

**NEBRASKA TAXPAYERS FOR FREEDOM ISSUE PAPER:  
REVENUE COMMITTEE PROPERTY TAX RELIEF BILL A SHAM.**

**BACKGROUND.** Urban and rural property owners have waited eagerly through this legislative session for legislation that will offer Nebraskans comprehensive property valuation and property tax relief. Several state senators proposed excellent bills to attain such relief. NTF members diligently testified at legislative committee hearings and otherwise contacted their state senators to advance these bills. Unfortunately, as the session neared its end, our governor and allied senators cobbled together a bill that offers us no comprehensive valuation or tax relief. With no further amending or alternative legislation, Nebraskans probably will pay more in both property and sales taxes. **LB 388**, with its **Amend. 3203**, has failed Nebraska taxpayers.

**PROPERTY TAX TRICKERY.** Per the bill, beginning this summer, the cap placed on political subdivision property tax requests for residents cannot exceed the amount of property tax levied in the prior fiscal year (p.2). However, this property tax request can increase by the greater of 3% or the percentage change in the consumer price index over the last calendar year. *Notes: The cost of living fluctuates over years. In some years, the consumer price index could rise less than 3%. Also, the bill did not specifically mention the Midwest CPI, which usually is lower than in other regions. We noted that the examples of residential property taxes used by proponents excluded farm and ranch homesteads in rural areas.*

A political subdivision can choose not to increase its total property taxes levied by the full amount allowed in a specific year. Then, such taxing authority can carry forward to future budget years the amount of unused property tax levy authority, but accumulation of unused property tax levy authority cannot exceed an aggregate of 5% of the total property tax levy authority from the prior year. *Note: a local subdivision could operate frugally for a few years in order to hit that 5% mark.*



A local taxing authority also can increase its property tax levy over the amount equal to the political subdivision real estate growth percentage multiplied by a specific amount, the amount of property taxes budgeted for approved bonds, the amount of property taxes needed to respond to an emergency declared in the preceding year, the amount of unused property tax authority, the amount of property taxes budgeted to support services to handle an imminent and significant threat to public safety or public health (p. 3), or an amount equal to a 6% increase in compensation for law officers, firefighters, or prison officer

staff, if a local taxing authority declares itself understaffed. This added percentage in addition to the percentage increase in normal compensation. *Notes: In some state areas, the real estate growth is phenomenal, offering taxing authorities a tax windfall. Local subdivisions could float a large number of bonds and freely pronounce emergencies or threats to public safety or public health to neutralize the tax limit. Taxing authorities could rig understaffing numbers to bust the tax lid to provide inflationary compensation to subdivision employees.*

Also, an increase in property tax authority if approved by legal voters in an election. This item would become a ballot issue if recommended by the governing body of a political subdivision or after receipt by a county clerk or election commissioner of a petition requesting such ballot issue signed by only 5% of legal voters in that subdivision. The governing body or the petition must include the amount by which the political subdivision would increase its property tax levy over the normal amount (p. 4). The county clerk or election commissioner must place this issue on the ballot at the next regular election, all costs paid for by the political subdivision. A majority of votes cast in favor will increase the property tax levy (p. 5). *Note: Liberal- spending public officials could easily recommend ballot issues to override the tax cap. It would appear easy for high-tax groups to launch petition drives with generous outside funding and gain 5% of legal voters to sponsor a tax cap override. Ballot costs paid for by local taxpayers. Amounts held by a municipality to make sales and use tax refunds will not count toward budgeted restricted funds limitation or cash reserve limitation and are excluded from levy limitations (pp. 50-51). Note: A municipality easily could amass a too generous amount for sales and use tax refunds.*

**ADDITIONAL TAXES.** A 7.5% business tax will target advertising companies in NE whose combined gross advertising revenue exceeds \$1 billion (pp. 7-8, 19). A 100% tax levied on lottery tickets. Cigarette taxes will increase from 64c to \$1 per pack (p. 29). The State Treasurer will place the equivalent of 36c of this tax in the Education Future Fund (p. 31). The tax on hemp products will hit 100% on consumable hemp products. A 5% tax on cash amusement devices (p. 33). *Notes: This bill targets a variety of items for additional taxation instead of comprehensively extending the sales tax to all services and lowering the percentage, e.g., from 5.5% to 2%. The bill could have extended the sales tax to all items*

considered taxable by “sin taxes,” like alcohol and all gambling devices and activities. Better legislation would have gradually eliminated the many sales tax exemptions.

