

LEGISLATURE OF NEBRASKA  
ONE HUNDRED FIFTH LEGISLATURE  
FIRST SESSION

**LEGISLATIVE BILL 640**

Introduced by Groene, 42; Erdman, 47; Friesen, 34; Halloran, 33; Hughes,  
44; Lowe, 37; Smith, 14; Stinner, 48.

Read first time January 18, 2017

Committee: Revenue

- 1 A BILL FOR AN ACT relating to school finance; to amend section 77-4209,
- 2 Reissue Revised Statutes of Nebraska, and sections 77-3442, 77-4212,
- 3 and 79-1023, Revised Statutes Cumulative Supplement, 2016; to change
- 4 provisions of the Property Tax Credit Act; to provide for school
- 5 district property tax relief; to change the levy limitations for
- 6 school districts; to change property tax request provisions for
- 7 school districts; and to repeal the original sections.
- 8 Be it enacted by the people of the State of Nebraska,

1 Section 1. Section 77-3442, Revised Statutes Cumulative Supplement,  
2 2016, is amended to read:

3 77-3442 (1) Property tax levies for the support of local governments  
4 for fiscal years beginning on or after July 1, 1998, shall be limited to  
5 the amounts set forth in this section except as provided in section  
6 77-3444.

7 (2)(a) Except as provided in subdivisions (2)(b) and (2)(e) of this  
8 section, school districts and multiple-district school systems may levy a  
9 maximum levy of (i) for tax years prior to 2018, one dollar and five  
10 cents and (ii) for tax year 2018 and each tax year thereafter, one dollar  
11 per one hundred dollars of taxable valuation of property subject to the  
12 levy.

13 (b) For each fiscal year prior to fiscal year 2017-18, learning  
14 communities may levy a maximum levy for the general fund budgets of  
15 member school districts of ninety-five cents per one hundred dollars of  
16 taxable valuation of property subject to the levy. The proceeds from the  
17 levy pursuant to this subdivision shall be distributed pursuant to  
18 section 79-1073.

19 (c) Except as provided in subdivision (2)(e) of this section, for  
20 each fiscal year prior to fiscal year 2017-18, school districts that are  
21 members of learning communities may levy for purposes of such districts'  
22 general fund budget and special building funds a maximum combined levy of  
23 the difference of one dollar and five cents on each one hundred dollars  
24 of taxable property subject to the levy minus the learning community levy  
25 pursuant to subdivision (2)(b) of this section for such learning  
26 community.

27 (d) Excluded from the limitations in subdivisions (2)(a) and (2)(c)  
28 of this section are amounts levied to pay for sums agreed to be paid by a  
29 school district to certificated employees in exchange for a voluntary  
30 termination of employment, amounts levied in compliance with sections  
31 79-10,110 and 79-10,110.02, and amounts levied to pay for special

1 building funds and sinking funds established for projects commenced prior  
2 to April 1, 1996, for construction, expansion, or alteration of school  
3 district buildings. For purposes of this subsection, commenced means any  
4 action taken by the school board on the record which commits the board to  
5 expend district funds in planning, constructing, or carrying out the  
6 project.

7 (e) Federal aid school districts may exceed the maximum levy  
8 prescribed by subdivision (2)(a) or (2)(c) of this section only to the  
9 extent necessary to qualify to receive federal aid pursuant to Title VIII  
10 of Public Law 103-382, as such title existed on September 1, 2001. For  
11 purposes of this subdivision, federal aid school district means any  
12 school district which receives ten percent or more of the revenue for its  
13 general fund budget from federal government sources pursuant to Title  
14 VIII of Public Law 103-382, as such title existed on September 1, 2001.

15 (f) For each fiscal year, learning communities may levy a maximum  
16 levy of one-half cent on each one hundred dollars of taxable property  
17 subject to the levy for elementary learning center facility leases, for  
18 remodeling of leased elementary learning center facilities, and for up to  
19 fifty percent of the estimated cost for focus school or program capital  
20 projects approved by the learning community coordinating council pursuant  
21 to section 79-2111.

