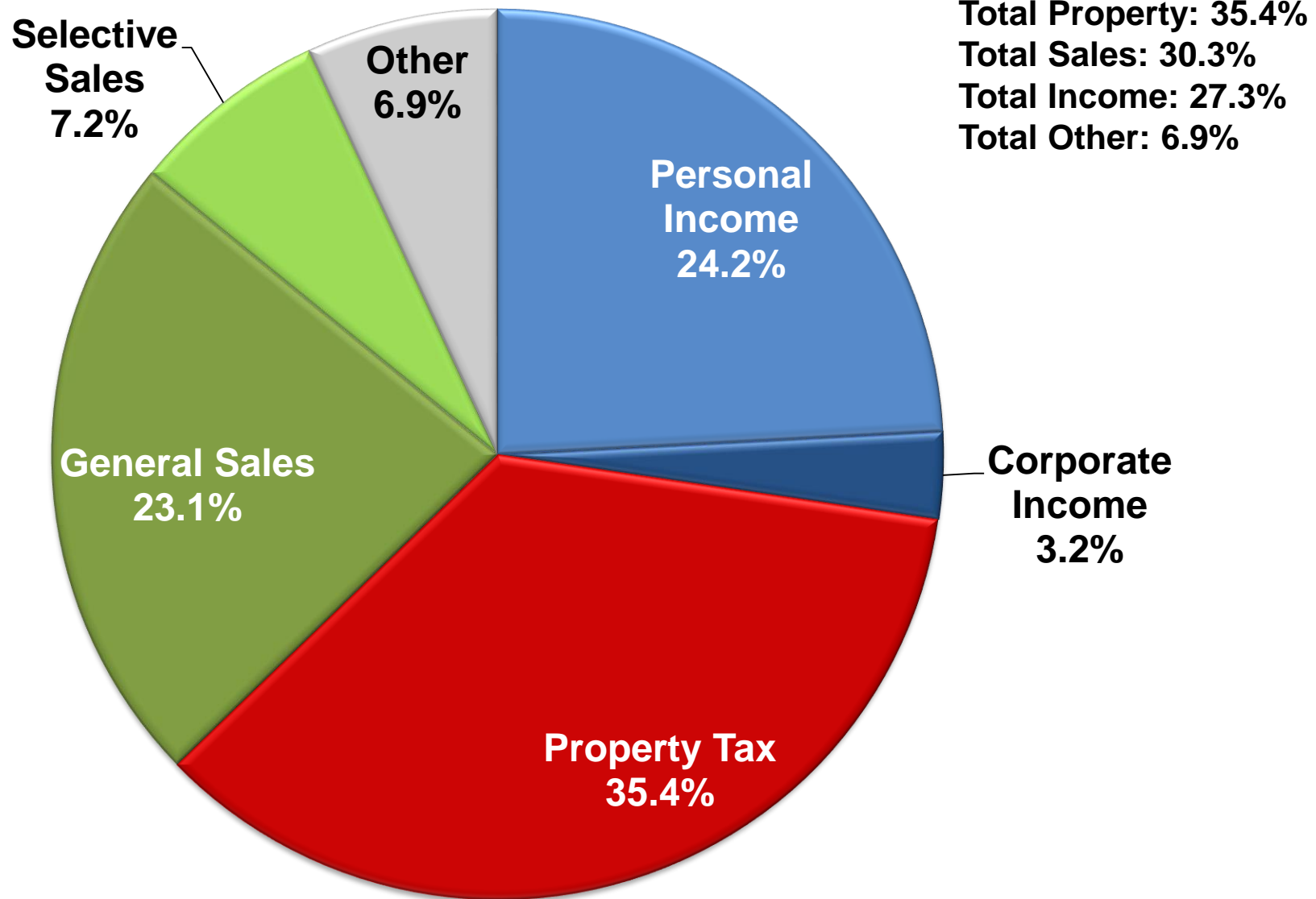




Clear thinking for
a stronger Nebraska

Nebraska's Three-Legged Stool

State and Local Taxes by Type, FY 12-13



Nebraska's Rankings (FY13):

