

LEGISLATURE OF NEBRASKA
ONE HUNDRED FOURTH LEGISLATURE
SECOND SESSION

LEGISLATIVE BILL 940

Introduced by Johnson, 23.

Read first time January 13, 2016

Committee: Revenue

1 A BILL FOR AN ACT relating to revenue and taxation; to amend section
2 77-201, Reissue Revised Statutes of Nebraska, sections 77-1301 and
3 77-4212, Revised Statutes Cumulative Supplement, 2014, and section
4 77-3442, Revised Statutes Supplement, 2015; to adopt the Tax
5 Stabilization Act; to harmonize provisions; and to repeal the
6 original sections.

7 Be it enacted by the people of the State of Nebraska,

1 Section 1. Sections 1 to 7 of this act shall be known and may be
2 cited as the Tax Stabilization Act.

3 Sec. 2. The purpose of the Tax Stabilization Act is to provide
4 property tax relief to property owners across the state and to give the
5 Legislature time to consider appropriate changes to state law that would
6 reduce the reliance on property taxes for the funding of school districts
7 in this state.

8 Sec. 3. For purposes of the Tax Stabilization Act:

9 (1) Department means the Department of Revenue;

10 (2) Reform legislation means a law passed by the Legislature on or
11 after the effective date of this act that reduces the percentage of
12 funding for school districts in this state which is provided by property
13 taxes; and

14 (3) Stabilization period means the period beginning January 1, 2017,
15 and ending December 31, 2019, except as otherwise provided in section 5
16 of this act.

17 Sec. 4. Notwithstanding any other provision of law to the contrary,
18 the following rules shall apply during the stabilization period:

19 (1) All real property in this state subject to taxation shall be
20 valued at its assessed value as of January 1, 2016;

21 (2) The property tax credits provided to real property owners
22 pursuant to section 77-4212 for any year during the stabilization period
23 shall be the same as the property tax credits provided pursuant to
24 section 77-4212 in 2016; and

25 (3) During the stabilization period:

26 (a) If the state budget increases from the most recently completed
27 fiscal year to the current fiscal year, political subdivisions with levy
28 authority under section 77-3442 may increase their levies by a percentage
29 equal to such percentage increase in the state budget, subject to the
30 levy limitations contained in section 77-3442; or

31 (b) If the state budget decreases from the most recently completed

1 fiscal year to the current fiscal year, political subdivisions with levy
2 authority under section 77-3442 shall decrease their levies by a
3 percentage equal to such percentage decrease in the state budget.

4 Sec. 5. If the Legislature passes reform legislation at any time
5 during the stabilization period, the stabilization period shall end on
6 December 31 after the passage of such reform legislation and the
7 restrictions of section 4 of this act shall no longer apply after such
8 date.

9 Sec. 6. If the stabilization period ends without the Legislature
10 passing reform legislation, the following rules shall apply:

11 (1) The restrictions of section 4 of this act shall not apply
12 beginning January 1, 2020;

13 (2) On January 1, 2020, the assessed value of all real property in
14 this state subject to taxation shall be equal to its assessed value as of
15 January 1, 2016, multiplied by the percentage growth in the state budget
16 from fiscal year 2018-19 to fiscal year 2019-20, if any;

17 (3) On January 1, 2021, and each January 1 thereafter until
18 subdivision (4) of this section applies, the assessed value of all real
19 property in this state subject to taxation shall be equal to its assessed
20 value as of January 1 of the preceding year multiplied by the percentage
21 growth in the state budget from the most recently completed fiscal year
22 to the current fiscal year, if any; and

23 (4) Once the increases in assessed value under subdivision (3) of
24 this section result in assessed values that comply with the values
25 described in subsections (1) through (4) of section 77-201, then
26 subsections (1) through (4) of section 77-201 shall apply thereafter as
27 if the Tax Stabilization Act had never occurred.

28 Sec. 7. The department may adopt and promulgate rules and
29 regulations to carry out the Tax Stabilization Act.

30 Sec. 8. Section 77-201, Reissue Revised Statutes of Nebraska, is
31 amended to read:

1 77-201 (1) Except as provided in subsections (2) through (4) of this
2 section, all real property in this state, not expressly exempt therefrom,
3 shall be subject to taxation and shall be valued at its actual value or,
4 for any period covered by the Tax Stabilization Act, shall be valued as
5 provided in such act.

