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NEBRASKA TAXPAYERS FOR FREEDOM SUGGESTED ELEMENTS FOR PROPERTY TAX RELIEF.

PROPERTY TAX PROBLEM. Nebraska has a tax problem at both the state and local levels. We are now the second most heavily taxed state in America, primarily because of skyrocketing property taxes. Property taxes are the single greatest source of anger and frustration among taxpaying Nebraskans. Whether you live in Omaha, farm near West Point, or operate a ranch at Bassett, the sting of ever rising property taxes is a constant irritant. Every attempt to address the problem legislatively, beginning in 1966, not only has failed but consistently has resulted in property taxes continuing upward.

OVERALL STRATEGY. A guiding principle of property tax relief must offer permanent relief. Relief should appear equal for rural and urban properties. The plan must inform taxpayers how many dollars or what % they would save in property taxes. A transition should begin from main reliance on property and income taxes toward consumption taxes, a process implemented in increments over several years, a long-range plan that would add new legislation each year until objectives reached.

VALUATION ELEMENTS.

- Recalibrate residential and commercial valuation percentages from the current 92%-100% of market value to 80%.
- Cap increases in valuations according to the increases in the Midwest Urban Consumer Price Index, factoring in population and new valuation growth. This formula could use a 1-year calculation or multi-year calculations. This change would require a state constitutional amendment. Digging out the root of the problem, valuation spiking, like the root of a dandelion, is the only means to solve our property tax crisis.
- Tie valuation to cost value of a home, what it would cost to build a home.
- Link the property tax database to the real estate sales database, so that whenever a sales deed recorded, the assessed value of a property in the property tax database resets to the new sales price, a formula used in California. Assessed values would set more accurately, based on actual sales, and updated immediately. This method would better comply with state law.
- If a homeowner successfully appeals an assessment, the county must pay interest on the excess tax at the same rate the county charges taxpayers for late payments. Now, an appeal can take years, and a county does not have to pay interest while the appeal pends. Such situation creates a financial incentive for the county to overvalue properties.
- If a homeowner successfully appeals an assessment, a prohibition should stop the county from raising the valuation for 3 years, unless there is substantial alteration to the property. Georgia and several other states use this prohibition.
- Eliminate the Tax Equalization Review Commission (TERC) and return appeal decisions to county Boards of Equalization for speedier and more personal resolution. The TERC continually has a long backlog of appeals upon which to reach decisions. The current appeal process to the TERC is so convoluted and tedious that exasperated homeowners sometimes wait over a year for a decision or decline to appeal valuation hikes again. Preserving county appeal control would greatly negate the expense to appeal, saving money for appellants.
- The Board of Equalization requires more flexibility to hear, discuss, and change valuations and needs more time to accomplish this task properly. These officials are more familiar with property valuation matters in their localities and appear more understanding of property owner plights.
- Increase the time window for appealing valuation changes and extend the deadline for hearing protests. Establish satellite offices to hear appeals.
- Localize valuation criteria. What appear pertinent criteria in an urban county may not fit a rural county.

- Overall valuations would drop, if housing market sale prices drop, then a reset to a higher market value after sale prices increase again.
- Valuation of agricultural and horticultural land currently is a separate and distinct category, valued at or near 75% of fair market value. Value such land based on its productivity instead of nearby market sales. Use a soil productivity index. The formula depends on the total yield and commodity prices of each crop in a county and the total number of acres of cropland as determined by soil types. Or, instead of using a 3-yr. average of sales to determine market value, change to a 7-yr. moving average, discounting the highest and lowest years. The non-crop ag land formula would base on cash rents paid in each county. The prices and yields or cash rent rates used for these formulas are an average of the previous 8 years' numbers. The state determines the rate at which to value cropland and non-crop ag land, and each county assessor applies the formula and makes adjustments for individual parcels of property that may fit in one category according to soil type or another category according to use. Agricultural land will assume a value determined by net earning capacity of the land determined on the basis of its use *for agricultural purposes* capitalized at a rate of 5 % and applied uniformly among counties and classes of property. A differential assessment program for rural areas will permit assessors to assess farmland and ranchland at its agricultural use value, rather than market value, which is usually higher. Ag use value is what farmers would pay to buy land determined by the net farm income they can expect to receive from it.

HOMESTEAD EXEMPTIONS.

