

NEBRASKA TAXPAYERS FOR FREEDOM ISSUE PAPER:

NEBRASKA TAXPAYERS FOR FREEDOM ANALYSIS OF LB 34, THE SPECIAL SESSION PROPERTY TAX RELIEF PLAN: MEAGER SAVINGS.

BACKGROUND. Fearful of a tremendous statewide taxpayer backlash if legislators did nothing to curb spiraling property taxes and property valuations, state senators in the Special Session of the Legislature cooperated to cobble together a piece of legislation that they hope will mollify angry taxpayers. As with many compromises, there were both positive and negative elements pasted into **LB 34, Amendment 73**, the foundation bill. Unfortunately, the end product will not lower property taxes for many residents but also may increase their taxes

PROPERTY TAXES. This legislation supposedly will offset only 3% of property taxes statewide, however, with inflation and no stemming of property valuation spikes, most taxpayers will see little or no property tax relief. The School District Property Tax Relief Credit program is a sham. It replaces the current property tax rebate system that offers income tax credits for property taxes paid. The credits will appear as a deduction from final tax bills. The only taxpayers who will save dollars are those who failed to claim the original credits. Only \$185 million in new tax relief from the \$5.3 billion in local property taxes collected in 2023.

WORTHLESS TAX LIDS. The new lids on city and county property tax collections are worthless. The caps resemble Swiss Cheese, full of holes. A political subdivision could increase taxes in multiple ways. Local authorities could levy property taxes by this new formula: By the amount of property taxes levied the previous year, discounting the many exceptions and increased by a political subdivision property growth percentage and by the inflation rate calculated by a government expense index, State and Local Consumption Expenditures and Gross Investment, which sets inflation higher, instead of the Midwest Consumer Price Index, and factoring in new residential and commercial construction and annexed property. A political subdivision can easily avoid the cap by raising its property tax by the amount budgeted for bonds, taxes needed for law enforcement, firefighting, or response to an emergency, taxes budgeted to support services relating to an imminent and significant threat to public safety or an interlocal agreement relating to public safety, an increase in property tax approved by a majority of voters in an election, and property taxes budgeted for county attorneys and public defenders. A local taxing authority can place a tax hike issue on the ballot at the next regular or special election, if only 5% of voters in a political subdivision sign a petition. The petition must include the amount of additional property tax requested. If a majority of voters in the election vote in favor of increasing the property tax, the political subdivision will do so. A political subdivision may choose not to increase its total property taxes levied by the full amount of the property tax request authority allowed in a particular year. In such cases, a political subdivision may carry forward to future budget years the amount of unused property tax request authority, but accumulation of this tax request authority cannot exceed 5% of the total property tax request authority from the prior year.



PUBLIC EDUCATION. The purpose of the School District Property Tax Relief Act is to provide relief for property taxes levied by school districts. The property tax relief will appear to owners of property in the form of a property tax credit on property tax statements. The State Treasurer will transfer \$750 million from the General Fund to the School District Property Tax Relief Credit Fund in FY 2024-2025, \$780 million to this fund in FY 2025-2026, and \$808 million in FY 2026-2027. \$838 million will transfer to the fund in FY 2027-2028, \$870 million in FY 2028-2029, and \$902 million in FY 2029-2030. The amount transferred in FY 2030-2031 and each fiscal year thereafter will equal the total amount transferred in the preceding fiscal year increased by 3%. Property tax credits granted under the act will become credited against the amount of property taxes owed to school districts. To determine the amount of the property tax credit for each property, the county treasurer will multiply the amount disbursed to the county by the ratio of the school district taxes levied in the prior year on the property to the school district taxes levied in the prior year on all real property in the county. The amount determined will set the property tax credit for that property. If a property owner qualifies for a homestead exemption, the owner also will qualify for the property tax credit provided to the extent of any remaining liability after calculation of the homestead exemption. If actual General Fund net receipts for the most recent fiscal year exceed estimated General Fund net receipts for such fiscal year, the Tax Commissioner must certify the excess amount to the State Treasurer. The State Treasurer then will transfer the excess amount to the Cash Reserve Fund. If actual General

Fund net receipts for the most recent fiscal year exceed 103% of actual General Fund net receipts for the previous fiscal year, the transfer will proceed as follows: The amount transferred to the Cash Reserve Fund will decrease by the excess amount calculated under the new legislation. Such excess amount will transfer to the School District Property Tax Relief Credit Fund. However, excluded from this tax limitation are school bonds and levy overrides.

POSITIVE EFFECTS. The Nebraska Auditor of Public Accounts estimates that it can cover its responsibilities under this bill with current staffing levels. The State Treasurer's Office does not expect a fiscal impact from **LB 34**. The Douglas County administration believes that increased costs beyond the budget growth allowance provisions likely will mean terminating non-mandated services, services that our taxpayer group have suggested ending. County officials can whine about property tax lids, but of all 99 NE counties, over 18 counties had spending growth last year of 0.25% or less and 48 counties had spending growth of 0.5% or less. Many provisions of **LB 34** will take effect Oct. 1.



OPPONENTS. Though this legislation offers meager or no tax savings, the NE Association of County Officials, state teacher's union, and leftist Open Sky Policy Institute opposed the bill.

CONCLUSION. To pay for the measures in **LB 34**, senators approved LBs 2 and 3. LB 2 included \$117 million in budget cuts, and LB 3 included \$22 million in cash fund transfers and increased fees. Another \$46 million came from state cash reserves. A combination of budget reductions, lapsed or unexpended funds, and interest earnings provided a total of \$750 million. Projected economic growth was also a factor sponsors considered. **LB 34** passed 40-3.

TAKE ACTION NOW. Even though this bill offered thin gruel for property owners, taxpayers should thank several fiscally conservative state senators for attempting to push through credible property tax relief. Their valiant efforts, however, hampered by Socialist Democrat state senators and haranguing lobbyists who aggressively pestered state senators to not alleviate our property tax burden. Therefore, the legislature will not debate additional tax relief until the 2025 legislative session. Expect a flurry of school district and other taxing authority bonds and levy overrides championed by leftist high-tax groups. We strongly urge NTF members to use our White Paper on property valuation and tax relief to lobby their state senators now, to let them know that taxpayers still insist on comprehensive property tax reform and relief. Email netaxpayers@gmail.com for state senator contact information and to join our *Legislature Watch Project*.

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