6 (2) Agricultural land and horticultural land as defined in section
7 77-1359 shall constitute a separate and distinct class of property for
8 purposes of property taxation, shall be subject to taxation, unless
9 expressly exempt from taxation, and shall be valued at seventy-five
10 percent of its actual value or, for any period covered by the Tax
11 Stabilization Act, shall be valued as provided in such act.

12 (3) Agricultural land and horticultural land actively devoted to
13 agricultural or horticultural purposes which has value for purposes other
14 than agricultural or horticultural uses and which meets the
15 qualifications for special valuation under section 77-1344 shall
16 constitute a separate and distinct class of property for purposes of
17 property taxation, shall be subject to taxation, and shall be valued for
18 taxation at seventy-five percent of its special value as defined in
19 section 77-1343 or, for any period covered by the Tax Stabilization Act,
20 shall be valued as provided in such act.

21 (4) Historically significant real property which meets the
22 qualifications for historic rehabilitation valuation under sections
23 77-1385 to 77-1394 shall be valued for taxation as provided in such
24 sections or, for any period covered by the Tax Stabilization Act, shall
25 be valued as provided in such act.

26 (5) Tangible personal property, not including motor vehicles
27 registered for operation on the highways of this state, shall constitute
28 a separate and distinct class of property for purposes of property
29 taxation, shall be subject to taxation, unless expressly exempt from
30 taxation, and shall be valued at its net book value. Tangible personal
31 property transferred as a gift or devise or as part of a transaction

1 which is not a purchase shall be subject to taxation based upon the date
2 the property was acquired by the previous owner and at the previous
3 owner's Nebraska adjusted basis. Tangible personal property acquired as
4 replacement property for converted property shall be subject to taxation
5 based upon the date the converted property was acquired and at the
6 Nebraska adjusted basis of the converted property unless insurance
7 proceeds are payable by reason of the conversion. For purposes of this
8 subsection, (a) converted property means tangible personal property which
9 is compulsorily or involuntarily converted as a result of its destruction
10 in whole or in part, theft, seizure, requisition, or condemnation, or the
11 threat or imminence thereof, and no gain or loss is recognized for
12 federal or state income tax purposes by the holder of the property as a
13 result of the conversion and (b) replacement property means tangible
14 personal property acquired within two years after the close of the
15 calendar year in which tangible personal property was converted and which
16 is, except for date of construction or manufacture, substantially the
17 same as the converted property.

18 Sec. 9. Section 77-1301, Revised Statutes Cumulative Supplement,
19 2014, is amended to read:

20 77-1301 (1) Except as provided in the Tax Stabilization Act, all ~~All~~
21 real property in this state subject to taxation shall be assessed as of
22 January 1 at 12:01 a.m., which assessment shall be used as a basis of
23 taxation until the next assessment.

24 (2) Beginning January 1, 2014, in any county with a population of at
25 least one hundred fifty thousand inhabitants according to the most recent
26 federal decennial census, the county assessor shall provide notice of
27 preliminary valuations to real property owners on or before January 15 of
28 each year. Such notice shall be (a) mailed to the taxpayer or (b)
29 published on a web site maintained by the county assessor or by the
30 county.

31 (3) The county assessor shall complete the assessment of real

1 property on or before March 19 of each year, except beginning January 1,
2 2014, in any county with a population of at least one hundred fifty
3 thousand inhabitants according to the most recent federal decennial
4 census, the county assessor shall complete the assessment of real
5 property on or before March 25 of each year.

6 Sec. 10. Section 77-3442, Revised Statutes Supplement, 2015, is
7 amended to read:

8 77-3442 (1) Property tax levies for the support of local governments
9 for fiscal years beginning on or after July 1, 1998, shall be limited to
10 the amounts set forth in this section except as provided in section
11 77-3444 and except as provided in the Tax Stabilization Act.

12 (2)(a) Except as provided in subdivision (2)(e) of this section,
13 school districts and multiple-district school systems, except learning
14 communities and school districts that are members of learning
15 communities, may levy a maximum levy of one dollar and five cents per one
16 hundred dollars of taxable valuation of property subject to the levy.

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

22 (c) Except as provided in subdivision (2)(e) of this section, for
23 each fiscal year, school districts that are members of learning
24 communities may levy for purposes of such districts' general fund budget
25 and special building funds a maximum combined levy of the difference of
26 one dollar and five cents on each one hundred dollars of taxable property
27 subject to the levy minus the learning community levies pursuant to
28 subdivisions (2)(b) and (2)(g) of this section for such learning
29 community.

