

Nebraska taxes at a glance

Tax revenue in Nebraska (FY12):

State tax revenue:

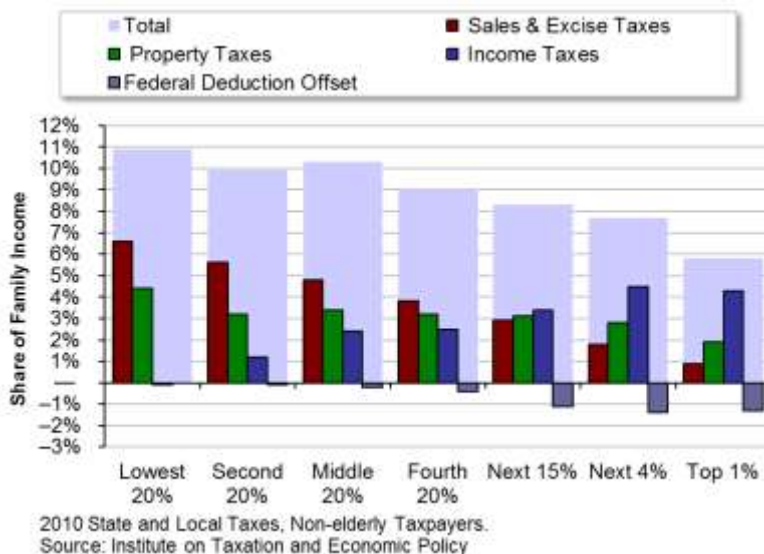
- Individual income tax – \$1.8 billion
- Sales and use tax – \$1.6 billion
- Gas and fuel taxes – \$322 million
- Corporate income tax – \$235 million
- Other state taxes¹ – \$214 million

Major local tax revenue:

- Property tax – \$3.2 billion
- Local option sales tax – \$340 million
- Inheritance tax – \$43 million

National ranking, state/local taxes: 22nd as share of personal income

Nebraska's tax system is regressive



Sales tax

Rate: 5.5% with up to 2% additional local option

National ranking: 28th as share of personal income

What's taxed: Goods, some services

What's not: Many services, food

More about the sales tax:

- \$4.1 billion in exemptions reported in 2012. Many are business inputs.
- Quarter-cent sales roads diversion started July 1
- \$98 million lost yearly in untaxed Internet/catalog sales²
- State taxes 77 out of 168 services taxed elsewhere.³ Loss of \$450 million-\$500 million in potential revenue⁴

¹ Includes excise taxes on alcohol, tobacco, and keno, business and franchise taxes, and insurance premium tax.

² National Conference of State Legislatures, *Collecting E-Commerce Taxes: An Interactive Map*. Based on state and local sales tax collections in 2012, the state's share is approximately 83 percent, or \$98 million of the \$118 million total estimated by NCSL.

³ Federation of Tax Administrators, *Sales Taxation of Services*, 2007 Survey

⁴ Bill Lock, Memo Re: LR161, LR166, & LR 97 (Committee on Revenue: December 2009). Estimates have varied. The 2002 Tax Expenditure Report estimated \$791 million, but this included many services, such as medical services, that are not considered feasibly taxable. Another estimate that looked only at a list of 30 services commonly taxed in Nebraska's border states estimated that expanding the sales tax to those services would generate \$60 million per year. Estimates focusing on all feasibly taxable services have come in between \$450 million and \$500 million.

Personal income tax (PIT)

Rates (for married couples filing jointly, beginning 2014):

- 2.46% up to \$5,999 income
- 3.51% from \$6,000 to \$35,999
- 5.01% from \$36,000 to \$57,999
- 6.84% for income more than \$58,000

National ranking: 25th as share of personal income

More about the individual income tax:

- 59% of Social Security benefits exempt⁵
- Standard Deduction – \$11,900 for married couple in 2012
- Personal Exemption Credit – \$123 per exemption in 2012
- Earned Income Tax Credit (EITC) – 10% of federal EITC
- Itemized deductions for items like mortgage interest and medical expenses
- Special deductions for items like college savings plans, special capital gains

Corporate income tax (CIT)

Rate: 5.58% on first \$100,000 of taxable profit, 7.81% on amounts above \$100,000

National ranking: 33rd as share of personal income

Who pays: Mostly large, publicly-traded companies

Who doesn't: S-Corps, partnerships, LLCs. Such businesses pay through the personal income tax

Business incentives: Nebraska Advantage Act, other programs reduce CIT/other taxes for qualifying companies

Property tax

Rate: Varies by locality. Raises more money than any state tax.

National ranking: 17th as share of personal income

Levies:

- Total levy limits – \$2.06-\$2.19 per \$100 of property value
- \$1.05 limit for school districts
- 50-cent limit for counties and subdivisions, municipalities
- Other limits for smaller governments like natural resources districts and community colleges
- Levies can be overridden by local voters

Gas tax

Rate: 26.3 cents per gallon for second half of 2013

National ranking: 24th

Inheritance tax

Rates:

- Spouses -- exempt
- Close relatives and siblings – first \$40,000 exempt, 1% on remainder
- Remote relatives – first \$15,000 exempt, 13% on remainder
- Non-relatives – first \$10,000 exempt, 18% on remainder

Nationally: Five other states have inheritance taxes. 13 have estate taxes -- Nebraska does not

County impact: Ranges from less than 1% to more than 20% of county budgets

⁵ This percentage is a statewide total. Amount exempted varies from 15% to 100% based on a family's income. A federal calculation is used to determine the amount of Social Security benefits included/excluded in Adjusted Gross Income. NE Department of Revenue Statistics of Income. *Table B4: Individual Income Tax Data by Size of Adjusted Gross Income, all returns, tax year 2011.*