

ONE HUNDRED SIXTH LEGISLATURE - FIRST SESSION - 2019
COMMITTEE STATEMENT
LB289

Hearing Date: Wednesday April 24, 2019
Committee On: Revenue
Introducer: Linehan
One Liner: Change provisions relating to county assessor inspections of real property for property tax purposes

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

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

Oral Testimony:

Proponents: Senator Lou Ann Linehan	Representing: Introducer
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Opponents:	Representing:
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Neutral: Jon Cannon	Representing: NACO
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Summary of purpose and/or changes:

LB289 would change the timeframe for the county to review all parcels of real property. The bill, as introduced, is a placeholder bill.

Explanation of amendments:

Sections 1 and 2-76-901

Increases the Documentary Stamp Tax from \$2.25 to \$3.25 per \$1,000 of value.

Credits the \$1.00 increase in the Documentary Stamp Tax to the Property Tax Credit Cash Fund

Section 3 - 77-202

Repeals the Personal Property Tax Exemption beginning in tax year 2019.

Section 4-77-382

Repeals unnecessary requirements of the Tax Expenditure Report

Section 5 - 77-693, Section 6 - 77-801, Section 7-77-1238

Changes made because of repeal of the personal property tax exclusion beginning in tax year 2019.

Section 8 - 77-1239

Increases the appropriation to the Property Tax Credit Cash Fund by the \$14 million saved from repealing the Personal Property Tax Exemption

Section 9-77-1248

Changes made because of repeal of the personal property tax exclusion beginning in tax year 2019.

Section 10-77-1327

Changes made because of the increase in the Documentary Stamp Tax

Section 11-77-1514

The county assessor shall prepare an abstract of the property assessment rolls of locally accessed personal property for tax years prior to tax year 2019.

Section 12-77-2602

Increases the cigarette tax to \$1.00 per package.

Current cigarette tax rate is \$0.64 per package.

Beginning July 1, 2019, and monthly thereafter, the State Treasurer will place the equivalent of \$0.36 of the cigarette tax in the Property Tax Credit Cash Fund.

Operative Date: July 1, 2019

Section 13 - 77-2701.02

Increase the sales tax rate from 5.5% to 6.00% beginning July 1, 2019.

Operative Date: July 1, 2019

Section 14-77-2701.16

Amends the definition of Gross Receipts under the sales and use tax to include the following services:

Labor for repair or maintenance of motor vehicles

Pet-related services

Moving services

Storage services

Clothes cleaning services. Includes dry cleaning services and other laundry services. Does not include self-service coin-operated washing machines and dryers.

Transportation network company services. Includes companies which provide prearranged transportation services using an online-enabled application or platform to connect passengers with participating drivers using a personal vehicle

Beauty and personal care services. Includes hair care, nail services, skin care and hair removal. Excludes massage services.

Tattoo or other body modification services

Maintenance, painting and repair for single family homes. Includes painting and wall covering services, poured concrete foundation and structure services, framing services, glass and glazing services, roofing services, siding services, electrical services, plumbing, heating and air conditioning services, drywall insulation services, flooring services, and carpentry services

Interior design services for single family homes

Limousine, taxi and other transportation services

Lawn care, gardening and landscaping services

Parking services. Includes hourly, daily, monthly parking and all other parking for a charge

Swimming pool cleaning and maintenance services

Dating and social escort services

Telefloral delivery services

Wedding planning

Weight loss programs and services, including nonmedical group or individual counseling, menu or exercise planning, weight and body measurement monitoring

Personal training services

Operative Date: July 1, 2019

Section 15-77-2704.24

Adds definitions for Candy, Pop and Bottled Water as defined in the Streamlined Sales and Use Tax Agreement

Removes Candy, Pop, Bottled Water and Ice from the definition of "food and food ingredients"

Language allows Governor to stay the collection of sales tax on bottled water for a 60-day period for any area of the state affected by a disaster, emergency, or civil defense emergency.

Operative Date: July 1, 2019

Section 16-77-2715.07

Increases the state Earned Income Tax Credit from 10% to 13% of the federal credit beginning in tax year 2020

Section 17-77-27,132

On and after July 1, 2019, proceeds equal to any sales tax rate in excess of 5.5% derived from the sale or lease for periods of more than 31 days of motor vehicles, trailers, and semi-trailers shall be credited to the Highway Allocation Fund.

