State of Nebraska

2025
Interim Tax Expenditure Report

Prepared by
Nebraska Department of Revenue
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Lincoln, Nebraska

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Introduction

This 2025 Interim Tax Expenditure Report is published by the Nebraska Department of Revenue (DOR), 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 to enable the Legislature to better determine those sectors of the economy that are receiving indirect subsidies as a result of tax expenditures. This Interim Report provides updated estimates for that portion of the sales tax exemptions found in section (2)(k) to (m) of § 77-382, as required by § 77-385.

- (2)(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;
- (2)(l) – Services purchased for nonbusiness use, which shall include a separate listing for each such service, including, but not limited to, the following items: Motor vehicle cleaning, maintenance, and repair services; cleaning and repair of clothing; cleaning, maintenance, and repair of other tangible personal property; maintenance, painting, and repair of real property; entertainment admissions; personal care services; lawn care, gardening, and landscaping services; pet-related services; storage and moving services; household utilities; other personal services; taxi, limousine, and other transportation services; legal services; accounting services; other professional services; and other real estate services; and
- (2)(m) - Telecommunications, which shall include a separate listing for the following items: Telecommunications access charges; prepaid calling arrangements; conference bridging services; and nonvoice data services.

The full Tax Expenditure Report is published biennially during even-numbered years.

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).

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 DOR's website at revenue.nebraska.gov.

Questions and comments regarding the format, content, and usefulness of the information provided in this report may be directed to Michael J. Walsh, Tax Policy Manager, at mike.walsh@nebraska.gov or 402-471-5921. The DOR appreciates input and feedback from the public on this report.

James R. Kamm
Tax Commissioner

October 15, 2025

Nebraska Local Sales and Use Taxes

Basic Provisions and Tax Base

Sales Tax[1,2]

Nebraska sales tax is imposed upon the gross receipts from:

- all sales, leases, rentals, installation, application, and repair of tangible personal property;
- every person engaged as a public utility, cable service operator, or a satellite service provider;
- retailers of intellectual or entertainment property;
- selling admissions, bundled transactions, prepaid calling arrangements, or specified digital products;
- selling warranties, guarantees, service agreements, and maintenance agreements on property, the sale of which is taxable;
- renting or furnishing accommodations or lodging for periods of less than 30 days; and
- selling or providing certain services.

The state sales tax rate is 5.5%[3].

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

Use Tax[1]

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 or village) 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 may be approved by county voters at a rate of 0.5%, 1%, 1.5%, 1.75%, and 2%, except in cities of the metropolitan class and counties, which are limited to a local sales tax rate of 0.5%, 1%, or 1.5%. 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. The data sources cited in each category provide the raw data and are analyzed by DOR to arrive at the estimates. Generally, sources include DOR sales tax records, other State of Nebraska agencies, the federal government, nonprofit organizations, and trade groups. Some estimates are based on confidential DOR data, so a data source is not provided. In some cases, no reliable data exists to provide an estimate and is listed as "not available."

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[1] *The 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.*

[2] *Estimates presented in the report are for calendar year 2025 unless otherwise noted.*

[3] *Retailers that have Opted In to be a Good Life District Avenue One will continue to collect state sales tax and report state use tax at the 2.75% rate on certain transactions physically occurring and completed in that GLD. Prior to October 1, 2025, the rate in all Good Life Districts was 2.75%.*

Recent Sales Tax Exemptions

1. **Admissions to Statewide Sports Events**
   Statutory citation: 77-2704.10(7)
   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: $23,000
   Data source: Cornhusker State Games website

2. **Admissions Charged by Organizations Dedicated to Youth Development and Healthy Living**
   Statutory citation: 77-2704.10(8)
   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: $4,031,000
   Data source: Internal Revenue Service Exempt Organizations Business Master File via National Center for Charitable Statistics

3. **Entry Fees for Youth Sports Events**
   Statutory citation: 77-2704.63
   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: $217,000
   Data source: Nebraska city budgets and Consolidated Annual Financial Reports

4. **Biochips**
   Statutory citation: 77-2704.61
   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: $3,275,000
   Data source: Coherent Market Insights

5. **Data Centers**
   Statutory citation: 77-2704.62
   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: $5,667,000
   Data source: U.S. Census Bureau, Economic Census

6. **Nonprofit Nebraska-licensed Mental Health Centers**
   Statutory citation: 77-2704.12(1)
   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: $1,106,000
   Data source: Nebraska Department of Health and Human Services.

7. **Nonprofit Nebraska-licensed Health Clinics**
Statutory citation: 77-2704.12(1)
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: $2,287,000
Data source: Nebraska Department of Health and Human Services; Centers for Medicare & Medicaid Services.

