NEBRASKA FARM BUREAU®

2025 POLICY GUIDES

Property Tax Caps and Spending

Issue

Do property tax caps work? Property taxes levied in 2024 were $5.3 billion and are estimated to grow by 4.1% per year ($215 million) for the near future.

Background

If every political subdivision with property taxing authority increases its property tax asking by 1%, the increase in the state's property tax burden is $53 million. A 4.1% increase means the burden will grow by $215 million.

Nebraska property tax levy and growth limits are as follows:

- School Districts: The maximum levy limit is $1.05 per $100 of valuation.
    - o Limits requests to a 3% increase over the previous year, without board or voter action.
        - A district can override the cap by 4% to 7% (depending on district size) with a 70% vote of approval by the board.
        - A district's request may also exceed the soft cap by any amount if approved by a 60% majority of legal voters voting in a regularly scheduled election or special election.
        - A district may choose not to increase its request by the full amount allowed. The district may carry forward to future years the amount of unused property tax request authority.
- Educational Service Units (ESUs): Maximum levy is $0.015 per $100 valuation.
- Counties: Constitutionally limited to $0.50 per $100 of valuation, with statutory limits typically set at $0.45 and an additional $0.05 possible for certain joint agreements.
- Cities and Villages: Limited to a maximum levy of $0.45 per $100 of valuation, with a potential additional $0.05 for joint agreement expenses.
    - o Municipal and county governments are limited to collecting no more than the greater of the State and Local Consumption Expenditures index (SLCE) or 0% (in times of deflation) over the property taxes gathered the year before.
        - A city, county, or village may choose not to increase its property taxes levied by the full amount allowed each year. They may carry forward the unused amount, but accumulation of unused authority shall not exceed an aggregate of 5% over the prior year.
        - Public safety services, public defenders, and county attorneys are exempt from the cap.
        - Caps do not apply in emergency situations.

    - Allows for real growth.

- Natural Resources Districts (NRDs): Standard maximum levy is $0.045 per $100 of taxable valuation.
    - o NRDs can impose further levies for groundwater management and integrated management activities, including up to $0.01 per $100 for groundwater management and potentially another $0.03 per $100 for NRDs in fully or over-appropriated river basins.

Farm Bureau Policy

SCHOOL FINANCE (2021). Educational Service Units will be completely funded by the state's general funds.

Support of public schools should come from a combination of state and federal sources and local taxes. To achieve taxpayer equity, the overreliance on property taxes to support schools must be reduced. We believe local property taxes in each school system shall not exceed 40% of its general fund expenditures.

...

To limit each school system's property taxes, we support property tax levy limits on schools or other means of limiting property taxes collected such that each system's local property taxes do not exceed 40% of its total general fund expenditures. We oppose a statewide, uniform property tax levy for school systems and believe school systems should not be penalized in any state aid formula based on its levy. School systems should be provided the means to levy a local income tax to raise additional revenues if it determines additional local resources are needed beyond what can be provided by limiting property taxes to 40% of the general fund expenditures. We support expanding the measurement of wealth or fiscal capacity when determining local resources to fund schools to include the net income tax base or sales tax base. We support per-student aid, allocated income tax rebates, or other means to provide state aid to school systems, e.g., foundation aid.

GENERAL TAX ISSUES (2025). Until the Nebraska Legislature meets the property tax goals of NEFB, we recommend every entity that generates dollars from property tax has a zero-rate growth placed on their budget.

SPENDING LIDS (2021). We believe in the election of officials who will be responsible for efficient, economical, and honest conduct of government functions. We encourage all county, school, and state officials to control budgets and hold the line on spending. However, we support efforts to work toward realistic, constructive spending restraints and/or revenue caps as an aid for officials in making budget spending decisions. We believe incentives for local governments should work to minimize the spend-it-or-lose-it mentality regarding budgeting procedures. We oppose legislation that would relax current spending limitations on local governments or the administrative procedures they must use to exceed the limitations.

STATE SPENDING (2023). We believe the governor and Legislature should look first at spending cuts to balance the state budget. State aid to schools, other local subdivisions, and other programs to provide property tax relief (like the property tax credit program), must continue to be a priority within the state budget, and the Legislature should exhaust other avenues for cuts before cutting these programs. If additional revenues are necessary, we recommend broadening the sales tax base to include food as a means for balancing the budget. At the same time, the state needs to examine the curriculum requirements and accreditation standards placed on local systems to ensure that providing an education remains manageable and affordable.

Questions

- Are NEFB's policies on property tax caps satisfactory?
- Are NEFB's policies on spending restraint sufficient?
- If you answered no to one or both of those questions, what changes must be made to control property taxes?