NEBRASKA FARM BUREAU

2026 POLICY GUIDES

School Property Taxes, Credits, and Maximum Levies

Issue

The reliance of property taxes to fund Nebraska schools continues to be a hot topic within our state. As the cost of education continues to grow along with the many other entities who rely on property taxes to fund their budgets, the burden on property taxpayers also grows. While there are many facets to this conversation, ultimately, we ask, should Nebraska convert school-related property tax credits into direct state funding for K-12 schools to reduce reliance on local property taxes?

Background

Nebraska relies heavily on property taxes to fund K-12 education. This is always a major concern for farmers and ranchers because agricultural land often carries a sizable portion of the local property tax burden.

Today, Nebraska provides property tax relief through credits that appear on property tax statements. LB 1038, a bill introduced by Sen. Jana Hughes in the 2026 legislative session, proposed changing that approach by terminating certain property tax credit funds. This would have included the School District Property Tax Relief Credit Fund, which will have $808 million appropriated to it in 2026-2027. The money from this and other terminated funds would have been moved into the Education Future Fund, where it could be used as direct state support for schools.

LB 1038 also proposed lowering the school general fund levy limit from $1.05 to $0.50 per $100 of taxable value beginning in fiscal year 2026-27. That reduction was meant to pair increased state support with a lower local property tax ask.

The basic idea of the bill was simple: instead of sending state dollars back to taxpayers as credits after schools levy property taxes, the state would provide more money directly to schools up front. In theory, this would then reduce the amount schools need to collect from local property taxpayers. Nebraska Farm Bureau (NEFB) testified neutral on LB 1038, recognizing the bill as an important attempt to reduce Nebraska's overreliance on property taxes and better fund schools, while also raising concerns about whether the proposal had enough safeguards to control future property tax growth.

Another concern was what would happen if the state fails to meet its school funding obligation. LB 1038 would have allowed school districts to levy additional property taxes in an amount equal to the equalization aid the state failed to provide. While that may protect schools from a state funding shortfall, NEFB expressed concern that the state should not be able to shift its responsibility back onto property owners. One possible safeguard for taxpayers that NEFB suggested was more funding for tax credits on property taxes paid in that situation. Unfortunately, that solution does not address the structural changes Nebraska taxpayers need to control the unsustainable growth of property taxes.

Farm Bureau Policy

SCHOOL FINANCE (2026). 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. NEFB believes local property taxes in each school system shall not exceed 40 percent of its general fund expenditures. NEFB also requests that the Legislature fund education from the State's general fund, as required by its Constitutional obligation.

NEFB supports reviewing TEEOSA to examine methods of financing public elementary and secondary schools that would provide equitable educational opportunities across the state and offer alternatives to a heavy reliance on property tax. NEFB supports per-student aid, allocated income tax rebates, or other means to provide state aid to school systems, such as foundation aid.

VALUATION/PROPERTY TAX LIMITS (2026). Nebraska Farm Bureau supports efforts to limit or restrict annual changes in assessed property values and property taxes paid. NEFB also supports greater truth in taxation and clear, easy-to-understand information about increases and decreases in property tax burdens.

Questions

- If the state fails to meet its education funding obligations, should NEFB oppose any provision that allows schools to automatically hike local property tax levies, even if it means forcing a state-level budget freeze or automatic tax credit trigger?
- Should NEFB condition its support for a ($0.50) levy limit on a statutory (or constitutional) guarantee that local property taxes will never exceed 40% of a school system's general fund expenditures, as mandated by our current policy?
- Does shifting $808 million out of the School District Property Tax Relief Credit Fund into up-front school aid weaken taxpayer control over relief, or is it a necessary trade-off to permanently lower the baseline local levy?
- What explicit spending or property tax growth caps must be placed on school districts to ensure upfront state aid translates into permanent, long-term property tax relief?