



# Nebraska's Miscellaneous Taxes 2<sup>nd</sup> Edition

A Legislative Research Office Backgrounder



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# Introduction

When we think of the types of taxes we pay, we usually think of the big three: income, sales, and property taxes. While these account for a majority of the revenue collected in Nebraska, numerous other types of taxes are assessed on various activities. These taxes include gaming taxes; cigarette tax; alcoholic beverages tax; documentary stamp tax; inheritance tax; lodging tax; franchise tax; insurance premium tax; corporate occupation tax; resource taxes; and aircraft, motor vehicle, and related taxes.

This LRO Background—Nebraska's Miscellaneous Taxes—was first published in 2015. Since taxes and revenue are an ongoing priority for Nebraska, we updated this Background with the most recent numbers available.

This Background is designed to provide a solid foundation and pertinent information regarding the numerous miscellaneous taxes in the state. We hope this Background will be a useful resource as legislators and staff develop policy, research related issues, and provide information to or answer questions from constituents. Other than inheritance taxes, this Background generally includes only state miscellaneous taxes and not taxes administered by and used to fund local entities. In addition, two fees, the Petroleum Release Remedial Action Fee and the Motor Vehicle Registration Fee, are included because of their close relationship with a particular miscellaneous tax, but all other fees are excluded from the report. Finally, some miscellaneous taxes with insignificant amounts of revenue are excluded.

Thank you to the staff in the Legislative Fiscal Office, the Revenue Committee, the Department of Insurance, the Department of Motor Vehicles, the Department of Revenue, and the Nebraska Association of County Officials for assistance with this Background.

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Table 1: Selected Miscellaneous Tax Revenue, Ranked by Amount Collected

Source of Tax	Revenue*
Motor Fuel Tax	\$375,639,015
Motor Vehicle Registration Tax	\$278,864,607
Insurance Premium Tax	\$101,738,577
Inheritance Tax	\$70,455,833
Cigarette Tax	\$50,296,771
Alcoholic Beverages Tax	\$31,352,836
Franchise Tax	\$27,500,000
Documentary Stamp Tax	\$26,698,122
Motor Vehicle Registration Fee	\$23,976,546
County Lodging Tax	\$21,490,169
Corporation Occupation Tax	\$13,700,000
Petroleum Release Remedial Action Fee	\$11,418,623
Tobacco Products Tax	\$9,602,429
Charitable Gaming Taxes	\$5,897,943
State Lodging Tax	\$5,762,025
Oil and Gas Severance Tax	\$3,106,620
Aircraft Fuels Tax	\$1,714,355
Mechanical Amusements Tax	\$469,725
Oil and Gas Conservation Tax	\$790,000
Pari-mutuel Wagering Tax	\$140,000
Uranium Severance Tax**	\$0

\* Revenue is from calendar year or fiscal year 2018, except for inheritance tax and franchise tax, which are from 2017 and 2016 respectively (most recent data available), and corporation occupation tax, which is a two-year total.

\*\* Uranium was not mined in a quantity large enough to provide for the collection of a severance tax in 2018.

and legal research for senators and staff. If you have any questions or would like additional information on miscellaneous taxes or any other issue, please contact us at (402) 471-2221 or visit us in Room 1305.



# Gaming Taxes

In Nebraska, miscellaneous taxes are assessed on three types of gaming: charitable gaming, pari-mutuel wagering, and mechanical amusement devices. The state Constitution allows another form of gaming, a lottery operated and regulated by the state, and directs the proceeds of the lottery to the Compulsive Gamblers Assistance Fund, the Nebraska Environmental Trust, education, and the Nebraska State Fair.<sup>1</sup> The Nebraska State Lottery is not subject to any type of miscellaneous tax.



## Charitable Gaming

### The Charitable Gaming Division

The Charitable Gaming Division (division) of the Department of Revenue administers the Nebraska Bingo Act, the Nebraska County and City Lottery Act, the Nebraska Lottery and Raffle Act, the Nebraska Small Lottery and Raffle Act, and the Nebraska Pickle Card Lottery Act (the acts).<sup>2</sup> Taxes and fees collected on these activities are allocated as follows: \$100,000 is transferred to the Compulsive Gamblers Assistance Fund, 40 percent to the division for costs of enforcing the acts, and 60 percent to the General Fund. Prior to 1986, when the division was created, all revenue from taxes and fees went to the General Fund. All tax revenue from keno pursuant to the Nebraska County and City Lottery Act was credited to the General Fund until 1989.

In fiscal year 2018, the Charitable Gaming Division issued 8,082 licenses and collected \$5,897,943 in tax revenue on \$288,749,526 wagered on charitable gaming in the state.<sup>3</sup>

## Nebraska Bingo Act

Nonprofit organizations, volunteer fire companies, and volunteer first-aid, rescue, ambulance, and emergency squads are eligible to be licensed to conduct bingo under the Nebraska Bingo Act. An organization can hold either a Class I license, if its annual gross receipts are below \$100,000, or a Class II license, if its annual gross receipts equal or exceed \$100,000. In fiscal year 2018, 53 organizations held Class I licenses, and 13 organizations held Class II licenses.

An unlicensed nonprofit organization can also apply for a special event bingo permit, subject to certain limitations. In fiscal year 2018, 101 special event bingo permits were issued.

Class I and Class II licensees must pay a tax of three percent of bingo gross receipts. Organizations with a special event bingo permit pay a fee of \$15 but are not subject to the gross receipts tax. In fiscal year 2018, a total of \$5,393,144 was wagered, and bingo tax receipts equaled \$161,795: \$35,027 from Class I licensees and \$126,729 from Class II

1. Neb. Const. Art. III, sec. 24.

2. Neb. Rev. Stat. sec. 9-1,101.

3. 2018 Charitable Gaming Annual Report, Nebraska Department of Revenue, <http://www.revenue.nebraska.gov/gaming/annual-reports/2018GamingAnnualReport.pdf>.



licensees.

A tax on bingo has been in place since 1959. Originally, the tax was a local tax, imposed by municipalities or counties, at a rate of 10 percent. For bingo authorized by the county, one-half of proceeds were remitted to the state, and one-half were retained by the county. The tax rate for bingo conducted by municipalities and counties, amended to be five percent and 10 percent, respectively, was reduced over time for both types of political subdivisions to four percent and then two percent until these taxes were eliminated in 1999. The state tax on bingo was enacted in 1969, eliminated in 1978, and reinstated in 1983. The state tax rate was five percent from 1969 to 1978, six percent from 1983 until 1997, and has been its current rate of three percent since 1997.

#### **Nebraska County and City Lottery Act (Keno)**

Counties, cities, and villages are authorized to conduct lotteries pursuant to the Nebraska County and City Lottery Act.<sup>4</sup> A county, city, or village can choose to hold either a traditional ticket drawing lottery or keno, which is a game where players choose from a pool of 80 numbers, and prizes are awarded based on players matching numbers drawn.

Counties, cities, and villages must first present the issue to the voters for approval, and once approved, obtain a license. Lottery operators (entities that operate the lottery on behalf of the county, city, or village), sales outlet locations (businesses where the lottery takes place), and lottery workers (persons who administer the lottery) must also be licensed. The county, city, or village pays a tax of

Most of the charitable gaming tax revenue is collected on keno gaming. In fiscal year 2018, \$5,137,478 was collected from keno gaming from a total of \$256,873,899 wagered across Nebraska; 172 counties, cities, and villages held licenses; 164 lottery operators were licensed; 756 sales outlet locations were licensed; and 2,976 lottery workers were licensed.

two percent of the total proceeds from the lottery or keno gaming.

Counties, cities, and villages have been authorized to conduct lotteries for community betterment purposes, subject to voter approval, since 1977. The tax on lottery proceeds was instituted in 1983, and the rate has remained unchanged.

#### **Nebraska Lottery and Raffle Act and the Nebraska Small Lottery and Raffle Act**

Nonprofit organizations, volunteer fire companies, and volunteer first-aid, rescue, ambulance, and emergency squads are eligible to conduct lotteries or raffles under the Nebraska Lottery and Raffle Act.<sup>5</sup> Licenses are only required for lotteries in excess of \$1,000 or raffles in excess of \$5,000.



4. Neb. Rev. Stat. secs. 9-601 to 9-653.

5. Neb. Rev. Stat. secs. 9-401 to 9-437.



Proceeds for licensed lotteries and raffles are subject to a tax of two percent of gross receipts. In fiscal year 2018, \$4,732,339 was wagered in lotteries and \$3,859,534 was wagered in raffles. The total tax revenue was \$171,838 from 382 organizations licensed to conduct lotteries or raffles.

The tax on lotteries and raffles for nonprofit organizations has been in place since 1986, and the rate has remained unchanged.

Nonprofit organizations can conduct a lottery with proceeds less than \$1,000 once a month or multiple raffles with combined proceeds less than \$5,000 in a month without a license pursuant to the Nebraska Small Lottery and Raffle Act.<sup>6</sup> Small lotteries and raffles conducted without a license are not subject to tax.

**Nebraska Pickle Card Lottery Act**

Nonprofit organizations, volunteer fire companies, and volunteer first-aid, rescue, ambulance, and emergency squads are eligible to conduct a lottery by sale of pickle cards.<sup>7</sup> Organizations obtain pickle card units from distributors, and both organizations and distributors must be licensed. Organizations can be licensed to sell pickle cards at their premises at regularly scheduled bingo occasions (Class I) or to sell pickle cards on the premises of one or more licensed pickle card operators (Class II).

The tax on pickle cards is paid by the distributor, rather than the nonprofit organization as with other charitable gaming taxes. Distributors pay a tax of 10 percent on the "definite profit" for each pickle card unit sold. Definite profit is gross proceeds minus possible prizes for all of the cards in the pickle card unit.

