value of individual properties. Decisions of the county board of equalization may be appealed to the Tax Equalization and Review Commission.

Personal property is self-reported by the taxpayer, on or before May 1. If the county assessor makes changes to the reported valuation, a notice must be sent to the taxpayer. The action may be appealed to the county board of equalization.

On or before August 10, the Tax Equalization and Review Commission must equalize the real property of centrally-assessed railroad and public service companies with the statewide level of assessment. The Property Tax Administrator certifies centrally-assessed values to the counties.

On or before August 20, the county assessor compiles and certifies the total taxable value (real, personal, and centrally-assessed) to each local government taxing subdivision for rate setting purposes.

Each year, on or before October 15, the county board of equalization levies the necessary taxes, within the limits of the law, for operation of all functions of county government, school districts, cities, etc. The tax rates for these various local government taxing subdivisions are determined by dividing the subdivision's annual tax request by the current total taxable value within their boundaries. The tax rates are expressed as \$1 per \$100 of taxable value.

Property taxes are determined by multiplying the property's taxable value by the total consolidated tax rate for the tax district in which the property is located. The tax district is comprised of various governing bodies empowered to levy property taxes for services, such as county government, school district, city, etc.

On or before November 22, the county assessor transcribes the real property tax list and delivers it to the county treasurer for collection of property taxes. All real and personal property taxes, including taxes of centrally-assessed railroad and public service companies, are due December 31. The first half of the tax becomes delinquent on the following May 1, and the second half becomes delinquent on September 1; except in Douglas, Lancaster, and Sarpy counties, where the first half becomes delinquent on April 1 and the second half becomes delinquent on August 1.

More information is available at www.revenue.ne.gov/PAD.

**Statutory Reference
and Description**

**Actual or Estimated
Tax Expenditure Cost
(NA = Not Available)**

EXEMPTIONS

The taxable value of exempt property (for example, governmental or permissive exempt) is not available. Due to the exempt status of the real property, the assessed value may not have been determined. The county assessor allocates time and resources to establishing the assessed values of taxable properties.

Section [2-4243](#)

Property belonging to the Conservation Corporation. NA

Section [3-209](#)

Airports and landing fields acquired by a municipality. NA

Section [3-511](#)

Property belonging to city airport authorities. NA

Section [3-621](#)

Property belonging to county airport authorities. NA

Section [3-714](#)

Property belonging to joint airport authorities. NA

Section 12-506	Property belonging to cemetery associations.	NA
Section 12-517	Burial lots sold by a cemetery association for interment.	NA
Section 14-812	Property belonging to metropolitan cities.	NA
Section 14-1721	Property belonging to municipal parking authorities.	NA
Section 14-1810	Property belonging to metropolitan transit authorities.	NA
Section 15-844	Property belonging to primary class cities.	NA
Section 21-2311	Property belonging to industrial development public corporations.	NA
Section 23-35,117	Property belonging to hospital authorities.	NA
Section 37-301	Property held by the Nebraska Game and Parks Commission.	NA
Section 51-512	Property belonging to public museums.	NA
Section 58-268	Property belonging to the Nebraska Investment Finance Authority.	NA
Section 77-202(1)(a)&(b)	Property of Nebraska and its governmental subdivisions.	NA
Section 77-202(1)(c)	Property owned by and used exclusively for agricultural and horticultural societies.	NA
Section 77-202(1)(e)	Household goods and personal effects when not used for profit.	NA
Section 77-202(2)	Increased value of land due to shade or ornamental trees planted along the highway.	NA
Section 77-202(3)	Tangible personal property which is not depreciable.	NA
Section 77-202(4)	Motor vehicles required to be registered for operation on the highways of Nebraska.	NA
Section 77-202(5)	Business and agricultural inventory.	NA
Section 77-202(6)	Any qualifying personal property conditions specified in the Employment and Investment Growth Act and the Beginning Farmer Act.	(See Section U)
Section 77-202(7)	Livestock.	NA

Section [77-202\(8\)](#)

Any qualifying personal property pursuant to the Nebraska Advantage Act.

(See [Section U](#))

Section [77-202\(9\)](#)

Any depreciable tangible personal property used directly in the generation of electricity using wind as the fuel source.

NA

Section [77-202\(10\)](#)

Any tangible personal property acquired by a person operating as a data center.

NA

Section [77-202.24](#)

A mobile home owned and occupied by a disabled or blind veteran.

NA

Section [77-212](#)

Space provided for supportive medical services to patients in hospitals is exempt from the in-lieu-of payment provided for in § [77-211](#).

NA

Sections [77-4101](#), [77-4105](#), [77-5701](#), and [77-5725](#)

(See [Section U](#))

A taxpayer's business may qualify for tax incentives under the Employment and Investment Growth Act and/or the Nebraska Advantage Act based upon certain levels of investment and hiring of employees. If the taxpayer meets the criteria required, then certain personal property of the project may qualify for property tax exemption.

Sections [77-5201 through 77-5215](#)

NA

The Beginning Farmer Act provides beginning farmers and livestock producers with personal property exemptions. Beginning farmers and livestock producers must be approved and certified by the Beginning Farmer Board to be eligible for the programs, or exemption of personal property.

HOMESTEAD EXEMPTIONS

A homestead exemption provides relief from property taxes by exempting all or a portion of the valuation of the homestead from taxation. The State of Nebraska reimburses the counties and other governmental subdivisions for the taxes lost due to homestead exemptions. A homestead exemption is available to three categories of homeowners: (1) persons over age 65; (2) certain disabled individuals; or (3) certain totally disabled veterans and their widowers.

More information regarding the homestead exemption program and the property tax relief it provides for qualified homeowners is available at www.revenue.ne.gov/PAD.

The total tax expenditure for the State of Nebraska in FY 2010-11 was \$65,927,191.86. One hundred percent was reimbursed to the counties by the State of Nebraska. The table on [page C6](#) lists the total homestead exemption to each county.

Section [77-3507](#), [77.3508](#), and [77-3509](#)

For homesteads valued at or below the maximum value as defined in § [77-3505.02](#), a percentage of the exempt amount defined in § [77-3501.01\(1\)](#), for claimants with household income as set out in the Nebraska Homestead Exemption [Information Guide](#) (2011 homestead exemption applications).

Section [77-3501.01](#) Exempt amount, defined:

(1) For purposes of § [77-3507](#), exempt amount means the lesser of (1a) the taxable value of the homestead, or (1b) 100% of the average assessed value of single-family residential property in the claimant's county of residence as determined in § [77-3506.02](#) or \$40,000, whichever is greater.

(2) For purposes of §§ [77-3508](#) and [77-3509](#), exempt amount means the lesser of (2a) the taxable value of the homestead, or (2b) 120% of the average assessed value of single-family residential property in the claimant's county of residence as determined in § [77-3506.02](#) or \$50,000, whichever is greater.

Section [77-3505.02](#) Maximum value, defined:

(1) For applicants eligible under § [77-3507](#), 200% of the average assessed value of single family residential property in the claimant's county of residence as determined in § [77-3506.02](#) or \$95,000, whichever is greater.

(2) For applicants eligible under §§ [77-3508](#) and [77-3509](#), 225% of the average assessed value of single-family residential property in the claimant's county of residence as determined in § [77-3506.02](#) or \$110,000, whichever is greater.

PREFERENTIAL TAX RATES AND VALUATION

Statutory Reference and Description	Actual Tax Expenditure Cost (NA = Not Available)
Section 18-2137 Whenever a city community redevelopment authority purchases or acquires real property pursuant to §§ 18-2101 to 18-2144 , the authority must annually, so long as it continues to own this property, pay in lieu of taxes to the respective political subdivisions applicable to the property during the immediately preceding the purchase or acquisition of this real property.	\$16,198 ¹
Section 37-335 Whenever the Game and Parks Commission acquires title to private lands for wildlife management purposes, the Commission must annually make the same payments in lieu of taxes as were made by private landowners for the year prior to these acquisitions. Payments must be made to the county treasurer of the county in which the land is located.	\$615,161 ¹
Section 71-1590 Pursuant to § 71-5190(2) , a housing agency may agree to pay in lieu of taxes based upon the amount of property taxes that would have been levied for property if it was not exempt from taxation.	
Section 77-211 Pursuant to § 77-211 , any political subdivision, tax-exempt corporation or proprietorship acting with respect to any hospital and which provides office buildings or office space to tenants engaged in private enterprise, must charge tenants a sufficient amount of rent so that a portion of the rent payments are in lieu of taxes. The in lieu of taxes for this section are based upon the amount of property taxes that would have been levied for property if it was not exempt from taxation.	\$25,508 ¹
Section 77-1344 Land valued for agricultural use where actual value for other use would be higher.	NA
Nebraska Constitution Article VIII, Section II (§§ 70-651.01 through 70-651.05) Public corporations and political subdivisions making an in lieu of taxes payment equal to the amount of taxes paid in 1957, or five percent of annual gross revenue less the amount of taxes paid in 1957, less any city occupation tax.	

1957 fixed:	\$1,045,352 ¹
5% gross revenue:	\$38,041,578 ¹
City occupation tax:	\$322,775 ¹

¹These amounts are the in lieu of taxes paid as reported by county assessors on the 2011 Certificate of Taxes Levied Report.

FY 2010-11 HOMESTEAD EXEMPTION REIMBURSEMENT

ADAMS	\$1,226,947.44	JEFFERSON	\$303,413.40
ANTELOPE	219,532.88	JOHNSON	214,496.50
ARTHUR	8,389.88	KEARNEY	216,079.28
BANNER	14,831.80	KEITH	426,029.16
BLAINE	6,376.56	KEYA PAHA	17,183.48
BOONE	174,206.00	KIMBALL	148,960.60
BOX BUTTE	332,709.20	KNOX	301,158.32
BOYD	63,631.88	LANCASTER	9,075,599.46
BROWN	134,218.64	LINCOLN	1,527,240.54
BUFFALO	1,603,192.18	LOGAN	16,847.18
BURT	384,950.06	LOUP	12,435.13
BUTLER	262,955.42	MADISON	1,256,222.50
CASS	1,089,595.42	MCPHERSON	9,662.32
CEDAR	343,448.09	MERRICK	308,112.72
CHASE	133,634.36	MORRILL	178,725.18
CHERRY	189,465.76	NANCE	138,029.37
CHEYENNE	379,947.22	NEMAHA	241,899.90
CLAY	201,975.14	NUCKOLLS	153,708.64
COLFAX	365,252.86	OTOE	778,616.50
CUMING	335,871.37	PAWNEE	99,594.52
CUSTER	423,988.80	PERKINS	102,115.54
DAKOTA	611,727.86	PHELPS	324,079.94
DAWES	341,288.74	PIERCE	363,272.88
DAWSON	736,713.04	PLATTE	1,132,067.76
DEUEL	75,481.24	POLK	211,969.66
DIXON	217,822.24	RED WILLOW	356,187.16
DODGE	1,883,244.66	RICHARDSON	300,477.28
DOUGLAS	18,683,816.92	ROCK	46,392.08
DUNDY	34,494.86	SALINE	596,079.76
FILLMORE	184,780.36	SARPY	4,383,745.98
FRANKLIN	127,095.47	SAUNDERS	1,221,283.82
FRONTIER	104,558.60	SCOTTS BLUFF	1,772,836.06
FURNAS	142,341.22	SEWARD	651,990.02
GAGE	1,210,221.66	SHERIDAN	172,541.76
GARDEN	77,432.66	SHERMAN	140,685.74
GARFIELD	71,214.28	SIOUX	19,912.06
GOSPER	96,405.16	STANTON	197,904.62
GRANT	15,554.08	THAYER	169,087.22
GREELEY	101,715.22	THOMAS	28,001.70
HALL	2,253,180.62	THURSTON	113,705.52
HAMILTON	323,932.80	VALLEY	205,343.52
HARLAN	103,185.79	WASHINGTON	997,041.31
HAYES	22,512.08	WAYNE	274,960.12
HITCHCOCK	93,974.42	WEBSTER	160,590.62
HOLT	366,951.94	WHEELER	8,976.19
HOOKER	29,890.92	YORK	405,037.90
HOWARD	342,233.14	STATE TOTAL	\$65,927,191.86

RECOMMENDATIONS

The Nebraska Department of Revenue has no recommendations.

