

December 9, 2016

## Real Property Tax Credit and Tax Statements Tax Year 2017

### Purpose

This directive advises county assessors and treasurers of their responsibilities for administering the Property Tax Credit Act (Act), [Neb. Rev. Stat. §§ 77-4209 through 77-4212](#), as amended by Neb. Laws 2016, LB 958. The Act provides a real property tax credit (credit) based on the credit allocation valuation of each parcel of real property compared to the credit allocation valuation of all real property in the state. For purposes of the Act, credit allocation valuation means 120% of the taxable value of agricultural and horticultural land and agricultural and horticultural land receiving special valuation. For all real property, other than agricultural and horticultural land, credit allocation valuation means 100% of the taxable value.

### Procedure and Implementation

Beginning tax year 2017, there will be two tax credit rates. One tax credit rate will be for all real property other than the land classified as agricultural and horticultural land or agricultural and horticultural land receiving special valuation, referred to as the real property "credit." There will be second tax credit rate for real property classified as agricultural and horticultural land or agricultural and horticultural land receiving special valuation, pursuant to [Neb. Rev. Stat. § 77-1359](#), referred to as "agricultural land credit." The agland credit is only applicable to the portion of the real property parcel classified as agricultural and horticultural land and agricultural and horticultural land receiving special valuation. The agland credit is not applicable to any other portion of the real property parcel such as site land or improvements or buildings. See attached examples.

The credit amount, for real property and/or agricultural land, must be computed and displayed separately on the tax list of the county as prepared by the county assessor pursuant to [§ 77-1613](#). The credit amounts, for real property and/or agricultural land, must be displayed separately on the tax statement as a credit, as provided by [§ 77-4212\(1\)](#). Tax statements are required to display the amount of taxes levied by each political subdivision for the current year and for the immediate past year on the same parcel, pursuant to [§ 77-1704.01\(1\)](#). **The credit amounts cannot be netted against the taxes levied**, but must be shown as a credit to the taxes levied on the tax statement, similar to homestead exemption tax loss amounts in [§ 77-3509.03](#).

All taxable real property parcels are eligible for the credit. The portion of a real property parcel classified as agricultural and horticultural land and agricultural and horticultural land receiving special value is eligible for the agland credit.

- If the real property owner qualifies for a homestead exemption, the homestead owner also qualifies for the credit to the extent of any remaining liability after applying the homestead exemption. Any agricultural land that is part of the parcel qualifies for the agland credit.

- The credit is applicable to the total value of a real property parcel that is part of a community redevelopment project using tax increment financing (TIF) which includes both the base and excess valuations.
- The credit is applicable to the real property portion of centrally assessed railroads and public service entities. For centrally assessed companies recorded on the tax list by individual taxing subdivision, the credit is determined by the county's total real property value for each company (for example, each railroad branch line or each public service entity). The total credit is then apportioned to the respective individual taxing subdivisions based on the company's real property taxes levied computed for each subdivision compared to the total real property taxes levied for the company. If a centrally assessed company's value is 100% personal property, no credit will be received.
- The credit is applicable to the real property value as adjusted by any tax list correction made to the tax list for year 2017.
- The credit **is not applicable** to real property parcels acquired by the Nebraska Game and Parks Commission for wildlife habitat and subject to the in lieu of tax, pursuant to [§ 37-335](#).

The Property Tax Administrator, county assessors, and county treasurer must perform the following six steps to properly administer the credits. Note: the valuation amounts used in these examples do not reflect actual certified numbers.

**Step 1 – Determine County's Share of Credit.** On or before September 15, the Property Tax Administrator must determine the credit amount to be disbursed to each county. The amount disbursed to the counties is equal to the amount available for disbursement, \$224 million in year 2017, multiplied by the ratio of the credit allocation valuation in the county to the credit allocation valuation in the state eligible for the credit.

**The Property Tax Administrator certifies the credit amounts to the State Treasurer and the county on or before September 15.** The disbursements to the counties occur in two equal payments: the first, on or before January 31, 2018; and the second, on or before April 1, 2018.

**Step 2 – Determine Credit per Parcel.** For ease of administration, the amount of credit for each real property parcel will be determined by applying the state's uniform rate of credit for real property and/or the rate of credit for agricultural land, as determined by the Property Tax Administrator.

