

NACO Legislative Report



May 16, 2025

Inheritance Tax Changes Debated

[LB468](#), a bill to reduce inheritance taxes and provide replacement revenue, failed to garner enough votes to invoke cloture and will likely not be debated again this year.

On Tuesday, the Legislature debated LB468 for four hours on Select File, the second round of debate. An [amendment](#) was adopted to reduce the fiscal impact from \$34 million to \$22 million. Other amendments were offered but not debated that would have phased out inheritance taxes over [20](#) years and [50](#) years without replacement revenue. A successful cloture vote would have ended debate and forced a vote on advancement of the bill to Final Reading. At [31-11](#), the cloture motion fell two votes short of the necessary 33 votes and debate ended without a vote on advancement.

As introduced, LB468 proposed reducing inheritance taxes paid to counties through reductions in inheritance tax rates and increased exemptions for beneficiaries. The reduction would have been offset by a combination of reallocations, fee increases, and state appropriations. Senator Rob Clements worked with NACO last summer to analyze potential sources of replacement revenue and several ideas were part of the bill. Despite the setback to LB468, he intends to continue to pursue avenues to reduce or eliminate inheritance taxes and provide replacement revenue. He has introduced an interim study, [LR254](#), to examine potential adjustments to the collection of motor vehicle tax, motor vehicle tax distribution schemes, motor vehicle fees, and other revenue sources as replacement revenue for inheritance taxes.

Both proponents and opponents of LB468 spoke about counties' uses of inheritance taxes for emergencies, planned expenditures, and reserves. They praised the work of Senator Clements, NACO, and county officials in examining inheritance taxes and finding replacement revenues. They noted that spouses have unlimited marital deductions and proper estate planning can mitigate many of the effects of inheritance taxes. Others discussed the unfunded mandates and property tax caps that the state has placed on counties.

Opponents acknowledged the need to provide replacement revenue to keep property taxes down if inheritance taxes are eliminated. They focused on the policy of replacing a progressive inheritance tax that affects a few taxpayers with increased regressive fees on everyday activities like marriage licenses and out-of-state motor vehicle inspections. Some argued that fee increases in excess of the actual cost of doing business should not be considered as replacement revenue for inheritance taxes. Others questioned the actual fiscal impact of eliminating a sales tax exemption for data centers and whether increased nameplate capacity taxes would discourage development of renewable energy.

[LR13CA](#), a proposed constitutional amendment to prohibit counties and the state from imposing inheritance taxes, remains on General File. Although LR13CA did not receive a priority designation this year, it will carry

over to the 2026 session with the same status.

Thank you to all county officials who contacted their senators on LB468.

Legislature Passes \$11.1 Billion Budget

This week the Legislature advanced from Select File and later passed the state's \$11.1 billion FY2025-26 and FY2026-27 biennial budget. The budget makes cuts, sweeps agency cash funds and transfers \$147 million from the state's cash reserves to cover a shortfall that at one point was \$432 million. Governor Pillen has until Wednesday, May 21 to sign, veto, or line item-veto the budget proposals. Thirty votes are required to override a veto.

When the Legislature reconvenes on Monday, they will begin debate on [LB170](#), a proposal to eliminate sales tax exemptions on more than a dozen services, increase the tax on cigarettes and vaping products, and impose a sales tax on soft drinks. On Tuesday, the Legislature will debate [LB677](#), a bill to legalize and regulate medical marijuana, and [LB150](#), a sentencing reform bill. A Judiciary Committee amendment to LB150 contains provisions from [LB386](#), a bill to address the shortage of mental health professionals by allowing videoconferencing for emergency protective custody hearings and creating a pilot program to expand access to mental health care in jails.

Ten legislative days remain in the [2025 session](#). Bills that are not passed or indefinitely postponed will carry over to the 2026 session.