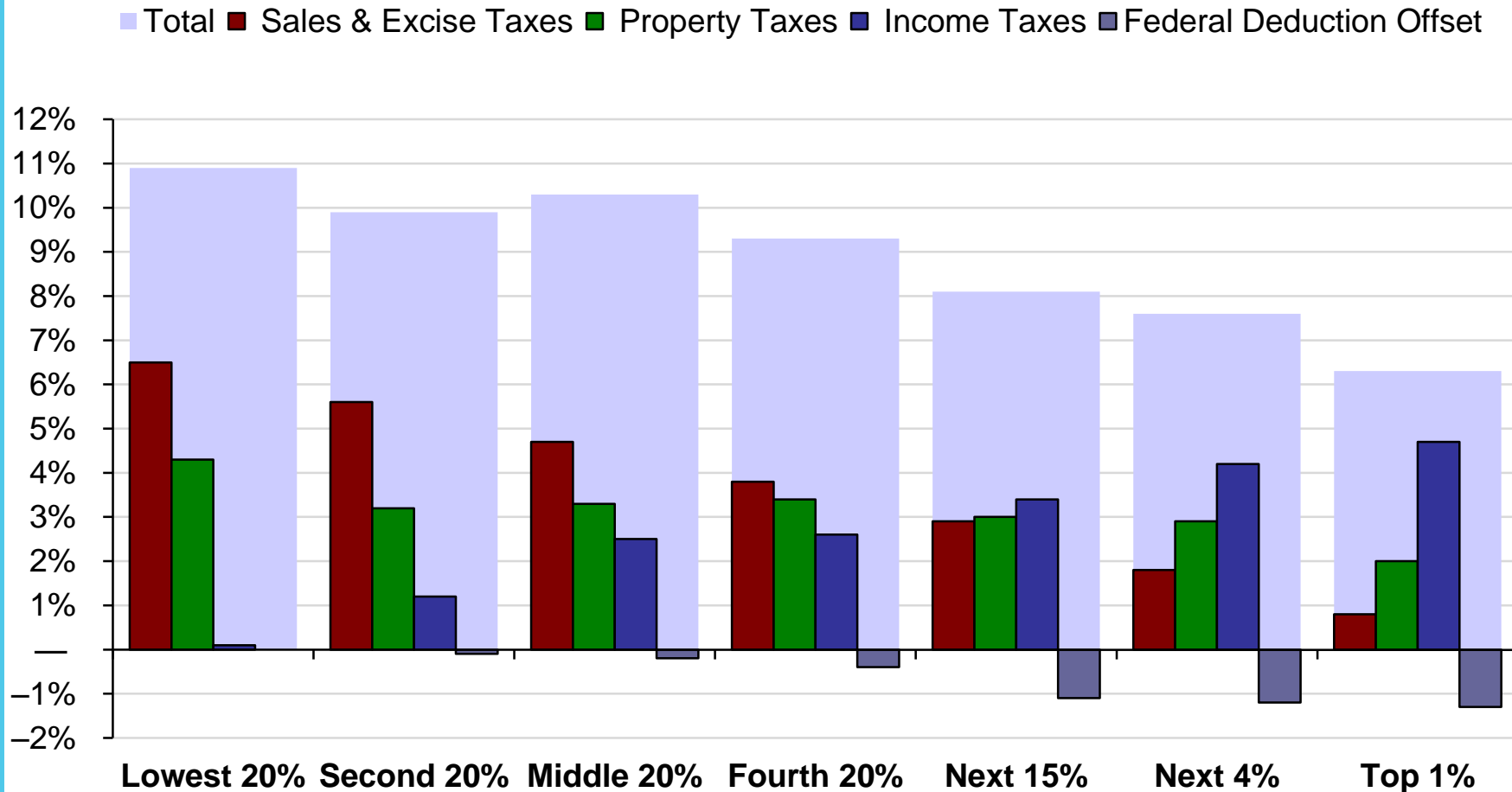
- Personal Income Taxes as a Share of Economy: **25th**
- Corporate Income Taxes as a Share of the Economy: **26th**
- General Sales Taxes as a Share of Economy: **24th**
- Property Taxes as Share of Economy: **14th**

Source: US Census Bureau 2013 Census of State and Local Government Finances; US Bureau of Economic Analysis

