

**NEBRASKA TAXPAYERS FOR FREEDOM ISSUE PAPER:
THE PILLEN TAX PLAN, GOOD AND BAD.**

BACKGROUND. Jim Pillen while campaigning for election pledged and promised continually to offer Nebraskans sorely needed tax relief. Governor Pillen said, “If we are going to attract and retain people, we need to modernize our tax code and provide Nebraskans with the tax relief they need. My proposals will reduce our property, income, and business taxes to spur economic growth so Nebraska can remain, for future generations, the best place in the country to work and raise a family.” He now pledges a total of \$720.5 million in state income tax cuts. Though his proposals actually will offer taxation relief to many Nebraskans, he did not include legislation that will comprehensively restrain the growth of urban property valuation and taxation. Property tax relief offered this session and in previous legislative sessions provide only temporary relief. The Pillen tax plan actually comprises 6 priority bills.

GOOD BILLS. LB 804: Von Gillern. To lower the corporate state income tax rate on income over \$100,000 from 7.25% to 5.84%. This bill would bring \$78.5 million in immediate tax relief for tax year 2024.

LB 641: Kauth. To more quickly phase out state income taxes on Social Security. 70% instead of 60% exempted in 2023 and 100% exempted in 2024. Her bill would provide an immediate tax relief savings of \$17 million in tax year 2024.

LB 754: Linehan. To reduce state individual and corporate income tax rates by accelerating tax cuts. The bill reduces the state top income tax rate from 6.84% to 3.99% by 2027. The tax rate will set at 6.27% in 2023. That number will drop to 5.7% and 5.13% in 2024 and 2025 respectively. In 2026, the tax rate will set at 4.56%, and the 3.99% figure will take effect the following year. Completed, this bill would result in annual tax relief of \$720+ million. However, those in lower tax brackets do not receive this relief, and Pillen promised Nebraskans a flat tax for all. Supposedly, sponsors will amend the bill to help lesser earning citizens, because now, married couples with adjusted gross income of less than \$41,190 pay at a 3.5% rate, and couples with incomes of less than \$6,860 pay a 2.46% rate, so these lower income folks would pay more in taxes. The cuts believed necessary to keep and attract people in the state who would otherwise leave



because of the heavy tax burden, particularly our state income tax. Nebraska is currently 29th highest for personal and 32nd highest for corporate income taxes.

LB 750: Albrecht. This bill would alter valuations of ag and horticultural land from a market valuation assessment to one based on income-earning potential. That potential calculated by using data from the USDA, UN-L, land surveys, and income reports. Under her Agricultural Value Fairness Act, valuations determined by land type and region with an aggregate statewide growth lid of 3.5%. Neighboring Iowa, South Dakota, and Kansas already use income-based valuation assessment for ag land. The measure would begin next year and potentially reduce ag land valuations across the state by \$7.5 billion.

LB 753: Linehan. To allow opportunity scholarship tax credits for individuals contributing to funding poor students, so that they and their parents can take advantage of school choice. \$25 million in new tax credits in 2024 available to individuals for groups that offer scholarships to kids, prioritizing ones living in families at the 100% poverty level and those being bullied. The total amount of tax credits would have annual increases of 25%. The program proposes additional tiers of eligibility based on available funds. The bill would offer poor children a way to avoid failing public schools. The state teacher’s union, the NSEA, naturally opposes this bill, lying that it will result in state funding of private and parochial schools.

LB 783: Murman. To prohibit community colleges from levying property taxes beginning in 2025. State funds then appropriated to cover current property tax levies plus 3.5%. The result: An immediate statewide average property tax cut of 5.3%. By tax year 2026, citizens would see \$282.5 million in tax relief. The bill, however, would not impact existing community college bonds.

IMPROVED TAX CLIMATE. This plan would place our state among the 15th lowest nationwide in taxing income, according to the Tax Foundation business climate rankings. Numerous states like NE are using revenue surpluses to eliminate or lower their income taxes to promote economic growth and gain a competitive advantage. Many other states with income taxes are flattening the rates. Nebraska is suffering increased competition from states across the country, including its neighbor Iowa, that are improving their tax climates. The NE Federation of Independent Business applauds the meaningful relief for small businesses and individuals. Small businesses are suffering from terrible inflation and a shortage of workers. The bills will make NE small employers competitive with neighboring states.

Enacted tax reforms over the past years have encouraged many Americans to move to lower tax states, Arizona, Florida, and Texas witnessing huge population booms. This tax package could make Nebraska a much more attractive destination for those seeking to flee oppressive tax and regulatory climates.

THE BAD. Gov. Pillen claims that his administration is working to lower property taxes significantly, but taxpayers have seen nothing comprehensive yet. No relief for urban property owners, who suffer mightily from skyrocketing valuation increases and subsequent property tax hikes. No reform for our outdated and confiscatory property valuation system. Skyrocketing valuation increases result in skyrocketing property taxes. Until brakes applied to property valuations, as other states have accomplished, cities, counties, natural resource districts, educational service units, etc. will continue to levy flat or slightly higher tax rates and then enjoy the huge increase in tax dollars resulting from higher valuations.

OPPONENTS. The state teacher's union and a leftist state think tank oppose most of this plan.

TAKE ACTION NOW. Request a copy of our NTF White Paper on taxation, which will explain why NE should follow other states and move from main reliance on income and property taxes to consumption taxes. Urge your state senator to pursue comprehensive tax reform like these other states. Email netaxpayers@gmail.com for state senator contact information and to join our NTF *Legislature Watch Project*.

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