Nebraska Department of REVENUE

Nebraska Sales and Use Tax

General Information 2013

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This PowerPoint handout is used for training purposes in conjunction with the oral presentation given by Departmental training staff.

It is not intended to be a stand-alone document.

It is not an information guide, nor does it carry regulatory or statutory authority.

Nebraska tax statutes, regulations, information guides, and other resources are available at revenue.ne.gov.

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E-filing and Payment Mandates

The payment threshold is lowered annually.

- July 1, 2013 $ 9,000
- July 1, 2014 $ 8,000
- July 1, 2015 $ 7,000

Any businesses with multiple locations that have been granted permission to file "combined" sales tax returns must e-file.

For more detailed information on e-file and e-pay requirements, see our website.

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Today's Agenda

- Nebraska Sales Tax
- Sales Tax is Calculated on Gross Receipts
- Delivery Location and the Local Sales Tax
- Collecting, Documenting, and Reporting Sales Tax
- Nebraska e-pay
- What is Use Tax?
- Other Tax Information

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Nebraska Sales Tax

For more information, see the Sales and Use Tax Regulations on our website.

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Sales tax is…

… a transactional tax,

… based on the transaction,

… rather than the item sold.

Where the item or service is delivered determines the local sales tax rate and to whom the tax is due.

A sale is…

… the transfer of title or possession,

… of an item or taxable service,

… for consideration.

A lease or rental of tangible personal property…

…can be a sale,

…if there is transfer of possession.

Sales tax is due on each lease or rental payment.

All sellers…

…are the consumers of anything they use to sell their items and services; and

…must pay tax on them.

Example 1: Cash registers

Example 2: Security services

Taxable Services

- Animal specialty services
- Building cleaning
- Computer software training
- Detective services
- Installing/applying tangible personal property
- Motor vehicle towing, washing/waxing, painting
- Pest control services
- Recreational vehicle (RV) park services
- Security services
- Repair labor (with 5 exceptions – see slide 57)

For a more complete list of taxable and nontaxable services, see the Nebraska and Local Sales Tax Information Guide on our website.

All service providers…

…are the consumers of the taxable items and services used to provide the service; and

…must pay tax on those items or services

(even if the charge for the service is also taxable).

Example 1: The carwash does not sell soap and wax, but a "car wash."

Example 2: A window cleaner is not selling window cleaning solution, but "clean windows."

Collecting Sales Tax

- Collected by the seller as an agent for the State
- Held in trust for the State of Nebraska
- Must have a sales tax permit
- Collection fee

Sales Tax is Calculated on Gross Receipts

Gross receipts…

…means the total amount of a sale or lease for a consideration.

Sales tax is calculated on the gross receipts of the sales transaction.

For more information, see Reg-1-007 – Gross Receipts Defined.

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Delivery Location and the Local Sales Tax

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The delivery location determines the Local Sales Tax.

- The delivery location is where the purchaser picks up the item or where he/she takes possession of it.
- The local sales tax rate depends on whether the delivery location is inside or outside city limits.
- When delivery is outside Nebraska, contact the other state.

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Local Sales Tax Increase

Neb. Rev. Stat. § 77-27,142

- A municipality, except Omaha, may impose a local sales tax of 1.75% or 2% if the rate increase is approved by at least 70% of the municipality's governing body and by a vote of the voters residing in the municipality.
- For further information, contact Karen Barrett at 402-471-5980.

Sales Tax Rate Finder

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Collecting, Documenting, and Reporting Sales Tax

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The Bottom Line for Sales Tax

- All sales transactions are presumed taxable.
- Sales tax must be separately stated (with 4 exceptions).

The Bottom Line for Sales Tax

Sellers must collect sales tax
or
document why they did not.

Documenting Exempt Sales

- **Form 13**
- Sellers keep completed copies of Form 13.
- A “blanket” form is valid until it is revoked in writing by the purchaser.

Documenting Exempt Sales

Nebraska Resale Certificate
Form 13, Section A

- Purchases for resale
- Items that become a component part of a product to be sold

Form 13, Section A

Nebraska Department of REVENUE

Nebraska Resale or Exempt Sale Certificate
for Sales Tax Exemption
• Read instructions on reverse side/see note below
RESET FORM

FORM 13

NAME AND MAILING ADDRESS OF PURCHASER	NAME AND MAILING ADDRESS OF SELLER
Name	Name
Street or Other Mailing Address	Street or Other Mailing Address
City State Zip Code	City State Zip Code

Check Type of Certificate
☐ Single Purchase ☐ Blanket If blanket is checked, this certificate is valid until revoked in writing by the purchaser.