8. **Nonprofit Corporations Formed by Exempt Government Entities**
Statutory citation: 77-2704.15
Description: These corporations must be essentially public in nature and formed for the sole purpose issuing tax exempt bonds on behalf of the exempt governmental entities to finance one or more projects of the exempt governmental entities.
Estimate: Not available.

9. **Net Metering of Electricity**
Statutory citation: 77-2701.16(2)(c)(ii)
Description: A customer-generator's electricity production will be netted against their electricity consumption for the purpose of determining the customer-generator's sales tax liability.
Estimate: $127,000
Data Source: U.S. Department of Energy, Energy Information Administration

10. **Bullion or Currency**
Statutory citation: 77-2704.66
Description: The sale of bullion or currency is exempt from sales and use taxes.
Estimate: $2,271,000
Data Source: U.S. Census Bureau, Economic Census

11. **Direct Mail Postage**
Statutory citation: 77-2701.11 and 77-2701.35(3)(d)
Description: Delivery charges do not include U.S. postage charges on direct mail if the charges for U.S. postage are separately stated on the invoice, bill of sale, or similar document given to the purchaser. Separately stated charges for U.S. postage on direct mail are no longer subject to sales and use taxes.
Estimate: $3,491,000
Data Source: U.S. Postal Service; Bureau of Economic Analysis.

12. **Agricultural Repair Parts**
Statutory citation: 77-2704.64
Description: Repair or replacement parts for agricultural machinery and equipment used in commercial agriculture.
Estimate: $19,090,000
Data source: U.S. Census Bureau, Economic Census

13. **Automobile Museums**
Statutory citation: 77-2704.65
Description: Sales and use tax exemption on purchases of items that are on display, or held for display, by any historic automobile museum and are reasonably related to the general purpose of the historic automobile museum. A historic automobile museum is defined as a museum that is open to the public for at least four hours a week, on average, and is used to maintain and exhibit at least 150 vehicles.
Estimate: $123,000
Data source: DOR sales and use tax records

14. **Energy Used to Compress Natural Gas for Fuel**
Statutory citation: 77-2704.13
Description: Sales and use taxes shall not be imposed on energy sources or fuels when more than 50% of the amount purchased is for use directly in processing manufacturing, or refining, in the generation of electricity, in the compression of natural gas for retail sale as a vehicle fuel, or by any hospital.
Estimate: Not available

15. **Sanitary Drainage Districts**
Statutory citation: 77-2704.15
Description: Sales tax exemption for purchases made by sanitary drainage districts.
Estimate: Not available.

16. **Membership or Admission to or Purchase by Zoo or Aquarium**
Statutory citation: 77-2704.67
Description: Sales and use taxes shall not be imposed on the gross receipts from the sale, lease, or rental of and the storage, use, or other consumption in this state of any sale of a membership in, an admission to, or any purchase by a nationally accredited zoo or aquarium operated by a public agency or nonprofit corporation primarily for educational or scientific or tourism purposes.
Estimate: $2,684,000
Data source: DOR

17. **Substance Abuse Treatment Centers and Centers for Independent Living**
Statutory citation: 77-2704.12
Description: Nonprofit substance abuse centers and nonprofit centers for independent living (institutions that provide services to persons with developmental disabilities) are exempt from paying sales and use taxes on their purchases.
Estimate: $343,000
Data source: Nebraska Department of Health and Human Services; IRS Form 990.

18. **Energy Used in Drying, Aerating, Blending, etc. of Grain**
Statutory citation: 77-2704.13
Description: Provides that processing includes drying, aerating, blending, cleaning, or sorting of grain in commercial agricultural facilities.
Estimate: Not available due to lack of data.

19. **County Agricultural Societies**
Statutory citation: 77-2704.15
Description: County agricultural societies are exempt from paying sales and use taxes on their purchases.
Estimate: $311,000
Data source: IRS Form 990

20. **Community-Based Energy Development (C-BED) Projects**
Statutory citation: 77-2704.57
Description: Personal property for use in a community-based energy development (CBED) project.
Estimate: $1,613,000
Data Source: DOR, Renewable Energy Generation Facilities Operating in Nebraska

21. **Property of Historic, Artistic, Scientific, or Cultural Significance Purchased by Museums**
Statutory citation: 77-2704.56
Description: Expands the current exemption to include purchases of any displays by any type of museum.
Estimate: $260,000

22. Leases or uses of Electric Power Structures or Facilities Owned by Political Subdivisions of the State, Electric Cooperatives, or Electric Membership Associations
Statutory citation: 77-2701.16(2)(e)(i)
Description: The gross income received by political subdivisions of the state, an electric cooperative, an electric membership association, or by a contractor for the construction of or services provided on the lease or use of electric generation, transmission, distribution, or street lighting structures or facilities owned by a political subdivision of the state to persons furnishing a public utility service.
Estimate: $12,686,000
Data source: DOR

23. Leases or Sales of Dark Fiber
Statutory citation: 77-2704.51
Description: Leases and sales of dark fiber as defined in Neb. Rev. Stat. § 86-574, between telecommunications companies.
Estimate: Not available.