22 (g) For each fiscal year, learning communities may levy a maximum  
23 levy of one and one-half cents on each one hundred dollars of taxable  
24 property subject to the levy for early childhood education programs for  
25 children in poverty, for elementary learning center employees, for  
26 contracts with other entities or individuals who are not employees of the  
27 learning community for elementary learning center programs and services,  
28 and for pilot projects, except that no more than ten percent of such levy  
29 may be used for elementary learning center employees.

30 (3) For each fiscal year, community college areas may levy the  
31 levies provided in subdivisions (2)(a) through (c) of section 85-1517, in

1 accordance with the provisions of such subdivisions. A community college  
2 area may exceed the levy provided in subdivision (2)(b) of section  
3 85-1517 by the amount necessary to retire general obligation bonds  
4 assumed by the community college area or issued pursuant to section  
5 85-1515 according to the terms of such bonds or for any obligation  
6 pursuant to section 85-1535 entered into prior to January 1, 1997.

7 (4)(a) Natural resources districts may levy a maximum levy of four  
8 and one-half cents per one hundred dollars of taxable valuation of  
9 property subject to the levy.

10 (b) Natural resources districts shall also have the power and  
11 authority to levy a tax equal to the dollar amount by which their  
12 restricted funds budgeted to administer and implement ground water  
13 management activities and integrated management activities under the  
14 Nebraska Ground Water Management and Protection Act exceed their  
15 restricted funds budgeted to administer and implement ground water  
16 management activities and integrated management activities for FY2003-04,  
17 not to exceed one cent on each one hundred dollars of taxable valuation  
18 annually on all of the taxable property within the district.

19 (c) In addition, natural resources districts located in a river  
20 basin, subbasin, or reach that has been determined to be fully  
21 appropriated pursuant to section 46-714 or designated as overappropriated  
22 pursuant to section 46-713 by the Department of Natural Resources shall  
23 also have the power and authority to levy a tax equal to the dollar  
24 amount by which their restricted funds budgeted to administer and  
25 implement ground water management activities and integrated management  
26 activities under the Nebraska Ground Water Management and Protection Act  
27 exceed their restricted funds budgeted to administer and implement ground  
28 water management activities and integrated management activities for  
29 FY2005-06, not to exceed three cents on each one hundred dollars of  
30 taxable valuation on all of the taxable property within the district for  
31 fiscal year 2006-07 and each fiscal year thereafter through fiscal year

1 2017-18.

2 (5) Any educational service unit authorized to levy a property tax  
3 pursuant to section 79-1225 may levy a maximum levy of one and one-half  
4 cents per one hundred dollars of taxable valuation of property subject to  
5 the levy.

6 (6)(a) Incorporated cities and villages which are not within the  
7 boundaries of a municipal county may levy a maximum levy of forty-five  
8 cents per one hundred dollars of taxable valuation of property subject to  
9 the levy plus an additional five cents per one hundred dollars of taxable  
10 valuation to provide financing for the municipality's share of revenue  
11 required under an agreement or agreements executed pursuant to the  
12 Interlocal Cooperation Act or the Joint Public Agency Act. The maximum  
13 levy shall include amounts levied to pay for sums to support a library  
14 pursuant to section 51-201, museum pursuant to section 51-501, visiting  
15 community nurse, home health nurse, or home health agency pursuant to  
16 section 71-1637, or statue, memorial, or monument pursuant to section  
17 80-202.

18 (b) Incorporated cities and villages which are within the boundaries  
19 of a municipal county may levy a maximum levy of ninety cents per one  
20 hundred dollars of taxable valuation of property subject to the levy. The  
21 maximum levy shall include amounts paid to a municipal county for county  
22 services, amounts levied to pay for sums to support a library pursuant to  
23 section 51-201, a museum pursuant to section 51-501, a visiting community  
24 nurse, home health nurse, or home health agency pursuant to section  
25 71-1637, or a statue, memorial, or monument pursuant to section 80-202.

