

State of Nebraska

2015

**Interim Tax Expenditure
Report**

Prepared by
Nebraska Department of Revenue
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Lincoln, Nebraska



October 15, 2015

Introduction

This 2015 Interim Tax Expenditure Report is published by the Nebraska Department of Revenue (Department), 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 of a portion of the sales tax exemptions found in the full Tax Expenditure Report, which 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 Department’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 James Bogatz, Policy Manager, at jim.bogatz@nebraska.gov or 402-471-5921. The Department appreciates input and feedback from the public on this report.



Leonard J. Sloup
Acting Tax Commissioner

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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, installations, applications, and repairs 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 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,) 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 certain 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 its 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 of 0.5%, 1%, 1.5%, 1.75%, and 2% may be approved by city voters, except in cities of the metropolitan class, which are limited to a local sales tax rate of 0.5%, 1%, or 1.5%. County voters may also approve a local sales tax for any transactions in the county that are not subject to a municipal sales tax at a rate of 0.5%, 1% or 1.5%. The tax is collected and remitted to the state and is then distributed 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. The data sources cited in each category provide the raw data which are analyzed by the Department to arrive at the estimates. Generally, sources include Department sales tax records, other State of Nebraska agencies, the federal government, nonprofit organizations, and trade groups. Some estimates are based on confidential Department data so a data source is not provided. In some cases, no reliable data exists from which to provide an estimate, so the estimate is listed as “not available.”

For 2015 and each fourth year thereafter, Neb. Rev. Stat. § [77-385\(2\)\(a\)\(ii\)](#) requires the Department to analyze the actual or estimated revenue loss caused by the tax expenditures described in subdivisions (2)(d) through (f) of § [77-382](#). These are the Consumer Goods, Energy, and Food sections of the full Tax Expenditure Report. This report satisfies the requirements of that section.

¹The taxes collected are deposited into several funds. 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 in Nebraska. Deposits to the Game and Parks Commission Capital maintenance Fund are made from the sales and use taxes derived from sales or leases of motorboats, personal watercraft, ATVs and UTVs. Deposits of the amount equal to 1/4 of one percent of the sales and use tax rate is deposited 85% to the State Highway Capital Improvement Fund and 15% to the Highway Allocation Fund. The balance of taxes collected is allocated to the State General Fund.

Consumer Goods

- 1. Motor Vehicle/Motorboat Trade-ins**
Statutory citation: [77-2701.35\(3\)\(e\)\(ii\)](#)
Enacted: 1967
Description: The value of a motor vehicle or motorboat taken by any person in trade as all or part of the consideration for a sale of another motor vehicle or motorboat.
Estimate: \$67,541,000
Data source: Nebraska Department of Motor Vehicles
- 2. Merchandise Trade-ins**
Statutory citation: [77-2701.35\(3\)\(e\)\(i\)](#)
Enacted: 1967
Description: The value of trade-ins taken in connection with a sale of property.
Estimate: Not available
- 3. Certain Medical Equipment and Medicine**
Statutory citation: [77-2704.09\(1\)](#)
Enacted: 1967
Description: Insulin, drugs, and mobility-enhancing equipment that are sold under a doctor's prescription, and durable medical equipment, home medical supplies, prosthetic devices, oxygen, and any oxygen equipment for a patient's use sold under a doctor's prescription and are eligible for coverage by Medicaid.
Estimate: \$145,019,000
Data source: U.S. Department of Health and Human Services, Center for Medicare Services, Office of the Actuary
- 4. Newspapers**
Statutory citation: [77-2704.07](#)
Enacted: 1967
Description: Newspapers issued at least once a week; newspaper advertising supplements distributed with newspapers.
Estimate: \$3,625,000
Data source: U.S. Census Bureau, Economic Census; Annual Services Survey
- 5. Laundromats**
Statutory citation: [77-2704.14](#)
Enacted: 1967
Description: The use of coin-operated machines for laundering and cleaning, except for washing motor vehicles.
Estimate: \$387,000
Data source: U.S. Census Bureau, Economic Census; Annual Services Survey
- 6. Tele-floral Deliveries**
Regulation: [1-052.03](#)
Description: Amounts received by Nebraska florists who make deliveries in this state pursuant to instructions received from florists in other states.
Estimate: \$201,000
Data source: Nebraska Department of Revenue sales and use tax records
- 7. Motor Vehicle Discounts for the Disabled**
Statutory citation: [77-2704.21](#)
Enacted: 1969
Description: The entire purchase price of a motor vehicle purchased when the maximum amount allowed by law is contributed by the U.S. Department of Veterans Affairs or the Nebraska Department of Health

and Human Services for a disabled person. If the amount contributed is less than the maximum amount, the exemption is based on the portion of the purchase price contributed.

Estimate: \$16,000

Data source: U.S. Department of Veterans Affairs

8. Political Campaign Fundraisers

Statutory citation: [77-2704.10\(4\)](#)

Enacted: 1993

Description: Fees for admissions or prepared food charged by ballot question committees, candidate committees, independent committees, and political party committees as defined in the Nebraska Political Accountability and Disclosure Act.

