

NACO Legislative Report



July 26, 2024

Special Session on Property Taxes Convenes

On Thursday, the Legislature convened in special session at the [call](#) of Governor Jim Pillen to consider property tax relief proposals. The call lists 16 areas for consideration, including establishing revenue caps that limit the authority of county and city governments to collect property tax revenue. This concept was introduced as [LB1](#).

Thirty-five bills and six proposed constitutional amendments were [introduced](#) during the first two days of the session. Bill introductions will conclude on the third day of the [session](#), Monday, July 29. The Legislature was initially scheduled to meet for Day 3 on Saturday but it was pushed back to give the bill drafting office more time to work on the bill requests that have been submitted. It has been reported that well over 80 drafts have been requested for introduction during the special session.

On Friday, Senator Justin Wayne offered a motion to adjourn the session sine die. After a short speech by Speaker John Arch urging the Legislature to exercise “tremendous political will” to address property tax reform, the motion failed 4-34.

The Legislature will reconvene on Monday, July 29 at 9:00 a.m. and committee [hearings](#) will begin at 9:30. In order to allow all of remaining bills to be introduced, the session will remain open during the hearings on Monday. For the rest of the week, the Legislature is expected to check in at 9:00 and adjourn shortly thereafter for hearings.

Governor Pillen's Proposal to Cap Counties

Increases in county property tax requests would be capped at zero or the percentage change in the Consumer Price Index in the previous year under [LB1](#), the main bill in Governor Pillen’s property tax relief proposal. Exceptions would be available for local or state emergencies, growth, new services related to public health or safety threats, and increased compensation to fill unstaffed law enforcement positions. Counties could increase their property tax request authority if approved by a majority of voters at the next regularly scheduled election.

The bill would remove 113 sales tax exemptions and create new taxes and rates on services. The existing property tax credit program would be revised to offer additional credits for school taxes paid. Schools would retain their authority to levy taxes.

The public hearing on LB1 has not been scheduled but is expected next week, as early as Tuesday. Because the bill was referred to the Government, Military and Veterans Affairs Committee, Revenue Committee Chair Lou Ann Linehan filed a motion to re-refer LB1 to the Revenue Committee.

Bill Introductions

Following are some of the bills that have been introduced during the first two days of the special session.

Tax and Valuation Caps

A proposed constitutional amendment would limit the maximum amount real estate taxes can increase to 1.5 percent of the assessed valuation for 2025, with exceptions for persons who are over age 55, severely disabled, or victims of natural disasters. If passed by the Legislature, [LR6CA](#) would appear on the November 2024 general election ballot.

[LB34](#) would freeze assessed valuations at the rate set on January 1, 2025, plus or minus the cost of any improvements made, removed, or destroyed since that date. A similar calculation would be made for property valued on January 1, 2027 and 2028.

Nameplate Capacity

[LB35](#) would authorize the Department of Revenue to annually increase the nameplate capacity tax rate per megawatt. The adjustment would be made each year to reflect the CPI.

State Agency Funding and Cash Sweeps

[LB2](#) and [LB3](#) would change the funding structure for some state agencies and programs by shifting from state General Funds to cash funds or other sources. LB3 authorizes some state agencies to increase fees for additional revenue.

Unfunded Mandates

[LR1CA](#) would require the Legislature to fully reimburse political subdivisions for the costs of programs or increased levels of service imposed by the state.

School Taxes

[LB9](#) reduces maximum levies for schools from \$1.05 to 25 cents over a period of 10 years. Because the amount of property taxes collected would decrease, counties would lose the commission earned for their work in the assessment and collection process.

[LB12](#) would provide \$560 million in property tax credits for school taxes paid. The credit would appear on property tax statements. The program would be in addition to those already qualifying under the existing homestead exemption program.

LB9 and LB12 appear on the Revenue Committee's hearing schedule on Monday.

Homestead Exemptions

[LB22](#) would exempt the first \$100,000 of actual value of all homesteads. The program would be in addition to the existing homestead exemption program.

[LB30](#) would create a homestead exemption for veterans based upon their level of disability. The bill is identical to [LB126](#) that was introduced in 2023.

[LB27](#) would enact a property tax circuit breaker in the form of a refundable income tax credit for qualifying owners of agricultural and residential property. The maximum credit would be \$1,200 per year.

Owner-Occupied Housing and Renters

[LR2CA](#) would allow the Legislature to create a separate class of property for owner-occupied housing. [LB14](#) and [LB20](#) would provide a refundable income tax credit to renters. LB14 appears on the Revenue Committee's

hearing schedule for Monday.

Consumption Tax

[LB16](#) would repeal property taxes, inheritance taxes, motor vehicle taxes and sales taxes and replace them with a consumption tax. [LR4CA](#) would impose a state consumption tax on new goods and services except groceries purchased for off-premises consumption. The Legislature could authorize political subdivisions to impose consumption taxes. [LR5CA](#) would prohibit governmental entities from imposing taxes other than retail consumption taxes or excise taxes.

Public Safety

[LB28](#) would exclude restricted funds budgeted for public safety from the calculation of the base limit for budgets

Hearing Schedule

The Revenue Committee has scheduled seven bills for hearings beginning at 9:30 a.m. on Monday, July 29. The committee will break from 1:00-1:30, then continue until 6:00 p.m. The Committee will complete the hearing for the bill that is before them at that time, then place any remaining bills at the top of the agenda for the next day.

[LB7](#) (Blood) Change provisions relating to individual income tax rates

[LB8](#) (Blood) Provide for a luxury tax on certain purchases

[LB9](#) (Hughes) Change, add, and eliminate certain calculations and provisions under the Tax Equity and Educational Opportunities Support Act, state intent regarding transfers to the Education Future Fund, and change provisions relating to property tax levies for school districts

[LB10](#) (Raybould) Change provisions relating to individual and corporate income tax rates

[LB11](#) (Cavanaugh, M.) Change the cigarette tax and provide for distribution of tax proceeds

[LB12](#) (Day) Adopt the School District Property Tax Relief Act and change the Nebraska Property Tax Incentive Act

[LB14](#) (Bostar) Provide an income tax credit for renters

[Manage](#) your preferences | [Opt Out](#) using TrueRemove™

Got this as a forward? [Sign up](#) to receive our future emails.

View this email [online](#).

1335 H Street None | Lincoln, NE 68508 US

This email was sent to .

To continue receiving our emails, add us to your address book.

[Subscribe](#) to our email list.