SECTION D — Railroads, Public Service Entities, Car Lines, and Air Carrier Flight Equipment Property Tax

BASIC PROVISIONS AND TAX BASE

Property valued by the state includes those companies or industries for which the Property Tax Administrator is statutorily responsible for determining a taxable valuation each year. Companies owning or leasing operating property are required to furnish information annually, on prescribed forms, to the Property Tax Administrator. “Taxable value” is defined as actual value for real property, franchise, and net book value for tangible depreciable personal property, excluding registered motor vehicles, which is determined by using a statutory method.

Railroads

Neb. Rev. Stat. § [77-601](#), et. al., requires the Property Tax Administrator to value the operating property of any company owning, controlling, or operating property used for railroad purposes.

The Property Tax Administrator determines the total taxable value of the railroad company, including real, franchise, and net book personal property, attributable to Nebraska. The Property Tax Administrator apportions the railroad’s taxable value by taxing subdivision based on a statutory formula, as follows: (1) five percent is distributed to all taxing subdivisions where the railroad company has investment in general office buildings or machine and repair facilities; and (2) the balance is distributed to all taxing subdivisions based 50% on track mileage and 50% on traffic density. The value per mile of main track must equal twice the value per mile of side track. The apportioned value is certified by the Property Tax Administrator to the county assessor for assessment and tax collection.

Public Service Entities

Neb. Rev. Stat. § [77-801](#), et. al., requires the Property Tax Administrator to determine the total taxable value of public service entities, organized for profit under the laws of this state or any other state or government and engaged in the business of waterworks, electrical power, gas works, natural gas, telecommunications, and pipeline transmissions. Generally, the entities affected by this law fall into three groups: telecommunications; pipeline companies; and certain utility companies.

The Property Tax Administrator determines the total taxable value, including real, franchise, and net book personal property value attributable to Nebraska.

The Property Tax Administrator distributes the public service entity’s taxable value to the various taxing subdivisions based on a ratio of the public service entity’s original cost of all operating property located in the taxing subdivision compared to the original cost of all operating property located in the state. The Property Tax Administrator certifies the distributed taxable value of public service entities to the county assessor for assessment and tax collection at the local government level.

Car Line Companies

Neb. Rev. Stat. § [77-679](#), et. al., requires the assessment and taxation of car line companies. A “car line company” means any person, other than a railroad company, owning or operating any railroad cars of any description through, in, or into the State of Nebraska. The Property Tax Administrator determines the total taxable value (i.e., net book personal property value) of the car line company cars attributable to Nebraska. The Property Tax Administrator must levy against the value assessed, for property tax purposes, at a rate equal to the state’s average tax rate.

The taxes are payable to the Property Tax Administrator which are remitted, less a 3% collection fee, to the State Treasurer for distribution to the counties.

The car line taxes are distributed among the various taxing subdivisions in proportion to all railroad taxes levied pursuant to § [77-684](#).

The collection fee is remitted to the State Treasurer for credit to the Nebraska Department of Revenue Property Assessment Division Cash Fund.

Air Carrier Flight Equipment

Neb. Rev. Stat. § [77-1245](#), et. al., requires the assessment and taxation of air carriers. An “air carrier” means any person, firm, or assignee engaged in interstate carriage of persons or cargo for hire by company or corporate aircraft. The Property Tax Administrator determines the total taxable value (i.e., net book personal property value of the air carrier’s flight equipment) attributable to Nebraska. The Property Tax Administrator must levy against the value assessed, for property tax purposes, at a rate equal to the state’s average tax rate.

The taxes are payable to the Property Tax Administrator which are remitted, less a three percent collection fee, to the State Treasurer for distribution to the counties.

The air carrier taxes are distributed to the counties as a credit to the county general fund in proportion to the amount the total property taxes levied in the county bears to the total property taxes levied in the state as a whole.

The collection fee is remitted to the State Treasurer for credit to the Nebraska Department of Revenue Property Assessment Division Cash Fund.

Statutory Reference And Description	Actual Tax Expenditure Cost (NA = Not Available)
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EXEMPTIONS

Section [77-202\(1\)](#)

Governmental Subdivisions and Nonprofit Organizations	NA
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Section [77-4105](#) and/or Section [77-5725](#)

Railroad Personal Property	\$0 ¹
Public Service Entity Personal Property	\$0 ¹
Air Carrier Flight Equipment	\$0 ¹

¹Based on tax year 2011 net book taxable personal property value exempted, multiplied by the state’s average tax rate for 2011.

DEDUCTIONS

Section [77-684](#)

Car line companies collection fee	\$145,069 ²
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Section [77-1250](#)

Air carriers collection fee	\$36,140 ²
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²Based on tax year 2011 net book taxable personal property of car line companies and air carriers; the 3% collection fee retained by the state as a credit to the Department of Revenue Property Assessment Division Cash Fund. (Tax year 2011 taxes are collected during 2012.)

RECOMMENDATIONS

The Nebraska Department of Revenue has no recommendations.

SECTION E — Alcoholic Beverages Tax and Fees

BASIC PROVISIONS AND TAX BASE

Neb. Rev. Stat. § [53-160](#) imposes a tax upon the privilege of doing business in Nebraska as a manufacturer or distributor of alcoholic liquors. The tax is imposed at the rate of 31 cents per gallon on all beer, 95 cents per gallon for wine, \$3.75 per gallon on alcohol and spirits, and six cents per gallon for wine produced in farm wineries. Revenue raised from the gallonage tax is placed in the State General Fund.

Neb. Rev. Stat. §§ [53-124](#) and [53-131.01](#) provide for the payment of registration and annual license fees to the Nebraska Liquor Control Commission. The law provides a schedule of license fees to be paid by manufacturers, distributors, and retailers of alcoholic beverages. In addition, Neb. Rev. Stat. § [53-132](#) allows for an occupation tax to be imposed by cities and villages.

The fees paid by manufacturers and distributors vary depending upon whether beer, wine, and/or spirits are handled by the licensee. Retailer's license fees vary depending upon: what alcoholic beverages are sold; whether sold for consumption on- or off-premises; whether sold in a village or larger community; whether issued to a privately-owned recreation area; whether issued to a nonprofit corporation for on-premise consumption; whether issued to a municipal corporation, fine arts museum, or nonprofit religious or fraternal organization; whether issued to a restaurant for on-premise consumption; whether issued to a railroad, passenger boat operator, nonbeverage user, airline, or bottle club; or whether issued to a farm winery or brewpub. Nonprofit corporations can obtain a special designated permit for limited purposes.

The fees derived from local retail license fees by cities or villages are placed in the School Fund of the district lying wholly or partially within the corporate limits of the city or village. The fees raised from Special Designated Licenses are deposited into the State General Fund.

Annual license fees received by the Nebraska Liquor Control Commission are paid to the State Treasurer for deposit in the Temporary School Fund. Registration fees received by the Commission are placed in the State General Fund.

Statutory Reference and Description	Actual Tax Expenditure Cost (NA = Not Available)
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EXEMPTIONS

Section [53-168.06](#)

The following activities are excluded from the definition of manufacturing and distribution and, therefore, are not subject to the Liquor Tax:

- | | |
|---|---------|
| (1) The possession and transportation of alcoholic liquors for the personal use of the possessor, his or her family, and guests; | NA |
| (2) The making of wine, cider, or other alcoholic beverages by an individual from fruits, vegetables, or grains (or the product thereof) by fermentation and without distillation if used solely for the use of the maker, his or her family, and guests; | NA |
| (3) The possession and use by a licensed practicing physician or dentist in the strict practice of his or her profession; | Minimal |
| (4) The possession and use by a hospital or other institution caring for the sick and diseased persons, for the treatment of patients of the hospital or institution; | NA |
| (5) The possession and use by a drug store employing a licensed pharmacist in the compounding of prescriptions from licensed physicians; and | NA |

(6) The possession and dispensation of wine by an authorized representative of any church for the purpose of conducting any bona fide rite or religious ceremony conducted by the church. NA

Section 53-164.01

Liquors shipped out-of-state for sale or consumption outside Nebraska are exempt. NA

Section 53-160

Dry or fortified wines manufactured or imported solely and exclusively for sacramental purposes are exempt. NA

The tax is not imposed upon any beer sold to a manufacturer consumer for use in the manufacture of: patent and proprietary medicines and medicinal, antiseptic, and toilet preparation; flavoring extracts in syrups and food products; scientific, industrial and chemical products, excepting denatured alcohol; and for scientific, chemical, experimental or mechanical purposes. \$0

The tax is not imposed upon the privilege of engaging in any business in interstate commerce or otherwise where taxation is prohibited under the United States Constitution and federal law. NA
(State taxation prohibited)

Section 53-160.01

No direct or indirect excise tax is imposed upon the sale, use, delivery, or storage of articles of merchandise to or by any instrumentality of the U.S. armed forces engaged in resale activity. NA
(State taxation prohibited)

DEDUCTIONS

Section 53-164.01

The manufacturer or distributor is allowed a discount of 1% of the tax on alcoholic liquors for the timely payment of the tax due the Nebraska Liquor Control Commission. \$287,499

CREDITS

Section 53-161

A credit is allowed to a distributor or manufacturer for tax paid on: (1) beer shipped out-of-Nebraska for sale and consumption outside the state; or (2) beer returned to the manufacturer for credit, substitution, or replacement. \$74,462

Section 53-164.01

A credit is allowed to a manufacturer or distributor for the amount of tax paid on beer sold or delivered to any instrumentality of the United States armed forces engaged in resale activities. \$28,612

PREFERENTIAL TAX RATES

Section [53-160](#)

Different rates of tax per gallon are levied depending upon the class of alcoholic beverage and its alcoholic content. The following are the applicable rates per gallon effective July 1, 2003.

Beer - \$0.32 per gallon

A one cent increase would generate \$447,454 in additional revenue.

Wine - \$1 per gallon
(14% or under of alcohol content)

A five-cent increase would generate \$155,174 in additional revenue.

Alcohol and Spirits - \$3.80 per gallon

A five-cent increase would generate \$154,661 in additional revenue.

Wine from Farm Wineries - \$.11 per gallon

A five-cent increase would generate \$3,889 in additional revenue.

Wine from Direct Shippers - \$1 per gallon

A five-cent increase would generate \$1,751 in additional revenue.

Micro Distilleries - \$3.80 per gallon

A five-cent increase would generate \$99 in additional revenue.

RECOMMENDATIONS

The Nebraska Liquor Control Commission has no recommendations.

SECTION F — Bingo, Lottery, Raffle, and Lottery by Pickle Card Tax

BASIC PROVISIONS AND TAX BASE

Bingo

A nonprofit organization wishing to conduct bingo where: (1) a charge is made to participate; or (2) any prize to be awarded exceeds \$25 in value, must apply for and obtain a license from the Nebraska Department of Revenue (Department).

All licensed organizations are subject to a tax of 3% of the bingo gross receipts. Bingo gross receipts include the sale or rental of all bingo cards, any rental fees charged for the use of bingo card monitoring devices, and admission charges. The bingo tax return is filed on a quarterly basis. A licensed organization cannot hold more than ten bingo occasions per month. The sale or rental of bingo cards to the public is not subject to sales tax.

A qualifying nonprofit organization not holding a bingo license can apply for a Special Event Bingo permit. A Special Event Bingo permit allows the conduct of small-stakes bingo games by an organization at a special event where bingo is not the primary function of the event. An organization may apply for two Special Event Bingo permits per calendar year, for an aggregate total of not more than 14 days. Special Event bingo cards cannot be sold for more than 25 cents per card, and individual prizes are limited to no more than \$25 in value. Special Event Bingo is exempt from the licensing, tax, and reporting requirements imposed on licensed organizations.

All licensed organizations must purchase bingo equipment only from a licensed distributor. A licensed distributor must purchase bingo equipment only from a licensed manufacturer. Both distributors and manufacturers must obtain their licenses from the Department.

