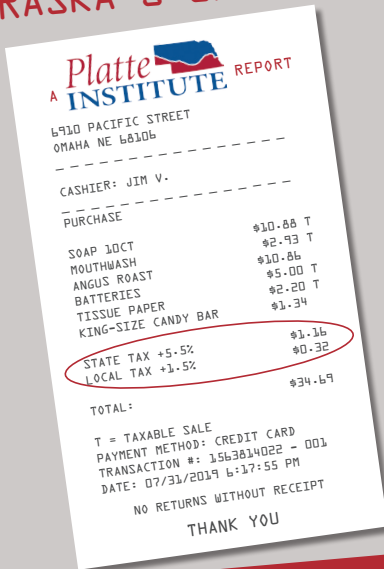


NEBRASKA'S SALES TAX

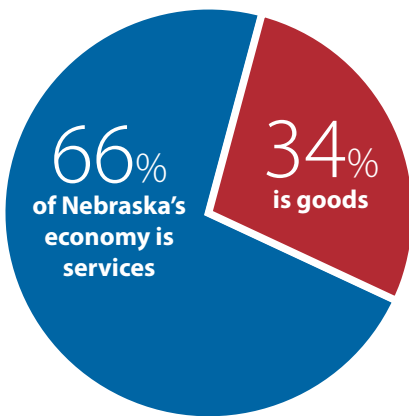
NEBRASKA'S SALES TAX



BY SARAH CURRY AND ADAM WEINBERG
OCTOBER 2019

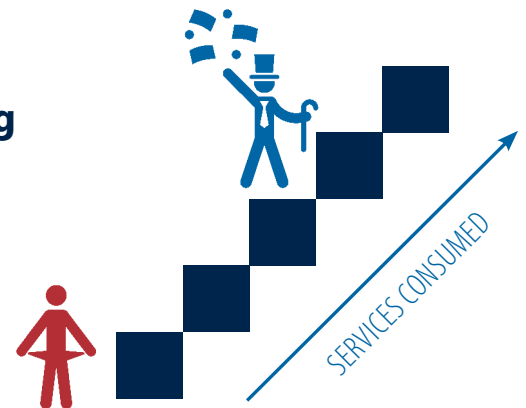
Nebraska's sales tax is outdated and needs reform.

1967: Nebraska adopted the sales tax...
Based on a design from the 1930s



Since then, Nebraska's economy has become service-based, causing most purchases to be exempt from sales tax.

Increasing sales tax rates and exempting services makes the sales tax more regressive. Higher earners consume more services.



IF LAWMAKERS ENDED SALES TAX EXEMPTIONS—

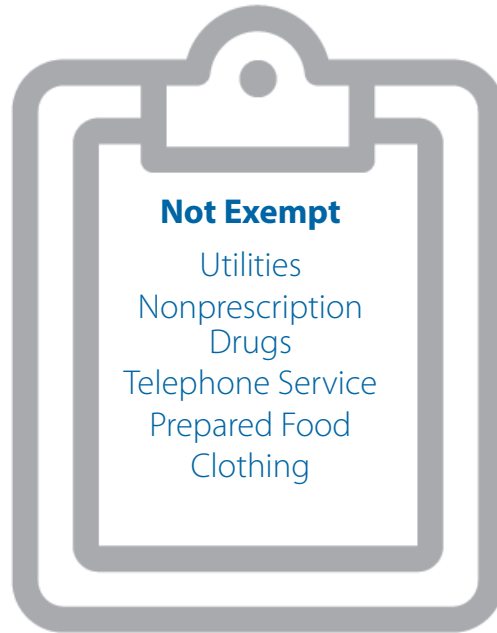
STATE 5.5% LOCAL 1.35% AVERAGE

—SALES TAX RATES CAN BE REDUCED



Nebraskans consume approximately **\$77 billion** in goods and services each year.

That's a hypothetical **\$4.2 billion** in sales tax revenue at the current rate, which is more than all of the property taxes collected in Nebraska.

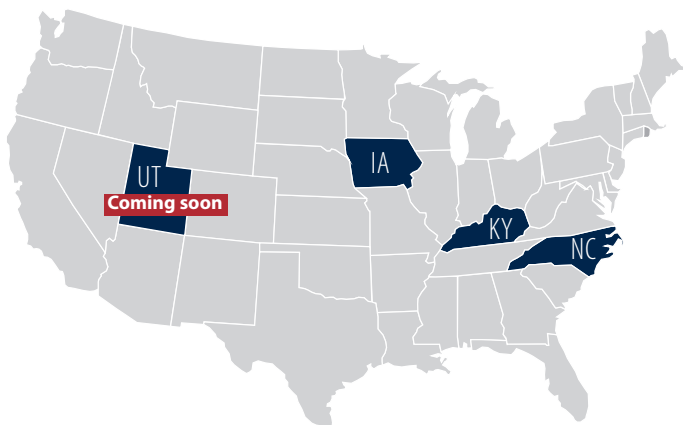


Essential Sales Tax Glossary

Tax Base: the total amount of items that a government can tax.

Tax Breadth: a calculation of the percent of the economic base subject to the tax.

Tax Pyramiding: an increase in prices for goods and services due to levying sales tax on business inputs.



Other states have reformed their sales tax as part of overall tax reform:

North Carolina, Kentucky, Iowa, Utah

States are expanding the sales tax base because:

- It does not harm competitiveness with other states.
- It makes tax reform possible without raising tax rates.
- And sales taxes are a more stable tax revenue source than income taxes.

Read "Nebraska's Sales Tax" at PlattelInstitute.org/Policy