



State & Local Taxes



When it comes to strong financial health, Nebraska is among the strongest. Kearney is one the few mid-sized U.S. cities today to have an A1 credit rating from Moody's. Our low property tax rate and tax infrastructure allows us to promote a great Nebraska pro-business climate that:

- Offers tax credits and refunds to new and expanding businesses
- Provides targeted business tax incentives and exemptions to foster economic growth
- Prohibits deficit financing for city and state governments
- Limits debt financing and controls government spending through an article in the state constitution
- Puts Workers' Compensation and Unemployment Compensation rates among the lowest in the nation

This fact sheet gives more information on the following specific areas related to Kearney, Buffalo County and the State of Nebraska Taxes: Sales Tax, Personal Income Tax, Property Tax, Corporate Income Tax, Annual Corporate Occupation Tax, Corporate Organization Filing Fees, Unemployment Compensation and Workers' Compensation.

Sales Tax

Sales tax rates are consistent throughout the nine-county area of Central Nebraska. The State of Nebraska levies a 5.5% sales and use tax. In addition, incorporated municipalities may impose up to a 1.5% sales and use tax, if approved by voters.

The accompanying table lists municipalities in the Central Nebraska area which levy a sales tax.

Select Central Nebraska Sales Tax Levies			
	City Tax	State Tax	Total Tax
Buffalo County			
Kearney	1.5%	5.5%	7.0%
Adams County			
Hastings	1.0%	5.5%	6.5%
Custer County			
Broken Bow	1.5%	5.5%	7.0%
Dawson County			
Lexington	1.5%	5.5%	7.0%
Gothenburg	1.5%	5.5%	7.0%
Cozad	1.5%	5.5%	7.0%
Hall County			
Grand Island	1.5%	5.5%	7.0%
Howard County			
St. Paul	1.9%	5.5%	6.5%
Kearney County			
Minden	1.0%	5.5%	6.5%
Phelps County			
Holdrege	1.5%	5.5%	7.0%
Sherman County			
Loop City	1.5%	5.5%	7.0%
Source: Nebraska Department of Revenue			

Taxable Items

Sales tax is imposed on gross receipts from:

- Retail sales and rentals of tangible personal property
- Utilities (except for certain exemptions)
- Admissions
- Producing, fabricating, processing, printing or imprinting
- Rentals of lodgings for periods of less than 30 days

Sales Tax Exemptions and Refunds

Food sold in grocery stores and prescription drugs are exempt from sales tax. Some other items that are exempt or eligible for a refund include:

- Aircraft fuel, minerals, oil and gas, motor vehicle and special fuels
- Sales of electricity, coal, gas, fuel oil, diesel fuel, tractor fuel, propane, coke, nuclear fuel and butane when more than 50% of the amount purchased is used directly to process, manufacture or refine tangible property or in the generation of electricity
- Sales of property that will become ingredients or component parts of tangible personal property that is manufactured or processed for ultimate retail sale
- Qualified air/water pollution control facilities
- Agricultural machinery and equipment purchased or leased on or after January 1, 1992 for use in commercial agriculture
- Water used to irrigate agricultural land or in manufacturing
- Organizations that qualify for the Nebraska Advantage Act are also eligible for sales tax refunds.

Personal Income Tax

The State of Nebraska levies a personal income tax that is calculated as follows:

Federal Adjusted Gross Income
 PLUS Non-Nebraska Tax-Exempt Bonds
 MINUS Federal Standard Deduction
 OR Federal Itemized Deduction (less any state or local income taxes included in that figure)
 MINUS United States Government Interest

Nebraska taxable income is then subject to one of four personal income tax brackets – ranging from 2.56% to 6.84%. After the tax is calculated, a \$111 tax credit is subtracted from the calculated tax liability for each personal exemption. See the following table for more detail.

