

NACO Legislative Report



May 2, 2025

Inheritance Tax Bill Advances with Replacement Revenue

Inheritance tax collections would be reduced by \$34 million and replaced by a similar amount of reallocations, transfers and fee increases under [LB468](#) that advanced from the first round of debate on Tuesday.

As [advanced](#), the bill would increase exemptions and decrease inheritance tax rates for Class II (niece and nephews, uncles and aunts) and Class II (unrelated) beneficiaries. To offset the losses, counties would receive a greater share of insurance premium taxes, carline taxes, and documentary stamp taxes. Nameplate capacity taxes and fees collected by counties would increase. Counties would receive higher commissions for motor vehicle tax collections and a portion of the state's securities tax. The full list of replacement revenue proposed in LB468 as advanced is available [here](#).

Senator Eliot Bostar offered amendments to phase out inheritance taxes over 10 years ([AM1069](#)) and to allow counties to implement local sales taxes to offset a full repeal of inheritance taxes in 2027 ([AM1137](#)). NACO's calculations showed that more than 75 counties would lose revenue under the sales tax amendment.

Senator Jane Raybould offered [FA152](#) to lessen the inheritance tax rate reductions proposed for extended family members and unrelated beneficiaries so that counties would have more revenue in case of new unfunded mandates or the cessation of state payments in the "pay-for" sections of LB468. All of these amendments failed and the bill advanced from General File on a 27-10 vote.

During debate, numerous senators spoke in opposition to the concept of inheritance taxes while recognizing the need for other revenue sources for counties. Former county board members who are now serving in the Legislature – Senators Myron Dorn, Glen Meyer, Jane Raybould, and Tanya Storer – shared examples of the uses of inheritance taxes by counties in their districts and explained the process for accounting for a revenue stream that can vary annually.

Opposition was directed toward sections of the bill that would increase nameplate capacity taxes, eliminate sales tax exemptions for data centers, eliminate documentary stamp tax funding for the state's Site and Development Fund, and eliminate the modernization tier of the ImagiNE Nebraska tax incentive act. Senator Rob Clements, who introduced and prioritized LB468, is considering removing some or all of these sections from the bill. If replacement revenue is reduced, Senator Clements has agreed to make corresponding adjustments to inheritance tax rates for extended family and unrelated beneficiaries to make up the difference. As advanced, LB468 is expected to reduce and replace about 35 percent of inheritance tax collections. The remaining 65 percent of inheritance tax collections would be unaffected.

LB468 was introduced after efforts to repeal inheritance taxes failed last year, thanks to the efforts of county officials. Senator Clements worked in good faith with NACO and county officials over the summer to develop

potential sources of adequate and sustainable replacement revenue.

Many thanks to all county officials who contacted their senators to explain the need for replacement revenue for inheritance taxes. Your efforts made the difference in stopping the outright repeal of nearly \$100 million of county revenues that would otherwise be shifted to property taxes.

LB468 is not expected to appear on the Legislature’s agenda again until after the first round of budget debate next week.

State Budget Debate Scheduled

The Appropriations Committee’s FY2025-26 and FY2026-27 budget was officially sent to the full Legislature on April 29, the 70th day of the session. Debate will begin on [LB261](#), the mainline appropriations bill, on Tuesday, followed by [LB264](#), a bill to transfer money to the state’s general funds. [LB260](#), [LB262](#), and [LB263](#) would make adjustments to the current year’s appropriations and appropriate money for salaries of senators and constitutional officers in the coming biennium. The Appropriations Committee’s proposed biennial budget is available [here](#). Governor Pillen’s proposed budget is available [here](#).

Last week the Nebraska Economic Forecasting Advisory Board revised its earlier projections, leaving senators with a nearly \$400 million budget shortfall. Bills were passed this week to generate about \$133 million over the next two years by paring back incentives ([LB650](#)) and lowering state contributions to the teachers’ retirement system ([LB645](#)).

