

NEBRASKA AND LOCAL SALES TAX

OVERVIEW

Retailers must collect sales tax on the gross receipts from retail sales unless a specific exemption applies.

Retailers must collect sales tax at the rate in effect at the point of delivery of the goods or taxable service. In addition to the state rate of sales tax, a local option sales tax may also be imposed.

Cities and counties may impose a local option sales tax. A chart indicating each city and county that imposes a local option sales tax is on our website.

The tax collected by retailers is a trust fund that belongs to the State of Nebraska. It is recommended that the tax collected be separated from other business receipts and deposited in a separate account.

This guidance document is advisory in nature but is binding on the Nebraska Department of Revenue (Department) until amended. A guidance document does not include internal procedural documents that only affect the internal operations of the Department and does not impose additional requirements or penalties on regulated parties or include confidential information or rules and regulations made in accordance with the Administrative Procedure Act. If you believe that this guidance document imposes additional requirements or penalties on regulated parties, you may request a review of the document.



This guidance document may change with updated information or added examples. The Department recommends you do not print this document. Instead, sign up for the [subscription service](http://revenue.nebraska.gov) at revenue.nebraska.gov to get updates on your topics of interest.

DEFINITIONS

Gross Receipts. Gross receipts are the total amount of the sale, lease, or rental price without deduction for the cost of the property sold, labor or service costs, interest paid, or any other expense. Gross receipts, for example, do not include any cash discounts, trade-in allowances, or finance charges imposed by the retailer.

Retailer. A retailer is any seller, whether a business or individual, who makes retail sales in this state.

Retail Sale. A retail sale is the sale, lease, or rental of tangible personal property or taxable services to the end user for a consideration (payment) when the sale occurs or the taxable service is provided in this state.

RETAILERS' RESPONSIBILITIES

Obtain Permits. Retailers meeting **any** of the following criteria **must** obtain a Nebraska Sales Tax Permit. A sales tax permit is required for each separate location.

- ❖ Maintaining or occupying an office or place of business in this state;
- ❖ Having any representative or solicitor in this state for the purposes of selling, delivering, or taking orders;
- ❖ Deriving rental receipts from leased tangible personal property;
- ❖ Soliciting retail sales from residents of this state on a continuous or systematic basis through the media;
- ❖ Being owned or controlled by an entity that owns or controls a retailer in this state; or
- ❖ Maintaining or having a franchisee or licensee who is a retailer in this state. A separate permit is required for each retail location.

A Nebraska Sales Tax Permit is obtained by filing a Nebraska Tax Application, Form 20. This form is available on our website.

Out-of-State Retailers. Out-of-state retailers meeting **any** of the criteria listed above **are** Nebraska retailers and **must** obtain a Nebraska Sales Tax Permit.

Out-of-state retailers **not** meeting any of the criteria listed above are **not** required to obtain a Nebraska Sales Tax Permit. However, they may obtain a permit and collect and remit Nebraska and local sales tax on their retail sales occurring in this state so that their customers do not have to individually remit consumer's use tax.

Retailers may also voluntarily register through the Streamlined Sales and Use Tax Central Registration System which registers the retailer in all full member states of the Streamlined Sales Tax Agreement. More information on this Agreement is available on our website.

Collect the Tax. Retailers must collect the state and appropriate local option sales tax on the **gross receipts** from all retail sales unless a specific exemption applies. Retailers must document why sales tax was not collected. Additional information is provided in the "Documenting Exempt Sales" section of this guide.

Remit the Tax. Retailers remit the sales tax collected on the Nebraska and Local Sales and Use Tax Return, Form 10. Returns are due monthly, quarterly, or annually, based on the amount of state tax collected during the course of the year.

For more information regarding the filing of Form 10, please see the Nebraska and Local Sales and Use Tax Return, Form 10, Information Guide.