DHHS Office Space Shift Advanced From First Round

After June 30, 2028, counties would no longer have to provide office space for the Department of Health and Human Services under a bill advanced from General File this week. [LB376](#), which was introduced to clean up reporting requirements for the Department of Health and Human Services, also includes provisions to eliminate the requirement for counties to provide "office and service facilities used for the administration of the public assistance programs as such facilities existed on April 1, 1983." Neb. Rev. Stat. § [68-130](#). The requirement was enacted more than 40 years ago when the administration of Medicaid was transferred from counties to the state. Another bill, [LB516](#), that would repeal the requirement sooner, was introduced by Senator Dan Quick and remains in committee.

License Plate, Boards Consolidation Bills Advanced

The Legislature advanced two lengthy cleanup bills from the second round of debate this week.

[LB398](#) was introduced as the annual cleanup bill for the Department of Motor Vehicles (DMV) and the Nebraska State Patrol. It was amended to create Arbor Day ([LB568](#)), Space Force servicemember, Inherent Resolve Campaign Medal recipient ([LB134](#)), and other license plates. Fees for specialty and organizational license plates would be harmonized ([LB343](#)) and fees for organizational plates would be reduced from \$70 to \$40. Commercial fertilizer trailers would be issued permanent plates ([LB563](#)) and driver record abstract fees would be increased ([LB114](#)).

The bill had been advanced to Final Reading in late April but was returned to Select File for an amendment this week to increase fees for drivers records requests from \$4.50 to \$12.00 until 2029, then return the fee to \$4.50. Senators debated whether the fee increases were appropriate in light of the budget's sweep of some DMV cash funds. The amendment was adopted and the bill was again advanced from Select File.

[LB346](#) was introduced by Speaker Arch at the request of Governor Pillen to terminate or reassign more than 40 state boards, commissions, committees and councils. Some were later removed or amended due to other bills being passed. The proposed changes include terminating the Board of Examiners for County Highway and City Street Superintendents and placing the duty for oversight with the Board of Public Roads Classifications and

Standards. The State Emergency Response Commission would be terminated and duties transferred to the Nebraska Emergency Management Agency. The Rural Broadband Task Force would be terminated on July 1, 2026.

Bills Passed By The Legislature

The Legislature passed more than 40 bills on Wednesday and Thursday.

[LB166](#) would require county treasurers to withhold residential addresses of law enforcement officers and judges from disclosure in their records. 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 application with their register of deeds and, under LB166, would also share the application with their county treasurer. The Secretary of State would be prohibited from disclosing judges' information when they file for retention.

[LB133](#) would clarify the authority of county, city or village animal control officers to perform certain law enforcement functions. Recent cases have called into question the authority of these officers who are not certified law enforcement officers, to obtain search warrants for animal welfare offenses. The bill would allow animal control officers or law enforcement officers who have reason to believe that an animal has been abandoned or is being cruelly mistreated to seek a warrant authorizing entry by a law enforcement officer or an animal control officer who is accompanied by a law enforcement officer. Either officer could investigate animal violations and issue citations.

[LB78](#) would increase the documentary stamp tax by seven cents with the funds earmarked for the Domestic Violence and Sex Trafficking Survivor Housing Assistance Fund. The new fund would be managed by the Department of Health and Human Services and used to promote housing stability. Currently counties collect \$2.25 per \$1,000 of value on deeds and other transfers and retain 50 cents of the total; LB78 would increase the total rate to \$2.32 with no adjustments to the county share. Several other bills were introduced to increase or reallocate documentary stamp taxes but none have been adopted ([LB328](#), [LB468](#), [LB583](#), [LB622](#)). An interim study, [LR201](#), has been introduced to examine the rates, revenue and uses of documentary stamp taxes this summer.