In fiscal year 2018, the total amount wagered on pickle cards was \$17,890,610; 140 organizations held Class I licenses and 184 organizations held Class II licenses. The tax revenue from pickle cards was \$426,832: \$89,569 from Class I licensees and \$337,263 from Class II licensees.

In 2018, 252 individuals were licensed as sales agents. Sales agents are licensed individuals who sell pickle card units on behalf of organizations to pickle card operators. Three pickle card distributors and 504 pickle card operators were licensed as well.

The state tax on pickle cards was enacted in 1983. The rate was \$2.00 per unit sold plus two percent of the gross proceeds. In 1986, the tax rate increased to three percent of gross proceeds, and the \$2.00 per unit tax was eliminated. In 1988, the tax was placed on definite profit, rather than gross proceeds, and the rate was set at 20 percent. The tax was lowered from 20 percent to 13 percent in 1989 and from 13 percent to its current level of 10 percent in 1990. In 1994, the Legislature added a statutory presumption that any pickle card unit sold by a distributor or obtained by a manufacturer and not accounted for, is subject to tax unless proven otherwise by the distributor.

**Pari-Mutuel Wagering**

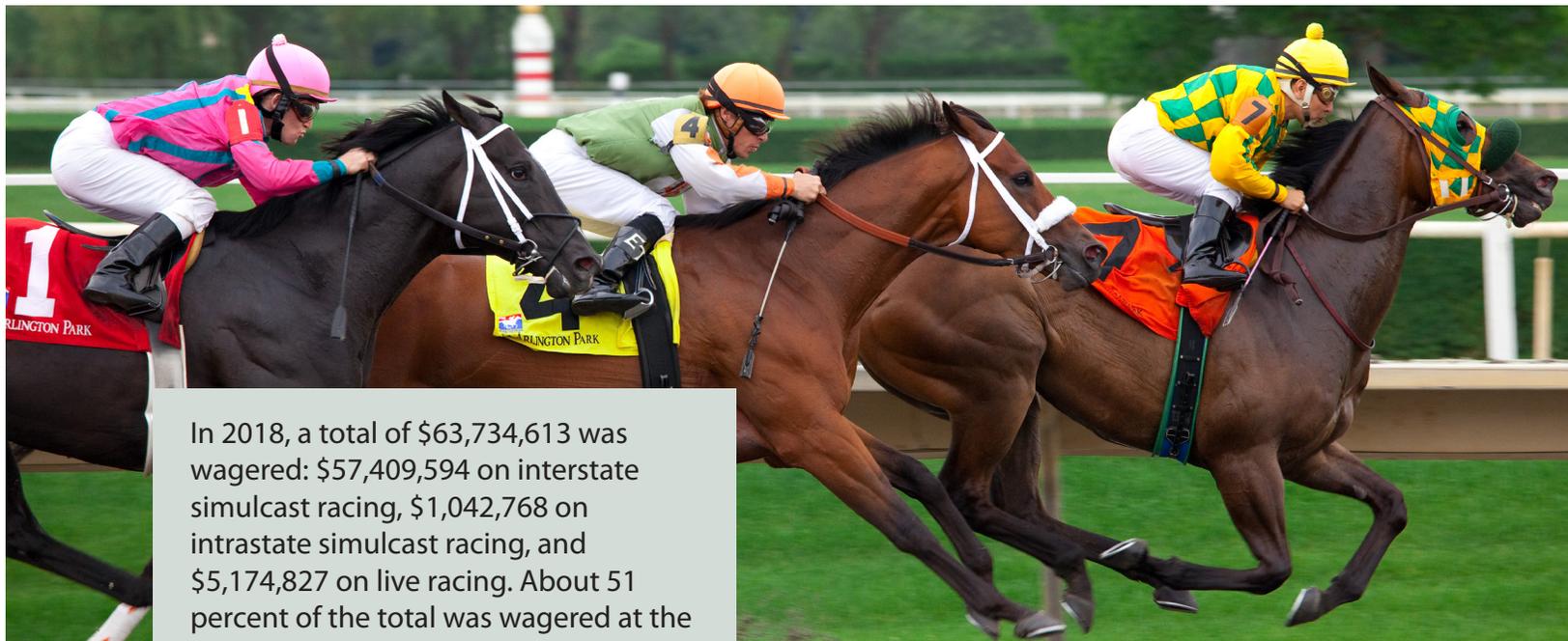
Pari-mutuel wagering is permitted on live horse racing and intrastate and interstate simulcast races.<sup>8</sup> Wagering can only be conducted at licensed racetrack enclosures, of which there are currently six. To be licensed, a racetrack enclosure must hold at least one day of live racing. Scheduled live race dates for 2019, according to the Nebraska Racing Commission, will be: Grand Island (31 days); Lincoln (3 days); Columbus (14 days); Omaha (9 days); Hastings (1 day); and South Sioux City (1 day).

The tax on pari-mutuel wagering is staggered: the first \$10 million gross amount wagered is not taxed, the gross amount wagered from \$10 million to \$73 million is taxed at a rate of two and one-half percent, and any gross amount wagered over \$73 million is taxed at four percent. The tax revenue is credited to the General Fund. In 2018, tax revenue from pari-mutuel wagering totaled \$140,000.

Nebraska law allows a credit against the tax equal to two percent of the first \$70 million of the gross amount wagered at each race meeting for capital improvements



6. Neb. Rev. Stat. secs. 9-501 to 9-513.  
7. Neb. Rev. Stat. secs. 9-301 to 9-356.  
8. Neb. Rev. Stat. secs. 2-1201 to 2-1247.



In 2018, a total of \$63,734,613 was wagered: \$57,409,594 on interstate simulcast racing, \$1,042,768 on intrastate simulcast racing, and \$5,174,827 on live racing. About 51 percent of the total was wagered at the Omaha racing location, with another 25 percent wagered in Lincoln, 19 percent wagered in Grand Island, and 5 percent wagered in Columbus.

and maintenance within the licensed racetrack enclosure. The credit is two and one half percent of the first \$70 million of the gross amount wagered for any race held at the location of the Nebraska State Fair, currently Grand Island. The 2018 Nebraska Department of Revenue Tax Expenditure Report calculates the value of this credit to be \$696,037.

As originally enacted in 1959, the tax on pari-mutuel wagering was equal to two percent of any amount wagered in excess of \$1 million. The tax rate and amounts wagered that are subject to tax have been amended many times since then. The current rates were set in 1993. The credit for capital improvements and maintenance was added in 1987, the same year that the Legislature authorized simulcast racing.

In 2009, the Legislature authorized the Nebraska State Fair to move from Lincoln to Grand Island. In that legislation, the provisions regarding pari-mutuel wagering were amended to the current system. Previously, there was no tax on wagering at the State Fairgrounds, and a credit of two percent was available for any wagering in excess of \$10 million for maintenance on the fairgrounds.

### ***Mechanical Amusement Devices***

Nebraska imposes an occupation tax on all mechanical amusement devices.<sup>9</sup> Mechanical amusement devices are machines used for games, amusements, or contests that accept money for play, and they include devices such as pinball machines; shuffleboard tables; coin-operated pool tables; bowling games; radio-ray rifle games; baseball, football, racing, and boxing games; game and draw lotteries; and coin-operated musical devices.

Operators and distributors of mechanical amusement devices must be licensed. Operators must remit the occupation tax by January 1 of each year for each device operated all year. The tax rate is \$35 for each device put in operation on or after January 1, and \$20 for each device put in operation after July 1 of each year. Proof of tax payment is evidenced by a sticker on each device.

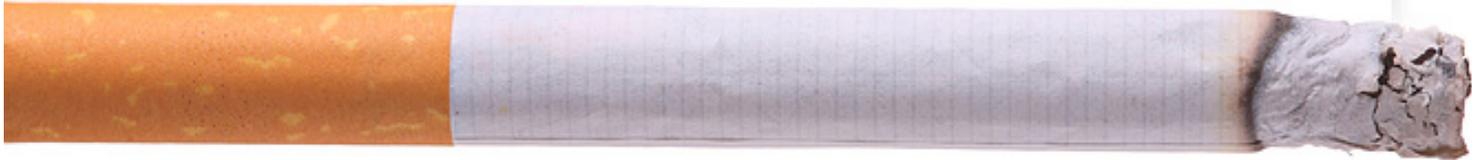
Revenue from the mechanical amusement devices tax is credited to the General Fund. In 2018, \$469,725 was collected.

The tax was first enacted in 1969. Initially, the tax was due July 1 of each year, and the rate was \$10 per device in operation on or after July 1 and \$5 for each device in operation after January 1. The tax rate was increased to \$15 and \$7.50, respectively, in 1977, and to \$25 and \$15, respectively, in 1982. The timing of the payments and the increase to the current rates were implemented in 1997.

9. Neb. Rev. Stat. secs. 77-3001 to 77-3011.



# Cigarette and Tobacco Products Taxes



## Cigarette Tax

Cigarettes are taxed at a rate of \$0.64 per pack of 20 cigarettes and \$0.80 per pack of 80 cigarettes.<sup>10</sup> The cigarette tax is paid by the wholesaler, and proof of payment is evidenced by the cigarette stamp, which is affixed to the package of cigarettes prior to retail sale. There is a federal tax, in addition to the state tax, of \$1.01 per pack of 20 cigarettes. Currently, the cigarette tax does not apply to electronic cigarettes, although electronic cigarettes and accompanying vaping liquid are subject to the Nebraska sales tax.

Nebraska's tax is lower than most other states, as is demonstrated in Table 2.