An amount equal to the increase in sales tax as a result of increasing the sales tax rate will be credited to the Property Tax Credit Cash Fund.

The amount to be credited will be annually determined by the Tax Commissioner.

Operative Date: July 1, 2019

Section 18-77-3442 Changes the statutory maximum tax rate from \$1.05 per \$100 of taxable value to 6 cents per \$100 of taxable value plus a rate which will generate an amount equal to the local formula contribution rate.

The reduction in the statutory maximum levy begins for school fiscal year 2019-20 and each school fiscal year thereafter.

Changes the levy exclusion for special building fund projects to be projects commenced prior to the effective date of this Act up to the amount that would be generated by a levy equal to the levy rate for such project for the 2018-19 fiscal year.

The current levy exclusion is for projects commenced prior to April 1, 1996.

A Class V school district (Omaha Public Schools) may levy a maximum of an additional \$0.06 cents per \$100 of taxable valuation.

The additional levy to be used to meet the annual required contribution (ARC) to the Class V School Employees Retirement System.

Proceeds from the levy will be transferred monthly by the Class V school district to the Class V School Employees Retirement System.

Proceeds from the additional levy shall only be used to meet the contribution obligation of the Class V school district to the Class V School Employees Retirement System.

If the funded ratio of the actuarial value of assets and the funded ratio of the market value of assets are equal to or greater than 80% for 3 consecutive plan years after the effective date of this Act, the Class V school district will not have the authority to tax the additional \$0.06.

Information to determine the amount noted above will come from the actuarially-prepared annual valuation of the retirement system.

Updates the reference for the Federal Code.

Section 19-77-3446

The base limitation for school fiscal year 2019-20 and thereafter is the inflation rate certified by the Tax Commissioner.

Section 20-77-4209

Amends the Introduction to the Property Tax Credit Act.

Section 21-77-4210

Amends the purpose of the Property Tax Credit Act to include property tax relief through addition TEEOSA funding

Section 22 - New Section/Property Tax Credit Fund

On or before July 19, 2019 and on or before January 30 thereafter, the Department of Revenue shall determine the minimum amount necessary to be appropriated to the Property Tax Credit Cash Fund to carry out the requirements of the Property Tax Credit Act.

The amount will be certified to the Governor, Appropriations, Revenue, & Education Committees.

The minimum amount certified shall equal the sum of the amounts certified by NDE to be transferred to the Tax Equity & Educational Opportunities Support Fund plus \$115 million.

The Appropriations Committee shall annually include at least the minimum amount necessary to be appropriated to the Property Tax Credit Cash Fund.

Additional funds available from reduction in current TEEOSA funding (\$38 million) and reduction in the Medicaid federal match rate (\$34 million) are to be credited to the Property Tax Credit Cash Fund.

Section 23-New Section/Property Tax Credit Fund

On or before July 15, 2019 and on or before January 15 thereafter, NDE shall certify an estimate of the statewide increase in TEEOSA to the State Treasurer and the Department of Revenue.

Statewide increase will be from:

Changes to the method for calculating local formula contribution between 2018-19 and the school fiscal year for which such certification is being made; and,

The inclusion of foundation aid.

For fiscal year 2019-20 and each year thereafter, the State Treasurer shall transfer an amount equal to the statewide increase in TEEOSA from the Property Tax Credit Cash Fund to the Tax Equity and Educational Opportunities Fund.

Section 24-77-4212

The amount of relief granted under the Property Tax Credit Act for tax year 2017 and tax year 2018 shall be \$224 million.

For tax year 2019 and thereafter, the amount of relief granted through property tax credits will be the amount available in the Property tax Credit Cash Fund after transferring funds to the Tax Equity and Educational Opportunities Fund.

Section 25-79-978.01

Introduction to Class V (Omaha Public Schools) School Employees Retirement Act.

Section 26 - New Section/Class V School

The Class V board of education will provide written notice to the board of trustees of the rate of levy for the current year and an estimate of the proceeds from the levy.

The notice will be provided on or before December 31, 2019 and each December 31 thereafter.

The board of trustees will provide the information to the actuary for use in preparing the annual valuation report.

Section 27-79-9,113

Adds language on the contribution by the Class V school district to include any amounts transferred to the system from

the additional \$0.06 levy.

Adds new language the amount generated by the additional levy will be transmitted monthly.

