

**ATTESTATION REPORT  
OF THE  
NEBRASKA DEPARTMENT OF REVENUE –  
DELINQUENT AND PROTESTED TAX BALANCES**

**FISCAL YEARS ENDED JUNE 30, 2023, AND JUNE 30, 2024**

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**Issued on April 14, 2025**

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NEBRASKA DEPARTMENT OF REVENUE  
DELINQUENT AND PROTESTED TAX BALANCES

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NEBRASKA DEPARTMENT OF REVENUE  
DELINQUENT AND PROTESTED TAX BALANCES

**BACKGROUND INFORMATION**

**Delinquent and Protested Tax Balances**

The Nebraska Department of Revenue (Department) maintains balances for delinquent and protested taxes, which as of June 30, 2024, exceeded \$657 million. In its rules and regulations, at Title 316 Nebraska Administrative Code (NAC) § 36-002.08 (“Rules for the Collection of Delinquent Taxes”), the Department defines a delinquency as follows:

*Delinquency means any tax, interest, penalties, or costs which are owed and past due, regardless of whether the amount was simply unpaid or issued by the Department as a balance due notice, jeopardy assessment, notice of proposed deficiency determination, or any other assessment.*

Title 316 NAC § 36-003.01 addresses the initiation of a collection action by the Department, which includes the balance due notice and demand for payment:

*If a tax return is filed but the correct amount of tax is not paid in full when due, and no payment arrangements were made, the Department will mail a balance due notice. If the taxpayer fails to pay the balance due, or make arrangements to pay the balance due, the Department will mail a written demand for payment to the taxpayer.*

The Department is required to notify the taxpayer of a proposed deficiency determination, as provided by Title 316 NAC § 36-003.02:

*If the Tax Commissioner finds that a return should have been filed and was not, or that the amount shown as due on a tax return is less than the correct amount, the Department must notify the taxpayer of the amount of the deficiency proposed to be assessed. If a taxpayer fails to file a return, the Department will estimate the amount due, based on the best information available to the Department, and must notify the taxpayer of the amount of deficiency proposed to be assessed. When any notice of proposed deficiency determination becomes final, as determined in Reg-36-004.01 of these regulations, the Department will mail a written demand for payment to the taxpayer.*

Title 316 NAC § 36-004.01 sets out the steps that must be taken prior to the Department’s commencement of a collection action:

*Collection actions may not commence until a written demand for payment has been mailed by the Department to the taxpayer. Except for jeopardy assessments under Reg-36-003.03, no demand for payment may be issued until a balance due notice is mailed or a notice of proposed deficiency is final. . . .*

As referenced in Title 316 NAC § 36-002.16, a taxpayer has the right to protest the Department’s notice and demand for payment:

*Petition for redetermination means a protest filed with the Tax Commissioner . . . disagreeing with a proposed jeopardy determination or a notice of proposed deficiency determination issued by the Department, which asserts that additional tax, interest, or penalty is due. A petition for redetermination asks that the Tax Commissioner reconsider the notice of proposed determination and begins a contested case for purposes of the Nebraska Administrative Procedures Act.*

Under Title 316 § 33-003.01C, the taxpayer must file a petition for redetermination “on or before the 60<sup>th</sup> day following the date the notice was mailed by the Tax Commissioner.”

In Title 316 § 36-004.01B, the petition for redetermination is final as follows:

*If a petition for redetermination is timely filed by the taxpayer, the notice of proposed deficiency determination is final 30 days after the decision of the Tax Commissioner is mailed to the taxpayer unless the decision of the Tax Commissioner is appealed . . . .*

NEBRASKA DEPARTMENT OF REVENUE  
DELINQUENT AND PROTESTED TAX BALANCES

**BACKGROUND INFORMATION**

(Concluded)

Upon receiving a petition for redetermination, the Department moves the presumed delinquent balance due to a separate database until the notice of proposed deficiency determination is final.

