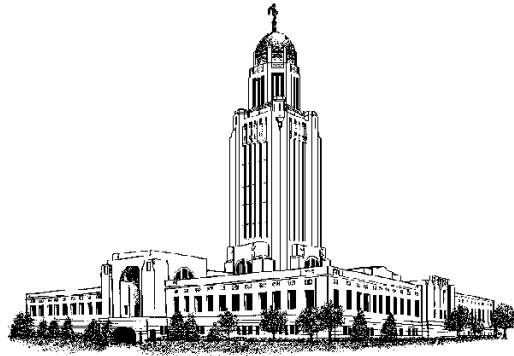


Nebraska State Legislature



Senator Jana Hughes Weekly Column – January 23rd, 2026

If you look too close at something you can miss the bigger picture. Stated differently, you can “not see the forest for the trees”. This advice can apply to policy issues here in the Nebraska Legislature.

The Nebraska Legislature has made a lot of effort over the years to address the growing burden of property taxes on property owners. The Unicameral has enacted caps on the growth in property taxes levied and then spent by public schools, caps on the growth in spending of counties, cities, and villages. The Legislature has also committed more than \$1.2 billion in annual General Fund appropriations toward a pair of property tax credits to offset the local taxes levied against property in Nebraska. I’m grateful for these property tax credits, for the homestead exemptions, and another \$300 million provided by the state to shift the funding of our community colleges off of property taxes. The net result last year, for the first time in 26 years, the total amount of property tax credits collected in Nebraska decreased.

Going forward, a lot of the conversation in the Legislature continues to focus on capping property taxes and local spending while increasing the property tax credits. This is not sustainable. At some point you cross the line from capping local spending to defunding the police. At some point you cross the line in increasing property tax credits to decreasing state spending for other priorities like roads, or perhaps worse, you force raising our sales and income taxes to offset property taxes. It is one thing to consider eliminating certain sales tax exemptions to fund state highway construction while you’re facing a significant decrease in the fuel taxes that traditionally supported these efforts. It’s a whole different story if you are robbing one taxpayer to tell another taxpayer, “sorry for your property taxes.”

This thought exercise led me to look at what we’ve committed in recent years to both property tax credits and state aid to schools. We’ve dramatically increased the amount committed to our two main property tax credits, the Property Tax Credit Act and the School District Property Tax Credit Act. We’ve also committed an additional \$200 million annually in Foundation Aid outside the state funding formula for schools. How could these resources, and other resources already committed inside our state funding formula for our schools be better utilized to provide a greater long-term impact on local property taxes?

The Tax Equity Educational Opportunity Scholarship Act, known as TEEOSA, is our state funding formula to provide what is known as equalization aid to schools. Equalization aid was intended to be provided by the state to public schools as a replacement or substitute for local property taxes, not as a tax credit after the fact. Critics like to say TEEOSA is broken. TEEOSA is working exactly as it was designed. If the state provides more dollars to fund TEEOSA, less property taxes are required to do so. If the state doesn't provide more dollars, property taxes pick up the tab. For the past few decades, the latter situation has happened. Less state funds have flowed into TEEOSA and more burden has been placed on property owners.

However, we now have the opportunity to take existing state resources committed to property tax relief - along with some resources within the formula that only go to a few schools - and we can drop the maximum levy that school districts can tax against property and keep all school district levies between \$0.30 and \$0.50. The maximum levy can be dropped by more than half from \$1.05 to \$0.50. We can do this without a tax shift from sales or income taxes or without raising taxes.

I introduced LB1038 to accomplish these results. I'll explain more specifically how this bill will work in forthcoming newsletters.

As always, if I can be of assistance to you in any way, please do not hesitate to contact my office. My staff members - Matt and Katie - are available to assist you with your needs and they pass along messages, so if you'd like a call back, please let them know!

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