30 (d) Excluded from the limitations in subdivisions (2)(a) and (2)(c)
31 of this section are amounts levied to pay for sums agreed to be paid by a

1 school district to certificated employees in exchange for a voluntary
2 termination of employment and amounts levied to pay for special building
3 funds and sinking funds established for projects commenced prior to April
4 1, 1996, for construction, expansion, or alteration of school district
5 buildings. For purposes of this subsection, commenced means any action
6 taken by the school board on the record which commits the board to expend
7 district funds in planning, constructing, or carrying out the project.

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

16 (f) For school fiscal year 2002-03 through school fiscal year
17 2007-08, school districts and multiple-district school systems may, upon
18 a three-fourths majority vote of the school board of the school district,
19 the board of the unified system, or the school board of the high school
20 district of the multiple-district school system that is not a unified
21 system, exceed the maximum levy prescribed by subdivision (2)(a) of this
22 section in an amount equal to the net difference between the amount of
23 state aid that would have been provided under the Tax Equity and
24 Educational Opportunities Support Act without the temporary aid
25 adjustment factor as defined in section 79-1003 for the ensuing school
26 fiscal year for the school district or multiple-district school system
27 and the amount provided with the temporary aid adjustment factor. The
28 State Department of Education shall certify to the school districts and
29 multiple-district school systems the amount by which the maximum levy may
30 be exceeded for the next school fiscal year pursuant to this subdivision
31 (f) of this subsection on or before February 15 for school fiscal years

1 2004-05 through 2007-08.

2 (g) For each fiscal year, learning communities may levy a maximum
3 levy of two cents on each one hundred dollars of taxable property subject
4 to the levy for special building funds for member school districts. The
5 proceeds from the levy pursuant to this subdivision shall be distributed
6 pursuant to section 79-1073.01.

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

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

22 (3)(a) For fiscal years 2011-12 and 2012-13, community college areas
23 may levy a maximum of ten and one-quarter cents per one hundred dollars
24 of taxable valuation of property subject to the levy for operating
25 expenditures and may also levy the additional levies provided in
26 subdivisions (1)(b) and (c) of section 85-1517.

27 (b) For fiscal year 2013-14 and each fiscal year thereafter,
28 community college areas may levy the levies provided in subdivisions (2)
29 (a) through (c) of section 85-1517, in accordance with the provisions of
30 such subdivisions. A community college area may exceed the levy provided
31 in subdivision (2)(b) of section 85-1517 by the amount necessary to

1 retire general obligation bonds assumed by the community college area or
2 issued pursuant to section 85-1515 according to the terms of such bonds
3 or for any obligation pursuant to section 85-1535 entered into prior to
4 January 1, 1997.

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

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

17 (c) In addition, natural resources districts located in a river
18 basin, subbasin, or reach that has been determined to be fully
19 appropriated pursuant to section 46-714 or designated as overappropriated
20 pursuant to section 46-713 by the Department of Natural Resources shall
21 also have the power and authority to levy a tax equal to the dollar
22 amount by which their restricted funds budgeted to administer and
23 implement ground water management activities and integrated management
24 activities under the Nebraska Ground Water Management and Protection Act
25 exceed their restricted funds budgeted to administer and implement ground
26 water management activities and integrated management activities for
27 FY2005-06, not to exceed three cents on each one hundred dollars of
28 taxable valuation on all of the taxable property within the district for
29 fiscal year 2006-07 and each fiscal year thereafter through fiscal year
30 2017-18.

31 (5) Any educational service unit authorized to levy a property tax

1 pursuant to section 79-1225 may levy a maximum levy of one and one-half
2 cents per one hundred dollars of taxable valuation of property subject to
3 the levy.

4 (6)(a) Incorporated cities and villages which are not within the
5 boundaries of a municipal county may levy a maximum levy of forty-five
6 cents per one hundred dollars of taxable valuation of property subject to
7 the levy plus an additional five cents per one hundred dollars of taxable
8 valuation to provide financing for the municipality's share of revenue
9 required under an agreement or agreements executed pursuant to the
10 Interlocal Cooperation Act or the Joint Public Agency Act. The maximum
11 levy shall include amounts levied to pay for sums to support a library
12 pursuant to section 51-201, museum pursuant to section 51-501, visiting
13 community nurse, home health nurse, or home health agency pursuant to
14 section 71-1637, or statue, memorial, or monument pursuant to section
15 80-202.

16 (b) Incorporated cities and villages which are within the boundaries
17 of a municipal county may levy a maximum levy of ninety cents per one
18 hundred dollars of taxable valuation of property subject to the levy. The
19 maximum levy shall include amounts paid to a municipal county for county
20 services, amounts levied to pay for sums to support a library pursuant to
21 section 51-201, a museum pursuant to section 51-501, a visiting community
22 nurse, home health nurse, or home health agency pursuant to section
23 71-1637, or a statue, memorial, or monument pursuant to section 80-202.

