

LEGISLATURE OF NEBRASKA  
ONE HUNDRED SEVENTH LEGISLATURE  
SECOND SESSION

**LEGISLATIVE BILL 688**

Introduced by Blood, 3.

Read first time January 05, 2022

Committee: Revenue

1 A BILL FOR AN ACT relating to revenue and taxation; to amend sections  
2 77-6702 and 81-12,193, Revised Statutes Cumulative Supplement, 2020,  
3 and sections 77-6703 and 84-612, Revised Statutes Supplement, 2021;  
4 to adopt the Property Tax Reduction Act; to eliminate credits under  
5 the Nebraska Property Tax Incentive Act; to harmonize provisions; to  
6 repeal the original sections; and to declare an emergency.

7 Be it enacted by the people of the State of Nebraska,

1           Section 1. Sections 1 to 5 of this act shall be known and may be  
2 cited as the Property Tax Reduction Act.

3           Sec. 2. The purpose of the Property Tax Reduction Act is to provide  
4 property tax relief for property taxes levied against real property by  
5 school districts. The property tax relief will be made to eligible  
6 taxpayers in the form of a property tax credit.

7           Sec. 3. For purposes of the Property Tax Reduction Act:

8           (1) Allowable growth percentage means the percentage increase, if  
9 any, in the total assessed value of all real property in the state from  
10 the prior year to the current year, as determined by the department,  
11 except that in no case shall the allowable growth percentage exceed five  
12 percent in any one year;

13           (2) Department means the Department of Revenue;

14           (3) Eligible taxpayer means any individual, corporation,  
15 partnership, limited liability company, trust, estate, or other entity  
16 that pays school district taxes; and

17           (4) School district taxes means property taxes levied on real  
18 property in this state by a school district or multiple-district school  
19 system, excluding any property taxes levied for bonded indebtedness and  
20 any property taxes levied as a result of an override of limits on  
21 property tax levies approved by voters pursuant to section 77-3444.

22           Sec. 4. The Property Tax Reduction Cash Fund is created. The fund  
23 shall only be used pursuant to the Property Tax Reduction Act. Any money  
24 in the fund available for investment shall be invested by the state  
25 investment officer pursuant to the Nebraska Capital Expansion Act and the  
26 Nebraska State Funds Investment Act.

27           Sec. 5. (1) Beginning with tax year 2022, each eligible taxpayer  
28 shall receive a credit against the school district taxes levied on the  
29 eligible taxpayer's property. The credit shall be equal to the credit  
30 percentage for the year, as set by the department under subsection (2) of  
31 this section, multiplied by the amount of school district taxes levied

1 against the eligible taxpayer's property for such year. The credit shall  
2 be in the form of a property tax credit which appears on the property tax  
3 statement.

4 (2)(a) For tax year 2022, the department shall set the credit  
5 percentage so that the total amount of credits for such year shall be the  
6 maximum amount of income tax credits allowed under subdivision (2)(b) of  
7 section 77-6703 plus either (i) the amount calculated for such calendar  
8 year under subdivision (3)(b)(ii)(B) of section 77-4602 or (ii) the  
9 amount calculated for such calendar year under subdivision (3)(c)(ii)(B)  
10 of section 77-4602, whichever is applicable.

11 (b) For tax year 2023, the department shall set the credit  
12 percentage so that the total amount of credits for such year shall be the  
13 maximum amount of credits allowed under subdivision (2)(a) of this  
14 section plus either (i) the amount calculated for such calendar year  
15 under subdivision (3)(b)(ii)(B) of section 77-4602 or (ii) the amount  
16 calculated for such calendar year under subdivision (3)(c)(ii)(B) of  
17 section 77-4602, whichever is applicable.

18 (c) For tax year 2024, the department shall set the credit  
19 percentage so that the total amount of credits for such year shall be  
20 three hundred seventy-five million dollars.

21 (d) For tax year 2025 and each tax year thereafter, the department  
22 shall set the credit percentage so that the total amount of credits for  
23 such year shall be the maximum amount of credits allowed in the prior  
24 year increased by the allowable growth percentage.