I hereby certify that the purchase, lease, or rental by the above purchaser is exempt from the Nebraska sales tax for the following reason:

Check One ☐ Purchase for Resale (Complete Section A) ☐ Exempt Purchase (Complete Section B) ☐ Contractor (Complete Section C)

SECTION A—Nebraska Resale Certificate

Description of Item or Service Purchased

I hereby certify that the purchase, lease, or rental of
from the above seller is exempt from the Nebraska sales tax as a purchase for resale, rental, or lease in the normal course of our business, either in the form or condition in which purchased, or as an ingredient or component part of other property to be resold.

I further certify that we are engaged in business as a: ☐ Wholesaler ☐ Retailer ☐ Manufacturer ☐ Lessor
of Description of Product Sold, Leased, or Rented

If None, State Reason

and hold Nebraska Sales Tax Permit Number 01-

or Foreign State Sales Tax Number State

For more detailed information, refer to the Form 13 instructions.

Nebraska Exempt Sale Certificate Form 13, Section B

- Specific governmental units
  - o Governmental Entities – Information guide
  - o Reg-1-012C – Entity-based exemptions
- Certain exempt organizations
  - o Nonprofits – Information guide
  - o Nonprofits – PowerPoint slides
  - o Reg-1-090 – Nonprofit organizations
  - o Reg-1-091 – Religious organizations
  - o Reg-1-092 – Educational institutions

more…

Form 13, Section B

- Qualified manufacturing machinery and equipment (MME)
  - o MME – Information guide
  - o MME – PowerPoint slides
  - o Reg-1-107 – MME Exemption
- Vehicles and parts for vehicles used by a common or contract carrier
  - o Common or Contract Carrier – Information guide
  - o Reg-1-069 – Common & Contract Carriers

more…

Form 13, Section B

- Qualified commercial agricultural machinery and equipment (ag exemption)
  - o Ag – Information guide
  - o Agri-business – PowerPoint slides
  - o Reg-1-094 – Ag machinery & equipment refund
- Occasional sales (This exemption is very limited in scope!)
  - o Reg-1-022 – Occasional sales

Form 13, Section B

Nebraska Department of REVENUE

Nebraska Resale or Exempt Sale Certificate
for Sales Tax Exemption
• Read instructions on reverse side/see note below
RESET FORM
FORM 13

NAME AND MAILING ADDRESS OF PURCHASER	NAME AND MAILING ADDRESS OF SELLER
Name	Name
Street or Other Mailing Address	Street or Other Mailing Address
City State Zip Code	City State Zip Code

Check Type of Certificate
☐ Single Purchase ☐ Blanket If blanket is checked, this certificate is valid until revoked in writing by the purchaser.

I hereby certify that the purchase, lease, or rental by the above purchaser is exempt from the Nebraska sales tax for the following reason:

Check One ☐ Purchase for Resale (Complete Section A) ☐ Exempt Purchase (Complete Section B) ☐ Contractor (Complete Section C)

SECTION B—Nebraska Exempt Sale Certificate

The basis for this exemption is exemption category (Insert appropriate category as described on reverse of this form.)

If exemption category 2 or 5 is claimed, enter the following information:

Description of Item(s) Purchased Intended Use of Item(s) Purchased

If exemption categories 3 or 4 are claimed, enter the Nebraska Exemption Certificate number. 05-

If exemption category 6 is claimed, seller must enter the following information and sign this form below:

Description of Item(s) Sold Date of Seller's Original Purchase Was Tax Paid when Purchased by Seller? ☐ YES ☐ NO Was Item Depreciable? ☐ YES ☐ NO

For more information, see Form 13 instructions.

Form 13, Section C – For Contractors Only

Nebraska Department of REVENUE

Nebraska Resale or Exempt Sale Certificate
for Sales Tax Exemption
• Read instructions on reverse side/see note below
RESET FORM
FORM 13

NAME AND MAILING ADDRESS OF PURCHASER	NAME AND MAILING ADDRESS OF SELLER
Name	Name
Street or Other Mailing Address	Street or Other Mailing Address
City State Zip Code	City State Zip Code

Check Type of Certificate
☐ Single Purchase ☐ Blanket If blanket is checked, this certificate is valid until revoked in writing by the purchaser.

I hereby certify that the purchase, lease, or rental by the above purchaser is exempt from the Nebraska sales tax for the following reason:

Check One ☐ Purchase for Resale (Complete Section A) ☐ Exempt Purchase (Complete Section B) ☐ Contractor (Complete Section C)

SECTION C—For Contractors Only

1. Purchases of Building Materials or Fixtures:

☐ As an Option 1 or Option 3 contractor, I hereby certify that purchases of building materials and fixtures from the above seller are exempt from Nebraska sales tax. My Nebraska Sales or Consumer's Use Tax Permit Number is: 01-

2. Purchases Made Under Purchasing Agent Appointment on behalf of _____ (exempt entity) :

☐ Pursuant to an **attached** Purchasing Agent Appointment and Delegation of Authority for Sales and Use Tax, Form 17, I hereby certify that purchases of building materials, and fixtures are exempt from Nebraska sales tax.

