

# Nebraska taxes at a glance



## Tax revenue in Nebraska

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

- Individual income tax – \$2.2 billion
- Sales and use tax – \$1.8 billion
- Petroleum taxes – \$362 million <sup>ii</sup>
- Corporate income tax – \$312 million
- Other state taxes – \$268 million <sup>iii</sup>

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

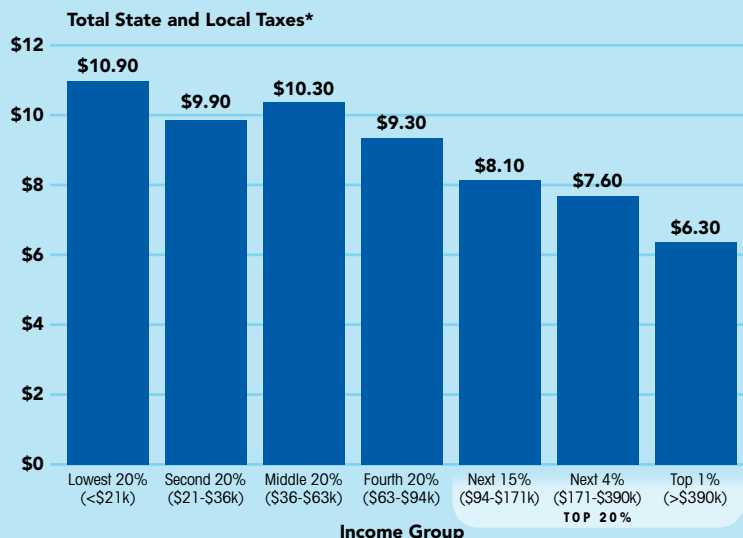
- Property tax – \$3.9 billion <sup>v</sup>
- Local option sales tax – \$418 million <sup>vi</sup>
- Inheritance tax – \$67 million <sup>vii</sup>

### National ranking:

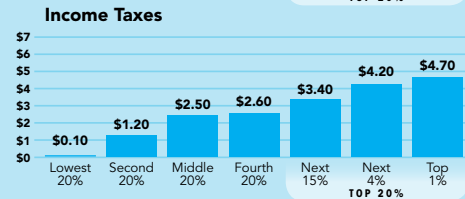
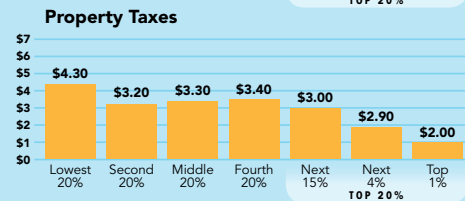
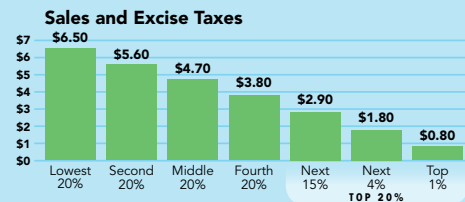
- State/local taxes – 28th as share of GDP <sup>viii</sup>
- State/local spending – 45th as share of GDP <sup>ix</sup>

## 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:** 28th as share of GDP <sup>viii</sup>

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

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

### More about the sales tax:

- Nebraska taxes 77 out of 168 services taxed elsewhere. <sup>x</sup>
- \$178 million in annual revenue loss due to untaxed consumer services. <sup>xi</sup>
- \$102 million in sales tax diverted from General Fund in FY16. <sup>xii</sup> Quarter-cent of sales tax diverted to roads funding - \$73 million in FY16. <sup>xiii</sup>

## Property tax

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

- Statewide average total property tax rate is \$1.64 per \$100 of property value (ranges from \$0.76 to \$2.30 per \$100 of property value by county). <sup>xiv</sup>

**National ranking:** 14th as share of GDP

### Levies:

- \$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 2017; brackets adjusted for inflation annually):**

- 2.46% on first \$6,170 of taxable income
- 3.51% on income from \$6,171 to \$37,030
- 5.01% on income from \$37,031 to \$59,660
- 6.84% on income more than \$59,661
- 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 \$12,700 standard deduction would pay 6.84% on income more than \$72,360. Highest effective rate estimated at 5.04% for incomes greater than \$115k in 2012.<sup>xv</sup>

**National ranking:** 27th as share of GDP<sup>viii</sup>

**More about the individual income tax:**

- Standard Deduction – \$12,700 for married couple, \$6,350 for individuals, in 2017
- Personal Exemption Credit – \$132 per exemption in 2017
- 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
- 54% of Social Security benefits exempt,<sup>xvi</sup> additional exemption began in 2015<sup>xvii</sup>

### Corporate income tax (CIT)

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

**National ranking:** 23rd as share of GDP<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:** 27 cents per gallon for second half of 2017,<sup>xviii</sup> increases began in 2016<sup>xix</sup>

**National ranking:** 17th as share of GDP<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 17% of county budgets<sup>xx</sup>

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

i Fiscal Year 2015-16 (FY16). NE Department of Administrative Services, *Annual Budgetary Report FY16*.

ii 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 2016. NE Department of Revenue Property Assessment Division, *Certificate of Taxes Levied 2016*.

vi Calendar Year 2016. NE Department of Revenue, *Local Sales and Use Tax Remitted to Cities*. Includes motor vehicle sales tax.

vii FY15. Nebraska Association of County Officials, *Survey of Nebraska County Clerks*.

viii All rankings are FY14. States are ranked using taxes as a share of each state's Gross Domestic Product (GDP) to allow comparison of states of varying sizes. US Census Bureau, *Census of Governments*, and US Bureau of Economic Analysis, *State Gross Domestic Product*.

ix State and local direct general expenditures as share of Gross Domestic Product, FY14. 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 (39th nationally). US Census Bureau, *Census of Governments*, and US Bureau of Economic Analysis, *State Gross Domestic Product*.

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

xi Institute on Taxation and Economic Policy estimate of potential revenue gain from expanding sales tax to non-business services excluding health care, March 2017. NE Department of Revenue, *2016 Tax Expenditure Report*, estimates \$416 million foregone due to untaxed services, including health care and some business-to-business services.

xii This total does not include motor vehicle sales tax.

xiii NE Department of Administrative Services, *Monthly Fund Summary Report*.

xiv NE Department of Revenue, *Average Tax Rates, By County, 2016*

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

xvi 2015 statewide total. 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 2015*.

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

xviii NE Department of Revenue, *Current Fuel Tax Rates, 6/19/17*.

xix LB 610 (2015) increased fixed portion of gas tax 1.5 cents per year for four years beginning January 2016.

xx FY15. Nebraska Association of County Officials, *Survey of Nebraska County Clerks*; Nebraska Auditor of Public Accounts

xxi Tax Foundation, *Facts & Figures 2016*.