



Major 2008 Legislative Changes

The purpose of this notice is to provide an overview of the significant legislative changes to the Nebraska tax programs from the 2008 session. Additional information is available on the Department of Revenue's Web site: www.revenue.ne.gov

Changes to the motor fuels and charitable gaming programs are not included in this notice. Contact the Motor Fuels Division at 1-800-554-3835, or Charitable Gaming at 1-877-564-1315 for information on any specific changes in those areas.

Sales And Use Tax

Exempt Organizations

Beginning October 1, 2008, purchases by a Nebraska-licensed nonprofit assisted-living facility are exempt from tax. (LB 575)

The exemption for educational institutions, hospitals, certain healthcare facilities, and religious organizations was clarified as extending to only those entities which are nonprofit. Operative October 1, 2008. (LB 575)

Community-Based Energy Development (C-BED) Projects

The qualification requirements for C-BED projects were clarified with regard to recognizing both direct and indirect ownership, what payments to local communities may be included, and the recovery of sales or use taxes in the event the project is disqualified. Operative October 1, 2008. (LB 916)

Specified Digital Products

Beginning October 1, 2008, sales of digital audio works (music), digital audiovisual works (movies, music videos, TV shows), and digital books are subject to tax. Sales of digital codes which provide the purchaser with the right to obtain one or more of these products delivered electronically are also subject to tax. (LB 916)

Game Birds

Beginning October 1, 2008, sales of game birds subject to permit and regulation by the Game and Parks Commission are exempt from tax. In addition, sales of feed, water, veterinary medicines, and agricultural chemicals are exempt when consumed by or used on such birds. (LB 916)

Court Reporter Documents

Beginning October 1, 2008, sales by a court reporter of depositions, bills of exceptions, and transcripts or copies of such documents are not subject to tax. (LB 916)

Medical Records

Beginning October 1, 2008, sales of medical records to a patient or a holder of a medical Power of Attorney for such patient are not subject to tax. Sales of medical records to other persons remain subject to tax. (LB 916)

Claim for Overpayment of Sales or Use Tax

A request for a hearing on a claim for overpayment of sales or use tax will waive the 180-day deadline for the Department of Revenue to act on the claim. The Tax Commissioner and claimant may also agree to extend the 180-day deadline. Operative October 1, 2008. (LB 916)

Sales and Use Tax Application Information

Retailers making application for a sales tax permit will be required to provide the

name and address of any officer, employee, director, shareholder, member, or any other person who will be responsible for collecting and remitting sales tax. Operative October 1, 2008. (LB 916)

Income Tax

Corporate Tax Brackets

The tax brackets for corporate income tax will change for tax years beginning on and after January 1, 2008. The first \$100,000 of taxable income is subject to tax at the lower rate of 5.58%; taxable income in excess of \$100,000 is subject to tax at the rate of 7.81%. (LB 888)

Withholding – Grantor Trusts

A grantor trust that is a shareholder, member, partner, or beneficiary of a pass-through entity will be treated as an individual for purposes of withholding Nebraska income tax from a nonresident grantor. Operative for tax years beginning on or after January 1, 2008. (LB 915)

Withholding – Contractors

Withholding of 5% of the contract amount is required for contractors hiring a subcontractor, unless the subcontractor is licensed or registered with the Nebraska Department of Revenue. The Department of Revenue will maintain a database on its Web site of the contractors who meet the registration requirements and from whom the withholding is not required. Operative January 1, 2009. (LB 1001)

Withholding – Special Withholding Procedures

The withholding rate for employers with more than 24 employees has been reduced from 3% to 1.5% of gross wages paid, less qualified deductions. Employees may continue to provide evidence that a lower withholding percentage is justified. Effective April 17, 2008. (LB 1004)

Estimated Payments

For tax years beginning on or after January 1, 2008 the tax liability at which individuals are required to make quarterly estimated

payments has been increased from \$300 to \$500 in excess of withholding. (LB 915)

Tax Incentives

Nebraska Advantage Microenterprise Act

Several changes were made to the Nebraska Advantage Microenterprise Act. The definition of a microbusiness was changed to mean any business employing five or fewer employees at the time of application. Farm and livestock operations are included only when the person actively engaged in the operation has a net worth of no more than \$200,000. The compensation calculation is changed to include expenditures for employee health insurance and to place a cap of 150% of the Nebraska average weekly wage on allowable compensation. Expenditures for advertising, legal, and professional services may be included in the new investment calculation. Effective for applications filed on or after July 1, 2008. (LB 177)

Nebraska Advantage Act

Several changes were made to the Nebraska Advantage Act. A new tier of credits was added which requires an investment of at least \$10 million with 75 new employees or \$100 million with 50 new employees. The average wage of the new employees must meet or exceed 200% of the average weekly wage in the county where the project is located or 150% of the state average weekly wage, whichever is higher. The new tier is available to all types of businesses, except retail operations. Taxpayers qualifying for the new tier will receive tax credits equal to 15% of the investment made in qualified property at the project, 10% of the total compensation paid to all new employees, a property tax exemption on all tangible personal property located at the project, and a reimbursement of real estate taxes paid. Effective April 18, 2008. (LB 895)

Nebraska Advantage Rural Development Act

The limit for expected credits from approved projects has been increased from \$3 million for fiscal year 2008-09 to \$4 million for fiscal year 2009-10.

