

Nebraska Association of County Officials Legislative Report



April 19, 2007

Inheritance Tax Bill Sent to Governor

On a 42-1 vote, a bill to change exemptions and tax rates on county inheritance tax was adopted by the Legislature on Thursday. By increasing the exempt amount for lineal descendants from \$10,000 to \$40,000 and increasing the percentage paid by other beneficiaries, **LB 502** shifts the inheritance tax burden from immediate family members to less-closely related individuals and non-relatives. The bill is intended to be revenue-neutral. Counties collect more than \$30 million annually in inheritance taxes.

Four other bills were adopted on Thursday as well. **LB 415** changes requirements to obtain provisional operator's permits. It prohibits holders of these permits from carrying more than one passenger that is not a family member and under the age of 19 for the first six months of the license. The bill also prohibits permit holders from using interactive wireless communications devices, such as cell phones or laptop computers, while operating a motor vehicle.

LB 232 expands the list of entities that can participate in a grant program aimed at economically depressed rural areas. The Building Entrepreneurial Communities Act is intended to create community capacity to build and sustain programs to generate

and retain wealth in the community. New provisions would reduce the amount of matching funds needed to access grant dollars.

LB 457 requires courts to provide a caregiver information form to foster parents. The judge in a foster care review hearing could use the information to help determine whether to interview the caregiver at the hearing.

LB 562 creates an alternative to tax increment financing for cities. The bill allows developers to enter into agreements with cities to develop property within an enhanced employment area as defined in the bill. The city could issue revenue bonds and impose an occupation tax upon businesses in the area to pay for the development.

Last week Governor Heineman signed into law **LB 677**, a bill granting an extension to request inspections as part of the development of waste plans for previously exempt livestock operations. **LB 537**, which would allow Nebraska-based Indian tribes to participate in motor fuel tax enforcement and revenue-sharing agreements with the state, and **LB 636**, which addresses bidding requirements for public power districts, were also signed on April 11.

Protection of Employee Social Security Numbers Advanced

Employers could not use more than the last four digits of employee social security numbers on documents that are publicly posted under **LB 674**, which was advanced from the first round of debate on Tuesday. In addition, no more than the last four digits could be used as an employee identification number or for internet access unless there are security provisions in place. Social security numbers could not be used for occupational license numbers, in files accessible to temporary employees who are not

bonded, or in files with unrestricted access in the company. The bill is intended to reduce opportunities for identity theft by limiting access to social security numbers by persons without a legitimate business need for the information. The bill provides for the use of full social security numbers to comply with federal or state requirements or for internal administrative services, such as benefit programs. **LB 674** was prioritized by Sen. Steve Lathrop. It appears on Monday's Select File agenda.

Property Tax Package Advanced from First Round

Senators spent nearly ten hours in vigorous debate about the philosophy of tax relief and how to best provide relief to taxpayers before advancing **LB 367** on Wednesday with agreements to address numerous issues on Select File. The property tax package presented by the Revenue Committee was divided into three sections – property tax, income tax, and sales tax – and although each vote was taken separately, debate on the issues overlapped.

The property tax section, which was adopted on Tuesday, contains a tax credit that would appear on property tax statements. For FY07-08, the \$100 million appropriation would equate to a levy reduction of approximately eight cents per \$100 of valuation. For FY08-09, the \$50 million credit would amount to a reduction of approximately four cents. After 2008, the amount of the appropriation would be set by the Legislature. Some senators argued that such a property tax credit is not a tax cut, but rather a spending shift because the state funds would be given to taxing entities, not directly to taxpayers. Others argued that a reduction in property taxes provides direct relief to taxpayers by decreasing their property tax bill. Some senators reminded the body about the implementation difficulties that occurred during a similar tax credit a few years ago and others mentioned jail reimbursement and County Property Tax Relief as programs that should be fully

funded to provide property tax breaks.

The bill would decrease levy authority for schools from \$1.05 to \$1.00 in 2008 and provide nearly \$60 million in state aid to make up the difference. Amendments were offered to eliminate the estate tax, which would be reduced under the committee proposal as advanced.