Lottery by Pickle Card

A nonprofit organization wishing to sell pickle cards must apply for and obtain a license from the Department. There are two types of licenses that authorize the sale of pickle cards. The first type of license allows pickle card sales at the nonprofit organization's location, including where it conducts bingo games. The second type of license also permits the sale of pickle cards at certain retail locations, known as pickle card operators. Any person or business holding a retail liquor license with the Nebraska Liquor Control Commission may apply to the Department to obtain a pickle card operator's license. If a licensed organization sells pickle cards at the location of a pickle card operator, it must also license at least one of its members as a sales agent. A sales agent is responsible for all marketing activity with a pickle card operator relative to selling the licensed organization's pickle cards. A licensed organization must apply for and obtain a pickle card operator authorization from the Department for each pickle card operator location selling the licensed organization's pickle cards.

All licensed organizations must purchase pickle card units only from a licensed distributor. A licensed distributor must purchase pickle card units only from a licensed manufacturer. Both distributors and manufacturers must obtain licenses from the Department.

A licensed distributor selling pickle card units to a licensed organization is subject to a tax of 10% of the definite profit of each pickle card unit sold. The "definite profit of a pickle card unit" is the gross proceeds of the unit less all possible prizes. The gross proceeds of a unit is determined by multiplying the number of pickle cards in the unit by the selling price per individual pickle card. The pickle card tax return is filed on a monthly basis. The tax paid by the licensed distributor is passed along to the licensed organization as a part of the selling price of a pickle card unit. The appropriate sales tax is also due on the sale of each pickle card unit, unless the licensed organization purchasing the unit is exempt from the payment of sales tax. The sale of individual pickle cards to the public either by a licensed organization or a licensed pickle card operator is not subject to sales tax.

If a licensed organization or pickle card operator uses a coin or currency-activated pickle card dispensing device, this device must be registered with the Department. An annual registration fee is required and each device must be affixed with a registration decal issued by the Department.

Lottery/Raffle

A nonprofit organization wishing to conduct a lottery (primarily cash prizes) with gross proceeds in excess of \$1,000, or a raffle (at least 80% of prizes are merchandise) with gross proceeds in excess of \$5,000, must first apply for and obtain a license from the Department. The permissible forms of winner determination for a lottery or raffle are limited to: (1) a random ticket drawing; or (2) a race using inanimate, buoyant objects floated along a river, canal, or other waterway (duck races). Lotteries exceeding \$1,000 in gross proceeds and raffles exceeding \$5,000 in gross proceeds are subject to a tax of 2% of the gross proceeds. The gross proceeds are based upon the selling price of the lottery or raffle ticket and include the value of any free tickets given away and any other consideration which is required to be paid by a participant in order to be eligible for the drawing. The sale of lottery or raffle tickets to the public is not subject to sales tax. The lottery/raffle tax return is filed on a quarterly basis, even if the gross proceeds for the tax period do not exceed the \$1,000/\$5,000 threshold. Upon the conclusion of the lottery or raffle, if the licensed organization's actual gross proceeds did not exceed the \$1,000/\$5,000 threshold, the licensed organization may request a refund of any tax previously paid.

County/City Lottery

Any county, city, or village that has approved a lottery in a special or regularly-scheduled election must apply for and obtain a license from the Department prior to commencing the lottery activity.

There are two forms of authorized lottery activity for a county, city, or village: (1) a traditional ticket drawing where winners are determined by a random drawing; and (2) keno. A community which has approved a lottery may conduct the lottery on its own, or contract with another person or business to conduct the lottery on its behalf. The person or business that contracts with the community is called a "lottery operator." A lottery operator must apply for and obtain a license from the Department. In addition to the licensing requirements for the community and the lottery operator, all persons who perform any work directly related to the conduct of the lottery must apply for and obtain a lottery worker license from the Department. Any location where tickets are going to be sold, other than the lottery operator's location, must also be licensed as a sales outlet location.

A tax of 2% of the gross proceeds must be remitted to the Department on a quarterly basis by the county, city, or village. The net proceeds of the lottery must be used by the county, city, or village for community betterment purposes. Lottery equipment must be purchased only from a licensed manufacturer-distributor. A manufacturer-distributor of lottery equipment must obtain a license from the Department.

Tax Allocation

Forty percent of all taxes collected and referred to in this section are credited to the Charitable Gaming Operations Fund for administration and enforcement of the charitable gaming laws by the Department's Charitable Gaming Division. The remaining 60% is transferred to the General Fund. On or before November 1 of each year, \$50,000 is transferred from the Charitable Gaming Operations Fund to the Compulsive Gamblers Assistance Fund if these funds are available. Any funds remaining in the Charitable Gaming Operations Fund after the transfer to the Compulsive Gamblers Assistance Fund, which was not used by the Charitable Gaming Division for its administrative and enforcement duties, may be transferred to the General Fund at the direction of the Legislature.

Statutory Reference and Description	Estimated Tax Expenditure Cost (NA = Not Available)
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EXEMPTIONS

Section [9-230](#)

The bingo tax does not apply to any bingo game for which no charge is made to participate, or no prize awarded exceeds \$25 in value. The bingo tax does not apply to Special Event Bingo.	Minimal
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Regulation [35-215.01A](#)

The bingo tax applies to the bingo gross receipts of the licensed organization. This tax does not apply to the sale of bingo equipment and supplies by a licensed distributor to a licensed organization, or to the sale of bingo supplies by some other retail business to the general public.	Minimal
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Section [9-429](#)

The lottery/raffle tax does not apply to any lottery conducted by a nonprofit organization when the gross proceeds do not exceed \$1,000, or to any raffle when the gross proceeds do not exceed \$5,000.	NA
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4 U.S.C. 109 and 25 U.S.C. 2701, et al.

The bingo tax imposed on the gross receipts of a licensed organization is not applicable to bingo activity conducted by a federally recognized Indian tribe on Indian land within Nebraska. In addition, the pickle card tax imposed on a licensed distributor is not applicable to pickle card units sold by a licensed distributor to a federally recognized Indian tribe located either within Nebraska or located in another state if the sale of these pickle cards occurs only at the tribe's bingo operation on Indian land. Federal law prohibits state taxation relative to these activities.	NA (State taxation prohibited)
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RECOMMENDATIONS

The Nebraska Department of Revenue has no recommendations.

SECTION G — Cigarette Tax

BASIC PROVISIONS AND TAX BASE

The Nebraska cigarette tax is a special privilege tax paid by every person engaged in distributing or selling cigarettes at wholesale in Nebraska. Each wholesale dealer who obtains an annual Nebraska Wholesale Cigarette Dealer's License must pay an application fee of \$500, which is placed in the State General Fund. On packages containing 20 or fewer cigarettes, a tax of 64 cents per package is paid. On packages containing more than 20 cigarettes, a tax of 64 cents for the first 20 cigarettes plus a tax of 1/20 of 64 cents on each cigarette in excess of 20 cigarettes is paid, in addition to all other taxes. A cigarette tax stamp is placed on each package of cigarettes as proof of cigarette tax paid.

The distribution of Nebraska cigarette tax revenues can be found on the Department of Revenue's website www.revenue.ne.gov under Research Reports. The Nebraska Tax Rate Chronologies are updated quarterly.

Statutory Reference and Description	Estimated Tax Expenditure Cost (NA = Not Available)
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EXEMPTIONS

Section 77-2607

The portion of the wholesale dealer's stock of cigarettes which is not intended to be sold or given away in Nebraska is exempt from the tax, unless the stock is not out of the dealer's possession within 30 days of receipt.	NA
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4 U.S.C. 107

Federal law prohibits state taxation of cigarettes sold to the U.S. government or any of its agencies.	\$0
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DEDUCTIONS

Section 77-2608

The Tax Commissioner sells the cigarette tax stamps only to licensed wholesale dealers. The sale of cigarette tax stamps to licensed wholesale dealers in Nebraska or outside of Nebraska is authorized at a discount of 1.85% of the face value of the cigarette tax as a commission for affixing and canceling the cigarette tax stamps.	\$1,146,000
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CREDITS

Section 77-2610

Any unused or spoiled stamps are redeemed by the Tax Commissioner and a refund is made in the amount of the stamps less the commission for affixing the stamps.	\$55,182
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4 U.S.C. 109, et al.

Federal statutes and treaties prohibit state taxation of cigarettes sold to Native American Indians on Indian reservation land within Nebraska. A credit is allowed by the state to licensed cigarette wholesale dealers for the amount of tax credited by them to retailers who make exempt sales of cigarettes to Native American Indians.	\$255,151 (State taxation prohibited)
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Source: U.S. Census; U.S. Department of Health and Human Services, National Survey of Drug Use and Health

RECOMMENDATIONS

The Nebraska Department of Revenue has no recommendations.

SECTION H — Corporation Occupation Tax

BASIC PROVISIONS AND TAX BASE

A biennial occupation tax is levied against domestic and foreign corporations. The tax is due March 1 of each even-numbered year. The tax levied against domestic corporations is calculated based on the amount of paid-up capital stock of the corporation.

NEBRASKA CORPORATION OCCUPATION TAX FEE SCHEDULE					
Amount of Paid-Up Capital Stock¹		Tax Fee	Amount of Paid-Up Capital Stock¹		Tax Fee
\$0.00 - \$10,000		\$26	\$450,000.01 -	\$500,000	\$800
10,000.01 - 20,000		40	500,000.01 - 600,000		910
20,000.01 - 30,000		60	600,000.01 - 700,000		1,010
30,000.01 - 40,000		80	700,000.01 - 800,000		1,120
40,000.01 - 50,000		100	800,000.01 - 900,000		1,230
50,000.01 - 60,000		120	900,000.01 - 1,000,000		1,330
60,000.01 - 70,000		140	1,000,000.01 - 2,000,000		2,130
70,000.01 - 80,000		160	2,000,000.01 - 3,000,000		2,930
80,000.01 - 90,000		180	3,000,000.01 - 4,000,000		3,730
90,000.01 - 100,000		200	4,000,000.01 - 5,000,000		4,530
100,000.01 - 125,000		240	5,000,000.01 - 6,000,000		5,330
125,000.01 - 150,000		280	6,000,000.01 - 7,000,000		6,130
150,000.01 - 175,000		320	7,000,000.01 - 8,000,000		6,930
175,000.01 - 200,000		360	8,000,000.01 - 9,000,000		7,730
200,000.01 - 225,000		400	9,000,000.01 - 10,000,000		8,530
225,000.01 - 250,000		440	10,000,000.01 - 15,000,000		12,000
250,000.01 - 275,000		480	15,000,000.01 - 20,000,000		14,660
275,000.01 - 300,000		520	20,000,000.01 - 25,000,000		17,330
300,000.01 - 325,000		560	25,000,000.01 - 50,000,000		20,660
325,000.01 - 350,000		600	50,000,000.01 - 100,000,000		21,330
350,000.01 - 400,000		666	When paid-up capital stock exceeds \$100,000,000		23,990
400,000.01 - 450,000		730			

The occupation tax and biennial fees for business corporations are deposited in the State General Fund.

LB 117, passed during the 2007 Legislative session, added subsection (1)(b) to Neb. Rev. Stat. § [21-2005](#) which reads “Articles of incorporation or documents relating to domestication if filed by an insurer holding a certificate of authority issued by the Director of Insurance, the fee shall be \$300.00.”

¹For purposes of Chapter 21, Article 3, the term “paid-up capital stock” means, the sum of the par value of all shares of capital stock of the corporation issued and outstanding (Neb. Rev. Stat. § [21-329](#)).

The tax levied against foreign corporations is based on the actual value of all real estate and personal property employed in Nebraska by the foreign corporation in the transaction of its business (Neb. Rev. Stat. § [21-306](#)).

