LINEHAN: Our hearing today is your part of the legislative process. This is your opportunity to express your position on the proposed legislation before us today. We ask that you limit handouts. If you are unable to attend a public hearing and you would like your position stated for the record, you may submit your position and any comments used-- using the Legislature's website by 8 a.m. the day of the hearing. Letters emailed to senator or staff will not be part of the official record. If you are unable to attend and testify at a public hearing due to a disability, you may use Nebraska Legislature's website to submit written tes-- written testimony in lieu of personal testimony-- in-person testimony. To better facilitate today's proceedings, I ask that you follow these procedures. Please turn off your cell phone and other electronic devices. The order of testimony-- OK. This is the way I'm going to run all the hearings. So there's a little disconnect from what's here. We're going to go proponent, opponent, neutral. So that's a change-up from how we usually do it. But each hearing is going to be run the same. So it's proponent, opponent, neutral. If you will be testifying, please complete the green form and hand it to the committee clerk. When you come up to testify, if you have written materials you would like to distribute to the committee, please hand them to the page to distribute. We need 10 copies for all committee members and staff. If you need additional copies-- do we have-- we do. Please ask the page to make copies for you now. And we will introduce the pages. Could you stand up-- or page-- pages? So, I'm sorry I didn't meet you before right now. Welcome. Could you tell us your names and where you are in school?

_____: Oh, yeah. I'm Delanie, and I am a rising 1L at UNL Law.

LINEHAN: Good.

_____: My name is [INAUDIBLE] I'm a rising sophomore at UNL.

LINEHAN: Thank you very much, ladies, for being here. Because of the number of hearings we have to get through in a relatively short time period, I'm-- we are requesting test-- testimony today to be 3 minutes. We will use the light system. You have 2 minutes on green, 45 seconds on yellow, and then 15 seconds on red, so you know you need to wrap up. If your remarks are reflected in the previous testimony or

you would like your position to be known but do not wish to testify, please sign, sign the white form at the back of the room and it will be included in the official record. Please speak directly into the microphone so our transcribers are able to hear your testimony. I'd like to introduce committee staff. To my left is Charles Hamilton, who is our legal counsel. And this is embarrassing. Our clerk today is--

CORI BIERBAUM: I'm Cori Bierbaum.

LINEHAN: Cori. We're doing a lot [INAUDIBLE] to get through this. You're not Linda Smith [PHONETIC]. That's-- so now I would like the committee members to introduce themselves, starting at my far right.

KAUTH: Kathleen Kauth, LD 31.

MURMAN: Dave Murman from Glenvil. I represent 8 counties, mostly along the southern tier in the middle part of the state.

von GILLERN: Brad von Gillern, Legislative District 4, west Omaha and Elkhorn.

ALBRECHT: Oh. Joni Albrecht, District 17, Wayne, Thurston, Dakota, and a portion of Dixon Counties. Good morning.

DUNGAN: George Dungan, LD 26, northeast Lincoln.

MEYER: Fred Meyer, District 41, central Nebraska, north of Grand Island.

LINEHAN: Because there is a lot going on in a short amount of time and we have other committee hearings and other bills, if somebody has to leave that's on the committee, please understand that they're not going home and taking a vacation. They've got other things they've got to do. So all right, with that, we'll start. Thank you, Senator Blood. Go ahead.

BLOOD: Thank you, Chair Linehan. And good morning to all of you, members of the Revenue Committee. Excuse me. My name is Carol Blood, spelled C-a-r-o-l B-l-o-o-d, and I represent Nebraska Legislative District 3, which comprises western Bellevue and eastern Papillion. Today I'm introducing LB7, to add additional income tax brackets for the state of Nebraska. When I discovered that we would likely have a special session, I decided to promote a short survey asking Nebraskans

several questions in reference to property taxes. Over 70% of the hundreds of people who responded said Nebraska needs to do a better job of having wealthier Nebraskans pay their fair share. They are asking for equity and have made this concern loud and clear in their responses. They believe that this small step and other bills we'll be seeing this session will work towards the greater good, where we ensure Nebraska is a place where our children will want to live when they grow up, with strong communities that provide for real opportunities for everyone. Changing these brackets is a strong step for this mission. It's my understanding that there is a move for an even higher bracket in the groupings of bills that have been dropped, so this could get even more interesting. This bill is very simple. It provides a 9% state income tax on married couples that make $500,000 or more a year, and a 9% state income tax on individuals making $250,000 or more per year. I view this bill as a necessity for the long-term fiscal outlook of our state. We have to recognize that increasing sales tax is an incredibly unsustainable and unpredictable way to fund our state government, because it is not predictable. Creating a more equitable system helps to then focus on the real challenges our communities are facing, and not this ongoing crisis of high property taxes that divide us. Hardworking Nebraskans are looking to ensure a Nebraska that is stable for families, a place with good jobs and quality schools. They would love for us to be less like the divisive leaders in Washington D.C., Washington D.C., and show that we are really Nebraska nice. They want us to work for them, not just for the wealthy and well-connected. This bill does this very thing. Thank you for your time and consideration. I will note that because of the short window of time, we were only able to receive a forecast and not an actual fiscal note, but it is looking pretty impressive and it would make a huge difference in our state's revenue. Sorry about that. And thank you.

LINEHAN: Thank--

BLOOD: And I'm happy to answer any questions, although it's a pretty simple bill, and I know you have a lot of bills today. So.

LINEHAN: Are there questions from the committee? Senator Albrecht.

ALBRECHT: Thank you, Chair. Just a couple quick ones. You said that you did a survey of the public. How many people responded to you?

BLOOD: At last count, we were up to 449.

ALBRECHT: OK. And would you be able to provide [INAUDIBLE]? And then--

BLOOD: Yeah, a synopsis of it? Absolutely. And I have to go home to do it because I did it from home this summer, so.

ALBRECHT: It's great. So-- and thank you for doing that. Status about those states around us, what are they taxing their folks? Because I don't want to keep people from wanting to come here for that reason, either. So.

BLOOD: That's a really good question. Since we had this special session kind of shoved down our throats, to be really frank, I didn't research that. I looked for ways to generate new revenue, which really is the base of all of our problems, is trying to find new sustainable revenue. I'm sure that's something we could easily find out.

ALBRECHT: OK.

BLOOD: Mostly I was worried about Nebraska and our coffers.

ALBRECHT: Great. Thank you very much.

LINEHAN: Thank you, Senator Albrecht. Other questions? Senator Kauth.

KAUTH: Thank you, Chair Linehan. Senator Blood, can you define equitable and fair the way you use them?

BLOOD: I can define equitable in the way that we got responses in our survey. It was felt by many that people that generated great income were not paying their fair share. And the people that responded to that survey utilized the word equitable. So I, I, I can only define what I've been told. And what I've been told is they felt that unfair also meant that things were not equitable, based on the verbal-- excuse me-- based on the, the notes on their survey. They were allowed to, to add something.

KAUTH: So it's based on feelings more than anything.

BLOOD: I can't tell you if it's based on feelings. I can only tell you what they responded. And they said that they did not feel it was equitable.

KAUTH: OK. Thank you.

BLOOD: Um-hum.

LINEHAN: Thank you, Senator Kauth. Are there other questions from the committee? Seeing none, will you stay to close?

BLOOD: Absolutely.

LINEHAN: Thank you very much. First proponents. Are there proponents?

RICHARD SCHMELING: Good morning.

LINEHAN: Good morning.

RICHARD SCHMELING: Chairman and members of the committee, my name is Richard Schmeling. I live here in Lincoln. I am retired. I live on a fixed income. And these comments will echo some comments that Senator Dungan is aware of because of last Monday's open house meeting.

LINEHAN: I'm sorry. Can you spell your name? I forgot to tell people.

RICHARD SCHMELING: S-c-h-m-e-l-i-n-g.

LINEHAN: Thank you.

RICHARD SCHMELING: OK. In dealing with taxes in general, we have a problem in our state. We have a state with a huge geographic area but a limited number of people. This means that we don't have-- we, we have some counties where there are more cows than there are people in our state. This means that our tax system is going to have to be very finely tuned so it's a fairer system. Now, at the hearing on Monday, somebody made a very pertinent comment. And they said, you know, back years ago, ownership of property was equated with the ability to pay taxes. That's no longer true because many people who have a considerable amount of wealth and ability to pay taxes, don't hold it in the form of real estate and property. They hold it in the form of stocks, bonds, CDs and so on. So, the, the taxation system in the state has been described as a 3-legged stool. And you have property tax, you have sales tax, and you have income tax. In my opinion, the income tax is the only leg of that stool that's based upon the ability of the taxpayer to pay. Sales tax, I have to pay it whether I'm rich, poor, and can afford it or not. And property tax, perhaps, you know,

I'm able to pay it. Perhaps, that I'm not. So I very much am in support of Senator Blood's bill. Thank you, Senator, for introducing it. And I hope as you deliberate, you will consider that this person would like to see the income tax leg be a little bit longer in our stool. Thank you.

LINEHAN: Thank you very much. Wait. Are there any questions from the committee? Seeing none, thank you very much for being here. OK, I know this is a switch-up, but now, opponent. Are there opponents?

NICOLE FOX: Good morning, Chairwoman Linehan and members of the Revenue Committee. My name is Nicole Fox, N-i-c-o-l-e F-o-x, and I'm director of government relations at the Platte Institute. I'm here today to testify in opposition to LB7. This bill creates a fifth income tax bracket starting in tax year 2025, for individuals earning over $250,000 and married couples earning over $500,000. If Nebraska were to adopt this proposal, it would join 11 other states and the District of Columbia as a state that punitively taxes higher income earners. Under this bill, Nebraska would have the fourth highest income tax rate in the country at 9%, following Hawaii at 11%, California at thirt-- at 10.3%, and Oregon at 9.9%. The tax cuts in LB754 passed by the Legislature in 2023, were the largest tax cut in the state's history, and important for Nebraska to be economically competitive at a time when states across the country, including some of our neighbor states, like Iowa, are looking to further reduce and even eliminate their income taxes. Higher-income earners tend to be more mobile, and imposing a higher tax rate on this group of people only incentivizes them to move to lower tax states. Enacting such a tax makes state tax revenue more volatile and unpredictable, potentially leading to revenue loss. More Americans are working remotely, making it far easier for people to move to states with a lower cost of living. A 2024 Tax Foundation report discusses a review of migration data per the annual U.S. Census Bureau report, and it confirms that Americans chose to move to lower tax states over higher tax states. High progressive tax rates are less competitive, both for individuals and businesses. While this bill's intent is to target higher-income earners, the unintended consequence is that it will also put pressure on small businesses in Nebraska that file through the individual income tax. Non-corporate businesses, such as sole proprietors, S Corps, limited liability corporations and partnerships are often referred to as passthrough entities, because the firm's profits are passed directly through to the owners and taxed on the

owner's individual income tax return. If this tax policy were enacted, we would be imposing a significantly higher tax rate on our small local businesses. Small businesses are the backbone of our [RECORDER MALFUNCTION] and also the backbone of many of our communities. A lower tax climate incentivizes investments that improve productivity and create jobs. When higher-income earners flee to lower tax states and small businesses are unable to grow, this puts more pressure on middle-class families to pay for even more of state and local government. Research clearly shows a correlation between our income tax structure and migration. While the Platte Institute understands that the intent of LB7 is to generate revenue to use in addressing the state's high property taxes, LB7 is not the right policy solution to do this. With that, I conclude my testimony.

LINEHAN: Thank you very much. Are there questions from the committee? Seeing none, thank you very much. Are there anyone-- anyone wanting to testify in a neutral position? Neutral? OK. Proponents.

REBECCA FIRESTONE: Good morning, Chairwoman Linehan, members of the Revenue Committee. My name is Dr. Rebecca Firestone, R-e-b-e-c-c-a F-i-r-e-s-t-o-n-e. I'm executive director of OpenSky Policy Institute. I'm here today to testify in support of LB7, because it would help make our tax code more progressive. This bill would create a new top tax bracket for individuals with incomes over $250,000 and joint filers with incomes over $500,000. That would be taxed at 9% while retaining yearly personal income tax cuts for the second and third highest tax brackets that were passed in 2023. OpenSky supports the creation of a new tax bracket for the state's highest earners. The income tax cuts scheduled to come into effect over the next 3 years will cost the state $387 million in lost revenue this year, and nearly $750 million by FY '28-29. A new top tax bracket would offset these losses. The preliminary estimates in this bill's fiscal note estimate that this new tax bracket would bring in $500 million in additional income tax revenue this year. However, these savings will not be sustainable in the long term. This is because the current income tax cuts are allowed to continue as scheduled over the next 3 years, and will cost the state more each successive year. While the new tax bracket brings in a net increase in revenue for this year, it ultimately may see diminishing returns as the income tax rates for the third and fourth highest brackets continue to decrease through FY 29. Eventually, it may be unable to fully offset lost revenues. For this reason, OpenSky supports LB7's intent to create a new top tax bracket

for top earners. All-- also recommends considering the income tax cuts within the middle of the bracket for the long-term sustainability of Nebraska's income tax code. Thank you. I'd be happy to answer any questions.

LINEHAN: Thank you. Are there any questions from the committee? Senator Dungan.

DUNGAN: Thank you, Chair Linehan, and thank you for being here. You were here for the testimony regarding some of the migration patterns and how they pertain to taxes. Did you hear that part?

REBECCA FIRESTONE: Yes.

DUNGAN: Do you have any, I guess, response or any opinion as to whether or not migration is directly caused by tax policy? I mean, we had a-- the testimony said that it's corr-- there's a correlation there, obviously, but there's also additional factors we hear about a lot in this committee, like people move to states where there's higher tourism, better weather, things like that. Has your organization done any research or have any information with regards to the impact of like, migration of folks based on tax policy?

REBECCA FIRESTONE: Thank you, Senator Dungan. Yes, we have done a fair amount of loc-- of research into the potential causal relationships between taxation and migration. Generally speaking, we see that the most mobile populations in the country are younger people. And predominantly, the reasons that younger people are moving are for jobs, not for the tax structure. Other factors after jobs are quality of life, affordable housing, other amenities within specific communities. When you look at other entities that could be moving, whether it's retirees or whether it's businesses, typically speaking, we see there are a range of factors that are involved in decisions to migrate. Taxation is not the top factor. Another issue that is often brought up is a concern about high earners, and whether-- and how mobile they are on the basis of a state or a local entity's tax structure. Generally, we find there are many high earners in states like California and New York. They stay there. They have lots of reasons to stay in New York and California beyond the tax structure of those 2 states. So I would say that the, the literature suggests, suggests that there's a very strong correlation between taxation and migration is just that. It's a correlation. It's not necessarily

causation. And when you pull it out further, you tend to find that factors such as jobs, other amenities within states tend to be driving factors.

DUNGAN: Thank you.

LINEHAN: Thank you, Senator Dungan. Are there other questions from the committee? Do you have numbers as to how many people in Nebr-- how many filers in Nebraska are over 250 or over $500,000 in income?

REBECCA FIRESTONE: I don't have that on the-- at the-- at my fingertips right now. We haven't had a chance to model this bill in depth. Yes.

LINEHAN: I think the Department of Revenue has those numbers.

REBECCA FIRESTONE: Yes, I would say that the top 20% starts at $142,000. So that's like the top 20% of earners, that's at [INAUDIBLE] is what they said.

LINEHAN: Well, that's a lot of 2-family-- 2-earner incomes--

REBECCA FIRESTONE: Yes.

LINEHAN: --can get to that. How many--

REBECCA FIRESTONE: So when you start at-- I would have to actually check our brackets or our quintiles a little bit more specifically to see where the cut points are for the top 1%, which, I want to say that the top 1% starts at about $700,000. But I will confirm those numbers.

LINEHAN: But I'm asking-- that's my question is how many people-- filers. So it could be 2 people filing jointly or single filers, in Nebraska, make over $500,000 a year.

REBECCA FIRESTONE: So I don't have those numbers on the top of my head. What I can offer to you now is that the top 1% of Nebraskans, they're-- that cutoff starts at $700,000. So we're talking about a relatively small portion of tax filers in Nebraska that would be at $250,000 or $500,000.

LINEHAN: OK. Thank you very much. Other questions from the committee? Thank you.

REBECCA FIRESTONE: All right. Thank you.

LINEHAN: Opponent.

BRYAN SLONE: Good morning, Chair Linehan and members of the Revenue Committee. My name is Bryan Slone, B-r-y-a-n S-l-o-n-e, and I'm president of the Nebraska Chamber of Commerce and Industry. I'm here to testify on behalf of both the Nebraska Chamber, the Omaha Chamber and the Lincoln Chamber in opposition to the bill. You've heard the-- what the bill does, essentially, to put a finer point on it, that 9% rate would be clearly far in excess of Wyoming's and South Dakota's rate of 0%. It would be over double the rate in Colorado, which is a 4.4% rate. And it would be much more than double the rate in Iowa, which is a 3.8% flat rate. The effect, as has been stated, would be clearly that Nebraska would cease to be competitive for these kinds of people and more importantly, for the LLCs and Sub S and flow-through entities and businesses, which are typically small businesses that form in states. We do have double or more than double the tax rate for such businesses. You can expect some business flight out of that, to the point of jobs. Jobs follow businesses. And so, the correlation between people moving for jobs and tax rates is also more than a correlation. But perhaps this is a, this is a good, important place to start this special session, because the premise of this special session is, in many respects, that somehow Nebraska taxpayers are not being taxed enough, either in income taxes or sales taxes. And that's-- perhaps is the root cause of the property tax problem. The reality is, despite many, many efforts to address the property tax problem in recent years-- over $1.2 billion of property tax release-- relief, just in recent years-- we've been unable to get to a satisfactory point, largely because of rising property valuations at very high rates in successive years. And so rather than to address the core root of the problem, which is property valuations, most of the proposals during this special session is how can we tax more people and use those revenues and distribute them back to landowners, either directly or indirectly? What I would say is that the truth is that if we're going to address this problem, we need to focus on the valuation issue and the levy issue. But in ways like Iowa, which has a rollback on valuations when they become excessive, or Texas, which changes the levy. Not taxing Nebraskans more. And so, this notion of we need to raise taxes to create a pot of money to eventually solve this problem is simply what we've been doing for the last 30 years. And so, this is a problem that, that we need to find-- focus on the, the core issue.

And the core issue is, is-- we'll see is our sales taxes is-- are very comparable to the states around us. So creating one problem to solve another is not going to solve it. I'd be happy to take any questions.

LINEHAN: Thank you, Mr. Slone. Are there questions from the committee? This is about income taxes, you know, this hearing.

BRYAN SLONE: Yes.

LINEHAN: Yes. OK. I didn't know. I didn't hear you mention that you thought spending was a problem.

BRYAN SLONE: Clearly, efficiency in spending, but as you will see in my testimony, I also talk about budgeting. Our budget process is, particularly on the education front-- put our local leaders in a, in a difficult situation from a timing standpoint. And so-- and you know more-- better than anybody that I know, all that goes into school funding, budgeting. We need to make local government and local schools more efficient, but we also need to give them the budget tools so that they can for forecast, forecast and plan, just like businesses can, for multiple years, and appropriately budget and create those long-term efficiencies. So yes, we have to create long-term spending efficiencies. At the same time, we have to grow the economy and use those growth revenues as we have for the last 8 years to apply to property tax relief and income tax relief if we can provide it. But most importantly, just stay competitive with the states around us. We shouldn't have higher property taxes, we shouldn't have higher income taxes, and we shouldn't have higher sales taxes.

LINEHAN: What did you mean when you said, typically we've been doing that for the last several years? Raising taxes? We've been raising taxes for the last several years?

BRYAN SLONE: No, we've been using growth revenues. We have not been raising taxes.

LINEHAN: I think you said, it's typically what we've been doing, in, in response to when you were talking about raising taxes.

BRYAN SLONE: No. I-- it was-- if it-- if that's the way it was interpreted, that was not the intent. The intent was to say we have been and for the entire time that I've been president of the Chamber, we've been using growth revenues, and making very significant, each

year, hundreds of millions of dollars of state payments to affect property tax relief, and, and, and indeed, literally billions of dollars long-term in property tax relief. And the reason it's not sticking to the extent people want is this property valuation problem. And so you will see income tax bills and sales tax bills and all sorts of tax bills in this special session, but I'm looking for property tax valuation bills.

LINEHAN: I, I don't see how somebody's valuation going up means they have to have higher property taxes, but maybe--

BRYAN SLONE: I would agree.

LINEHAN: --maybe you can explain that when it comes to the next [INAUDIBLE].

BRYAN SLONE: I would agree. And I think that's why other states have guardrails on how fast property tax valuations can really go up. Now the real valuation may go up, but in terms of how we value it for property taxes, there needs to be some governors on that.

LINEHAN: So does the Chamber have a plan to do that?

BRYAN SLONE: I think what we would argue is instead of doing this in the special session in a couple of weeks, that we take a hard look at the states where it's really working, and find the guardrails that really work, and come back in January and enact something that, that truly would be effective property tax relief. Given the plans we've seen, that's really not going to delay the process, because all the plans I've see require education reorganization within the next 2 years from the Legislature. I think looking at what's actually working in other states would be a good start, and, and using that data.

LINEHAN: Any other questions? Thank you for being here.

BRYAN SLONE: Thank you very much.

LINEHAN: Anyone wanting to testify in a neutral position? Proponent? Opponent? Senator Blood, would you like to close?

BLOOD: See? I told you we'd work it out on the mic today.

LINEHAN: I know. I appreciate you. I hope everyone's watching.

BLOOD: I would just like to back up that she just said she appreciates me, too.

LINEHAN: I do. I appreciate that we don't have, like, you know--

BLOOD: I'm just teasing. All right. Let's unpack some of this very quickly, because I promised I would expedite everything I do here today. So I just want to remind everybody that the average household income in Nebraska at the last census was $95,547, substantially less than the bracket that we created. And so when somebody says, well, it's just their feelings when it comes to equity, that may very well be their feelings, but the data also shows us that there are people that are generating much more income that may or may not be taxed at a fair level compared to the people who make much less than them. I don't have to agree with it, but I agree with the data that has been sent to me that people feel this way. So, I listened to the opposition, and the thing that we learned, what we already knew is that jobs follow businesses. And I go back to when Senator Albrecht, Senator Linehan, myself, I think that's all that was here, when we first came into the body, there was so many corporate handouts that had no metrics on it. Do you remember that, where we brought businesses to Nebraska and we gave them money so they could create those businesses in Nebraska, and they didn't have good-paying jobs. Because we didn't ask them to do that. We talk about how the sky is going to fall if we do this, but that is not what happened in the other states that I mentioned in my introduction when they raised their brackets. They're always going to come in and say, this is bad for business, this isn't about lowering property taxes. But it is, because Nebraska has a revenue problem. We have a revenue problem. The other thing is an issue, as well. But today, we're in Revenue. How do we generate more funds in a way that is equitable, that shows the hardworking Nebraskans that we, we hear them, and we want to make sure that everybody pays their, pays their fair share. Because the impression that I'm getting from both the survey and the Holland Children's Institute survey is that Nebraskans do not feel that way. So whether it be marketing or it be changing things, who do we work for? Do we work for lobbies? Do we work for special interests? Do we work for the wealthy? Well, clearly I'm not in any of those categories. I work for Nebraskans. And so if we look at other states, tell me what states that are competitive with Nebraska that have the low population that we have. We can look at other states and go, oh, look, here's what Iowa's doing. Well, Iowa has had a lot more babies

than we have, right? So we did look to other states. And then what we saw, it didn't seem to really matter based on population. For us, what was important is that the other states that did this, were people really fleeing? Well, you know, I've heard Senator Linehan talk about friends that have gone to Colorado before, and we do know that people go to other states for different reasons. But I heard that-- from, I think it was Ms. Firestone, you know, what's the causation? We're finding that young people are leaving for better jobs. They're not leaving because they're overtaxed. They're leaving because they can't afford to buy a house in Nebraska, because their-- the incomes aren't sufficient to, to be in the bracket that they choose to be in. So they, they do move to other states for more money. Right? And so we lose that upper-income people that we could possibly also be taxing, by the way. I just want to make sure that when you listen to the people that come up here-- and no offense to the Chamber, because I used to work at a Chamber. I want to remind everybody of the corporate handouts that we gave out for a very long time. And if we had that money back right now, I think our tax situation would look very different, because our revenue would look very different. And then I just wanted to, to say one of the things that was really clear in my survey that I didn't stop and talk about in the introduction, is that a lot of people talked about policy and action. In other words, why do we always talk about lowering property taxes and announce that we've had the biggest property tax relief bill passed in the history of Nebraska? I think that they've done that 3 times since I've been in this body. They want to know what's really going on. And granted, it's a lot more complicated than supposedly us not doing our jobs. I get that. But I, I am in every hearing, going to talk about perception, because I hear it loud and clear. We can do whatever we want behind closed doors. You can pass whatever bills you want to pass or don't want to pass. But we've got to get over this "sky is falling" lobby that comes in and says that things are going to be horrible if we pass a certain bill to help Nebraskans, in my personal opinion. And with that, thank you for your time.

LINEHAN: Thank you. Are there questions from the committee? Seeing none, we did have letters for the record. Right? We had 15 proponents, and 4 opponents, and no one in the neutral position. So with that, we will close the hearing on LB7, and begin the hearing on LB8. Welcome, Senator Blood.

BLOOD: So this says good afternoon. I'm going to have to kick somebody in my staff.

LINEHAN: Although--

BLOOD: I know.

LINEHAN: --it's not their fault, actually.

BLOOD: Yeah. We never knew where we were going to be.

LINEHAN: Little, little mix up.

BLOOD: All right. So good morning to the entire Revenue Committee. My name is Carol Blood. That is spelled C-a-r-o-l B-l-o-o-d, and I represent Nebraska Legislative District 3, which comprises western Bellevue and eastern Papillion. Today, I'm introducing LB8, in order to institute a luxury tax in the state of Nebraska. Luxury taxes are an increased sales tax on goods that are considered to be luxuries rather than necessities. The luxury tax is a percentage that is added to the purchase price of an applic-- applicable product. You don't pay that tax unless you make that particular purchase. Many states across the United States have their own version of luxury taxes. In Connecticut, they have their own luxury tax of 7.75% for clothing, footwear, handbags, luggage, umbrellas, wallets or watches that cost more than $1,000. What is considered to be a luxury item can also be up to interpretation. Another example of a luxury tax is paying 9.625% for an alcoholic beverage bought on the premises of Atlantic City in a casino, because ordering a glass at a drinking, dining, or gaming establishment is considered a luxury. You'd only pay the state sales tax and use tax if you bought a bottle of wine at a liquor store. States like Missouri consider menstrual products a luxury item and tax them as such. My approach to this bill was to mirror market research as to what luxury products might be purchased in Nebraska. Since we're in the business of lowering property taxes in the state, we must find ways to generate new revenue sources. LB8 doesn't leave a broad interpretation of what goods are considered to be luxuries. Items that would be given a luxury tax are the following: Motor vehicles that cost more than $50,000, jewelry that costs more than $5,000, and clothing that costs more than $100-- excuse me, not $100-- more than $1,000. The following items are exempt from the luxury tax: Any motor vehicle purchased by a nonresident serving on active duty in Nebraska

as a member of the United States Armed Forces or the United States Reserve Forces, or by such nonresident spouse; any motor vehicle with a gross vehicle weight rating of more than 12,500 pounds; and any motor vehicle with a gross vehicle weight rating less than or equal to 12,500 pounds that is designed for use for commercial purpose-- purposes and is registered as a commercial motor vehicle. The luxury tax shall be equal to 2.25% of the total cost of the item purchased, with the local and state sales tax rate. For any purchase exceeding $400,000, the luxury tax shall be 3.7% in tandem with the local and state sales tax rate. So this bill is incredibly simple and it doesn't impact the vast majority of Nebraskans. We have the means and the ability to collect these revenues and the tax rates listed for purchasing these goods. We have seen in other states, there doesn't appear to be any serious consequences of people leaving their state to purchase these goods elsewhere. The individuals that have the means to purchase these items have the means to pay this tax, which would benefit our state and help to balance out our tax revenue. We cannot pretend that our tax system benefits the whole. It doesn't, and we must do what it is in the best interest of our constituents. In closing, I guess I'm-- in closing, I'm guessing that there will be opposition from the auto industry and maybe others, as always-- will tell you that this will kill the luxury market and cause border bleed, as wealthy folks run to other states to buy their cars. I should have put that in my first one. We researched the tax over a 10-year period, not just in the United States, but places like Canada. And this is just not what happened. We do know that the federal tax meant to pay down the federal deficit on yachts was too oppressive. It did affect the industry. However, that was a much different story, and our tax is very limited. As many of you know, I did a survey recently and heard from Nebraskans across the state. We checked VPNs and other data to verify that they were residents. And yes, somebody savvy could have used a VPN to lie about where they were from, but it's hard to believe somebody would waste their time to change the data 1 or-- by 1 or 2 percentage points. In that survey, over 70% of those who responded said Nebraska needs to do a better job of taxing the wealthy and removing the burden from the other hard working Nebraskans who are trying to provide for their families and still have something left to share with their communities. The Holland Institute also shared a recent survey. The response was the same. They want the state to consider tax reforms that benefit working families and ensure a fair distribution of the tax burden. So here's an opportunity to do so.

Let's listen to the people and not the special interest groups. Let's be bolder and better this time around and truly consider every idea, not just our-- your own ideas or that of the Governor's. Because when we combine all of these awesome ideas, we will have sustainable revenues for sustainable property tax relief. Let's be bold. Let's be brave. And I thank you for your time and consideration.

LINEHAN: Thank you, Senator Blood. Are there questions? Senator Bostar, then Senator von Gillern.

BOSTAR: Thank you, Chair Linehan. Thank you, Senator Blood. So there's 2 tiers-- I'm just trying to understand this. So there's 2 tiers for motor vehicles. One starts at $50,000, the other starts at $400,000?

BLOOD: Luxury items at $400,000, so not just the vehicles.

BOSTAR: Not just vehicles.

BLOOD: Right.

BOSTAR: So that applies to--

BLOOD: I don't know what costs $400,000. I've never spent that much money in my life.

BOSTAR: Well, I guess what I'm asking is, does the $400,000 apply to just the items on the delineated list that you have--

BLOOD: Yes.

BOSTAR: --or is it literally anything that costs $400,000?

BLOOD: On the delineated list, but we could definitely amend anything. Again, like everybody else, we rush to get our stuff done

BOSTAR: Yeah, I know. Like--

BLOOD: --and that we have a starting point.

BOSTAR: What-- I, I suppose what I was trying to figure out is--

BLOOD: So we have a separate one for a house that's going to-- you're going to come in-- that's going to come in front of you, as well, for

housing. So it wouldn't apply to where you live. And that's also not on the list.

BOSTAR: What are Nebraskans purchasing for $400,000 that's not a house?

BLOOD: Good question.

BOSTAR: I'm just-- I'm-- honestly, I'm just asking, do you have any data on if-- let's say we did this.

BLOOD: I mean, obviously--

BOSTAR: What would get--

BLOOD: --a plane.

BOSTAR: OK.

BLOOD: Obviously, a fancy boat. I don't even know if you'd call it a boat. Would you call it a ship by then? I don't know-- things that I have never purchased in my life. There are things. And again, we based this on other states. So, I'm guessing that it is for things much like what the federal government went after that time, were our yachts, and ships, and boats, and planes, helicopters, you know, drones that carry people.

BOSTAR: OK. The-- can you talk to me a little bit about the exemption you have on the motor vehicles for nonresidents and what's-- talk to me about the logic of that.

BLOOD: Well, Offutt Air Force Base, and--

BOSTAR: I guess what I'm asking is if a, if a vehicle is determined to be a luxury for a Nebraskan and not a necessity, why wouldn't that be true for non-Nebraskans as well?

BLOOD: I think that's a really good question, but I stand behind the previous exemptions that we do for our military as a way to thank them for their service. And so, it's specifically in reference to companies that have to do business with vehicles of, of, of that price range [INAUDIBLE].

BOSTAR: The commercial side, I understand.

BLOOD: But for me, I will always have exemptions for the military because they get a raw deal. They move every 2 years. If they buy a more expensive car, it's usually because they've been in combat and got extra pay. It's something that they do for themselves because they have that extra money at that time. I don't think it's a large portion of people from the base that will spend this amount of money on, on vehicles, but they do. And I see it. And then usually the ones that I've seen that have done it are people that have served, and they've served in combat and they've gotten the combat pay. And they come back and they do something nice for themselves. I am very open to any changes being made on any bill that I bring to Revenue. I am trying to set a foundation and a starting point based on the data that I collected over the summer. But for me, I include this, as it is included in many other states with luxury taxes, by the way.

