

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee July 31, 2024
Rough Draft

LINEHAN: Welcome to the Revenue Committee. Do we have a quorum?

ANGENITA PIERRE-LOUIS: Yes.

LINEHAN: They will [INAUDIBLE]. Welcome to the Revenue Committee public hearing. My name is Lou Ann Linehan. And I serve as Chair of this committee. I represent District 34-- no, 39.

von GILLERN: It's been a long week.

LINEHAN: Staff shouldn't play tricks on me this early in the morning. I represent 39. The kinny-- the committee will take up bills in the order that are posted outside the room. Our hearing today is part of your 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're unable to attend the public hearing and you would like your position stated for the record, you may submit your position and any comments using the Legislature's website by 8 a.m., day of the hearing. Letters emailed to a senator or staff member will not be part of the permanent record. If you are un-- if you are unable to attend and testify at a public hearing due to a disability, you may use the Nebraska Legislature's website to submit written testimony in lieu of personal testimony. To better facilitate today's proceedings, I ask you-- that you follow the-- these procedures: please turn off your cell phones and other electronic devices. The order of testimony is the introducer-- so we're doing this a little different and every hearing's been the same. Instead of having all the proponents and then the opponents, we're going proponent, opponent, neutral. So, so-- and if-- I'll just tell you because it's going to be a long hearing. That's great. If you're from a long ways away, please-- for us that are closer, let the people that traveled from the Sandhills or Scottsbluff, let them sit up front and let them go first and give-- the people that are closer maybe can wait a little bit because you don't have to drive five hours to get home. 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 that you would like to distribute to the committee, please hand them to the page to distribute. We will need ten copies for all committee members and staff. If you need additional copies, please ask the page to make copies for you. When you begin to testify, please state and spell your name for the record. And we need you to state and spell both your

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first and last name. Please be concise. It is my request that you limit your testimony to three minutes. And we will use the light system. You'll have 2 minutes on green, 45 seconds on yellow, and 15 seconds on red. So when you see the red light, you need to wrap up. If your remarks were reflected in previous testimony or if you would like your position to be known but do not wish to testify, please sign the yellow form at the back of the room. If you sign that form, your name and your position will be in the official record. Please speak directly to the microphone so our transcribers are able to hear your testimony clearly. I would like to introduce committee staff. To my immediate left is counsel-- legal counsel Charles Hamilton. To my left at the end of the table is committee clerk Angenita. Our pages-- if we have pages today. We do. Please stand and introduce yourself.

DELANIE NESS: Hi. I'm Delanie. I'm a [INAUDIBLE].

LINEHAN: Thank you very much for being here. Please remember that senators may come and go during our hearing, as they may have bills to introduce in other committees. Please refrain from applause or other indications of support or opposition. For our audience, the microphones in the room are not for amplification, but for recording purposes only. I think I already said that, but OK. Lastly, we use electronic devices to distribute information. Therefore, you may see committee members referencing information on their electronic devices. Be assured that your presence here today and your testimony are important to us. It is an important part, critical part of state government. So I think I had these in the wrong order. Now I will have the committee introduce themselves, starting to my right.

MURMAN: Senator Dave Murman from Glenvil. I represent eight counties along the southern tier-- part of the state. District 38.

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

ALBRECHT: Good morning. Joni Albrecht, northeast Nebraska: Wayne, Thurston, Dakota, and a portion of Dixon County.

DUNGAN: George Dungan, northeast Lincoln, LD 26.

MEYER: Fred Meyer, Legislative District 41: north of Grand Island, seven counties. Thank you.

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LINEHAN: We will start here in a second. I just want to-- and I know you probably all know this, but I want to thank the staff because we were here yesterday till, I don't know, started at 9:30, here till 10:00 last night. The staff has to be here the whole time. And then they have to do all the paperwork after and before. So if there's any, like, hiccups today, don't get something turned on, just-- I'd ask for your patience. So with that, we'll start with LB16. All three together? We're doing all three together. Thank you, Senator Erdman. LB16, LR4CA, and LR5CA. Good morning.

ERDMAN: Good morning. Senator Linehan and the committee, I thank you for your, your attention. Yesterday, I watched the hearing until 6 p.m. And then I had had all I could take, so. I do appreciate you being here. Today, we're going to talk about, as you said, the two constitutional amendments that I've introduced in the past and then also the distribution plan for the consumption tax. But before I, before I do that, I just want to say a couple of things. Senator Linehan and I came in in '17 together, and Senator Linehan and Senator Briese-- now Treasurer Briese-- spent a lot of time working on taxes and property tax relief. Every one of us that ran for this position had on our palm card property tax relief. That was, that was one of our goals. I found out that when you make a promise, sometimes you wish you hadn't. And I have never tried to do anything that's been more difficult than this. I've lost a lot of sleep over this. I've done this presentation at least 20 times last night. And so those of you that have tried to do property tax relief for the last eight years understand exactly the heavy lift that this is. And so we today have in front of us and before us an opportunity to fix our broken tax system. This system has been broken ever since it was instituted back in 1967. They developed the three-legged stool concept. It hasn't worked since 1967, but we've only tried to amend it for the last 57 years and this time we maybe could get it right. That's not possible. And so I want you to consider this. Consider, if you could, to live in a state that had no property tax. Consider a state that had no income tax. And even more importantly than that, one that had no inheritance tax. What would that be like for you, your family, and your constituents, for you to have an opportunity to decide how much taxes you pay and when you pay them? Because, you see, our current system places the tax collector and the tax spender, first and foremost, above everything else. They tell you how much to pay, when to pay it, irregardless of whether you have the finances to pay it. We've talked

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about property tax relief numerous times since I've been here. We have yet to come to a solution. It's very similar to where if you went in for an operation and when you came out of the operating room, in the recovery room the doctor came out and said, we took out half of your cancerous tumor. We didn't take it all. You would be very disappointed. So what we've done here is we've placed a Band-Aid on an amputation for the last 57 years. This consumption tax is the answer. And as you think about the way the economy is developing in the United States, we are moving away from a manufacturing economy to a service economy, a consumption economy. And if we don't do this now, we will do it later. It is kind of ironic that two other states, North Dakota and Michigan, have on the ballot this year in November the elimination of property tax in their state. I've had conversations with legislators from Wyoming, from Kansas, and from other states about what we're trying to do here. Florida had introduced a resolution to eliminate property tax in their state. And guess what they're going to replace it with? A consumption tax. And so Wyoming, their property tax is 20% of ours. They had a resolution in their body this year to eliminate property tax for all property up to \$250,000. And when I talked to the legislator in Wyoming and asked, why would you want to do that when in Scottsbluff, Nebraska, a house of \$250,000 of taxes is \$6,000? In Torrington, Wyoming, 30 miles west, it's \$1,600. And his answer was this: he says, liberty. It eliminates my contract with the government that I got to continue to pay my property tax. Liberty is important. And if you think you own your property, just stop paying your property tax for three years and you'll find out. So as we go forward today, you will hear many people come up and testify in favor and you will also hear those in opposition. So if you have a blank piece of paper, mark-- put a column that says "paid to be here" and one that says they came on their own dollar, their own time off. And put a checkmark there. And at the end of the day, pull that up and see who came to testify in opposition and who came to support. I would go over what the consumption tax does, but I think we've talked about that several times. Senator Linehan suggested that I abbreviate my introduction, my opening. And I'm respectful to the Chairman of this committee because she has been very helpful. And I understand the situation that we are in. And this isn't my first rodeo. You've, you've been here. I've been here. But this consumption tax will actually place the taxpayer in first place. What we're asking today, and what we've asked in the past-- this is more important today than ever-- is that you advance these to the body for discussion. We need

to have a discussion on the floor of the Legislature so we can work out the details of the implementation. We've never been afforded that opportunity. There is a school funding formula that we have written in the, in the program, in the policy, in the proposal. We spent numerous hours a year ago in the summer rewriting the proposal to include a school funding formula. Our TEEOSA formula is broken. There is no argument on that. Everyone in this room would agree TEEOSA has to be changed. And the only way that you can change TEEOSA to make it right is eliminate it and start over. I have a proposal how to do that. It's a starting point. It's a place to negotiate from. We've never had an opportunity to have a discussion. Those who say we're taking away local control, all the money is going to go to Lincoln and it's never going to come back. Let me explain a little bit about history. From 1867 till 1967, the state collected all the taxes. And there was only two forms of taxation: property tax for the state, local property tax. I've contacted LRO to figure out exactly how that worked. The response that I got back, it appears that all taxes were collected by the state and sent back. So what we're asking to do is nothing different than what we did for 100 years. We did it before. We can do it again. So then those say we're going to take away local control. Two years ago, we removed the property tax opportunity for community colleges. That discussion was long and arduous. Not once, not once on the floor of the Legislature did I hear someone say we're taking away local control. That was never mentioned. Not once did they say, how are we going to get the money back to them? So now we have a Governor's proposal that's going to collect the money to the state and send it back to the schools. And I ask those people that say, under EPIC, we're going to lose local control if we fund the schools. But under the Governor's plan, we're not going to lose local control. And then the question is, well, you said, if EPIC is going to take away the opportunity to get the money back, how does that work with the Governor's plan? And the answer is we're going to write it in the statutes to make sure that they get the money they need. That's exactly what we're doing. And so when we get ready to move this bill-- when you get ready to move this bill, think about those things that need to have discussion, that need to be fleshed out so that we understand how this is implemented in '26. If you advance this to the floor and the legislative body sees it as the real solution, which it is, then it will have an opportunity to be on the ballot in '24. But what needs to happen before that happens is we need to work out the details of the implementation to make sure that we've heard all the

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issues. We completed last Monday night, two nights ago, our 105th Zoom meeting. 1-0-5. There was a group of volunteers like I've never seen before in my life working on EPIC. We have people that have traveled 45,000 miles in two years doing town hall meetings on his dime. Paid for his lodgings, paid for his meals. We have a group of 270 volunteers that are collecting signatures. Not one of those people got one cent. And of all people, I was most disappointed when we didn't get enough signatures. But I will say this: had the assessors put out the valuation increase in February instead of June, we could have gotten enough signatures. Because once that valuation notices came out, we had people walk up to sign the petition. They didn't give a rip what it said. That was a problem before, but not after. And so it was a situation where the taxes weren't high enough yet, the angst wasn't enough, but it's getting that way. And so consequently, when we get to working on doing this for the people, for the good of the people, it'll be an opportunity to solve their issue. You get those emails as I do, Senator Kauth. You get emails from people my age that are on a fixed income that can't afford their home. Those things bother me. That's why we're doing this. We're doing it for you, your children, your constituents. We're trying to make this a state that people want to live in. Art Laffer, probably the most renowned economist in the nation, was in my office two years ago. Art Laffer had a chart that he watches from the IRS filings to see where people live. At that point in, in time two years ago, he said, you, the state of Nebraska, have not gained one resident from another state greater than the number that left. Not one person has moved here from another state greater than the number that left. Our taxes are broken. Our system is broken. One of the things that we've not talked about-- we did not mention this because when we did the Beacon Hill study, we didn't have enough time nor money to ask them to figure out what the savings would be because people say the only way to lower taxes is to cut spending. So I'm here to present a couple of ideas that I believe to be true. I don't have a study to show that, but I do believe they're true. The Nebraska Advantage Act is about \$300 million a year of credits that are, that are taken. TIF in 2022 was \$121 million in TIF. Last year, the Imagine Act was around \$61 million. All of that stuff goes away. So the question is, why do we have these incentives? There are two si-- two very obvious answers. The first one is this: our taxes are too high. The second one is this: all other states have them. And you've heard the argument that says we can't do the consumption tax. We would be the only state. We're the only state with

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a unicameral. We are the only state with public power. These other states have all those incentives that we have. And the reason we have them is because they have them. So might I suggest that if we go to a consumption tax and they can't compete with zero taxes, that they may adopt what we have? Because they can't compete with us. I don't know about you, but those incentives bother me. We put the Nebraska Advantage Act in place to keep ConAgra in the state of Nebraska. ConAgra's not in Nebraska anymore. So to say that our current tax system picks winners and losers isn't exactly right. It only picks winners; the loser, automatic. If you're a business that moves out of state and comes to Nebraska and you get to take advantage of the Imagine Act and all the incentives and I'm a business that's been here for 30 years, how do I compete with that? They pick winners, and the losers are automatic. So my, my request today is that you would ask the questions you have. We'll try to answer those as best we can. But more importantly, advance these bills to the floor. Give the full body an opportunity to talk about, discuss, and come up with a real solution. And this is the answer. And you've seen from yesterday's hearing the hundreds of people that wrote in and said they were in opposition to LB1 and the other bills. And I applaud the Governor for taking the initiative to stand up and say we have to do something. I appreciate that. But this is the answer. So with that, I will stop there, try to answer questions, and then-- I hope I'll be around for the closing. Thank you.

LINEHAN: Thank you very much. Are there questions from the committee? Seeing none. But I bet there's questions at the end. Thank you very much.

ERDMAN: Thank you.

LINEHAN: Good morning.

JOEL HUNT: Good morning. My name is Joel Hunt, J-o-e-l H-u-n-t. I'm here today testifying as myself. As you know, though, I am the legislative aide. I'm the primary author of what is called the EPIC option consumption tax. Coming around, you'll have a couple of handouts that I'm going to refer to. What I want to talk to you about this morning is the rate of the EPIC option consumption tax. Three years ago, we introduced our first bill for the consumption tax. It was a vastly different bill. It had a prebate in it. It wasn't the same bill. At that time, the OpenSky Institute hired an economic think

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tank by the-- I-- by the name of ITEP to do a static study on the consumption tax. At that time, they concluded that the consumption tax would result in a rate of 22%. I took the liberty of contacting Carl Davis of ITEP. And I asked him in an email form: Carl, did you take into consideration the elimination of the \$75 billion in sales tax exemptions that we would recoup? I'm going to paraphrase here, his answer: Oops. I did not. That was a false study that ITEP created when we did our first consumption tax bill. That bill-- that, that study has been circulated by the OpenSky Institute. And a lot of organizations have depended upon that institute even though it was a false study that failed to consider the \$75 billion in taxable sales that we would recoup because those exemptions would go away under the consumption tax. I want to call your attention to this piece here. This-- last November, I signed up and took the webinar for the Chamber of Commerce. This was Bryan Slone. I took a snapshot of the, of the webinar presentation that they gave where they did the calculation. And you'll notice that they are trying to say that the EPIC option consumption tax would result in a \$5.5 billion deficit to the state of Nebraska. What's missing from their calculation is the \$75 billion in taxable sales that we roul-- would recoup once the sales tax exemptions go away. And if you do the math, the \$75 billion times 7.5% actually results in a \$5.625 billion surplus for the state. This is an erroneous study. They've been going around the state, you know, advertising this. I know my time is up. The last one I'm just going to refer you, you to is this study-- thi-- this graph here. No New Taxes Nebraska hired the Tax Foundation to do a study. And in order to get-- they concluded 22%. In order to get--

LINEHAN: I can't let you go much longer.

JOEL HUNT: I'm going to wrap it up real quick.

LINEHAN: OK.

JOEL HUNT: In order to get the, the 22%, they had to use a tax base of \$46 billion. I want to draw your attention to the green bar of \$162 billion. That is the correct tax base. So that study is false as well. And these three studies are all fake. And they are being circulated around the state. And a lot of people are believing them even though they are false.

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LINEHAN: Thank you. Are there any questions from the committee? Seeing none. Thank you very much. OK. Opponent. Good morning.

ROBERT BELL: Good morning, Chairperson--

LINEHAN: Weren't you just here?

ROBERT BELL: I was. Chairperson Linehan and members of the Revenue Committee. My name is Robert M. Bell, spelled R-o-b-e-r-t B-e-l-l. I'm the executive director and registered lobbyist for the Nebraska Insurance Federation, the state trade association of Nebraska insurance companies. I appear here today in opposition to LB16, LR4CA, and LR5CA. I'll be brief. The Nebraska insurance industry continues to oppose attempts to adopt a consumption tax in Nebraska. Nebraska has a thriving insurance industry that continues to grow and bring new employees and their families to Nebraska. One of the reasons for the success is a long-standing premium tax structure of our state. Our low premium right-- prerium-- insurance premium rate benefits families and businesses in Nebraska, as well as Nebraska-domesticated insurers selling products in other states due to the retaliatory nature of the insurance premium tax. Nebraska insurers sell over \$100 billion of insurance products to individuals, families, governments, and businesses in other states annually. We certainly appreciate Senator Erdman and other consumption tax advocates attempting to retain the premium tax structure in LB16 by categori-- categorizing it as an excise tax and other attempts to have it made to include insurance claims. However, the language of the constitutional amendments are clear: no other exceptions will be allowed as-- for claims, as an example. And the amendments-- the constitutional amendments do not include the ability for Nebraska to continue to collect the premium tax. The Nebraska Insurance Federation respectfully opposes these proposals. Appreciate the opportunity to testify.

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

ALBRECHT: Thank you, Chair. Good morning again.

ROBERT BELL: Good morning.

ALBRECHT: It was a long day yesterday.

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ROBERT BELL: It was.

ALBRECHT: Yeah. I just have one question. Do insurance companies throughout the country have to pay any kind of excise tax to their states?

ROBERT BELL: They pay premium taxes to their states and, in some cases, retaliatory tax.

ALBRECHT: And to help me understand that, te-- tell me what that is and--

ROBERT BELL: So premium tax has been around a really long time in the United States. And so-- and states are allowed by Congress to retaliate against one another on insurance premium tax. And-- so if-- our state has a 1% premium tax. New York has a 2% premium tax. So when New York Life sells a policy in the state of Nebraska, we impose a 1% tax on that gross written premium, the Nebraska Department of Insurance does. And then they do an additional 1% tax, retaliatory tax, on it. So when that policy-- if you have a New York Life policy, which I'm sure people-- some people in this room do-- you're paying a 2% tax on that. As opposed to if you bought from Mutual of Omaha in Nebraska, you would have a 1% tax. If our tax would go up to 7%, we would-- our companies would be paying retaliatory taxes to those other states. Those other states would collect that revenue and use it for whatever purposes, you know, they would allow.

ALBRECHT: So somebody could buy a policy here in Nebraska from someone in Nebraska and it would be a 1% tax?

ROBERT BELL: Correct.

ALBRECHT: If I choose to buy that policy from any other state--

ROBERT BELL: Any other state that has a higher tax rate than Nebraska.

ALBRECHT: --that would have a higher tax rate but we don't charge anyone in the state of Nebraska any type of a-- but the 1% retal--

ROBERT BELL: Correct. So-- correct.

ALBRECHT: Do you have any idea how much that is?

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ROBERT BELL: How much the retaliatory tax is?

ALBRECHT: In total.

ROBERT BELL: Sorry, I don't. I know we collect over \$100 million in premium and retaliatory tax combined. I, I don't know what the split is. We can certainly get you that information if you're interested.

ALBRECHT: Yup. Thanks.

LINEHAN: Thank you very much. Are there other questions from the committee? Thank you, Senator Albrecht. I, I'm confused now.

ROBERT BELL: Sure.

LINEHAN: We charge the insurance company that's not headquartered here.

ROBERT BELL: That's not domesticated here, correct. So I used New York Life as an example because it's a New York company.

LINEHAN: Right. So-- and Allstate is, from last night, you said in Illinois.

ROBERT BELL: They're an Illinois company, correct.

LINEHAN: OK. All right. So it doesn't-- if I live in Nebraska-- it's-- the-- it's not where I live, it's where the insurance company is headquartered.

ROBERT BELL: Right. But if you buy that policy-- so if you buy an Allstate policy, as an example-- well-- I'll say it's probably-- that's a bad example. As a Nebraskan, you're going to pay a 1% tax because our tax is higher than the Illinois tax, right?

LINEHAN: OK.

ROBERT BELL: But if you are, say-- and let's say our tax went up to 7% and you bought-- you had an Allstate policy, your, your premium is going to go up to meet that tax. So it'd go up, you know, that additional amount, which I guess makes sense. But if-- when Mutual of Omaha sold a policy in Chicago, they're, they're going to get charged that 0.5%. You know, right now, they get charged another 0.5% retaliatory tax by the state of Illinois. And that way, if it was at

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7%, let's say they would pay an additional 6.5%, which makes them honestly uncompetitive in that particular market and-- you know, where they're selling their products to seniors and whatnot: Florida, Texas, Arizona, California. It woul-- it, it would make it very difficult for them to do business.

LINEHAN: All right. All right. I'm sorry. Any other questions from the committee? Thank you very much.

ROBERT BELL: You're welcome.

LINEHAN: Anybody here in neutral position? So next up will be proponent.

CRAIG BOLZ: Senators, my name's Craig Bolz, C-r-a-i-g B-o-l-z, 1091 North 6th Road, Palmyra, Nebraska. The first thing I want to start out with: Senator Murman, yesterday when I said this was dead, I was froze to death. I wanted out of here. I wanted to go out in our warm temperature in the state of Nebraska. I just wanted to go home. And we were not here yesterday debating LB16. We were here debating LB1. OK. I'm a farmer. When I was talking to you people about tax, everything-- put sales tax on everything. I was planting seeds. I was planting seeds. That's what farmers do. So think about that. Sales tax, consumption tax, same thing. Only fair tax-- the only fair tax there is. I'm 70 years old. I bought my house when I was 19 years old. I gave \$13,500 for it. I still live there, and I'm proud of that. And I worry every year how to pay my real estate taxes. I'm pretty good with laws. I'm pretty good with taxation, how to man-- how to, how to balance my income, move it ahead, push it back, buy ahead, buy it back. I know how to work the system, and I do work it. And if you, you want to figure that out, I'm not going to [INAUDIBLE] just figure it out. But I worry about that. OK. Secondly, I cash rent all of my ground. I'm a very small farmer in the state of Nebraska. And I cash rent all my ground, and that's the way I want it. I don't want to deal with people. I don't want them-- you know. Don't want them calling up and saying, why'd I get a bill for phosphate? I pay \$335,000 a year cash rent. Take that times 64%. That comes up \$214,400. That's how much I pay taxes to the government, and mainly to the school di-- that goes to the school districts. That goes to the school district. I pay the taxes on all of the ground I farm whether we rent it or own it. You guys know that. No one's holding a gun to my head. Nobody's making me continue to do this, but I love it. But I guarantee you what. If

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the day ever comes I have to sell my grandfather's farm, it's going to be a bad, sad deal. And when I said yesterday this whole deal to be here today yesterday was sad and embarrassing, it's just as sad and embarrassing to hear that we've got ourselves into this corner. Thank you. Any questions?

