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**Capitol View**

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**Property Taxes Too High? The Governor Put a Committee on It**

“Jack Sprat could eat no fat.His wife could eat no lean.”
The Governor put a committee on it.

This one comes from the Capitol Reporters Archives where it was referenced more than once as yet another important issue fell victim to discussion by a committee. Apologies also to King Charles I about whom this nursery rhyme was written in 1639.

Jack Sprat was believed to be someone who preferred greed over savings, lust over need. He was a person who thinks of enjoying life in debt, rather than thinking of curbing ones needs. Historians write that King Charles I was left “lean” as the parliament denied him taxation. With his queen Henrietta Maria, he “licked the platter clean” by dissolving the parliament.

Governor Jim Pillen said he wants to reduce the burden of recent property valuations. He announced a new committee to examine valuations statewide because valuation increases have become an unbearable burden for homeowners, businesses and agriculture producers.

He promised to find a solution that will reduce that burden but did not specify how. Ah yes, the bane of tax discussions ever since the first property tax was levied by the Territorial Legislature in 1857. The growing need for public services and changes in economic structure cause property taxes to steadily increase. This in turn prompts the necessity for relieving property taxes and providing new sources of revenue.

**For Release Wednesday, August 9, 2023 – Page 2**

In November 1966, voters approved a constitutional amendment to abolish “state” property taxes. Also, the Legislature repealed the head and poll taxes, the tax on specific types of intangible property, the tax on household goods, and certain miscellaneous personal property taxes.

That left newly elected Governor Norbert Tiemann and the Legislature to find a way to finance state government. In a move that admittedly cost him a second term, Tiemann promoted adoption of a plan to replace lost revenues in the Revenue Act of 1967: the state sales and use tax; and the income tax. In addition to replacing lost state revenue, a portion of the sales and income tax monies were designated to finance state aid programs.

While not doing something that drastic, Pillen said it's his job to make sure Nebraska is the best place to live, and "reckless valuation increases hinder that commitment."

Pillen will be joined in the group by members of his policy and research team, five state Senators, and representatives from the League of Nebraska Municipalities, the Lincoln Chamber of Commerce, the Omaha Chamber of Commerce, the Nebraska Association of County Officials, the Nebraska Cattlemen, the Nebraska Farm Bureau, the Nebraska Realtors Association, and the Nebraska State Chamber of Commerce.

Since the beginning of Nebraska’s statehood, property tax has been a major source of state and local operating revenue. So-called tax studies, by committees or specially designated agencies, are about that old as well.

Since 1967, “local” units of government have exclusively levied property taxes. In 2019, Nebraska’s local governments levied approximately $4.179 billion in property taxes. In addition, for fiscal year 2019-2020, approximately $1.841 billion in local tax relief (state aid) was appropriated for local governments, according to the Nebraska Department of Revenue. Over the years, the property tax structure in Nebraska has changed as the Legislature has addressed various economic concerns. Property tax remains primarily a tax on real property, but changes have been made in the classification of property, as well as the level of assessment at which

**For Release Wednesday, August 9, 2023 – Page 3**

property is taxed. Nebraska’s Constitution requires uniformity and proportionality both as to the rate and the valuation.

Now a couple state senators have compared Pillen’s plans to rearranging the deck chairs on the Titanic. Sens. Steve Erdman of Bayard and Steve Halloran of Hastings said the state can't fix the property valuation process unless Nebraska eliminates the property tax system.

The deck chair reference was first uttered by then Gov. Kay Orr’s last chief of staff in 1991 as he carried a box of belongings from the Capitol. I asked him what he thought of the Governor’s plan to reorganize her office. He likened it to the deck chairs on the Titanic.

Pillen is more optimistic. He said transformative change could come next session by solving the valuation process. Right, and my late father used to caution about standing on one leg waiting for something to happen.

Erdman and Halloran have specifics under the EPIC tax proposal, which would replace Nebraska property, income, inheritance, corporate, and sales taxes with a consumption tax on all services and only new goods at a rate below 8 percent. It also proposes no taxes on groceries.

EPIC in all caps really sells it, don’t you think? Back in the 90s we called it the Transaction Tax. A few years ago. It became the consumption tax. It’s still a bad idea. Remember 1967. Know that fiscal analysts say the tax will need to be 21 percent or higher to make it work.

About the committee, maybe, just maybe, some magic will happen, and the nagging property tax issue will be resolved … and the Nebraska Cornhusker football team will win the national championship and you’ll win the next Mega Bucks lottery.

As for the Sprats:
“And so between them both, you see,they licked the platter clean.”

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*J.L. Schmidt has been covering Nebraska government and politics since 1979. He has been a registered Independent for more than 20 years.*