LEGISLATURE OF NEBRASKA
ONE HUNDRED SIXTH LEGISLATURE
FIRST SESSION

LEGISLATIVE BILL 497

Introduced by Friesen, 34; Albrecht, 17; Bostelman, 23; Brandt, 32; Brewer, 43; Briese, 41; Dorn, 30; Erdman, 47; Gragert, 40; Halloran, 33; Hughes, 44; Murman, 38.

Read first time January 22, 2019

Committee: Revenue

1 A BILL FOR AN ACT relating to revenue and taxation; to amend sections 77-201, 77-202, 77-382, 77-693, 77-801, 77-1238, 77-1248, 77-1601.02, 77-2602, 77-2701.16, 77-2704.24, 77-2704.67, 77-27,132, 77-3442, and 77-5023, Reissue Revised Statutes of Nebraska, and sections 53-160, 53-187, 79-1003, 79-1015.01, 79-1016, and 79-1022, Revised Statutes Cumulative Supplement, 2018; to adopt the School District Property Tax Authority Act; to increase alcohol taxes; to change the valuation of agricultural land and horticultural land for school district taxation purposes; to terminate the exemptions provided under the Personal Property Tax Relief Act and certain sales tax exemptions; to increase the cigarette tax; to impose sales and use taxes on certain services; to transfer certain revenue to the Cash Reserve Fund; to change the levy limit for school districts as prescribed; to change the Tax Equity and Educational Opportunities Support Act; to harmonize provisions; to provide an operative date; and to repeal the original sections.

Be it enacted by the people of the State of Nebraska,
Section 1. Sections 1 to 4 of this act shall be known and may be cited as the School District Property Tax Authority Act.

Sec. 2. For purposes of the School District Property Tax Authority Act:

(1) Approved bonds means bonds that are issued by a school district after the question of issuing such bonds has been approved by the voters of such school district;

(2) Base growth percentage means whichever of the following percentages is the highest:
   (a) Two and one-half percent;
   (b) The percentage increase in the Consumer Price Index for All Urban Consumers, as prepared by the United States Department of Labor, Bureau of Labor Statistics, for the twelve-month period ending on June 30 of the year in which the property tax authority is calculated; or
   (c) The annual percentage increase in the student enrollment of the school district;

(3) Department means the State Department of Education;

(4) Other resources means revenue of a school district from all sources other than real and personal property taxes and state aid distributed pursuant to section 79-1022;

(5) School board has the same meaning as in section 79-101;

(6) School district has the same meaning as in section 79-101; and

(7) Student enrollment means the total number of students in the school district according to the fall school district membership report described in subsection (4) of section 79-528.

Sec. 3. (1) For fiscal year 2020-21 and each fiscal year thereafter, the total amount of property taxes levied by a school district for a fiscal year shall not exceed the school district’s property tax authority as determined pursuant to the School District Property Tax Authority Act.

(2) The school board of each school district shall calculate the
school district's property tax authority each fiscal year as follows:

   (a) For fiscal year 2020-21, the following steps shall be taken:

      (i) Step one: The school district's state and local resources shall
          be calculated. Such amount shall be equal to the school district's
          property tax request under section 77-1601.02 for fiscal year 2019-20
          plus the state aid distributed to the school district in fiscal year
          2019-20 pursuant to section 79-1022, with the sum increased by the base
          growth percentage applicable to the school district;

      (ii) Step two: The state aid to be distributed to the school
          district pursuant to section 79-1022 for fiscal year 2020-21 shall be
          subtracted from the school district's state and local resources
          calculated under step one; and

      (iii) Step three: The amount determined under step two shall then be
          either:

           (A) Decreased by the amount by which other resources for fiscal year
                2020-21 are expected to exceed other resources for fiscal year 2019-20;
           or

           (B) Increased by the amount by which other resources for fiscal year
                2019-20 are expected to exceed other resources for fiscal year 2020-21;

   (b) For fiscal year 2021-22 and each fiscal year thereafter, the
       following steps shall be taken:

      (i) Step one: The school district's state and local resources shall
          be calculated. Such amount shall be equal to the school district's state
          and local resources from the prior fiscal year increased by the base
          growth percentage applicable to the school district;

      (ii) Step two: The state aid to be distributed to the school
          district pursuant to section 79-1022 for the current fiscal year shall be
          subtracted from the school district's state and local resources
          calculated under step one; and

      (iii) Step three: The amount determined under step two shall then be
either:

(A) Decreased by the amount by which other resources for the current fiscal year are expected to exceed other resources for the prior fiscal year; or

(B) Increased by the amount by which other resources for the prior fiscal year are expected to exceed other resources for the current fiscal year.

Sec. 4. (1) The school board shall report the amount determined under section 3 of this act to the department upon forms prescribed by the department. The department shall review the amount reported to determine if such amount was calculated correctly. If the department determines that such amount was calculated correctly, it shall approve and certify the amount to the school board. If the department determines that such amount was not calculated correctly, it shall calculate the correct amount and certify that amount to the school board. The amount certified by the department shall be the school district's property tax authority, which shall be used for setting the school district's maximum levy rate pursuant to subdivision (2)(a) of section 77-3442. The school board may set its property tax request under section 77-1601.02 at an amount equal to or less than the school district's property tax authority.

(2) Section 3 of this act shall not apply to that portion of a school district's property tax request that is needed to pay the principal and interest on approved bonds.

Sec. 5. Section 53-160, Revised Statutes Cumulative Supplement, 2018, is amended to read:

53-160 (1) For the purpose of raising revenue, a tax is imposed upon the privilege of engaging in business as a manufacturer or a wholesaler at a rate of one dollar and thirty-eight thirty-one cents per gallon on all beer; three dollars and fifty-one ninety-five cents per gallon for wine, except for wines produced and released from bond in farm wineries;
two dollars and sixty-two six cents per gallon for wine produced and released from bond in farm wineries; and twelve three dollars and twenty-eight seventy-five cents per gallon on alcohol and spirits manufactured and sold by such manufacturer or shipped for sale in this state by such wholesaler in the course of such business. The gallonage tax imposed by this subsection shall be imposed only on alcoholic liquor upon which a federal excise tax is imposed.

(2) Manufacturers or wholesalers of alcoholic liquor shall be exempt from the payment of the gallonage tax on such alcoholic liquor upon satisfactory proof, including bills of lading furnished to the commission by affidavit or otherwise as the commission may require, that such alcoholic liquor was manufactured in this state but shipped out of the state for sale and consumption outside this state.

(3) Dry wines or fortified wines manufactured or shipped into this state solely and exclusively for sacramental purposes and uses shall not be subject to the gallonage tax.

(4) The gallonage tax shall not be imposed upon any alcoholic liquor, whether manufactured in or shipped into this state, when sold to a licensed nonbeverage user for use in the manufacture of any of the following when such products are unfit for beverage purposes: Patent and proprietary medicines and medicinal, antiseptic, and toilet preparations; flavoring extracts, syrups, food products, and confections or candy; scientific, industrial, and chemical products, except denatured alcohol; or products for scientific, chemical, experimental, or mechanical purposes.

(5) The gallonage tax shall not be imposed upon the privilege of engaging in any business in interstate commerce or otherwise, which business may not, under the Constitution and statutes of the United States, be made the subject of taxation by this state.

(6) The gallonage tax shall be in addition to all other occupation or privilege taxes imposed by this state or by any municipal corporation.
(7) The commission shall collect the gallonage tax and shall account for and remit to the State Treasurer at least once each week all money collected pursuant to this section. If any alcoholic liquor manufactured in or shipped into this state is sold to a licensed manufacturer or wholesaler of this state to be used solely as an ingredient in the manufacture of any beverage for human consumption, the tax imposed upon such manufacturer or wholesaler shall be reduced by the amount of the taxes which have been paid as to such alcoholic liquor so used under the Nebraska Liquor Control Act. The net proceeds of all revenue arising under this section shall be credited to the General Fund.

Sec. 6. Section 53-187, Revised Statutes Cumulative Supplement, 2018, is amended to read:

53-187 No nonbeverage user shall sell, give away, or otherwise dispose of any alcoholic liquor, purchased under his or her license as such nonbeverage user, in any form fit for beverage purposes. Any nonbeverage user who violates this section shall pay to the commission, for the use of the General Fund, the sum of twelve dollars and twenty-eight cents for each gallon of alcoholic liquor so diverted, and in addition thereto shall be subject to the penalties provided in section 53-1,100.

Sec. 7. Section 77-201, Reissue Revised Statutes of Nebraska, is amended to read:

77-201 (1) Except as provided in subsections (2) through (4) of this section, all real property in this state, not expressly exempt therefrom, shall be subject to taxation and shall be valued at its actual value.

(2) Agricultural land and horticultural land as defined in section 77-1359 shall constitute a separate and distinct class of property for purposes of property taxation, shall be subject to taxation, unless expressly exempt from taxation, and shall be valued at seventy-five percent of its actual value, except that for school district taxation
purposes such land shall be valued at a percentage of its actual value as
determined from the table in subsection (6) of this section.

(3) Agricultural land and horticultural land actively devoted to
agricultural or horticultural purposes which has value for purposes other
than agricultural or horticultural uses and which meets the
qualifications for special valuation under section 77-1344 shall
constitute a separate and distinct class of property for purposes of
property taxation, shall be subject to taxation, and shall be valued for
taxation at seventy-five percent of its special \textit{valuation value} as
defined in section 77-1343, except that for school district taxation
purposes such land shall be valued at a percentage of its special
valuation as determined from the table in subsection (6) of this section.

(4) Historically significant real property which meets the
qualifications for historic rehabilitation valuation under sections
77-1385 to 77-1394 shall be valued for taxation as provided in such
sections.

(5) Tangible personal property, not including motor vehicles,
trailers, and semitrailers registered for operation on the highways of
this state, shall constitute a separate and distinct class of property
for purposes of property taxation, shall be subject to taxation, unless
expressly exempt from taxation, and shall be valued at its net book
value. Tangible personal property transferred as a gift or devise or as
part of a transaction which is not a purchase shall be subject to
taxation based upon the date the property was acquired by the previous
owner and at the previous owner's Nebraska adjusted basis. Tangible
personal property acquired as replacement property for converted property
shall be subject to taxation based upon the date the converted property
was acquired and at the Nebraska adjusted basis of the converted property
unless insurance proceeds are payable by reason of the conversion. For
purposes of this subsection, (a) converted property means tangible
personal property which is compulsorily or involuntarily converted as a
result of its destruction in whole or in part, theft, seizure, requisition, or condemnation, or the threat or imminence thereof, and no gain or loss is recognized for federal or state income tax purposes by the holder of the property as a result of the conversion and (b) replacement property means tangible personal property acquired within two years after the close of the calendar year in which tangible personal property was converted and which is, except for date of construction or manufacture, substantially the same as the converted property.