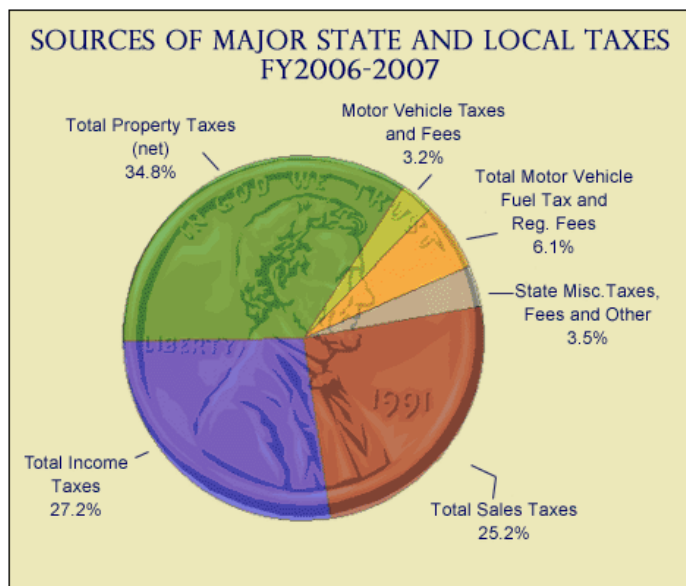
State of Nebraska Personal Income Tax Rates - 2007		
Single Taxpayer		
Taxable Income		Nebraska Tax Rate Is:
Over	Not Over	
\$0	\$2,400	2.56% of taxable income
\$2,400	\$17,500	\$61.44 + 3.57% of the excess over \$2,400
\$17,000	\$27,000	\$600.51 + 5.12% of the excess over \$17,500
\$27,000+		\$1,086.91 + 6.84% of the excess over \$27,000*
Married Couple Filing Jointly		
Taxable Income		Nebraska Tax Rate Is:
Over	Not	

	Over	
\$0	\$4,800	2.56% of taxable income
\$4,800	\$35,000	\$122.88 + 3.57% of the excess over \$4,800
\$35,000	\$54,000	\$1,201.02 + 5.12% of the excess over \$35,000
\$54,000+		\$2,173.82 + 6.84% of the excess over \$54,000*
Head of Household		
Taxable Income		Nebraska Tax Rate Is:
Over	Not Over	
\$0	\$4,500	2.56% of taxable income
\$4,500	\$28,000	\$115.20 + 3.57% of the excess over \$4,500
\$28,000	\$40,000	\$954.15 + 5.12% of the excess over \$28,000
\$40,000+		\$1,568.55 + 6.84% of the excess over \$40,000*
Nebraska Standard Deductions**		
	\$5,350	Single
	\$10,700	Married, Filing Jointly
	\$7,850	Head of Household
Note: all brackets are subject to a personal exemption credit of \$111		
**If adjusted gross income is \$156,400 or more (\$78,200 if married filing separate), Nebraska itemized deductions are reduced and marginal tax rates are phased out. **Same as the Federal Standard Deductions, those over age 65 and those who are blind receive a larger deduction.		
Source: Nebraska Department of Revenue		

Property Tax

There is no state-levied property tax in Nebraska. However, local governments levy ad valorem taxes on real estate and some personal property. Taxable property valuations are determined by each county assessor, based on:

- Earning capacity of the property
- Relative location
- Desirability and functional use
- Reproduction costs less depreciation
- Comparison with other properties of known or recognized value
- Market value in the ordinary course of trade and zoning



Tangible property is

assessed on January 1 of

each year. Tax levies vary by city, county and school district and are specific to site location. The following table contains the most recent tax rates for selected jurisdictions in Central Nebraska. Rates presented are total rates and include city, county, school and other taxing entities which may apply. Rate shown is average tax rate (Total Evaluation ÷ Total Property Taxes Collected = Average Tax Rate)

Select Central Nebraska Property Tax Levies		
County Name	Average Tax Rate (\$100 Assessed Value)	Total Evaluation Percent Change 1997 thru 2008
Buffalo County Kearney, Gibbon, Ravenna	1.9768%	\
Hall County Grand Island	2.0080%	
Adams County Hastings	1.9514%	
Kearney County Minden	1.8230%	
Phelps County Holdrege	1.8740%	
Dawson County Lexington, Gothenburg, Cozad	1.9384%	
Sherman County Loup City	1.7088%	
Custer County Broken Bow	1.7783%	
Howard County St. Paul	1.7577%	
Source: Nebraska Department of Revenue Property Assessment Division 12/16/2008		

Depreciable Personal Property

Depreciable personal property is taxed based on a depreciation factor that is determined by the acquisition year and the recovery period, using the federal Modified Accelerated Cost Recovery System (MACRS). Depreciation factors range from 85% to 89.29%. Most recovery periods fall within a five to seven year range for office, transportation, construction and manufacturing equipment. Once a property's net book value reaches zero, it is not taxed.

