

# ONE HUNDRED FIFTH LEGISLATURE - SECOND SESSION - 2018

## COMMITTEE STATEMENT

### LB947

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**Hearing Date:** Wednesday January 31, 2018

**Committee On:** Revenue

**Introducer:** Smith

**One Liner:** Adopt the Nebraska Property Tax Cuts and Opportunities Act, change income tax rates, and eliminate certain exemptions and credits

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**Roll Call Vote - Final Committee Action:**

Advanced to General File with amendment(s)

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**Vote Results:**

**Aye:** 5 Senators Brasch, Groene, Larson, Lindstrom, Smith

**Nay:** 3 Senators Friesen, Harr, Schumacher

**Absent:**

**Present Not Voting:**

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**Verbal Testimony:**

**Proponents:**

Senator Jim Smith  
Governor Pete Ricketts  
Dean Magee  
Shane Greckel  
Quentin Bowen  
John Cederberg

Steve Seline  
Phillip Doerr  
Steve Nelson

Dave Rippe  
Brad Stevens  
David Grimes  
Bob Hallstrom  
Trent Loos  
Nicole Fox  
Scott Wagner  
Mark McHargue  
Steve Davies  
Steven Wellman

**Opponents:**

Renee Fry  
Al Davis  
John Hansen  
Jordan Rasmussen

**Representing:**

Introducer  
State of Nebraska  
Self  
Self  
Self  
Nebraska Chamber of Commerce & Industry, Lincoln Chamber of Commerce  
Greater Omaha Chamber  
Self  
Nebraska Farm Bureau, Nebraska Corn Growers, Nebraska Pork Producers, Nebraska Soybean Association, Nebraska Dairy Association  
Nebraska Department of Economic Development  
Americans for Prosperity  
Independent Farmer, Kearney County, Nebraska  
Nebraska Bankers Association, NFIB  
Self - Litchfield, Nebraska  
Platte Institute  
Self - Hooper, Nebraska  
Self - Central City, Nebraska  
Self - Stromsburg, Nebraska  
Nebraska Department of Agriculture

**Representing:**

OpenSky Policy Institute  
Independent Cattlemen of Nebraska  
Nebraska Farmers Union  
Center for Rural Affairs

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**Neutral:**  
Jared Walczak  
Dick Pierce

**Representing:**  
Tax Foundation  
Nebraska Cattlemen

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**Summary of purpose and/or changes:**

LB 947 would allow for the adoption of the Nebraska Property Tax Cuts and Opportunities Act. Under the Act:

Residential homeowners shall be allowed a refundable income tax credit equal to a percentage of property taxes paid during the taxable year. Beginning January 2018, the credit shall be ten percent of property taxes paid. For taxable year 2019 and each year thereafter, if actual net General Fund receipts come in at least one percent above certified estimated receipts, the percentage used to calculate the refundable income tax credits shall be the percentage from the prior year plus two percentage points, not to exceed thirty percent. For taxable year 2018, the limitation amount of the refundable income tax credit shall be \$230 per homestead. For taxable year 2019 and each year thereafter, if the percentage used to calculate the credit is increased, the limitation amount may be increased each year by a maximum of \$50, not to exceed \$730.

Resident individuals paying property taxes on agricultural land and horticultural land, farm sites and improvements on farm sites shall be allowed a refundable income tax credit equal to a percentage of property taxes paid during the taxable year. Beginning January 2018, the credit shall be ten percent of property taxes paid. For taxable year 2019 and each year thereafter, if actual net General Fund receipts come in at least one percent above certified estimated receipts, the percentage used to calculate the refundable income tax credits shall be the percentage from the prior year plus two percentage points, not to exceed thirty percent. There is no limitation amount on the refundable income tax credit.

LB 947 provides for a two-year phase down of the top individual income tax rate from 6.84% to 6.69%. Additionally, the bill provides for a two-year phase down of the corporate tax rate for all taxable income in excess of \$100,000 from 7.81% to 6.69%.

The bill directs the State Treasurer to transfer from the General Fund \$5 million to the Job Training Cash Fund on or before July 15, 2018 and another \$5 million to the fund on or before July 15, 2019.

Finally, LB 947 eliminates exemptions under the Personal Property Tax Relief Act and eliminates credits under the Property Tax Credit Act to fund the income tax credits and tax-rate reductions proposed in the bill.

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**Explanation of amendments:**

EXPLANATION OF AM2542 TO LB947

The amendment becomes the bill.

Sec. 3 The amendment creates a refundable income tax credit for homeowners that is equal to a percentage of property taxes paid. A cap is set on the maximum amount of the credit for tax years beginning on or after January 1, 2018. The credit is available for both resident and nonresident taxpayers.

Tax Year | Credit % | Limitation

2018	1%	\$25
2019	2%	\$50
2020	3%	\$75
2021	4%	\$100
2022	5%	\$125
2023	6%	\$150

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2024	8%	\$200
2025	10%	\$250
2026	12%	\$300
2027	14%	\$350
2028	16%	\$400
2029	18%	\$450
2030 & after	20%	\$500

The amendment allows for distribution of the tax credit for shareholders, partners, members, or beneficiaries of Subchapter S corporations, partnerships, LLC's, trusts or estates.

The owner of a homestead who purchases another homestead prior to August 15 may file an affidavit with the Tax Commissioner to allow the credit to be claimed on the new homestead during the taxable year.

Sec. 4 The amendment creates a refundable income tax credit for agricultural and horticultural property owners equal to a percentage of property taxes paid. There is no cap on the maximum amount of the credit for tax years beginning on or after January 1, 2018. The credit is available for both resident and nonresident taxpayers.

Tax Year	Credit Percentage
2018	2%
2019	4%
2020	6%
2021	8%
2022	10%
2023	12%
2024	14%
2025	16%
2026	18%
2027 & after	20%

The amendment allows for distribution of the tax credit for shareholders, partners, members, or beneficiaries of Subchapter S corporations, partnerships, LLC's, trusts or estates.

Sec. 5 Adds the refundable credit to the statutory list of credits.

Sec. 6 The amendment reduces the highest marginal corporate income tax rate over a five-year period from 7.81% to 6.84% bringing it to the same level as the highest marginal rate on individual income taxes. It applies to tax years beginning on or after January 1, 2019.

Sec. 7 The amendment maintains the Property Tax Credit Fund at the current amount of \$224 million.

Sec. 8 The amendment transfers \$5 million from the Cash Reserve Fund to the Job Training Cash Fund.

Transfers \$212,299 from the Cash Reserve Fund to the General Fund for operational expenses associated with the bill.

Transfers \$34,450,000 from the Cash Reserve Fund to the General Fund for the first year of revenue expenses for the bill.

Sec. 10 Contains the Emergency Clause.

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Jim Smith, Chairperson