[LB311](#) would clarify that federal law preempting local government regulations over broadband are applicable in Nebraska. Local governments would be prohibited from setting conditions for internet services including rates, services, or service contract terms. These provisions would take effect immediately. Other provisions with a later effective date would allow broadband funding to be directed to new competitive providers in certain service areas ([LB666](#)), require broadband and communications infrastructure to be subject to One-Call requirements ([LB191](#)), and allow local exchange carriers to request deregulation of some of their exchanges ([LB4](#)). An interim study, [LR157](#), has been offered to examine and monitor issues relating to broadband and broadband deployment in Nebraska.

[LB660](#) would prohibit state purchases of drones from entities without proper security clearance. To the extent practicable, drone purchases by political subdivisions would be subject to the same restrictions. State agencies, political subdivisions and their contractors would be required to conduct annual independent security audits and obtain certifications demonstrating compliance with national security standards. Other provisions of the bill address state authority to use design-build contracts ([LB445](#)), state reporting of expenditures of federal funds ([LB662](#)), and periodic reviews of state rules and regulations ([LB29](#), [LB664](#)). An interim study resolution, [LR250](#), has been introduced to examine whether power companies should be exempt from secure drone purchasing requirements.

[LB287](#) would provide limited authority for sanitary and improvement districts to levy special assessments outside the corporate limits of the district. It would clarify the time period for electing resident owners to serve on the board of trustees, rather than electing owners of the real estate in the district.

[LB399](#) would reduce population thresholds to allow unused funds to be distributed to additional 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. If signed, the bill will become operative on October 1, 2025.

[LB36](#) would enact requirements for the collection, recycling and end-of-life management of certain portable and medium-sized batteries ([LB309](#)). The program would be paid for by battery manufacturers through battery stewardship plans. The bill would establish a hub for information about the availability and application processes for grants, loans and other programs to fund home weatherization projects administered by federal, state, or local agencies or nonprofits ([LB495](#)). Other provisions would increase the maximum fee that the Game and Parks Commission could charge for certain permits ([LB459](#), [LB562](#)) and allow the Commission to spend funds that had been appropriated for a lake between Lincoln and Omaha for other projects ([LB480](#)). The bill would allow the state to operate a mitigation bank or in-lieu-of fee program for construction projects in areas where an endangered species habitat may exist ([LB590](#)). Agencies or parties that own the mitigation bank acquired to restore habitat would be required to pay a sum in lieu of ad valorem taxes lost by the county. This would apply to property acquired after July 1, 2026.

[LB526](#) would allow public power districts to pass the costs of infrastructure upgrades needed to supply power for cryptocurrency mining to the mining operations. As introduced, the bill would have imposed an excise tax on electricity used by these operations.

[LB120](#) would allow driver's license and state ID photos to be released to the Nebraska State Patrol to be posted on the missing persons website.

[LB559](#) would prohibit the use of skimmer devices on ATMs, fuel pumps, and other devices and create penalties for organized retail crime ([LB464](#)).

[LB80](#) would consolidate laws on protection orders for domestic abuse, sexual assault and harassment. Petitions for protection orders would be filed with the clerk of the district court and could be heard by the district or county court. The bill strikes existing language prohibiting clerks of the district court from providing assistance in completing the forms.

[LB246](#) would prohibit the production or sale of lab-grown meat in the state.

[LB383](#) prohibits social media platforms from allowing minors to create accounts without parental consent. Other provisions of the bill would update criminal penalties for child pornography to include computer-generated content ([LB172](#)). The bill was introduced on behalf of the governor.

[LB140](#) would require schools to adopt electronic communication policies that prohibit the use of cell phones by students while on school property or attending school functions.

[LB319](#), which would make persons convicted of drug felonies eligible for the Supplemental Nutrition Assistance Program (SNAP), was passed by the Legislature and immediately vetoed by Governor Pillen. Pillen said the bill contains loopholes and that the SNAP ban is already waived for some felons who participate in treatment. A motion to override the veto is [scheduled](#) for debate at 1:00 p.m. on Monday, May 19.

[LB258](#), a bill to delay implementation of a minimum wage increase approved by voters and create a separate youth minimum wage, failed to pass on Final Reading.