Corporate Income Tax

In Nebraska, it is the state and not local governments that assess a corporate income tax. When a single corporation or a group of corporations conducts a unitary business both within and without Nebraska, it will determine the income of the group attributable to its activities in Nebraska by use of an apportionment formula utilizing the combined income approach. **Nebraska uses a single factor, sales-only formula to apportion income.** The Nebraska corporate income tax rates are:

- 5.58% for the first \$100,000
- 7.81% for income over \$100,000 (rates are based on federal tax income attributable to Nebraska operations)

Taxable Corporate Income

- **Direct Income Tax** – applies to corporations whose business consists exclusively of foreign or inter-

state commerce.

- Franchise Tax – applies to corporations with any intra-state business and is measured by net income.
- Sales Only Formula – advantageous to multi-state unitary firms that sell products and services outside Nebraska, while having significant property and payroll within the state. It is equal to the ratio of Nebraska sales to total U.S. sales, times adjusted federal taxable income.
- Tax Incentives – qualifying companies are able to earn payroll and investment credits under the Nebraska Advantage Act (LB 312).

Annual Corporate Occupation Tax

Nebraska imposes an annual occupation tax for the privilege of doing business in the state or existing in the state as a corporation. The occupation tax rates are based on the type of corporation and include:

- Domestic corporations and domesticated foreign corporations – based on paid up capital stock.
- Foreign corporations doing business for profit and owning or using a part or all of their capital in Nebraska – based on the conduct of its business in Nebraska, which consists of the sum total of the actual value of all real estate and personal property employed in Nebraska in the transaction of its business.

Corporate Organization Filing Fees

The State of Nebraska requires domestic corporations pay corporate organization filing fees at the time of filing with the Nebraska Secretary of State. These include:

- Articles of Incorporation, Association or Consolidation - Fees are based on authorized capital stock:
 - \$10,000 or less - \$60
 - \$10,001 to \$25,000 - \$100
 - \$25,001 to \$50,000 - \$150
 - \$50,001 to \$75,000 - \$225
 - \$75,001 to \$100,000 - \$300
 - Over \$100,000 - \$300 (plus, \$3 per each \$1,000 over and a recording fee of \$5.00 per page)
- Amendments, Mergers and Share Exchanges – The fee is \$25, plus a recording fee.
- Dissolutions – The fee is \$45, plus a recording fee.
- Certificate of Authority – Foreign corporations must procure a certificate of authority from the Nebraska Secretary of State to transact business in Nebraska. The fees include:
 - Application filing fee - \$130
 - Recording fee - \$25
 - Withdrawal - \$25 (plus a \$25 recording fee)

For a complete schedule of corporate fees, contact the Nebraska Secretary of State's office at (402) 471-4079 or visit www.state.ne.us/home/SOS.

Worker's Compensation

Businesses in Nebraska enjoy an average workers' compensation manual rate of \$3.94 per \$100 of payroll for manufacturers – over 4 percent below the national payroll average of \$4.11 per \$100. In addition, Nebraska helps businesses hold the cost of workers' compensation by utilizing the Loss Cost Multiplier approach for determining rates. This allows insurance companies to determine the rate according to each company's own experience.

Nebraska companies are also able to be self-insured for workers' compensation. Qualifying companies must have 100 employees, with a minimum annual payroll of \$2.6 million and have been in business for at least five years.

Unemployment Insurance

Nebraska businesses enjoy exceptionally low unemployment compensation insurance rates. New employers not in the construction industry and other non-experience rated employers are assigned a tax rate equal to the state average tax rate (2007 – 2.01%) or 2.5% - whichever is less (after two years, companies with positive experiences are eligible for lower rates). This tax rate applies to the taxable wage base of \$9,000. The 2007 estimated contribution per worker was \$180.00 for Nebraska, over a third lower than the U.S. average contribution of \$288.80.



