

Nebraska

Highlights

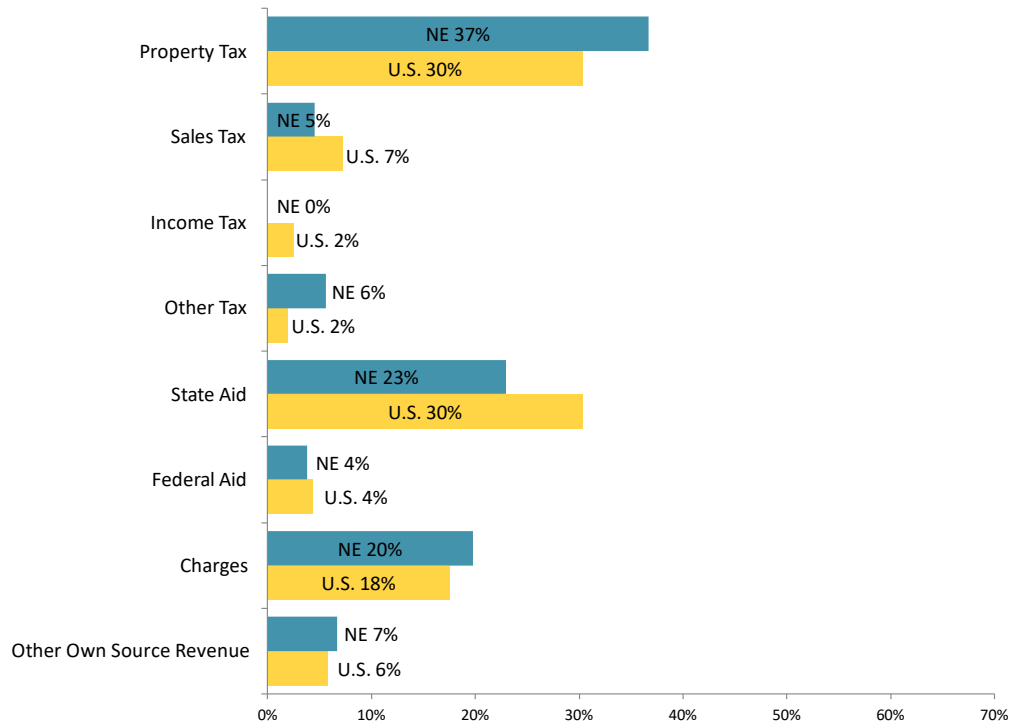
Nebraska local governments rely on the property tax for 37 percent of local general revenue, compared to a 23 percent share from state aid (figure NE-1).

Nebraska has a classified property tax system that treats agricultural property differently from all other property types. Agricultural property is assessed at 75 percent of market value, while all other types of property are assessed at full market value.

As a general rule, assessed values are based on market values. This valuation method is unusual among agriculturally oriented states that generally value agricultural land in its current agricultural use, not its highest and best use. Nebraska allows this kind of use-value assessment for agricultural land only in relatively urbanized counties.

Nebraska has three types of property tax limitations: tax rate caps, which vary by type of government; revenue and expenditure limitations; and local-option levy limits. In 2019, Nebraska enacted a truth-in-taxation measure.

Figure NE-1
Sources of Nebraska Local General Revenue, 2020



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

Although property taxes accounted for 19.5 percent of total general revenue for the state and local governments in Nebraska (table NE-1), that overall figure masks the importance of the property tax for local governments. The property tax is the largest source of general revenue for Nebraska local governments.

Table NE-1
Selected Nebraska Property Tax Statistics, 2020¹

	Nebraska	U.S. Average	Rank (of 51) <i>1 is highest</i>
Per capita property tax	\$2,088	\$1,810	14
Property tax percentage of personal income	3.7%	3.1%	10
Total property tax as percentage of state-local revenue	19.5%	16.6%	11
Median owner-occupied home value ²	\$164,000	\$229,800	39
Median real estate taxes paid for owner-occupied home ²	\$2,762	\$2,551	18
Effective tax rate, median owner-occupied home ³	1.7%	1.1%	9

Sources: [U.S. Census via Significant Features of the Property Tax](#), American Community Survey

¹ All revenue numbers in this table include the state government as well as local governments.

