

Nebraska and Local Sales and Use Tax Return, Form 10

Revised May, 2005

For more information, check our
Web site: www.revenue.ne.gov



The purpose of this information guide is to assist retailers in completing the Nebraska and Local Sales and Use Tax Return, Form 10.

Overview

- Every individual or business collecting Nebraska and local sales tax must file a Nebraska and Local Sales and Use Tax Return, Form 10.
 - A Nebraska Tax Application, Form 20, must be filed to obtain a Nebraska Sales Tax Permit for each location prior to collecting and remitting Nebraska and local sales and use tax.
 - A return is required for each tax period or portion of a period in which a permit is active. The return must be filed for every tax period even if there have been no sales.
 - Returns may be filed electronically, via Telefile or Internet, or using paper returns.
 - Paper returns must be preidentified with the retailer's name, address, identification number, and tax period. The department provides preidentified returns for each tax period. If one is not received, contact the department and one will be sent.
 - Substitute paper returns may be used, provided the Guidelines for Reproduced and Substitute Tax Forms are followed. A copy of the guidelines may be requested from the department.
 - Returns are considered timely filed when:
 - ✓ **Paper returns** are received or U.S. postmarked on or before the twenty-fifth day of the month following the tax period covered by the return.
 - ✓ **Internet filed returns** are received by the prescribed due date. This filing system allows returns to be filed only for current tax periods and will not accept entry information after the prescribed due date. Please be aware that the funds remitted with the return must also be received timely. For additional information, see the "Internet Filing" section of this guide.
 - ✓ **Telefile returns** are received by the due date of the return. The telephone call must be completed by 4:00 p.m. Central Time on the due date of the return. For additional information, see the "Telefile Filing" section of this guide.
 - The department assigns a reporting frequency to each taxpayer, depending on their annual taxable sales:
 - ✓ Annual returns will be required if the retailer's annual taxable sales are less than \$18,000.
 - ✓ Quarterly returns will be required if the annual taxable sales are between \$18,000 and \$60,000.
 - ✓ Monthly returns will be required if the annual taxable sales are more than \$60,000.
 - Payment of tax may be made by a check or money order payable to the Nebraska Department of Revenue, by EFT payment (requires registration), or by credit card payment.
- Please note:** Permitholders who will remit \$100,000 or more of sales and use tax in a calendar year are required to remit by EFT. Lower thresholds may apply beginning in 2006.

Completion of the Return and Schedules

Rounding. When completing the Form 10 and related schedules and worksheets, all amounts listed should be rounded to the nearest whole penny, except for lines 1 and 2 on the face of the Form 10.

Lines 1 and 2 are used to report gross sales and net taxable sales and should be rounded to the nearest whole dollar.

Separate Return. Retailers with a single business location must complete the Form 10 and the following schedules and worksheet:

- Nebraska Schedule I – Local Sales and Use Tax;
- Nebraska Schedule III – Computation of Net Taxable Sales and Nebraska Consumer’s Use Tax; and
- Nebraska and Local Sales and Use Tax Worksheet.

Those retailers with multiple locations must also complete these schedules and a worksheet for each location unless they have been granted permission to file a combined return for such locations.

Combined Return. Retailers making sales at more than one location may request permission to file a combined return. Each location must be licensed to collect sales tax and all locations must be subject to common ownership of at least 80 percent. To obtain permission to file a combined sales and use tax return, file a Nebraska Application for Permission to File a Monthly Combined Sales and Use Tax Return or a Combined Annual Litter Fee Return, Form 11.

Once permission to file a combined return has been granted, a primary reporting identification number will be issued, and retailers must complete the Form 10 with that number and the following schedules:

- Nebraska Schedule I – Local Sales and Use Tax;
- Nebraska Schedule II – Combined Report for Sales Transactions by Location; and
- Nebraska Schedule III – Computation of Net Taxable Sales and Nebraska Consumer’s Use Tax.

Retailers should also complete the following worksheets:

- Nebraska and Local Sales and Use Tax Worksheet; and
- Form 10 Worksheet – Combined Collection Fee Calculation

Worksheet. Failure to complete and attach this worksheet will cause your collection fee to be reduced.

