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State Tax Delinquencies Spike by Another $41 Million to Reach Record Highs

Increasing numbers of Nebraskans are evading their State tax obligations, says State Auditor Mike Foley. Worse yet, they are being allowed to get away with it.

Foley issued an early management letter today to the Nebraska Department of Revenue (DOR), communicating to the agency this significant finding revealed during his office's audit of the Annual Comprehensive Financial Report (ACFR) for the State of Nebraska. According to Foley's letter, tax delinquencies have increased steadily over the past decade, soaring to $310,663,621 this year.

That staggering amount is the cumulative result of unpaid corporate and individual income taxes, sales and use taxes, partnership income taxes, and withholding taxes. For 2025 alone, those outstanding tax revenues grew over $41 million (15%) more than in the prior year, ranking among the highest annual tax delinquency increases in recent history.

Based on its collection history, the DOR projects that only about 20% (roughly $63 million) of those currently outstanding taxes will ever be collected.

State law provides the DOR with the following means of collecting unpaid taxes: 1) imposition of property liens and seizures; 2) use of collection agencies; 3) revocation of tax licenses; 4) court-ordered judgments; and 5) recoupment directly from corporate and individual bank accounts.

Regarding the last of the above measures, the DOR has been authorized to recoup unpaid taxes directly from the bank accounts of corporate and individual tax debtors since 2014. Last year, however, the Legislature approved the "Financial Institution Data Match Act," permitting automatization of the process for identifying individual and corporate taxpayer accounts and balances – a development that should facilitate the agency's pursuit of available tax evader funds.

The DOR is now preparing to select a contractor to assist in automating the agency's existing tax recoupment authority.

Foley's letter concludes by urging a collaboration between the DOR and the Legislature to ensure that sufficient resources are allocated toward a more aggressive pursuit of delinquent tax obligations.

Foley remarked, "Benjamin Franklin once observed wryly that only 'death and taxes' are certain. In Nebraska, it is indeed impossible to escape mortality, but far too many individuals and corporations have found ways to evade their legal tax obligations."

He concluded, “When such enormous amounts of taxes go uncollected year after year, citizens who sacrifice to pay their fair share must face the increasingly harsh burden of taking up the slack for those who shirk their financial responsibilities to Nebraska. That is neither proper nor sustainable.”

A copy of the letter to the Nebraska Department of Revenue can be found at:
auditors.nebraska.gov

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