

One Hundred Fifth Legislature - Second Session - 2018

Introducer's Statement of Intent

LB829

Chairperson: Senator Jim Smith

Committee: Revenue

Date of Hearing: January 25, 2018

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

LB 829 is a property tax relief bill. The bill would enable Nebraska property owners to get a credit or refund on their State income tax return equal to 50% of that portion of their property tax bill which goes to fund K-12 education. For most property owners LB 829 will result in a 30% reduction in their property taxes.

The median property tax rate in Nebraska is 1.76% of a property's assessed fair market value. Currently, Nebraska ranks as the 4th highest median property tax rate in the nation. Only New Jersey, New Hampshire and Texas have higher median property tax rates than Nebraska. Nebraskans pay more in property taxes than all of our neighboring states. On average, Nebraska property owners pay \$2,164 in property taxes every year.

Property taxes have escalated in recent years while median household incomes have remained stagnant. Since 2006 median household incomes have remained steady near \$57,000 per year, according to the Department of Numbers. Meanwhile, property taxes have skyrocketed. For instance, according to the Nebraska Department of Property Assessment & Taxation, in 2006 the total amount of property taxes collected in Morrill County, where I live, was \$7,390,027, but by 2016 that number had climbed to \$17,569,558. That's an average increase of more than one million dollars per year in a county with only 5,042 residents, according to the 2010 Census. So, property taxes have been increasing at an alarming rate while household incomes have remained stagnant.

It is the responsibility of the State, not local governments, to provide for instruction. The Nebraska State Constitution says, "The Legislature shall provide for the free instruction in the common schools of this state of all persons between the ages of five and twenty-one years." Therefore, the most appropriate place to enact a credit or refund for the purpose of property tax relief comes from that portion of every property tax bill which funds K-12 instruction.

Principal Introducer: _____

Senator Steve Erdman