

V. SPENDING AND TAXES

A. GENERAL TAX ISSUES

BEGINNING FARMER ASSISTANCE (2010). Farm Bureau encourages the entrance of young farmers and ranchers into agriculture. We support programs to provide loans, grants and technical assistance to beginning farmers. We support tax exemptions or credits, like credits against personal property taxes or income tax credits for capital investments made, for beginning farmers as part of a package to encourage entrance into farming and ranching. We believe efforts assisting beginning farmers should be targeted towards beginning farmers rather than asset owners.

BUSINESS INCENTIVES (2007). We support business incentive tax credits with full disclosure and accountability. Credits should only be granted on real property, not on personal property. We also support legislative efforts to modify or target more business incentive programs so that they are more beneficial to rural Nebraska, and farmers and ranchers. We support livestock investment tax credits to encourage the growth of the livestock industry in our state.

CAPITAL GAINS TAXES (2009). We support the continued effort to lower and eventually remove the taxes on capital gains. This would lessen the ripple effect of land sales that require “like-kind” purchases to defer taxes on land sales.

CITY TAXES (2007). City taxes should not be applicable to county residents residing outside city limits but within the city’s zoning area.

ELECTRICITY SURCHARGES (2010). We oppose the imposition of surcharges or fees on electricity bills to fund state or local government operations or needs.

ETHANOL TAX (2010). We oppose any excise tax on ethanol or on any byproduct of the distillation process, including wet distiller’s grain, dry distiller’s grain, or gluten feed.

FERTILIZER TON TAX (2007). We oppose any implementation of a fertilizer tax.

INCOME TAX (2009). Excess Nebraska income tax revenues should be used for property tax relief and for state infrastructure repair rather than being rebated in small amounts to individuals.

We believe that money received from a forced sale of real property for public use (example: rights-of-way) should be exempt from income tax.

We support state income tax exemptions for loan forgiveness programs, incentives or other monies given to rural medical practitioners when they practice in rural areas.

INHERITANCE TAXES (2009). We support permanent repeal of the inheritance tax. Until permanent repeal can be achieved, the exemptions should be increased and indexed to inflation. Greenbelt recapture valuations should not be used to set estate values for county inheritance taxes. State aid should be provided to counties to avoid shifts to property taxes if county inheritance taxes are repealed.

SALES TAX (2010). We support a sales tax on food. We oppose the optional city sales tax and any increase in the city sales tax rate statutory limit currently in effect. We oppose sales tax on services unless significant reduction of property tax can be achieved through a tax reform package. We support removal of sales tax on agriculture repair parts. We support the establishment of a system of taxation on Internet sales so that sales tax income can be preserved for the state in which the buyer resides. Purchases of biofuels shall be exempt from sales tax when used as an energy source in processing, manufacturing or refining.

We oppose the repeal of sales tax exemptions on the sales or purchases of inputs used in agriculture and the sales of commodities produced by agriculture.

SALES TAX ON MACHINERY (2008). We oppose reinstating the requirement to file a form to claim the sales tax exemption on farm machinery.

STAMP TAX (2006). Stamp taxes collected by counties should remain in the counties and not go to the state or any state entities.

TAX AUTHORITY (2009). We oppose granting taxing authority to any humane society.

TAX CREDITS FOR EASEMENTS (2006). Nebraska Farm Bureau is not opposed to providing land owners income tax credits when conservation easements are donated as long as assurances are provided the easements will not erode the long-term property tax base in the county where the land is located. Funding for such credits should come from broad-based sources.

TAX INCREMENT FINANCING (2008). We support the use of tax increment financing for the purposes of rural economic development and support allowing counties to use TIF. The requirement that property be designated blighted and substandard should be repealed for the purposes of TIF.

TAX RESTRUCTURING (2008). In keeping with our long-term policy of shifting from property taxes to income and sales taxes to achieve a more balanced and equitable tax system, we support restructuring Nebraska's state and local tax system. A restructuring package must include provisions that result in real, lasting reductions in agriculture's property tax burden, a broadening of the burden of funding local government services, and an expansion of the beneficiaries of local option sales taxes. We believe income taxes are the most equitable means of offsetting reductions in property taxes; however, we are not opposed to broadening the sales tax base if the services or goods subject to tax are used or consumed by a large percentage of the population so the tax is truly broad-based in nature.