LINEHAN: Thank you very much. Are there any questions from the committee? Thank you for being here.

CRAIG BOLZ: Thank you very much.

LINEHAN: Thank you. That was neutral, I think. So it-- now it's a proponent. Proponent. Oh, wait a minute. OK. You're proponent?

AL DAVIS: Yes.

LINEHAN: OK. OK. I'm sorry.

AMBER PARKER: I'm here today in great concern of what's happening with this situation of people being purposely pushed out of their homes and what is happening here in the Nebraska State Legislature. There were 30--

LINEHAN: I need your name and-- just spell it, please.

AMBER PARKER: A-m-b-e-r P-a-r-k-e-r, Amber Parker.

LINEHAN: OK. Thank you.

AMBER PARKER: It was interesting to me that many Republicans and Democrats joined together to vote for a needle and syringe program to make our streets of Nebraska like San Francisco. You spent that time to get all the way to be vetoed by the Governor Pillen. And then-- I, I don't know if you came back and voted on that. I want to tie this together. That was of importance to you. And there were some state senators that were present, not voting and-- that record. But I'm going to get and tie this together. We got a fentanyl crisis. We know from the Obama, Kamala Harris, our-- the Department of Homeland Security that there are terrorists that have crossed that border. We know that, through the Omaha Police Department, we are dealing with drug cartels in the state of Nebraska-- to my point and property taxes and what's happening. We do not know if they are gathering a list together with the corrupt government workers to start cashing in on

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homes in the state of Nebraska on farmland as well as homes. I want to bring you to Senator DeKay's bill. We shouldn't have any foreign adversaries being near military bases or anything. Our farmland should be protected, and our seed technology. It is not. My point being, you have not done your job. Every single seat here in the State Legislature, we have no way to prove that this is the seat that the people voted you in on. We have been refused cast vote records. We have been told it is in violation that the Secretary of State. We could not even get an insurance bond in-- his bond to be pulled. Why? Because the company with him took the Secretary of State's word. We are dealing with corruption in this state. And I am telling you that already in Arizona it was told that drug cartels were purchasing single-family homes. This is my point. There are those of you that know this, and it was important to you to pass a drug syringe program to allow people in drug addiction to die on the street. You spent your time. You are being called out. People are about to lose their homes and their farmland. And you sit here. And if you think we're going to be a quiet, no. And do you have insurance bonds? The way we make you feel uncomfortable is making you realize you're not King George to us. We are to be your bosses. But you have refused parental rights and you work with the education cartel and you work behind the closed doors to make it a them versus us and then pretend in unity here. You know what's important to you. I'm crying out and asking you: free the tax slaves.

LINEHAN: Were there any questions? OK. Opponent. There's no opponent? If you're-- guys, if we're not in the front row, I'm going to have a hard time managing our time, OK?

REBECCA FIRESTONE: OK. Good morning, Senators. Chairwoman Linehan, members of the Revenue Committee. Nice to see you all again today. I'm Rebecca Firestone, executive director of OpenSky Policy Institute. R-e-b-e-c-c-a F-i-r-e-s-t-o-n-e. We oppose LB16, along with LR4CA and LR5CA, because our analysis shows the proposal would require a much higher rate to be revenue neutral than has been proposed. It has some conflicts with federal law as to what can be taxed by the state. And the consumption tax is largely regressive tax that would disproportionately affect low- and middle-income families. OpenSky has analyzed proposals like LB16 to determine a revenue-neutral tax rate based on the proposed tax base. Our analysis has found a rate of 22.1% for past proposals. That's nearly three times as high as the rate that's been proposed by the proponents of this concept. Our estimates

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for the taxable base when we did this analysis stood at \$52 billion, about half the base assumed by the EPIC option. We adjusted Nebraska's personal consumption expenditure data to reflect what would be taxed and what wouldn't under this proposal, and we added items like nonresident spending in the state and new residential structures, and we removed items such as predefined exclusions and anything federal law prohibits the state from taxing. We also made an adjustment for tax evasion and tax avoidance in our analysis to try to be truly as conservative as possible in trying to estimate the tax base. We stand by our analysis that the EPIC option would only be revenue neutral at around 22.1% rate. And we note that the Tax Foundation conducted a similar analysis of this proposal and found that a revenue-neutral rate would be about 21.6%. Next, we see items in the proposal that would be subject to the consumption tax in Nebraska but cannot be taxed by the state because they're prohibited by the federal government. For example, the proposed-- the proposal taxes purchases of goods and services by the federal government, but federal law largely prohibits this. Further, the bill would most heavily affect low- and middle-income Nebraskans who spend a greater proportion of their earnings on consumption relative to higher income Nebraskans. Nebraskans who learn-- earn less than \$30,000 annually spend an estimated 5.5% of their earnings on general sales and excise taxes, whereas Nebraskans earning a-- between \$142,000 and \$252,000 spend about 31% of their earnings. We focus on these incomes because they represent the mathematical distribution of where incomes are concentrated in Nebraska to give you a sense of those rates. So our concern is that the cons-- consumption tax will basically increase this disparity in terms of the tax burden even when you factor in that income and property taxes are no longer collected. It is for these reasons that we oppose LB16, along with LR4CA and LR5CA. Thank you.

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

MURMAN: Thank you, Chair. And thank you for your testimony. According to earlier testimony on your analysis, you didn't include about, I think, over \$5 billion in exemptions that we now have on sales tax. How do you answer that?

REBECCA FIRESTONE: Yeah. Just to clarify that, we, we've done a couple of rounds of analysis on this. And on the most recent analysis, where the 22.1% number comes from, we took in everything that would have

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exemptions removed-- removed from it. So that issue that was raised previously we corrected for in our analysis the second time. And then we had to take out a number of things that just can't be taxed in order to end up with this estimate of about a \$52 billion tax base. And so that's where the 22.1% revenue-neutral rate comes from. I'll note that we-- yeah. We tried to be very, very conservative in our analysis of the taxable base and to make sure that we are taxing things that can be taxed and not taxing things that cannot be taxed according to federal law. We also didn't include any assumptions around what kind of economic growth could be generated from this because we felt that that was-- there are a lot of assumptions that could be made, basically, in terms of how the economy is going to react to such a substantial change in how a state manages its revenue system. And we wanted to, again, be conservative in estimating how the economy is currently structured right now and what would be included within that taxable base.

MURMAN: In your analysis that you do for other tax systems-- so-- do you normally include assumptions on growth of the economy?

REBECCA FIRESTONE: We typically do not. We primarily are looking at what this means for the income distribution within the state to get a sense of who is going to pay at a lower part of the income distribution versus who's going to pay taxes in the higher part of the income distribution. So that's, that's primarily where we focus our analysis.

MURMAN: Could-- would you be open to giving, giving us a copy of your testimony?

REBECCA FIRESTONE: Absolutely. I can send that to you, Senator.

MURMAN: Thank you.

LINEHAN: Thank you, Senator Murman. Other questions from the committee? Can you-- just-- I tried to catch it.

REBECCA FIRESTONE: Sure.

LINEHAN: On the \$30,000 or below and then the high income-- just those two lines.

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REBECCA FIRESTONE: Sure. Yeah. Let me pull those numbers out. So with our sort of updated analysis of sort of where we're at on the income distribution, that-- the people who are in the lowest 20% of the income distribution in Nebraska are, are households making less than \$30,000 a year.

LINEHAN: Less than, not--

REBECCA FIRESTONE: Less than--

LINEHAN: OK.

REBECCA FIRESTONE: Yup. \$30,000 a year. And then people at the highest end of the income distribution are households or taxpayers making more than \$141,700 a year. So-- or, to make the numbers easier, \$142,000 is about the cutoff for the top 20%. In the numbers that I gave you in this testimony, we were focusing on the top 15%, which stops at \$252,000 a year because, you know, that top 5% is super skewed. I know you know that. So those-- the folks between \$142,000 and \$252,000, they spend about 3% of their earnings on sales taxes-- sales and excise taxes right now. People making less than \$30,000 spend about 50-- 5.5% of their earnings on sales and excise taxes right now.

LINEHAN: OK. That-- I thought you said it differently, but I think that's what you meant to say. And maybe that is what you said and I just didn't hear it.

REBECCA FIRESTONE: Sure.

LINEHAN: OK.

REBECCA FIRESTONE: OK.

LINEHAN: Thank you very much.

REBECCA FIRESTONE: All right. Thank you so much for your time.

LINEHAN: Mm-hmm. Neutral.

JILL SCHROEDER: Good morning, members of the Revenue Committee. I'm Jill Schroeder, J-i-l-l S-c-h-r-o-e-d-e-r. I'm the administrator of the Nebraska Workers' Compensation Court. I have not testified before this committee. So by way of very brief background, the Workers' Compensation Court is an independent court that exists within the

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Nebraska judicial branch. It's established to resolve workplace-- disputes over workplace injuries. We have a mediation program. We have programs that return injured workers to work after they're injured. And we have programs that-- it makes sure employers have coverage so that if an injury occurs there's money to pay for injuries. I've stepped forward today because we are funded 97% from insurance premium assessments, assessments against self-insured employers and assessments against risk management pools. So I want to make sure that you're informed about the-- our funding and the fact that 97% of our revenue comes from those assessments against, again, insurers, which the Department of Insur-- Insurance collects. The Workers' Compensation Court regulates self-insured employers. So we collect the assessments against those entities. And then the Department of Insurance also collects against risk management pools. It is difficult to tell-- our statutes were not specifically mentioned in these proposals, but the language talking about the fact that government entities cannot tax-- again, we consider these to be assessments, not taxes-- but they are adjacent to these issues being discussed, so I wanted to make sure that you were informed. As you consider these resolutions, please keep in mind that our funding comes from the collection of those assessments, and we very much want to continue to operate. Are there questions?

LINEHAN: Thank you. Are there questions from the committee? Seeing none.

JILL SCHROEDER: All right.

LINEHAN: Thank you very much.

JILL SCHROEDER: Thank you very much. If you need additional information--

LINEHAN: No. Thank you for coming. Good morning.

AL DAVIS: Good morning, Senator Linehan.

LINEHAN: Welcome back.

AL DAVIS: Members of the Revenue Committee. My name is Al Davis, A-l D-a-v-i-s. I am a registered lobbyist for the Independent Cattlemen of Nebraska, which is often referred to by the acronym ICON. ICON has been a supporter of the transaction tax, like the EPIC tax, for over

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ten years because it is apparent to members that the existing structure is hopelessly broken and irreparable. ICON was organized because cattle producers felt that their concerns were not being heard from. ICON represents cow/calf producers, backgrounders, feedlots, and some associated businesses across the Nebraska Sandhandle-- Sandhills and in the Panhandle. The need for an organization of small and independent producers was readily apparent by the initial groundswell of support in the region. And next year, we will celebrate our 20th anniversary. I mentioned that ICON was organized because our members felt that they-- concerns were not being addressed by government. 20 years later, the same complaint can be heard-- but not just from cattlemen, but from homeowners, farmers, and businessmen. Property taxes rely on one-- and-- really only one class of wealth, permitting all other types of wealth to escape taxation, contributing to our problem today as, as the economy develops. There's no question that the state has a property tax crisis. You hear it when you knock doors, you see it in letters to the editor, and you hear it on talk radio. But the multiple attempts to remedy the situation are not thinking outside the bo-- the box. Rural parts of the state are hurting. Nebraska consistently ranks near the bottom in state support for education, forcing districts to rely on property taxes. And in most counties in Nebraska, ag land represent 75% of the valuation. So tweaking formulas, freezing valuations, lowering land valuations, or other endeavors-- while well-intended-- are unable to solve the problem. Compounding the problem is the commodity nature of the business. As price takers, we are unable to generate higher prices for our product. Our competition just isn't the road-- the ranch down the road. It's the rancher in Colorado, Wyoming, or Kansas who pays property taxes which are far lower than Nebraska's. Some ranchers in certain districts are paying 50% of their gross income to the county. Property taxes are often the first or second highest expense on a ranch in Nebraska. With so much income leaving the ranch, there really isn't money to reinvest and improve your operation let alone encourage a son or daughter to return to the operation. As a result, we see more and more consolidation in the industry, which is not good for businesses in our small towns either. It's time for a new idea. Implementation of a transaction tax will lift the yoke of heavy taxation from ag producers, senior citizens, homeowners, and small businessmen and dramatically simplify how our state funds its needs. The plan was vetted by Arthur Laffer, the 1919 [SIC] Medal of Freedom recipient, who was part of President Reagan's economic advisors and

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who gained prominence promoting the unorthodox idea that lowering tax rates would produce additional income, which it did. Naysayers decried the EPIC tax. Let me remind you that naysayers decried Prop 13 in California or the TABOR amendment in Colorado. Those endeavors were implemented in response to similar crises in their states, but both states implemented them and both have strong economies. The time is now to take a bold step forward. Thank you.

LINEHAN: Thank you, Senator. Are there questions from committee? Senator Davis, how-- when were you in the Legislature?

AL DAVIS: 2013 to 2017.

LINEHAN: So-- right.

AL DAVIS: And property tax was the number one issue [INAUDIBLE]. It was the number one issue when I ran and still is in the district.

LINEHAN: It's frustrating. I-- well-aware. Thank you very much--

AL DAVIS: Thank you.

LINEHAN: --for being here. I don't know if I'm supposed to do this, but I'm going to because-- the insurance premium tax is not impacted by EPIC according to the way they want it to work. I don't know if it's been writ-- written differently or if there's-- so I'm just saying that. So if you're here to testify on the bill, kind of know for sure-- I'd ask Senator-- ask somebody whether what you're testifying is actually accurate. OK. Opponents. Guys, I don't know how many opponents are here, but you need to move up front. People-- there's three empty seats right here. There's no opponents. OK. There we go. Anyone want to testify in the neutral position? Good job. Right there. On the spot.

JOE CASON: Thank you for allowing me to speak today. I'm not from here. My name is Joe Cason, C-a-s-o-n J-o-e. I live in Westboro, Missouri. And when I say I'm not from here, I mean I'm not from here. In 2012, I sold my home, I sold my business in the state of Oregon because of property tax. And I took a look at your property tax and I took a look at Iowa's property tax-- and I live in Missouri. And the reason I live in Missouri is because I saw my property tax go from \$1,200 per, per year up to \$2,800 per year on a city lot in Oregon. What I think is the reason that I drove here 100 miles is to make you

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understand, if you can, that if you are interested in people who own corporations like mine-- that is now in Iowa, not in Nebraska-- and who live in the best state that it's possible to keep the money that I've earned, then you will take a look at your property tax. That's it. I drove 90 miles to get-- come over here and tell you people that. This is, this is a huge issue. And as you're looking from-- at the migration of people that are moving out of Oregon, Washington, California-- who are the quality people that you want to have move here-- then you're going to look at your property tax and you're going to do something about this because he is absolutely right in the way that he proposed this entire issue to you, in that we're looking for places like Texas, like Missouri where we can hold onto that which we worked for. And this is, this is a huge issue constitutionally on every level. And I, I, I would really encourage you all to not ignore what it is that I'm saying, sir.

LINEHAN: He, he's not, sir.

von GILLERN: I'm not ignoring you. I'm listening to you.

JOE CASON: OK.

von GILLERN: You came from Missouri, you left Oregon-- yeah.

JOE CASON: Questions?

LINEHAN: OK. Emotion doesn't help, guys. Are you neutral or are you for it?

JOE CASON: I'm neutral.

LINEHAN: OK.

JOE CASON: I'm not from here.

LINEHAN: OK.

JOE CASON: I'm encouraging you to take a look at this from the outside guy looking in.

LINEHAN: OK.

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JOE CASON: So if you have questions for me, I'm more than willing to answer your questions.

LINEHAN: Thank you very much. Are there any questions from the committee? Thank you for being here.

JOE CASON: Thank you.

LINEHAN: Proponents. Don't be shy. Proponents.

[APPLAUSE]

LINEHAN: Guys, guys, I can have you all removed. And if it happens again, I will. OK? You-- we don't have-- this isn't a pep rally. Good morning.

TRAVIS BUEL: Hello. Travis Buel, Hickman. T-r-a-v-i-s B-u-e-l. I came in support of EPIC. I think we're in need of a drastic change. I think property tax has started as a way for the state to pay for schools, and the time-- you know, more than 90% of Nebraskans lived and worked on farms over a hundred years ago. Times have changed. Now about 60%, I believe, own property in the state of Nebraska and pay those taxes. But don't confuse the issue--

LINEHAN: Can you spell your name? I'm sorry.

TRAVIS BUEL: Yeah. B-u-e-l.

LINEHAN: And Travis?

TRAVIS BUEL: Travis, T-r-a-v-i-s.

LINEHAN: Thank you. And is this yours?

TRAVIS BUEL: It is. I passed out a handout. And I'll--

LINEHAN: OK.

TRAVIS BUEL: It'll have a-- I'll paraphrase some of this. And then the chart I'd like to draw your attention to in a minute.

LINEHAN: Do you need a-- can you restart his clock?

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TRAVIS BUEL: Thank you. So times have changed. Now about 60% of people in Nebraska pay their property taxes. But don't confuse the issue: renters and property owners are paying for them. I believe the 1969 Homestead Exemption Act began and it started to exempt some individuals. And I think my point of all this is there's a lot of winners and, and losers now in property taxes. You know, we don't want to just pick winners with, with exemptions. And I think that's what EPIC can do. It can be across the board a fair tax. You know, in the '20s, the other piece that I want to encourage you to-- look at how much we're spending in the state. In the '20s, properties were only assessed 20% of actual value. By-- I researched it-- by 1980, the value that the state could assess values had crept up to 100%. So we're spending more. We keep raising taxes. I did a study in Hickman because I actually owned an apartment building, and I found that 3.1 months of the rent are collected for property taxes in this Hickman apartment building that I built. That's \$3,100 of an average of \$12,000 gross income. It's about 26% of the rent. And that's why I wanted to draw your attention to this chart. And I'll show it to people in the crowd because people can't see it. But this chart depicts inflation on the bottom. That's the gray line. And you'll see the-- our, our municipal taxes and you'll see our school taxes there growing double and sometimes three times what, what they-- inflation or incomes have actually grown in ten years. And that includes the 6.5% and 7% we had during the COVID years. So it's staggering. 32.1% inflation. You can check that. That's compounded. Versus anywhere from 240% to 290% in taxes on properties in the, in the county. And I've sent this to most of the senators because I think it's important to see that income isn't growing at the rate the taxes are, and that means it's not going to work long term. People are being pushed out. Renters are not being able to afford their, their rents, and I think that's a problem. I think-- I, I, I summarized some other issues in the tax system for property taxes. It's flawed. The Lancaster-- Lancaster County Assessor's Office relies on comparative sales. It should be based on the income potential. But that's really not why we're here. I still support EPIC. Do we really want to penalize our neighbors for fixing up their house, putting a new roof on it, or putting granite countertops just so you can charge that person more in property tax? I feel like you should own your house and you shouldn't be penalized by fixing it up versus your neighbor's house. So the ask here as I close: I strongly support EPIC. I don't think it's a regressive tax. I think the biggest three things that poor people

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actually pay is, number one, is your housing. So this is going to help housing drastically. My renters are paying 26%. Two is food. EPIC exempts food if you're going-- you get your groceries. Three is transportation. It's not regressive if you really look at it this way. So that's really my main point. And these little side notes-- you know, if we're not going to fix that, the assessor's office needs to fix TERC. I've had my case waiting for two years. Not, not heard. Two, I already mentioned--

LINEHAN: I have to ask you to wrap up--

TRAVIS BUEL: OK.

LINEHAN: --though I really don't want to.

TRAVIS BUEL: Based on income-- base your valuations on income potential of the property. And I guess my last point is: please remove these sales tax exemptions so we can apply them across the board to the insurance companies and everybody. It'll be a fair, across-the-board, simple system. Thank you.

LINEHAN: Thank you very much. Whoa, whoa, whoa. Are there any questions from the committee? So I-- this is interesting. So you're saying Hickman, the city. But they've had a lot of growth, right?

TRAVIS BUEL: They have, but the growth is a very small percentage of that. So last year-- in fact, this is a really good point to make. I had-- it took me three weeks to get the answer out of the city of Hickman, but I kept con-- I kept asking. So our growth last year in taxes was 23.5% for the city of Hickman. They, they incurred \$400,000 more in revenue. That's their take. Of that, I said, hey, I really want the breakdown of what was growth and what was valuation increases. They didn't want to give it to me because it was a bad number. 21% was valuation increase, 2.5% was growth. So it's, it's crazy to see the disparity.

LINEHAN: And you may not know this, and it's-- but I'm going to ask it. Did they-- there's a truth in taxation law we passed where they have to send out a postcard that says we are raising your taxes.

TRAVIS BUEL: Yeah.

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LINEHAN: Did they do that?

TRAVIS BUEL: No, because it was the levies. The levies didn't change. So what you're seeing with Hickman-- and they just aren't increa-- they're not decreasing the levy with these crazy valuation increases. So you had a, a 23.5% increase in valuation. They didn't change the levy. So that's-- they don't have to send the postcard because the levy didn't change. It's just a valuation change.

LINEHAN: OK. All right. Any other questions? Thank you very much for being here.

TRAVIS BUEL: Yeah. Thank you.

LINEHAN: We're out of opponents and we're out of neutral, right?

LEE TODD: I'd like to be a proponent.

