

7.15.2024

LOWER THE LEVY CAP for GUARANTEED PROPERTY TAX RELIEF

“Front loading,” the LB1107 funds (Tier II property tax credit) along with an initial \$444.30 million in additional funds into our existing public school funding (TEEOSA) formula will allow us to provide direct and guaranteed property tax relief. This is achieved by lowering the Levy Cap for schools from \$1.05 to \$0.65 next year and eventually down to \$0.25 by 2033 – guaranteeing property tax relief for the next 10 years.

What parts of TEEOSA will be changed to bring about property tax relief?

1. Lower valuations within TEEOSA (From 96% to 86% for residential, commercial and other real property and from 72% to 42% for agricultural land). ***See below.**
2. Lower the Levy Cap to go from \$1.05 to \$0.65 in 2025; \$0.55 in 2027; \$0.45 in 2029; \$0.35 in 2031; and \$0.25 in 2033. (the Local Effort Rate drops from \$1.00 down to \$0.20 during the same time frame).
3. Eliminate the Averaging Adjustment and the Allocated Income Tax within TEEOSA (reduces the funds needed to achieve the levy reduction by \$32 million and \$68 million respectively. This allows for significant increases in state aid above what schools that currently receive funds from both components currently receive).
4. Base Levy Adjustment - a calculation within TEEOSA to ensure that all school districts provide some local funding for their schools.
5. Provides a mechanism for school districts to reinstate a property tax levy if the State fails to provide the funds needed (similar to what was done for Community Colleges in 2023).
6. The special building fund is removed from the property tax authority calculation.
7. Allows school districts to carry forward any unused property tax request authority (base growth percentage), requires school districts to use any property tax request authority approved above the base growth percentage (from section 46 of LB388).

Impact of these changes:

Nebraska’s ranking in school funding per student will jump further up the rankings - from the bottom 10 only 2 years ago, to the top 10 among states! Nebraska’s ranking in property taxes per resident will drop - Nebraskans currently rank 7th among states with the highest property tax rates for homeowners (Tax Foundation).

***Since 2007:**

Residential property valuations have increased by 213% while experiencing a growth of more than 80,000 housing units, a 110% increase in total housing units from 2007.

Meanwhile, agricultural land valuations have increased by 336% while experiencing loss of 1.5 million acres during the same time frame.