

Nebraska Makes Run for Border for Taxes

By John Taylor, Omaha World-Herald

Some Nebraska industrial-equipment dealers have found themselves caught in the middle of a sales-tax problem involving the sale of their products to governmental entities in other states. Andrew Goodman, executive vice president of the Des Moines-based Iowa-Nebraska Equipment Dealers Association, says “it’s not a monster issue,” but one that his organization would like to see resolved by the Nebraska Legislature.

The issue is this: The Nebraska Department of Revenue recently has been asking Nebraska companies that sold equipment to governmental entities in Iowa – and perhaps other Midlands states – to demand that the governments pay the 5.5 percent sales tax levied by Nebraska.

Although the companies have been under the impression that government entities are exempt from the sales tax, the companies have tried to comply with the Nebraska Department of Revenue’s request.

However, the out-of-state government entities have declined, saying they are in fact exempt from paying the Nebraska sales taxes. The out-of-state governments are partly correct.

Tom Gillaspie, an attorney in the Nebraska Department of Revenue, explained: If an out-of-state government entity – say, the State of Iowa – buys an item in Nebraska and takes possession of it in Nebraska, the government is subject to the Nebraska sales tax. If, however, the State of Iowa buys an item in Nebraska, and the Nebraska retailer delivers it to Iowa, the item is not subject to sales tax either in Nebraska or Iowa. The reasoning, Gillaspie said, is that “if you don’t take possession of it in Nebraska, then the sale hasn’t been completed in Nebraska.”

What makes the issue unique, said Goodman, is that Nebraska is the only state in the Midlands that applies the sales tax to items purchased by governments in other states. Through reciprocal agreements, all the other Midlands states exempt from sales taxes all purchases made by governmental subdivisions, he said. Goodman said he would like to see a similar reciprocal agreement with Nebraska.

Why can’t the problem simply be resolved by having the Nebraska retailer deliver all items purchased by out-of-state governments? The reason, Goodman said, is that in some cases, a government agency may need a piece of equipment in such a hurry that it saves time to pick it up immediately, rather than wait on a delivery. Goodman said his organization is working with the Nebraska Department of Revenue to resolve the problem. “It may require a change in the law to reconcile it,” he said.

The Nebraska law has existed for years but hasn’t presented a problem for the 480-member association until recently. The revenue department’s Gillaspie said he doesn’t know why the issue has come up now. “I don’t think we’re on a campaign as a department to go hunt people down and collect the tax,” he said.

Goodman said it would be important to the Nebraska economy to resolve the issue. “This would be an encouragement to keep those dealerships in Nebraska and not force them to move across the border, where they wouldn’t have to deal with this issue,” he said.

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