### Table 2: State Cigarette Tax Rates 2019

State	Tax Rate	Rank	State	Tax Rate	Rank	State	Tax Rate	Rank
Alabama	\$0.68	41	Louisiana	\$1.08	37	Oklahoma	\$2.03	16
Alaska	\$2.00	17	Maine	\$2.00	17	Oregon	\$1.33	32
Arizona	\$2.00	17	Maryland	\$2.00	17	Pennsylvania	\$2.60	13
Arkansas	\$1.15	35	Massachusetts	\$3.51	5	Rhode Island	\$4.25	4
California	\$2.87	11	Michigan	\$2.00	17	South Carolina	\$0.57	45
Colorado	\$0.84	39	Minnesota	\$3.04	8	South Dakota	\$1.53	28
Connecticut	\$4.35	2	Mississippi	\$0.68	40	Tennessee	\$0.62	43
Delaware	\$2.10	15	Missouri	\$0.17	51	Texas	\$1.41	29
DC	\$4.50	1	Montana	\$1.70	25	Utah	\$1.70	25
Florida	\$1.34	31	<b>Nebraska</b>	<b>\$0.64</b>	<b>42</b>	Vermont	\$3.08	7
Georgia	\$0.37	49	Nevada	\$1.80	23	Virginia	\$0.30	50
Hawaii	\$3.20	6	New Hampshire	\$1.78	24	Washington	\$3.03	9
Idaho	\$0.57	45	New Jersey	\$2.70	12	West Virginia	\$1.20	34
Illinois	\$2.98	10	New Mexico	\$2.00	17	Wisconsin	\$2.52	14
Indiana	\$1.00	38	New York	\$4.35	2	Wyoming	\$0.60	44
Iowa	\$1.36	30	North Carolina	\$0.45	47	Puerto Rico	\$2.23	NA
Kansas	\$1.29	33	North Dakota	\$0.44	48	Guam	\$3.00	NA
Kentucky	\$1.10	36	Ohio	\$1.60	27	Northern Marianas	\$1.75	NA

10. Neb. Rev. Stat. secs. 77-2601 to 77-2622.

11. State Cigarette Excise Tax Rates & Rankings, Campaign for Tobacco-Free Kids, June 28, 2019, accessible at <https://www.tobaccofreekids.org/research/factsheets/pdf/0097.pdf>



In 2018, \$50,296,771 was collected in cigarette tax. Revenue from the cigarette tax has been generally declining for the past decade as sales of cigarettes decreased.

The cigarette tax was enacted in 1947 at a rate of three cents per pack of 20 cigarettes. The rate has increased over time with the last substantial increase occurring in 2002, when it was raised from \$0.34 to its current rate of \$0.64.

Tax revenue was credited to the General Fund until 1965, when the Legislature began earmarking the revenue for specific projects. Projects funded by cigarette tax revenue include the Devaney Sports Center in Lincoln, the CHI Health Center in Omaha, state office buildings in Lincoln and Omaha, other university and state college buildings, and infrastructure development in Lincoln and Omaha.

Currently, state law allocates cigarette tax revenue as follows:

- Forty-nine cents to the General Fund;
- One cent to the Nebraska Outdoor Recreation Development Cash Fund — enacted in 1978;
- Three cents to the Health and Human Services Cash Fund — enacted at one cent in 1983 and raised to three cents in 1993;
- Seven cents to the Building Renewal Allocation Fund — enacted at seven cents in 1996 and adjusted twice before being set again at seven cents in 2003;
- \$3,820,000 per year to the Nebraska Public Safety Communication System Cash Fund — enacted in 2007;
- \$1,250,000 per year to the Nebraska Health Care Cash Fund — enacted in 2015; and
- The balance to the Nebraska Capital Construction Fund — enacted in 1971; currently, there are not allocations to this fund as all other earmarks consume cigarette tax revenue.

Allocations to the City of the Metropolitan Class Development Fund of \$1,500,000 per year and the City of the Primary Class Development Fund of \$1,000,000 per year, both enacted in 2001, expired on June 30, 2016.

In practice, if an allocation for any fund that is a set number of cents is less than the amount credited to the

In addition to cigarette tax revenue, Nebraska receives funds from the Master Settlement Agreement. In 1998, the four largest American tobacco companies and the attorneys general of 46 states entered into a Master Settlement Agreement, which settled states' lawsuits against the tobacco industry for recovery of tobacco-related, health-care costs and exempted tobacco companies from further private tort lawsuits involving tobacco use. The agreement awarded participating states more than \$206 billion over 25 years. Nebraska has received a little more than \$780 million through fiscal year 2019.

fund for fiscal year 1997-1998, then the fund receives the equivalent of the 1997-1998 allocation, and the General Fund allocation is reduced by the difference. Because cigarette tax revenue has declined, the General Fund has received less than 49 cents for the past several years, and the Nebraska Outdoor Recreation Development Cash Fund, Health and Human Services Cash Fund, and Building Renewal Allocation Fund have received a set amount every year based upon the 1997-1998 payment.

### **Tobacco Products Tax**

Other tobacco products, such as cigars, pipe tobacco, loose tobacco, chewing tobacco, and snuff, are subject to the tobacco products tax.<sup>12</sup> The tax on snuff is 44 cents per ounce, and other products are taxed at 20 percent of the wholesale purchase price.

All tobacco products tax revenue is credited to the Tobacco Products Administration Cash Fund. In 2018, \$9,602,429 was collected in tobacco products tax.

The tax on tobacco products was originally enacted in 1987. The initial tax rate was 15 percent, and increased to its current rate of 20 percent in 2002. The separate tax rate on snuff was added in 2009.

12. Neb. Rev. Stat. secs. 77-4001 to 77-4025.



# Alcoholic Beverages Tax

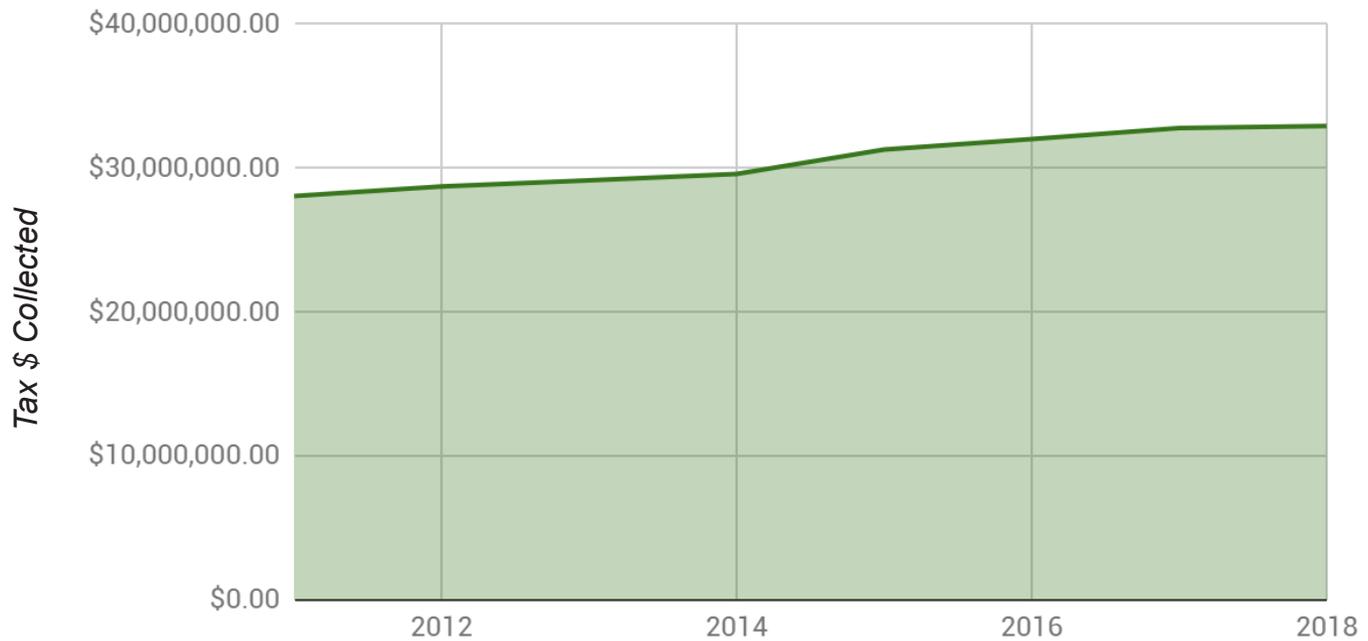
The tax on alcoholic beverages is assessed on manufacturers and distributors of alcohol sold for consumption in Nebraska.<sup>13</sup> The tax rate is \$3.75 per gallon for spirits, \$0.31 per gallon for beer, and \$0.95 per gallon for wine, except wine produced on farm wineries, is taxed at \$0.06 per gallon. The state tax is assessed on alcohol subject to the federal excise tax. The tax is administered by the Nebraska Liquor Control Commission (commission). Tax payments are due the 25th of each month.

In 2018, \$31,352,836 was collected in taxes on alcoholic beverages. Of that total, \$13,752,980 was collected on beer, \$17,511,406 was collected on spirits and wine, \$5,544 was collected on farm wineries, and \$82,906 was collected from spirit producers. Tax revenue is credited to the General Fund.



The tax on alcoholic beverages was enacted in 1935. Initially, tax rates were three cents per gallon of beer, five cents per gallon of wine or other beverages with an alcohol content less than 14 percent alcohol by volume, 15 cents per gallon of wine or other beverages with alcohol content more than 14 percent alcohol by volume, and 50 cents per gallon of spirits. Tax rates have been increased every few years since that time until 2003, when the current rates were set. In 1966, the tax rate distinction between wines with different alcohol content was eliminated, but it was reinstated in 1979. The distinction was eliminated again in 2003. The separate rate for farm wineries was established in 1985, when the farm winery license was created.