Nebraska's Tax System is Regressive

State & Local Taxes in 2015

Shares of family income for non-elderly taxpayers



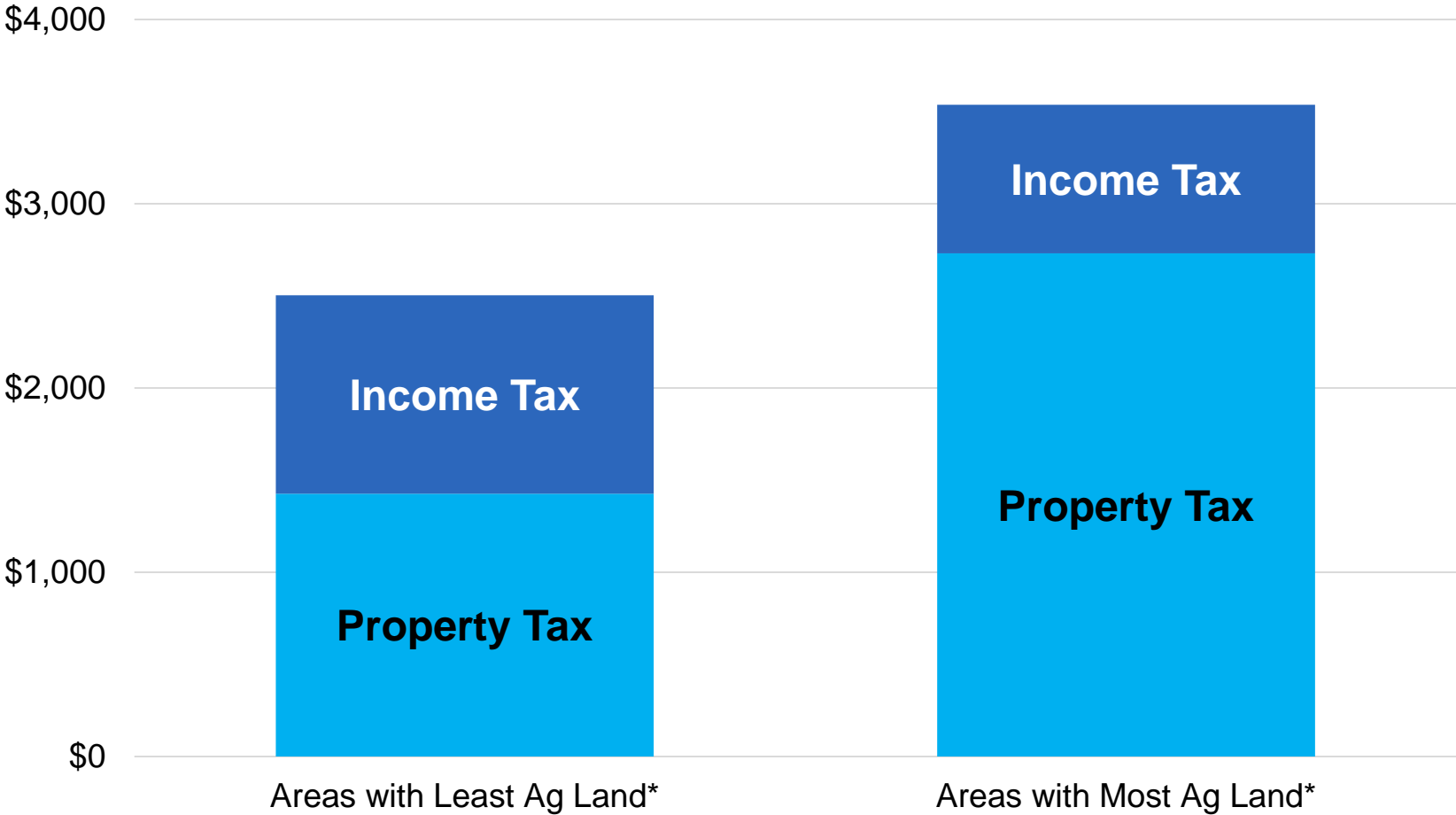
Property Taxes

Taxing Subdivision	Average Tax Rate (2015) – Per \$100 Taxable Property Value
School Districts	\$1.0015
City or Village	\$0.4287
County	\$0.2639
Community College	\$0.0898
Fire Districts	\$0.0347
Natural Resource Districts	\$0.0336
Townships	\$0.0313
Miscellaneous Districts	\$0.0275
Educational Service Units (ESUs)	\$0.0148
Average Total Tax Rate	\$1.6609

Source: NE Dept. of Revenue, 2015 Annual Report of the Property Tax Assessment Division

Residents in highly agricultural counties pay more in taxes

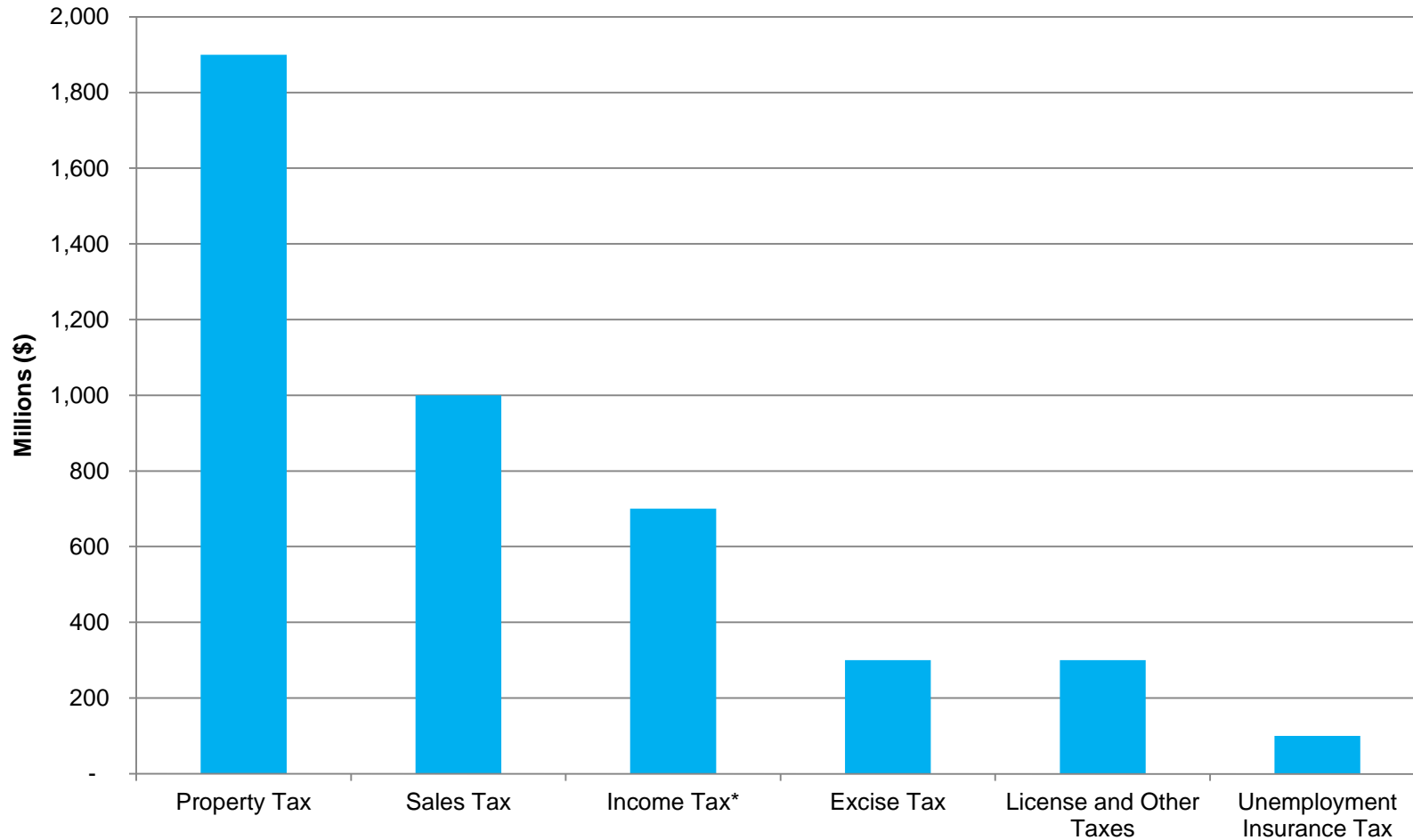
Property and income taxes per person, 2013



*Areas with Least Ag Land are Nebraska counties consisting of less than 20% agricultural land. Areas with Most Ag Land are Nebraska counties consisting of more than 60% agricultural land.
Note: Amounts are net of Property Tax Credit and Homestead Exemption
Sources: US Census Bureau, NE Department of Revenue