25 (3) The State of Nebraska shall reimburse school districts for the  
26 property tax revenue lost as a result of the credit granted in this  
27 section. The amount disbursed to each school district shall be equal to  
28 the total amount of credits for the year as determined under subsection  
29 (2) of this section multiplied by the ratio of the total school district  
30 taxes levied by the school district to the total school district taxes  
31 levied in the state. By September 15, the Property Tax Administrator

1 shall determine the amount to be disbursed under this subsection to each  
2 school district and certify such amounts to the State Treasurer and to  
3 each school district. The disbursements to the school districts shall  
4 occur in two equal payments, the first on or before January 31 and the  
5 second on or before April 1.

6 (4) If the eligible taxpayer qualifies for a homestead exemption  
7 under sections 77-3501 to 77-3529, the eligible taxpayer shall also be  
8 qualified for the credit provided in the Property Tax Reduction Act to  
9 the extent of any remaining liability after calculation of the relief  
10 provided by the homestead exemption. If the credit results in a property  
11 tax liability on the homestead that is less than zero, the amount of the  
12 credit which cannot be used by the eligible taxpayer shall be returned by  
13 the school district to the Property Tax Administrator by July 1 of the  
14 year the amount disbursed to the school district was disbursed. The  
15 Property Tax Administrator shall immediately credit any funds returned  
16 under this subsection to the Property Tax Reduction Cash Fund. Upon the  
17 return of any funds under this subsection, the school district shall  
18 electronically file a report with the Property Tax Administrator, on a  
19 form prescribed by the Tax Commissioner, indicating the amount of unused  
20 credits returned.

21 Sec. 6. Section 77-6702, Revised Statutes Cumulative Supplement,  
22 2020, is amended to read:

23 77-6702 For purposes of the Nebraska Property Tax Incentive Act:

24 ~~(1) Allowable growth percentage means the percentage increase, if~~  
25 ~~any, in the total assessed value of all real property in the state from~~  
26 ~~the prior year to the current year, as determined by the department,~~  
27 ~~except that in no case shall the allowable growth percentage exceed five~~  
28 ~~percent in any one year;~~

29 ~~(1) (2) Department means the Department of Revenue;~~

30 ~~(2) (3) Eligible taxpayer means any individual, corporation,~~  
31 ~~partnership, limited liability company, trust, estate, or other entity~~

1 that pays school district taxes during a taxable year; and

2 ~~(3) (4)~~ School district taxes means property taxes levied on real  
3 property in this state by a school district or multiple-district school  
4 system, excluding any property taxes levied for bonded indebtedness and  
5 any property taxes levied as a result of an override of limits on  
6 property tax levies approved by voters pursuant to section 77-3444.

7 Sec. 7. Section 77-6703, Revised Statutes Supplement, 2021, is  
8 amended to read:

9 77-6703 (1) For taxable years beginning or deemed to begin on or  
10 after January 1, 2020, and before January 1, 2022, under the Internal  
11 Revenue Code of 1986, as amended, there shall be allowed to each eligible  
12 taxpayer a refundable credit against the income tax imposed by the  
13 Nebraska Revenue Act of 1967 or against the franchise tax imposed by  
14 sections 77-3801 to 77-3807. The credit shall be equal to the credit  
15 percentage for the taxable year, as set by the department under  
16 subsection (2) of this section, multiplied by the amount of school  
17 district taxes paid by the eligible taxpayer during such taxable year.

18 (2)(a) For taxable years beginning or deemed to begin during  
19 calendar year 2020, the department shall set the credit percentage so  
20 that the total amount of credits for such taxable years shall be one  
21 hundred twenty-five million dollars; and

22 (b) For taxable years beginning or deemed to begin during calendar  
23 year 2021, the department shall set the credit percentage so that the  
24 total amount of credits for such taxable years shall be one hundred  
25 twenty-five million dollars plus either (i) the amount calculated for  
26 such calendar year under subdivision (3)(b)(ii)(B) of section 77-4602 or  
27 (ii) the amount calculated for such calendar year under subdivision (3)  
28 (c)(ii)(B) of section 77-4602, whichever is applicable. ÷

