

## Payments in Lieu of Taxes: Who Pays and How Much?

2026 Update by LaMont Rainey, Legal Counsel

### KEY TAKEAWAYS

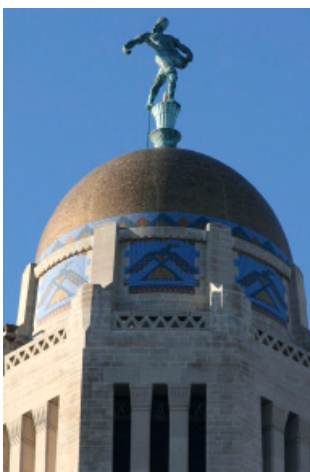
- Nebraska law authorizes seven categories of tax-exempt entities to make payments in lieu of taxes to local political subdivisions, compensating for lost property tax revenue. Five categories are mandatory; two — housing agencies and city or village electric distribution systems — are permissive.
- Public power districts and corporations dominate the system, accounting for more than 96 percent of all payments in every year since 2015 — approximately \$51.4 million of the \$53.4 million total in 2025.
- Total payments grew roughly 13 percent from 2015 to 2025, while total statewide property taxes levied grew approximately 48 percent over the same period, reflecting a structural gap between the formulas used to calculate payments and the assessed-value growth driving property tax levies.
- The constitutional foundation for public power payments dates to a 1958 ballot initiative, and the statutory framework has been built out incrementally, with the most recent addition — water augmentation projects — enacted in 2018.

### Background

Property owners in Nebraska pay property taxes unless their property is exempt. State law authorizes some owners of tax-exempt property to make payments in lieu of taxes to taxing authorities, compensating political subdivisions for lost property tax revenue. Seven categories of entities make these payments.<sup>1</sup>

### Public Power Districts and Corporations ([§ 70-651.01](#))

Public power districts and corporations must make in lieu of payments to local subdivisions under Article VIII, § 11, of the Nebraska Constitution.<sup>2</sup> A ballot initiative passed in 1958 established this requirement, implemented by Laws 1959, LB 272. Districts make two types of in lieu of payments: (1) payments in the same amount and to the same subdivisions as were paid in 1957; and (2) 5 percent of gross retail electricity sales collected within each city or village (minus the 1957 allocation). The 5-percent payments are distributed to the city or village, the school district, and the county based on proportionate shares of the total property tax levy.



### Game & Parks Commission ([§ 37-335](#))

Since 1976 (LB 861), the Commission must make in lieu of payments on land acquired for wildlife management. Payments equal the property tax a private owner would owe, based on the land's pre-acquisition use and excluding improvements. The Commission may protest valuations and appeal county board of equalization actions.

### Housing Agencies ([§ 71-1590](#))

Under the Nebraska Housing Agency Act (1999), housing agencies — political subdivisions established by a city, county, or combination thereof — may make in lieu of payments not exceeding the cost of services provided by political subdivisions. This authority is permissive.

### Hospitals ([§ 77-211](#))

Since 1973 (LB 294), hospitals leasing space to private entities must collect sufficient rent to make in lieu of payments equal to the taxes that would apply if the property were not exempt. Leased space for supportive medical services (nursing, surgical, anesthesia, laboratory, radiology, pharmacy, dietary, x-ray, rehabilitation, and psychiatric services) is exempt.

1. See Neb. Rev. Stat. secs. 70-651.01-70-651.05; 37-335; 71-1590; 77-211-77-212; 18-2137; 70-653.01-70-653.02; 77-202; 46-1701; and Neb. Admin. Code Title 350, Chapter 41, respectively. All of these entities are required to make payments in lieu of taxes, except housing agencies and city or village electric distribution systems. In these two instances, the statutory language is permissive, not mandatory.

2. A ballot initiative was proposed by a voter petition and passed in 1958. Payments in lieu of taxes were implemented by Laws 1959, LB 272.



## Community Redevelopment

### Authorities ([§ 18-2137](#))

Since 1957, CRAs must make in lieu of payments on real property acquired under the Community Development Law equal to property taxes the year before acquisition.