² The statistics for [median owner-occupied home value](#) and [median real estate taxes paid for owner-occupied home](#) are five-year average statistics for years 2016–2020.

³ Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

The state's 93 counties assess all property at full market value except for agricultural property, which is assessed at 75 percent of market value. In 2021, agricultural property accounted for 34 percent of the property tax base (Significant Features of the Property Tax). Valuation of taxable property is conducted annually.

Tangible personal property used by business, other than inventories, is taxed. This property is also taxed at full market value, but the first \$10,000 of valuation for each taxpayer is exempt.

Limits on Property Taxation

Local governments are subject to a property tax rate cap that limits rates to a range from 4.5 mills to 10.5 mills depending on the locality (table NE-2). Currently, school systems are limited to 10 mills. Cities, counties, community colleges, natural resource districts, and sanitary improvement districts can also be subject to levy limits upon a petition signed by 10 percent of registered voters.

In 2019, the state enacted a truth in taxation measure that requires localities to reduce tax rates when valuations rise so that the property tax levy cannot increase over the prior year without a vote of the governing body. Finally, cities, counties, and political subdivisions are subject to revenue and expenditure limits. The maximum growth rate for school districts for the 2021–2022 school year was 2.5 percent (Significant Features of the Property Tax).

Property Tax Relief and Incentives

Nebraska provides residential tax relief through property tax circuit breaker programs for the elderly, disabled, and veterans. For elderly households in 2021, income in 2020 could not exceed \$52,001 for married homeowners and \$43,801 for single homeowners (Significant Features of the Property Tax). There is also a state-funded real property tax credit for all properties, including centrally assessed railroads and public services. The credit is set annually at a rate to total \$125 million in credits.

In 2020, the state established a refundable income or franchise tax credit for property taxes paid by individuals and businesses that pay school property taxes. In 2020, the credit was 6 percent of school property taxes paid, excluding debt service or override levies (LB 1107 of 2020).

The state provides property tax incentives for economic development through two programs: (1) ImagiNE Nebraska Act incentives, which are not targeted by geographic area; and (2) tax increment financing for community redevelopment, which does target specific geographic locations that must fit the definition of a blighted area or a substandard area to qualify.

Table NE-2
Nebraska Property Tax Features, 2021

Feature	Nebraska	Count for 50 states plus DC
Statewide classification of real property	Yes	25
Assessment of property primarily by county	Yes	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	No	17
Circuit breaker property tax relief program	Yes	31

Sources: Significant Features of the Property Tax

Key Property Tax History

The state of Nebraska levied a property tax in its first year of statehood in 1867 and continued to levy the tax until 1966. In that year, voters approved a constitutional amendment abolishing the state property tax and authorizing a state income tax (Patent 2015).

In 1979, the first major change to the local property tax was an increase in the assessment level from 35 percent to 100 percent.

In the 1980s, the farm crisis hit Nebraska and other farm-oriented states, depressing agricultural land values and reducing the share of property taxes derived from agricultural land. That situation brought about changes in the state's approach to property taxation. An important Supreme Court case in 1984, *Kearney Convention Center Inc. v. Board of Equalization*, held that the state constitution's uniformity requirement demanded that agricultural land be assessed similarly to other classes of property, which were assessed at full market value. Nebraska then adopted an amendment to the constitution permitting a classified property tax system. A later amendment and legislation put in place the current system under which agricultural land is valued at 75 percent of market value. The basis for assessment of agricultural land was originally income-based, but this changed to market value in 2006.

Education finance was reformed in 1990 with legislation to increase the state sales tax rate permanently and the state income tax rate temporarily to fund the Tax Equity and Educational Opportunities Support Act. That act shifted public school funding substantially from the local level to the state with the implementation of a new school aid formula distributing aid on an equalized basis. The state expanded the tax base of school districts by giving them a portion of the state income tax revenue collected in their districts and by increasing funding of the state equalization aid formula through an increase in the state sales tax rate. It also reduced the maximum school district levy from a former high of \$3.50 to a new limit of \$1.10.