LINEHAN: OK. Well, I just want to make sure we're being fair. Proponents. OK. OK. Snap that.

LEE TODD: My name is Lee Todd. I live in Lincoln, Nebraska. L-e-e T-o-d-d. When we were kids, we played a game called Kick the Can. And for 40 years, property taxes have been kicked down the street. And so that is my--

LINEHAN: I, I can't let you do that. We don't allow props. I'm sorry. It's not my rule. You have to talk to somebody else.

LEE TODD: OK. Well, that's the can that we have been kicking down the street, to make a point.

LINEHAN: OK. Just put it on the floor for right now. Sorry. It's the rules.

LEE TODD: And I think that goes without saying, but I will say it: I've been watching this since 1981, when I bought my first house. At that time, we could spend about 0.7% or 0.7/10 of a month on property taxes. That number has increased dramatically, and you will see on your paper that number is now almost three times what I pay on property taxes. Three, three months goes to paying property taxes-- of my rent, of my gross rents. And that's one of the pages that you have there. The other thing that I wanted to point out-- and I'm not going

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to go into a lot of detail, but-- by the way, this confirms exactly what the last proponent was saying. You know, we're paying about three times our rent, three times our monthly rent. And I'd like to point out, OpenSky, the young lady mentioned that, well, you know, this is a regressive tax. It's not. Think about property taxes. What do you think I have to do with those? How much of the rent goes to paying property taxes that I pass on to those tenants? They're middle class. They're lower income class. I could lower my rents by 22%. Think about that. On \$1,000 rent, now we're down to \$780, and that makes a huge difference for those low and middle. So we need to look at everything. We need to be at-- we need to face exactly this thing head on. And it's been going on for 40 years. I mean, it took the Israelites 40 years to get out of the desert, right? A lot can happen in 40 years. And here we are. The same thing, the same thing, the same thing keeps happening. Now, I am a little bit passionate about this because I get to see what's going on. The other thing I wanted to bring up is a tale of two states. So why did I invest a significant amount of money in Missouri? There you go. I mean, you can look at the property tax difference between these two same groups of houses in Missouri versus Nebraska. It is dramatic. And this supports what was already testified about. So we're corroborating these on a lot of-- on a lot of different areas. The other thing I'd like to bring up is there are four economists that I see out there. There's Laffler, there is Moore, there's Ernie Goss-- our own Ernie Goss from Omaha, Nebraska-- and then there's this guy that wrote-- Pilla [PHONETIC] talks about what is fair tax. And one of the things he says in here is it has to be neutral and broadly based. Right now, it is not. We're picking winners and losers. And why do we get to do that? Why should we get to do that? How is that even fair? Everybody should pay taxes. Everybody should pay it in a neutral fashion so it's not negative on someone else and positive on some-- it should be fair across the board. Those are the points I wish to make today. Thank you for your time.

LINEHAN: Thanks. Did you say and spell your name?

LEE TODD: I did.

LINEHAN: OK.

LEE TODD: And that's when you told me to put my can away.

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LINEHAN: OK. Are there any questions from the committee? Seeing none. Thank you very much for being here. And thanks for the information.

LEE TODD: Do you want my can?

LINEHAN: No.

LEE TODD: I have-- you know, I had to look a long time to find the can [INAUDIBLE]. Thank you.

LINEHAN: Again, I'm going to mention: if you're from a long ways away, get up here in the front so you could-- don't have to be here as long. Good morning.

DANIEL NOOR: Good morning. My name is Daniel Noor. That's spelled N-o-o-r. And I live in Omaha. Speak--

LINEHAN: Daniel-- we all know how to spell Daniel, probably.

DANIEL NOOR: Yes.

LINEHAN: But--

DANIEL NOOR: Sorry. I could repeat that. It's Noor, N-o-o-r.

LINEHAN: And Daniel is spelled--

DANIEL NOOR: D-a-n-i-e-l.

LINEHAN: OK. Thank you.

DANIEL NOOR: Thank you. Thank you, Senators. So I speak as a proponent of the EPIC option. EPIC would, as has been mentioned, would eliminate property, income, inheritance, and corporate taxes, replace them with a flat rate consumption tax. I moved here from Tennessee, so-- and I'm glad I live here in Nebraska. But one of the things I'm not glad about is our taxes. Taxes were much better in Tennessee. Tennessee has one of the lowest tax burdens in the country, whereas we have one of the highest. Tennessee does have a high sales tax, but there's no state income tax, there's no inheritance tax, and property taxes are much lower. And yet the state has regular budget surpluses and lots of people are moving there. The states with low tax burdens tend to be the ones that are growing. Right now, we're not, we're not in that position. But if we were to pass something like EPIC, we could be in

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that position. EPIC eliminates property taxes. And I'm very grateful that you senators are all here trying to figure out how to, how to deal with this problem of property taxes. But EPIC is one that-- not-- doesn't just lower them; it actually abolishes them. There are many problems with property taxes. One of them is that if you-- with property taxes, if you do something to improve the value of your home, you actually get punished for it because your property tax bill goes up. That's not right. But the most important reason why we actually need to abolish property taxes is that-- is so that Nebraskans can actually own our own homes. Because right now, we don't actually own our own homes. If we pay property taxes-- if you're paying property taxes-- you're not really owning your own home. You-- because you can only live there as long as you keep paying them. You're just renting your home from the government. If you lose-- if you don't pay your property, eventually you'll lose your home. You'll get evicted just like a tenant would get evicted if they didn't pay rent. That's-- needs to change. Property taxes also-- if they're lower, that will help renters because landlords could afford to lower the rent if they don't have to pay as-- taxes. But most importantly, I would, I would ask that you vote in favor of EPIC or at least let it get to the floor so that we Nebraskans could have a chance to actually own our own homes for real and not have to fear them being taken away. So please vote in support of EPIC option. Thank you.

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

DANIEL NOOR: Thank you.

LINEHAN: Thank you.

KAY SCHRODER: Are we ready?

LINEHAN: Mm-hmm.

KAY SCHRODER: Good morning.

LINEHAN: Good morning.

KAY SCHRODER: I'm Kay Schroder, K-a-y S-c-h-r-o-d-e-r. I am from western Sheridan County, District 43. And distance: eight hours. I am a small rancher and I run a few livestock. As you can tell, I am a senior, so I do get-- collect Social Security. But-- and insurance was

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mentioned, so I'll include it. My property tax and my insurance takes three and a half months of my six months summer income from taking in cattle. So that's a big chunk of my income. And I am a proponent for the EPIC option. And I think it's important that we keep the small farmer, rancher operations in Nebraska. And the tax situation is making it very difficult. That's what I have to offer.

LINEHAN: Thank you. Thank you for driving so far. You live in a beautiful place.

KAY SCHRODER: I do.

LINEHAN: Are there any questions from the committee? Seeing none. Thank you very much for your time.

KAY SCHRODER: Thank you.

LINEHAN: Good morning.

PHILLIP KAYSER: Good morning. My name is Phillip Kayser. That is spelled P-h-i-l-l-i-p K-a-y-s-e-r. I am a pastor from Omaha, Nebraska. PhD in ethics, especially in the area of civics. And I want to thank you for taking the time to hear from your constituents. And thank you for at least considering eliminating property taxes. That's huge. I'm representing the perspective of a conservative branch of Christianity which has historically been opposed to property taxes for four primary reasons. First, even though the Bible does allow for the collection of some types of taxes-- and I could outline those-- the Bible consistently treated property taxes as a form of tyranny. Second, the Bible describes our property with the Hebrew word "nachalah," which means inalienable hereditary property. If it could be taxed, it's not inalienable. Third, the right to tax property assumes ownership of property. And yet the Bible is quite clear-- clear that the earth is the Lord's and the fullness thereof. And property tax really makes us serfs beholden to the state. We don't truly own our land. We lease the land, as others has already said. And from my perspective, that's a form of socialistic ideology. Fourth, the right to tax property removes one of the foundational planks of liberty. As pa-- President Calvin Coolidge said: Ultimately, property rights and personal rights are the same thing. And then he went on in his writing to show that as property rights begin to be diminished, our liberties begin to be diminished. Jared Walczak and Manish Bhatt of Tax Foundation wrote in

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opposition to the EPIC tax. And the EPIC option website has refuted number of factual errors-- very serious errors. Let me give you one more of a factual error that's not on that website. They said no state has ever abolished the property tax, which is far and away the primary source of local government revenue in every state. And that's simply not true in the earlier years of our state. It's not even true in more recent times. For example, the 14th governor of South Dakota abolished property tax. There are other states like Croatia, other states in Europe that have, have done so without major problems. And if President Calvin Coolidge is correct that the rights to property and personal freedoms are tightly tied together, I would at least encourage you to consider abolishing property taxes-- or, better yet, implementing the EPIC option as a whole. Thank you.

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

KYLE RHONE: Good morning, ladies and gentlemen. My name is Kyle Rhone--

LINEHAN: I can't do anything about your prop.

KYLE RHONE: Do what?

LINEHAN: No, I'm sorry. Your pro-- I was just-- we're not supposed to have signs or anything, but you managed--

KYLE RHONE: You want me to take it off?

LINEHAN: No. That's just what I was going to say. I--

KYLE RHONE: I mean, I want to follow the rules, ma'am.

LINEHAN: I know.

KYLE RHONE: You know.

LINEHAN: You leave it on.

KYLE RHONE: OK.

LINEHAN: OK.

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KYLE RHONE: That's a good thing because I have more rolls than a bakery. All right.

LINEHAN: We're starting the clock now. OK. Go.

KYLE RHONE: All righty. My name is Kyle Rhone, K-y-l-e R-h-o-n-e. And I am a citizen of Bellevue, Nebraska. Senator Erdman is absolutely right. This is all about liberty. The Declaration of Independence states that the governments derive its authority from the consent of the governed-- that would be citizens. We are the boss according to our Constitution. And then fourscore seven years later, Lincoln espoused a government-- government of, by, and for the people. Today, we have a governance that is not representative of those founding ideals but resemble more the governance of the British colonies in December of 1773 that led to the Boston Tea Party and began a revolution. We, the people, are losing our homes due to a tyrannical property tax policy that is basically rent we pay to the government for the privilege of living in a home we built or paid for. If we fail to pay the rent-- the property tax-- we are evicted and our equity, our hard work, is now given away to someone for the price of the back taxes. Ladies and gentlemen, that is not liberty. That is tyranny. Canvassing for myself and other political candidates, I have spoken to many people who are fealful-- fearful of losing their home. The demographics are generally retired veterans, single mothers, and widows. They work to build their dreams only to have their landlord-- the government-- keep raising the rent, all without representation. This is very-- this is the very tyranny and had a causal relationship to the Boston Tea Party and the Whiskey Rebellion. I believe EPIC option is a fair tax that places taxation in the hands of we, the people, by giving us the choice to buy new and pay the tax or used and not pay the tax. If groceries are the only exemption, then the base will remain broad, keeping the tax rate low. Moreover, using a consumption tax allows all citizens, residents, immigrants, both legal and ig-- illegal, to contribute in a truly transparent way. Also, a consumption tax is not regressive, as some have argued here today, because there is a choice to buy new or used. The current tax system has been exploited by our elected officials past and present, all without citizen consent. The city of Bellevue this year raised its spending by 42%. These actions and abusive taxation do not represent the founding principles that were codified in the Declaration of Independence or in Lincoln's Gettysburg Address. The current taxation and legal theft of property is despotic at best and tyranny at worst.

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Please vote to restore fair taxation and place taxation under the only true local control, that of we, the people. Thank you.

LINEHAN: Thank you very much. Thank you. Are there questions?

KYLE RHONE: Do you have any questions?

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

KYLE RHONE: All right. Thank you.

LINEHAN: Next up. Proponent.

ROB ROHRBOUGH: Good morning, Senator Linehan, colleagues.

LINEHAN: Good-- hi.

ROB ROHRBOUGH: Thank you for hearing us. I am Rob Rohrbough, R-o-b R-o-h-r-b-o-u-g-h. I live in La Vista. And I am the president of the Consumption Tax Institute, the research and education arm of EPIC tax reform. EPIC eliminates property, income, and inheritance, and corporate-- that is business-- taxes. Getting rid of property taxes is a permanent fix. The property tax is among those confiscatory taxes that have the power to destroy. My organization just interviewed an 83-year-old woman who's not poor but who struggles every year to pay the property taxes to stay in her home. We are not alone in this antiquated approach to taxation. In Michin real-- Michigan realtor Karla Wagner founded the organization AxMITAX to rid Michigan of its property taxes because she saw 184,000 property owners face tax foreclosure in 2023. Texas, North Dakota, Wyoming, and Florida also are among the states working on eliminating-- not just reducing-- their property taxes. Why? The Honorable Hal Daub, former U.S. Congressman, mayor of Omaha, regent, and lawyer puts it in historical perspective. We no longer create economic growth with jackhammers, steel, and concrete production, nor do we still create gross domestic product in renewable crop and livestock production. GDP is now much more connected to the softer jobs base and technology, health care, education, telecommunications, travel and leisure, and all things computer generated and connected. We are taxing physical assets and income production in our small state with a static population and limited resources in revenue to let jobs be created elsewhere, and our brain drain is proof of that. The economic condition of our state and

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nation is now a consumption GDP economy. This will not abate. We build things with synthetics, new technology, and automation, reducing the impact of agricultural output, even value-added agriculture. Fewer workers produce equivalent GDP. We need to get out ahead of this national and global trend. I might point out one country that does not have income taxes is the UAE. They have the most-- arguably the most prosperous city in the world, in Dubai. We need to get out ahead of this. And my, my-- hope I'm going back to the right place here. Nebraska does not want to be left behind in the dustbin of broken economies leading to poverty. We can no longer fund schools and snow removal, public safety, and government generally with the destructive property tax that misses the increasing-- increasingly, the majority of the economy. So I would propose that we don't take the road to poverty-- which we're on-- that we stop, we get off that road and get onto the road of prosperity by eliminating our property tax and state income tax with EPIC. Thank you.

LINEHAN: Thank you very much. So the letter attached here is from Congressman-- Mayor--

ROB ROHRBOUGH: That is Hal's letter that I cons-- condensed in my testimony.

LINEHAN: You condensed? OK. OK. Are there any questions? Yes, Senator Albrecht.

ALBRECHT: Thank you so much, Sen-- Chair. OK. I just have a few just, like, overall questions.

ROB ROHRBOUGH: Yes, ma'am.

ALBRECHT: So 7.5% is the number that you came up with for the consumption tax.

ROB ROHRBOUGH: Yes, ma'am.

ALBRECHT: And some say it should be 22% or more. Number one, how did you arrive at the 7.5%? I-- and I know-- you-- I don't-- I just want a bleep. I don't want to a, like, 30 minutes, but. And, and knowing that our population is just at 2 million, can we sustain that? That's, that's the big question. That's the big question in the room. But would it and will it, in fact, take care of our largest money getters, if you will, from the state is our universities, our schools, health

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care, health and human services? I mean, the-- it is-- I mean, so when you look at all that-- I mean, I love to think that, in a nutshell, we can do this, but-- and then if we can't in these LRs that you would take to the citizens, would there be that opening that if we need 12.5% or 16%-- are we able to get there? Would you, would you place a number or would you just, like, leave it?

ROB ROHRBOUGH: The short answer's yes.

ALBRECHT: Mm-hmm.

ROB ROHRBOUGH: And I, I will refer to a couple things. It can be-- this can be a long conversation. But to net it out, we, we hired the Beacon Hill Institute of Boston, Massachusetts to do the study. They are expert in consumption taxation studies. We had them do three static studies for us, and the last one was a dynamic study, and that's very important. Because when the tax structure changes, people change their behavior. Our assumption was that we would tax everything for everybody, including governments and nonprofits. Dr. Goss has-- and I think-- if any of you were at the NFFE event a few weeks ago, he stated that, in his opinion, the rate probably will end up being between 10% and 12%. And you know what? I, I don't think-- and I, I, I look at other consumption tax opponents that are set in their ways. They don't change. They, they don't admit mistakes. And we all make mistakes. The big-- and, and it's an argument within our organization: should we or should we not tax nonprofits? Dr. Goss, I believe, was assuming-- because he does not believe we can tax nonprofits. So his assumption-- his stated estimate between 10% and 12% is, I'm sure, including nonprofits. Note: he did not take time to identify, you know, the amount of spending nonprofits do. And to really do this right, we need a study for that. And we are planning another study. It, it, it-- for a number of reasons-- depending on whether we succeed in this Unicameral, this special session, or if we continue on another time. The big thing that people miss is the change in behavior. That's why we did a dynamic study. That study identified \$27 billion of additional spending that people will do with the money they saved from not having to pay to stay in their own homes or on their ranches or farms. That is real. It happens. People do change their behavior. So-- and, and here's one other point too: many or all of these taxes, because we're revenue neutral, are already being passed down from the manufacturer, the farmer, the rancher, the, the warehouse, or the retailer that have to pay these taxes. How do they re-- how do they

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recoup what they paid on taxes? Through the price of their products. That ends up at the retail cash register. So our contention is that this should not raise the bottom-line price of any retail price because those taxes are there. You just can't see them. And the term "hidden taxes" is not something we made up. That's a traditional term that's been around for decades.

ALBRECHT: OK. So-- and another-- these are just things that I hear when I'm out and about. How, how many other states are considering this and/or how many already have it? And to that I mean, they always say, well, geez, if it was that great, everybody would be doing it.

ROB ROHRBOUGH: You know, I, I will go back to what Joel said. Who else has a unicameral? Now, I'm not a defender of the Unicameral.

ALBRECHT: It's not always positive.

ROB ROHRBOUGH: But it's not-- I, I-- and-- but there are at least six states-- and I believe there are more-- the states that I mentioned in my testimony: North Dakota, Wyoming-- Texas has been at it for a long time-- and Florida. Who did I miss? Michigan.

ALBRECHT: You say-- when you say they've been at it, are you saying that they have an EPIC tax?

ROB ROHRBOUGH: I've been aware they do not ha-- they still have their property tax. The Republican Party of Texas just adopted eliminating the property tax as part of their platform. But there have been proponents for eliminating the tax in-- the property tax in Texas-- I think I found out about it in 2016. So there are people there that are passionate about getting rid of it. Actually, I can't remember the guy's last name now. Don Huffines, who was a former Republican gubernatorial candidate, is passionate. He has a foundation about eliminating Texas property tax. And, and, and more people are coming on board. As-- I hope the point that Hal made in the, the-- I, I would like to make here: more and more states are getting on board because they understand that they will be more competitive without their property tax.

ALBRECHT: Thank you.

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LINEHAN: Thank you, Senator Albrecht. Are there other questions from the committee? Thank you very much for being here. Appreciate it.

ROB ROHRBOUGH: My pleasure.

LINEHAN: Next.

LAWRENCE CONSBRUCK: Lawrence Consbruck from Hastings, L-a-w-r-e-n-c-e C-o-n-s-b-r-u-c-k. Thank you, committee, for hearing us again. This must be about the third or fourth hearing on EPIC. I've been here every time, but. I just want to use one small personal example. I bought my last farm in 2003. And by today's standards, it's cheap. But the property tax at that time was \$18,000. I have the same land today. It's \$60,000. The productivity of that-- of those farms-- you know, 1%, 2%, 3%, it may have increased since 2003, but it hasn't increased 300%. I thank Senator Erdman for continuing this battle with property tax and, and with his solution. I rub elbows. I was at the city council meeting Monday night with their initial budget proposal. And you could just kind of feel in the background these-- the, the tax and spend entities are scared to death that they're going to have a restriction put on their budgets. The-- I, I spoke with a gentleman from the Nebraska Chamber of Commerce this spring. And he says, you have to go to your budget hearings and get these budgets knocked down. Those budgets are cooked and simmered before we ever get there. And if you dare ask a question, you're treated like a leper. And those budgets don't change. Thank you for hearing LB6-- LB16. And I support it.

LINEHAN: Thank you very much. Where-- did you-- you don't have to-- and you don't have to answer this question-- but did you say where you're from? I'm sorry.

LAWRENCE CONSBRUCK: Hastings.

LINEHAN: You're from Hastings. OK.

LAWRENCE CONSBRUCK: Thank you.

LINEHAN: Thank you. Are there-- wait. Are there other questions from the committee? Seeing none. Thank you very much for being here. I'm going to-- again, this is on my clock. If there are opponents and they think they can just pop in the room and they get to be next, that's not the way this is going to work. So we're going to stick with

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proponents for a while. And if there are opponents who are planning on attending, I would say just they get here. Proponent. Next.

BRAD LEWON: Good morning.

LINEHAN: Good morning.

BRAD LEWON: My name is Brad Lewon, B-r-a-d L-e-w-o-n. I'm from Pierce, Nebraska. I am the chairman of the Pierce County Republican Party, which obviously is not-- no giant group. But there's 15 to 20 of us or so that get together once a month and, and kind of work on things. Kind of depending on planting season or harvesting season, as we're a rural community. But we have had those in favor of EPIC come in and share with our group and we've had those who oppose EPIC come in and share with our group. And our group has unanimously decided to support the EPIC option. And along with that, the Nebraska Republican Party-- as you well know, I'm sure-- has also moved to do that. And so just as a representation from that, I, I, I encourage this group to move this forward as we do need to see some changes. We just were at the Pierce County Fair and, and had a booth as the Republican Party there. And we had, you know, conversations with lots and lots of Pierce County folks. And it, it never fails that property tax and taxes alone is always a hot topic and always is brought up. And so, you know, as a representation of that-- and I'm not no paid guy. We're just a volunteer group trying to do our part to keep our slice of heaven over there in Pierce County. You know, we are, we are truly in favor of the EPIC option and would-- and, and are, are desperately desiring to see this thing move forward, so. That's all I have to share. Thank you.

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

BRAD LEWON: Thank you.

LINEHAN: Proponent. Hi.

