

ONE HUNDRED SIXTH LEGISLATURE - SECOND SESSION - 2020
COMMITTEE STATEMENT
LB1106

Hearing Date: Wednesday February 19, 2020
Committee On: Revenue
Introducer: Scheer
One Liner: Eliminate obsolete sales tax provisions

Roll Call Vote - Final Committee Action:
Advanced to General File with amendment(s)

Vote Results:

Aye:	6	Senators Briese, Friesen, Groene, Kolterman, Lindstrom, Linehan
Nay:	2	Senators Crawford, McCollister
Absent:		
Present Not Voting:		

Oral Testimony:

Proponents:	Representing:
Senator Jim Scheer	Introducer

Opponents:	Representing:
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Neutral:	Representing:
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Summary of purpose and/or changes:

The bill strikes outdated language regarding the sales tax rate of five percent that only applied through July 1, 1998.

Explanation of amendments:

The Personal Property Tax Relief Act is repealed beginning with tax year 2020.

The taxable valuation for residential, commercial/industrial & centrally assessed valuation for school district and multiple-district school systems is reduced over a 3 year period by the following percentages:

- o 2020 to 95% of actual value
- o 2021 to 91% of actual value
- o 2022 and thereafter to 87% of actual value

The taxable valuation for agricultural, horticultural and special valuation for school district and multiple-district school systems is reduced over a 3 year period by the following percentages:

- o 2020 to 65% of actual value
- o 2021 to 60% of actual value
- o 2022 and thereafter to 55% of actual value

Taxes levied by school districts and multiple-district school systems means property taxes levied by any school district or multiple-district school system on real or personal property.

Changes the valuation for historically significant real property for the four years after the expiration of the 8-year historic preservation certification of rehabilitation to be assessed value rather than actual value.

The statutory maximum tax rate for school districts through school fiscal year 2022-23 is \$1.05 per \$100 of taxable valuation.

Beginning with school fiscal year 2023-24, each school district will have its own statutory maximum levy. The statutory maximum levy will be 5 cents per \$100 of taxable valuation plus the local effort rate of \$1.00 or the calculated local formula contribution.

A levy exclusion is added to allow a school board to levy up to 100% of the positive difference between the January estimate of State Aid and the certification of State Aid. The levy exclusion will begin for 2021-22 and thereafter and will require a supermajority vote of the elected board to access the levy exclusion. The levy exclusion may only be accessed if the changes in State Aid are due to short-term adjustments by the Legislature.

The levy exclusion for the special building fund is adjusted to reflect the new language in Section 79-10,120.

- o Allows schools with projects commenced prior to the date of this act and schools participating in a joint public agency to exceed 14 cents to generate the amount need to fund their annual payment.

- o Schools with projects commenced after the date of this act will have a levy exclusion in the amount of the projects minus the amount generated by 6 cents.

School districts that have passed a levy override election prior to the effective date of this act will have access to a levy exclusion for the 5-year period of the levy override. The amount of the exclusion will be an amount equal to the loss of revenue due to a statutory change in school district property valuations in 77-201 that occurred after the passage of a levy override election.

The base limitation (basic allowable growth rate or BAGR) for school districts for 2019-20 and each school fiscal year thereafter shall be 2.0%.

The acceptable ranges for agricultural, horticultural, and special valuation will be reduced over the 3-year period to:

- o 2020 to 59% to 65%
- o 2021 to 54% to 60%
- o 2022 and thereafter to 49 to 55%

The acceptable ranges for residential, commercial & industrial, and centrally assessed valuation will be reduced over the 3-year period to:

- o 2020 to 87% to 95%
- o 2021 to 83% to 91%
- o 2022 and thereafter to 79% to 87%

Acceptable ranges are the percentage of variation from a standard for valuation as measured by an established indicator of central tendency of assessment.

The definitions section of the Tax Equity and Educational Opportunities Support Act (TEEOSA), section 79-1003, are amended to:

- o Repeal obsolete language from adjusted general fund operating expenditures.
- o Adds new language to adjusted valuation to reference the local effort rate (LER) or the local formula contribution beginning in 2023-24.

- o Adjusts general fund operating expenditures (GFOE) beginning in 2021-22 and thereafter will not include the receipt of funds due to the levy exclusion for additional TEEOSA Aid. Harmonizes the language referencing the receipts from levy override (special election, vote of people) with new levy limit.
- o Defines the local formula contribution is a calculation for determining the local yield that will be included in formula resources.

The allocated income tax component of TEEOSA Aid is repealed with the 2019-20 certification of TEEOSA Aid.

Foundation Aid is a new component of TEEOSA Aid that will replace allocated income tax. Foundation Aid is added to local system formula resources for school fiscal year 2020-21 and each year thereafter.