There is a seminar just for contractors! Check the schedule to attend a class, request that we set a date to work with you directly, or check out the presentation using the link above!

Form 13CCE

Nebraska Department of REVENUE

Exemption Permit Application
For Use of Credit or Debit Cards by Sales Tax Exempt Entities
FORM 13CCE

Nebraska ID Number (if applicable)

NAME AND LOCATION ADDRESS	NAME AND MAILING ADDRESS
Name	Name
Legal Name	
Street Address	Street or Other Mailing Address
City State Zip Code	City State Zip Code

CREDIT OR DEBIT CARD INFORMATION

1 Name and address of bank issuing the credit or debit card.

2 Last four digits of the card. (If the exempt governmental entity or exempt organization has more than one credit or debit card account, a separate application is required for each credit or debit card.)

DOCUMENTATION REQUIRED

3 Attach all of the following:
- Copy of the billing statement;
- Copy of the credit or debit card; and
- Copy of a payment made to the issuing bank.

ADDITIONAL BILLING INFORMATION

4 Will any person other than the sales tax exempt governmental entity or sales tax exempt organization be billed by the issuer of the card for any purchases made using the credit or debit cards identified on this application?
☐ YES ☐ NO If Yes, please explain _____

Under penalties of law, I declare that I have examined this application, and to the best of my knowledge and belief, it is correct and complete.

sign here ▶ Signature of Owner, Partner, Member, Corporate Officer, or Other Person Authorized by Attached Power of Attorney Date ( ) Telephone Number

Title Email Address

FOR NEBRASKA DEPARTMENT OF REVENUE USE ONLY

☐ APPROVED COMMENTS: _____

☐ DISAPPROVED

Exemption Code: _____ ▶ Authorized Signature Date

13CCE, Exemption Permit

Nebraska Department of REVENUE

Exemption Permit For Use of Credit or Debit Cards

NAME AND LOCATION ADDRESS	NAME AND MAILING ADDRESS
Name	Name
Street Address	Street or Other Mailing Address
City State Zip Code	City State Zip Code

CREDIT OR DEBIT CARD IDENTIFICATION

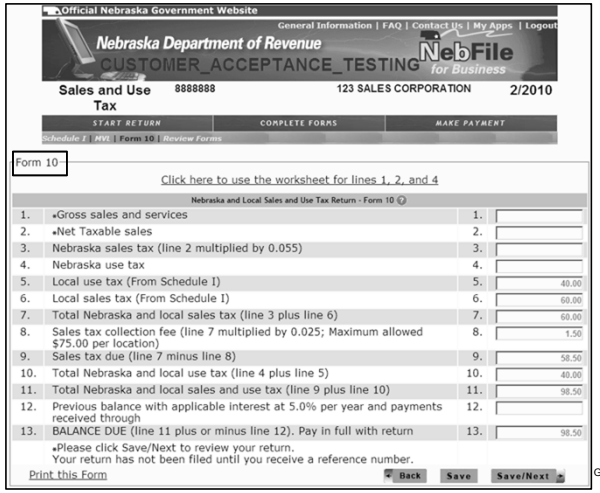
Issuing Bank	Type of Credit or Debit Card	Last Four Digits of the Credit or Debit Card
Effective Date of Exemption Permit	Expiration Date of the Exemption Permit (Expiration date of the credit or debit card)*	

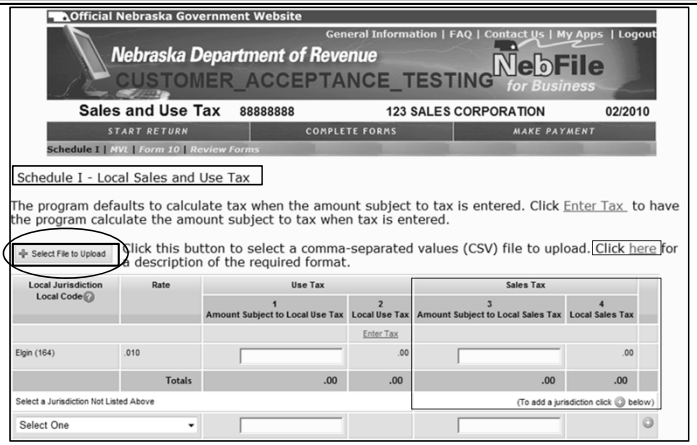
_____ has provided the Nebraska Department of Revenue with documentation that the credit or debit card identified above is directly billed to, and paid by, the sales tax exempt governmental entity or sales tax exempt organization. To make sales and lodging tax exempt purchases using this credit or debit card, the exempt governmental entity or exempt organization must:

- Complete a Nebraska Resale or Exempt Sale Certificate, Form 13, section B;
- **Attach a copy** of this Exemption Permit to the Form 13; and
- Issue both documents to the seller at the time of purchase.

