



Hundredth Legislature - First Session - 2007
Introducer's Statement of Intent
LB 494

Chairperson: Ray Janssen
Committee: Revenue
Date of Hearing: February 23, 2007

The following constitutes the reasons for this bill and the purposes which are sought to be accomplished thereby:

LB 494 harmonizes tax law to eliminate a competitive advantage written in statute. Currently, manufacturing equipment is exempt from sales tax under Nebraska Revised Statute §77-2704.22. The language of the exemption is different than other exemptions and thus there is an inherent competitive advantage that Option 1 contractors have over Option 2 contractors regarding the purchase and resale of manufacturing equipment in a construction project.

Option 1 contractors purchase building materials and fixtures tax free and maintain a tax-free inventory of building materials and fixtures. Option 1 contractors collect and remit the applicable state and local sales tax on amounts charged to customers for materials and fixtures that have been annexed to real estate.

By contrast, option 2 contractors pay the applicable sales tax on inventory when they purchase any materials and fixtures, and they maintain a tax-paid inventory of building materials and fixtures. Option 2 contractors do not collect additional sales tax on the tax paid inventory when it is annexed to real estate.

There is no statutory, policy or competitive reason for the current statutory scheme that provides a competitive advantage for Option 1 contractors. LB 494 eliminates this competitive advantage, thereby leveling the playing field across this industry.

Principal Introducer: _____
Senator Tom White