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FLOOR DEBATE

February 6, 2006 LB 887

Committee. The committee reports the bill to General File with committee amendments. (AM1914, Legislative Journal page 413.)

SENATOR CUDABACK: Thank you, Mr. Clerk. Senator Landis, you're recognized to open on LB 887.

SENATOR LANDIS: Thank you, Senator Cudaback, members of the Legislature. The Nebraska Legislature in 2004 joined the streamlined sales and use tax agreement. We're 1 of 19 states; we're one of about 22 to 25 percent of the population that's under it. In time, we will get voluntary payments of sales taxes by large discount and big box retailers, who would rather pay us the sales tax than live at risk of being found to owe us corporate income tax. So they're going to do this, and in fact we've begun to receive modest, very modest payments already. However, there's an updating system in the streamlined process, and one of the things is our promise to these big box retailers that we would create a computer program that would allow them to figure out whether an item was taxed or not taxed, and what that rate was across the 2,000 taxing jurisdictions in the country. To do that, we've got to come up to this database, and this bill makes the change in the state's responsibility to provide a database for all vendors to use when determining the appropriate sales tax rate at a location. The first choice for determining the appropriate rate would be an address-based system, second would be a nine-digit zip code based on database, and the third would be a five-digit zip code. All private entities could bid on and develop one of these three databases, even though our preference is the address-based one. The section would also provide that sellers or certified service providers would use this database in place of the five- or nine-digit zip code databases that are otherwise available, in the event the address-based system becomes available. The state may certify private vendors to carry out this task, so that if we can get somebody else other than the streamlined group to create this system and it comes from the private sector, great. We'll be happy to certify it and pay for it. The bill provides a hierarchy of how the rate applicable to a particular sale is to be determined. First, if the address-based system...if due diligence fails under this approach, a nine-digit zip code based system is next, and the third would be a five-digit zip code.