Title 316 describes the collection procedures available to the Department when a tax delinquency has been determined to exist. Specifically, the Department may do the following:

- Enter into a payment agreement (§ 36-005);
- Assess a State tax lien (§ 36-006);
- Commence judicial enforcement of the State tax lien (§ 36-007);
- Issue a levy on an employer or financial institution (§ 36-008);
- Seize and sell property (§ 36-009);
- Revoke or suspend a tax license or permit (§ 36-011); or
- Contract with collection agencies (§ 36-014).

As part of its year-end processes for the Annual Comprehensive Financial Report (ACFR), the Department must estimate its projected one-year collections on delinquent and protested tax balances. The Department has separate methodologies for determining the collection rates for delinquent and protested balances.

At June 30, 2024, the total of the delinquent and protested tax balances exceeded \$657 million.

NEBRASKA DEPARTMENT OF REVENUE  
DELINQUENT AND PROTESTED TAX BALANCES

**KEY OFFICIALS AND AGENCY CONTACT INFORMATION**

**Nebraska Department of Revenue**

<b>Name</b>	<b>Title</b>
James R. Kamm	Tax Commissioner
Glen White	Deputy Tax Commissioner
James Jehorek	Director of Budgeting and Accounting
Jessica Nawrocki	Director of Compliance

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# NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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## NEBRASKA DEPARTMENT OF REVENUE DELINQUENT AND PROTESTED TAX BALANCES

### INDEPENDENT ACCOUNTANT'S REPORT

Nebraska Department of Revenue  
Lincoln, Nebraska

We have examined the accompanying Schedule of Delinquent and Protested Tax Balances of the Nebraska Department of Revenue for the fiscal years ended June 30, 2023, and June 30, 2024. The Department's management is responsible for the Schedule of Delinquent and Protested Tax Balances based on its mainframe tax applications, the docket control system, and the procedures set forth in Note 1. Our responsibility is to express an opinion on the Schedule of Delinquent and Protested Tax Balances based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Schedule of Delinquent and Protested Tax Balances is based on the mainframe tax applications, the docket control system, and procedures set forth in Note 1, in all material respects. An examination involves performing procedures to obtain evidence about the Schedule of Delinquent and Protested Tax Balances. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the Schedule of Delinquent and Protested Tax Balances, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

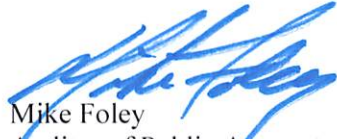
We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

In our opinion, the Schedule of Delinquent and Protested Tax Balances for the fiscal years ended June 30, 2023, and June 30, 2024, is based on the mainframe tax applications, the docket control system, and procedures prescribed by the Department, as set forth in Note 1, in all material respects.

In accordance with *Government Auditing Standards*, we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; noncompliance with provisions of laws, regulations, contracts, or grant agreements that have a material effect on the Schedule of Delinquent and Protested Tax Balances; fraud that is material, either quantitatively or qualitatively, to the Schedule of Delinquent and Protested Tax Balances; and any other instances that warrant the attention of those charged with governance. We are also required to obtain and report the views of management concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. We performed our examination to express an opinion on whether the Schedule of Delinquent and Protested Tax Balances is presented in accordance with the criteria described above and not for the purpose of expressing an opinion on the internal control over the Schedule of Delinquent and Protested Tax Balances or on compliance and other matters; accordingly, we express no such opinions.

The purpose of this report is to express an opinion on the Schedule of Delinquent and Protested Tax Balances, as described in paragraph one above. Accordingly, this report is not suitable for any other purpose. This report is a matter of public record, and its distribution is not limited.