BOSTAR: Thank you. Thank you, Chair.

LINEHAN: Thank you, Senator Bostar. Senator von Gillern.

von GILLERN: Thank you, Senator Blood. Your bill states that the revenue would go towards the General Fund. So this bill does nothing to reduce property taxes, which is what we're here for. Is that correct?

BLOOD: Well, actually, that's not true. Because if we are trying to balance the 3-legged stool and make sure that everything is funded appropriately, we won't be-- I want to make sure I say this right and not what I heard Senator Slama say, we won't be stealing from Peter to pay Paul. So I just want to make sure that we are balancing things out so we can do appropriate property tax relief.

von GILLERN: OK. Thank you.

BLOOD: But I hear what you're saying.

von GILLERN: Thank you.

LINEHAN: Thank you, Senator von Gillern. Are there any other questions from the committee? Seeing none, thank you. You going to stay to close?

BLOOD: Oh, yeah.

LINEHAN: First up, proponents. Do we have any proponents?

RICHARD SCHMELING: Well, good morning again. My name is Richard Schmeling, S-c-h-m-e-l-i-n-g. And I note that learned legal counsel has a cap on, which obviously helps him think and, and speak. So I brought a cap of my own, which I am going to wear. But I'm doing that to introduce you to me a little bit further. I am retired. I'm on a fixed income. I get Social Security and I get an Agent Orange disability. I served in the U.S. Army in Vietnam, and I got an honorable discharge. Do I pay property tax? I'm branding. I'm, I'm living on the VA campus, but I pay property tax. Would I be paying property tax when I lived at Thomas Brook apartments? Yes. Would I be paying property tax when I rented at 4610 Van Dorn? Yes. Because those property taxes are loaded into my rent. Now, if we lower property taxes in any way, is my landlord going to reduce my rent? Probably not. Probably not. But, I can tell you that what happened to me at Thomas Brook was I moved in there, I was paying $700 a month. In a year's time, I was paying $800 a month, and they were ready to increase it to $900 a month the following year. I got priced out of apartment living. So yes, property taxes are a problem. The one overarching comment that I heard and Senator Dungan heard this at our, our town hall meeting, the overarching comment was, let's not be hasty. Whatever you do in this session, if you do anything, think it through. Study other states, find out what worked there, and then maybe this needs to slop over into the regular session. As far as the argument about tax migration, people migrating because of taxes, I don't see Warren Buffett getting ready to move from Nebraska in any big hurry. I don't see the Governor going to move his hog operation out of Nebraska, and I darn sure well don't want to go to Florida, even though they have no income tax, because I like our climate up here. And I have been to Florida, and it is hot and humid. Thank you.

LINEHAN: It is indeed. Are there any-- wait a minute. Are there any questions from the committee?

RICHARD SCHMELING: Oh.

LINEHAN: Seeing none--

RICHARD SCHMELING: OK.

LINEHAN: --thank you very much. Are there opponents?

LOY TODD: Chair Linehan, members of the committee, my name is Loy Todd. That's L-o-y T-o-d-d. I'm the president of the Nebraska New Car and Truck Dealers Association, testifying in opposition to LB8. We, we were a little bit surprised at the introduction of this bill. One thing that we don't hear much of is that car taxes are too low in Nebraska. When-- historically, when we've tried to survey that and it's a very difficult survey comparing state taxes, we're usually anywhere from fourth to about seventh or eighth in the country, highest motor vehicle taxes. The state is in the motor vehicle business with us. We've got a-- the state has a really good part of that business. When someone, when someone buys a new car, it runs about 11% of the sales price of that vehicle. That goes to various forms of government. Mostly user fees, a lot-- most of it to the, to the Highway Trust Fund. As you can see from the handout that, that we provided, that breaks down all the taxes on a, on a sale of a new car. And it can be as high as 8% on the sales tax, which then goes to, goes to local sales taxes and to the Highway Trust Fund. The motor vehicle tax, which is a property tax-- it's interesting. Most people don't think of that as a property tax, but it is a property tax. And so, in that case, it's about a 2% tax on, on-- property tax on the motor vehicles. Then you go into the various other fees. That's a motor vehicle, there's a motor vehicle fee, which runs about 1% on a, on a $50,000-- or $40,000 vehicle it's about $30. You have-- other taxes that you got, wheel taxes in some of the cities. You've got registration fees. You have, you have that, that laundry list of other taxes that, that exist there. I can tell you that when we sell a new car, it's-- it creates a lot of benefit to, to the state of Nebraska and to the citizens of Nebraska. The average new vehicle costs about $48,000. Remember, an average is, is vehicles above that and vehicles below that. It is certainly not unusual for a vehicle to cost more than $50,000, depending on your needs. A lot of people need a newer vehicle, reliable vehicle, or a larger vehicle. We're going to-- we're an agricultural state. Trucks-- price trucks. It's just amazing. And the average, the average used car is about $28,000. And when we sell a new car, we-- we're creating jobs. We're creating taxes, we're cre-- and, and the taxes, as-- the, the more expensive a car is, the more you pay. It isn't as if it's not a progressive tax in, in the state of Nebraska already. We also, as we upgrade the fleet in Nebraska, they're cleaner cars. They're more efficient cars. They provide

reasonable trade-ins that, that, that the other, other dealers and used car dealers can, can utilize in order to, to benefit the economy. So we think that-- we want you to stay in the car business with us. We want you to be successful with us. The state ought to be promoting car sales, not discouraging them. Thank you.

LINEHAN: Thank you very much, Mr. Todd. Are there questions from the committee? I, I just want to clarify something for the record. And I under-- this is very helpful. Thank you. And eye-opening. But it's not just the state that collects taxes on cars.

LOY TODD: No, not at all.

LINEHAN: According to this, actually, the cities and counties get almost as much as the state. And it goes to Department of Roads for the states, right? So--

LOY TODD: Correct.

LINEHAN: --cars, you need roads. It goes to Department of Roads. Do you know what the cities and counties do with their sales tax?

LOY TODD: There's-- there's a, there's a variety there, on the on the sales tax. It, it isn't, it isn't earmarked so that it's totally controlled, but--

LINEHAN: So it doesn't go to roads like it does for the state?

LOY TODD: I think, I think a, a great deal of it does go to roads.

LINEHAN: OK.

LOY TODD: But it-- but I, I don't know that there's an, an absolute requirement that accomplished that.

LINEHAN: And then on the motor vehicle tax, 60% of that goes to schools.

LOY TODD: That's the-- that falls to the property tax formula, that, that motor vehicle tax. It's--

LINEHAN: OK.

LOY TODD: --it's, it's-- it is property tax.

LINEHAN: OK.

LOY TODD: And, and so it follows that formula distributed as, as indicated on the schedule. And by the way that's-- that, that document came from the Department of Motor Vehicles. That's on, that's on their website.

LINEHAN: OK. So motor vehicle tax, property tax of school, counties, and cities is $328,131,060.

LOY TODD: Yes.

LINEHAN: OK. This is all very helpful.

LOY TODD: As you can, as you can see there, it's-- we're, we're $50 million short of $1 billion generated by motor vehicles in this state. That's significant. We want to keep doing that.

LINEHAN: Thank you very much. Are there other questions from the committee? Seeing none, thank you very much. Other proponents. Proponent?

_____: Opponent.

LINEHAN: OK. That's fine. Other opponents? If you're going to be-- and, and this isn't just for you here. Go ahead, sit down. If you're here all day, we're going to be-- so if you're going to testify at the hearing that is in progress, move up to the very front. Good morning.

KARL JENSVOLD: I didn't, didn't I?

LINEHAN: I know.

KARL JENSVOLD: OK.

LINEHAN: That's very good.

KARL JENSVOLD: I'm learning fast.

LINEHAN: Good example. Yes.

KARL JENSVOLD: This is my first time.

LINEHAN: See? You're a quick learner.

KARL JENSVOLD: OK. Thank you. My name is Karl Jensvold, K-a-r-l J-e-n-s-v-o-l-d. I represent the Nebraska Independent Auto Dealer Association. We're the used car dealer association. We don't sell a lot of cars at the new car dealers over $50,000, but we do. And we don't want to-- naturally, we don't want anything that would hinder a sale to that type of customer from there. What we need is for the new car business to be healthy and not be limited by any ways, because we get our inventory from their trade-ins. And so we need a good supply of local trade-ins, local business. We need the-- those big dealerships to be successful, sell cars, and work from there. So from our standpoint, we just need not extra taxes on-- if we do occasionally sell that $50,000 vehicle, which we, we do occasionally-- but we need the new car dealers to be successful to move from there. Yeah. So it's-- we just need to help the car business.

LINEHAN: Thank you. Are there any questions from the committee? Seeing none, thank you very much for being here. Are there other-- there's no opponents. Are there other proponents? Excuse me. There were no other proponents. Are there other opponents? OK.

FRED NICELY: Hello, Chair Linehan and members of the committee. My name is Fred Nicely. That's F-r-e-d N-i-c-e-l-y, and I represent the Council on State Taxation. We are a nonprofit trade organization based out of Washington, DC. I actually happen to live in the Midwest, in Ohio. But our, our main focus is LB1, so I'll be short here on LB8. We do have major concerns with the luxury tax. And our biggest concern is-- the Council on State Taxation, along with many other business organizations and companies, are strong supporters of the Streamlined Sales and Use Tax Agreement. And we are very pleased that Nebraska is a full member of the Streamlined Sales and Use Tax Agreement. That is an agreement where the states work together, and they also get input from the business industry. And they work on having more uniform laws to make it easier for sellers to be able to collect their tax. So we really do appreciate Nebraska being a long-term, full member of the Streamlined Sales and Use Tax Agreement. However, this luxury tax, with its specific additional tax on clothing more than $1,000 or jewelry over, jewelry over $5,000, those are both defined terms within the Streamlined Sales and Use Tax Agreement. And it would put Nebraska out of comp-- substantial compliance with the Streamlined Sales and Use Tax Agreement, with its additional luxury tax of 2.25%. So just

based on streamlined sales tax, you know, we oppose this bill. But we also oppose it in that it adds a lot of additional burdens for sellers to be able to collect this tax, and also to make the necessary system change-- changes to be able to file the returns and correctly calculate the tax. So I'd be happy to answer any questions, but I wanted to make sure it was on the record that the Council on State Taxation, also known as COST, we oppose LB8.

LINEHAN: Thank you. Are there any questions from the committee? Senator Dungan.

DUNGAN: Thank you, Chair Linehan. Thank you for being here. I've gotten this question from some constituents. And so if you could just answer it, I think it would clarify some things. What is the benefit of being a part of the Streamlined Sales Tax Agreement [SIC]? And what is the consequence for falling out of compliance with that?

FRED NICELY: Yeah. Senator Dungan, that is an excellent question. And there's multiple benefits. I think the biggest one is it enhances the state's revenue collection. Because you have a system of 23 full member states that have uniform laws, and also a registration process that makes it easier for sellers to be able to collect their tax. It's a win situation for your in-state sellers, because your in-state sellers are very often also selling goods to other streamlined states, so they can operate under the same uniform definitions and procedures. And it's definitely a win for out-of-state sellers selling into Nebraska, which makes it easier to collect their tax. So they're going to be less resistance to-- less resistant to registering to remit the tax in your state. So, it's good tax policy. It's been around. You know, they-- they've been working on the Streamlined Sales and Use Tax Agreement since 2020 [SIC]. It was fully implemented back in 2005, and really encourage Nebraska to stay a member. And, you know, getting out of compliance, I'm not saying it's immediately some remote sellers could stop collecting, but it's not going to encourage sellers to want to voluntarily register and collect Nebraska's tax.

DUNGAN: Thank you.

LINEHAN: Thank you, Senator Dungan. Other questions from the committee? I think you misspoke, but maybe not. You said it began in 2020. You mean 2000, right?

FRED NICELY: Oh. I'm sorry. Yes, it began in-- streamlined sales tax-- I appreciate that, Chair. The project began in 2000, and the agreement was fully implemented in 2005. Appreciate the correction.

LINEHAN: And then did you-- I think Senator Dungan asked you what the penalties were for not following it.

FRED NICELY: The-- I'll, I'll address. There is the sanction process. And the sanction process, I think appropriately starts light, where the State Legislature and the Governor are notified that there is a compliance problem. Typically, you know, and if that can last 1 or 2 years, then it usually progresses where a state will lose its ability to vote on certain amendments to the agreement. And then ultimately, it could lead to the expulsion of the state. But that's a process that has not been used yet.

LINEHAN: OK. Thank you very much. Other questions from the committee? Thank you for being here.

FRED NICELY: Thanks.

LINEHAN: Are there other proponents? Anyone wanting to testify in the neutral position?

CANDACE MEREDITH: Good morning. My name is Candace Meredith C-a-n-d-a-c-e M-e-r-e-d-i-t-h. I am the Nebraska Association of County Officials deputy director, otherwise-- we're known as NACO. And we're here just to testify in a neutral capacity. And this, basically just a recommendation for the collection of the motor vehicle luxury tax to possibly lessen the point of sale administrative burden for dealerships and ensure the consistency of, of that taxation. So NACO would recommend the collection of motor vehicle luxury tax to be receipted with the sales tax at the county treasurer's office, maybe potentially looking at the sales tax form or something like that, to add another line item. And, and of course, NACO would always be happy to assist if that's the direction we want to go. Also, I wanted to go back to the question about the motor vehicle tax. So for the motor vehicle sales tax, so basically the Department of Transportation collects 53 1/3 percent, and then the counties and cities will receive 23 1/3 percent back to cities and counties, which averages about $82 million apiece, which goes to the infrastructure, specifically. And then motor vehicle sale-- taxes, 60% of the property-- or motor

vehicle taxes is for schools, 22% is for counties, and 18% is for villages. And we-- annual-- in 2023, we collected $328 million for those taxes.

LINEHAN: Thank you. Are there questions from the committee? Seeing none, thank you very much. Is there anyone else wanting to testify on LB8? Senator Blood, would you like to close?

BLOOD: I'm gonna be very brief. What I like about having hearings in committees is that you have the ability to take something and mold it into what you would like it to be, or of course, the [INAUDIBLE]. I got the idea for the luxury tax because a well-known person here in Nebraska got PPP loans because allegedly their business was struggling, which I saw it was not. And a person who was a family member who worked for the company went out during that time and bought a Maserati. And I thought, gosh. Other people are struggling right now. This doesn't seem right. What can we do at our level to maybe bring to light that we understand that a lot of people had to struggle the last few years? When I hear the auto industry say they need you to, to help them out, I'm pretty sure the federal government helped them out quite a bit. And the corporate people at the top of the food chain still make quite a lot of money on top of us bailing them out. I think sometimes we forget what's going on behind the scenes, because we just-- we don't want to make people angry. And that-- I get that. But I also know that when they sell a car, they put a piece of paper in front of you and they basically try to sell you on the payment, not the overall price of the car. Right? Last time you bought a car, didn't they put this paper in front of you and go, OK, this is the cost of the car. These are the, the taxes. Here's your payment. And they concentrate on the payment. And you ever notice that they never talk again after they do that? Because you know what the rule of thumb is? Whoever talks first loses, right? That's what they teach their salespeople, for future reference in case you go and buy a car. I know that taxes are never popular, but I also know that we have, we have the ability to make things better. And what does that look like? And this was meant to be a starting point. And this was meant to have people start thinking about well, what can we do better? I, I would not have my feelings hurt if we found some middle ground and kind of a different way to do it. I'm fine with that. That's what amendments are for. But I also want to remind people the perspective. Right? We have helped out the auto industry a lot, and airlines, and other industries. And it's funny that the people at the top of the food

chain continue to make money. I am angry every time I tell that story of the Nebraskan that got PPP loans, who didn't pay it back, and whose daughter went out and bought a Maserati because they were struggling so hard. That seems wrong to me. And I don't fault people for having nice things when they work hard, but I do fault people for sucking off the teat of the government and then doing whatever the hell they want and laughing all the way to the bank, as do my constituents. And so, I'm sorry that I keep bringing these things forward to you, because I know you're going to have a long day, but I just really want you to be thinking about who we work for and how we can make it better. And we can have the money go wherever we want the money to go with an amendment, as well. So with that, I'm going to close because I promised I would be concise and, and not waste your time today.

LINEHAN: Thank you, Senator Blood. Senator Murman, and then Senator Bostar.

MURMAN: Thank you. Does the $400,000 property include agricultural land or commercial property or agricultural machinery?

BLOOD: I, I don't think this bill pertains to property whatsoever. And it pertains to vehicles, not machinery. If you look at the exceptions that we put, it's things like trucks that you're driving across country, trucks that are hauling feed or things for farms. Those are vehicles that are too big to even be considered for the luxury tax. And this is, again, where your committee could come in handy, where you could further define, much like the DMV does for the ag vehicles.

MURMAN: So it doesn't include large trucks or machinery?

BLOOD: It, it doesn't, based on, I think, the description. But if you don't feel that it's defined, well, it's an easy fix.

MURMAN: How about land or commercial property?

BLOOD: No, not land. No, not land. We're talking about luxury taxes on property, on things that are not necessities.

MURMAN: Thank you.

LINEHAN: Thank you, Senator Murman. Senator Bostar.

BOSTAR: Thank you, Chair Linehan. Thank you, Senator Blood. I'm, I'm trying to understand the motor vehicle side because there-- it's a, it's a different kind of transaction. So if I wanted to buy a $60,000 car, let's say that this is-- we passed this bill. But I come in and I trade in something for-- with a value of $20,000. Am I-- how is-- I guess my question is how is the purchase price of--

BLOOD: It would, it would still be that $60,000, just like it is now when you pay taxes. We aren't changing the tax system in any way. When you trade in a vehicle, you're still buying a $60,000 vehicle and paying tax on that $60,000 vehicle, I believe. I want, I want to make sure that you know that I'm not definite on that, but I-- pretty sure that the-- you, you get the credit towards that vehicle--

BOSTAR: Sure. It's a net transaction.

BLOOD: --if indeed, if indeed the sale price ends up being $40,000 because of that $20,000 vehicle, then it's a $40,000 vehicle. It's based on the purchase, not necessarily the value.

BOSTAR: I guess, here's what I'm trying to figure out. Because it's a negotiated transaction, which in-- we don't do a lot of-- there's not a lot of our purchases where I think the expectation is that we go in and, and try to find an agreed upon price. For most things, day to day, we-- there's a price. We pay it or we don't. If I were to go in and-- in the same situation. $60,000 car. I've got a vehicle trade-in that's worth $20,000. And I negotiate with them to-- I say I want to, I want to buy the car at $49,000, not $60,000. I would like that to be the price.

BLOOD: Which they couldn't do on a new car, because the markup is not that much like it is on a used car.

BOSTAR: But then they say, well, then we can't take your trade-in for $20,000, but we can take it for 9, 10, 11. Why do they-- why would they care? They get the same amount of money.

BLOOD: I don't know. Why would they care?

BOSTAR: But I'm saying at that point then I have evaded the tax, right? I bought a $49,000 car, not a $50,000 car.

BLOOD: So--

BOSTAR: I'm, I'm just trying to understand.

BLOOD: I mean, that's, I mean, that's-- what you're talking about is that's the negotiation. They're going to do that on planes. They're going to do it on boats. When you're spending that magnitude of money, if there is a cushion with the markup, you have that cushion. And what you said was something that was very true, is that at-- if you're going for a new car, there's a very small markup on new cars compared to a used car, usually. And so you have more leeway when it comes to the, you, you-- the used car, and they'll say like, yeah, we'll give you $11,000, and act like you're getting a deal, but then they are going to turn around and sell it for $20,000, which, you know, you didn't really get a good deal, right. You just basically lost $9,000 in that negotiation thinking you got your car for cheaper. So, not to make it more complicated, but.

BOSTAR: No, I just think the, think the, the, the element of it that I feel like would be challenging within the framework is because you can, you can set-- as long as the dealership is getting the physical dollars that they need for the transaction to happen, you can load the sides of that transaction in a lot of ways that I think it could make it potentially very easy to, to evade the tax.

BLOOD: And we, we know that a lot of wealthy people will evade as much taxes as possible. So, yeah, that doesn't surprise me. But I can tell you that this works in other states. I think we're, you know, we're not reinventing the wheel.

BOSTAR: Could you give us a list of the luxury taxes in other states and what they are?

BLOOD: Yeah. Absolutely.

BOSTAR: Thank you.

BLOOD: My staff wrote that down. Right? Thank you.

LINEHAN: Thank you, Senator Bostar. Are there other questions from the committee? Seeing none, thank you very much.

BLOOD: Thank you.

LINEHAN: We did have letters for the record. We had 13 proponents and 4 opponents. And with that, we'll close the hearing on LB8, and begin the hearing on LB9. Exactly. Anyway-- oh my God. I feel like we're going back in time. Here we go. Hello, Senator Hughes. How are you?

HUGHES: Apparently, we're not ready for my bill yet. We don't have a 9.

LINEHAN: We're ready. Aren't we ready?

_____: You're good to go now.

LINEHAN: LB9.

HUGHES: Thank you, Kym.

LINEHAN: Isn't it LB9?

ALBRECHT: Yes.

MURMAN: Yes.

LINEHAN: [INAUDIBLE] can see the lights.

_____: I flipped it around so it's blank facing the camera, because that one doesn't have a 9 on it [INAUDIBLE].

LINEHAN: OK. OK.

HUGHES: Good?

LINEHAN: Yes, it's, it's fine. It's wonderful. Good morning.

HUGHES: Good morning. All right. Good morning, Chair Linehan and members of the Revenue Committee. I am Jana Hughes, J-a-n-a H-u-g-h-e-s, and I represent Legislative District 24, which is Seward, York, Polk, and a little bit of Butler County. I am here today to introduce LB9, otherwise known as the Lower the Levy Cap plan, LTLC, or we like to say, a little TLC for property tax relief. As you recall last session, we attempted to provide property tax relief with LB388. I and many others supported LB388, but it didn't have the votes to get past cloture. We ended up empty-handed. Meanwhile, valuations have

continued to rise and Nebraskans are paying the price. I started working on LB9 immediately after we adjourned, as I knew that Governor Pillen was very serious about a special session to achieve property tax relief, and I knew that he would propose some ideas. I also knew that we needed to have some alternative plans in case the Governor's plan didn't garner enough support. I have worked closely with Senators Brandt, Conrad, Dorn, and Walz on this, and they are all co-sponsors. LB9 utilizes increased state investment in public schools and our existing school funding formula, TEEOSA, to drive down the maximum levy cap for schools. LB9 also sustains property tax relief for the next decade, as we drop the maximum levy cap every biennium. And before we start, I want to kind of mention what is getting handed out for you all. This is our modeling. And I'm-- you're getting a big packet of school districts, what it would look like at the-- if we would lower to the 60% LER and the 40 LER. It's done by district. And then there are 2 1-pagers in your packet that just gives a summary of the bill, and also a 1-pager that you can put side by side with the bill and by section, says exactly what's happening in the bill for reference. That just makes it easier when you're looking at the bill. And there's a graph that I will address later. Colleagues, the maximum levy cap for schools is the ultimate hard cap. The maximum levy cap currently is $1.05, and with this bill, the first tier is to drop it to 65, which means we would drop the LER, the local effort, effort rate, to 60, which gives us the 65 top cap. And then it stair steps down every 2 years down to $0.25, that top cap. To fund LB9, we need approximately $1 billion to drop the maximum levy cap from $1.05 to $0.65. Then, each biennium, the Legislature will need to contribute an additional $253 million to lower the maximum levy cap by another $0.10 each time. The lower, the Lower the Levy Cap plan frontloads LB1107 or tier 2 property tax credits. This was used in LB388 and is also being proposed as part of the Governor's plan. This provides approximately $560 million-- $560.7 million of the approximate $1 billion needed to drop this maximum levy cap. The balance of this is about $440 million. This can be achieved through a number of ways. However, we did not identify the specific source of these funds as we thought it deserved the benefit of floor deb-- debate and consensus by the majority of colleagues. I want to acknowledge that by repurposing LB1107 money using TEEOSA, there will be some low levied school districts whose property owners will not have savings and may have an increase in property taxes the first few years of the implementation of this plan, if they were claiming that LB1107 credit. However, as the plan

progresses, the state continues to add state funding to schools, every school district comes out positive over that 10 years. I also want to mention the fiscal note, because I'm sure you have that in front of you, and it shows $1 billion-- I feel like doing this, $1 billion. OK. Sorry-- more than we think it is. We are-- we got that fiscal note yesterday. We're working with Fiscal to see where that disparity comes from. But we have had modeling done by OpenSky, and they matched pretty close to what we have. Of course, the ultimate modeling will be done by NDE. And that will really, I think, give everybody comfort in the numbers. So I would like to share with you other things contained in the Lower the Levy Cap plan. We put in place a base levy adjustment within TEEOSA. This does not require a school district to have a minimum levy. This-- the intent of this is to make sure each school district has some local contribution to their funding. The base levy adjustment is currently a calculation based on what the school would potentially tax at a rate of half of their local effort, effort rate, and adjust state aid accordingly. This language can be approved upon pending feedback from NDE and our schools. So, for example, when we start out with a max cap of 65, the LER is 60, and the floor will be 30. At the next biennium, the max cap is 55, which means that LER is 50, and the floor would be 25. So it's half of the LER, would be the floor. So we're slowly squeezing levees closer together as the 10 years goes by. I personally fundamentally believe that some local property tax should be used to pay for their local K-12 schools. The bill as currently written will have all general fund levies between 65 and 30 the first 2 years, and then between 55 and 25 the following 2 years, and so on. Maybe there is a floor or base levy adjustment that we don't want to go beyond, and that is something that we can discuss. I have heard concern from some constituents, especially in rural areas, that if the state assumes 100% of their general operating fund of schools, that they will lose local control. Right or wrong, that is a concern. And with Lower the Levy Cap, we do not take schools down to zero. So that is not an issue. We also, in this bill, build in a safety net for our public schools if we as a Legislature fail to provide the funding that we promise under the Lower the Levy Cap plan. This is similar to what we did for the community colleges. If the Legislature does not fulfill their obligation, the public schools can levy property taxes to pay for their schools. The pressure is on us and all future Legislatures to fill the promise or face telling voters that we are actually increasing their property taxes. We have also included the language from LB388 regarding levy overrides. A school

under current law can pass a levy override by a vote of the school board and choose to bank that authority for a future year. We, we tell them in this bill they can override it, but they have to use that extra authority or lose it. We are also placing an incentive for schools to come in under the 3% base growth percentage. That is the problem with a hard cap on growth. You guarantee that everyone will be at that 3% or CPI or whatever the proposal is. There is no incentive to go-- ever go below. We put in the bill that if the school comes in under the 3%, then they can carry that unused authority for a future year when things might change, and that they need it. We also take the special building fund outside the tax authority calculation. We realized early on when we dropped that maximum levy cap down to 65 and below, that some schools would not be able to put one penny into their building fund. So this is the fund. And I'm sure most of you-- I mean a lot of you are on Education also, know that the special building fund provides ability to maintain and repair schools-- school buildings. We didn't feel that that was our intention or desire. And so that being said, the current special building fund maximum levy cap is $0.14. If LB9 passes, I think we need to look at dropping that down to a lower amount, because now it's going to be outside of that tax authority calculation. That is a conversation for next year. We have also changed valuations within TEEOSA. TEEOSA, as you recall, is a needs minus resources to equal your state aid for education. There are total valuations of agriculture, commercial, residential, and other real par-- real property are counted as a resource. For decades as these valuations rose, so did the district's resources. And generally speaking, this ended up putting more and more burden on property taxes to pay for our schools. TEEOSA was never intended to be a static formula. It was intended to be adjusted to accommodate things like explosive growth in valuations. However, for the last 10 to 15 years, as valuations has increased, the state was more than happy to let local state property taxpayers handle more and more of their school funding as it made the state budget look really good. I am happy that we are at a point that we have a Governor that is serious about tackling this issue, and willing to help our schools out with increased state funding. I'm going to answer the question that everyone asks: why does ag land valuation in TEEOSA drop 30% and residential and other real prop-- property only drop 10%? The Lower the Levy Cap plan attempts to put valuations back to the average level that they were over the period of 1997 to 2007, a period of relatively stable valuations here in Nebraska. So why does it take a bigger

percentage drop, 30% in ag land, to put it back to the average level of-- from 1997 to 2007, versus a smaller drop 10% for residential? Since 2007 was the end of a relatively stable year for valuations, residential property valuations have increased by 213%, while ag has increased by 336%. That's interesting, but it doesn't tell the full story. That 213% valuation increase came with a 10% increase in growth with the addition of over 80 housing units-- eight-- sorry, 80,000--80 would not be very much-- 80,000 housing units. Meanwhile, the 336 increase of ag land valuations since 2007 has happened with the loss of 1.5 million acres of land-- of ag land. So in visual terms, because this helps me out, 1.5 million acres is the size of Senator Albrecht's entire legislative district, Lancaster County, and Douglas County. That's how much ag land has been removed from the books. Do I get a-- I have no time limit? Oh, OK. Sorry. I thought that popped on, and I'm like, whoa. OK.

LINEHAN: There's no time limit on--

HUGHES: Squirrel. OK. So. I'm like, wait a minute.

LINEHAN: There's time you'll lose this, but there's no time limit.

HUGHES: That's fair. I'm, I'm kind of almost done, but not really. Sorry. OK. So since 2007, that amount of ag land has been converted to other forms of land for homes, apartments, services, schools, etcetera. Of course, 80,000 new units requires land. So while the growth in residential valuation is substantial, it's impact-- and is impacting people, it's being diluted by their growth. The explosive growth in ag land valuations is being concentrated on fewer and fewer acres. You can't make more acres of land. You can build more houses, you can build more businesses, but you're not building more acres. So doing the math gives us a 10% reduct-- reduction for residential and a 30% ag, again, inside of the TEEOSA formula. This resets us back to the '97-2007 average valuations for purposes of lowering the levy cap for schools. We are also removing 2 components of TEEOSA in the averaging adjustment and the allocated income tax. This reduces the costs of lowering the maximum levy cap by $100 million. So basically we get to keep $100 million in-- to use when we're-- when we go to this-- the way we're doing it. Everybody says TEEOSA is too complicated, and so we're just trying to eliminate a little bit of that complexity. I know that the state's largest schools that benefit, benefit from the averaging adjustment have expressed some concern with

removing it. The 2 biggest schools, OPS and LPS, get close to $7 million each through the averaging adjustment. OPS and LPS account for almost half of the entire cost of this particular component of TEEOSA. You have printouts of what our modeling shows the new levies will be for schools-- that's the big pack by district-- and what it means in terms of property tax relief for those districts, and how much increased state aid would be going to those districts. We have also given NDE this bill, and they are currently modeling. So I know some of the schools are hesitant to comment about LB9 until see-- until they see those numbers, and I understand that. Also in your packet, I want to point out that there's a graph that shows levy distributions across school districts from-- so from 2 years ago. That's the blue, 2 years ago. That's where the lev-- so this shows how many schools. There was just shy of probably 40-some schools at a dollar plus, almost close to 50 schools in the '90s. Same in the '80s, '70s. That's the blue color. Last year, we put in $1,500 foundation aid. That's the yellow. And the levies shifted down, so, so levies did go down, which was good. But you can still see, levies are very spread out. In the blue, they're very spread out. In the yellow, they're very spread out. But with Lower the Levy Cap, which is the one in red, that shows how we are shi-- one, we're shifting down. Look at the schools. We're going to have between 75 and 90ish schools in the 40-cent levy. We're shifting the levies down and we're also condensing it. We're, we're making that spread between the highest levy and the lowest levy less. If we implement L-- Lower the Levy Cap, the first year at that 65 max cap, we'll have 233 schools equalized across the state. And that is good for all Nebraska schools. In summary, I want to state that this bill is a work in progress. We have reached out to the stakeholders involved to present the concept and hear their concerns and ideas. And once we get to the final modeling-- thank you, Senator Murman, for requesting that from the Nebraska Department of Ed-- I know we will have a better understanding with this bill as written. In my opinion, opinion, this bill is about major TEEOSA concepts and how they are designed to work, to do exactly what the Governor and the legislative body wants to do. If we, as a body, can agree to the concepts and feel that they will do the work of property tax relief, then the next step is making whatever adjustments we deem necessary within this bill. I welcome any questions, and I appreciate your time and patience because I know this is a lot, as I explained the Lower the Levy Cap bill. Thank you.

LINEHAN: Thank you very much. It is a lot of work. It's impressive. Are there questions from the committee?

HUGHES: I haven't had much of a summer, just for--

LINEHAN: Oh, you knew we were going to be here.