### Alcohol Tax Collected by Year<sup>14</sup>



13. Neb. Rev. Stat. secs. 53-160 to 53-165.

14. Nebraska Liquor Control Commission, *Month-End Revenue Reports 2011 - 2018*, accessible at <https://lcc.nebraska.gov/month-end-revenue-report>.



# Documentary Stamp Tax

The documentary stamp tax is a tax imposed on the transfer of real estate. Technically, the tax is imposed on a grantor of a deed to real property upon a transfer of an interest or legal title to the property.<sup>15</sup>

The tax rate is \$2.25 per \$1,000 of value in the property. The value of the property means the amount paid for the property, including any liens, and in the case of a gift or transfer with nominal consideration, value means market value.

All deeds are taxable unless subject to a specific exemption. Exempt deeds include:

- (1) Deeds recorded prior to November 18, 1965;
- (2) Deeds to property transferred by the federal government, state government, or any of their agencies or political subdivisions;
- (3) Deeds which secure or release a debt;
- (4) Deeds which, without additional consideration, confirm, correct, modify, or supplement a deed already recorded but do not extend or limit an existing interest;
- (5) Deeds between spouses; between ex-spouses conveying property acquired during the marriage; or between parent and child, without actual consideration; and certain deeds to or from a family corporation, partnership, or limited liability company;
- (6) Tax deeds;
- (7) Deeds of partition;
- (8) Deeds made pursuant to mergers, consolidations, sales, or transfers of the assets of corporations;
- (9) Deeds made by a subsidiary corporation to its parent corporation for no consideration other than the cancellation or surrender of the subsidiary's stock;
- (10) Cemetery deeds;
- (11) Mineral deeds;
- (12) Deeds executed pursuant to court decrees;
- (13) Land contracts;
- (14) Deeds which release a reversionary interest, a condition subsequent or precedent, a restriction, or any other contingent interest;
- (15) Deeds of distribution executed by a personal representative conveying to devisees or heirs property passing by testate or intestate succession;
- (16) Transfer on death deeds or revocations of transfer on death deeds;
- (17) Certified or authenticated death certificates;
- (18) Deeds transferring property located within the boundaries of an Indian reservation if the grantor or grantee is a reservation Indian;
- (19) Deeds transferring property into a trust if the transfer of the same property would be exempt if the transfer was made directly from the grantor to the beneficiary or beneficiaries under the trust;
- (20) Deeds transferring property from a trustee to a beneficiary of a trust;
- (21) Deeds which convey property held in the name of any partnership or limited liability company to any partner in the partnership or member of the limited liability company or to his or her spouse;
- (22) Leases;
- (23) Easements;
- (24) Deeds which transfer title from a trustee to a beneficiary pursuant to a power of sale exercised by a trustee under a trust deed; or
- (25) Deeds transferring property, without actual consideration, to a nonprofit organization that is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code and is not a private foundation as defined in section 509(a) of the Internal Revenue Code.

15. Neb. Rev. Stat. secs. 77-901 to 77-908.



The register of deeds in each county is responsible for computing and collecting the tax when each deed is recorded. A stamp is attached to each deed to show the tax has been paid.

Tax proceeds are distributed:

- (1) \$0.50 to the county general fund;
- (2) \$0.95 to the Affordable Housing Trust Fund;
- (3) \$0.25 to the Site and Building Development Fund;
- (4) \$0.25 to the Homeless Shelter Assistance Trust Fund; and
- (5) \$0.30 to the Behavioral Health Services Fund.

A taxpayer can claim a refund of the documentary stamp tax if payment of the tax was the result of a misunderstanding or mistake of the taxpayer, clerical error of the register of deeds or the taxpayer, or invalid for any reason.

In 2018, 79,178 real estate transactions occurred in Nebraska, and even with the numerous exemptions,

52,810 transactions were subject to the documentary stamp tax. A total of \$26,698,122 was collected, and of that \$5,932,323 was retained by the counties and \$20,765,799 was remitted to the State Treasurer to be credited to the other funds.

The documentary stamp tax was enacted in 1965. At that time, the rate was \$0.55 per \$500 of value, and the revenue was credited to the General Fund. In 1969, the law was amended to allocate 25 percent of the proceeds to the county general fund. The rate increased in 1985 to \$1.50 per \$1,000 of valuation, in 1992 to \$1.75 per \$1,000, and to its current rate in 2005. The counties' share was changed from 25 percent of the proceeds to 33 1/3 percent of the proceeds in 1985 and was ultimately adjusted to its current allocation of \$0.50 in 1992. The number and language of exemptions were amended frequently. The refund procedure was added in 1981.

In 1992, the allocation of tax to the Homeless Assistance Fund was added to the statute, and in 1997, a change to the law included the credit to the Affordable Housing Trust Fund. The distribution to the Site and Building Development Fund was added in 2011.



# Inheritance Tax

Inheritance tax is a property transfer tax imposed on property that passes by will or intestate law from a decedent to the decedent's heirs.<sup>16</sup> The tax also applies to nonresident decedents who own property subject to tax in Nebraska. Nebraska is one of six states with an inheritance tax.

Property subject to inheritance tax includes all property owned by the decedent at the time of death, property owned jointly with another person, certain property transferred to another person within three years prior to the decedent's death, and benefits from assets such as life insurance policies. Property is valued at its current market value for purposes of determining the amount of the tax.

Property exempt from inheritance tax includes donations to charities and to state or federal government entities. The homestead allowance, exempt household property, and the family maintenance allowance are also exempt.

Certain deductions are allowed from the total property of the decedent for purposes of calculating inheritance tax. These deductions include (1) the cost of the decedent's funeral; (2) costs of administration as a result of the death of the decedent, including attorney's costs, court costs, and expenses related to the property; (3) expenses of the last illness of the decedent within six months of his or her death; (4) all debts for which the decedent was liable at the time of death and which have been paid; and (5) any federal estate tax paid which is attributable to property subject to inheritance tax.

The inheritance tax rate varies depending upon the familial relationship between the person inheriting the property and the decedent. The decedent's spouse does not pay

Table 3: Inheritance Tax Rates

Relationship	Exemption	Rate
Spouse	All	0%
Parents, Grandparents, Siblings, Children	\$40,000	1% on amount in excess of \$40,000
Other Relatives	\$15,000	13% on amount in excess of \$15,000
None	\$10,000	18% on amount in excess of \$10,000

Table 4: Inheritance Tax Collected

Fiscal Year	State Total	County Average
2017-2018	\$70,455,833	\$757,590
2016-2017	\$64,333,185	\$691,755
2015-2016	\$69,083,171	\$742,830
2014-2015	\$66,731,356	\$717,541
2013-2014	\$70,974,334	\$763,165
2012-2013	\$58,771,971	\$631,957
2011-2012	\$56,428,094	\$606,754
2010-2011	\$48,193,929	\$518,214
2009-2010	\$39,587,130	\$425,668
2008-2009	\$41,986,622	\$451,469
2007-2008	\$41,801,411	\$449,478

inheritance tax, but all other relatives do, in varying amounts.

All inheritance taxes are due within 12 months of the date of the decedent's death. Under state law, administrators, executors, or trustees are required to collect the tax upon delivery of any property of the decedent and have the power to sell the property as needed to pay the tax.

Unlike the other taxes in this report, inheritance tax is paid directly to the county where the decedent lived or, in the case of a nonresident, where the property was located. The tax revenue can be credited to the county general fund or any other fund selected by the county board.

Table 4 shows the total inheritance tax collected by the 93 counties for the fiscal years 2007-2008 through 2017-2018 and the average collected per county for each fiscal year.

If a payment is made erroneously, a refund is allowed. The taxpayer must make an application to the county court within two years of payment seeking the refund.

The inheritance tax in Nebraska dates back to 1901. At that time, the basic structure of the tax was similar to its current structure. However, rates were substantially lower and the decedent's spouse was subject to the tax. The statutes have been amended many times, but most of the changes occurred prior to the 1970s. The last significant change to the inheritance tax was in 2007, when the rates and exemption amounts were amended to their current levels.

16. Neb. Rev. Stat. secs. 77-2001 to 77-2040.



# Lodging Tax



In 2018, Nebraska collected \$5,762,025 of lodging tax, while the total county lodging tax collected was \$21,490,169.

Nebraska authorizes two lodging taxes: state lodging tax and county lodging tax.<sup>17</sup> The lodging taxes are in addition to any sales tax imposed on hotel occupancy.

The state lodging tax rate is one percent of the gross receipts from the total charges for hotel occupancy at any hotel in the state. Tax revenue is credited to the state Visitors Promotion Cash Fund. The Nebraska Tourism Commission uses these funds to promote, encourage, and attract visitors to the state, erect and replace highway tourism markers, enhance facilities, and provide marketing assistance grants to communities and organizations.

The county lodging tax rate can be up to four percent of the gross receipts: two percent can be directed to a County Visitors Promotion Fund, and two percent can be directed to a County Visitors Improvement Fund. The County Visitors Promotion Fund is generally used to promote, encourage, and attract visitors to the county, while the County Visitors Improvement Fund is used to improve attractions and facilities, make grants to organizations, or if no improvements are necessary, to promote and encourage visitors to come to the county.

Three percent of the tax collected for the County Visitors Promotion Fund is retained by the state Department of Revenue for administrative costs and deposited in the General Fund.

