



Ninety-Ninth Legislature - Second Session - 2006
Committee Statement
LB 887

Hearing Date: January 18, 2006
Committee On: Revenue

Introducer(s): (Landis)
Title: Change sales and use tax provisions

Roll Call Vote – Final Committee Action:

- Advanced to General File
 - X Advanced to General File with Amendments
 - Indefinitely Postponed
-

Vote Results:

8	Yes	Senators Baker, Connealy, Cornett, Janssen, Landis, Preister, Raikes and Redfield
0	No	
0	Present, not voting	
0	Absent	

Proponents:

Senator David Landis
Mary Jane Egr Edson
Jim Otto

Representing:

Introducer
Department of Revenue
Nebraska Retail Federation

Opponents:

None

Representing:

Neutral:

None

Representing:

Summary of purpose and/or changes:

LB 887 would enact a number of changes to the state sales tax to keep Nebraska in compliance with the Streamlined Sales and Use Tax Agreement. In general the bill would clarify, but not change, definitions and would also make changes in the state's responsibility to provide a data base for all vendors to use when determining the appropriate sales tax rate at a particular location. The first choice for determining the appropriate rate would be address-based. Second would be a nine-digit zip code based data base and third would be a five-digit zip code. Also, private entities could bid on and develop these data bases.

Section by Section Summary

Section 1 would amend section 13-324 (county sales tax) to change a cross reference to section 77-27,143, which is amended and the subsections renumbered by section 5 of the bill.

Section 2 would amend section 77-2701.14, the definition of “Entity-based exemption” to clarify that an exemption available to all individuals cannot be an entity-based exemption. Entity-based exemptions are based on the status or identity of the purchaser. The exemptions granted religious or cemetery organizations, health care organizations (like hospitals), and governmental exemptions are examples of entity-based exemptions.

Section 3 would amend section 77-2701.43, the definition of use-based exemption to mean an exemption based on a specified use of the product rather than the purchaser’s ultimate use. The agricultural machinery exemption is an example of a use-based exemption.

Section 4 would amend section 77-2712.05, the requirements of the Agreement, to change the requirements surrounding additional or estimated payments by large retailers between monthly returns. The additional payments or remittances may rather than shall be determined by a calculation other than actual collections, meaning sampling.

Section 5 would amend section 77-27,143, the administration of municipal sales taxes to clarify that local sales tax rates that may be applicable to a sale are applicable to purchases, not purchasers and that the state sponsored data base of rates and addresses may go beyond what is required by the agreement. This section would also provide that sellers or certified service providers may use this data base in place of the five or nine-digit zip code data base records that are otherwise available. Also, the state may certify private vendors to carry out this task. The contracted private vendor would have to meet the same requirements as the state in carrying out this responsibility.

This bill then provides a hierarchy of how the rate applicable to a particular sale is to be determined. First is the address-based system. If due diligence fails under this approach, a nine-digit zip code based system is next. Third would be a five-digit zip code. Generally, sellers are relieved from liability for errors resulting from use of the address based data base. New provisions in this bill allow the state to cease this liability relief. Also if the address based data base would work a hardship on the vendor, liability relief may be extended.

Finally, this section allows a seller that did not have nexus with the state to not be required to collect sales taxes until the first day of a quarter commencing at least sixty days after the state provides the data bases.

Section 6 contains the repealer.

Explanation of amendments, if any:

The Committee Amendments change the amnesty provisions in section 77-2712.05 in response to an amendment that was adopted in early January. Under the amendment, the amnesty period would run for one year from the approval of a certified service provider to collect taxes instead of one year from the state's participation in the agreement.

Senator David Landis, Chairperson