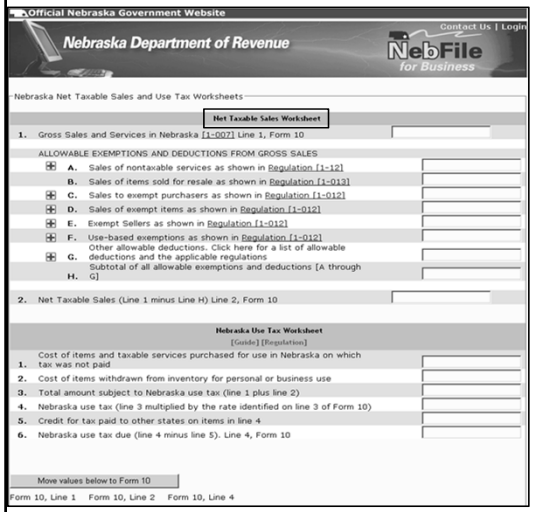
Reporting Sales Tax

- E-file a Form 10.
- For e-file instructions, please go to the Department's website.
- A return must be filed even if there are no sales to report.





- The file upload feature allows taxpayers who report sales tax to multiple tax jurisdictions to upload a comma-separated values (CSV) file.
- There is no requirement to use this feature. It is simply a convenience some filers may choose. See "Click here" for more information.



This screen shows the optional Net Taxable Sales Worksheet used to help calculate lines 1 and 2 on Form 10.

Nebraska e-pay

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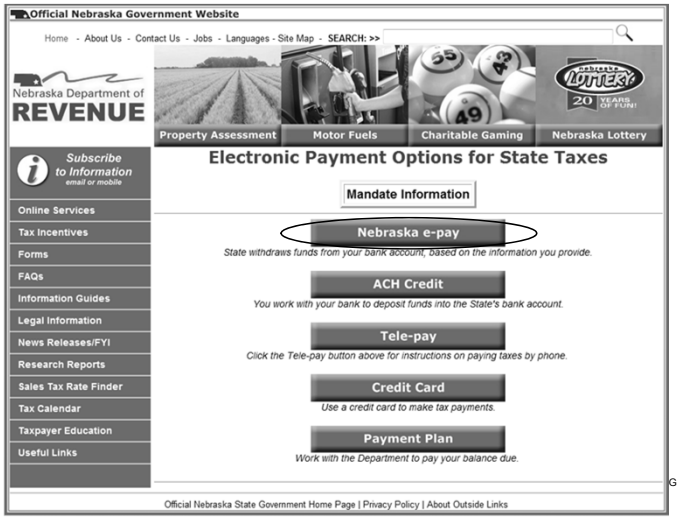
Nebraska e-pay



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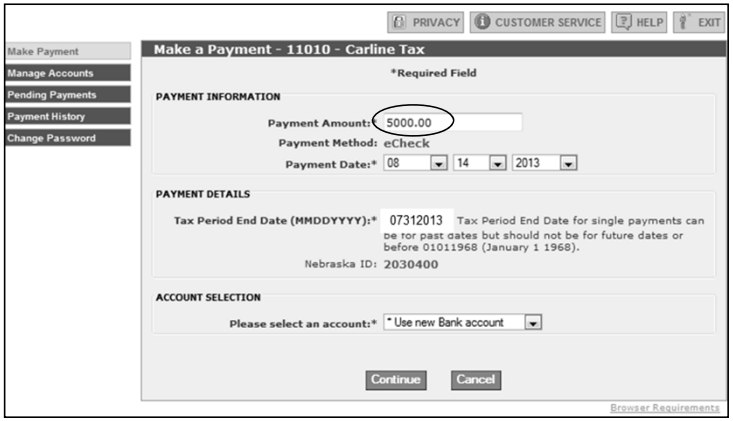
Nebraska e-pay (continued)



When setting up a payment in e-pay, be sure to enter the correct payment amount with the decimal point.

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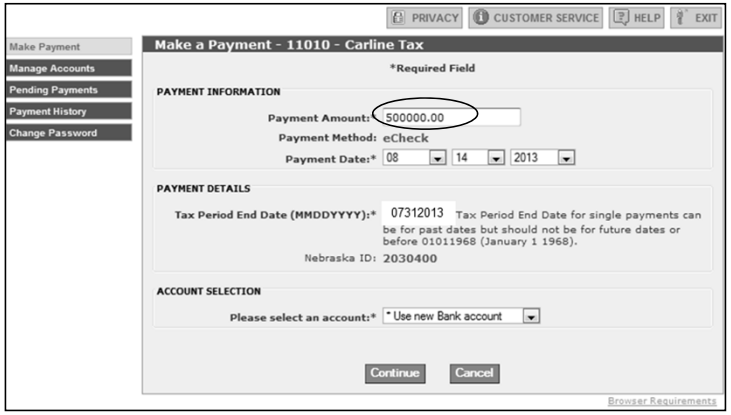
Nebraska e-pay (continued)



If you fail to enter the decimal point….
the $5,000 payment will become $500,000!

