

One Hundred Fifth Legislature - Second Session - 2018

Introducer's Statement of Intent

LB1022

Chairperson: Senator Jim Smith

Committee: Revenue

Date of Hearing: February 21, 2018

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

LB1022 recognizes that ground water in Nebraska is not owned by the land owner but is an asset of the State which is currently being accessed free of charge by land owners. The bill proposes to assess its use for farm irrigation.

Essentially all land in Nebraska is dry land and should be valued as such for purposes of real estate taxation. The property taxes levied on the apparent increment in value between irrigated land and dry land can be viewed as an assessment by local government on the State's forbearance in charging for that which it has a right to charge. From that perspective the State is making a substantial subsidy to local governments and to the educational system for which it receives no recognition or credit. The resulting distortion makes it appear that the State gives very low aid to those entities benefiting from real estate taxation of such irrigation increment.

LB1022 properly classifies as a state resource the revenues derived from the irrigation increment and routes tax funds garnered from irrigated land to the State for distribution in accordance with the legislative process. The rate of water assessment in the bill is arbitrary in nature but does provide the basis for calculating an appropriate rate

LB1022 also demonstrates that in the event that the state is placed in acute financial distress by political or economic forces limiting public access to traditional forms of taxation, the assessment of water and perhaps other natural resources, as is done in many states, has the potential to become a source of substitute revenue.

Principal Introducer: _____

Senator Paul Schumacher