STEVE DAVIES: Thank you, Senator Linehan and members of the committee. I am Steve Davies, S-t-e-v-e D-a-v-i-e-s. I testify in support of LB16, LR4CA, and LR5CA. You are receiving many testimonies about the struggles throughout Nebraska relating to the burden of property tax. I have an aunt who used to snowboard in Arizona. She now has made that condo her permanent residence although she still spends considerable time here as a diehard Cornhusker. Personally, the valuation on my

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small acreage went up 144% this year. Our tax system is broken. We are bleeding out. Young people don't want to stay and many retired people are having to sell their homes. Why a consumption tax? The major reason is economic. Most of us want the state's economy to flourish, prosper, and go, yet two legs-- three if you count inheritance tax-- directly impact production, thereby putting a brake on potential growth. A consumption tax would incentivize savings and investment-- the building blocks for economic growth. Other considerations are fairness and transparency. Our current system is burdened with stacks of exemption and incentives. Each one of those raises the tax on everyone else to make up for the lost revenue given away in the incentive. Many citizens live on the monthly budget plan and have no concept of how much government costs and takes from their income. A consumption tax is up front, and everyone will know how much they give the government. On the transparency issue, current incentives can be masked by language ambiguity in the stacks and stacks of paper. Perhaps the citizens would have a better view of any benefits our representatives see fit to allot if it would go through the appropriation process. The EPIC option proposal has seen in the vacant public infor-- disinformation. A town hall was held, and all of the organizations promoting negative information were invited. None came. Does the consumption tax diminish their perceived raison d'etre and power? Dr. Ernie Goss of Creighton was a neutral participant. He made two important points. First, the proposed tax rate would be much closer to the 7.5% than the much talked about 22%. And a question I have for the OpenSky study. One of the major facets of the consumption tax is only on new items. So on lower income people, how much tax do they pay on used items that will go away? So it, it, it isn't as regressive as some propose. And that-- he also contended that the so-called border bleed is invalid. And I'll finish on a happy note.

LINEHAN: OK.

STEVE DAVIES: When EPIC option's implemented, your labors as a senator should be less burdensome. There will be no one knocking on your door for a tax break. Thank you.

KAUTH: Sold.

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LINEHAN: No clapping, guys. But it was a good line. I agree. Any questions from the committee? Seeing none. Thank you very much for being here.

ALLIE FRENCH: Good morning. Still is morning. That's nice. You guys went super late yesterday. My name is Allie French, A-l-l-i-e F-r-e-n-c-h. I am representing the grassroots group Nebraskans Against Government Overreach. We have supported EPIC option every year that it's been up here and, and showed up to testify on behalf of it. Many of the people before me went over more of the specifics, so I'm just going to kind of go with a broad discussion on this. Obviously, with Nebraskans Against Government Overreach, our tagline is "preserving our liberty." That includes the ownership of our property, the ability to work without having to be enslaved, and pay on that to be able to provide for their families. And Albrecht, you asked a fantastic question: can we sustain the government? Our position in general is we don't really care. This is about the people. However, I do want to point out that we have options to ensure that there is some level of sustainability and also to ensure we don't go to 22%. We impart caps. We put caps on the consumption tax from the get-go. And we require a vote by the people in the case we need to raise those taxes. Yes, the chance of passing that is reduced because who wants to raise their own taxes? But we make a valid enough argument if our-- we find our system crashing. I think that the people would come together on that. And we're looking at one tax rather than three or four. You get into the corporate taxes, and honestly it's more like dozens. So there are-- there is an answer to sustaining it. But at the end of the day, our position is that we care more about the people surviving. We care more about the people prospering than ensuring that the education system and health care system are flush with cash to buy hundreds of thousands of banners and materials and fliers to throw away at the end of the year so that they maintain their bloated budget and don't lose it from you guys. And it was a regularly asked question yesterday to many of the individuals who opposed or supported-- it was on both sides-- do you ever attend the tax meetings? Do you attend any meetings, city council, school board? We can answer yes. We're there. We know what these people are spending. We know where the waste is. It's not rocket science. It's not confusing. And they don't need to have continued increases in budget. That was our one reason we aren't as supportive of LB1 as we are EPIC option because there's no reduction in the areas where there is waste in spending. We all say

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we-- both sides, no matter whether you support EPIC or you don't, both sides want to cut spending and eliminate exemptions. But it never ends up happening because we're too scared to cut in places where it actually needs to be cut, where it would make the difference. So the wonderful thing about EPIC option is it takes that decision away from you guys. You now work within the confines of what is provided to you by the will of the people. And if we have a good-- I mean, Nebraska's amazing. I, I know it was said several times yesterday comparing us to Tennessee or South Dakota or Colorado. We don't have Rocky Mountains or things like that, but we do have the number one zoo in the world. We, we do have the College World Series. We have lots and lots of military families that come here. And if we didn't have crazy property taxes, they'd stick around.

LINEHAN: OK. Got to wrap up.

ALLIE FRENCH: So I could go on all day long. I, I, I loved discussing this topic. And I'll just end it with: please at least send it to the floor. Give us the opportunity to have this debated and open up the conversation for everybody.

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

ALLIE FRENCH: Thank you, guys.

SCOTT BUSH: My name's Scott Bush, C-o-t-t-- S-c-o-t-t B-u-s-h. I'm a homeowner and a business owner here in Nebraska, so my testimony is sort of two-part. On the business end of what I do, I own a heating and air and refrigeration company. I provide service and new equipment installation to mostly commercial customers and some residential stuff. Right now, I pay taxes on my LLC for what the LLC makes. I pay income tax on what I pay myself as an employee of that LLC. I pay inventory tax or personal property tax-- whatever you want to call it-- on everything my business owns, every trailer, my duck lift, scissor lift I owned for several years, all my tools, all my parts. I haven't sold any of those parts to anybody. I didn't make any money on those parts, but I still got to pay tax on it because I have it. That's not really very fair. I have tools that I've owned for ten years that I've paid tax on for ten years. I'm paying you rent on the tools that I use to do the job that I make a living on. Every year. The truck I drive to do my job I pay personal property tax on. I don't

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think you guys should be taxing me every year for stuff that I have bought and owned and used for my work. That's ridiculous. The same way it's ridiculous that people pay on a home that they bought and paid for and they own that. And they're paying you rent. And if they, you know, don't pay-- like that gentleman said earlier-- three years, you're out. You sell their home for the value of the tax burden. I mean, that's ridiculous. And not only is that system broken, but the asse-- the assessors' offices are so screwed up. I went in and challenged my assessment this year for the value of my property. I own nine acres. Six acres of that is a floodway for Czechland Dam. I can have no permanent structures on there or use that land for anything other than the value of nature that I, you know-- and I enjoy that. I take care of the land. I have three acres I can use. My land is valued at double the average value of an acre in Saunders County. Can somebody explain to me how that's possible on land I can't build on? That's crazy. My home evaluation has gone up over \$100,000 in two years. There's no way my home is worth that much. If the state thinks my home is worth that much, or the county, they can write me a check for it right now. I'd be happy to move. I mean, come on, guys. This is where the system's broke. If you decrease the increase, they just increase the value of your home and get what they want anyways. I have a barn that's fallen down. It's rubble. They were charging me \$9,000 in value for that building on my tax assessment. I have a hay barn that was built in probably 1960. They had on my evaluation it was built in 2019. They are charging me \$11,000 in value for that building. On my assessment, there's eight appliances in my home that I don't own that were increasing the value of my home so they could charge me more taxes. So that's how the system's broke. I just want you guys to understand that. It's not one thing, but this is one solution that could probably fix most of those things--

LINEHAN: Thank you.

SCOTT BUSH: --so please consider it.

LINEHAN: Thank you. Wait, wait. Are there any questions from the committee? Did you say-- are you next to a river?

SCOTT BUSH: I'm right next to Czechland Lake. Yes. It's an NRD, you know, flood reduction project through-- I actually live on the berm, pretty much.

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LINEHAN: So are they--

SCOTT BUSH: The berm is there, then my house.

LINEHAN: --are they valuing-- I-- are they valuing it as recreational property?

SCOTT BUSH: No. No. It's not recreational property.

LINEHAN: No, I'm not saying--

SCOTT BUSH: I don't know what they're valuing it at.

LINEHAN: OK. That--

SCOTT BUSH: I-- it, it doesn't make any sense because it's, it's property I can't use.

LINEHAN: OK. This is-- I have had discussions with the property tax people about recreation property, I don't know, sometime in the last couple of years it came up. So if you would, for the committee, I'd appreciate very much if you would ask your county assessor if they're valuing your land as ag or as recreational.

SCOTT BUSH: OK. I, I know that I have 2.71 acres of what they considered tillable agricultural land.

LINEHAN: OK.

SCOTT BUSH: The rest of it is not.

LINEHAN: OK. So-- what county are you in?

SCOTT BUSH: Saunders.

LINEHAN: Saunders. OK. Thank you very much for being here.

SCOTT BUSH: Thank you.

TERRY JESSEN: Good morning, Rav--

LINEHAN: Good morning.

TERRY JESSEN: --Revenue Committee. My name is Terry, T-e-r-r-y; Jessen, J-e-s-s-e-n. I strongly support LB16. I am from Oshkosh,

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Nebraska. Why did I drive almost 400 miles one way for my three minutes? The reason is because this is the most important step to affect positive change for the next 60 years in the way that Nebraska funds the state and the fairest way to tax the people. Real estate taxes are paying for most of Nebraska government today, and that is just plain wrong. The three-legged stool can't stand on one leg, and that's what we've been trying to do. The farm that I was born on and I still live on in 2023-- the drouth in '23 was extreme, but our taxes increased. Now in 2024, we had a great start to the year with dryland corn looking really great until the last two weeks of 100 degree days. But it looks like nothing will be harvested. But in addition to record high costs for seed, fertilizer, and chemicals, we're facing increases again in the 2024 taxes that we'll be paying next year. Nebraska's current system is extremely unfair. It's driving people from the state of Nebraska. Let's make Nebraska the leader in fair taxation by only charging consumption tax on new goods and services. The elimination of real estate taxes will eliminate 93 county assessors' offices. Hooray. The Department of Assessment goes away. TERC goes away. Much of our current collective bureaucracy, bureaucracy goes away for collecting-- my word is "squeezing--" the tax dollars out of us. This will allow-- this will allow us to lower our spending by about \$1 billion a year. That's what we pay to squeeze the taxes out of us. Let's please move Nebraska forward. Make Nebraska great again in terms of fair taxation, living in a state with no property taxes, a state with no income taxes, a state with no inheritance taxes. Consumption tax is a fair tax. I've appeared before this committee several times over the last eight years. Appreciate the opportunity to make our voice known.

LINEHAN: Thank you.

TERRY JESSEN: Thank you.

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

TERRY JESSEN: Thank you, guys.

AMY CODR: Good morning.

LINEHAN: Good morning.

AMY CODR: I'm Amy Codr, A-m-y C-o-d-r. And I want to preface by saying I am no expert. I don't have any special numbers for you. I'm just an

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average Nebraskan. And, to be quite truthful, I'm not much of a public speaker either. This is actually only my second time ever giving testimony. My first time was for Senator Albrecht's heartbeat bill. I testified then because there's little to me that's more important than our future generation, and this tax system affects them. I, I fear, you know, what we believe then if we don't fix this broken system. So I thought I better be brave enough today to face this microphone. And I also-- I wanted to start off kind of by thanking all of you senators here. I know you guys-- you get a bad rap a lot. With the way that our country is, it's-- you guys are an easy target, both, you know, on a state and national level. But I know it-- you guys put in time, you put in effort, and, and you're human. And some of the targets and attacks that you get, you know, it's, it's probably hard to deal with. Not saying that all of those attacks and all of the frustrations aren't warranted a lot of times, especially at the national level, but I choose to believe that you guys wouldn't put yourself in that position if you didn't love your state and if you didn't love your country, a country founded by we, the people, a country that is for we, the people. So today, I want to encourage you to see this bill out of committee because, make no mistake, we, the people, want EPIC. Lobbyists and special interest groups aside, we, the people, want this, so. Thank you.

LINEHAN: Thank you very much. Just a second. Are there any questions from the committee? Seeing none. Thank you very much.

JOANNE WALDE: Hi. My name is Joanne Walde, J-o-a-n-n-e W-a-l-d-e. Nebraska's tax system to fund the state was originally set up as a tripod, three equal types of taxation: income tax, sales tax, and property tax. Sales tax revenues were reduced considerably when Nebraska abandoned a considerable amount of its manufacturing base and became a service economy where no sales taxes were charged. We have a fundamental right to know what the tax laws require. Our income tax is so complex it is difficult to comply with all the rules and regulations. It is hard to determine if we have collected all of our tax information and filed our returns accurately. Since the Nebraska income tax is based on the federal return, the ac-- the accuracy would also be in question. Our property taxes are among the highest in the nation. This also puts our state at a competitive disadvantage. Taxes should be neutral. They should not fall on-- more of one class of individuals than for others. My property taxes are levied to nine different taxing authorities. I have lived in the same house for 43

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years, and my property taxes increased 27% just last year alone. The American dream is to work hard to buy a house, to pay it off before your retirement. We have already pa-- paid for the house and land. Now we must sell that house because we cannot afford to live in the homes due to the high property taxes. I believe this affects women much more because they-- many have stayed home raising their children, earning less income and have a lower fin-- fixed income in their retirement years. A tax is not equitable when an individual, a corporation, business, a rancher, and a farmer all have different property assessed at different rates. There may be many times when a business will receive a tax break of no taxes due for several years due to their move to Nebraska or building a new building. This puts a heavier tax burden on the individuals who then pay the brunt of the property taxes. When Diane Battiato was Douglas County Assessor prior to Wa-- Walt Pfeiffer, her team changed the square feet on the homes in our area, and I am sure in many more areas. Our home is a 1.5 story. Our square feet was changed to inclu-- including the attic as usable, usable square feet. The square feets were increased on many of the homes in our area. Recently, Benson High School in Omaha, Nebraska added in mental health and dentistry for their students. We-- who are-- who is paying those taxes? Are they being-- going to be paid out of our property taxes? Our taxes should be stable. In times of a favorable economic conditions, the appraised value of homes increases. However, the mill levy didn't decrease significantly. Then, in the following years, the ho-- the value drops, the mill levy increases. This makes it very difficult for homeowners and is not reliable. Lawmakers owe citizens and ho-- businesses a simple and understandable tax code. Taxes should be efficient. It would be much more efficient if we adopted the EPIC option. We would eliminate all property, income, inheritance, and sales taxes, and we-- and have a consumption tax on goods and services only.

LINEHAN: OK.

JOANNE WALDE: No consumption tax would be charged on--

LINEHAN: You need to wrap up.

JOANNE WALDE: --food and groceries or used goods. Thank you.

LINEHAN: Thank you very much, Ms. Walton [SIC]. Are you from Omaha?

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JOANNE WALDE: Yes, Omaha, Nebraska.

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

JOANNE WALDE: Thank you.

LINEHAN: I'm going to ask something-- you don't have-- all's we need is your name for the record. That's all we need. But it-- I think it would kind of show this is a statewide thing if you were willing to say where you're from. You don't have to. But if you're willing to, it'd be nice.

JOANNE WALDE: Yup. Omaha, Nebraska.

LINEHAN: OK.

PAUL von BEHREN: Paul von Behren, Fremont, Nebraska. v-o-n B-e-h-r-e-n. Number of years ago, I looked around Fremont, around [INAUDIBLE] about jobs and growth, all right? Well, I always wondered, what's, what's happening to the average person? So I went back through ten years of data from the IRS and the Department of Revenue. And we u-- we say we're going to bring in population, we're going to bring in more taxable property, we're going to build in better jobs for higher salaries. I looked at that over ten years and the short story was no population growth. Our taxable property that we were going to bring in was largely deferred by TIF. Our incomes basically kept way-- pace with inflation. But property taxes were going up twice as fast as the incomes that we could bring in. I was elected to city council a couple years ago, so I went back and I updated that for the last five years. It's worse. Instead of twice as fast, our property taxes are now growing at 225% of the rate of our incomes. You cannot sustain that. That's a crash waiting to happen. Last night at our city council meeting, we approved the largest unfunded mandate that we have ever had to approve. We had no choice because, as legislators-- I'm sure it was well-intended-- you voted tha-- you mandated that we adopt retirement policies for our police and fire. They deserve it. But you handed us the largest single unfunded mandate that we have had in the last 30 years. And we were forced to approve it. That will increase our property taxes. Two years ago, my son's house burned. I can't-- most of you have some experience with that in one way or another. We had seven people in our little townhouse for about seven months. It

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was a good time, but it was a little cramped. But the point of it is my son died six months ago. He left a wife with three teenage children. And they now lost their primary income. Amy [PHONETIC] is frugal. She's doing what she can to survive. All three kids have jobs. But last month, the county sent her a letter that said, oh, by the way, we're increasing your property taxes 50%. And you can either pay that-- we've appealed to the county-- or we're going to take your home. Those are statements that are made by people who own your property. Those are not statements of a state that cares about people. What's being done here I-- it's none of your fault, but it's all of your responsibility. What's being done here is the power and the privilege that has been taken 70 years-- 60 years ago. 70% of what we taxed is now not taxed at that time. That power and privilege is being used against Nebraskans for the sake of the Chamber of Commerce, the lobbyists that are here, the politicians who use it for their own power and privilege. What I'm asking you to do in EPIC is to stop and think about-- I'm sure every one of you is here because what you believe you are doing for Nebraska, but--

LINEHAN: You got to wrap it up.

PAUL von BEHREN: --before you go first-- before you go any further, please consider what you're doing to Nebraska by refusing measures like this.

LINEHAN: Thank you. Thank you for being here. Appreciate it. Any questions from the committee? Seeing none. Thank you very much.

PAUL von BEHREN: Thank you.

LINEHAN: Appreciate it. Just so you understand on the red light-- and this isn't you, Paul-- just-- on the red light, I got to be tough because I can't pick and choose. I need to make sure I'm being fair to everyone.

LANCE KLANECKY: Good day, Senators. My name is Lance Klanecky. I'm from Chaplin, Nebraska. My la-- my name is L-a-n-c-e k K-l-a-n-e-c-k-y. I am here to testify in favor of EPIC. I believe it was Aristotle that said that all wealth derives from the land. In a virtual world, I would say all real wealth derives from the land. If that wealth is something that can be taken away from the landowner, then it isn't his. If it can be taken away by taxation, by nonpayment

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of taxation, essentially that land belongs to the state, not to the individual. We need to look at this as a moral question. We need to look at the fact that my great grandfather, when he came here-- the land north of-- actually north of Farwell, Nebraska. And there was no property tax on the land at that time. That property tax was placed essentially without any recompense. It's just something that has been assessed on the land since property taxes began. That violates our secular religion of constitutional government. That is, it violates the Fifth Amendment. It takes away without redress. And that is the moral question that I want to pose to this and one that should be on the consciences of everyone who sits and debates this issue. Thank you very much. Any questions?

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

PATTI BARNT: Hello. My name is Patti Barent. I live in Mullen. P-a-t-t-i B-a-r-n-t. I'm just going to tell you of my personal experience with the property taxes here in the state. I was a third-generation Sandhill rancher. My grandfather homesteaded our-- north of Paxton in the early 1900s. He died during the Dust Bowl years. At that time, my father had dropped out of school at 14, herded turkeys on horseback, and broke horses. And my grandmother taught in a one-room county schoolhouse. And they managed to keep the homestead. And over the years, my father bought more property and acquired enough to run cattle. And he always complained he was paying more taxes than what he had purchased the property for to begin with. When my father died in 1994, thank God he had the property set up in a trust so I didn't have to pay all the inheritance taxes and-- I would have had to sell the ranch at that time. And I know personally people who have had to sell their properties and their family ranches to pay the inheritance tax. Taxing a person's legacy left to their family is downright shameful. Sorry. In 2011, I had to make the difficult decision to sell the ranch, one that's-- have been in my family for almost 100 years. The major deciding factor was that increase in property taxes. I was paying almost as much for property taxes as I was for hay and feed. People from out of state bought my ranch and our neighbor's ranch. They run cattle in the summer then ship them to Kansas. Thank you. Three houses left empty and abandoned. How does that benefit the local community? Three households who are paying utilities, buying groceries, and household goods, buying feed,

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supplies, using local veterinarians and men-- mechanics. I moved to Alabama too because of their lower income. I am here to represent all the family-owned ag operations who have been taxed off of our land, who had to find a new way to live, a new place to live, sell our livestock, and leave the only lifestyle we have ever known and wanted. Selling my ranch was the hardest thing I've ever had to do. And I am just here to say that the tax system now has created a vicious cycle. The productivity of the land doesn't change. So why do our taxes have to keep going up? And if, if we don't do something now, there isn't going to be future farmers and ranchers in this community. And the, the family farmers and ranchers are the ones who conserve soil and water and food security instead of all these foreign entities and outside corporations coming in and buying our property. So please move this to the floor and let-- and be debated and get this on the ballot in November so others don't have to go through what I have. Thank you for your time.

LINEHAN: Thank you for being here. Appreciate it very much. Were there any questions? No. Thank you.

LINDA VERMOOTEN: Morning, Senators and--

LINEHAN: Good morning.