Locations where qualifying projects can be located have been extended to include Nebraska villages and certain areas within a city. Effective for applications filed on and after July 1, 2009. (LB 895)

Beginning Farmer Tax Credit

A qualified beginning farmer or livestock producer can apply to the county assessor for a property tax exemption on agricultural and horticultural machinery and equipment. Exemptions cannot exceed \$100,000 in any one year and will continue for three years. The application for exemption must be filed with the county assessor on or before December 31 of the year preceding the exemption. Effective July 1, 2008. (LB 1027)

Miscellaneous

Cigarette Minimum Pricing

The method of computing the retail minimum selling price for cigarettes is changed to eliminate discounts and to standardize the transportation cost component. Effective July 18, 2008. (LB 898)

Limited Liability Company

Members, managers, or employees of a limited liability company who have the responsibility for paying or accounting for any taxes will be personally liable for the payment of such taxes when not paid by the company. Effective July 18, 2008. (LB 914)

Other Law Changes

Appeal of Deficiency Determinations & Filing Amended Returns

The deadline for filing an appeal of a sales and use tax, income tax, withholding tax, or tax incentive deficiency determination is set at a standard 60 days after the mailing of the notice by the Department of Revenue. The 60 day deadline also applies to assessments on responsible corporate officers. If the taxpayer is outside the United States, the deadline for income tax remains at 150 days

after the mailing of the notice. Operative for notices mailed on and after January 1, 2009. (LB 914)

Taxpayers required to file amended income tax returns to report changes or corrections made by federal or state agencies must file the return within 60 days after the final determination. This change applies to all individuals, corporations, limited liability companies, partnerships, estates, and trusts. Operative on and after January 1, 2009. (LB 914)

Waiver of Interest

The Tax Commissioner is authorized to waive interest that has been assessed for late filings or payments. Effective July 18, 2008. (LB 914)

Interest on Overpayments

Interest on overpayments of income tax will not be paid for the period a federal extension of the period for mailing a Notice of Deficiency Determination was not timely filed with the Department of Revenue and for the first 90 days after the reporting of such extension. Effective July 18, 2008. (LB 915)

Low-Income Home Energy Conservation Grants

Public power districts and the state will jointly fund an Energy Conservation Improvement program based on a percentage of the sales tax receipts of the districts. The fund will be used to make grants to qualifying individuals for energy efficient home improvements. Operative July 1, 2009. (LB 1001)

Real Estate Transfers

Beginning January 1, 2009, the Real Estate Transfer Statement, Form 521, will be a single copy form rather than a multiple copy form. (LB 965)

Inspection of Books and Records

Failure by a sales tax permit holder to provide its books and records for inspection or audit, or failure to disclose a material fact relating to its sales and use tax liabilities are grounds for revoking such person's permit. Effective October 1, 2008. (LB 916)

Nebraska Department of
REVENUE
P.O. Box 94818
Lincoln, Nebraska 68509-4818

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Contact your regional office or call **1-800-742-7474** (toll free in NE and IA)
or **1-402-471-5729**

Nebraska Department of Revenue Web site address: www.revenue.ne.gov
A copy of the Taxpayer Bill of Rights is available by calling any of our regional offices or
visiting our Web site.

SCOTTSBLUFF

Panhandle State Office Complex
4500 Avenue I, Box 1500
Scottsbluff, Nebraska 69363-1500
Telephone (308) 632-1200

NORTH PLATTE

Craft State Office Building
200 South Silber Street
North Platte, Nebraska 69101-4200
Telephone (308) 535-8250

GRAND ISLAND

TierOne Bank Building, Suite 460
1811 West Second Street
Grand Island, Nebraska 68803-5469
Telephone (308) 385-6067

NORFOLK

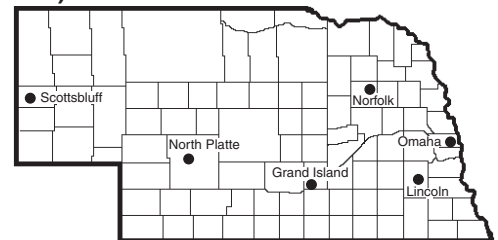
304 North 5th Street, Suite "D"
Norfolk, Nebraska 68701-4091
Telephone (402) 370-3333

OMAHA

Nebraska State Office Building
1313 Farnam-on-the-Mall
Omaha, Nebraska 68102-1871
Telephone (402) 595-2065

LINCOLN

Nebraska State Office Building
301 Centennial Mall South
Lincoln, Nebraska 68509-4818
Telephone (402) 471-5729



For Motor Fuels tax programs only call toll free 1-800-554-3835 (Lincoln residents call 471-5730).

Hearing-impaired individuals may call the Text Telephone (TT) at 1-800-382-9309. TDD (Telecommunications Device for the Deaf) is designated by the use of "TT," which is consistent with the Americans with Disabilities Act.

