



*** * IMPORTANT * ***

Stay informed on tax policy.

State Tax and Budget Cuts: What You Need to Know

We're halfway through the state legislative session. So far, it's been dominated by two issues: tax cuts and budget cuts. It's important for nonprofits to know what these proposals could mean for your organization and the people you serve. Below is a summary of the key proposals and how they could shape our state for years to come.

State Budget

You may recall that the state has been confronted with ongoing revenue shortfalls recently, including the \$206 million budget gap that awaited lawmakers when they arrived in Lincoln for this legislative session. This was on top of an \$895 million budget gap in the first year of the biennium that resulted in cuts to the University, K-12 education, and health and human services.

The state's General Fund Appropriations is about \$4.5 billion annually; Governor Ricketts has proposed cutting an additional 2% this year and 4% next year to parts of the budget, which would have an impact on services like health care and higher education.

Tax Cut Bills

LB829: The \$1 billion property tax bill

LB 829, a proposal by Senator Erdman of Bayard, would provide Nebraskans with income tax credits equal to 50 percent of the school property taxes they pay. Supporters of the measure have said they will take this measure to the ballot in November if the Legislature doesn't pass it this year. Revenue Committee members have informally noted that the bill will not advance from committee this year, which means it's probably now up to voters as to whether it becomes law. Proponents have begun collecting signatures to get the measure on the ballot. The measure would put more than a billion-dollar hole in the state budget each year and does not address if or how that state revenue would be replaced, if at all, risking further cuts to health care, K-12 education and public safety or increases in sales or other types of taxes or fees.

LB947: Governor's tax cut package

LB947, introduced by Senator Smith on behalf of the governor, would reduce the top individual and corporate income taxes and also would institute a tax credit (for

resident ag and residential landowners only) to offset property taxes that would start out significantly smaller than the one called for in LB829, but that would increase over time to 30% of property taxes paid. In the bill, the governor paid for the first year by repurposing the property tax credit program, but a proposed amendment will increase the cost by another \$47 million, which he proposed taking from the state's cash reserve. The amendment also will drastically increase the bill's fiscal impact and within 10 years it will cost the state as much as the credit proposed in LB829.

LB1084: An alternative tax cut bill -- that's paid for

Senator Briese of Albion introduced LB1084, the Adopt the Property Tax Request Limitation Act, which provides sunset dates for certain tax exemptions and incentives, and changes other revenue and taxation provisions. The bill seeks to create property tax relief by generating new revenues from sales, excise, and income tax sources which in turn will be used to offset costs for growing the Property Tax Credit Fund. Approximately \$400 million in new revenue will be generated annually by closing a number of exemptions, raising sales tax by one-half percent, reinstating the alternative minimum tax, raising the cigarette tax, eliminating the personal property tax exemption, and a series of other revenue raisers. The revenue will be distributed to K-12 schools the property tax credit program.

LB1090: State bill to address federal tax changes

LB1090, a bill Sen. Jim Smith introduced on behalf of the governor, would adjust Nebraska's tax code to compensate for the effects of changes to the federal tax code, which Congress passed last December. It would preserve the personal exemption credit, increase the standard deduction and retain the Consumer Price Index for indexing inflation. Elimination of the personal exemption credit, in particular, would result in Nebraskans paying more in state income taxes because of the way our state tax code interacts with the federal tax code. If no changes are made, Nebraskans could end up paying about \$220 million more in state taxes. However, this proposal is based on the Nebraska Department of Revenue's preliminary rough estimates. If they are not completely accurate, LB1090 could create additional budget problems. To help provide the state some cushion against more damaging budget cuts, lawmakers could preserve the personal exemption for low- and middle-income families but not for wealthy residents, who are already receiving large tax cuts at the federal level. This would lessen the state revenue impact and leave us better prepared should the federal tax change impact be greater than projected.

What's Next?

Due to the uncertainty of the impact that will trickle down to the states through the federal tax changes, we caution cutting state taxes during the current budget crisis in our state. We encourage you to follow these issues closely and to contact your state senator with your concerns.

What Are We Fighting For?

NAM's Public Policy position represents nonprofits of all sizes and missions. Download our [2018 Public Policy Agenda](#) for more information.

Thank you!

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