Property Tax Is Largest Tax for Nebraska Businesses

State and Local Business Taxes by Type, FY 13-14

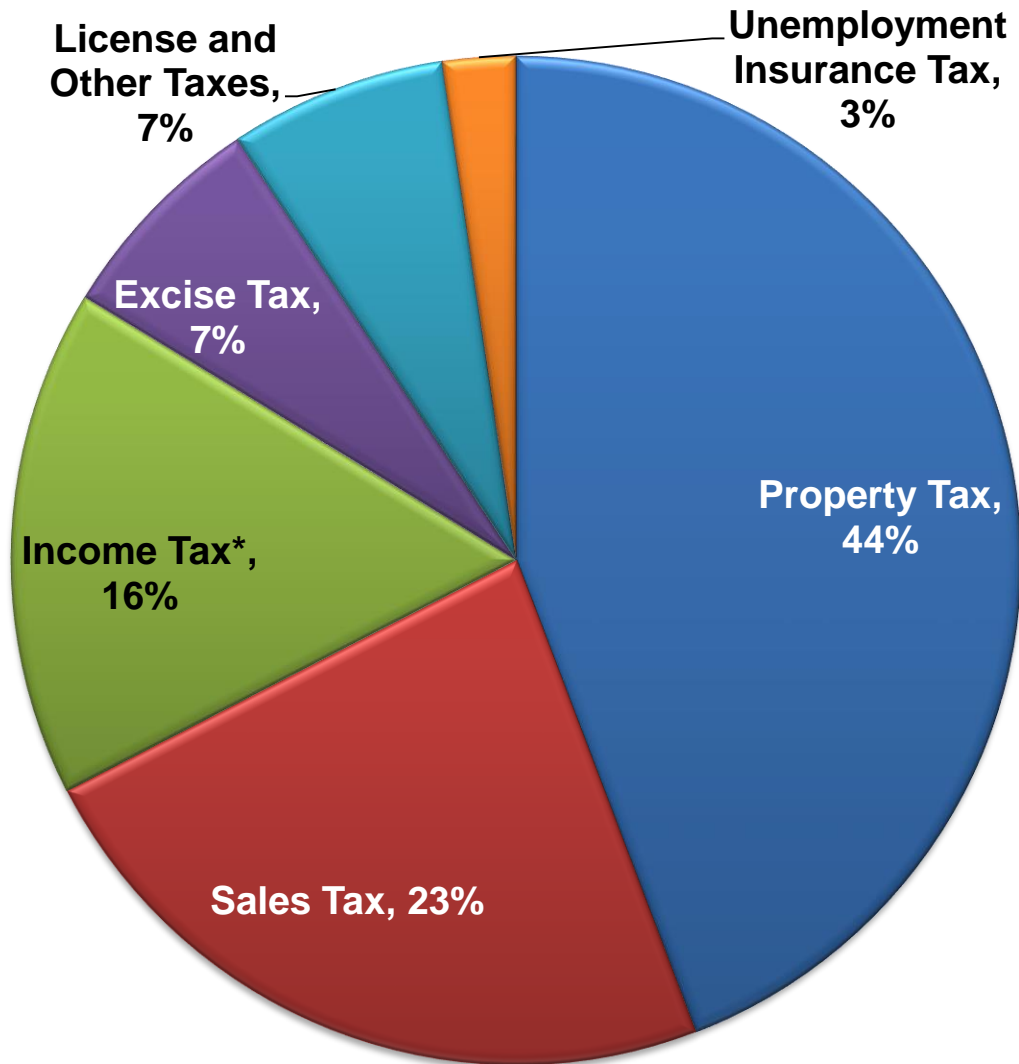


Source: "Total state and local business taxes," FY 13-14, Council on State Taxation and Ernst & Young

*Corporate Income Taxes Paid and Personal Income Taxes paid by business.

Property Tax Is Largest Tax for Nebraska Businesses

State and Local Business Taxes by Type, FY 13-14



Source: "Total state and local business taxes," FY 13-14, Council on State Taxation and Ernst & Young

*Corporate Income Taxes Paid and Personal Income Taxes paid by business.

Income Taxes – Tax Year 2015

Bracket	Married, Filing Jointly	Head of Household	Single Individual	Tax Rate
1	\$0 - \$6,090	\$0 – 5,690	\$0 – \$3,050	2.46%
2	\$6,090 - \$36,570	\$5,690 - \$29,260	\$3,050 - \$18,280	3.51%
3	\$36,570 - \$58,920	\$29,260 - \$43,680	\$18,280 - \$29,460	5.01%
4	Over \$58,920	Over \$43,680	Over \$29,460	6.84%

Source: NE Dept. of Revenue

The income amounts within each bracket are adjusted annually for inflation.

