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 **Capitol View
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**Handing Out Property Tax Cuts? I’ll Take One**

With the short session of the Nebraska Legislature slightly more than half over, repeat after me: When it comes to taxation, it's all about whose ox is getting gored.

The Governor wants a 40 percent reduction in property taxes by the end of the year. I'm in! Cut me a check.

Sorry. That's not how this works. The cuts will be made and somehow credited to your tax bill by the county, which will somehow find a way to use it up before you see it. Just watch.

Even more sorry. The state must pay for the cuts. That's even dicier because the quick solution seems to be raising the sales tax and possibly adding sales tax to some previously exempt items.

Some critics say that's unfair to poor people. I think they're right! OpenSky Policy Institute and others have criticized the proposed sales tax increase as regressive, saying it would hurt the poor and people on fixed incomes disproportionately, including senior citizens.

U.S. Senator Pete Ricketts and the local chapter of Americans for Prosperity also oppose it. AFP-Nebraska and others have argued that a sales tax increase without hard spending caps on school districts and local governments would cost taxpayers more and accomplish no meaningful change.

An AFP-Nebraska poll showed 70% of those responding opposed raising sales taxes to decrease property taxes.

Former state Senator turned State Treasurer Tom Briese told the Nebraska Examiner he supports “what Governor Pillen and Senator Lou Ann Linehan and the Revenue Committee are proposing here. Nebraskans deserve a fair and balanced tax structure, and they don’t have that now.”

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It’s the old three-legged stool of Nebraska taxation – property, income, and sales taxes – that needs leveling according to Pillen and Briese. Pillen said Nebraska collects $4 billion to $5 billion a year in property taxes, $3 billion a year in income taxes and $2 billion a year in sales taxes.

Briese cautions that if lawmakers hesitate or fail to make major systemic changes in the tax system, voters will back a petition drive for something like the EPIC consumption tax. Really? Is that dead fish still floating in the pond?

Senator Steve Erdman of Bayard has resurrected what was originally known, decades ago, as the transaction tax. It would give the state a single source of tax revenue collected every time a transaction is made. Exactly what purchases would be taxed – cars, equipment, food, real estate -- is still a bit fuzzy. Nebraskans need to look at history (1966) when voters did away with all taxes leaving new Governor Norbert Tiemann with the dilemma of how to fund state government. Not a happy time.

The Examiner reported that a recent poll conducted for the Nebraska Association of County Officials found support from 65% of respondents to the question: “Would you support or oppose increasing the state sales tax rate by 1% in order to allow local governments to continue to provide important services?”

Meanwhile, a poll conducted for the Holland Children’s Institute found a plurality of 45% of respondents who opposed reducing “Nebraska’s state property taxes by raising state sales taxes from 5.5% to 6.5%.” In that poll, 43% of respondents supported the idea.

Each poll interviewed 500-600 Nebraska residents and reported a margin of error between 4 and 4.3 percent. Both polls found opposition to Pillen’s planned hard cap to prevent major increases in spending by local government and schools. Chalk one up for Nebraskans’ support of local control.

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The Legislature’s Revenue Committee is crafting the property tax proposals during executive sessions. The Governor has said that he’s seeking a 40% reduction in property taxes “if it takes till Christmas.”

That might be prophetic.

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*J.L. Schmidt has been covering Nebraska government and politics since 1979. He has been a registered Independent for 25 years.*