**For Release Wednesday, April 17, 2019**

**Capitol View
Commentary by J.L. Schmidt**

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**Property Tax Relief: Tax Shift v Budget Cuts**

How are you going to cut property taxes without replacement revenue? Where are you going to get that revenue without changing the state’s tax structure?

Only two of the lingering questions as lawmakers turn their focus to property tax relief in the remaining days of this session. There are a number of moving parts in this whole equation. The refusal by the governor and some lawmakers to look at raising taxes, or at least restructuring the tax system, isn’t helping.

Gov. Pete Ricketts has sided with representatives of grocery and beverage associations to oppose proposals to repeal state sales tax exemptions for soda pop, candy and bottled water in order to help fund property tax relief.  Those exemptions are among many items on the table as the Legislature’s Revenue Committee tries to assemble a tax package.

“Raising taxes to buy tax relief doesn’t make sense,” Ricketts said. “Controlling spending is the only way you get sustainable tax relief.”

Sen. Tom Briese of Albion, who offered one of the proposals to tax soft drinks, junk food and bottled water, said that none of those items can be considered “necessities” and that general grocery items would continue to be tax exempt.

Shifting the tax burden, said the farmer from Albion, is the only way to provide meaningful and significant property tax relief, adding that tax relief via “slash and burn” of budgets is not responsible.

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Ricketts cited devastating flooding saying that "In our moment of need, now more than ever, Nebraska needs tax relief that will bring our state together and not divide it." New taxes on food, pop, candy and bottled water would “hit working Nebraskans hard at a time when many are struggling to put their lives back together," he said.

The Legislature’s Revenue Committee hopes to offer a plan to reduce property taxes by as much as $570 million by shifting property taxes on farmland and homes to sales taxes. Nebraska currently exempts all groceries from taxation. Briese and Committee Chair Sen. Lou Ann Linehan of Elkhorn said the items eyed for new taxes are “junk” food and not necessary to feed a family.

The governor holds firm to his opposition to raising one group of taxes to reduce another. That leaves budget cutting as his only solution. Ask the folks in Kansas and Oklahoma how that has worked out.

In spite of his strong stance, Linehan said she doesn’t believe that the governor and the Revenue Committee are that far apart, as long as all new revenue is devoted to property tax relief and not new spending. A spending lid on local governments is expected to be a major feature of the committee’s tax relief proposals as well.

Linehan said she hopes to get the final package out of committee with a unanimous vote. The plan under discussion would more than double the state dollars put into property tax relief while lowering the top corporate income tax rate.

On the table for future discussion is how to divvy up the proposed property tax relief and whether to deliver it through the state school aid formula. That opens a whole new can of worms that could lead to serious and protracted debate.

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A year ago, the Revenue Committee chaired by Sen. Jim Smith had the governor’s support on what it presented to lawmakers. But the bills failed to advance. This year, a package of bills at odds with the governor coming out of committee would need to withstand filibuster and be able to garner enough votes to overcome a predicted gubernatorial veto. Of course, there is always the option of a ballot initiative to raise the state sales tax a half-cent.
 According to the Department of Revenue, a half-cent increase would bring in about $172 million per year. Linehan has suggested looking at a three-quarter cent increase. There are other options such as raising tobacco taxes and documentary stamp taxes on real estate, eliminating the personal property tax exemption and making some changes in income taxes.

The question remains, can an officially non-partisan Legislature rise above the power of party politics and the stubborn will of the governor to do the right thing to move toward the solution to a serious problem? For the good of the state, let’s hope so.

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