Entities that are exempt from paying sales and use tax are also exempt from paying lodging tax. Exempt entities include the federal government, state government, political subdivisions of the state, the Nebraska State Fair Board, the Nebraska Investment Finance Authority, licensees of the State Racing Commission, and certain nonprofit entities, such as religious entities, hospitals and other types of care facilities, and schools and postsecondary institutions.

The state and county lodging taxes were enacted in 1980, each at a rate of two percent. In 1989, authority to create a County Visitors Improvement Fund was added for counties with a population of more than 300,000 people and in those counties, the authority to increase county lodging tax by an additional two percent was also included. In 2003, all counties were authorized to create a County Visitors Improvement Fund, and the county lodging tax was increased to four percent.

17. Neb. Rev. Stat. secs. 81-3701 to 81-3727.



## Franchise Tax

The franchise tax is imposed on all deposits at financial institutions in the state.<sup>18</sup> Financial institutions include banks, credit unions, savings and loan institutions, and their subsidiaries. Deposits include all money placed in the custody of the financial institution for withdrawal by a customer, including money available for withdrawal at a fixed future date, but does not include money in the custody of a trust department.

The tax rate is calculated by multiplying 12.3 and the limitation factor (48.8 percent of the maximum corporate income tax, presently 7.81 percent), and converting this into cents.

The current tax rate equals 47 cents.

This amount applies for every \$1,000 of average deposits, but there is a limitation on the tax due. The limitation amount equals the net financial income of the financial institution multiplied by the limitation factor. The limitation factor equals 3.81 percent. Net financial income means income of the institution and its subsidiaries, after ordinary expenses, but before taxes and extraordinary gains or losses.<sup>19</sup>

The tax is paid annually and revenue is credited to the General Fund. Franchise tax in 2016 was \$27,500,000.

The franchise tax has not been amended since its enactment in 1986.



18. Neb. Rev. Stat. secs. 77-3801 to 77-3807.

19. Each partner, shareholder, member, or beneficiary of a partnership, subchapter S corporation, limited liability company, or estate or trust is allowed a nonrefundable credit against individual income tax for the share of franchise tax paid by a financial institution. Neb. Rev. Stat. sec. 77-2715.07.



# Insurance Premium Tax

Insurance premium tax is collected on all policies written in the state by insurance companies, except policies written by fraternal benefit societies are not subject to tax.<sup>20</sup> The tax is applicable to all insurance premiums paid for risks located in Nebraska and premiums paid on the lives of Nebraska residents, whether or not the insurance was written in the state, and premiums received by Nebraska companies written on nonresidents.<sup>21</sup> Premiums on annuities and pensions, profit-sharing, and individually sponsored retirement plans are exempt from the tax.

Generally, the premium tax rate is one percent of written premiums, except the rate is:

- (1) One-half of one percent on all sickness and accident insurance premiums.
- (2) One-fourth of one percent for premiums by captive insurers. Captive insurers are companies owned by another entity, whose sole purpose is to insure the risks of the parent entity and affiliates.
- (3) Three-fourths of one percent on all premiums and

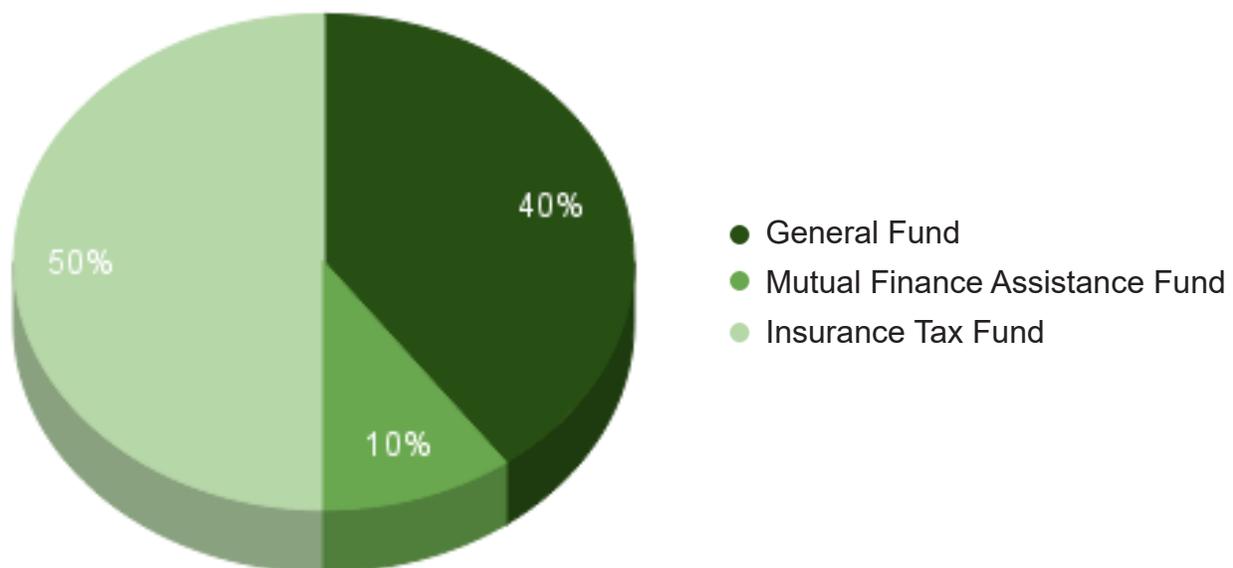
assessment for fire insurance business done by foreign companies.

- (4) Three-eighths of one percent on all premiums and assessment for fire insurance business done by Nebraska companies.

The Department of Insurance administers the tax. Tax payments are due March 1 of each year. If the net tax liability for the previous year exceeds \$4,000, quarterly prepayments are due April 15, June 15, and September 15. The tax paid on those dates equals 25 percent of either the total tax paid for the preceding year or 80 percent of the tax due for the current year.

Most insurance premium tax revenue is allocated: (1) 40 percent to the General Fund; (2) 10 percent to the Mutual Finance Assistance Fund; and (3) 50 percent to the Insurance Tax Fund. Money in the Insurance Tax Fund is further allocated: (a) 10 percent to counties, distributed based on population; (b) 30 percent to the Municipal Equalization Fund; and (c) 60 percent to school districts through the state aid formula pursuant to the Tax Equity and Educational Opportunities Support Act.

## Insurance Premium Tax Allocation



20. Neb. Rev. Stat. secs. 44-150; 48-1,113; 77-907 to 77-918; and 81-523.

21. Insurers paying tax on premiums and assessments are allowed a credit against corporate income tax. Neb. Rev. Stat. sec. 77-2734.03.



Tax collected on premiums for health insurance is credited to the Comprehensive Health Insurance Pool (CHIP) Distributive Fund. Tax revenue for workers' compensation insurance is credited to the Workers' Compensation Tax Fund. Fire insurance tax is credited to the General Fund.

In 2018, \$101,738,577 was collected in insurance premium tax, which can be broken down:

- \$92,915,380 in health insurance premium tax;
- \$4,966,846 in fire insurance premium tax; and
- \$3,856,351 in the Workers' Compensation Tax.

The insurance premium tax was originally enacted in 1951. At that time, foreign companies paid a rate of two percent of gross premiums, and the rate for Nebraska companies was four-tenths of one percent.

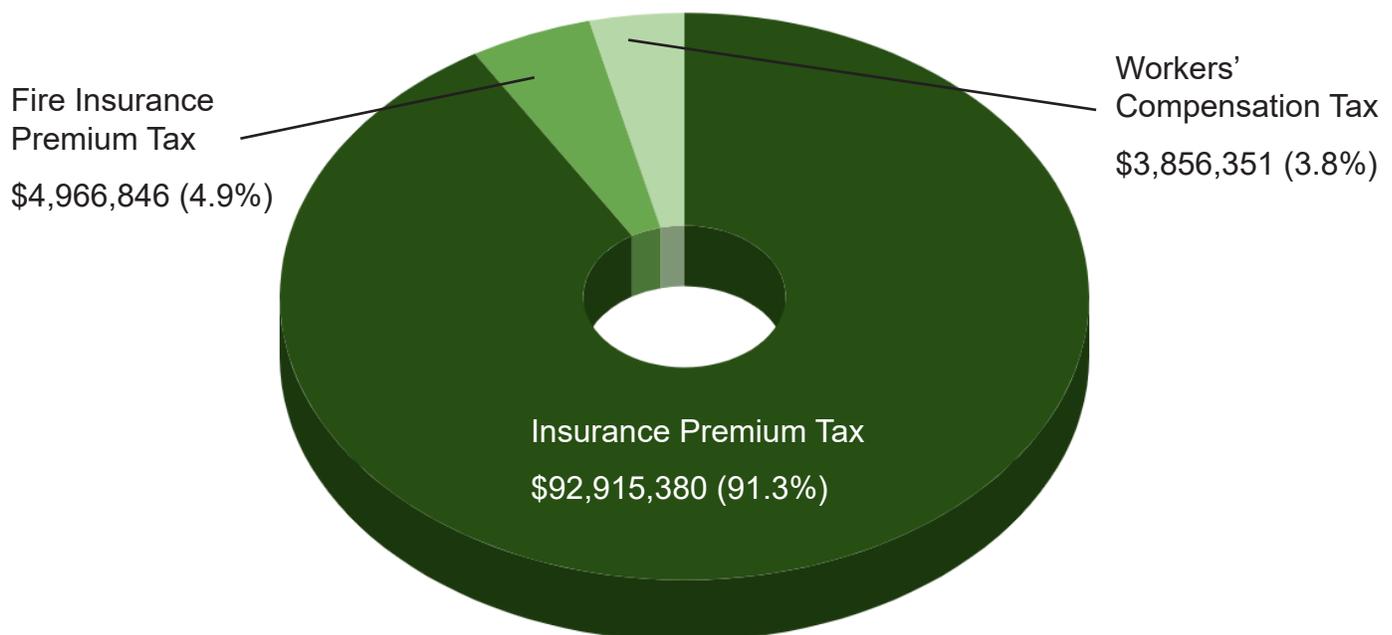
Significant changes were made in 1986: (1) the distinction between foreign and Nebraska companies was eliminated; (2) the rate was set generally at one percent; (3) separate rates were added for accident and sickness insurance at one-half of one percent and property and casualty insurance at six-tenths of one percent, the latter of which increased a tenth of a percent each year and reached a

maximum of one percent in 1988; (4) the allocation was changed in the Insurance Tax Fund to reduce the share to counties, add municipalities and schools to the formula, and eliminate the share to the General Fund; and (5) the overall allocation of revenue was changed to half to the Insurance Tax Fund and half to the General Fund.

