

Nebraska's Miscellaneous Taxes

A Legislative Research Office Backgrounder



November 2022



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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, revised in 2018, and revised again by this publication. Since Nebraska's taxes and revenue are an ongoing priority, 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, or answer questions from constituents.

Other than inheritance taxes, this Background 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 another miscellaneous tax, but all other fees are excluded from the report. Finally, 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.

The Legislative Research Office conducts public policy and legal research for senators and staff. If you have any questions or would like additional information on miscellaneous taxes, please contact us at (402) 471-2221 or visit us in Room 1201.

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

Source of Tax	Revenue*
Motor Fuel Tax	<u>\$424,127,539</u>
Motor Vehicle Registration Tax	\$315,284,242
Insurance Premium Tax	\$113,728,590
Inheritance Tax	\$76,829,599
Cigarette Tax	<u>\$46,197,085</u>
Documentary Stamp Tax	<u>\$38,289,232</u>
Alcoholic Beverages Tax	<u>\$36,984,391</u>
Franchise Tax	<u>\$22,677,191</u>
Motor Vehicle Registration Fee	<u>\$26,384,188</u>
County Lodging Tax	<u>\$23,694,126</u>
Corporation Occupation Tax	\$11,326,178
Petroleum Release Remedial Action Fee	<u>\$11,057,069</u>
Tobacco Products Tax	<u>\$10,008,676</u>
Charitable Gaming Taxes	<u>\$7,132,929</u>
State Lodging Tax	<u>\$6,328,599</u>
Oil and Gas Severance Tax	<u>\$2,594,846</u>
Aircraft Fuels Tax	<u>\$1,164,138</u>
Oil and Gas Conservation Tax	<u>\$1,132,811</u>
Mechanical Amusements Tax	<u>\$307,090</u>
Pari-mutuel Wagering Tax	\$89,500
Uranium Severance Tax**	\$0

* Revenue is from calendar year or fiscal year 2021, except for franchise tax, which is for calendar year 2019 but collected and reported in 2022, and corporation tax, which operates under a two-year collection schedule (with most recent reporting period being for the years 2020-2021).

**Due to the limited number of tax filers, the Uranium Severance Tax amount is masked to protect the identity of the tax filers in 2021.



Gaming Taxes

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



Image Credit: [Talaj](#) via iStock

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).² 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, according to the Nebraska County and City Lottery Act, was credited to the General Fund until 1989.

In fiscal year 2021, the Charitable Gaming Division issued 8,020 licenses and collected \$7,132,929 in tax revenue on \$352,692,832 wagered on charitable gaming in the state.³

Nebraska Bingo Act

Nonprofit organizations, volunteer fire companies, and volunteer first-aid, rescue, ambulance, or 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 2021, 47 organizations held Class I licenses, and eight 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 2021, 24 special event bingo permits were issued.

Class I and Class II licensees must pay a tax of three percent of gross bingo 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 2021, a total of \$2,632,528 was wagered, and bingo tax receipts equaled \$78,976; \$23,789 from Class I licensees and \$55,187 from Class II 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. For a period, the tax rate for bingo conducted by municipalities was reduced to five percent while counties' remained at ten percent. Over time, the rate was reduced for both types of political subdivisions to four percent and then two percent, until the 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 at 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.⁴ 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 two percent of the total proceeds from the lottery or keno gaming.

Most of the charitable gaming tax revenue is collected on keno gaming. In fiscal year 2021, \$6,548,615 was collected from keno gaming from a total of \$327,430,782 wagered across Nebraska. Licenses were held by 189 counties, cities, and villages; 185 lottery operators were licensed; 839 sales outlet locations were licensed, and 3,283 lottery workers were licensed.