**SALES TAX EXPANSION.** The state sales tax will apply to the following services: cleaning and repair of clothing, pet services (pp. 19-20), excluding vet services for livestock (p. 37), and moving and storage services. A sales tax expansion to candy and natural or artificial sweeteners and flavorings (p. 40). Also targeted on soft drinks that contain natural or artificial sweeteners (p. 42). *Notes: Again, the legislation targets only a few services but exempts most others. Businesses will face higher costs, and consumers will cut back on spending, buying items across state lines, adversely impacting overall economic activity.*

**SALES TAX HIKE.** The bill raises the state sales tax from 5.5% to 6.5%. Omahans then would pay 8c per \$1 total sales tax. This new total may fluctuate, depending upon General Fund state revenues. Totals could decrease to 6.25%, 6%, 5.75%, or 5.5%, then rise again (pp. 33-34). *Notes: This system would cause mayhem with commercial businesses, which would have to constantly change their checkout machines to figure the changing tax. Consumers would have difficulty understanding if they were being charged too much sales tax.*

**TINY TAX RELIEF.** As a sop to taxpayers, the bill eliminates sales tax on electricity, propane, and natural gas for primary residences (p. 40). *Note: The bill does not offer these exemptions for solar power or wood-burning stoves. The bill does not remove the sales tax from Omaha utility sewer fees.*

**CASH RESERVE FUND.** If actual General Fund net receipts for the last fiscal year exceed estimated General Fund net receipts for that fiscal year, the state tax commissioner must certify the excess amount to the State Treasurer, who will transfer the excess amount to the Cash Reserve Fund. If actual General Fund net receipts for the last fiscal year exceed 103 ½% of estimated General Fund net receipts for the last fiscal year, the amount transferred to the Cash Reserve Fund will drop by the excess amount calculated, and this amount will transfer to the Education Future Fund (p.53-54). *Note: The Cash Reserve Fund serves as a reservoir for fiscal emergencies. Its revenue should not become earmarked for other funds.*

**SCHOOL PROPERTY TAXES.** An extremely complicated formula determines school district property tax levies. Our team could not figure out this labyrinthian formula (p.61): The school district's property tax request from the prior year shall be added to the non-property-tax revenue from the second most recent year for which such information is available from prior year minus any investment income from special building funds from the second most recent year for which such information is available, and the total will increase by the school district's base growth percentage; and (b) the amount determined under subdivision (2)(a) of this section shall then be decreased by the amount of total non-property-tax revenue for the most recent year for which such information is available and adjusted for any



known or documented errors in documentation received by the department from the school district. In determining the total non-property-tax revenue for the most recent year for which such information is available, any category of non-property-tax revenue for which there is insufficient data as of June 1 to make an accurate determination shall be deemed to be equal to the prior year's amount. *Notes: School districts will receive much more in state aid funding and still retain the ability to raise our local property taxes. School boards still could override tax lids by 70% vote for allowable taxing. This fact is why we do not hear the usual howling from public school districts about alleged insufficient funding. The increase in state foundation aid does not correct an inequity between school districts in property taxes. Foundation aid counted as a resource, which means schools that are equalized would receive an increase in foundation aid and decrease in equalization aid. All schools receive state aid, but only some schools receive equalization aid. A more equitable state aid to education solution would direct more property tax relief to school districts with the highest property tax levies.*

**ROOT CAUSE IGNORED.** The basic cause of our rural and urban property tax rate hikes is skyrocketing valuation increases. This bill does nothing to control valuation hikes, which will continue to cause property tax increases on our homes, businesses, and farms.

**SENIORS IGNORED.** There is nothing in the bill that enhances homestead exemptions. Therefore, more NE senior citizens will become unable to avail themselves of this property tax break. More elderly Nebraskans will continue to become taxed out of their homes and move to apartments or leave the state.

**TRICKERY.** To avoid rules challenges to **LB 388**, the Revenue Comm. first voted to advance the bill and then pulled it back, voting 7-1 to advance it, along with a 62-page amendment, which then became the bill. This ruse violated a legislative rule that requires an actual draft of an amendment or bill to become available before voting it out to the full Legislature for debate. Bill proponent projections, shown in their Power Point presentation, did not analyze a wide range of income groups or residences.

**OTHER STRONG OPPONENTS.** The NE Chamber of Commerce and both Omaha and Lincoln chambers, also the NE Federation of Independent Businesses, oppose the bill as adverse to commercial activities. Former governor and now Sen. Pete Ricketts criticized the bill.

**TAKE ACTION NOW.** This bill simply is a hasty ruse to convince taxpayers that our property taxes will decrease, the local subdivision budgetary gaps filled by state sales and other state revenues. Our analysis concludes that Nebraskans will pay much more in sales taxes without enjoying a bit of property tax relief. Using the above information, lobby your state senator to vote NO on **LB 388**. Email [netaxpayers@gmail.com](mailto:netaxpayers@gmail.com) for state senator contact information and join our NTF *Legislature Watch Project*.

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