NEBRASKA CORPORATION OCCUPATION TAX FEE SCHEDULE FOR FOREIGN CORPORATIONS					
Amount of Assets in Nebraska		Tax Fee	Amount of Assets in Nebraska		Tax Fee
\$0.00 - \$10,000		\$52	\$350,000.01 - \$400,000		\$1,332
10,000.01 - 20,000		80	400,000.01 - 450,000		1,460
20,000.01 - 30,000		120	450,000.01 - 500,000		1,600
30,000.01 - 40,000		160	500,000.01 - 600,000		1,820
40,000.01 - 50,000		200	600,000.01 - 700,000		2,020
50,000.01 - 60,000		240	700,000.01 - 800,000		2,240
60,000.01 - 70,000		280	800,000.01 - 900,000		2,460
70,000.01 - 80,000		320	900,000.01 - 1,000,000		2,660
80,000.01 - 90,000		360	1,000,000.01 - 2,000,000		4,260
90,000.01 - 100,000		400	2,000,000.01 - 3,000,000		5,860
100,000.01 - 125,000		480	3,000,000.01 - 4,000,000		7,460
125,000.01 - 150,000		560	4,000,000.01 - 5,000,000		9,060
150,000.01 - 175,000		640	5,000,000.01 - 6,000,000		10,660
175,000.01 - 200,000		720	6,000,000.01 - 7,000,000		12,260
200,000.01 - 225,000		800	7,000,000.01 - 8,000,000		13,860
225,000.01 - 250,000		880	8,000,000.01 - 9,000,000		15,460
250,000.01 - 275,000		960	9,000,000.01 - 10,000,000		17,060
275,000.01 - 300,000		1,040	10,000,000.01 - 15,000,000		24,000
300,000.01 - 325,000		1,120	15,000,000.01 - 20,000,000		29,320
325,000.01 - 350,000		1,200	When assets exceed 20,000,000		30,000

Each year, several domestic and foreign corporations request refunds for overpayment of their corporation occupation tax. As of 1984, refunds are limited to two years after payment of the tax. The statutes are silent as to the amount of money the Secretary of State can refund.

21-328. Fees; refund; procedure; appeal. Any corporation paying the fees imposed by section [21-303](#) or [21-306](#) may claim a refund if the payment of such fee was invalid for any reason. The corporation shall file a written claim and any evidence supporting the claim within two years after payment of such fee. The Secretary of State shall either approve or deny the claim within thirty days after such filing. Any approved claims shall be paid out of the General Fund. Appeal of a decision by the Secretary of State shall be in accordance with the Administrative Procedure Act.

Domestic and foreign corporations which have been dissolved by operation of law for failure to file a report and pay the tax may be reinstated. To be reinstated, corporations must: file a certificate of renewal; pay a filing fee; pay all taxes due; and pay a variable statutory percent penalty calculated to the date of renewal (Neb. Rev. Stat. § [45-104.02](#)).

A biennial fee of \$20 is levied against nonprofit corporations. The fee is collected in the odd-numbered years on a biennial basis and remitted to the State Treasurer. Two-thirds of the fee is credited to the General Fund and the remaining one-third to the Corporation Cash Fund.

**Statutory Reference
and Description**

**Estimated Tax
Expenditure Cost
(NA = Not Available)**

EXEMPTIONS

Section [21-20,168\(2\)](#)

The following activities of a foreign corporation are not considered to be transacting business in Nebraska, and therefore, exempt the corporation from imposition of the corporate occupation tax:

- | | |
|--|----|
| (a) Maintaining, defending, or settling any proceeding; | NA |
| (b) Holding meetings of the board of directors or shareholders or carrying on other activities concerning internal corporate affairs; | NA |
| (c) Maintaining bank accounts; | NA |
| (d) Maintaining offices or agencies for the transfer, exchange, and registration of its securities, or maintaining trustees or depositories with respect to those securities; | NA |
| (e) Selling through independent contractors; | NA |
| (f) Soliciting or obtaining orders, whether by mail or through employees or agents or otherwise, if the orders require acceptance outside Nebraska before they become contracts; | NA |
| (g) Creating, as a borrower or lender, or acquiring indebtedness, mortgages, or other security interests in real or personal property; | NA |
| (h) Securing or collecting debts or enforcing mortgages and security interests in property securing the debts; | NA |
| (i) Owning, without more, real or personal property; | NA |
| (j) Conducting an isolated transaction completed within a period of 30 days and not in the course of a number of repeated transactions of like nature; | NA |
| (k) Acting as a foreign corporate trustee to the extent authorized under section 30-3820 ; | NA |
| (l) Transacting business in interstate commerce; or | NA |
| (m) The requirements of the Business Corporation Act shall not be applicable to foreign or alien insurers which are subject to the requirements of Chapter 44. | NA |

Section [21-321](#)

All banking, insurance, and building and loan association corporations paying fees and making reports to the Auditor of Public Accounts or the Director of Banking and Finance, and all other corporations paying an annual occupation tax to Nebraska under any other statutory provisions other than those of sections [21-301](#) to [21-327](#), are exempt from the provisions of these sections.

NA

RECOMMENDATIONS

The Secretary of State has no recommendations.

SECTION I — Documentary Stamp Tax

BASIC PROVISIONS AND TAX BASE

The documentary stamp tax is a tax imposed on the grantor executing a deed for the privilege of transferring beneficial interest in or legal title to real estate. The tax rate is \$2.25 for each \$1,000 of value (or fraction thereof) of the real estate transferred. All deeds are presumed taxable unless it clearly appears on the face of the deed or sufficient documented proof is presented to the register of deeds that the instrument is exempt under Neb. Rev. Stat. § [76-902](#).

From each \$2.25 of the tax collected, the register of deeds retains \$0.50 to be placed in the county general fund, and remits the balance to the State Treasurer. The State Treasurer credits \$0.95 of this amount to the Affordable Housing Trust Fund, \$0.25 to the Homeless Shelter Assistance Trust Fund, \$0.25 to the Site and Building Development Fund, and \$0.30 to the Behavioral Health Services Fund.

For tax year 2011, there were a total of 70,521 transactions (39,649 taxable and 30,872 nontaxable). Total collections for tax year 2011 were \$14,498,936. From this total, \$3,222,260 was retained by the counties and \$11,276,676 was credited to the above-mentioned funds.

Statutory Reference and Description	Estimated Tax Expenditure Cost (NA = Not Available)
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EXEMPTIONS

Section [76-902\(1\)](#)

Deeds recorded prior to November 18, 1965. NA

Section [76-902\(2\)](#)

Deeds to property transferred by or to the United States of America, the State of Nebraska, or any of their instrumentalities, agencies, or subdivisions. NA

Section [76-902\(3\)](#)

Deeds which secure or release a debt or other obligation. NA

Section [76-902\(4\)](#)

Deeds which, without additional consideration, confirm, correct, modify, or supplement a deed previously recorded; that do not extend or limit existing title or interest. NA

Section [76-902\(5\)](#)

Deeds between husband and wife, or parent and child, without consideration, and deeds to or from a family corporation, partnership, or limited liability company. NA

Section [76-902\(6\)](#)

Tax deeds. NA

Section [76-902\(7\)](#)

Deeds of partition. NA

Section [76-902\(8\)](#)

Deeds for mergers, consolidations, sales, or transfers of the assets of corporations due to the plans of merger or consolidation. NA

Section [76-902\(9\)](#)

Deeds made by a subsidiary corporation to its parent corporation for no consideration other than the cancellation or surrender of the subsidiary's stock. NA

Section 76-902(10) Cemetery deeds.	NA
Section 76-902(11) Mineral deeds.	NA
Section 76-902(12) Deeds executed pursuant to court decrees.	NA
Section 76-902(13) Land contracts.	NA
Section 76-902(14) Deeds which release a reversionary interest, a condition subsequent or precedent, a restriction, or any other contingent interest.	NA
Section 76-902(15) Deeds of distribution by a personal representative conveying property passing by testate or intestate succession.	NA
Section 76-902(16) Deeds transferring property located within the boundaries of an Indian reservation if the grantor or grantee is a reservation Indian.	NA
Section 76-902(17) Deeds transferring property into a trust where the transfer of the same property would be exempt if the transfer was made directly from the grantor to the beneficiaries under the trust.	NA
Section 76-902(18) Deeds transferring property from a trustee to a beneficiary of a trust.	NA
Section 76-902(19) Deeds which convey property held in the name of any partnership or limited liability company not subject to subdivision (5) of this section to any partner in the partnership or member of the limited liability company or his or her spouse.	NA
Section 76-902(20) Leases.	NA
Section 76-902(21) Easements.	NA
Section 76-902(22) Deeds which transfer title from a trustee to a beneficiary pursuant to a power of sale exercised by a trustee under a trust deed.	NA

RECOMMENDATIONS

The Nebraska Department of Revenue has no recommendations.

SECTION J — Inheritance Tax

BASIC PROVISIONS AND TAX BASE

The inheritance tax in Nebraska is administered by the county court of the county in which the decedent resided or in which real or personal property is located. The tax is levied as a percentage of the clear market value of the property, including proceeds of insurance upon the life of the decedent, that to the extent the benefit is recovered by the personal representation transferred by will or by the intestate laws from any person who, at the time of death, was a Nebraska resident or if a nonresident, possessed nonexempt property located within the State of Nebraska. The rate is determined by the identity of the beneficiary. Interests passing to the surviving spouse are not subject to inheritance tax.

The inheritance tax is required to be apportioned among the counties in the same ratio that the gross property (including both taxable and nontaxable property) in each county bears to the gross value of all property reportable for inheritance tax purposes.

All inheritance tax is credited to the county general fund or to any other fund of the county selected by the county board.

Statutory Reference and Description	Estimated Tax Expenditure Cost (NA = Not Available)
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EXEMPTIONS

Sections [77-2004](#) and [30-2322](#)

The homestead allowance is exempt. A surviving spouse of a decedent who was domiciled in Nebraska is entitled to a homestead allowance of \$20,000. If there is no surviving spouse, each minor or dependent child of the decedent is entitled to a homestead allowance of \$20,000 divided by the number of minor and dependent children of the decedent.	NA
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Sections [77-2004](#) and [30-2323](#)

Exempt property is not subject to the tax. The surviving spouse or children of a decedent who was domiciled in Nebraska is entitled to an amount not exceeding \$2,500 in excess of any security interest, of household furniture, automobiles, furnishings, appliances, and personal effects.	NA
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Sections [77-2004](#), [30-2324](#), and [30-2325](#)

The family maintenance allowance is exempt. If the decedent was domiciled in Nebraska, the surviving spouse and minor children whom the decedent was obligated to support, and children who were in fact being supported by the decedent, are entitled to a reasonable monetary allowance during the administration of the estate up to \$20,000 total without a court order.	NA
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Section [77-2004](#)

The first \$40,000 of the clear market value of property received by each lineal relative or sibling of the decedent is exempt.	NA
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Section [77-2004](#)

Interests passing to the surviving spouse are exempt.	NA
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Section [77-2005](#)

The first \$15,000 of the clear market value of property received by each cousin and other remote relative of the decedent is exempt.	NA
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Section [77-2006](#)

The first \$10,000 of the clear market value of the beneficial interest in the estate received by someone other than a relative is exempt. NA

Section [77-2007](#)

Payments received by an estate under an employee benefit plan are exempt to the extent that the benefit is life insurance otherwise excluded from the tax, or the benefit is not subject to the federal estate tax. NA

Section [77-2007.03](#)

Property transferred to either: (1) the United States or any of its departments, instrumentalities, or agencies; or (2) Nebraska or any of its governmental subdivisions, departments, agencies, or instrumentalities, any municipal corporation or body politic created by or under the laws of Nebraska, or any agency, institution, foundation, or fund administered or operated by any of these entities is exempt. (State taxation prohibited) NA

Section [77-2007.04](#)

All inheritances to or for the use of any corporation, organization, association, society, institution, or foundation organized and operating exclusively for religious, charitable, public, scientific, or educational purposes, is exempt if certain conditions are met. NA

CREDITS

Section [77-2018.06](#)

When a decedent has received property from another person who died within five years prior to the death of the decedent, upon which Nebraska inheritance tax was paid, the tax paid is allowed as a credit against the amount of inheritance tax assessed against the recipients of property from the estate of the decedent. NA

PREFERENTIAL TAX RATES

Sections [77-2004](#), [77-2005](#), and [77-2006](#)

Property transferred to lineal relatives and siblings, remote relatives, and others are taxed at the rates noted below:

Classification	Amount of Property	Tax Rate	
Lineal relatives and siblings	\$40,000.01 & over	1%	NA
Remote relatives	\$0-15,000	0%	NA
	\$15,000.01 & over	13%	
Non-relatives	\$0-10,000	0%	NA
	\$10,000.01 & over	18%	

RECOMMENDATIONS

The Nebraska Department of Revenue has no recommendations. The State Court Administrator may or may not have recommendations.

