

ONE HUNDRED EIGHTH LEGISLATURE

SECOND SESSION

**LEGISLATIVE RESOLUTION 324**

Introduced by Conrad, 46.

PURPOSE: The purpose of this resolution is to propose an interim study to determine whether the Nebraska statutes should be modified to provide a tax credit or consideration towards the purchase of a new or replacement vehicle for a private seller who sells a vehicle. This study should also consider whether a different sales tax rate should be assessed on the sale of pre-owned or used vehicles, or whether an exemption from sales tax for such vehicles is warranted.

In Nebraska, purchasers of new and used cars must pay the state sales tax whether the vehicle is purchased from a private party, a relative, a private seller, or a licensed car dealer. Nebraska does allow for the exclusion of the value of a trade-in vehicle from the purchase of another vehicle for purpose of calculating sales tax. Section 77-2701.35 allows exclusions from the sale price for credit from a trade-in vehicle that is taken as all or a part of the consideration for the sale of another vehicle. This statute does not impose a time requirement for qualifying a vehicle transfer as a trade-in credit but the Department of Revenue generally requires that a trade-in must occur at the time of the new vehicle purchase, or the completion of the Nebraska sales and use tax form for the purchase, completed by a licensed Nebraska dealer, which serves as the certification of the consideration between the parties including a trade-in credit.

As a practical matter, the option to exclude the value of a trade-in vehicle is not available to private parties who purchase individual vehicles from other private parties. This results in a purchaser of a vehicle from a private seller having to pay sales tax on the total purchase price of a vehicle, regardless if the purchaser sold their own original vehicle at or near

the time of the purchase.

NOW, THEREFORE, BE IT RESOLVED BY THE MEMBERS OF THE ONE HUNDRED EIGHTH LEGISLATURE OF NEBRASKA, SECOND SESSION:

1. That the Revenue Committee of the Legislature shall be designated to conduct an interim study to carry out the purposes of this resolution.
2. That the committee shall upon the conclusion of its study make a report of its findings, together with its recommendations, to the Legislative Council or Legislature.