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**Capitol View**

**Commentary by J.L. Schmidt**

**Statehouse Correspondent**

**Nebraska Press Association**

**Governor Vows to Cut Property Taxes by $2 Billion, Somehow**

I was not shocked, just disappointed when Governor Jim Pillen announced that he was going to reduce Nebraska’s collective property taxes by $2 billion this year, somehow.

Imagine that. In a short session in what also happens to be an election year, but without a specific plan, the first-term Republican is going to achieve a 40 percent property tax reduction in a single year. “I’m committed. I’m all in. The problem has to be solved,” he said.

As he has before, he talked again about a hard cap on local government spending and a broader sales tax base. But he has backed off an earlier bomb he dropped when he suggested the state sales tax rate would climb 2 cents to 7.5 cents, the highest in the nation.

There has been ample pushback on that proposal including some from members of his own party and his right-wing friends at the Americans for Prosperity, a 20-year-old ultra conservative group founded by the infamous and super rich Koch Brothers who have inserted money and ideology into the politics of many states. The Nebraska arm of that group has called for “true tax reform, not a tax shift.”

To that end, Pillen assembled a working group in July to address the issue. But it has reached no consensus, according to several state senators and business leaders who are members of the group. Still looking for an answer that would require legislation in a short session. Let me know how that works out.

This uncertainty – how many governors have talked about tax reform and how much have Nebraskans seen, save for last year’s sweeping victory for the wealthiest who received several tax cuts – comes as a national report on the distribution of tax systems in all 50 states is released.

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Nebraska’s tax system is upside-down, with affluent Nebraskans paying less than their fair share of household income to taxes relative to low- and middle-income families. That’s according to the latest edition of the Institute on Taxation and Economic Policy’s Who Pays?, which assesses the economic progressivity and regressivity of state taxes by measuring effective state and local tax rates paid by all income groups. The report also said that phased-in personal and corporate income tax cuts would widen the disparity in Nebraska.

“It’s a policy choice that low- and middle-income families in Nebraska pay higher effective tax rates than the wealthy,” said Dr. Rebecca Firestone, Executive Director of the Lincoln-based think tank OpenSky Policy Institute. “These choices obviously have implications for taxpayers but also for the revenue available to fund the schools, roads and public safety that Nebraskans rely on.”

Key factors in the Nebraska report, she said; indicate the lowest-wage 20% of taxpayers face an effective state and local tax rate that is 56% higher than the top 1% of households. The average effective state and local tax rate is 7.2% for the top 1% of individuals and families, 11% for the middle 20% and 11.2% for the lowest-income 20%.

In addition, Nebraska has the 30th most regressive tax system in the nation. Upcoming personal and corporate income tax cuts will worsen that regressivity. If fully implemented in 2024, they would drop Nebraska by 10 places on the ITEP Inequality Index to 20th most regressive. Florida tops the ranking of states with the most regressive tax codes, meaning its residents experience the greatest imbalance between wealthy and low-income households in what percentage of their income remains after taxes.

Nebraska is one of 41 states that tax the top 1% less than every other income group, and one of 34 states that tax their lowest-wage residents at a higher rate than any other group, Firestone said.

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Pillen said he thinks the answer is “simply that, in collaboration and partnership with the 49 members of the unicameral, the first step is that we agree that we have a major property tax problem — and then we have to fix it," he said.

That’s safe. But let me say it again. It’s a huge problem for a short session. And it’s not the only issue on the table.

A plan would be nice. Get one.

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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.*