Marginal vs. Effective Income Tax Rates

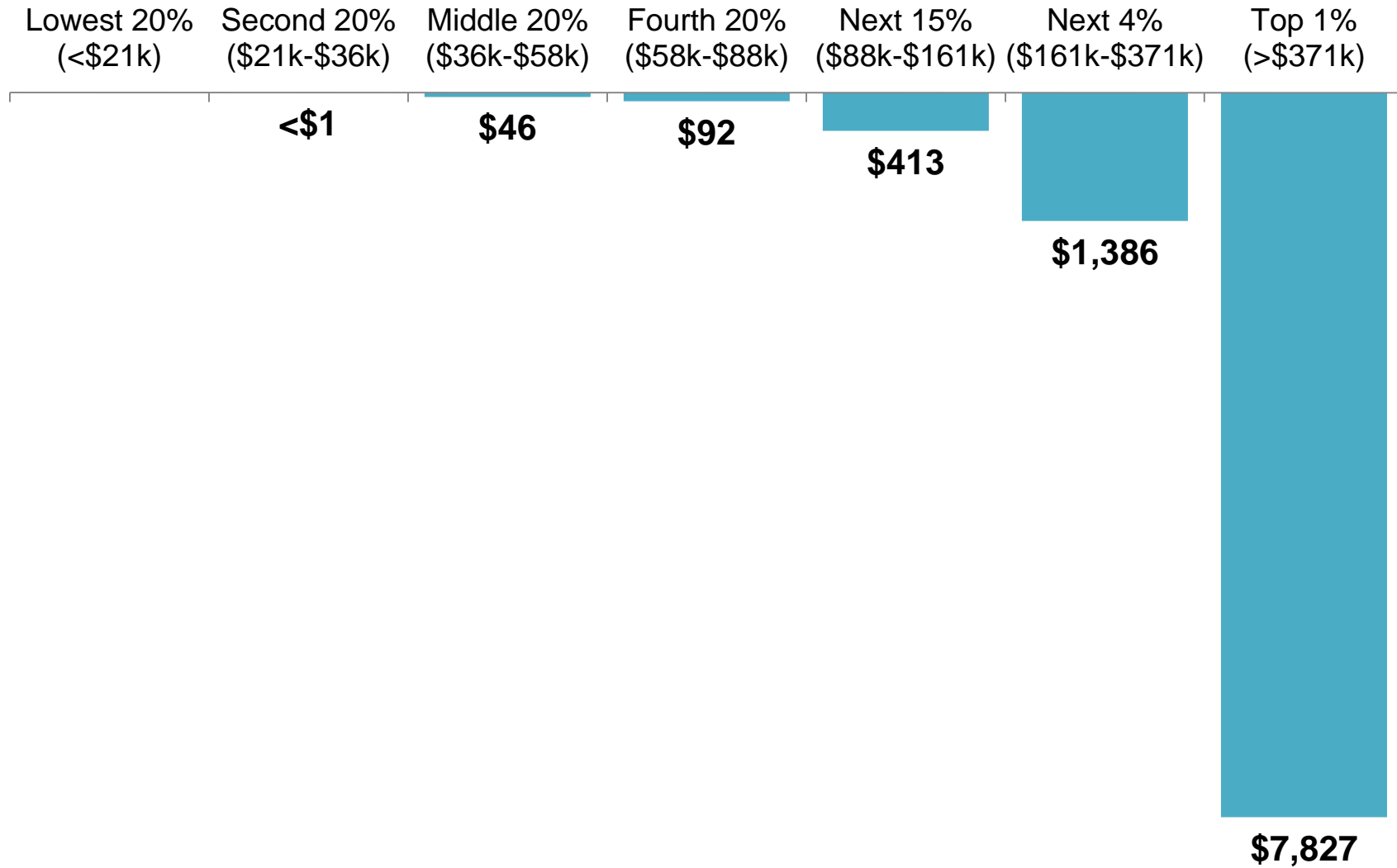
	Effective Tax Rate
First 7 Deciles (70% of Returns)	1.74%
8 th Decile (Beginning AGI \$62,484)	3.16%
9 th Decile (Beginning AGI \$82,534)	3.81%
10 th Decile (Beginning AGI \$115,035)	5.04%
Top 500 Returns (Beginning AGI \$2,368,772)	4.62%

Source: NE Dept. of Revenue, 2012 Tax Burden Study
(August 2015)