(6) The applicable percentage to be used for purposes of subsections (2) and (3) of this section shall be determined from the following table:

<table>
<thead>
<tr>
<th>Tax Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>55</td>
</tr>
<tr>
<td>2021</td>
<td>45</td>
</tr>
<tr>
<td>2022 and after</td>
<td>40</td>
</tr>
</tbody>
</table>

Sec. 8. Section 77-202, Reissue Revised Statutes of Nebraska, is amended to read:

77-202 (1) The following property shall be exempt from property taxes:

(a) Property of the state and its governmental subdivisions to the extent used or being developed for use by the state or governmental subdivision for a public purpose. For purposes of this subdivision:

(i) Property of the state and its governmental subdivisions means (A) property held in fee title by the state or a governmental subdivision or (B) property beneficially owned by the state or a governmental subdivision in that it is used for a public purpose and is being acquired under a lease-purchase agreement, financing lease, or other instrument which provides for transfer of legal title to the property to the state or a governmental subdivision upon payment of all amounts due thereunder.

If the property to be beneficially owned by a governmental subdivision has a total acquisition cost that exceeds the threshold amount or will be used as the site of a public building with a total estimated construction
cost that exceeds the threshold amount, then such property shall qualify
for an exemption under this section only if the question of acquiring
such property or constructing such public building has been submitted at
a primary, general, or special election held within the governmental
subdivision and has been approved by the voters of the governmental
subdivision. For purposes of this subdivision, threshold amount means the
greater of fifty thousand dollars or six-tenths of one percent of the
total actual value of real and personal property of the governmental
subdivision that will beneficially own the property as of the end of the
governmental subdivision's prior fiscal year; and

(ii) Public purpose means use of the property (A) to provide public
services with or without cost to the recipient, including the general
operation of government, public education, public safety, transportation,
public works, civil and criminal justice, public health and welfare,
developments by a public housing authority, parks, culture, recreation,
community development, and cemetery purposes, or (B) to carry out the
duties and responsibilities conferred by law with or without
consideration. Public purpose does not include leasing of property to a
private party unless the lease of the property is at fair market value
for a public purpose. Leases of property by a public housing authority to
low-income individuals as a place of residence are for the authority's
public purpose;

(b) Unleased property of the state or its governmental subdivisions
which is not being used or developed for use for a public purpose but
upon which a payment in lieu of taxes is paid for public safety, rescue,
and emergency services and road or street construction or maintenance
services to all governmental units providing such services to the
property. Except as provided in Article VIII, section 11, of the
Constitution of Nebraska, the payment in lieu of taxes shall be based on
the proportionate share of the cost of providing public safety, rescue,
or emergency services and road or street construction or maintenance
services unless a general policy is adopted by the governing body of the
governmental subdivision providing such services which provides for a
different method of determining the amount of the payment in lieu of
taxes. The governing body may adopt a general policy by ordinance or
resolution for determining the amount of payment in lieu of taxes by
majority vote after a hearing on the ordinance or resolution. Such
ordinance or resolution shall nevertheless result in an equitable
contribution for the cost of providing such services to the exempt
property;

(c) Property owned by and used exclusively for agricultural and
horticultural societies;

(d) Property owned by educational, religious, charitable, or
cemetery organizations, or any organization for the exclusive benefit of
any such educational, religious, charitable, or cemetery organization,
and used exclusively for educational, religious, charitable, or cemetery
purposes, when such property is not (i) owned or used for financial gain
or profit to either the owner or user, (ii) used for the sale of
alcoholic liquors for more than twenty hours per week, or (iii) owned or
used by an organization which discriminates in membership or employment
based on race, color, or national origin. For purposes of this
subdivision, educational organization means (A) an institution operated
exclusively for the purpose of offering regular courses with systematic
instruction in academic, vocational, or technical subjects or assisting
students through services relating to the origination, processing, or
guarantying of federally reinsured student loans for higher education or
(B) a museum or historical society operated exclusively for the benefit
and education of the public. For purposes of this subdivision, charitable
organization includes an organization operated exclusively for the
purpose of the mental, social, or physical benefit of the public or an
indefinite number of persons and a fraternal benefit society organized
and licensed under sections 44-1072 to 44-10,109; and
(e) Household goods and personal effects not owned or used for financial gain or profit to either the owner or user.

(2) The increased value of land by reason of shade and ornamental trees planted along the highway shall not be taken into account in the valuation of land.

(3) Tangible personal property which is not depreciable tangible personal property as defined in section 77-119 shall be exempt from property tax.

(4) Motor vehicles, trailers, and semitrailers required to be registered for operation on the highways of this state shall be exempt from payment of property taxes.

(5) Business and agricultural inventory shall be exempt from the personal property tax. For purposes of this subsection, business inventory includes personal property owned for purposes of leasing or renting such property to others for financial gain only if the personal property is of a type which in the ordinary course of business is leased or rented thirty days or less and may be returned at the option of the lessee or renter at any time and the personal property is of a type which would be considered household goods or personal effects if owned by an individual. All other personal property owned for purposes of leasing or renting such property to others for financial gain shall not be considered business inventory.

(6) Any personal property exempt pursuant to subsection (2) of section 77-4105 or section 77-5209.02 shall be exempt from the personal property tax.

(7) Livestock shall be exempt from the personal property tax.

(8) Any personal property exempt pursuant to the Nebraska Advantage Act shall be exempt from the personal property tax.

(9) Any depreciable tangible personal property used directly in the generation of electricity using wind as the fuel source shall be exempt from the property tax levied on depreciable tangible personal property.
Any depreciable tangible personal property used directly in the generation of electricity using solar, biomass, or landfill gas as the fuel source shall be exempt from the property tax levied on depreciable tangible personal property if such depreciable tangible personal property was installed on or after January 1, 2016, and has a nameplate capacity of one hundred kilowatts or more. Depreciable tangible personal property used directly in the generation of electricity using wind, solar, biomass, or landfill gas as the fuel source includes, but is not limited to, wind turbines, rotors and blades, towers, solar panels, trackers, generating equipment, transmission components, substations, supporting structures or racks, inverters, and other system components such as wiring, control systems, switchgears, and generator step-up transformers.

(10) Any tangible personal property that is acquired by a person operating a data center located in this state, that is assembled, engineered, processed, fabricated, manufactured into, attached to, or incorporated into other tangible personal property, both in component form or that of an assembled product, for the purpose of subsequent use at a physical location outside this state by the person operating a data center shall be exempt from the personal property tax. Such exemption extends to keeping, retaining, or exercising any right or power over tangible personal property in this state for the purpose of subsequently transporting it outside this state for use thereafter outside this state. For purposes of this subsection, data center means computers, supporting equipment, and other organized assembly of hardware or software that are designed to centralize the storage, management, or dissemination of data and information, environmentally controlled structures or facilities or interrelated structures or facilities that provide the infrastructure for housing the equipment, such as raised flooring, electricity supply, communication and data lines, Internet access, cooling, security, and fire suppression, and any building housing the foregoing.

(11) For each person who owns property required to be reported to
the county assessor under section 77-1201, there shall be allowed, for
tax years prior to tax year 2020, an exemption amount as provided in the
Personal Property Tax Relief Act. For each person who owns property
required to be valued by the state as provided in section 77-601, 77-682,
77-801, or 77-1248, there shall be allowed, for tax years prior to tax
year 2020, a compensating exemption factor as provided in the Personal
Property Tax Relief Act.

Sec. 9. Section 77-382, Reissue Revised Statutes of Nebraska, is
amended to read:

77-382 (1) The department shall prepare a tax expenditure report
describing (a) the basic provisions of the Nebraska tax laws, (b) the
actual or estimated revenue loss caused by the exemptions, deductions,
exclusions, deferrals, credits, and preferential rates in effect on July
1 of each year and allowed under Nebraska's tax structure and in the
property tax, (c) the actual or estimated revenue loss caused by failure
to impose sales and use tax on services purchased for nonbusiness use,
and (d) the elements which make up the tax base for state and local
income, including income, sales and use, property, and miscellaneous
taxes.

(2) The department shall review the major tax exemptions for which
state general funds are used to reduce the impact of revenue lost due to
a tax expenditure. The report shall indicate an estimate of the amount of
the reduction in revenue resulting from the operation of all tax
expenditures. The report shall list each tax expenditure relating to
sales and use tax under the following categories:

(a) Agriculture, which shall include a separate listing for the
following items: Agricultural machinery; agricultural chemicals; seeds
sold to commercial producers; water for irrigation and manufacturing;
commercial artificial insemination; mineral oil as dust suppressant;
animal grooming; oxygen for use in aquaculture; animal life whose
products constitute food for human consumption; and grains;
(b) Business across state lines, which shall include a separate listing for the following items: Property shipped out-of-state; fabrication labor for items to be shipped out-of-state; property to be transported out-of-state; property purchased in other states to be used in Nebraska; aircraft delivery to an out-of-state resident or business; state reciprocal agreements for industrial machinery; and property taxed in another state;

(c) Common carrier and logistics, which shall include a separate listing for the following items: Railroad rolling stock and repair parts and services; common or contract carriers and repair parts and services; common or contract carrier accessories; and common or contract carrier safety equipment;

(d) Consumer goods, which shall include a separate listing for the following items: Motor vehicles and motorboat trade-ins; merchandise trade-ins; certain medical equipment and medicine; newspapers; laundromats; telefloral deliveries; motor vehicle discounts for the disabled; and political campaign fundraisers;

(e) Energy, which shall include a separate listing for the following items: Motor fuels; energy used in industry; energy used in agriculture; aviation fuel; and minerals, oil, and gas severed from real property;

(f) Food, which shall include a separate listing for the following items: Food for home consumption; Supplemental Nutrition Assistance Program; school lunches; meals sold by hospitals; meals sold by institutions at a flat rate; food for the elderly, handicapped, and Supplemental Security Income recipients; and meals sold by churches;

(g) General business, which shall include a separate listing for the following items: Component and ingredient parts; manufacturing machinery; containers; film rentals; molds and dies; syndicated programming; intercompany sales; intercompany leases; sale of a business or farm machinery; and transfer of property in a change of business ownership;

