

LB 357 (Ashford, Cornett, Lathrop, McGill, Schumacher)

Additional $\frac{1}{4}$ percent or $\frac{1}{2}$ percent local option sales tax

(Passed 4-5-12 with 30 votes; Motion to override veto passed 4-18-12 with 30 votes)

1. LB 956 was introduced on behalf of the League in the 2012 session to have a hearing on two major amendments filed to LB 357 (2011) on Select File last year: a) **the Cornett Amendment imposing a sunset** and b) **the Schumacher Amendment requiring an interlocal agreement** with any political subdivision within the municipality or the county in which the municipality is located.
2. **Additional $\frac{1}{4}$ percent or $\frac{1}{2}$ percent local option sales tax: LB 357 would allow local voters to decide whether to increase a local option sales tax rate greater than the current maximum of $1\frac{1}{2}$ percent, i.e., $1\frac{3}{4}$ percent or 2 percent.**
3. **Ten-year sunset or the life of the bonds, whichever is greater:** The additional $\frac{1}{4}$ percent or $\frac{1}{2}$ percent local option sales tax would **sunset after 10 years, or if bonds are issued and the new revenue is pledged for payment of the bonds, then upon payment of such bonds and any refunding bonds, whichever is later.**
4. **Exception to the 10-year sunset or life of the bonds, whichever is greater: If at least $\frac{1}{8}$ percent** (of the local option sales tax rate greater than $1\frac{1}{2}$ percent) **is stated on the ballot for an interlocal agreement or joint public agency agreement**, then there would be no termination date for such portion rounded to the next $\frac{1}{4}$ percent or $\frac{1}{2}$ percent.
5. **Interlocal agreement required with another political subdivision:** In order to increase the local option sales tax to a rate above $1\frac{1}{2}$ percent, the municipality would first have to be a party to an interlocal agreement or joint public agency agreement **with a political subdivision within the municipality or the county in which the municipality is located, creating a separate legal entity, including benchmarks relating to the “long-term development of unified governance” of public infrastructure projects.** (Please note that other public agencies may also be a party to the interlocal agreement; not all of the additional revenue has to be used to fund the interlocal agreement.)
6. **Special provisions in the bill for the city of Omaha and the city of Lincoln:** a) LB 357 provides that in the **city of Omaha**, the proceeds from the first 0.25 percent of the rate greater than 1.5 percent shall be used to reduce other taxes, the proceeds from the next one-eighth percent of the rate greater than 1.5 percent shall be used for public infrastructure projects, and the proceeds from the next one-eighth percent of the rate greater than 1.5 percent shall be used for purposes of the interlocal agreement. b) **LB 357 provides for an exception for the city of Lincoln to use up to 15 percent of the proceeds from the rate in excess of 1.5 percent for a project like an after school program with Lincoln Public Schools.**
7. **Provisions relating to all municipalities, except Omaha and Lincoln:** In the remaining 528 cities and villages in the state, the proceeds from the rate in excess of 1.5 percent shall be used for **public infrastructure projects or voter-approved infrastructure related to an economic development program, commonly known as a voter-approved LB 840 plan.** Although not required, proceeds can also be used to reduce or eliminate taxes or fees.
8. **Requirements for the ballot language would include listing the following:** a) the percentage increase of $\frac{1}{4}$ percent or $\frac{1}{2}$ percent; b) **a list of reductions or elimination of taxes or fees, if any;** c) a description of the public infrastructure projects to be funded, with any savings or efficiencies; d) **the year or years revenue will be collected, and if bonds are issued, then a statement that revenue will be collected until payment of such bonds;** and e) the percentage of revenue to be used for the interlocal agreement or joint public agency agreement with a statement of the overall purpose of the agreement, the name of the political subdivision which is a party to the agreement and the name of any other public agency which is a party to the agreement.