**Step 3 – Homestead Exemption.** If the real property owner qualifies for a homestead exemption under [§§ 77-3501 to 77-3529](#), the homestead owner also qualifies for the credit to the extent of any remaining liability after the homestead exemption is applied. If the credit results in a property tax liability on the homestead that is less than zero, the amount of the credit which cannot be used by the taxpayer must be returned by the county treasurer to the State Treasurer by July 1 of the year the credit amount was disbursed to the county. Any agricultural land that is part of the parcel qualifies for the agland credit.

**Step 4 – Disbursements.** The credit disbursements to the counties occur in two equal payments: the first, on or before January 31, 2018; and the second, on or before April 1, 2018. After retaining 1% of the credit for costs, the county treasurer allocates the remaining credit to each taxing unit that levies taxes on taxable property in the tax district where the real property is located. This allocation is done in the same proportion that the levy of each taxing unit bears to the total levy on taxable property of all the taxing units in the tax district where the real property is located, [§ 77-4212\(4\)](#).

**Step 5 – Return of Unused Tax Credit.** Upon return of the unused portion of the tax credit monies to the State Treasurer, the county treasurer must also electronically forward information to the Nebraska Department of Revenue, indicating the total amount of real property tax credit distributed to political subdivisions for locally assessed real property and centrally assessed real property, the total amount retained for 1% collection fee, and the total amount of unused tax credit monies returned to the State Treasurer.

**Step 6 – Tax List Corrections and Claim for Additional Monies.** For tax list corrections that occur on or before July 1, the county treasurer should use the unused credit amount to cover those corrections. The amount returned to the State will be the amount shown on the tax lists as unused credit, plus or minus the corrections on or before July 1.

After July 1, if additional tax list corrections occur resulting in a need for additional credit amounts for that tax year, the county treasurer may file a [claim form](#), along with supporting documentation, with the Risk Management State Claims Board.

## **Accelerated Tax on Real Property Parcels (Mobile Homes) and Tax Credit**

### **Example 1. Mobile home is sold and the acceleration of tax is done in August 2017.**

This scenario involves a mobile home with a 2017 value with the 2017 taxes accelerated or calculated at the 2016 tax rate. The purpose of the Act is to provide property tax relief for property taxes levied against real property for tax year 2017. Here, the 2017 accelerated real property taxes were collected prior to the certification of the rate of credit on September 15. If the owner of the mobile home desires to receive the 2017 credit for the accelerated 2017 taxes paid, a written claim must be made to the county treasurer within two years from the date the tax was due, requesting a refund pursuant to [§ 77-1734.01](#).

### **Example 2. Mobile home is sold and the acceleration of tax is done in February 2018.**

In this scenario, the mobile home is listed on the 2017 tax list and the 2017 credit should already be reflected for the 2017 taxes due. In February of 2018, this mobile home has a 2017 assessed value with the 2018 taxes being accelerated or calculated at the 2017 tax rate. The Act is for property taxes levied against real property for year 2017. The 2018 accelerated taxes are not eligible for a credit unless legislative changes are enacted to extend the credit to other tax years.

See attachments for the following examples.

**Attachment 1 Determine county's share of credit fund and per parcel rates of credit**

- Example 1 Determine the amount of credit to be disbursed to each county
- Example 2A Determine rate of credit per parcel, real property (non-agland)
- Example 2B Determine rate of credit for agricultural land

**Attachment 2 Tax credit for parcels of real property (non-agland) and agricultural land**

- Example 1 Tax due and credit computations for a parcel with no agricultural land
- Example 2 Tax due and credit computations for a parcel with agricultural land only
- Example 3 Tax due and credit computations for an agricultural parcel with a residence, farm home site land, farm site land, agricultural improvements, and part agricultural land
- Example 4 Tax due and credit computations for a rural residential parcel with a residence, site land, and part agricultural land

**Attachment 3 Tax credit for parcels with homestead exemption**

- Example 1 Tax due and credit computations for parcel with homestead exemption
- Example 2 Tax due and credit computations for parcel with homestead exemption and unused credit
- Example 3 Tax due and credit computations for a parcel with homestead exemption and part agricultural land

