

LEGISLATURE OF NEBRASKA  
ONE HUNDRED FOURTH LEGISLATURE  
SECOND SESSION

**LEGISLATIVE BILL 940**

Introduced by Johnson, 23.

Read first time January 13, 2016

Committee: Revenue

1 A BILL FOR AN ACT relating to revenue and taxation; to amend section  
2 77-201, Reissue Revised Statutes of Nebraska, sections 77-1301 and  
3 77-4212, Revised Statutes Cumulative Supplement, 2014, and section  
4 77-3442, Revised Statutes Supplement, 2015; to adopt the Tax  
5 Stabilization Act; to harmonize provisions; and to repeal the  
6 original sections.

7 Be it enacted by the people of the State of Nebraska,

1           Section 1. Sections 1 to 7 of this act shall be known and may be  
2 cited as the Tax Stabilization Act.

3           Sec. 2. The purpose of the Tax Stabilization Act is to provide  
4 property tax relief to property owners across the state and to give the  
5 Legislature time to consider appropriate changes to state law that would  
6 reduce the reliance on property taxes for the funding of school districts  
7 in this state.

8           Sec. 3. For purposes of the Tax Stabilization Act:

9           (1) Department means the Department of Revenue;

10          (2) Reform legislation means a law passed by the Legislature on or  
11 after the effective date of this act that reduces the percentage of  
12 funding for school districts in this state which is provided by property  
13 taxes; and

14          (3) Stabilization period means the period beginning January 1, 2017,  
15 and ending December 31, 2019, except as otherwise provided in section 5  
16 of this act.

17          Sec. 4. Notwithstanding any other provision of law to the contrary,  
18 the following rules shall apply during the stabilization period:

19          (1) All real property in this state subject to taxation shall be  
20 valued at its assessed value as of January 1, 2016;

21          (2) The property tax credits provided to real property owners  
22 pursuant to section 77-4212 for any year during the stabilization period  
23 shall be the same as the property tax credits provided pursuant to  
24 section 77-4212 in 2016; and

25          (3) During the stabilization period:

26          (a) If the state budget increases from the most recently completed  
27 fiscal year to the current fiscal year, political subdivisions with levy  
28 authority under section 77-3442 may increase their levies by a percentage  
29 equal to such percentage increase in the state budget, subject to the  
30 levy limitations contained in section 77-3442; or

31          (b) If the state budget decreases from the most recently completed

1 fiscal year to the current fiscal year, political subdivisions with levy  
2 authority under section 77-3442 shall decrease their levies by a  
3 percentage equal to such percentage decrease in the state budget.

4       Sec. 5. If the Legislature passes reform legislation at any time  
5 during the stabilization period, the stabilization period shall end on  
6 December 31 after the passage of such reform legislation and the  
7 restrictions of section 4 of this act shall no longer apply after such  
8 date.

9       Sec. 6. If the stabilization period ends without the Legislature  
10 passing reform legislation, the following rules shall apply:

11       (1) The restrictions of section 4 of this act shall not apply  
12 beginning January 1, 2020;

13       (2) On January 1, 2020, the assessed value of all real property in  
14 this state subject to taxation shall be equal to its assessed value as of  
15 January 1, 2016, multiplied by the percentage growth in the state budget  
16 from fiscal year 2018-19 to fiscal year 2019-20, if any;

17       (3) On January 1, 2021, and each January 1 thereafter until  
18 subdivision (4) of this section applies, the assessed value of all real  
19 property in this state subject to taxation shall be equal to its assessed  
20 value as of January 1 of the preceding year multiplied by the percentage  
21 growth in the state budget from the most recently completed fiscal year  
22 to the current fiscal year, if any; and

23       (4) Once the increases in assessed value under subdivision (3) of  
24 this section result in assessed values that comply with the values  
25 described in subsections (1) through (4) of section 77-201, then  
26 subsections (1) through (4) of section 77-201 shall apply thereafter as  
27 if the Tax Stabilization Act had never occurred.

28       Sec. 7. The department may adopt and promulgate rules and  
29 regulations to carry out the Tax Stabilization Act.