(h) Lodging and shelter, which shall include a separate listing for
the following item: Room rentals by certain institutions;

(i) Miscellaneous, which shall include a separate listing for the following items: Cash discounts and coupons; separately stated finance charges; casual sales; lease-to-purchase agreements; and separately stated taxes;

(j) Nonprofits, governments, and exempt entities, which shall include a separate listing for the following items: Purchases by political subdivisions of the state; purchases by churches and nonprofit colleges and medical facilities; purchasing agents for public real estate construction improvements; contractor as purchasing agent for public agencies; Nebraska lottery; admissions to school events; sales on Native American Indian reservations; school-supporting fundraisers; fine art purchases by a museum; purchases by the Nebraska State Fair Board; purchases by the Nebraska Investment Finance Authority and licensees of the State Racing Commission; purchases by the United States Government; public records; and sales by religious organizations;

(k) Recent sales tax expenditures, which shall include a separate listing for each sales tax expenditure created by statute or rule and regulation after July 19, 2012;

(l) Services purchased for nonbusiness use, which shall include a separate listing for each such service, including, but not limited to, the following items: Motor vehicle cleaning, maintenance, and repair services; cleaning and repair of clothing; cleaning, maintenance, and repair of other tangible personal property; maintenance, painting, and repair of real property; entertainment admissions; personal care services; lawn care, gardening, and landscaping services; pet-related services; storage and moving services; household utilities; other personal services; taxi, limousine, and other transportation services; legal services for businesses; accounting services; other professional services; and other real estate services; and

(m) Telecommunications, which shall include a separate listing for
the following items: Telecommunications access charges; prepaid calling
arrangements; conference bridging services; and nonvoice data services.

(3) It is the intent of the Legislature that nothing in the Tax
Expenditure Reporting Act shall cause the valuation or assessment of any
property exempt from taxation on the basis of its use exclusively for
religious, educational, or charitable purposes.

Sec. 10. Section 77-693, Reissue Revised Statutes of Nebraska, is
amended to read:

77-693 (1) The Property Tax Administrator in determining the taxable
value of railroads and car lines shall determine the following ratios
involving railroad and car line property and commercial and industrial
property:

(a) The ratio of the taxable value of all commercial and industrial
personal property in the state actually subjected to property tax divided
by the market value of all commercial and industrial personal property in
the state;

(b) The ratio of the taxable value of all commercial and industrial
real property in the state actually subjected to property tax divided by
the market value of all commercial and industrial real property in the
state;

(c) The ratio of the taxable value of railroad personal property to
the market value of railroad personal property. The numerator of the
ratio shall be the taxable value of railroad personal property. The
denominator of the ratio shall be the railroad system value allocated to
Nebraska and multiplied by a factor representing the net book value of
rail transportation personal property divided by the net book value of
total rail transportation property;

(d) The ratio of the taxable value of railroad real property to the
market value of railroad real property. The numerator of the ratio shall
be the taxable value of railroad real property. The denominator of the
ratio shall be the railroad system value allocated to Nebraska and
multiplied by a factor representing the net book value of rail
transportation real property divided by the net book value of total rail
transportation property; and

(e) Similar calculations shall be made for car line taxable
properties.

(2) If the ratio of the taxable value of railroad and car line
personal or real property exceeds the ratio of the comparable taxable
commercial and industrial property by more than five percent, the
Property Tax Administrator may adjust the value of such railroad and car
line property to the percentage of the comparable taxable commercial and
industrial property pursuant to federal statute or Nebraska federal court
decisions applicable thereto.

(3) For purposes of this section, commercial and industrial property
shall mean all real and personal property which is devoted to commercial
or industrial use other than rail transportation property and land used
primarily for agricultural purposes.

(4) After the adjustment made pursuant to subsections (1) and (2) of
this section, the Property Tax Administrator shall, for tax years prior
to tax year 2020, multiply the value of the tangible personal property of
each railroad and car line by the compensating exemption factor
calculated in section 77-1238.

Sec. 11. Section 77-801, Reissue Revised Statutes of Nebraska, is
amended to read:

77-801 (1) All public service entities shall, on or before April 15
each year, furnish a statement specifying such information as may be
required by the Property Tax Administrator on forms prescribed by the Tax
Commissioner to determine and distribute the entity's total taxable value
including the franchise value. All information reported by the public
service entities, not available from any other public source, and any
memorandum thereof shall be confidential and available to taxing
officials only. For good cause shown, the Property Tax Administrator may
allow an extension of time in which to file such statement. Such
extension shall not exceed fifteen days after April 15.

(2) The returns of public service entities shall not be held to be
conclusive as to the taxable value of the property, but the Property Tax
Administrator shall, from all the information which he or she is able to
obtain, find the taxable value of all such property, including tangible
property and franchises, and shall assess such property on the same basis
as other property is required to be assessed.

(3) The county assessor shall assess all nonoperating property of
any public service entity. A public service entity operating within the
State of Nebraska shall, on or before January 1 of each year, report to
the county assessor of each county in which it has situs all nonoperating
property belonging to such entity which is not subject to assessment and
assessed by the Property Tax Administrator under section 77-802.

(4) The Property Tax Administrator shall, for tax years prior to tax
year 2020, multiply the value of the tangible personal property of each
public service entity by the compensating exemption factor calculated in
section 77-1238.

Sec. 12. Section 77-1238, Reissue Revised Statutes of Nebraska, is
amended to read:

77-1238 (1) For tax years prior to tax year 2020, every every person
who is required to list his or her taxable tangible personal property as
defined in section 77-105, as required under section 77-1229, shall
receive an exemption from taxation for the first ten thousand dollars of
valuation of his or her tangible personal property in each tax district
as defined in section 77-127 in which a personal property return is
required to be filed. Failure to report tangible personal property on the
personal property return required by section 77-1229 shall result in a
forfeiture of the exemption for any tangible personal property not timely
reported for that year.

(2) For tax years prior to tax year 2020, the The Property Tax
Administrator shall reduce the value of the tangible personal property
owned by each railroad, car line company, public service entity, and air
carrier by a compensating exemption factor to reflect the exemption
allowed in subsection (1) of this section for all other personal property
taxpayers. The compensating exemption factor is calculated by multiplying
the value of the tangible personal property of the railroad, car line
company, public service entity, or air carrier by a fraction, the
numerator of which is the total amount of locally assessed tangible
personal property that is actually subjected to property tax after the
exemption allowed in subsection (1) of this section, and the denominator
of which is the net book value of locally assessed tangible personal
property prior to the exemptions allowed in subsection (1) of this
section.

Sec. 13. Section 77-1248, Reissue Revised Statutes of Nebraska, is
amended to read:

77-1248 (1) The Property Tax Administrator shall ascertain from the
reports made and from any other information obtained by him or her the
taxable value of the flight equipment of air carriers and the proportion
allocated to this state for the purposes of taxation as provided in
section 77-1245.

(2)(a) In determining the taxable value of the flight equipment of
air carriers pursuant to subsection (1) of this section, the Property Tax
Administrator shall determine the following ratios:

(i) The ratio of the taxable value of all commercial and industrial
depreciable tangible personal property in the state actually subjected to
property tax to the market value of all commercial and industrial
depreciable tangible personal property in the state; and

(ii) The ratio of the taxable value of flight equipment of air
carriers to the market value of flight equipment of air carriers.

(b) If the ratio of the taxable value of flight equipment of air
carriers exceeds the ratio of the taxable value of commercial and
industrial depreciable tangible personal property by more than five percent, the Property Tax Administrator may adjust the value of such flight equipment of air carriers to the percentage of the taxable commercial and industrial depreciable tangible personal property pursuant to federal law applicable to air carrier transportation property or Nebraska federal court decisions applicable thereto.

(c) For purposes of this subsection, commercial and industrial depreciable tangible personal property means all personal property which is devoted to commercial or industrial use other than flight equipment of air carriers.

(3) The Property Tax Administrator shall, for tax years prior to tax year 2020, multiply the valuation of each air carrier by the compensating exemption factor calculated in section 77-1238.

Sec. 14. Section 77-1601.02, Reissue Revised Statutes of Nebraska, is amended to read:

77-1601.02 (1) The property tax request for the prior year shall be the property tax request for the current year for purposes of the levy set by the county board of equalization in section 77-1601 unless the governing body of the county, municipality, school district, learning community, sanitary and improvement district, natural resources district, educational service unit, or community college passes by a majority vote a resolution or ordinance setting the tax request at a different amount. Such resolution or ordinance shall only be passed after a special public hearing called for such purpose is held and after notice is published in a newspaper of general circulation in the area of the political subdivision at least five days prior to the hearing. The hearing notice shall contain the following information: The dollar amount of the prior year's tax request and the property tax rate that was necessary to fund that tax request; the property tax rate that would be necessary to fund last year's tax request if applied to the current year's valuation; and the proposed dollar amount of the tax request for the current year and
the property tax rate that will be necessary to fund that tax request. Any resolution setting a tax request under this section shall be certified and forwarded to the county clerk on or before October 13 of the year for which the tax request is to apply.

(2) For fiscal year 2020-21 and each fiscal year thereafter, property tax requests certified by school districts pursuant to this section shall comply with the School District Property Tax Authority Act.

(3) Any levy which is not in compliance with this section and section 77-1601 shall be construed as an unauthorized levy under section 77-1606.

Sec. 15. Section 77-2602, Reissue Revised Statutes of Nebraska, is amended to read:

77-2602 (1) Every stamping agent engaged in distributing or selling cigarettes at wholesale in this state shall pay to the Tax Commissioner of this state a special privilege tax. This shall be in addition to all other taxes. It shall be paid prior to or at the time of the sale, gift, or delivery to the retail dealer in the several amounts as follows: On each package of cigarettes containing not more than twenty cigarettes, two dollars and fourteen sixty-four cents per package; and on packages containing more than twenty cigarettes, the same tax as provided on packages containing not more than twenty cigarettes for the first twenty cigarettes in each package and a tax of one-twentieth of the tax on the first twenty cigarettes on each cigarette in excess of twenty cigarettes in each package.