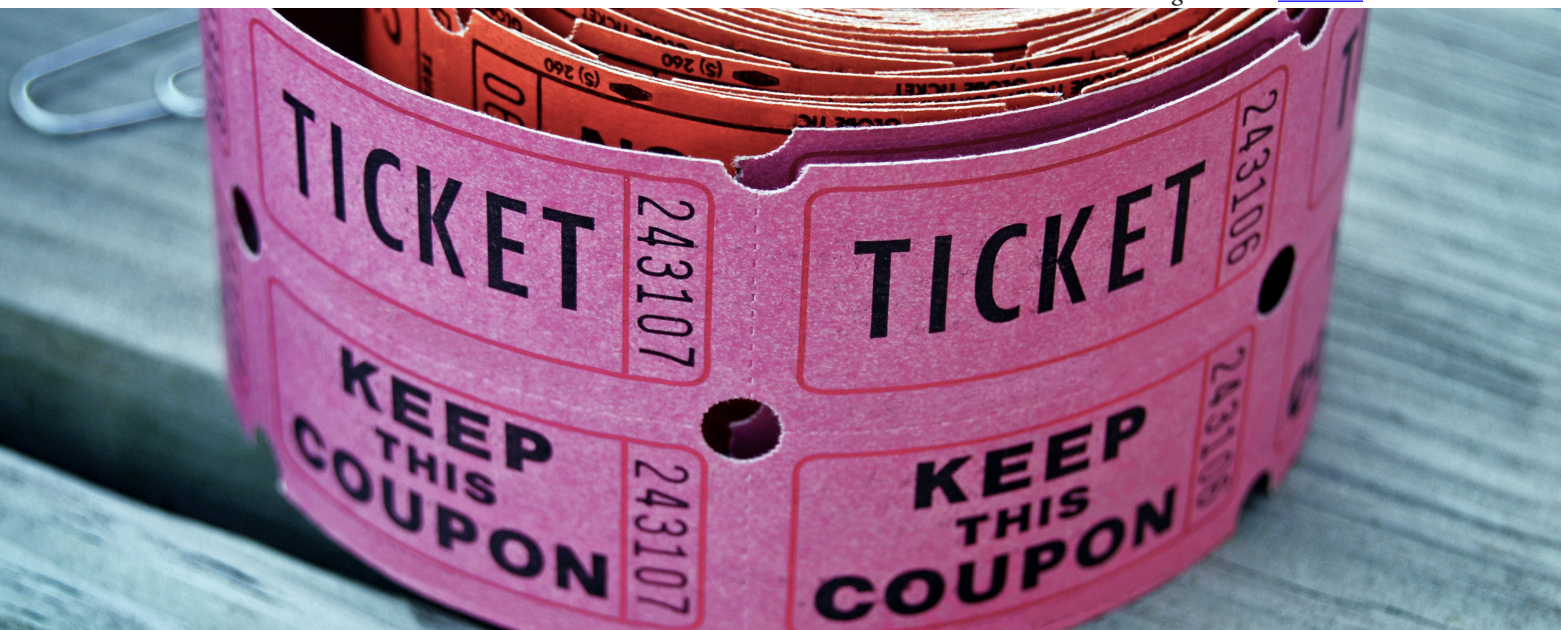
Counties, cities, and villages have been authorized to conduct lotteries for community betterment purposes, subject to voter approval, since 1977. The tax on lottery proceeds was instituted in 1983, and the rate has remained unchanged.

Nebraska Lottery and Raffle Act and the Nebraska Small Lottery and Raffle Act

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

Proceeds for licensed lotteries and raffles are subject to a tax of two percent of gross receipts. In fiscal year 2021, \$4,608,747 was wagered in lotteries and \$3,377,464 was wagered in raffles. The total tax revenue was \$159,724 from 414 organizations licensed to conduct lotteries or raffles.

Image Credit: [liveslow](#) via iStock





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 of less than \$5,000 in a month without a license, according to the Nebraska Small Lottery and Raffle Act.⁶ 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, or emergency squads are eligible to conduct a lottery by the sale of pickle cards.⁷ Organizations obtain pickle card units from distributors and can be licensed to sell pickle cards on 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). Both the organizations and distributors must be licensed.

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 ten 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 2021, 128 organizations held Class I licenses; 158 organizations held Class II licenses, and 197 individuals were licensed as sales agents. Sales agents sell pickle card units on behalf of organizations to pickle card operators. Three pickle card distributors and 433 pickle card operators were licensed as well.



Image Credit: [Bill Kelly](#) via Nebraska Public Media

The total amount wagered on pickle cards in FY 2021 was \$14,643,311 and the total tax revenue from the sale of the cards was \$345,615; \$59,604 from Class I licensees and \$286,011 from Class II licensees.

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 ten 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 that is 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.⁸ Wagering can only be conducted at licensed racetrack enclosures; there are currently six in Nebraska. To be licensed, a racetrack enclosure must hold at least one day of live racing annually. According to the Nebraska Racing & Gaming Commission, in 2021, Grand Island held 31 days of racing; Columbus, 15 days; Lincoln, 12 days; Omaha, 2 days; Hastings, 1 day; and South Sioux City, 1 day. As a result of the passage of LB876, in 2022, licensed racetracks in existence as of April 20, 2022, must hold at least five days of live racing, consisting of at least fifty horse races, annually beginning January 1, 2026, through December 31, 2030; and beginning January 1, 2031, hold at least fifteen live racing days and one hundred twenty live horse races annually.

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 2021, tax revenue from pari-mutuel wagering in Nebraska totaled \$89,580.