24. Net Wrap, Baling Wire, and Twine
Statutory citation: 77-2704.36(1)(b)
Description: Net wrap, baling wire, and twine purchased for use in commercial agriculture from sales tax. Net wrap means plastic wrap used in the baling of livestock feed or bedding; baling wire means wire used in the baling of livestock feed or bedding; twine means a strong string of two or more strands twisted together used in the baling of livestock feed or bedding.
Estimate: $476,000
Data source: U.S. Census Bureau, Economic Census

25. Certain Catalysts, Chemicals and Materials
Statutory citation: 77-2704.69
Description: Sales of catalysts, chemicals, and materials used in manufacturing ethyl alcohol and its coproducts.
Estimate: $971,000
Data source: U.S. Census Bureau, Economic Census

26. Residential Water Services
Statutory citation: 77-2704.68
Description: Provides an exemption from sales and use taxes on the gross receipts from the sale, lease, or rental of and the storage, use, or other consumption of residential water service.
Estimate: $9,656,000
Data source: DOR

27. Feminine Hygiene Products
Statutory citation: 77-2704.70
Description: Feminine hygiene products defined as: Tampons, panty liners, menstrual cups, sanitary napkins, and other similar tangible personal property designed for feminine hygiene. Does not include general grooming and hygiene products such as soaps, toothpaste, shampoo, and lotions.
Estimate: $1,826,000
Data source: U.S. Census Bureau, Economic Census

28. Leases or Uses of Towers or Structures Primarily for Internet, GPS, or Broadcasting

Statutory citation: 77-2701.16(2)

Description: The gross income received for the lease or use of towers or other structures and equipment primarily used for furnishing Internet access services, agricultural GPS locating services, or over-the-air radio or television broadcasting.

Estimate: $5,117,000

Data source: Vertical Consultants

29. Nonprofit Organizations Expanded

Statutory citation:77-2704.12

Description: Sales tax exemption to any nonprofit organization certified or contracted by a regional behavioral health authority or the Division of Behavioral Health of the Department of Health and Human Services to provide community-based mental health or substance use services.

Estimate: $493,000

Data source: U.S. Census Bureau, Economic Census

Services Purchased for Non-Business Use[4]

30. Motor Vehicle Cleaning and Repair

Description and Estimate:

Motor vehicle cleaning[5]:

Total motor vehicle repair: $39,163,000

- Body repair: $15,615,868
- Brake repair: $2,659,644
- Electrical system repair: $1,555,418
- Repair of recreational motor vehicles: $126,833
- Other repair services, such as muffler and exhaust systems, air conditioning and heating systems, etc.: $4,401,808
- Power train repair: $8,479,333
- Scheduled preventative maintenance: $5,195,073
- Wheel and alignment services: $1,129,022

Data Source: U.S. Census Bureau, Economic Census.

31. Cleaning and Repair of Clothing

Description and Estimate:

Total cleaning of clothing: $3,213,000

- Coin-operated laundry and dry cleaning: $716,510
- Dry cleaning services: $1,742,841
- Other laundry services: $753,572

Data Source: U.S. Census Bureau, Economic Census

32. Cleaning and Repair of Tangible Personal Property

Description and Estimate:

- Cleaning of tangible personal property: Not available
- Maintenance of tangible personal property: N/A (it's taxable)
- Repair of tangible personal property: N/A (it's taxable)

33. Maintenance, Painting, and Repair Services to Real Property

Estimate: $27,730,000

- Painting and wall covering contractors: $910,000
- Poured concrete foundation and structure contractors: $869,000
- Framing contractors: $264,000
- Glass and glazing contractors: Not available
- Roofing contractors: $3,327,000
- Siding contractors: $1,016,000
- Electricians: $2,834,000
- Plumbing, heating, and air conditioning contractors: $14,558,000
- Drywall and insulation contractors: $818,000
- Flooring contractors: $210,000
- Carpentry contractors: $2,926,000

Data Source: U.S. Census Bureau, Economic Census

Note: The estimates above refer only to repair work completed to existing single family housing and not to commercial structures, which are excluded from the estimate pursuant to Neb. Rev. Stat. § 77-382.

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[4] *With the available data sources, DOR is unable to separate business use from non-business use in many of the following services.*

[5] *Neb. Rev. Stat. § 77-382(2)(l), as amended by LB 989 (2014), requires a listing for "motor vehicle cleaning and repair services;" however, motor vehicle cleaning is subject to sales tax. The estimates above refer to services related to motor vehicle repair performed, and do not include the value of replacement parts installed.*

34. Entertainment Admissions

Estimate: *

***Note:** Neb. Rev. Stat. § [77-382(2)(l)](), as amended by LB 989 (2014), requires a listing for "entertainment admissions;" however, entertainment admissions are subject to sales tax.