Top Personal Income Tax Rate Reduced to 5.5%

Average Annual Tax Change by Income Group, 2013 Income Levels

Total Annual Cost to State: \$191 Million

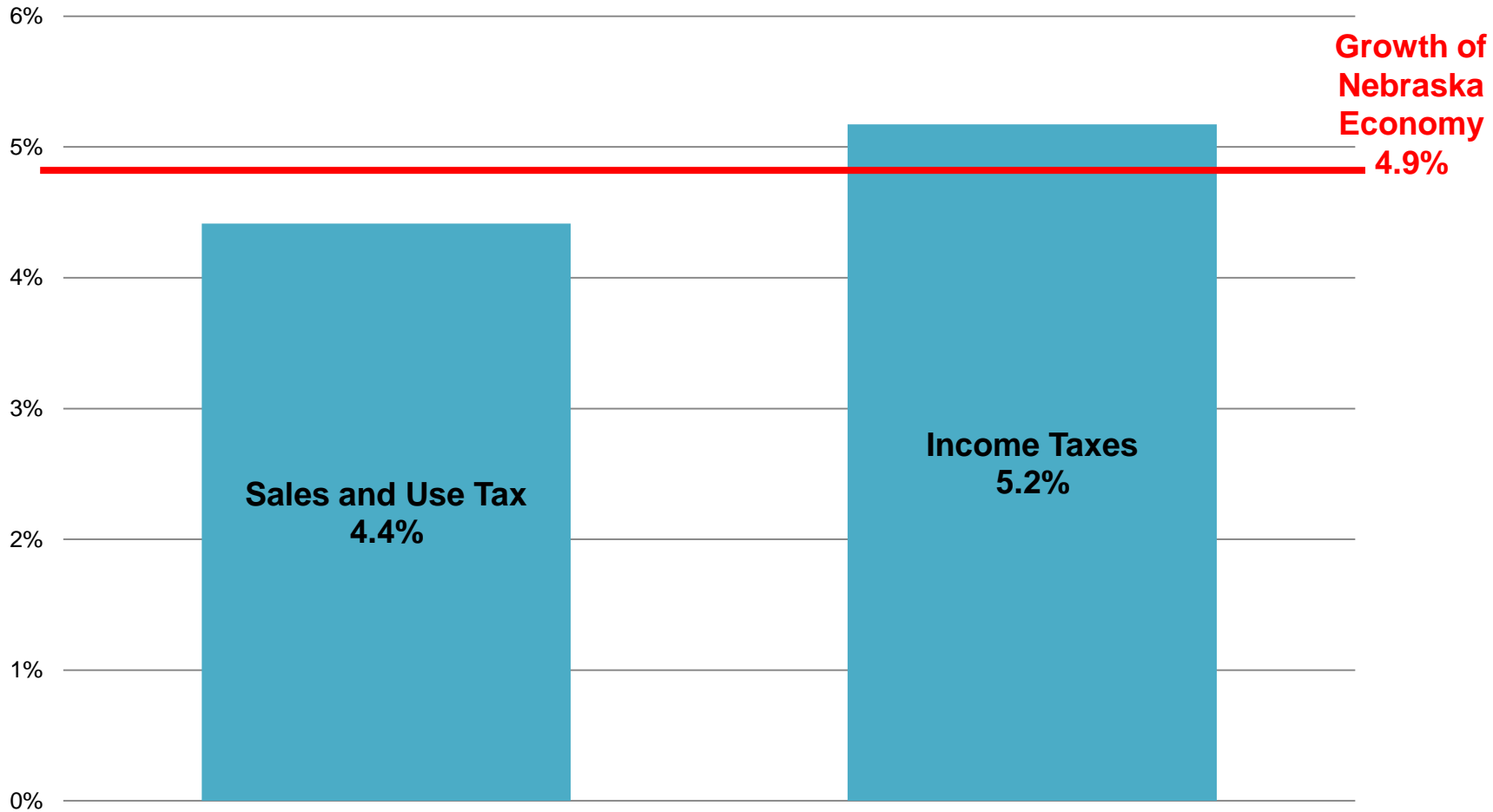


Sales Taxes

- Sales tax Rate: 5.5% with up to 2% additional local option - 220 local jurisdictions utilize the local option.
- What's taxed: Goods, rentals, admissions, some services
- What's not: Many services, food
- Nebraska taxes 77 out of 168 services taxed in other states.
- \$194 million in annual revenue loss due to untaxed consumer services.
- \$45-\$118 million lost yearly in untaxed internet / catalog sales.
- Quarter-cent of sales tax diverted to roads since 2013 – approx. \$74 million annually.

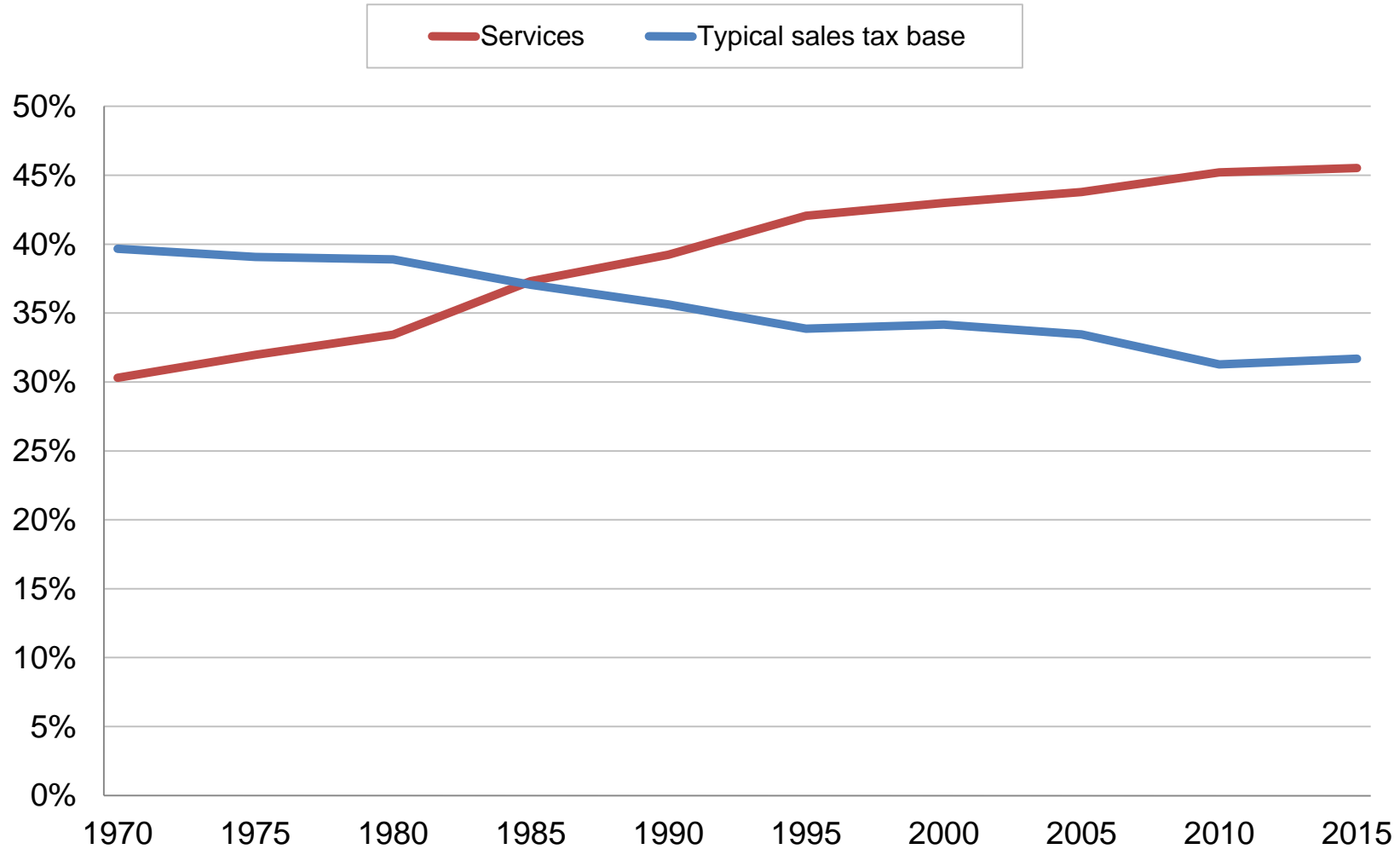
Sales Tax Revenues Grow More Slowly than Income Taxes

