

# **One Hundred Sixth Legislature - Second Session - 2020**

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

### **LB974**

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**Chairperson: Senator Lou Ann Linehan**

**Committee: Revenue**

**Date of Hearing: January 22, 2020**

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

LB974 is the Revenue Committee's property tax relief proposal.

The purpose of LB 974 is to reduce the property tax bills of Nebraska's farmers', ranchers, and homeowners while protecting our schools.

The goal of LB 974 is to reduce our reliance on property taxes to fund public K-12 education by providing a dollar-for-dollar reduction in K-12 property taxes. State Aid is being increased to reduce the reliance of local property taxes for funding K-12 education.

The statutory maximum levy will remain at a \$1.05; however, as is the case now any school district can by a vote of their taxpayers, override the maximum levy.

LB 974 does not raise income or sales taxes, nor does it eliminate any sales tax exemptions. It does not repurpose or change the Property Tax Credit Fund. The Property Tax Credit Fund will continue to work as it does today.

As introduced, LB974 will reduce the taxable valuation for all school districts over a 3-year period. Agricultural land will be reduced from 75% of actual value to 65% of actual value in 2020-21 and 55% of actual value in 2021-22 and thereafter.

Residential, commercial/industrial and centrally assessed land will be reduced from 100% of actual value to 95% of actual value in 2020-21. It will be reduced to 90% of actual value in 2021-22 and 85% of actual value in 2022-23 and thereafter.

These reductions in taxable value will reduce the amount of adjusted value that is used in the calculation of TEEOSA Aid.

The base limitation, or basic allowable growth rate, will be the inflation rate for the school fiscal year.

A new levy exclusion is being added to begin with school fiscal year 2021-22. If the January estimate of TEEOSA aid is greater than the actual certification of TEEOSA Aid and if the change in TEEOSA Aid is due to Legislative enactment, the board of education may vote to access 75% of the difference as a levy exclusion. A supermajority vote of the elected board is required for this levy exclusion.

The special building fund levy will be reduced to 6 cents per \$100 of taxable value. A vote of the people will be required if a school board wishes to lease-purchase buildings or build a new building from the special building fund.

The adjustments to TEEOSA Aid in LB974 includes Foundation Aid is created which will provide every student in Nebraska funding through TEEOSA. A Basic Funding Aid component of Foundation Aid provides additional dollars for low enrollment schools which are located in rural communities across our State.

The calculation of net option funding will be changed beginning in 2021-22 to use the statewide property tax dollars per formula student. This will provide the property tax dollars to follow an option student.

The averaging adjustment will be repealed beginning with the 2021-22 certification of TEEOSA Aid.

LB974 will provide Transition Aid for qualifying school districts. To qualify for Transition Aid, a school district must have a combined general fund and special building fund of \$1.05 or greater and the difference between its general fund budget of disbursements and transfers from the current year is greater than 1% of the prior year.

Transition Aid will be 100% of the difference in 2020-21; 75% of the difference in 2021-22; and 50% of the difference in 2022-23. The amount of Transition Aid will be appropriated by the Legislature and prorated to the school districts.

Finally, unused budget authority is reset to zero beginning with the 2020-21 school fiscal year.

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

Senator Lou Ann Linehan, Chairperson  
Revenue Committee