In the early 1990s, Nebraska experienced a personal property crisis. The crisis began when the railroads questioned whether Nebraska was complying with the federal Railroad Revitalization and Regulatory Reform Act of 1976 (the so-called 4-R Act). That act was intended to save railroads from financial collapse and contained a provision that prohibited imposition of any discriminatory tax on railroads. In 1988, the U.S. Court of Appeals in the *Trailer Train v. Leuenberger* case held that Nebraska discriminated against railroads because the state provided exemptions for agricultural and business inventories, livestock, and farm machinery that were not available to railroads with no such property. The state was prevented from collecting personal property tax from the railroads. Further complicating the situation, the Nebraska Supreme Court ruled in the *Northern Gas v. State Board of Equalization* case that the state constitution required pipelines, telephone companies, and other centrally assessed entities to be treated equally and have their property equalized to that of the railroads, which were paying no tax. Later, in the 1991 case of *MAPCO Ammonia Pipeline v. State Board of Equalization*, the Supreme Court ruled that all prior personal property exemptions were unconstitutional, thus reversing earlier cases.

In response, the legislature placed a constitutional amendment on the ballot in 1992, which passed, that separated real and personal property in the uniformity clause of the state constitution, permitted personal property exemptions, allowed legislation to revise assessment methods applied to personal property, and created a distinct class of railroad personal property.

Levy limits were introduced in 1998 with a cap of \$2.19 per \$100 of property value. However, taxpayers often pay more than this limit because it does not apply to levies for bond issues. The limits vary over time, and currently range from \$0.015 for educational service units to \$2.19 for local governments.

The result of changes to Nebraska's property tax system in the 1980s and 1990s was a larger share of the property tax derived from residential property. The residential share was about 40 percent in 1980, whereas in 2013 it was 47 percent (Anderson and Thompson 2014). Recent dramatic increases in agricultural land values are changing this situation, however. Average farmland values increased 252 percent between 2007 and 2017, peaking in 2014 and declining somewhat from 2015 to 2017 according to the survey data collected by the University of Nebraska-Lincoln Department of Agricultural Economics (2017).

Recent Developments

Property tax reform has been a top gubernatorial priority in recent years. Nebraska Governor Pete Ricketts, who was governor from 2015 to 2023, made property tax relief a central focus of his administration. In 2019, he proposed a 3 percent cap on growth in local property tax levies via a constitutional amendment (Office of Governor Pete Ricketts 2019). In the same year, the legislature did enact a truth in taxation measure (LB 103) that requires local taxing districts to reduce property tax rates when valuations increase so that the total property tax levy does not automatically increase over the prior year without notification, a public hearing, and vote (Reist 2023; Walton 2019). In 2021, the governor again backed a 3 percent levy limit via a 2022 constitutional amendment, but it did not pass in the legislature (LB 408). In 2022, for the second year in a row, Nebraska considered legislation to limit school district property taxes. LB 986 was blocked by a filibuster and the attempt to end the filibuster fell five votes short. The bill would have capped school district property tax increases at the greater of 2.5 percent or inflation (Hammel 2022a).

Though Ricketts's efforts to enact a tax limit were unsuccessful, he won legislative support for policies to expand property tax relief and property tax incentives for business, and policies to increase transparency. Enacted in 2020, the Property Tax Incentive Act (LB 1007) established a refundable tax credit (6 percent in 2020) against income or franchise taxes for property taxes paid by individuals and by businesses that pay school property taxes (LB 1107 of 2020). The bill also eliminated the Personal Property Tax Relief Credit and replaced it with the ImagiNE Nebraska Act, which included personal property tax exemptions for qualifying businesses and projects. The legislature had blocked passage of similar legislation in 2019 (Stoddard 2019). In May 2021, Nebraska passed the Property Tax Request Act (Legislative Bill 644), a transparency measure that required counties, cities, school districts, and community colleges to hold a public hearing before any proposal to increase the property tax by more than the allowable growth percentage (Woodard 2022). In 2022, Nebraska enacted a property tax relief

package that includes a new refundable income tax credit for property taxes paid to a community college. This credit is in addition to the state's existing refundable income tax credit for school district property taxes (Schulte 2022; Vargas 2022). Jim Pillen, who became governor in 2023 with Ricketts's endorsement, has pledged to "fix the property tax problem" and reform the state's school funding formula (Dunker 2022; Hammel 2022b).

