



# About OpenSky Policy Institute

The best choices are informed choices. At OpenSky, we work to make sure lawmakers and other leaders have quality data and research to make decisions that help our communities thrive.

We are **non-partisan** and focus on **tax, budget, and education finance** policy in Nebraska.

# Today's Presentation:

- Key 2021 session tax issues & why they matter
- 2021 Federal Covid Relief Measures

## Last Session, LB 1107 passed

- LB 1107 is expected to cost **\$4.6 billion** over the next 11 years, with pay-for's of only \$16m per year)
- Property tax “relief” is expected to make up 12.8% of General Fund appropriations in FY24.

	Property Tax Credit Cash Fund	LB 1107 Refundable Income Tax Credit	Total Property Tax Relief***
FY 21	\$275,000,000	\$125,000,000	<b>\$400,000,000</b>
FY 22	\$275,000,000	\$212,000,000**	<b>\$487,000,000</b>
FY 23	\$275,000,000	\$212,000,000**	<b>\$487,000,000</b>
FY 24	\$275,000,000	\$394,000,000**	<b>\$669,000,000</b>
FY 25	\$275,000,000	\$375,000,000	<b>\$650,000,000</b>

\*\* Projected

\*\*\*Doesn't include Homestead Exemption

# Think about the alternatives!!!

- Paid leave
- Quality pre-K
- Worker's rights
- Child Care Credits
- EITC
- Unemployment benefits
- Affordable college
- Health care access
- Mental health
- Affordable Housing
- SNAP benefits
- After school programs
- AND MORE!!!

## LR 22CA/ LB 408

- LR 22CA/ LB 408- Limits property taxes raised by local governments to 3% over the prior year.
- This would apply to schools, cities, counties, community colleges, NRD's, etc.
- Could limit spending growth to well below 3%.

### **Millard Public Schools FY 16/17 to 17/18:**

**12%** increase in property tax revenue

11.2% decrease in state revenue

Decrease of 1.5% in total revenue

### **If LR 22CA had been in place:**

**3%** increase in property tax revenue

11.2% decrease in state revenue

Decrease of 5% in total revenue

# 2021/22 Tax “Reform”

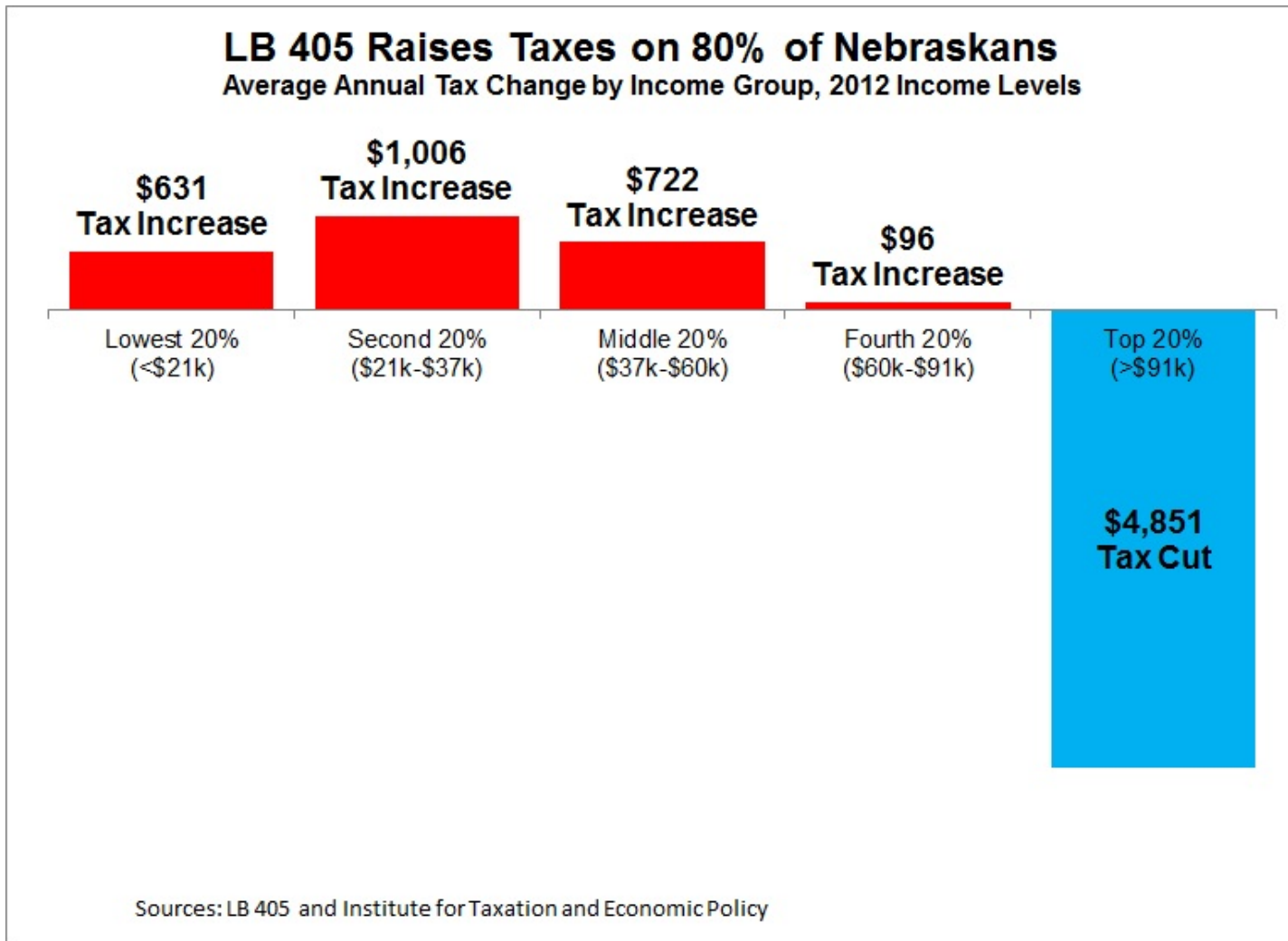
- Cut top personal income tax (PIT) rate
- Cut corporate income tax (CIT)
- Stop state taxation of international income
- Broaden the sales tax base, likely including groceries
- Reduce the property tax burden
  - **i.e. cap local spending growth for schools, cities, counties, etc.**
    - **This will limit spending for education and other local services like community health care**

