

State of Nebraska

2021
Interim Tax Expenditure
Report

Prepared by
Nebraska Department of Revenue
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Lincoln, Nebraska



October 15, 2021

Introduction

This 2021 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 to the Recent Sales Tax Expenditures, Services Purchased for Non-business Use, and Telecommunications sections of the full Tax Expenditure Report. The full Tax Expenditure Report, which is published biennially during even-numbered years. For 2021 and each fourth year thereafter, Neb. Rev. Stat. § [77-385\(2\)\(a\)\(iv\)](#) requires DOR to analyze the actual or estimated revenue loss caused by the tax expenditures described in subdivisions (2)(k) through (m) of § [77-382](#).

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 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 Walsh, Tax Policy Manager, at mike.walsh@nebraska.gov or 402-471-5920.

Tony Fulton
Tax Commissioner

October 15, 2021

Nebraska and Local Sales and Use Taxes

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, except for repair labor on motor vehicles;
- Providing public utilities, cable services, or satellite services;
- Selling intellectual or entertainment property;
- Selling admissions, bundled transactions, prepaid calling arrangements, or specified digital products;
- Selling warranties, guarantees, service agreements, and maintenance agreements on taxable property;
- 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%.

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

¹ The taxes collected are deposited into four funds: the State General Fund; the Highway Trust Fund, the State Highway Capital Improvement Fund, and the Game and Parks Commission Capital Maintenance Fund. Deposits to the Highway Trust Fund are made from the sales and use taxes derived from sales and leases of motor vehicles, trailers, and semi-trailers registered in Nebraska. The balance of taxes collected is deposited into the State General Fund. The proceeds from 1/4 of one cent of the sales tax is deposited in the State Highway Capital Improvement Fund. The proceeds from sales or leases of motorboats, all-terrain vehicle, and utility-type vehicles are deposited in the Game and Parks Commission Capital Maintenance Fund.

federal law. Local sales taxes of 0.5%, 1%, 1.5%, 1.75%, and 2% may be approved by municipal voters, except in cities of the metropolitan class, which are limited to a local sales tax rate of 0.5%, 1%, or 1.5%. Voters in counties may also impose a local sales tax of 0.5%, 1%, or 1.5%. Unless the county sales tax is to satisfy a judgment that is in excess of \$25 million, the county sales tax applies only to transactions sourced in areas in the county that are outside municipalities with a local sales tax. The tax is collected and remitted to the state and is then remitted to the municipalities and counties after deducting refunds and a 3% administrative fee. The 3% fee from municipalities 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.”

For 2021 and each fourth year thereafter, [Neb. Rev. Stat. § 77-385\(2\)\(a\)\(iv\)](#) requires DOR to analyze the actual or estimated revenue loss caused by the tax expenditures described in subdivisions (2)(k) through (m) of [§ 77-382](#). These are the Recent Sales Tax Expenditures, Services Purchased for Non-business Use, and Telecommunications sections of the full Tax Expenditure Report. This report satisfies the requirements of that section.

Recent Sales Tax Expenditures²

1. Admissions 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: \$13,000

Data source: [Cornhusker State Games website](#)

2. Admissions Charged by Organizations Dedicated to Youth Development and Healthy Living

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

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: \$3,940,000

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](#)

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: \$130,000

Data source: Nebraska city budgets and Consolidated Annual Financial Reports

4. 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: \$1,678,000

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

5. 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: \$5,734,000

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

² This section lists tax expenditures created after July 19, 2012

6. Nonprofit Nebraska-licensed Mental Health Centers

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

Enacted: 2012

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: \$834,000

Data source: Nebraska Department of Health and Human Services

7. Nonprofit Nebraska-licensed Health Clinics

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

Enacted: 2012

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: \$1,865,000

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](#)

Enacted: 2012

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: Not available.

9. Net Metering of Electricity

Statutory citation: [77-2701.16\(2\)\(c\)\(ii\)](#)

Enacted: 2013

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: \$182,000

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

10. Bullion or Currency

Statutory citation: [77-2704.66](#)

Enacted: 2014

Description: Purchasing of bullion or currency is exempt from sales and use taxes.

Estimate: \$1,049,000

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

11. Direct Mail Postage

Statutory citation: [77-2701.11](#) and [77-2701.35\(3\)\(d\)](#)

Enacted: 2014

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.

