

# Nebraska taxes at a glance



## Tax revenue in Nebraska

Note: all national rankings are based on 2018 taxes

### State tax revenue for FY20: <sup>i</sup>

- Individual income tax – \$2.4 billion
- Sales and use tax – \$1.8 billion
- Petroleum taxes – \$398 million <sup>ii</sup>
- Corporate income tax – \$391 million
- Miscellaneous taxes – \$255 million <sup>iii</sup>

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

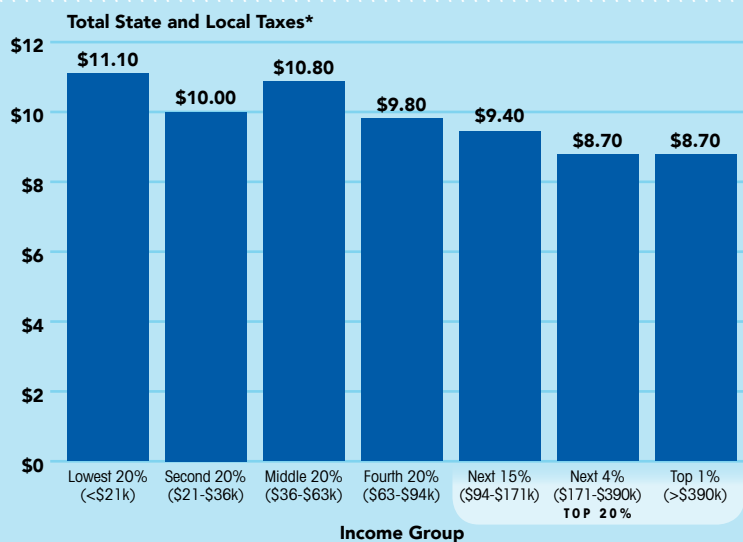
- Property tax – \$4.54 billion <sup>v</sup>
- Local option sales tax – \$492 million <sup>vi</sup>
- Inheritance tax – \$63 million <sup>vii</sup>

### National ranking:

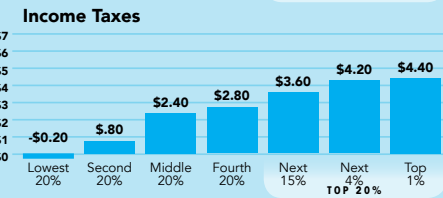
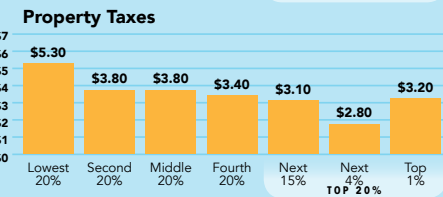
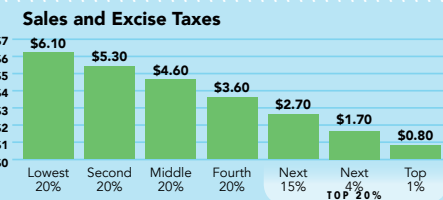
- State/local taxes – 29th as share of GDP <sup>viii</sup>
- State/local spending – 37th as share of GDP <sup>ix</sup>

## 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, "Nebraska: Who Pays? 6th Edition," October 2018.



## Sales tax

**Rate:** 5.5% with up to 2% additional local option <sup>x</sup>

**What's taxed:** Goods, some services and labor charges

**What's not:** Groceries, many services

**National ranking:**

- 28th as share of GDP

### More about the sales tax:

- Nebraska taxes 81 out of 176 services taxed elsewhere. <sup>xi</sup>
- \$178 million in annual revenue loss due to untaxed consumer services. <sup>xii</sup>
- \$186 million in sales tax diverted from General Fund in FY20, including a quarter cent – \$88 million – for roads funding. <sup>xiii</sup>

## Property tax

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

- Statewide average total property tax rate is \$1.74 per \$100 of property value (ranges from \$0.78 to \$2.31 per \$100 of property value by county). <sup>xiv</sup>

**National ranking:**

- 11th as share of GDP

### Levy limits: <sup>xv</sup>

- \$1.05 limit for school districts
- 50-cent limit for counties and municipalities
- Other limits for smaller governmental entities, like natural resource 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 for tax year 2020; brackets adjusted for inflation annually):** <sup>xvi</sup>

- 2.46% on first \$6,570 of taxable income
- 3.51% on income from \$6,571 to \$39,410
- 5.01% on income from \$39,411 to \$63,500
- 6.84% on income more than \$63,500
- Income thresholds above are divided in half for single individuals.
- Actual rates paid are typically lower due to deductions, credits, etc. A couple taking the \$14,000 standard deduction would pay 6.84% on income more than \$77,500. Highest effective rate estimated at 4.95% for the top 10% of Nebraska taxpayers in 2018. <sup>xvii</sup>

**National ranking:**

- 30th as share of GDP

**More about the individual income tax:**

- Standard deduction – \$14,000 for married couples, \$7,000 for individuals for 2020 <sup>xviii</sup>
- Personal exemption credit – \$140 per exemption for 2020 <sup>xix</sup>
- Earned Income Tax Credit (EITC) – 10% of federal EITC
- Itemized deductions for charitable giving, medical expenses, state and local taxes
- Special deductions for college savings plans, special capital gains, others
- Only a maximum of 85% of Social Security benefits are taxable under federal law; <sup>xx</sup> all benefits exempt from Nebraska income tax for married taxpayers with income below \$59,100, indexed to inflation. <sup>xxi</sup> LB 64 (2021) will exempt 50% of all currently taxed social security benefits by 2025.