Property Tax Cleanup Advanced from First Round

A bill to make technical and substantive changes to the special session’s property tax caps was adopted as part of a committee amendment to [LB647](#) and advanced from General File. Language from [LB242](#) would revise unused restricted funds authority to allow conversion from the current lid to the new cap. It would identify the specific inflationary measure and the reporting period used to calculate growth under the new cap. It would strike a requirement for special elections to increase property tax authority to be held on the first Tuesday after the second Monday in May of odd numbered years. Other provisions would harmonize growth definitions used to determine caps and requirements to appear at the pink postcard joint public hearing. It would give counties a one percent collection fee for distributing school property tax credits.

Four other bills were part of the committee amendment. Language from [LB628](#) would create the Recreational Trail Easement Property Tax Exemption Act. Property owners who agree to encumber their property with a perpetual recreational trail easement would be eligible for an annual property tax exemption equal to 10 cents for each square foot of the encumbered property. To qualify, the easement would need to provide public access and connect to existing or planned regional trails or significant local attractions such as parks, waterways, cultural sites, or residential areas. Property owners would submit an application to the county assessor on or before December 31 of the year in which the exemption would begin. The application would need to include proof of the recorded easement and certification from the holder of the easement confirming compliance. The assessor would deny or approve the application within 30 days.

Provisions from [LB709](#) would create a refundable income tax credit equal to 10 percent of the federal adoption expense tax credit. Language from [LB401](#) would specify details that must be included with income and sales tax deficiency notices from the Tax Commissioner.

Provisions from [LB131](#) were divided from the rest of the committee amendment on the floor for separate debate and adoption. The divided language would allow dollars from college savings plans to be used for grade school and high school tuition.

A separate amendment based on [LB566](#) was adopted to extend a sunset date on an income tax credit for homes purchased in extremely blighted areas.

Bills Advanced from General File

[LB166](#) would require county treasurers to withhold residential addresses of law enforcement officers and judges from disclosure in their records in the same manner as county assessors and registers of deeds. Under existing law, law enforcement officers, certain members of the National Guard, and judges can submit an [application](#) to the county assessor in their county of residence to have their residential address withheld from disclosure for five years. Assessors share this information with their register of deeds and, under LB166, would also share the application with their county treasurer. A Government, Military and Veterans Affairs Committee amendment would add concepts from [LB334](#) to prevent the Secretary of State from disclosing judges' information when they file for retention.

[LB521](#) is the Secretary of State's annual election cleanup bill that includes ideas suggested by county clerks and election commissioners. It clarifies the timing of special elections, deadlines, signature requirements, and other issues. A Government Committee amendment would allow watchers to be appointed by each political party to observe the testing of vote counting machines prior to elections ([LB659](#)). The dates for city elections in Lincoln and Omaha could be changed to align with statewide primary and general elections ([LB19](#)). Foster care review board meetings would be exempt from open meetings laws due to the confidential nature of their cases ([LB238](#)). Requirements for public bodies to post meeting notices on a statewide website would be given flexibility if the website is unavailable ([LB243](#)).

[LB640](#) would clarify the process used to calculate good time when a person is sentenced to consecutive terms. Good time accrues on a basis of one day of credit for one day served after an inmate serves the first 15 days of their sentence. The bill was introduced in response a 2024 Nebraska Supreme Court decision, [Mullins v. Box Butte County](#), which held that the good time calculation applied to each sentence separately when serving consecutive sentences. LB640 would aggregate the sentences so that the 15-day threshold would only be met once. For example, for an inmate serving two 15-day sentences, the aggregate of the sentence would be 30 days. The inmate would serve only one 15-day period before the good time calculation begins. If there are no disciplinary violations, the period of confinement would be 22.5 days.

