

## Nebraska Use Tax

### Overview

Use tax is a complement to the state and local sales tax. Use tax is due on all taxable purchases when Nebraska and any applicable local sales tax is not paid to the retailer. It is imposed at the same rate and on the same transactions as the sales tax. Nebraska law requires that if sales tax is not collected by the seller on any taxable sale, the purchaser must remit the tax directly to the state. If the local sales tax is not properly paid on the original purchase, the local use tax is owed. When remitted by the purchaser, the tax is called use tax.

[Nebraska Sales and Use Tax Regulation](#), provides a general guideline of what is taxable, and provides additional information on taxable property or services.

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Use tax is remitted directly to Nebraska by the purchaser. Listed below are examples of transactions that are subject to use tax:

- ❖ Items purchased by mail order, telephone, or the Internet without payment of Nebraska or local sales tax;
- ❖ Items purchased out-of-state and delivered or distributed to a home or business in Nebraska without payment of Nebraska or local sales tax;
- ❖ Items or taxable services purchased in Nebraska without payment of Nebraska or local sales tax; or
- ❖ Items purchased tax-free for resale that are subsequently withdrawn from inventory for business or personal use, including items that will be given away as gifts or donations.

### Remitting Use Tax

Businesses that are not required to be licensed for sales tax, may file a [Nebraska Tax Application, Form 20](#), to register for use tax filing. Individuals must report and pay use tax by filing a [Nebraska and Local Individual Use Tax Return, Form 3](#) or by reporting on the [Nebraska Individual Income Tax Return, Form 1040N](#).

Use tax is remitted directly to DOR using one of the following returns:

❖ **Businesses**

[Nebraska and Local Sales and Use Tax Return, Form 10](#). Retailers who have a sales tax permit will file a Form 10. Retailers must use Form 10 to report any use tax. If retailers have no use tax to report, they must put zeros on the use tax lines of Form 10 to indicate no use tax is due for that filing period.

**Example.** A retail paint store withdraws a gallon of paint from inventory and uses it to repaint its office. Use tax is due on the cost of the paint since it was withdrawn from tax-free inventory and the retail paint store became the consumer of the paint.

Retailers report and remit use tax at the same time the collected sales tax is reported and remitted to DOR.

[Nebraska and Local Business Use Tax Return, Form 2](#). This return is used by businesses that are not required to be licensed for sales tax and need to report their use tax liability.

**Example.** An accounting firm buys a computer from an out-of-state supplier and is not charged Nebraska sales tax. Use tax is due since Nebraska and local sales tax was not paid and the computer was delivered to a Nebraska location.

❖ **Individuals**

[Nebraska and Local Individual Use Tax Return, Form 3](#). This return is used by individuals to report their use tax liability. Individuals are required to remit use tax on the total amount paid for the items purchased including any amount paid for shipping and handling charges, warranties, labor charges, and other taxable services.

**Example.** An individual purchases a coat from an online website company and is not charged Nebraska sales tax. The coat is delivered to his or her Nebraska residence. Use tax is due since Nebraska sales tax was not paid.

[Nebraska Individual Income Tax Return, Form 1040N](#). In conjunction with the filing of their income tax, individuals may use the Form 1040N to report and pay use tax if the tax is owed for less than two Nebraska local jurisdictions.

## Filing Frequency for Forms 2 and 3 Returns

Forms 2 and 3 are filed monthly, quarterly, or annually based on the annual use tax liability. If the annual liability is:

- ❖ \$3,000 or more – returns are filed monthly;
- ❖ \$900 to \$2,999 – returns are filed quarterly; and
- ❖ Less than \$900 – returns are filed annually.

The due date is the 20th day of the month following the tax period covered by the return.

**Example.** For most individuals, this means your use tax return (Form 3) will be due on January 20th of each year.

## Exemptions

Transactions that are exempt from Nebraska sales tax are also exempt from Nebraska use tax. The [Nebraska Sales Tax Exemptions](#) chart, provides a detailed listing of exempt purchases.

In addition, the following exemptions from use tax also apply:

- ❖ Transactions where tax was properly paid in another state at a rate equal to or greater than the appropriate state and local sales tax rate;
- ❖ Transactions where the item purchased was first used for its intended purpose in another state (this does not apply to motor vehicles, motor boats, or airplanes);

**Example.** A printer with locations in both Nebraska and Iowa purchases a new copier in Iowa and installs it at the Iowa location and uses it there for two months. The printer then brings the copier to their Nebraska location. Nebraska use tax is not due since the copier was purchased and first used in Iowa.

- ❖ Transactions where the item was purchased in another state and is stored but not used in Nebraska, and subsequently taken to and used in another state; or
- ❖ A restaurant that provides free meals to its employees does not owe a use tax on the cost of the food ingredients purchased and used for the meals.

**Aircraft** purchased or brought into Nebraska on which no sales tax has been paid are subject to use tax unless:

- ❖ The purchase of the aircraft qualifies as an occasional sale;
- ❖ The aircraft qualifies as a common-carrier vehicle; or
- ❖ The aircraft was brought into Nebraska one year or more after purchase and was neither regularly based nor used for more than one-half of the aircraft's operating hours inside Nebraska during the year after the aircraft was purchased.

For additional information regarding aircraft, contact Taxpayer Assistance at DOR as indicated below.

## Interest and Penalty

Interest on any unpaid tax is assessed at the statutory rate from the due date until payment is received. A penalty may be assessed for failure to timely file a return, nonremittance, or partial payment of tax.

## Sales Made by Remote Sellers

Nebraska is a full member of the Federation of Tax Administrators (FTA) and the [Streamlined Sales Tax \(SST\)](#) Governing Board. The FTA provides information exchange, training, and intergovernmental and interstate coordination among its members. SST seeks to simplify and modernize sales and use tax administration in order to substantially reduce the burden of tax compliance. SST encourages out-of-state businesses, (i.e., remote sellers), to register and collect Nebraska sales taxes as a service to their customers. Certain remote sellers may be required to collect and remit Nebraska state and local sales tax. See DOR website for more information on [remote sellers and marketplace facilitators](#).

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