30       Sec. 8. Section 77-201, Reissue Revised Statutes of Nebraska, is  
31 amended to read:

1           77-201 (1) Except as provided in subsections (2) through (4) of this  
2 section, all real property in this state, not expressly exempt therefrom,  
3 shall be subject to taxation and shall be valued at its actual value or,  
4 for any period covered by the Tax Stabilization Act, shall be valued as  
5 provided in such act.

6           (2) Agricultural land and horticultural land as defined in section  
7 77-1359 shall constitute a separate and distinct class of property for  
8 purposes of property taxation, shall be subject to taxation, unless  
9 expressly exempt from taxation, and shall be valued at seventy-five  
10 percent of its actual value or, for any period covered by the Tax  
11 Stabilization Act, shall be valued as provided in such act.

12           (3) Agricultural land and horticultural land actively devoted to  
13 agricultural or horticultural purposes which has value for purposes other  
14 than agricultural or horticultural uses and which meets the  
15 qualifications for special valuation under section 77-1344 shall  
16 constitute a separate and distinct class of property for purposes of  
17 property taxation, shall be subject to taxation, and shall be valued for  
18 taxation at seventy-five percent of its special value as defined in  
19 section 77-1343 or, for any period covered by the Tax Stabilization Act,  
20 shall be valued as provided in such act.

21           (4) Historically significant real property which meets the  
22 qualifications for historic rehabilitation valuation under sections  
23 77-1385 to 77-1394 shall be valued for taxation as provided in such  
24 sections or, for any period covered by the Tax Stabilization Act, shall  
25 be valued as provided in such act.

26           (5) Tangible personal property, not including motor vehicles  
27 registered for operation on the highways of this state, shall constitute  
28 a separate and distinct class of property for purposes of property  
29 taxation, shall be subject to taxation, unless expressly exempt from  
30 taxation, and shall be valued at its net book value. Tangible personal  
31 property transferred as a gift or devise or as part of a transaction

1 which is not a purchase shall be subject to taxation based upon the date  
2 the property was acquired by the previous owner and at the previous  
3 owner's Nebraska adjusted basis. Tangible personal property acquired as  
4 replacement property for converted property shall be subject to taxation  
5 based upon the date the converted property was acquired and at the  
6 Nebraska adjusted basis of the converted property unless insurance  
7 proceeds are payable by reason of the conversion. For purposes of this  
8 subsection, (a) converted property means tangible personal property which  
9 is compulsorily or involuntarily converted as a result of its destruction  
10 in whole or in part, theft, seizure, requisition, or condemnation, or the  
11 threat or imminence thereof, and no gain or loss is recognized for  
12 federal or state income tax purposes by the holder of the property as a  
13 result of the conversion and (b) replacement property means tangible  
14 personal property acquired within two years after the close of the  
15 calendar year in which tangible personal property was converted and which  
16 is, except for date of construction or manufacture, substantially the  
17 same as the converted property.

18 Sec. 9. Section 77-1301, Revised Statutes Cumulative Supplement,  
19 2014, is amended to read:

20 77-1301 (1) Except as provided in the Tax Stabilization Act, all ~~All~~  
21 real property in this state subject to taxation shall be assessed as of  
22 January 1 at 12:01 a.m., which assessment shall be used as a basis of  
23 taxation until the next assessment.

24 (2) Beginning January 1, 2014, in any county with a population of at  
25 least one hundred fifty thousand inhabitants according to the most recent  
26 federal decennial census, the county assessor shall provide notice of  
27 preliminary valuations to real property owners on or before January 15 of  
28 each year. Such notice shall be (a) mailed to the taxpayer or (b)  
29 published on a web site maintained by the county assessor or by the  
30 county.

31 (3) The county assessor shall complete the assessment of real

1 property on or before March 19 of each year, except beginning January 1,  
2 2014, in any county with a population of at least one hundred fifty  
3 thousand inhabitants according to the most recent federal decennial  
4 census, the county assessor shall complete the assessment of real  
5 property on or before March 25 of each year.

