

## How Boundary Changes Affect a Local Sales and Use Tax

Any municipality annexing or de-annexing territory which changes its boundaries or population, is required to report this information to the Nebraska Department of Revenue (DOR). The following information identifies what documents are needed when a local sales and use tax has been imposed in one of these municipalities. Municipality includes any city or village.

**Documentation Required From the Municipality:** The municipality must send DOR the following when a boundary change occurs:

1. A certified copy of the ordinance or official document identifying the change;
2. A certified map of the Municipality clearly showing the area annexed or de-annexed;
3. A list of all retailers in the area annexed or de-annexed. This list must contain the retailers' names, and also provide both the location and mailing addresses; and
4. Information indicating the number of residents in the annexed or de-annexed area.

**Effective Date of Local Sales and Use Tax:** Under Nebraska law, a local sales and use tax can only start, terminate, or be changed on the first day of a calendar quarter; namely, January 1, April 1, July 1, or October 1. This applies to boundary changes as well. The annexed area is not subject to the local sales and use tax until the first day of the next calendar quarter that is the latest of:

1. One hundred and twenty days following receipt of the four items listed above;
2. Sixty days after DOR provides notice to the retailers; or
3. The effective date of the ordinance.

**DOR Action:** After receiving the required documents, DOR will send the municipality a written acknowledgment of receiving the required documents and confirm the effective date of the local sales and use tax for the annexed area. DOR will update its website with a reference to the annexation ordinance and the date that the local sales and use tax is effective in the annexed area. DOR will mail a letter to all retailers identified in the list provided by the municipality to notify them of the effective date of the local sales and use tax at their location.

**Municipality Action:** Other than updating our website and providing the notifications described above, DOR does not send any direct notification to utility service providers, county officials (particularly the county treasurer), or the media of the effective date of the local sales and use tax in an annexed area. Since the effective date of the local sales and use tax can only be on the first day of a calendar quarter, while the municipality services provided to the annexed area are usually effective within two weeks after the annexation ordinance is signed, it is important that any notification sent from the municipality clarifies the differences in these effective dates.

Please refer to the Local Sales and Use Tax Regulations for more information on local sales and use tax issues. They are available at [revenue.nebraska.gov](https://revenue.nebraska.gov) by clicking on "Legal Information," "Regulations," then "Title 316, Chapter 9."

If you have questions, please contact Karen Barrett at 402-471-5980 or [karen.barrett@nebraska.gov](mailto:karen.barrett@nebraska.gov).

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