

The Real Taxpayers of Nebraska

OpenSky Policy Institute will examine how much people currently pay and what proposed tax changes would mean for these taxpayers, which are based on the tax information of real Nebraskans.



Darren and Stephanie are married, in their 60s and they both work. They live in a house in Lincoln (Lincoln Public Schools) and report \$1,441,430 in AGI, which comes from business, investment, retirement, and other income, as well as wages.

They pay 4.9% of their income in Nebraska taxes:

- Nebraska taxable income: \$822,304
- State income tax – \$55,982 (3.88% of their income)
- Property tax – \$12,669 (0.88% of their income)
- Motor vehicle tax – \$817 (0.06% of their income)
- Sales tax – \$1,246 (0.09% of their income)



All of the information above is the same, except that the “real” Darren and Stephanie are able to exempt a significant portion of their income through the S-Corp exclusion, which allows them to write off income received from an S corporation or from a limited liability company (LLC), that is not connected with Nebraska sources. If we were to assume that all of Darren and Stephanie’s income was taxable in the same manner as wage income, they would have had \$1,362,291 in taxable income and paid \$92,917 in Nebraska income tax, an effective rate of 6.45% on their income tax.

They would pay 7.5% of their income in Nebraska taxes.



George and Peggy are married, over 65, and live in a house in Humboldt (Humboldt Table Rock Steinauer School District). George works and they report an AGI of \$164,743 from farm income, investments, and retirement.

They pay 6.6% of their income in Nebraska taxes:

- Nebraska taxable income: \$149,643
- State income tax – \$8,260 (5.01% of their income)
- Property tax – \$1,347 (0.82% of their income)
- Motor vehicle tax – \$389 (0.24% of their income)
- Sales tax – \$800 (0.49% of their income)



Chris and Jill are married with three children and they live in a house in Adams (Freeman Public Schools). They report an AGI of \$82,091 from wages and farm income.

They pay 7.2% of their income in Nebraska taxes:

- Nebraska taxable income: \$67,678
- State income tax – \$2,257 (2.75% of their income)
- Property tax – \$1,797 (2.19% of their income)
- Motor vehicle tax – \$189 (0.23% of their income)
- Sales tax – \$1,700 (2.07% of their income)



Mike and Rebecca are married, in their 40s, with two children, and live on a small family farm near Hebron (Thayer Central Community Schools). Their AGI totals \$81,919 from wages, the farm, investments, and other sources.

They pay 7.3% of their income in Nebraska taxes:

- Nebraska taxable income: \$68,743
- State income tax – \$2,462 (3.01% of their income)
- Property tax – \$2,923 (3.57% of their income)
- Motor vehicle tax – \$138 (0.17% of their income)
- Sales tax – \$475 (0.58% of their income)



Steve and Andrea are married with three children and live in a house in Lincoln (Lincoln Public Schools). Steve works and they report \$73,865 in AGI from wages and investment income.

They pay 7.9% of their income in Nebraska taxes:

- Nebraska taxable income: \$61,265
- State income tax – \$1,819 (2.46% of their income)
- Property tax – \$2,822 (3.82% of their income)
- Motor vehicle tax – \$385 (0.52% of their income)
- Sales tax – \$800 (1.08% of their income)



Ken and Kim are married in their late 50s, live in McCook (McCook Public Schools), and are small business owners. Their AGI includes \$34,989 from their small business and from other sources.

They pay 22.5% of their income in Nebraska taxes:

- Nebraska taxable income: \$20,852
- State income tax – \$403 (1.15% of their income)
- Property tax – \$6,499 (18.57% of their income)
- Motor vehicle tax – \$313 (0.89% of their income)
- Sales tax – \$650 (1.86% of their income)



Tony and Anna are married with two children and live in Omaha (Omaha Public Schools). This analysis assumes they rent their home. Their AGI is \$29,741 and they have \$17,041 in Nebraska taxable income. They received a \$426 refund due to the Earned Income Tax Credit. The taxes paid on property, motor vehicles, and sales are unknown.



Fritz is a widower, retired, and lives in an apartment in Lincoln (Lincoln Public Schools). His AGI is \$14,816.

He pays 2% of his income in Nebraska taxes:

- Nebraska taxable income: \$0
- State income tax – \$0
- Property tax – \$0
- Motor vehicle tax – \$100 (0.67% of his income)
- Sales tax – \$189 (1.28% of his income)

1) Based on the amount of property taxes Mike and Rebecca pay, this analysis assumes they rent the land they farm on and therefore do not pay property taxes on it.