

AM1381 to LB289

Section 1 – 77-201 (Pages 1-2)

- Reduces valuation for residential and commercial/industrial property to 90% of its actual value.
 - Property is currently assessed at 100% of market valuation.
 - The change in valuation will become effective for tax year 2020 and each year thereafter.
- Reduces valuation for agricultural and horticultural property to 65% of its actual value.
 - Property is currently assessed at 75% of market valuation.
 - The change in valuation will become effective for tax year 2020 and each year thereafter.
 - The same reduction in valuation applies to the special valuation of agricultural and horticultural property.

Section 2 - 77-202 (Pages 2-7)

- Repeals the Personal Property Tax Exemption beginning in tax year 2020.

Section 3 – 77-693 (Pages 7-9)

- Changes made because of repeal of the personal property tax exclusion beginning in tax year 2020.

Section 4 – 77-801 (Page 9)

- Changes made because of repeal of the personal property tax exclusion beginning in tax year 2020.

Section 5 – 77-1238 (Pages 9-10)

- Changes made because of repeal of the personal property tax exclusion beginning in tax year 2020.

Section 6 – 77-1239 (Pages 10-12)

- Changes made because of repeal of the personal property tax exclusion beginning in tax year 2020.

Section 7 – 77-1248 (Pages 12-13)

- Changes made because of repeal of the personal property tax exclusion beginning in tax year 2020.

Section 8 – 77-1514 (Pages 13-14)

- The county assessor shall prepare an abstract of the property assessment rolls of locally accessed personal property for tax years prior to tax year 2020.

Section 9 – 79-2602 (Pages 14-18)

- Increases the cigarette tax to \$1.00 per package.
 - Current cigarette tax rate is \$0.64 per package.

- Beginning July 1, 2019, the State Treasurer will place the equivalent of \$0.36 of the cigarette tax in the Property Tax Credit Cash Fund.
- Operative Date: July 1, 2019

Section 10 – 77-2701.02 (Pages 18-19)

- Increase the sales tax rate to 6.25% beginning July 1, 2019.

□ Operative Date: July 1, 2019

Section 11 – 77-2701.16 (Page 19-23)

- Adds sales tax to the following:
 - Pet-related services – does not include services performed on livestock.
 - Moving services
 - Plumbing, heating and air conditioning services
 - Storage services
- Operative Date: July 1, 2019

Section 12 – 77-2704.24 (Page 23-25)

- Adds sales tax to bottled water, candy and soft drinks.
- Provides definitions for each item being taxed.
- Language added to allow Governor to stay the collection of sales tax on bottled water for a 60-day period for any area of the state affected by a disaster, emergency, or civil defense emergency.
- Operative Date: July 1, 2019

Section 13 – 77-27,132 (Page 25-27)

- On and after July 1, 2019, proceeds equal to any sales tax rate in excess of 5.5% derived from the sale or lease for periods of more than 31 days of motor vehicles, trailers, and semi-trailers shall be credited to the Highway Allocation Fund.
- An amount equal to the increase in sales tax as a result of increasing the sales tax rate will be credited to the Property Tax Credit Cash Fund.
 - The amount to be credited will be annually determined by the Tax Commissioner.
- Operative Date: July 1, 2019

Section 14 – 77-3442 (Page 27-25)

- Changes the statutory maximum tax rate from \$1.05 per \$100 of taxable value to 5 cents per \$100 of taxable value plus a rate which will generate an amount equal to the local formula contribution rate.
 - The reduction in the statutory maximum levy begins for school fiscal year 2019-20 and each school fiscal year thereafter.
- Changes the levy exclusion for special building fund projects to be projects commenced prior to the effective date of this Act up to the amount that would be generated by a levy equal to the levy rate for such project for the 2018-19 fiscal year.
 - The current levy exclusion is for projects commenced prior to April 1, 1996.
- A Class V school district (Omaha Public Schools) may levy a maximum of an additional \$0.06 cents per \$100 of taxable valuation.
 - The additional levy to be used to meet the employee contribution to the Class V School Employees Retirement System.
- Proceeds from the levy will be transferred monthly by the Class V school district to the Class V School Employees Retirement System.
 - Proceeds from the additional levy shall only be used to meet the contribution obligation of the Class V school district to the Class V School Employees Retirement System.
- If the funded ratio of the actuarial value of assets and the funded ratio of the market value of assets are equal to or greater than 80% for 3 consecutive plan years after the effective date of this act, the Class V school district will not have the authority to tax the additional \$0.06.
- Information to determine the amount noted above will come from the actuarially-prepared annual valuation of the retirement system.
- Updates the reference for the Federal Code.