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 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 over \$1 million. The tax rate and amounts wagered that are subject to tax have been amended many times since then. The Legislature last set the rates 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 above \$10 million for maintenance on the fairgrounds.

In 2022, in response to the passage of petition initiatives 429, 430, and 431, which legalized casino gambling on the grounds of Nebraska licensed horse racetracks, the Nebraska Legislature enacted LB876. As LB876 pertains to pari-mutuel wagering, the bill creates an additional tax on pari-mutuel racing corporations or associations licensed to hold horse races by requiring the payment to the Nebraska Racing & Gaming Commission: (i) 0.0064 percent of the gross sums wagered by the parimutuel method from April 20, 2022, to June 30, 2023; (ii) beginning July 1, 2023, through June 30, 2024, the tax increases to one percent of the gross sum wagered by the parimutuel method at the licensed racetrack enclosure during the previous calendar year; and (iii) beginning July 1, 2024, and each year thereafter, the tax increases again to the sum of two percent of the gross sum wagered by the parimutuel method at the licensed racetrack enclosure during the previous calendar year.

The amounts generated from the new pari-mutuel tax implemented under LB876 will be reported in the next revision of this publication.

In 2021, a total of \$53,735,124 was wagered: \$46,788,575 on interstate simulcast racing, \$1,003,444 on intrastate simulcast racing, and \$5,819,503 on live racing. About 49 percent of the total was wagered at the Omaha racing location, with another 21 percent wagered in Lincoln, 24 percent wagered in Grand Island, and 6 percent wagered in Columbus.

Mechanical Amusement Devices

Nebraska imposes an occupation tax on all mechanical amusement devices.⁹ 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 2021, \$307,090 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 active device 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.



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.¹⁰ 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 before 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, though 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. The average state cigarette tax is \$1.91 per pack. **(Amounts listed in Table 2 have been rounded up to the nearest whole cent.)**

Image Credit: [Tarzhanova](#) via iStock

Table 2: State Cigarette Tax Rates 2021¹¹

State	Tax Rate	Rank	State	Tax Rate	Rank		Tax Rate	Rank
Alabama	\$0.68	41	Louisiana	\$1.08	38	Oklahoma	\$2.03	16
Alaska	\$2.00	19	Maine	\$2.00	17	Oregon	\$3.33	7
Arizona	\$2.00	19	Maryland	\$3.75	5	Pennsylvania	\$2.60	15
Arkansas	\$1.15	36	Massachusetts	\$3.51	6	Rhode Island	\$4.25	4
California	\$2.87	13	Michigan	\$2.00	19	South Carolina	\$0.57	46
Colorado	\$1.94	24	Minnesota	\$3.04	10	South Dakota	\$1.53	30
Connecticut	\$4.35	2	Mississippi	\$0.68	40	Tennessee	\$0.62	43
Delaware	\$2.10	17	Missouri	\$0.17	51	Texas	\$1.41	31
DC	\$4.50	1	Montana	\$1.70	27	Utah	\$1.70	27
Florida	\$1.34	33	Nebraska	\$0.64	42	Vermont	\$3.08	9
Georgia	\$0.37	50	Nevada	\$1.80	25	Virginia	\$0.60	44
Hawaii	\$3.20	8	New Hampshire	\$1.78	26	Washington	\$3.03	11
Idaho	\$0.57	46	New Jersey	\$2.70	14	West Virginia	\$1.20	35
Illinois	\$2.98	12	New Mexico	\$2.00	19	Wisconsin	\$2.52	16
Indiana	\$1.00	39	New York	\$4.35	2	Wyoming	\$0.60	44
Iowa	\$1.36	32	North Carolina	\$0.45	48	Puerto Rico	\$5.10	NA
Kansas	\$1.29	34	North Dakota	\$0.44	49	Guam	\$4.00	NA
Kentucky	\$1.10	37	Ohio	\$1.60	29	Northern Marianas	\$3.75	NA



In 2021, \$46,197,085 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 Nebraska 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 no allocations to this fund as all other earmarks consume the 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 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 the recovery of tobacco-related healthcare 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 slightly more than \$860 million through fiscal year 2021.

In practice, if an allocation for any fund that is a set number of cents is less than the amount credited to the 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. 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 2021, \$10,008,676 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.



Alcoholic Beverages Tax

The tax on alcoholic beverages is assessed on manufacturers and distributors of alcohol sold for consumption in Nebraska.¹³ The tax rate is \$3.75 per gallon for spirits, \$0.31 per gallon for beer, \$0.95 per gallon for wine, and ready-to-drink beverages, except wine produced on-farm wineries, are 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 on the 25th of each month.