## Corporate income tax (CIT)

**Rate:** Rate: 5.58% on first \$100,000 of taxable profit. For amount above \$100,000, 7.81% for 2021, 7.50% for 2022, 7.25% for 2023 and beyond. <sup>xxii</sup>

**Who pays:** Mostly large, publicly-traded companies

**Who doesn't:** S-Corps, partnerships, LLCs, which pay through the personal income tax

**National ranking:**

- 23rd as share of GDP

**Business incentives:** ImagiNE Nebraska Act, Nebraska Advantage Act and other programs reduce corporate income tax/other taxes for qualifying firms

## Gas tax

**Rate:** Rate: 28.7 cents per gallon for 1st half of 2021. <sup>xxiii</sup> Increases began in 2016. <sup>xxiv</sup>

**National ranking:**

- 18th as share of GDP

## Inheritance tax

**Rates:** <sup>xxv</sup>

- 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:** Ranging from \$353 in Sherman County to \$11.7 million in Douglas County <sup>xxvi</sup>

**Nationally:** Five other states have inheritance taxes. 12 states have estate taxes – Nebraska does not. <sup>xxvii</sup>

i General Fund Receipts, Net Receipts.

ii Although motor fuel taxes are state taxes, portions are earmarked for distribution to cities and counties. <https://revenue.nebraska.gov/motor-fuels/monthly-reported-motor-fuels-taxable-gallons-motor-fuels-taxes-and-comparison-totals>

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

iv Primarily municipalities, counties, and school districts; also community colleges, natural resource districts, and others.

v Calendar year 2020. NE DOR, Property Assessment Division.

vi FY20. NE DOR, Local Sales and Use Tax Remitted to Cities. <https://revenue.nebraska.gov/research/statistics/local-government-data>

vii FY20. Nebraska Association of County Officials (NACO).

viii U.S. Census Bureau, *Census of Governments*; U.S. Bureau of Economic Analysis (BEA), *State Gross Domestic Product (GDP)*. Rankings based on taxes as a share of GDP to allow comparison of states of varying sizes.

ix State and local direct general expenditures as share of GDP, FY16. U.S. Census Bureau, *Census of Governments*. This is the most comparable spending measure across states but includes spending funded by non-tax revenues (i.e. revenue from utility sales and liquor store sales). Nebraska ranks lower in spending than in taxes largely because Nebraska receives proportionally less in federal aid and other non-state tax revenues (39th nationally). U.S. Census Bureau, *Census of Governments*, BEA, *State Gross Domestic Product*.

x NE DOR. *Local Sales and Use Tax Rates*. Effective April 1, 2019.

xi Federation of Tax Administrators, *Sales Taxation of Services, 2017*.

xii Estimate from the Institute on Taxation and Economic Policy, August 2019. Estimate represents potential revenue gained by taxing non-business services excluding health care. The *Tax Expenditure Report* estimates \$416 million in foregone revenue if inputs, health care and other services not generally taxed for policy reasons are included.

xiii DAS, *Monthly Fund Summary Report*, June 2020. Includes incentive program refunds, turnback taxes and the quarter cent transfer under Build Nebraska. Does not include motor vehicle sales tax. [https://das.nebraska.gov/accounting/nis/reports/062020/Fund\\_Summary\\_by\\_Fund\\_Report.pdf](https://das.nebraska.gov/accounting/nis/reports/062020/Fund_Summary_by_Fund_Report.pdf), page 104.

xiv NE Property Assessment Division, *Average Tax Rates by County, 2020*.

xv Nebraska Revised Statute 77-3342.

xvi NE DOR, *NE Tax Calculation Schedule for individual income tax*

xvii NE DOR, *2018 Nebraska Statistics of Income, Table G2*.

xviii NE DOR, *NE Individual Estimated Income Tax Payment Vouchers*.

xix ibid.

xx A federal calculation is used to determine the amount of Social Security benefits included/excluded in Adjusted Gross Income.

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

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

xxiii NE DOR, *NE Corporation Estimated Income Tax Payment Vouchers*. LB 432 (2021).

xxiv NE DOR, *Current Fuel Tax Rates*.

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

xxvi Nebraska Revised Statutes 77-2004 to 77-2006.

xxvii FY20. NACO, *Survey of Nebraska County Clerks*; NE Auditor of Public Accounts.

xxviii Janelle Cammenga, "Does Your State Have an Estate or Inheritance Tax?" Tax Foundation, September 2, 2020.