6 Sec. 10. Section 77-3442, Revised Statutes Supplement, 2015, is  
7 amended to read:

8 77-3442 (1) Property tax levies for the support of local governments  
9 for fiscal years beginning on or after July 1, 1998, shall be limited to  
10 the amounts set forth in this section except as provided in section  
11 77-3444 and except as provided in the Tax Stabilization Act.

12 (2)(a) Except as provided in subdivision (2)(e) of this section,  
13 school districts and multiple-district school systems, except learning  
14 communities and school districts that are members of learning  
15 communities, may levy a maximum levy of one dollar and five cents per one  
16 hundred dollars of taxable valuation of property subject to the levy.

17 (b) For each fiscal year, learning communities may levy a maximum  
18 levy for the general fund budgets of member school districts of ninety-  
19 five cents per one hundred dollars of taxable valuation of property  
20 subject to the levy. The proceeds from the levy pursuant to this  
21 subdivision shall be distributed pursuant to section 79-1073.

22 (c) Except as provided in subdivision (2)(e) of this section, for  
23 each fiscal year, school districts that are members of learning  
24 communities may levy for purposes of such districts' general fund budget  
25 and special building funds a maximum combined levy of the difference of  
26 one dollar and five cents on each one hundred dollars of taxable property  
27 subject to the levy minus the learning community levies pursuant to  
28 subdivisions (2)(b) and (2)(g) of this section for such learning  
29 community.

30 (d) Excluded from the limitations in subdivisions (2)(a) and (2)(c)  
31 of this section are amounts levied to pay for sums agreed to be paid by a

1 school district to certificated employees in exchange for a voluntary  
2 termination of employment and amounts levied to pay for special building  
3 funds and sinking funds established for projects commenced prior to April  
4 1, 1996, for construction, expansion, or alteration of school district  
5 buildings. For purposes of this subsection, commenced means any action  
6 taken by the school board on the record which commits the board to expend  
7 district funds in planning, constructing, or carrying out the project.

8 (e) Federal aid school districts may exceed the maximum levy  
9 prescribed by subdivision (2)(a) or (2)(c) of this section only to the  
10 extent necessary to qualify to receive federal aid pursuant to Title VIII  
11 of Public Law 103-382, as such title existed on September 1, 2001. For  
12 purposes of this subdivision, federal aid school district means any  
13 school district which receives ten percent or more of the revenue for its  
14 general fund budget from federal government sources pursuant to Title  
15 VIII of Public Law 103-382, as such title existed on September 1, 2001.

16 (f) For school fiscal year 2002-03 through school fiscal year  
17 2007-08, school districts and multiple-district school systems may, upon  
18 a three-fourths majority vote of the school board of the school district,  
19 the board of the unified system, or the school board of the high school  
20 district of the multiple-district school system that is not a unified  
21 system, exceed the maximum levy prescribed by subdivision (2)(a) of this  
22 section in an amount equal to the net difference between the amount of  
23 state aid that would have been provided under the Tax Equity and  
24 Educational Opportunities Support Act without the temporary aid  
25 adjustment factor as defined in section 79-1003 for the ensuing school  
26 fiscal year for the school district or multiple-district school system  
27 and the amount provided with the temporary aid adjustment factor. The  
28 State Department of Education shall certify to the school districts and  
29 multiple-district school systems the amount by which the maximum levy may  
30 be exceeded for the next school fiscal year pursuant to this subdivision  
31 (f) of this subsection on or before February 15 for school fiscal years

1 2004-05 through 2007-08.

2 (g) For each fiscal year, learning communities may levy a maximum  
3 levy of two cents on each one hundred dollars of taxable property subject  
4 to the levy for special building funds for member school districts. The  
5 proceeds from the levy pursuant to this subdivision shall be distributed  
6 pursuant to section 79-1073.01.

7 (h) For each fiscal year, learning communities may levy a maximum  
8 levy of one-half cent on each one hundred dollars of taxable property  
9 subject to the levy for elementary learning center facility leases, for  
10 remodeling of leased elementary learning center facilities, and for up to  
11 fifty percent of the estimated cost for focus school or program capital  
12 projects approved by the learning community coordinating council pursuant  
13 to section 79-2111.