26 (7) Sanitary and improvement districts which have been in existence  
27 for more than five years may levy a maximum levy of forty cents per one  
28 hundred dollars of taxable valuation of property subject to the levy, and  
29 sanitary and improvement districts which have been in existence for five  
30 years or less shall not have a maximum levy. Unconsolidated sanitary and  
31 improvement districts which have been in existence for more than five

1 years and are located in a municipal county may levy a maximum of eighty-  
2 five cents per hundred dollars of taxable valuation of property subject  
3 to the levy.

4 (8) Counties may levy or authorize a maximum levy of fifty cents per  
5 one hundred dollars of taxable valuation of property subject to the levy,  
6 except that five cents per one hundred dollars of taxable valuation of  
7 property subject to the levy may only be levied to provide financing for  
8 the county's share of revenue required under an agreement or agreements  
9 executed pursuant to the Interlocal Cooperation Act or the Joint Public  
10 Agency Act. The maximum levy shall include amounts levied to pay for sums  
11 to support a library pursuant to section 51-201 or museum pursuant to  
12 section 51-501. The county may allocate up to fifteen cents of its  
13 authority to other political subdivisions subject to allocation of  
14 property tax authority under subsection (1) of section 77-3443 and not  
15 specifically covered in this section to levy taxes as authorized by law  
16 which do not collectively exceed fifteen cents per one hundred dollars of  
17 taxable valuation on any parcel or item of taxable property. The county  
18 may allocate to one or more other political subdivisions subject to  
19 allocation of property tax authority by the county under subsection (1)  
20 of section 77-3443 some or all of the county's five cents per one hundred  
21 dollars of valuation authorized for support of an agreement or agreements  
22 to be levied by the political subdivision for the purpose of supporting  
23 that political subdivision's share of revenue required under an agreement  
24 or agreements executed pursuant to the Interlocal Cooperation Act or the  
25 Joint Public Agency Act. If an allocation by a county would cause another  
26 county to exceed its levy authority under this section, the second county  
27 may exceed the levy authority in order to levy the amount allocated.

28 (9) Municipal counties may levy or authorize a maximum levy of one  
29 dollar per one hundred dollars of taxable valuation of property subject  
30 to the levy. The municipal county may allocate levy authority to any  
31 political subdivision or entity subject to allocation under section

1 77-3443.

2 (10) Beginning July 1, 2016, rural and suburban fire protection  
3 districts may levy a maximum levy of ten and one-half cents per one  
4 hundred dollars of taxable valuation of property subject to the levy if  
5 (a) such district is located in a county that had a levy pursuant to  
6 subsection (8) of this section in the previous year of at least forty  
7 cents per one hundred dollars of taxable valuation of property subject to  
8 the levy or (b) for any rural or suburban fire protection district that  
9 had a levy request pursuant to section 77-3443 in the previous year, the  
10 county board of the county in which the greatest portion of the valuation  
11 of such district is located did not authorize any levy authority to such  
12 district in the previous year.

13 (11) Property tax levies (a) for judgments, except judgments or  
14 orders from the Commission of Industrial Relations, obtained against a  
15 political subdivision which require or obligate a political subdivision  
16 to pay such judgment, to the extent such judgment is not paid by  
17 liability insurance coverage of a political subdivision, (b) for  
18 preexisting lease-purchase contracts approved prior to July 1, 1998, (c)  
19 for bonds as defined in section 10-134 approved according to law and  
20 secured by a levy on property except as provided in section 44-4317 for  
21 bonded indebtedness issued by educational service units and school  
22 districts, and (d) for payments by a public airport to retire interest-  
23 free loans from the Department of Aeronautics in lieu of bonded  
24 indebtedness at a lower cost to the public airport are not included in  
25 the levy limits established by this section.

26 (12) The limitations on tax levies provided in this section are to  
27 include all other general or special levies provided by law.  
28 Notwithstanding other provisions of law, the only exceptions to the  
29 limits in this section are those provided by or authorized by sections  
30 77-3442 to 77-3444.

31 (13) Tax levies in excess of the limitations in this section shall

1 be considered unauthorized levies under section 77-1606 unless approved  
2 under section 77-3444.

3 (14) For purposes of sections 77-3442 to 77-3444, political  
4 subdivision means a political subdivision of this state and a county  
5 agricultural society.