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What is Use Tax?

For more information, see Reg-1-002 – Use Tax.

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What is Use Tax?

- Use tax is due when Nebraska sales tax has not been paid on a taxable item or service purchased for use in Nebraska.
- Sales and use tax are not both due on the same transaction.
- The big difference is who remits the tax -
  - o Sales tax is collected and remitted by the seller.
  - o Use tax is paid directly to the Department by the purchaser/consumer.

Use Tax and Sales Tax Have These Things in Common –

- They are imposed on the same transactions.
- They have the same exemptions.
- They are calculated at the same rate.
  - o Where delivery occurs or
  - o Where first usage in Nebraska takes place.

When Use Tax is Due

- Use tax is often due when purchases are made from an out-of-state seller
  - o Internet, catalog, mail order
  - o Magazines and journals by subscription
- Use tax is due when the business withdraws tax-free inventory for business or personal use (including donations)
  - o Auto mechanic
  - o Hair salon

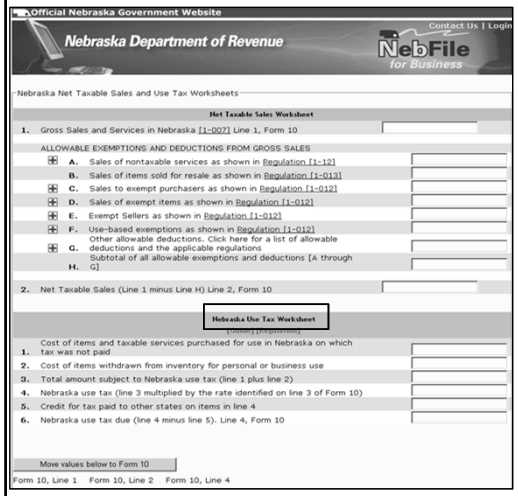
Note: Be sure to maintain good records!

Reporting Use Tax

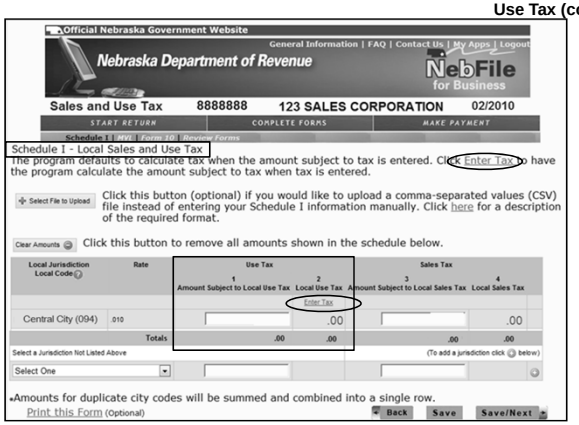
- Businesses report use tax on:
  - o Form 10; or
  - o Form 2.
- Individuals report use tax on:
  - o Form 3;
  - o Form 1040N; or
  - o Form 2 (only if claiming credit for tax paid to another state).

Note: Do not use Form 1040XN to make changes to individual use tax filings.

Businesses that hold a Nebraska Sales and Use Tax Permit, must use Form 10.



This screen shows the optional Nebraska Use Tax Worksheet used to help calculate line 4 on Form 10.



- On Schedule I, local jurisdictions reported within the last 12 months will be shown.
- The program defaults to enter the "Amount Subject to Tax." Click on the blue "Enter Tax" link to enter the amount of tax.

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Use Tax (continued)

Official Nebraska Government Website

General Information | FAQ | Contact Us | My Apps | Logout

Nebraska Department of Revenue — NebFile for Business

Sales and Use Tax 8888888 123 SALES CORPORATION 2/2010

START RETURN | COMPLETE FORMS | MAKE PAYMENT

Schedule I | MVL | Form 10 | Review Forms

Form 10 — Click here to use the worksheet for lines 1, 2, and 4 (Optional)

Nebraska and Local Sales and Use Tax Return - Form 10

1.	•Gross sales and services	1.	6,000.00
2.	•Net Taxable sales	2.	500.00
3.	Nebraska sales tax (line 2 multiplied by 0.055)	3.	27.50
4.	Nebraska use tax (amount subject to use tax multiplied by 0.055)	4.	55.00
5.	Local use tax (From Schedule I)	5.	40.00
6.	Local sales tax (From Schedule I)	6.	60.00
7.	Total Nebraska and local sales tax (line 3 plus line 6)	7.	87.50
8.	Sales tax collection fee (line 7 multiplied by 0.025; Maximum allowed $75.00 per location)	8.	2.19
9.	Sales tax due (line 7 minus line 8)	9.	85.31
10.	Total Nebraska and local use tax (line 4 plus line 5)	10.	95.00
11.	Total Nebraska and local sales and use tax (line 9 plus line 10)	11.	180.31
12.	Previous balance with applicable interest at 3.0% per year and payments received through	12.	
13.	BALANCE DUE (line 11 plus or minus line 12). Pay in full with return	13.	180.31

•Please click Save/Next to review your return.
Your return has not been filed until you receive a reference number.