14 (i) For each fiscal year, learning communities may levy a maximum  
15 levy of one and one-half cents on each one hundred dollars of taxable  
16 property subject to the levy for early childhood education programs for  
17 children in poverty, for elementary learning center employees, for  
18 contracts with other entities or individuals who are not employees of the  
19 learning community for elementary learning center programs and services,  
20 and for pilot projects, except that no more than ten percent of such levy  
21 may be used for elementary learning center employees.

22 (3)(a) For fiscal years 2011-12 and 2012-13, community college areas  
23 may levy a maximum of ten and one-quarter cents per one hundred dollars  
24 of taxable valuation of property subject to the levy for operating  
25 expenditures and may also levy the additional levies provided in  
26 subdivisions (1)(b) and (c) of section 85-1517.

27 (b) For fiscal year 2013-14 and each fiscal year thereafter,  
28 community college areas may levy the levies provided in subdivisions (2)  
29 (a) through (c) of section 85-1517, in accordance with the provisions of  
30 such subdivisions. A community college area may exceed the levy provided  
31 in subdivision (2)(b) of section 85-1517 by the amount necessary to

1 retire general obligation bonds assumed by the community college area or  
2 issued pursuant to section 85-1515 according to the terms of such bonds  
3 or for any obligation pursuant to section 85-1535 entered into prior to  
4 January 1, 1997.

5 (4)(a) Natural resources districts may levy a maximum levy of four  
6 and one-half cents per one hundred dollars of taxable valuation of  
7 property subject to the levy.

8 (b) Natural resources districts shall also have the power and  
9 authority to levy a tax equal to the dollar amount by which their  
10 restricted funds budgeted to administer and implement ground water  
11 management activities and integrated management activities under the  
12 Nebraska Ground Water Management and Protection Act exceed their  
13 restricted funds budgeted to administer and implement ground water  
14 management activities and integrated management activities for FY2003-04,  
15 not to exceed one cent on each one hundred dollars of taxable valuation  
16 annually on all of the taxable property within the district.

17 (c) In addition, natural resources districts located in a river  
18 basin, subbasin, or reach that has been determined to be fully  
19 appropriated pursuant to section 46-714 or designated as overappropriated  
20 pursuant to section 46-713 by the Department of Natural Resources shall  
21 also have the power and authority to levy a tax equal to the dollar  
22 amount by which their restricted funds budgeted to administer and  
23 implement ground water management activities and integrated management  
24 activities under the Nebraska Ground Water Management and Protection Act  
25 exceed their restricted funds budgeted to administer and implement ground  
26 water management activities and integrated management activities for  
27 FY2005-06, not to exceed three cents on each one hundred dollars of  
28 taxable valuation on all of the taxable property within the district for  
29 fiscal year 2006-07 and each fiscal year thereafter through fiscal year  
30 2017-18.

31 (5) Any educational service unit authorized to levy a property tax

1 pursuant to section 79-1225 may levy a maximum levy of one and one-half  
2 cents per one hundred dollars of taxable valuation of property subject to  
3 the levy.

4 (6)(a) Incorporated cities and villages which are not within the  
5 boundaries of a municipal county may levy a maximum levy of forty-five  
6 cents per one hundred dollars of taxable valuation of property subject to  
7 the levy plus an additional five cents per one hundred dollars of taxable  
8 valuation to provide financing for the municipality's share of revenue  
9 required under an agreement or agreements executed pursuant to the  
10 Interlocal Cooperation Act or the Joint Public Agency Act. The maximum  
11 levy shall include amounts levied to pay for sums to support a library  
12 pursuant to section 51-201, museum pursuant to section 51-501, visiting  
13 community nurse, home health nurse, or home health agency pursuant to  
14 section 71-1637, or statue, memorial, or monument pursuant to section  
15 80-202.

16 (b) Incorporated cities and villages which are within the boundaries  
17 of a municipal county may levy a maximum levy of ninety cents per one  
18 hundred dollars of taxable valuation of property subject to the levy. The  
19 maximum levy shall include amounts paid to a municipal county for county  
20 services, amounts levied to pay for sums to support a library pursuant to  
21 section 51-201, a museum pursuant to section 51-501, a visiting community  
22 nurse, home health nurse, or home health agency pursuant to section  
23 71-1637, or a statue, memorial, or monument pursuant to section 80-202.