Section 28-79-1001

Introduction to the Tax Equity and Educational Opportunities Support Act (TEEOSA).

Section 29-79-1003

In the definition for adjusted valuation - repeals "local effort rate yield" and adds "local formula contribution".

Defines allocated income tax funds as a form of assistance is for school fiscal years prior to 2019-20.

Repeals obsolete language that references the minimum levy adjustment.

Adds a definition for cost index. Cost index means the CPI-U: US City Average, not seasonally adjusted, as prepared by the US Department of Labor, Bureau of Labor Statistics released in October of each year.

Adjusts the receipts from levy override elections in calculating general fund operating expenditures (GFOE) to reflect the receipts from a levy override election will equal 99% of the difference in the total general fund levy minus the maximum levy permitted.

Adds a definition for inflation rate. Inflation rate means the inflation rate certified by the Tax Commissioner for each school fiscal year.

Adds a definition for local formula contribution. The local formula contribution is the amount included in formula resources.

Adds a definition for local formula contribution inflation rate. The local formula contribution inflation rate means the local formula contribution inflation rate certified by the Tax Commissioner.

Section 30 - 79-1005.01

The Tax Commissioner certifies to NDE the income tax liability of resident individuals for the preceding tax year.

The certification ends on November 15, 2018.

Section 31 - New Section/Foundation Aid

Foundation aid is created for school fiscal year 2019 and thereafter.

On or before June 17, 2019, on or before November 15, 2019 and on or before November 15 thereafter, the Tax Commissioner certifies to NDE the total state revenue contribution.

The total state revenue contribution will equal 25% of:

The aggregate income tax liability for the most recently completed tax year; plus

The aggregate state sales tax collections for the most recently completed calendar year.

The state revenue contribution per student is calculated for the certification of TEEOSA as the total state revenue contribution (calculated above) divided by the statewide K-12 Fall Membership.

For the final calculation of TEEOSA (or recalculation of TEEOSA), the state revenue contribution will be divided by the statewide Average Daily Membership (ADM).

Foundation aid per student is calculated as the greater of:
The state revenue contribution per student, or
25% of the basic funding per formula student up to a maximum of 150% of the state revenue contribution.

Foundation aid to be paid to a local system for the certification of TEEOSA will be the foundation aid per student multiplied by the K-12 Fall Membership of the local system.

For the final calculation of TEEOSA (or year-end recalculation of TEEOSA), the foundation aid per student will be multiplied by the Average Daily Membership (ADM) of the local system.

Section 32 - 79-1007.11

Removes the averaging adjustment as a component of the formula needs calculation for school fiscal year 2020-21 and thereafter.

Section 33 - 79-1007.18

Sunsets the averaging adjustment with the 2019-20 certification of TEEOSA.
Repeals outdated language.

Section 34 - 79-1008.01

Repeals outdated language

Section 35 - 79-1009

Net option funding for 2019-20 will be the product of the net number of option students multiplied by the statewide average basic funding per formula student.

Net option funding for 2020-21 and thereafter will be the product of the net number of option students multiplied by the statewide average general fund property taxes per formula student.

Statewide average general fund property taxes per formula student is calculated by:
Dividing 99% of aggregate general fund property tax receipts for all schools for the most recently available complete data year by the aggregate formula students for all local system for the school fiscal year for which aid is being calculated.

Repeals obsolete language.

Section 36 - New Section/Inflation Rate

On or before June 17, 2019, on or before November 15, 2019 and on or before November 15 thereafter, the Tax Commissioner will calculate and certify to NDE the inflation rate and the local formula contribution inflation rate for the immediately following school fiscal year.

The inflation rate shall be calculated by:
Subtracting the cost index immediately preceding the most recent cost index from the most recent cost index.

The difference is divided by the cost index immediately preceding the most recent cost index.

The most recent cost index is the most recent cost index available to the time of the certification of TEEOSA.

If the calculated inflation rate is greater than 2.5%, the inflation rate shall be 2.5%.

If the calculated inflation rate is less than 0%, the inflation rate shall be 0%.

The local formula contribution inflation rate will be the inflation rate calculated without any adjustments.

Section 37 - 79-1015.01

Local system formula resources for each local system shall include the local formula contribution.

For the certification and final calculation of TEEOSA for school fiscal year 2019-20, the local formula contribution for each school will equal the local system's total adjusted valuation multiplied by a local effort rate of 90 cents per \$100 of adjusted valuation.