(2) Beginning October 1, 2004, the State Treasurer shall place the equivalent of one dollar and ninety-nine forty-nine cents of such tax in the General Fund. The State Treasurer shall reduce the amount placed in the General Fund under this subsection by the amount prescribed in subdivision (3)(d) of this section. For purposes of this section, the equivalent of a specified number of cents of the tax shall mean that portion of the proceeds of the tax equal to the specified number divided
(3) The State Treasurer shall distribute the remaining proceeds of such tax in the following order:

(a) First, beginning July 1, 1980, the State Treasurer shall place the equivalent of one cent of such tax in the Nebraska Outdoor Recreation Development Cash Fund. For fiscal year distributions occurring after FY1998-99, the distribution under this subdivision shall not be less than the amount distributed under this subdivision for FY1997-98. Any money needed to increase the amount distributed under this subdivision to the FY1997-98 amount shall reduce the distribution to the General Fund;

(b) Second, beginning July 1, 1993, the State Treasurer shall place the equivalent of three cents of such tax in the Health and Human Services Cash Fund to carry out sections 81-637 to 81-640. For fiscal year distributions occurring after FY1998-99, the distribution under this subdivision shall not be less than the amount distributed under this subdivision for FY1997-98. Any money needed to increase the amount distributed under this subdivision to the FY1997-98 amount shall reduce the distribution to the General Fund;

(c) Third, beginning October 1, 2002, and continuing until all the purposes of the Deferred Building Renewal Act have been fulfilled, the State Treasurer shall place the equivalent of seven cents of such tax in the Building Renewal Allocation Fund. The distribution under this subdivision shall not be less than the amount distributed under this subdivision for FY1997-98. Any money needed to increase the amount distributed under this subdivision to the FY1997-98 amount shall reduce the distribution to the General Fund;

(d) Fourth, until July 1, 2009, the State Treasurer shall place in the Municipal Infrastructure Redevelopment Fund the sum of five hundred twenty thousand dollars each fiscal year to carry out the Municipal Infrastructure Redevelopment Fund Act. The Legislature shall appropriate
the sum of five hundred twenty thousand dollars each year for fiscal year 2003-04 through fiscal year 2008-09;

(e) Fifth, beginning July 1, 2001, and continuing until June 30, 2008, the State Treasurer shall place the equivalent of two cents of such tax in the Information Technology Infrastructure Fund. The distribution under this subdivision shall not be less than two million fifty thousand dollars. Any money needed to increase the amount distributed under this subdivision to two million fifty thousand dollars shall reduce the distribution to the General Fund;

(f) Sixth, beginning July 1, 2001, and continuing until June 30, 2016, the State Treasurer shall place one million dollars each fiscal year in the City of the Primary Class Development Fund. If necessary, the State Treasurer shall reduce the distribution of tax proceeds to the General Fund pursuant to subsection (2) of this section by such amount required to fulfill the one million dollars to be distributed pursuant to this subdivision;

(g) Seventh, beginning July 1, 2001, and continuing until June 30, 2016, the State Treasurer shall place one million five hundred thousand dollars each fiscal year in the City of the Metropolitan Class Development Fund. If necessary, the State Treasurer shall reduce the distribution of tax proceeds to the General Fund pursuant to subsection (2) of this section by such amount required to fulfill the one million five hundred thousand dollars to be distributed pursuant to this subdivision;

(h) Eighth, beginning July 1, 2008, and continuing until June 30, 2009, the State Treasurer shall place the equivalent of two million fifty thousand dollars of such tax in the Nebraska Public Safety Communication System Cash Fund. Beginning July 1, 2009, and continuing until June 30, 2016, the State Treasurer shall place the equivalent of two million five hundred seventy thousand dollars of such tax in the Nebraska Public Safety Communication System Cash Fund. Beginning July 1, 2016, and every
fiscal year thereafter, the State Treasurer shall place the equivalent of three million eight hundred twenty thousand dollars of such tax in the Nebraska Public Safety Communication System Cash Fund. If necessary, the State Treasurer shall reduce the distribution of tax proceeds to the General Fund pursuant to subsection (2) of this section by such amount required to fulfill the distribution pursuant to this subdivision; and

(i) Ninth, beginning July 1, 2016, and every fiscal year thereafter, the State Treasurer shall place the equivalent of one million two hundred fifty thousand dollars of such tax in the Nebraska Health Care Cash Fund. If necessary, the State Treasurer shall reduce the distribution of tax proceeds to the General Fund pursuant to subsection (2) of this section by such amount required to fulfill the distribution pursuant to this subdivision.

(4) If, after distributing the proceeds of such tax pursuant to subsections (2) and (3) of this section, any proceeds of such tax remain, the State Treasurer shall place such remainder in the Nebraska Capital Construction Fund.

(5) The Legislature hereby finds and determines that the projects funded from the Municipal Infrastructure Redevelopment Fund and the Building Renewal Allocation Fund are of critical importance to the State of Nebraska. It is the intent of the Legislature that the allocations and appropriations made by the Legislature to such funds or, in the case of allocations for the Municipal Infrastructure Redevelopment Fund, to the particular municipality's account not be reduced until all contracts and securities relating to the construction and financing of the projects or portions of the projects funded from such funds or accounts of such funds are completed or paid or, in the case of the Municipal Infrastructure Redevelopment Fund, the earlier of such date or July 1, 2009, and that until such time any reductions in the cigarette tax rate made by the Legislature shall be simultaneously accompanied by equivalent reductions in the amount dedicated to the General Fund from cigarette tax revenue.
Any provision made by the Legislature for distribution of the proceeds of the cigarette tax for projects or programs other than those to (a) the General Fund, (b) the Nebraska Outdoor Recreation Development Cash Fund, (c) the Health and Human Services Cash Fund, (d) the Municipal Infrastructure Redevelopment Fund, (e) the Building Renewal Allocation Fund, (f) the Information Technology Infrastructure Fund, (g) the City of the Primary Class Development Fund, (h) the City of the Metropolitan Class Development Fund, (i) the Nebraska Public Safety Communication System Cash Fund, and (j) the Nebraska Health Care Cash Fund shall not be made a higher priority than or an equal priority to any of the programs or projects specified in subdivisions (a) through (j) of this subsection.

Sec. 16. Section 77-2701.16, Reissue Revised Statutes of Nebraska, is amended to read:

77-2701.16 (1) Gross receipts means the total amount of the sale or lease or rental price, as the case may be, of the retail sales of retailers.

(2) Gross receipts of every person engaged as a public utility specified in this subsection, as a community antenna television service operator, or as a satellite service operator or any person involved in connecting and installing services defined in subdivision (2)(a), (b), or (d) of this section means:

(a)(i) In the furnishing of telephone communication service, other than mobile telecommunications service as described in section 77-2703.04, the gross income received from furnishing ancillary services, except for conference bridging services, and intrastate telecommunications services, except for value-added, nonvoice data service.

(ii) In the furnishing of mobile telecommunications service as described in section 77-2703.04, the gross income received from furnishing mobile telecommunications service that originates and terminates in the same state to a customer with a place of primary use in
Nebraska;

(b) In the furnishing of telegraph service, the gross income received from the furnishing of intrastate telegraph services;

(c)(i) In the furnishing of gas, sewer, water, and electricity service, other than electricity service to a customer-generator as defined in section 70-2002, the gross income received from the furnishing of such services upon billings or statements rendered to consumers for such utility services.

(ii) In the furnishing of electricity service to a customer-generator as defined in section 70-2002, the net energy use upon billings or statements rendered to customer-generators for such electricity service;

(d) In the furnishing of community antenna television service or satellite service, the gross income received from the furnishing of such community antenna television service as regulated under sections 18-2201 to 18-2205 or 23-383 to 23-388 or satellite service; and

(e) The gross income received from the provision, installation, construction, servicing, or removal of property used in conjunction with the furnishing, installing, or connecting of any public utility services specified in subdivision (2)(a) or (b) of this section or community antenna television service or satellite service specified in subdivision (2)(d) of this section, except when acting as a subcontractor for a public utility, this subdivision does not apply to the gross income received by a contractor electing to be treated as a consumer of building materials under subdivision (2) or (3) of section 77-2701.10 for any such services performed on the customer's side of the utility demarcation point.

(3) Gross receipts of every person engaged in selling, leasing, or otherwise providing intellectual or entertainment property means:

(a) In the furnishing of computer software, the gross income received, including the charges for coding, punching, or otherwise
producing any computer software and the charges for the tapes, disks, punched cards, or other properties furnished by the seller; and 

(b) In the furnishing of videotapes, movie film, satellite programming, satellite programming service, and satellite television signal descrambling or decoding devices, the gross income received from the license, franchise, or other method establishing the charge.

(4) Gross receipts for providing a service means:

(a) The gross income received for building cleaning and maintenance, pest control, and security;

(b) The gross income received for motor vehicle washing, waxing, towing, and painting;

(c) The gross income received for computer software training;

(d) The gross income received for installing and applying tangible personal property if the sale of the property is subject to tax. If any or all of the charge for installation is free to the customer and is paid by a third-party service provider to the installer, any tax due on that part of the activation commission, finder's fee, installation charge, or similar payment made by the third-party service provider shall be paid and remitted by the third-party service provider;

(e) The gross income received for services of recreational vehicle parks;

(f) The gross income received for labor for repair or maintenance services performed with regard to tangible personal property the sale of which would be subject to sales and use taxes, excluding motor vehicles, except as otherwise provided in section 77-2704.26 or 77-2704.50;

(g) The gross income received for animal specialty services except (i) veterinary services, (ii) specialty services performed on livestock as defined in section 54-183, and (iii) animal grooming performed by a licensed veterinarian or a licensed veterinary technician in conjunction with medical treatment; and

(h) The gross income received for detective services;
(i) The gross income received for real property maintenance services;

(j) The gross income received for dry cleaning services;

(k) The gross income received for pet-related services;

(l) The gross income received for nonbusiness legal services;

(m) The gross income received for storage services;

(n) The gross income received for personal care services, including hair care, massages, nail services, spa services, and tattoo services;

(o) The gross income received for travel agency services; and

(p) The gross income received for dating and escort services.

(5) Gross receipts includes the sale of admissions. When an admission to an activity or a membership constituting an admission is combined with the solicitation of a contribution, the portion or the amount charged representing the fair market price of the admission shall be considered a retail sale subject to the tax imposed by section 77-2703. The organization conducting the activity shall determine the amount properly attributable to the purchase of the privilege, benefit, or other consideration in advance, and such amount shall be clearly indicated on any ticket, receipt, or other evidence issued in connection with the payment.

(6) Gross receipts includes the sale of live plants incorporated into real estate except when such incorporation is incidental to the transfer of an improvement upon real estate or the real estate.

(7) Gross receipts includes the sale of any building materials annexed to real estate by a person electing to be taxed as a retailer pursuant to subdivision (1) of section 77-2701.10.