**Attachment 4 Tax credit for parcels with Tax Increment Financing (TIF)**

- Example 1 Tax due and credit computations for parcel with Tax Increment Financing (TIF)
- Example 2 Tax due and credit computations for parcel with homestead exemption and Tax Increment Financing (TIF)

**Attachment 5 Tax credit for centrally assessed**

Examples for tax credit calculations for centrally assessed railroads and public service entities

For the Tax Commissioner

APPROVED:

/s

Ruth A. Sorensen  
Property Tax Administrator  
December 9, 2016

**Attachment 1 Determine county's share of tax credit fund and per parcel rates of credit.**

**Step 1 - Determine County's Share of Credit, by September 15.**

**Example 1- Determine the amount of credit to be disbursed to each county.**

State Totals - Credit Allocation Value:

Taxable value of eligible real property (non-agland)		128,290,366,836	51.81%
Taxable value of agricultural land	99,454,407,910 multiplied by 120%	<u>119,345,289,492</u>	48.19%
Grand total credit allocation value		247,635,656,328	

County Totals - Credit Allocation Value:

Taxable value of eligible real property (non-agland)		1,775,506,189
Taxable value of agricultural land	1,735,364,690 multiplied by 120%	<u>2,082,437,628</u>
Grand total credit allocation value		3,857,943,817

County vs. State - Ratios of credit allocation value

Taxable value of eligible real property (non-agland)	0.013840
Taxable value of agland @ 120%	0.017449

State Totals - Credit Funds Allocated:

State total amount of tax relief available for disbursement		\$224,000,000
Portion available for real property (non-agland)	51.81% of \$224,000,000	\$116,045,656
Portion available for agricultural land	48.19% of \$224,000,000	\$107,954,344

County's Share of State Credit Funds (apply ratios to state funding):

Real property (nonagland)	.013840 x \$116,045,656	\$1,606,072
Agricultural land	.017449 x \$107,954,344	<u>\$1,883,695</u>
		\$3,489,767

**Step 2 - Determine rate of credit per parcel.**

Take the amount of credit money available divided by the credit allocation value eligible for the credit, for either the county or the state.

**Example 2A - Real property (nonagland) "rate of credit"**

County's rate of credit for real property (non-agland)

County's share of allocated credit for real property (non-agland)	\$1,606,072	
Divided by the county's taxable value of real property (non-agland)	<u>1,775,506,189</u>	= <b>0.0009046</b>

State's rate of credit for real property (non-agland)

State's total allocated credit for real property (non-agland)	\$116,045,656	
Divided by the state's total real property value (non-agland)	<u>128,290,366,836</u>	= <b>0.0009046</b>

**Example 2A indicates \$90.46 credit per \$100,000 of value for real property (non-agland)**

**Example 2B - Agricultural land "rate of credit"**

County's rate of credit for agricultural land

County's share of allocated credit for agricultural land	\$1,883,695	
Divided by the county's taxable value of agricultural land	<u>1,735,364,690</u>	= <b>0.0010855</b>

State's rate of credit for agricultural land

State's total allocated credit for agricultural land	\$107,954,344	
Divided by the state's total value of agricultural land	<u>99,454,407,910</u>	= <b>0.0010855</b>

**Example 2B indicates \$108.55 credit per \$100,000 of value for agricultural land**

**Attachment 2 Tax credit for parcels of real property (non-agland) and agricultural land.**

**Example 1- Tax due and credit computations for a parcel with no agricultural land.**

Real property credit rate	0.0009046
Taxable value (land & improvements, non-agland)	200,000
Tax rate (1.95%)	<u>0.0195</u>
Total taxes due before credit	\$3,900.00
Credit	\$180.92 (200,000 x .0009046 rate of credit)
Remaining tax due after credit	\$3,719.08

**Example 2- Tax due and credit computations for a parcel with agricultural land only.**

Agland credit rate	0.0010855
Taxable value agricultural land (no site land or improvements)	480,000
Tax rate (1.95%)	<u>0.0195</u>
Total taxes due before credit	\$9,360.00
Agland credit	\$521.04 (480,000 x .0010855 agland rate of credit)
Remaining tax due after credit	\$8,838.96

**Attachment 2 Tax credit for parcels of real property (non-agland) and agricultural land. (continued)**

**Example 3- Tax due and credit computations for an agricultural parcel with residence, farm home site land, farm site land, agricultural improvements, and part agricultural land.**

