

NEBRASKA TAXPAYERS FOR FREEDOM ISSUE PAPER: TRIPLE TREAT PLAN FOR STATE PROPERTY VALUATION RELIEF.

BACKGROUND. Finally, a NE governor has convened a working group to examine reforming the NE property valuation system, following years of skyrocketing residential home valuations and steep increases in ag land valuations. 2023 increases ranged between 10% and 30% in Lincoln and rose an average of 9% in Douglas County and 23% in Lancaster County. In 2023, farm and ranch land valuation rose a whopping 14% statewide. High valuations are pushing farm families off the farm and robbing farm land heirs. NE is still working with a 19th Century property valuation system, while other states have utilized a variety of strategies to alleviate their property valuation spikes. Whatever this working group determines, taxpayer-friendly state senators will introduce remedial legislation in January, 2024. Meanwhile, the working group will hold town hall meetings this fall across the state and actively seek taxpayer input.

THE WORKING GROUP. Working group members include several officials from the Governor's office, State Sens. Lou Ann Linehan, Brad von Gillern, and Mike McDonnell of Omaha, Joni Albrecht of Thurston, and Eliot Bostar of Lincoln, the League of Nebraska Municipalities, the Lincoln Chamber of Commerce, the Greater Omaha Chamber of Commerce, Nebraska State Chamber of Commerce, Nebraska Association of County Officials, Nebraska Cattlemen, Nebraska Farm Bureau, and Nebraska Realtors Association.

NTF EVALUATION. Despite 2 forms of property tax credits and limits on school district taxation, property taxes continue to grow because of spiraling valuation increases. NTF nationwide researched and examined options that would benefit all Nebraskans, rural and urban. Then we consulted with our entire membership, after scrutinizing alternatives, to decide upon a remedy. We call our solution *The Triple Treat*. We envision the property tax/valuation problem like a dandelion. One can run a lawn mower over the top of the dandelion, cutting off the stem and flower, and the yard looks good. Similarly, property tax credits ameliorate the property tax problem somewhat, but valuations and subsequent taxes continue to rise, like the dandelion root allowing the stem to grow again. Digging out the root of the problem, valuations, like the root of a dandelion, is the only means to solve our property tax crisis.



AGRICULTURE SOLUTION. Valuation of agricultural and horticultural land is a separate and distinct category, currently valued at or near 75% of actual value. The statewide average value of ag land rose from about \$750 an acre in 2000 to about \$3,300 an acre by 2014, according to the U. of Nebraska, and it continues to rise. *Triple Treat*: 1) Like Iowa and South Dakota, value NE farm land on its productivity instead of nearby market sales. Use a soil productivity index. 2) The statistics are individualized by county and are the starting point for valuing all agricultural land in the state. 3) Average value per acre = [gross revenue per acre × landowner's share] ÷ [capitalization rate]. Or, instead of using a 3-yr. average of sales to determine market value, change to a 7 yr. moving average, discounting the highest and lowest year. Less than 5% of NE ag land sold each year, so supply and demand are driving the high cost of ag land. Increase the percentage calculated to 20% of land sold. These lower valuations would prevent local taxing authorities, particularly school districts, from increasing property taxes with the same mill levy. Taxing entities that want more tax dollars then must increase the tax levy and risk angering taxpayers. An increase or decrease in valuation only in proportion to the total parcel population in the area sampled. For example, 57 parcels sold, totaling 57 x 160 = 9,120 acres of row crop property, but the county has a total of 1,050 parcels (1,050 x 160 = 168,000 acres. Thus, 9,120 divided by 168,000 equals 5.528574% times the increase assessors can use. With a 12% increase, only 12 x 05.528574 = .0065142 assessors can use to increase property valuations.

RESIDENTIAL & COMMERCIAL SOLUTION. The Nebraska Constitution states that values set for these 2 categories must appear uniform and proportional. Our constitution requires that if residential values drop, commercial values must drop also. Both now valued at between 92% and 100% of market value. Because of hot home sales, occasionally a parcel valued at over 100% of market value. Currently, under state law, county assessors are responsible for setting property valuations using accepted mass appraisal techniques. Such typically includes comparing one property to another of similar size and characteristics. It also can include examining changes to existing properties, such as an added room, a basement wall buckled, or evaluating the effect of outside influences on a property. Our urban property valuation *Triple Treat* would include implementing the following:

1. Re-calibrate residential and commercial valuation percentages from the current 92%-100% of market value to 80% or lower. This change may require a state constitutional amendment.
2. Require taxing authorities to lower their property tax levy rates to match the increase in overall county valuation increases. Example: If a county valuation rises 5% one year, the tax levy rates must decrease by 5%.
3. Cap increases in valuations according to the increases in the Midwest Urban Consumer Price Index, possibly factoring in population growth. This formula could use a 1-year calculation or multi-year calculations.

THE BENEFITS. Surrounding home valuations will not continually rise based on home sale prices in a neighborhood. Homeowners who plan to reside in their homes for many more years care little about the market value for purposes of selling their houses. They want stability. With the setting of this formula, buyers will see predictability and know if they can afford the property tax. Annual differential assessments will disappear, greatly easing the workload of county assessors. Family farms and ranches will remain whole for future generations, parcels not sold off and heirs disinherited because of confiscatory taxes.

FURTHER SUGGESTIONS. NTF will suggest the following to the Legislature for further reform.

- Eliminate the Tax Equalization Review Commission and return appeals to county Boards of Equalization.
- Revise the Homestead Exemption law to offer exemptions to all seasoned citizens over a set retirement age, regardless of income, and include disabled in this category. Applicants must have resided in their primary residence for at least 5 years.
- Require Payments in Lieu of Taxes (PILOTS) from non-profit entities.
- Implement spending limits on local property-taxing authorities (see NTF issue paper).

TAKE ACTION NOW. We strongly urge our NTF members and others to immediately begin lobbying the members of the Governor's working group and their own state senator with our *Triple Treat* property valuation reform solution. Email netaxpayers@gmail.com for working group and senator contact information and let us know what responses you receive from those you contact.

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