# Tax Reform

- PIT is most progressive source of state revenue
  - Wealthy Nebraskans pay the most
- Sales tax is most regressive
  - Low income earners pay the most
- Cutting income taxes and broadening the sales tax base **will raise taxes on low and middle income families while cutting taxes for the wealthiest Nebraskans**
- **If it's not revenue neutral, will require budget cuts**
- **Don't be misled by offerings such as an increase in the EITC**



# Example of what this might look like



# Tax Reform – Bottom Line

- The state depends on income tax revenue to fund schools, health care, corrections, etc.
- The plan is likely to increase taxes on low- and middle-income families.
- It is likely to reduce revenue in the future, threatening funding for education, health care and other critical services and limiting the state's ability to fund new programs/services.
- It is likely to include spending restrictions for schools, local health care and other services low- and middle-income families rely on.
- BIPOC communities are likely to be hit hardest.

# 2021 Federal Covid Relief Package

Key elements of emerging House COVID reconciliation bill:

- Extended jobless benefits
- Nutrition: SNAP and P-EBT
- Housing: emergency rental assistance
- Health care coverage (ACA premium subsidies; possible Medicaid provisions)
- Child Tax Credit and Earned Income Tax Credit expansions; stimulus check #3
- TANF emergency fund
- Minimum wage; paid family emergency leave

# 2021 Federal Covid Relief Package

- More aid to state and local governments & education funding
  - \$983 million to NE; \$803m to localities (Total of \$1.786B) PLUS funding for education
  - [Chairwoman Maloney Announces Markup of Coronavirus Relief Measures | House Committee on Oversight and Reform](#)
- Allowable uses are broad: respond/mitigate the virus and its economic affects, cover costs, replace lost revenues, or address the negative economic effects.
- Funding may be used until expended; no deadline for spending.
- Legislation taken up by house next week and then to the Senate. Target is to pass it before March 14 when the current emergency UI benefits expire.
- Once it's enacted states (and other govts) will need to send a certification letter. Once that's received Treasury has 60 days to disburse the funds.
- They are expected to move the state \$ quickly, assuming they retain a straightforward method of disbursement.

# Stay Connected to OpenSky!

- [www.openskypolicy.org](http://www.openskypolicy.org)
- **Sign up** for our email updates
- **Follow us** on Facebook and Twitter
- **Contact us:**
  - Office: 402.438.0382
  - Email:
    - [rfry@openskypolicy.org](mailto:rfry@openskypolicy.org)
    - [cbeck@openskypolicy.org](mailto:cbeck@openskypolicy.org)
    - [tfriesenmilone@openskypolicy.org](mailto:tfriesenmilone@openskypolicy.org)
    - [cknoche@openskypolicy.org](mailto:cknoche@openskypolicy.org)
    - [cbrown@openskypolicy.org](mailto:cbrown@openskypolicy.org)
    - [aserrurier@openskypolicy.org](mailto:aserrurier@openskypolicy.org)