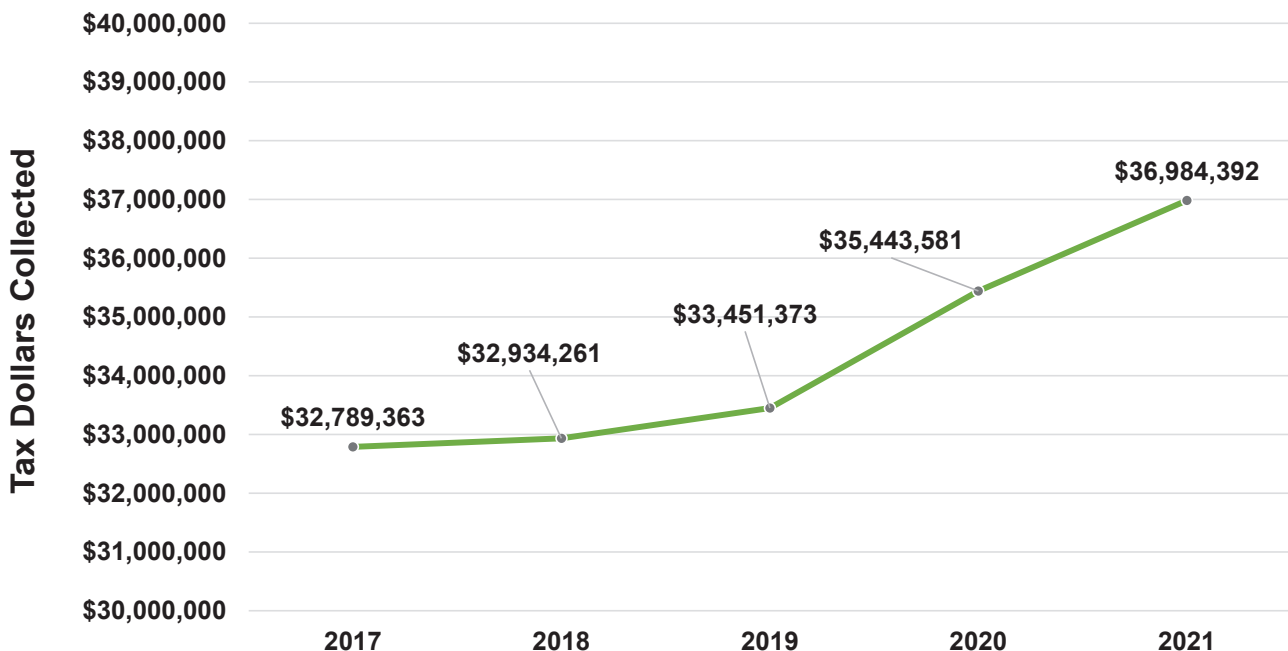
In 2021, \$36,984,392 was collected in taxes on alcoholic beverages. Of that total, \$14,210,882 was collected on beer, \$21,009,409 was collected on spirits and wine, and \$137,266 was collected on ready-to-drink beverages from spirit producers. Tax revenue is credited to the General Fund.



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 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. In 2021, the tax on ready-to-drink beverages was set at \$0.95 per gallon via Laws 2021, LB578.

Image Credit: [Inna Tarasenko](#) via iStock

Alcohol Tax Collected by Year¹⁴



Source: [Nebraska Liquor Control Commission](#)



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.¹⁴

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.



Image Credit: [GIS](#) via iStock

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 2021, 89,829 real estate transactions occurred in Nebraska, and even with the numerous exemptions, 61,819 transactions were subject to the documentary stamp tax.

A total of \$38,289,232 was collected, and of that \$8,507,867 was retained by the counties and \$29,781,364 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 county's 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.¹⁵ The tax also applies to non-resident 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 before 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 charitable organizations and state or federal government entities. The homestead allowance, exempt household property, and 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 inheritance tax, but all other relatives do, in varying amounts. In 2022, the legislature, via LB310, set new exemption amounts and inheritance tax rates which will begin in 2023. Table 3(a) sets out the current inheritance tax rates and exemptions, while the new tax exemptions and rates are listed in Table 3(b).

Table 3a: Inheritance Tax Rates and Exemptions Prior to 2023

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 3b: Inheritance Tax Rates and Exemptions After 2023

Relationship	Exemption	Rate
Spouse	All	0%
Parents, Grandparents, Siblings, Children	\$100,000	1% on amount in excess of \$100,000
Other Relatives	\$40,000	11% on amount in excess of \$40,000
None	\$25,000	15% on amount in excess of \$25,000

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 decedent's property as needed to pay the tax.