Print this Form (Optional) — Back | Save | Save/Next

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Use Tax (continued)

Nebraska Department of REVENUE — **Business Nebraska and Local Use Tax Return** — FORM 2

Nebraska ID Number | PLEASE DO NOT WRITE IN THIS SPACE

Tax Period

NAME AND LOCATION ADDRESS | NAME AND MAILING ADDRESS

Name Doing Business As (dba) | Name

Legal Name

Street Address (Do Not Use PO Box) | Street or Other Mailing Address

City State Zip Code | City State Zip Code

1 Cost of taxable items or services purchased for use in Nebraska when Nebraska sales tax has not been paid. (Include the cost of items withdrawn from inventory for use.) ..... 1 $ .00

2 Nebraska use tax due (line 1 multiplied by .055) 2

• Complete the following Local Use Tax Table (see instructions).

Local Use Tax Table

CITY OR COUNTY (CLICK HERE FOR CURRENT CODES AND RATES)	LOCAL CODE	LOCAL TAX RATE	COLUMN A Amount Subject to Local Use Tax	COLUMN B Local Use Tax (Rate x Column A)
			.00	
			.00	
			.00	
			.00	
			.00	

3 Total local use tax due (add amounts in Column B) 3

4 Total Nebraska and local use taxes due (line 2 plus line 3) 4

5 Credit for tax properly paid to other states and taxing jurisdictions on items included on line 1 (see instructions) 5

6 Net Nebraska and local use taxes due (line 4 minus line 5) 6

7 Previous balance with applicable interest at % per year and payments received through 7

☐ Check this box if your payment is being made by Electronic Funds Transfer (EFT).

8 BALANCE DUE (line 6 plus or minus line 7). Pay in full with this return. ..... 8 $

I declare under penalties of law that I have examined this return, and to the best of my knowledge and belief, it is correct and complete.

sign here ▶ Authorized Signature Date ▶ Signature of Preparer Other Than Taxpayer Date

Title Daytime Telephone Number Daytime Telephone Number

E-Mail Address E-Mail Address

THIS RETURN IS DUE ON OR BEFORE THE 25TH DAY OF THE MONTH FOLLOWING THE TAX PERIOD INDICATED ABOVE.

Mail this return and payment to: NEBRASKA DEPARTMENT OF REVENUE, PO BOX 98923, LINCOLN, NE 68509-8923.

www.revenue.ne.gov, (800) 742-7474 (NE and IA), (402) 471-5729

d-108-1074 Rev. 3-2011 Supersedes d-108-1074 Rev. 5-2009

Businesses use **Form 2** if they do not hold a sales tax permit.

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Use Tax (continued)

Nebraska Department of REVENUE — **Individual Nebraska and Local Use Tax Return** — FORM 3

Social Security Number | PLEASE DO NOT WRITE IN THIS SPACE

NAME AND MAILING ADDRESS

Name

Street or Other Mailing Address

City State Zip Code

1 Cost of taxable items or services purchased for use in Nebraska when Nebraska sales tax has not been paid ..... 1 $ .00

2 Nebraska use tax due (line 1 multiplied by .055) 2

• Complete the following Local Use Tax Table (see instructions).

Local Use Tax Table

CITY OR COUNTY (CLICK HERE FOR CURRENT CODES AND RATES)	LOCAL CODE	LOCAL TAX RATE	COLUMN A Amount Subject to Local Use Tax	COLUMN B Local Use Tax (Rate x Column A)
			.00	
			.00	
			.00	
			.00	
			.00	

3 Total local use tax due (add amounts in Column B) 3

4 Nebraska and local use tax due (line 2 plus line 3). Pay in full with this return. ..... 4 $

I declare under penalties of law that I have examined this return, and to the best of my knowledge and belief, it is correct and complete.

sign here ▶ Taxpayer Signature Date ▶ Signature of Preparer Other Than Taxpayer Date

Daytime Telephone Number Daytime Telephone Number

E-Mail Address E-Mail Address

Mail this return and payment to: NEBRASKA DEPARTMENT OF REVENUE, PO BOX 98923, LINCOLN, NE 68509-8923.

www.revenue.ne.gov, (800) 742-7474 (Nebraska and Iowa), (402) 471-5729

d-290-1090 Rev. 3-2011 Supersedes d-290-1090 Rev. 3-2009

Individuals use **Form 3**.