HUGHES: We had some inkling, didn't we?

LINEHAN: Yeah, some inkling. Yes, Senator Albrecht.

ALBRECHT: Thank you. Chair. Thank you for bringing the bill. I would like a copy of your testimony, so that--

HUGHES: Oh, OK.

ALBRECHT: It's a lot.

HUGHES: It is a lot. Yeah.

ALBRECHT: And it would help-- be very helpful in looking at--

HUGHES: OK. Would you all just--

LINEHAN: Yes.

ALBRECHT: Yes.

HUGHES: I'll just get a copy for everybody. OK.

LINEHAN: Thank you, Albrecht. Senator Meyer.

MEYER: I guess I want to thank you for the amount of work you've done as well, as well as the other senators who have teamed with you to put this project together. This is extremely extensive.

HUGHES: Yeah, well, and I know you you being involved with schools know all the--

MEYER: Yeah. So--

HUGHES: --all the parts.

MEYER: --so all among the senators that have worked with you, what are you envisioning as far as the future funding sources--

HUGHES: Yeah.

MEYER: --to make this go? I know that's the [INAUDIBLE].

HUGHES: So-- right.

MEYER: Have, have they come together with a mindset yet?

HUGHES: You know, there's been-- just been talk. I, I, I, I think it's just talk like, with all of our senators, right? You feel like, oh, I think we should do these 2 or 3 things. And, and Senator Kauth feels that we should maybe do these 2 or 3 things. I didn't want to kill the bill by, by putting in a revenue source, right. Except for the LB1107, because I think we all have --the concept of that has been agreed upon. And I think 1LB107 was kind of created as a holding place till we could get something established. So, so that's why I didn't tie anything directly to the, to the $440-plus million that we need. Before-- I'm going to, I'm going to jump to a different answer, and then I'll come back to the 440. As this bill-- as the biennium goes, every 2 years goes, that $253 million, hopefully as a state, we're seeing growth. And so for the future years, hopefully we're seeing growth. And if we as a body stay fiscally conservative and, and watch our spending, I think we can-- it'll be easier to capture some of that growth and, and, and save it for-- just to keep those levies coming down. But that doesn't answer we still need $440 million now. I'm doing my parts. I will be back in front of you in-- apparently tomorrow, maybe in the evening, bringing a, a couple bills. We've-- I-- I've got, I've got creative things. I, I think other senators are throwing some creative darts-- what is it called-- noodles at the wall to see what sticks. There's nothing-- we don't have a consensus of the 5 of us, I guess, of what, what we can do to pay for it. But I-- that list that we've got with LB1-- I, I am confident and I've said the word easy, and I'm-- it's probably not easy, but I, I think we can find $440 million. I think that is very doable, us as a body, that we can, we can find that. I'm not going to on record say what that $440 million is. Like I said, I'm bringing a couple things that maybe could have like $200 million. And anyway, I think we can piece together-- and honest-- I think it's doable, I guess that's--

MEYER: OK. And that's, that's a good answer.

HUGHES: OK.

MEYER: I guess I-- some of us have been on another committee-- have been working on LB1 and, and the Governor's proposal. One thing we have found out, which is an exception to earlier testimony on a bill today, that Nebraska's sales tax is not similar to Iowa and South Dakota. We are far different, far different. There's a reason South Dakota has no income tax. They pay sales excise tax on literally everything. So worrying about border bleed, that's not an issue.

HUGHES: That's not true. Yeah.

MEYER: And so, combining some of the ideas that, that a lot of state senators have put together, I think there's some real merit to that. And I, I think your, your plan is a, is a good plan. And we'll see where we go down the road. [INAUDIBLE].

HUGHES: Well, and I voted for LB388, so clearly I'm good with all that stuff in there. So.

LINEHAN: Thank you.

HUGHES: We need 48 other people.

LINEHAN: Thank you. Are there other questions from the committee members? I have a couple.

HUGHES: Yes.

LINEHAN: You leave the needs side alone.

HUGHES: Correct. Well, except for the averaging adjustment.

LINEHAN: Averaging adjustment.

HUGHES: That is correct.

LINEHAN: I understand that. You don't touch the first property tax credit.

HUGHES: That is correct.

LINEHAN: Even though 60% of that pays for schools.

HUGHES: And that is an option to pay for the $440 million.

LINEHAN: Which would be about $237 million.

HUGHES: And then I have two bills that bring 200 more. We're done.

LINEHAN: OK. There we go.

HUGHES: Let's go home. I'll just pay for my own bill.

LINEHAN: OK. Let me think. On the-- and you're leaving, you're leaving the building fund outside, so you drop--

HUGHES: So, I--

LINEHAN: --you drop to $0.65, it would actually be--

HUGHES: So the building fund right now has to be for your authority--

LINEHAN: --inside the dollar five.

HUGHES: --is, is inside the dollar five.

LINEHAN: Right.

HUGHES: We pulled it out because so many schools will be butted up to that 65, that they won't even be able to put a penny into the building fund.

LINEHAN: OK.

HUGHES: And so, I-- so, so in my bill, it leaves it on the outside. However, I think we have to come back-- I don't think it needs to stay at $0.14. I think--

LINEHAN: And that's been a conversation for a few years.

HUGHES: --for sure. And I-- well, and if we're pulling it out from under the big umbrella, we've got to address that. I'm not going to say, is it for 4, 4, 5, 6? I don't know. I also want to run the numbers on little school-- smaller school budgets when you, you know-- a, a 4% on a small budget might not even give you enough to put on a shingle. You know what I mean? So I think you got to-- we, we have to,

we have to look at how it affects all schools and then make adjustments accordingly. But for sure that needs to be addressed, if this bill passes with that on the outside.

LINEHAN: Is there any-- in your bill, is there any cost controls-- like, the levy is going to go down. And--

HUGHES: Yes.

LINEHAN: --let's say it goes--

HUGHES: So that hard cap is coming down every 2 years. And then, we're--

LINEHAN: Hard cap. What do you mean by that?

HUGHES: Well the, the, the top-- the max levy cap, the dollar five now.

LINEHAN: But it wouldn't control valuations.

HUGHES: Well, no. There's nothing to control valuations.

LINEHAN: So there's not a-- it's not-- it doesn't--

HUGHES: This doesn't stop-- so, you're right. So your point is if we would do this bill and just leave it at the 65 and not do the decades of relief, valuations will keep rising because we're not making more ground. And, and housing is going to keep going up. We will be back in the same place potentially, if we don't. And that's why we're tiering-- we're stepping it down. Because as that lower-- as that LER drops, that should negate any rise in valuation. Does that make sense?

LINEHAN: Yeah. Makes sense.

HUGHES: Yeah.

LINEHAN: OK. Any other questions from the committee? Seeing none, thank you very much.

HUGHES: Thank you, guys. I know it's a lot.

LINEHAN: OK. So we're going to do this proponent, opponent, neutral. So if you're going to testify in this hearing, you need to be close to the front. So we'll start off with proponents.

JACK MOLES: Should be able to see.

LINEHAN: Good afternoon-- or not-- excuse me.

JACK MOLES: Good morning, Senator Linehan--

LINEHAN: Good morning. Sorry.

JACK MOLES: --and members of the Revenue Committee. My name is Jack Moles. That's J-a-c-k M-o-l-e-s. I'm the executive director of the Nebraska Rural Community Schools Association, also referred to as NRCSA. On behalf of NRCSA, I would like to testify in support of LB9. NRCSA appreciates the work of Senator Hughes and Senator Brandt, as well as other senators who helped to develop this bill. LB9 would establish a responsible, long-range plan to address property tax issues while still maintaining the ability of school districts to address the educational needs of their students. LB9 would respect the ability of locally elected boards of education to make sound decisions at the local level, where those decisions should properly be made. TEEOSA has not reacted well to escalating ag land valuations. When we go back to 2008 and 2009, most dis-- most school districts in the state were equalized, with only 48 schools not equalized. When-- by 2007-- 2018, 178 districts did not receive any equal-- equalization aid. This caused property owners in those districts to make up for lost state aid. When compounded over time, time-- this time frame, since equalization aid was lost, property owners in those districts had to make up for millions or even tens of millions of dollars in lost equalization aid. LB9 would help to rectify some of that and get better assurance that we do not end up in a similar situation in the future. Lowering the LAR over a period of 10 years should have the effect of negating valuations rising when compared to the current funding program. The effect of bringing levies down and closer together should help to address some of the concerns of property owners who see higher or lower property taxes, simply based on the school district in which they own property. NRCSA does have a concern that early on in the implementation of LB9 that property owners in some districts may actually see their net property taxes go up. However, when considering the long-term imple-- implementation of the

bill, this should be negated in time. We would encourage you to continue to fix-- to find a way to fix that issue. NRCSA would be very happy to be involved in those efforts to do so. Thank you.

LINEHAN: Thank you. Are there any questions from the committee? I have one. Why would you be concerned about local control in LB1, which takes it down to $0.15, I think, but you're not concerned at $0.25?

JACK MOLES: In LB1, the way I understand the Governor's plan is, is that there would be no property taxes. There would be no local input into the funding of the schools.

LINEHAN: If you got out to the third year. But-- so you're saying you could go down to 25%, was the-- on the local property taxpayers, and that's fine. You don't-- you're not worried about all the chatter that's been going on about local control at $0.25.

JACK MOLES: Yeah, I, I guess I-- with-- Senator Hughes made a, made a-- kind of a comment along that line of, you know, there needs to be a little, and we'll say skin in the game, locally. And, and NRCSA would believe that, that we have to have some local resources going into our local schools.

LINEHAN: OK. So if what-- if you get $0.25, then you're-- there's no concerns over local control.

JACK MOLES: Well, there always will be, depending on what, what the Legislature would choose to do.

LINEHAN: But we could do that now.

JACK MOLES: But yeah.

LINEHAN: Right.

JACK MOLES: Yeah, absolutely.

LINEHAN: We can do just about anything we want to right now.

JACK MOLES: Absolutely.

LINEHAN: OK. Thank you very much. Are there other questions from the committee? Seeing none, thanks for being here. Appreciate it.

JACK MOLES: Thank you.

LINEHAN: Opponents.

BRYAN SLONE: Good morning, Chair Linehan and members of the Revenue Committee. My name is Bryan Slone, B-r-y-a-n S-l-o-n-e, and I'm president of the Nebraska Chamber of Commerce and Industry. And thank you for allowing me to testify on behalf of the Nebraska State Chamber, the Lincoln Chamber, and the Omaha Chamber, on this bill. And first of all, let me also suggest and, and thank the, the senators who put so much effort into this. There's 2, 2 pieces of this that, that are helpful in the conversation. One, it, it goes to an incremental phase-in approach. And, given all the complexities of TEEOSA, that may make some sense. And secondly, at least we get to the now, to the question of, of levies and valuations. That said, we, we continue to oppose this legislation but would be happy to work through the fall on, on concepts. And the biggest issue is we have yet really, to define the problem. And so I point your attention to the chart on the bottom of the first page of my testimony, which is how big is our property tax problem? Do we need to reduce property taxes by 10 or 20 or 30 or 40 or 50% to be competitive with other states? So, you know, it would be nice to define that before we start raising the taxes. And so on the bottom-- and I apologize. This is the most recent data, data available publicly, and we'll try to find updates. But in 20-- fiscal 2021, here's the mix of property taxes versus sales taxes, individual income, corporate income, and other taxes in the states-- in Nebraska and all the states that surround us. And this is the 3-legged stool argument. But what you find is, our property tax percentage is a percentage of total state and local taxes-- is actually pretty close to the states around us. There's certainly some room for some improvement, but it might be in the 5-10% range. Now, that's not a small number. That's still hundreds of millions. But it's not a billion, and it's not a billion and a half, and it's not $2 billion. And if you look at our sales tax rates, they are very comparable-- sales tax as a portion of our state and local funding, very comparable to the states around us. We're towards the high end. Same thing with individual income. The only outlier is South Dakota, as been mentioned. But they have used all those sales tax revenues to lower individual income tax. If you look at their property taxes, none of that, none of that is going to-- or very little is going to property taxes. So we don't have a $2 billion problem. There isn't a need to reduce property taxes by 40% to become, to become competitive. And so,

the first rule in business is you always define the problem before you try to solve it. Just a couple other points that I want to make. All of this goes to the same point. In the end, we would end up spending a billion, billion a half on this bill. We would lose local control, and we would still be subject years later to what happens with property valuations. And as I want to reiterate, the key is first define how much we need to do. And then before we start raising revenues, be able to solve this property valuation problem.

LINEHAN: Thank you. Are there questions from the committee? Yes.

BRYAN SLONE: Yes.

MEYER: So, so the-- your graph on the bottom is after the 42% drop for any property?

BRYAN SLONE: This is collections. Yes.

MEYER: Yeah. OK. So the way it is now, these are not correct. Because we collect $5.3 billion in property, only $2.3 billion in sales, and 3.7. So this bottom graph is really inaccurate.

BRYAN SLONE: Well, the, the-- it has changed over time. But I would tell you that sales--

MEYER: That-- that's today.

BRYAN SLONE: --sales today-- sales and individual income and corporate income have grown faster actually in recent years. Corporate income tax is actually the fastest growing-- your all-- already see, this is the high-- we have the highest corporate income tax of any state. I am not arguing that because of valuations, not because failure of the-- of what was [INAUDIBLE] that there could be some differential today, and there is still a need to reduce property taxes. What I'm saying is it's not a billion dollar problem as we sit here today.

MEYER: But, but what I'm saying is 37.2-- or 34.2 is, is not an accurate figure.

BRYAN SLONE: It was in 2021.

MEYER: Oh, well, that's, that's a long--

BRYAN SLONE: Yes.

MEYER: --time ago in tax talk.

BRYAN SLONE: But property taxes have gone up since, but, but so has individual income tax and, and revenues, and-- this is revenues. This is not rates-- and corporate income revenues.

MEYER: Thank you.

LINEHAN: Thank you, Senator Meyer. Other questions from the committee? In Colorado--

BRYAN SLONE: Yes.

LINEHAN: --homeowners don't pay at the same rate as commercial, do they?

BRYAN SLONE: I don't know that for sure. In many states, there is a differential.

LINEHAN: In a lot of states, right?

BRYAN SLONE: Right.

LINEHAN: Commercial pays more than homeowners.

BRYAN SLONE: Right? Yes.

LINEHAN: So I would like to see what the situation is with all these states you list here.

BRYAN SLONE: Yes.

LINEHAN: And in most states, they do collect some property taxes, don't they? States collect?

BRYAN SLONE: In almost-- in 49 out of 50 states, if I'm correct, we collect property taxes. And so--

LINEHAN: The states collect.

BRYAN SLONE: --there are very few states that have-- there's only one state I know of that has eliminated property taxes.

LINEHAN: And when you, when you say our income taxes have gone up considerably in the last--

BRYAN SLONE: Revenues.

LINEHAN: Revenues have gone up.

BRYAN SLONE: Revenues.

LINEHAN: Yes, the rates actually went down.

BRYAN SLONE: As, as-- yeah. As we watched, as we watched the revenues exceed forecasts for, for several years in a row, it was really individual income taxes and corporate income taxes particularly, that were driving that.

LINEHAN: But you can't use the last year of those increases as a measuring stick. You do know that, right? The last year, when we were $1 billion up in income taxes between corporate and individual--

BRYAN SLONE: No, no. But this has been going on for 2 or 3 years, our forecast, our revenue.

LINEHAN: Right. But we're not-- you're not talking about the last--

BRYAN SLONE: No, no--

LINEHAN: --P tax passed.

BRYAN SLONE: --I'm not talking about, talking about that.

LINEHAN: OK.

BRYAN SLONE: What I am, what I am suggesting is-- the 2 columns, the sales and individual income tax columns really reflect wage earners, is that--

LINEHAN: OK. OK.

BRYAN SLONE: --the bulk of local state taxes are paid by wage earners. And what, what all of this proposal-- these proposals do is, is you reduce property tax. And whether you put it on TEEOSA or whether you raise other taxes, is move prop-- move tax burdens from landowners to

wage earners. And I'm not saying that there isn't some amount, but it's not a billion.

LINEHAN: I know people in most of these states, and I know what they pay on their homes. And we are way out of whack.

BRYAN SLONE: But it's-- but in many of these states, they have controls over how fast valuations can increase--

LINEHAN: I know.

BRYAN SLONE: --so the valuations there-- or they have homestead exemptions for older--

LINEHAN: You've made it abundantly clear this morning that you think valuations--

BRYAN SLONE: -- older retirees.

LINEHAN: --are the problem.

BRYAN SLONE: Right. So they, they have legislative fixes to the valuation problem. And if I could make one point this morning.

LINEHAN: And wouldn't it be, wouldn't it be true that in most of these states, South Dakota and Wyoming are going to depend more on property taxes because they have no income taxes.

BRYAN SLONE: Yeah. And what really drives the--

LINEHAN: And, and in the other states--

BRYAN SLONE: Yes.

LINEHAN: --Missouri, Kansas, Iowa, and Colorado all have a larger population than we do.

BRYAN SLONE: They have a larger population, but it's hard to say that Kansas doesn't have a remote population, or that even, even Iowa-- they have 2 population centers in, in Iowa.

LINEHAN: But they've got twice as many people.

BRYAN SLONE: Twice as many people. But also, that comes with the same expenses, as well.

LINEHAN: OK. Are there any other questions? Senator Murman.

MURMAN: Yes. Thank you. I know-- I, I still don't understand this bottom table, I guess. Maybe I'm missing something, but I, I know you're talking about revenue. And is it this year that you're talking about?

BRYAN SLONE: No. This, this was-- 2021 is the last, is the last public information. We do need to update this. And like I say, they-- there could be some adjustments, but this is directly correct. I've been trying to compute, just back of the envelope, all 6 years I've been State Chamber president how big the property tax issue was. And at times, it's been $300 million. At times, it's been $600 billion [SIC]. But I've never-- the-- I'm not saying there isn't a property tax problem, but when we say we have to reduce property taxes by 40 or 50% to be competitive, that's just not true.

MURMAN: Senator Linehan mentioned that on residential, there's quite a difference between bordering states and Nebraska. Colorado, for instance. My district is along the border of Kansas, and I know that ag land right across the border in Kansas is just a fraction, property taxes on it, compared to Nebraska.

BRYAN SLONE: Yeah. And same with Missouri, is particularly much lower ag land values than, than we do. We've been particularly aggressive as a state in the last 5 years, of moving valuations to, quote unquote, 100%. And that's been part of the process, as well.

MURMAN: Yeah, I think Wyoming is, is just a fraction, also. And South Dakota, I don't think has any. And Iowa is much less.

BRYAN SLONE: And you wouldn't, and you wouldn't, and you wouldn't think that would be the case, would you? And so, again, my point is, before we raise $1 billion in new taxes, let's figure out this valuation problem.

MURMAN: Well, it's levied, that goes with the, the levy is actually a problem.

BRYAN SLONE: Yeah, it's, it's a combination of valuation and levy, and didn't-- to the point of this piece of legislation, at least we're to the right topics.

MURMAN: We want valuations to go up. But-- so we could adjust the levy to compensate for valuations.

BRYAN SLONE: Well, and, and what I'm saying is for, let's say, the banker who's loaning money to a farmer, they don't look at property tax valuation to determine the value of that property. They, they have much more sophisticated methods. How we value property for property tax is a fixture of accounting for tax purposes that, that other states manage, and we can manage.

MURMAN: Thank you.

LINEHAN: All right. Are you-- thank you, Senator Murman. I'm sorry. Other questions? Senator Meyer.

MEYER: Yeah. Twice in your testimony this morning, you explicitly said land. Why don't you include all real property when you give testimony about taxes?

BRYAN SLONE: No. I, I would, I would say--

MEYER: Are you specifically targeting farmland?

BRYAN SLONE: No, I would say all, all real property.

MEYER: OK.

BRYAN SLONE: Like my house-- my personal house value has gone up double digits. I'm no happier about my property taxes than you are. I'm just saying, let's, let's, let's measure the extent of the problem and fix the problem.

MEYER: I just wanted to clarify it [INAUDIBLE].

BRYAN SLONE: No, no, no. I'm a very unhappy property taxpayer, personally.

MEYER: OK. Thank you.

LINEHAN: So you're saying the Chamber's position is that we shouldn't value property at its actual value?

BRYAN SLONE: Well, we don't for ag already. We already have a 25% reduction for ag. What I'm saying is there should be governors on how fast it can increase.

LINEHAN: So it shouldn't be valued at what it's actually valued at?

BRYAN SLONE: Not if the increase is-- and one, one method you could have, is you-- the 2 methods that I-- 2 meth--

LINEHAN: I'm just looking, I'm just looking for the Chamber's position.

BRYAN SLONE: Chamber's position--

LINEHAN: Omaha.

BRYAN SLONE: --is we should look at all the state approaches to-- that they've used to fix the valuation question.

LINEHAN: So you don't--

BRYAN SLONE: Some have limited valuation. Some have had automatic levy adjustments.

LINEHAN: We have automatic levy adjustments in Nebraska--

BRYAN SLONE: Yes, under TEEOSA.

LINEHAN: --that can be overvoted by the boards--

BRYAN SLONE: Yeah.

LINEHAN: --of the local governments.

BRYAN SLONE: Yes. Yes. And so I'm totally--

LINEHAN: And we've had that since 19-- no. Excuse me, 2019.

BRYAN SLONE: Others are working better than ours.

LINEHAN: Any other questions? Thank you.

BRYAN SLONE: Thank you very much.

LINEHAN: Proponent. Good afternoon. Good morning.

BRIAN MASCHMANN: Good morning. Chairperson-- Senator Linehan, Linehan, members of the Revenue Committee, thank you for the opportunity to testify in support of LB9, introduced by Senator Hughes. My name is Brian Maschmann, B-r-i-a-n M-a-s-c-h-m-a-n-n. I'm the former superintendent at Norris School District, currently serve as the secretary of STANCE. We are an 18 mid-size school-- a district, free of lobbyists. Represent schools from Chadron, Plattsmouth. I want to thank Senator Hughes for bringing LB9. It takes a systematic approach for true property tax relief while protecting local control of our school districts. I want to start with highlights of 4 key components. First, process. Senator Hughes take-- took-- taking the time to gather input from many educator groups, individuals, and senators. Her ability to work with others and with both sides of the aisle has gone a long way. We know, being a former school board member, she also get-- also gives Senator Hughes a great perspective on creating LB9, protecting local control. We believe that communities want to rely on school board members who are elected by their patrons to prioritize the needs of their districts. We know that small school districts have different needs than larger school districts. The plan provides much needed property relief for our residents, while also making sure the community members see where their tax dollars are going to, to support their schools. Planning for the future. The plan allows the school district to collect from taxpayers in their community if the state is unable to fund their obligation. The plan systematically lowers local effort rate over time to adjust and make corrections based on available dollars, which is more realistic approach. And then, the purpose. We believe the purpose of the special session is to provide property tax relief while maintaining quality education. We know that not every district will see a huge saving with this plan in the first year, but it will provide, provide a systematic approach over the next decade that will allow all districts to see tax savings for their patrons. Thank you for allowing me to testify. I can answer any questions.

LINEHAN: Thank you very much. Are there any questions from the committee? So you-- you're OK if, if the local control-- you feel confident that you would maintain local control at $0.25 levy?

BRIAN MASCHMANN: So, how I feel is it's a stair step. So this happens in 10 years, or it stair steps from 65. And as, as time goes on, I think people become aware of the process. They know what's going to happen. But in those years of when it gets to the 25 or 35, they'll understand the, the local control for the local school districts. Does that make sense?

LINEHAN: I just actually don't understand the concern now because we could do anything that they say we might do now. So I don't understand it now. But I am interested in the idea that at $0.25, everybody seems to think that's an OK level for local control.

BRIAN MASCHMANN: I feel that the-- as time goes on from when we start out at $0.65, and every I think 2 years, it goes 45, down to 35, down to 25. That in those times as you're working down to the 25%, the, the count-- or the city's school boards, they will be able to establish that their-- they know that their 25%, 25% of control for the school district is fine, because they also have to be working with-- and this isn't in the bill yet, but with the building fund outside, or the bond fund would be outside. And so there's still a lot more control, but the 25% was more for just the general fund.

LINEHAN: So you're talking about just the local control to levy taxes, not the local control to who-- what teachers you hire, what superintendent get hired or--

BRIAN MASCHMANN: Well--

LINEHAN: --whether you have summer school, that's all still up to the school board.

BRIAN MASCHMANN: Yes.

LINEHAN: OK. Any other-- thank you very much. Any other questions from the committee? Seeing none, thank you.

BRIAN MASCHMANN: Thank you.

LINEHAN: Opponent. Do we have opponent?

SPENCER HEAD: Good morning, Chairperson Linehan and members of the Revenue Committee. My name is Spencer Head, S-p-e-n-c-e-r H-e-a-d, president of the Omaha Public Schools Board of Education. I'm here

today on behalf of OPS to deliver respectful opposition to LB9. Start off, we greatly appreciate Senator Hughes's intent with respect to school funding and land valuation. I believe that LB9 offers an interesting opportunity for further discussion. That being said, we can't support LB9 in this current form. Specifically, we believe there's 2 changes to LB9 which would improve it. First, we ask that the committee consider reducing the proposed residential valuations to 86% and the ag valuations to 52%. This change would reestablish the residential to ag valuations as a 2 to 1 ratio, as existed in 1997, when TEEOSA was originally created. The second change we would ask the committee consider is maintaining the averaging adjustment within TEEOSA. The averaging adjustment ensures that all school districts with an enrollment of 900 or more students have at least the statewide formula student need as other, other districts of this size within the TEEOSA calculation. The Omaha Public Schools, as well as other school districts that educate the largest number of students in the state, receive essential aid from the state through the averaging adjustment. We feel that these 2 changes to LB9 would ensure that property tax relief would be equitable for both residential and agricultural property owners, and maintain equitable funding for both rural and urban school districts statewide. We calculate the price of these 2 changes would be roughly a $40 million decrease in year 1 of the plan. And again, before I close, I see the orange light is on, thank you for your consideration of the bill. Thank you, Senator Hughes, for your introduction of LB9 and for including us in the conversation throughout the process. We understand that the situation is obviously very fluid, and we welcome the opportunity to work further with Senator Hughes, as well as the committee, as we explore further changes that would hopefully allow our board to reconsider our position. So with that, I'd be happy to answer any questions from the committee.

LINEHAN: Thank you, Mr. Head. Are there questions from the committee? Senator Dungan.

DUNGAN: Thank you, Chair Linehan. Thank you for being here. There's been some discussion already about this averaging adjustment. I just want to kind of dig into that a little bit more. You talk a little bit in here, about how the, the need for it, essentially, is to ensure that Omaha Public Schools and school districts that educate the largest number of students maintain that, that funding that's necessary for that. Do you have any historical information as to how

we came about sort of developing that? Because I, I, I know there's a concern, right--

SPENCER HEAD: Yeah.

DUNGAN: --that it disproportionately benefits schools like Omaha and Lincoln. Right. That's-- putting it candidly, that's the concern that we hear. But I've also spoken with individuals who have advocated for that kind of averaging adjustment. Can you speak toward-- to, to the history of how we got here, and why that is a part of TEEOSA in the entire calculation of what, what we're dealing with?

SPENCER HEAD: Yeah. So if, if you're asking when the averaging adjustment was added in, I unfortunately don't have that, that number. I can tell you, so the averaging adjustment goes to school districts, or it, it could qualify for school districts with over 900 students. So it's the 45 largest school districts in the state. And so what it does is it takes those 45 districts and averages out the formula needs of those districts per student. And then you take the individual district's formula needs per student, and if your formula need per student is below the average of those 45 districts, you get 90% of the difference, is what the averaging adjustment is. And so it's a way that we can, you know, essentially guarantee that those largest, largest districts that, you know, educate the vast majority of the students in the state have a generally similar formula need per student.

DUNGAN: And so if we were to get rid of the averaging adjustment, say, we get rid of that right now and don't change anything else, what would the impact of that be on OPS, for example?

SPENCER HEAD: So the, the impact for us this year, it's roughly $6.7 million that, you know, would get transferred from the state to the local property taxpayers. The, the greater concern would be moving forward without that, that continued adjustment. You know, right now, our average, you know, funding is $6.7 million lower than our peers, so that's why the, the averaging adjustment gives us that amount. And so what that-- for you to be able to continue to grow, you know, over the years and, and what that loss would be. You know, I don't have projections for, you know, what that would end up being, you know, 5, 10 years down the road from now.

DUNGAN: Thank you.

SPENCER HEAD: Thank you, Senator.

LINEHAN: Thank you, Senator Dungan. Are there-- Senator Murman.

MURMAN: Thank you for testifying. You've made the statement that OPS and school districts that educate the largest number of students, I think you said that's 45 school districts, have a significant percentage of households qualifying for free and reduced lunch compared to, I guess, the rest of the state. Do you have figures on that?

SPENCER HEAD: Yeah, so that's in the testimony that they prepared for me. I conveniently left that statement off of what I read because I'm not sure I personally believe that. I know we, we do definitely have a, a significant number of students that qualify for free and reduced. We're roughly 72% within the Omaha Public Schools. You know, whether or not that's higher or lower than, you know, than other districts in the state, I don't have data to back that up so I had left that-- left that line off of what I-- what I actually read. But, no, I, I understand your point definitely, Senator.

MURMAN: Yeah, I assume that OPS is higher than the rest of the state at 72%, but the largest 45 school districts, I'm not sure that their--

SPENCER HEAD: They're all necessarily the same.

MURMAN: --free and reduced lunch would be higher than the rest of the state.

SPENCER HEAD: Yeah. Yeah, there's, there's definitely a little bit of variance in there. Absolutely.

MURMAN: OK.

SPENCER HEAD: Thank you.

LINEHAN: Thank you, Senator Murman. Are there other questions from the committee? So I've got the rule for what the averaging adjustment is.

SPENCER HEAD: Yeah.

LINEHAN: And it's-- I've read it many times, but I still quite can't figure it out. System averaging, averaging adjustment is calculated for any district with more than 900 formula students and a lower basic funding per formula student than the average basic funding per formula student for all the districts with 900 or more formula students. What does that mean?

SPENCER HEAD: Yeah, so, as I was talking about with Senator Dungan earlier, so the averaging adjustment takes right-- this year, it's the, the largest 45 school districts in the state have 900 or more students. So we take the average per student need of those 45 districts, pull it all together and say, OK, it's, you know, $9,000 just to use a round number.

LINEHAN: Well, do you know what it actually is instead of just--

SPENCER HEAD: Not, not off the top of my head, Senator.

LINEHAN: OK.

SPENCER HEAD: I apologize. And so we get the, the average per student, you know, formula need from those 45 districts, and then we-- the state, the Department of Education looks at each of those 45 districts individually and says, OK, you know, without the averaging adjustment your formula need per student comes in at X. And if there's a difference between your individual district's formula need per student and what that average is, the averaging adjustment comes in and gives you 95 or 90%, sorry, of that-- of whatever that difference is per formula student that you have.

LINEHAN: So I have-- and maybe this is incorrect, but over the weekend I asked for the schools that get the averaging adjustment, and I'll just read it: Bellevue, Bennington, Columbus, Elkhorn, Fremont, Grand Island, Gretna, Hastings, Kearney, Lexington, Lincoln Public Schools, Millard Public Schools, Norfolk Public Schools, Norris School District 160, North Platte, OPS, Papillion, La Vista, Ralston, Scottsbluff Public Schools, South Sioux City Community Schools, Westside Public Schools. So to Senator Murman's point, these aren't-- several of them are lower, have a high percentage of low-income, free and reduced lunch, but several of them are way below the state average on free and reduced lunch.

SPENCER HEAD: I would imagine. Yeah.

LINEHAN: So it doesn't have anything to do with needs.

SPENCER HEAD: Sorry. What was that, Senator?

LINEHAN: It has nothing to do with needs. This is-- you figure out your needs through the formula, how many low-income children you have, how many English language learners, what's the distance? All those-- the needs formula-- the needs--

SPENCER HEAD: Yeah. Yeah.

LINEHAN: --side of the formula. And then this is poured on top of the needs.

SPENCER HEAD: So this-- I mean, there's, there's more needs than just, you know, free and reduced lunch eligibility. There's transportation, there's LEP students, there's special education and everything else.

LINEHAN: That's all in calculations of needs.

SPENCER HEAD: This, this averaging adjustment specifically is just looking at the districts that have the vast majority of the students in the state and saying, OK, we recognize, you know, the sheer number of kids that you have. And so we're going to try to hold your needs stable or relatively similar across these districts.

