

One Hundred Fourth Legislature - Second Session - 2016

Introducer's Statement of Intent

LB717

Chairperson: Senator Mike Gloor

Committee: Revenue

Date of Hearing: February 4, 2016

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

A) To fulfill:

three of the five recommendations of the "The 2013 Tax Modernization Committee" to 1) Increase the state aid commitment to schools to offset property tax use and reduce property taxes as a share of total state and local taxes; 2) Reduce agricultural land value percentages to reduce the rate of tax on this value; and 4) Offset the regressivity of the property tax by providing relief to households having a higher burden of property tax on their household income. Consider circuit break programs for renters, high property tax burden households, and farm owner operators.

B) Addresses:

- (1) Assessed valuations for Residential, Agriculture, and Commercial property have risen unrealistically and disproportionately in relation to inflation and personal income growth.
- 2) Abnormal valuation increases have allowed local governments to increase spending without facing citizen scrutiny when tax rate hikes would otherwise be proposed. Irrational valuation increases also give a false impression of economic growth that does not in reality exist.
- 3) The abnormal increase in valuations, mainly in agriculture, has had a disproportional effect between property type sectors, causing an unintended inequity in the State aid to Education funding formula (TEEOSA)

The legislation would do the following:

- 1) Would put in statute that all classes of property would be assessed over recent 5 year history of comparable sales, replacing the present method based on 3 year history for agriculture and commercial with two years for residential. This change would create a gradual change and reflect a better indication of market trends and true inflationary factors.
- 2) The 20% of sales with the lowest valuation to sale price ratio (present assessment over sale price) would be trimmed. This change would have the desired effect of dampening the spikes in valuations by removing the abnormal priced sales that were effected by local situations, and would bring a semblance of balance to the property classes.

3) The legislation would hold 2016 valuations at 2015 assessments (adjusting for any physical characteristics or land use changes that occurred that year). This change would not only stop another spike in valuations to happen next year but also allow for the department of Property tax Assessment, county assessors, local taxing entities and the Legislature the time needed to adjust to the changes.

4) In order to integrate into existing valuation law and mesh with the State Constitution's VIII-1 "Taxes shall be levied by valuation uniformly and proportionally upon all real property and franchises as defined by the legislature except as otherwise provided in or permitted by this Constitution," the legislation would strike any confusing language defining valuation as Market value and thus allow the legislature to define valuations over a period of time instead of a single date in time.

Principal Introducer: _____

Senator Mike Groene