

April 13, 2018

Only one day remains in the 2018 Legislative Session, as lawmakers adjourned on Wednesday. The Legislature will reconvene on April 18 to consider the remaining bills on Final Reading and conclude its business for the year.

The Governor has five days (excluding Sundays) to return any vetoes to the Legislature. The long, five-day recess allows the Legislature an opportunity to override the veto of any bills passed on or before day 59. The Governor will have “pocket veto” authority to veto any bills passed on day 60, since the Legislature will not have an opportunity to override the veto of any bills passed on the final day of the session.

## **WORKFORCE HOUSING BILL ADVANCED TO FINAL READING**

As anticipated, LB 496 (Workforce Housing – Community Development Law) encountered a filibuster during Select File debate led by Senator Mike Groene (North Platte). The bill, introduced on behalf of the NBA by Senator John Stinner (Gering), and designated as a priority by Senator Matt Williams (Gothenburg), would allow TIF funds to be used in the construction of workforce housing in cities of the first and second class and villages.

The bill would require a municipality to conduct a housing study, prepare an incentive plan for the construction of housing meant for new or existing workers and hold a public hearing on the plan. The public hearing on a workforce housing incentive plan would be separate from a public hearing on a TIF redevelopment plan.

After the hearing, the municipality would be required to determine that the plan is necessary to prevent the spread of blight and substandard conditions within the municipality, will promote additional safe and suitable housing for people employed in the municipality and will not result in the unjust enrichment of any individual or company.

During Select File debate, an amendment introduced by Senator Williams was adopted that would (1) restrict application of the legislation to “rural communities,” defined as any municipality in a county with fewer than 100,000 inhabitants and; (2) define workforce housing as owner-occupied housing units that cost no more than \$275,000 to build or rental housing units that cost no more than \$200,000 to build.

The Legislature also adopted an amendment introduced by Senator Justin Wayne (Omaha), that would allow the use of TIF to finance workforce housing construction costs in an “extremely blighted area” (areas with high unemployment and poverty rates within a municipality).

Following 90 minutes of debate on the measure, a motion to invoke “cloture” was filed by Senator Stinner. The motion was approved on a vote of 33-11. Senators then voted 34-6 to advance the bill to Final Reading.

The successful motion to invoke “cloture” was as follows:

**Ayes:** Senators Albrecht, Baker, Blood, Bolz, Chambers, Crawford, Ebke, Hansen, Harr, Hilgers, Hilkemann, Howard, Hughes, Kolowski, Kolterman, Krist, Lindstrom, McCollister, McDonnell, Morfeld, Murante, Pansing Brooks, Quick, Riepe, Scheer, Smith, Stinner, Thibodeau, Vargas, Walz, Wayne, Williams, and Wishart

**Nays:** Senators Bostelman, Brasch, Briese, Erdman, Friesen, Groene, Halloran, Kuehn, Lowe, Schumacher, and Watermeier

**Present - Not Voting:** Senators Clements, Geist, Larson, and Linehan

**Excused - Not Voting:** Senator Brewer

## **TAX RELIEF EFFORTS REACH IMPASSE**

Despite repeated efforts to reach a compromise on a series of major tax bills, the Legislative Session will conclude without further tax relief being provided.

Late last week, lawmakers debated a proposal (LB 1103), introduced by Senator Curt Friesen (Henderson), that would provide a minimum amount of state aid to each public school district. The measure is designed to ensure that each school district receives no less than 25 percent of its basic funding needs in the form of state aid. During floor debate on LB 1103, an amendment was proposed that would replace the bill and provide funding for additional school aid and property tax relief by raising the state sales tax from 5.5 percent to 6.5 percent, raise taxes on a pack of cigarettes from \$0.64 to \$2.14, and impose a surtax on individuals earning at least \$500,000 in income.

Last weekend, Speaker of the Legislature Jim Scheer convened a meeting of six senators who sponsored major tax bills this session in an effort to reach consensus to allow a tax relief measure to be passed this year. With no consensus having been reached, all remaining tax relief measures will be indefinitely postponed upon adjournment of the Legislature.

Effort are underway to collect signatures to place an Initiative on the General Election Ballot in November. The Initiative (containing provisions similar to LB 829) proposes \$1.1 billion in property tax relief without identifying the spending cuts and tax increases that any be required to fund the proposed property tax relief.

## OTHER BILLS OF INTEREST

The following bills supported by the NBA, have been given final approval by the Legislature and are awaiting the Governor's signature of the measures into law.

**LB 738 – Income Taxation – Social Security Benefits:** Introduced by Senator Brett Lindstrom (Omaha), LB 738 will utilize an index for inflation for taxation of social security benefits - similar to the system in place for Nebraska's state income tax brackets.

**LB 812 – Bank and S & L Wildcard:** Introduced by Senator Lindstrom, LB 812 would revise the powers of state-chartered banks and building and loan associations.

**LB 1090 – Income Taxation:** Introduced by Senator Jim Smith (Papillion) and designated as a priority bill by the Revenue Committee, LB 1090 will make adjustments to state tax laws in order to neutralize effects resulting from federal tax reform. The measure would a) retain the personal exemption credit against Nebraska income taxes; b) increase the Nebraska standard deduction; and c) continue indexing the standard deduction, personal exemption, and tax brackets based on the Consumer Price Index.

It is estimated that an additional \$227 million will flow into the state's coffers as a result of federal tax reform. The cash "windfall" results from elimination of personal and dependency exemptions for federal tax purposes, along with other changes in the federal tax code to which Nebraska's tax system is connected. LB 1090 will allow Nebraska taxpayers to retain these funds.

## SPECIAL SESSION IN STORE????

Senator Tom Brewer (Gordon), has submitted a letter to the secretary of state, signed by 13 senators, starting a process by which senators can call themselves into special sessions on property taxes. Under state law, the secretary of state must poll the remaining senators to determine if they want to have a special session. In order for a special session to be called, at least 33 senators would need to join the call. Lawmakers have until April 23 to express their support for the call. Senator Brewer has indicated that he does not expect enough senators will support the call for a special session.