An amendment was offered by Sen. Tom White to provide a \$500 income tax credit after proof of payment of property taxes upon primary residences. The amendment was not adopted. A related amendment that would provide tax relief of \$150 upon proof of motor vehicle taxes paid will be debated on Select File.

The income tax division would eliminate the marriage penalty, increase the standard deduction to the federal level and change tax rates in certain brackets.

The sales tax division would repeal the tax on commercial remodeling labor. The sales tax on construction labor for single family residences was eliminated last year. Sen. Ernie Chambers offered an amendment to reduce the sales tax rate from 5.5 percent to 5 percent to keep the promise made when rates were increased during the recent budget crisis. The amendment, which was not adopted, would have eliminated \$15 million in road funding that was enacted last year in LB 904.

Water and Vegetation Bill Advances from Select File

Republican River basin natural resource districts would be able to issue bonded debt, impose an additional 10 cent levy and impose a \$10 per irrigated acre occupation tax under a revised version of **LB 701**. The bill is intended to address concerns about a potential lawsuit to enforce a three-state compact that allocates water from the river. In addition to the new funding proposals, the Natural Resources Committee drafted an amendment that contained concepts that were presented in several other bills. Concepts from

LB 458 would create a Riparian Vegetation Management Task Force to develop vegetation management objectives and make recommendations about funding and legislation. Two representatives of the Nebraska Weed Control Association would serve on the task force. Provisions from **LB 295** and **LB 314** deal with water wells and surface rights.

LB 701 was advanced from Select File on Thursday.

Appropriations Committee Budget to be Released Next Week

Funding for jail reimbursement and county property tax relief are expected to be two of the elements in the Appropriations Committee's budget bills that will be released next Wednesday. A proposed two-cent fuel tax increase was eliminated from the proposal. According to media reports, the state budget will be set at \$356 million in FY07-08 and \$370 in FY08-09 and provide \$32 million for spending on bills adopted during this session.

The Legislature's rules require the Appropriations Committee to present their proposals by the 70th day of the 90-day session. Thursday, April 19 is the 67th day. The Legislature will be in recess on Friday, April 20 and Monday, April 30. The Legislature will not meet on Friday, April 28 due to the Arbor Day holiday.

Debate on General File Speaker priority bills will begin next week. Among the bills on Monday's agenda is **LB 289**, a measure to require a list of registered voters in attendance at meetings

during which a vote is taken to exceed levy limits. **LB 208** would increase the amount at which a bond is required for building and improvement projects by the state, counties, cities, schools and other governmental bodies. For counties, labor and material bonds are currently required for projects with a total cost over \$5,000 unless specified otherwise. LB 208 would increase the amount to \$10,000. **LR2CA** is similar to a proposed constitutional amendment that appeared on the November 2006 ballot. The measure would allow counties to use tax increment financing and strike the requirement for redevelopment projects to be declared blighted and substandard.

Unless more issues with county impact are debated next week, it is likely that a NACO Legislative Report will not be published. The publication schedule for the remaining six weeks of the session will depend upon the Legislature's agenda. A final bill

summary will be published in early June.

Interim studies must be introduced on or before the 80th day. Three study resolutions of interest to counties have been offered this week by Sen. Don Preister: **LR 78** is an examination of open

meetings laws. **LR 77** is an examination of electronic waste recycling. **LR 76** is an examination of the rural economic potential of wind energy development in Nebraska.

Board of Equalization Workshop Scheduled for May 10

County board members, assessors, clerks and attorneys who are involved in the county equalization process are invited to attend NACO's fifth County Board of Equalization Workshop on May 10 in Kearney. Members of the Tax Equalization and Review Commission, the Property Tax Administrator and several

experienced county officials will present information about various phases of the equalization process. Go to the NACO website, www.nacone.org, to register online. For registrations received on or before April 27, the fee is \$60; later registrations are \$70.