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NEBRASKA TAXPAYERS FOR FREEDOM **ISSUE PAPER:**

IF IOWA CAN LOWER PROPERTY TAXES, WHY CAN'T NEBRASKA?

BACKGROUND. In 2025, Common Sense Institute (CSI) conducted research to determine if Iowans paid disproportionately high local taxes compared to other states. Its analysis determined that Iowa suffered the 11th highest property tax burden in the nation relative to statewide personal income and the 19th highest overall local tax burden if including all local taxes. It found that without reform, Iowa indefinitely would remain one of the most burdened states for property taxes and total local tax. Prior to reform, Iowa reached its worst rank in CSI's 50-state local property tax burden ranking as far back as 1998. The Iowa Legislature during its 2026 session passed a comprehensive property valuation/tax relief bill. 2026 Iowa legislation constitutes the largest tax reform overhaul in the state since the late 1970s. CSI projects property tax reforms will lower the Iowa local tax burden rank from 20th in the nation in FY 2023 to 29th by FY 2033. Projections state that Iowa homeowners will save $4.2 billion over 6 yrs. It changes the local property tax framework with new homestead exemptions, property tax growth limitations, and tighter regulations on Tax Increment Financing (TIF). Senate File 2472 improved almost every major component of the property tax system, including levy limits, assessment classifications, school funding, urban renewal, and local government budgeting practices. With its provisions phased in over several years, the bill represents a clear policy shift toward limiting property tax growth based on prior-year collections, reducing long-term reliance on specific local financing tools such as bond use, and improving taxpayer transparency in assessment through clearer notices and data access. Because SF 2472 pairs immediate relief with permanent limits on future tax growth, CSI projects that Iowa will remain one of the least burdened local tax states indefinitely.[1]

HOMESTEAD EXEMPTION REVISION. The law changes the previous fixed-value homestead tax credit to a homestead exemption equal to 10% of a property taxable value on owner-occupied homes. The exemption ranges from a minimum of $5,500 to a maximum of $20,000 in the first assessment year, the maximum lid set to increase annually with inflation. Enhanced provisions preserved for specific disabled veterans and surviving spouses, also senior citizens. To offset lost revenue, the state will provide temporary replacement payments to local governments, phased down and fully repealed by July 1, 2030. For most property owners, the exemption expected to reduce property taxes. Homeowners will receive direct reductions in taxable value that outweigh the value of the credit. The previous credit was equal to the property taxes paid on $4,850 of a homestead value. Therefore, the tax benefit to a homeowner is greater under the new bill.

LOCAL SUBDIVISION REVENUE CAPS. The legislation limits annual property tax collection growth for cities and counties to 2%, also ag land. A 4% cap on county hospital levies. City and county exemptions include most debt service, specific employee benefits, school foundation levies, city liability insurance, community colleges, law enforcement, courts, jails, election costs, and growth from new construction. SF 2472 fundamentally reshapes limits on county and city property tax levies. The legislation transitions away from reliance on rising valuations and toward limits based on prior-year property tax dollars collected. Beginning with budgets for fiscal years starting on or after July 1, 2027, general levy growth capped using a formula tied to:

- 102% of the prior year actual property tax dollars, divided by
- Current taxable value, excluding "new valuation" (new construction, improvements, annexation, etc.).

In later years (generally beginning July 1, 2030), those levies then capped at the lesser of:

- The formula-based rate, or
- A fixed statutory maximum rate per $1,000 of assessed value ($3.50 for county general services, $3.95 for county rural services, and $8.10 for cities).

This framework limits the ability of counties and cities to generate additional revenue simply because property values increase. Growth largely constrained to approximately 2% per year unless driven by new development or boundary changes, forcing tighter long-term budget discipline. Localities must become creative in new ways to save revenue or share services with other jurisdictions. The bill creates a new code section imposing a statewide limitation on most "rate-limited" property tax levies beginning in FY 2027. If a levy limited by statute to a specific rate per $1,000 of

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[1] Common Sense Institute, Iowa's Largest Property Tax Reform in Decades Changes the U.S. Tax Burden Map, undated.

assessed value and not expressly excluded, it is also capped at a rate derived from 102% of the prior year actual property tax dollars, adjusted for current taxable value. Importantly, utility taxes also included in the calculation as part of total property tax collected in a jurisdiction. The legislation restricts the use of debt service funds to operating expenses. Creates a new restricted fund account for funds budgeted for specific infrastructure uses.[2] Cities, counties, and school districts no longer can maintain ending fund balances exceeding 35% of their expenditures to ensure that excess tax collections not stockpiled. Reduces the local property tax burden for residents by transferring a portion of public school district costs from local governments to the state. The bill will lower the state $5.40 uniform levy set for school foundation property taxes to $4.90, using state funding. The legislation expected to cut local government revenues by $1.5 billion through 2031.