The lower rate for captive insurers was added in 2007, and the provision directing taxes on health insurance premiums to the CHIP Distributive Fund was added in 2001. Different credits against the insurance premium tax have been added as well: in 1984 for the Community Development Assistance Act; in 2012 for the New Markets Job Growth Investment Act; in 2014 for the Nebraska Job Creation and Mainstreet Revitalization Act; and in 2016 for the Affordable Housing Tax Credit.

Originally enacted in 1925 at a rate of three-eighths of one percent of all premiums and assessments, the tax on fire insurance is the state's oldest insurance premium tax. The rate increased to one-half of one percent in 1949, and in 1953, the distinction between foreign and Nebraska companies was instituted with rates of one-half of one percent and one-fourth of one percent, respectively. The rates were increased to their current levels in 1979.

## 2018 Insurance Tax Revenue = \$101,738,577





# Corporation Occupation Tax

Domestic and foreign corporations are required to pay a corporation occupation tax, due March 1 of every even-numbered year, with their reports to the Secretary of State.<sup>22</sup> Domestic corporations are incorporated under the laws of Nebraska, and foreign corporations are incorporated under the laws of another state but authorized to do business in Nebraska. Banking, insurance, and building and loan association corporations are exempt from the corporation occupation tax.

Table 5 shows the tax rate for each domestic corporation. The rate is based on the amount of the corporation's paid-up capital stock, which is defined as "the sum of the par value of all shares of capital stock of the corporation issued and outstanding."

Table 5: Occupation Tax Schedule for Domestic Corporations

Amount of Paid-Up Capital Stock	Tax	Amount of Paid-Up Capital Stock	Tax
0-10,000	\$26	450,000.01-500,000	\$800
10,000.01-20,000	\$40	500,000.01-600,000	\$910
20,000.01-30,000	\$60	600,000.01-700,000	\$1,010
30,000.01-40,000	\$80	700,000.01-800,000	\$1,120
40,000.01-50,000	\$100	800,000.01-900,000	\$1,230
50,000.01-60,000	\$120	900,000.01-1,000,000	\$1,330
60,000.01-70,000	\$140	1,000,000.01-2,000,000	\$2,130
70,000.01-80,000	\$160	2,000,000.01-3,000,000	\$2,930
80,000.01-90,000	\$180	3,000,000.01-4,000,000	\$3,730
90,000.01-100,000	\$200	4,000,000.01-5,000,000	\$4,530
100,000.01-125,000	\$240	5,000,000.01-6,000,000	\$5,330
125,000.01-150,000	\$280	6,000,000.01-7,000,000	\$6,130
150,000.01-175,000	\$320	7,000,000.01-8,000,000	\$6,930
175,000.01-200,000	\$360	8,000,000.01-9,000,000	\$7,730
200,000.01-225,000	\$400	9,000,000.01-10,000,000	\$8,530
225,000.01-250,000	\$440	10,000,000.01-15,000,000	\$12,000
250,000.01-275,000	\$480	15,000,000.01-20,000,000	\$14,660
275,000.01-300,000	\$520	20,000,000.01-25,000,000	\$17,330
300,000.01-325,000	\$560	25,000,000.01-50,000,000	\$20,660
325,000.01-350,000	\$600	50,000,000.01-100,000,000	\$21,330
350,000.01-400,000	\$666	more than 100,000,000	\$23,990
400,000.01-450,000	\$730		

22. Neb. Rev. Stat. secs. 21-301 to 21-330.



The tax rate for each foreign corporation is double the rate for domestic corporations, but there is a cap of \$30,000. The tax rate based on the capital stock of foreign corporations is shown in Table 6.

Table 6: Occupation Tax Schedule for Foreign Corporations

Amount of Paid-Up Capital Stock	Tax	Amount of Paid-Up Capital Stock	Tax
0-10,000	\$52	350,000.01-400,000	\$1,332
10,000.01-20,000	\$80	400,000.01-450,000	\$1,460
20,000.01-30,000	\$120	450,000.01-500,000	\$1,600
30,000.01-40,000	\$160	500,000.01-600,000	\$1,820
40,000.01-50,000	\$200	600,000.01-700,000	\$2,020
50,000.01-60,000	\$240	700,000.01-800,000	\$2,240
60,000.01-70,000	\$280	800,000.01-900,000	\$2,460
70,000.01-80,000	\$320	900,000.01-1,000,000	\$2,660
80,000.01-90,000	\$360	1,000,000.01-2,000,000	\$4,260
90,000.01-100,000	\$400	2,000,000.01-3,000,000	\$5,860
100,000.01-125,000	\$480	3,000,000.01-4,000,000	\$7,460
125,000.01-150,000	\$560	4,000,000.01-5,000,000	\$9,060
150,000.01-175,000	\$640	5,000,000.01-6,000,000	\$10,660
175,000.01-200,000	\$720	6,000,000.01-7,000,000	\$12,260
200,000.01-225,000	\$800	7,000,000.01-8,000,000	\$13,860
225,000.01-250,000	\$880	8,000,000.01-9,000,000	\$15,460
250,000.01-275,000	\$960	9,000,000.01-10,000,000	\$17,060
275,000.01-300,000	\$1,040	10,000,000.01-15,000,000	\$24,000
300,000.01-325,000	\$1,120	15,000,000.01-20,000,000	\$29,320
325,000.01-350,000	\$1,200	more than 20,000,000	\$30,000

Corporation occupation taxes are credited to the General Fund. In fiscal year 2017-2018, \$13,700,000 was collected in corporation occupation tax.

First enacted in 1913, the corporation occupation tax prescribed a similar tax schedule based on capital stock. The exemption for banking, insurance, and building and loan association corporations was in the original legislation in 1913. The tax rates have increased over time, and a refund procedure was added in 1984. The tax was due annually until a biennial schedule was adopted in 2003.

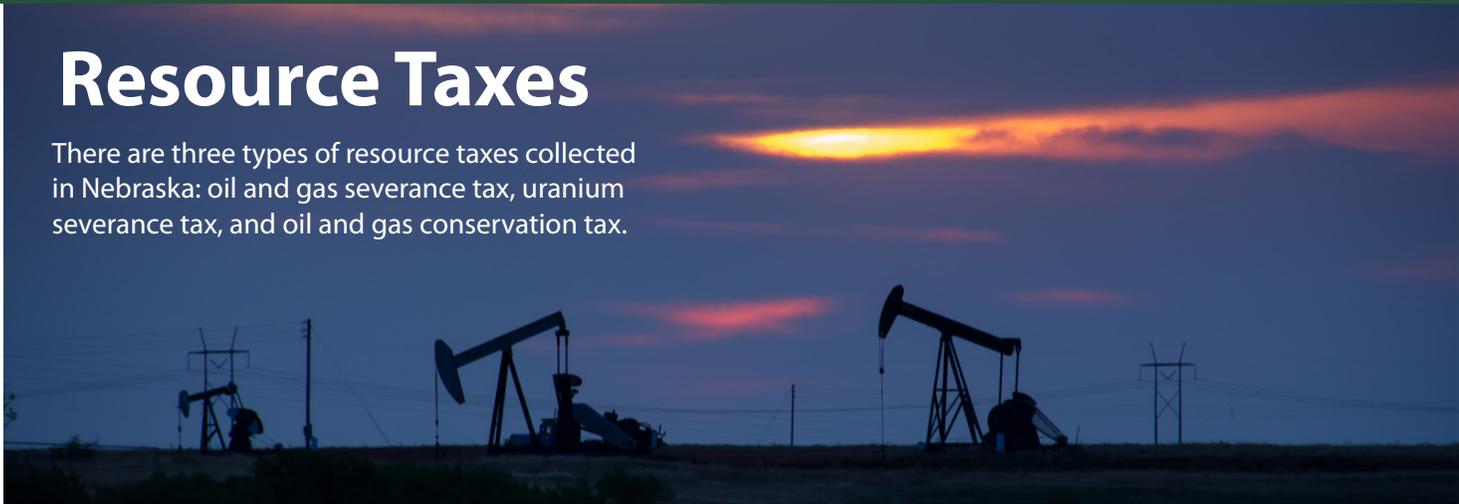
In addition to the tax, corporations, domestic and foreign limited liability companies, domestic and foreign partnerships, and limited cooperative associations also pay a biennial filing fee. Filing fees range from \$10 for nonprofit entities to \$200 for partnerships. The filing fee for corporations varies based on the value of authorized stock. These fees are credited partially to the Corporation Cash Fund and the remainder is credited to the General Fund.<sup>23</sup>

23. Neb. Rev. Stat. secs. 21-192; 21-205; 21-1905; 21-2924; 33-101; 67-293; and 67-462.



# Resource Taxes

There are three types of resource taxes collected in Nebraska: oil and gas severance tax, uranium severance tax, and oil and gas conservation tax.