Real property credit rate	0.0009046	
Agland credit rate	0.0010855	
Taxable value (non-agland) (for example, includes house, home site land, farm site land, farm site improvements, etc.)	200,000	
Taxable value agricultural land only	480,000	
Total taxable value	680,000	
Tax rate (1.95%)	0.0195	
Total taxes due before credit	\$13,260.00	
<b>*Note: These 2 credit amounts and total credit, need to display on the tax statement.</b>		
Credit (non-agland)	\$180.92	(200,000 x .0009046 rate of credit)
Agland credit	\$521.04	(480,000 x .0010855 agland rate of credit)
Total credit	\$701.96	
Remaining tax due after credit	\$12,558.04	

**Example 4- Tax due and credit computations for a rural residential parcel with residence, site land, and part agricultural land.**

Real property credit rate	0.0009046	
Agland credit rate	0.0010855	
Taxable value (non-agland) (for example, includes house, site land and any land not classified as agland)	150,000	
Taxable value agricultural land only	50,000	
Total taxable value	200,000	
Tax rate (1.95%)	0.0195	
Total taxes due before credit	\$3,900.00	
<b>*Note: These 2 credit amounts and total credit, need to display on the tax statement.</b>		
Credit (non-agland)	\$135.69	(150,000 x .0009046 rate of credit)
Agland credit	\$54.28	(50,000 x .0010855 agland rate of credit)
Total credit	\$189.97	
Remaining tax due after credit	\$3,710.03	

**Attachment 3 Tax credit for parcels with homestead exemptions.**

**Example 1- Tax due and credit computations for a parcel with homestead exemption.**

If the parcel's remaining tax due after homestead exemption is equal to or greater than the credit, the parcel receives all of the credit.

Real property credit rate	0.0009046	
Taxable value (non-agland) before homestead exemption	75,000	
Homestead value exempted	<u>70,000</u>	
Taxable value after homestead exemption	5,000	
Tax rate (1.95%)	0.0195	
Tax due prior to homestead	\$1,462.50	(75,000 x .0195)
Tax exempt due to homestead	<u>\$1,365.00</u>	(70,000 x .0195)
Tax due after homestead	\$97.50	( 5,000 x .0195)
Credit	\$67.85	(75,000 x .0009046 rate of credit)
Remaining tax due	\$29.66	(97.50 minus 67.85)

**Example 2 - Tax due and credit computations for a parcel with homestead exemption and unused credit.**

If the credit is larger than the parcel's remaining tax due after the homestead exemption, the parcel only receives the portion of credit that brings its tax bill to zero.

Real property credit rate	0.0009046	
Taxable value (non-agland) before homestead exemption	75,000	
Homestead value exempted	<u>74,000</u>	
Taxable value after homestead exemption	1,000	
Tax rate (1.95%)	0.0195	
Tax due prior to homestead	\$1,462.50	(75,000 x .0195)
Tax exempt due to homestead	<u>\$1,443.00</u>	(74,000 x .0195)
Tax due after homestead	\$19.50	( 1,000 x .0195)
Credit	\$67.85	(75,000 x .0009046 rate of credit)
Credit used to reduce tax due to 0 (zero)	\$19.50	(lesser of 19.50 or 67.85)
Remaining tax due	\$0.00	(19.50 minus 19.50)
<b>"Unused" credit return to State Treasurer</b>	<b>\$48.35</b>	<b>(67.85 minus 19.50)</b>



**Attachment 3 Tax credit for parcels with homestead exemptions. (continued)**

**Example 3 - Tax due and credit computations for an agricultural parcel with agland and other real property site land and improvements and is granted a homestead exemption.**

Real property credit rate	0.0009046		
Agland credit rate	0.0010855		
Tax rate (1.95%)	0.0195		
Taxable value (non-agland)			
Value eligible for Homestead; house, garage, and land up to 1 acre.	75,000		
Remaining value home site, farm site, and agricultural improvements.	<u>125,000</u>		
Total Non-agland value	200,000	@ .0195 tax rate=	\$3,900.00
Taxable value agricultural land only	<u>480,000</u>	@ .0195 tax rate=	\$9,360.00
Total taxable value of agricultural parcel.	680,000		
Total taxes due before credit	\$13,260.00		
Value eligible for Homestead; house, garage, and land up to 1 acre.	75,000		
Homestead value granted an exemption	<u>74,000</u>		
Tax due prior to the homestead (non-agland)	\$3,900.00	(200,000 x .0195)	
Tax exempt due to homestead	<u>\$1,443.00</u>	(74,000 x .0195)	
Tax due after homestead	\$2,457.00		
Credit (non-agland)	\$180.92	(200,000 x .0009046 rate of credit)	
Agland credit	<u>\$521.04</u>	(480,000 x .0010855 agland rate of credit)	
Total credit	\$701.96		
Remaining tax due after homestead exemption and tax credits	\$11,115.04		