LINDA VERMOOTEN: --Chairman Linehan. My name is Linda Vermooten, L-i-n-d-a V-e-r-m-o-o-t-e-n. I want to begin by asking the question: what is our state motto? The land of the good life, is it not? Then why is it becoming a nightmare? We've heard testimony after testimony after testimony today. And the good senator in the back who has been carrying around a pile of the tax laws for us to see, how does the average citizen even understand that? I came to America, and one of the reasons I came was for freedom, for opportunity, and because I had read the Constitution that said this is for we, the people, by the people. This is for freedom. This is for opportunity. I moved to Nebraska from Missouri. I had three times the amount of land and paid 1/3 of the taxes I'm paying now. I've been sitting in the room a while, looking around the room, observing the color of hair. Most of it is gray, which means majority that are speaking are headed towards a restricted income, not a growing income. And yet as they look into their retirement, they're having to make a tough decision. Do I stay in the state that I love? Do I stay in the land I love-- as the rancher just shared before me? Or do I sell in order to have a living

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and be able to live into the senior years? The math is simple. If you have less people, you have less income as a state. At the moment, we have a senior drain that is going on in our state. We have seniors that are leaving and, and locking their doors. And the number one thing that I am hearing is, can you do anything, Linda, about the property tax? And I said, the only thing I can do is I can talk to the senators. I can testify and say a commonsense option that we have before us with EPIC is to say we're going back and we are scaling back. Because I believe if we impose this EPIC, at least let it get to the floor for debate because more people will come. People are leaving Nebraska not because they want to, but they see what's happening in South Dakota. I don't have to pay property tax there. I can afford to live there, and I can live well on my limited income. Not that I want to go. All the family's here. I want to stay here. But I'm forced out. I don't think that that's any of your desire. I know that's not. That's not why you're serving. But that's the reality of what's happening. The house I am in now I bought ten years ago. It's more than almost tripled in value. And nothing has happened to that house. It was brand-new when I moved in. How did the value just jump triple in ten years?

LINEHAN: Thank you.

LINDA VERMOOTEN: Thank you for your time.

LINEHAN: Are there questions from the committee? Seeing none. Thank you very much for being here. Appreciate it. Before you start here, do we have opponents that have come? OK.

WILLIAM SWENSON: My name is William Swenson, W-i-l-l-i-a-m S-w-e-n-s-o-n. 50 years ago, my father paid off his mortgage. And I was talking to him a little about it and congratulating him. He said, no big deal. My property taxes are more than my mortgage payments were-- ever were. I feel property tax is unfair and unconscionable-- unconstitutional tax. Our forefathers came to this country to be free. And we, as we've heard many times this morning, we really don't own our property. We're just paying taxes and rent on it. With EPIC option, you can choose to pay the tax when you make a purchase, such as a new car, or when you have someone provide a service, such as tax preparate-- preparation. So you have an economic choice to make. With property tax, the county can take away the property from me for no payment. And that was the bigge-- biggest issue that, that made me

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become a proponent of EPIC option. On the EPIC option website, there is a calculator. And I did an estimate of my taxes, and my taxes would go down to about a-- my total tax bill, not just property tax-- total tax bill would be about 1/3 of what I'm currently paying by that calculation on their website. Some opponents have said that the-- there's a 22% rate is what should be the rate. As Ron [SIC] Rohrbough said, it-- he's estimating 7-- 7.5%. I'd be willing to pay that 22% rate if I had the knowledge that that property could not be taken away from me because that-- it, it'd be the same-- basically the same rate I'm paying now. I have two children that live in Tennessee. They own property comparable to my own. And they pay in one year what I pay in a month in property taxes. Cass County GOP is to-- I-- best of my knowledge, is unanimous-- unanimously supports the EPIC option. And we have a roster of approximately 96 people. Senator Clements-- I love that man-- is, is in favor of the EPIC option. I appreciate the Governor's plan to lower taxes. I think that's a step in the right direction. I'd like to see Nebraska make a leap in the right direction and consider having the EPIC option as our tax system. Thank you for this opportunity to speak this-- to you this morning.

LINEHAN: Thank you for being here. Thanks. Are there any questions from the committee? Thank you very much for being here. Appreciate it. Good morning.

CARL ELTING: Good morning. My name is Carl Elting, C-a-r-l E-l-t-i-n-g. I come from a farming community in southern Nebraska, by Edgar. I just wanted to speak on the regressive nature of property taxes. Take a home, for example. You have a house. The homeowner has the house paid off. He gets taxed on the assessed value. It's about 1% of his wealth that is taxed. So he has a 1% tax that he pays. Take someone else, for example: a, a family trying to get started out, and they want to become a homeowner. They, they put 10% down on their house. Now they have 10% equity-- equity in their home. They still have to pay that 1% of the assessed value. Well, that's not a 1% tax on their wealth. That's a 10% tax on their wealth. So someone who's established, someone who has their wealth established, it's a 1% tax. To someone trying to build equity in a home, property taxes, they have to pay ten times to try to build up to that level. Someone in, in the, in the EPIC tax system, the consumption tax system, once they've-- they've already established that level. They're paying their, their 1% on their wealth and the property tax-- however it is-- they ha-- they're established. They have their wealth. They can go buy a steak

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dinner. They can pay their consumption tax on that. They can go buy their new car. They can pay their consumption tax on that. The, the individual on the other hand, the, the family that's trying to start out, trying to put down that down payment, trying to build equity in that home, they can go ahead and, and avoid paying taxes. They can, they can drive a used car. They can go get clothes from Goodwill. They can go buy their groceries and take them home. They don't have to pay taxes on those things. That gets the burden of the taxes off the people that are trying to build their equity and get started. And that's just what I wanted to mention, was the regressive nature of that for you today.

LINEHAN: Thank you. No-- thank you. Are there any questions from the committee? I do-- no, wait. I have a question. Because you're bringing up a point that no one else has brought up, and I think it's significant. So if I buy any property, whether it be a ranch, a farm, a house, a warehouse and I owe 80% to the-- whoever I borrowed money from, I still-- I-- we're not taxing wealth, are we?

CARL ELTING: Well, we're taxing on the assessed value.

LINEHAN: We're taxing-- yes.

CARL ELTING: And so, so their equity, even though the equity is less, for someone who's trying to buy a farm, a house, something like that, they're taxed at a far higher rate. If they've only got 50% equity in their farm, they're being charged double by rate what the, what the person [INAUDIBLE]. So it's very antigrowth. It's hard to grow. Especially if you're small. If you've got one quarter, you're trying to add the second one, you're-- if you have one home and you want to add a rental. If you have ten rental houses, to add one more not such a big deal. It's easy for the wealthy to deal with the property tax. Now, for somebody to become wealthy, it's [INAUDIBLE].

LINEHAN: Thank you. Thank you for being here. Next proponent.

DON WICKHAM: Don Wickham. Falls City, Nebraska. Two miles from the Kansas line, seven miles from the Missouri line. I have a little bit of different aspect of looking at things. [INAUDIBLE]--

LINEHAN: I'm sorry. Where, where from?

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DON WICKHAM: Falls City.

LINEHAN: Falls City.

DON WICKHAM: I'm sorry. I'm getting used to dentures. They're only four days old. Traveled 4,500 miles pushing this EPIC option thing. And I've talked to literally hundreds of people that have been-- told me they moved from Nebraska to Missouri to Kansas to Tennessee to wherever to get away from the tax burden-- taxes in Nebraska. The only way we're going to get back to where we have-- are sustainable is to bring people back into Nebraska. I work in Kansas for a multimillion dollar company. We build stuff for Tesla. We build stuff for SpaceX. We build stuff for-- anything-- if you've eaten today or drinking any pop, you've probably had something that went through a filler that I've made. The-- talking to the executives of different companies-- of the large companies from around the United States, I, I brought up this op-- EPIC option as they walked through my-- checking over [INAUDIBLE] another project is built. And I've shown them the EPIC option idea. I said, what would you think about this if you was-- if you'd build a new factory? Well, if that was in place, we wouldn't be going to Texas. We wouldn't be going to Tennessee. We would be doing, doing this. One of our jobs right now is building a \$65 million job for Tesla in Texas. And another one is a Panasonic job, \$100 and-- our job-- our part of it's a \$120 million job going to Kansas City, Kansas. They're building that \$850 million battery plant down there. \$1,500-- 1,500 jobs coming in. If we could have had that here in Nebraska-- if we'd had this in, in place, it'd have been a very lucrative idea to pull them into Nebraska. I was looking this morning as I came in-- as I walked in the door. And I took a picture of it just to-- just so I could remember here. On top of the steps, it says: the salvation of the state is [INAUDIBLE] the citizen. I think we have a pretty good crew here. You can see that our citizens are concerned about this deal. We need to get this pushed on through.

LINEHAN: Thank you.

DON WICKHAM: Yeah.

LINEHAN: Thank you very much. Can you spell your name?

DON WICKHAM: I go by DJ. W-- Wickham, W-i-c-k-h-a-m.

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LINEHAN: OK. That's good. Thank you. DJ. Next proponent. Don't start the clock yet because I see there's some people here-- if you're not going to testify but you have a-- you have a position, there are yellow sheets at the back of the room that you can sign. And-- so-- and it will be part of the record, so. I just don't want anybody here that's-- has a position to leave if you have not signed the sheets. Thank you.

DAVID WRIGHT: Thank you. Thank you, Madam Chairman, memb-- boards of-- members of the committee. My name is David Wright, D-a-v-i-d W-r-i-g-h-t. And I ranch up at Ewing, Nebraska, fourth-generation rancher. I have a son. He's the fifth. And he's blessed us with three grandsons, which I hope makes six. In 2003, my wife and I bought the Neligh newspaper, the Creighton newspaper, and the Ewing and Clearwater newspaper, and we owned that from 2003-2019. So I've been on both sides of rural and urban mainstreet. I also served on the Neligh Chamber of Commerce and I served on the Neligh School Board-- Neligh-Oakdale School Board as president for four years. So now we're going to have a discussion. I'm not going to quite talk about the things that these people talked about today. I handed-- I gave you a handout that shows maps of Nebraska. And what I want to talk to you about is Reynolds v. Sims. One man, one vote. 1964. What happened in that case, the Supreme Court, it got rid of all of the senates in all of the states. They all became led-- they all became based on population. They're no longer based on an area or, or, or a, an area. And what's interesting is-- it was a Warren Court. And Justice Warren says legislators represent people, not trees or acres. That's true, but trees and acres are assets. And the one judge who-- there was only one who was in dissent. His name was Harlan. And he said-- and I'm paraphrasing. You're going to have to read his whole dissertation. He says, you will destroy rural Mar-- rural America. He said, you're misunderstanding the Fourteenth Amendment. And every person has a right to vote. And if you don't like the district you live in, then move instead of getting rid of the districts. That was the dissent. So like I said-- all right. So if you look at these maps, you see-- 1942, you will see that Lancaster County had three representatives and Douglas County had seven. We had a senate. These were all senates back then. In '19-- oh, come on. Turn that yellow light off, please. In 1945-- or, 19-- 1958, it's the same. It's exactly the same because '64 hasn't happened yet. In 1968, look how it's changed. All of a sudden, Douglas and Sarpy County have got 18 votes, 18 seats. Lancaster's got

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six. And now look at today, the last map. Douglas and Sarpy have 19 seats. Lancaster has eight. That's 27. You guys got enough to write a law. If you get 30, you can override the Governor's vote. If you get 33, you got-- what do you got? Be able-- the ability to stop the Legislature. Now, here's the point: if we're going to have a one man, one vote system-- which is what we got-- we know as soon as you got majority, they'll, they'll pass the burden down to the minority. But if it's one man, one vote, the only way it's going to work is you got to have one man, one tax. And that's why I support EPIC. Because it's one tax. Like Ms. French said a little bit ago, she's-- kind of stole my thunder.

LINEHAN: OK. You get to, like, wrap up but--

DAVID WRIGHT: OK. So anyway, any questions?

LINEHAN: Are there any questions from the committee? This is-- I'm-- thank you for doing this. It is an issue. It is an issue.

DAVID WRIGHT: The reason I brought up the Chamber of Commerce is because the Chamber controls those three counties. And they do not want to have-- I've been on the Chamber. They want to get rid of income taxes and they want to get rid of sales tax. They want to put the load on property taxes. And we are going to lose.

LINEHAN: Thank you for being here.

DAVID WRIGHT: You're welcome.

LINEHAN: Next proponent. Are we out of proponents? Good morning.

JIM DINKLAGE: Good morning, Jim Dinklage, J-i-m D-i-n-k-l-a-g-e. I'm here to testify again in support of constitutional amendment LR4CA, LR5CA, and LB16. The present Nebraska property tax laws are leading to the destruction of Nebraska's greatest industry: agriculture family farms. Ever increasing taxes led to the sale of the first Dinklage homestead in America, established by a German immigrant, my great grandfather: John Dinklage. His grandson, my dad-- along with my mother-- ended up selling the homestead because they could not afford the increased land taxes, health care cost, and debt of interest rates. My great uncle Fritz [PHONETIC], twin brother to great grandpa John, came to America and also settled in Nebraska with his brother's help. One of his sons, Louis Dinklage, left a legacy of being one of

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the largest feeders in America, owning feedlots, partnering on millions of cattle. Upon his death, the Louis and Abby Faye Dinklage Foundation was established where money [INAUDIBLE] was to be used by the communities in Cuming County. That foundation today is also selling alle-- assets because high taxes. Today, my wife of 50 years and I live and work on a ranch in southwest Knox County. I'm 76 years old and in good health to run the ranch. I take in cattle for the summer. 17% of the income generated by the ranch goes to pay land property taxes. Those taxes do not include what we pay on personal property and vehicle taxes. In comparison, we have land in Iowa we rent out. Taxes on that land are only 9% the-- of the income it generates for us. And those taxes are going down. Iowa's going to eliminate property taxes. I received my latest land valuations for taxing purposes. The average valuation increased is 20% higher. I talked to our county assessor to find out why. Annoying to me, Knox County had 13 grassland parcels sell for the average of \$3,700 an acre. This price is unrealistic if you understand how much land it takes to run a cow. Even if the county level stays the same, my tax is going to increase 20% because someone buys land for other uses besides livestock. Is this fair to landowners who make their living from agriculture? In closing, if you've read the amendments, I hope you understand their intent. It gives equity to the citiz-- taxpayers of Nebraska. Please approve them and let the voting citizens of Nebraska decide their fate by ballot. Thank you.

LINEHAN: Thank you very much for being here. Are there questions from the committee? Senator von Gillern.

von GILLERN: Yeah. Thank you for being here today. The pieces that sold, do you know what function they were using that land for-- did you say \$3,700 an acre?

JIM DINKLAGE: On the statement that she sent me, it's [INAUDIBLE] grassland. But one of those-- and I tried to do some investigating before my pink slip run up, but I never had time to get it done. But my neighbor came to me. We have a piece of property that is two miles to the north of me that burned out two years ago. There's nothing left, but-- the grass is coming back some, but it's burned out cedar trees. They give \$2,200 an acre for that ground. And they come from Omaha. Those gentlemen went to my neighbor and offered him \$6,000 an acre for his ground just south of that.

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VON GILLERN: So likely recreational use.

JIM DINKLAGE: You assume that because when you figure \$3,700 an acre and you take that times nine, what it takes to run a cow, that's \$3,300-- \$33,000 to take care of that cow a year.

VON GILLERN: OK. Thank you.

JIM DINKLAGE: Absolutely ridiculous. But there's-- it's a free country, but I don't like the effect it's doing on me.

LINEHAN: Thank you for being here. Are there other questions?

JIM DINKLAGE: Thank you very much.

LINEHAN: Thank you very much. Good afternoon-- or, not quite.

MARK BONKIEWICZ: It's not afternoon yet. It's close, though.

LINEHAN: It's close.

MARK BONKIEWICZ: Good morning, Revenue Committee Senators. My name is Mark Bonkiewicz, M-a-r-k B-o-n-k-i-e-w-i-c-z. I live in District 12 at 1129 Z Street in Omaha. I'm here in 100% support of all three of these EPIC items. The booklet you're about to receive is the document we distributed at over 100 EPIC town hall meetings that were held in the past 18 months in all areas of Nebraska. So we're going to just talk about five quick things on the very front page here. We're going to talk about slides four through nine. Slide number four is a photo of a home in western Douglas County. Their property tax increase went up 23% in one year. And it was only a three-year-old home. Slide five is from Chadron, Nebraska. It's one of the oldest homes in all of the state. In one year, their valuation went up 78% on a 125-year-old home. Slide six is south Lincoln and Hickman, 38% increase on a home that's 20 years old. Slide seven, 148% increase on a commercial building in Plainview, Nebraska west of Norfolk. And you talk to him and he says, Mark, we didn't put a new roof on. There isn't a single new brick. We didn't pave the parking lot. We didn't add any equipment on the inside. I got hit with a 148% increase. That's proof that the-- our system is broken. Even-- and these were all 2023 tax valuation increases, and most of them had no mill levy decreases. So that's how much their taxes went up. I live in Millard. We have-- in three consecutive years, my neighbors and I have had a 21%, 24%, and 20%

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increase in our valuation with no decrease in the mill levy. You compound that, that's an 80% increase in taxes in-- throughout the last three years. OK? So one final thought I want to leave with you, and that is: if you don't eliminate property taxes in this state, we're going to have a lot of small towns that are going to become ghost towns. Why is that? Because 50% of the farmers and ranchers in Nebraska are 60 years of age and older. That means they're going to be retiring in the next 10 to 15 years. The property taxes are eating all the net profits of what they used to raise their families on for all these years. So in good conscience, they cannot ask their sons or daughters, adults to come back and buy the ranch or the farm from them. If they can't sell the property to their next of kin, you got a-- massive amount of property in the state of Nebraska is going to go up for public auction so the mega-rich like Bill Gates, Ted Turner, Mormon Church, and the Chinese Communist Party's going to come in and buy it. And when they buy that land, they don't buy their inputs for seed, fertilizer, equipment, and fuel from a local business. They buy it on a national contract. That means that ag-- current agribusinesses like Norder's, Trotter's, Titan, Acres, Platte Valley, Century Equipment will close and those families will lo-- move. You will have no need for small public schools. Thank you.

LINEHAN: Thank you. Are there any questions from the committee? Seeing none. Thank you very much. Good morning.

BRENDA BICKFORD: Hey. Senator Linehan and the committee, I'd like to thank you for giving me this opportunity. And if I'm shaking, it's because I'm freezing. Obviously, as you know, I have spoke here-- oh, my name is Brenda Bickford, B-r-e-n-d-a B-i-c-k-f-o-r-d. I have spoken here before in favor of EPIC option. And during that time, I gave you lots of statistics and facts where I had been fighting with the assessor's office and all of the horror stories that I've gone through. And during that time, one of the papers that I gave you was a letter from the head assessor off-- assessor from Lancaster County, where they told me that they could not tell me-- they could not provide me with any facts or figures and they could not tell me why my valuation was assessed where it was. But in that same letter, they did offer to research it for me at \$60 an hour. And I will tell you-- what I said then I'm going to say now, when you have to research what you've just done, it means you have no idea what you're doing. But I'm not going to go at it at that point this time. I'm coming at it from a different angle. I am a volunteer for EPIC option, and I'm very proud

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of that. During that time, I have spoken with many Nebraskans through-- all through Nebraska. And I can tell you: Nebraskans, including myself, we are tired of the smoke and mirrors that we hear from our elected officials. We hear taxes have been cut, yet we seem to be paying more and more taxes. About two years ago, almost every time I turned on the TV I saw a commercial where they were bragging how they had had the highest tax cut in the history of Nebraska. Yet we seem to be paying more and more taxes. We do not want words. We want action. What does action mean to the hardworking Americans, those that elected you, those that you work for, and those that you promised to represent? Action means they do not have to pay more taxes. They do not want to lose their homes. Those sitting before me took an honor to uphold the Nebraska State Constitution. The next line is from that constitution: All persons are by nature free and independent, and have certain inherent and inalienable rights; among those are the life, liberty, and pursuit of happiness. The definition of liberty is the condition of being free from oppressive restriction or control by the government or other power. Our current Nebraska tax system, specifically property tax, takes away our liberty and does not hold the values of the Nebraska State Constitution that those sitting before me agreed to honor. I ask that you vote all three EPIC options bills out of committee to start the process of giving Nebraskans back their liberty.

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

PAMELA SWENSON: Good morning. My name is Pamela Swenson, P-a-m-e-l-a S-w-e-n-s-o-n. My husband spoke to you earlier today, and he talked to you about two of our children that live in Tennessee and pay less taxes in a month than we do here. I wanted to give you some additional information on that. Our daughter went to UNL on a Regents Scholarship. Then she went on to the University of Texas and taught undergrads there. She has no school loans. She never had a school loan. She got her PhD. After getting her PhD in phylogenetics-- which is biology, chemistry, and computer science-- she went on to do a postdoc at Emory University in Georgia. When she finished that, the math department chair at the University of Nebraska asked her to interview and come back to Nebraska and teach at UNL. Instead, looking at all the options that were available in Nebraska-- taxes, other things that were available-- she chose to go to the University of Knoxville, and that's where she is living now. And unfortunately, our

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grandchildren are being raised in Tennessee. So there is a brain drain that this tax is causing, that property taxes are costing the other taxes. So I would look at-- ask you to consider EPIC to possibly bring some of that brain drain back in and let some of our grandchildren come back and live in Nebraska with us. Thank you.

LINEHAN: Thank you. Thank you very much. Are there any questions from the-- so she went to UNL on a Regents Scholarship?

PAMELA SWENSON: Yes, she did.

LINEHAN: Congratulations. That's-- great job, Mom. And Dad. Next proponent. Don't be shy.

STEVE JESSEN: Is it morning still?

LINEHAN: Well, it's afternoon. But that's OK. So good afternoon.

STEVE JESSEN: OK. Good afternoon. This-- my name's Steve Jessen, S-t-e-v-e J-e-s-s-e-n. And I am also a volunteer for the EPIC option. I'm retired, and this is what I am doing now full time, believe it or not. All right. That being said, I just want to share a couple of things-- some of the things that are motivating me to do this on my own. As you know, I'm a volunteer. So I got a sister that-- she's 64 years old. She's worked in our agency when I was an, an agent and sold our agency. She worked for us for all these years. And the pay-- well, you know, we paid well, but. She bought a home. And basically, what's happened to her is is that her income-- she got a low-- some kind of a low subsidy income for her first home. She's single, single mother. And basically, what happened is is that-- I, I, I can't tell you exactly the number that she paid for her home. But through the process of her homeownership, what's happened is is that she had a loan and every, you know, so many years, the property tax has continued to escalate to the point to where she can't make the payment no more. So what does she do? She has to go back, refinance her home, and try to get the payment back down to where she can afford the payment. Otherwise, she goes without. And my-- I'm finding out my sister's going out with-- without all kinds of things now, food, everything, just because her property taxes are reaching-- she actually owes just about as much as she paid for the home currently. So she's been paying for 15, 20 years on her home and still is not making no headway because every time the property tax goes up, it taxes her out of her

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affordable income. And so my point I'm making is is that she'll never make it. She'll never make it. Once she retires, she can't do it. And it's a concern for me. And-- so the last thing I'll say is, real quick, I, I got a 29% increase on my property in-- Norfolk, Nebraska is where I'm from. I went and contested my property tax. Walk in, I get a-- my note says to me that it's-- the burden of proof is on me. I have to walk in there and tell them why my property ain't worth that much. That's only way-- that's the only recourse I have. How is that fair? Who would want to do that? I walk in and say, I don't know how you can justify this. They don't. They don't have to justify anything. How is that fair to a taxpayer? We have no recourse. Thank you.