SECTION K — Insurance Premium Tax

BASIC PROVISIONS AND TAX BASE

Each insurance company organized as a stock, mutual, assessment, or reciprocal insurer, and every nonprofit hospital service corporation (except fraternal benefit societies) which transacts business in Nebraska is required to pay a tax to the Director of Insurance (Director), on or before March 1 of each year, in lieu of any other intangible property tax, of 1% of the gross amount of direct written premiums received by it during the preceding calendar year for business done in Nebraska; except that (1) for group sickness and accident insurance, the rate of tax is .05%; and (2) for property and casualty insurance, excluding individual sickness and accident insurance, the rate is 1%.

The taxable premiums include premiums paid on the lives of persons residing in Nebraska and premiums paid for risks located in Nebraska, whether or not the insurance was written in Nebraska. When insurance is written on a group which exceeds 500 lives, the taxable premium includes the portion of the premium paid for insurance on Nebraska residents or risks located in Nebraska. The tax also applies to premiums received by domestic companies for insurance written on individuals residing outside Nebraska, or risks located outside Nebraska if no comparable tax is paid by the direct writing domestic company to any other appropriate taxing authority.

The Director is required to transmit 50% of the taxes paid to the Insurance Tax Fund, 40% to the General Fund, and 10% to the Mutual Finance Assistance Fund promptly upon completion of an audit and examination of the tax returns submitted by the insurers, but in no event later than May 1 of each year. Commencing with the taxable year ending December 31, 2001, all premium and retaliatory taxes paid by insurers writing health insurance in Nebraska are remitted to the Comprehensive Health Insurance Pool Distributive Fund in lieu of transmitting 50% of the taxes paid to the Insurance Tax Fund, 40% to the General Fund, and 10% to the Mutual Finance Assistance Fund.

In 1998, legislation was enacted (LB1120) which required 10% of the premium taxes collected to be transferred to the Mutual Finance Assistance Fund. This fund is used to provide assistance to rural or suburban fire protection districts and mutual finance organizations which qualify under the Mutual Finance Assistance Act. For tax year 2011, \$3,367,387 was allocated to this fund which would have gone to the General Fund prior to the enactment of this legislation.

The statutes direct the State Treasurer to disburse all of the funds in the Insurance Tax Fund prior to June 1 of each year as follows:

- 10% of the total to the counties, proportionately in the proportion that the population of each county bears to the entire state, as shown by the latest U.S. census;
- 30% of the total to the Municipal Equalization Fund; and
- 60% of the total to the State Department of Education for distribution to school districts as equalization aid pursuant to the Tax Equity and Educational Opportunities Support Act. The Commissioner of Education must: (a) include the amount certified by the State Treasurer pursuant to this section with the amount appropriated to the Tax Equity and Education Opportunities Fund for distribution in the ensuing school fiscal year; (b) include the amount in state aid certified to each school district; and (c) distribute this fund as equalization aid under the provisions of the Act during the ensuing fiscal year.

An insurer whose annual tax for the preceding taxable year was \$4,000 or more must make prepayments of its annual taxes on or before April 15, June 15, and September 15, of the current taxable year. The amount of each prepayment must be at least one-fourth of either: (1) the total tax paid for the immediately preceding taxable year; or (2) 80% of the actual tax due for the current taxable year.

The Director is required to deposit 50% of the prepayments received to the Premium and Retaliatory Tax Suspense Fund and 50% to the General Fund. Commencing with the taxable year ending December 31, 2001, all prepayments paid by insurers writing health insurance in Nebraska are remitted to the Comprehensive Health Insurance Pool Distributive Fund in lieu of transmitting 50% of the taxes paid to the Premium and Retaliatory Tax Suspense Fund and 50% to the General Fund.

The Director is authorized to impose retaliatory taxes, licenses, and other fees upon insurers from other states or countries which tax Nebraska insurers at a higher level than the tax rate currently imposed in the State of Nebraska. The retaliatory taxes are transmitted and deposited in the same manner as the insurance premium tax. The licenses and fees are deposited by the State Treasurer to the Department of Insurance Cash Fund to be appropriated and expended for the supervision, control, and regulation of the business of insurance in Nebraska.

In 1993, legislation was enacted (LB 757) which created two new taxes on the gross amount of direct written workers' compensation insurance premiums received by the company. The first is a 1% tax, the proceeds of which are transmitted by the Director to the State Treasurer for credit to the Workers' Compensation Court Cash Fund. The second is the tax of .04%, which is transmitted by the Director to the State Treasurer for credit to the Workplace Safety Consultation Program Cash Fund. LB 757 provides that this second tax be imposed for workers' compensation business transacted in this state during the 1993 through 1995 calendar years only. For tax year 2011, \$3,218,927 was allocated to the Workers' Compensation Court Cash Fund which would have gone to the General Fund, Mutual Assistance Finance Fund, counties, municipalities, and school districts prior to the enactment of the legislation.

Statutory Reference and Description		Actual Tax Expenditure Cost (NA = Not Available)
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EXEMPTIONS

	Domestic	Foreign
Section 77-907 Premiums on all annuity contracts and pension, profit sharing, individually sponsored retirement plans, and other pension plan contracts which are described in the Internal Revenue Code (IRC) of 1986 § 818(a), as amended, shall be exempt from taxation.	\$2,225,409	\$13,807,955
Section 77-907 (other than annuities) Premiums for pensions, profit sharing, individually sponsored retirement plans, and other pension plan contracts which are described in the IRC of 1954 § 818(a), as amended.	\$406,078	\$413,183
Section 77-908 Fraternal beneficiary associations:		
On gross premiums written; or	\$45,733	\$2,128,123
If dividend deduction were allowed.	\$40,993	\$2,080,505

DEDUCTIONS

Sections 44-2407(1)(d) and 44-2716(2) Contributions to the Nebraska Property and Liability Insurance Guaranty Association, and Life and Health Insurance Guaranty Association.	\$146,116	\$1,874,003
Section 77-908 Companies whose scheme of operation contemplates the return of a portion of premiums to policyholders, without policyholders being claimants under the terms of their policies.	\$30,820	\$464,715
Section 77-908 Credit for contributions to Community Development Assistance Act.	\$0	\$0
Section 44-4225 Contributions to the Comprehensive Health Insurance Pool.	\$10,963,580	\$28,161,334

RECOMMENDATIONS

The Nebraska Department of Insurance has no recommendations.

SECTION L — Local Occupation and License Tax

BASIC PROVISIONS AND TAX BASE

Neb. Rev. Stat. §§ [14-109](#), [15-202](#), [15-203](#), [16-205](#), [17-525](#), and [18-1208](#) allow cities of the metropolitan class, cities of the primary class, first class cities, second class cities, and villages respectively, to raise revenue by levying and collecting an occupation tax on any occupation or business, including a public service corporation, within the limits of the city or village. The monies raised by these local taxes are for use by local governments in their governmental operations.

Statutory Reference and Description	Estimated Tax Expenditure Cost (NA = Not Available)
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EXEMPTIONS

Sections [14-109](#), [15-203](#), [16-205](#), [17-525](#), and [18-1208](#)

Exclude from imposition of any occupation tax all scientific and literary lectures and entertainments; also concerts and all other musical entertainment given exclusively by the citizens of the city or village.

NA

RECOMMENDATIONS

The Nebraska Department of Revenue has no recommendations.

SECTION M — Nebraska and County Lodging Tax

BASIC PROVISIONS AND TAX BASE

The lodging tax is a tax imposed upon the total gross receipts charged for the occupancy of any space furnished by any hotel (including a Nebraska-operated hotel), motel, tourist home, campground, court, inn, bed and breakfast, or lodging house in Nebraska for less than 30 consecutive days. The lodging tax is imposed in addition to the sales and use tax. The Nebraska lodging tax is 1%. Receipts from Nebraska lodging tax are paid to the State Visitors Promotion Cash Fund.

Each county in Nebraska may impose a lodging tax of 2% or less. The county lodging tax receipts are paid to the County Visitors Promotion Fund. Each county may also impose an additional lodging tax of 2% or less. Receipts from this additional county lodging tax are paid to the County Visitors Improvement Fund. A 3% administrative fee is deducted by the Nebraska Department of Revenue and deposited in the General Fund.

Both county lodging taxes are in addition to the 1% state lodging tax and regular sales and use tax.

Statutory Reference and Description	Actual Tax Expenditure Cost (NA = Not Available)
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EXEMPTIONS

	State	Counties
Sections 81-3722, 77-2704.02, 77-2704.12(1), and 77-2704.15 through 77-2704.20	\$418,710	\$1,256,130

Purchases by:

- Nonprofit organizations created exclusively for religious purposes;
- Nonprofit organizations providing services exclusively to the blind;
- Nonprofit Nebraska-licensed schools, colleges, universities established under §§ [79-1601 to 79-1607](#) or any regionally or nationally accredited, nonprofit, privately controlled college or university with its primary campus physically located in Nebraska (not including Nebraska public post-secondary institutions);
- Nonprofit Nebraska-licensed hospitals;
- Nonprofit Nebraska-licensed health clinics when one or more hospitals or the parent corporations of the hospitals own or control the health clinic for the purpose of reducing the cost of health services, or when the health clinic receives federal funds through the United States Public Health Service for the populations that are medically under-served;
- Nonprofit Nebraska-licensed skilled nursing facilities;
- Nonprofit Nebraska-licensed intermediate care facilities;
- Nonprofit Nebraska-licensed assisted-living facilities;
- Nonprofit Nebraska-licensed intermediate care facilities for the mentally retarded;
- Nonprofit Nebraska-licensed nursing facilities;
- Nonprofit Nebraska-licensed home health agency, hospice or hospice service, and respite care service;
- Nonprofit Nebraska-licensed child-caring agencies or child placement agencies; and
- Nonprofit organizations certified by the Department of Health and Human Services (HHS) to provide community-based services for persons with developmental disabilities.

The state, including public educational institutions recognized or established under the provisions of Chapter 85, or any Nebraska county, township, city, village, rural or suburban fire protection district, city airport

authority, county airport authority, joint airport authority, drainage district organized under §§ [31-401 to 31-450](#), natural resource district, elected county fair board, housing agency as defined in § [71-1575](#) except for purchases for any commercial operation that does not exclusively benefit the residents of an affordable housing project, cemetery created under § [12-101](#), or joint entity or agency formed by any combination of two or more counties, townships, cities, villages, or other exempt governmental units pursuant to the Interlocal Cooperation Act, the Integrated Solid Waste Management Act, or the Joint Public Agency Act, except for purchases for use in the business of furnishing gas, water, electricity, or heat, or by any irrigation or reclamation district, the irrigation division of any public power and irrigation district, or public schools or learning communities established under Chapter 79.

The Nebraska State Fair Board.

The Nebraska Investment Finance Authority.

Licenses of the State Racing Commission.

The federal government when payment is made directly by the federal government.

State tax
is prohibited

DEDUCTIONS

	State	Counties
Section 81-3723		
The state retains 3% of the county lodging tax receipts as an administrative fee to defray the cost of collecting and administering the tax.	\$0	\$440,527 ¹

¹This is a tax expenditure for the applicable counties only.

RECOMMENDATIONS

The Nebraska Department of Revenue has no recommendations.