April 11, 2025



Mike Foley  
Auditor of Public Accounts  
Lincoln, Nebraska



NEBRASKA DEPARTMENT OF REVENUE  
DELINQUENT AND PROTESTED TAX BALANCES

**Delinquent and Protested Tax Balances**  
For the Fiscal Years Ended June 30, 2023, and June 30, 2024

Tax Category	FY 2023	FY 2024
<b>Delinquent Tax Balances</b>		
Delinquent Sales and Use Tax Balances	\$ 58,400,026	\$ 62,010,250
Delinquent Payroll Withholding Balances	\$ 18,422,879	\$ 24,205,643
Delinquent Individual Income Tax Balances	\$ 125,118,131	\$ 129,373,558
Delinquent Corporate Income Tax Balances	\$ 58,442,587	\$ 51,559,046
Delinquent Partnership Income Tax Balances	\$ 0	\$ 2,370,264
<b>Total Delinquent Tax Balances</b>	<b>\$ 260,383,623</b>	<b>\$ 269,518,761</b>
<b>Protested Tax Balances</b>		
Protested Sales and Use Tax Balances	\$ 60,820,709	\$ 77,537,471
Protested Payroll Withholding Balances	\$ 494,720	\$ 362,828
Protested Individual Income Tax Balances	\$ 32,970,587	\$ 42,833,284
Protested Corporate Income Tax Balances	\$ 280,149,942	\$ 267,623,744
<b>Total Protested Tax Balances</b>	<b>\$ 374,435,958</b>	<b>\$ 388,357,327</b>
<b>Total Delinquent and Protested Tax Balances</b>	<b>\$ 634,819,581</b>	<b>\$ 657,876,088</b>

*Note: Delinquent balances are a cumulative total of outstanding balances from 1968 through 2023. Some of the balances are not collectible. Using fiscal year 2024 Delinquent Individual Income Tax Balances as an example, 91.6% of the balance is from the past 25 years, while 8.4% of the balance is older than 25 years.*

NEBRASKA DEPARTMENT OF REVENUE  
DELINQUENT AND PROTESTED TAX BALANCES

**NOTES TO THE SCHEDULE**

For the Fiscal Years Ended June 30, 2023, and June 30, 2024

**1. Criteria**

The delinquent tax balances are based on data contained within the Nebraska Department of Revenue's (Department) various mainframe tax applications, including the Sales and Use Tax Application (SCT), Corporate Income Tax Application (CTX), Individual Income Tax Application (IIT), Income Tax Withholding Application (INX), and Partnership Income Return Application (PIR). The accounting for this data is prescribed by the Department. The protested tax balance audit data is maintained in a separate application called the docket control system. The accounting for this data is also prescribed by the Department.

Neb. Rev. Stat. § 77-361 (Reissue 2018) provides the following functions and goals of the Department:

*The functions and goals of the Department of Revenue shall be to: (1) Execute faithfully the revenue and property tax laws of the State of Nebraska; (2) provide for efficient, updated, and economical methods and systems of revenue accounting, reporting, enforcement, and related activities; and (3) continually seek to improve its system of administration to provide greater efficiency and convenience to this state's taxpayers.*

(Emphasis added.) Neb. Rev. Stat. § 77-372 (Reissue 2018) authorizes the following:

*The Department of Revenue shall develop, operate, and implement systems for the production of records of taxes and other revenue and receipts collected by any agency of the State of Nebraska. Such records shall provide for the collection and recording of such accounting information in such fashion as may be required by the accounting division of the Department of Administrative Services and shall provide in addition for such further statistical information as the Department of Revenue may find necessary for the effective execution of its responsibilities under appropriate laws of this state.*

The financial information used to prepare the Schedule of Delinquent and Protested Tax Balances was obtained directly from the mainframe tax applications or the docket control system used by the Department. These systems maintain records of taxes due, tax collected, and balances owed.

The Department's rules and regulations, at Title 316 Nebraska Administrative Code (NAC) § 36-002.08 ("Rules for the Collection of Delinquent Taxes"), define a delinquency as follows:

*Delinquency means any tax, interest, penalties, or costs which are owed and past due, regardless of whether the amount was simply unpaid or issued by the Department as a balance due notice, jeopardy assessment, notice of proposed deficiency determination, or any other assessment.*

Title 316 NAC § 36-002.16, explains the taxpayer's right to protest the Department's notice and demand for payment as follows:

*Petition for redetermination means a protest filed with the Tax Commissioner . . . disagreeing with a proposed jeopardy determination or a notice of proposed deficiency determination issued by the Department, which asserts that additional tax, interest, or penalty is due. A petition for redetermination asks that the Tax Commissioner reconsider the notice of proposed determination and begins a contested case for purposes of the Nebraska Administrative Procedures Act.*

**2. Reporting Entity**

The Department is a State agency established under and governed by the laws of the State of Nebraska and is part of the primary government for the State of Nebraska.