LINEHAN: And it has nothing to do with the number of senators that these schools have in the legislative body?

SPENCER HEAD: That I couldn't speak to.

LINEHAN: I was at a meeting on Friday night that you held and just a couple of corrections. TEEOSA began in 1990, not '97. And the first appropriation for TEEOSA in '91-92 was $357,283,727. And I think the person you had as the head of your legislative committee wanted to know if OPS was getting more today than it was then. Aren't you over $300 million now, just OPS?

SPENCER HEAD: It's close to 300. I want to say it's 297, but it's right around that. Yes, Senator.

LINEHAN: OK. All right. Any other questions from the committee? Seeing none, thank you very much.

SPENCER HEAD: Thank you.

LINEHAN: I need a neutral. I forgot to say neutral. Sorry. Then we'll go to proponent.

TIM ROYERS: Good morning, members of the Revenue Committee. For the record, my name is Tim, T-i-m, Royers, R-o-y-e-r-s. I'm the incoming president of the Nebraska State Education Association, and I'm speaking on behalf of our members in a neutral capacity on LB9. I do want to start by thanking Senator Hughes and Senators Brandt, Conrad, Dorn, and Walz for cosponsoring this proposal. LB9 has been a breath of fresh air as we have tried to navigate a tumultuous buildup to the special session, and the main proposal brought forward by the Governor. LB9 recognizes that on an issue as far-reaching and as important to school funding, it is critical to provide the necessary time to work through a change as substantial as this. By providing a 10-year stair step down to its target of a 25 cent general levy, we can navigate the challenges and have the necessary time to make any potentially needed course corrections through the implementation. From our perspective as educators, this is the right approach to take. Moving too fast without securing the adequate resources to do so creates a significant risk that there will be resource shortfalls. And what might be a dip in a graph for you will be something that actually does real harm to our kids. As legislators, you get another fiscal year to correct, but my daughters are only going to get one ninth grade and one fifth grade that they're getting ready for here in a couple weeks. There's no do overs for them. So we would much rather see the purposeful, managed approach of LB9 so that we can strike that balance of providing substantial property tax relief, while avoiding the risk of moving too quickly and harming our ability to serve the children in our communities. That being said, while we find this approach to be far better than the one proposed by the Governor, we still have concerns with components of the plan, which is why we are coming to you today in a neutral capacity. First and foremost, an issue that has been discussed at length already. Without the adequate multi-year modeling, we cannot say with certainty that this approach will strike the balance that I mentioned earlier. In particular, we want to see how the changes in valuation caps to residential, commercial versus ag, which is differentiated under another proposal,

will actually impact the districts across the state. Our second concern is another one that has been discussed at length. We are concerned about the elimination of the averaging adjustment. While on the surface, it might appear that any funds lost through the elimination of the averaging adjustment would be made up in the aggregate. That is not actually the case, because the gap between the local effort rate and the maximum levy will continue to remain the same at the 5 cent gap. By eliminating the averaging adjustment, you're actually shrinking the total pool of resources for schools. Other concerns may come to light as we go through the modeling, but we believe those concerns alone merit us coming today in a neutral capacity. We do sincerely appreciate the overall approach. We like the general framework. But on an issue as important as this, we want to make sure that everything is strong. So thank you for your consideration.

LINEHAN: Thank you. Are there questions from the committee? Seeing none, thank you very much.

TIM ROYERS: Thank you.

LINEHAN: Proponent. I just want to mention something I should have mentioned at the beginning of this. We are going to go till 1:00. So whoever's behind us, I'm just reading the room, we might get to you before we go, so.

JASON RICHTERS: OK. Good morning, Chairwoman Linehan and members of the Revenue Committee. My name is Jason Richters, J-a-s-o-n R-i-c-h-t-e-r-s. I'm a husband, parent, farmer, and passionate supporter of education. I'm currently in my 10th year as an elected member of the Centennial Board of Education, and my fifth year as school board president. It's my privilege to testify in support of LB9 introduced by Senator Hughes. As a farmer, I support this legislation because, because of the substantial property tax savings that can be achieved. As a school board member, I support LB9 because it provides structure and assurances which will allow for district stability and long-term planning while maintaining local control. I believe LB9 provides great promise of rebalancing support of public education, while incorporating many important components necessary to successfully solve property tax and school-funding issues. Senator Hughes mentioned the adjustment valuations to rebalance the educational support as well as the incremental lowering of levies. It

ensures all school districts provide some local funding for their schools, which is important because we should not rely solely on state funding. Local patrons should have some skin in the game to ensure local ownership and pride in their schools, operation, and success. An appropriate amount of local funding is necessary to justify that local control continues. The mechanism for districts to reinstate a property tax levy if the state fails to provide the funds needed allow school boards the ability to ensure that the school will continue to provide the offerings to, to students that parents and patrons expect. Removing the special building fund from the Property Tax Authority equation allows locally elected boards to make decisions regarding necessary maintenance, and LB9 provides a long-term approach which will greatly help school administrators and school boards with budget planning. Providing long-term structure should help school boards make short- and long-term budget decisions, and better evaluate if those decisions were correct. The absence of constant change would be welcome. If I have a concern about this legislation, Senator Linehan, it's that the 25 cent levy cap in 2033 may result in such a low level of local support that future state lawmakers may question if locally elected school boards should maintain local control of their budget. A base level of investment is important. Nebraskans are passionate about maintaining local control of their schools and the education offered to their children. I believe they are unwilling to jeopardize that for a few more dollars of tax relief. This legislation has the potential to satisfy Nebraskans' desire for property tax relief, provide appropriate state funding for public education, and protect school districts if the necessary state funds cannot be appropriated. I appreciate the opportunity to testify today, and I respectfully encourage you to advance LB9 out of committee. Thank you.

LINEHAN: Thank you very much. Are there questions from the committee? Senator Albrecht.

ALBRECHT: Thank you, Chair Linehan. And thank you for being here. Tell me your last name again.

JASON RICHTERS: Richters.

ALBRECHT: Richters.

JASON RICHTERS: Yeah.

ALBRECHT: OK. Let me ask you, the budget that you currently have for your school, are you budgeting money every year to put away for those issues that you might have with a building?

JASON RICHTERS: It's difficult with some of the recent restrictions. We currently are maintaining as best we can. Our main building is about 45 years old. We have air conditioner units that need to be replaced in the next few years. And I've talked with our superintendent. We actually have a budget workshop meeting tonight. And we're, we're-- we can't figure out a way to replace those air conditioner units without considering a bond issue right now. And so keeping that out of the equation would be helpful.

ALBRECHT: And you talked about in your testimony a pride issue for a buy-in, a little bit of skin in the game, from others in the community. So if you went out for a bond, you would be thinking about taking care of air conditioners or, or whatever else. Correct?

JASON RICHTERS: Correct. Although, in, in my opinion, our school district, that's not what we've done as far as bond issues. It's to add additional space or building, not for maintenance. And we would prefer it not be for maintenance.

ALBRECHT: So the building fund, you're thinking 14% you guys would like to keep aside or is there--

JASON RICHTERS: No, I would agree with Senator Hughes that, that that number probably needs to be controlled in, in that aspect. Our school district is different. I, I can think of-- my son actually teaches at a public school where there's a significant parochial school presence within their school district footprint. And I don't know if they could pass a bond issue if they tried. And so the special building fund for them is, is very important. And they may feel they need a higher levy than we may feel we need.

ALBRECHT: So one size doesn't fit all.

JASON RICHTERS: Which goes back to my, my statement about local control. It's-- I, I feel very strongly that the people of our school districts know their schools, their, their needs, their kids, and, and their tax burdens best.

ALBRECHT: So-- but you're saying, like, you have no money put away for a building fund at this time?

JASON RICHTERS: We, we do. We currently have, I believe it's about $500,000. Our, our annual budget, our last budget was $606,000, I believe is what we levied.

ALBRECHT: You have $500,000 in it, and how much is an air conditioning system?

JASON RICHTERS: We're looking over $1 million easily for our-- for our school. I would imagine it's higher than that. But I can ask tonight, and I can get that information for you.

ALBRECHT: That's OK.

JASON RICHTERS: OK.

ALBRECHT: Thank you for being here.

JASON RICHTERS: Yep.

LINEHAN: Thank you, Senator Albrecht. Are there other questions from the committee? You said Centennial, right?

JASON RICHTERS: Yes.

LINEHAN: You're not at $1.05.

JASON RICHTERS: No.

LINEHAN: Not anywhere near it, right?

JASON RICHTERS: No. We-- our general fund levy, I believe, was just under 45 cents last year. Our total levy, I believe, was just over 50 this year.

LINEHAN: So you could be using more in your building fund. You have the ability to do that now.

JASON RICHTERS: We could-- we could. We've chosen not to because 5 of the 6 school board members that we have on our board are farmers. And so we, we all-- to be very frank, we pay tens of thousands of dollars a year every year in property taxes. And so every penny we can save,

every dollar we can save for our taxpayers is important. We see them in our local restaurants. We see in the church that are our neighbors. We do not want to tax any more than we absolutely have to. That philosophy actually got our school in a little bit of a bind in the last year because we tried to keep our levy consistent and our cash reserves slowly were coming down and we had to put in-- we, we actually established a 3- to 5-year plan to slowly build that reserve back up. But trying to be responsible can also have negative consequences if it catches up with you.

LINEHAN: You have a tough job. [INAUDIBLE]

JASON RICHTERS: I appreciate that. Thank you.

LINEHAN: You're welcome. Any other questions from the committee? Seeing none, thank you very much for being here. I appreciate it.

JASON RICHTERS: Thank you.

LINEHAN: Opponent. Opponent. Any opponents?

MERLYN NIELSEN: Good morning and thank you for the opportunity to appear before the Revenue Committee this morning. My name is Merlyn Nielsen, M-e-r-l-y-n N-i-e-l-s-e-n. And my residence is Seward area. I appreciate Senator Hughes and the other folks who have worked so hard to bring this bill forward to this point and we could have a hearing today. I am speaking as an opponent as LB9 is currently written, but I will offer an idea on how-- on how I could, with changes in the bill, change my position to being a proponent. My analysis of the outcome of the first 2 years under LB9, as written, with a school levy, levy capped at 0.65, is that my family will lose 40% of what we now have under the Tier 2 income tax credits. I find this quite surprising, given that there's almost an 80% increase, $440 million on top of the 560 that's currently in Tier 2 of 80% increase in funding from the current Tier 2 funding. That is the reason I cannot support LB9 as written. My analysis, though, of the fifth and sixth years where the school levy cap has reduced to 0.45, then I find that my family would clearly benefit in addition to where we are now with the Tier 2 income tax credits. Then I would clearly be a proponent at the 0.45 levy cap. So if we can start with almost 950 million of new dollars, the 440 plus an extra, about $500 million to bring that down from the 0.65 to the 0.45, then I'm on board and I'm an avid supporter. There are other

bills that are coming that I cannot comment on because that's not what this hearing is that I would also like to support. But that's where I have to come down right now on LB9, that starting out, I end up losing or my family ends up losing too much, even though I see a very bright light at the end of the tunnel if we can keep that 2 year, 2 year, 2 year tier step downs to get to that final goal of the 0.25. Again, I thank everyone who has worked on bringing this bill to this point so we at least have a good conversation about it. And I certainly appreciate the time of Senator Linehan and the committee members for having a chance at the hearing today. Thank you.

LINEHAN: Thank you very much. Are there any questions from the committee? Senator Murman.

MURMAN: Thanks for your testimony. Could I ask what school district you're in and why you would lose that in the first cut?

MERLYN NIELSEN: Well, I'm, I'm lucky enough to have-- being, evidently, part of those 11 of the 2-- did you say 233-- out of 244. I, I have land that loses in 4 of the 5 that we're in. And if we can take it down to 0.45, I only have one that loses. But I gain enough in the others that I'm very happy to be a supporter then.

MURMAN: So you're in 3 or 4 different school districts?

MERLYN NIELSEN: Yeah.

MURMAN: I think you said. OK. Thank you.

MERLYN NIELSEN: Yeah.

LINEHAN: Any other questions from the committee? I'm sorry. Thank you, Senator Murman. Any other questions from the committee? Could you provide your, your example of yourself to the committee just so we can see what your-- because I do think it's going to be complicated because there's people who are claiming LB1107 that would not do as well under the first year. That's what you're saying, right?

MERLYN NIELSEN: You'd like, excuse me, you'd like to have the school districts of what I get now in LB1107 and what I would get under the new proposal? Yes, I'd be glad to. Excuse me.

LINEHAN: OK. Thank you very much. Any other questions? Seeing none, thank you for being here. Proponents. Oh, neutral. Which? I'm sorry, neutral. Well, it's also nice, it's hard to tell who's for and against.

COLBY COASH: I'm sorry.

LINEHAN: Neutral?

COLBY COASH: Yes.

LINEHAN: OK.

COLBY COASH: Good morning still, Chair-- Chairwoman Linehan, members of the Revenue Committee. My name is Colby Coash, C-o-l-b-y C-o-a-s-h. And I'm here today representing the Nebraska Association of School Boards in a neutral capacity with gratitude on LB9 from Senator Hughes. My testimony also represents the testimony of the Council of School Administrators. And I want to say publicly my apologies to Mr. Cannon, my colleague, for jumping the line here, I didn't see him coming up. Senators, you've already met two of my members, right, one in proponent and one in opponent. So you can kind of see how that complicates some things from our perspective. But what they have in common is they're both elect-- locally elected leaders from the state. They've carefully reviewed this language, and there's a lot here to support as, as they have indicated. It holds true to some of these long-sought tenets by our membership. It provides for an increased investment in K-12, lowers property taxes, and preserves the framework of TEEOSA and, most significantly, the local control that they've talked about. And we really appreciate what Senator Hughes has done. She has brought together all of the, the stakeholders and tried to come up with a thoughtful and balanced approach to get to these goals. As she mentioned, you know, in a regular session, we would have a, an opportunity to see modeling, particularly from NDE. And I know Bryce Wilson is somewhere in the world right now with his nose in some spreadsheets that are going to help districts understand the impact of, of this legislation as, as we move forward. And so we're kind of reserving our final decision to see how that modeling comes out so we can have a, a chance to analyze it. We're particularly interested in some of the things that have been brought up in testimony already, particularly the impact of the averaging adjustment, which has been mentioned. Also, the, the percentages within the formula. And so I'll

just close and thank you for your time. And thank Senator Hughes for bringing, bringing us in and allowing us to be part of these conversations and leave it at that.

LINEHAN: Thank you. Are there questions from the committee? Senator Albrecht.

ALBRECHT: Thank you, Chair Linehan. And thank you for being here today. Would you say whether with this bill or even the Governor's proposal, either one of them, would you say that we're just adjusting TEEOSA or do you see TEEOSA in the near future starting to, like, dwindle away?

COLBY COASH: Well, I see with LB9, TEEOSA remaining as the framework and this working within that framework. With the Governor's plan, I, I think it's a little bit of a-- of a different thing, because his proposal takes that levy to zero with some intent language that is just what it is, which is intent language and could end up with a form of TEEOSA and maybe could be something very different. And so that's, that's a different lens to look at these two bills through for sure.

ALBRECHT: Thank you. And you, you deal with a lot of the school boards. So let's talk about this building fund. How many of your schools would you say actually have one established?

COLBY COASH: I would say most of them.

ALBRECHT: Most all. And with a building fund, that's just like repairs and upkeep and things like that.

COLBY COASH: That's correct.

ALBRECHT: So is there a number that people try to stay within--

COLBY COASH: Well, I think it's different with--

ALBRECHT: --with all schools depending on size, of course?

COLBY COASH: Yeah, I think it's different because under the current law, as Senator Hughes mentioned, your building fund has to be part of that, that maximum levy. So if you're-- if you're down low, you have a lot of room. If you're up towards the top of the levy, you have-- you

have less room. And it's not just repairs, it can be new building projects as well.

ALBRECHT: And how much of that building fund has to be proposed if you should go out for a bond? Certainly, you have to have skin in the game as well. So-- I mean, that's where I'm trying to wrap my head around it because I've heard, over the last 8 years sitting in this spot, where some schools will just say, well, we just really don't have a building fund. And I'm thinking-- I'm, I'm thinking you have to have something.

COLBY COASH: Well, most, most do. I think when you hear that statement is that a lot of schools must use the majority of their general fund levy to operate their schools, which leaves very little room for the building fund. And so that's probably where those kind of comments have come from.

ALBRECHT: So if they have an emergency situation and don't have enough, as the previous testifier said, what do they do?

COLBY COASH: Many times they, they will go out to a bond.

ALBRECHT: So bond to fix, not bond to build or--

COLBY COASH: They can, I think school boards, by and large, would prefer to operate within their-- bonds aren't-- it's usually the, the second or third resort, you know, utilizing what you can within the building fund is, I think, usually preferable to take care of your building needs. Bonds are typically what you'll see is for a lot of growth. I mean, I live here in Lincoln, the bonds that we've seen in LPS are related to the growth in students and need for new buildings, but also upgrades as, as Lincoln has done as an example with technology and infrastructure, those kinds of things.

ALBRECHT: OK. Thank you. Thank you.

LINEHAN: Thank you, Senator Albrecht. Senator Meyer.

MEYER: A quick question, Mr. Coash. So some of us on the committee have had a chance to have the modeling provided for us for the schools in our district and in the 18 public schools in my-- in District 41, 17 of them would see anywhere from a small decrease to a significant decrease in their levy and only one a small. So how do you view your

organization handling that? Because I'm not-- I'm, I'm sure my district is not the only one that will see some of that. Of course, those districts are extremely land rich and student poor. So I'm wondering how that's going to come down with your board of directors--

COLBY COASH: Yeah.

MEYER: --that you can vote to get support. I would-- I would hope that the schools that see the dramatic increases would, would win the favor and support of the school board association because I value your opinion on that.

COLBY COASH: As you might imagine, representing boards as large as Omaha and as small as McPherson County, which is one of the smaller districts, is a real challenge-- is a real challenge to come up with, with statewide policy. But we have a really hard-working legislative committee who tries to put on their statewide hat and not do what is natural, which is just to go to see how it affects your particular district. And they, they really work hard and take a lot of pride in, in doing that. Part of my neutral testimony is to-- is to wait and see how it shakes out with, with, with all due respect to that modeling, our members are very confident when Bryce Wilson put something out that you can-- he's very skilled. And when he put something out, you can really take a-- take that to the bank.

LINEHAN: Thank you, Senator Meyer. Are there other questions from the committee? Just a couple clarifications.

COLBY COASH: Sure.

LINEHAN: There are schools that have used the building fund to build buildings.

COLBY COASH: Yes.

LINEHAN: So it's not always just maintenance.

COLBY COASH: No, no-- yeah, to clarify.

LINEHAN: And then I assume that you've got schools who would be just fine if the averaging adjustment went away and other schools who don't want it to go away.

COLBY COASH: We have many schools who don't-- who--

LINEHAN: [INAUDIBLE]

COLBY COASH: --don't get it, so it doesn't matter in many schools so that's, that's important. And what we-- what we may see when, when some of this modeling comes in that may not be an issue, it may still be an issue and so that's what we're looking forward to seeing.

LINEHAN: Are most of your schools satisfied with the needs side of the formula?

COLBY COASH: I think so. We have discussions about-- I do a lot of training about how the formula works. And most of our conversations come on the resource side because these are local and they pay the taxes they levy. I think from the needs side, it's pretty straightforward. It's, it's an easy jump to say schools with more poverty cost more to operate, schools with more kids who don't speak English at home costs more, more dollars. Schools who transport kids further cost more dollars. So I think the tweaks over the years to the needs side of the formula have really been in response to both rural and urban concerns, and it kind of sits in a spot where my members don't give me a lot of, of feedback based on the needs side.

LINEHAN: Which little feedback probably means they're OK with it.

COLBY COASH: Yes.

LINEHAN: OK. Thank you. Any other questions? Senator Murman.

MURMAN: Since TEEOSA was brought up, you said most schools are satisfied with the needs side of the formula, the resources side of the formula, do you feel that property is a good measure of fairness in school funding or, or taxing also?

COLBY COASH: Well, I think the, the TEEOSA formula as written has a balance of both local property and, and state resources. And what TEEOSA tries to do is try to balance those two things. And what we've seen as Senator Hughes brought up is there's been a little bit of an adjustment in that over time. And so LB9 is trying to, to readjust that, but it still keeps the needs side whole, the equalization

components whole. And that's, that's attractive to our members. It keeps some of those things in place.

MURMAN: On the income or on the resources side, would income taxes be a better measure or poverty be a better measure than just property?

COLBY COASH: So would-- I-- if I understand your question correctly, under the current formula, Senator, the, the poverty is measured by free and reduced lunches and, and what students apply and qualify for those. And I, I think our members would say that as a good measure of, of poverty if that-- if that's your question. If it's a, a question of does-- is income tax a better measure of ability to pay? I'm not sure if we've, we've taken a look at that. We-- but we, we see the balance between state resources, which are funded by the income and sales and local resources. And both of those working together provide the system that we have here. And Senator Hughes's bill just kind of balances those, those two things out which is very attractive to our members.

MURMAN: Yeah, and talking about the resources side of TEEOSA, would, would income of the district be a better measure than just the property in the district?

COLBY COASH: It, it might be. I, I don't-- how you-- if you took away all property valuations out of it and just income, that's probably just kind of swinging really far to one end. You know, that's why I think the current system tries to balance both what's needed from the property and sales at the state side and what's the locals responsibility.

MURMAN: Thank you.

LINEHAN: Thank you, Senator Murman. Are there any other questions from the committee? Seeing none, thank you--

COLBY COASH: Thank you.

LINEHAN: --very much. So we're back to proponents. Welcome.

BRUCE RIEKER: I get to be the first one to say good afternoon, committee members. Chairman Linehan, members of the Revenue Committee, my name is Bruce Rieker. It's B-r-u-c-e R-i-e-k-e-r. I'm the senior director of State Legislative Affairs for Nebraska Farm Bureau. I'm here on behalf of our organization and 8 other organizations, which we

call the Nebraska Ag Leaders Group. Those are the Nebraska Cattlemen, Nebraska Corn Growers Association, Nebraska Pork Producers Association, the Sorghum Growers Association, Soybean Association, State Dairy Association, Wheat Growers Association, and Renewable Fuels. I'm here today on behalf of our groups in support of LB9, largely because it contains several components that address our state's overreliance on property taxes to fund schools. And I should back up. I want to extend our appreciation to Senator Hughes and all the senators that were working on this. This is a tremendous amount of work. If I could, I would just like to add that we'd take Senator Hughes's opening and attach it to my testimony because she said it as well as anybody could say what this bill does. So I'm not going to go through all of our testimony, but lowering the valuations and lowering the local effort rate and the levy cap do work. Some of this is reversing some of the changes that have happened over time. Senator Hughes mentioned that when budgets were tight in the state, usually one of the places that the state went was to increasing the local effort rate. Probably the, the largest example was following the Great Recession of 2008. In the biennium of 2011-13, part of what the Legislature did was raise the local effort rate, but it shifted $411 million of the state's responsibility to fund education to property owners. So what is going on here is what we believe is happening with LB9 is it's taking TEEOSA back to where it started. There were a lot of parts that worked, and there's been an erosion of TEEOSA. And part of this takes it back to where it should have been. Another part that we really like is that they phase it in. We want this to be right, even if it doesn't mean right now. And we would rather see you put the state on a trajectory that makes this meaningful and sustainable, and that you do it in a thoughtful and deliberate way. And so phasing it in, using future revenue growth, I know we got a lot to talk about how to fund this, but it makes sense to us and we would consider that a success. So in closing, be happy to try and answer any questions if you have, but we believe this is a critical component to a, a solution that you can put together.

LINEHAN: Thank you. Are there any questions from the committee? Senator von Gillern.

von GILLERN: Thank you, Senator Linehan. Thank you, Mr. Rieker, for being here. You mentioned phasing in-- and I was saving this question for Senator Hughes so she can think on it for her closing also but I'll go ahead and float it now. The, the phase in, it looks like from

the-- from the chart that was provided-- and, and I do want to make note, these are-- this appears to be all in today's dollars so they've, they've not been inflated, but looks like a billion five by the time we get to 2033. The current rate of increase in property tax taking is about $1 billion over 3 years.

BRUCE RIEKER: Yes.

von GILLERN: So 10 years from now, we could be $3 billion more in property tax takings than we are today. We're at 5.3 today. And then if you inflated that number to a future value, we could be $9-$10 billion.

BRUCE RIEKER: Correct.

von GILLERN: I , I-- again, I'll, I'll ask you the question and then I'll give Senator Hughes time to think about it for her closing. The phase in could-- the, the benefit could quickly be negated by the increase in tax taking.

BRUCE RIEKER: Right. My first response is doing nothing makes it even worse.

von GILLERN: I 100% agree.

BRUCE RIEKER: So we didn't get into this overnight and we're not going to get out of it overnight. And, yes, we are concerned about that. The levy rate, local effort rate, and the levy cap will do a lot to put us on a trajectory to get there. There are other things that need to take place as well as far as-- I think Senator Linehan asked the question, about spending, spending rates and increases, things like that. What lowering the local effort rate does or the levy cap, is it caps the amount of property taxes that can be collected. There's a lot more parts of the equation. Now, I will personally admit, when I first came to work for Farm Bureau 9 years ago, we thought we had to get it all at one time. That doesn't work. We have found more success. If any of you are baseball fans or have ever seen the movie Moneyball, we'd rather get base hits, doubles, triples, an occasional home run, and keep going that direction rather than trying to get it all at one time. We think it's more thoughtful, more practical. It's better for the state's economy. And so helping put at least this component of how we handle school funding from a property tax standpoint is a very good start. And we would like to continue to work with all of you on that

sort of philosophy, rather than trying to swing one bat and hit a grand slam.

von GILLERN: No good, good words. Thank you for that. I've got one other quick question. The Tier 1 credit was brought up before. Would you be supportive of applying the Tier 1 credit to, to close that gap in the funding that, that we're short on LB9?

BRUCE RIEKER: If that's what it takes, we would-- we would entertain that conversation.

von GILLERN: OK.

BRUCE RIEKER: You know, the, the largest component of this is how we-- how fast but appropriately we get to where we have the new money, such as what Merlyn Nielsen mentioned is when we get to that 45 cents, that's when we're really making a difference. If there's a different trajectory "timewise" or things like that, you know, yeah, we'd like to have that a little bit more aggressive. But we also think that what Senator Hughes and, and company put together is very thoughtful and we would consider it a success.

von GILLERN: OK. Thank you.

BRUCE RIEKER: You bet.

LINEHAN: Thank you, Senator von Gillern. Are there other questions from the committee? Senator Bostar.

BOSTAR: Thank you, Chair Linehan. Thank you, sir. So I'm just-- it's actually Senator von Gillern's question made me think about this, and I'm just trying to parse your positioning on the plans.

BRUCE RIEKER: Yes.

BOSTAR: If we were to fund LB9 by removing the sales tax exemption on ag equipment and machinery, would you support it?

BRUCE RIEKER: No.

BOSTAR: Thank you. [INAUDIBLE]

LINEHAN: Thank you, Senator Bostar. Any other questions from the committee?

BRUCE RIEKER: Did you say if you remove it?

BOSTAR: If we remove the exemption.

BRUCE RIEKER: Oh, yeah. My-- no.

BOSTAR: Very consistent answer with my expectation.

BRUCE RIEKER: With the silence, I was thinking did I answer that wrong?

BOSTAR: You did it right.

LINEHAN: That would be-- that would be a problem-- it would be a problem if you answered it wrong.

BRUCE RIEKER: That would be a career-limiting move on my part.

LINEHAN: So Mr. Rieker, go back to-- I'm sorry. Anybody else have questions? Go back to your 2011-13, exactly what did the Legislature do?

BRUCE RIEKER: Well-- so in following the Great Recession of 2008, because of some things going on at a national level, the ag economy took off and ag land valuations went up. But at the same time, the rest of our state's economy was struggling. OK? So state revenues were lagging. And I can get you the history of this, but following that, the state was faced with some very big shortfalls. And so-- and we understand why they did it. Part of the intent was, as I understand it from visiting with the, the, the legislative leaders and the Governor at that time, that the intent was to fix it later on. But that didn't happen. But by raising the local effort rate and a few other changes, but primarily raising the local effort rate for funding schools, the state handed $411 million of the responsibility-- more of the responsibility of funding schools to property owners.

LINEHAN: I, I would like to see those figures--

BRUCE RIEKER: I will get it.

LINEHAN: --because it doesn't quite match up to the history I understand, but--

BRUCE RIEKER: OK.

LINEHAN: --it needs to be-- that whole conversation needs to have some facts put around it--

BRUCE RIEKER: Right.

LINEHAN: --because there was a bunch of federal money that came in at the same time--

BRUCE RIEKER: True.

LINEHAN: --that they replaced TEEOSA dollars with. So I, I just think we need to figure out exactly what happened there.

BRUCE RIEKER: Sure.

LINEHAN: OK. Any other questions from the committee? Seeing none, thank you very much.

BRUCE RIEKER: You're welcome. Thank you.

LINEHAN: Opponent. Thank you.

CARTER THIELE: Thank you very much, Chairwoman Linehan, Vice Chairman von Gillern, members of the Revenue Committee. My name is Carter Thiele, C-a-r-t-e-r T-h-i-e-l-e. I'm the policy and research coordinator for the Lincoln Independent Business Association. Happy to have the opportunity to present our concerns over LB9. We wanted to say, first and foremost, that we stand firmly with tax reform, our overarching goal to be lowering the overall tax burden for all Nebraskans. We want to see property tax relief that comes as a byproduct of good tax policy. The premise for LB9, like LB1 and LB388, is to achieve property tax relief by increasing state revenues, using that additional revenues to fund the schools' property taxing entities, and having those property taxing entities reduce their levying authority. Even if everything works out between the state and the local school districts, and the schools are adequately funded, when that reduced levy is applied uniformly across all taxable properties, then the owners of the most taxable value are receiving

the biggest tax breaks. That isn't the ideal tax policy that we would like to see property tax relief achieved from. We would rather advocate for tax policies that provide universal property tax relief without disproportionately benefiting large out-of-state groups. Senator John Cavanaugh's LB22 would expand the homestead exemption to exempt the first $100,000 of home valuation from property taxes. Since the harm that property taxes are causing to our state is by making older residents feel pressure to relocate and turning away young people who are struggling to afford a home, then LB22 provides a better solution by offering universal property tax relief to homeowners at a lower cost than these propone-- than these proposals, which require financing millions of dollars in, in tax breaks for entities such as the Mormon Church and Canadian wind farms. In conclusion, while we understand and support the goal of property tax relief, LB9 is not the right solution as it perpetuates inequities and waste money. We urge the committee to consider alternatives such as LB22 that offer more equitable and sustainable tax relief for all Nebraskans. Thank you very much and I am happy to answer any questions.

LINEHAN: Are there any questions from the committee? Senator Kauth.

KAUTH: Thank you, Chair Linehan. Hi. Can you-- I've, I've been asking a couple people this-- can you define equitable? Like when I hear people say we need it to be equitable, what does that actually mean?

CARTER THIELE: I would be hesitant to do that when we haven't really talked about it with leadership.

KAUTH: But then you throw the word out in a testimony. So if you-- if you're going to use that word, you need to know what it means.

CARTER THIELE: I would agree with that. I guess you could-- well, we were talking about the amount of land that some of these entities owned, specifically with the Church of Latter-day Saints. It's a foreign entity. They're not from here. And they've bought more farmland in western Nebraska than Douglas and Sarpy counties combined. And so when this proposal requires a lot of money to fund the schools, but then indirectly the schools then take away or collect less property taxes from entities who are out-of-state investors, the

people that we shouldn't be prioritizing giving tax breaks to. They're not Nebraska residents.

KAUTH: So there are no Church of Latter-day Saints members in the state of Nebraska who own that property?

CARTER THIELE: The land is owned through a nonprofit that's based in Utah.

KAUTH: So any nonprofits that are based outside the state should not be able to. Is that what you're saying?

CARTER THIELE: Out-of-state entities like Canadian wind farms, Bill Gates's properties. There's, there's a lot.

KAUTH: OK.

CARTER THIELE: But, yes.

KAUTH: OK. Thank you.

LINEHAN: Thank you, Senator Kauth. Are there other questions from the committee? Did your board vote on this position?

CARTER THIELE: Yeah.

LINEHAN: So your board-- do you have any idea of how much $100,000 off every piece of property in the state would cost?

CARTER THIELE: That's not-- it's not on every piece of property, just for homeowners.

LINEHAN: OK. How much that would cost?

CARTER THIELE: When was the fiscal note released?