Average annual growth in tax revenues, 1995-2012



Sales Tax Base Eroding

Goods and Services as Share of Household Consumption



Source: US Bureau of Economic Analysis, *National Income and Product Accounts*, Table 2.4.5U

Introduction to Tax Expenditures

- As defined by NCSL: “A tax expenditure is an exemption, deduction, credit, exclusion, or other deviation from the ‘normal’ tax structure.”
- Examples of tax expenditures
- Tax expenditures are costly to the State and lack transparency

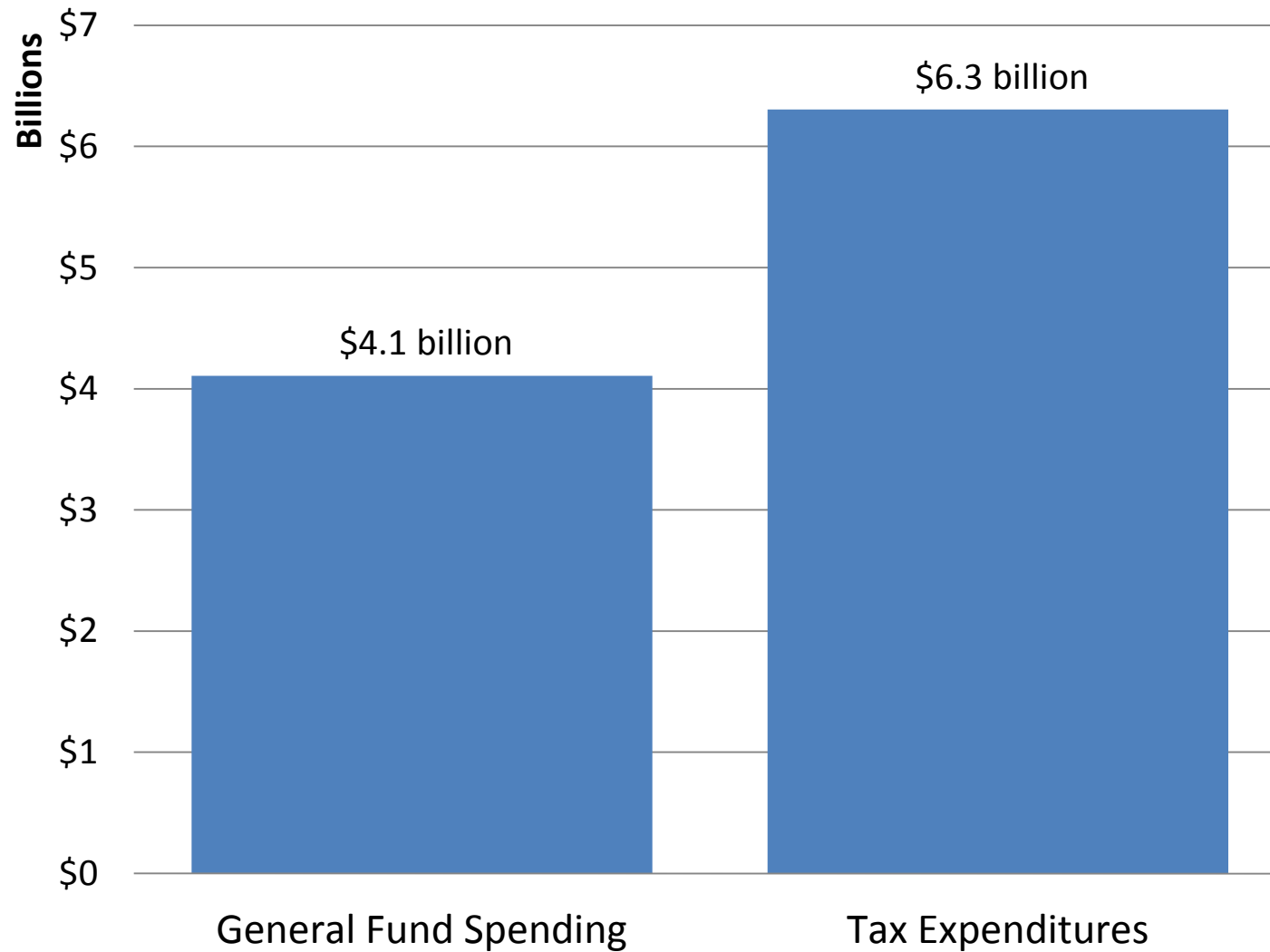
Nebraska's Tax Expenditure Report

- [The Report](#) is published each October 15 and presented to Revenue and Appropriations before December 1
- The Report's estimates reflect the amount of revenue lost annually due to each exemption, credit, etc.
- The estimates reflect a number of assumptions and vary in their reliability
- Estimates cannot be directly interpreted as a "menu" of revenue raisers