NEBRASKA DEPARTMENT OF REVENUE  
DELINQUENT AND PROTESTED TAX BALANCES

**SUPPLEMENTARY INFORMATION**

Our examination was conducted for the purpose of forming an opinion on the Schedule of Delinquent and Protested Tax Balances. Supplementary information is presented for purposes of additional analysis. Such information has not been subjected to the procedures applied in the examination of the Schedule of Delinquent and Protested Tax Balances; accordingly, we express no opinion on it.

NEBRASKA DEPARTMENT OF REVENUE  
DELINQUENT AND PROTESTED TAX BALANCES

**EXHIBIT A**

**Five-Year History of Delinquent and Protested Tax Balances and Estimated Collection Percentages**  
Fiscal Years 2020-2024

Tax Category	FY 2020		FY 2021		FY 2022		FY 2023		FY 2024	
	Balances Due	Estimated Collection %	Balances Due	Estimated Collection %	Balances Due	Estimated Collection %	Balances Due	Estimated Collection %	Balances Due	Estimated Collection %
<b>Delinquent Tax Balances and Collection Percentages</b>										
Delinquent Sales and Use	\$ 41,719,386	21%	\$ 47,919,826	19%	\$ 48,288,562	18%	\$ 58,400,026	17%	\$ 62,010,250	16%
Delinquent Payroll Withholding	\$ 16,003,617	28%	\$ 15,888,521	28%	\$ 26,637,932	31%	\$ 18,422,879	25%	\$ 24,205,643	26%
Delinquent Individual Income Tax	\$ 87,679,045	15%	\$ 95,442,901	14%	\$115,026,069	11%	\$125,118,131	13%	\$129,373,558	20%
Delinquent Corporate Income Tax	\$ 71,726,691	38%	\$ 53,161,968	40%	\$ 45,030,877	38%	\$ 58,442,587	36%	\$ 51,559,046	34%
Delinquent Partnership Income Tax	\$ 0		\$ 0		\$ 0		\$ 0		\$ 2,370,264	28%
<b>Total Delinquent Tax Balances</b>	<b>\$217,128,739</b>		<b>\$212,413,216</b>		<b>\$234,983,440</b>		<b>\$260,383,623</b>		<b>\$269,518,761</b>	
<b>Protested Tax Balances and Collections</b>										
Protested Sales and Use	\$ 81,177,998	16%	\$ 59,358,385	23%	\$ 74,871,523	30%	\$ 60,820,709	41%	\$ 77,537,471	44%
Protested Payroll Withholding	\$ 2,200,596	16%	\$ 1,971,153	23%	\$ 1,292,389	30%	\$ 494,720	4%	\$ 362,828	4%
Protested Individual Income Tax	\$ 0		\$ 0		\$ 33,700,386	4%	\$ 32,970,587	2%	\$ 42,833,284	3%
Protested Corporate Income Tax	\$272,953,445	16%	\$208,632,794	23%	\$311,003,813	30%	\$280,149,942	1%	\$267,623,744	1%
<b>Total Protested Tax Balances</b>	<b>\$356,332,039</b>		<b>\$269,962,332</b>		<b>\$420,868,111</b>		<b>\$374,435,958</b>		<b>\$388,357,327</b>	
<b>Total Delinquent and Protested Taxes</b>	<b>\$573,460,778</b>		<b>\$482,375,548</b>		<b>\$655,851,551</b>		<b>\$634,819,581</b>		<b>\$657,876,088</b>	

*Note: The estimated collection percentages are annually calculated by the Department to estimate the amount of collections for the next year. The Department uses actual collection activity of the delinquent and protested balances for its calculations.*

NEBRASKA DEPARTMENT OF REVENUE  
 DELINQUENT AND PROTESTED TAX BALANCES

**EXHIBIT B**

**Ten-Year Summary of Delinquent and Protested Tax Balances**  
 Fiscal Years 2016-2024