LINEHAN: Well, I don't know that it's been released, but I did one a year ago that was--

CARTER THIELE: OK. I thought I missed something.

LINEHAN: --$50,000. It was $50,000, and the cost was astronomical. So we're going to have to pay for that. So if you're supporting that, how are we going to pay for LB22, did you say?

CARTER THIELE: Yes. The financing side of this is a completely separate question and we can talk about that through the process. But that's, that's somewhat of a conversation by itself.

LINEHAN: So your board voted to support a bill--

CARTER THIELE: Um-hum.

LINEHAN: --LB22, that has no idea what it will cost the state in income and sales taxes.

CARTER THIELE: To finance the proposal?

LINEHAN: Yes.

CARTER THIELE: Well, yeah, we would take that over LB9 and LB1. We find it more appealing to look into that solution, a homeowner-based solution, rather than funding the schools and reducing their levies.

LINEHAN: So your business organization thinks it's OK to fund homes different or value homes different than business property?

CARTER THIELE: Um-hum. Our, our leadership is really on board with the idea of protecting Nebraskan property from out-of-state investors, large entities.

LINEHAN: OK. All right. Thank you. Any other questions? Yes, Senator Bostar.

BOSTAR: Sorry. Thank you, Chair.

LINEHAN: You're welcome.

BOSTAR: Thank you, sir, for being here. On that front-- I mean, we've-- the idea of differentiating the tax treatment of in-state versus out-of-state holdings of property has been at least discussed within the Revenue Committee for-- I've been here for 4 years-- for 4 years at least. Is there-- has there been any effort put into the ideal way of doing that considering some of the constitutional limitations that we have?

CARTER THIELE: So--

BOSTAR: Let's say you really wanted to do it, right? I mean, how-- what's the-- if this is a priority for, for LIBA as an approach, what do you recommend?

CARTER THIELE: Well, I believe that the language in the bill itself has proposed that constitution-- the language relating back to Article VIII, Section 2 of the constitution that gives the Legislature the authority to make that exemption. So I think it's already taken into account.

BOSTAR: There are-- and-- I mean, again, right up to this point, it's been conceptual discussions. But my understanding is there's also U.S. constitutional challenges.

CARTER THIELE: OK. For the in state, out of state.

BOSTAR: Yes. Right, for, for this sort of variance and treatment when it comes to revenue.

CARTER THIELE: Um-hum.

BOSTAR: And, you know, I understand we can pass a constitutional amendment to, to deal with anything just on our end. But the way to navigate that federally, if there are indeed concerns there, it would be interesting to hear a, a developed sort of perspective on it.

CARTER THIELE: That's something we can take into account.

BOSTAR: Thank you.

LINEHAN: Senator Murman. Thank you, Senator Bostar. Senator Murman.

MURMAN: Do you know how many or how-- what the percentage is of homeowners from out of state that would get exempted if you exempt 100-- first $100,000?

CARTER THIELE: I do not. I apologize.

MURMAN: And how would that compare to the amount farmland value that is owned by out of state?

CARTER THIELE: Like I say, I, I couldn't imagine.

MURMAN: I think that's a question that needs to be answered.

CARTER THIELE: For clarification, you're talking about total taxable valuation for homes that are owned by people from outside the state compared to ag land and potentially commercial as well.

MURMAN: Yes. Correct.

CARTER THIELE: OK. Yes.

LINEHAN: Thank you, Senator Murman. Any other questions from the committee? Seeing none, thank you very much for being here. So now we'll go to neutral.

JON CANNON: Good afternoon,--

LINEHAN: Good afternoon.

JON CANNON: --Chair Linehan, distinguished members of the Revenue Committee. My name is Jon Cannon, J-o-n C-a-n-n-o-n. I'm the executive director of NACO here to testify in a proudly neutral capacity for LB9. I'd like to thank Senator Hughes, Brandt, Dorn, Conrad, and Walz for having brought this. I think these discussions are always interesting. However, our, our neutrality is, is not on the really the substance of the bill, but on just part of the mechanics of it that we wanted to note and see what, what the Revenue Committee had as far as what they wanted-- if they wanted to discuss anything about it. Counties receive a commission off of all the collections they do for property tax in the state and so anytime you're going to reduce the amount of property taxes, and not have a corresponding credit, that, that necessarily reduces the amount of commissions that we receive that we put toward essentially paying for the assessment process. I, I, I, I think that's what the commission was put in place for originally. So the assessment, the County Board of Equalization hearings, the tax statements, all that sort of stuff, there is a-- there's a subsidy, if you will, from that commission that, that we collect at the county level. And so when you reduce the, the amount that the largest portion of the tax bill that's going to be collected, then that necessarily reduces the amount. But, again, we're not opposed to the idea. We certainly want to be helpful as far as that's concerned. But it does bring in the sharp relief, the fact that we need to discuss what the costs of government are and how we fund those sorts of things. And so to the extent that there are discussions about

limiting the ability to raise revenue for necessary governmental services, I, I think that's an appropriate subject to have included when we're talking about those sorts of things with the, the Revenue Committee going forward. There was one thing I did want to mention. You know, as far as our position on property tax relief and reform, the counties are invested in that. Again, I've-- as I've said before, we are 100% of the process. We're only one-sixth of the tax load. But we are the ones that do the assessment. We sit through the County Board of Equalization hearings. We send out the tax statements, all that good stuff. We-- believe me, you guys hear a lot about property taxes and, and you've got fire-breathing taxpayers that call you on a frequent basis. We hear them a lot more than that, probably. And so when, when folks don't think that there's a property tax problem in the state, we're the first ones to disagree. We are the most-- we have the-- we are invested more than anybody in helping to, to figure out the solution to that problem. When you've got 66 counties, where agricultural land is more than 50% of the valuation base or-- and/or the taxes collected, and you're talking about a reducing number of, of people that are holding on to farmland, that in itself is a problem. And so, you know, here on, on the eastern part of the state and Lincoln in Omaha, we probably don't view that as, as problematic. But I can tell you that in two-thirds of the Nebraska counties where we are at risk of losing population and further rapidly depopulating it, it is a very serious concern. Property taxes are, are certainly one of the drivers of that problem. So we're-- we want to help. We're not-- we're not saying, gosh, we're opposed because we're going to-- we're going to get less money on collection fees. But we do want to note that is a-- is an issue that we would want to work out with the committee. Happy to take any questions you may have.

LINEHAN: Thank you very much, Mr. Cannon. Are there questions from the committee? Could you provide the committee what your-- what did you call it, collection fee--

JON CANNON: Yes, ma'am.

LINEHAN: --what the total collection fees for this for the last 20 years from all the counties.

JON CANNON: It's going to be 1-- 1% of, of everything that we've collected for schools and city--

LINEHAN: How much, 1%?

JON CANNON: 1%. And then we-- there's a 2% that-- and the number is fluctuated for any amounts that we've collected on behalf of SIDs. It, it was originally 1%, then it went to 1.5, and then it was 2% is, is where we currently are. And I believe the statute is 33-- Section 33-120, somewhere around there, where it authorizes the, the collection fee that we're, we're able to collect.

LINEHAN: But-- I think I understand all that, but I would still like to see a list from, what is it, 19-- 2024, so from 2004 till today, what your total collection fees have been over those 20 years for the whole state.

JON CANNON: Yes, ma'am. I'll try and get that to you.

LINEHAN: Thank you. Any other questions? OK. Thank you much.

JON CANNON: Thank you very much.

LINEHAN: Proponents.

JOHN HANSEN: Madam Chairman, members of the committee. For the record, my name is John Hansen, J-o-h-n, Hansen, H-a-n-s-e-n. I'm the president of Nebraska Farmers Union. And, Senator Bostar, I want to assure you that the business of trying to figure out a different kind of way to tax out-of-state owners of ag land than domestic owners of ag land, it's been going on for the 35 years that I've been before this committee as president of Nebraska Farmers Union and we ain't figured out nothing so far. So what I have passed out-- excuse me, is an article that just came out that really, I think, helps kind of paint the picture of where ag is at right now. So when we talk about is there a crisis in the-- in the case of, of agriculture, we're paying property taxes not just on the houses that we live or the buildings that we need in order to house our machinery and our livestock and all those other things. But on really what amounts to a kind of ag input. It is very difficult to farm without land. And so every year we're paying on what amounts to a kind of input. And we are-- we are in a very tough and declining financial position right now. So this article that I just passed out that talks about the testimony that's going on at the national level on the farm bill that should have been passed a year ago, and was not, and still the prospects for it do not look good. But one of the things that, that

came out of, of this article was the fact that if we simply extend the farm bill, that that doesn't get to declining farm incomes. And even if we do pass the farm bill, it's not likely that it's going to do enough in the short term to actually impact what's going on. So we're seeing more and more folks in tougher and tougher financial situations. And so that is the backdrop of which we look at the special session and say this is a crisis. This is an opportunity for us to address something that really needs to be addressed. And we just had our summer board meeting. We discussed the pros and cons of about everything that you could cover in LB9. And for all of the, the reservations that we have about all the different components, the one thing that caused us to come down in support of this particular approach is that we really do not want to let this opportunity to address property tax issues slip away. And we thank Senator Hughes and all the folks who've been working on this. We supported the same conceptual bill last year. We think this is a good starting place and we think that this is something that gives us something that we can look at, work with, and phase in. And thank you very much for your time and attention.

LINEHAN: Thank you, Mr. Hansen. Are there any questions from the committee? Thank you.

JOHN HANSEN: Thank you.

LINEHAN: Opponent. Are there any opponents?

LYNN REX: Senator Linehan, members of the committee, my name is Lynn Rex, L-y-n-n R-e-x, representing the League of Nebraska Municipalities. We do appreciate Senator Hughes introducing this bill and the other senators and the hard work that they put into this. We want to emphasize that the League supported AM3468 to LB388, which was your last addressed on April 18. There were some minor adjustments that needed to be made for tax increment financing that we talked to Lee Will about. But that being said, in terms of that bill, because of the property tax credit and the way in which that was being done. We've talked to Senator Hughes about the fact that this particular bill we are opposing solely because of the lowering of the levy and what that means for tax increment financing, which is a huge issue. Municipalities, as we have discussed before, is a huge-- they are a huge economic driver in the state. Certainly, agriculture is by far the most important economic driver in the state of Nebraska, our

university system, and postsecondary education. But so are municipalities. That's where economic development occurs because of the workforce. We need more workers. But also because of the infrastructure and the incentives and programs that are there to attract and retain businesses. So we're prepared to work with Senator Hughes and appreciate her willingness to do so. She's expressed that she's more than willing to work with us so we can get some amendments. There may be another way to address our issue if she-- with the lowering of a levy. We need bond counsel to assist in the drafting of that. But, certainly, AM3468, the way that those tax credits were put in play, was something that with some minor adjustments, adjustments would also affect tax increment financing. And we supported the way that that proposed. The League of Nebraska Municipalities strongly supports additional state property tax relief. Our, our board does not weigh in on how you generate the funds to provide that, but we think that that definitely needs to be there. And we do think that there's a property tax issue that can be addressed. Not your doing, but past legislators for decades and decades did not reimburse local governments when the tax base was reduced. This committee, and under your leadership, Senator Linehan, also under Governor Pillen and Governor Ricketts, there have been significant efforts to provide more property tax relief. And we appreciate that. More can always be done. So with that, I'm happy to answer any questions that you might have.

LINEHAN: Thank you. Any questions from the committee? So you don't like it because it affects TIF?

LYNN REX: Yes, that is correct.

LINEHAN: OK. All right. That's clear. All right. Thank you very much for being here.

LYNN REX: Thank you very much.

LINEHAN: Um-hum. A neutral. No more neutrals. Any more proponents?

CONNIE KNOCHE: Good afternoon, Chair Linehan and members of the Revenue Committee. My name is Connie Knoche, C-o-n-n-i-e K-n-o-c-h-e, and I'm the education policy director of OpenSky Policy Institute. I'm here today to testify in support of LB9 as a sustainable mechanism for increasing the state's commitment to K-12 funding, bring in more schools into equalization, and helping to reduce our schools' reliance

on property taxes. LB9 reduces the maximum levy of school districts from $1.05 down to 25 cents over the next decade, and lowers the adjusted valuation used to calculate the yield from local [INAUDIBLE] in, in the formula. In addition, it eliminates the allocated income tax and the averaging adjustment components used in the state aid formula and introduces a base levy adjustment. The combined impact of all of these changes with LB9 is an estimated $1 billion increase in state aid, beginning in '25-26 for school districts. As for equalization, it would expand the number of schools receiving such aid significantly under the '24-25 state aid certification. 64 out of 244 school districts were equalized and set to receive $525 million through equalization aid. If LB9 had been in place when that aid was certified, 233 out of 244 districts would have been equalized. We also recognize that the Legislature last year appropriated a significant amount of money for K-12 education. While this shift helped to relieve the burden on local property taxes, we believe more funding is going to be needed to see the billion dollar property tax relief that the Governor is looking for. This bill would help to address the overreliance on property taxes to fund K-12 education by increasing state aid, and it leaves the current TEEOSA formula primarily intact. Thank you for your time and I'm happy to answer any questions.

LINEHAN: Thank you. Are there questions from the committee? Senator Murman.

MURMAN: Just a quick question. You did say you're in favor of eliminating the averaging adjustment?

CONNIE KNOCHE: Yeah. Well, the averaging adjustment is one component of the formula need calculation. But this is a significant increase for school districts and funding. When you look at the-- when you lower the local effort rate and you lower the, the levy so there-- more money would be going out to schools. And the other thing that's happening with TEEOSA is it seems like every year there's changes made to the formula, looking at different components or things in it. And we really would promote looking at student outcomes and looking at the formula because it's, like, 30 years old as it is now. So we need to revise it, look at the needs, try to figure out what it is that we need to do for the children in the state.

MURMAN: Thank you.

LINEHAN: Thank you, Senator Murman. Are there any other questions from the committee? So you're not happy with the needs side of the formula?

CONNIE KNOCHE: I think it should be looked at again. It's been a long time since it has been looked at. The thing with the basic funding calculation, it is looking at the general fund operating expenditures of school districts and wants to figure out what does it cost to open the doors of a school? So it has these comparison groups. It looks at the 10 larger and the 10 smaller. So for schools that have less than 900 formula students, that basic funding per student increases each year because it is more expensive to put fewer kids in front of a teacher. So when you have the districts that are above 900 formula students, their basic funding per student is suppressed. It doesn't grow as much as it should. And basic funding is a-- is a major portion of what formula needs are. So it kind of goes with the whole concept of, you know, what are the needs of the kids and what outcomes do you want for them?

LINEHAN: OK. All right. Are there any other questions from the committee? Seeing none, thank you very much for being here.

CONNIE KNOCHE: Thank you.

LINEHAN: Opponent. Are there any others wishing to speak in opposition? Opposition?

DORN: I'm proponent.

LINEHAN: That would be-- that would be-- that would be the headline today. Proponents, because we're out of-- we're out of neutral, right?

DORN: Oh.

LINEHAN: Good afternoon.

DORN: Good afternoon. Yeah, my handout I had, I had good morning on there. Quite a good opportunity to listen to a lot of the comments. Good afternoon, Chairman Linehan and members of the Revenue Committee. My name is Senator Myron Dorn, M-y-r-o-n D-o-r-n, and I represent District 30. LB9 brings another option for your consideration for property tax relief and gives tax relief by lowering the levy schools can impose in the TEEOSA formula. The bill gives the state the ability to adjust this plan based on future revenue growth and spending the

state will experience over the next several years. LB9 gives the Legislature flexibility to adjust the levy, and the funding in a phased-in approach over a period of years. For instance, when straight-- state revenue growth isn't as strong or the state doesn't meet its financial commitment for school aid, the bill gives the school's ability to collect that difference through local property taxes. No one wants this to happen, but it is a fail-safe mechanism. The state of Nebraska has been fortunate to have had very strong economic growth these past few years. And as a result, strong revenue growth. But as many of us know that have been here for a while, we have seen revenue highs and lows. Strong revenue growth can quickly turn to slow growth and then cuts. Many of you remember, not that long ago, when the state had to cut $1 billion from the budget. As, as this Legislature has discussions on property tax relief in the special session, we need to be mindful of how it affects the state's budget for all of the state's responsibilities and what outcomes can be realized and who will be impacted. There are a number of bills in other committees, such as LB3 in the Appropriations Committee, that are leading us down a path that I feel we shouldn't go. This last session, the Legislature passed budget adjustments. What is being proposed in some of the bills during this special session are bills that should and must be discussed in totality of the budget setting process in the regular session where the Appropriation Committee can review the entire budget and then consider any clawbacks of agencies excess funds, which can then be done with proper due diligence by the Legislature. The state of Nebraska has a long track record of responsible, responsible spending and measured reforms. These adjustments need to take place in our next session when we can give time and thoughtful consideration needed to properly vet these proposals. LB9 gives the Legislature some flexibility to give us that much needed property tax relief with the ability to maintain a strong financial balance sheet. We didn't get into this property tax problem in 1 or 2 years. It has been over many years and it will take us time to work through this issue. I made the comment several times during this past session this past spring, don't bring a spending bill next session as there won't be extra money that would be going to property tax relief. And I still believe that. Finally, I would like to thank the Revenue Committee under the direction of Senator Linehan and some of the other people like Senator Albrecht, who have been here a long time. Thank you for all you've done over the last several years for property tax relief. It has been a tremendous amount, although it

seems like we don't get credit for it. Thank you for the property tax relief in LB1107 and some of the other bills that you have brought and that you have given this state. It has been very critical to have that. Thank you.

LINEHAN: Thank you. Are there questions from the committee? I'm actually-- just for the record, because people say different things, what is our balance in our Cash Reserve right now?

DORN: I believe at the end of the year, it was in the 900 and some million dollar range. We were-- in the fiscal year, we were projected to be closer to a billion. But I think at the end of the year, it ended up $920 or $940 million.

LINEHAN: And what is the balance in the General Fund? As of July 30, the Tax Rate Review Committee, wasn't it like 800?

DORN: That could be. That I'm not sure on. Yeah.

LINEHAN: OK. Well, those numbers-- because I think when we talk about sustainability, and I've looked back, we are in a better cash position than we've probably ever, ever been. And is that not accurate?

DORN: We are in a very strong cash position. We are very strong as far as revenue growth that has been maintaining a good growth. I will tell you, I always, as a farmer and, you know, other people too, we have ups and downs.

LINEHAN: Right.

DORN: Will this maintain itself? Will we continue to grow revenues? Will we continue to have a strong balance sheet? When will we at some time have a downturn or a change in revenue? I don't know, I can't predict that stuff. I hope we continue this. Many of these tax proposals and property tax proposals that are brought forward, we can and we have and will be able to maintain those and bring about property tax relief. The income tax cut that we brought or you brought forward 2 years ago or last year, very valuable for our state. Our revenue growth has maintained its strong, strong record. The only reason I list some of these is we also need to be mindful that, that will not continue forever. That we probably will have a downturn or a slowed-- slower times and then how we make adjustments. I, I have visited with a lot of people over the last, I don't know, 6 months or

whatever about the one way to get true property tax relief, and Governor Pillen has talked about this quite often, is reduced spending.

LINEHAN: Thank you.

DORN: I had it in my notes and I took it out.

LINEHAN: Thank you.

DORN: Sorry about that.

LINEHAN: That's fine.

DORN: But it's reduced spending and I think the Appropriations Committee has done an outstanding job of that, reducing spending. These here-- I put this one paragraph in here because I think that to do our due diligence and to do the proper-- we have 74 agencies in the state of Nebraska. Within that we have 277 programs. Many of those-- some of those are having clawbacks proposed in this here thing-- in this bill.

LINEHAN: Not in this committee. That's in your committee.

DORN: What?

LINEHAN: That's in your committee.

DORN: That's in our committee.

LINEHAN: Yes.

DORN: But we have to also do our due diligence and look at that and make sure that we bring that to the Legislature, that we bring the proper ones. I know there were some last year, Governor Pillen proposed about $240 million in clawbacks. We ended up with about $180 million. Some of those, we found out that, uh-oh, that we're going to have this effect or that effect, and we shouldn't do them. Not saying that they aren't all good, but we also need to make sure as a body, as a legislative body, which we're all part of, that we do our due diligence and do the proper things. Cutting spending is the number one thing of everybody that's talked this morning about all the proposals, cutting spending is the number one thing that will bring about property tax relief. I believe that, and we need to make sure we do

that and do a sound fiscal job of doing it. Our state is very strong "economicwise," "revenuewise," we need-- like, making sure we watch our spending, we will stay there. I really like the position we're in, but I don't want to put us-- you, Senator Albrecht, you guys aren't going to be here next year. Two years from now, where-- what position are we in? We've had this discussion, I think, every year when we've had budget discussions about how do we get there and how do we make sure we maintain a strong fiscal state? And this is something we need to make sure as we do this again in this special session.

LINEHAN: Thank you. Questions from the committee? Seeing none, thank you.

DORN: Thank you.

LINEHAN: I think we're getting hungry. Opponent, proponent, where are we? Proponent.

CHARLES HAMILTON: Opponents [INAUDIBLE].

LINEHAN: OK. Is there anybody left that wants to testify as an opponent? OK. And no neutral, so any proponents please come up here in the front. We're going to get out of here pretty quick.

SCOTT PETERSON: Senator Linehan, members of the Revenue Committee, my name is Scott Peterson, S-c-o-t-t P-e-t-e-r-s-o-n. I come here on my personal behalf to highlight some areas that have been discussed earlier today. It wasn't my intention to come and testify, but as I listen to the conversation, it's one of the most useful conversations I think we've had in a long time. I believe this bill brings some very clear mechanisms to provide relief. I'm from Kilgore, Nebraska, and so I am in the Cody-Kilgore School District. I am a rancher in that district. I also own property in the Valentine School District where I am an attorney. I also own property in South Dakota and I'm an attorney in Winner, South Dakota. So I represent a variety of different people in South Dakota. Obviously, there's a substantial difference in property taxes between my South Dakota property and my Nebraska property. There is a substantial difference in what I would say farm and ranch income in South Dakota versus Nebraska, and what I see in my clients' balance sheets. A substantial portion of that, I think, is due to what has happened over property tax-- to property taxes over the last 20 years. But I digress. In Cody-Kilgore, our levy

right now is about 76 cents, and about 12 cents is the building fund. Historically, that levy has run from 92 to 96 cents. With the money that you guys transferred back last year, they reduced it. Probably not to the extent they could, but they reduced it. Valentine's levy, which is if you move 2 miles to the east of me you're in Valentine's district, is about 55.7 cents, and their building fund is 1.2 cents. So their total amount is 57.02. Obviously, there's a substantial difference between property owners and depending on where you're at. Cody-Kilgore just approved a bond of $3 million to basically close their elementary school in Kilgore and add on to the school in Cody. That bond would have probably never been possible to be voted and approved if the ag value hadn't been decreased with Senator Briese's bill. That made a big difference in allowing the electorate to approve that bond. And the reason I bring that up is, is because we are very thankful to this committee for the work that you guys have done, historically. That specific provision made a big difference in our district. We believe that lowering-- I believe personally that lowering the ag tax rate, what we've always had discussions about is in the 45 to 50 range. Moving it down to 42, I think is valuable. And, obviously, lowering the levy rates to 25 in the future, I think is-- this is a path that makes sense. Whether we can get there or not, we'll see. And I would entertain any questions.

LINEHAN: Thank you very much. Are there any questions from the committee? Seeing none, thank you for being here.

SCOTT PETERSON: Yep.

LINEHAN: Appreciate it. Next proponent. Hi.

CHIP KAY: Good afternoon, Chairperson Linehan, Senators. My name is Dr. Chip Kay, C-h-i-p K-a-y. I'm the superintendent of Columbus Public schools. I'm here in favor of LB9. My testimony is a little bit independent from our group association. We belong to the Greater Nebraska Schools Association. And I do support the position of wanting to see the averaging adjustment kept in place. We're also a member of STANCE and, you know, STANCE spoke as a proponent as well. And we support STANCE's position. I really applaud Senator Hughes and the team of senators that brought this forward, specifically because it accomplishes the goal of over 10 years resonably-- allowing for reasonable management of necessary revenue and allows districts to plan and adjust. It retains components of the needs calculation in

TEEOSA that recognizes the difference in schools across Nebraska. It does address valuations, provides a mechanism for school districts to reinstate property tax levy if the state fails to provide the funds needed. The special building fund is removed from the Property Tax Authority calculation, and it allows school districts to carry forward any unused property tax request authority, requires school districts to use that property tax request authority approved through the base growth percentage. So I really like those components of LB9. I would strongly encourage the committee to consider taking LB9 to the floor. I gave you the abbreviated version.

LINEHAN: Thank you. Are there any questions from the committee? I'm going to put you on the spot.

CHIP KAY: Yeah.

LINEHAN: Was STANCE created over an argument over the averaging adjustment?

CHIP KAY: So I can't-- I, I don't know, because I'm a-- I'm a tag-along STANCE member. Dr. Loeffelholz, who was the original [INAUDIBLE] of Columbus might-- would probably better answer that than I.

LINEHAN: It would be nice if we could figure that out, because that's what I've been told.

CHIP KAY: I will-- I will gladly find out and respond to you.

LINEHAN: Thank you very much. Any other questions from the committee? Thank you for being here.

CHIP KAY: Yeah.

LINEHAN: Any other proponents? You've got 5 minutes here. Wrap it up.

HUGHES: Well, good timing. OK.

LINEHAN: Perfect.

HUGHES: Thank you, Chair Linehan. I'm just going to-- two things-- I, I have a friend who has a home in Colorado that is worth $200,000 more than her mom's home here in Lincoln and the property tax is one-third. Just-- that's just a statement. Thank you for the opportunity to share

Lower the Levy Cap plan. You've heard from a variety of people about this bill, people that I didn't even know were going to testify on it. And the fundamental-- that addresses the fundamental reason that we were called for the special session, which is true property tax relief. I know you, you met one of my constituents, Merlyn Nielsen, who owns land in a variety of really low-levy districts, which I did have to tell him, good job, because all the land he owns are very, very low-level districts. He did testify in opposition. As he clearly stated, the first few years of this plan he acquired more savings by using his LB1107 Tier 2 tax funds. So I did want to mention, we're not set on the 65. If we can find another-- you know, we start with the $440 million, if we can find more than that, we could start out lower, right, we could start out at the 55 or meet in the middle, 60, as the top cap. So I think that is something to keep in mind. And it gets the issue that he has addressed sooner. We, we talked also about the Tier 1 tax credit, which has been mentioned, maybe we could take a piece of that, the, the piece that goes to school for that to help fund. These are things that we can discuss as a body. Again, our-- we're not tied to a certain one except for the front-loading of the LB1107. But one thing I wanted to say, we have already got the Tier 1 tax credit. We now have LB1107, which is the income tax credit for 30% was paid to schools. So that's two tax credits already. The Governor's plan, LB1, creates a third tax credit. And then we'll supposedly take care of the issues and figure out how to fund the schools in January. I don't feel that we're going to fix our way out of this problem with tax credits. It's a Band-Aid. Layer on a Band-Aid, another Band-Aid, another Band-Aid. So now is the time to act and take care of the problem with the mechanism that we already have and a lever that was designed to force the state to put more money into schools, which is that LER. TEEOSA was created to be a living formula that needed adjustments now and then because of valuation changes and, etcetera, and it was not and we were in the situation that we are. So as I've stated before, I look forward, one, to see the modeling come from NDE, because I think that just puts to bed a lot of-- just, just comfort with the numbers that we're talking about. But if we can agree on the overall concepts of this bill, I am very happy to work with all the parties to make, you know, whatever tweaks we need to, to make it right and, and listen to the relevant arguments. I know there's an issue with TIF, as Lynn Rex mentioned, I would prefer not to have to address that with the tax credit. Surely, there's something else we can do and, and willing to work with you guys and everybody else on this, but let's give

Nebraskans the property tax relief that they deserve slowly and steadily over the next 10 years or even accelerated if we can. And I think we can accomplish that with LB9. So thank you.

LINEHAN: Thank you.

HUGHES: Any questions?

LINEHAN: Any questions from the committee?

HUGHES: One minute. It is 12:59.

LINEHAN: Senator Murman.

MURMAN: Well, we've done the fun part, we've lowered property taxes with this bill, ideas on the pay for?

HUGHES: Yeah.

MURMAN: And you don't have to give a lot of-- just--

HUGHES: Right, so the $440 million extra to get to that first tier. Just some things that I mentioned before. We can look at Tier 1, the school piece of it, that's an option on the table. I will be in front of you tomorrow with one bill and maybe Thursday with another bill. I've got some ideas. I, I think we-- there are some exemptions. There's, definitely, excise taxes that have been increased. I know there's some fundamental beliefs that those shouldn't be used for property tax, but I think that, that does give us some funds to front-load. So I think as a body we can agree on some funding. I mean, the 110 list that's in front of all of us now, we can-- I really do think we can find $440 million out of that for this. I'm not going to-- like, the two I'm bringing, clearly, I would vote for. There's a lot more I'd vote for, but I'm, I'm willing to go with what is acceptable to 49-- 48 other state senators, so.

MURMAN: Thank you. We'll probably be talking about that for 2 weeks, so.

HUGHES: Yeah, I think we've got plenty ahead of us, so yes.

LINEHAN: Thank you, Senator Murman. Any other questions from the committee?

HUGHES: I really appreciate you guys spending time. I know it's long, not as long as tomorrow will be, but it's long.

LINEHAN: So we did have letters for the record. We had 6 proponents, 10 opponents, and 2 neutral. So with that, we close the hearing on LB9 and we will be back at 1:30.

HUGHES: All right. Thank you, guys.

LINEHAN: Thank you.

[BREAK]

RAYBOULD: --done, so we can make really good policy decisions. We can't simply rehash the same resoundingly failed legislation from last season-- last session that wasn't approved, where businesses, the ag community and constituents were not buying what the administration was saying. We need a thoughtful approach that includes financial modeling of proposals over several years that mi-- must answer the following questions: Is this funding reliable? Is this funding predictable? Is this funding sustainable? And most importantly, is it equitable? Meaning that we don't simply cost shift sales taxes-- cost-shift to sales taxes, and push that burden to Nebraska families who can least afford it. I know the Governor was very clear when he put out his proposal; he wants to make sure that all Nebraska taxpayers participate in that, and no one is bearing any greater burden than the other on this sales tax proposal. So how do we get here? As we approach these discussions in special sessions, it is important to also acknowledge that the reliance on property taxes for funding public education and local government just didn't happen overnight. Having served as a Lancaster County Commissioner and Lincoln City Council member, this has been a lengthy process spanning several Governors and Legislatures, shifting the fiscal responsibility from the state to the local communities. You know, it took years for Nebraska to get to the bottom, ranking 49th of all the states in giving the least amount of state funding for public education. The one thing we heard loudly and clearly was local control matters; you heard that this morning. Local control matters for delivering high-quality, cost-efficient public education. There is a huge amount of mistrust and skepticism that the state will not live up to its commitment. I hear them, and I believe them. We see now with the Governor's proposed cost-cutting efforts, and we know that we all have to, to focus on

cost-cutting as a component of delivering property tax relief. But the cost-cutting efforts that I have looked through so far look thoughtless and reckless, and with no public comments. I can tell you that I experienced the same as a county commissioner 13 years ago, when the state aid to cities and counties was cut, causing an immediate deficit of $1.4 million to the county's budget. And I remember these numbers; it was $1.6 million to the city of Lincoln. In addition to that, they failed to pay their $8 million in jail reimbursement costs to us during those difficult times for the Nebraska Legislature. In addition, more and more services-- state services are shifted to counties and cities. Putting additional lids on counties and cities is not the right direction; those counties and cities have held the line and actually reduced their levies with the increased valuations. I've handed out a couple of graphs, and the first one includes 3 lines, it's the one with the colors. The top line in blue you should all be quite familiar with, as it is the one the Governor has been showcasing throughout the state that points out the increase in property taxes. And so he started his way back when we became a state in 1867. We started ours at, at 2013. The middle-- the top line, you know, and the second line, or the middle one that's in red, points out the public education funding needs of-- in our state. That last line shows the funding that the state has provided over the years that resembles, well, a flat line despite increased student enrollment and costs. The next handout from the Department of Education, this is the one in the black and white, points out the dramatic increase in the number of children enrolled in early childhood programs in our state. So you can see that back in 2001, it was 4,417, but it hit the peak of 18,841. The reason why I bring this up-- there is a correlation with-- you know, you see the increase in early childhood. And that's something that was, of course, added, but it's also the funneling of those children into the elementary schools, and junior highs and, ultimately, high schools. But I just wanted to point out that there is a correlation between his sharp increase in property taxes and the sharp increase in the enrollment-- well, not as sharp as he has depicted, but there's a sharp increase in the number of students that were in early childhood education. So, if you compare the trajectory of the top line showing the property tax increase with the increased student enrollment, you can see a similar trajectory that brings into focus the clear and dispor-- disproportionate gap in funding from the state. But also, just how introducing the top line in property taxes fails to tell the whole story. Where do we need to go?