## **Severance Taxes**

Severance tax is generally imposed on the mining or removal of a nonrenewable resource from the earth. Nebraska imposes a severance tax on oil and natural gas and uranium.

### **Oil and Gas Severance Tax**

The severance tax rate on oil and gas mining is three percent on natural gas and nonstripper oil and two percent on stripper oil.<sup>24</sup> Nonstripper oil means oil from a property where production is more than 10 barrels per day; stripper oil means oil from a property where production is 10 or fewer barrels per day. Oil or gas used only in severing operations or for repressuring or recycling purposes is exempt from tax.

The tax is paid by the first purchaser, if the oil or gas is sold in Nebraska, or if sold out of state, by the person or company mining or "severing" the oil or gas.

Tax revenue is credited to the Severance Tax Fund and distributed for several other purposes. One percent of the revenue is used for administration of the tax. All severance taxes derived from school lands is credited to the permanent school fund. Up to \$300,000 of the revenue can be appropriated to the State Energy Office Cash Fund, and up to \$30,000 can be appropriated to the Public Service Commission each year by the Legislature from the Severance Tax Fund. All remaining tax revenue is credited to the permanent school fund.

Oil and gas severance tax revenue for 2018 was \$3,106,620.

The severance tax was originally instituted in 1955 at a rate of two percent. The rate was increased to three percent on properties with production of more than 10 barrels per day in 1981.

### **Uranium Severance Tax**

There is also a severance tax on uranium mined in the state.<sup>25</sup> The uranium severance tax was enacted in 1983 and has not been amended.

The tax rate is two percent of the value of any uranium mined. However, the first \$5 million in uranium mined each year is exempt from tax. Tax revenue is credited to the General Fund. There was no revenue generated from the Uranium Severance Tax in 2018 because uranium was not mined in a large enough quantity.

### **Oil and Gas Conservation Tax**

In addition to the severance tax, a conservation tax on the value of oil and natural gas is collected.<sup>26</sup> The tax revenue is remitted to the Oil and Gas Conservation Fund for use by the Nebraska Oil and Gas Conservation Commission (commission). The tax rate is capped by state law at 15 mills per dollar of the value of oil and gas severed, but the rate itself is set by the commission. Currently, the rate is 12 mills, up from three mills as of March 1, 2016. (One mill = one-tenth of one cent.) The conservation tax collected in 2018 was \$790,000.

The conservation tax was enacted in 1959 with a maximum tax rate of two mills per dollar. The maximum rate the commission can use was increased to four mills in 1980, to five mills in 1995, and to its current rate of 15 mills in 1997.

24. Neb. Rev. Stat. secs. 57-700 to 57-719.

25. Neb. Rev. Stat. secs. 57-1200 to 57-1214.

26. Neb. Rev. Stat. sec. 57-919.



# Aircraft, Motor Vehicle, and Related Taxes

There are various taxes and fees on motor vehicles, related to fuel and license plates. Aircraft fuels, like fuels used in motor vehicles, are also taxed.



## Aircraft Fuels Tax

All aviation gasoline and jet fuel sold in the state is taxed.<sup>27</sup> The tax rate is five cents per gallon on aviation gasoline and three cents per gallon on jet fuel.

The tax revenue is credited to the Aircraft Fuel Tax Fund, and after any refunds are made, the balance is credited to the Department of Aeronautics Cash Fund. Fuel tax revenue in 2018 was \$1,714,355.

The aircraft fuel tax was enacted in 1945 at a rate of five cents per gallon. The distinction between aviation gasoline, taxed at five cents, and jet fuel, taxed at three cents, was implemented in 1985. The rates have remained unchanged since that time.

## Motor Vehicle Fuel Tax

A tax on motor fuels, including gasoline, diesel fuel, compressed fuel like propane and compressed natural gas, is assessed in Nebraska. The motor fuel tax rate as of July 1, 2019, is 29.7 cents per gallon. In addition to the state motor fuel tax, a federal tax of 18.4 cents per gallon of gasoline, 24.4 cents per gallon of diesel fuel is imposed on fuel sold in the state.

The state motor fuel tax is made up of three components:<sup>28</sup>

- A wholesale portion of nine and seven-tenths cents, which equals five percent of the average wholesale fuel price sold over a six-month period.

Sixty-six percent of the wholesale portion is directed to the Highway Cash Fund for use by the Department of Transportation (department) and 34 percent is directed to the Highway Allocation Fund for use by counties and municipalities.

- A variable portion, adjusted every six months, of three and seven-tenths cents, which is directed to the Highway Cash Fund for use by the department.
- A fixed portion of 16 and three-tenths cents, nine and one-half cents of which is directed to the Highway Cash Fund for use by the department and six and eight-tenths cents of which is directed to the Highway Allocation Fund for use by counties and municipalities.

Certain sales of fuel are exempt from motor fuel tax. For motor vehicle fuel, these include exports with sales or use in a different state, sales to the federal government or its agencies and federal corporations owned by the federal government, sales to a metropolitan transit authority, and natural gasoline purchased by ethanol producers for use as a denaturant.

For diesel fuel, exemptions include exports with sales or use in a different state, sales to the federal government or its agencies and federal corporations owned by the federal government, sales to a metropolitan transit authority, and sales of 50 gallons or less for use in a temperature control unit (reefer) or power-take-off unit.

27. Neb. Rev. Stat. secs. 3-148 to 3-152.

28. Neb. Rev. Stat. secs. 66-489.02; 66-4,105; 66-4,140; 66-4,144; and 66-4,145.



Sales on Native American reservations to Native Americans are also exempt, but are subject to tribal tax pursuant to agreements between the state and the tribes residing on reservations in Nebraska.<sup>29</sup>

In 2018, \$375,639,015 was collected in motor fuel tax.

The motor fuel tax was first enacted in 1925. The tax was a fixed rate of two cents per gallon. The original legislation directed proceeds to a fund for construction and maintenance of state and federal highways and allowed apportionment of funds to counties for improving the state and federal highway system.

The rates and other related provisions have been amended numerous times over the years. In 1980, legislation added an additional tax to the fixed portion that was directed specifically to counties and cities, to be allocated equally between the two. The legislation also implemented a credit for agricultural ethyl alcohol, a credit which continued until it was phased out in 1992. The wholesale portion was added by legislation passed in 2008.

The most recent change, Laws 2015, LB 610, gradually increased the fixed portion of the motor fuel tax. Beginning on January 1, 2016, the fixed portion of the motor fuel tax increased at a rate of one and one-half cents per year over four years for a total increase of six cents. The total fixed portion of the motor fuel tax is now 16 and three-tenths cents as of January 1, 2019. The amount directed to the department increased by one-half of a cent per year, reaching the current maximum of nine and one-half cents. The amount directed to counties and municipalities increased by one cent per year, reaching a maximum of six and eight-tenths cents. The six cent increase in the motor fuel tax by LB 610 has increased revenue by over \$25 million to the department and \$50 million to counties and municipalities per year, as previously projected.

**Petroleum Release Remedial Action Fee**

A fee is imposed on all producers, refiners, importers, distributors, wholesalers, and suppliers who sell,



distribute, deliver, or use petroleum in the state. The fee is \$0.009 per gallon of gasoline and \$0.003 per gallon of diesel fuel.<sup>30</sup>

In 2018, \$11,418,623 was collected in fees. Up to \$150,000 per year can be deposited in the Petroleum Release Remedial Action Collection Fund to pay for administrative costs of the Department of Revenue. The remaining fee proceeds are credited to the Petroleum Release Remedial Action Cash Fund and used for:

- (1) Claims related to a release of petroleum products that cause damage to property or water supplies;
- (2) Up to \$3,000,000 for investigations and reimbursements related to releases from underground tanks; and
- (3) Other approved expenses, including, but not limited to, third-party claims, administrative expenses of the State Fire Marshal or Department of Environmental Quality, damages caused by the department while investigating an action, and interest payments.

The fee was instituted in 1989 at a rate of \$0.003 per gallon of motor vehicle fuel and \$0.001 per gallon of fuels other than motor vehicle fuel. In 1998, the fee was increased to its current levels, and the current allocation of proceeds from the Petroleum Release Remedial Action Cash Fund was specified. In 2009, the maximum amount credited to the Petroleum Release Remedial Action Collection Fund was increased from \$28,000 per fiscal year to \$150,000.

29. Neb. Rev. Stat. secs. 66-489; 66-495; and 66-741.

30. Neb. Rev. Stat. sec. 66-1521.



Table 7 shows the motor fuel tax rate, combined with fees similar to the petroleum release remedial action fee or comparable fees, in other states.