6 (15) For school districts that file a binding resolution on or  
7 before May 9, 2008, with the county assessors, county clerks, and county  
8 treasurers for all counties in which the school district has territory  
9 pursuant to subsection (7) of section 79-458, if the combined levies,  
10 except levies for bonded indebtedness approved by the voters of the  
11 school district and levies for the refinancing of such bonded  
12 indebtedness, are in excess of the greater of (a) one dollar and twenty  
13 cents per one hundred dollars of taxable valuation of property subject to  
14 the levy or (b) the maximum levy authorized by a vote pursuant to section  
15 77-3444, all school district levies, except levies for bonded  
16 indebtedness approved by the voters of the school district and levies for  
17 the refinancing of such bonded indebtedness, shall be considered  
18 unauthorized levies under section 77-1606.

19 Sec. 2. Section 77-4209, Reissue Revised Statutes of Nebraska, is  
20 amended to read:

21 77-4209 Sections 77-4209 to 77-4212 and sections 3 and 4 of this act  
22 shall be known and may be cited as the Property Tax Credit Act.

23 Sec. 3. (1) For tax year 2018 and each tax year thereafter, the  
24 Department of Revenue shall calculate, using data certified by the State  
25 Department of Education, and distribute school district property tax  
26 relief aid pursuant to this section for each local system that qualifies  
27 pursuant to subsection (2) of this section.

28 (2) A local system shall qualify for school district property tax  
29 relief aid pursuant to this section for each tax year when, for the most  
30 recently available complete data year as of January 1 of such tax year,  
31 the general fund property tax receipts exceed sixty percent of the total

1 general fund revenue for such local system.

2 (3) For each tax year, the property tax gap for each local system  
3 that qualifies for school district property tax relief shall equal the  
4 general fund property tax receipts minus sixty percent of the total  
5 general fund revenue for such local system for the most recently  
6 available complete data year as of January 1 of such tax year.

7 (4) Except as otherwise provided in this subsection, each local  
8 system that qualifies pursuant to subsection (2) of this section for each  
9 tax year shall be paid school district property tax relief aid from the  
10 Property Tax Credit Cash Fund equal to seventy-five percent of the school  
11 district property tax gap for such local system. If the statewide total  
12 school district property tax relief aid for a tax year exceeds the funds  
13 available for distribution from the Property Tax Credit Cash Fund, the  
14 aid shall be reduced proportionately for each local system receiving  
15 school district property tax relief for such tax year.

16 (5) For purposes of this section, local system and most recently  
17 available complete data year have the definitions found in section  
18 79-1003. School district property tax relief aid paid pursuant to this  
19 section shall be considered a general fund property tax receipt for  
20 purposes of future tax year calculations pursuant to subsections (2) and  
21 (3) this section.

22 (6) For tax year 2018 and each tax year thereafter, the State  
23 Department of Education shall certify to the Department of Revenue the  
24 general fund property tax receipts and total general fund revenue for  
25 each local system for the most recently available complete data year as  
26 of January 1 of such tax year to use in calculations pursuant to this  
27 section.

28 (7) The Department of Revenue may adopt and promulgate rules and  
29 regulations to carry out this section.

30 Sec. 4. (1) For tax year 2018 and each tax year thereafter, the  
31 State Department of Education shall certify to the Department of Revenue

1 the statewide increase in state aid to be paid to local systems as  
2 defined in section 79-1003 pursuant to the Tax Equity and Educational  
3 Opportunities Support Act resulting from the decrease in the maximum levy  
4 for school districts and multiple-district school systems from one dollar  
5 and five cents to one dollar per one hundred dollars of taxable valuation  
6 of property subject to the levy.

7 (2) For tax year 2018 and each tax year thereafter, the Department  
8 of Revenue shall transfer an amount equal to the statewide increase in  
9 state aid certified pursuant to subsection (1) of this section from the  
10 Property Tax Credit Fund to the Tax Equity and Educational Opportunities  
11 Fund to pay such increase in state aid to local systems.