B. PROPERTY TAX

AG LAND ASSESSMENT (2010). Nebraska Farm Bureau supports an income capitalization approach as the most equitable means of valuing agricultural land for tax purposes. The implementation of such an approach should use the best price, yield, expense and landowner share data available, take into account the land's location and allow for obsolescence in order to assess the land based on its earnings capacity and remove influences outside of agriculture from the assessment process. The approach shall be implemented in a way to maintain landowners' rights to appeal. There should be consideration of the formation of an advisory review commission to assist in implementation of an income capitalization approach and capitalization rates.

If an income capitalization approach is legislatively unattainable, we would support lowering the current 75 percent of the market level of value. Under a market approach, we support giving county assessors the flexibility to give less weight to non-agriculture sales of agricultural land when determining countywide valuation adjustments. County assessors should have the primary decision-making authority on which comparable sales are used to determine market value. Section 1031 exchange purchases should be reported to county assessors and not be used for valuation purposes. We believe when ag land is sold and its primary use has changed from ag purposes to hunting and recreation, or the sale price is influenced by market forces other than ag, like preservation, those sales should not be used in the determination in the value of ag land. We support the use of market areas to differentiate areas of market activity for agriculture land and adjustments to market areas to obtain uniform values. Counties should have uniform raises or decreases in value among similar soil classifications outside of market areas.

We believe assessed values should be equalized between counties. We support the Tax Equalization and Review Commission.

Farmsteads involved in active farming operations should be appraised similar to other active farmsteads, not as subdivided residential property.

Agricultural land not used for ag purposes that is being mined for soil should be valued and taxed as commercial property and not as agricultural property.

AG LAND DEFINITION (2008). We support changes to the definition of ag land to define parcels used primarily for the production of agricultural and horticultural purposes as ag land. Parcels could be defined as agricultural land if they are under common ownership and managed in conjunction with other agricultural land, are enrolled in federal or state conservation programs, or it can demonstrated the gross sales from the parcel exceeds the USDA threshold for defining farms.

GREENBELT (2007). We support legislation to allow agricultural land within city boundaries to be eligible for Green Belt. We also favor mandatory implementation of the "Green Belt Law" until the legislature implements an income producing formula. Property taken through condemnation or threat of condemnation should be exempt from Green Belt recaptures. We actively encourage county officials to implement Green Belt Laws and value agricultural land accordingly. Green Belt properties should continue to hold Green Belt status until there is a use change. We believe valuations for tax purposes should be determined on present use and not to unrelated and unrealistic sales of nearby land or on future use of the land. Governmental entities receiving recapture funds should have the amount received subtracted from their next year's budget to prevent receiving tax revenues outside of their lid.

IRRIGATION LIMITATIONS (2007). We support a reduction in real property valuations in proportion to the amount of water loss for producers who must shut off or scale back irrigation.

MUNICIPAL WELLFIELDS (2008). We believe municipalities that acquire land in any manner to drill wells should pay real estate taxes.

ORGANIC FARMING TAX REBATES (2010). We oppose any property tax rebate for organic farming in the State of Nebraska.

PERSONAL PROPERTY (2006). We believe the long-term tax policy of Nebraska should be to shift taxes from personal property to income and sales taxes. We support using the federal tax code section 179, expense election, to decrease the basis when computing taxable value of Nebraska personal property. Pivot irrigation systems should not be taxed as personal property when attached to land valued as irrigation land. In order to eliminate the double taxation of computer systems and office equipment used in agricultural operations, equipment should either be subject to sales tax at the time of purchase or subject to personal property tax, but not to both taxes, which is the current status.

PROPERTY TAX REFORM (2009). We support major reform of local government financing. We believe property taxes need to be reduced by constitutional limits on levies. We believe the long-term tax policy of Nebraska should be to shift taxes from real property to income and sales taxes to achieve a balanced and more equitable tax system. We also believe in stronger constitutional guarantees for the uniform valuation of real estate.