Unlike the other taxes discussed in this report, inheritance tax is paid directly to the county where the decedent lived or, in the case of a non-resident, 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.

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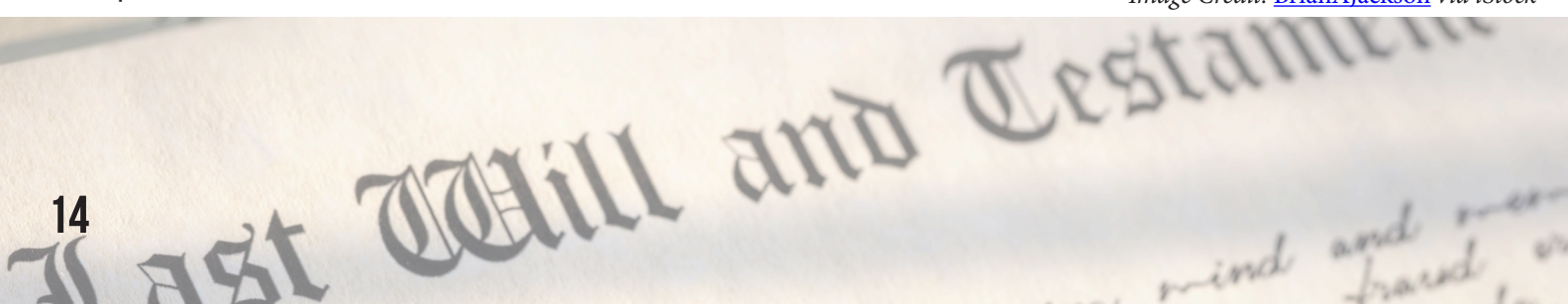




Table 4 shows the total inheritance tax collected by the 93 counties for the fiscal years 2011-2012 through 2020-2021 and the average amount collected by each county by fiscal year.¹⁶

Table 4: Inheritance Tax Collected in Nebraska

Fiscal Year	State Total	County Average
2020-2021	\$76,829,599	\$826,125
2019-2020	\$63,099,720	\$678,492
2018-2019	\$73,701,352	\$792,488
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

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 and erect and replace highway tourism markers, enhance facilities, and provide marketing assistance grants to communities and organizations.

County lodging taxes collected in 2021 totaled \$23,694,126.

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.

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 before 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.

Lodging Tax

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

In 2021, Nebraska collected \$6,328,599 in state lodging tax.

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 Nebraska Racing & Gaming Commission, and certain nonprofit entities such as religious organizations, 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, the 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.



Franchise Tax

The franchise tax is imposed on all deposits at financial institutions in the state.¹⁸ Financial institutions include banks, credit unions, savings and loan institutions, and 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 do not include money in the custody of a trust department.

The tax rate is calculated by multiplying twelve and three-tenths and the limitation factor (forty-eight and eight-tenths percent of the maximum corporate income tax, currently 7.81 percent), and converting the amount into cents.

For example, $12.3 \times (48.8 \times 7.81) = 47$ cents.

The tax rate of 47 cents 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 factors. The limitation factor equals 3.81 percent. Net financial income means the income of the institution and its subsidiaries, after ordinary expenses, but before taxes and extraordinary gains or losses.¹⁹

The tax is paid annually and revenue is credited to the General Fund. Franchise tax collected in 2021 was \$24,850,450.

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

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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.²⁰ 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.²¹ 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; and

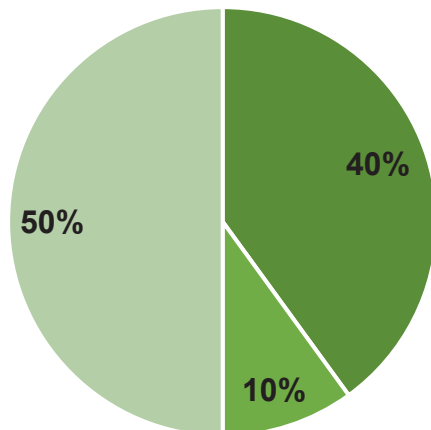
- (4) Three-eighths of one percent on all premiums and assessment for fire insurance business done by Nebraska companies.

The Department of Insurance administers the tax. Tax payments are due on March 1 of each year. If the net tax liability for the previous year exceeds \$4,000, quarterly prepayments are due on 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.

The 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.

Insurance Premium Tax Allocation



- General Fund
- Mutual Finance Assistance Fund
- Insurance Tax Fund



In 2021, \$113,728,590 was collected in insurance premium tax:

- \$104,434,262 in insurance premium tax;
- \$5,513,498 in fire insurance premium tax; and
- \$3,780,830 in workers' compensation taxes.