12 Sec. 5. Section 77-4212, Revised Statutes Cumulative Supplement,  
13 2016, is amended to read:

14 ~~77-4212 (1) For tax year 2007, the amount of relief granted under~~  
15 ~~the Property Tax Credit Act shall be one hundred five million dollars.~~  
16 ~~For tax year 2008, the amount of relief granted under the act shall be~~  
17 ~~one hundred fifteen million dollars. It is the intent of the Legislature~~  
18 ~~to fund the Property Tax Credit Act for tax years after tax year 2008~~  
19 ~~using available revenue. For tax year 2017 and each tax year thereafter,~~  
20 the amount of relief granted under the act shall be two hundred twenty-  
21 four million dollars. The relief shall be in the form of a property tax  
22 credit which appears on the property tax statement.

23 (2)(a) For tax years prior to tax year 2017, to determine the amount  
24 of the property tax credit, the county treasurer shall multiply the  
25 amount disbursed to the county under subdivision (4)(a) of this section  
26 by the ratio of the real property valuation of the parcel to the total  
27 real property valuation in the county. The amount determined shall be the  
28 property tax credit for the property.

29 (b) Beginning with tax year 2017, to determine the amount of the  
30 property tax credit, the county treasurer shall multiply the amount  
31 disbursed to the county under subdivision (4)(b) of this section by the

1 ratio of the credit allocation valuation of the parcel to the total  
2 credit allocation valuation in the county. The amount determined shall be  
3 the property tax credit for the property.

4 (3) If the real property owner qualifies for a homestead exemption  
5 under sections 77-3501 to 77-3529, the owner shall also be qualified for  
6 the relief provided in the act to the extent of any remaining liability  
7 after calculation of the relief provided by the homestead exemption. If  
8 the credit results in a property tax liability on the homestead that is  
9 less than zero, the amount of the credit which cannot be used by the  
10 taxpayer shall be returned to the State Treasurer by July 1 of the year  
11 the amount disbursed to the county was disbursed. The State Treasurer  
12 shall immediately credit any funds returned under this section to the  
13 Property Tax Credit Cash Fund.

14 (4)(a) For tax years prior to tax year 2017, the amount disbursed to  
15 each county shall be equal to the amount available for disbursement  
16 determined under subsection (1) of this section multiplied by the ratio  
17 of the real property valuation in the county to the real property  
18 valuation in the state. By September 15, the Property Tax Administrator  
19 shall determine the amount to be disbursed under this subdivision to each  
20 county and certify such amounts to the State Treasurer and to each  
21 county. The disbursements to the counties shall occur in two equal  
22 payments, the first on or before January 31 and the second on or before  
23 April 1. After retaining one percent of the receipts for costs, the  
24 county treasurer shall allocate the remaining receipts to each taxing  
25 unit levying taxes on taxable property in the tax district in which the  
26 real property is located in the same proportion that the levy of such  
27 taxing unit bears to the total levy on taxable property of all the taxing  
28 units in the tax district in which the real property is located.

29 (b) ~~For Beginning with~~ tax year 2017, the amount disbursed to each  
30 county shall be equal to the amount available for disbursement determined  
31 under subsection (1) of this section multiplied by the ratio of the

1 credit allocation valuation in the county to the credit allocation  
2 valuation in the state. By September 15, the Property Tax Administrator  
3 shall determine the amount to be disbursed under this subdivision to each  
4 county and certify such amounts to the State Treasurer and to each  
5 county. The disbursements to the counties shall occur in two equal  
6 payments, the first on or before January 31 and the second on or before  
7 April 1. After retaining one percent of the receipts for costs, the  
8 county treasurer shall allocate the remaining receipts to each taxing  
9 unit based on its share of the credits granted to all taxpayers in the  
10 taxing unit.