Foundation Aid for the 2020-21 certification of TEEOSA Aid will be calculated based on a school district's fall membership count and 5% of the net income tax collections, net corporate tax collections and the net state sales use tax collections for calendar year 2018 divided by the statewide fall membership count.

Foundation Aid for the 2021-22 certification of TEEOSA Aid will be calculated based on a school district's fall membership count and 10% of the net income tax collections, net corporate tax collections and the net state sales and use tax collections for the most recently completed calendar year divided by the statewide fall membership count.

Foundation Aid for the 2022-23 certification of TEEOSA Aid and thereafter will be calculated based on a school district's fall membership count and 15% of the net income tax collections, net corporate tax collections and the net state sales and use tax collections for the most recently completed calendar year divided by the statewide fall membership count.

The fall membership count of students will be replaced with the average daily membership count of students for the final recalculation of TEEOSA Aid in all school fiscal years.

Beginning in school fiscal year 2022-23 and each year thereafter, if the calculation of foundation aid is not equal to or great than 15% of the basic funding calculated for the system, foundation aid shall be increased to equal 15% off such basic funding.

For the calculation of Foundation Aid, the income tax collections, corporate income tax collections, and sales and use tax collections will be based on a calendar year. The Tax Commissioner shall certify these amounts to the Department of Education on or before April 15, 2020 for the calculation of aid for school fiscal year 2020-21 and on or before November 1 for each year thereafter.

The last school fiscal year for the averaging adjustment component of TEEOSA Aid is 2020-21.

The calculation of net option funding for school fiscal years 2019-20 and 2020-21 will be calculated using the net number of option students multiplied by the statewide average basic funding per formula student.

For school fiscal year 2021-22 net option funding will be \$8,000 per student.

For school fiscal year 2022-23 and thereafter net option funding will be calculated using the net number of option students multiplied by the statewide average general fund property taxes per formula student.

The calculation of statewide average general fund property taxes per formula student is the sum of the receipts of the general fund property tax levies, the Property Tax Credit Cash Fund, homestead exemption reimbursement and personal property tax exemption reimbursements divided by the statewide formula students. The receipts are from the most recently available complete data year and the students are from the school fiscal year for which aid is being calculated.

For school fiscal year prior to 2023-24, local system formula resources includes the yield from the local effort rate (LER). Local effort rate yield is the LER of \$1.00 per \$100 of adjusted valuation.

For school fiscal year 2023-24 and thereafter, local system formula resources include the local formula contribution. For school fiscal year 2023-24 and thereafter, the local formula contribution shall be the lesser of the local effort rate yield or the new growth yield.

The new growth yield for 2023-24 is the sum of the local effort rate yield for the school fiscal year immediately preceding the school fiscal year for which aid is being calculated adjusted by 2% plus the local system's adjusted valuation for the total real property growth value multiplied by a local effort rate of \$1.00 per \$100 of adjusted valuation.

The new growth yield for 2024-25 and each school fiscal year thereafter is the sum of the local formula contribution for the school fiscal year immediately preceding the school fiscal year for which aid is being calculated adjusted by 2% plus the local system's adjusted valuation for the total real property growth value multiplied by a local effort rate of \$1.00 per \$100 of adjusted valuation.

Beginning in 2022, the county assessor will certify to the Property Tax Administrator the total taxable value by school district and the total real property growth value by school district.

Beginning in 2022, the Property Tax Administrator shall compute and certify to the Department of Education the adjusted valuation for each class of property and the total real property growth value in each school district.

The adjusted valuation percentages for TEEOSA Aid purposes for residential, commercial & industrial, and centrally assessed valuation are:

- o 2020-21 to 91%
- o 2021-22 to 87%
- o 2022-23 & thereafter to 83%

The adjusted valuation percentages for TEEOSA Aid purposes for agricultural, horticultural, and special valuation are:

- o 2020-21 to 62%
- o 2021-22 to 57%
- o 2023-24 and thereafter to 52%

The certification date for 2020-21 TEEOSA Aid and each year thereafter is harmonized with LB880E (2020 Session) and moved from March 1, 2020 to May 1, 2020.

On or before May 1, 2020 and on or before March 1, of each year thereafter, for the purpose of calculating the levy exclusion pursuant to section 77-3442(2)(d)(vii), the department shall provide an estimate of aid without any short-term adjustment by the Legislature.

Such estimate shall equal the amount that would have been certified pursuant to this section for the immediately following school fiscal year using the inflation rate certified by the Tax Commissioner without any short-term adjustments and all other components of TEEOSA as such act existed on May 1, 2020.

Short-term adjustment is defined to mean a change passed by the Legislature with a defined period of applicability.

The certification date for 2020-21 budget authority and 2020-21 applicable allowable reserve percentage is harmonized with LB880E (2020 Session) and moved from March 1, 2020 to May 1, 2020.