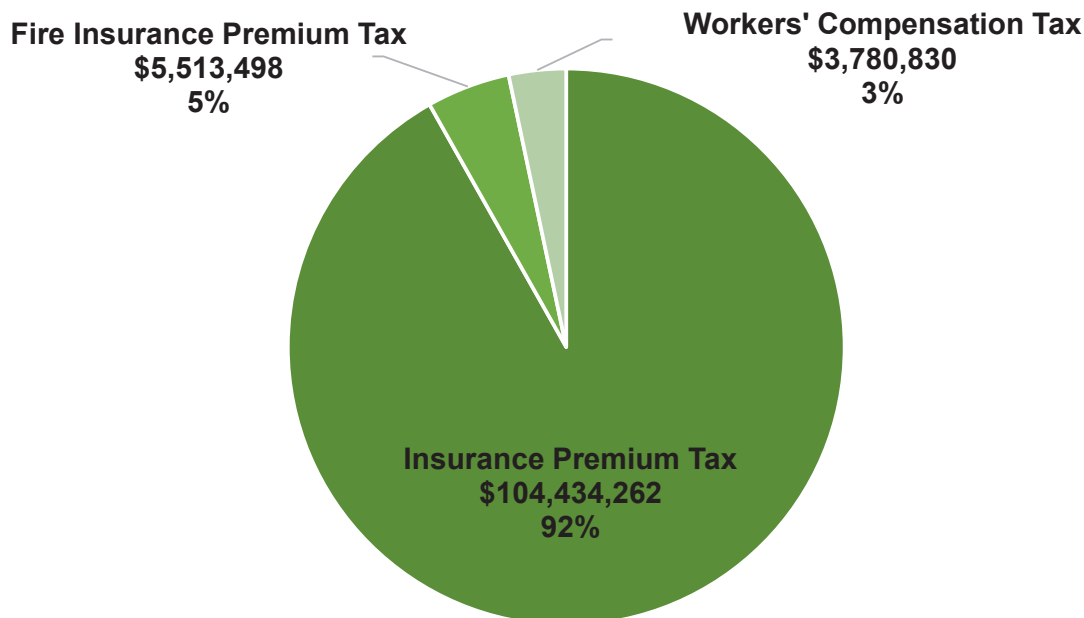
The insurance premium tax was originally enacted in 1951. At that time, foreign companies paid a rate of two percent of gross premiums, and the rate for Nebraska companies was four-tenths of one percent.

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 provide half to the Insurance Tax Fund and a 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. A variety of credits against the insurance premium tax have been added as a result of legislative action: the Community Development Assistance Act in 1984; the New Markets Job Growth Investment Act in 2012; the Nebraska Job Creation and Mainstreet Revitalization Act in 2014; and the Affordable Housing Tax Credit in 2016.

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.

2021 Insurance Tax Revenue = \$113,728,590





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.²² Domestic corporations are incorporated under the laws of Nebraska, and foreign corporations are incorporated under the laws of another state but are 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: Corporation 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		



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 the foreign corporation is shown in Table 6.

Table 6: Corporation 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 the fiscal year 2020-2021, \$11,326,178 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 \$25 for nonprofit entities to \$110 for partnerships, which is a change from the previous \$10 fee for nonprofits and \$200 for partnerships, as a result of the passage of LB910 (2020). The filing fee for corporations varies based on the value of the authorized stock. These fees are partially credited to the Corporation Cash Fund and the remainder goes to the General Fund.²³



Resource Taxes

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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, 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 non-stripper oil; and two percent on stripper oil.²⁴ Non-stripper oil is oil from a property where production is more than 10 barrels per day; stripper oil is oil from a property where production is ten 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 the administration of the tax. All severance taxes derived from school lands are 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 2021 was \$2,594,846.

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

Uranium Severance Tax

There is also a severance tax on uranium mining in the state.²⁵ 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. Due to the limited number of tax filers, the Uranium Severance Tax amount collected in 2021 was masked to protect the identity of the tax filers, as per [Neb. Rev. Stat. 77-2711](#) and [Title 316, Chapter 1, Reg. 1-075](#) of the Nebraska Department of Revenue.

Oil and Gas Conservation Tax

In addition to the severance tax, a conservation tax on the value of oil and natural gas is collected.²⁶ 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. (One mill = one-tenth of one cent.) Currently, the rate is 12 mills, up from three mills as of March 1, 2016. The conservation tax collected in 2021 was \$1,132,811.

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 its current rate of 15 mills in 1997.



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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 fuels sold in the state are taxed. 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 2021 was \$1,164,135.