LINEHAN: Thank you. Are there questions from the committee? Seeing none. Thank you very much. Next. Are we out of testifiers?

DUNGAN: He's over here.

LINEHAN: OK. How many more do we have? Just, I-- it's fine. You-- we can-- I don't care how my hands go up, but how many more? Just so we have-- OK. Thank you.

EARL VISSER: Good day.

LINEHAN: Hi.

EARL VISSER: I'm addressing the senators here as a very important part of my discussion. I'm Earl Visser, Lincoln, Nebraska, resident for 50 years.

LINEHAN: Spell it.

EARL VISSER: I have a passout that I would call your attention to because I'll be reading it, giving one or two items there that I know you want to check on. First of all, the opportunity to be here today is appreciated. And this comes after a May 2023 appearance in this Legislature where 17 of your associates declined to vote on this subject when 17 of the 49 senators were in person but not voting. I give this as a challenge to you folks to have your participants be as well-educated as you are on this subject. That will lead me then to go to the point in the second paragraph after I've been testifying. Does anyone here know Floyd Zabel, an Oak County farmer that was very active in politics here up until about three years ago? Anyway, he introduced me to this concept, so I've been thinking about it since

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2012. But in that second paragraph, we're talking about three examples. One is Roca, Nebraska, second-generation resident-- was very seriously [INAUDIBLE] to move into Missouri. When-- as I was talking about this in the last 10, 12 years. My-- note northeastern Lincoln 20-year-old apartment building is occupied by employed young, middle-aged, and retired people. We have a cross-section up there. And their increase and their personal decision to make this-- because they're going to have to vote on this-- would be an increase of 50% of the present taxes they're now paying through me. I'm your agent collecting those out there. But would that be an increase for their decision to make? We're asking for the chance to be personally involved with the income. We know we're losing it by withholding tax right now to the federal government. Why does the state want to be part of that type of thing? Now, this C item is directly relating to what I realized happened when we received the gift on December 15, 2021, when the law was changed to rebate a percentage of the property tax. Let's talk about laundering my personal cash flow.

LINEHAN: OK. You're going to have to-- your red light's on. Go ahead, but--

EARL VISSER: That--

LINEHAN: --I'm just giving you a warning.

EARL VISSER: You have it in front of you. I thank you for your acceptance of this as a personal responsibility of this committee. Thank you very much.

LINEHAN: I need you to spell your name.

EARL VISSER: V-i-s-s-e-r.

LINEHAN: And the first name is Earl.

EARL VISSER: Earl.

LINEHAN: E-a-r-l?

EARL VISSER: Mm-hmm.

LINEHAN: OK. Thank you very much for being here, Mr. Visser. Next proponent. Hi.

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LAURANA FRANCAVILLA: I almost didn't decide to do this because I don't want to have to spell my name, but here we go. I'm Laurana Francavilla, L-a-u-r-a-n-a F-r-a-n-c-a-v-i-l-l-a. Had I known I'd have to do this, I probably wouldn't have married my husband.

LINEHAN: But you've had practice. I can tell.

LAURANA FRANCAVILLA: I am going to be brief. I really wasn't planning on speaking, but I feel like I have to make a statement on behalf of senior citizens. I'm 71 years old. I'm a retired attorney. And I'm also the president of the board of the Norfolk Senior Center. I would say-- it's one of the largest senior centers in the state. I would say that our average individual that comes is a widow in the 80 range, probably 85. We have some that are 95. We have a, a lot of older widows. It brings-- our center brings so much joy to them, and it brings a lot of joy to me too. But I talk to these people because I play cards with them all the times. I, I do things with them. And I, I've fallen in love with all of them. But I see the struggles that they are having because of their property taxes going up. Believe it or not, the people that come to the center are still independent. They own their own homes. They pay taxes, property taxes. They still cook. They still drive-- even our 95-year-old. And I, I hear their stories about, I can't pay my property taxes anymore. What am I going to do? I can't pay, pay the insurance bill on my home because when your-- the value of your house goes up, your insurance rates go up. And, and I, I'm in the same boat. We commiserate with each other, but I, I get so frustrated because there's nothing I can do to help them other than to come and, and speak to people like you, which we appreciate your service so much, by the way. You've got a really tough job. And I'm glad it's not me. I just want to encourage you to, to vote to send this to, to a discussion at the Legislature. Thank you.

LINEHAN: Thank you very much. You-- just a second. You said you were a retired attorney.

LAURANA FRANCAVILLA: That's correct.

LINEHAN: That's good. [INAUDIBLE] a lot of attorneys in law school, law school when you were in law school. Were there a lot of me-- women?

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LAURANA FRANCAVILLA: I was in probably the first class. I was class of '77 of UNL. And we had-- about 20% of the, of the class was women. And that was a huge leap at the time. And now I believe it's, it's over 50%.

LINEHAN: OK. So we're at 50% [INAUDIBLE].

LAURANA FRANCAVILLA: So I'm, I'm used to glass ceilings. I, I bumped against it my whole life.

LINEHAN: Any other questions from the committee? Seeing none. Thank you very much for being here. Appreciate it. Are there any other proponents? Are there any opponents? Senator Erdman. Oh. [INAUDIBLE] embarrassing myself again. We have to read a letter for, for ADA. You can sit down. I'm just telling you what--

von GILLERN: This is going to take a minute.

LINEHAN: Yeah.

ERDMAN: I'm about the same [INAUDIBLE].

von GILLERN: ADA written testimony from Korby Gilbertson as an opponent, representing the Nebraska Realtors Association, Associated General Contractors, Nebraska Chapter, American Council of Engineering Companies of Nebraska, American Institute of Architects, American Property Casualty Insurance Association. To save the committee from having to read my testimony for all three EPIC proposals, I hope you'll accept and record this testimony as opposition to LB16, LR4CA, and LR5CA for the attached list of opponents. EPIC proponents claim that their bold proposition is needed to fix our broken tax system and that it will give Nebraskans the ability to decide how much tax they want to pay. They claim that there will be exemptions for business-to-business transactions and a 7.5% tax rate-- a rate which has been disproved by other economic studies, including the one done by the Tax Foundation that estimated a rate over 20%. The adoption of the EPIC plan would amend our state constitution in two ways. First, it would eliminate our current tax system, including all property, income, and inheritance taxes so that no government entity in the state would be able to impose taxes other than the retail consumption or excise taxes. The second proposal states that the state of Nebraska shall impose a retail consumption tax or an excise tax on all new goods and services and the Legislature may authorize political

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subdivisions to do the same. There should be no exemption from such taxes except for grocery items purchased for off-premises consumption. The constitutional language does not say that only goods and services sold at retail will be taxed. It says that either a retail consumption tax or excise tax shall be imposed. There is no business-to-business exemption. Ranchers, farmers, medical facilities, small businesses, and large corporations will be taxed on purchases of new goods and services. This includes equipment, new buildings, repairs, and operational services. All Nebraskans will pay tax on health care, assisted living, and long-term care expenses, daycare, rent, mortgage services, home repair services, tuition, books, housing, even food students eat at their dorm. But they'll-- that's not all. As our current system goes away, so do the, the tax exemptions for churches, hospitals, other nonprofits, schools, cities, counties, community colleges, and NRDs. Furthermore, Nebraskans take pride in protecting local control. Folks in Lincoln shouldn't dictate local ordinances, regulations, or the budget process for Cherry County or the city of McCook. The state wields its power to enact laws under the Nebraska Constitution and grants certain powers to local political-- political subdivisions to do the same. EPIC poses a threat to the successful and time-honored system, as all tax revenues would go to Lincoln and all the final budget decisions for governmental entities would be made by the Legislature. As legislators, ask yourselves how the Legislature would logistically accomplish this task. Under the EPIC plan, each political subdivision would have to hope that there is enough revenue and that the Legislature will honor their request when compared to hundreds of other political subdivision requests. Hope isn't a viable management practice in our local governments, and Nebraska residents deserve more. For these reasons, we ask that the committee reject the EPIC proposals just as Nebraskans did over the past year.

LINEHAN: I'm just going to mention this while I'm thinking about it. We need to talk if there's a rule about how long-- or if we turn the light on or-- yeah, if it goes over three minutes. Letters for the record: you had 62 proponents, 8 opponents.

ERDMAN: Thank you. Reading that letter is peculiar to me. I don't ever remember someone being able to read a testimony in Nebraska.

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LINEHAN: It, it's a new rule. If you are unable, because of a disability, to be here, you can send in a letter.

ERDMAN: That guy's not a disabled person.

LINEHAN: Well.

ERDMAN: He's a lobbyist.

AMBER PARKER: Yeah. A lobbyist.

LINEHAN: I-- OK, guys. We got the rules. We got the rules. I, I think I'd focus on the fact that how many opponents were actually bothered to come today.

ERDMAN: Say that again.

LINEHAN: How many opponents actually were here today. This hearing was about people.

ERDMAN: Correct.

LINEHAN: I don't recall how many opponents we had, but-- one? Yeah. She is. Yeah, I know. OK. [INAUDIBLE]. You, you had a good hearing, sir. You had a very good hearing.

ERDMAN: I understand that.

LINEHAN: Yes, you did.

ERDMAN: I agree. So anyway, let me just-- let me wrap up with this. You've been here a long time. I appreciate that so much. And I appreciate the questions that were asked and the attentiveness and-- irregardless of the gentleman thinking you weren't paying attention, I didn't, I didn't think that, but. Anyway, that's my opinion. But--

von GILLERN: Thank you.

ERDMAN: I want to talk about Mr. Bell for a minute from the insurance company, from the insurance lobby. I have met with Mr. Bell three, four times. I had asked Mr. Bell to tell me how much property tax, how much income tax, how much corporate income tax their insurance companies pay and what the difference would be. He will never tell me. The other issue is he talks about his premium tax. It's 1%. That

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premium tax is in statute. We can change that premium tax any time the Legislature decides to do that. Mr. Bell told me that the only way that the insurance lobby would be a-- in, in favor of a consumption tax, if we put the 1% premium tax in the constitution. Now, currently, they do not have the protection of having their premium tax in the constitution. So I tried to work with Mr. Bell the best I knew how. Absolutely not a chance. OK? That's Mr. Bell. Ms. Firestone comes in and talks about it being 20%. And I want-- I made a quote-- I took a quote from what Ernie Goss had shared in his, in his presentation in the Warner Chamber. I think Senator von Gillern and Senator Linehan were there. And this is a conclusion from what Ernie Cham-- what Senator Goss said-- or, or--

LINEHAN: Doctor.

ERDMAN: --President Goss said. He said-- the economist. He said, OK. What the detractors don't under-- don't understand-- the distractors-- is their, their situation-- or, their argument is flawed. They imagine that the economy is a zero-sum game. All the money there is, all the jobs there are, all the businesses that exist, and all the growth that is fixed in the pattern that cannot be changed. It's all stagnant, right? They're totally wrong. What is true is the economic advantage is that Mr. Firestone chose not to recognize, as well as the sales tax exemptions that go away. Just yesterday, this committee heard a hearing on LB1 that is going to remove numerous sales tax exemptions well in excess of \$100 million. Their study chose not to recognize any of those. We currently collect sales tax on about \$50 billion. And her study showed \$52 billion. So they gave us the grace to go \$2 billion more. So have her to sit here and say it's 22% is totally-- I will say it like it is-- it's a lie. OK? And they've been fabricating that for a long time. But they have gotten the attention of people like Pete Ricketts and others with money that are opposed to the consumption tax. The reason they're opposed is because it takes away their authority to pick the winners. Chamber of Commerce and all those are the same way. So when Art Laffer was in our office a couple years ago, he said to the-- he said this-- because we had a chance to Ar-- Ar-- ask Art Laffer, how do we do this? And most of the suggestions in LR16 came from Laffer. That was the start of our conversation. And he said those states that don't have income tax do better when times are good and they do far better when times are bad. Stephen Moore and Art Laffer have been traveling this-- the United States wanting to eliminate income tax. In their opinion, income tax is aggressive--

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just as aggressive as property tax. But the reason you don't have people sitting here saying that is they don't know how much they pay. A gentleman told me one day, he said, I don't pay income tax. I got \$1,000 back. Oh. I thought that was unusual. So I ask him. I said, when you get a chance-- you got a W-2 form, right? I did. I said, OK. When you get that, go look at it and then report back to me how much you think you paid. Guess what? He said, oh, I guess I've paid in \$5,000 and they gave me \$1,000 back. That's the difference between property tax and income tax. They don't know how much they pay. And so why do people move to Tennessee? Why does that gentleman live in Missouri? Why do people move to South Dakota? It's because our tax system is regressive. So the difference between an income-- excuse me-- a sales tax and consumption tax is this-- and it's important to remember this-- the consumption tax is collected once on a new item or a service for personal use. A sales tax is collected every time something sells. So to say this is regressive for low-income people is a lie. Because currently, under our current system, if a low-income person buys a used item, do they pay sales tax? Sure. They do. Everything is taxed. Under our system, they don't pay any consumption tax on a used item. And so for that lobbyist to say that it's unconstitutional, it's very similar to when the Supreme C-- when the Attorney General says a law is unconstitutional. It's his opinion. That's the same as that lobbyist's opinion. That's exactly what it is. So going forward, I would offer this. I need your help. I need your help to advance these to the floor. And then I need your help to, to navigate, negotiate, and revise LB16 so that accomplishes all those things that we need it to accomplish. We've never had that opportunity to have that discussion. So I would ask, if you haven't read LB16, please do. Familiarize yourself with the school funding formula and some of the other things. If you have questions, please let me know. But I'm willing to work with this committee and the body to come to a solution that fixes the problem. And I am 100% overwhelmed by the number of people who came today. Their comments, the information they shared, and sincerity of their conversation had to move you. It did me. Please advance these. Thank you.

LINEHAN: Thank you, Senator Erdman. And with that, I call the hearing on LB6-- oh, I'm sorry. Questions? Sorry, I was-- are there any questions? Senator Albrecht.

ALBRECHT: Thank you, Chair. I'm a little tired myself, so. OK. I just have just a quick question because I have not-- I will tell you, I

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haven't read all of the information in LB16. And I will visit with you.

ERDMAN: Thank you.

ALBRECHT: OK. So Ted Turner. Does he just get a free ride-- anybody who lives out of state the-- because they really don't do anything more than just own the land? I mean, you would think somebody lives on that land that is doing something with it, but.

ERDMAN: So Senator Albrecht--

ALBRECHT: So, so I'm just saying that--

ERDMAN: --is your question does he--

ALBRECHT: --he, he would be a property taxpayer. Like, in Cherry County, I heard that \$750,000 that he pays. What would happen in a situation like that?

ERDMAN: I understand your question. Will Ted Turner pay taxes-- property tax? The answer's no. Neither will you, nor anyone else.

ALBRECHT: OK.

ERDMAN: So here's the issue with that, all right? I get this all the time. And a lady in Oglala was paying \$60,000 a year in property tax. And she had the very question you had, which is legit. And she said, so if I'm understanding it right, Ted Turner is not going to pay any property tax? I said, that's correct. I said, neither are you. And she said, that's not right. And I said, why is it not right? He said, well, he uses our roads and he does whatever. And he should pay property tax. And I said, well, if your tax liability goes to zero, do you care if Ted Turner pays if you don't have to? And she said, yes. And I said, maybe that's greed. So here's what's going to happen to Ted Turner. Let me tell you what's going to happen to that situation. Ted Turner's not in good health. And when he dies, his kids are going to leave that land to a trust or something that's not going to pay taxes. So then what happens? When that land goes off the tax rolls, everyone else's taxes is going to go up. So this is a situation-- it's fair for one, it's fair for all. And so that's, that's exactly what's going to happen. Some people say, well, it's going to drive up the price of land because these people from outside are going to come in

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and buy this land because we don't have any property tax. What I've discovered-- and this is the most unusual thing that I discovered when I'm trying to do this-- I've met with people who have a lot of money. Right? And I explain this and try to tell them what the savings would be to them in income tax and property tax. And I could never figure out why they were never interested. And then one day, one of them said something that brought it to my attention. And they said, it's deductible. It's an expense. It's deductible. And I said, really? And one said, I don't even know how much taxes I pay. Somebody does it for me. I don't care. I make so much money, it don't make any difference. And so people who have a lot of money, they're, they're not buying land in Nebraska. Ted Turner's not saying, whoa, the taxes are high in Nebraska. But what it will do-- I'll tell you what it will do. The lady that sat here and said she had to sell her ranch-- you remember her? She won't have to sell her ranch. That's what it will do. And so, consequently, maybe that ranch won't go to outside investors because the people that live here can keep the ranch. And why did she sell her ranch? It's because of taxes. And so if we eliminate that burden for her to pay the taxes, maybe she can still own her property. So it's a double-edged sword, but it is absolutely fair to everybody. That's, that's the best I can do.

ALBRECHT: And, and I will say that was just a question that came to me over the phone.

ERDMAN: Then I appreciate that. I've heard that question before.

ALBRECHT: But at the same time, we don't know what he's using his land for. I mean, if he's running cattle on it, I don't know what, what they're doing up there. But thank you.

ERDMAN: Yeah. Thank you.

LINEHAN: Thank you, Senator Albrecht. Are there any other questions? Senator Murman.

MURMAN: Yes. The letter from lobbyist said that business-to-business transactions aren't exempted. Are they inaccurate on that?

ERDMAN: You know, Senator Murman, they can say whatever they want. It's, it's specifically-- you cannot charge a consumption tax on inputs. It's, it's pyramiding. And that's what's happening with some of those issues in LB1. Because they're charging sales tax on inputs

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and then they charge sales tax again when that product sells. So consumption tax is sold on consumables. That is the definition of a consumption tax-- consumable. So if you're a farmer and you buy a bag of seed, that's not a consumable. That's an input. And so there's a total difference between consumables and business-to-business transactions. So they can say whatever they want. And obviously, lobbyists get paid a lot of money to say a lot of things, and that's one of them.

MURMAN: Thank you.

LINEHAN: Thank you, Senator Murman. Are there other questions from the committee? Seeing none. Have I done everything I'm supposed to do? OK. Now--

ERDMAN: Thank you so much. You've been, you've been very kind.

LINEHAN: He worked very hard.

ERDMAN: Thank you.

LINEHAN: Thank you very much. Thank you all for being-- oh. Yeah, I did this.

von GILLERN: I think she did. Yeah.

LINEHAN: I did.

von GILLERN: Had to think about it for a second.

[APPLAUSE]

LINEHAN: No, they can't clap. We're done.

DUNGAN: Take a 30 minute break now. I know that exact meeting right now. And I know Senator Blunt, who's up after this has let me get their posters. Exactly.

LINEHAN: OK. We're going to-- we're going to. Are these still on? We are going to break now, and we will start again at 1:15.

[BREAK]

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Unless I get told by the clerk weekends. Oh. Well. I. Escort us out right about. Yeah.

von GILLERN: What do they not understand?

LINEHAN: I don't know. Guys, you have to either leave or be quiet. Feel like a school teacher.

DUNGAN: The gavel didn't work, which I was shocked by.

LINEHAN: [INAUDIBLE]. Welcome to the Revenue Committee, Senator Cavanaugh. We are now going to go to LB22, LB22.

J. CAVANAUGH: Ready?

LINEHAN: Ready--

J. CAVANAUGH: All right.

LINEHAN: Just wait. They'll-- yes. Go.

J. CAVANAUGH: All right. Good, good afternoon, Chair Linehan and members of the Revenue Committee. My name is Senator John Cavanaugh, J-o-h-n C-a-v-a-n-a-u-g-h. And I represent the 9th Legislative District in midtown Omaha. I'm here to introduce LB22, which would create a universal homestead exemption for the first \$100,000 of taxable value. And I just, like everybody, really appreciate all the hard work of this committee. I was watching you guys from the comfort of my home last night, but I really did appreciate your diligence all day yesterday. So the homestead exemption is one of the most crucial tools we have in our toolbox as a state to provide real, targeted property tax relief to Nebraskans who need it most. A homestead is defined in Nebraska Revised Statute 77-3502. And to put it in layman's terms, we're talking about a owner-occupied housing and the prim-- that is the primary residence of a Nebraska owner. My intent with this bill is to offer this homestead exemption in addition to, and not as a replacement for, existing homestead exemption programs based on age, income, disability, or veteran status. I wanted to show the committee an option for targeted relief towards homeowners that would be significant for the average Nebraskan, and I wanted an option that did not give large seven-figure tax breaks to extremely wealthy landowners

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who don't even live here, like Ted Turner and Bill Gates. Unfortunately, the Department of Revenue didn't provide any real estimate for the fiscal impact for this bill. But that cost, at least the maximum possible cost, is knowable. More exact numbers are available, but for 5-- there's 500,000 owner-occupied homes at \$100,000 and a average tax rate of about 2% would be about \$1 billion. Just under two weeks ago, I attended a listening session along with a bipartisan group of senators to hear the concerns of Omaha and Lincoln residents about property taxes. Aside from wri-- wide said-- widespread opposition to the idea of raising taxes to pay for property tax relief, we heard from a number of Nebraskans who wanted targeted relief to homeowners. The way I understand the Governor's plan: the more property value you own, the larger your tax relief will be. This obviously would be beneficial to those who own a significant amount of land but less so to homeowners who will see basic home ex-- owner expenses like home repair and auto maintenance increased. So my thought process in introducing LB22 is that if we're going to provide over \$1 billion in tax relief, we should at least target it to homeowners. I'm providing you with an option, should you choose to take it, to provide targeted relief to people we are saying this session is supposed to be helping. As for how you pay for it, unfortunately the Governor made it clear that several of the options I would prefer, such as previously fre-- freezing previously enacted income tax and corporate taxes, would be off the table. Or legalizing and taxing cannabis, which I just saw a fiscal note said would raise \$150 million, are completely off the table. If the cost needs to be less, the amount of the exemption could be adjusted. The bill was introduced as a starting point. But if the only options available to us as a Legislature are those included in the Governor's plan, I'm not sure we'll have the answer. I want to thank the committee for your time. I look forward to seeing what the committee puts forward for debate for the full Legislature. And I'd be happy to take any questions. And I did watch last night where I think Senator Brandt's bill came up-- or, con-- constitutional amendment that talked about allowing us to have a little bit more power over differentiating between homeowners and nonhomeowners. And I actually had the exact same bill that I didn't drop because Senator Brandt dropped it. But when I was writing that bill, that's how I came on this idea and said, well, I think we actually do have some of the power that would be contemplated in this constitutional amendment by pulling this particular lever. So that's why I brought this bill, so we could have

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that conversation. We could look into targeting tax relief specifically to owner-occupied homes, so.

