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PREPARED BY THE BUREAU OF BUSINESS RESEARCH, COLLEGE OF BUSINESS ADMINISTRATION

NEBRASKA TAXABLE RETAIL SALES

The advent of the Nebraska retail sales tax program has made possible data indicative of retail spending in the state's communities and counties. The rise and fall of this stream of spending is one of the most used barometers of the economic well-being of a business community, a region, or the state.

A recently issued publication of the Nebraska Tax Commissioner's office entitled Statistical Supplement to 1968 Annual Report: Sales Tax, reports "Net Taxable Retail Sales" and "Sales Tax Collected." These two series are given for three six-months periods beginning July, 1967, and extending through December, 1968. The figures are for principal municipalities within each county and for the county as a whole.[1] Only the "net taxable retail sales" (hereinafter referred to as retail sales) will be the object of our following analysis. Also, the county figures are aggregated into totals for the twenty-six "planning and development" regions of the state.

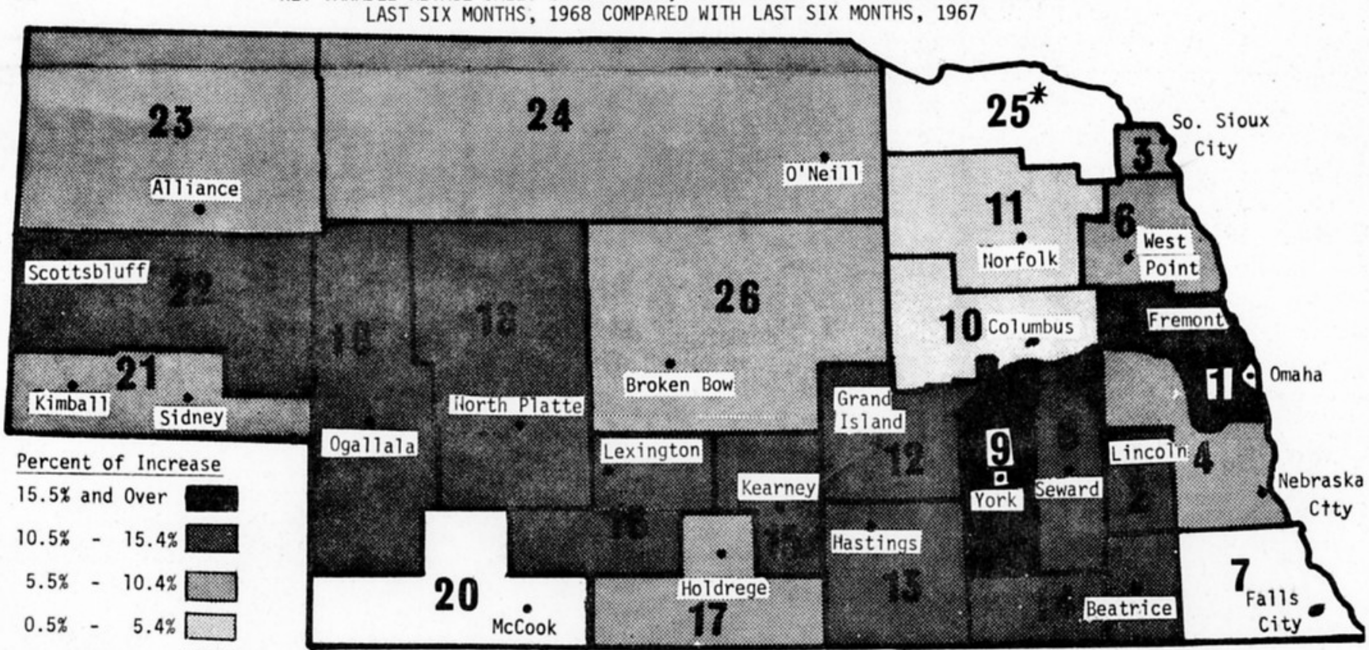
This article offers for the most part a descriptive discussion of changes in the level of Nebraska's retail sales from the last half of 1967 to the last half of 1968 and of the status of the shares of the various regions in 1968. Comparisons are made of the regional shares of the state's retail sales with the regional shares of its population and effective buying income. Some interregional comparisons are emphasized; others can be made by the reader. On a more localized basis, some comparisons are made, and others are possible, using data reported for those municipalities deemed to be the principal "centers" of trade in their respective regions. Lack of data and space prevents more than a few conjectural explanations for the particular situations.