For the certification and final calculation of TEEOSA for 2020-21 and thereafter, the local formula contribution for each local system shall equal the lesser of the local effort rate (LER) yield or the inflation rate yield.

The local effort rate (LER) is set at 90 cents per \$100 of adjusted valuation.
Under current law, the LER is \$1.00.

The local effort rate yield will be the local system's total adjusted valuation multiplied by a local effort rate (LER) of 90 cents per \$100 of adjusted valuation.

The inflation rate yield for each local system shall be 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 the local formula contribution inflation rate and

The local system's adjusted valuation for the total real property growth value multiplied by a local effort rate (LER) of 90 cents per \$100 of adjusted valuation.

Repeals obsolete language.

Section 38 - 79-1016

On or before August 20, the county assessor certifies to the Property Tax Administrator the total taxable value and the total real property growth value by school district.

On or before October 10, the Property Tax Administrator certifies the adjusted valuation for the current assessment year for each class of property and for the total real property growth value to NDE.

For the 2019 assessment year and thereafter, all adjusted valuations shall reflect the changes in the definition of state aid value that apply to school fiscal year 2020-21 and thereafter.

Defines state aid value for residential and commercial/industrial value to be 86% of actual (market) value for school fiscal year 2020-21 and thereafter.

For school years prior to 2020-21, residential and commercial/industrial value is 96% of actual (market) value.

Defines state aid value for agricultural and horticultural value to be 62% of actual (market) value for school fiscal year 2020-21 and thereafter.

For school years prior to 2020-21, agricultural and horticultural land, value is 72% of actual (market) value.

The same percentage, 62% of actual (market) value will be used for special valuation of agricultural and horticultural land.

Section 39 - 79-1017.01

For 2019-20 and thereafter, local system formula resources includes other actual receipts, net option funding, foundation aid, and community achievement plan aid less any property tax refunds.

Repeals obsolete language.

Section 40 - 79-1022

Certification of 2019-20 aid will be on or before July 15, 2019.

Certification of 2020-21 and thereafter will be on or before March 1.

For school fiscal years 2019-20 and thereafter, the amount distributed to each local system shall equal the sum of Equalization Aid, Net Option Funding, Foundation Aid and Community Achievement Plan Aid.

If the sum of Equalization Aid, Net Option Funding, Foundation Aid and Community Achievement Plan Aid is less than 33.33% of the local system's total formula need, the local system will receive the sum of the Equalization Aid, Net Option Funding, Foundation Aid and Community Achievement Plan Aid and Guaranteed Funding Aid.

Guaranteed Funding Aid is the difference between 33.33% of total formula need and the sum of Equalization Aid, Net Option Funding, Foundation Aid and Community Achievement Plan Aid.

NDE will certify the amounts to be distributed to the Director of Administrative Services, the Auditor of Public Accounts and each district.

Repeals obsolete language.

Section 41 - 79-1022.02

For school fiscal year 2019-20, any certification of TEEOSA, budget authority or applicable allowable reserve percentages completed prior to the effective date of this Act are null and void.

Section 42 - 79-1023

Changes the certification date for budget authority to July 15, 2019 and back to March 1 thereafter

The budget-based calculation of budget authority and the student growth calculation of budget authority for 2019-2020 is changed to use 2017-18 adjusted expenditures as the base year and increase the adjusted expenditures by the Basic Allowable Growth for 2018-19 and 2019-20.

The formula needs calculation of budget authority for 2019-20 is changed to be 110% of the 2019-20 formula needs minus special education expenditures and increased by the Basic Allowable Growth for 2018-19 and 2019-20.

Section 43 - 79-1025

The basic allowable growth rate for school fiscal year 2019-20 is 2.5%

The basic allowable growth rate for 2020-21 and thereafter will be determined by 77-3446 (The inflation rate certified by the Tax Commissioner).

Section 44 - 79-1027

Changes the certification date for allowable reserve percentage to on or before July 15, 2019 and back to March 1

thereafter.

Section 45 - 79-1030

For school fiscal year 2019-20, unused budget authority calculated under this subsection shall not include any unused budget authority from school fiscal years prior to school fiscal year 2019-2020.

Section 46 -3 79-1031.01

Revises the date for the Appropriations Committee to include the TEEOSA amount to on or before July 15, 2019 and back to March 1 thereafter.