29 ~~(c) For taxable years beginning or deemed to begin during calendar~~  
30 ~~year 2022, the department shall set the credit percentage so that the~~  
31 ~~total amount of credits for such taxable years shall be the maximum~~

1 ~~amount of credits allowed under subdivision (2)(b) of this section plus~~  
2 ~~either (i) the amount calculated for such calendar year under subdivision~~  
3 ~~(3)(b)(ii)(B) of section 77-4602 or (ii) the amount calculated for such~~  
4 ~~calendar year under subdivision (3)(c)(ii)(B) of section 77-4602,~~  
5 ~~whichever is applicable;~~

6 ~~(d) For taxable years beginning or deemed to begin during calendar~~  
7 ~~year 2023, the department shall set the credit percentage so that the~~  
8 ~~total amount of credits for such taxable years shall be the maximum~~  
9 ~~amount of credits allowed under subdivision (2)(c) of this section plus~~  
10 ~~either (i) the amount calculated for such calendar year under subdivision~~  
11 ~~(3)(b)(ii)(B) of section 77-4602 or (ii) the amount calculated for such~~  
12 ~~calendar year under subdivision (3)(c)(ii)(B) of section 77-4602,~~  
13 ~~whichever is applicable;~~

14 ~~(e) For taxable years beginning or deemed to begin during calendar~~  
15 ~~year 2024, the department shall set the credit percentage so that the~~  
16 ~~total amount of credits for such taxable years shall be three hundred~~  
17 ~~seventy-five million dollars; and~~

18 ~~(f) For taxable years beginning or deemed to begin during calendar~~  
19 ~~year 2025 and each calendar year thereafter, the department shall set the~~  
20 ~~credit percentage so that the total amount of credits for such taxable~~  
21 ~~years shall be the maximum amount of credits allowed in the prior year~~  
22 ~~increased by the allowable growth percentage.~~

23 (3) If the school district taxes are paid by a corporation having an  
24 election in effect under subchapter S of the Internal Revenue Code, a  
25 partnership, a limited liability company, a trust, or an estate, the  
26 amount of school district taxes paid during the taxable year may be  
27 allocated to the shareholders, partners, members, or beneficiaries in the  
28 same proportion that income is distributed for taxable years beginning or  
29 deemed to begin before January 1, 2021, under the Internal Revenue Code  
30 of 1986, as amended. The department shall provide forms and schedules  
31 necessary for verifying eligibility for the credit provided in this

1 section and for allocating the school district taxes paid. For taxable  
2 years beginning or deemed to begin on or after January 1, 2021, and  
3 before January 1, 2022, under the Internal Revenue Code of 1986, as  
4 amended, the refundable credit shall be claimed by the corporation having  
5 an election in effect under subchapter S of the Internal Revenue Code,  
6 the partnership, the limited liability company, the trust, or the estate  
7 that paid the school district taxes.

8 (4) For any fiscal year or short year taxpayer, the credit may be  
9 claimed in the first taxable year that begins following the calendar year  
10 for which the credit percentage was determined. The credit shall be taken  
11 for the school district taxes paid by the taxpayer during the immediately  
12 preceding calendar year.

13 (5) For the first taxable year beginning or deemed to begin on or  
14 after January 1, 2021, and before January 1, 2022, under the Internal  
15 Revenue Code of 1986, as amended, for a corporation having an election in  
16 effect under subchapter S of the Internal Revenue Code, a partnership, a  
17 limited liability company, a trust, or an estate that paid school  
18 district taxes in calendar year 2020 but did not claim the credit  
19 directly or allocate such school district taxes to the shareholders,  
20 partners, members, or beneficiaries as permitted under subsection (3) of  
21 this section, there shall be allowed an additional refundable credit.  
22 This credit shall be equal to six percent, multiplied by the amount of  
23 school district taxes paid during 2020 by the eligible taxpayer.