Section 15 – 77-3446 (Page 36)

- The base limitation for school fiscal year 2019-20 and thereafter is the inflation rate certified by the Tax Commissioner.

Section 16 – 77-4209 (Page 36)

- Intro to Property Tax Credit Act.

Section 17 – New Section/Property Tax Credit Fund (Page 36-37)

- On or before July 19, 2019 and on or before January 30 thereafter, the Department of Revenue shall determine the minimum amount necessary to be appropriated to the Property Tax Credit Cash Fund to carry out the requirements of the Property Tax Credit Act.
 - The amount will be certified to the Governor, Appropriations, Revenue, & Education.
- The minimum amount certified shall equal the greater of the sum of the amounts certified by NDE to be transferred to the Tax Equity & Educational Opportunities Support Fund or \$275 million.
- The Appropriations Committee shall annually include at least the minimum amount necessary to be appropriated to the Property Tax Credit Cash Fund.

Section 18 – New Section/Property Tax Credit Fund (Page 37)

- On or before July 15, 2019 and on or before January 15 thereafter, NDE shall certify an estimate of the statewide increase in TEEOSA to the State Treasurer and the Department of Revenue.
- Statewide increase will be from:
 - Changes to the method for calculating local formula contribution between 2018-19 and the school fiscal year for which such certification is being made; and,
 - The inclusion of foundation aid.
- For fiscal year 2019-20 and each year thereafter, the State Treasurer shall transfer an amount equal to the statewide increase in TEEOSA from the Property Tax Credit Cash Fund to the Tax Equity and Educational Opportunities Fund.

Section 19 – 77-4212 (Page 37-40)

- The amount of relief granted under the Property Tax Credit Act for tax year 2017 and tax year 2018 shall be \$224 million.
- For tax year 2019 and thereafter, the amount of relief granted through property tax credits will be the amount available in the Property tax Credit Cash Fund after transferring funds to the Tax Equity and Educational Opportunities Fund.

Section 20 – 77-5023 (Page 40-41)

- Reduces the acceptable range for valuing agricultural and horticultural land to 59% to 65% of actual value.
 - The current range is 69% to 75% of actual value.
 - This reduction in the range for valuing agricultural and horticultural land applies to special valuation of agricultural and horticultural land.

- Reduces the acceptable range for valuing resident and commercial/industrial land to 82% to 90% of actual value.
 - The current range is 92% to 100% of actual value.

Section 21 – 79-978.01 (Page 41)

- Introduction to Class V (Omaha Public Schools) School Employees Retirement Act.

Section 22 – New Section/OPS Fix (Page 41-42)

- The Class V board of education will provide written notice to the board of trustees of the rate of levy for the current year and an estimate of the proceeds from the levy.
 - The notice will be provided on or before December 31, 2019 and each December 31 thereafter.
- The board of trustees will provide the information to the actuary for use in preparing the annual valuation report.

Section 23 – 79-9,113 (Page 42-47)

- Adds language on the contribution by the Class V school district to include any amounts transferred to the system from the additional \$0.06 levy.
 - Adds new language the amount generated by the additional levy will be transmitted monthly.

Section 24 – 79-1001 (Page 47)

- Introduction to TEEOSA.

Section 25 – 79-1003 (Page 47-60)

- Definition for adjusted valuation –repeals “local effort rate yield” and adds “local formula contribution”.
- Allocated income tax funds as a form of assistance is for school fiscal years prior to 2019-20.
 - Repeals obsolete language that references the minimum levy adjustment.
- Adds a definition for cost index. Cost index means the CPI-U: US city average, not seasonally adjusted prepared by the US Department of Labor, Bureau of Labor Statistics that is released in October of each year
- Adjusts the receipts from levy override elections in calculating general fund operating expenditures (GFOE) to reflect it will equal 99% of the difference in the total general fund levy minus the maximum levy permitted.