I-- when I, I said I already provided you the handout on LB1372, because, of course, the Fiscal Office is just too busy. So this side it-- LB1372 gives you a greater idea how the property tax relief funding is compounded over the next few years, without jeopardizing our income tax competitiveness to other states. It is not just this bill, LB10, that you need to pass, but other bills that we've heard about, and the Governor has heard about, to increase the homestead exemption, allowing more seniors, veterans and disabled people to stay in their homes. And finally, front-loading property tax relief without requiring taxpayers to file for it, and giving renters refunds like in other states, like Minnesota. We also have Senator Tom Brewer's bill, LB34, that complements my bill by also freezing valuations at the 2024 level for 3 years, excluding new construction. This idea of freezing valuations is something that the state could, and should, have done years ago, because the counties and cities are mandated by statute to comply with the state's market-driven formula. Cities and counties control the levy or tax rate, but not the valuation. Let me say that again: cities and counties control the levy or tax rate, but not the valuation. So this reminds me of The Wizard of Oz, where Glinda, the Good Witch of the North tells Dorothy that she could have gone home any time she wanted, and Dorothy's response was, "I can?" The truth is, we can. Yes, we can. We should be using the upcoming session to continue the progress that we are making at this special session; to come up with substantive legislation, so we can assess and analyze comprehensively if our collective efforts are providing relief. Most importantly, this session, we should all be delivering on our commitment to provide reliable, predictable, sustainable and equitable tax relief. So, I'm happy to answer any questions that you might throw at me.

LINEHAN: Thank you very much. Are there any questions from the committee? Senator Kauth?

KAUTH: Thank you, Chair Linehan. Senator Raybould, you use equital-- "equitable." Can you actually give me a definition of equitable? I've heard a lot of it, I mean as a-- kind of a buzzword, and it sounds nice, but there's no actual definition that's been given yet today.

RAYBOULD: There have been a lot of economic definitions given to that. So, it's making sure that there is no disproportionate impact on one

income level over another, or a distortion in the burden that would be borne by one other group over another taxing group, so--

KAUTH: So it deals more with the outcome versus the input.

RAYBOULD: Well, in the Governor's sales tax exemption removal, it touches the inputs as well, and not necessarily that-- so, one of the examples that I think, the Institute on Taxation and Economic Policy put out, was that for a lower-income level family, they would be disproportionately impacted by sales tax increases for their family, because their income levels are limited, so--

KAUTH: Based on what things they're actually choosing to purchase. So-- and that, that actually brings--

RAYBOULD: Well, for a whole array of what they purchased--

KAUTH: Hold on. That, that brings me to-- actually, my next question though, is when you're talking about the income taxes, and reversing what we did last year with the income taxes, isn't that also a tax shift? Aren't we shifting it from-- onto income earners?

RAYBOULD: That is absolutely correct. It is a tax shift, but it's, it's putting on a pause--

KAUTH: You feel it's a more equitable tax shift.

RAYBOULD: It is a much more equitable tax shift--

KAUTH: Because it's taxing wage-earners.

RAYBOULD: Because it's taxing-- it's reducing, or it's putting a pause on the accelerated income tax rate reductions--

KAUTH: OK. OK, thank you. That's all I need.

RAYBOULD: Yeah. So what we're seeing is that somehow giving additional property tax credit could, potentially, really help those wealthy landowners as well. And so-- but going back to the sales taxes, it's about 11.2 percent of a person of lower modest means' income level will be going towards that.

KAUTH: But, but you're saying-- but wait, you're saying to get rid of the income tax credits and work we did last year, which means we're

shifting the burden back onto income wage earners. Thank you, that's, that's all I need. Thank you. Senator Linehan?

RAYBOULD: Well, the, the correct answer to, to that is that the top two tier of Nebraska's highest earners and corporations were the one-- only ones that were benefiting from the-- LB874 and the, the one that we took up last year. So they were the only ones-- the only income level that was truly benefiting from the income tax rate reduction. And the one thing that we all-- also need to reflect on is, well, how many, how many corporations have moved to our state of Nebraska since we've enacted these income tax rate reductions? And we accelerated them last year. How many wealthy people have moved to our state? Because we need to broaden our tax base, we can't be shrinking up our tax base, because that would create an unsustainable, tax imbalance on trying to find the funding that we need to fund other programs, and other departments, and other projects. So it's, it's not good tax policy to do what we, we did, because it has to be sustainable. I will admit that we have very strong economic conditions right now, and we have pretty consistent economic conditions. But I do know that the forecasting board in April, May and June showed a significant drop in our sales tax revenue. Now, when the forecasting board came back, they said that the overall deficit from all the income and sales tax collected was only a deficit of $10 million. However, that is a trend with-- and I can-- Senator Linehan, I can get you the, the papers that show that from the, the forecasting board in April, May and June that-- but the important thing to note from that is it's a trend. As a business owner, we watch the trends. We know that sales have been reduced because families struggle with it in inflationary times to make those tough decisions on what items they can do with and what they can do without.

LINEHAN: Thank you, Senator Kauth. Senator von Gillern?

VON GILLERN: Thank you, Senator Raybould. A couple of things that you, that you mentioned, I just want clarity on. You mentioned that the, the tax-- income tax reductions that have occurred previously only benefited the highest earners, but I think you know very well that many of those are S-corp tax returns-- the flow-through tax returns--

RAYBOULD: Yes.

VON GILLERN: --and I'm, I'm not familiar with your business to know whether that's the situation that you're in or not, but, but we know that those represent a l-- a very large number of small businesses in the state of Nebraska that benefited from that. And presumably their employees benefited, and companies were able to grow from reinvestment of capital and so on. So, just wanted to add a little bit of clarity to that. And then you said one other thing. You said that, you said that this, this reduction is bad tax policy. But all, but all you're doing-- you're kicking it down the road a couple of years. Will you commit to-- that you won't come back and try to eliminate these tax reductions ever? If it's bad tax policy, is it not still bad tax policy to kick it down the road?

RAYBOULD: I think, you know, it depends. Circumstances change. You know, we talked about how our budgets ebb and flow. And, I think right now, as we're struggling with an imbalance, where property taxes are really overburdening our Nebraska taxpayers, now is the time to figure out how we can come up with solutions towards that. I know that we heard from Senator Hughes, her bill this morning about 'lower the levy,' which is an excellent approach. Senator Brewer is going to come up with freeze the evaluations at the 2024 level, excluding new construction, new developments. I mean, these are all great ideas that are directed towards providing real property tax relief in the short term. And so you asked really good questions this morning. Where's the funding coming from? Where are you going to get the funding for? This is one of the funding sources. I know Senator Bostar is going to be introducing a piece of legislation talking about allowing sports wagering to be done online, rather than only exclusively in the casinos and located in the casinos, taking down the geofencing. I know that there were estimates that that would contribute $30 million. So, I welcome and appreciate all these new ideas that our state senators are coming with for new revenue or alternative ways of existing revenue, as this one is, so--

VON GILLERN: Thank you.

LINEHAN: Thank you, Senator von Gillern. And are there other questions from the committee? I have some questions about your graph.

RAYBOULD: Yes.

LINEHAN: I just want to make sure I understand it. So red is needs?

RAYBOULD: Is the needs.

LINEHAN: So, since-- over the last 10 years, since 2013, needs just for education have gone up over $1 billion.

RAYBOULD: Yes. That's correct. This current year, fiscal year of-- or last year of 2023, the needs represented about $4.2 billion and the funding from the state of Nebraska was about $1.123 billion.

LINEHAN: So, do you know what the total student population in all public schools grew from 2013 to 2023?

RAYBOULD: I do not know that.

LINEHAN: Well, I think that's a pretty important number if we're going to talk about needs increasing because--.

RAYBOULD: Well, we--.

LINEHAN: --or, or, because if we leave this open, you're going to show me how many preschoolers started, which is about 15,000. And that cost $1 billion.

RAYBOULD: Well, that's, that's not the clear intention. I wanted to show that how the trajectory looks very similar to what the Governor was showing, that there has been an increased enrollment. But with each enrollment cause-- comes increased cost of providing education to our students. And you can see from the graph where the needs have increased over a period of time. Do I know the exact number? But I'm happy to get that because that part of my research is not very good on education.

LINEHAN: I think, I think on preschoolers, they count as 0.6 of student population, they don't count as a whole student.

RAYBOULD: Correct.

LINEHAN: Because they're half-day.

RAYBOULD: Yeah, I trust I trust your numbers.

LINEHAN: So I think, I think we need some understanding of why costs of K-12 education, pre-K-12 education would go up $1 billion over 10 years.

RAYBOULD: Well, I think-- I can tell you that these numbers came directly from the Department of Education.

LINEHAN: I believe they're accurate, I just--.

RAYBOULD: Oh, yeah.

LINEHAN: I just don't understand why they would go up $1 billion compared to inflation over that time, which was a little under 2 percent.

RAYBOULD: Well, I know that we've heard from public educators saying that, number one, cost of doing infrastructure, new schools, remodels--

LINEHAN: This is all general fund money; I don't think this is bonding money, is it?

RAYBOULD: Well, the upkeep of, of your facilities is, is not necessarily a bonded matter, or the cost of tuition. I mean, the, the salaries for teachers, health care benefits, I know that they've had-- in one case, I heard from Lincoln Public Schools just to hire some mana-- some administrative staff, the cost went up 11 percent on their salaries, as well as for bus drivers, just to really attract and retain the existing ones.

LINEHAN: So then, I would like to see your figures that low-income families spend 11.2 percent of their budgets on income tax-- on sales taxes.

RAYBOULD: I can give you this handout from the Institute on Taxation and Economics.

LINEHAN: I know. I want to see the numbers, because if I remember that handout from the general session, what-- 11.2 is at what income?

RAYBOULD: 11.2 is less than $30,000.

LINEHAN: Less than $30,000. So I pay my rent, and I pay my groceries. How much money do I have left?

RAYBOULD: I don't know the answer to that. Well, we think it varies from-- if you're single or married, with children--

LINEHAN: We can guess that rent's going to be at least $12,000, and food's probably going to be another $12,000. They're not going to have very much money left to spend on things that you pay sales tax on.

RAYBOULD: Children need clothes, they need shoes, they might need school supplies-- there's a number of things that--

RAYBOULD: Not, not near as much as they need food and shelter.

RAYBOULD: I agree with that 100 percent.

LINEHAN: OK. So, the other thing I just want to clarify, and I know this is confusing. Very confusing. It was $10 million short from the April-- but from the-- forecast, from the April forecast, which was like 0.1 percent we're talking about-- you said we were 10 million short.

RAYBOULD: At the June one. At the June forecast.

LINEHAN: No, there's only an April forecast. What June was, was the actual numbers. So April forecast we were-- we missed it by $10 million. But I think, if you look at the certified forecast, and I don't have it right in front of me-- I think we were over the certified forecast by about a billion.

RAYBOULD: I think what also contributed to being over on certain elements, like the-- corporations was the, the, the LLCs had that pass-through, so that you could--

LINEHAN: P-tax.

RAYBOULD: You know, so that you could front-load and pay those, and I know a number of--

LINEHAN: But, wait. That is not-- the Department of Revenue has told us, we are all aware, that those monies are not real, but they're

coming in and going back out. So that's not in-- when you look at the forecast from the Fiscal Office, they, they take that money out.

RAYBOULD: I don't know. It was really real to us as we paid all those out, you know? Taxes for--

LINEHAN: Yes, it was a lot because you could go back for 5 years. That's why there's $1 billion more--.

RAYBOULD: Right.

LINEHAN: --which-- of which 624 million, I think, has already gone back in refunds, and they're thinking there's another 400 million. So it's a wash. I think it's going to be more than-- we'll come out better than a wash. But, in very fiscally conservative-- the Fiscal Office has said it's a wash, and that whatever came in will go back out.

RAYBOULD: They feel comfortable with that. But the one observation that I have as I look at budget numbers and sales figures every day, in, in our company, that when you see trends like the sales tax numbers being decreased in April, May and June-- just like on-- when I was on the city council, we would get the, the sales numbers and we would look, are we hitting what we have budget--

LINEHAN: So you think Nebraska's headed for a recession?

RAYBOULD: I didn't say that. I said, you watch the trends, and you evaluate the direction that you're going in, and you take a pause. And that's why I'm proposing for LB10 to be considered as one additional revenue source, to help fund some of the great ideas that we've been hearing.

LINEHAN: Thank you. Other questions for the committee. Seeing none, thank you very much.

RAYBOULD: You bet.

LINEHAN: So we'll go proponent, opponent, neutral.

RICHARD SCHMELING: Good afternoon. It looks like I'm going to spend my whole day here, maybe.

LINEHAN: So are we. Welcome.

RICHARD SCHMELING: My name is Richard Schmeling: Richard, the common, spelling; last name, S-c-h-m-e-l-i-n-g, and, I, I apologize to Senator Dungan and Senator Bostar, because they've heard some of this before at the meeting on Monday night. But for the rest of you, I'm going to kind of plunge into it. If I get enough 3-minute bits, why, pretty soon you'll all get to know quite a bit about me. Senator Murman, I grew up in Superior, Nebraska, and that's down in your district. My father was a banker. My father, in the '50s, was just astounded at the price that farm land was selling for, and he was concerned that, at the price the farmers were paying, they couldn't make a living. And, boy, we've seen that trend continue, haven't we? I think, I think we all agree that we need property tax relief. So how do we go about it? Well, I think the governor's approach is entirely wrong. Sales tax is not [INAUDIBLE] cost: it's not an equitable tax. And, I have a very concrete example of it. I brought up with me my, my bottle of Coke Zero. By the way, I like Coke Zero better than Diet Coke. Don't try. I don't drink alcoholic beverages to any great extent; I do drink quite a bit of this. A 6-pack of these costs me $7. On hot days like this, I'll, I'll drink that 6-pack up. So, I multiplied $7 time 6, and that becomes $42 a day; multiply that by the week, by the month, by the year. Currently, there is no sales tax on soda pop. However, the Governor is proposing that we tax soda pop. Would you like to guess what my sales tax would be with my Coke Zero habit? About $730 a year. Now, if I pay that $730 a year, that cuts into my income, because my income is very small. For Governor Pillen, it would be nothing; it would be insignificant. So, I think that's one way to look at tax equity. You know, who is best able to absorb paying that tax? Income tax is a graduated tax. It's based upon a scale so that your higher-earning people pay more, your lesser-earning people pay less, and some people don't pay anything. I encourage all of you, as part of your deliberations here to look at, Senator Raybould's bill, and other bills that would essentially be a more equitable way of taxing our society and, not cover all your sales tax exemptions because it's just going to, it's going to mess my life up. So thank you for listening. I'll be glad to entertain any questions from you might have.

LINEHAN: Thank you. Are there any questions from the committee? Senator von Gillern.

VON GILLERN: I just wanted clarity, because all this ends up on the record. Your comment about, I think you said $750 in additional tax.

RICHARD SCHMELING: Yeah.

VON GILLERN: If you divide that by the state tax rate, of 0.055, that comes up to $13,272, so, like there's a--

RICHARD SCHMELING: OK.

VON GILLERN: Something in the math that isn't quite right there. But I just want to make sure that that got on the record, so, thank you for sharing.

RICHARD SCHMELING: You know, our sales tax rate in Lincoln 7.5.

VON GILLERN: OK. Then, it would be, probably 11-- $10,000 or $11,000. Thank you.

RICHARD SCHMELING: Yeah. OK.

LINEHAN: Sir? I wanted to thank you, and I forgot, for your service to our country. Thank you.

RICHARD SCHMELING: Well, thank you all for listening. I don't represent any particular group. I don't have a bunch of fancy graphs and charts. I'm here as a private citizen representing myself, and hopefully speaking before a lot of other people that would like to have been here today, but they're busy at their jobs, or taking care of kids or doing something else. So, consider me to be many people testifying to the same effect. Thank you.

LINEHAN: Thank you. Opponent. Do we have any opponents? Good afternoon.

NICOLE FOX: Good afternoon, Chairwoman Linehan, members of the Revenue Committee. Nicole Fox, N-i-c-o-l-e- F-o-x, Director of Government Relations for the Platte Institute, and I'm here to testify in opposition to LB10. Prior to the passage of its, of its 2023 income tax cuts, Nebraska had the highest tax burden regionally at 11.5 percent. LB10 freezes the personal and corporate income taxes at 2024 rates for three years, delaying the personal and corporate income tax rate reductions to 2030. Since 2021, 28 states have enacted income tax

reductions. Prior to the passage of LB754 in 2023, Nebraska had some of the highest income tax rates regional-- re-- regionally. Sorry I can't talk today. LB754 was the most substantial state tax reform in Nebraska's history, and in 2023, it was one of the most significant reforms passed in this country. The wave of state income tax reductions over the past 3 years will force states to become even more competitive in their tax structures, if they want to retain and attract workers and stimulate business activity. Just by standing still, we will fall behind. In 2024, Iowa passed a package of tax reforms in response to the need to be more competitive. Iowa's previous income tax reductions were accelerated, and lowered to a flat 3.8 percent rate beginning in 2025. Iowa will have a lower tax rate sooner, and a low, flat tax rate allows families and businesses to plan their finances with certainty. Iowa is looking to lock in the cerni-- certainty through a constitutional law. If passed this November, a pair of tax amendments will ensure that Iowa stays competitive for generations. First, Iowa lawmakers are asking voters to approve a constitutional amendment to require a two-thirds supermajority vote in the legislature in order to raise taxes. This amendment mirrors a similar provision that Florida added to their constitution. 17 states, including progressive states like California and Oregon, require a supermajority vote to raise taxes; Nebraska should join this group. A second constitutional amendment for consideration protects the state's single-tax-rate system. Governor Reynolds, and other Iowa lawmakers, have signaled their intent to lower the rate further in future legislative sessions. While we understand the intent of LB10 is to assure adequate revenues as the state looks at, at taking on local property tax burdens, the Platte Institute opposes LB10. We believe that delaying income tax reductions will be detrimental to Nebraska's economy and its regional competitiveness. And with that, I conclude my testimony. Happy to entertain questions.

LINEHAN: Any questions from the committee? Senator Dungan.

DUNGAN: Thank you, Chairman, and thank you for being here, Miss Fox. So we've heard a lot, I guess, since I've come to the Legislature, about what other states are doing with regards to the reductions of income and corporate taxes, but also sales tax and property tax. And it seems like we consistently hear that other states, especially those surrounding us, are cutting their rates to a certain level, and in order to stay competitive, we have to go down to that rate or lower.

So it feels as though there's this race to get to zero. At a certain point, money's got to come from somewhere. And, at a certain point we're talking about essentially three major revenue streams, right? Income, property and sales. I'm oversimplifying that, but if we could say that those are the three major revenue streams that we're talking about-- if we continue to cut all three of those, inevitably we would ultimately have to just cut government services that we can't pay for. So I'm curious, you know, between those three, if we continue to race to zero on each one of those trying to undercut our fellow states, where do you see the replacement revenue coming from in order to not just operate essential government services, but also make the state attractive enough for people to move here, so we actually have things that people want to partake in? I'm curious what the actual solution is there.

NICOLE FOX: Well, I guess my response to that would be, especially with cutting income taxes, is that the goal with doing so is to increase economic activity. So, your businesses are growing, they're creating jobs, people are making more money. So you have-- you know, because of that, you have people buying goods and services. So we feel that actually, you know, a lower income tax rate may actually, in the long run, generate more revenue for the state. On, on the property tax side, I would say Platte has been very consistent about controlling spending. To us, spending reform is, is tax reform. So. Yeah, I'm going to leave it at that.

DUNGAN: No, I appreciate that, I just, I, I think it just sometimes gets lost in the wash that we have to have money from something. And I think that a lot of the conversation surrounding Senator Raybould's bill-- and I know Senator Kauth and others have dug into this a little bit-- is, you know, regressive versus progressive taxes, equitable distribution of that. And so I think it seems like the argument is, from Senator Raybould, that if we need to make revenue somewhere, or at least not continue to cut revenue, that it makes sense to do that utilizing what is, at least according to some, and I would tend to agree with this, a more progressive or equitable tax structure. And so I think it's just helpful to have that conversation. But I do agree there's multiple solutions that we're all trying to figure out here, so thank you for being here today.

LINEHAN: Thank you, Senator Dungan. Are there other questions from the committee? Seeing none. Thank you very much for being here. Appreciate it. Does anyone want to speak in the neutral position? Proponents?

REBECCA FIRESTONE: Good afternoon, Chairwoman Linehan, members of the Revenue Committee. My name is Dr. Rebecca Firestone. R-e-b-e-c-c-a F-i-r-e-s-t-o-n-e. I'm the Executive Director of OpenSky Policy Institute. I'm here today in support of LB10, because we generally support pausing, or even halting entirely, the phasing in of the additional income tax cuts from LB754 to ensure the state can afford its current obligations. So indeed, pausing the income tax cuts scheduled to come into effect over the next three years could lead to an additional $245 million of revenue this year, and about $690 million in 2025-2026, according to the fiscal cuts. And further, that fiscal note-- and sorry, that was-- those numbers were from the fiscal note, which has not yet been able to estimate what potential revenue could be generated from the corporate income taxes being paused. OpenSky supports stopping the phase-in of the tax cuts, and would like to see the funds collected to be put towards targeted solutions towards property tax challenges facing Nebraska, such as a circuit breaker, or expansion of the homestead exemption, many of which are proposals being considered in this session, or introduced. These revenues could also be used for other state priorities that can contribute to growing our economy. It is for these reasons that that OpenSky is supportive of LB10. Thank you. I'm happy to answer any questions.

LINEHAN: Thank you. Are there any questions from the committee? Seeing none, thank you very much. Opponent?

BRYAN SLONE: Chair Linehan, members of the Revenue Committee, my name is Bryan Sloan: B-r-y-a-n S-l-o-n-e, and I'm President of the Nebraska Chamber of Commerce and Industry and testifying on behalf of the Chamber, the Lincoln Chamber, the Omaha Chamber, the National Retail Feb-- Federation, NFIB. With this bill, it raises the specter of, of increasing income taxes and, and repealing portions of last year's historic tax legislation. There's been lots of conversation about what the effect of, of having higher tax rates in other lo-- localities mean. The Chamber network across the state represents literally thousands of businesses across the state. Actually, the bulk of them are small; they're not large. The bulk of our-- the Chamber members across the state, and with our network of Chambers, are LLC and Sub-S

companies, mom and pop stores, and many times they're just trying to scratch out 1 or 2 or 3 or 4 percent additional margin on any given year, like most of our businesses. Senator, you asked the question, you know, where, where should the income rate be? I've testified before this committee many times-- for now, something near 4 percent or the 3.9 we're at is sufficient to be, be competitive, even with the zero-percent states, because Nebraska has several competitive advantages over even a South Dakota or a Wyoming. So would I trade my position as president of the Chamber in Nebraska for South Dakota or Wyoming? No. But about 4 percent is, is what's required to be competitive income tax. This would, this would clearly, obviously change that. I'll make this shorter today, in terms of what I-- what I've encouraged today, as we think about property tax reform is, first, let's right-size it. It is the issue of competitiveness. We do need to be competitive in property taxes. We need to be competitive in sales taxes. We need be competitive in income taxes. Let's make sure we right-size whatever we do in this process. Secondly is, as I mentioned this morning, valuations and levies are super important in terms of actually making anything stick, and that should be our first focus. I do agree with the chair. And the Chamber agrees; budget cuts, budget efficiencies, both at the state and the local level are absolutely essential in this process, but we believe also some budget reforms. But the thing that I'm just going to use this, this minute for is to talk about where the rubber is going to meet the road in the special session, and next session, the session after, is the revenue side of all this. There's great consensus that we would like to be more competitive on property taxes. And the question is, how do you raise the revenue? If a long-term commitment is made or $1 billion short commitment is made, the question is, can we raise new taxes without affecting our competitiveness? And that answer is no. In the longer term, growth revenues have to be a big part of this. Actually, school enrollment is declining, and you've heard me testify to that many time. Our biggest challenge is, we have fewer kids coming up through K-12. I cannot predict that we've got, absent immigration reform, the ability to continue the growth we've had over the 40 years. Everybody my age should, should, should thank their lucky stars they were born in my generation, the longest growth economy ever. But we don't have the labor force coming up that I can guarantee that in the future, and so we've got to be more competitive, with states that are actively competing in housing, childcare, infrastructure, for people, technology and, and growth. And I was one of them, and I would

say as a state Chamber leader, and just as a Husker, I never want to lose to Iowa in anything. So I will leave it with that, and take any questions.

LINEHAN: Thank you. Are there any questions from the committee? So student-- total student population is down, or that age group population--

BRYAN SLONE: So every, every class in the state-- and understand in places like Lincoln or Omaha, you may have some schools that have increasing enrollment. But overall, the state enrollment-- the largest class is the senior class; it's about the same size as my class in 1975, the proud Gering Bulldogs. Every class behind that is smaller, with kindergarten being the smallest class statewide in terms of enrollment.

LINEHAN: Yes, I thought that was the situation. OK. Any other questions from the committee? Seeing none, thank you very much for being here.

BRYAN SLONE: Thank you very much.

LINEHAN: Neutral. We're out of neutral. OK. Proponents. OK. Are you a proponent? No, you're just moving. Opponent. We're out of the opponents. Senator Raybould, would you like to close?

RAYBOULD: Thank you all very much for coming to testify. Great-- great testimony. So, I'm, I'm going to fall back on-- how are some of the income tax reductions sustainable? I, I know that Miss Firestone addressed that based on the projections that we did from LB874 and-- was it LB753? I don't remember the one that we did last, last session--

LINEHAN: Yes, LB743.

RAYBOULD: But the point is that, yeah, it indicated that there were deficits in being able to keep up with these type of income tax rate reductions. Miss Firestone mentioned it was something like $289 million, then $600 million, and so on. But the, the question that we really need to ask-- how has this piece of legislation actually expanded the tax base? You know, when a site selector looks at locations, the things that they consider is workforce-- do we have the workforce available for our manufacturing or commercial operations?

They look at, really, great schools-- the availability of great public schools. Of course, property taxes looms high in their cost calculations and their cost/benefit analysis for each location. Mr. Slone said very clearly childcare availability, affordable housing-- and, having been on the city council as long as I have, they look at public amenities, our parks, our pools, our libraries, our trails, and what will attract families to come here. The one thing that we know with the income tax rate reductions and corporate reductions, they were targeted to the top-tier earners. Something that I would clearly benefit from, or, the company that I own clearly benefits from the corporate rate reductions. But it-- there was nothing in the tax that would help our working Nebraska families. And so that's, that's why I think we need to stay focused. And I appreciate some of the comments saying we need to focus on funding. How are we going to fund some of the wonderful suggestions made by our colleagues here this morning that I heard? And Senator Hughes' bill is very exciting to see that. We talked about homestead exemptions; we talked about a luxury tax somehow getting implemented like a lot of other states. We need to look at new revenue, or deferred, I guess-- sources that we can cost-shift from. An income tax rate reduction is certainly one of them. Again I've asked, what are the benchmarks we are looking at? How many, how many new corporations have moved to our state? How many wealthy people have moved to our state? To really broaden our tax base and make this sustainable-- and these are things that we need to continue to ask as we look at all matters that come before the Revenue Committee looking to do, you know, cuts. But also, how are we going to fund some of these great ideas? So thank you so very much for your time, and be happy to answer any other questions.

LINEHAN: Thank you, Senator Raybould. Any questions from the committee? Just for the record, I've got the general fund status in front of me, which, which includes the tax cuts, and it's very conservative. 2023-- 2022-2023 actually with $6.4 billion. They are saying 2024-2025, which-- I assume this is pretty low-- we're going to go down to $5.9 billion. Then we pop up to 6.3 and then 6.2. So they-- basically, the projections are, with the income tax cuts, our growth will be flat and revenues. But we're still, we're still fine financially. So I don't--

RAYBOULD: I, I didn't say we were not fine financially. But, there comes a point where, if we try to implement some of these ideas, where

is it going to be sustainable in the short term, in the long term, to provide real property tax relief?

LINEHAN: And then, you said something else-- we only did something for the top tier.

RAYBOULD: Top two tiers.

LINEHAN: Top two tiers. So, what do you think the average working Nebraska family's income is?

RAYBOULD: You know, I don't know. I don't know with 100 percent certainty.

LINEHAN: It'd be more than-- what's our top tier kick in at? $38,000? Would be more than $38,000, don't you think?

RAYBOULD: I, I don't know, Senator.

LINEHAN: OK, well, because I think the top tier kicks in-- or maybe it's $68,000. 68--

MEYER: The Nebraska median income's $63,000-64,000?

LINEHAN: I don't know, somebody said this morning it was 90-something, so I'm confused. Anyway, I think we-- I think working-class families are paying at the top tiers, because our top tier is pretty low, where you start paying top-tier. It's not like $200,000. I think it's $68,000. [INAUDIBLE]. Any other questions from the committee? Seeing none, thank you very much.

RAYBOULD: Well, thank you all very much.

LINEHAN: Oh, letters for the record. Sorry. LB10, we had 10 proponents, 3 opponents and no one neutral. That closes our hearing on LB10, and we'll open the hearing on SB 11. Senator Cavanaugh. Hello.

M. CAVANAUGH: Hi. Good afternoon, Chairman-- Chairwoman Linehan and members of the Revenue Committee. I am Machaela Cavanaugh, M-a-c-h-a-e-l-a C-a-v-a-n-a-u-g-h. I have the privilege of representing District 6 in West Central Omaha, and I'm here today to introduce LB11. Before I continue, I'd just like to say a happy belated birthday to Senator Albrecht; I hope you had a nice weekend celebrating away from here. This bill is a replay of last session's

LB745. LB11 proposes to increase the tax on a pack of cigarettes to $2.14. That may seem like a large increase, but nationally it would put us only in 17th highest position of all the states. In the structure of LB11, the proposed increase in revenue would be divided; $1, or approximately $53 million going to the Property Tax Credit Fund, and $0.50, apropit-- approximately $26 million going to the newly-created Medicaid Waiver Fund. The Medicaid Waiver Fund would do, exactly as the name implies, partially fund the state portion of any Medicaid waiver services provided to Nebraskans. The fiscal note also increases smaller increase in revenue to the General Fund, the State Highway Capital Improvement Fund, and the Highway Allocation Fund. Due to the rate of, of the sales tax increa-- the increase, because the sales tax is on the base, which would include the tobacco tax. So, adding to the tobacco tax will increase the revenue generated from the sales tax to about $4 million, spread out over those 3 funds. So, additional increase. I have a whole bunch of health stats that I have shared before, but I will just share a couple of them as a reminder. According to the American Cancer Society, 80 percent of lung cancer diagnoses are smoking-related. The risk of lung cancer from a former smoker after 15 years still remains 10 times higher than for a non-smoker. It is estimated that health care costs caused by smoking is $20.52 per pack; a $2.14 excise tax is only about one tenth of that. So-- don't need my readers anymore. I've introduced this numerous times, starting with my first year in the legislature, so this is the sixth year that I have introduced a tobacco tax. And, in that time, I have seen an interest in increasing it by $0.75 at a maximum. And now, most recently, the Governor's $2. I stuck with the $1.50 that I've always had, because that's just kind of what was the-- what can the market accept and find acceptable? The $2 seem to be just too much, but also impacts smoking rates. And, I generally don't think that it's a good idea to legislate your personal moral views. I'm not a fan of a specific sin tax. With tobacco tax-- the reason that I support it is because of the health outcomes. And, the idea behind increasing the tobacco tax is specifically, for me-- yes, it generates revenue, but it is not sustainable because ideally, if you increase the tobacco tax, smoking rates will also go down. So that revenue should not be a sustainable source of revenue. The idea with the tobacco tax is to decrease smoking rates, not to generate revenue; revenue is just a happy side-effect of that. And if we have the revenue generated, it can hopefully help us with both property taxes, and shifting some of our General Fund obligations, like Medicaid, to

the Medicaid waiver. So, that's kind of the thinking behind this. I, I'm not really interested in increasing taxes at this point in time; I would much rather bring this next year. But as the Governor included this as part of his package, and I have brought this forward so many times, I felt it was worth bringing up now. And I know that this is not really an equitable way to tax things, but I felt like, if we're going to be discussing tax increases and tax cuts, this is an important one that we should be considering. Maybe not for the same reasons, but the outcome would be generally the same. So, with that--

LINEHAN: Thank you, Senator Cavanaugh. Are there questions from the committee? Speaking of getting people to quit smoking, have you ever heard of anything called a minimum price for cigarettes?