**Attachment 4 Tax credit for parcels in Tax Increment Financing (TIF).**

**Example 1- Tax due and credit computations for a parcel with TIF.**

Real property credit rate (non-agland)	0.0009046
TIF parcel's base value	5,000
TIF parcel's excess value	<u>70,000</u>
TIF parcel's total value	75,000
Tax rate (1.95%)	0.0195
Tax due on total value	\$1,462.50 (75,000 x .0195)
Credit for total value	<u>\$67.85</u> (75,000 x .0009046 rate of credit)
Remaining tax due for parcel	\$1,394.66 (\$1,462.50 minus 67.85)

**Allocation of TIF taxes for base and excess.**

Tax due allocated to base value	\$97.50 (5,000 x .0195)
Credit allocated to base value	<u>\$4.52</u> (5,000 x .0009046 rate of credit)
Remaining tax due on base value	\$92.98 (97.50 minus 4.52)
Tax due allocated to excess value	\$1,365.00 (70,000 x .0195)
Credit allocated to excess value	<u>\$63.32</u> (70,000 x .0009046 rate of credit)
Remaining tax due on excess value	\$1,301.68 (1,365.00 minus 63.32)

**Example 2- Tax due and credit computations for a parcel with TIF and a homestead exemption.**

If a real property parcel in a redevelopment project is granted a homestead exemption, the homestead exempt value applies to the base value first, and any remaining homestead exempt value applies to the excess value. The division of homestead tax loss reimbursement must be proportionate to the homestead exempt value determined for the value base and excess value, pursuant to Title 350 Nebraska Administrative Code Chapter 18, [REG-18-003.03C](#).

Real property credit rate (non-agland)	0.0009046
TIF parcel's base value	5,000
TIF parcel's excess value	<u>70,000</u>
TIF parcel's total value	75,000
Homestead exempt value	<u>74,000</u>
TIF parcel's taxable value after homestead	1,000
Homestead exempt value allocated to base	5,000
Homestead exempt value allocated to excess	69,000
Tax rate (1.95%)	0.0195
Tax due prior to homestead	\$1,462.50 (75,000 x .0195)
Tax exempt due to homestead	<u>\$1,443.00</u> (74,000 x .0195)
Tax due after homestead	\$19.50 (1,000 x .0195)
Credit for total value	\$67.85 (75,000 x .0009046 rate of credit)
Credit used to reduce tax to 0 (zero)	\$19.50 (lesser of 19.50 or 67.85)
Tax due after homestead & credit	\$0.00 (19.50 minus 19.50)
<b>"Unused" credit return to State Treasurer</b>	<b>\$48.35</b> (67.85 minus 19.50)

**Allocation of TIF taxes for base and excess.**

Tax due allocated to base value	\$97.50 (5,000 x .0195)
Homestead exempt tax allocated to base	\$97.50 (5,000 of 74,000 exempt value x .0195)
Remaining tax due allocated to base	\$0.00
Credit allocated to base value	<u>\$4.52</u> (5,000 x .0009046 rate of credit)
<b>"Unused" credit return to State Treasurer</b>	<b>\$4.52</b>
Tax due allocated to excess value	\$1,365.00 (70,000 x .0195)
Homestead exempt tax allocated to excess	\$1,345.50 (69,000 of 74,000 exempt value x .0195)
Remaining tax due allocated to excess	\$19.50
Credit allocated to excess value	<u>\$63.32</u> (70,000 x .0009046 rate of credit)
Credit used to reduce tax due to 0 (zero)	\$19.50 (lesser of 19.50 or 63.32)
<b>"Unused" credit return to State Treasurer</b>	<b>\$43.82</b> (63.32 minus 19.50)

**Attachment 5 Tax credit for centrally assessed railroads and public service entities.**

Counties use one of two methods to record the centrally assessed property on the tax list, either by "individual taxing subdivision" or by "consolidated tax district."