SECTION N — Motor Vehicle, Diesel, Aircraft, and Compressed Fuels Taxes

BASIC PROVISIONS AND TAX BASE

Motor Fuels Tax – Motor Vehicle Fuels and Diesel Fuels

Motor vehicle fuels and undyed diesel fuels are subject to an excise tax imposed on the motor fuels received, imported, produced, refined, manufactured, compounded, or blended in the State of Nebraska for use, distribution, sale, or delivery in Nebraska. Motor vehicle fuels include all products commonly or commercially known as gasoline, gasohol, ethanol, casing head gasoline, and natural gasoline. Products such as naphtha, methanol, benzene, and benzol, although not defined as motor vehicle fuels, are subject to tax, if placed directly into a licensed motor vehicle or blended into gasoline at a point in the distribution chain after the refinery. Diesel fuels include all combustible liquids suitable for use in diesel-powered motor vehicles including biodiesel blends. It does not include kerosene which is subject to tax if it is blended with undyed diesel fuel.

Dyed diesel fuel placed in licensed motor vehicles by governmental agencies is also subject to motor fuels tax. Governmental agencies placing dyed diesel fuel in a licensed motor vehicle must remit motor fuels use tax by filing the Nebraska Motor Fuels Use Tax Return, Form 74.

Businesses licensed as producers, suppliers, distributors, wholesalers, importers, or exporters report and remit the motor fuels tax. Retailers, while licensed, are not required to file returns. Instead, they are subject to field record reviews or audits. Liquid fuel carrier licenses and terminal operator licenses are required for businesses involved in the movement of motor vehicle fuels in the State of Nebraska. The proper license may be obtained by completing a [Nebraska Motor Fuels License Application, Form 20MF](#).

The motor fuels tax is subject to change each January 1 and July 1, and consists of a fixed portion, a variable excise tax rate, and a variable wholesale component. The fixed portion excise tax is 10.3 cents per gallon. The variable excise tax rate is set to meet appropriations. The variable wholesale component is 5% of the average wholesale price of gasoline for the previous six months. The total motor fuels tax per gallon for the first half of 2011 was 26.4 cents. For the second half of 2011, it was 26.3 cents. For the first half of 2012, it was 26.7 cents. For the second half of 2012, it is 26.2 cents.

The business producing, importing, or removing motor fuels from a Nebraska fuel pipeline terminal has the option to remit the tax or to pass the liability on to a customer who is a licensed supplier, distributor, exporter, or wholesaler. If the tax liability is passed on to the customer, the customer must remit the tax to Nebraska, and cannot subsequently sell that fuel tax-free unless a qualified exemption applies.

Qualified exemptions for motor vehicle fuels are:

- exports with sales or use in a state other than Nebraska;
- sales to the U.S. Government or its agencies, and federal corporations wholly owned by the U.S. Government;
- sales to a metropolitan transit authority;
- natural gasoline purchased by ethanol producers for use as a denaturant; or
- sales on a Nebraska Indian reservation to a Native American residing on a Nebraska Indian reservation.¹

¹Under the authority of Neb. Rev. Stat. § 66-741, agreements are in effect with the Winnebago Tribe, the Santee Sioux Tribe, and the Omaha Tribe which eliminate this exemption on their reservations. These agreements provide that the tribes will collect a tribal tax equivalent to the Nebraska motor fuels tax on all reservation retail pump sales. It further provides that the tribes and the State of Nebraska share the motor fuels tax revenue in accordance with the negotiated apportionment. These agreements extend to all products subject to the Nebraska motor fuels tax.

While natural gasoline purchased for use as a denaturant in the production of ethanol is exempted from the motor fuels tax, it is subject to an excise tax reported and remitted by licensed ethanol producers. The tax of 1.25 cents per gallon is deposited into the Agricultural Alcohol Fuel Tax Fund (AAFTF).

Qualified exemptions for diesel fuels are:

- exports with sales or use in a state other than Nebraska;
- sales to the U.S. Government or its agencies, and federal corporations wholly owned by the U.S. Government;
- sales to a metropolitan transit authority;
- sales on a Nebraska Indian reservation to a Native American residing on a Nebraska Indian reservation¹; and
- sales of 50 gallons or less for use in a temperature control unit (reefer) or power-take-off unit. The consumer of the reefer fuel must submit an approved exemption certificate to the retailer and must also pay applicable sales tax.

A refund of the motor fuels tax paid on gallons used in unlicensed equipment may be claimed by completing a [Nebraska Non-Ag Use Motor Fuels Tax Refund Claim, Form 84](#), or a [Nebraska Ag Use Motor Fuels Tax Refund Claim, Form 84AG](#). Claims may be submitted whenever the motor fuels tax claimed exceeds \$25 within a calendar year. The minimum must be met within a calendar year for each fuel type claimed.

Aircraft Fuels Tax

Aircraft fuels are subject to an excise tax imposed upon aircraft fuels purchased for and used in aircraft within the State of Nebraska. Aircraft fuels include aviation gasoline, jet fuel, or any other fuel used and consumed exclusively for the purpose of propelling aircraft. Aviation gasoline is taxed at five cents per gallon, and aviation jet fuel is taxed at three cents per gallon.

Reporting and remitting of the aircraft fuels tax is done by businesses licensed as a supplier, distributor, wholesaler, importer, or exporter. Retailers, while licensed, are not required to file reports. Instead, they are subject to field record reviews. Liquid fuel carrier licenses and terminal operator licenses are required for businesses involved in the movement of aircraft fuels in the State of Nebraska. The proper license may be obtained by completing a [Nebraska Motor Fuels License Application, Form 20MF](#).

The aircraft fuels tax is administered in the same manner as the tax on motor vehicle fuels with regard to the point of taxation and exemptions.

Compressed Fuel Tax

The Nebraska compressed fuel tax is an excise tax imposed on retail sales of compressed fuel being placed in a licensed motor vehicle, or to an end user who intends to use the fuel by placing it in a licensed motor vehicle. Compressed fuel includes compressed natural gas, liquefied petroleum gas, liquefied natural gas, and any other compressed fuel used to power a motor vehicle. Persons required to be licensed as compressed fuel retailers are those who are engaged in the business of selling or otherwise providing compressed fuel to consumers of the fuel for use in a motor vehicle. A retailer who has equipment capable of dispensing compressed fuel into a motor vehicle must also be licensed as a compressed fuel retailer. Application for the required license is completed by submitting a [Nebraska Motor Fuels License Application, Form 20MF](#).

Compressed fuel is taxed at the same rate as motor vehicle and diesel fuels. Purchases of compressed fuel to be placed in licensed motor vehicles by the U.S. Government, and purchases made on a Nebraska Indian reservation by a Native American that resides on a Nebraska Indian reservation, are exempt from the compressed fuel tax.¹

¹Under the authority of Neb. Rev. Stat. § [66-741](#), agreements are in effect with the Winnebago Tribe, the Santee Sioux Tribe, and the Omaha Tribe which eliminate this exemption on their reservations. These agreements provide that the tribes will collect a tribal tax equivalent to the Nebraska motor fuels tax on all reservation retail pump sales. It further provides that the tribes and the State of Nebraska share the motor fuels tax revenue in accordance with the negotiated apportionment. These agreements extend to all products subject to the Nebraska motor fuels tax.

Statutory Reference and Description	Estimated Tax Expenditure Cost (NA = Not Available)
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EXEMPTIONS

Section 14-1810 Motor vehicle, compressed, and diesel fuels sold to and used in the operations of a metropolitan transit authority are exempt from tax.	\$220,000
Sections 66-4,103 and 66-4,116 Exempts foreign or interstate commerce from motor fuels tax.	NA (State taxation prohibited)
Section 66-489 Natural gasoline purchased by producers for use as denaturant.	\$10,320,000
Section 66-489 Sold one-time only to another licensed motor fuels distributor or wholesaler for resale purposes.	\$50,380,000
Section 66-489 Diesel fuel that has been dyed at the terminal rack and sold for non-highway use is not taxed.	NA
Section 66-489 Federal law prohibits the state from taxing the U.S. government or its agencies on their motor fuel purchases.	\$380,000 (State taxation prohibited)
Section 66-495 Undyed diesel fuel used in the operation of temperature control units or power take-off units may be purchased tax-free, if the fuel is purchased in quantities of 50 gallons or less, and placed directly into the supply tank of an engine not connected to the main supply tank of a licensed motor vehicle. The consumer of the fuel must submit an approved exemption certificate to the retailer and must also pay applicable sales tax.	\$300,000

DEDUCTIONS

Section 66-486 A motor vehicle fuel producer, supplier, distributor, wholesaler, or importer can deduct a commission of 5% of the first \$5,000 of tax, and 2.5% of all amounts over \$5,000 of tax remitted each month.	\$5,740,000
Sections 66-486, 3-148, and 3-149 An aircraft fuel supplier, distributor, wholesaler, or importer can deduct a commission of 5% of the first \$5,000 of tax, and 2.5% of all amounts over \$5,000 of tax remitted each month.	\$50,000
Section 66-486 A diesel fuel producer, supplier, distributor, wholesaler, or importer can deduct a commission of 2% of the first \$5,000 of tax, and 0.5% of all amounts over \$5,000 of tax remitted each month.	\$680,000

Section [66-6.113](#)

A compressed fuel retailer can deduct a commission of 2% of the first \$5,000 of tax, and 0.5% of all amounts over \$5,000 of tax remitted each tax period. \$4,000

CREDITS AND REFUNDS

Section [66-489](#)

Motor fuels sold and used in buses equipped to carry more than seven persons for hire and engaged entirely in the transportation of passengers for hire within municipalities or within a radius of six miles. \$9,000

Sections [66-489](#) and [66-741](#)

Diesel, compressed, and motor vehicle fuels sold on a Nebraska Indian reservation to a Native American residing on a Nebraska Indian reservation. This exemption does not apply to retail pump sales made on the Winnebago, Santee Sioux, and Omaha Reservations per agreements between the tribes and Nebraska (see [footnote 1](#) of Section N, page 1). Minimal

Section [66-726](#)

Refund of motor fuels tax which was paid on fuel:

- Destroyed Minimal
- Sold in a state outside Nebraska Minimal
- On which there was an overpayment of taxes Minimal
- Agricultural, quarrying, industrial, or other non-highway use \$2,180,000
- Errors in payment (including fuel consumed by the U.S. government or its agencies) \$280,000

Section [66-726](#)

Refund of aircraft fuels tax which was paid on fuel:

- Destroyed Minimal
- Sold in a state outside Nebraska Minimal
- On which there was an overpayment of taxes Minimal
- Errors in payment (including fuel consumed by the U.S. government or its agencies) \$8,000

Section [3-150](#)

Any person who buys and uses aviation fuels for use in an FAA approved air school is entitled to a refund of the amount of tax paid. Minimal

Section [66-1344 \(2\)](#)

Beginning January 1, 2002, any new ethanol facility in production at the minimum rate on or before June 30, 2004, will receive a non-refundable transferable credit of 18 cents per gallon up to 15,625,000 gallons per year. New facilities are eligible for 96 consecutive months, while any existing facility which had not received credits prior to June 1, 1999, is eligible for 48 consecutive months. \$23,610,000

PREFERENTIAL TAX RATES

Section [3-148](#)

Aviation gasoline is subject to a tax of five cents per gallon; aviation jet fuel is subject to a tax of three cents per gallon. \$1,490,000

RECOMMENDATIONS

The Nebraska Department of Revenue has no recommendations.

SECTION O — Motor Vehicle Registration and Licensing Fees

BASIC PROVISIONS AND TAX BASE

Motor vehicles, trailers, semi-trailers, or cabin trailers operated on Nebraska highways must be registered and have specified fees paid as directed by the Nebraska statutes. Every snowmobile operated in Nebraska must also be registered.

The **Highway Trust Fund** is credited with:

1. All registration fees collected by county treasurers, except as provided in §§ [60-3,156](#), [39-2215\(3\)](#), and [60-3,141](#);
2. 70% of all registration fees collected for apportioned vehicles (§ [60-3,202](#));
3. Up to \$3.50 per plate fee as set by the Nebraska Department of Motor Vehicles (DMV) (§ [60-3,102](#));
4. The amount of unladen weight registration fees (§ [60-3,198\[10\]](#));
5. All film vehicle fees collected by the DMV (§ [60-383](#));
6. A portion of all personalized message plate fees (§ [60-3,119](#)); and
7. A portion of all organizational license plate fees (§ [60-3,104.01](#)).