Retail Sales for the state were $1,525 millions in the last six months of 1968 as compared with $1,363 millions for the same period in 1967.[2] This represented a 12 percent increase (See Table I). The $1,525 millions was 52.5 percent of the twelve-

[1] The "tax revenue is not based on sales as reported since there are various transactions which are not subject to the Nebraska sales or use tax" and "net revenues are substantially reduced by the 3% collection fee granted retailers as well as refunds made relating to construction contracts entered into prior to the enactment of the Nebraska Revenue Act of 1967." Such transactions as deliveries made to dealers or ultimate consumers in other states, services such as labor and overhead charged in construction on contracts, and exempt items such as feed for livestock and medicines are excluded from taxable sales.

[2] It must be emphasized that dollar figures in this paragraph and elsewhere in this article are not comparable to those obtained by the Census of Business every five years or to the estimates previously published annually in Business in Nebraska. In addition to the differences mentioned in footnote 1, the Nebraska sales tax applies to some sales by manufacturing, wholesale, and service establishments, whereas the Census of Business and Bureau of Business Research data relate exclusively to sales by retail establishments.

MAP 1
NET TAXABLE RETAIL SALES IN NEBRASKA, BY PLANNING AND DEVELOPMENT REGIONS
LAST SIX MONTHS, 1968 COMPARED WITH LAST SIX MONTHS, 1967



* Communities shown had 25% or more of their region's 1968 net taxable retail sales; no such community was reported for Region 25.

SOURCE: TABLES I AND II.

months total of $2,906 millions for 1968 (See Table II). If the same proportions had applied for 1967, then the twelve-months total for 1967 would have been $2,600 millions. This is, however, an understatement of 1967 since prices are known to have been rising at an accelerating rate during the later part of 1968. Thus, the 1967 total would have been more nearly $2,750 millions and, if so, then the year-to-year change from 1967 to 1968 would have been about 6 percent. Regardless of individual regional developments, there was a marked rise in the dollar volume of retail sales for the state as a whole.

Over the state's twenty-six "planning and development" regions (See Map 1 and Table I) the year-to-year change in the six-months totals of retail sales ranged from a 13.2 percent decrease in Region 20 (Dundy, Hayes, Hitchcock, and Red Willow counties) to increases of 16 percent in Regions 1 (Douglas and Sarpy) and 9 (Fillmore, Polk, and York). Region 7 (Johnson, Nemaha, Pawnee, and Richardson) was reported as having no change in retail sales. In addition to the loss noted above for Region 20, a 3.6 percent decrease was reported for Region 25 (Cedar, Dixon, and Knox). No verifiable reason can be offered at this time to explain these regional divergences from the general pattern of rising sales in the other regions.

Map 1 reveals that with few exceptions the 10.5%-and-over regional gainers lie along the Platte River-Interstate 80 route. To the extent that these regions are also gainers (either in the absolute or share sense) of population or income, or both, then there is justification for designating this "belt" as inclusive of the areas having the most favorable conditions for retail trade.

As expectable, Region 1 (Douglas and Sarpy) led in the rate of increase in sales from 1967 to 1968 (See Map 1 and Table I). The less expectable equal gain by Region 9 (Fillmore, Polk, and York) overshadowed the lesser gains of its contiguous regions which contain such major trading centers as Seward and Grand Island.

A region's retail trade position may be objectively gauged or "measured" as a ratio of (1) the region's retail sales as a percent of the state's retail sales to (2) the region's population as a percent of the state's population and (3) the region's buying income as a percent of the state's buying income. Thus, for example, a region having 3 percent as its share of the state's retail sales and 2 percent as its share of the state's population would have a sales-share/population-share ratio of 150.0. Or, a region having 3 percent as its share of the state's retail sales and 4 percent as its share of the state's buying income would have a sales-share/income-share ratio of 75.0. Other ratios could exist which express other combinations of conditions.

