

## **Property Tax History**

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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 Also, the Legislature repealed the head and poll taxes, the tax on specific types of intangible property, the tax on household goods, and certain miscellaneous personal property taxes.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 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 2021, Nebraska's local governments levied approximately \$4.729 billion in property taxes. In addition, for fiscal year 2021-2022, approximately \$1.894 billion in local tax relief (state aid) has been appropriated for local governments (see statistical Tables 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.