

Johanns, Legislature spar over tax-relief bill

Governor's proposal would create property-tax rebates

BY BRIAN CARLSON
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Legislature



Gov. Mike Johanns stepped into the hot seat at the Legislature's Revenue Committee on Friday, defending his proposal for direct property tax rebates as the simplest and most effective way to provide property tax relief.

Several committee members and opponents of LB881, however, questioned the plan's sustainability and effect on school financing.

Johanns' proposal would create a trust fund into which excess state revenues would flow, providing funding for rebate checks to be mailed directly to taxpayers. Johanns estimated taxpayers would receive a check worth about 11 percent of their property tax bill in the program's first year.

Johanns applauded the Legislature for increasing the state's share of school financing in recent years. The state now pays roughly half of K-12 school expenses, and Johanns said this should continue.

"But where I have to question, what I can't defend, is in the area of property tax relief," he said.

While increased state aid to schools is "the right thing to do," he said, it has not provided property tax relief to the extent that had been hoped.

Under LB1114, passed in 1996, the state capped school districts' property tax levies at \$1.10 per \$100 evaluation; to be dropped to \$1 in 2001. This was an attempt to reduce property taxes, and it was followed by a \$110 million infusion of state aid to schools in 1997 to compensate for schools' lost property tax revenues.

Johanns said each additional dollar of state aid had resulted in roughly 40 cents of property tax relief. The Omaha Public Schools, for example, received an additional \$23 million in state aid, but district residents saw their property taxes fall about \$6.2 million.

Johanns said the state should keep the levy limit at \$1.10, canceling the scheduled drop to \$1. That proposal is contained in separate legislation sponsored by Sen. Pam Brown of Omaha.

The combination of continued state aid to schools, retention of the \$1.10 levy lid and passage of LB881 would

break the link between state aid to schools and property tax relief, resulting in nearly dollar-for-dollar relief, Johanns said.

Property tax relief, he said, would depend only on the willingness of the Legislature and governor to restrict spending.

Sen. Stan Schellpeper of Stanton, however, said he worried the plan could hurt property tax relief efforts. Keeping the higher levy limit would mean higher property tax bills, and property tax rebates would not be affordable if the state's revenues dipped — for example, if the economy turned sour.

"People could get hit twice," he said.

Sen. Bob Wickersham of Harrison, the committee chairman, said Johanns' proposal did not represent sound economic policy.

In the event of an economic downturn — the precise time when property tax relief would be most needed — property tax rebates would not be affordable because of lower state revenues, he said. In that case, he said, property tax rebates could be paid for only by cutting important state services.

"It seems to me we put ourselves at a considerable amount of risk in that particular situation," he said.

Lowering property tax levies, Wickersham said, was more likely to provide sustained, long-term relief.

"Why substitute an absolute certainty of lower taxes for a good chance taxes won't be lower?" he said.

Wickersham and Sen. Ron Raikes of Lincoln both said state aid to schools was designed not only to provide property tax relief, but to promote equality in financial resources for all school districts. They questioned how Johanns' plan would promote equalization.

"I'm not saying we should repeal the formula," Johanns said. "I really do not believe LB881 abandons the efforts the Unicameral has been putting into place."

Bryce Neidig of the Nebraska Farm Bureau Federation testified in support of LB881, saying it would pro-

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SEN. BOB WICKERSHAM

vide more efficient property tax relief.

"There is no question that in the near term, LB881 will provide more property tax relief than we are now getting," he said.

Robert J. Halstrom, a lobbyist for the Nebraska Bankers Association, said the organization opposed a mere tax shift from property taxes to income, sales and other taxes.

"We do not believe that state aid to education and property tax relief are issues that need to be forever intertwined," he said.

But Jim Griess, executive director of the Nebraska State Education Association, said Nebraskans had shown firm support for property tax relief, even if higher income and sales taxes were a tradeoff.

"The fact is, Nebraskans want a shift from property tax to sales tax and other sources," he said. "And contrary to what many people say, shift is not a four-letter word."

"In fact, shift happens all the time. The question is, which way will it go?"

LB881 would "replace and displace" LB1114, Griess said, jeopardizing certain property tax relief in an attempt to provide property tax rebates that may not be affordable.

"There is no guarantee of property tax relief in this plan," he said.

Linda Poole, president of the Millard School Board, said the district was worried LB881 would put on hold future state aid that would promote quality education.

She added that because property tax rebates would be considered personal income, Nebraska taxpayers would lose about 17 percent of their rebate in income taxes.

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RHA

Charron named RHA secretary

From staff reports

The Residence Hall Association Senate passed by acclamation the appointment of Anna Charron to become RHA secretary Sunday night.

The appointment came as a surprise to some members because the senate declined to approve Charron's appointment three weeks ago. A majority of the senate then supported a different candidate, former RHA Senator Matt Knobbe, to become secretary.

Before the senators voted on the appointment, Knobbe addressed them to vote for Charron, a sophomore engineering major. He said although he was the better candidate, it wouldn't be fair to Charron for the senate to vote down her appointment again.

Charron, who succeeds Jill Beran, thanked Knobbe after his address.

"This is a very honorable thing to do," she said.

Knobbe said he decided to support Charron after he had talked with RHA President Shane Perkins before the senate meeting.

Perkins said Knobbe was qualified to become secretary, but that Charron was the best candidate.

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