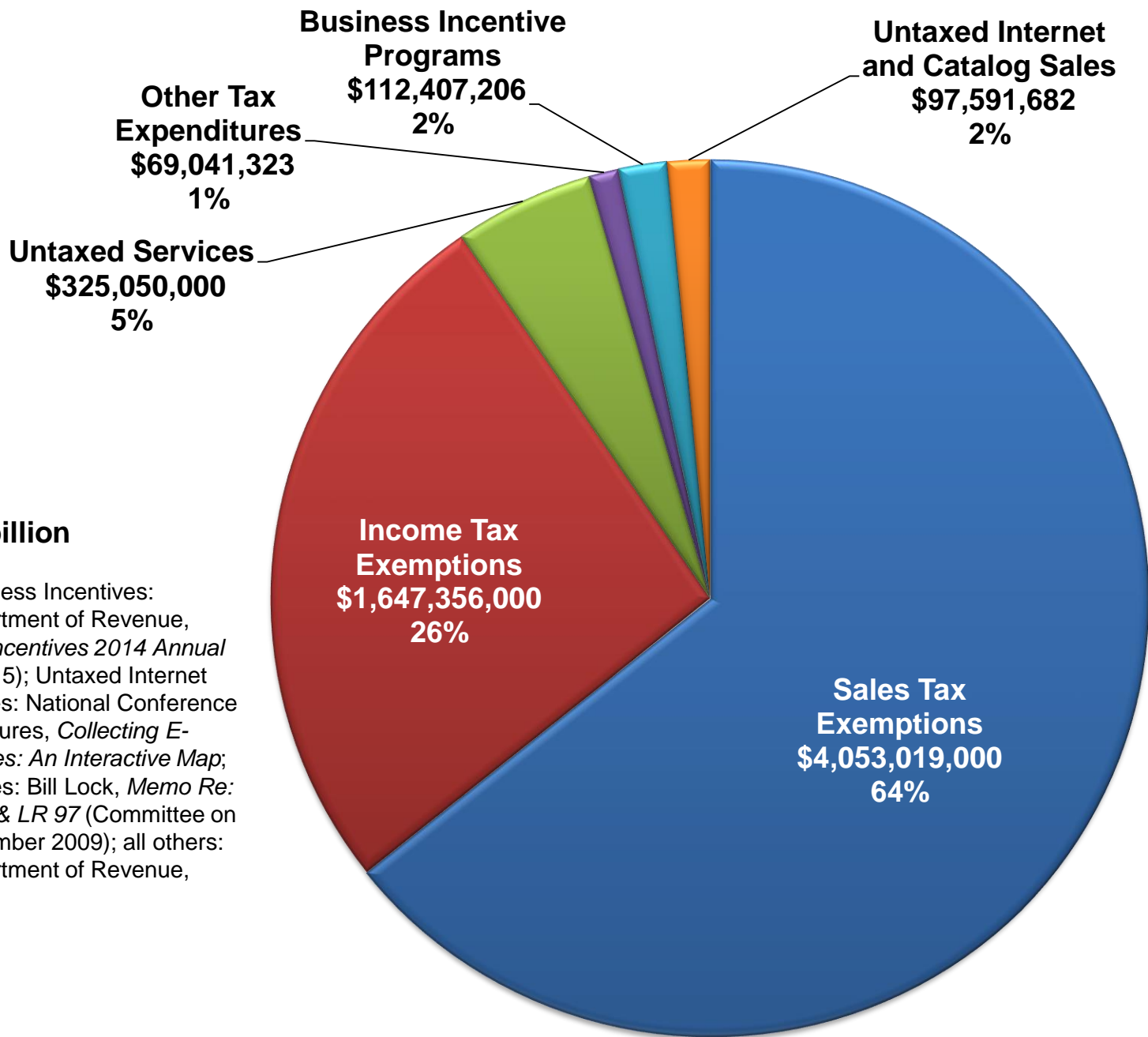
Nebraska's Tax Incentive Report

- [The Report](#) is published each July 15 and presented to Revenue and Appropriations before September 1.
- [A 2013 report](#) from the Legislative Performance Audit found the cost-per-job for jobs created under NE Advantage ranged from \$42k to \$234k and that the goals were too vague to permit useful evaluations of the programs.
- Salaries ranged between \$21,986 and \$54,966 (2011)
- LB 538 (2015) set out measurable goals and established a process to review the major state tax incentive programs every 3 years.

Tax Expenditures Edge General Fund Spending, 2014



Tax Expenditures by Type, 2014



Total: \$6.3 billion

Sources : Business Incentives: Nebraska Department of Revenue, *Nebraska Tax Incentives 2014 Annual Report* (July 2015); Untaxed Internet and catalog sales: National Conference of State Legislatures, *Collecting E-Commerce Taxes: An Interactive Map*; Untaxed Services: Bill Lock, *Memo Re: LR161, LR166, & LR 97* (Committee on Revenue: December 2009); all others: Nebraska Department of Revenue, 2014

Inheritance Taxes

- 0% - Spouse
- 1% - Near relatives, amount over \$40K
- 13% - Remote relatives, amount over \$15k
- 18% - Nonrelatives, amount over \$10k
- Inheritance tax - \$66.7M (FY15) to counties.
- Amt. of inheritance tax collected varied, ranging from \$137 in Sherman Co. to \$12,091,183 in Douglas Co.
- Average county revenue - \$717,541.
- Median county revenue - \$362,054.

Likely Tax Proposals in 2017

- Income tax rate reductions or triggers
- Property tax reductions/reform (esp. Ag)
 - 75/65, caps, income vs. market, PTC
- Further social security exemptions
- Tax incentive reform
- Sales tax exemptions
- Inheritance tax changes?

Resources

Revenue committee:

- [Tax Mod Committee report](#) (2013)
- [Ag land valuation](#) (2014)

DOR:

- [2012 Tax Burden Study](#) (2015)

OpenSky:

- [Real taxpayers of NE](#) (2013)

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