It is arguable that a region's retail sales as the share of the state's retail sales should at least be the same as its shares of the state population and buying income--if the regional population structures and income distributions were such that no region could be thought of as having a propensity for retail spending that was greater than that of the others.[3] Then, if the ratios of sales share to population share and income share were greater than 100.0, it could be postulated that retail sales were being generated in part by an inflow of consumer units, or buying income, or some combination, resulting in a net inflow of spending. Such quasi-importation (or exportation in case of ratios of less than 100.0) would reflect the condition that underlies the region's trade position.

Some important possibilities are:

1. If a region's sales share is equal to its population and income shares, then both the sales-share/population-share and sales-share/income-share ratios are 100.0. The region can then be said to have a zero drawing power with sales activity equal to its local potential.
2. If a region's sales share is greater than both its population and income shares, then both ratios will be greater than 100.0. The region can then be said to have a positive drawing power with sales activity greater than the local potentials from both population and income. Thus, both consumer units and buying income appear to have been drawn into the region.
3. If a region's sales share is less than both its population and income shares, then both ratios are less than 100.0. The region can then be said to have a negative drawing power with sales activity less than the local potentials from both population and income. Thus, both consumer units and buying income appear to have been drawn out of the region.
4. If a region's sales share is greater than its population

[3]Admittedly, differences in rate of sales among regions may reflect interregional differences not only in structure of population and distribution of income but also in occupations, education, awareness, price structures, and rapidity of cultural change. Although relevant to a complete analysis, these cannot be evaluated in this paper as factors contributing to regional divergences in retail trade.

TABLE I
NET TAXABLE RETAIL SALES IN NEBRASKA BY PLANNING AND DEVELOPMENT REGIONS
LAST SIX MONTHS, 1967 AND 1968, AND TWELVE MONTHS, 1968

Region[2/]	Net Taxable Retail Sales[1/] Last 6 Months of 1967 ($000,000's)	1968 ($000,000's)	Percent Change	12 Months of 1968 ($000,000's)	Region[2/]	Net Taxable Retail Sales[1/] Last 6 Months of 1967 ($000,000's)	1968 ($000,000's)	Percent Change	12 Months of 1968 ($000,000's)
1	$ 453.0	$ 526.2	+16.2%	$1,014.2	16	$ 22.5	$ 25.5	+13.3%	$ 48.4
2	158.2	179.7	+13.6	338.7	17	22.8	25.1	+10.1	47.3
3	11.6	12.4	+ 6.9	23.8	18	31.6	35.7	+13.0	67.1
4	35.7	38.9	+ 9.0	76.9	19	16.9	19.5	+15.4	36.9
5	45.5	51.0	+12.1	94.4	20	25.1	21.8	-13.2	41.6
6	19.0	20.3	+ 6.8	39.4	21	19.0	20.2	+ 6.3	38.0
7	25.1	25.2	+ 0.4	45.5	22	43.0	48.9	+13.7	92.5
8	25.8	29.5	+14.3	55.7	23	26.2	28.6	+ 9.2	53.3
9	25.7	29.8	+16.0	56.4	24	25.5	27.2	+ 6.7	52.2
10	45.9	48.2	+ 5.0	90.2	25	19.6	18.9	- 3.6	38.2
11	54.4	55.6	+ 2.2	105.2	26	25.4	28.0	+10.2	53.2
12	67.6	76.5	+13.2	141.3					
13	48.8	54.7	+12.1	109.0					
14	35.8	40.5	+13.1	76.9	State	$1,362.6	$1,525.2	+11.9%	$2,906.3
15	32.9	37.3	+13.4	70.0					

1/ Sales of commodities and services subject to the Nebraska Retail Sales Tax at the point of sale; excludes such transactions as sales to dealers or ultimate consumers in other states, services charged in construction contracts, and other exempt items such as feed and medicines; but includes some sales by nonretail establishments.
2/ "Planning and Development" regions as delineated by Nebraska Department of Economic Development in unpublished paper Nebraska Planning and Development Regions. Also described in Business in Nebraska, December 1968.
SOURCE: Nebraska Tax Commissioner, Statistical Supplement to 1968 Annual Report: Sales Tax.

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share (and thus seemingly reflects an inflow of consumer units), yet both are less than its income share (and thus seemingly reflect an outflow of buying income), the region can be said to have positive drawing power but have sales activity less than its local potential from income.

5. If a region's sales share is greater than its income share (and thus seemingly reflects a net inflow of buying income), yet both are less than its population share (and thus seemingly reflect an outflow of retail consumers), the region can be said to have a positive drawing power but have sales activity less than its local potential from population.