A retailer can remove a location from the Schedule II by writing the word “terminate” next to the appropriate business location identification number on the Schedule II and indicating the last day of operation. A Nebraska Change Request, Form 22, may also be used. Do not use a Form 11 to cancel the sales tax permit for business locations included on the Schedule II.

To cancel the primary reporting identification number, the retailer must check the “business has permanently closed or sold” block on the face of the Form 10.

Internet Filing. Monthly and quarterly filers may file their Form 10 electronically via the Internet. This method of filing is not available to annual filers, motor vehicle dealers, or motorboat dealers.

The Web site address is: www.revenue.ne.gov/sls. Click on E-services, then on E-filing.

After you are connected, enter your **user name** and **password**.

Your user name is your Nebraska identification number as shown on your Form 10. Your password is indicated below and to the left of your ID number. Please refer to the diagram below.

After you have entered your user name and password, you will be connected to the on-line set of sales and use tax forms which will calculate your taxes after completion of the schedules.

When you have completed the forms, you will be prompted and asked what method of payment you wish to use.

If you choose to pay by check or money order, a payment voucher will be presented which you must print and send in with your payment. Please put your Nebraska identification number on your check or money order to ensure that your payment is posted to your account.

If you choose to pay electronically, you must sign up for our Electronic Funds Transfer System by calling 1-800-433-8631, or by obtaining information from our Web site.

Telephone Filing (Telefile). Certain retailers may file their Form 10 and make payments using the telephone. The return information is reported using a touch tone telephone or by providing the information directly to an operator. The tax filing

| | | | | | | | | |
|--|-------------------|-----------|--------------|--|--|----------------|----|----|
| | | | | Nebraska and Local Sales and Use Tax Return | | FORM 10 | | |
| <small>Complete Schedule III on reverse side</small> | | | | PLEASE DO NOT WRITE IN THIS SPACE | | | | |
| Tax Cat. | Nebr. I.D. Number | Rpt. Code | Tax Period | NAME AND MAILING ADDRESS Due Date: | | | | |
| 9 | 9999999 | 9 | XXX-XXX 2005 | | | | | |
| 99999 | | | | NAME AND LOCATION ADDRESS | | | | |
| USER NAME | | | | PASSWORD | | | | |
| 1 Gross sales (as reported on Nebraska Schedule III) | | | | | | | | |
| | | | | | | 1 | \$ | 00 |
| 2 Net taxable sales (as reported on Nebraska Schedule III) | | | | | | | | |
| | | | | | | 2 | | 00 |
| 3 Nebraska sales tax (line 2 multiplied by) | | | | | | | | |
| | | | | | | 3 | | |
| 4 Nebraska consumer's use tax (as reported on Nebraska Schedule III) | | | | | | | | |
| | | | | | | 4 | | |

information can be reported in advance of the prescribed due date of the return. The actual filing and payment are then deferred until the prescribed due date of the return. Payments must be made using Electronic Funds Transfer. Contact the department at 1-800-433-8631 to obtain more information on this filing method.

Electronic Funds Transfer (EFT) System. Retailers can make payments of sales and use tax using electronic funds transfer (EFT). Both debit and credit payments can be made through this system. Contact the department at 1-800-433-8631 for further information on the EFT system.

Schedules and Worksheets

To properly complete the Form 10, one or more of the following schedules and worksheets must be completed and sent in with Form 10.

Schedule I - Local Sales and Use Tax. This schedule is used to summarize the local sales and use tax reported. The schedule must be completed to ensure each locality receives its share of funds collected.

Nebraska and Local Sales and Use Tax Worksheet

This worksheet is used to compute the tax amounts entered on Schedule I. It can be obtained from our Web site or by contacting the department. If you use this worksheet, keep it as part of **your** records. Do not submit it with the Form 10.

Schedule II - Combined Report for Sales Transactions by Location. This schedule is only used by retailers who have been approved to file combined returns. Schedule II must be completed and attached to the Form 10. It is mailed separately to businesses and individuals who have been approved to file combined returns. The sales and applicable sales tax amounts, by location, are totaled and entered on the Form 10. Any consumer's use tax due is also listed by location and totaled for entry on the Form 10. Attach this schedule and corresponding worksheet to Form 10. Failure to complete and attach this schedule will cause the entire report to be subject to the applicable penalties.

