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Nebraska Association of County Officials

Legislative Report

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Inheritance Tax Compromise Advanced

Counties would collect a reduced amount of inheritance taxes under a Revenue Committee amendment that was adopted to [LB310](#). First round debate ended Tuesday afternoon with a compromise that would increase exemption amounts and decrease tax rates but otherwise leave inheritance taxes in place. Senator Albrecht withdrew an amendment that would have phased out inheritance taxes entirely by 2028. The Revenue Committee amendment, [AM635](#), was then adopted with an agreement to revise reporting requirements on the next round of debate.

Thank you to all county officials who told your senator how your county uses inheritance taxes. Nearly every senator who spoke mentioned that their county officials had contacted them. Many praised the hard work that counties do on limited budgets. Several commented on how much influence NACO has – influence that comes from you and your relationships with your senators. If you contacted your senator, please reach out to them again and thank them for their consideration of your comments.

Under the adopted amendment, for decedents dying after January 1, 2022, the exemption amounts would increase for Class I beneficiaries (parents, children, siblings) from \$40,000 to \$100,000. For Class II beneficiaries (aunts, uncles, nieces, nephews), the exemption would increase from \$15,000 to \$40,000 and the tax rate would decrease from 13 percent to 11 percent. For Class III beneficiaries (all others), the exemption would increase from \$10,000 to \$25,000 and the tax rate would decrease from 18 percent to 15 percent. Total collections are estimated to be reduced by 15 percent by these changes. Beneficiaries of all classes who are under age 22 would not be subject to inheritance taxes. County treasurers would be required to report the number of each class of beneficiary and the number of beneficiaries who do not reside in Nebraska.

Floor Debate

Senator Robert Clements introduced LB310 last year and selected it as his priority bill for 2022. As introduced, LB310 would have increased exemption amounts indefinitely, resulting in an effective elimination of most collections over time. That proposal was replaced by the Revenue Committee

amendment. He said that the tax, which enacted in 1901, was antiquated and made Nebraska a bad place to die according to tax rankings. He said valuation increases have created a windfall for counties but there has not been a reduction in property taxes in response to increased inheritance tax collections.

Senator Joni Albrecht's [amendment](#) would have increased exemption amounts and dramatically reduced tax rates annually over five years until total elimination in 2028. She argued that other states have eliminated inheritance taxes as they modernize tax codes. Other opponents of inheritance taxes called them double-taxation, misdirected taxes, and slush funds. They said federal ARPA funds could be used to offset inheritance tax losses and should be used to reduce property taxes.

Advocates of county government argued that counties use inheritance taxes for reserves, to buy down levies, and for projects and purchases that would otherwise be funded from property taxes. Because most state aid has been eliminated, inheritance taxes are the second largest source of county funding. One senator pointed out that a comparable 15 percent reduction of state sales tax collections would result in a \$300 million loss to the state.

They shared data provided by counties on the number of deficient bridges and the costs of repairs paid for by inheritance taxes after the 2019 floods. They discussed the property tax increases that would be needed to build reserves without inheritance taxes. They pointed out inconsistencies in arguments for the state's policy of using ARPA funds for one-time expenditures but directing counties to use them to replace an ongoing revenue stream.

Next Steps

LB310 will be scheduled for second-round debate later during the session. NACO is working with Senator Clements on an amendment to revise reporting requirements so that the personal representative of the estate, rather than the county treasurer, collects the data on beneficiaries and their state of residence.

Bill Introductions Continue, Floor Debate Begins

Senators introduced 135 more bills this week, bringing the total of [new introductions](#) to 358. In addition to LB310, senators debated other 2022 priority bills. [LR14](#), a measure to call for a convention of states to propose amendments to the U.S. Constitution, advanced from General File. [LB364](#), which would create a tax credit scholarship for private school students, did not have enough votes for a cloture motion and no vote was taken on advancement.

In addition to floor debate, senators welcomed Governor Ricketts for his annual State of the State address on Thursday morning. He spoke about his priorities for this legislative session including tax relief, public safety, funding for water projects, and the expenditures of ARPA funds.

On January 21, Nebraska Supreme Court Chief Justice Mike Heavican will present the annual State of the Judiciary address to the body.

The Legislature will be in recess January 14 and 17. When it reconvenes on January 18, floor debate will take place in the mornings while committees hold public hearings on new bills in the afternoons. A schedule of selected committee hearings is provided below and the entire hearing schedule is posted on the Legislature's website. Hearings of note next week include increased funding for riparian weed management ([LB805](#)), changes to the Black-Tailed Prairie Dog Management Act ([LB712](#)), changing the property tax credit ([LB688](#) and [LB723](#)), open carry of handguns ([LB773](#)), school property tax limits ([LB986](#) and [LB987](#)), and homestead ([LB853](#)) and motor vehicle tax ([LB693](#)) exemptions for veterans.

NACO Legislative Committee to Meet January 21

NACO's Legislative Committee will meet at 9:00 a.m. (CST) on Friday, January 21 to review and take positions on bills that have been introduced through the first eight days of the 2022 legislative session. Due to COVID precautions, the meeting will be conducted through Zoom. Each affiliate group has been asked to review the bills pertinent to their office prior to the meeting and select one of their members to speak to their recommended positions on bills. Register for the webinar [here](#). After registering, you will receive a confirmation email containing information about joining the webinar.