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Use Tax (continued)

Nebraska Department of REVENUE — **Nebraska Individual Income Tax Return** for the taxable year January 1, 2012 through December 31, 2012 or other taxable year: , 2012 through , — FORM 1040N 2012

Please Type or Print

Your First Name and Initial | Last Name | PLEASE DO NOT WRITE IN THIS SPACE

If a Joint Return, Spouse's First Name and Initial | Last Name

Current Mailing Address (Number and Street or PO Box)

City State Zip Code

37	**TOTAL TAX AND PENALTY.** Add lines 27 and 36	37	00
38	Use tax due on Internet and out-of–state purchases. See instructions. Enter purchases subject to tax **92** $_____; State tax **93** $ _____ .00 (purchases x 5.5%); Local code **94** __ __ __ (see local rate schedule); Local tax **95** $ _____ .00 (purchases x local rate of _____%, from local rate schedule) Total tax $ _____ .00 Add state and local taxes and enter on line 38. If no use tax, enter (-0-) on line 38	38	00
39	**TOTAL AMOUNT DUE.** If line 35 is less than total of lines 37 and 38, subtract line 35 from the total of lines 37 and 38. Pay this amount in full. **For electronic or credit card payment, check here** ☐ **and see instructions**	39	00
40	**OVERPAYMENT.** If line 35 is more than total of lines 37 and 38, subtract total of lines 37 and 38 from line 35.	40	00
41	Amount of line 40 you want **APPLIED TO YOUR 2013 ESTIMATED TAX**	41	00
42	Wildlife Conservation Fund **DONATION** of $1 or more	42	00

Individuals can use the Form 1040N to report and pay use tax!

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Summary of Sales Tax

- Nebraska Sales Tax
- Sales Tax is Calculated on Gross Receipts
- Delivery Location and the Local Sales Tax
- Collecting, Documenting, and Reporting Sales Tax
- Nebraska e-pay
- What is Use Tax?

Other Tax Information

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Other Tax Information

- Labor Charges Associated with Personal Property *(Reg-1-082)*
- Gross Receipts *(Reg-1-007)*
- Prepaid Wireless Surcharge *(Department Web Page)*
- Containers (*Reg-1-043)*
- Software and Digital Goods and Services *(Reg-1-088)*
- Manufacturing Machinery and Equipment (MME) *(Reg-1-107)*
- Agricultural Machinery and Equipment *(Reg-1-094)*
- Certificate of Clearance *(Neb. Rev. Stat. § 77-2707)*
- Why Would We Audit You? *(Department Web Page)*
- Records *(Reg-1-008)*
- Graffiti Cleanup of Real Property *(Reg-1-098)*

Labor Charges Associated with Personal Property

- Taxable
  - o Production and assembly labor
  - o Installation and repair labor when the item is taxable
- Exempt
  - o Installation labor when the item is exempt
  - o Repair labor (see the next slide)

For more information, see *Reg-1-082* – Labor Charges.

Exempt Repair Labor Charges

- Licensable motor vehicle
- Agricultural machinery and equipment used in commercial agriculture
- Qualifying prosthetic devices and durable medical equipment (Form 13 required)
- Mobility-enhancing equipment (Form 13ME required)
- Qualified MME (Form 13 required)

Back to Taxable Services - Slide 13

Gross Receipts

Four exceptions to separately stating sales tax:

- Admissions
- Alcohol by-the-drink
- Concessions
- Vending machines

For more information, see *Reg-1-007* – Gross Receipts Defined.

Example:

You charge your customer $10 for a pitcher of beer in a city with a 1.5% local sales tax.

The customer's bill would show:	
Pitcher of beer	$10

To determine gross receipts and the amount of sales tax:

- Divide $10 by 1.07 (1 plus the total state and local sales tax rate). The gross receipts is $9.35.
- Subtract $9.35 from $10 to get $0.65, which is the tax.

Gross receipts (sales price)	=$9.35
State and local sales tax	= $0.65

Delivery Charges

Delivery charges are taxable when:

- the buyer pays the seller for the delivery charge and
- the transaction is taxable.

Delivery charges are taxable regardless of the method of delivery.

Delivery Charges

If you owe use tax on a purchase, you also owe use tax on any delivery charge paid to the seller as part of that purchase.

Tips and Gratuities

- Discretionary (nontaxable)
- Mandatory (taxable)

Prepaid Wireless Surcharge

Example:

Sale of a prepaid mobile phone with 500 minutes of prepaid wireless service

Phone	$50.00
Prepaid wireless surcharge ($50 X 1.1%)	.55
Sales tax ($50 X 7%)	+3.50
Total	$54.05

For more information, see *Department Web Page*.

Containers

There are two types:

- Returnable
  - o Taxable to the person who will place contents into them.
- Nonreturnable
  - o Nontaxable when the person will fill the container and sell the contents with the container.

For more information, see *Reg-1-043* – Containers.

