

# Legislature - First Session - 2015

## Introducer's Statement of Intent

### LB71

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**Chairperson: Senator Mike Gloor**

**Committee: Revenue**

**Date of Hearing: January 22, 2015**

The following constitutes the reasons for this bill and the purposes which are sought to be accomplished thereby:

In response to widespread demands for property tax relief from the agricultural sector fanned by political rhetoric reinforcing the belief that property taxes are excessive, LB71 proposes a funding mechanism for property tax relief in the agricultural sector that may provide a better source of funding for property tax relief than the already high income tax, the sales tax mostly paid by families earning \$20,000 to \$120,000, a bleeding of state reserves; or, a shift of burden from high net worth rural estates to the urban sector.

At the crux of the property tax issue is the rapid increase in the sales price of farmland over the last 2 decades. Modern technology and favorable markets greatly increased farm income and buying power. High volatility in equity markets and central bank suppression of interest rates incited purchases of real estate at speculative prices not justified by normal economics.

At the time of the sale of farmland there is a large amount of money on the table. Diversion of a small percentage of it to property tax relief targeted at farmland may be more palatable than farmers having to finance property tax payments in those years with low farm income.

LB71 levies a tax on the sales price of land in excess of price increase justified by currency inflation over the last 21 years denoted as the excessive price. LB71 suggest a computational mechanism to determine the excessive price and tax it at 7%. *(Using historical data, a 7% tax on the excessive price is the rough equivalent of just applying the state's 5.5% to the total sales price. Thus, an amendment to the language to simply levy a 5.5% tax on the entire sales price may make for simpler administration and achieve the same result.)*

Simply, the purpose of LB71 is to impose a tax on the sale of farmland to fund property tax relief for farmland owners, without increasing taxes on people who do not own or will not inherit farmland.

**Principal Introducer:** \_\_\_\_\_

**Senator Paul Schumacher**