Consider the ratios in Columns 5 and 6 of Table II. In the case, for example, of Region 1 (Douglas and Sarpy) the sales-share/population-share and sales-share/income-share ratios both exceed 100.0--the former being 111.8 and the latter, 105.1. Thus Region 1 has positive drawing power and "draws" a notable number of consumer units from other areas since its share of sales is nearly 12 percentage points higher than its share of the state's population. Although Region 1 also registers positive drawing power from the income criterion, it is not as strong since the sales-share/income-share ratio is more nearly 100.0. If the frequently postulated high per capita income level of this region is a fact, then this would tend to lower the ratio, even though in the absolute sense the impact of the income factor was enhancing the level of retail spending.[4]

Region 3 (Dakota) is an example of one that has positive drawing power but reflects less than its potential in population. This region appears to "draw" more income from customers from outside its region than it "trades off" in the number of consumer units that trade in, say, Sioux City, Iowa.

The Grand Island-Hastings-Kearney triangle--as the center of that larger region composed of Region 12 (Hall, Hamilton, Howard, Merrick), Region 13 (Adams, Clay, Nuckolls, Webster), and Region 15 (Buffalo, Kearney)--is as expectable a strong importer of consumer units and buying income. Region 15, however, does not have quite as strong a drawing power for income as the others. Its sales-share/income-share ratio falls below 100.0. Thus, although drawing its potential of consumer units, it "loses" some of its potential buying income to other regions. One possibility is that a considerable portion of its population's buying income is earned outside the region and, as is often the case, is also spent where it is earned.

Somewhat anomalous and difficult to explain is the situation of Region 2 (Lancaster). Although rating positively in terms of a sales-share/population-share ratio of 103.6, its sales-share/income-share ratio of 87.9 falls far short of what is expectable. Or, to paraphrase, its share of the state's buying income, 13.2 percent, is not matched by its share of the state's retail sales, 11.6 percent (Table II). A considerable portion of the buying income generated in or received by those in this region appears to flow elsewhere, even while there is some net inflow of consumer units indicated by the sales-share/population-share ratio.

Twenty-three of the twenty-six regions were reported to have had increases in the level of their retail sales (Table I). Nineteen of the twenty-six appear, however, to be "losing" potential sales to competitive regions in the sense that their portions of the state's sales were less than their portions of its population or buying income, or both (Table II). Ten of these were "losers" of both consumer units and buying income. For example, Region 4 (Saunders, Cass, and Otoe) had ratios of 78.8 and 83.9; its share of retail sales was negative in terms of drawing power and far below both its potentials from population and (Continued on page 6)

[4]As income per capita increases, the proportion of it spent for taxable retail items usually declines. Thus, the sales-share/income-share ratio would be lower for higher income-per-capita situations that reflect the level of income in addition to the propensity to spend it "locally."

TABLE II
REGIONAL SHARES OF NEBRASKA'S 1968 NET TAXABLE RETAIL SALES, 1968 ESTIMATED POPULATIONS, AND 1967 BUYING INCOME WITH RATIOS OF REGIONAL SHARES OF SALES TO REGIONAL SHARES OF POPULATION AND BUYING INCOME

Region 1/	Region as a Share of State			Ratio of Net Taxable Retail Sales % to	
	1968 Net Taxable Retail Sales 2/	1968 Estimated Population 3/	1968 Buying Income 4/	Estimated Population%	Buying Income%
	(%)	(%)	(%)	(%)	(%)
1	34.9	31.2	33.2	111.8	105.1
2	11.6	11.2	12.9	103.6	89.9
3	0.8	0.9	0.7	88.9	114.3
4	2.6	3.3	2.9	78.8	89.6
5	3.2	3.3	3.4	97.0	94.1
6	1.4	1.9	1.4	73.7	100.0
7	1.6	2.1	1.6	76.2	100.0
8	1.9	2.4	2.0	79.2	95.0
9	1.9	1.9	1.7	100.0	111.8
10	3.1	3.3	3.2	93.9	96.9
11	3.6	4.0	3.8	90.0	94.8
12	4.9	4.5	4.8	108.9	102.1
13	3.8	3.4	3.2	111.8	118.8
14	2.6	3.0	2.6	86.7	100.0
15	2.4	2.3	2.5	104.3	96.0
16	1.7	1.7	1.7	100.0	100.0
17	1.6	1.8	1.6	88.9	100.0
18	2.3	2.1	2.5	109.5	92.0
19	1.3	1.2	1.1	108.3	118.2
20	1.4	1.5	1.5	93.3	93.3
21	1.3	1.4	1.5	107.7	86.7
22	3.2	3.1	2.8	103.2	114.3
23	1.8	2.0	1.9	90.0	94.7
24	1.8	2.2	1.9	81.8	94.7
25	1.3	2.2	1.6	59.1	81.2
26	1.8	2.4	2.0	75.0	90.0
State 5/	100.0	100.0	100.0	100.0	100.0

