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2020 Nebraska Property Tax Changes

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Cornhusker Economics

2020 Nebraska Property Tax Changes

Market Report	Year Ago	4 Wks Ago	8-21-20
Livestock and Products,			
Weekly Average			
Nebraska Slaughter Steers, 35-65% Choice, Live Weight.	*	*	*
Nebraska Feeder Steers, Med. & Large Frame, 550-600 lb.	162.40	173.03	164.18
Nebraska Feeder Steers, Med. & Large Frame 750-800 lb.	152.91	151.24	153.91
Choice Boxed Beef, 600-750 lb. Carcass.	239.87	201.56	222.49
Western Corn Belt Base Hog Price Carcass, Negotiated	*	*	*
Pork Carcass Cutout, 185 lb. Carcass 51-52% Lean.	79.44	69.94	73.93
Slaughter Lambs, woolled and shorn, 135-165 lb. National.	153.60	104.54	103.01
National Carcass Lamb Cutout FOB.	387.84	NA	411.92
Crops,			
Daily Spot Prices			
Wheat, No. 1, H.W. Imperial, bu.	3.42	4.03	4.06
Corn, No. 2, Yellow Columbus, bu.	3.67	2.91	2.86
Soybeans, No. 1, Yellow Columbus, bu.	7.66	8.23	8.21
Grain Sorghum, No.2, Yellow Dorchester, cwt.	5.48	6.16	6.00
Oats, No. 2, Heavy Minneapolis, Mn, bu.	3.02	3.31	2.96
Feed			
Alfalfa, Large Square Bales, Good to Premium, RFV 160-185 Northeast Nebraska, ton.	*	*	*
Alfalfa, Large Rounds, Good Platte Valley, ton.	110.00	*	*
Grass Hay, Large Rounds, Good Nebraska, ton.	105.00	*	*
Dried Distillers Grains, 10% Moisture Nebraska Average.	131.50	122.60	130.83
Wet Distillers Grains, 65-70% Moisture Nebraska Average.	44.00	39.17	39.19
* No Market			

The Nebraska Unicameral enacted significant property tax relief legislation in the closing days of the 2020 legislative session. The last-minute compromise was negotiated by seven legislators selected by the Speaker. The compromise establishes a refundable state income tax credit of an estimated 6% of the property taxes paid for local schools (excluding property taxes for school bonds and school budget overrides). Taxpayers will be able to claim this credit on next year's Nebraska state income tax return. For fiscal years (FYs) 2021-22 through 2023-24 (i.e. from July 1, 2021, through June 30, 2024), the amount available for the refundable state income tax credits will be increased from the \$125 million base amount if and only if sales and income tax collections exceed projections and have an annual increase of at least 3.5%. For FY 2024-25 the amount available for the refundable state income tax credit will increase to \$375 million. That could lead to refundable state income tax credits of as much as 18% of the property taxes paid to local schools.

Taxpayers can estimate what their refundable credit might be next year by examining a recent property tax statement and multiplying the amount paid to local schools by 6%. Whether the amount of the credit is actually 6% has yet to be determined. Many taxpayers should receive a refund of at least a portion of their property tax income tax credit on next year's Nebraska state income tax return.

There were many political twists and turns in arriving at the 2020 property tax relief compromise. They include:

- school districts opposing proposals to cap school spending increases;
- the Governor opposing closing sales tax exemptions to generate additional revenue for property tax relief, significantly lowering the possible magnitude of such relief;
- urban school districts opposing changes to the state school aid formula that would have ensured that all school districts would receive some state aid on a per-pupil basis, increasing state aid to rural districts at the expense of urban districts;
- rural senators voting against revising the state's business tax incentive program; and
- signature collection to place the proposed 35% solution property tax relief amendment on the November 2020 ballot being called off due to the health risks associated with signature collection during the COVID-19 pandemic.

We were at the point of stalemate at the end of the 2019 legislative session and the attempted compromise did not materialize. The “grand bargain” that did materialize this year, which was adopted with 40-42 votes in favor (out of 49), included three major components: (1) the income tax credit for local school property taxes paid; (2) enacting a new state business tax incentive program (the “ImagiNE Nebraska” act) and (3) a state commitment to provide \$300 million in state funding for a \$2.6 billion national pandemic and disaster response center at the University of Nebraska Medical Center. The state funding will be provided if sufficient federal and private funds for the pandemic center are received. The UNMC pandemic center would create an estimated 8700 high paying jobs in the Omaha metropolitan area. The holdout rural senators controlled the votes needed to enact the ImagiNE Nebraska act and the UNMC pandemic center funding, which normally would have enough votes for enactment. But the rural holdout senators insisted that their votes were contingent upon enacting significant property tax relief, and in the end, all three programs were enacted as LB 1107.

One attribute of a compromise is that almost no one is completely satisfied with the result. Those who believe that the only acceptable road to property tax re-

lief is to reduce the spending that property taxes fund will be dissatisfied. They will have to take the more challenging route of persuading local school boards to limit or cut school spending when at the same time local parents want their children to have a full range of educational opportunities. Those who want to modify the state school aid formula to ensure that all Nebraska schools receive at least some state aid will need to include the schools in the policy negotiations. The failure to do so this year and last year doomed – in this observer's opinion – property tax relief proposals modifying the state aid formula. Those wanting greater property tax relief will need to persuade others that closing sales tax loopholes to pay for property tax relief is a good tax policy tradeoff. None of these challenges are easy, which is why those wanting property tax relief should be pleased that the 2020 Unicameral found a way to get it done. Only time will tell whether improved economic conditions will generate sufficient tax revenue to fully fund the property tax credits from here on out.

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