35. Personal Care Services

Estimate: $11,880,000

- Hair care services: $7,838,555
- Hair removal services: $234,589
- Massage services: $471,614
- Nail care services: $1,193,193
- Tattoo and body modification services: $1,718,832
- Skin care services: $423,217

Data Source: U.S. Census Bureau, Economic Census

36. Lawn Care, Gardening, and Landscaping Services

Estimate: $20,600,000

Data Source: DOR

Note: Neb. Rev. Stat. § 77-382(2)(l), as amended by LB 989 (2014), requires a listing for "lawn care, gardening, and landscaping services;" however, installation of landscaping materials and live plants is subject to sales tax.

37. Pet-related Services

Estimate: $28,250,000

Data Source: U.S. Census Bureau, Economic Census

Note: The estimate includes veterinary services performed on both pets and livestock. Other pet-related services, such as the boarding and caring of animals; grooming; training, exercising, or handling; waste removal; breeding and insemination services; and cremation, burial, and disposal services are subject to sales tax.

38. Storage and Moving Services

Estimate: $12,220,000

- Used household goods moving services: $10,090,000
- Lessors of mini-warehouses and self-storage units: $2,130,000

Data Source: U.S. Census Bureau, Economic Census

39. Household Utilities Estimate:

Estimate: Not Applicable

40. Other Personal Services

Estimate: $7,876,000

- Weight loss services: $1,519,786
- Pre-burial services: $3,314,052
- Interment of human remains: $915,078
- Graves, plots and other spaces for human remains: $849,653
- All other personal services, including bail bonding, shoeshine, wedding planning, social escorts, and plots for human remains: $1,277,430

Data Source: U.S. Census Bureau, Economic Census

41. **Taxi, Limousine, and Other Transportation Services**

Estimate: $8,583,000

- Local, fixed-route passenger transportation by road and transit rail: $4,545,000
- Long-distance passenger transportation by road, except fixed-route: $640,000
- Local taxi service: $619,000
- Local passenger transportation by chartered road vehicles, except limousines: $18,000
- Local passenger transportation by limousines and similar luxury vehicles: $1,309,000
- Special needs transportation service, including paratransit, senior citizen, etc.: $1,194,000
- Sightseeing services by ground vehicles: $258,000

Data Source: U.S. Census Bureau, Economic Census.

Note: Estimates above include transportation services sold to businesses.

42. **Legal Services**

Estimate: $73,637,000

Data Source: U.S. Census Bureau, Economic Census

Note: Estimate includes legal services purchased by businesses.

43. **Accounting Services**

Estimate: $15,496,000

Data Source: U.S. Census Bureau, Economic Census

Note: Estimate includes tax preparation services for individuals and unincorporated businesses and does not include services, such as preparation of financial statements, payroll, and budgets.

44. **Other Professional Services**

Estimate: $425,665,000

- Investment advice: $8,955,000
- Travel agencies: $3,234,000
- Tour operators: $162,000
- Offices of physicians: $292,112,000
- Offices of dentists: $60,487,000
- Offices of chiropractors: $11,046,000
- Offices of optometrists: $6,457,000
- Offices of mental health practitioners: $6,555,000
- Family planning: $263,000
- Substance abuse: $6,745,000
- Other outpatient services: $29,651,000

Data Source: U.S. Census Bureau, Economic Census

45. **Other Real Estate Services**

Estimate: $50,568,000

- Offices of real estate agents: $47,966,000
- Offices of real estate appraisers: $2,602,000

Data Source: U.S. Census Bureau, Economic Census

Telecommunications

46. Telecommunications Access Charges

Statutory citation: 77-2704.51

Description: Telecommunication services between telecommunications companies, including division of revenues, settlements, or access charges.

Estimate: $13,682,000

Data Source: Federal Communications Commission ARMIS Report 43-01 and 43-08.

47. Prepaid Calling Arrangements

Note: Prepaid calling arrangements are subject to sales tax under Neb. Rev. Stat. § 77-2701.16(9) at the time of sale rather than the time of use.

48. Conference Bridging Services

Statutory citation: 77-2701.16(2)(a)(i)

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

Estimate: $851,000

Data source: U.S. Census Bureau, Economic Census; Bureau of Economic Analysis

49. Non-voice Data Services

Statutory citation: 77-2701.16(2)(a)(i)

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

Estimate: Not available.

50. Leases or Sales of Dark Fiber

Statutory citation: 77-2704.51

Description: Leases and sales of dark fiber as defined in Neb. Rev. Stat. § 86-574, between telecommunications companies.

Estimate: Not available.