1/ "Planning and Development" Regions as delineated in unpublished report of Nebraska Department of Economic Development, entitled Nebraska Planning and Development Regions. Also described in Business in Nebraska, Deeember 1968.
2/ Retail Sales, upon which Nebraska's Sales Tax is levied, as reported by Nebraska Tax Commissioner in Statistical Supplement to 1968 Annual Report: Sales Tax.
3/ Estimates as of end of year by Bureau of Business Research.
4/ "Effective Buying Income" as published in Sales Management's Survey of Current Buying Power, 1969 issue.
5/ Details may not add to 100.0 due to rounding.
SOURCE: Computations of regional percentage and ratios were made by Bureau of Business Research using above sources.

(Continued from page 3) income. In such cases, unquestionably, a notable group of consumer units "went outside" their local trading areas with a large portion of their buying income to make a significant portion of their retail purchases. It does not seem illogical to suggest that Region 1 (Douglas and Sarpy) was the principal beneficiary in this situation, for all of Region 1's contiguous regions had sales-share/income-share ratios only equal to or less than 100.0, and only one other nearby, Region 2, had a sales-share/population-share ratio in excess of 100.0.

On the positive side, five regions had shares of retail sales notably in excess of both their shares of population and buying income. Their ratios were above 100.0 for both criteria and, therefore, their drawing power was both positive and above both potentials. In general, these regions had also experienced the larger percentage gains from 1967 to 1968 (Table I). There is, therefore, indication that these regions have certain conditions that attract retail customers. A more sophisticated investigation of this situation must, however, be foregone at this time.

In 1968 twenty-six communities, in 25 of the 26 regions, had shares of their region's net taxable retail sales of 25 or more percent (Table III). The top ten of these communities accounted for nearly 60 percent of the total state retail sales. Three "centers" had sales volumes of $100 million or more. Omaha, with 936 million; Lincoln, with 334 million; and Grand Island, with 101 million, combined to account for 47 percent of the state's nearly 3 billion dollar volume of net taxable retail sales.

Growth, comparing the total sales of the last 6 months of 1968 with that of the same period in 1967, was the highest for Ogallala, up 24 percent. Five of the other twenty-five communities reported increases of 15 or more percent. Of the twenty-six trading "centers," sixteen had increases greater than the 12.0 percent increase of the state, as a whole. Falls City, down 20.4 percent, was the only community reported having a decline.

Some insight into the drawing power of certain communities can be gained by consideration of those ratios that are available --regardless of the fact that the areas delineated as "municipalities" by the Tax Commissioner's office may not be exactly the same as those for which population estimates and buying income are available. Table III presents the data available for those communities having at least 25 percent of their region's sales in 1968.

Five "municipalities" have sales-share/population-share ratios in excess of 200.0. Another twelve have ratios between 150.0 and 200.0. For these seventeen "centers" these ratios indicate a very strong attraction for consumers from outside their "municipal" boundaries.[5]

Omaha's sales-share/population-share ratio of only 142.0 appears to reflect two conditions, neither of which may be disadvantageous, but either of which tends to hold down the ratio. First, Omaha's trade area may not be as extensive spatially as, and hence the proportion of its consumer units that comes from outside its municipal area is lower than, some locality such as Ogallala. Secondly, the proportion of buying income spent locally on retail goods and services may not be as great as in the case of a more spatially isolated "center" such as Ogallala. Other cases of special interest may be evaluated by the reader.