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

1 to the levy.

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

26 (9) Municipal counties may levy or authorize a maximum levy of one
27 dollar per one hundred dollars of taxable valuation of property subject
28 to the levy. The municipal county may allocate levy authority to any
29 political subdivision or entity subject to allocation under section
30 77-3443.

31 (10) Rural and suburban fire protection districts may levy a maximum

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

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

24 (12) The limitations on tax levies provided in this section are to
25 include all other general or special levies provided by law.
26 Notwithstanding other provisions of law, the only exceptions to the
27 limits in this section are those provided by or authorized by sections
28 77-3442 to 77-3444.

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

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

4 (15) For school districts that file a binding resolution on or
5 before May 9, 2008, with the county assessors, county clerks, and county
6 treasurers for all counties in which the school district has territory
7 pursuant to subsection (7) of section 79-458, if the combined levies,
8 except levies for bonded indebtedness approved by the voters of the
9 school district and levies for the refinancing of such bonded
10 indebtedness, are in excess of the greater of (a) one dollar and twenty
11 cents per one hundred dollars of taxable valuation of property subject to
12 the levy or (b) the maximum levy authorized by a vote pursuant to section
13 77-3444, all school district levies, except levies for bonded
14 indebtedness approved by the voters of the school district and levies for
15 the refinancing of such bonded indebtedness, shall be considered
16 unauthorized levies under section 77-1606.

17 Sec. 11. Section 77-4212, Revised Statutes Cumulative Supplement,
18 2014, is amended to read:

19 77-4212 (1) For tax year 2007, the amount of relief granted under
20 the Property Tax Credit Act shall be one hundred five million dollars.
21 For tax year 2008, the amount of relief granted under the act shall be
22 one hundred fifteen million dollars. It is the intent of the Legislature
23 to fund the Property Tax Credit Act for tax years after tax year 2008
24 using available revenue, except as otherwise provided in the Tax
25 Stabilization Act. The relief shall be in the form of a property tax
26 credit which appears on the property tax statement.

27 (2) To determine the amount of the property tax credit, the county
28 treasurer shall multiply the amount disbursed to the county under
29 subsection (4) of this section by the ratio of the real property
30 valuation of the parcel to the total real property valuation in the
31 county. The amount determined shall be the property tax credit for the

1 property.

2 (3) If the real property owner qualifies for a homestead exemption
3 under sections 77-3501 to 77-3529, the owner shall also be qualified for
4 the relief provided in the act to the extent of any remaining liability
5 after calculation of the relief provided by the homestead exemption. If
6 the credit results in a property tax liability on the homestead that is
7 less than zero, the amount of the credit which cannot be used by the
8 taxpayer shall be returned to the State Treasurer by July 1 of the year
9 the amount disbursed to the county was disbursed. The State Treasurer
10 shall immediately credit any funds returned under this section to the
11 Property Tax Credit Cash Fund.

12 (4) The amount disbursed to each county shall be equal to the amount
13 available for disbursement determined under subsection (1) of this
14 section multiplied by the ratio of the real property valuation in the
15 county to the real property valuation in the state. By September 15, the
16 Property Tax Administrator shall determine the amount to be disbursed
17 under this subsection to each county and certify such amounts to the
18 State Treasurer and to each county. The disbursements to the counties
19 shall occur in two equal payments, the first on or before January 31 and
20 the second on or before April 1. After retaining one percent of the
21 receipts for costs, the county treasurer shall allocate the remaining
22 receipts to each taxing unit levying taxes on taxable property in the tax
23 district in which the real property is located in the same proportion
24 that the levy of such taxing unit bears to the total levy on taxable
25 property of all the taxing units in the tax district in which the real
26 property is located.

27 (5) The State Treasurer shall transfer from the General Fund to the
28 Property Tax Credit Cash Fund one hundred five million dollars by August
29 1, 2007, and one hundred fifteen million dollars by August 1, 2008.

30 (6) The Legislature shall have the power to transfer funds from the
31 Property Tax Credit Cash Fund to the General Fund.

1 Sec. 12. Original section 77-201, Reissue Revised Statutes of
2 Nebraska, sections 77-1301 and 77-4212, Revised Statutes Cumulative
3 Supplement, 2014, and section 77-3442, Revised Statutes Supplement, 2015,
4 are repealed.