[LB311](#) would clarify that federal law preempting local government regulations over broadband are applicable in Nebraska. A Transportation and Telecommunications Committee amendment rewrote the bill and includes four other bills on broadband ([LB666](#)), local exchange carriers ([LB4](#)), and common carriers ([LB227](#), [LB347](#)).

[LB50](#) would change the distribution of [nameplate capacity taxes](#) to reflect reduced community college levy authority. Nameplate capacity taxes replace personal property taxes on renewable energy systems and are based upon a statutory rate per kilowatt hour. They are collected by the state and sent to counties for distribution to taxing entities based on the proportion of their levy to the total levied in the county. When community college funding was transferred to the state in 2023, their levy authority was reduced from 11.25 cents to up to 2 cents which resulted in their share of nameplate capacity taxes being shifted to counties and other taxing entities. LB50 would distribute 5 percent of nameplate capacity taxes to the community college area where the renewable energy facility is located. The change would generate about \$500,000 for community colleges.

[LB530](#), as advanced with components from other bills heard by the Judiciary Committee, would increase penalties for certain offenses and address juvenile justice matters. The bill advanced from the first round with agreements to continue negotiations about controversial parts of the package, including lowering the age at which youth can be detained from 13 to 11.

[LB120](#) would allow the release of drivers' license photos to the Nebraska State Patrol for posting on their missing persons clearinghouse. The State Patrol would develop protocols to protect the images and remove them within three business days after the individual is located.

[LB316](#) would revise the Nebraska Hemp Farming Act to set a limit on the amount of THC that can be contained in products classified as hemp. A Judiciary Committee amendment was adopted to impose an excise tax with proceeds going to the Property Tax Credit Cash Fund. The bill was debated for eight hours on Monday before a cloture vote was taken to end debate.

Bills Advanced from Select File

[LB561](#) would authorize the issuance of continuous overweight permits to carry raw milk from dairy farms to processing facilities. The Department of Transportation would create and annually update a map of bridges that could not be used by overweight raw-milk vehicles. Drivers would be required to carry a physical or digital copy of the map. Vehicle owners would be liable for costs of repairing any damage caused to prohibited bridges. Overweight raw-milk vehicles could not exceed 107,500 pounds and axle weights could not exceed federal limits.

[LB399](#) would reduce population thresholds to allow unused funds to be distributed to more rural and suburban fire districts through the [Mutual Finance Assistance Act](#). Currently 80 percent of the assumed population of the mutual finance organization must be located outside of cities of the first class, primary class and metropolitan class. LB399 would change the threshold to 60 percent. Funding for the program is generated through insurance premium taxes and unused funds are placed in the state’s general fund.

[LB419](#) would modernize outdated language relating to eligibility for admission to veterans’ homes.

[LB288](#) would add grid resiliency to the types of improvements that can be funded through Property Assessed Clean Energy (PACE) projects in clean energy assessment districts created by cities and counties. It would add the lack of affordable housing as a consideration for eligibility for tax increment financing (TIF) projects and revise the distribution of grant funds ([LB626](#)).

Tax Sale Bill Passes

A bill to clarify procedures for sales of delinquent taxes and allow land banks to seek tax deeds or pursue foreclosure earlier was passed by the Legislature on Wednesday. [LB650](#) was introduced to help reduce the state’s budget shortfall by \$50 million by reducing income tax credits and removing sales tax exemptions for relocation incentives, film production, shortline railroads, biodiesel, and other programs.

Other bills, including the tax sale language from [LB458](#), were amended into LB650. As passed, it would also reduce sales tax commissions retained by counties and retailers and remove community colleges from the pink postcard joint public hearing process ([LB495](#)). Other sections would change the definition of disabled veteran pertaining to motor vehicle and mobile home taxes to align with the more expansive definition used in federal law ([LB547](#)).

The Legislature also passed bills to revise contribution rates to the school retirement system ([LB65](#)) and merge two state agencies – the Department of Natural Resources and the Department of Environment and Energy – into the Department of Water, Energy and Environment ([LB317](#)).

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