Estimate: Not available

Energy

9. Motor Fuels

Statutory citation: [77-2704.05](#)

Enacted: 1967

Description: Motor vehicle fuels such as gasoline, including casing head or natural gasoline, and any other liquids or gases for use in motor vehicles or motorboats; diesel and compressed fuels delivered into the fuel supply tanks of other vehicles; and diesel and other motor fuels for railroad use.

Estimate: \$242,376,000

Data source: Nebraska Department of Revenue, Motor Fuels Section; U.S. Department of Energy, Energy Information Administration

10. Energy Used in Industry

Statutory citation: [77-2704.13\(2\)](#)

Enacted: 1967; amended in 1985 to include more than 50% of purchased energy for certain industries.

Description: Sales and purchases of the energy sources in § [77-2704.13\(1\)](#) when more than 50% of the amount purchased is for use directly in processing, manufacturing, generation of electricity, refining, or by any hospital.

Estimate: \$128,470,000

Data source: U.S. Department of Energy, Energy Information Administration, State Energy Price and Expenditure Report; Nebraska Energy Office

11. Energy Used in Agriculture

Statutory citation: [77-2704.13\(1\)](#)

Enacted: 1967; amended in 1985 to include more than 50% of purchased energy used directly in irrigation or farming; wood and corn as fuel sources added in 2009.

Description: Sales and purchases of electricity, coal, gas, fuel oil, diesel fuel, tractor fuel, propane, gasoline, coke, nuclear fuel, butane, wood as fuel, and corn as fuel when more than 50% of the amount purchased is for use directly in irrigation or farming.

Estimate: \$38,571,000

Data source: U.S. Department of Agriculture, Agricultural Census

12. Aviation Fuel

Statutory citation: [77-2704.03](#)

Enacted: 1967

Description: Fuel for use in aircraft, specifically aviation gasoline and jet fuel.

Estimate: \$7,045,000

Data source: Nebraska Department of Revenue, Motor Fuels Section; U.S. Department of Energy, Energy Information Administration

13. Minerals, Oil, and Gas Severed from Real Property

Statutory citation: [77-2704.04](#)

Enacted: 1967

Estimate: \$8,579,000

Data source: Nebraska Department of Revenue, Form 61 severance and conservation tax returns

Food

14. Food for Home Consumption

Statutory citation: [77-2704.24](#)

Enacted: 1983

Description: Food or food ingredients, except prepared food and food sold through vending machines. (Estimate excludes Supplemental Nutrition Assistance Program [formerly “food stamps” - see below] purchases.)

Estimate: \$156,484,000

Data source: U.S. Department of Labor, Bureau of Labor Statistics, Consumer Expenditure Survey

15. Supplemental Nutrition Assistance Program (formerly “food stamps”)

Statutory citation: [77-2704.54](#)

Enacted: 1983

Description: Food or food ingredients that are purchased by electronic benefits transfer or with food coupons.

Estimate: \$13,140,000

Data source: U.S. Department of Agriculture, Food and Nutrition Service, Supplemental Nutrition Assistance Program

Note: State taxation is prohibited by federal law.

16. School Lunches

Statutory citation: [77-2704.10\(1\)](#)

Enacted: 1967

Description: Prepared food, including soft drinks and candy, served by public or private schools, school districts, student organizations, or parent-teacher associations pursuant to an agreement with the proper school authorities, in an elementary or secondary school or at any institution of higher education, public or private, during the regular school day, or at an approved function of any school or institution. However, this exemption does not apply to sales at any facility or function that is open to the general public, except that concession sales by elementary and secondary schools, public or private, are exempt.

Estimate: \$7,892,000

Data source: Nebraska Department of Education, Annual Financial Report; University of Nebraska room and board rates; U.S. Department of Education, National Center for Education Statistics

17. Meals Sold by Hospitals

Statutory citation: [77-2704.10\(3\)](#)

Enacted: 1967

Description: Prepared food, including soft drinks and candies, for human consumption when served to patients and inmates of hospitals and other institutions licensed by the State of Nebraska for care of human beings.

Estimate: \$994,000

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

18. Meals Sold by Institutions at a Flat Rate

Regulation: [1-083.09](#), [1-083.10](#)

Description: Prepared food furnished at fraternities, sororities, cooperative student societies, and summer camps that charge a single amount to attend.

Estimate: \$1,297,000

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

Note: Educational institutions are included in #16 above.

19. Food for Elderly, Handicapped, and Supplemental Security Income Recipients

Statutory citation: [77-2704.10\(5\)](#)

Enacted: 2003

Description: Prepared food sold to the elderly, handicapped, or recipients of Supplemental Security Income by an organization that accepts electronic benefits transfer or food coupons under regulations issued by the U.S. Department of Agriculture, although it is not necessary for the purchaser to use electronic benefits transfer or food coupons to pay for the meal.

Estimate: \$34,000

Data source: Internal Revenue Service Exempt Organizations Business Master File via National Center for Charitable Statistics; Meals on Wheels Association of America

20. Meals Sold by Churches

Statutory citation: [77-2704.10\(2\)](#)

Enacted: 1967

Description: Prepared food, including soft drinks and candies, for human consumption when sold by a church at a church function.

Estimate: Not available