The **Highway Cash Fund** is credited with the amount of registration fees collected from:

1. Trip permits issued by carrier enforcement (§ [60-3,198 \[11\]](#));
2. Permanent trailer plate fees for apportioned vehicles (§ [60-3,203](#));
3. Grain hauling permits (§ [60-3,112](#));
4. Nonresident carnival operator permits (§ [60-384](#)); and
5. Local trucks operating beyond their specified limits for the purpose of equipping, modifying, or servicing the truck (§ [60-3,110](#)).

The DMV Cash Fund is credited with \$1.50 from each registration issued, a portion of the fees collected from the sale of personalized message plates, a portion of the fees collected from the sale of spirit plates, and a portion of the fees collected from the sale of organizational plates. Twenty-five percent of the net registration fees obtained from snowmobile registrations is credited to the State General Fund. The Nebraska Snowmobile Trail Cash Fund is credited with 75% of the net registration fees obtained from snowmobile registrations.

The International Registration Plan Distributive Fund is credited with fees obtained from owners operating fleets of apportionable commercial motor vehicles in Nebraska for interstate commerce who, in lieu of general registration, register and license their fleet under the prorate provision contained in the statutes.

Effective July 1, 1996, LB 1218 transferred responsibility for the International Fuel Tax Agreement (IFTA) program to the DMV, Division of Motor Carrier Services. Effective January 1, 1997, the Interstate Motor Carrier (IMC) jurisdictions joined IFTA, resulting in the termination of the IMC program.

Beginning January 1, 1998, under Chapter 60, Article 30 of the Nebraska Revised Statutes, motor vehicle fees and taxes are collected by county officials and administered by the DMV.

**Statutory Reference
and Description**

EXEMPTIONS

Section [60-339](#)

The following are not included in the definition of motor vehicles and are therefore exempted from registration fees:

NA

- mopeds;
- farm tractors;
- self-propelled equipment designed and used exclusively to carry and apply fertilizer, chemicals, or related products to agricultural soil and crops;
- other implements of husbandry designed for and used primarily for tilling the soil, harvesting crops, or feeding livestock;
- vehicles which run only on rails or tracks;
- off-road designed vehicles including, but not limited to, golf carts, go-carts, riding lawn mowers, garden tractors, all terrain vehicles, utility-type vehicles, snowmobiles, and mini bikes;
- road, general purpose construction, and maintenance machinery not designed or used primarily for the transportation of persons or property including, but not limited to, ditch digging apparatus, asphalt spreaders, bucket loaders, leveling graders, earth moving carryalls, power shovels, earth moving equipment, and crawler tractors;
- self-propelled invalid chairs;
- electric personal assistive mobility devices; and
- low-speed vehicles.

Sections [60-366](#) and [60-367](#)

A nonresident owner operating a foreign vehicle in Nebraska is not required to register this vehicle or pay any fees if the car has been properly registered in the foreign state and the number plates are displayed while in operation. However, any nonresident owner whose passenger car is operated in Nebraska for 30 or more days will register this car in the same manner as a Nebraska resident, unless the state of his or her residence grants immunity from these requirements to residents of Nebraska operating a passenger car in that state.

NA

Section [60-373](#)

Each licensed dealer in motor vehicles or dealer in trailers doing business in Nebraska, instead of registering each motor vehicle or trailer which the dealer owns that is a type otherwise required to be registered, or any employee of such dealer, may: (a) operate or move the same upon the streets and highways of Nebraska solely for purposes of transporting, testing, demonstrating, or use in the ordinary course and conduct of his or her business as a motor vehicle or trailer dealer, including the personal or private use of the dealer, and including the personal or private use of any bona fide employee, or for transporting industrial equipment held by the licensee for purposes of demonstration, sale, rental, or delivery; or (b) sell the same without registering each motor vehicle or trailer if dealer number plates are displayed on the vehicle.

Each licensed manufacturer who manufactures or assembles motor vehicles, motorcycles, or trailers, in lieu of the registering of each motor vehicle or trailer which the manufacturer owns which is a type otherwise required to be registered, or any employee of the manufacturer, may operate or move the same upon the streets and highways of Nebraska solely for purposes

NA

of transporting, testing, demonstrating to prospective customers, or use in the ordinary course and conduct of business as a motor vehicle, motorcycle, or trailer manufacturer, upon the condition that the dealer number plates be displayed on the vehicle.

Finance companies licensed to do business in Nebraska may, in lieu of registering each motor vehicle or trailer repossessed, make an application for a repossession certificate and one repossession plate for a fee of \$10. NA

Any transporter doing business in Nebraska may, in lieu of registering each motor vehicle or trailer which the transporter is transporting, make an application to the DMV for a transporter's certificate and one transporter number plate for a fee of \$10. NA

Section [60-368](#)

Nonresidents, certified by the Nebraska Department of Labor as being engaged in temporary agricultural employment within Nebraska, are exempt from licensing passenger vehicles for 60 days, provided the vehicle is duly licensed in their state of residence. NA

Section [60-3,160](#)

No registration fee is collected on any motor vehicle owned by any city or village of Nebraska used in connection with police, street, public transportation, park, library, or fire prevention activity, fire trucks owned and used by any rural fire protection district, and motor vehicles owned and operated by the Civil Air Patrol; nor any motor vehicle owned and used by any public school district, county, state, or U.S. government, municipal public body, or authority used in operating a public passenger transportation system. \$798,966

Section [60-3,185](#)

In addition to the registration fees provided by Chapter 60, article 3, and the motor vehicle fee imposed in section [60-3,190](#), a motor vehicle tax is imposed on motor vehicles registered for operation upon the highways of Nebraska except: (1) Motor vehicles exempt from the registration fee in section [60-3,160](#); (2) One motor vehicle owned and used for his or her personal transportation by a disabled or blind honorably discharged veteran of the U.S. Armed Forces as defined in section [77-202.23](#) whose disability or blindness is recognized by the U.S. Department of Veterans Affairs if an application for the exemption has been approved under subsection (1) of section [60-3,189](#); (3) Motor vehicles owned by Indians as defined in 25 U.S.C. 479; (4) Motor vehicles owned by a member of the United States Armed Forces serving in Nebraska in compliance with military or naval orders if this person is a resident of a state other than Nebraska; (5) Motor vehicles owned by the state and its governmental subdivisions and exempt as provided in subdivision (1)(a) of section [77-202](#); and (6) Motor vehicles owned and used exclusively by an organization or society qualified for a tax exemption provided in subdivision (1)(b) or (1)(c) of section [77-202](#) if an application for the exemption provided in this subdivision has been approved under subsection (2) of section [60-3,189](#). NA

Soldiers' and Sailors' Civil Relief Act (section [77-1242.01](#))

This federal act allows nonresident military personnel stationed at a military base in Nebraska, or in one of the various recruiting services, to obtain tax-free license plates. Only the motor vehicle tax is exempt; the license fee and sales tax must be paid. NA
(Federal law prohibits state taxation)

DEDUCTIONS

Section [60-3,142](#)

The county treasurers, acting as agents for the DMV in collection of registration fees from nonresident grain hauling permits, are allowed to retain 5% of each fee collected. NA

Section [60-6.217](#)

The county treasurers are allowed to deduct and retain 25 cents for each snowmobile registration fee they collect as agent for the DMV.

\$207

CREDITS

Section [60-398](#)

A nonresident may, if he or she applies within 90 days from the original registration date and surrenders the registration certificate and the license which were assigned, receive a refund in the amount of 50% of the original license fee; except no refund will be made on any license surrendered after the ninth month of the registration period for which the vehicle was registered.

NA

Section [60-3.198\(8\)](#)

A Nebraska-based fleet owner may file an application with the DMV to delete a registered motor vehicle from a fleet of registered motor vehicles because the vehicle is disabled and has been removed from service, and return the registration certificate or certificates. The fleet owner receives a credit for that portion of the registration fee deposited in the Highway Trust Fund based upon the number of unexpired months remaining in the registration year.

NA

Section [60-3.200](#)

Whenever a motor vehicle has been registered by the owner under the provisions of § [60-362](#), the motor vehicle taxes imposed in § [77-1240.01](#) have been paid on that motor vehicle for the registration period, and the motor vehicle is registered under the prorate provisions of § [60-3.198](#), the DMV, upon application of the owner of the motor vehicle, is to certify that the motor vehicle owner is entitled to receive the refund of the unused registration fees and personal property taxes for the registration period.

NA

Section [60-393](#)

An owner who has two or more vehicles required to be registered under the statutes may elect to register all of these vehicles on a calendar year or annual basis for the same registration period beginning in a month chosen by the owner. The owner, when electing to establish the same registration date for all of these vehicles, pays the registration fees and motor vehicle tax on each vehicle for the number of months necessary to extend the current registration period to the registration period under which all of these vehicles will be registered. Credit must be given for registration paid on each vehicle when the vehicle has a later expiration date than the one chosen by the owner.

NA

Section [60-395](#)

The registered owner of a motor vehicle or cabin trailer which is sold or lost due to fire, theft, dismantlement, junking, or when a salvage certificate of title is issued, may, or whenever a type or class of motor vehicle previously registered is subsequently declared by legislative act or court decision to be illegal or ineligible to be operated on the public roads and no longer subject to registration fees or taxes, or in case of a change in the tax situs of a motor vehicle to a location outside of Nebraska, may, by returning the registration certificate, the number plates and renewal tabs, and after making an affidavit to the county treasurer of such transfer of loss, receive a refund of that part of the unused fees on passenger vehicles, trucks, and cabin trailers based on the number of unexpired months remaining in the registration period. The registered owner must make claim for refund or credit within 60 days from the date of the event. The date of the event will be the date of the transfer or loss, the date of registration in another state, the effective date of the legislative act, or the date the court decision is rendered.

NA

Section [60-396](#)

Whenever the registered owner files an application with his or her county treasurer showing that a motor vehicle is disabled and has been removed from service, the registered owner may, by returning the registration certificate, number plates, and when appropriate, the renewal tabs, or in the case of the unavailability of these certificates, number plates or tabs, then by making an affidavit to the treasurer of such disablement and removal from service, receive a credit for a portion of the registration fee from the fee deposited with the State Treasurer at the time of registration based upon the number of unexpired months remaining in the registration year.

NA

PREFERENTIAL TAX RATES

Section [60-3,198](#)

Any owner engaged in operating a fleet of apportionable vehicles in Nebraska in interstate, commerce may, in lieu of registration of these vehicles under the general provisions of sections [60-301 to 60-3,220](#), register and license this fleet for operation in Nebraska by filing a sworn statement and the application required by section [60-3,203](#) with the DMV. Upon receipt of this statement and application, the DMV shall determine the total fee payment which shall be equal to the amount of fees due pursuant to section [60-3,203](#) and the amount obtained by applying the proportion of in-state fleet miles to total fleet miles, as reported in these states, to a fee of \$32 per ton based upon gross vehicle weight of the empty weights of any trailer, semi-trailer, or combination thereof with which it is to be operated in combination at any one time, plus the weight of the maximum load to be carried thereon at any one time. The registered vehicles shall be exempt from all further registration and license fees under sections [60-301 to 60-3,220](#) for movement or operation in the State of Nebraska, except as provided in section [60-3,203](#).

NA

Section [60-3,145](#)

Local vehicles operated solely within a ten-mile radius of an incorporated city or village's corporate limits must pay a registration fee of 30% of the regular commercial registration, but never less than \$18.

\$203,935

Section [60-3,146](#)

For farm trucks, except for farm trucks or combinations of trucks or truck-tractors and trailers or semi-trailers having a gross vehicle weight exceeding 16 tons, the registration fee is \$18 for up to and including five tons gross vehicle weight. In excess of five tons, the fee is \$22. For a truck or a combination of truck or truck-tractor and trailer or semi-trailer, the registration fees are: for a gross weight in excess of 16 tons up to and including 20 tons, \$40 plus five dollars for each ton of gross weight over 17 tons; and for gross weight exceeding 20 tons, \$65 plus \$10 for each ton of gross weight over 20 tons. Fees are based on the combined gross weight as provided in section [60-3,147](#), but at a reduced rate.