**Example 1- Tax credit for centrally assessed company recorded on the tax list by "individual taxing subdivision."**

First, the "county taxing subdivision's real property value" for the respective railroad branch line or public service entity is determined. This is the real property eligible for the credit. Then, multiply this countywide value for the company (for example the railroad branch line or public service entity) by the state's rate of credit to determine the total credit. The total credit is then apportioned to the respective individual taxing subdivisions based upon the company's real property taxes levied computed for each subdivision compared to the total real property taxes levied for the company.

A centrally assessed company's values are certified to the county by the state below.

Subdivision	Total Value	Real Value	Personal Value
County	\$11,530,984	\$9,431,100	\$2,099,884
School District 1	8,593,054	7,322,632	1,270,422
School District 2	2,577,930	2,108,468	469,462
Fire District 1	8,593,054	7,322,632	1,270,422
Fire District 2	2,577,930	2,108,468	469,462
City	347,469	284,192	63,277
Natural Resource District	11,530,984	9,431,100	2,099,884
Educational Service Unit	11,530,984	9,431,100	2,099,884
Community College	11,530,984	9,431,100	2,099,884
Agricultural Society	11,530,984	9,431,100	2,099,884

Determine the taxes levied for real property portion of centrally assessed company and the percentage each subdivision is to the total property taxes.

Subdivision	Real Property Value	Tax Rate per \$100 of Value	Real Property Taxes by Subdivision	Subdivision's Real Property Tax % of Total Real Property Tax
County	\$9,431,100	0.340	\$32,065.74	24.1497%
School District 1	7,322,632	0.900	65,903.69	49.6340%
School District 2	2,108,468	1.050	22,138.91	16.6735%
Fire District 1	7,322,632	0.035	2,562.92	1.9302%
Fire District 2	2,108,468	0.025	527.12	0.3970%
City	284,192	0.285	809.95	0.6100%
Natural Resource District	9,431,100	0.023	2,169.15	1.6337%
Educational Service Unit	9,431,100	0.015	1,414.67	1.0654%
Community College	9,431,100	0.050	4,715.55	3.5514%
Agricultural Society	9,431,100	0.005	471.56	0.3551%
<b>Total Real Property Taxes</b>			<b>\$132,779.26</b>	<b>100.0000%</b>

**Company's real property value in the county \$9,431,100 x .0009046 rate of credit = \$8,531.37**

**This is the company's total tax credit in the county.**

The company's total credit in the county is then apportioned to each individual taxing subdivision based upon the company's real property taxes levied by each subdivision compared to the total real property taxes levied for the company.

Subdivision	Subdivision's Real Property Tax % of Total Real Property Tax	Credit Apportioned to Each Subdivision
County	24.1497%	\$2,060.30
School District 1	49.6340%	4,234.46
School District 2	16.6735%	1,422.48
Fire District 1	1.9302%	164.67
Fire District 2	0.3970%	33.87
City	0.6100%	52.04
Natural Resource District	1.6337%	139.37
Educational Service Unit	1.0654%	90.90
Community College	3.5514%	302.98
Agricultural Society	0.3551%	30.30
<b>Company's Total Credit</b>	<b>100.0000%</b>	<b>\$8,531.37</b>

**Attachment 5 Tax credit for centrally assessed railroads and public service entities. (continued)**

**Example 2- Tax credit for centrally assessed company recorded on the tax list by "consolidated taxing district."**

<b>Consolidated Tax District</b>	<b>Total Value</b>	<b>Real Value</b>	<b>Personal Value</b>
Tax District 1	\$8,593,054	\$7,322,632	\$1,630,422
Tax District 2	2,577,930	2,108,468	469,462
Total Taxable Value	11,170,984	9,431,100	2,099,884

Tax District 1 real property value \$7,322,632 x .0009046 rate of credit = \$6,624.05

Tax District 2 real property value \$2,108,468 x .0009046 rate of credit = \$1,907.32

**Company's total credit** \$8,531.37

**Reminder: If a centrally assessed company's value is 100% personal property, with no real property, no credit will be received.**