(8) Gross receipts includes the sale of and recharge of prepaid calling service and prepaid wireless calling service.

(9) Gross receipts includes the retail sale of digital audio works, digital audiovisual works, digital codes, and digital books delivered electronically if the products are taxable when delivered on tangible
storage media. A sale includes the transfer of a permanent right of use,
the transfer of a right of use that terminates on some condition, and the
transfer of a right of use conditioned upon the receipt of continued
payments.

(10) Gross receipts does not include:

(a) The amount of any rebate granted by a motor vehicle or motorboat
manufacturer or dealer at the time of sale of the motor vehicle or
motorboat, which rebate functions as a discount from the sales price of
the motor vehicle or motorboat; or

(b) The price of property or services returned or rejected by
customers when the full sales price is refunded either in cash or credit.

Sec. 17. Section 77-2704.24, Reissue Revised Statutes of Nebraska,
is amended to read:

77-2704.24 (1) Sales and use taxes shall not be imposed on the gross
receipts from the sale, lease, or rental of and the storage, use, or
other consumption in this state of food or food ingredients except for
prepared food and food sold through vending machines.

(2) For purposes of this section:

(a) Alcoholic beverages means beverages that are suitable for human
consumption and contain one-half of one percent or more of alcohol by
volume;

(b) Dietary supplement means any product, other than tobacco,
intended to supplement the diet that contains one or more of the
following dietary ingredients: (i) A vitamin, (ii) a mineral, (iii) an
herb or other botanical, (iv) an amino acid, (v) a dietary substance for
use by humans to supplement the diet by increasing the total dietary
intake, or (vi) a concentrate, metabolite, constituent, extract, or
combination of any ingredients described in subdivisions (2)(b)(i)
through (v) of this section; that is intended for ingestion in tablet,
capsule, powder, softgel, gelcap, or liquid form or, if not intended for
ingestion in such a form, is not presented as conventional food and is
not represented for use as a sole item of a meal or of the diet; and that
is required to be labeled as a dietary supplement, identifiable by the
supplemental facts box found on the label and as required pursuant to 21
C.F.R. 101.36, as such regulation existed on January 1, 2003;
(c) Food and food ingredients means substances, whether in liquid,
concentrated, solid, frozen, dried, or dehydrated form, that are sold for
ingestion or chewing by humans and are consumed for their taste or
nutritional value. Food and food ingredients does not include alcoholic
beverages, dietary supplements, or tobacco;
(d) Food sold through vending machines means food that is dispensed
from a machine or other mechanical device that accepts payment;
(e) Prepared food means:
(i) Food sold with eating utensils provided by the seller, including
plates, knives, forks, spoons, glasses, cups, napkins, or straws. A plate
does not include a container or packaging used to transport the food; or
(ii) Two or more food ingredients mixed or combined by the seller
for sale as a single item and food sold in a heated state or heated by
the seller, except:
(A) Food that is only cut, repackaged, or pasteurized by the seller;
(B) Eggs, fish, meat, poultry, and foods containing these raw animal
foods requiring cooking by the consumer as recommended by the federal
Food and Drug Administration in chapter 3, part 401.11 of its Food Code,
as it existed on January 1, 2003, so as to prevent food borne illnesses;
(C) Food sold by a seller whose proper primary North American
Industry Classification System classification is manufacturing in sector
311, except subsector 3118, bakeries;
(D) Food sold in an unheated state by weight or volume as a single
item;
(E) Bakery items, including bread, rolls, buns, biscuits, bagels,
croissants, pastries, donuts, danish, cakes, tortes, pies, tarts,
muffins, bars, cookies, and tortillas; and
(F) Food that ordinarily requires additional cooking to finish the product to its desired final condition; and

(f) Tobacco means cigarettes, cigars, chewing or pipe tobacco, or any other item that contains tobacco.

(3) This section terminates on January 1, 2020.

Sec. 18. Section 77-2704.67, Reissue Revised Statutes of Nebraska, is amended to read:

77-2704.67  (1) Sales and use taxes shall not be imposed on the gross receipts from the sale, lease, or rental of and the storage, use, or other consumption in this state of any sale of a membership in or an admission to or any purchase by a nationally accredited zoo or aquarium operated by a public agency or nonprofit corporation primarily for educational, scientific, or tourism purposes.

(2) This section terminates on January 1, 2020.

Sec. 19. Section 77-27,132, Reissue Revised Statutes of Nebraska, is amended to read:

77-27,132 (1) There is hereby created a fund to be designated the Revenue Distribution Fund which shall be set apart and maintained by the Tax Commissioner. Revenue not required to be credited to the General Fund or any other specified fund may be credited to the Revenue Distribution Fund. Credits and refunds of such revenue shall be paid from the Revenue Distribution Fund. The balance of the amount credited, after credits and refunds, shall be allocated as provided by the statutes creating such revenue.

(2) The Tax Commissioner shall pay to a depository bank designated by the State Treasurer all amounts collected under the Nebraska Revenue Act of 1967. The Tax Commissioner shall present to the State Treasurer bank receipts showing amounts so deposited in the bank, and of the amounts so deposited the State Treasurer shall:

(a) For transactions occurring on or after October 1, 2014, and before October 1, 2022, credit to the Game and Parks Commission Capital
Maintenance Fund all of the proceeds of the sales and use taxes imposed pursuant to section 77-2703 on the sale or lease of motorboats as defined in section 37-1204, personal watercraft as defined in section 37-1204.01, all-terrain vehicles as defined in section 60-103, and utility-type vehicles as defined in section 60-135.01;

(b) Credit to the Highway Trust Fund all of the proceeds of the sales and use taxes derived from the sale or lease for periods of more than thirty-one days of motor vehicles, trailers, and semitrailers, except that the proceeds equal to any sales tax rate provided for in section 77-2701.02 that is in excess of five percent derived from the sale or lease for periods of more than thirty-one days of motor vehicles, trailers, and semitrailers shall be credited to the Highway Allocation Fund;

(c) For transactions occurring on or after July 1, 2013, and before July 1, 2033, of the proceeds of the sales and use taxes derived from transactions other than those listed in subdivisions (2)(a) and (b) of this section from a sales tax rate of one-quarter of one percent, credit monthly eighty-five percent to the State Highway Capital Improvement Fund and fifteen percent to the Highway Allocation Fund; and

(d) Of the proceeds of the sales and use taxes derived from transactions other than those listed in subdivisions (2)(a) and (b) of this section, credit to the Property Tax Credit Cash Fund the amount certified under section 77-27,237, if any such certification is made; and

(e) Credit to the Cash Reserve Fund, on or before June 30, 2020, one hundred fifty million dollars.

The balance of all amounts collected under the Nebraska Revenue Act of 1967 shall be credited to the General Fund.

Sec. 20. Section 77-3442, Reissue Revised Statutes of Nebraska, is amended to read:

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

(2)(a) Except as provided in subdivisions (2)(b) and (2)(e) of this
section:

(i) For fiscal years prior to fiscal year 2020-21, school districts
and multiple-district school systems may levy a maximum levy of one
dollar and five cents per one hundred dollars of taxable valuation of
property subject to the levy; and

(ii) For fiscal year 2020-21 and each fiscal year thereafter, school
districts and multiple-district school systems may levy a maximum levy
equal to the levy rate obtained by dividing the property tax authority
for the district or system, as calculated pursuant to the School District
Property Tax Authority Act, by the total assessed valuation of such
district or system, and then multiplying such quotient by one hundred.
This subdivision shall not affect any excess levy authority that has been
approved by voters pursuant to section 77-3444 prior to fiscal year
2020-21. Such excess levy authority shall terminate pursuant to its
terms.

(b) For each fiscal year prior to fiscal year 2017-18, learning
communities may levy a maximum levy for the general fund budgets of
member school districts of ninety-five cents per one hundred dollars of
taxable valuation of property subject to the levy. The proceeds from the
levy pursuant to this subdivision shall be distributed pursuant to
section 79-1073.

(c) Except as provided in subdivision (2)(e) of this section, for
each fiscal year prior to fiscal year 2017-18, school districts that are
members of learning communities may levy for purposes of such districts'
general fund budget and special building funds a maximum combined levy of
the difference of one dollar and five cents on each one hundred dollars
of taxable property subject to the levy minus the learning community levy
pursuant to subdivision (2)(b) of this section for such learning
community.

(d) Excluded from the limitations in subdivisions (2)(a) and (2)(c)
of this section are (i) amounts levied to pay for current and future sums
agreed to be paid by a school district to certificated employees in
exchange for a voluntary termination of employment occurring prior to
September 1, 2017, (ii) amounts levied by a school district otherwise at
the maximum levy pursuant to subdivision (2)(a) of this section to pay
for current and future qualified voluntary termination incentives for
certificated teachers pursuant to subsection (3) of section 79-8,142 that
are not otherwise included in an exclusion pursuant to subdivision (2)(d)
of this section, (iii) amounts levied by a school district otherwise at
the maximum levy pursuant to subdivision (2)(a) of this section to pay
for seventy-five percent of the current and future sums agreed to be paid
to certificated employees in exchange for a voluntary termination of
employment occurring between September 1, 2017, and August 31, 2018, as a
result of a collective-bargaining agreement in force and effect on
September 1, 2017, that are not otherwise included in an exclusion
pursuant to subdivision (2)(d) of this section, (iv) amounts levied by a
school district otherwise at the maximum levy pursuant to subdivision (2)
(a) of this section to pay for fifty percent of the current and future sums agreed to be paid to certificated employees in exchange for a voluntary termination of employment occurring between September 1, 2018, and August 31, 2019, as a result of a collective-bargaining agreement in force and effect on September 1, 2017, that are not otherwise included in an exclusion pursuant to subdivision (2)(d) of this section, (v) amounts levied by a school district otherwise at the maximum levy pursuant to subdivision (2)(a) of this section to pay for twenty-five percent of the current and future sums agreed to be paid to certificated employees in exchange for a voluntary termination of employment occurring between September 1, 2019, and August 31, 2020, as a result of a collective-
bargaining agreement in force and effect on September 1, 2017, that are
not otherwise included in an exclusion pursuant to subdivision (2)(d) of
this section, (vi) amounts levied in compliance with sections 79-10,110
and 79-10,110.02, and (vii) amounts levied to pay for special building
funds and sinking funds established for projects commenced prior to April
1, 1996, for construction, expansion, or alteration of school district
buildings. For purposes of this subsection, commenced means any action
taken by the school board on the record which commits the board to expend
district funds in planning, constructing, or carrying out the project.