In March 2022, the Nebraska Supreme Court upheld the constitutionality of the state's tax sale process under which counties can put a lien on property for which taxes have not been paid and sell that property to pay the debt. A third party may purchase the lien and apply for a tax deed after paying property taxes on the delinquent property for three years; the delinquent taxpayer forfeits the difference between the tax debt and the value of the property. In two similar cases—*Nieveen v. TAX 106* and *Fair v. Continental Resources*—Nebraska's high court found the forfeiture did not violate the plaintiff's Fifth Amendment protections. However, in June 2023, the Supreme Court of the United States vacated the Nebraska Supreme Court rulings in light of its landmark ruling in Minnesota in May 2023, in which a taxpayer represented by Pacific Legal Foundation won a unanimous verdict on takings grounds in *Tyler v. Hennepin County* (2023) (Gonzalez 2023). In its 2023 session, the Nebraska legislature enacted legislation to amend the state statute on tax sales. Signed into law in June 2023 by Governor Jim Pillen, the bill imposed stricter notification requirements and required the return of surplus to the previous owner following a tax sale.

Resources

Anderson, John E. 2012. "Agricultural Use-Value Property Tax Assessment: Estimation and Policy Issues." *Public Budgeting & Finance* 32(40): 71–94.

Anderson, John E., and Marlon Griffing. 2000b. "Measuring Use-Value Assessment Tax Expenditures." *Assessment Journal* (January-February): 25–37.

Anderson, John E., and Eric C. Thompson. 2014. "Property Taxes in Nebraska: Past, Present, and Future." Omaha, NE: Platte Institute for Economic Research.

BlankRome. 2023. "When Tax Collection Is an Unconstitutional Taking."

Curry, Sarah, and Adam Weinberg. 2018. "Get Real About Property Taxes." Platte Institute policy brief. (October 30). <https://platteinstitute.org/get-real-about-property-taxes/>.

Curry, Sarah, and Luke Ashton. 2017. "This Time, It's Personal: Nebraska's Personal Property Tax." Platte Institute policy brief. (September 26). <https://platteinstitute.org/this-time-its-personal-nebraskas-personal-property-tax/>.

Dunker, Chris. 2022. "Pillen Names Committee to Study Nebraska School Finance Reform." *Lincoln Journal-Star*, December 1. https://journalstar.com/news/local/education/pillen-names-committee-to-study-nebraska-school-finance-reform/article_b38c1f5d-49df-5a84-9ab2-12d716342808.html.

Gonzalez, Cindy. 2023. "U.S. Supreme Court Weighs in on Nebraska 'Home Equity Theft' Cases." *Nebraska Examiner*, June 6. <https://nebraskaexaminer.com/briefs/u-s-supreme-court-weighs-in-on-nebraska-home-equity-theft-cases/>.

Hammel, Paul. 2022a. "Filibuster Blocks Bill to Limit Property Tax Increases by K-12 Schools." *Nebraska Examiner*, February 8. <https://nebraskaexaminer.com/briefs/filibuster-blocks-bill-to-limit-property-tax-increases-by-k-12-schools/>.

———. 2022b. "Pillen Wins Governor's Race, Pledges to Finally Fix Nebraska's High Property Taxes." *Nebraska Examiner*, November 8. <https://nebraskaexaminer.com/2022/11/08/pillen-wins-governors-race-pledges-to-finally-fix-nebraskas-high-property-taxes/>.

