

Property Tax History

Since the beginning of Nebraska's statehood, property tax has been a major source of state and local operating revenue. This tax was initially adopted by the Territorial Legislature in 1857. The growing need for public services and changes in economic structure caused property taxes to steadily increase. This in turn prompted the necessity for relieving property taxes and providing new sources of revenue.

In November 1966, approval of a constitutional amendment abolished "state" property taxes. Also, the Legislature repealed the head and poll taxes, the tax on intangible property, the tax on household goods, and certain miscellaneous personal property taxes. In order to replace lost revenues, the Legislature adopted two broad-based taxes in the Revenue Act of 1967: the state sales and use tax and the income tax. In addition to replacing lost state revenue, a portion of the sales and income tax monies were designated to finance state aid programs. At that time, \$35 million was designated annually for aid to school districts. An additional \$10 million each year was distributed to cities and counties to replace lost revenues due to the elimination of intangible property, household goods, and personal effects from the property tax base.

In 1969, the Homestead Exemption Act was passed to provide property tax relief to certain owners of residential property. It provided for an exemption of \$800 of actual value for residences valued at \$4,000 or more. The homestead exemption benefits have been changed over the years and currently provide for an exemption of all or part of real property taxes, for individuals over 65 with limited income, veterans, and individuals with certain disabilities.

Since 1967, "local" units of government have exclusively levied property taxes. In 2008, Nebraska's local governments levied approximately \$2.876 billion in property taxes. In addition, for fiscal year 2009-2010, there is approximately \$1.379 billion in local tax relief (state aid) appropriated for local governments (see statistical Table 3B and 3C).

Over the years, the property tax structure in Nebraska has changed as the Legislature has addressed various economic concerns. Property tax remains primarily a tax on real property, but changes have been made in the classification of property, as well as the level of assessment at which property is taxed. [Nebraska's Constitution, Article VIII, Section 1](#), requires uniformity and proportionality both as to the rate and the valuation.

Social and economic trends continue to impact Nebraska citizens' views on all taxes and state aid programs. Meanwhile, the payers and recipients of taxes share in the benefits of public schools, roads, law enforcement, and a number of other public facilities and programs.

Summary of Legal/Legislative Actions

General Overview:

The Nebraska Constitution, Article VIII, sets out the general principles upon which the property tax system is built. Specifically, section 1, subsection (1), states, “Taxes shall be levied by valuation uniformly and proportionately upon all real property and franchises as defined by the Legislature except as otherwise provided in or permitted by this constitution.” The Constitution further defines different principles for real property and personal property and provides for exemptions and preferential valuations.

Real Property:

Nebraska Constitution Article VIII, section 1, subsection (1), directs that the property taxes imposed on real property shall be based upon valuations that are uniform and proportionate. However, for agricultural and horticultural land, section 1, subsection (4), provides that valuations need not be uniform and proportionate with other classes of real property, but must be uniform and proportionate upon all property within the class of agricultural and horticultural land. Classification changes are addressed in the following sections for agricultural and horticultural land and personal property. Over time, changes have also been made in the level of assessment at which property is taxed, as follows:

- a) For 1920 and prior years, property was assessed at 20 percent of its actual value;
- b) From 1921 to 1952, property was assessed at its actual value;
- c) From 1953 to 1955, property was assessed at 50 percent of its actual value;
- d) For 1956 and 1957, property was assessed at 50 percent of its base value;
- e) From 1958 to 1980, property was assessed at 35 percent of its actual value;
- f) From 1981 to 1991, property was assessed at 100 percent of actual value;
- g) From 1992 to 2006, property was assessed at 100 percent of actual value, with the exception of agricultural and horticultural land which was assessed at 80 percent of actual value;
- h) From 2007 to current, agricultural and horticultural land has been assessed at 75 percent of actual value.

Agricultural and Horticultural Land:

1972: Constitutional amendment, Article VIII, section 1, subsection (5); Legislature is authorized to enact laws providing for the valuation of land actively devoted to agricultural or horticultural uses based on its agricultural or horticultural use without regard for other purposes and uses. Subsequently, the Legislature authorized special valuation.

1984: *Kearney Convention Center v. Board of Equal.*, 216 Neb. 292, 344 N.W.2d 620 (1984). Commercial property owners requested that their valuation be equalized with agricultural land which was assessed at a lower level of value.

1984: Constitutional amendment, Article VIII, section 1, subsection (4); agricultural land is defined as a separate and distinct class and authorized the use of any different approach to value agricultural land.