

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 one and eighty-five hundredths percent of the face value of the cigarette tax as a commission for affixing and canceling the cigarette tax stamps.	\$1,223,500
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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. \$179,200

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 their retailers who make exempt sales of cigarettes to Native American Indians. (State taxation prohibited) \$281,400

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.