24 (7) Sanitary and improvement districts which have been in existence  
25 for more than five years may levy a maximum levy of forty cents per one  
26 hundred dollars of taxable valuation of property subject to the levy, and  
27 sanitary and improvement districts which have been in existence for five  
28 years or less shall not have a maximum levy. Unconsolidated sanitary and  
29 improvement districts which have been in existence for more than five  
30 years and are located in a municipal county may levy a maximum of eighty-  
31 five cents per hundred dollars of taxable valuation of property subject

1 to the levy.

2 (8) Counties may levy or authorize a maximum levy of fifty cents per  
3 one hundred dollars of taxable valuation of property subject to the levy,  
4 except that five cents per one hundred dollars of taxable valuation of  
5 property subject to the levy may only be levied to provide financing for  
6 the county's share of revenue required under an agreement or agreements  
7 executed pursuant to the Interlocal Cooperation Act or the Joint Public  
8 Agency Act. The maximum levy shall include amounts levied to pay for sums  
9 to support a library pursuant to section 51-201 or museum pursuant to  
10 section 51-501. The county may allocate up to fifteen cents of its  
11 authority to other political subdivisions subject to allocation of  
12 property tax authority under subsection (1) of section 77-3443 and not  
13 specifically covered in this section to levy taxes as authorized by law  
14 which do not collectively exceed fifteen cents per one hundred dollars of  
15 taxable valuation on any parcel or item of taxable property. The county  
16 may allocate to one or more other political subdivisions subject to  
17 allocation of property tax authority by the county under subsection (1)  
18 of section 77-3443 some or all of the county's five cents per one hundred  
19 dollars of valuation authorized for support of an agreement or agreements  
20 to be levied by the political subdivision for the purpose of supporting  
21 that political subdivision's share of revenue required under an agreement  
22 or agreements executed pursuant to the Interlocal Cooperation Act or the  
23 Joint Public Agency Act. If an allocation by a county would cause another  
24 county to exceed its levy authority under this section, the second county  
25 may exceed the levy authority in order to levy the amount allocated.

26 (9) Municipal counties may levy or authorize a maximum levy of one  
27 dollar per one hundred dollars of taxable valuation of property subject  
28 to the levy. The municipal county may allocate levy authority to any  
29 political subdivision or entity subject to allocation under section  
30 77-3443.

31 (10) Rural and suburban fire protection districts may levy a maximum

1 levy of ten and one-half cents per one hundred dollars of taxable  
2 valuation of property subject to the levy if (a) such district is located  
3 in a county that had a levy pursuant to subsection (8) of this section in  
4 the previous year of at least forty cents per one hundred dollars of  
5 taxable valuation of property subject to the levy or (b) for any rural or  
6 suburban fire protection district that had a levy request pursuant to  
7 section 77-3443 in the previous year, the county board of the county in  
8 which the greatest portion of the valuation of such district is located  
9 did not authorize any levy authority to such district in the previous  
10 year.

11 (11) Property tax levies (a) for judgments, except judgments or  
12 orders from the Commission of Industrial Relations, obtained against a  
13 political subdivision which require or obligate a political subdivision  
14 to pay such judgment, to the extent such judgment is not paid by  
15 liability insurance coverage of a political subdivision, (b) for  
16 preexisting lease-purchase contracts approved prior to July 1, 1998, (c)  
17 for bonds as defined in section 10-134 approved according to law and  
18 secured by a levy on property except as provided in section 44-4317 for  
19 bonded indebtedness issued by educational service units and school  
20 districts, and (d) for payments by a public airport to retire interest-  
21 free loans from the Department of Aeronautics in lieu of bonded  
22 indebtedness at a lower cost to the public airport are not included in  
23 the levy limits established by this section.

24 (12) The limitations on tax levies provided in this section are to  
25 include all other general or special levies provided by law.  
26 Notwithstanding other provisions of law, the only exceptions to the  
27 limits in this section are those provided by or authorized by sections  
28 77-3442 to 77-3444.