M. CAVANAUGH: I have not. But, tell me more.

LINEHAN: Well, I haven't looked at-- I haven't looked that much into it, but I've heard that there are some states that have a minimum price, or they've talked about a minimum price.

M. CAVANAUGH: Oh, I'm, I'm very intrigued. I haven't heard that, but I would love to learn more about it, and I'll ask my office to look into it. I really, I really don't like-- my own, like, value system-- I am not a smoker, never been a smoker, really do not care for smoking. When my sis-- oldest sister was in college, and she would come home and borrow my sweater, I would get really mad because she, at that time was a smoker. But, but I don't-- but I do-- it's the health outcomes that are really what I'm interested in here, and I think if we can do something to improve health outcomes while also helping with generating revenue, that this is an option that I normally wouldn't be in favor of.

LINEHAN: Thank you. Any other questions? OK. You'll stay to close?

M. CAVANAUGH: I will.

LINEHAN: Are there proponents?

MEGAN WORD: Good afternoon. Thank you, Madam Chair, members of the Revenue Committee for giving me a few minutes today. My name is Megan, M-e-g-a-n, Word, W-o-r-d, and I'm the government relations director for the American Cancer Society Cancer Action Network, or, ACSCAN, as it's easier to say. The American Cancer Society Cancer Action Network

is the nonprofit, nonpartisan advocacy affiliate for the American Cancer Society. Our mission is to advocate for evidence-based public policies that reduce the cancer burden for everyone. And to that end, ACSCAN will continue to support and prioritize policies that help every Nebraskan prevent, find, treat, and survive cancer. I'm here today to express ACSCAN's support for LB11. In 2024, the American Cancer Society estimates that approximately 11,790 Nebraskans will be diagnosed with cancer, while over 3,500 will die from the disease. 28 percent of these deaths in Nebraska can be attributed to smoking. Significantly increasing tobacco taxes is one of the most effective ways to-- excuse me-- is one of the most effective ways to prevent youth from starting to use tobacco, and to encourage those who currently quit-- addicted to quit. Excuse me, I fumbled that. As Nebraska lawmakers work to identify strategies to reduce the property tax burden for its residents, ACSCAN calls on you to significantly increase the state cigarette tax, with a parallel tax on all other tobacco products, in order to provide a substantial source of revenue for the state, while reducing tobacco use and tobacco-related health care costs. Nebraska's current tax on a pack of cigarettes is $0.64, putting the state near the bottom in terms of taxing this deadly product. Data suggests that, in Nebraska, annual health care expenditures directly caused by tobacco use totals over $900 million annually. It has been 22 years since Nebraska increased the tax on cigarettes; LB11 represents a critical first step in improving cancer outcomes for Nebraskans, and one that is long overdue. If we are serious about reducing the toll of preventable cancer and chronic disease in Nebraska, a high-impact tobacco tax increase such as the one proposed in LB11 will help us achieve that life-saving mission. ACSCAN supports LB11, and we urge the committee to advance the bill out to General File. I appreciate your time and consideration, and I'd stand for any questions.

LINEHAN: Thank you very much. Are there any questions from the committee? Senator Murman.

MURMAN: Thank you for testifying. Do you have any figures about what the average tax is for surrounding states? [INAUDIBLE]

MEGAN WORD: I don't. I've got a map, and I can actually translate that map into some average costs for you, if that's OK.

MURMAN: Thank you.

MEGAN WORD: You're welcome.

LINEHAN: Thank you, Senator. Other-- Senator Dungan.

DUNGAN: Thank you, Chair Linehan. And thank you again for being here. Senator Cavanaugh alluded to this in her opening, but I know there's been some studies that have been done that show when you're increasing the tax on cigarettes, or tobacco in general, you hit a threshold at a certain point where it actually starts to have an impact on usage, and so you start to see diminishing returns on that tax. Do you know what that threshold is, how high that has to be before we start seeing people actually reducing usage? Because if we don't hit that threshold, it's more of a punitive tax versus an actual health benefit.

MEGAN WORD: Right. Our data suggests that the tax-- the cigarette tax increase must be at least a dollar until-- and at that point, we actually see, we actually see a decrease in smoking rates. It's more afford-- it's more expensive for youth to start smoking and continue smoking, and at that $1 increase, adults who actually smoke either switch to alternative, cheaper tobacco products, which is why we call on parity for all tobacco products, although that's not what LB11 supports. But it's that $1 tax increase that actually shows that.

DUNGAN: And is that $1 from where it currently is in Nebraska, or $1 from wherever it's set at?

MEGAN WORD: Wherever it's set at.

DUNGAN: Just because that makes it a noticeable increase then?

MEGAN WORD: Yes. Yes.

DUNGAN: OK. Thank you, I appreciate that.

MEGAN WORD: You're welcome.

LINEHAN: Thank you, Senator Dungan. Other questions from the committee? What do you mean by parity for all tobacco?

MEGAN WORD: Tax increases on all tobacco products, similar to the tax that you imposed on cigarettes. So, at the $1.50 tax increase that

LB11 proposes, what that actually looks like is a 33 percent tax on other tobacco products. So, you're talking about snuff, you're talking about cigars, little cigars, hookah, e-cigarettes, anything that delivers nicotine and tobacco. As I said, that's not what LB11 supports, but that's ACSCAN's position.

LINEHAN: OK. Thank you. That's helpful.

MEGAN WORD: Does that make sense?

LINEHAN: I'm sorry, did someone-- other questions from the committee? Seeing none, thank you--

MEGAN WORD: Thanks. Sorry for my stumbles.

LINEHAN: That's OK. Opponent-- do we have opponents?

NICOLE FOX: Good afternoon, Chairman-- Chairwoman Linehan, members of the Revenue Committee. My name is Nicole Fox. N-i-c-o-l-e F-o-x, Director of Government Relations for the Platte Institute, and I'm here today to testify in opposition to LB11. LB11 proposes $1.50 increase in sales tax per pack of cigarettes, $1 to be distributed to the Property Tax Credit Fund, and the remaining $0.50 to a new Medicaid Waiver Cash Fund. It's well-established and supported that cigarette taxes are not a stable source of revenue. From a policy standpoint, cigarette taxes are regressive, and affect lower-income adults and those with disabilities the most. 25.8 percent of adults in Nebraska who earn less than $15,000 are smokers, compared with 8.5 percent of adults in Nebraska who earn $100,000 annually. The proposed $1.50 tax increase means that an 11.3 percent tax increase is for an average smoker earning less than $15,000 a year, compared to a 1.7 percent tax increase for adult smokers earning more than $100,000 annually. If Nebraska increased the cigarette tax by $1.50 for a total of $2.14 per pack, a pack-a-day adult smoker would pay an additional $548 annually in taxes. This tax increase would be on top of already increased sales tax burdens, due to recent inflation. Following a $1.50 tax increase, consumers in Nebraska would pay an average retail price of $9.78 per pack of cigarettes. Such a steep price increase would create a significant incentive to cross the border for cigarette purchases. Per carton, a consumer would save the following amounts by traveling to these border states, and I have Missouri, $25.20; Wyoming, $22.70; Iowa, $13.80 and South Dakota, $13.40. According to

the Tax Foundation, at its current $0.64 per pack, Nebraska is ranked 41st highest in the nation and 5th highest compared to our 6 neighbor states. Missouri and Wyoming are the only neighboring states with lower rates. If this bill is enacted, the 234 percent increase will give Nebraska the 15th highest rate in the country, and the highest amongst its neighbors. Lawmakers often think that raising cigarette taxes is a win-win, generating more revenue for state government, and improving, improving public health by making it harder to legally, legally purchase cigarettes. This is not the case. The explanation is simple; adult smokers make purchases in states with lower taxes. Lost sales tax means lost revenues for Nebraska, and unreliable income to support property tax reductions. Many of Nebraska's 2,700 retailers would lose money in competition with retailers in neighboring states. The impact of cross-border activity becomes more pronounced when consumers purchase other pro-- products like gas, in addition to cigarettes, out of state. After a review of the evidence and sound tax policy, we believe that an increase in the cigarette tax would do more harm than good for Nebraska. With that, I conclude my testimony.

LINEHAN: Thank you. Thank you. Are there questions from the committee? Seeing none, thank you very much. Proponent. We're out of neutral, right? Is there anybody here who wants to justify a neutral position? OK.

MAGGIE BALLARD: Good afternoon, Chairperson Linehan and members of the Revenue Committee. My name is Maggie Ballard, M-a-g-g-i-e B-a-l-l-a-r-d, and I work at Heartland Family Service. I am here to testify in strong support of LB11, and I want to thank Senator Cavanaugh for bringing this bill forward yet again. Our mission at Heartland Family Service is to strengthen individuals and families in our communities through education, counseling, and support services. Our programs provide critical human services to the individual, and families who ultimately shape the future of our community in the focus areas of child and family well-being, counseling and prevention, and housing safety and financial stability. And, as I mentioned, one of these programs includes substance use prevention. We have a history of implementing evidence-based practices that are shown to reduce exposure to secondhand smoke, help people to quit smoking, and even more importantly, to prevent people from even starting. This is particularly important when it comes to preventing youth from smoking. I could go into the initiative and strategies that are proven effective in preventing smoking, but the one that we need to focus on

today is an environmental strategy: increasing the cost of smoking. 1 in 13 youth under the age of 17 today will die prematurely from a smoking-related illness. The handouts that I provided to you go over the projected public health benefits of a cigarette tax increase. And of course, you've heard a couple people behind me already talk about those huge benefits to public health. I do want to talk about how-- something I hear oftentimes about substance use being a personal choice, deciding whether or not to drink, smoke, vape, or use other drugs comes down to the individual. And, while this is not necessarily incorrect; it is a choice-- we can't pretend that our choices exist or take place in a vacuum. Each one of us, whether we like to admit it or not, is influenced by our environment. This is especially true of our youth. So if I learn at school, for example, that smoking is harmful and dangerous, but I go home to parents that smoke, and I pass by 8 or 10 retailers on my way home that are advertising, and the affordable cost of cigarettes on the windows. Then making the choice not to smoke is harder than it would have-- if, if I saw fewer ads from fewer retailers, or if I saw fewer people at home that are smoking. Furthermore, if smoking was nothing but a personal choice, the courts would not have faulted the tobacco industry or the Juul company with harmful business practices that preyed upon our kids. We have to remember that-- what we're dealing with here, and in the industry that sees a child as tomorrow's user. I see I'm on the yellow; I just want to make sure be-- I want to try and finish, but I do have a couple answers to a couple of the questions that were asked earlier. I guess I would just like to go to my conclusion, which is that, if we implement LB11, yes, we will be getting some tax-saving revenue for property tax relief today. But more importantly, we will be saving lives tomorrow. Specifically, 2,800 Nebraska youth will prevent-- be prevented, this year alone, from starting to smoke. And it will lead 8,000 Nebraska adult smokers to quit. And that will prevent 2,700 deaths, and that's on those handouts I gave.

LINEHAN: Thank you. Are there questions from the committee? Do you want to answer the questions, you think?

MAGGIE BALLARD: Yes, please. So, let me pull up my notes here. First of all, there is a question about what taxes are in surrounding areas. And I know Miss Word said that she would send a map. Wyoming's is just $0.60; Missouri's is $0.17; Iowa's is $1.36; South Dakota is $1.53; Colorado is $2.24; and Kansas is $1.29. The other thing I wanted to talk about was, you asked about minimum use pricing, or minimum unit

pricing, sorry. So that is something that over half of all the states plus the District of Columbia has. I have been-- one of the reasons you don't see me in this committee very often is because budgets and numbers start to get kind of moldy in my brain. So I know enough to be dangerous about minimum unit pricing, but it's intended to prevent tobacco retailers from offering a lower price that will draw customers in, into their stores and eroding the tax price increases achieved through the tobacco excise taxes. So, I hope that can answer a little bit of your question on that.

LINEHAN: Yes, that's very helpful. Thank you. Senator Murman.

MURMAN: Yeah. Thank you for testifying. There is a direct link between chew and-- I guess it's called snuff-- and canc-- some cancers. Is there typically an excise tax, placed on chew? And you know how much that is?

MAGGIE BALLARD: That is a good question. I can definitely find that out and get that back to you. It's not as common with the demographics that we work with. And so that's why that is not a figure that is familiar to me. But I can say that at Heartland, we are in favor of all taxes on nicotine, and seeing those increases as well to-- in, in order to see the public health outcome become positive.

MURMAN: Thank you.

LINEHAN: Thank you, Senator Murman. Are there other questions from the committee? Seeing none, thank you very much for being here. Opponent? Do we have any more opponents?

ANSLEY FELLERS: Thank you, Chairwoman Linehan and members of the revenue committee. My name is Ansley Fellers, A-n-s-l-e-y F-e-l-l-e-r-s. I'm Executive Director of the Nebraska Grocery Industry Association, and I'm testifying in opposition to LB11, which would increase the cigarette tax up to $2.14. This more than 200 percent increase in the cigarette tax and put Nebraska well above the $1.93 US median tax per pack, and well above our surrounding states, other than Colorado, like you just heard. Meanwhile, more than 50 percent of Nebraskans live within 50 miles of the state line, making it relatively simple to go to surrounding states for cheaper goods. With such a loss, the Master Settlement Agreement Fund would dwindle, tax collections will be lower than anticipated, and retailers along the

border would suffer. Additionally, as you already heard, cigarette taxes are regressive. And importantly, and maybe obviously, when lower-income consumers spend more to smoke, they consume less of other goods and services. Although it's harmful, the adverse consequences of increasing taxes are particularly damaging right now, given the struggling economy and record high inflation. I would also note, in talking to retailers, inflation and higher prices is driving people to buy cheaper and cheaper products. A lot of them are, you know, less filtered. They're not a-- not that any tobacco is particularly healthy, but these are even less healthy. I would also just mention chew, Senator Murman, is taxed at $0.40 per ounce. And then, Nebraska's minimum selling law-- I didn't have this in my original testimony, but I will mention it since it's brought up. Our Department of Revenue does have minimum selling prices; we have it at the wholesale level, we have it at the retail level. It's not a dollar amount, it's based on a calculation. So it depends on the manufacturer's price. You can go to the Department of Revenue's website and see what the minimum selling price-- for each authorized brand of tobacco that's authorized for sale in the state, you can see what the minimum price is to sell it, if you go to the Revenue's website. I think that's, that's it. Thank you for having me.

LINEHAN: Thank you. Are there questions from the committee? Senator Murman?

MURMAN: Thank you for testifying, Ansley. I think you mentioned chew is taxed, as an excise tax, at $0.40 per ounce.

ANSLEY FELLERS: Yes.

MURMAN: And that's a Nebraska tax?

ANSLEY FELLERS: Yes.

MURMAN: How does that compare with surrounding states? Do you know?

ANSLEY FELLERS: That's a good question, but we'll send that to you. I don't know, I looked that up very quickly. Didn't bring my phone; I think that would be inappropriate.

LINEHAN: Thank you, Senator Murman. Other questions? So we do have a minimum price.

ANSLEY FELLERS: We do. It's not just, you know, you can't sell it below "X"; It's based on a, a calculation on a formula, and it all depends on the manufacturer price. So, it's a-- there's a chart available that we can send the committee.

LINEHAN: So, and it's-- is that something General Affairs would do? Or is that a Revenue Committee thing? Who decided we're going to have a minimum price?

ANSLEY FELLERS: That's a good question. That was-- those were established a long time ago. Although they-- it changes that-- the formula changes regularly because we-- ob-- like retailers get-- retailers and wholesalers, stamping agents. The stamping agent is who actually collects the tax. They get alerted regularly about the minimum price changes, and it's because the manufacturing price changes. So we can get that list to you and where it started. But I think it's Revenue.

LINEHAN: OK. OK. Any other questions from the committee? Seeing none, thank you.

ANSLEY FELLERS: Thank you.

LINEHAN: Proponent?

EDISON MCDONALD: Hello, my name is Edison McDonald. E-d-i-s-o-n M-c-D-o-n-a-l-d, I'm the Executive Director for The Arc of Nebraska. We're the state's largest membership organization for people with disabilities and their families. I'm here today to express our strong support for LB11, which proposes an increase in the cigarette tax and establishes the Medicaid Waiver Cash Fund. This bill is an essential option for addressing the needs of individuals with developmental disabilities from across Nebraska. We're excited that Governor Pillen has committed to eliminate the waitlist for developmental disabilities that has had thousands of Nebraskans waiting 6 to 8 years, on average, to access services. However, the vague plan details have left us with significant concerns. So far, it seems like the best step is that it's addressing-- ensuring that children with developmental disabilities can access Medicaid. However, the concerning side seems to be that it radically closes access to residential services for people with developmental disabilities. That means that services will be gutted. The only way to access residential services will be as a priority one,

as defined in revised Statute 83-1216, which means an individual will not get residential services unless they are in immediate crisis due to caregiver death, homelessness, or a threat to life and safety of the person. This will put families under tremendous strain, to the point of breaking. Already, in the attempt to implement this proposal, and has created a number of state and federal law violations, as listed in the letter I've handed out and sent to other state leaders via email a few weeks ago. This includes, but is not limited to, Revised Statute 83-1216(2), 83-1212.01(5). The application for the 1915(c) HCBS waiver, Nebraska 4154.R07.00 from March of 2022, 42 U.S.C. 1396, LB1412 and potentially Revised Statute 68-1530. I see this as an opportunity to utilize these funds to help make sure that there is an alternative to the Governor's plan, one that provides services for everyone with a disability, and ensures they have access to those residential services. LB11 provides that opportunity, as does LB1412 that would be gutted by LB2 that we passed just this last session. We want to make sure that people with disabilities have access to services, and this is a fantastic opportunity to make sure that we can do so without cutting services to other individuals.

LINEHAN: Thank you. Are there questions from the committee? Senator Dungan?

DUNGAN: Thank you, Chair Linehan. Thank you for being here. So, I just want to make sure I understand this, and I want to clarify a little bit. So, contained in LB11, the bill we're talking about here today, is a discussion about the Medicaid Waiver Cash Fund, right? That's where the money that we're talking about from this additional tax would then go.

EDISON MCDONALD: Yes.

DUNGAN: You're saying the money from that cash fund then could go to DD services to ensure that people are receiving the care they need-- is that kind of your argument?

EDISON MCDONALD: Yeah, yeah. And alternatively, the Governor's current plan, where he's announced an intention to eliminate the waitlist, which we appreciate-- but the way that he has it structured to do it would take services mostly from adults, and then help to provide more funding for kids. And so it's really just kind of moving things around. This provides new revenue that could make sure that we could

provide those services across the board, and often the estimates would be relatively similar to previous estimates to eliminate the waitlist.

DUNGAN: OK. I just wanted to make sure I understood the nexus between LB11 and the potential elimination of the waitlist. But obviously the amount of money we're talking about here-- if what Senator Cavanaugh said is true, won't be sustainable, hopefully it will diminish over time if the intended goal of the bill were to be achieved. But in the meanwhile, that money could then go to DD services.

EDISON MCDONALD: Yes.

DUNGAN: OK. Thank you. I just wanted to make sure I understood that.

EDISON MCDONALD: Thanks for clarifying.

LINEHAN: Thank you. Senator Dungan. Is there any other questions from the committee? Thank you. Thank you for being here. Opponent. Any more opponents?

STACY LOSTROH: Good afternoon, Chairman Linehan and members of the Revenue Committee. My name is Stacey Lostroh. S-t-a-c-y L-o-s-t-r-o-h, and I appear before you in opposition to LB11. I am testifying today on behalf of Whitehead Oil Company. and U-Stop Convenience Stores, and as a member of the Nebraska Petroleum Marketers and Convenience Store Association. While we all want property tax relief, doing so with a tax shift on cigarettes as proposed in LB11 is not a sustainable answer, as Senator Cavanaugh referred to in her opening. This plan reduces consumer choice, as many con-- customers will go to the lowest-priced product. And it's also regressive in the idea that there is an unlimited amount of disposable funds among our consumers. There's so many Nebraskans already feeling the effects of increased interest rates and inflation. The cigarette tax places a burden of funding property tax relief on a specific group of consumers, and to that end, many of those specific consumers will not receive any sort of benefit from the property tax relief. This plan can also lead to border bleed, as has been brought up several times before. Under LB11 as proposed, the price to customers increases about 17 percent. With this, we're looking at the potential for border bleed to surrounding states, where we are now currently benefiting from customers coming here. I encourage you to oppose LB11, and I thank you for your time.

LINEHAN: Thank you. Are there questions from the committee? You're-- you're not saying that they're-- none of the smokers-- surely there are smokers that own property.

STACY LOSTROH: I'm not saying that there's none. I'm saying-- but there are many who will be shouldering this burden and won't see any property tax-- direct property tax relief. If you have renters and stuff like that, who-- I mean--

LINEHAN: But if you're a property owner, you'd see--

STACY LOSTROH: If you're a property owner, sure. Yes. Yes.

LINEHAN: OK. All right. Thank you very much. Opponent? That was an opponent. Proponent? No more proponents? Any more opponents? Anybody-- that's it. We have letters for the record. Just a second-- and there was a problem, evidently, with the system. So I have a letter here from Senator Al Davis, who is representing the Sahara Club. And he is pro, I assume. Right? And then, other letters for the record, the system did work for 12 proponents, 5 opponents and 1 neutral.

M. CAVANAUGH: Well thank you. Thanks to everyone who came and testified, both in support and opposition. I think that there were some really important things brought up. I would say that-- Megan, who worked with the American Cancer Society, talked about parity. This bill does not create parity, but I certainly am not opposed to there being parity. I believe Senator Hughes has several bills that tax other forms of tobacco. It's a little complicated on how you get to parity because it's loose tobacco, it's liquid, all those things. But, I think we are on the road to that, of, just with more information. There is an excise tax on chewing tobacco; I think somebody already brought that up. And-- well, thank you for bringing of the minimum use pricing because I didn't know what that was. So that was a fun--

LINEHAN: Evidently we already have it [INAUDIBLE]. Don't feel bad.

M. CAVANAUGH: Apparently we do, and it was a fascinating education. Again, I brought this bill. It's-- yes, it, it goes to property tax, but my intention isn't really for property tax relief; that's just a happy happenstance. It is to improve outcomes-- health outcomes in Nebraska. And I agree with what has been said. This is a regressive tax, and it is a tax shift, and-- not necessarily my intention to make it a tax shift for property tax relief. I, I would happily put all of

the money into the Healthcare Cash Fund or into Medicaid Waiver Cash Fund, but I also understand that, we as a legislature, have multiple priorities of what we need to fund. And so I-- that's why I parsed out what the funding would go towards. And unfortunately, I agree: it is a regressive tax, because a lot of low-income people are smokers. But I think that the-- what is it that they say? "The juice is worth the squeeze." The outcomes that we have, the health care outcomes that we would have long-term in the decreasing of smoking is worth it in my mind; we'll see if it's worth it in everybody else's mind. Thank you.

LINEHAN: Thank you. Senator Kauth?

KAUTH: Thank you, Chair Linehan. Senator Cavanaugh-- so, I was really interested to hear you say that you're OK with the tax on tobacco because of the health impacts. And, as you said, it is primarily lower income people-- 40 percent, according to the CDC, of people with incomes below the poverty level, smoke. But the health impacts are significant, and so that's kind of why you're justifying it. Where do you stand on pop and candy? Because they also feed into very negative health impacts. Nearly 40 percent of the U.S. adults are obese. So do you see that in the same vein?

M. CAVANAUGH: I do not. Tobacco has been proven to have direct adverse health outcomes universally, and it is the only thing that we currently tax that falls into that category. We know that secondhand smoke impacts children; we know that secondhand smoke impacts adults. And we know what it causes for heart disease, for cancer rates; it is universally unhealthy. There's no exception to the rule with smoking tobacco or using tobacco products.

KAUTH: So do you think, though, that sugar, or candy and soda and those things also-- I mean, again, 40 percent of our country is obese. So is that not a similar health condition? Or, or at what level does something need to impact people's health?

M. CAVANAUGH: Well, I think saying that 40 percent of our, population is obese because sugar, pop and candy exist in the marketplace is a simplification of health in, in our country-- that there are many foods and variables that factor into a person's struggles with weight. And also, being obese does not automatically mean that you have adverse health. You don't necessar-- you're not necessarily obese and, and diabetic. You can be one or the other. You can be skinny as a rail

and be diabetic. So I think that equating them isn't really-- they're just-- they're not the same thing. I think, obviously, studies show it's good to limit intake of sugar, but having a candy bar-- if I walked out of here right now and went and had a candy bar, I wasn't-- that doesn't mean I'm automatically taking a day off of my life. But if I were to go smoke cigarettes, there are serious equations that can show the correlation between smoking even one cigarette and how much time that takes off of your life.

KAUTH: Thank you.

LINEHAN: Any other questions from the committee? Seeing none, thank you very much. And that close-- closes the hearing on LB11.

M. CAVANAUGH: Does everybody remember that it was both Senator Day and Senator Albrecht's birthday over the weekend? So we should be-- have a short day.

LINEHAN: OK. Senator Day, go. Thank you for being here.

DAY: Can I get a page really quick, please? Thank you. Thank you. Good afternoon, members of the Revenue Committee. My name is Jen Day, that's J-e-n D-a-y, and I represent Legislative District 49, in Sarpy County. I'm here today to introduce LB12, which in very simple terms, front-loads the refundable income tax credit made available through the LB1107 Property Tax Incentive Act of 2020. The most recent available data from the Department of Revenue shows that across the state, less than 50 percent of income tax filers are taking advantage of the refundable income tax credit made available under LB1107. In my district, adoption is only slightly higher, at 50 percent for Miller Public Schools households, and 57 percent for those in the Papillion-La Vista School District. There still remains a large number of households who are not claiming the credit, and therefore not getting the property tax relief they are entitled to. If you look at the fiscal note, this means that we'd be giving Nebraskans back roughly $600 million of the $1 billion of tax relief we should be giving them under LB1107. LB12 would front-load the existing credit, meaning the funds would be paid up front to school districts and would lower the actual property tax owed. By claiming a portion of the school district property tax paid on income taxes, many people don't see it as property tax relief, as their year-over-year bill continues to rise. Switching it to reflect in their statements would draw a

bright line, and increase participation to 100 percent. Providing the funds up front to the taxpayer would lower the total property tax owed, which increases transparency and expediency, as property taxpayers would see relief up front, rather than waiting until they filed their taxes. LB12 is a matter of efficiency and fairness; if we're designing policy meant to provide tax relief to Nebraskans, we should make it as easy as possible to receive this relief and not paperwork Nebraskans to death. Obviously, LB12 is going to be part of the broader solution, but to me, it's one of the most straightforward steps we can take in achieving this goal. With that, I'm happy to answer any questions.

LINEHAN: Thank you. Are there questions from the committee? So-- I'm sorry, I haven't read it-- how does it, how does it ensure the property taxes go down?

DAY: So I'll be honest, in that I will tell you that the exact way that it works is kind of still unclear to me because-- I mean, essentially it ends up reducing the amount of property tax owed on the bill, versus being the credit that has to be applied for on the income taxes.

LINEHAN: So it would be like the first property tax credit that's on your--

DAY: It's-- yes.

LINEHAN: You'd send it to the county. And the county would--

DAY: Correct. Yes.

LINEHAN: OK. And then you said something about-- well, I'm not quite sure-- you're using $590 million; that's the 2025-2026 number for LB1107.

DAY: Yes.

LINEHAN: OK. All right. Any other questions from the committee? Seeing none, thank you very much.

DAY: Thank you.

LINEHAN: Proponents?

REBECCA FIRESTONE: Good afternoon, Chairwoman Linehan, members of the Revenue Committee. I'm Rebecca Firestone, R-e-b-e-c-c-a F-i-r-e-s-t-o-n-e, Executive Director of OpenSky Policy Institute. We're here in support of LB12, because it increases the transparency of the current property tax incentive credit by providing funds up front to the taxpayer, and showing the amount of the credit on their property tax statement. Currently, the school district property tax credit is given in arrears; the property owner pays the property tax owed, and then, when they file income taxes, they claim the credit. LB12 would front-load this by reducing property taxes owed and showing the reduction on people's property tax statements. This would better link the funds provided to the tax at issue, and give taxpayers better line-of-sight into how much the state is actually contributing in its efforts to address property taxes. Thank you for your time, I'm happy to answer any questions.

LINEHAN: Thank you. Are there any questions from the committee? So it doesn't lower the levies, it just works like the first property tax credit?

REBECCA FIRESTONE: Yes, this is to enable this existing property tax credit to function more effectively, to make sure that everybody who's eligible for the credit can receive the credit.

LINEHAN: No, I get that. Isn't that what I just said? I mean, it's-- the first credit works like that. And you're saying this one should work like that?

REBECCA FIRESTONE: Yes. It's just switching it over to work this-- the other way.

LINEHAN: All right. Thank you very much. Any other questions? Seeing none, thank you. Do we have any opponents? OK. Anybody neutral?

CANDACE MEREDITH: Good afternoon, Candace Meredith. C-a-n-d-a-c-e M-e-r-e-d-i-t-h. I am with the Nebraska Association of County Officials, otherwise known as NACO. I am the NACO deputy director, and here to talk in the neutral capacity on LB12. Property tax credits that reduce the property taxes due is a familiar concept for taxpayers, just as you mentioned there with the, the current property tax credits that we have in effect. County software is built for collection and allocation of existing property tax credits, so the new

credit would not be an intensive add to our softwares. But I do want to-- just for consideration on possible clarifying language. If the school credit would be listed separately on the tax statement, so we'd have one for the property tax credit because that's distributed amongst all the, the levies, and then possibly one for the schools to show that school is being directly impacted there. But otherwise, I'd be happy to answer any questions that you might have.

LINEHAN: Thank you. And any questions from the committee? I have one, and you don't-- it's complicated, and I probably can't even ask it correctly. So Mr. Cannon was here earlier, and he said there was an issue because the fees that you earn on collections would go down if we-- so wouldn't that be the same here?

CANDACE MEREDITH: No. With the property taxes credits as they exist today, and also in this language, there is a 1 percent commission that the counties do take for doing the administration on the collection and allocation. So, it would apply the same way as it currently does.

LINEHAN: So, even though you're not collecting the $590 million, you'd take a 1 percent cut to put it-- take it off the property tax.

CANDACE MEREDITH: Right. So the non-property tax revenues are a part of those commissions. So, that would-- wouldn't be a shift at all for us to apply. When this money comes to the counties, we would take 1 percent of these tax credits, like we do the other ones, and then do the collection, and then the allocation piece. If the money didn't come through the county, then that would be a reduction in the commissions that we receive as non-property tax revenues.

LINEHAN: So the question I think I'm going to have is, if property taxes have gone up $1.3 billion in the last 10 years, your commissions have gone up by 20 percent. Did it take that much more people just to collect more money?

CANDACE MEREDITH: I believe with the allowable growth and softwares, there-- I don't have those numbers in front of you. I couldn't tell you, like, for sure what that shift would be, but there is more, more employees, more benefits, and insurance does cost a lot more than it did, I would say, 10 years ago. So there has been a shift there. And obviously, technological resources, cybersecurity, and transparency on

websites, those are all have to be considered in into that equation as well.

LINEHAN: OK. All right. Any other questions from the committee? Seeing none, thank you very much.

CANDACE MEREDITH: Thank you. Have a good day.

LINEHAN: Other pro-- proponents?

TIM ROYERS: Hello again, members of the Revenue Committee. For the record, my name is Tim, T-i-m, Royers, R-o-y-e-r-s. I am the incoming president of the Nebraska State Education Association, and I'm speaking on behalf of our members in support of LB12. We want to thank Senator Day and the bipartisan group of co-sponsors for bringing this bill forward. LB12 is a common-sense solution that streamlines existing property tax relief efforts. It eliminates technological and informational barriers that are currently holding back some Nebraskans from accessing the credit in its current form. There is presently a pretty clear correlation between the percentage of Nebraskans who access the credit when they file their income tax returns, and their level of wealth. By front-loading the credit, LB12 will bring relief to those Nebraskans who need it the most. Speaking as a homeowner who has filed for the credit in the years that-- all the years it's been offered, I can say firsthand that, even with the tools provided by the Nebraska Department of Revenue, it is not a simple task to ascertain the information you need to file for the credit. The fact, for example, that there is a difference between the year the property taxes were paid and the property tax year is the kind of terminology barrier that can make it harder for folks to access the credit as it currently exists. By front-loading the credit and dispersing directly to political subdivisions, LB12 will allow property owners to have a more accurate idea of what they actually owe in property taxes after all factors, local and state, are taken into account. This is a critical component in the continuing, wider conversation on balancing the three-legged stool between property, sales and income taxes, and how we can deliver needed resources for essential public services like our schools, without placing undue burden on certain segments of our population. As we move through the special session, I encourage the members of this committee and the wider body to seek common-sense solutions, like those found in LB12, that will help reduce the tax burdens of Nebraska property owners, and provide a more accurate

picture of our tax obligations. As we continue to discuss how we can best support our public schools, this clarity is needed so that we are affecting the strongest possible policies moving forward. Thank you.