Form 10 Worksheet - Combined Collection Fee Calculation Worksheet

This worksheet is only used by retailers filing a combined return. After the Schedule II is completed, this worksheet is used to calculate the collection fee by location. Attach this schedule to Form 10. Failure to complete this worksheet will cause your collection fee to be calculated based on your total Nebraska and local tax collected as reported on Form 10, which will result in a reduced collection fee.

Schedule III - Computation of Net Taxable Sales and Nebraska Consumer's Use Tax. This schedule must be completed as it is used to summarize the deductions from gross sales to arrive at net taxable sales. Amounts included on lines 3, 5, 6, 7, and 12 must be supported by a properly completed Nebraska Resale or Exempt Sale Certificate, Form 13 which is kept in the retailer's files. The amounts subject to consumer's use tax are also summarized on this schedule.

Schedule III, Line 13 - Other Allowable Deductions. The following deductions are allowed on line 13.

Returned Articles. Regulation 1-025. When taxable purchases are returned to the retailer by the customer, the retailer shall refund or credit to the purchaser the amount of

tax previously paid or charged based on the amount of the purchase price refunded or credited. The sales price that is refunded or credited is entered as a deduction on line 13 of the Nebraska Schedule III.

Repossessions. Regulation 1-027. For property that has been repossessed, the retailer may take a credit for the amount of sales tax paid on the unpaid portion of the purchase price. The unpaid portion of the purchase price is entered as a deduction on line 13 of the Nebraska Schedule III.

If the retailer remitted the tax on the cash basis, a credit is not allowed when the property is repossessed.

Bad Debts. Regulation 1-028. Any amount deducted as a bad debt for federal income tax purposes may be deducted on line 13 of the Nebraska Schedule III provided the sales tax had been previously remitted to the department. The deduction may be claimed in the period the amount is deemed uncollectible and actually charged off.

This procedure does not apply to retailers on the cash basis.

Sale of Tax-Paid Items. Retailers who carry an inventory of supplies on which they have paid sales tax may occasionally sell these items at retail. When this occurs, sales tax must be charged on the full selling price; however, only the sales tax on the markup (retail sales price less cost) is remitted on the Form 10.

Example: A beautician purchases shampoo for \$15 per bottle and pays the vendor 83¢ sales tax (assuming five and one-half percent state tax). The intention is to use the shampoo in the performance of personal services. The shampoo is subsequently sold for \$20 to a retail customer. The beautician must collect sales tax on the full sales price ($\$20 \times 5.5\% = \1.10). When the beautician completes the next Form 10, he or she reports \$20 on line 1, Schedule III with gross sales, and takes a deduction for the cost, or \$15, on line 13 of Schedule III. The remaining amount of \$5 (the markup) is reported on line 15 and entered on line 2 of the Form 10. The net effect is to remit tax only on the markup:

| | | |
|-----------------------------------|-------|----------------|
| Line 1, Schedule III—retail price | (A) | \$20.00 |
| Add sales tax of 5.5% | | <u>1.10</u> |
| Collect from customer | | <u>\$21.10</u> |
| Line 13, Schedule III—cost | (B) | \$15.00 |
| Sales tax paid at 5.5% | | <u>0.83</u> |
| Amount paid to supplier | | <u>\$15.83</u> |
| Line 15 - markup | (A-B) | \$ 5.00 |
| Sales tax on markup at 5.5% | | <u>0.28</u> |
| Net | | <u>\$ 5.28</u> |

Schedule III, Lines 16-21 - Computation of Net Taxable Sales and Nebraska Consumer's Use Tax. These lines are used to calculate consumer's use tax (Please refer to the Reporting Consumer's Use Tax Section of this guide).

Local Sales Tax. If any of the above deductions involved local sales tax, a deduction must be made on the Schedule I for the appropriate city to reflect the correct tax on the markup price. For a combined filer, this adjustment should also be reflected on Schedule II, Column F, for each location.

Reporting Sales

Accounting Methods. Regulation 1-009. Sales must be reported on the Form 10 using the same accounting method regularly employed in keeping the books of the particular retailers. This includes the cash basis, accrual basis, or any other generally recognized accounting method.

Retailers using the accrual method of accounting may elect to defer remittance of the sales tax on credit, conditional, and installment sales. This option is available only to retailers who finance their own sales or discount them to a qualified affiliated corporation. Sales and Use Tax Regulation 1-009 discusses this election in more detail.