- Adds a definition for inflation rate. Inflation rate mean the inflation rate certified by the Tax Commissioner for each school fiscal year.
- Adds a definition for local formula contribution. The local formula contribution is the amount included in formula resources.
- Adds a definition for local formula contribution inflation rate. The local formula contribution inflation rate means the local formula contribution inflation rate certified by the Tax Commissioner.

Section 26 – 79-1005.01 (Page 60-61)

- The Tax Commissioner certifies to NDE the income tax liability of resident individuals for the preceding tax year.
 - The certification ends on November 15, 2018.

Section 27 – New Section/Foundation Aid (Page 61-62)

- Foundation aid is created for school fiscal year 2019 and thereafter.
- On or before June 17, 2019, on or before November 15, 2019 and on or before November 15 thereafter, the Tax Commissioner certifies to NDE the total state revenue contribution.
- The total state revenue contribution will equal 25% of:
 - The aggregate income tax liability for the most recently completed tax year; plus
 - The aggregate state sales tax collections for the most recently completed calendar year.
- The state revenue contribution per student is calculated for the certification of TEEOSA as the total state revenue contribution (calculated above) divided by the statewide K-12 Fall Membership.
 - For the final calculation of TEEOSA (or recalculation of TEEOSA), the state revenue contribution will be divided by the statewide Average Daily Membership (ADM).
- Foundation aid per student is calculated as the greater of:
 - The state revenue contribution per student or
 - 25% of the basic funding per formula student up to a maximum of 150% of the state revenue contribution.
- Foundation aid to be paid to a local system for the certification of TEEOSA will be the foundation aid per student multiplied by the K-12 Fall Membership of the local system.
 - For the final calculation of TEEOSA (or recalculation of TEEOSA), the foundation aid per student will be multiplied by the Average Daily Membership (ADM) of the local system.

Section 28 – 79-1007.11 (Page 62-65)

□ Removes the averaging adjustment as a component of the formula needs calculation for school fiscal year 2020-21 and thereafter.

Section 29 – 79-1007.18 (Page 65-67)

- Sunsets the averaging adjustment with the 2019-20 certification of TEEOSA.
- Repeals outdated language. **Section 30 – 79-1008.01 (Page 67)**
- Repeals outdated language

Section 31 – 79-1009 (Page 67-69)

- Net option funding for 2019-20 will be the product of the net number of option students multiplied by the statewide average basic funding per formula student.
- Net option funding for 2020-21 and thereafter will be the product of the net number of option students multiplied by the statewide average general fund property taxes per formula student.
- Statewide average general fund property taxes per formula student is calculated by:
 - Dividing 99% of aggregate general fund property tax requests for all schools for most recently available complete data year by the aggregate formula students for all local system for the school fiscal year for which aid is being calculated.
- Repeals obsolete language.

Section 32 – New Section/Inflation Rate (Page 69-70)

- On or before June 17, 2019, on or before November 15, 2019 and on or before November 15 thereafter, the Tax Commissioner will calculate and certify to NDE the inflation rate and the local formula contribution inflation rate for the immediately following school fiscal year.
- The inflation rate shall be calculated by:
 - Subtracting the cost index immediately preceding the most recent cost index from the most recent cost index.
 - The difference is divided by the cost index immediately preceding the most recent cost index.
 - The most recent cost index is the most recent cost index available to the time of the certification of TEEOSA.
- If the calculated inflation rate is greater than 2.5%, the inflation rate shall be 2.5%.
- If the calculated inflation rate is less than 0%, the inflation rate shall be 0%.

- The local formula contribution inflation rate will be the inflation rate calculated without any adjustments.

