

LEGISLATURE OF NEBRASKA  
ONE HUNDRED NINTH LEGISLATURE  
SECOND SESSION

**LEGISLATIVE BILL 1037**

Introduced by Raybould, 28.

Read first time January 14, 2026

Committee: Revenue

1 A BILL FOR AN ACT relating to revenue and taxation; to amend sections  
2 77-2602.05, 77-2602.06, and 77-2603.01, Reissue Revised Statutes of  
3 Nebraska; to change provisions relating to negotiations and  
4 agreements between the Governor and federally recognized Indian  
5 tribes relating to the collection and dissemination of any cigarette  
6 tax or other tobacco product tax collected on sales of cigarettes,  
7 roll-your-own, or smokeless tobacco made or sold on a federally  
8 recognized Indian tribe's Indian country; to harmonize provisions;  
9 and to repeal the original sections.  
10 Be it enacted by the people of the State of Nebraska,

1       **Section 1.** Section 77-2602.05, Reissue Revised Statutes of Nebraska,  
2 is amended to read:

3       77-2602.05 (1) A person that paid taxes applicable under section  
4 77-2602 on cigarettes sold in an exempt transaction shall be eligible for  
5 a refund of the taxes paid on those cigarettes.

6       (2) Exempt transactions, for purposes of this section and section  
7 69-2703, are defined as:

8       (a) Cigarette sales on a federal installation in a transaction that  
9 is exempt from state taxation under federal law; and

10       (b) Cigarette sales on an Indian tribe's Indian country to its  
11 tribal members where state taxation is precluded by federal law.

12       (3) Except as provided in subsection (5) of this section, the person  
13 seeking a refund of taxes shall submit an application to the Tax  
14 Commissioner providing documentation sufficient to demonstrate (a) that  
15 the cigarettes were sold in a package bearing the correct stamp required  
16 under section 77-2603 or 77-2603.01 and that the stamp was one that  
17 required payment of tax, (b) that the person paid the applicable taxes in  
18 question, (c) that the cigarettes were sold in an exempt transaction, and  
19 (d) that the person has not previously obtained the refund on the  
20 cigarettes. The documentation shall include, in addition to information  
21 necessary to meet the requirements of subdivisions (3)(a) through (d) of  
22 this section and any other information that the Tax Commissioner may  
23 reasonably require, documents showing the identity of the seller and  
24 purchaser and the places of shipment and delivery of the cigarettes. The  
25 Tax Commissioner shall verify the accuracy and completeness of the  
26 required documentation and information before granting the requested  
27 refund.

28       (4) If a meritorious refund claim under subsection (3) of this  
29 section is not paid within sixty days after submission of the required  
30 documentation, the refund shall include interest on the amount of such  
31 refund at the rate specified in section 45-104.02 as such rate existed at

1 the date of submission of the required documentation.

2 (5) The Tax Commissioner and an Indian tribe may agree upon a tax  
3 refund formula to operate in lieu of application for refunds under  
4 subsection (3) of this section. The aggregate refund provided to an  
5 Indian tribe under a formula for a year shall not exceed the aggregate  
6 tax paid by entities owned and operated by that tribe or a member of that  
7 tribe on cigarettes sold in exempt transactions on that tribe's Indian  
8 country during that year. Refunds of taxes under subsection (3) of this  
9 section shall not be available for cigarettes sold in exempt transactions  
10 on an Indian tribe's Indian country by an Indian tribe that agrees upon a  
11 refund formula under this subsection. Nothing in this subsection shall  
12 limit the state's ~~responsibility authority~~ to enter into negotiations for  
13 an agreement pursuant to section 77-2602.06 pertaining to the collection  
14 and dissemination of any cigarette taxes or the state's authority to  
15 enter into such an agreement which may otherwise be inconsistent with  
16 this subsection.

17 **Sec. 2.** Section 77-2602.06, Reissue Revised Statutes of Nebraska, is  
18 amended to read:

19 77-2602.06 (1)(a) Upon receipt of a written request from the  
20 governing body of any federally recognized Indian tribe within the State  
21 of Nebraska, the (1) The Governor or his or her designated representative  
22 shall enter into good-faith negotiations for the purpose of executing may  
23 negotiate and execute an agreement with the governing body of any  
24 federally recognized Indian tribe within the State of Nebraska concerning  
25 the collection and dissemination of any cigarette tax or other tobacco  
26 product tax under this section and sections 77-2602.05 and 77-2603.01 or  
27 escrow collected pursuant to section 69-2703, on sales of cigarettes,  
28 roll-your-own, or smokeless tobacco made or sold on a federally  
29 recognized Indian tribe's Indian country. The Governor or his or her  
30 designated representative retains the discretion on whether to execute  
31 such an agreement, but is under a duty to negotiate in good-faith.