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

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

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

(3) For each fiscal year, community college areas may levy the levies provided in subdivisions (2)(a) through (c) of section 85-1517, in accordance with the provisions of such subdivisions. A community college area may exceed the levy provided in subdivision (2)(b) of section 85-1517 by the amount necessary to retire general obligation bonds assumed by the community college area or issued pursuant to section 85-1515 according to the terms of such bonds or for any obligation pursuant to section 85-1535 entered into prior to January 1, 1997.

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

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

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

(5) Any educational service unit authorized to levy a property tax pursuant to section 79-1225 may levy a maximum levy of one and one-half cents per one hundred dollars of taxable valuation of property subject to the levy.

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

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

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

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

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

(10) Beginning July 1, 2016, rural and suburban fire protection districts may levy a maximum levy of ten and one-half cents per one hundred dollars of taxable valuation of property subject to the levy if (a) such district is located in a county that had a levy pursuant to subsection (8) of this section in the previous year of at least forty cents per one hundred dollars of taxable valuation of property subject to the levy or (b) for any rural or suburban fire protection district that had a levy request pursuant to section 77-3443 in the previous year, the county board of the county in which the greatest portion of the valuation of such district is located did not authorize any levy authority to such district in the previous year.

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

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

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

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

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

Sec. 21. Section 77-5023, Reissue Revised Statutes of Nebraska, is amended to read:

77-5023 (1) Pursuant to section 77-5022, the commission shall have the power to increase or decrease the value of a class or subclass of real property in any county or taxing authority or of real property valued by the state so that all classes or subclasses of real property in all counties fall within an acceptable range.

(2) An acceptable range is the percentage of variation from a standard for valuation as measured by an established indicator of central
tendency of assessment. Acceptable ranges are: (a) For agricultural land
and horticultural land as defined in section 77-1359, sixty-nine to
seventy-five percent of actual value, except that for school district
taxation purposes the acceptable range is a percentage range of actual
value as determined pursuant to subsection (6) of this section; (b) for
lands receiving special valuation, sixty-nine to seventy-five percent of
special valuation as defined in section 77-1343, except that for school
district taxation purposes the acceptable range is a percentage range of
special valuation as determined pursuant to subsection (6) of this
section; and (c) for all other real property, ninety-two to one hundred
percent of actual value.

(3) Any increase or decrease shall cause the level of value
determined by the commission to be at the midpoint of the applicable
acceptable range.

(4) Any decrease or increase to a subclass of property shall also
cause the level of value determined by the commission for the class from
which the subclass is drawn to be within the applicable acceptable range.

(5) Whether or not the level of value determined by the commission
falls within an acceptable range or at the midpoint of an acceptable
range may be determined to a reasonable degree of certainty relying upon
generally accepted mass appraisal techniques.

(6) The applicable percentage range to be used for purposes of
subdivisions (2)(a) and (b) of this section shall be determined from the
following table:

<table>
<thead>
<tr>
<th>Tax Year</th>
<th>Percentage Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>49 to 55</td>
</tr>
<tr>
<td>2021</td>
<td>39 to 45</td>
</tr>
<tr>
<td>2022 and after</td>
<td>34 to 40</td>
</tr>
</tbody>
</table>

Sec. 22. Section 79-1003, Revised Statutes Cumulative Supplement,
2018, is amended to read:

79-1003 For purposes of the Tax Equity and Educational Opportunities
Support Act:

(1) Adjusted general fund operating expenditures means (a) for school fiscal years 2013-14 through 2015-16, the difference of the general fund operating expenditures as calculated pursuant to subdivision (23) of this section increased by the cost growth factor calculated pursuant to section 79-1007.10, minus the transportation allowance, special receipts allowance, poverty allowance, limited English proficiency allowance, distance education and telecommunications allowance, elementary site allowance, summer school allowance, instructional time allowance, teacher education allowance, and focus school and program allowance, (b) for school fiscal years 2016-17 through 2018-19, the difference of the general fund operating expenditures as calculated pursuant to subdivision (23) of this section increased by the cost growth factor calculated pursuant to section 79-1007.10, minus the transportation allowance, special receipts allowance, poverty allowance, limited English proficiency allowance, distance education and telecommunications allowance, elementary site allowance, summer school allowance, and focus school and program allowance, and (c) for school fiscal year 2019-20 and each school fiscal year thereafter, the difference of the general fund operating expenditures as calculated pursuant to subdivision (23) of this section increased by the cost growth factor calculated pursuant to section 79-1007.10, minus the transportation allowance, special receipts allowance, poverty allowance, limited English proficiency allowance, distance education and telecommunications allowance, elementary site allowance, summer school allowance, community achievement plan allowance, and focus school and program allowance;

(2) Adjusted valuation means the assessed valuation of taxable property of each local system in the state, adjusted pursuant to the adjustment factors described in section 79-1016. Adjusted valuation means the adjusted valuation for the property tax year ending during the school
fiscal year immediately preceding the school fiscal year in which the aid
based upon that value is to be paid. For purposes of determining the
local effort rate yield pursuant to section 79-1015.01, adjusted
valuation does not include the value of any property which a court, by a
final judgment from which no appeal is taken, has declared to be
nontaxable or exempt from taxation;

(3) Allocated income tax funds means the amount of assistance paid
to a local system pursuant to section 79-1005.01 as adjusted, for school
fiscal years prior to school fiscal year 2017-18, by the minimum levy
adjustment pursuant to section 79-1008.02;

(4) Average daily membership means the average daily membership for
grades kindergarten through twelve attributable to the local system, as
provided in each district's annual statistical summary, and includes the
proportionate share of students enrolled in a public school instructional
program on less than a full-time basis;

(5) Base fiscal year means the first school fiscal year following
the school fiscal year in which the reorganization or unification
occurred;

(6) Board means the school board of each school district;

(7) Categorical funds means funds limited to a specific purpose by
federal or state law, including, but not limited to, Title I funds, Title
VI funds, federal vocational education funds, federal school lunch funds,
Indian education funds, Head Start funds, and funds from the Education
Innovation Fund;

(8) Consolidate means to voluntarily reduce the number of school
districts providing education to a grade group and does not include
dissolution pursuant to section 79-498;

(9) Converted contract means an expired contract that was in effect
for at least fifteen school years beginning prior to school year 2012-13
for the education of students in a nonresident district in exchange for
tuition from the resident district when the expiration of such contract
results in the nonresident district educating students, who would have been covered by the contract if the contract were still in effect, as option students pursuant to the enrollment option program established in section 79-234;

(10) Converted contract option student means a student who will be an option student pursuant to the enrollment option program established in section 79-234 for the school fiscal year for which aid is being calculated and who would have been covered by a converted contract if the contract were still in effect and such school fiscal year is the first school fiscal year for which such contract is not in effect;

(11) Department means the State Department of Education;

(12) District means any school district or unified system as defined in section 79-4,108;

(13) Ensuing school fiscal year means the school fiscal year following the current school fiscal year;

(14) Equalization aid means the amount of assistance calculated to be paid to a local system pursuant to sections 79-1007.11 to 79-1007.23, 79-1007.25, 79-1008.01 to 79-1022, and 79-1022.02;

(15) Fall membership means the total membership in kindergarten through grade twelve attributable to the local system as reported on the fall school district membership reports for each district pursuant to section 79-528;

(16) Fiscal year means the state fiscal year which is the period from July 1 to the following June 30;

(17) Formula students means:

(a) For state aid certified pursuant to section 79-1022, the sum of the product of fall membership from the school fiscal year immediately preceding the school fiscal year in which the aid is to be paid multiplied by the average ratio of average daily membership to fall membership for the second school fiscal year immediately preceding the school fiscal year in which the aid is to be paid and the prior two
school fiscal years plus sixty percent of the qualified early childhood education fall membership plus tuitioned students from the school fiscal year immediately preceding the school fiscal year in which aid is to be paid minus the product of the number of students enrolled in kindergarten that is not full-day kindergarten from the fall membership multiplied by 0.5; and

(b) For the final calculation of state aid pursuant to section 79-1065, the sum of average daily membership plus sixty percent of the qualified early childhood education average daily membership plus tuitioned students minus the product of the number of students enrolled in kindergarten that is not full-day kindergarten from the average daily membership multiplied by 0.5 from the school fiscal year immediately preceding the school fiscal year in which aid was paid;

(18) Free lunch and free milk calculated students means, using the most recent data available on November 1 of the school fiscal year immediately preceding the school fiscal year in which aid is to be paid, (a) for schools that did not provide free meals to all students pursuant to the community eligibility provision, students who individually qualified for free lunches or free milk pursuant to the federal Richard B. Russell National School Lunch Act, 42 U.S.C. 1751 et seq., and the federal Child Nutrition Act of 1966, 42 U.S.C. 1771 et seq., as such acts and sections existed on January 1, 2015, and rules and regulations adopted thereunder, plus (b) for schools that provided free meals to all students pursuant to the community eligibility provision, (i) for school fiscal year 2016-17, the product of the students who attended such school multiplied by the identified student percentage calculated pursuant to such federal provision or (ii) for school fiscal year 2017-18 and each school fiscal year thereafter, the greater of the number of students in such school who individually qualified for free lunch or free milk using the most recent school fiscal year for which the school did not provide free meals to all students pursuant to the community eligibility
provision or one hundred ten percent of the product of the students who
qualified for free meals at such school pursuant to the community
eligibility provision multiplied by the identified student percentage
calculated pursuant to such federal provision, except that the free lunch
and free milk students calculated for any school pursuant to subdivision
(18)(b)(ii) of this section shall not exceed one hundred percent of the
students qualified for free meals at such school pursuant to the
community eligibility provision;

(19) Free lunch and free milk student means, for school fiscal years
prior to school fiscal year 2016-17, a student who qualified for free
lunches or free milk from the most recent data available on November 1 of
the school fiscal year immediately preceding the school fiscal year in
which aid is to be paid;

(20) Full-day kindergarten means kindergarten offered by a district
for at least one thousand thirty-two instructional hours;

(21) General fund budget of expenditures means the total budget of
disbursements and transfers for general fund purposes as certified in the
budget statement adopted pursuant to the Nebraska Budget Act, except that
for purposes of the limitation imposed in section 79-1023, the general
fund budget of expenditures does not include any special grant funds,
exclusive of local matching funds, received by a district;

(22) General fund expenditures means all expenditures from the
general fund;

