

ONE HUNDRED SECOND LEGISLATURE - FIRST SESSION - 2011
COMMITTEE STATEMENT
LB211

Hearing Date: Wednesday January 19, 2011
Committee On: Revenue
Introducer: Cornett
One Liner: Change sales and use tax provisions

Roll Call Vote - Final Committee Action:
Advanced to General File with amendment(s)

Vote Results:
Aye: 6 Senators Adams, Cornett, Louden, Pankonin, Pirsch, Utter
Nay:
Absent:
Present Not Voting: 2 Senators Hadley, Fischer

Proponents:
Senator Abbie Cornett

Representing:
Introducer

Opponents:

Representing:

Neutral:
Jim Cunningham

Representing:
Nebraska Catholic Conference

Summary of purpose and/or changes:

LB 211 is a bill to update Nebraska's statutes and insert language which allows us to be a full partner in enforcement of the Streamlined Sales Tax Agreement. The Streamlined Sales and Use Tax Agreement (SSUTA) is a multistate effort to simplify state sales tax administration in an effort to convince Congress to grant states the authority to require remote sellers to collect sales tax on out-of-state purchases made by their citizens.

LB 211 contains cleanup language to replace several terms to match the SSUTA definitions. Specifically, LB 211 replaces the terms "meals" and "food products" with "prepared food" and "food and food ingredients" for the exemptions provided to certain government, school, and nonprofit organizations. Neb. Rev. Stat. 77-2704.24 had previously been amended to define "prepared food" and "food and food ingredients" LB 211 does not change how or what items are taxed under this section.

LB 211 updates to several sourcing provisions in accordance with the SSUTA. Sourcing is simply a way of identifying where something should be taxed. For example, if you buy something at Home Depot in Lincoln, you pay Lincoln sales tax. The SSUTA provides rules on how seller's can determine where something should be sourced.

LB 211 amends several statutes to address changes in the sourcing of lease and rental payments for motor vehicles to conform to the provisions of the SSUTA. The majority of states impose sales tax on leased vehicles based upon the monthly rental payment. The amendment simply requires dealers to apply the state and local sales tax rate to leases based upon the primary property location associated with each lease payment. In effect, if rates change or the customer moves within the State, the rate changes accordingly. Under current law, the tax rate does not change.

LB 211 also changes how direct mail is sourced by distinguishing between two types of direct mail - "advertising and promotional" material and "other direct mail" - and changing the default sourcing location for "other direct mail." Currently, all direct mail is sourced to the delivery addresses, the locations in which the direct mail is delivered to. In cases where the purchaser does not provide a summary of delivery addresses (or an exemption certificate), the delivery is sourced to the seller's address.

The proposal would change the default location for "other direct mail" to the purchaser's address; "advertising and promotional" material will continue to default to the seller's address (shipping point).

Notes: It's important to note that the default is only used when the purchaser does not provide the seller with a summary of the delivery locations or an exemption certificate stating the purchaser will self-report the use tax based on the delivery locations.

Explanation of amendments:

The Committee adopted an amendment which clarifies the mail order sourcing rules, making them compliant with the streamlined sales tax agreement language on sourcing.

Abbie Cornett, Chairperson