24 Sec. 8. Section 81-12,193, Revised Statutes Cumulative Supplement,  
25 2020, is amended to read:

26 81-12,193 (1) The Nebraska Transformational Project Fund is hereby  
27 created. The fund shall receive money from application fees paid under  
28 the Nebraska Transformational Projects Act and from appropriations from  
29 the Legislature, grants, private contributions, repayments of matching  
30 funds, and all other sources. Any money in the fund available for  
31 investment shall be invested by the state investment officer pursuant to

1 the Nebraska Capital Expansion Act and the Nebraska State Funds  
2 Investment Act.

3 (2) It is the intent of the Legislature that the State Treasurer  
4 shall transfer an amount not to exceed three hundred million dollars to  
5 the Nebraska Transformational Project Fund. Such transfers shall only  
6 occur after the applicant has been selected for participation in the  
7 program described in Title VII, Subtitle C, section 740 of Public Law  
8 116-92 and commitments totaling one billion three hundred million dollars  
9 in total investment, including only federal dollars and private  
10 donations, have been secured. In no case shall any transfer occur before  
11 fiscal year 2025-26 or before the total amount of property tax refundable  
12 credits granted annually under the ~~Nebraska~~ Property Tax Reduction  
13 ~~Incentive~~ Act reaches three hundred seventy-five million dollars.  
14 Distributions shall only be made from the fund in amounts equal to the  
15 amount of private dollars received by the applicant for the project.

16 (3) Any money remaining in the fund after all obligations have been  
17 met shall be transferred to the General Fund.

18 Sec. 9. Section 84-612, Revised Statutes Supplement, 2021, is  
19 amended to read:

20 84-612 (1) There is hereby created within the state treasury a fund  
21 known as the Cash Reserve Fund which shall be under the direction of the  
22 State Treasurer. The fund shall only be used pursuant to this section.

23 (2) The State Treasurer shall transfer funds from the Cash Reserve  
24 Fund to the General Fund upon certification by the Director of  
25 Administrative Services that the current cash balance in the General Fund  
26 is inadequate to meet current obligations. Such certification shall  
27 include the dollar amount to be transferred. Any transfers made pursuant  
28 to this subsection shall be reversed upon notification by the Director of  
29 Administrative Services that sufficient funds are available.

30 (3) In addition to receiving transfers from other funds, the Cash  
31 Reserve Fund shall receive federal funds received by the State of



1 Nebraska for undesignated general government purposes, federal revenue  
2 sharing, or general fiscal relief of the state.

3 (4) The State Treasurer shall transfer fifty-four million seven  
4 hundred thousand dollars on or after July 1, 2019, but before June 15,  
5 2021, from the Cash Reserve Fund to the Nebraska Capital Construction  
6 Fund on such dates and in such amounts as directed by the budget  
7 administrator of the budget division of the Department of Administrative  
8 Services.

9 (5) The State Treasurer shall transfer thirty million dollars from  
10 the Cash Reserve Fund to the General Fund after November 15, 2020, but  
11 before December 31, 2020, on such date as directed by the budget  
12 administrator of the budget division of the Department of Administrative  
13 Services. Except for the transfer authorized in this subsection, no funds  
14 shall be transferred from the Cash Reserve Fund to fulfill the  
15 obligations created under the Nebraska Property Tax Incentive Act or the  
16 Property Tax Reduction Act unless the balance in the Cash Reserve Fund  
17 after such transfer will be at least equal to five hundred million  
18 dollars.

19 (6) The State Treasurer shall transfer fifty million dollars from  
20 the Cash Reserve Fund to the United States Space Command Headquarters  
21 Assistance Fund on or before June 30, 2023, but not before July 1, 2022,  
22 on such dates and in such amounts as directed by the budget administrator  
23 of the budget division of the Department of Administrative Services. The  
24 transfer in this subsection shall not occur unless the State of Nebraska  
25 is selected as the site of the United States Space Command headquarters.

26 Sec. 10. Original sections 77-6702 and 81-12,193, Revised Statutes  
27 Cumulative Supplement, 2020, and sections 77-6703 and 84-612, Revised  
28 Statutes Supplement, 2021, are repealed.

29 Sec. 11. Since an emergency exists, this act takes effect when  
30 passed and approved according to law.