Section 47 - Operative Date of July 1, 2019 unless otherwise indicated

Section 48 and Section 49 - Repealer Sections

Sections 50 and 51 - Outright Repeal of 79-1008.02 and 77-2704.56

79-1008.02 is the minimum levy adjustment

77-2704.56 is the sales tax exemption for Fine Art Museum

Section 52 - The Emergency Clause

On April 24, 2019, Senator Linehan introduced AM 1381 in a Revenue Committee hearing.

Testifiers:

Proponents:

- Jack Moles, Nebraska Rural Community Schools Association
- Stephen Grizzle, Fairbury Public Schools
- Barbara Giffith, Self
- Art Nietfeld, Self

Opponents:

- Doug Kindig, United Cities of Sarpy County
- Andy Rikli, Papillion La Vista Community Schools
- Matt Innis, Self
- Joe Murray, Self
- Blaine Wilcoxson, Mechanical Contractors Association, Plumbers Heating and Cooling Association of Nebraska, Associated Builders and Contractors Association The Cornhusker Chapter, Associated General Contractors Nebraska Building Chapter
- Tracy Refior, Always Safe Storage
- Liz Standish, Lincoln Public Schools
- Dave Welsch, Milford Public Schools
- Doug Kagan, Nebraska Taxpayers for Freedom
- Brady Rhodes, Hastings Public Schools
- Douglas Kellogg, Americans for Tax Reform

- Sherry Wolf, City of Lincoln
- Thomas Aiello, National Taxpayers Union
- Cheryl Logan, Omaha Public Schools
- Larry Dix, NACO
- Renee Fry, Open Sky Policy Institute
- Bruce Petersen, Mechanical Contractors Association, Plumbers Heating and Cooling Association of Nebraska, Associated Builders and Contractors Association The Cornhusker Chapter, Associated General Contractors Nebraska Building Chapter
- James Goddard, Nebraska Appleseed
- Martin Bilek, City of Omaha
- Elizabeth Farrington, Nebraska Humane Society
- Lance Roasa, Nebraska Veterinary Medical Association
- Randy Schmailzl, Metropolitan Community College
- Greg Adams, Nebraska Community College Association
- Kim Zwiener, Nebraska REALTORS Association
- Maddie Fennell, Nebraska State Education Association
- Bill Lange, Nebraska Self Storage Owners Association
- Julia Tse, Voices for Children Nebraska
- Chuck Parker, Nebraska Beverage Association
- Leon Brown, Chesterman Coca-Cola, Nebraska Beverage Association
- Shannon McCord, Ideal Market
- Jordan Rasmussen, Center for Rural Affairs
- Jessica Shelburn, Americans for Prosperity- Nebraska
- Frederic Oltjenburns, Self
- Ann Hunter-Pirtle, Stand for Schools
- Jason Buckingham, Ralston Public Schools
- Doug Oertwich, Self
- Bryan Slone, Nebraska Chamber of Commerce and Industry, Greater Omaha Chamber of Commerce, Lincoln Chamber of Commerce
- Chad Meisgeier, Millard Public Schools
- Kraig Lofquist, ESUCC, ESU 9
- Loy Todd, Nebraska New Car and Truck Dealers Association
- Mark Whitehead, NPMCA, Whitehead Oil Co
- John Dilsaver, Nebraska Petroleum Marketers, Western Oil
- Larry Baus, A Street Market
- Tery Rehmeier, NGIA
- Lynn Rex, League of Nebraska Municipalities
- Ken Schilz, Nebraska Licensed Beverage Association
- Lizz Whitacre, Self
- Ashley Frevert, Community Action of Nebraska
- Bradley Beam, Self
- Jim Otto, Nebraska Retail Federation, Nebraska Restaurant Association
- John Hansen, Nebraska Farmers Union
- Kimberly Heye, Self

Neutral:

- Craig Bolz, Self
- Sarah Curry, Platte Institute
- Bryce Wilson, Nebraska Department of Education
- Joseph Bishop-Henchman, Tax Foundation
- Al Davis, Independent Cattlemen of Nebraska
- Dustin Antonello, Lincoln Independent Business Association

- Ken Herz, Ag Leaders
- Terry Madson, Self
- Merlyn Nielsen, Fair Nebraska

Lou Ann Linehan, Chairperson