LINEHAN: Thank you very much. Are there questions from the committee? Yes, Senator Dungan.

DUNGAN: Thank you, Chair Linehan. Thank you, Senator Cavanaugh. I, I think you and I have talked about this a little bit before. Are there other states that have enacted similar legislation? And if so, do you have any idea as to what the effects have been or if there's been positive or negative outcomes?

J. CAVANAUGH: Well, I've heard very positively from folks in Indiana and Illinois who have had similar homestead exemptions. And it does exactly what we're talking about, which is give tax relief specifically to owner-occupied property.

DUNGAN: Do you know if the number is similar to what we're proposing here or is it--

J. CAVANAUGH: I don't off the top of my head know what the number is. I can find that out for you, though.

DUNGAN: Thank you.

LINEHAN: I'm sorry. I was trying to look for some-- I, I introduced a bill for \$25,000. I thought maybe that would give us-- last session, but that fiscal note, they didn't do it either, so. So it's not just because they're busy.

J. CAVANAUGH: And I'm, I'm not--

LINEHAN: They were busy last time--

J. CAVANAUGH: Yes, they are very busy. We've given them a lot of work.

LINEHAN: What question did you ask?

DUNGAN: I, I asked whether or not this has been done in other states, and I think Indiana and Illinois were mentioned with generally positive outcomes.

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LINEHAN: I think Florida does it too. And might be part of what they do in Colorado. I think it's very popular where you have a lot of second homeowners. I'm not saying it's a bad idea but--

J. CAVANAUGH: I couldn't, I couldn't speak to that--

LINEHAN: --I'm just saying that I think--

J. CAVANAUGH: But--

LINEHAN: --in Florida, if you're a homeowner, I think it is \$100,000 if you live there.

J. CAVANAUGH: Right.

LINEHAN: But if you just go there less than six months of the year--

J. CAVANAUGH: Yes. That-- and that would be the same here.

LINEHAN: OK. Senator Meyer.

MEYER: So, so would you envision this piggybacking on top of the current homestead exemption? Or would the-- that sunset and you'd go with this?

J. CAVANAUGH: No, my intention would be, would be in addition to that. So somebody who-- some folks obviously get 100% on a homestead exemption, but there's an income threshold. And so it would be-- as it's written-- and this is part of the conversation of whether this is-- would be the right thing to do-- you could do it either way. But as written under my intention would be-- it'd be layered on top of the current exemption. So if you already at 100%, you wouldn't get anything. But the folks that would probably benefit are those that are 50%. They would get an additional tax relief on top of that.

MEYER: So, so would you be in favor of some sort of policing mechanism for the current homestead exemption? Because there-- to, to my knowledge, there's absolutely no policing there. And we always talk about accountability. And with that program now, there's no accountability. So it's whatever that homeowner signs, true or not. And--

J. CAVANAUGH: So I guess I wasn't prepared to have this particular conversation about whether we should-- but, I mean, yes. I think we

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should ensure that we-- that people are not falsifying their applications. I did-- the Douglas County application is under penalty of perjury. So if you sign it and say that you-- under this bill, the only requirement is that you, you were owner-occupied for those six-- more than six months out of the year, the majority of your time that you own it, that you live there as your primary residence. So if somebody's falsifying that for some reason, I think they would be subject to criminal liability. And I would imagine, since that form is the same one that you would fill out for current homestead exemption, if you're relying on that I think you'd be subject. So I guess-- question is, are we ad-- ad-- allocating an amou-- appropriate amount of resources to investigate that? And I don't know the answer to that question.

MEYER: There's-- that's like Swiss cheese. I mean, you could have three shares of Berkshire Hathaway, claim zero income, and get a 100% exemption on a \$350,000 home.

J. CAVANAUGH: Yeah.

MEYER: And when you look at what's fair to taxpayers across the state and all classes of land-- or, property, to me, that, that's not quite an equitable look at-- again, we're measuring well in only one way: land-- or, property, and not the other forms of wealth that many people have in Nebraska, mostly in urban areas-- i.e. stocks, bonds, [INAUDIBLE], and those types of things that are not taxed in any way, shape, or form until capital gains come in when they sell it. But as long as they retain those, there's no--

J. CAVANAUGH: I, I-- and I think that's a fair point. I think that there are certainly other ways to look at what wealth would-- we're talking about when we're talking about the, the income-based homestead exemption. But there would be no income requirement with this bill. That would be-- that-- this would just be every owner-occupied primary residence would be eligible to claim a \$100,000 exemption. So as an example, in my district, Omaha OPS, the levy right now is \$2.22-- and some change or fractions. So it'd be about \$2,220 in tax relief to every owner-occupied home in District 9, we'll say, in my district.

MEYER: And the revenue stream would be general funds?

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J. CAVANAUGH: We'd have to find the revenue, which, you know, as I pointed out, legalization of marijuana, the fiscal note for Senator McKinney's bill, would be \$150 million, which, wouldn't cover all this, but, you know, I think-- we're, we're talking about-- you guys had a-- don't need to go down that path again. You had a very long day yesterday talking about all of the different options on the table of places to find money. So I think you'd have to match the two. And my intention here is not to say-- I think you pointed out other classes of property. This is a, a mechanism to provide tax relief to owner-occupied property. I do think Senator Bostar, Senator McKinney have rental tax relief bills that have either been heard or going to be heard. And then I think you would probably want to-- someone else might want to propose a proposal that would be in conjunction with these that would provide other relief to maybe some more folks in your district on a different scale. That's just not what this bill is intended to-- it'd be more of a-- part of a combination of things, options.

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

von GILLERN: Thank you. Sorry. There was some noise and I don't know that I heard you. Did you say-- the fiscal note obviously says that they can't calculate it. Did you say it was your own rough estimate that you said you thought it'd be about \$1 billion?

J. CAVANAUGH: Yeah. So my estimate is about 500,000 owner-occupied properties in the state.

von GILLERN: OK.

J. CAVANAUGH: And then it's the \$100,000 times whatever. And actually, the statewide average, if you look at-- I think one of the Department of Revenue has-- average levy across the state is \$1.66. But, you know, in my district, it's \$2.21 or \$2.22, so.

von GILLERN: OK. That's fine. [INAUDIBLE].

J. CAVANAUGH: That's rough math, but.

von GILLERN: Couldn't quite hear you. Thank you. That helps.

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J. CAVANAUGH: And then you'd also probably subtract out all of the 100% homestead exemptions that currently exist and there-- so there'd be some other levers to pull on that to figure out exactly the number, but.

von GILLERN: OK. Thanks.

LINEHAN: OK. Now, just so we're all on the same page, so you're saying it would-- you think it would-- what do you think the cost would be?

J. CAVANAUGH: My estimate is-- realistically, my estimate is, like, \$880 million if you wanted a more precise number.

LINEHAN: OK. All right. Other questions from the committee? Seeing none. Thank you.

J. CAVANAUGH: Thank you.

LINEHAN: I do, I do think-- this is a-- I'm glad you brought this. Are there proponents? I'm sure you [INAUDIBLE]. I'm sure you love it.

JON CANNON: Well, it, it, it depends on how, how we picked up on my remarks from last night, ma'am.

LINEHAN: Uh-huh.

JON CANNON: Good afternoon--

LINEHAN: Yes.

JON CANNON: ---Madam Chair, 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 today in support of Senator Cavanaugh and LB22. And I say support Senator Cavanaugh because I am partial to redheaded lawyers who are, who are named John C. Our support is conditional, however. We would like to work a, a, a few things out. We've, we've talked about what the homestead does, and, and it's a great program for targeted property tax relief. Those are really the, the parts that we, we really appreciated about it the most. But on to-- and, and Senator Cavanaugh clarified that his intent is that, on top of what people are already receiving for homestead, this would be added on to it. There's probably to be a little bit of an administrative-- I'm not-- I don't want to say a

burden, but there's probably some, some kinks that would need to be worked out as far as the legislation's concerned and the enabling regulations from the Department of Revenue, which can be clarified certainly through a statement of intent or something like that. Happy to help work on that and, and, and fix it. The other thing I, I did want to point out is, is one of the reasons that in the homestead exemption program that we have currently, we tend to look at the average assessed value for single-family residential, and that is because in Boyd County-- where the average assessed value is \$47,100 per residential parcel-- it's subtly different from Douglas County, where it's \$253,990. And so, you know, it-- to the extent that we're trying to provide property tax relief targeted to, you know, essentially a percentage of someone's homestead, it seems like, like going that route might be a little bit more-- probably look better. And, and frankly, it might bring that, that fiscal note down a little bit because we'd be looking at-- and, and, and frankly, in Boyd County, when the average assessed value's \$47,000, you're not taking full advantage of the \$100,000. I mean-- so, so a lot of the, the numbers that we've talked about, it's not going to be a reimbursement for a full \$100,000 of value being taken off the top. And so happy to talk through the details of that. Happy to take any questions you may have.

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

KAUTH: Thank, thank you, Chair Linehan.

LINEHAN: --Kauth.

KAUTH: Mr. Cannon, question: could this be done by-- could the same effect happen by changing the valuations by saying rather than \$100,000 to a homestead exemption, say we're going to reduce all valuations by 30% or something like that? Is that-- I'm just-- I'm worried that if we say, OK. We're going to take off \$100,000, that valuation is going to keep going and going and going and it won't matter after a very short amount of time.

JON CANNON: I guess it, it depends on, on the premise. And I'm, and I'm not entirely certain about the premises that are lurking behind your, your question, Senator, so I'll, I'll go through it as, as best I understand it. You know, valuations are, are-- they're going up with

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the market. And the mark-- the market is just the market. And I've, I've heard people say, well, the assessors pick a, a target. They-- and they, they come up with their own values. You know, the, the good news is is that the county assessors across the state, they're, they're not sitting there in a void. They're not, they're not picking numbers out of a hat. There's a certain level of oversight from at least two different state agencies that they, they have to worry about. So one, the property tax administrator every year reviews all the valuations in the state. And they look at it compared to what, what sales are doing not just within the county but within different market areas within the county to make sure that, that those, those assessed values are following what we understand to be the market. Now, again, is it the most perfect way of doing it? No, because-- you know, no-- really, not much more than 2% of all the properties sell in any given, any given study period. But by the same token, that's, that's all we have. That's all the data that we really have. And so first the property tax administrator reviews of the values that are being set by every county assessor across the state for, for every market area that they have. Once that is done, the property tax administrator prepares a report and opinion that she sends-- and I say she because, for the last 20 years, they've all been females-- that she sends up to the, the Tax Equalization and Review Commission. And TERC will review all, all this information, you know, on a statewide basis during their annual equalization meeting. And so, you know, if, if the concern is that valuations are going to keep going up and up and up, that's just going to swallow the exemption that, that's, that's there. Again, our, our advocacy would be for something that was a percentage of singles-- av-- average assessed value for single-family residential. And I, I think that probably gets to the heart of what you're talking about.

KAUTH: Thank you.

JON CANNON: Yes, ma'am. Thank you.

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

JON CANNON: Thank you.

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LINEHAN: Are there other proponents? Are there any opponents? Anyone wanting to testify in the neutral position? Thank you.

J. CAVANAUGH: Told you this one would be relatively painless.

LINEHAN: Oh, yes. Here you go.

von GILLERN: Oh, Lord.

LINEHAN: It's short. We have to read it.

KAUTH: Set the timer.

von GILLERN: ADA testimony from Korby Gilbertson, representing the Nebraska Realtors Association. I'm testifying today on behalf of the Nebraska Realtors Association in support of LB22. Since 1917, the Nebraska Realtors Association served as a voice for the reals-- for real estate in Nebraska. The association has more than 5,000 members that take pride in the communities in which they work, serve, and live. Further, the members have a tremendous commitment to being informed and involved in legislative and legal concerns that directly affect homeowners, property rights, and the real estate industry. For decades, property taxes have been cause for concern among Nebraska taxpayers and elected officials. Recent increases in taxes have drawn more attention to the issue, and everyone agrees that property tax relief should be a priority for the Legislature. However, the form of that relief matters. The Nebraska Realtors Association has long-standing legislative principles that include the support of property tax relief so long as that relief does not result in a tax shift or have the result of a net tax increase. Yesterday during the hearings, a proponent was asked if property tax relief could be accomplished without a tax shift. The simple answer is yes. The realtors support reasonable limitations on local and state spending in order to reduce the burden on property taxes. We recognize that the state does not assess or collect property taxes, but it does impact the need for property taxes through numerous statutory unfunded mandates. Thank you for your dedication to addressing the property tax issue. The Nebraska Realtors Association appreciates being part of the discussion.

LINEHAN: You had 3 proponents and 1 opponent.

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J. CAVANAUGH: And my opponent was OpenSky.

LINEHAN: Yeah, which, you know. Any--

J. CAVANAUGH: I just want--

LINEHAN: --any tax [INAUDIBLE].

J. CAVANAUGH: Just-- you know, they, they pick on everybody, including me. Well, I don't really have anything to add. Just to kind of point-- Senator Kauth, your point was-- is well-taken. I just picked \$100,000 because it's kind of close to 50% of what the average assessment is. But you're right. You could do just a percentage. I more brought this because, like I said, I was thinking, oh, we need more power-- we need a constitutional amendment because we need more power to pull different levers to fix this problem. And then I w-- as I was looking at it, I said, well, we do have this power and we could use it in a different way than we're currently using it to make this change. So you're right. We could pick a percentage. We could do something-- you know, different things. And I-- you know, I'm open to all those suggestions. I just wanted to make sure you guys had this option in front of you and do with it as you please, I suppose.

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

MURMAN: Yes. I forget which county that was, that the average ho-- house was \$47,000.

J. CAVANAUGH: Boyd.

MURMAN: But even statewide, and especially in that county, if you're going to exempt the first \$100,000 on houses, you're going to put a bigger burden on agriculture. So-- you know, on that county, probably 3/4 of the houses would be exempt.

J. CAVANAUGH: Well-- so the, the, the virtue of this plan is that the \$47-- \$47,000 would be exempted. The state would pay the county's burden. So rather than the county collecting the re-- the tax levy from that homeowner, the state would pay that tax. So the-- it wouldn't shift the burden. It would shift it from that taxpayer to the

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state. It wouldn't shift it from that taxpayer to other taxpayers
[INAUDIBLE].

MURMAN: Yeah. I guess you're right. With the reimbursement from the
state--

J. CAVANAUGH: That's my intention.

MURMAN: OK. Thanks.

LINEHAN: The shift would be from property taxes to income and sales
taxes?

J. CAVANAUGH: Yes.

LINEHAN: Yeah. Any other questions from the committee? I do just
because I'm trying to help him, as much as he irritates me
occasionally. You had this idea before Jon Cannon suggested it last
night during the--

J. CAVANAUGH: I did, but I did watch that with great interest.

LINEHAN: So it was introduced previously.

J. CAVANAUGH: It was introduced previously.

LINEHAN: Yes.

J. CAVANAUGH: And I did not actually talk to Jon until this morning,
where I gave him a hard time, admittedly, about his testimony last
night.

LINEHAN: OK. Thank you very much. And that-- we will stop now until
1:30.

[BREAK]

LINEHAN: We need the sign. Linda, the sign. Hello, Senator Blood.

BLOOD: Hello, Chair Linehan.

LINEHAN: Welcome to the Revenue Committee.

BLOOD: Thank you. Are you ready for me to start already?

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LINEHAN: We are ready for you to start.

BLOOD: All right. So good afternoon to Chair Linehan and members of the Revenue Committee. My name is Senator Carol Blood, and 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, Nebraska. And today, I'm introducing the LB26, to establish a retail delivery fee for Nebraska. So it's my understanding there's a similar bill that is considered an excise tax. But I think you'll find that there are several major differences that mostly pertain to exemptions, such as making sure we don't burden our small or new businesses. The retail delivery fee has been implemented in states such as Colorado, Minnesota and New York. We followed Colorado's motto, seeing it was as, as reasonable for businesses and consumers in Nebraska. Each retail delivery from a motor vehicle would be charged a \$0.27 fee. Each retail sale is a single retail delivery that would be subject to the fee. Items that are already exempt in Nebraska would remain exempt, as do wholesale deliveries. To ease the tax burden on new businesses, we made sure that the first year of businesses formed, they would not be subject to the retail fee. Also, businesses with gross sales under 500 K would not be subject to the fee. Businesses, businesses would have the option to pay the fee at the point of delivery, rather than pass it on to the consumers, removing the headache of separately itemizing the retail fee for each delivery. The Department of Revenue could collect these fees for the General Fund, where it can be appropriated for tax relief. In this way, we can generate revenue without disrupting small businesses or their customers. This special session, it appears we are focused on removing sales tax exemptions to generate revenue, while, while placing the financial burden on working-class Nebraskans and small businesses. LB26 is a way to capture revenue while having a negligible impact on Nebraskans. A flat \$0.27 fee for every delivery-- retail delivery will not have a substantial effect on product sales and the business that has the opportunity to absorb the cost without the consumers seeing it. A study by CDM Smith Consultancy for a prospective retail delivery fee in Washington, found that a flat \$0.30 fee would only result in the average customer paying between \$13 and \$14 a year for retail delivery fees, minus any exemptions. Like Colorado and Minnesota, we actually have exemptions for new businesses and smaller businesses, so we have a further cushion for Nebraska consumers. Many of you were here when we implemented sales tax for online sales, such as Amazon or

eBay. Many senators claimed that it would negatively impact those sales. But as we all know, the opposite has happened. We have seen the rise of online delivery services like Temu-- and frankly, I don't feel guilty about that, because Temu is stealing your data-- Amazon, eBay and others. With these various delivery services and faster shipping options, businesses have more revenues than ever. We as a body need to be more creative in capturing revenue from burgeoning industries such as online deliveries, rather than directly raising sales taxes on hardworking Nebraskans. Colorado is expecting \$18.8 million in revenue in its first 2 years, which will account for 15% of a new infrastructure revenue, and Minnesota, \$46.4 million with a \$0.40 fee. Now I understand this retail delivery fee alone will not make up for the shortfall proposed in the Governor's property tax cuts, but we can use this in conjunction, conjunction with other revenue streams that are being presented this week. It's clear that as we become busier and more dependent on technology, the sector will continue to grow. Why would we possibly wait any longer to take advantage of this opportunity? Another aspect to the fee we consider as a body is that we can use this to close infrastructure funding gaps for maintenance of roads. Gas taxes and states across the country are struggling to keep up with infrastructure costs, and more electric vehicles on the road means less revenue from that tax. Coupled with the explosion of online deliveries, it will become more difficult for Nebraska to maintain and fund construction of roads. We should explore whether the retail delivery fee could be useful in closing the funding gap for Nebraska's infrastructure. I do not think we should have a problem imposing a \$0.27 fee on conglomerates such as Amazon if they get to use our roads at an ever-increasing rate. If the cost is passed to consumers, we are only talking basically about a quarter, the same amount of money you use to get your car to Aldi. A retail delivery fee is a more digestible avenue to capture revenue than simply removing sales tax exemptions negatively, affecting various industries in Nebraska. As a body, we can be more creative raising funds without placing a huge financial burden on Nebraska families, and we should look towards growing industries, like online deliveries, that use our infrastructure for their growing profits. I thank you for your time today, and consideration for LB26. The aforementioned report on a prospective retail delivery fee in Washington had a lot of good information, and the fee's effect on businesses and consumers, and I would be happy to email it to you. I chose not to print it out and hand it out because it was 121 pages. The good news is there's lots of

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pictures-- and I just don't feel comfortable using our resources to print out 12 copies of 121 pages, but I'm happy to email it to you upon request.

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

KAUTH: Thank you, Chair Linehan. Senator Blood, this is an interesting idea. Based on some of the conversations that we've had about-- we've heard a lot about some taxes are shifting and, and some are regressive. Would this be considered a regressive tax because everyone is being charged the same amount, regardless of how little or how much it is? Because that's, that's been one of the things I've, I've heard.

BLOOD: You know, I, I don't have an answer to that question.

KAUTH: OK.