The Committee will meet again on January 27 to take positions on bills introduced during the final two days of introductions. A webinar will not be held so comments on those bills should be provided to your NACO Board representative to share at the meeting.

2022 Bills Affecting Counties

Among the bills introduced this week were measures to exempt all tangible personal property from taxation ([LB1030](#)), change virtual conferencing provisions ([LB908](#)), and expand the classes of offenses that serve time in county jails ([LB921](#)).

County Operations

[LB935](#) (Bostar) Adopt the County Minimum Wage Option Act

[LB954](#) (Wayne) Preempt certain county and municipality resolutions or ordinances relating to electronic smoking devices under the Nebraska Clean Indoor Air Act

[LB983](#) (Moser) Change provisions relating to industrial development powers of counties, cities, and villages

[LB1022](#) (Friesen) Change fee remittance provisions relating to 24/7 sobriety program permits under the Motor Vehicle Operator's License Act

Property Tax

[LB949](#) (Friesen) Change provisions relating to property tax statements

[LB972](#) (Hansen, M.) Change provisions relating to agricultural or horticultural land receiving special valuation

[LB995](#) (Linehan) Limit the total amount reimbursed by the state for homestead exemptions

[LB1005](#) (DeBoer) Change notice provisions relating to treasurer's tax deeds

[LB1020](#) (Brewer) Change homestead exemption provisions relating to application requirements for certain veterans

[LB1030](#) (Friesen) Exempt all tangible personal property from property tax

[LR272CA](#) (Pahls) Constitutional amendment authorizing the Legislature to treat residential real property as a separate class for property tax purposes

Open Meetings

[LB908](#) (McDonnell) Provide additional requirements for virtual conferencing under the Open Meetings Act

Roads

[LB913](#) (Bostelman) Changes provisions relating to construction of highways and roads

Law Enforcement/Courts

[LB920](#) (Lathrop) Change criminal justice provisions including offenses, sentencing, set asides, restitution, pretrial diversion, and parole; provide for benefits under the Rural Health Systems and Professional Incentive Act; create criminal justice pilot programs; terminate an oversight committee; and create a task force

[LB921](#) (Lathrop) Change where sentences of imprisonment are served

LB942 (Slama) Change powers, duties, and training requirements for noncertified conditional officers and law enforcement reserve officers and provide for notice of expiration of certification as a qualified firearm instructor

[LB1009](#) (Brandt) Adopt the Domestic Abuse Death Review Act

[LB1031](#) (McCollister) Provide requirements on contracts for telecommunications services for jails

Hearing Schedule

Every bill introduced by the Legislature is the subject of a public hearing. Following is a schedule of bills that are of interest to counties.

Note that bills not appearing on this list may be heard during the same hearing. A complete list of [hearings](#) is available on the Legislature's website. Click here for [tips about testifying](#) at a hearing and this session's [procedures](#) for providing input.

Tuesday January 18, 2022

Agriculture Committee

Room 1524 - 1:30 PM

[LB712](#) (Hughes) Change provisions of the Black-Tailed Prairie Dog Management Act

[LB805](#) (Hughes) Change provisions relating to prioritization of applications and intent to appropriate funds under the Noxious Weed Control Act

Transportation and Telecommunications Committee

Room 1113 - 1:30 PM

[LB714](#) (Geist) Change the distribution of fees for certain motor vehicle operators' licenses and state identification cards

[LB720](#) (Albrecht) Adopt changes to federal law regarding motor vehicles and motor carriers

[LB749](#) (Friesen) Change an identification inspection provision under the Motor Vehicle Certificate of Title Act

[LB750](#) (Friesen) Change provisions relating to transfer-on-death motor vehicle certificates of title, the Motor Vehicle Certificate of Title Act, the Motor Vehicle Registration Act, the Motor Vehicle Operator's License Act, and the International Fuel Tax Agreement Act

Wednesday January 19, 2022

Natural Resources Committee

Room 1525 - 1:30 PM

[LB775](#) (Brewer) Prohibit land disposal of wind turbine blades and their component parts

Judiciary Committee

Room 1113 - 1:30 PM

[LB732](#) (Cavanaugh, J.) Prohibit use of deception by peace officers in questioning juveniles

[LB879](#) (Cavanaugh, J.) Provide for answers of no contest in adjudication hearings under the Nebraska Juvenile Code

[LB883](#) (McKinney) Require confidentiality of prosecutions of minors tried as adults and change and provide requirements regarding custody and interrogation of a juvenile

Revenue Committee

Room 1524 - 1:30 PM

[LB723](#) (Briese) Change provisions relating to the calculation of tax credits under the Nebraska Property Tax Incentive Act

[LB688](#) (Blood) Adopt the Property Tax Reduction Act and eliminate credits under the Nebraska Property Tax Incentive Act

Thursday January 20, 2022

Judiciary Committee

Room 1113 - 1:30 PM

[LB773](#) (Brewer) Provide for carrying of concealed handgun without a permit and prohibit regulation of such carrying by cities, villages, and counties

Friday January 21, 2022

Judiciary Committee

Room 1113 - 1:30 PM

[LB833](#) (Pahls) Change the statute of limitations on certain civil actions for sexual assault of a child

[LB953](#) (Cavanaugh, J.) Change provisions relating to open burning permits and provide limitations on liability and nuisance relating to land-management burning

Tuesday January 25, 2022

Education Committee

Room 1525 - 1:30 PM

[LB890](#) (Walz) Change the Tax Equity and Educational Opportunities Support Act

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