

Nebraska Farm Bureau unveiled a far-reaching, multi-year plan to shake up Nebraska's tax structure which has come to rely far too heavily on property taxes to fund government services.

The plan outlines a multi-year proposal to not only provide property tax relief to Nebraskans, but to move Nebraska in the direction of a more balanced system of contributions from property, sales and income taxes for funding government services.

The plan was shared with members of the Legislature's Tax Modernization Committee during a hearing in Omaha.

"We're thinking big picture. We're not just talking property tax relief, we're talking real tax reform that moves us in the direction of balancing the tax burden among property, sales and income taxes for the long-haul," said Nebraska Farm Bureau President Steve Nelson.

Property taxes account for roughly 45 percent of all of the taxes collected statewide as the reliance on property taxes has steadily increased since the 1990s.

Nelson said Farm Bureau members believe the time is right to bring Nebraska's three-legged tax stool back into balance through reforms to roll back the reliance on property taxes.

"You don't turn a battleship on a dime and our heavy reliance on property taxes didn't happen overnight. We do, however, believe there's a path that can reverse the trend of continuing to put more on the shoulders of property taxpayers," said Nelson.

The Farm Bureau plan focuses on reducing the property tax portion of the total statewide collection of property, sales and income taxes collected. The plan specifically seeks to lower the property tax portion from 45 to 40 percent of the statewide tax burden, which equates to roughly \$405 million annually.

"We're interested in putting solutions on the table. Nebraskans are seeking property tax relief and our plan would give them relief, and put us on the path to balancing our tax structure," said Nelson.

Year one of the Farm Bureau plan would focus on providing immediate property tax relief by reducing overall property taxes collected by \$160 million. The savings to taxpayers would come in the form of increasing dollars directed to the state's property tax credit program that provides a direct credit against property taxes paid.

The second component would involve reducing the value of agricultural land for tax purposes from 75 to 65 percent of value.

Agriculture land owners represent less than three percent of Nebraska's population but pay roughly 24 percent of the total property taxes statewide.

Year two of the plan would focus on reducing state and local spending and diverting those dollar savings to measures that would provide property tax relief, adding onto the savings provided in year one of the plan.

"The Legislature has been frugal and we believe a continued emphasis on restraining spending at the state and local level can generate a means to capture more dollars needed to reach the \$405 million reduction amount," said Nelson.

The plan suggests removing community colleges from the property tax rolls as a way to provide relief which would provide more than \$130 million in property tax savings. The proposal also identifies reductions in personal property taxes on agricultural, commercial and industrial equipment as a way to provide property tax savings, as well as expanding the existing homestead exemption to target tax relief to home owners.

Year three of the Farm Bureau proposal would call on the Legislature to broaden the sales tax

base to include more goods and services consumed by the end consumer.

The revenues would be used exclusively to provide property tax relief through measures previously identified in the plan and would be captured at a level needed to provide the remaining amount of funds needed to reach the \$405 million annual reduction in property taxes as sought under the plan.

“The purpose of the Tax Reform Committee is to gather input and make recommendations to the Legislature. We think the time is right to be bold in putting out a meaningful roadmap for tax reform and property tax relief,” said Nelson.