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 January 1, 2022, is 24.8 cents per gallon. In addition to the state motor fuel tax, a federal tax of 18.4 cents per gallon of gasoline, and 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:²⁸

- A wholesale portion of eight and one-half cents, which equals five percent of the average wholesale fuel price sold over six months. Sixty-six percent of the wholesale portion is directed to the Highway Cash Fund for use by the Department of Roads (department) and 34 percent is directed to the Highway Allocation Fund for use by counties and municipalities;

- A variable portion is adjusted every six months, currently of zero-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 fuel sales are exempt from the 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. Sales on Native American reservations to Native Americans are also exempt but are subject to tribal tax according to agreements between the state and the tribes residing on reservations in Nebraska.

In 2021, \$424,127,539 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.



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The rates and other related provisions have been amended numerous times over the years. In 1980, legislation added 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, LB610, 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 LB610 has increased per year revenue to the department by over \$25 million, and counties and municipalities have seen an increase of \$50 million per year.

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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.³⁰

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.



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: Motor Fuel Excise Tax and Fee Rates on Jan. 1, 2022 in Cents per Gallon³¹

State	Gasoline	Diesel	State	Gasoline	Diesel	State	Gasoline	Diesel
Alabama	28.00¢	29.00¢	Kentucky	26.00¢	23.00¢	North Dakota	23.00¢	23.00¢
Alaska	8.95¢	8.95¢	Louisiana	20.125¢	20.125¢	Ohio	38.50¢	47.00¢
Arizona	19.00¢	27.00¢	Maine	30.00¢	31.20¢	Oklahoma	19.00¢	19.00¢
Arkansas	24.80¢	28.80¢	Maryland	36.10¢	36.85¢	Oregon	38.00¢	38.00¢
California	56.60¢	65.90¢	Massachusetts	24.00¢	24.00¢	Pennsylvania	57.60¢	74.10¢
Colorado	22.00¢	20.50¢	Michigan	27.20¢	27.20¢	Rhode Island	35.00¢	35.00¢
Connecticut	25.00¢	40.10¢	Minnesota	28.60¢	28.60¢	South Carolina	26.75¢	26.75¢
Delaware	23.00¢	22.00¢	Mississippi	18.40¢	18.40¢	South Dakota	30.00¢	30.00¢
DC	33.80¢	33.80¢	Missouri	19.90¢	19.90¢	Tennessee	27.40¢	28.40¢
Florida	33.425¢	34.30¢	Montana	32.50¢	29.55¢	Texas	20.00¢	20.00¢
Georgia	29.10¢	32.60¢	Nebraska	25.70¢	25.10¢	Utah	31.90¢	31.90¢
Hawaii	16.00¢	16.00¢	Nevada	23.805¢	27.75¢	Vermont	32.14¢	33.00¢
Idaho	33.00¢	33.00¢	New Hampshire	23.825¢	23.825¢	Virginia	26.20¢	27.00¢
Illinois	40.30¢	47.80¢	New Jersey	42.40¢	49.40¢	Washington	49.40¢	49.40¢
Indiana	32.00¢	53.00¢	New Mexico	18.875¢	22.875¢	West Virginia	35.70¢	35.70¢
Iowa	30.00¢	32.50¢	New York	25.35¢	23.55¢	Wisconsin	32.90¢	32.90¢
Kansas	24.03¢	26.03¢	North Carolina	38.75¢	38.75¢	Wyoming	24.00¢	24.00¢

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 levy for the taxing subdivision was applied to determine the amount of tax due.³²

In 1997, the Legislature passed LB271 to change the method of determining motor vehicle registration tax based upon a set formula. The formula is based on the type of vehicle, the initial value of the vehicle, and a schedule of declining fractions based on the age of the vehicle.³³

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

For example, a 2023 Ford Escape with a manufacturer's suggested retail price (MSRP) of \$27,185 would have a base tax of \$420, which would be multiplied by a fraction of 1.00. The tax due would be \$420. A 2019 Honda Accord LX with an MSRP of \$24,640 when new would have a base tax of \$380, which would be multiplied by a fraction of 0.7. The tax due would be \$266.



Table 8: Fraction to Determine Tax

Year	Fraction
First	1.00
Second	0.90
Third	0.80
Fourth	0.70
Fifth	0.60
Sixth	0.51
Seventh	0.42
Eighth	0.33
Ninth	0.24
Tenth & Eleventh	0.15
Twelfth & Thirteenth	0.07
Fourteenth & Older	0.00

Table 9: 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
Assembled recreational vehicles and buses shall follow the schedules for body type and registered weight	N/A
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
Former military vehicles	\$50
Mini Trucks	\$50
Low-speed vehicles	\$50

Table 10: 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



In 2021, \$315,284,242 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 fees are also computed on a base fee and a declining fraction. Tables 11 and 12 show the fractions applied and the base fee used for different types of vehicles to determine the fee due.