1 Negotiations on such agreement shall commence within sixty days after the  
2 Governor's receipt of such written request and shall continue until  
3 either an agreement is executed or the parties jointly declare an impasse  
4 in writing. While negotiations remain active there shall be at least one  
5 negotiation session every ninety days.

6 (b) The Governor or his or her designated representative shall not  
7 decline to negotiate, terminate negotiations, or unreasonably delay  
8 negotiations under this section based solely or primarily upon a  
9 federally recognized Indian tribe's exercise of its lawful governmental  
10 authority with respect to matters unrelated to the taxation of cigarettes  
11 and other tobacco products, including, but not limited to, the regulation  
12 of cannabis within the tribe's Indian country.

13 (c) The scope of negotiations under this section includes, but is  
14 not limited to, the collection, allocation, and refund of any cigarette  
15 tax or other tobacco product tax, as well as any amounts paid into or out  
16 of escrow pursuant to section 69-2703 or other statutes enacted to  
17 implement the Master Settlement Agreement.

18 (d) The existence of obligations arising under the Master Settlement  
19 Agreement or statutes enacted to implement the Master Settlement  
20 Agreement, including escrow requirements under section 69-2703, shall not  
21 on its own constitute a valid basis for declining or unreasonably  
22 delaying negotiations under this section so long as the tribe's proposals  
23 are consistent with federal law and the Master Settlement Agreement.

24 (2) The agreement shall specify:

25 (a) Its duration;

26 (b) Its purpose;

27 (c) Provisions for administering, collecting, and enforcing the  
28 agreement and for the mutual waiver of sovereign immunity objections with  
29 respect to such provisions;

30 (d) Remittance of taxes and escrow collected;

31 (e) The division of the proceeds of the tax and escrow between the

1 parties;

2 (f) The method to be employed in accomplishing the partial or  
3 complete termination of the agreement;

4 (g) A dispute resolution procedure;

5 (h) Adequate reporting and auditing provisions; and

6 (i) Any other necessary and proper matters.

7 ~~(3) (2)~~ The agreement shall require tribal taxes to be imposed  
8 equally on all cigarettes and other tobacco products regardless of  
9 manufacturer or brand.

10 ~~(4) (3)~~ The agreement shall require that all packages of cigarettes  
11 bear either a stamp under section 77-2603 or a tribal stamp under section  
12 77-2603.01.

13 ~~(5) (4)~~ The agreement may provide for the sale of cigarettes not  
14 included in the directory under section 69-2706, but only if the  
15 agreement requires that such cigarettes bear the tribal stamp under  
16 section 77-2603.01 and only if the agreement includes provisions to  
17 account for escrow deposits on such cigarettes in amounts equal to and in  
18 a manner consistent with the deposits required of manufacturers under  
19 section 69-2703 or otherwise requires payment of escrow by the  
20 manufacturers in accordance with section 69-2703 and pursuant to section  
21 69-2708.01.

22 ~~(6) (5)~~ An Indian tribe entering into an agreement under this  
23 section shall agree not to license or otherwise authorize an individual  
24 tribal member or other person or entity to sell cigarettes, roll-your-  
25 own, or smokeless tobacco in violation of the terms of the agreement.

26 (7) Upon receipt of a written request from a federally recognized  
27 Indian tribe within the State of Nebraska, the ~~(6)~~ The state shall may,  
28 in the best interests of the state, enter into good faith negotiations  
29 toward a any future agreement, compact, or treaty with such any Indian  
30 tribe that is consistent with sections 77-2602.05, 77-2602.06, and  
31 77-2603.01.

1           **Sec. 3.** Section 77-2603.01, Reissue Revised Statutes of Nebraska, is  
2 amended to read:

3           77-2603.01 The state may, as part of ~~enter into~~ an agreement with an  
4 Indian tribe entered into pursuant to section 77-2602.06, contemplate  
5 ~~which contemplates~~ the use of a tribal stamp for sales of cigarettes on  
6 an Indian tribe's Indian country in lieu of the cigarette stamp required  
7 under section 77-2603.

8           **Sec. 4.** Original sections 77-2602.05, 77-2602.06, and 77-2603.01,  
9 Reissue Revised Statutes of Nebraska, are repealed.