TAXABLE SALES AND SERVICES

Retailers must collect tax on the **gross receipts** from the following sales, unless a specific exemption applies (the applicable sales tax regulation is indicated in parentheses):

- ❖ Admissions (1-044);
- ❖ Computer software; computer software training when charges for the training are paid to the retailer who sold the software (1-088);
- ❖ Freight or delivery charges including postage, crating, packing, and shipping and handling charges collected by the retailer (1-079);
- ❖ Hotel accommodations (1-046);
- ❖ Installation or furnishing of satellite programming and cable television (1-045 and 1-081);
- ❖ Mobile telecommunications services, which includes paging services and two-way radio service (1-065);
- ❖ Production, assembly, repair and installation labor charges (1-082);
- ❖ Tangible personal property (1-007);
- ❖ Telephone service (1-065);
- ❖ Utilities (1-066 and 1-089); and
- ❖ Warranties, guarantees, and maintenance agreements (1-074).

The gross receipts from the following services are taxable:

- ❖ Animal speciality services (1-102);
- ❖ Building cleaning and maintenance services (1-098);
- ❖ Detective services (1-101);
- ❖ Motor vehicle painting; towing; washing and waxing (1-099);
- ❖ Pest control services (1-100);
- ❖ Recreational vehicle park services (1-103);
- ❖ Repair or maintenance services to personal property (except licensable motor vehicles) (1-082);
- ❖ Security services (1-101).

Information notices that describe each of these taxable services are available on our website. Even though charges for services are taxable, the service providers are the consumers of all items they use to provide their services. As the consumers, service providers **must** pay the appropriate tax on their cost of any items used or consumed in providing their services.

EXEMPT SALES

Certain sales are not subject to tax. Exempt sales are divided into four groups:

- 1 Retailer-Based Exemption.** Only retailers that are specifically identified by regulation who are making certain types of sales qualify for this exemption from collecting the sales tax. Some examples include: specific items and services sold by Nebraska schools and sub organizations of Nebraska schools; churches; hospitals; and other licensed health care entities. Occasional sales are also included in this group. Refer to Regulation 1-022 for additional information on occasional sales.
- 2 Buyer-Based Exemption.** Only buyers specifically identified by regulation are exempt from sales tax. Those buyers include: the United States government and its agencies; Nebraska state and local governments; nonprofit organizations created exclusively for religious purposes or to provide services to the blind; Nebraska educational institutions; and Nebraska licensed nonprofit hospitals, skilled nursing facilities. A Nebraska Exemption Application for Sales and Use Tax, Form 4, must be submitted and approved prior to an Exemption Certificate being issued to a qualified nonprofit organization, public school, health care facility, etc.
- 3 Product-Based Exemption.** Only those products specifically identified by regulation qualify for this exemption. Some examples include: prescription medicines; insulin; gasoline; and food.
- 4 Use-Based Exemption.** Only those uses specifically identified by regulation qualify for this exemption. Some examples include: items purchased to be resold as agricultural products; purchased by a manufacturer; seeds and annual plants for agricultural purposes; and feed and water for cattle.

For additional information regarding the four exemption categories listed above, see Nebraska Sales and Use Tax Regulation 1-012.

Documenting Exempt Sales. When sales tax is not collected, retailers must obtain a properly completed Nebraska Resale or Exempt Sale Certificate for Sales Tax Exemption, Form 13, from the buyer.

If the delivery location is outside Nebraska, a Form 13 is not required, but the retailer must provide documentation indicating delivery outside Nebraska.

For additional information regarding documenting exempt sales, please see Nebraska Tax Regulations 1-013 and 1-04.

MOTOR VEHICLES

The information in this guide does not apply to the purchase of motor vehicles and trailers. For additional information regarding payment of sales tax and on motor vehicles and trailers, please see Nebraska Sales and Use Tax Regulation 1-020.

CONSUMER'S USE TAX

When buyers have **not** paid Nebraska and applicable local sales tax when making purchases for their own use, the buyer owes Nebraska and applicable local consumer's use tax.

This information guide is intended to provide an overview of the Nebraska and local sales tax program.

Nothing in this information guide supersedes, alters, or otherwise changes any provisions of the Nebraska tax code, regulations, Department rulings, or court decisions.

If you need additional information, see the resources listed below that are available on the Department's website:

- ❖ Information Guide for Consumer's Use Tax
- ❖ Information Guide for Form 10
- ❖ Information Guide for Nonprofit Organizations
- ❖ Information Guide for Governmental Units
- ❖ Nebraska Sales and Use Tax Regulations
- ❖ Local Option Sales and Use Tax Regulations

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