For the 2023 Ford Escape with an MSRP of \$27,185 and the 2019 Honda Accord LX with an MSRP of \$24,640 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.

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.

In 2021, \$26,384,188 was collected in motor vehicle registration fees.

Table 11: Fraction to Determine Fee

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

Table 12: Base Fee

Type of Motor Vehicle	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
Former military vehicles	\$10
Mini trucks	\$10
Low-speed vehicles	\$10

Image Credit: [marekulasz](#) via iStock





Additional Resources

- Nebraska Department of Insurance, Summary of Insurance Business
<https://doi.nebraska.gov/sites/doi.nebraska.gov/files/doc/2021%20Summary%20FINAL%20for%20website.pdf>
- Nebraska Department of Motor Vehicles, Driver and Vehicle Records
<http://www.dmv.nebraska.gov/dvr>
- Nebraska Department of Revenue, Charitable Gaming Division Annual Report
https://revenue.nebraska.gov/sites/revenue.nebraska.gov/files/doc/gaming/annual_reports/2021GamingAnnualReport.pdf
- Nebraska Department of Revenue, Miscellaneous Tax Data
http://www.revenue.nebraska.gov/research/misc_tax_data.html
- Nebraska Department of Revenue, Motor Fuels Division
<http://www.revenue.nebraska.gov/fuels/index.html>
- Nebraska Department of Revenue, Revenue Sources
https://revenue.nebraska.gov/sites/revenue.nebraska.gov/files/doc/research/Revenue_Sources_2021.pdf
- Nebraska Department of Revenue, Tax Expenditure Reports
http://www.revenue.nebraska.gov/research/tax_exp_reports.html
- Nebraska Liquor Control Commission
<https://lcc.nebraska.gov/>
- Nebraska Racing & Gaming Commission
<http://racingcommission.nebraska.gov/>
- Nebraska Secretary of State, Business Services
http://www.sos.ne.gov/business/corp_serv/index.html

Endnotes

1. Neb. Const. Art. III, sec. 24.
2. Neb. Rev. Stat. sec. 9-1,101.
3. 2021 Charitable Gaming Annual Report, Nebraska Department of Revenue, https://revenue.nebraska.gov/sites/revenue.nebraska.gov/files/doc/gaming/annual_reports/2021GamingAnnualReport.pdf
4. Neb. Rev. Stat. secs. 9-601 to 9-653.
5. Neb. Rev. Stat. secs. 9-401 to 9-437.
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.
9. Neb. Rev. Stat. secs. 77-3001 to 77-3011.
10. Neb. Rev. Stat. secs. 77-2601 to 77-2622.



Endnotes Continued

11. State Cigarette Excise Tax Rates & Rankings, Campaign for Tobacco-Free Kids, December 31, 2021, retrieved from <https://www.tobaccofreekids.org/research/factsheets/pdf/0097.pdf>
12. Neb. Rev. Stat. secs. 77-4001 to 77-4025.
13. Neb. Rev. Stat. secs. 53-160 to 53-165.
14. Neb. Rev. Stat. secs. 76-901 to 76-908.
15. Neb. Rev. Stat. secs. 77-2001 to 77-2040.
16. Nebraska Association of County Officials, Inheritance Tax collected by County, FY 2011-12 thru FY 2020-21
17. Neb. Rev. Stat. secs. 81-3701 to 81-3730.
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.
20. Neb. Rev. Stat. secs. 44-150; 48-1,113; 77-907 – 77-918; 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.
22. Neb. Rev. Stat. secs. 21-301 to 21-330.
23. Neb. Rev. Stat. secs. 21-192; 21-205; 21-1905; 21-2924; 33-101; 67-293; 67-462.
24. Neb. Rev. Stat. secs. 57-700 to 57-719.
25. Neb. Rev. Stat. secs. 57-1201 to 57-1214.
26. Neb. Rev. Stat. sec. 57-919.
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; 66-4,145.
29. Neb. Rev. Stat. secs. 66-489; 66-495; 66-741.
30. Neb. Rev. Stat. sec. 66-1521.
31. State Motor Fuel Tax Rates, Federation of Tax Administrators, January 1, 2022, retrieved from <http://www.taxadmin.org/assets/docs/Research/Rates/mf.pdf>
32. The Nebraska Constitution Article VIII, Section I, 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. sec. 60-3,184 – 60-3,190.