### Water Augmentation Projects ([§ 46-1701](#))

Since 2018 (LB 758), interlocal agreements or NRD projects acquiring private land for water augmentation and streamflow enhancement may agree to payments to the county, not exceeding what property tax would have been. Payments are allocated to taxing units proportionately.

### City or Village Electric Distribution Systems ([§ 70-653.01](#))

Since 1947, cities and villages may make in lieu of payments on electric distribution property purchased from a public power district before June 10, 1947 — the amount last paid by the district, distributed in the same proportions. This authority is permissive and applies to a narrow class of pre-1947 property.

### State or Political Subdivisions ([§ 77-202](#))

State-owned property used for a public purpose is tax-exempt, but unleased property not used for a public purpose may be subject to payments of in lieu of taxes for public safety, emergency services, and road or street construction.<sup>3</sup> The payment amount is the proportionate share of service costs unless the provider adopts a different method.

## What the Data Show

Total in lieu of payments in Nebraska grew from approximately \$47.2 million in 2015 to \$53.4 million in 2025, an increase of about 13 percent over the decade. Public power districts account for the vast majority — consistently exceeding 96 percent of all in lieu of payments in every year reported. The Game and Parks Commission is the second-largest contributor at roughly 2 percent. Housing authorities, hospitals, community redevelopment authorities, and water augmentation projects together account for the remaining roughly 1.5 percent. Two categories discussed in this Snapshot — city or village electric distribution systems and state or political subdivisions — do not appear in the table because the Department of Revenue does not report separate data for them; both involve permissive or situational payments.

For context, total property taxes levied by Nebraska local governments grew from approximately \$3.78 billion in 2015 to approximately \$5.59 billion in 2025 — an increase of roughly 48 percent.<sup>4</sup> In lieu of payments grew at just over one-quarter that rate. Because the largest component — the public power 5-percent-of-gross-retail-sales formula — is tied to electricity sales revenue rather than property valuations (Neb. Rev. Stat. § 70-651.01), in lieu of payment growth tracks energy consumption and rate changes rather than assessed-value increases driving property tax growth.

## Payments In Lieu of Taxes Since 2015

Year	Public Power Districts	Game & Parks Commission	Housing Authorities	Hospitals	CRA	Water Augment.	Total
2025	\$51,439,154	\$1,186,978	\$570,586	\$22,938	\$8,323	\$202,743	\$53,430,725
2024	\$50,408,676	\$1,097,761	\$566,519	\$24,281	\$7,513	\$520,778	\$52,625,530
2023	\$49,474,884	\$1,098,967	\$518,041	\$18,369	\$4,334	\$456,827	\$51,571,426
2022	\$48,083,293	\$1,108,156	\$555,346	\$18,776	\$4,046	\$182,416	\$49,952,035
2021	\$50,348,764	\$1,056,595	\$651,308	\$22,573	\$5,780	\$166,557	\$52,229,003
2020	\$51,682,436	\$1,052,421	\$638,520	\$22,822	\$4,046	\$159,348	\$53,559,594
2019	\$49,424,459	\$1,024,659	\$658,149	\$22,859	\$2,268	\$179,652	\$50,653,897
2018	\$47,875,064	\$1,048,639	\$587,913	\$24,168	\$938	\$3,532	\$49,540,254
2017	\$47,925,180	\$1,007,982	\$554,957	\$19,968	\$930	N/A	\$49,509,018
2016	\$46,061,324	\$990,546	\$561,627	\$21,089	\$936	N/A	\$47,637,538
2015	\$45,619,788	\$953,698	\$611,749	\$20,378	\$945	N/A	\$47,208,573

Source: [Nebraska Department of Revenue Property Assessment Division 2025 Annual Report, Table 21A & Table 21B](#)

3. Neb. Const. Art. VIII, § 2, as amended by LR 45CA, 1998; Laws 1999, LB 271. Laws 1998, LR 45CA added language to Neb. Const. Art. VIII, sec. 2, authorizing the legislature to impose property taxes or payments in lieu of taxes on property owned by the state or its political subdivisions not used for a public purpose. The measure passed on the 1998 general election ballot, and Laws 1999, LB 271, enacted the current statutory provision.

4. PAD, 2025 Annual Report, Table 5.