Spending reductions are the first and foremost way to provide property tax relief. Public services, which provide benefits not closely correlated to the property base, should not be based on property taxes. Services that do not have a relationship to property such as community colleges, ESUs, indigent legal defense funds and correctional services should be funded by the state.

We believe the legislature should remove unfunded mandates on local governments, including schools, as the

first step toward reducing spending and creating efficiencies. Spending reductions should be achieved by controlling local administrative costs and prioritizing and sharing government services. Local control should be maintained in implementing these efforts. If replacement revenues are needed, we support revenue increases from broader-based and/or increasing sales and income taxes.

We support statutory levy caps as long as alternative revenues are available to maintain governmental services. We encourage the voluntary consolidation of government services, both within and across county lines, by a majority vote of citizens affected where cost efficiencies to reduce spending are realized.

We believe surplus in state revenues should be used to reduce property taxes through lower levy limits, increased state aid to schools, reduced land values or increases in state aid to community colleges.

PROPERTY VALUATION APPEALS (2008). We believe the appeals of property valuation should be limited to the parcel or personal property in question.

TAX BASE (2010). We believe non-profit organizations should pay property tax or an in-lieu-of tax based on income derived from the real property with a limit on administrative and other so-called expenses. If a government entity purchases real property and does not utilize it for a public use, the property should remain on the tax roll.

TRIBAL LANDS (2009). We oppose placing lands in trust for an Indian tribe, removing that property from political subdivision tax base; unless all lost tax revenue is reimbursed to the political subdivisions.

C. GAS TAX

HIGHWAY TRUST FUND (2009). We oppose changes to the distribution of dollars from the state highway trust fund unless the changes would benefit rural areas. Bonding as a means of financing state highway construction is not acceptable. Taxes collected from highway users should be strictly used for road construction and maintenance. We support an independent study to see if there are ways to run the Nebraska Department of Roads and its programs more efficiently. We support legislation equalizing the collection of motor fuels tax on tribal sales of motor fuel with taxes collected by the state on non-tribal sales. Additional funding provided to cities and counties must be used only on the construction or maintenance of roads. We oppose diverting highway user taxes to other purposes.

If the legislature determines additional funding for road construction and maintenance is necessary, we support increasing the motor fuels tax. Any increase to the motor fuels tax should be in the fixed portion of the tax to provide funding to cities and counties as well. We oppose the use of general funds or the levying of any tax on agricultural products including ethanol to fund road construction or maintenance.

D. STATE/LOCAL BUDGETS

MANDATED PROGRAMS (2010). We expect elected officials to challenge unaffordable mandated regulations. When the Legislature mandates programs at the county or local level, such programs should be accompanied by adequate funding and the means to provide for that additional funding. We support voluntary elimination or consolidation of government services where possible.

SPENDING LIDS (2009). We believe in the election of officials who will be responsible for efficient, economical and honest conduct of government functions. However, we support efforts to work toward realistic, constructive spending restraints and/or revenue caps as an aid for officials in making budget spending decisions. We believe incentives for local governments should be developed to minimize the “spend it or lose it” mentality in regard to budgeting procedures.

Budget increases for local government except schools should continue to be limited to the percentage population growth in the subdivision. Increases in school budgets should continue to be limited to the percentage of student growth. Building fund levies must be included.

We believe any governmental entity that receives greenbelt recapture funds should have an equal amount subtracted from the next year's budget to prevent a taxing entity from receiving tax revenues outside its lid.

We oppose legislation that would relax current spending limitations on local governments or the administrative procedures they must use to exceed the limitations.

STATE SPENDING (2008). We believe state aid to schools must continue to be a priority within the state budget and that the Legislature should exhaust other avenues for cuts before cutting state aid. At the same time, the state needs to examine the curriculum requirements and accreditation standards placed on local systems to assure that providing an education remains manageable, and affordable.

As the university looks to prioritize programs in the face of budget cuts, we believe it should give priority to education, research and extension programs that fulfill its role as a traditional land grant institution and meet the economic needs of Nebraska and its citizens.