MILKEN INSTITUTE

2007 Cost-of-Doing Business Index

www.milkeninstitute.org

Ranking: #1 is Highest Cost of Doing Business

2007 Rank	Previous Rank	State	Wage Cost Index ⁽¹⁾	Tax Burden Index ⁽²⁾	Electricity Cost Index ⁽³⁾	Industrial Rent Cost Index ⁽⁴⁾	Office Rent Cost Index ⁽⁵⁾	Cost of Doing Business Index
1	1	Hawaii	91.9	162.1	260.7	269.5	140.4	151.5
2	2	New York	128.5	102.5	141.5	154.4	189.4	130.9
3	3	Alaska	100.3	153.0	150.3	232.7	84.5	130.8
4	5	Massachusetts	122.1	101.0	187.8	129.0	165.2	130.6
5	4	Connecticut	128.9	106.8	163.8	113.5	116.1	127.5
6	6	California	114.8	120.6	134.7	141.4	141.4	122.9
7	7	New Jersey	121.2	94.5	129.7	161.0	117.3	120.9
8	8	Vermont	83.9	173.1	134.0	91.9	87.3	110.2
9	9	Delaware	110.5	132.1	87.8	96.3	112.3	110.1
10	14	Rhode Island	94.6	105.6	174.9	74.0	118.7	108.0
11	11	Maryland	108.9	90.4	124.1	94.7	115.4	106.4
12	12	New Hampshire	98.5	61.9	187.2	120.4	71.1	105.3
13	10	Minnesota	98.8	133.2	77.7	121.3	89.0	104.3
14	16	Nevada	96.4	102.2	115.9	114.2	134.5	104.2
15	17	Washington	104.3	105.4	74.0	116.0	136.2	102.7
16	19	Wyoming	86.1	155.8	68.0	133.6	77.4	101.6
17	28	Maine	80.4	129.1	143.1	86.8	81.7	100.3
18	15	Illinois	107.5	88.2	80.3	100.8	128.0	99.9
19	20	Florida	91.4	88.3	117.3	125.0	116.5	99.3
20	13	Michigan	99.5	106.7	95.9	87.9	92.7	98.9
21	18	Pennsylvania	96.6	97.9	102.2	86.9	105.8	97.2
22	22	New Mexico	82.5	135.5	92.4	102.1	83.5	96.6
23	23	Wisconsin	86.2	110.0	93.9	120.6	102.7	96.4
24	26	Texas	100.1	69.9	118.1	95.7	91.0	95.9
25	21	Virginia	104.6	88.3	72.1	97.0	102.6	95.6
26	25	Louisiana	85.7	111.8	114.5	74.0	82.7	93.9
27	29	Colorado	102.7	70.4	94.9	81.8	98.7	92.8
28	24	Arizona	94.2	92.8	83.8	75.6	115.3	91.6
29	32	Oregon	89.1	93.7	77.5	111.1	106.7	91.4
30	27	Ohio	90.8	99.0	93.4	71.2	92.8	91.0
31	31	North Carolina	88.4	111.0	81.5	77.2	90.3	90.8
32	30	Georgia	95.5	87.7	87.3	72.6	100.5	90.7
33	37	Utah	83.9	113.1	66.1	104.7	101.7	90.1
34	42	Mississippi	73.5	119.2	107.2	79.4	77.0	88.4
35	38	Kentucky	82.8	124.0	64.8	71.4	84.2	87.3
36	33	Indiana	86.4	102.0	79.6	74.1	86.4	87.3
37	34	West Virginia	77.0	138.2	61.9	71.4	90.4	87.1
38	36	Kansas	83.6	100.5	77.0	86.9	93.7	86.8
39	39	Alabama	84.7	91.1	80.8	88.2	86.7	85.8
40	45	Oklahoma	80.7	103.8	89.2	68.9	81.6	85.4
41	35	Arkansas	75.9	136.3	74.1	56.1	69.2	85.4
42	40	Tennessee	87.7	83.9	85.6	72.3	89.9	85.2
43	41	Missouri	87.5	81.9	63.2	103.5	92.7	84.6
44	48	Montana	73.3	112.8	85.0	81.7	78.4	84.1
45	44	South Carolina	81.0	93.6	80.1	71.3	92.1	82.9
46	46	Idaho	76.2	110.0	60.7	97.5	77.7	82.8
47	43	Nebraska	80.5	100.1	68.5	68.9	96.5	82.3
48	49	North Dakota	73.7	120.5	68.9	61.2	76.9	81.3
49	47	Iowa	80.4	94.9	80.2	51.0	68.0	79.7
50	50	South Dakota	71.8	68.5	73.7	61.2	69.0	70.2