11 (c) For tax year 2018 and each tax year thereafter, the amount  
12 available to be disbursed to the counties shall equal the amount  
13 available for disbursement determined under subsection (1) of this  
14 section minus the amount to be distributed to local systems as school  
15 district property tax relief pursuant to section 3 of this act and the  
16 amount transferred to the Tax Equity and Educational Opportunities Fund  
17 pursuant to section 4 of this act. The amount disbursed to each county  
18 shall be equal to the amount available to be disbursed to the counties  
19 multiplied by the ratio of the credit allocation valuation in the county  
20 to the credit allocation valuation in the state. By September 15, the  
21 Property Tax Administrator shall determine the amount to be disbursed  
22 under this subdivision to each county and certify such amounts to the  
23 State Treasurer and to each county. The disbursements to the counties  
24 shall occur in two equal payments, the first payment on or before January  
25 31 and the second payment on or before April 1. After retaining one  
26 percent of the receipts for costs, each county treasurer shall allocate  
27 the remaining receipts to each taxing unit based on its share of the  
28 credits granted to all taxpayers in the taxing unit.

29 (5) For purposes of this section, credit allocation valuation means  
30 the taxable value for all real property except agricultural land and  
31 horticultural land, one hundred twenty percent of taxable value for

1 agricultural land and horticultural land that is not subject to special  
2 valuation, and one hundred twenty percent of taxable value for  
3 agricultural land and horticultural land that is subject to special  
4 valuation.

5 ~~(6) The State Treasurer shall transfer from the General Fund to the~~  
6 ~~Property Tax Credit Cash Fund one hundred five million dollars by August~~  
7 ~~1, 2007, and one hundred fifteen million dollars by August 1, 2008.~~

8 (6) (7) The Legislature shall have the power to transfer funds from  
9 the Property Tax Credit Cash Fund to the General Fund.

10 Sec. 6. Section 79-1023, Revised Statutes Cumulative Supplement,  
11 2016, is amended to read:

12 79-1023 (1) On or before April 10, 2014, and on or before March 1 of  
13 each year thereafter, the department shall determine and certify to each  
14 school district budget authority for the general fund budget of  
15 expenditures for the ensuing school fiscal year.

16 (2) Except as provided in this section or sections 79-1028.01,  
17 79-1029, 79-1030, and 81-829.51, each school district shall have budget  
18 authority for the general fund budget of expenditures equal to the  
19 greater of (a) the general fund budget of expenditures for the  
20 immediately preceding school fiscal year minus exclusions pursuant to  
21 subsection (1) of section 79-1028.01 for such school fiscal year with the  
22 difference increased by the basic allowable growth rate for the school  
23 fiscal year for which budget authority is being calculated, (b) the  
24 general fund budget of expenditures for the immediately preceding school  
25 fiscal year minus exclusions pursuant to subsection (1) of section  
26 79-1028.01 for such school fiscal year with the difference increased by  
27 an amount equal to any student growth adjustment calculated for the  
28 school fiscal year for which budget authority is being calculated, or (c)  
29 one hundred ten percent of formula need for the school fiscal year for  
30 which budget authority is being calculated minus the special education  
31 budget of expenditures as filed on the school district budget statement

1 on or before September 20 for the immediately preceding school fiscal  
2 year, which special education budget of expenditures is increased by the  
3 basic allowable growth rate for the school fiscal year for which budget  
4 authority is being calculated.

5 (3) For any school fiscal year for which the budget authority for  
6 the general fund budget of expenditures for a school district is based on  
7 a student growth adjustment, the budget authority for the general fund  
8 budget of expenditures for such school district shall be adjusted in  
9 future years to reflect any student growth adjustment corrections related  
10 to such student growth adjustment.

11 (4) For school districts receiving school district property tax  
12 relief aid pursuant to section 4 of this act, budgeted expenditures shall  
13 be reduced by twenty-five percent of the property tax gap calculated  
14 pursuant to such section unless the school board passes by a two-thirds  
15 majority vote an override of such reduction at least thirty days prior to  
16 approving the annual budget of the school district. Prior to such vote, a  
17 school board shall hold a public hearing on the override after  
18 identifying for what purpose the funds from the override would be used.

19 Sec. 7. Original section 77-4209, Reissue Revised Statutes of  
20 Nebraska, and sections 77-3442, 77-4212, and 79-1023, Revised Statutes  
21 Cumulative Supplement, 2016, are repealed.