For 2020-21 only, budget authority will be calculated as the lesser of:

- o The greater of budgeted general fund expenditures for the immediately preceding school fiscal year minus exclusions grown by the basic allowable growth rate for the school fiscal year of the budget authority calculation; or

- o The budgeted general fund expenditures for the immediately preceding school fiscal year minus exclusions grown by the basic allowable growth rate for the school fiscal year of the budget authority calculation; or
- o 110% of the formula need for the school fiscal year of the budget authority calculation, minus the budgeted special education expenditures as filed with the budget on September for the immediately preceding school fiscal year grown by the basic allowable growth rate for the school fiscal year of the budget authority calculation; or
- o The greater of actual general fund expenditures for 2018-19 minus any exclusions increased by 10 percent; or
- o The actual general fund expenditures for 2018-19 minus exclusions increased by 2.0% then increased by the student growth adjustment; or
- o 110% of 2020-21 formula need minus actual special education expenditures for 2018-19 grown by 2.0%.

The basic allowable growth rate is to be used for school fiscal year 2019-20 and each school fiscal year thereafter will be 2%.

Beginning with school fiscal year 2020-21, unused budget authority shall not include any unused budget authority from school fiscal years prior to school fiscal year 2020-21.

A board of education may increase the special building fund levy to 14 cents per \$100 of taxable value with a majority vote of the people. The increased levy shall not exceed a term of 10 years.

Prior to the effective date of this Act, a school board may levy a maximum of 14 cents per \$100 of taxable value in the special building fund.

On and after the effective date of this Act, the maximum levy in the special building fund shall be 12 cents for 2020-21, 10 cents for 2021-22, 8 cents for 2022-23 and 6 cents for 2023-24 and each school fiscal year thereafter. The tax rate is applied to each \$100 of taxable valuation. The special building fund tax is part of the statutory maximum levy limit.

On and after the effective date of this Act, a school board may only erect, purchase, or enter into a lease-purchase agreement for a new school building or an addition to a school building after a vote of the people. The maximum tax rate is 14 cents per \$100 of taxable valuation. The levy shall be within the statutory maximum levy limit.

The school board or board of education of any school district, or any joint public agency that has been delegated the authority to tax, may continue an annual tax established prior to the effective date of this Act through school fiscal year 2028-29 for any lease-purchase project commenced prior to the effective date of this Act.

The annual tax shall not exceed the amount needed to annually fund such lease-purchase project through school fiscal year 2028-29. The proceeds of any such annual tax shall only be used for the lease-purchase project for which the tax was levied. Commenced is defined to mean 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 lease-purchase project.

Any tax authorized under this subsection may exceed fourteen cents on each one hundred dollars of taxable value when combined with all other taxes imposed pursuant to this section.

Transition Aid will be provided to school districts that have combined general fund and special building fund levies of \$1.05 or greater and has a percent change in school district revenue that is greater than 0% for school fiscal year 2020-21, 1% for school fiscal year 2021-22, and 2.5% for 2022-23. The Department of Education will calculate, certify and distribute Transition Aid.

Percent change in school district revenue is defined as the change in school district revenue for a given school fiscal year divided by the school district revenue for the school fiscal year immediately preceding the given school fiscal year.

School district revenue means the sum of the calculated property tax request and the state aid for a single school fiscal year.

Calculated property tax request for 2020-21 is defined as an amount equal to the taxable valuation of property subject to the general fund levy of the school district for the school fiscal year for which the calculated property tax request is being determined multiplied by the total general fund and special building fund levies for such school fiscal year.

Calculated property tax request for 2021-22 and 2022-23 means an amount equal to the taxable valuation of property subject to the general fund levy of the school district for the school fiscal year multiplied by \$1.05 per \$100 of taxable value.

The change in school district revenue means any positive difference resulting from subtracting the school district revenue for a given school fiscal year from the school district revenue for the school fiscal year immediately preceding the given school fiscal year.

State aid is defined as the amount of aid calculated and certified for the school fiscal year pursuant to TEEOSA without any adjusted pursuant to section 79-1065.

Transition Aid for 2020-21 will equal 100% of the change in school district revenue for school district revenue for school fiscal year 2020-21.

Transition aid for 2021-22 will equal 75% of the difference of the change in school district revenue for school fiscal year 2021-22 minus 1% of the school district revenue for school fiscal year 2020-21.

Transition Aid for 2022-23 will equal 50% of the difference of the change in school district revenue for school fiscal year 2022-23 minus 2.5% of the school district revenue for school fiscal year 2021-22.

Transition Aid will be paid in 10 equal payments beginning on the last business day of September through the last business day in June. If Transition Aid is less than \$10,000, Transition Aid shall be paid in a lump sum on the last business day in September.

The Property Tax Transition Aid Cash Fund is created to be used exclusively for the disbursement of Transition Aid. The bill has the Emergency Clause.

Lou Ann Linehan, Chairperson