

# Nebraska taxes at a glance



## Tax revenue in Nebraska

### State tax revenue: <sup>i</sup>

- Individual income tax – \$2.0 billion
- Sales and use tax – \$1.8 billion
- Gas and fuel taxes – \$349 million <sup>ii</sup>
- Corporate income tax – \$310 million
- Other state taxes <sup>iii</sup> – \$258 million <sup>iii</sup>

### Major local tax revenue: <sup>iv</sup>

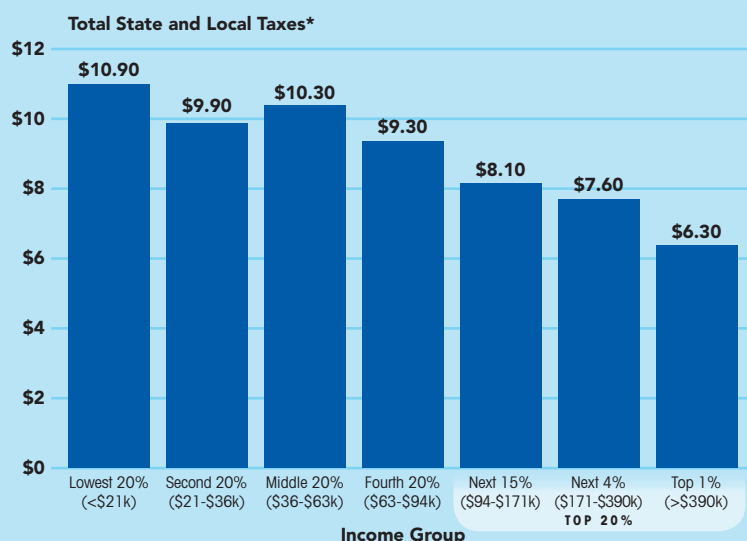
- Property tax – \$3.6 billion <sup>v</sup>
- Local option sales tax – \$377 million <sup>vi</sup>
- Inheritance tax – \$54 million <sup>vii</sup>

### National ranking:

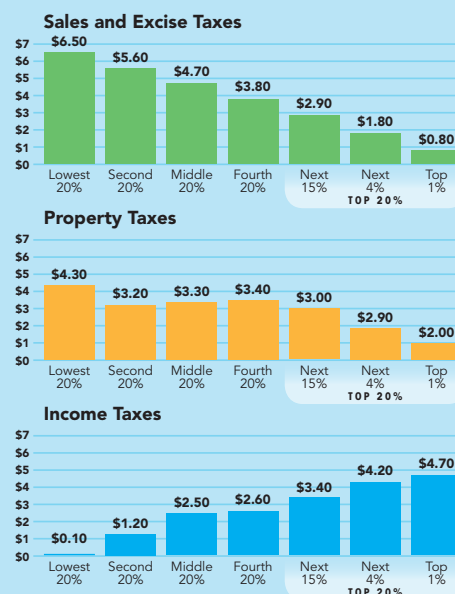
- State/local taxes – 23rd as share of personal income <sup>viii</sup>
- State/local spending – 35th as share of personal income <sup>ix</sup>

## Low- and Middle-Income Nebraskans Pay Higher Portion of Their Income in Taxes

State and local taxes per \$100 of family income by income group



State and local taxes, 2015 income levels, non-elderly taxpayers.  
 \* Note: totals include effect of federal deductibility of state and local taxes, so amounts in graphs to right do not sum to totals.  
 Source: Institute on Taxation and Economic Policy, "Who Pays?", January 2015



## Sales tax

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

**National ranking:** 24th as share of personal income <sup>viii</sup>

**What's taxed:** Goods, some services

**What's not:** Many services, food

**More about the sales tax:**

- \$4.4 billion in exemptions reported in 2014. <sup>x</sup>  
Many are business inputs.

- Nebraska taxes 77 out of 168 services taxed in other states. <sup>xi</sup>
- \$194 million in annual revenue loss due to untaxed consumer services. <sup>xii</sup>
- \$45-\$118 million lost yearly in untaxed internet/catalog sales. <sup>xiii</sup>
- Quarter-cent of sales tax diverted to roads since July 1, 2013. \$74 million annually. <sup>xiv</sup>

## Property tax

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

**National ranking:** 14th as share of personal income <sup>viii</sup>

**Levies:** <sup>xv</sup>

- 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 governmental entities like natural resources districts and community colleges
- Levy limits can be overridden by local voters

(continued)