LINEHAN: Thank you. Are there any questions from the committee, Senator von Gillern?

VON GILLERN: Yeah. Thank you Mr. Royers for being here. The-- with the front-loading of the credit and then the funds would go directly to the school districts and come off for the property tax statements-- I get that. Not, not opposed to that at all. I'm sure you've run the numbers. How much more-- how much of an increase in funding will that represent for schools across the state? If, if, if the-- I think the, the opening testimony said that 40 to 50 percent of the tax credits had gone unclaimed.

TIM ROYERS: Right.

VON GILLERN: So, how, how, how much more-- how much additional funding will go to school districts if, if this--

TIM ROYERS: Funding total or funding from the state level?

VON GILLERN: Yes. Yeah. The LB1107 credit, if it goes directly to schools-- it's not going to schools now.

TIM ROYERS: Right. The, the net, the net outcome for the schools would remain unchanged, is my understanding. If I'm wrong I would happy to be corrected on that.

VON GILLERN: OK. Then where is the-- where is the benefit to the taxpayers?

TIM ROYERS: Well, they would actually see the relief.

VON GILLERN: OK. If, if the, if, if we're taking a, a certain pot of money and we're moving it from one place to another, we're, we're really not cutting taxes anywhere, we're not, we're not reducing property tax burden. We're increasing the number of people that are taking advanta-- the increasing the number of people that take advantage of the credit. But right now there are dollars that are unclaimed?

TIM ROYERS: Correct. But right, right now, presently the, the, this-- I guess I'm not, I'm not sure what the line of questioning is.

VON GILLERN: One of the, one of the push backs to front, front-loading is that it really doesn't cut taxes.

TIM ROYERS: Well, I guess I don't understand that when there's, like, half the families in my district, for example, that don't claim the credit.

VON GILLERN: Well, just because they didn't-- but they still paid in the same amount. It did not reduce the amount.

TIM ROYERS: Right. Oh, OK I gave-- Yep. It's been a long summer, I think, for all us.

VON GILLERN: Yes. Yeah. If they didn't-- no, that's alright. If I'm not explaining--

TIM ROYERS: No, that's-- no, no, you are. I just took a second to click. I, I'm the slow one.

VON GILLERN: It's been a long day for all of us.

TIM ROYERS: No, it's all on me. No. And that's why in my testimony, I said, to me, the greatest benefit is it, it simplifies. It doesn't necess-- it allows for a greater up-front knowledge of what your tax burden is. Right? So rather than perceiving it on the income tax side when you file the rebate, you see it on the monthly escrow payments, or however you choose to pay your property taxes. So yes, to me the value is not necessarily that it's, you know, increased funding to-- I-- one way or another, it's about do we have a-- as we're having this wider conversation of how we should adequately fund our schools, to me, there is a perception problem in terms of what I'm paying in property taxes relative to other funding sources. So to me, one of the greatest utilities of LB12 is it simplifies it by not forcing me to apply for the credit. That way I know-- I have a greater account based on my monthly statement, how much I am personally contributing through property taxes to schools. Does that make sense?

VON GILLERN: It does. But again, I just want clarity for everyone who's listening. For you, who claim it every year, and for me, who claims it every year, it's a net zero difference.

TIM ROYERS: Correct. Yeah, yeah. And that's what-- You and I are saying the same thing. You're saying a different way. Yeah. We're good now.

VON GILLERN: OK, thank you. Thank you.

LINEHAN: Thank you Senator von Gillern. Other questions? Senator Murman.

MURMAN: Yes. If I'm thinking about this correctly, for an unequalized district, it would be an increase in funding for them. Correct? Because they're collecting funds that they wouldn't be, if the taxpayer didn't apply for the credit?

TIM ROYERS: I don't think so. But again, clearly, based on my answer to Senator Van Gillern, I'm not as read up as I thought I was. So I don't want to commit one way or another.

MURMAN: Yeah. Equalized. I don't think it'd make any difference, but unequalized, I think it would, if I'm thinking about it right.

TIM ROYERS: I don't, I don't-- I really don't think so. I think, to our point-- I think it really is just a question of timing of when you make the payment. I think that is exclusively the questioning end. And although-- to circle back-- although I agree that the net is the same, I think, for folks who are living paycheck to paycheck, having that monthly impact, versus a one-time lump in April, I think does have utility, even if the overall dollar amount in the aggregate comes out the same.

LINEHAN: Thank you. Any other questions? Seeing none, thank you very much.

TIM ROYERS: Thank you. Always a pleasure.

LINEHAN: Are there proponents? Are there any other proponents? OK. We had letters for the record? The system broke down, [INAUDIBLE]

CHARLES HAMILTON: Yeah, this is and ADA, so it's got to be read for the record.

LINEHAN: Oh, OK. I'm sorry, we have one. And this-- I'm reading these because it just-- it didn't-- the system-- probably get overload. The Nebraska Realtors Association stands in support of Senators Day [SIC] LB12, which would create the School District Property Tax Relief Act, and change the regressive Property Tax Incentive Act. The Legislature-- excuse me. The Nebraska Realtors Association supports efforts to reduce property taxes. The Association encourages the Legislature to pass legislation that would assist in accomplishing this objective without causing a shift in tax burden to other sources of revenue, including service taxes, income taxes, sales taxes, because such a shift would significantly restrict the economic growth necessary to the economic interests of property owners in our-- and our industry. Finally, this-- finally, the Association costis-- cautions the unfair shifting of the property tax burden between classifications of real property. LB12 offers a reasonable approach to provide meaningful property tax relief without creating harmful tax shifts. Because of this, we hope the committee will see fit to advance LB12 to the full Legislature for debate. And this is under the rule that, if you have a disability and can't be here, then we read the letter. There were no other letters? There was? OK, yes, I'm sorry. There were 7 proponents and 1 opponent; none neutral. So with that, Senator Day, you can close.

DAY: Thank you. Guys, this is your bill. This was in LB388. So we don't have to sit here in the committee hearing and pretend like this isn't something that literally, this committee had spit out and asked us to vote for, that you all supported, OK? So, this is your bill. I'm just bringing it back as a potentially integral piece of a larger property tax relief effort. And I think that, if we are going to have a genuine conversation about property tax relief, we need to be sure that the legislation, and the mechanisms that we ha-- already have in place, like LB1107, are working efficiently, and sufficiently providing the relief that people are entitled to. There's $560 million sitting out there that people are entitled to in property tax relief that they're not getting. So when you say it's not tax relief, I think that those people that would see that dollar amount subtracted from the property tax that they owe would very strongly disagree with you. So with that, I'm happy to answer any questions.

LINEHAN: OK. I think it's-- we're all getting kind of tired, and it's like the day. But, out of the $560 million for 2024-2025, half of it is getting claimed.

DAY: Half of it is getting claimed, yes.

LINEHAN: Right, so it's not fair to say that we're not-- nobody's getting a claim; half--

DAY: I didn't say that nobody was getting it. I'm saying that there's 50 percent of the taxpayers in the state that are not getting the property tax relief that they're entitled to, and this would simply make it so that they can get that. And I just I'm saying that, like, this is a bill that you guys supported--

LINEHAN: This is a bill--

DAY: Less than a couple of months ago, and here we are sitting in a committee hearing where everybody wants to make it seem like it's something that it isn't.

LINEHAN: LB388 had other parts to it. It wasn't just this--

DAY: It did, but it had this specific piece in it, which was the front-load of LB1107. And it's the exact same thing.

LINEHAN: OK. Well, we can differ on that. Other questions from the committee? Senator Bostar.

BOSTAR: Thank you, Chair Linehan, and thank you, Senator Day. We-- the numbers that you're citing are the numbers that we had last session on the usage, and sort of the uptake, on the income tax credit? The property tax credit? Do you know if there are new numbers out? Because those numbers were not new when we used them six months ago.

DAY: I, I'm unsure. I'm not sure, but I'd be happy to find out. I don't think there are new numbers out yet, but I can check.

BOSTAR: Thank you.

LINEHAN: Senator-- thank you, Senator Bostar. Senator von Gillern.

VON GILLERN: Yeah, thank you. Your comments that you just made were accurate about supporting this as part of LB388. But I just want to

reiterate what Senator Linehan said, and that was that it was part of a larger package. Front-loading the credit was part-- was a way to fund parts of a larger package and front-load that money in order to accelerate tax cuts that were, that were related. And just again, for additional clarity, you opposed it then, and now, now you're in support of it in a stand-alone version--

DAY: I opposed it as a part of the larger package, because I didn't like some of the other things that were in it.

VON GILLERN: OK, but the same reason that we supported it as part of a larger package. I just wanted to make sure that we were all clear on that.

DAY: Sure. But you, but you oppose it because-- why?

VON GILLERN: I didn't say I oppose it.

DAY: OK, so you don't oppose it? OK.

VON GILLERN: No. I didn't say I opposed it.

LINEHAN: I don't think you've made a decision yet.

VON GILLERN: Excuse me?

LINEHAN: You haven't made a decision yet.

VON GILLERN: I have-- as a standalone, it doesn't do everything that we wanted it to do as part of LB388. We may be able to blend it in with other bills--

DAY: Right. Of course, and that's-- I wouldn't, I wouldn't expect you to only pass LB-- or LB12 and then just call it a day and move on. Yes, I fully expect that there has to be other things that go along with this. But in an effort to not duplicate other bills that other colleagues are introducing, and conversations that I've had with the people that I regularly talk to in here that have introduced other legislation, I am introducing this one piece as a part of what would hopefully be a larger package for property tax relief.

VON GILLERN: Perfect. Thank you.

DAY: Thank you.

LINEHAN: Thank you, Senator von Gillern. Other questions from the committee? Seeing none, thank you very much.

DAY: Thank you.

LINEHAN: That brings LB12 to close. Senator Bostar, do you want a break, or do we go straight to you?

BOSTAR: Your call.

LINEHAN: Let's, let's take a five minute break, and everybody come down. Of course, you're going to be so nice to us.

_____: [BREAK]

LINEHAN: Welcome. Do you want to wait for George, or--

BOSTAR: I think we're all right.

LINEHAN: OK.

BOSTAR: Good afternoon, Chair Linehan, fellow members of the Revenue Committee. For the record, my name is Eliot Bostar. That's E-l-i-o-t B-o-s-t-a-r, and represen-- representing Legislative District 29, here today to present LB14, the Nebraska Rent Relief Tax Credit. This simple legislation would create a refundable income tax credit for any individual who rents a house, apartment or other residential unit in Nebraska as that individual's primary residence. The credit will equal 5 percent of the total amount of rent paid by the individual during the taxable year. According to a Nebraska Public Media report from December of last year, Midwestern metros have seen faster rent increases in any other region in the country in the past 6 months. Realtor.com research analyst Hannah Jones said that Midwest tends to be more affordable, which is driving up demand. But because of that demand, because of the demand coming in, we're seeing faster rent growth. This means that the Midwest's predominantly cheaper housing is actually acting as a catalyst for rising rent as demand outstrips supply. Jones said it's a major reason the Midwest hasn't seen the reprieve of rent prices the rest of the country has enjoyed in the past year. The average studio apartment in the Omaha metro area cost $955 a month. In June of this year, adjusted for inflation, that's a

44.7 percent increase from 2014, according to a Flatwater Free Press analysis of federal estimates. In the city of Lincoln, the last decade has seen a 39.2 percent increase, and tenants in Grand Island and Kearney have seen rent spikes by hundreds of dollars over the past decade. The US census defines affordable housing as any home where residents pay less than 30 percent of their total income to live-- in that it's considered a housing cost-burdened. Property taxes contribute to challenges with housing affordability. In Nebraska, for households that earn less than 30% of the area median income, nine out of ten are considered housing cost burdened. For those that make between 30% and 50% of the area median income, six out of ten are considered housing cost burdened. Housing cost burdens impact moderate income Nebraskans as well. In turn, this exacerbates Nebraska's workforce challenges. The Nebraska Strategic Housing Council states that nearly every county in Nebraska struggle-- it struggles to supply housing for people making 70 to 120% of the median income for their area. As this Legislature seeks to address the impact of property taxes on all Nebraskans, it's essential that we find a solution that provides relief to every Nebraska taxpayer. According to the most recent American Community Survey for Nebraska, there were 259,347 occupied units paying rent within the state. LB14 would make sure that every person enjoys much needed financial relief from this special session. I would like to thank the committee for your time and consideration. I encourage you to support LB14, and be happy to answer any questions you might have.

LINEHAN: Thank you, Senator Bostar. Are there questions? Senator Kauth.

KAUTH: Thank you, Chair Linehan. Senator Bostar, if-- how would that work? If somebody is in an apartment and they're paying $1,000 a month for an apartment--

BOSTAR: Sure.

KAUTH: --they get a credit based on the fact that they're renters. What if there are two people in there? Is it just for one apartment, or do they each get a credit?

BOSTAR: It's a credit for the rent paid. So, if you pay-- so, if there's two people in the apartment, and let's say they share it and

they split it evenly, they're both paying $500 a month, they-- you see what I'm saying?

KAUTH: Yes, so you're saying both would get it.

BOSTAR: Yes, they can both claim a credit, but they're not both claiming it on $1,000. They're, they're claiming it on whatever they have paid in rent.

KAUTH: OK. So I imagine there's a process involved with how to figure out that allowance.

BOSTAR: I mean it's like anything else with deductions or credits, right? And you, you file with the Department of Revenue, and you say, this money I have put into this thing, you know, even if it's a charitable contributions. Right? You say, this year I gave $1,000 in charitable contributions, I'm going to take that as a tax deduction. The Revenue Department can go and check.

KAUTH: So the landlord would have to provide her like a, here's your statement for the year, or--

BOSTAR: Or, or, or most likely is you just have to keep receipts like you would any other transaction that you're going to use to back up a deduction or a credit within your income taxes.

KAUTH: OK. Thank you.

BOSTAR: Just keep track your documents.

LINEHAN: Thank you, Senator Kauth. Senator von Gillern.

von GILLERN: It's been months since I've asked you this question, but would you like to comment on the fiscal note?

BOSTAR: You know, I did see it. I-- to be honest, I don't know if it's right, I don't know if it's wrong.

von GILLERN: It's big.

BOSTAR: It is that. Yeah. That's true. Hang on. $153 million. You know, when we're talking about billion plus dollar plans, what's $153 million? Right?

von GILLERN: 15.3%.

BOSTAR: Basically nothing. Obviously, everything's adjustable. We can move the numbers up, we can move the numbers down. But this is a starting place. The reality is, you know, and, and I-- all of you are aware of this. We've been working in the lead-up to this session, and having these dynamic discussions about providing property tax relief, the question of renters has come up. And we all know that your rent-- part of your rent makes up the property tax obligation that the property owner has to pay. But I also think we know that if we were to relieve-- if we were to provide this property tax relief, in the short term, I, I don't expect rent to go down. I don't. We can argue that they won't go up as much, that they'll-- you know, over time that we'll find an equilibrium where they-- where renters will have the ability to enjoy the same level of financial relief that a property owner would. But I don't think it's going to be that immediate effect that we would see from, from property tax payers. And so considering that a lot of the conversation so far has revolved around potentially increasing other taxes in order to provide this, I wanted to ensure that there was a mechanism where every Nebraskan could at least say that they got some reduction, some financial relief from the start. That's what this is.

von GILLERN: Thank you.

LINEHAN: Thank you, Senator von Gillern. Other questions?

KAUTH: Oh, one more.

LINEHAN: Senator Kauth?

KAUTH: To that point, Senator Bostar, is there a danger if the government starts paying people money for their rent, that landlords will say, "Hoo, hoo, hoo, the government's chipping in, and raise their rents more? That would be my biggest concern.

BOSTAR: Of course there is. Now, you know, I think there's a couple of ways that we can look at that. Right? There's, there's always some level of concern when the state is pushing financial resources into what, at least in, in a moment in time, could be considered a closed economic system. We don't really hear though-- let, let's take this example a different way. One thing that we don't hear is we don't hear people say, hey, if you lower my property taxes, housing prices are

going to go up. You could make the same argument, right? You could say, it's now more affordable for me to own that home. So a seller could incorporate that knowledge within that economic system, and concurrently raise the prices. And you could see sort of a generalized upward pressure, because that's the only way it would work, right? Is if you had a generalized upward pressure on rents, a generalized upward pressure on pricing. You could-- you could make that argument, I think, either way is that maybe, maybe we're making houses more expensive by, by lowering property taxes. I don't really think that that's how that would work out. You can, of course, also think of it-- because as a snapshot, it is a closed economic system. You can think of it as pricing being set to, to match supply and demand. Right? So you sort of remove, remove the input costs like property taxes from the equation altogether. Obviously in this kind of scenario, what you're talking about is, in order for rental property to exist, it has to make enough to meet the basic costs. But above that point it's matching-- it, it's, it's finding the market price to match supply with demand. It's similar to like a pharmaceutical company, right? So a pharmaceutical company can spend a lot of money to make a drug. But when they go to price the drug, how much money it costs them to make the drug is never really a factor. All they're doing is figuring out what the right price is to set to maximize the amount of revenue they're going to receive. And so there's a couple of ways to imagine these economic systems. So you can take that market pricing approach. You can take an input approach. But I think no matter which way you're sort of viewing it, this will have an ability to provide that financial relief on the front end. And that's ultimately the goal.

KAUTH: Thank you.

LINEHAN: Thank you, Senator Kauth. Other questions from the committee? Senator Dungan.

DUNGAN: Thank you, Chair Linehan. [COUGHS]. Sorry. Thank you, Senator Bostar. I think we've had a lot of conversations around renters, obviously, leading up to this. So I appreciate the discussion that we can have. You're-- taking us back to LB388, LB388 last session. There was a, I guess, an effort, I think, amongst supporters of LB388 to include certain provisions, such as, I think a sales and use tax exemption for utilities when it came to renters in an effort to sort

of offset potential negative impact to renters, right? Is this bill intended to offset the potential negative impact of LB1 for renters?

BOSTAR: So-- I don't know if it-- this isn't modeled in that context, right? When it came to the utilities, we had some of that-- we had some of those numbers put together where you could look at what the, you know, average household utility costs were. The other nice thing about the utility side was that the utilities-- u-- utility usage almost works as like a-- if you were to graph it, it's like a-- it's a U-shape, where the wealthiest people use a lot of utilities, sort of middle income people use kind of the least, and then the poorest people use a lot of utilities, for very different reasons, right? On the wealthy side, people use a lot of utilities because they are heating and cooling very large homes. There's just a lot more consumption on that front. Whereas on the lower income side, it's inefficiency, right? Their, their, their homes are drafty, they're not insulated. So it's just so much more expensive per square foot of space to, to maintain habitability. And so there was some of that-- there was a progressive nature to the utility piece of, of doing that. This I do not have modeled to say if we did this, we would completely offset something. Obviously, we'd be speaking generalities anyway because it's just an average. But, it, it's something that we can work on trying to figure out.

DUNGAN: Because that has been one of the sort of the overarching critiques I think, lobbied against the general outline of LB1 is that we're providing property tax relief for owners of property, obviously, but that if you're a renter or don't own property, not only do you not get that relief, but you're also then hypothetically going to be paying a larger proportion of your income to sales and use tax, right? That's been kind of the thing people have worried about.

BOSTAR: Yeah.

DUNGAN: So this is being introduced then, or maybe not the reason it's being introduced, but the idea is that this could potentially at least try to offset some of the negative impact of LB1 for renters.

BOSTAR: Yeah. Yeah. Absolutely.

DUNGAN: OK.

BOSTAR: I, and I don't know what the right number is to accomplish that to a satisfactory point. But yes, I mean, it's being introduced because we want to ensure that we're, we're really trying to limit the number of populations out there that are paying an increase in revenue somewhere, paying increase in tax revenue for us, tax for them, in one part of our tax system, and are being completely excluded from the beneficial side.

DUNGAN: Right. And there's been some discussion surrounding rent, potentially the impact of rent, I think Senator Kauth kind of alluded to this, the impact of rent with property taxes. I think that we've heard some conversations from the governor and other people about the free market sort of being able to balance rent increases, and certainly, I've heard it implied, at least, by other colleagues last session that rent would go down in the event that property tax relief was offered. Based on my experience personally and talking to friends of mine, I have never seen rent go down, potentially, maybe, not increase as much. But in your preparation for this bill and doing research, have you seen anything to indicate that rent would actually go down if property tax relief is achieved through mechanisms as sort of foreseen in LB1?

BOSTAR: I mean, obviously there, there may be fringe cases where that could happen. I think broadly, no one should expect that to happen. You know, and I, and I think generally folks who've been working on this don't think it will. Right? I, I think the idea has always been that over time, you will get to a place where those-- that cost reduction of property ownership will become baked into rents, but it will take time. And you're not going to see a lowering of pricing at the rental level. The other thing I would say, if I can try to also answer the previous question just because the thoughts are coming to me, to Senator Kauth, the, the economic impacts of what happens if you inject a bunch of resources into the system to, to pay for rent. One thing that it can do that could be useful is as a population of people now has a higher ability to to pay a certain dollar amount. And even if you could argue that, you know, maybe that means I can pay a higher amount, so that could be captured then by, by landlords, that also then moves the supply side of, you know, your equation. So you would then see pressure on development. Right? So you're going to-- you would be incentivizing the further development of housing stock, which then should bring down that, that demand equilibrium to, to find a balance again. So also looking at incentivizing housing creation

through the ability of having renters be able to have more money to pay for rent. I don't know if I answered all the--

DUNGAN: No, you, you did answer those, I appreciate that, and I guess I'll wait to hear the testimony, I might have some more questions after that--

BOSTAR: Great.

DUNGAN: But thank you, I appreciate it.

LINEHAN: Thank you, Senator Dungan. Senator Meyer.

MEYER: Great discussion here. I guess whenever you talk about economic systems, taking one snapshot at one point in time is not a fair analysis of any type of economic analysis. And I think it's the-- I think that's especially true when you talk about, say, a property tax reduction in rent prices. There's like you s-- you just got through saying, over time, it will have an effect because it will keep the prices from going up. They may not drop, but it definitely will keep them from, from going up. And I've had residential leases, I've had commercial leases, I've had farm leases. And that's as true as, as we're sitting here, that--

BOSTAR: So it can be true. It's -- there's a lot of ways to think about these-- I mean, economics is one, something that I studied in college, but two, enough studying to know that there's a lot of ways you can look at something. And so there, there absolutely are economic models that say that, yes, that's absolutely true, that you would-- your inputs would create a new equi-- equilibrium price that would be lower than it otherwise would have. But thinking back to the pharmaceutical company, right? That is not how they operate at all.

MEYER: No, well.

BOSTAR: But you're talking about price setting. And so if you are someone that has the ability to price set anything-- what I would ask you is how many people are going to set the price based on how much it costs them to provide whatever it is they're providing, in this case, housing, or land, or, or whatever, versus how many people are going to set a price because it's the price that they can set, that they're going to set the maximum price that someone will pay. Right?

MEYER: Sure.

BOSTAR: And so that then becomes less about how much you're paying in taxes, and inputs, and everything else, and much more about how much housing is around, and how many people want it, and--

MEYER: The law of supply and demand is determining--

BOSTAR: Right

MEYER: --determining the amount of rental units now. In addition, it doesn't matter how many cost analyses you run on building rental units, it's really tough to make-- in this inflationary cycle, it's really tough to build them at a cost that is going to match what the market will pay.

BOSTAR: Right.

MEYER: And you, you know that.

BOSTAR: Yeah.

MEYER: And maybe you're doing it yourself , and it's, it's tough.

BOSTAR: And here's the thing. I think this, I think this helps that equation.

MEYER: Yeah. Yeah, it could.

LINEHAN: Thank you, Senator Meyer. Senator Kauth.

KAUTH: Just one more, promise. Senator Bostar, is for primary residents only?

BOSTAR: Yes.

KAUTH: OK. Thank you.

Thank you, Senator Kauth. Other questions? Senator Murman.

MURMAN: Yeah, I haven't asked one for a while. So, in the vein of trying to help all property tax payers and those that need the most help, would you consider farmers that rent getting 5% reduction?

BOSTAR: I'd absolutely consider it.

MURMAN: Typically they're younger farmers that are renting, and may only rent. Thank you.

LINEHAN: Thank you, Senator Murman. Other questions? I have one kind of a big one, you who studied economics. Hasn't government generally done what it could to ensure that people can buy a home? And that historically been our policies, that homeownership is good for our country and state communities?

BOSTAR: I, I think of it there, there's obviously, there's a lot of debates around the virtue of homeownership. I think that there are things that make sense about it. There are definitely people out there where it doesn't make sense, even just economically, whatever their, their situation is, what their work is--

LINEHAN: I'm not talking about people, I'm talking about government over years.

BOSTAR: They have.

LINEHAN: They have.

BOSTAR: There are programs to help.

LINEHAN: Our whole funding's [INAUDIBLE].

BOSTAR: And there are state programs and city programs, and there's great stuff in Lincoln at the community level to try to help people buy homes. That being said, if you were to poll everyone who's renting and ask them, would you like to buy a house? I think you'd get a lot of answers that say, yes, but I can't.

LINEHAN: Right. So here's the-- I think it's kind of just humorous. So 50% of the people in Nebraska who actually own a home and are paying property taxes, so they've got it, they know somewhere in their heads they're paying, are not claiming the credit.

BOSTAR: I mean, it's being paid out of an escrow account. How much they are involved in that transaction is--

LINEHAN: So, how-- what percentage do you think of renters would actually claim-- that's what I find hysterical about this fiscal note. How many renters do you think would claim a 5% credit?

BOSTAR: 10%.

LINEHAN: That's [INAUDIBLE]. That would be high, probably.

BOSTAR: Try to do some education.

LINEHAN: OK. Any other questions? Thank you very much. You will stay to close.

BOSTAR: Where am I going to go?

LINEHAN: OK. Proponents. Hello.

ERIN FEICHTINGER: Hello. Short chair. Fix that for tomorrow if you would? Appreciate it.

LINEHAN: It's not my-- it's not in my duty list.

ERIN FEICHTINGER: All right. I know it's been a long day. Sorry. Had to start with a joke. Chairperson Linehan, members of the Revenue Committee. My name is Erin Feichtinger, E-r-i-n F-e-i-c-h-t-i-n-g-e-r, and I'm the policy director for the Women's Fund of Omaha. I'm not going to read this whole thing, because it's late in the afternoon, and it's hot. So I just wanted you to have that data for future reference. We're offering our support of LB14 because the assertion that property tax relief for landlords will translate into lower rents for tenants is not possible in our current rental market without an intentional effort by the Legislature to pay attention to renters, and to include them in that relief. We have an affordable housing crisis, I know you all are aware of this, and we have an eviction crisis, which is paired with that. So more and more people are losing their homes in the state of Nebraska, those rental homes. So, for instance, the average amount of statewide eviction filings between 2016 and 2019 was 6,286 per year. In 2022, that number was 8,650; 2023, 10,989. And I don't have a lot of hope that those numbers will go down in 2024. The National Low Income Housing Coalition calculates that a minimum wage worker in Nebraska would have to work 55 hours per week to afford a one bedroom apartment at $857 a month, which is what HUD considers fair market rent for our area. But market analysis of the Omaha rental

market shows a 3% increase in rent from last year, putting the average one bedroom per month at $1,030. This month, your legislative research office pointed out that one challenge in addressing our affordable housing crisis is the fact that more than one third of Nebraska households are working in low wage jobs, earning less than $50,000 per year. While I think the hope is that the burden would be eased via landlords property tax relief, we are also experiencing in our housing market a less than 2% vacancy rate at the moment, where a healthy housing market would be operating at 7 to 8% vacancy rates. We are likely experiencing as well a statewide deficit of more than 120,000 housing units, which further constricts supply. And as this committee can really appreciate, we've been talking a lot already about that imbalance in supply and demand. What we're seeing day to day on the ground in the rental market, particularly for folks, who can't afford-- you know, who are going to be spending 50, 60% of their income on rent, landlords are not competing for tenants, tenants are competing for landlords. And that's going to-- right, as Senator Bostar said, set that rent where they can. Additionally, the proposed tax increases included in LB1 on real property maintenance will likely, or could negate any property tax savings for rentals. Nebraska rental properties, according to your research office, are far more likely than owner occupied properties to have multiple housing issues requiring increased maintenance. So we need to ensure that Nebraska families are living in safe housing. So basically, without intentional efforts such as that proposed in LB14 to include renters in that immediate relief, in that reduction, we're not going to be able to reach all Nebraskans. Even if 5% of renters are claiming this credit, you know, we can do a lot of outreach to make sure that the people who need it the most are making that request and getting what they need to move on, and experience the housing stability that we all desperately want for our neighbors. And I'm happy to take any questions.

LINEHAN: Thank you very much. Are there questions from the committee? Seeing none, this is very helpful. Thank you very much.

ERIN FEICHTINGER: Oh, you're welcome. Have a great day.

LINEHAN: You too. Next pro-- oh I'm sorry, opponent. Do we have opponents? Do we have anyone wanting to speak in a neutral position? A proponent?

CARTER THIELE: Thank you very much. Chairwoman Linehan, Vice Chairman Von Gillern, members of the Revenue Committee, my name is Carter Thiele, C-a-r-t-e-r T-h-i-e-l-e, and I'm the policy and research coordinator for the Lincoln Independent Business Association. Very thankful for the opportunity to express our support for LB14. LIBA is committed to advocating for policies that promote economic growth, fairness, enhance the quality of life for all Nebraskans. LB14 aligns with these principles by providing much needed tax relief to renters who are often overlooked in our tax policy discussions. Our leadership is committed to supporting relief for renters, which is a complement to other tax relief measures. Taking a balanced approach to address the needs of different demographics is critical to beneficial tax reform. This bill could operate as part of a comprehensive effort to reduce the overall tax burden on Nebraskan residents. LB14 directly benefits renters by offering a refundable income tax credit of 5% of the total rent paid during the taxable year. By providing this tax credit. The bill offers immediate financial relief to individuals and families who are renting, having a two fold beneficial impact on their disposable income and financial stability. The bill promotes economic fairness by directly extending tax benefits to a group that cannot access the benefits of property tax reform. It doesn't rely on landlords lowering rents when their property taxes are reduced. And of course, increasing the disposable income of renters can have a positive ripple effect on the local economy. Renters are likely to spend this additional income on goods and services within their communities, thereby stimulating economic activity and supporting local businesses. This tax credit can also help reduce financial stress on renters, potentially leading to better workplace productivity and healthy living. In conclusion, LB14 addresses a critical need for renter support in our tax system. It promotes fairness, stimulates economic activity, and provides tangible benefits to a significant portion of our population. And thus we urge the committee to consider LB14. Thank you very much and I would be happy to answer any questions.

LINEHAN: Thank you. Are there any questions from the committee? Seeing none, thank you for being here.

CARTER THIELE: Thank you.

LINEHAN: Are there other proponents? Are there any other proponents? Letters? If I buried them somewhere probably. We did have ten proponents, and three opponents, and no one in the neutral position.

BOSTAR: Those three opponents just didn't understand it.

LINEHAN: I'm sorry?

BOSTAR: Those three opponents just didn't understand it. Thank you all. It's been a fun day. I look forward to a fun week with all of you. Happy to answer any final questions that you may have.

LINEHAN: Any questions? I have one. Did you put any kind of income cap on this?

BOSTAR: No, I did not.

LINEHAN: That might help with your fiscal math.

BOSTAR: It's-- it was something to make sure we had at our disposal. Again, the specifics about what we're trying to accomplish, as Senator Dungan was talking about, right? What-- if we were trying to offset what the expected increased financial burden of potential sales tax increases or whatever it is could be, we'd have to figure out what that number is that corresponds to that. Means testing is always an option too, there's, there's a lot of tweaks that can be made.

LINEHAN: I had another question, can't think what it is. Anybody else, questions? OK. With that, LB14 end-- hearing comes to an end, and we're done for the day. And I'll see you at 9:30 tomorrow morning.