Estimate: \$3,205,000

Data Source: U.S. Postal Service; Bureau of Economic Analysis

12. Agricultural Repair Parts

Statutory citation: [77-2704.64](#)

Enacted: 2014

Description: The gross receipts from the sale, lease, or rental of and the storage, use, or other consumption in this state of repair or replacement parts for agricultural machinery and equipment used in commercial agriculture.

Estimate: \$17,356,000

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

13. Automobile Museums

Statutory citation: [77-2704.65](#)

Enacted: 2014

Description: 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: \$111,000

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

14. Energy Used to Compress Natural Gas for Fuel

Statutory citation: [77-2704.13](#)

Enacted: 2014

Description: Energy sources or fuels when more than 50% of the amount purchased is for use directly in compressing 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](#)

Enacted: 2015

Description: 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](#)

Enacted: 2015

Description: 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: \$1,174,000

Data source: National Center for Charitable Statistics; U.S. Census Bureau, Economic Census

17. Substance Abuse Treatment Centers and Centers for Independent Living

Statutory citation: [77-2704.12](#)

Enacted: 2016

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: \$311,000

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](#)

Enacted: 2016

Description: Provides that processing includes drying, aerating, blending, cleaning, or sorting grain in commercial agricultural facilities.

Estimate: Not available

19. County Agricultural Societies

Statutory citation: [77-2704.15](#)

Enacted: 2016

Description: County agricultural societies are exempt from paying sales and use taxes on their purchases.

Estimate: \$273,000

Data source: IRS Form 990

20. Community-Based Energy Development (C-BED) Projects

Statutory citation: [77-2704.57](#)

Enacted: 2014

Description: Gross receipts from the sale, lease, or rental of personal property for use in a C-BED project or community-based energy development project.

Estimate: \$839,000

Data Source: Nebraska Department of Revenue, Renewable Energy Generation Facilities Operating in Nebraska

21. Streamlined Compliance

Statutory citation: [77-2704.10](#)

Enacted: 2016

Description: Carves out an allowable exception to the definition of “prepared food” for food that requires additional cooking, like take-and-bake pizza, and updates Nebraska’s acceptance of the Streamlined Sales and Use Tax Agreement to adopt changes to the Agreement since 2010.

Estimate: \$0

22. Property of Historic, Artistic, Scientific, or Cultural Significance Purchased by Museums

Statutory citation: [77-2704.56](#)

Enacted: 2016

Description: Purchases of any displays by any museum as defined in subdivision (6) of section [51-702](#).

Estimate: \$576,000

Data Source: National Center for Charitable Statistics (NCCS)

23. Sales and Leases of Dark Fiber

Statutory citation: [77-2704.51](#)

Enacted: 2018

Description: Sales and leases of dark fiber are exempt from sales and use taxes when the transaction is between telecommunications companies.

Estimate: Minimal

24. Leases and Construction of Electric Power Structures or Facilities Owned by Political Subdivisions of the State

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

Enacted: 2019

Description: The gross income received by political subdivisions of the state from the lease or use of electric generation, transmission, distribution, or street lighting structures or facilities to persons furnishing a public utility service is not subject to sales tax.

Estimate: \$10,870,000

Data source: Nebraska Department of Revenue

Services Purchased for Non-business Use³

25. Motor Vehicle Cleaning and Repair

Description and Estimate:

Motor vehicle cleaning:⁴

Total motor vehicle repair: \$17,813,000

- Body repair: \$5,935,000
- Brake repair: \$2,291,000
- Electrical system repair: \$1,434,000
- Repairing recreational motor vehicles: \$2,000
- Other repair services, such as muffler and exhaust systems, air conditioning and heating systems, etc.: \$2,216,000
- Power train repair: \$3,408,000
- Scheduled preventative maintenance: \$1,652,000
- Wheel and alignment services: \$875,000

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

26. Cleaning and Repairing Clothing

Description and Estimate:

Total cleaning of clothing: \$2,486,000

- Coin-operated laundry and dry cleaning: \$741,000
- Dry cleaning services: \$1,228,000
- Other laundry services: \$517,000
- Repair of clothing⁵

Source: U.S. Census Bureau, Economic Census

27. Cleaning and Repairing Tangible Personal Property

- Cleaning tangible personal property: Not available
- Maintaining tangible personal property:⁵
- Repairing tangible personal property:⁵

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

Estimate: \$12,440,000

- Painting and wall covering contractors: \$749,000
- Poured concrete foundation and structure contractors: \$134,000
- Framing contractors: \$103,000
- Glass and glazing contractors: \$124,000
- Roofing contractors: \$1,839,000
- Siding contractors: \$344,000
- Electricians: \$1,319,000
- Plumbing, heating, and air conditioning contractors: \$6,493,000
- Drywall and insulation contractors: \$259,000
- Flooring contractors: \$189,000
- Carpentry contractors: \$887,000

³With the available data sources, DOR is unable to separate business use from non-business use in many of the following services.