# Nebraska taxes at a glance (continued)

## Personal income tax (PIT)

**Marginal rates (for married couples filing jointly in 2014; to be adjusted for inflation beginning 2015):**

- 2.46% on first \$5,999 of taxable income
- 3.51% on income from \$6,000 to \$35,999
- 5.01% on income from \$36,000 to \$57,999
- 6.84% on income more than \$58,000
- Income thresholds above are divided in half for single individuals.
- Actual rates paid typically lower due to deductions, credits, etc. For example, a couple taking the \$12,400 standard deduction would pay 6.84% on income more than \$70,400. Highest effective rate estimated at 5.04% for incomes greater than \$115k in 2012. <sup>xvi</sup>

**National ranking:** 25th as share of personal income <sup>viii</sup>

**More about the individual income tax:**

- Standard Deduction – \$12,400 for married couple, \$6,200 for individuals, in 2014
- Personal Exemption Credit – \$128 per exemption in 2014
- 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
- 56% of Social Security benefits exempt, <sup>xvii</sup> additional exemption beginning 2015 <sup>xviii</sup>

## Corporate income tax (CIT)

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

**National ranking:** 26th as share of personal income <sup>viii</sup>

**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

## Gas tax

**Rate:** 26.1 cents per gallon for second half of 2015, <sup>xix</sup> increase to begin 2016 <sup>xx</sup>

**National ranking:** 19th as share of personal income <sup>viii</sup>

## 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

**All revenues go to counties:** Ranges from less than 1% to more than 20% of county budgets <sup>xxi</sup>

**Nationally:** Five other states have inheritance taxes. <sup>xxii</sup> 15 have estate taxes – Nebraska does not

i Fiscal Year 2013-14 (FY14). NE Department of Administrative Services, *Annual Budgetary Report FY14*.

ii Note: Although Nebraska motor fuel taxes are state taxes, portions are earmarked for distribution to cities and counties.

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

iv Primarily municipalities, counties, and school districts; also community colleges, natural resource districts, and other local entities.

v Calendar Year 2014. NE Department of Revenue Property Assessment Division, *Certificate of Taxes Levied 2014*.

vi Calendar Year 2014. NE Department of Revenue, Local Sales and Use Tax Remitted to Cities. vii 3-year average for FY11-FY13. Nebraska Association of County Officials, *Survey of Nebraska County Clerks*.

viii All rankings are FY13. States are ranked using taxes as a share of each state's Personal Income (a broad measure of the size of a state's economy similar to GDP), to allow comparison of states of varying sizes. US Census Bureau, *Census of Governments*, and US Bureau of Economic Analysis, *State Personal Income*.

ix State and local direct general expenditures as share of personal income, FY13. This is the most comparable spending measure across states but includes spending funded by non-tax revenues. Nebraska ranks lower in spending than in taxes largely because Nebraska receives proportionally fewer non-tax revenues such as federal aid (34th nationally) and miscellaneous fees and fines (24th) than tax revenues. US Census Bureau, *Census of Governments*, and US Bureau of Economic Analysis, *State Personal Income*.

x NE Department of Revenue, *Tax Expenditure Report 2014*.

xi Federation of Tax Administrators, *Sales Taxation of Services, 2007 Survey*.

xii Institute on Taxation and Economic Policy estimate of potential revenue gain from expanding sales tax to non-business services excluding health care, September 2015. NE Department of Revenue, *2014 Tax Expenditure Report*, estimated \$325 million foregone due to untaxed services, including health care and some business-to-business services.

xiii 2012, state and local combined. NE Department of Revenue, *Estimated Sales and Use Tax Revenue From Remote Sales* (\$45 million), National Conference of State Legislatures, *Collecting E-Commerce Taxes: An Interactive Map* (\$118 million).

xiv FY15. NE Legislative Fiscal Office, *2015 Biennial Budget Report*.

xv NE Legislature, *Taxes in Nebraska: Major Tax Policy Trends*.

xvi NE Department of Revenue, *2012 Tax Burden Study*, November 2015.

xvii 2013 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 2013*.

xviii LB 987 of 2014. Exempts all benefits not already exempt for married couples with incomes up to \$58,000 and others with incomes up to \$43,000.

xix NE Department of Revenue, *Current Fuel Tax Rates*.

xx LB 610 of 2015. Increases fixed portion of gas tax 1.5 cents per year for four years beginning January 2016.

xxi OpenSky Policy Institute, *Feeling The Squeeze*, 2012.

xxii Tax Foundation, *Facts & Figures 2015*.