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PLATTE CHAT

WE WONDER WHY \$3 BILLION A YEAR NEVER MAKES ITS WAY INTO NEBRASKA'S COFFERS

With Tax Day just around the corner, the Platte Institute for Economic Research can't help but wonder what Nebraska would be like if there was no property tax in our state.

You know what, while we're at it, let's get rid of the corporate income taxes and all the state vehicle taxes.

Likely to happen? No.

Possible? Actually, it is.

Sales tax exemptions don't have the same onerous connotation as the previously mentioned taxes, but in reality sales tax exemptions are just another term for earmarks. With an exemption, instead of money going out of the treasury as it does for an earmark, the money simply doesn't come in.

While the collection of sales taxes provides Nebraska a significant source of revenue, more sales tax revenue actually walks out the door in Nebraska through exemptions (\$3 billion) than goes into the state coffers (\$2 billion).

will be a place where future videos from the Platte Institute will be located. [CHECK IT OUT](#) and become a subscriber so that you know when we update the page with new videos.

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That's a mind-boggling 60 percent reduction in possible sales tax receipts.

According to data from the Nebraska Department of Revenue, eliminating all exemptions would raise enough revenue so that we could eliminate the need for all property taxes, corporate income taxes and all state vehicle taxes. Not only that, but the state sales tax rate could also be reduced from 5.5 percent to 4.75. With such a profound impact on revenues, there's compelling justification to broaden the Nebraska sales tax.

> Our current patchwork of exemptions is inherently unfair – it's a Swiss cheese approach. Seemingly, only those industries with political muscle get a pass on sales tax. Why some industries and not others?

> Secondly, a broader sales tax could make Nebraska more competitive in comparisons with other states with regard to income and property taxes. Nebraska ranks second in the country with in property tax burden and twelfth in income tax. Research has shown that these two tax burdens are driving retirees away from Nebraska.

> A broad-based tax on consumption is better public policy because it promotes economic growth.

Some exemptions make more sense than others. According to data from the Nebraska Department of Revenue, the exemption for food comes to just over \$148 million. While this is a significant sum, it certainly pales in comparison to the \$3 billion lost through exemptions. Also, in order to stay competitive with neighboring states, it would be wise to retain exemptions which are customarily granted by most other states.

Nevertheless, it's obvious to us that the sales tax exemption situation in Nebraska is illogical and in need of being repaired. With 60% of the possible revenue getting a pass from legislators, Nebraska sales tax policies lack credibility. Broadening our state sales tax could reduce Nebraska's dependence on income taxes and property taxes.

Most importantly, Nebraska sales tax policy would again make sense to Cornhusker taxpayers.

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