(23) General fund operating expenditures means for state aid
calculated for school fiscal years 2012-13 and each school fiscal year
thereafter, as reported on the annual financial report for the second
school fiscal year immediately preceding the school fiscal year in which
aid is to be paid, the total general fund expenditures minus (a) the
amount of all receipts to the general fund, to the extent that such
receipts are not included in local system formula resources, from early
childhood education tuition, summer school tuition, educational entities
as defined in section 79-1201.01 for providing distance education courses
through the Educational Service Unit Coordinating Council to such
educational entities, private foundations, individuals, associations,
charitable organizations, the textbook loan program authorized by section
79-734, federal impact aid, and levy override elections pursuant to
section 77-3444, (b) the amount of expenditures for categorical funds,
tuition paid, transportation fees paid to other districts, adult
education, community services, redemption of the principal portion of
general fund debt service, retirement incentive plans authorized by
section 79-855, and staff development assistance authorized by section
79-856, (c) the amount of any transfers from the general fund to any bond
fund and transfers from other funds into the general fund, (d) any legal
expenses in excess of fifteen-hundredths of one percent of the formula
need for the school fiscal year in which the expenses occurred, (e)(i)
for state aid calculated for school fiscal years prior to school fiscal
year 2018-19, expenditures to pay for sums agreed to be paid by a school
district to certificated employees in exchange for a voluntary
termination occurring prior to July 1, 2009, occurring on or after the
last day of the 2010-11 school year and prior to the first day of the
2013-14 school year, or, to the extent that a district has demonstrated
to the State Board of Education pursuant to section 79-1028.01 that the
agreement will result in a net savings in salary and benefit costs to the
school district over a five-year period, occurring on or after the first
day of the 2013-14 school year or (ii) for state aid calculated for
school fiscal year 2018-19 and each school fiscal year thereafter,
expenditures to pay for incentives agreed to be paid by a school district
to certificated employees in exchange for a voluntary termination of
employment for which the State Board of Education approved an exclusion
pursuant to subdivision (1)(h), (i), (j), or (k) of section 79-1028.01,
(f)(i) expenditures to pay for employer contributions pursuant to
subsection (2) of section 79-958 to the School Employees Retirement
System of the State of Nebraska to the extent that such expenditures exceed the employer contributions under such subsection that would have been made at a contribution rate of seven and thirty-five hundredths percent or (ii) expenditures to pay for school district contributions pursuant to subdivision (1)(c)(i) or (1)(d)(i) of section 79-9,113 to the retirement system established pursuant to the Class V School Employees Retirement Act to the extent that such expenditures exceed the school district contributions under such subdivision that would have been made at a contribution rate of seven and thirty-seven hundredths percent, and (g) any amounts paid by the district for lobbyist fees and expenses reported to the Clerk of the Legislature pursuant to section 49-1483.

For purposes of this subdivision (23) of this section, receipts from levy override elections shall equal ninety-nine percent of the difference of the total general fund levy minus the maximum levy authorized in subdivision (2)(a) of section 77-3442 a levy of one dollar and five cents per one hundred dollars of taxable valuation multiplied by the assessed valuation for school districts that have voted pursuant to section 77-3444 to override the maximum levy provided pursuant to section 77-3442;

(24) Income tax liability means the amount of the reported income tax liability for resident individuals pursuant to the Nebraska Revenue Act of 1967 less all nonrefundable credits earned and refunds made;

(25) Income tax receipts means the amount of income tax collected pursuant to the Nebraska Revenue Act of 1967 less all nonrefundable credits earned and refunds made;

(26) Limited English proficiency students means the number of students with limited English proficiency in a district from the most recent data available on November 1 of the school fiscal year preceding the school fiscal year in which aid is to be paid plus the difference of such students with limited English proficiency minus the average number of limited English proficiency students for such district, prior to such
addition, for the three immediately preceding school fiscal years if such
difference is greater than zero;

(27) Local system means a unified system or a school district;

(28) Low-income child means (a) for school fiscal years prior to
2016-17, a child under nineteen years of age living in a household having
an annual adjusted gross income for the second calendar year preceding
the beginning of the school fiscal year for which aid is being calculated
equal to or less than the maximum household income that would allow a
student from a family of four people to be a free lunch and free milk
student during the school fiscal year immediately preceding the school
fiscal year for which aid is being calculated and (b) for school fiscal
year 2016-17 and each school fiscal year thereafter, a child under
nineteen years of age living in a household having an annual adjusted
gross income for the second calendar year preceding the beginning of the
school fiscal year for which aid is being calculated equal to or less
than the maximum household income pursuant to sections 9(b)(1) and 17(c)
(4) of the Richard B. Russell National School Lunch Act, 42 U.S.C.
1758(b)(1) and 42 U.S.C. 1766(c)(4), respectively, and sections 3(a)(6)
and 42 U.S.C. 1773(e)(1)(A), respectively, as such acts and sections
existed on January 1, 2015, for a household of that size that would have
allowed the child to meet the income qualifications for free meals during
the school fiscal year immediately preceding the school fiscal year for
which aid is being calculated;

(29) Low-income students means the number of low-income children
within the district multiplied by the ratio of the formula students in
the district divided by the total children under nineteen years of age
residing in the district as derived from income tax information;

(30) Most recently available complete data year means the most
recent single school fiscal year for which the annual financial report,
fall school district membership report, annual statistical summary,
Nebraska income tax liability by school district for the calendar year in which the majority of the school fiscal year falls, and adjusted valuation data are available;

(31) Poverty students means (a) for school fiscal years prior to 2016-17, the number of low-income students or the number of students who are free lunch and free milk students in a district plus the difference of the number of low-income students or the number of students who are free lunch and free milk students in a district, whichever is greater, minus the average number of poverty students for such district, prior to such addition, for the three immediately preceding school fiscal years if such difference is greater than zero and (b) for school fiscal year 2016-17 and each school fiscal year thereafter, the unadjusted poverty students plus the difference of such unadjusted poverty students minus the average number of poverty students for such district, prior to such addition, for the three immediately preceding school fiscal years if such difference is greater than zero;

(32) Qualified early childhood education average daily membership means the product of the average daily membership for school fiscal year 2006-07 and each school fiscal year thereafter of students who will be eligible to attend kindergarten the following school year and are enrolled in an early childhood education program approved by the department pursuant to section 79-1103 for such school district for such school year multiplied by the ratio of the actual instructional hours of the program divided by one thousand thirty-two if: (a) The program is receiving a grant pursuant to such section for the third year; (b) the program has already received grants pursuant to such section for three years; or (c) the program has been approved pursuant to subsection (5) of section 79-1103 for such school year and the two preceding school years, including any such students in portions of any of such programs receiving an expansion grant;

(33) Qualified early childhood education fall membership means the
product of membership on October 1 of each school year of students who will be eligible to attend kindergarten the following school year and are enrolled in an early childhood education program approved by the department pursuant to section 79-1103 for such school district for such school year multiplied by the ratio of the planned instructional hours of the program divided by one thousand thirty-two if: (a) The program is receiving a grant pursuant to such section for the third year; (b) the program has already received grants pursuant to such section for three years; or (c) the program has been approved pursuant to subsection (5) of section 79-1103 for such school year and the two preceding school years, including any such students in portions of any of such programs receiving an expansion grant;

(34) Regular route transportation means the transportation of students on regularly scheduled daily routes to and from the attendance center;

(35) Reorganized district means any district involved in a consolidation and currently educating students following consolidation;

(36) School year or school fiscal year means the fiscal year of a school district as defined in section 79-1091;

(37) Sparse local system means a local system that is not a very sparse local system but which meets the following criteria:

(a)(i) Less than two students per square mile in the county in which each high school is located, based on the school district census, (ii) less than one formula student per square mile in the local system, and (iii) more than ten miles between each high school attendance center and the next closest high school attendance center on paved roads;

(b)(i) Less than one and one-half formula students per square mile in the local system and (ii) more than fifteen miles between each high school attendance center and the next closest high school attendance center on paved roads;

(c)(i) Less than one and one-half formula students per square mile
in the local system and (ii) more than two hundred seventy-five square miles in the local system; or

(d)(i) Less than two formula students per square mile in the local system and (ii) the local system includes an area equal to ninety-five percent or more of the square miles in the largest county in which a high school attendance center is located in the local system;

(38) Special education means specially designed kindergarten through grade twelve instruction pursuant to section 79-1125, and includes special education transportation;

(39) Special grant funds means the budgeted receipts for grants, including, but not limited to, categorical funds, reimbursements for wards of the court, short-term borrowings including, but not limited to, registered warrants and tax anticipation notes, interfund loans, insurance settlements, and reimbursements to county government for previous overpayment. The state board shall approve a listing of grants that qualify as special grant funds;

(40) State aid means the amount of assistance paid to a district pursuant to the Tax Equity and Educational Opportunities Support Act;

(41) State board means the State Board of Education;

(42) State support means all funds provided to districts by the State of Nebraska for the general fund support of elementary and secondary education;

(43) Statewide average basic funding per formula student means the statewide total basic funding for all districts divided by the statewide total formula students for all districts;

(44) Statewide average general fund operating expenditures per formula student means the statewide total general fund operating expenditures for all districts divided by the statewide total formula students for all districts;

(45) Teacher has the definition found in section 79-101;

(46) Temporary aid adjustment factor means (a) for school fiscal
years before school fiscal year 2007-08, one and one-fourth percent of
the sum of the local system's transportation allowance, the local
system's special receipts allowance, and the product of the local
system's adjusted formula students multiplied by the average formula cost
per student in the local system's cost grouping and (b) for school fiscal
year 2007-08, one and one-fourth percent of the sum of the local system's
transportation allowance, special receipts allowance, and distance
education and telecommunications allowance and the product of the local
system's adjusted formula students multiplied by the average formula cost
per student in the local system's cost grouping;

(47) Tuition receipts from converted contracts means tuition
receipts received by a district from another district in the most
recently available complete data year pursuant to a converted contract
prior to the expiration of the contract;

(48) Tuitioned students means students in kindergarten through grade
twelve of the district whose tuition is paid by the district to some
other district or education agency;

(49) Unadjusted poverty students means, for school fiscal year
2016-17 and each school fiscal year thereafter, the greater of the number
of low-income students or the free lunch and free milk calculated
students in a district; and

(50) Very sparse local system means a local system that has:

(a)(i) Less than one-half student per square mile in each county in
which each high school attendance center is located based on the school
district census, (ii) less than one formula student per square mile in
the local system, and (iii) more than fifteen miles between the high
school attendance center and the next closest high school attendance
center on paved roads; or

(b)(i) More than four hundred fifty square miles in the local
system, (ii) less than one-half student per square mile in the local
system, and (iii) more than fifteen miles between each high school
attendance center and the next closest high school attendance center on paved roads.