29 (13) Tax levies in excess of the limitations in this section shall  
30 be considered unauthorized levies under section 77-1606 unless approved  
31 under section 77-3444.

1 (14) For purposes of sections 77-3442 to 77-3444, political  
2 subdivision means a political subdivision of this state and a county  
3 agricultural society.

4 (15) For school districts that file a binding resolution on or  
5 before May 9, 2008, with the county assessors, county clerks, and county  
6 treasurers for all counties in which the school district has territory  
7 pursuant to subsection (7) of section 79-458, if the combined levies,  
8 except levies for bonded indebtedness approved by the voters of the  
9 school district and levies for the refinancing of such bonded  
10 indebtedness, are in excess of the greater of (a) one dollar and twenty  
11 cents per one hundred dollars of taxable valuation of property subject to  
12 the levy or (b) the maximum levy authorized by a vote pursuant to section  
13 77-3444, all school district levies, except levies for bonded  
14 indebtedness approved by the voters of the school district and levies for  
15 the refinancing of such bonded indebtedness, shall be considered  
16 unauthorized levies under section 77-1606.

17 Sec. 11. Section 77-4212, Revised Statutes Cumulative Supplement,  
18 2014, is amended to read:

19 77-4212 (1) For tax year 2007, the amount of relief granted under  
20 the Property Tax Credit Act shall be one hundred five million dollars.  
21 For tax year 2008, the amount of relief granted under the act shall be  
22 one hundred fifteen million dollars. It is the intent of the Legislature  
23 to fund the Property Tax Credit Act for tax years after tax year 2008  
24 using available revenue, except as otherwise provided in the Tax  
25 Stabilization Act. The relief shall be in the form of a property tax  
26 credit which appears on the property tax statement.

27 (2) To determine the amount of the property tax credit, the county  
28 treasurer shall multiply the amount disbursed to the county under  
29 subsection (4) of this section by the ratio of the real property  
30 valuation of the parcel to the total real property valuation in the  
31 county. The amount determined shall be the property tax credit for the

1 property.

2 (3) If the real property owner qualifies for a homestead exemption  
3 under sections 77-3501 to 77-3529, the owner shall also be qualified for  
4 the relief provided in the act to the extent of any remaining liability  
5 after calculation of the relief provided by the homestead exemption. If  
6 the credit results in a property tax liability on the homestead that is  
7 less than zero, the amount of the credit which cannot be used by the  
8 taxpayer shall be returned to the State Treasurer by July 1 of the year  
9 the amount disbursed to the county was disbursed. The State Treasurer  
10 shall immediately credit any funds returned under this section to the  
11 Property Tax Credit Cash Fund.

12 (4) The amount disbursed to each county shall be equal to the amount  
13 available for disbursement determined under subsection (1) of this  
14 section multiplied by the ratio of the real property valuation in the  
15 county to the real property valuation in the state. By September 15, the  
16 Property Tax Administrator shall determine the amount to be disbursed  
17 under this subsection to each county and certify such amounts to the  
18 State Treasurer and to each county. The disbursements to the counties  
19 shall occur in two equal payments, the first on or before January 31 and  
20 the second on or before April 1. After retaining one percent of the  
21 receipts for costs, the county treasurer shall allocate the remaining  
22 receipts to each taxing unit levying taxes on taxable property in the tax  
23 district in which the real property is located in the same proportion  
24 that the levy of such taxing unit bears to the total levy on taxable  
25 property of all the taxing units in the tax district in which the real  
26 property is located.

27 (5) The State Treasurer shall transfer from the General Fund to the  
28 Property Tax Credit Cash Fund one hundred five million dollars by August  
29 1, 2007, and one hundred fifteen million dollars by August 1, 2008.

30 (6) The Legislature shall have the power to transfer funds from the  
31 Property Tax Credit Cash Fund to the General Fund.

1           Sec. 12.   Original section 77-201, Reissue Revised Statutes of  
2 Nebraska, sections 77-1301 and 77-4212, Revised Statutes Cumulative  
3 Supplement, 2014, and section 77-3442, Revised Statutes Supplement, 2015,  
4 are repealed.