- Flat-dollar tax exemption: In this type of tax exemption, the amount owed drops by a specific number. For example, if a home value is $200,000 and the state allows a homestead exemption of $30,000, taxes paid on only $170,000.
- Percentage exemption: In a percentage exemption, a home taxable value reduced by a percentage. If a home is worth $200,000 and the homestead exemption is 20%, taxes paid on $160,000.
- Extend homestead exemptions to all senior citizens over a specific age and veterans with 100% service-related disabilities.

TAXATION ELEMENTS.

- Require local taxing authorities to lower their property tax levy rates to match the increase in overall county valuation. Example: If a county valuation rises 5% in one year, the tax levy rates must decrease by 5%, excepting valuation growth. This process would prohibit local taxing authorities from increasing property taxes by using the same tax rate and fibbing that they did not raise taxes.
- Revise statutory law limits to prevent taxing authorities from increasing the property tax higher than the rate of inflation per year without a vote of the people.
- To raise property tax collections higher than the rate of inflation, an approval vote of $7/8^{th}$ of members of a local taxing authority required.
- limit a property taxing authority to the amount received from property taxes the previous fiscal year plus a percentage increase because of inflation, according to the Consumer Price Index or comparable index, and additional percentage increase because of new construction. The three elements in this formula are 1) property taxes received for the previous year; 2) growth in new property valuation base; and 3) consumer price index increase up to a specific percentage.
- limit a property taxing authority levy to the amount received from property taxes the previous year plus the previous year percentage increase in Nebraska per capita income.
- Every individual or couple, upon reaching age 66 and residing for at least 5 yrs. in a primary residence no matter its assessed value, becomes exempt from paying school property taxes or taxes frozen, a benefit that equates to lowering 55% to 60% of property taxes. Those reaching age 70, residing for at least 10 yrs. in a primary residence no matter its assessed value, would become 100% exempt from all property taxes. Moving to another primary residential home in NE would still meet the qualification. No income eligibility limit.

- Eliminate most sales tax exemptions in phases over 4 years, e.g., 25% the first year, 50% the second year, 75% the third year, and 100% the fourth year.
- The state sales tax gradually would encompass services, while the total state sales tax rate would drop from the current 5% to 2%. Exemptions for food, utilities, and health and medical expenses. Utilize staggered extension, e.g., 25% first year, 50% second year, etc.
- Implement/raise excise taxes, nuisance taxes, license taxes, and sin taxes. Excise tax examples include taxes on airline tickets, bus tickets, fuel, environmental pollution, and communication. Excise taxes on luxury items, such as expensive furs and jewelry, luxury cars, personal aircraft, and yachts. Sin taxes include levies on tobacco products, vaping products, alcohol, gambling devices, confiscated illegal drugs, strip clubs, pornography, and houses of ill repute. Place nuisance taxes on movies, sporting events, plays, concerts, and amusement parks.
- Expand occupation taxes. Examples of occupation taxes include taxes on professions and trades and business permit taxes, e.g., hotel operators, car rental companies.
- Public health nuisance charges on locales having rodent or insect infestations or drug labs.
- Increased concentration on fees and charges. Adjust fee structures to meet cost of services given. If state government seeks to achieve full cost recovery for a service, it may create a separate fund to account for the service. This enables the state to segregate the revenues and expenses for the service, like a private company handles a particular product line. User fees for public use of facilities and services, like parking garages, state parks and recreation areas, theaters, skating rinks, amusement parks, grazing livestock. License and permit fees, e.g., hunting, trapping, fishing, mining, drilling on doctors, lawyers, and other professionals. Franchise fees like cable TV and other cable companies. Inspection fees to inspect construction, plumbing, electrical, fire, food, etc. Law enforcement and court fees. Library fees. Tourism fees. park room rental fees,
- Cancel property taxes on ag land not utilized because reserved for conservation purposes.
- Require a supermajority vote of citizens to raise a tax over a specified level, barring emergencies.