Section 33 – 79-1015.01 (Page 70-72)

- Local system formula resources for each local system shall include the local formula contribution.
- For the certification and final calculation of TEEOS for school fiscal year 2019-20, the local formula contribution for each school will equal the local system’s total adjusted valuation multiplied by a local effort rate of 90 cents per \$100 of adjusted valuation.
- For the certification and final calculation of TEEOSA for 2012-22 and thereafter, the local formula contribution for each local system shall equal the lesser of the LER yield or the inflation rate yield.
- The local effort rate yield will be the local system’s total adjusted valuation multiplied by a local effort rate (LER) of 90 cents per \$100 of adjusted valuation.
- The inflation rate yield for each local system shall be the sum of:
 - The local formula contribution for the school fiscal year immediately preceding the school fiscal year for which aid is being calculated adjusted by the local formula contribution inflation rate and
 - The local system’s adjusted valuation for the total real property growth value multiplied by a LER of 90 cents per \$100 of adjusted valuation.
- Repeals obsolete language.

Section 34 – 79-1016 (Page 72-76)

- On or before August 20, the county assessor certifies to the Property Tax Administrator the total taxable value and the total real property growth value by school district.
- On or before October 10, the Property Tax Administrator certifies the adjusted valuation for the current assessment year for each class of property and for the total real property growth value to NDE.
- For the 2019 assessment year and thereafter, all adjusted valuations shall reflect the changes in the definition of state aid value that apply to school fiscal year 2020-21 and thereafter.
- Defines state aid value for residential and commercial/industrial value to be 86% of actual value for school fiscal year 2020-21 and thereafter.
 - For school years prior to 2020-21, resident and commercial/industrial value is 96% of actual value.

- Defines state aid value for agricultural and horticultural value to be 62% of actual value for school fiscal year 2020-21 and thereafter.
 - For school years prior to 2020-21, agricultural and horticultural land, value is 72% of actual value.
- The same percentage, 62% of actual value will be used for special valuation of agricultural and horticultural land.

Section 35 – 79-1017.01 (Page 76-77)

- For 2019-20 and thereafter, local system formula resources includes other actual receipts, net option funding, foundation aid, and community achievement plan aid less any property tax refunds.
- Repeals obsolete language.

Section 36 – 79-1022 (Page 77-79)

- Certification of 2019-20 aid will be on or before July 15, 2019.
 - Certification of 2020-21 and thereafter will be on or before March 1.
- For school fiscal years 2019-20 and thereafter, the amount distributed to each local system shall equal the sum of Equalization Aid, Net Option Funding, Foundation Aid and Community Achievement Plan Aid.
- If the amount calculated above (Equalization Aid, Net Option Funding, Foundation Aid and Community Achievement Plan Aid) is less than 33.33% of the local system’s total formula need, the local system will receive the sum of the amount calculated above (Equalization Aid, Net Option Funding, Foundation Aid and Community Achievement Plan Aid) and Guaranteed Funding Aid.
- Guaranteed Funding Aid is the difference between 33.33% of total formula need and the amount calculated above (Equalization Aid, Net Option Funding, Foundation Aid and Community Achievement Plan Aid).
- NDE will certify the amounts to be distributed to the Director of Administrative Services, the Auditor of Public Accounts and each district.
- Repeals obsolete language.

Section 37 – 79-1022.02 (Page 79)

- For school fiscal year 2019-20, any certification of TEEOSA, budget authority or applicable allowable reserve percentages completed prior to the effective date of this Act are null and void.

Section 38 – 79-1023 (Page 79-80)

- Changes the certification date for budget authority to July 15, 2019 and back to March 1 thereafter.

Section 39 - 79-1025 (Page 80)

- The basic allowable growth rate for school fiscal year 2019-20 is 2.5%
- The basic allowable growth rate for 2020-21 and thereafter will be determined by 77-3446 (The inflation rate certified by the Tax Commissioner).

Section 40 – 79-1027 (Page 80-81)

□ Changes the certification date for allowable reserve percentage to on or before July 15, 2019 and back to March 1 thereafter.

Section 41 – 79-1031.01 (Page 81-82)

- Revises the date for the Appropriations Committee to include the TEEOSA amount to on or before July 15, 2019 and back to March 1 thereafter.

Section 42 – Operative Date of July 1, 2019 (Page 82) □ For sections 9, 10, 11, 12, 13, and 44.

Section 43 and Section 44 – Repealer Sections (Page 82)

Section 45 – Outright Repeal of 79-1008.02 (Page 82)

- 79-1008.02 is the minimum levy adjustment.

Section 46 – The Emergency Clause (Page 82)