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5 Of the eleven municipalities for which estimates of buying income are available (See Table III), ten had sales-share/income-share ratios above 100.0. These ranged from 112.3 for Omaha to 165.4 for Kimball. Only one, Lincoln at 98.4, appeared to be markedly below its income potential. The ten communities had positive drawing power and sales activity up to their potentials of both local population and local income. No criteria exist, however, that permit evaluation of whether they had their potentials as regional centers of trade.

TABLE III
NET TAXABLE RETAIL SALES IN NEBRASKA MUNICIPALITIES
LAST SIX MONTHS OF 1967 AND 1968 AND TWELVE MONTHS, 1968

Municipality 1/	Region	Net Taxable Retail Sales, Last 6 Months of: 1967 ($000,000's)	1968 ($000,000's)	Percent Change 2/	Net Taxable Retail Sales, 12 Months, 1968: 1968 Millions of $'s	Municipality as a % of State Total: Retail Sales	Estimated Population	Buying Income	Ratio of Net Taxable Retail Sales % to: Estimated Population%	Buying Income%
Omaha	1	$ 417.9	$ 482.2	+15.4%	$ 936.2	32.21%	22.68%	28.68%	142.0%	112.3%
Lincoln	2	156.0	176.9	+13.4	333.6	11.48	9.38	11.67	122.4	98.4
So.Sioux City	3	8.3	8.9	+ 7.1	16.9	0.58	0.59	-----	98.3	-----
Nebraska City	4	9.6	10.8	+13.0	21.4	0.74	0.52	-----	142.3	-----
Fremont	5	30.4	34.2	+12.7	62.6	2.15	1.57	1.87	136.9	115.0
West Point	6	4.9	5.6	+14.7	10.9	0.38	0.27	-----	140.7	-----
Falls City	7	10.7	8.5	-20.4	14.2	0.49	0.34	-----	144.1	-----
Seward	8	7.7	9.0	+16.7	16.9	0.58	0.35	-----	165.7	-----
York	9	11.3	13.4	+18.2	25.2	0.87	0.42	-----	207.1	-----
Columbus	10	25.6	25.9	+ 1.2	48.3	1.66	0.99	1.27	167.7	130.7
Norfolk	11	23.2	26.5	+14.4	49.4	1.70	1.05	1.32	161.9	128.8
Grand Island	12	48.8	55.5	+13.8	101.4	3.49	2.09	2.61	166.9	133.7
Hastings	13	31.2	36.0	+15.3	73.1	2.52	1.49	1.76	169.1	143.2
Beatrice	14	17.3	18.9	+ 9.1	36.1	1.24	0.80	0.87	155.0	142.5
Kearney	15	22.7	25.8	+13.3	47.9	1.65	1.07	1.28	154.2	128.9
Lexington	16	9.9	11.2	+12.6	21.5	0.74	0.42	-----	176.2	-----
Holdrege	17	9.6	10.5	+ 9.5	19.5	0.67	0.38	-----	176.3	-----
North Platte	18	27.5	31.5	+14.5	59.1	2.03	1.13	1.52	179.6	133.6
Ogallala	19	8.1	10.1	+24.2	18.5	0.64	0.28	-----	228.6	-----
McCook	20	13.5	15.1	+11.9	28.8	0.99	0.59	-----	167.8	-----
Sidney	21	8.8	9.4	+ 7.2	17.9	0.62	0.50	-----	124.0	-----
Kimball	21	6.4	6.9	+ 7.6	12.9	0.44	0.20	-----	220.0	-----
Scottsbluff	22	23.8	27.6	+15.8	51.4	1.77	0.95	1.07	186.3	165.4
Alliance	23	9.5	10.1	+ 6.6	19.4	0.67	0.49	-----	136.7	-----
O'Neill	24	7.0	7.8	+10.3	15.0	0.52	0.22	-----	236.4	-----
Broken Bow	26	8.0	9.2	+14.2	17.5	0.60	0.26	-----	230.8	-----
State Total		$1362.6	$1525.2	+11.9	$2906.3	100.0	100.0	100.0	100.0	100.0

1/ Includes those municipalities having 25% or more of their development regions' net taxable sales for the 12 months of 1968; no municipality in Region 25 had 25% or more.
2/ Percent changes were calculated before actual figures were rounded to millions of dollars.
SOURCE: See Sources to Tables I and II.