- Require a supermajority vote of citizens to increase spending over a specific level, barring emergencies.
- Require Payments in Lieu of Taxes (PILOTS) from non-profit entities. Nonprofit entities would become responsible for a PILOT, a small property tax, in order to pay for basic services such as police and fire protection and infrastructure improvement. Nonprofits use infrastructure services like streets and sewers and public safety services as does private commerce. Abuse of the nonprofit system in NE is flagrant. Many nonprofit businesses like hospitals and medical clinics enjoy tax exempt status for their entire facilities, although many of their services and facility areas compete with private enterprises for clients and customers. Institute this system to tax the profit-earning parts of nonprofit businesses to share the property tax burden with local property taxpayers. Specific nonprofits already offer substantial voluntary payments. Require nonprofits to prove eligibility for exemption. The legislature must take steps to reform our state nonprofit law.
- Reform and restore tax increment financing (TIF) to its original intent, applied to actual blighted rural and urban areas otherwise not sustainable for redevelopment and restoration. Unwarranted TIFs deprive local taxing entities of annual property tax revenue. Implement TIF benchmarks, audits, and penalties.
- Fees for state services to keep pace with costs.

SPENDING LIMITATIONS.

- Implement tight spending limits on local property-taxing authorities.
- Restrict annual state spending to the increase in the Midwest Consumer Price Index + population growth or real economic growth.
- Impose a tight constitutional lid on state spending.
- Zero-based budgeting in all state departments and agencies. Surpluses returned to the General Fund or re-appropriated.

- Set permanent sunset dates for specific years on legislation.
- end state unfunded and underfunded mandates on local governments.
- implement across the board % strategic cuts in state spending.
- cut state dept. and agency budgets by a specific percentage for a specific number of fiscal years.
- utilize specific targeted cuts in personnel and operations.
- tie appropriations to dept. budget savings.
- adopt accrual accounting for state finances.
- eliminate entire bureaucracies, e.g., NE Arts Council, education service units, Learning Community.
- offer incentives to merge government entities in and between counties.
- tie appropriations to higher education to trimming administration costs and unnecessary programs.
- end duplicative programs among NE college campuses.
- move several university programs, resources, and students to community college settings.
- utilize bonds for highway construction and repair.
- Most public employees enjoy defined benefit insurance plans, more expensive than costs incurred from defined contribution plans. The state should adopt the latter system.
- welfare recipients must start health savings accounts (HSAs) and become locked in for services.
- rigorous financial auditing of all departments and agencies.
- performance audits at state level.

TRANSITION.
Spend state *income and consumption* tax funds on these 3 major property tax relief programs:
Education aid to school districts
The Property Tax Relief Fund
Homestead Exemptions
Expand the state sales and consumption taxes to services and drop the state sales tax rate from 5% to 2%.
Most other states provide state funding for more local services than in NE, such as all court and prison systems, county law enforcement, and provide the bulk of funding for K-12 public schools. Consumption tax revenue would provide such funding and relieve our local property tax burden. The State would assume financial responsibility for the imposition of now unfunded or underfunded state mandates on local governments or share responsibility.
The NE Dept. of Revenue must determine how much revenue needed from consumption taxes to raise sufficient revenue to replace current state and local taxes eliminated or reduced. As consumption taxes phase in, income tax brackets would lower in stages. A levy limit capping property taxes would take hold. The phased-in consumption taxes would reduce the total amount of property tax revenue collected by local governments. Taxpayers then will see clearly a reduction in property tax bills and income tax levies. During the Great Depression in 1934, excise tax revenues comprised almost 50% of federal government total revenue and three times more than the individual income tax. At the state level, excise taxes accounted for approximately 20% of total tax revenues.[1]

PUBLIC EDUCATION FUNDING. The funding of K-12 public education must become included in the transition process. The state would provide a specific percentage of state aid to K-12 schools, a % of total education costs per pupil, so that every school district receives 30% base state funding. Peg state aid to schools to decreases that their spending derives from property taxes. Limit public school district spending increases to CPI increases + growth in student numbers and expansion of facilities. Change state aid formulas, so that farmers and ranchers do not pay the highest percentages of school taxes in their rural areas.

CONCLUSION. Nebraska stands at a taxation crossroads. We can either continue as a high tax state or transition to consumption taxes to retain younger workers and retired folks and boost both our savings and

[1] Tax Foundation. Excise Taxes. Oct. 20, 2014.

economy. The 2025 legislative session will provide a battleground fought between those who want to continue to push NE into high tax and reckless spending socialism and fiscally conservative state senators who seriously want to reform our outdated and confiscatory tax system. NTF encourages state senators to work with us and implement our fiscal suggestions in whatever legislation they propose for property tax relief.