BOND ISSUES. Beginning July 1, 2026, local governments no longer may issue bonds or other indebtedness payable from property taxes to fund general operations, including salaries and benefits. Capital expenditures still permissible for use of such funds. The change eliminates a financing tool sometimes used to fill operating budgets during tight years or avoid lids and reinforces the legislature emphasis on funding ongoing expenses with recurring revenues instead of debt.

TIFS. Tax increment financing (TIF) is a popular tool among Iowa cities and counties for funding private economic development. Iowa has more TIF districts than any other state. In 1994, new districts created for economic development (besides "slum" or "blight" improvements) then capped at 20 years; others in existence prior to that date could continue in perpetuity. The bill curtails long-term TIF use, limits diversion of school funding, and requires municipalities to re-evaluate existing and future urban renewal projects. Cities may become more hesitant to utilize TIF given the potential future impact on their levy rate when money that had become allocated to an urban renewal area suddenly released back to the city general fund.

MULTI-RESIDENTIAL. Phased in over the next 2 years, multi-residential property will become assessed at an additional 6% over 3 yrs. above the residential single-unit rate, likely leading to higher property tax bills for multi-residential property owners.

PROPERTY VALUATION REFORM. New assessment transparency requirements, including mandatory explanations when residential property values increase by 10% or more. Shifts in the burden of proof in specific valuation appeals where large increases occur without physical changes. Exclusion of abnormal transactions (such as sale-leasebacks and related-party sales) from the equalization process. These changes provide additional information and leverage for taxpayers challenging assessments while giving assessors clearer statutory guidance on valuation methods.[3]

TRANSPARENCY. Another major focus of these property tax reform efforts is improved transparency and accountability through direct notification. This objective requires local governments to send property tax statements that explain proposed budgets, estimated tax increases, and details about public hearings. The legislature now requires redesign of these notices using a clearer format developed by the Iowa League of Cities.

COUNTY ASSESSORS. County assessors now will bear the burden of proof when property assessments increase by 10% or more, requiring them to justify those increases against taxpayer protests. The Dept. of Management also must maintain a website with parcel-level taxation data for residents.[4]

CONCLUSION. The Iowa law marked a meaningful step toward slowing long-term property tax increases. Though the cap is significant, several exemptions and uncapped levies remain, meaning continued vigilance needed as local governments may seek to circumvent the limits. Local governments will exploit available loopholes and continue searching for new ways to fund their tax-and-spend habits. Without firm, across-the-board limits, the ability for government to expand spending and increase tax collections will not disappear. Continued vigilance essential.

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[2] IA DEPT OF REVENUE. Division 20 of 2026 Iowa Acts, SF2472, undated.
[3] Tim Reilly, Brown Winick Law Firm, 2026 Property Tax Reform: The Bill's Most Significant Changes, May 13, 2026.
[4] Iowans for Tax Relief, New Law Puts Limits on Property Tax Levies in Iowa, May 4, 2026.

Protecting taxpayers in the future will require building on these reforms, closing remaining loopholes, and ensuring that the growth of government never outpaces the ability of families and businesses to pay for it.

TAKE ACTION NOW. Because NE property owners face the same property valuation/tax crisis as Iowa property owners, SF2472 would provide a realistic road map for NE tax reform and relief. Although all the details and provisions of the Iowa bill would not match our current tax structure, the overall elements of reform would appear to work in our state, as the Iowa legislature already has considered all aspects of the intent and probable result of its legislation. Using the information above, lobby your state senator to consider adopting this legislation in our Unicameral, offering suffering NE homeowners, business owners, farmers, and ranchers the property valuation and tax relief that we sorely need and deserve. Email **netaxpayers@gmail.com** for state senator contact information and join our NTF *Legislature Watch Project.*