⁴ [Neb. Rev. Stat. § 77-382\(2\)\(I\)](#), 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.

⁵ [Neb. Rev. Stat. § 77-382\(2\)\(I\)](#), as amended by LB 989 (2014), requires a listing for the specific categories be listed, however, the specific categories are currently subject to sales tax

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

Note: The estimates above refer only to repair work to existing single family housing and not to commercial structures or multi-family residential buildings, which are excluded from the estimate pursuant to [§77-382](#).

29. Entertainment Admissions

Estimate:⁵

30. Personal Care Services

Estimate: \$9,535,000

- Hair care services: \$6,822,000
- Hair removal services: \$438,000
- Massage services: \$115,000
- Nail care services: \$1,233,000
- Tattoo and body modification services: \$676,000
- Skin care services: \$251,000

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

31. Lawn Care, Gardening, and Landscaping Services

Estimate:⁵

32. Pet-related Services

Estimate: \$15,567,000

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 boarding and caring for animals; grooming; training, exercising, or handling; waste removal; breeding and insemination services; and cremation, burial, and disposal services are subject to sales tax.

33. Storage and Moving Services

Estimate \$7,671,000

- Used household goods moving services: \$5,744,000
- Lessors of mini-warehouses and self-storage units: \$1,927,000

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

34. Household Utilities:

Estimate:⁶

35. Other Personal Services

Estimate: \$5,215,000

- Weight loss services: \$457,000
- Pre-burial services: \$3,592,000
- Interment of human remains: \$335,000
- Graves, plots and other spaces for human remains: \$390,000
- All other personal services, including bail bonding, shoeshine, wedding planning and, social escorts: \$441,000

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

⁶ *Neb. Rev. Stat. § 77-382(2)(l)*, as amended by LB 989 (2014), requires a listing for "household utilities;" however, household utilities, such as electricity, gas, cable television, and water are subject to sales tax.

36. Taxi, Limousine, and Other Transportation Services

Estimate: \$3,496,000

- Local, fixed-route passenger transportation by road and transit rail: \$1,975,000
- Long-distance passenger transportation by road, except fixed-route: \$308,000
- Local taxi service: \$251,000
- Local passenger transportation by chartered road vehicles, except limousines: \$7,000
- Local passenger transportation by limousines and similar luxury vehicles: \$430,000
- Special needs transportation service, including paratransit, senior citizen, etc.: \$430,000
- Sightseeing services by ground vehicles: \$95,000

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

Note: Estimates above include transportation services sold to businesses.

37. Legal Services

Estimate: \$62,348,000

Source: U.S. Census Bureau, Economic Census

Note: Estimate includes legal services purchased by businesses.

38. Accounting Services

Estimate: \$10,146,000

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.

39. Other Professional Services

Estimate: \$322,226,000

- Investment advice: \$7,640,000
- Travel agencies: \$1,377,000
- Tour operators: \$183,000
- Pest control: Currently subject to sales tax.
- Offices of physicians: \$199,559,000
- Offices of dentists: \$44,421,000
- Offices of chiropractors: \$8,196,000
- Offices of optometrists: \$4,620,000
- Offices of mental health practitioners: \$4,578,000
- Family planning: \$336,000
- Substance abuse: \$2,900,000
- Other outpatient services: \$48,416,000
- Detective and security services: Detective and security services are subject to sales tax.

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

40. Other Real Estate Services

Estimate: \$44,681,000

- Building Cleaning: Building cleaning is subject to sales tax.
- Offices of real estate agents: \$42,955,000
- Offices of real estate appraisers: \$1,726,000

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

Telecommunications

41. Telecommunications Access Charges

Statutory citation: [77-2704.51](#)

Enacted: 1989

Description: Gross receipts from telecommunication services between telecommunications companies, including division of revenues, settlements, or access charges.

Estimate: \$12,230,000

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

42. 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.

43. Conference Bridging Services

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

Enacted: 2009

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

Estimate: \$718,000

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

44. Non-voice Data Services

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

Enacted: 2009

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

Estimate: Not available.