Software and Digital Goods & Services

Taxable Examples

Software/software installation

- Tangible medium
- Internet transferred software
- Software training/re-training by the seller
- Maintenance agreements with updates

Digital goods

- Electronic books and book clubs
- Downloading songs & ringtones
- Movies, music videos, & TV shows

Services

- Virus protection software, monitoring services, security services, and testing

Software and Digital Goods & Services

Nontaxable Examples

Software/software installation

- Cloud computing
- Accessing web-based applications (no code necessary)
- Access codes for online subscription services

Digital goods

- Web design without license transfer
- Electronically-transferred photographs

Services

- Help desk without updates

For more information, see Reg-1-088 – Software and the Computer Software information guide.

Manufacturing Machinery and Equipment (MME) is Exempt:

- If more of the manufacturer's total annual revenue is from sales of tangible personal property it manufactures than from any other business activity, and
- The machinery and equipment is used more than 50% of the time in manufacturing.

For more information, see *Reg-1-107* – MME Exemption.

MME Includes Machinery or Equipment Used for

- Producing, fabricating, assembling, processing, molding, shaping, finishing, refining, or packaging tangible personal property
- Transporting, conveying, handling, or storing the manufactured goods or raw materials
- Maintaining the integrity of the products or unique environmental conditions for the products or MME itself

more…

MME Includes…

- Testing or measuring the product, the manufacturing process, or the quality of the finished products
- Computers, software, and peripheral equipment used to guide, control, operate, or measure the manufacturing process
  - o Example:

    Software used to direct robotic assembly line equipment to move the product down the line.

more…

MME Includes…

- Self-constructed equipment
- Replacement parts
- Repair labor charges

MME Does Not Include…

- Licensable motor vehicles
- Tools powered by hand
- Security equipment
- Safety apparel
- Office equipment
- Repair shop equipment
- Most cleaning equipment
- Equipment used for research and development

Agricultural Machinery and Equipment

Purchases are exempt if three criteria are met:

- The item is used directly in commercial agriculture;
- The item meets the definition of ag equipment; and
- The purchaser properly completes a Form 13, Section B.

For more information, see *Reg-1-094* – Ag Machine and Equipment.

Commercial Ag includes:

- Producing food products or other useful and valuable crops; or
- Raising or caring for animals.

Note: The crops or animals can either be sold or used by the farmer/rancher to produce other products for sale.

Commercial Ag Also Includes:

- Feedlots
- Greenhouses
- Nurseries
- Sod farms
- Tree farms

Ag Equipment Does Not Include:

- Real estate
- Licensable motor vehicles
- Equipment used in processing at a commercial facility
- Well drilling equipment
- Office equipment
- Replacement parts

Ag Repair and Replacement Parts

- The purchaser may apply for a refund of the tax if:
  - o the repair parts are depreciable; and
  - o the property repaired is qualified ag equipment.
- To obtain a refund, file a Form 7AG-1 within 3 years of the date of purchase.

Purchasing a Business = Buying a Liability?

The buyer can be held liable for taxes due by the previous owner up to the amount of the purchase price, even if a lien has not been recorded.

Protect yourself!

- Certificate of Clearance:
  - Buyer or seller requests and receives the certificate in writing.
  - If buyer makes request, seller must sign the form.
  - Request the certificate by filing a Form 36, Tax Clearance Application.
  - Form 36 should be filed at least 15 days prior to closing.
- The Department will:
  - Advice whether or not buyer should withhold funds from the purchase amount, including any assumed debt, to cover outstanding tax liability.

For more information see Successor in Interest, § 77-2707 Sales and Use Tax, and Transferee, § 77-27.110 Income Tax Withholding.

Just a Few More Things…

Back to agenda

Why Would We Audit You?

- Audit of another taxpayer
- Department staff experiences
- Referrals from outside sources
  - Media
  - Tip line
  - Other government agencies
- Data mining
  - Comparisons with other companies
  - Trends, patterns, and relationships
  - Industry standards
- Follow-up audits

Records

- Every seller is required to keep records.
  - Documents
  - List of items or services consumed in the business
  - Normal books of account
  - Receipts showing taxes paid
  - Resale and exempt sale certificates
  - Schedules
  - Working papers used in preparing tax returns

We recommend you retain records for 5 years after a return is filed.

For more information, see *Reg-1-008* – Records.

Failure to Keep Records Could Lead to:

- Tax assessments
- License suspension
- License revocation

For more information, see Neb. Rev. Stat. § 77-2705(6)(a)(ii)

Graffiti Cleanup of Real Property

Taxable? It depends.

If the graffiti is on a building, the cleanup is taxable

- Residential building
- Commercial building

If the graffiti is on a structure annexed to real property (not a building), the cleanup is not taxable

- Fence
- Water tower

Note: Building means any free-standing structure enclosed within a roof and exterior walls (Reg-1-017.02).

Nebraska Department of REVENUE

Let us know what you think.
Please turn in your evaluation!

Thank you!

revenue.ne.gov