\$31,780,200

Section [60-3,147\(4\)\(6\)](#)

Commercial trucks used exclusively for the transportation of livestock, unprocessed milk, poultry, grain, sugar beets, potatoes, and hay, must pay fees at a rate of 10% less than other commercial trucks.

NA

Section [60-3,149](#)

Trucks, truck-tractors, trailers, or semi-trailers which are not for hire, owned by those engaged in soil and water conservation work, and used for the purpose of transporting pipe and equipment used exclusively by these contractors, must pay registration fees at one-half of the commercial truck fee rate, but in no case less than the minimum fee of \$18.

\$110,518

Section 60-3,111

Special 30-day farm permits at one-twelfth of the commercial truck fee, but never less than \$25, can be used by farmers or ranchers for trucks used exclusively to carry their own supplies, farm equipment, and household goods to and from the owner's farm and ranch, and used to carry the owner's agricultural products, livestock, and produce to or from storage or market. Minimal

Section 60-3,151

Trailers in Nebraska are registered and pay differing fees depending upon their classification: NA

Utility trailer - \$1 per 1,000 pounds of gross weight up to 9,000 pounds;

Farm trailer - \$1 regardless of weight;

Fertilizer trailer - \$1 regardless of weight, or \$3 per ton when the registration weight is to a separate unit;

Commercial trailer or semi-trailer - \$1 regardless of weight; and

Pole and cable reel trailer - \$2 per 1,000 pounds of gross weight up to 16,000 pounds.

Section 60-3,151

Recreational vehicles are registered and pay differing fees depending upon their classification: NA

Self-propelled mobile home -

8,000 pounds or less = \$18

8,001-11,999 pounds = \$30

12,000 pounds and over = \$42

Cabin trailers without motive power -

1,000 pounds or less = \$ 9

1,001-1,999 pounds = \$12

2,000 pounds and over = \$15

Section 60-3,155

Well-boring apparatus pay a registration fee of one-twelfth of the regular commercial registration fee. \$358,438

RECOMMENDATIONS

The Nebraska Department of Motor Vehicles has no recommendations.

SECTION P — Oil and Gas Severance Tax and Oil and Gas Conservation Tax

BASIC PROVISIONS AND TAX BASE

The severance tax is levied at the rate of 3% of the value of non-stripper oil and natural gas severed from the soil of Nebraska and 2% of the value of stripper oil severed from the soil of Nebraska. The tax is paid by the first purchaser if the oil or natural gas is sold in Nebraska, or by the person doing the severing if the oil or natural gas is sold outside Nebraska. The tax collected is identified either as coming from school lands or from all other lands. The entire amount is credited to the Severance Tax Fund.

The Severance Tax Administration Fund receives 1% of the gross severance tax receipts, excluding those receipts from tax derived from oil and natural gas severed from school lands. The balance of the Severance Tax Fund received from school lands is credited to the Permanent School Fund. The balance of the Severance Tax Fund received from other than school lands is allocated as follows:

- (a) The Legislature may transfer an amount to be determined by the Legislature through the appropriations process up to \$300,000 for each year to the State Energy Office Cash Fund;
- (b) The Legislature may transfer an amount to be determined by the Legislature through the appropriations process up to \$30,000 for each year to the Public Service Commission for administration of the Municipal Rate Negotiations Revolving Loan Fund; and
- (c) The remainder is credited to the Permanent School Fund.

The State Treasurer transferred \$250,000 from the Severance Tax Administration Fund to the Department of Revenue Enforcement Fund on July 1, 2012.

In addition to the severance tax, the value of oil or gas is subject to the conservation tax. The conservation tax is levied and assessed in the same manner as the severance tax. The tax is imposed on the value at the well of all oil and gas produced, saved, and sold or transported from the premises in Nebraska. The producer of the oil or gas pays the tax unless the oil or gas is sold within Nebraska. If the oil or gas is sold in Nebraska, then the first purchaser in Nebraska pays the tax.

The conservation tax rate is set by the Oil and Gas Conservation Commission. Effective April 1, 2010, the tax rate is 0.2%. Revenue from the conservation tax is deposited in the Oil and Gas Conservation Fund.

Statutory Reference and Description	Estimated Tax Expenditure Cost (NA = Not Available)
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EXCLUSIONS

Section [57-702](#)

Oil or gas used only in severing operations or for re-pressuring or recycling purposes is excluded from the oil and gas severance tax.	NA
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EXEMPTIONS

The Nebraska Department of Revenue has received an Attorney General’s Opinion that interests of government units and Native American Indian tribes are exempt from the severance tax.	None
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PREFERENTIAL TAX RATES

Section [57-701\(7\) & \(8\)](#)

Oil produced from stripper wells that have a base production level of ten or fewer barrels per day is subject to a severance tax of two percent rather than three percent.

Minimal

RECOMMENDATIONS

The Nebraska Department of Revenue has no recommendations.

SECTION Q — Pari-Mutuel Wagering Tax

BASIC PROVISIONS AND TAX BASE

A pari-mutuel tax is imposed on the gross amount wagered in excess of \$10 million dollars at each horserace track during a calendar year. Any amount wagered over \$10 million, but not more than \$73 million, is taxed at the rate of 2.5%. Amounts wagered in excess of \$73 million are taxed at the rate of 4%.

Statutory Reference and Description	Estimated Tax Expenditure Cost (NA = Not Available)
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EXEMPTIONS

Section [2-1208.01](#)

The first \$10 million wagered by the pari-mutuel method at every race meeting is not taxed.	\$934,622
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CREDITS

Section [2-1208.01](#)

All licensed race meets, except for race meets conducted at the location where the Nebraska State Fair is held, retain as a credit against the tax, an amount equal to 2% of the first taxable \$70 million. Race meets conducted at the location where the Nebraska State Fair is held retain 2.5%. The amount retained is used for capital improvements and maintenance.	\$2,091,000
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RECOMMENDATIONS

The Nebraska Department of Revenue has no recommendations.

SECTION R — Public Power and Irrigation Districts' Gross Revenue Tax

BASIC PROVISIONS AND TAX BASE

Every public corporation and political subdivision in Nebraska, organized primarily to provide electricity, or irrigation and electricity, and which sells electricity at retail within incorporated cities or villages, pays a tax equal to 5% of this gross revenue. A deduction is allowed for in lieu of taxes paid. The in lieu of tax is the dollar amount paid in property taxes to the city or village in calendar year 1957 with respect to its properties in the city or village. In addition, the public power districts are allowed to deduct the city occupation tax from the gross revenue tax.

Statutory Reference and Description	Actual Tax Expenditure Cost (NA = Not Available)
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DEDUCTIONS

Section [70-651.03](#)

Public power districts are allowed to deduct from the gross revenue tax remitted to county treasurers an amount equivalent to the amount paid in property taxes to the city or village in calendar year 1957.	\$1,045,352 ¹
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Section [70-651.05](#)

Public power districts are allowed to deduct from the gross revenue tax remitted to county treasurers the city occupation tax.	\$322,755 ¹
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¹*This may not be considered a true tax expenditure since the public power districts still pay the fixed in lieu of taxes and the city occupation taxes in addition to the (net) gross revenue tax (tax amounts per 2011 Certificate of Taxes Levied Reports).*

RECOMMENDATIONS

The Nebraska Department of Revenue has no recommendations.

SECTION S — Waste Reduction and Recycling Incentive Act

BASIC PROVISIONS AND TAX BASE

The Nebraska Waste Reduction and Recycling Incentive Act imposes a fee of one dollar on each tire of every new motor vehicle, trailer, or semi-trailer registered in Nebraska. The fee is collected by the county treasurer at the time of registration, and is remitted to the Nebraska Department of Revenue for deposit in the Waste Reduction and Recycling Incentive Fund. This Fund is administered by the Nebraska Department of Environmental Quality.

In addition, a fee of one dollar is imposed on every new tire sold at retail for a motor vehicle, trailer, semi-trailer, or farm tractor. The fee is collected by the retailer in the same manner as sales tax and is remitted to the Department for deposit in the Waste Reduction and Recycling Incentive Fund.

The Nebraska Waste Reduction and Recycling Incentive Act imposes an annual waste reduction and recycling fee on all businesses with retail sales of tangible personal property which are subject to the tax. The fee is \$25 for each Nebraska location with retail sales of tangible personal property of \$50,000 or more.

The Tax Commissioner deducts and withholds from the fees a collection fee to reimburse the Department for the actual cost of collecting and administering the fees. The Legislature appropriates money from this collection fund for the Department to cover the actual costs of administering the program.

Statutory Reference and Description	Estimated Tax Expenditure Cost (NA = Not Available)
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EXEMPTIONS

Sections [81-15,159 through 81-15,165](#)

A qualified tire does not include: any recapped or re-grooved tire; any new tire sold specifically for use on off-road vehicles (e.g., bicycles, golf carts, riding lawnmowers); and farm implements (e.g., plows, disks, wagons, except farm tractor tires, which are subject to the fee). NA

Sections [81-15,159 through 81-15,165](#)

Qualified tires sold for resale purposes. \$309,003

Sections [81-15,159 through 81-15,165](#)

Qualified tires sold and delivered to another state. \$14,929

Sections [81-15,159 through 81-15,165](#)

Qualified tires sold to the federal government and its agencies. \$2,170

Sections [81-15,159 through 81-15,165](#)

Qualified tires sold to Native American Indians if the Native American Indian resides on a Nebraska Indian reservation, holds a Nebraska tax exemption identification card, and delivery of the tires takes place on the reservation. (Included in above)

DEDUCTIONS

Section [81-15,165](#)

Collection fee allowed the Department of Revenue. \$80,000

RECOMMENDATIONS

The Nebraska Department of Revenue has no recommendations.

SECTION T — Petroleum Release Remedial Action Fee (PRF)

BASIC PROVISIONS AND TAX BASE

The Nebraska Petroleum Release Remedial Action Act imposes a fee upon the producer, importer, refiner, distributor, wholesaler, or supplier who engages in the sale, distribution, delivery, and use of petroleum (motor vehicle fuels, diesel fuels, and aviation fuels) in Nebraska. The fee is \$0.009 per gallon on aviation gasoline and motor vehicle fuels, such as gasoline, and \$0.003 per gallon on jet fuel and diesel fuels, including dyed diesel.

The revenue raised from this fee is placed in the Nebraska Petroleum Release Remedial Action Cash Fund. Revenues for this fund totaled \$10,747,428 for fiscal year 2011-12.

Statutory Reference and Description	Estimated Tax Expenditure Cost (NA = Not Available)
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EXEMPTIONS

Section 66-1510 Natural gasoline used as a denaturant by a Nebraska ethanol facility.	\$370,000
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CREDITS

Section 66-1521 Any fee paid on petroleum which was taxed and then exported.	Minimal
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Section 66-1521 Any fee paid on petroleum which was taxed and then sold to a federal agency.	\$8,000
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DEDUCTIONS

Section 66-1521 Collection fee allowed the Department of Revenue.	\$150,000 ¹
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¹The collection fee cannot exceed \$150,000 per year. The fee is deposited in the Petroleum Release Remedial Action Collection Fund.

RECOMMENDATIONS

The Nebraska Department of Revenue has no recommendations.

**SECTION U — Employment and Investment Growth Act,
Employment Expansion and Investment Incentive Act
(including the Enterprise Zone Act),
Quality Jobs Act,
Invest Nebraska Act,
Nebraska Advantage Act,
Nebraska Advantage Rural Development Act,
Nebraska Advantage Microenterprise Act, and
Nebraska Advantage Research and Development Act**

BASIC PROVISIONS AND TAX BASE

For a complete analysis of credits, refunds, and exemptions provided under the above acts, please refer to the Nebraska Tax Incentives 2011 Annual Report to the Nebraska Legislature prepared by the Department of Revenue. A copy of this Report is provided annually to all members of the Unicameral.

RECOMMENDATIONS

The Nebraska Department of Revenue has no recommendations.