Table 7: Fuel Excise Tax and Fee Rates Jan. 1, 2019 in Cents per Gallon<sup>31</sup>

State	Gasoline	Diesel	State	Gasoline	Diesel	State	Gasoline	Diesel
Alabama	18	19	Kentucky	26	23	North Dakota	23	23
Alaska	8.95	8.95	Louisiana	20.125	20.125	Ohio	28	28
Arizona	19	27	Maine	30	31.2	Oklahoma	20	20
Arkansas	21.8	22.8	Maryland	35.3	36.05	Oregon	34	34
California	47	67	Massachusetts	24	24	Pennsylvania	57.6	74.1
Colorado	22	20.5	Michigan	26.3	26.3	Rhode Island	34	34
Connecticut	25	43.9	Minnesota	28.6	28.6	South Carolina	20.75	20.75
Delaware	23	22	Mississippi	18.4	18.4	South Dakota	30	30
DC	23.5	23.5	Missouri	17.4	17.4	Tennessee	26.4	25.4
Florida	31.425	32.3	Montana	31.5	29.25	Texas	20	20
Georgia	27.5	30.8	<b>Nebraska</b>	<b>30.5</b>	<b>29.9</b>	Utah	30	30
Hawaii	16	16	Nevada	23.805	27.75	Vermont	31.19	32
Idaho	33	33	New Hampshire	23.825	23.825	Virginia	16.2	20.2
Illinois	20.1	22.6	New Jersey	41.4	48.5	Washington	49.4	49.4
Indiana	29	48	New Mexico	18.875	22.875	West Virginia	35.7	35.7
Iowa	30.5	32.5	New York	25.75	23.95	Wisconsin	32.9	32.9
Kansas	25.03	27.03	North Carolina	36.45	36.45	Wyoming	24	24

### Motor Vehicle Registration Tax

For many years, the tax on motor vehicles due at registration was comparable to other personal property taxes: assessed value was based upon the average price of a vehicle of a particular make, model, and year, and the property tax levies for taxing subdivisions were applied to determine the tax due.<sup>32</sup>

In 1997, the Legislature passed LB 271 to change the method of determining motor vehicle registration tax based upon a set formula. The formula is based upon the type of vehicle, the initial value of the vehicle, and a schedule of declining fractions based upon the age of the vehicle.<sup>33</sup>

Table 8 shows the schedule of fractions, Table 9 shows the base tax for cars and motorcycles, which varies depending on the initial value of the vehicle, and Table 10 shows the base tax for other types of vehicles. The base tax is multiplied by the fraction to determine the tax due.

For example, a 2019 Ford Fusion with a manufacturer's suggested retail price (MSRP) of \$24,735 would have a base tax of \$380, which would be multiplied by a fraction of 1.00. The tax due would be \$380. A 2016 Honda Accord LX with an MSRP of \$21,480 when new would have a base tax of \$300, which would be multiplied by a fraction of 0.7. The tax due would be \$210.

31. State Motor Fuel Tax Rates, Federation of Tax Administrators, January 2019, accessible at [www.taxadmin.org/assets/docs/Research/Rates/mf.pdf](http://www.taxadmin.org/assets/docs/Research/Rates/mf.pdf).

32. Article VIII, sec. I of the Nebraska Constitution allows motor vehicles to be taxed by a different method than other personal property, so while the system may have been comparable to the way other personal property was taxed, motor vehicles were in a different class and assessed differently.

33. Neb. Rev. Stat. secs. 60-3,184 to 60-3,190.



Table 8: Base Tax for Cars and Motorcycles

Value when new	Base tax				
Up to \$3,999	\$25	\$34,000 to \$35,999	\$580	\$68,000 to \$69,999	\$1,260
\$4,000 to \$5,999	\$35	\$36,000 to \$37,999	\$620	\$70,000 to \$71,999	\$1,300
\$6,000 to \$7,999	\$45	\$38,000 to \$39,999	\$660	\$72,000 to \$73,999	\$1,340
\$8,000 to \$9,999	\$60	\$40,000 to \$41,999	\$700	\$74,000 to \$75,999	\$1,380
\$10,000 to \$11,999	\$100	\$42,000 to \$43,999	\$740	\$76,000 to \$77,999	\$1,420
\$12,000 to \$13,999	\$140	\$44,000 to \$45,999	\$780	\$78,000 to \$79,999	\$1,460
\$14,000 to \$15,999	\$180	\$46,000 to \$47,999	\$820	\$80,000 to \$81,999	\$1,500
\$16,000 to \$17,999	\$220	\$48,000 to \$49,999	\$860	\$82,000 to \$83,999	\$1,540
\$18,000 to \$19,999	\$260	\$50,000 to \$51,999	\$900	\$84,000 to \$85,999	\$1,580
\$20,000 to \$21,999	\$300	\$52,000 to \$53,999	\$940	\$86,000 to \$87,999	\$1,620
\$22,000 to \$23,999	\$340	\$54,000 to \$55,999	\$980	\$88,000 to \$89,999	\$1,660
\$24,000 to \$25,999	\$380	\$56,000 to \$57,999	\$1,020	\$90,000 to \$91,999	\$1,700
\$26,000 to \$27,999	\$420	\$58,000 to \$59,999	\$1,060	\$92,000 to \$93,999	\$1,740
\$28,000 to \$29,999	\$460	\$60,000 to \$61,999	\$1,100	\$94,000 to \$95,999	\$1,780
\$30,000 to \$31,999	\$500	\$62,000 to \$63,999	\$1,140	\$96,000 to \$97,999	\$1,820
\$32,000 to \$33,999	\$540	\$64,000 to \$65,999	\$1,180	\$98,000 to \$99,999	\$1,860
		\$66,000 to \$67,999	\$1,220	\$100,000 and over	\$1,900

Table 9: Fraction to Determine Tax

Year	Fraction
First	1.00
Second	0.9
Third	0.8
Fourth	0.7
Fifth	0.6
Sixth	0.51
Seventh	0.42
Eighth	0.33
Ninth	0.24
Tenth and Eleventh	0.15
Twelfth and Thirteenth	0.07
Fourteenth and Older	0.0

Table 10: Base Tax for Other Vehicles

Vehicle Type	Base Tax
Assembled automobiles	\$60
Assembled motorcycles other than autocycles	\$25
Cabin trailers, up to 1,000 pounds	\$10
Cabin trailers, 1,000 pounds and over and less than 2,000 pounds	\$25
Cabin trailers, 2,000 pounds and over	\$40
Recreational vehicles, less than 8,000 pounds	\$160
Recreational vehicles, 8,000 pounds and over and less than 12,000 pounds	\$410
Recreational vehicles, 12,000 pounds and over	\$860
Trucks - Over seven tons and less than ten tons	\$360
Trucks - Ten tons and over and less than 13 tons	\$560
Trucks - 13 tons and over and less than 16 tons	\$760
Trucks - 16 tons and over and less than 25 tons	\$960
Trucks - 25 tons and over	\$1,160
Buses	\$360
Trailers other than semi trailers	\$10
Semi Trailers	\$110
Mini Trucks	\$50
Low-speed vehicles	\$50



In 2018, \$278,864,607 was collected in motor vehicle registration taxes. The Nebraska Constitution directs motor vehicle tax proceeds to the county and the cities, villages, and school districts in the county in which the taxes are paid. The county is authorized to retain one percent of the fees for administrative costs. For taxes collected within a city, taxes are distributed: (1) 22 percent to the county; (2) 60 percent to the school district; and (3) 18 percent to the city. For taxes collected outside a city, taxes are distributed: (1) 40 percent to the county; and (2) 60 percent to the school district.

**Motor Vehicle Registration Fee**

The motor vehicle registration fee is also based on a base fee and a declining fraction. Tables 11 and 12 show the fractions applied and the base fee for different types of vehicles to determine the fee due.

For the 2019 Ford Fusion with an MSRP of \$24,735 and the 2016 Honda Accord LX with an MSRP of \$21,480 in the previous examples, the fee due for each of these vehicles would be \$20 because the value when new would fall between \$20,000 and \$39,999 and both vehicles are less than five years old.

Table 11: Fraction to Determine Fee

Year	Fraction
First through fifth	1.00
Sixth through tenth	0.70
Eleventh and over	0.35

In 2018, \$23,976,546 was collected in motor vehicle registration fees. The county is authorized to retain five percent of the fees for administrative costs. The remaining fee revenue is credited to the Motor Vehicle Fee Fund, and is then redistributed evenly to counties and cities.

Table 12: Base Fee

Automobiles, with a value when new of less than \$20,000, and assembled automobiles	\$5
Automobiles, with a value when new of \$20,000 through \$39,999	\$20
Automobiles, with a value when new of \$40,000 or more	\$30
Motorcycles	\$10
Recreational vehicles and cabin trailers	\$10
Trucks over seven tons and buses	\$30
Trailers other than semi trailers	\$10
Semi trailers	\$30
Mini trucks	\$10
Low-speed vehicles	\$10

**Additional Resources**

- 1) Nebraska Department of Insurance, Summary of Insurance Business, <http://www.doi.nebraska.gov/exam/summary/index.html>.
- 2) Nebraska Department of Motor Vehicles, Driver and Vehicle Records, <http://www.dmv.nebraska.gov/dvr>.
- 3) Nebraska Department of Revenue, Charitable Gaming Division Annual Report, [http://www.revenue.nebraska.gov/gaming/annual\\_reports/2015GamingAnnualReport.pdf](http://www.revenue.nebraska.gov/gaming/annual_reports/2015GamingAnnualReport.pdf).
- 4) Nebraska Department of Revenue, Miscellaneous Tax Data, [http://www.revenue.nebraska.gov/research/misc\\_tax\\_data.html](http://www.revenue.nebraska.gov/research/misc_tax_data.html).
- 5) Nebraska Department of Revenue, Motor Fuels Division, <http://www.revenue.nebraska.gov/fuels/index.html>.
- 6) Nebraska Department of Revenue, Revenue Sources, [http://www.revenue.nebraska.gov/research/Revenue\\_Sources\\_2015.pdf](http://www.revenue.nebraska.gov/research/Revenue_Sources_2015.pdf).
- 7) Nebraska Department of Revenue, Tax Expenditure Reports, [http://www.revenue.nebraska.gov/research/tax\\_exp\\_reports.html](http://www.revenue.nebraska.gov/research/tax_exp_reports.html).
- 8) Nebraska Liquor Control Commission, <https://lcc.nebraska.gov/>.
- 9) Nebraska State Racing Commission, <http://racingcommission.nebraska.gov/>.
- 10) Nebraska Secretary of State, Business Services, [http://www.sos.ne.gov/business/corp\\_serv/index.html](http://www.sos.ne.gov/business/corp_serv/index.html).