Bills Signed Into Law

On May 13, Governor Pillen signed bills to change eligibility for state veterans homes ([LB419](#)) and authorize the State Athletic Commissioner to regulate bare-knuckle mixed martial arts ([LB635](#)).

He also signed several bills shortly after the Legislature passed them on May 15. Bills without an emergency clause or stated effective date will take effect three calendar months after the Legislature adjourns. [Adjournment](#)

is tentatively scheduled for June 9, so the effective date would be September 10.

Here are some of the bills that have been signed:

[LB561](#), which took effect on May 16, authorizes the issuance of continuous overweight permits to carry raw milk from dairy farms to processing facilities. The Department of Transportation will create and annually update a map of bridges that cannot be used by overweight raw-milk vehicles. Drivers are required to carry a physical or digital copy of the map. Vehicle owners are liable for costs of repairing any damage caused to prohibited bridges. Overweight raw-milk vehicles cannot exceed 107,500 pounds and axle weights cannot exceed federal limits.

[LB640](#) clarifies 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 aggregates the sentences so that the 15-day threshold will only have to be met once.

[LB32](#) will allow candidates to use a post office box or their street address for disclosures on printed campaign materials. Existing law requires the use of a street address.

[LB230](#) will regulate the sale of kratom products and certain nitrous oxide products ([LB184](#)). Most of the bill takes effect on July 1, 2025.

[LB323](#) revises publication requirements for contracts that are bid by the Department of Transportation. In addition to newspaper publication, notice must be placed on the Department's website. If there is a defect in the newspaper publication, the website notice will be deemed sufficient.

Interim Study Resolutions Introduced

The introduction of interim study resolutions concluded this week. These resolutions often propose further examination of topics that were introduced during the session or issues that might be introduced in the next session. Study resolutions are assigned to legislative committees which prioritize them and determine whether to hold a hearing, prepare a written report, or otherwise respond to the resolution. Following is a partial list of the studies that affect counties. A complete list is available [here](#).

County Operations

[LR168](#) (Ibach) Interim study of the purposes, uses, and utility of the Noxious Weed and Invasive Plant Species Assistance Fund and associated grants awarded pursuant to the Noxious Weed Control Act

[LR192](#) (Sanders) Interim study to investigate public notice requirements in Nebraska, including those mandated under the Open Meetings Act and the Administrative Procedure Act

[LR195](#) (Holdcroft) Interim study to review the impact of unfunded and underfunded mandates on counties and county governments

[LR201](#) (Hallstrom) Interim study to examine the rates, revenues, and uses of the documentary stamp tax

[LR253](#) (Hardin) Interim study to examine the county initiative and referendum process as proposed by LB629, 2025

[LR254](#) (Clements) Interim study to examine potential adjustments to the collection of motor vehicle tax, motor vehicle tax distribution schemes, motor vehicle fees, and other revenue sources due to the potential elimination of the Nebraska inheritance tax

Property Tax and Valuation

[LR118](#) (Strommen) Interim study to examine and formulate a standardized method of classifying and valuing property relating to biodiesel facilities

[LR146](#) (Urban Affairs Committee) Interim study to examine the intersection of tax increment financing and affordable housing within the State of Nebraska

[LR159](#) (Brandt) Interim study to examine how the nameplate capacity tax affects the development, operation, and long-term viability of privately developed renewable energy generation facilities located in Nebraska

[LR255](#) (Andersen) Interim study to examine the fiscal, constitutional, and administrative implications of adopting LR12CA, 2025, which proposes reforms to Nebraska's property tax system

Law Enforcement and Courts

[LR162](#) (McKinney) Interim study to examine necessary reforms to Nebraska's criminal and prison systems in light of the Supreme Court decision in *State ex rel. Hilgers v. Evnen*

[LR170](#) (Rountree) Interim study to examine children's access to legal counsel in juvenile proceedings in Nebraska

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