

# **One Hundred Fifth Legislature - First Session - 2017**

## **Introducer's Statement of Intent**

### **LB640**

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**Chairperson: Senator Jim Smith**

**Committee: Revenue**

**Date of Hearing: February 16, 2017**

The following constitutes the reasons for this bill and the purposes which are sought to be accomplished thereby:

The Tax Equity and Educational Opportunities Support Act (TEEOSA) dictates that local property taxes come first in the equation of how we pay for public schools. It does not take into consideration the ability of a community to pay those taxes.

Property tax makes up 48% of major taxes collected in the state. The heaviest burden of property taxes statewide is levied to the school districts. Per the 2016 Department of Revenue report, 60% is levied to the schools statewide. LB 640 will put (Tax Equity) back into TEEOSA.

LB 640 has three major components:

(1) The Total revenue portion generated from the property tax is capped. The property tax portion of total general fund revenue is capped at 60% for a school district. The difference between 60% and present property taxes collected is recaptured by two means. 75% of the difference will be funded by the state. All or part of the additional 25% of the difference may be made up by the local district through property taxes with a supermajority vote of the school board after a public hearing. LB 640 will effect 159 unequalized districts and 26 districts that receive minimal equalization.

(2) LB 640 provides property tax relief for citizens in equalized districts by lowering the maximum levy from 1.05 to 1.00. By doing so, property taxes will be offset by property tax relief aid.

(3) Funding for LB 640, will come with a transfer from the Property Tax Credit Cash Fund, by requiring that the first money into the fund will be the first money out, to the Tax Equity and Educational Opportunities Fund to pay for the property tax relief aid to local systems. If the balance in the Property Tax Credit Fund is less than the calculation for the school district relief aid, the individual school district aid will be reduced proportionately.

The Department of Education will work with the Department of Revenue on the necessary process and calculations necessary to carry out the the provisions of the bill.

LB640 will give long range tax equity in school funding. It eliminates the effect of valuation inflation, it puts local control into local school funding by making local school boards justify any additional property tax asking to fill the gap above the 75% factor. It will also eliminate some of the shielding effect that the property tax credit gives local government entities for spending increases.

**Principal Introducer:** \_\_\_\_\_

Senator Mike Groene