Commingled Receipts. Regulation 1-008. Those retailers who are authorized by Regulations 1-031 (Coin-Operated Machines), 1-040 (Alcoholic Liquors Consumed on the Premises), 1-041 (Concessionaire Sales), and 1-044 (Admissions), may commingle the tax receipts with the sales receipts. For purposes of completing the Form 10, the taxable receipts are determined in the following manner:

- Deduct from the total receipts any sales which are specifically exempt from sales tax. The remainder represents taxable sales including the tax collected.
- The remainder is then divided by one plus the tax rate in effect. For example: for a 7 percent tax rate (5.5 percent state rate, plus 1.5 percent city rate), divide by 1.07. The result is the taxable gross receipts of the retailer and is reported on line 2 of the Form 10. The local (city or county) sales tax is calculated from this taxable gross receipts amount and reported for the appropriate city or county on the Schedule I - Local Sales and Use Tax.

Trade-ins. Regulation 1-029. When the selling price is determined through use of a trade-in, the retailer collects and remits sales tax on the difference between the total selling price and the amount allowed for the trade-in. The item used as a trade-in must be similar to the item being purchased. For example:

- A person purchases a new computer for \$2,000 and trades in an old computer for \$300. Sales tax is due on the difference between the two amounts, or \$1,700.

If the trade-in is not similar to the item being purchased, tax is due on the full selling price.

Cash Discounts and Rebates. Regulation 1-024. Discounts allowed by the retailer to customers are allowable deductions in arriving at the net sales price which is subject to tax.

Cash rebates, except for those offered on motor vehicles and assigned to the dealer, are not deductible in arriving at the net sales price which is taxable.

Coupons. Regulation 1-037. When a store issues and redeems its own coupon, the coupon amount is considered a cash discount and may be deducted from the selling price.

When a coupon is issued by a manufacturer and accepted by a retailer as part of the selling price, tax must be computed on the full selling price before deduction of the coupon amount.

Vending Machine Sales. Regulation 1-031. Receipts from vending machines that sell property, including food and drinks, are taxable. The location of the machine determines the tax rate that will be in effect (state tax plus any applicable local tax). The tax does not have to be separately stated to the customer. The taxable sales are computed using the method described in the "Commingled Receipts" paragraph.

Mechanical Amusement Devices. In lieu of collecting sales tax on the receipts from coin-operated amusement machines, the owner or lessee must comply with the requirements of the Mechanical Amusement Device Tax Act (MAD Tax). If the owner or lessee is not in compliance with the MAD Tax, sales tax on the gross receipts from the machines will be due.

Reporting Consumer's Use Tax. Regulation 1-002. In addition to reporting sales tax collected, the Form 10 is also used by retailers to report any consumer's use tax liability they may have incurred during the reporting period. Consumer's use tax is reported on lines 4, 5, and 10 of Form 10.

Nebraska and local consumer's use tax is due only on items or taxable services used or consumed in this state on which Nebraska and local sales tax has not been paid. For example, consumer's use tax is due when a business withdraws items from tax-free inventory for its own use. In addition, purchased items or taxable services from out-of-state vendors who are not licensed to collect Nebraska and local sales tax are subject to consumer's use tax.

If no consumer's use tax is due during the reporting period, a mark or other indication that no use tax is due must be made on lines 4, 5, and 10 of the Form 10.

For additional information about consumer's use tax, please refer to the Nebraska Sales and Use Tax Regulations, or the Consumer's Use Tax Information Guide. Both of these resources are available from the department's Web site.

Credit Returns

If the Form 10 calculations result in an overall credit on line 11, documentation **must** be sent with the return supporting the credit. This documentation may include a copy of the Form 10, Schedule III, or a letter of explanation.

Records Retention

Records associated with the Form 10 must be retained for three years after the return is filed. However, if no returns are filed, a deficiency determination may be issued within five years.

Regulations

The Nebraska Sales and Use Tax Regulations may be obtained from the department's Web site.

Taxpayer Assistance. For additional information, please contact the Nebraska Department of Revenue, P.O. Box 94818, Lincoln, Nebraska 68509-4818, or call 1-800-742-7474 (toll free in NE and IA) or 1-402-471-5729.