Sec. 23. Section 79-1015.01, Revised Statutes Cumulative Supplement, 2018, is amended to read:

79-1015.01 (1) Local system formula resources shall include local effort rate yield which shall be computed as prescribed in this section.

(2) For each school fiscal year 2019-20 except school fiscal years 2017-18 and 2018-19: (a) For state aid certified pursuant to section 79-1022, the local effort rate shall be the maximum levy, for the school fiscal year for which aid is being certified, authorized pursuant to subdivision (2)(a) of section 77-3442 less five cents; (b) for the final calculation of state aid pursuant to section 79-1065, the local effort rate shall be the rate which, when multiplied by the total adjusted valuation of all taxable property in local systems receiving equalization aid pursuant to the Tax Equity and Educational Opportunities Support Act, will produce the amount needed to support the total formula need of such local systems when added to state aid appropriated by the Legislature and other actual receipts of local systems described in section 79-1018.01; and (c) the local effort rate yield for such school fiscal years shall be determined by multiplying each local system's total adjusted valuation by the local effort rate.

(3) For school fiscal year 2020-21 and each school fiscal year thereafter: (a) For state aid certified pursuant to section 79-1022, the local effort rate shall be .9750; and (b) the local effort rate yield for such school fiscal years shall be determined by multiplying each local system's total adjusted valuation by the local effort rate. For school fiscal years 2017-18 and 2018-19: (a) For state aid certified pursuant to section 79-1022, the local effort rate shall be the maximum levy, for the school fiscal year for which aid is being certified, authorized pursuant to subdivision (2)(a) of section 77-3442 less two and ninety-seven hundredths cents; (b) for the final calculation of state aid pursuant to
section 79-1065, the local effort rate shall be the rate which, when multiplied by the total adjusted valuation of all taxable property in local systems receiving equalization aid pursuant to the Tax Equity and Educational Opportunities Support Act, will produce the amount needed to support the total formula need of such local systems when added to state aid appropriated by the Legislature and other actual receipts of local systems described in section 79-1018.01; and (c) the local effort rate yield for such school fiscal years shall be determined by multiplying each local system's total adjusted valuation by the local effort rate.

Sec. 24. Section 79-1016, Revised Statutes Cumulative Supplement, 2018, is amended to read:

79-1016 (1) On or before August 20, the county assessor shall certify to the Property Tax Administrator the total taxable value by school district in the county for the current assessment year on forms prescribed by the Tax Commissioner. The county assessor may amend the filing for changes made to the taxable valuation of the school district in the county if corrections or errors on the original certification are discovered. Amendments shall be certified to the Property Tax Administrator on or before August 31.

(2) On or before October 10, the Property Tax Administrator shall compute and certify to the State Department of Education the adjusted valuation for the current assessment year for each class of property in each school district and each local system. The adjusted valuation of property for each school district and each local system, for purposes of determining state aid pursuant to the Tax Equity and Educational Opportunities Support Act, shall reflect as nearly as possible state aid value as defined in subsection (3) of this section. The Property Tax Administrator shall notify each school district and each local system of its adjusted valuation for the current assessment year by class of property on or before October 10. Establishment of the adjusted valuation shall be based on the taxable value certified by the county assessor for
each school district in the county adjusted by the determination of the
level of value for each school district from an analysis of the
comprehensive assessment ratio study or other studies developed by the
Property Tax Administrator, in compliance with professionally accepted
mass appraisal techniques, as required by section 77-1327. The Tax
Commissioner shall adopt and promulgate rules and regulations setting
forth standards for the determination of level of value for state aid
purposes.

(3) For purposes of this section, state aid value means:

(a) For real property other than agricultural and horticultural
land, ninety-six percent of actual value;

(b)(i) For agricultural and horticultural land, a percentage
seventy-two percent of actual value as provided in sections 77-1359 and
to 77-1363, which shall be determined using the table in subdivision (3)
(b)(ii) of this section. For agricultural and horticultural land that
receives special valuation pursuant to section 77-1344, a percentage
seventy-two percent of special valuation as defined in section 77-1343,
which shall be determined using the table in subdivision (3)(b)(ii) of
this section; and

(ii) The applicable percentage to be used for purposes of
subdivision (3)(b)(i) of this section shall be determined from the
following table:

<table>
<thead>
<tr>
<th>Tax Year</th>
<th>Percentage</th>
</tr>
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<tbody>
<tr>
<td>2020</td>
<td>52</td>
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<tr>
<td>2021</td>
<td>42</td>
</tr>
<tr>
<td>2022 and after</td>
<td>37</td>
</tr>
</tbody>
</table>

(c) For personal property, the net book value as defined in section
77-120.

(4) On or before November 10, any local system may file with the Tax
Commissioner written objections to the adjusted valuations prepared by
the Property Tax Administrator, stating the reasons why such adjusted
valuations are not the valuations required by subsection (3) of this section. The Tax Commissioner shall fix a time for a hearing. Either party shall be permitted to introduce any evidence in reference thereto. On or before January 1, the Tax Commissioner shall enter a written order modifying or declining to modify, in whole or in part, the adjusted valuations and shall certify the order to the State Department of Education. Modification by the Tax Commissioner shall be based upon the evidence introduced at hearing and shall not be limited to the modification requested in the written objections or at hearing. A copy of the written order shall be mailed to the local system within seven days after the date of the order. The written order of the Tax Commissioner may be appealed within thirty days after the date of the order to the Tax Equalization and Review Commission in accordance with section 77-5013.

(5) On or before November 10, any local system or county official may file with the Tax Commissioner a written request for a nonappealable correction of the adjusted valuation due to clerical error as defined in section 77-128 or, for agricultural and horticultural land, assessed value changes by reason of land qualified or disqualified for special use valuation pursuant to sections 77-1343 to 77-1347.01. On or before the following January 1, the Tax Commissioner shall approve or deny the request and, if approved, certify the corrected adjusted valuations resulting from such action to the State Department of Education.

(6) On or before May 31 of the year following the certification of adjusted valuation pursuant to subsection (2) of this section, any local system or county official may file with the Tax Commissioner a written request for a nonappealable correction of the adjusted valuation due to changes to the tax list that change the assessed value of taxable property. Upon the filing of the written request, the Tax Commissioner shall require the county assessor to recertify the taxable valuation by school district in the county on forms prescribed by the Tax Commissioner. The recertified valuation shall be the valuation that was
certified on the tax list, pursuant to section 77-1613, increased or
decreased by changes to the tax list that change the assessed value of
taxable property in the school district in the county in the prior
assessment year. On or before the following July 31, the Tax Commissioner
shall approve or deny the request and, if approved, certify the corrected
adjusted valuations resulting from such action to the State Department of
Education.

(7) No injunction shall be granted restraining the distribution of
state aid based upon the adjusted valuations pursuant to this section.

(8) A school district whose state aid is to be calculated pursuant
to subsection (5) of this section and whose state aid payment is
postponed as a result of failure to calculate state aid pursuant to such
subsection may apply to the state board for lump-sum payment of such
postponed state aid. Such application may be for any amount up to one
hundred percent of the postponed state aid. The state board may grant the
entire amount applied for or any portion of such amount. The state board
shall notify the Director of Administrative Services of the amount of
funds to be paid in a lump sum and the reduced amount of the monthly
payments. The Director of Administrative Services shall, at the time of
the next state aid payment made pursuant to section 79-1022, draw a
warrant for the lump-sum amount from appropriated funds and forward such
warrant to the district.

Sec. 25. Section 79-1022, Revised Statutes Cumulative Supplement,
2018, is amended to read:

79-1022 (1)(a) (1) On or before June 1, 2017, and on or before
March 1 of each year thereafter, for each ensuing fiscal year, the
department shall determine the amounts to be distributed to each local
system and each district for the ensuing school fiscal year pursuant to
the Tax Equity and Educational Opportunities Support Act and shall
certify the amounts to the Director of Administrative Services, the
Auditor of Public Accounts, each learning community for school fiscal
years prior to school fiscal year 2017-18, and each district.

(b) For school fiscal year 2020-21 and each school fiscal year thereafter, notwithstanding any other provision of the Tax Equity and Educational Opportunities Support Act to the contrary, the amount to be distributed to each local system under the act and certified pursuant to this section shall be:

(i) For school fiscal year 2020-21, the greater of thirty-five percent of the basic funding calculated for the school districts in the local system for such school fiscal year or the total amount calculated pursuant to the remainder of the act;

(ii) For school fiscal year 2021-22, the greater of forty-five percent of the basic funding calculated for the school districts in the local system for such school fiscal year or the total amount calculated pursuant to the remainder of the act; and

(iii) For school fiscal year 2022-23 and each school fiscal year thereafter, the greater of fifty percent of the basic funding calculated for the school districts in the local system for such school fiscal year or the total amount calculated pursuant to the remainder of the act.

(c) Except as otherwise provided in this section, the amount to be distributed to each district from the amount certified for a local system shall be proportional based on the formula students attributed to each district in the local system. For school fiscal years prior to school fiscal year 2017-18, the amount to be distributed to each district that is a member of a learning community from the amount certified for the local system shall be proportional based on the formula needs calculated for each district in the local system.

(d) On or before June 1, 2017, and on or before March 1 of each year thereafter, for each ensuing fiscal year, the department shall report the necessary funding level for the ensuing school fiscal year to the Governor, the Appropriations Committee of the Legislature, and the Education Committee of the Legislature. The report submitted to the
committees of the Legislature shall be submitted electronically.

(e) Except as otherwise provided in this subsection, certified state aid amounts, including adjustments pursuant to section 79-1065.02, shall be shown as budgeted non-property-tax receipts and deducted prior to calculating the property tax request in the district's general fund budget statement as provided to the Auditor of Public Accounts pursuant to section 79-1024.

(2) Except as provided in this subsection, subsection (8) of section 79-1016, and sections 79-1005, 79-1033, and 79-1065.02, the amounts certified pursuant to subsection (1) of this section shall be distributed in ten as nearly as possible equal payments on the last business day of each month beginning in September of each ensuing school fiscal year and ending in June of the following year, except that when a school district is to receive a monthly payment of less than one thousand dollars, such payment shall be one lump-sum payment on the last business day of December during the ensuing school fiscal year.

Sec. 26. This act becomes operative on January 1, 2020.