

## LEGISLATIVE BILL 17

Approved by the Governor May 17, 1979

Introduced by Newell, 13

AN ACT to adopt the Tax Expenditure Reporting Act of 1979; to amend section 77-202.03, Reissue Revised Statutes of Nebraska, 1943; and to repeal the original section.

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

Section 1. Sections 1 to 7 of this act shall be known and may be cited as the Tax Expenditure Reporting Act of 1979.

Sec. 2. It is the intent of this act to provide a mechanism which will enable the Legislature to better determine those sectors of the economy which are receiving indirect subsidies as a result of tax expenditures. The Legislature recognizes that the present budgeting system fails to accurately and totally reflect the revenue lost due to such tax expenditures and that as a result undetermined amounts of potential revenue are escaping public or legislative scrutiny. The loss of such potential revenue causes a narrowing of the tax base which in turn forces higher tax rates on the remaining tax base.

Sec. 3. As used in sections 1 to 7 of this act, unless the context otherwise requires:

(1) Tax expenditure shall mean a revenue reduction that occurs in the tax base of the state or a political subdivision as the result of an exemption, deduction, exclusion, tax deferral, credit, or preferential rate introduced into the tax structure;

(2) Department shall mean the Department of Revenue;

(3) Income tax shall mean the tax imposed upon individuals and corporations under Chapter 77, article 27;

(4) Sales tax shall mean the tax imposed upon expenditures under Chapter 77, article 27;

(5) Property tax shall mean the tax imposed upon real and personal property under Chapter 77; and

(6) Miscellaneous tax shall mean revenue sources other than income, sales, and property taxes for state

and local government including, but not limited to, motor vehicle and special fuel taxes, liquor taxes, cigarette taxes, inheritance and estate taxes, insurance premium taxes, and occupation taxes and fees or other taxes which generate state or local revenue annually in excess of two million dollars.

Sec. 4. The department shall prepare a tax expenditure report describing (1) the basic provisions of the Nebraska tax laws, (2) the actual or estimated revenue loss caused by the exemptions, deductions, exclusions, deferrals, credits, and preferential rates in effect on July 1 of each year and allowed under Nebraska's tax structure and in the property tax, and (3) the elements which make up the tax base for state and local income including income, sales and use, property, and miscellaneous taxes. The report shall indicate an estimate of the amount of the reduction in revenue resulting from the operation of all tax expenditures. The report prepared by the department shall be delivered to the Executive Board of the Legislative Council and to the chairpersons of the Legislature's Revenue and Appropriations Committees at the times designated in section 6 of this act.

Sec. 5. The department may request from any state or local official or agency any information necessary to complete the report required under section 4 of this act. All state and local officials or agencies shall cooperate with the department with respect to any such request.

Sec. 6. The report required under section 4 of this act shall contain an in-depth analysis of one or more taxes and shall make recommendations relating to the elimination, in whole or in part, of particular tax expenditures or to the limiting of the duration of particular tax expenditures to a fixed number of years. On or before October 15, 1979, the department shall prepare an in-depth analysis of the state sales tax and one or more miscellaneous taxes. On or before October 15, 1980, the department shall conduct an in-depth review of the property tax system and one or more miscellaneous taxes. On or before October 15, 1991, the department shall conduct an in-depth review of the personal and corporate income taxes and any remaining miscellaneous taxes. In the years in which an in-depth study of a major tax is not required, the department shall cause a review of the major tax exemptions for which state general funds are used to reduce the impact of revenue lost due to a tax expenditure. The in-depth report on property taxes required under this section shall contain an estimate of revenue lost by tax expenditures on a



county by county basis. This requirement is not intended to cause the assessment or valuation of any property used exclusively for religious, educational or charitable purposes.

Sec. 7. Following the department's report of 1981, the department shall cause a review of tax expenditures to be conducted in every odd-numbered year. Such review shall be made and summarized in a report submitted to the Executive Board of the Legislative Council and to the chairpersons of the Legislature's Revenue and Appropriations Committees on or before October 15, of such odd-numbered year.

Sec. 8. That section 77-202.03, Reissue Revised Statutes of Nebraska, 1943, be amended to read as follows:

77-202.03. (1) When real or tangible personal property, including motor vehicles, has been exempted from taxation as provided by sections 77-202.01 to 77-202.07, it shall continue to be exempt for a period of four years from January 1 of the year following adoption of sections 77-202.01 to 77-202.07; provided, that each owner of real or tangible personal property, including motor vehicles, so exempt shall file an affidavit with the county assessor by January 1 of each intervening year certifying that the use of each exempted real or tangible personal property, including motor vehicles, has not changed during the year. On or before the expiration of such exemption, a new application shall be filed on which the procedure shall be the same as provided for other applications under the provisions of sections 77-202.01 to 77-202.07, except that in the year 1976 such new application shall be filed on or before April 1, and the county assessor's recommendation to the county board of equalization shall be made on or before April 15. If any person, corporation, or organization shall seek tax exemption for any real or tangible personal property, including motor vehicles, in any intervening year, he or it shall apply on or before September 1 of any such intervening year as provided in section 77-202.01 and procedure thereon shall be the same as provided for other applications under the provisions of sections 77-202.01 to 77-202.07, except that for the intervening year the exempt use shall be determined as of the date of levy, and the exemption shall continue for the same period and under the same conditions as if it had been granted on an application which had been filed before January 1, 1964, if such application is filed before January 1, 1968, or as if it had been granted on an application which had been filed in accordance with the second sentence of this section, on or before the expiration of an exemption

previously granted, if such application is filed on or after January 1, 1968; Provided, that the county assessor and the county board may cause such exemption to be reviewed in any year to determine whether the exemption should be continued and may do so even if the use of the property has not changed from when a previous exemption may have been granted, which review shall proceed as on an application under section 77-202.02.

(2) During the month of September of each year, the county board shall cause to be published in a paper of general circulation in the county a list of all real estate in the county exempt from taxation in that year pursuant to sections 77-202 to 77-202.07, except real estate owned by the state or its governmental subdivisions. Such list shall be grouped into categories as provided by the Tax Commissioner, which categories shall identify the type of ownership and such list shall identify the organization, the municipality, if any, in which the property is located, and the number of parcels of real estate exempted. A copy of the list shall be forwarded to the Department of Revenue.

Sec. 9. That original section 77-202.03, Reissue Revised Statutes of Nebraska, 1943, is repealed.