Nebraska Department of Revenue, Property Assessment Division. "Valuation, Taxes Levied, and Tax Rate Data." <https://revenue.nebraska.gov/PAD/research-statistical-reports/valuation-taxes-levied-and-tax-rate-data>.

Nebraska Department of Revenue. 2022. "Nebraska Homestead Exemption Information Guide." (March). <https://revenue.nebraska.gov/sites/revenue.nebraska.gov/files/doc/pad/info/96-299.pdf>.

Nebraska Legislature. "Chronology of Changes in Property Tax Policy Since 1967." www.nebraskalegislature.gov/app_rev/source/chrono_proptax.htm#1990.

———. "Major Tax Policy Trends—The Shift from Property Tax Support to Sales and Income Tax Support of State and Local Government." www.nebraskalegislature.gov/app_rev/source/proptax_trendsshift.htm.

———. "Property Taxes by Sector." https://nebraskalegislature.gov/app_rev/source/proptax_sector.htm.

Office of Governor Pete Ricketts. 2019. "Gov. Ricketts' State of the State Address." (January 15).

Patent, Keisha. 2015. "The Basics of Nebraska's Property Tax." Nebraska Legislative Research Office. (January). www.nebraskalegislature.gov/pdf/reports/research/proptax2015.pdf.

Reist, Margaret. 2023. "Prepare for Sticker Shock on 'Pink Postcards' with Lancaster County Property Tax Information." *Lincoln Journal-Star*, September 13. https://journalstar.com/news/local/government-politics/prepare-for-sticker-shock-on-pink-postcards-with-lancaster-county-property-tax-information/article_ceacbae6-51b5-11ee-802a-c7ace60281df.html.

Schulte, Grant. 2016. "Nebraska Gov. Ricketts Approves Property Tax Package." *Washington Times*, April 19.

———. 2022. "Nebraska Advances Sweeping Income, Property Tax Package." *Associated Press*. March 31. <https://apnews.com/article/business-seniors-personal-taxes-nebraska-9173632db10578dd762702c8e31597fa>.

Significant Features of the Property Tax. www.lincolninst.edu/research-data/data-toolkits/significant-features-property-tax. Lincoln Institute of Land Policy and George Washington Institute of Public Policy.

Stoddard, Martha. 2019. "Legislators End Session with Property Taxes, Business Tax Incentives Still Unresolved." *Omaha World-Herald*, June 1. www.omaha.com/news/legislature/legislators-end-session-with-property-taxes-business-tax-incentives-still/article_5752c407-0984-56b3-8608-9a6855252444.html.

———. 2022. "US Supreme Court Asked to Rule on Nebraska's 'Home Equity Theft' Law." *Lincoln Journal-Star*, October 9. https://journalstar.com/lifestyles/home-and-garden/real-estate/us-supreme-court-asked-to-rule-on-nebraskas-home-equity-theft-law/article_57e2a018-3fe6-5c8a-8319-40b7e3bcdbc4.html.

University of Nebraska-Lincoln, Department of Agricultural Economics. 2017. "Nebraska Farm Real Estate Market Highlights 2016-2017." <https://agecon.unl.edu/research/2017-nebraska-farm-real-estate-report.pdf>.

Vargas, Carolina. 2022. "Nebraska Governor Approves Tax Relief Package." *State Tax Notes*. April 18. <https://www.taxnotes.com/tax-notes-state/legislation-and-lawmaking/nebraska-governor-approves-tax-relief-package/2022/04/18/7dd0t>.

Walton, Don. 2019. "Ricketts Points To 'Significant' State Property Tax Relief as This Year's Legislative Success." *Lincoln Journal Star*, May 31. https://journalstar.com/legislature/ricketts-points-to-significant-state-property-tax-relief-as-this/article_4769eb12-242b-5343-8873-90e971b65716.html.

Woodward, Chris. 2022. "New Property Tax Transparency Process Begins Next Month." *Center Square*. August 22. https://www.thecentersquare.com/nebraska/new-property-tax-transparency-process-begins-next-month/article_86972cca-224d-11ed-a038-d77c82536b90.html.

Publication Date

October 2023