BLOOD: I-- you never hear me use words like that usually. I'm-- what I look for is, is this a tax that's fair? Is this a tax that is not a burden to the average consumer, especially if business chooses to pay for it? Is this a tax that will be confusing? Like, when we talk about excise taxes or other taxes sometimes, it can be confusing because when you talk about software and whatnot, you're talking about sometimes-- you know, you might go to Lincoln. And I, I always love to look at my receipt when I eat in Lincoln, because there's like 5 things they're taking taxes out on. And that's all got to do with computer. Well, if you have one flat tax, you don't have that mess. And we're not taxing anything that isn't taxed now, which is kind of great. Which, we're not-- like, I know that if I tax a candy-- I, I hate to use the example, but this is what we're talking about right now. If I tax a candy bar or a soda, I know that if that's the treat that the kid's going to have that day, that I'm taxing that kid. But when we saw the, the numbers, and that the average consumer is gonna spend maybe \$14 a year, to me, that seems fair. And it's, you know, I know we're going to have people that come out against this. But the question, when they came to my office-- and they were kind enough to come to my office to tell me they were opposing it. The question I had is like, would you rather have more items taxed, or would you rather have like a delivery tax? And when I look at Amazon-- and I use that as an example, because we're right down the street from a warehouse on 370, you know, how many vehicles are on our roads and using our roads?

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A lot of vehicles. Fedex and Amazon and-- I can't give the other delivery services. Those are 2 that come to mind right now. And those sales are taking away from our storefronts. Like, I don't-- and we're not reinventing the wheel. They're doing this in other states. Right?

KAUTH: And so just to clarify, so you think that this is-- I'm trying to get at is it the amount or is it the tax policy? Because we've, we've heard people say, well, it's just bad policy to do things this way, regardless of how much the amount is. Which do you think?

BLOOD: I'm not sure I understand your question.

KAUTH: Do you think that having a flat tax or a flat fee is good tax policy?

BLOOD: I think it's a fair tax policy--

KAUTH: Thank you.

BLOOD: --especially when we're talking about trying to protect our families that are hard working Nebraskans.

KAUTH: I agree. Thank you.

BLOOD: I do think that's fair.

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

MURMAN: Yes. Thanks for bringing this bill. It's a novel idea. Why didn't you target it toward property tax relief, with this special session being about property taxes and, of course, using the roads and infrastructure, like you said.

BLOOD: Well, that's why we have appropriations.

MURMAN: Appropriations, OK.

BLOOD: The-- I like to put things in General Fund. And then whatever the body decides they want to do with the fund, that's what they do with it. And we're trying to balance the, the alleged-- the, the alleged 3-legged stool. I'm not sure I agree with the 3-legged stool system, but, but that's another topic. So, yeah. I, I put things in General Fund because I felt like then it could be up to the body where

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they wanted to put it. And in this case you might want to put it towards infrastructure, which still helps property taxes, because we're finding ways to fund things at the government level. So if we fund things at the government level, we have more freedom to put money in the property tax relief fund, or we have the ability to, to pay for that employee that we have to have. Like, I just-- I, I try and take the simplest path. So we can use it for property tax relief if you choose to do that. But right now I'm, I'm-- and Senator von Gillern asked that question the other day. I-- and I think I told Senator Linehan that's why I did it, too, is that I just put it in the General Fund, and you guys do whatever the heck you want to do with it. It's all for the greater good.

MURMAN: Thank you.

LINEHAN: Thank you, Senator Murman. Are there other questions from the committee? Seeing none, thanks. You'll stay to close?

BLOOD: Yes, ma'am. I, I think Senator Bostar and I are going to be switching after-- we both have 2 bills, and then we flip committees. So, just so you know, I might have to leave.

LINEHAN: OK. Are there proponents for LB26? Any proponents? Are there opponents?

RICH OTTO: Chairwoman Linehan and members of the Revenue Committee, my name is Rich Otto, R-i-c-h O-t-t-o, and I'm testifying in opposition to LB26 on behalf of the Nebraska Chamber of Commerce, the Nebraska Hospitality Association, the Nebraska Grocery Industry Association, and the Nebraska Retail Federation. Implementing a \$0.27 business delivery fee on goods and prepared, prepared food would hurt business, especially local restaurants, caterers, and grocery stores. These businesses have increasingly depended on delivery services to survive in the digital age. This just raised the cost of doing business for them and puts higher prices on consumers. And one of our biggest concerns is compliance. This does require significant software upgrades to be in compliance with the fee, in order to assess it to those things that are taxable. I will acknowledge that Senator Blood's fee, if one item is taxable, it does. So we don't have to sort through taxable versus nontaxable items, but software companies still tend to ding us pretty good on the change. Again, I do want to bring up credit card interchange fees. Retailers do pay 2-3% to the banks for nearly

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every transaction, and that would hold true on this \$0.27. Again, we would remit all of it, but only be getting \$0.97 on the dollar back from the bank, so there is a cost to the retailer or restaurant. It's not fully passed through to the consumer. This delivery fee also particularly affects those with mobility issues, low-income families that rely on essential goods. Many families struggle with tight budgets, and additional fees would just add to their financial burden. This could force them to cut back on essential items and potentially negatively impact their health. We saw this during the COVID-19 pandemic, underscoring the importance of delivery services to maintain health, specifically for older and immunocompromised individuals. While some might argue that delivery fees could reduce the number of deliveries on the road, it's a little more complex. Each delivery system can reduce the number of trips by having multiple deliveries in a van, thus saving potential emissions. We just don't believe a delivery fee on goods and prepared food is the right approach. Happy to answer any questions.

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

KAUTH: Thank you, Chair Linehan. OK, I did the real quick math. So for a \$0.27 or \$0.27, 3% of that is .008. So we're not talking like-- we're talking less than a penny that would go to credit card fees, so I don't know that that's a viable complaint for this.

RICH OTTO: It doesn't sound like much, but over time, it adds up.

LINEHAN: Thank you, Senator Kauth. Are there other questions from the committee? So when I order food from multiple places, I pay an occupation tax, so-- if I'm ordering in Omaha. Right?

RICH OTTO: Right. Yeah. So, you're exactly right. Occupation taxes, and we actually charge sales tax upon the occup-- so there is some pyramiding with this. That's potentially one of the policy things that Senator Kauth brings up, whether or not this is good policy. Typically they call that pyramiding, when you have taxes upon taxes and then a fee, as well. So.

LINEHAN: So-- but this isn't a tax on that tax. This is just another \$0.27.

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RICH OTTO: The fee, but you are also paying-- most of these goods-- now, groceries, other things aren't subject to sales tax. But say if you're ordering a pizza, you already are paying sales tax, plus the Omaha food occupation tax, plus another \$0.27.

LINEHAN: OK. Any, any other questions? I don't, I don't-- one of the, one of the problems we have here, and it's nobody's fault, we don't have any idea what this would generate.

RICH OTTO: Yeah, well, it is significantly less than Senator Hughes's with the percentage. I think we were doing rough math and I had \$15 million in my head.

LINEHAN: OK. All right. Any other questions? Thank you very much. Are there other opponents? Are there any other opponents? Are there any-- anyone wanting to speak in the neutral position? Senator Blood, would you like to close? And we had 3 lett-- 3 letters, all opponents.

BLOOD: So let's put things in perspective. Do you remember Omaha's restaurant tax?

LINEHAN: We don't have to remember it, but pay it.

BLOOD: Yeah, I know. Well, we pay a lot in Lincoln, too. But do you remember everybody that came forward, including the Restaurant Association, and the sky was going to fall and people weren't going to go out to eat anymore. And, you know, it was going to rain cats and dogs, and there'll be a plague, and-- but seriously, it was, it was-- you know, I understand that it's their job to come and, and oppose bills like this. And I didn't know at the time that Senator Hughes was going to have her excise tax. But I think there's a big difference in the 2 bills. Her bill will definitely generate more money. But what I was trying to do is to be as fair as I possibly could to small businesses, which is usually when Chambers come out against these bills. They say, well, that's going to kill small businesses. Well no, it's not, because there's exemptions for small businesses. And I'm sure they do get-- have to pay through the nose for when a software company has to come and help them. Because unfortunately, they usually don't have good IT people, just like the state doesn't. And then we end up paying for those services. So that's something they should maybe fix. I don't know if you get grocery delivery, but I do, a lot. Because I find that when I go to the grocery store to just run in, I,

I can't get out for several hours because people, you know, [INAUDIBLE] wants to stop and talk. And that's a good thing, but there are times when I don't have time for that and I do grocery delivery. And I pay for that privilege. I pay Baker's a yearly fee to come and deliver my groceries. It's kind of awesome. They'll even put them inside my door, so I don't have to go out in the, the rain or the snow. And we tip them for that, even though we're paying for it, as well. Right? We're talking basically about a quarter, a quarter. And to say that it's going to be hard on poor families, well, you know what else was hard on poor families that grocery stores benefited from? Shrinkflation. Remember that? During-- just a couple of years ago, how all of a sudden, we were paying more for something that was smaller? And nobody seemed to notice at the grocery stores, but they were charging us for it. I-- you know, it's-- I'm not here to, to trash grocery stores. I love grocery stores. I love what they've become, and I love how convenient they are. But I just, I just want us to be honest about what we're really talking about. We're talking about a quarter. We're talking about a quarter that is going to bring us in revenue that we can use for property tax relief, that we can use for infrastructure, whatever we choose to use it for. My goal is somehow it helps lower property taxes, because we're taking control of the revenue that we need to generate. We have a revenue generation-- I'm not saying that right. We're not generating revenue well. We can do better. And I want it to do it away-- in a way that's not painful to people. And if we're worried about lower-income families, there aren't a lot of lower-income families that are paying \$30 or more a month for grocery delivery. And people with disabilities likely are not, either. And if they are, a, a quarter isn't going to make a difference on a budget. It's a quarter. And I would think that they would like the fact that maybe they get to live in their houses longer because we lowered the property taxes, because we were smart enough to come up with this tax. It just-- we're not reinventing the wheel. It's being done. It's being successful. It is raising, as you heard in introduction, tens of millions of dollars in other states. We can pass this like they passed the restaurant tax, and I guarantee it's going to be a memory a year later that no one remembers. And so, I really ask-- I'm begging you to please consider this. I'm doing a lot of begging this year. I'm begging you to please consider this. And I want you to remember the Omaha restaurant tax and all the hubbub that was involved. And that, that was a big thing. and I guarantee-- did any of

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you stop going out to eat? Yeah. Me either. Right? Yeah, and I think I tip more than I used to, too. So.

LINEHAN: Thank you very much.

BLOOD: I think he has a question.

LINEHAN: Yes, Senator von Gillern.

von GILLERN: Thank you. Thank you, Senator Blood. I think it's intriguing. I, I-- I'm, I'm not opposed to the idea. I want to do a little bit more homework on it, but I do think that in the, in the issue of fairness, we, we do want to rec-- you said, you, you said several times that they're using our roads. Well, there are thousands of vehicles that are registered to Amazon, and FedEx, and UPS in the state of Nebraska that are all paying property taxes, and road use taxes, and excise tax on fuel, and everything else. So they aren't-- they're not driving those for free on our, on our roads.

BLOOD: But, but are they paying the fuel tax, because hasn't Amazon gone electric?

von GILLERN: A lot of them have. Yeah, and there is an, there is an EV fuel--

BLOOD: Yeah. So that, that was my point. Maybe I didn't make that clear.

von GILLERN: --there is an EV charge. But whether it's appropriate or not or any-- anyway, like I said, I'm not trying to shoot the idea down.

BLOOD: No no no I'm, I'm having a conversation with you.

von GILLERN: I just want to be realistic. And I did look up the, the Sarpy County fulfillment center that you said is not far from where you live, pays \$2.6 million in property taxes last year. So, they're, they're not taking a free ride on, on--

BLOOD: No, I don't think taking a free ride. I don't disagree.

von GILLERN: --on the citizens of Nebraska. But I do find it intriguing. And I do like the idea of a flat rate versus a percentage.

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And I gripe about the restaurant tax every time I pay the bill, but it has not changed my behavior.

BLOOD: And, and that's the point. It's like, you-- it's a, a necessary evil. If you can afford to go out to eat--

von GILLERN: Thank you.

BLOOD: --you can afford that little bit. Right. And I'm, and I'm going to be one of their biggest customers, because I buy everything online.

LINEHAN: Thank you, Senator von Gillern. Any other questions? Isn't it cheaper-- oh, I'm sorry. Senator Murman. Go ahead.

MURMAN: Thank you. I, I may have missed it in your open, but I know you said it was-- this bill was modeled on some other bills, but how did you come up with the \$0.27, the amount?

BLOOD: We mirrored ours after Colorado.

MURMAN: Colorado's? OK. Thank you.

BLOOD: We looked at the other states, and I thought that their fees were too high. I mean, it's weird how I thought \$0.40 was higher than \$0.27, but when I did the math as to how much it would cost the average consumer that actually uses Amazon was the example-- one of the examples I used. I mean, it's \$14 or \$15 a year. And that's not much. And that's the average consumer. So they'll be more-- people that spend more and people that spend less. But even then, I mean, add up in your head, how, how many deliveries would it take to add up-- you know, what's 15 divided by \$0.27? You know.

MURMAN: So, so you said you modeled it off some other states.

BLOOD: Off Colorado.

MURMAN: So, so some were higher. Some of the other states--

BLOOD: Yeah. Some were higher.

MURMAN: --you looked at were higher.

BLOOD: And some were more complicated. I, I just, I just want to make it easy for consumers and for businesses. And I want to protect our

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small businesses, which I feel this does. It's hard to be a small business, especially with inflation. It's hard to be a small business without inflation. And so, I don't want to put an extra burden on them. And, and, you know, I do hear what the Chambers say about new businesses. And-- but it's really the little guy that keeps our communities going, right? So I want to make sure we gave them a break. And again, anything that's exempt now remains exempt.

MURMAN: OK. Thank you.

LINEHAN: Thank you, Senator Murman. You can't drive to the grocery store and back for \$0.27.

BLOOD: Actually, I could, but my time also has value.

LINEHAN: Right? But, I mean--

BLOOD: Yeah, it's true. It's true.

LINEHAN: --a mile is what, \$0.65 is what I think it--

BLOOD: I think that's a very valid point. That's true. Especially in Omaha.

LINEHAN: Yeah, or even worse if you're in the rural part of Nebraska.

BLOOD: Yeah. Yeah.

LINEHAN: OK. Thank you. Any other questions? Thank you very much. Very much appreciate it.

BLOOD: I think I'm next, too, and I left my notebook over there.

LINEHAN: OK.

KAUTH: I liked your robots delivery.

BLOOD: Thank you. Because it's going to happen.

KAUTH: It is.

BLOOD: We might as well get ahead of it.

KAUTH: Yeah.

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BLOOD: That's when you asked me like, what would cost \$4,000? And I don't know, a drone that carries people?

LINEHAN: So, Jimmy John's or Subway?

KAUTH: Yeah.

LINEHAN: So, we'll open the hearing on LB27. Welcome, Senator Blood.

BLOOD: I think this is starting to be home. So again, good afternoon to Chairperson Linehan and the members of the Revenue Committee. Again, my name is Senator Carol Blood. And 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, Nebraska. Today I'm introducing LB27, a bill I've brought forward in the past in order to fight against the growth of property taxes across the state by utilizing a circuit breaker system. LB27 creates a new mechanism for delivering tax credits to individuals whose property taxes are too high in relation to their annual income. This concept is called a circuit breaker, because the income tax credits are triggered once property taxes reach a certain percentage of a person's income, similar to how electrical circuit breakers are triggered when electricity surges. It properly addresses the tension between rising property taxes and stagnating incomes. Concerns over property tax affordability has been-- have been used to advance a wide array of property tax cuts, cuts-- I've been talking too much today-- such as homestead exemptions, tax rate caps, and limits on growth in assessed value. But no tax cut offers a more targeted solution to property tax affordability problems than circuit breaker credits. This is because circuit breakers are the only tools for reducing property taxes that measures the affordability of property taxes relative to the family's ability to pay. This bill creates a residential refundable income tax credit and a separate-- Senator Murman-- agricultural refundable income tax credit. The overall amount for the residential circuit breaker credit would be capped at \$126 million, and the agricultural circuit breaker would be capped at \$74 million. The bill's residential relief would go to taxpayers with adjusted gross incomes of less than \$100,000 for married couples filing jointly, or \$50,000 for any other taxpayers who rent or own their primary residence in Nebraska. For homeowners, the credit calculation is based on the property taxes paid on the value of their home. For renters, 20% of their rent paid for the taxable year would be eligible for a credit. As income increases,

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the circuit breaker credit calculation assumes that taxpayers can then afford to spend more of their income on property taxes. Qualified taxpayers would receive refundable income tax credits equal to the amount of their property taxes that exceed the set percent of income, up to the maximum amount of the credit. The agricultural land circuit breaker in LB27 would be available to individuals who own agricultural land or horticultural land that is part of a farming operation that has a federal AGI of less than \$350,000 the most recent taxable year. AGI, or adjusted gross income, is defined as gross income minus adjustments to income. Gross income includes your wages, dividends, capital gains, business income, retirement distributions, as well as other income. The tax credit would be calculated based upon the amount by which the agricultural property taxes paid exceed 7% of farm income. 29 other states and Washington, D.C. has some form of property tax circuit breaker system. These include Kansas, Colorado, Montana, Idaho, and South Dakota, just to name a few. Circuit breaker credits are the most effective tool available to promote property tax affordability. These policies prevent a property tax overload by crediting back property taxes that go beyond a certain share of income. Put another way, circuit breakers intervene to ensure that property taxes do not swallow up an unreasonable portion of qualifying households' family budgets. Slightly more than half of states with circuit breakers, 17 out of 30, target property tax cuts exclusively to seniors, on the theory that older taxpayers may have more difficulty affording the property taxes on a home they bought during their prime earning years. And for clarification, our senior one, home exemption, exemption is actually a circuit breaker bill that we have now in Nebraska, just to clarify. But other households are susceptible to property tax overload as well, including, for example, people who have recently lost their jobs, or who live in gentrifying areas. So more than 2/3 of states with circuit breakers, 21 of 30, extend their programs to at least some renters, and Oregon provides a circuit breaker exclusively to renters. Property taxes are inherently regressive-- there's that word-- in that home values are much higher proportionately for low-income families than wealthy ones, making matters worse. Home values are often mis-measured for property tax purposes in ways that exaggerate this fundamental fact. Specifically, homes owned by lower-income people and people of color tend to be overassessed, relative to those owned by high, high-income people. Circuit breakers are most effective when their benefits are large enough to meaningfully lower property taxes. Their abil-gity--

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eli-bil-- sorry. It's been a long day. Their eligibility criteria are not overly restrictive, and residents know about them and can easily access them. Robust and well-advertised circuit breakers have immense potential to promote property tax affordability and improve the overall regressive tilt of property tax systems. Thank you for your time and consideration. Sorry. I tried to make it as concise as I could, but wanted to be very explanatory.

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

KAUTH: Thank you, Chair Linehan. Actually, it's a request. Can we have a copy of your statement?

BLOOD: Of my introduction?

KAUTH: Yeah.

BLOOD: Absolutely.

KAUTH: Thank you.

BLOOD: Alex, did you get that? OK. We'll get it emailed off to you.

LINEHAN: Thank you very much. Other questions from the committee? This would work-- who would-- is-- you don't claim this on your income tax. It's all figured out at the county level?

BLOOD: Yes.

LINEHAN: OK. All right. Thank you. And you'll stay close, unless you have your other hearing?

BLOOD: Yeah, unless I have to shoot out to General Affairs. But I, again, didn't bring a caravan of people, so--

LINEHAN: OK.

BLOOD: --we should be safe.

LINEHAN: All right.

BLOOD: All right.

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LINEHAN: So do we have proponents? Any proponents? Any opponents? Anyone wanting to testify in the neutral position?

JON CANNON: Good afternoon, Madam Chair, 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 the Nebraska Association of County Officials, also known as NACO, here to testify today in a neutral capacity on LB27. As Senator Blood mentioned, you know, and we certainly want to thank you for bringing this bill forward. Always enjoy having the discussion. As Senator Blood mentioned, this is a lot like the, the homestead exemption, which is a form of a circuit breaker. Generally, the theory behind circuit breaker-- the theory behind property assessment is that valuations are a function enough driver of the property tax. However, when only one area of a county or a market area is seeing rapidly expanding valuation increases, that can create a problem when, when the theory is everyone-- we want everyone to pay their fair share. Right. And so when, when valuations expand rapidly in one area of the county or market area and not in the rest of the county for whatever reason, that, that is going to create an, an issue for those homeowners. And so, if, if you're a homeowner and, and for instance, maybe the assessor hasn't reviewed your property in the last 5 years and you know they're going to be reviewing it in the sixth year, and, and you know that there's a likelihood that you're going to get an increase, it's, it's all going to come at once. And so that's, that's the theory-- that-- that's the, that's the problem with the theory-- the general theory about property assessment. Circuit breakers are a great way to address that. But you have to be careful in how you craft them. So we have our constitutional provisions. Article VIII, Section 1 of the Nebraska Constitution says that taxes shall be levied by valuation uniformly and proportionately. And the Supreme Court has said multiple times that we need to be sure we're satisfying each element of that. So the tax should be uniform and proportionate, the levy should be uniform and proportionate, and the valuation should be uniform and proportionate. And so to an extent where you're marrying what goes on at the county level with what appears in someone's tax bill, that could be a little bit problematic. And I'm not sure that's necessarily in this bill. But that's where a lot of circuit breakers go in states that don't have the uniformity provision that Nebraska does. Happy to help to work on, on that, to see, you know, what, what the effects on valuation and taxes are. The other concern that we have is making-- is the administration of this

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and, and what new burdens it creates administratively, not just for the assessor's office, but also for the taxpayer. The way I read this bill is that you're going to be-- the, the taxes paid in the most recently completed year are going to be eligible for your credit, your circuit breaker. So that means the tax-- the '22 "pat" taxes that I paid in '23, I'm going to be getting a credit for in '24. So you're going to be a little bit removed in time from when you incurred your property tax. I, I think that's an issue we could probably work on. We hap-- again, happy to, to work on that. One of the other things that Senator Blood brought up in her testimony that I, I wanted to address, is that we frequently see overassessment for areas that have low-income, high, high concentrations of low-income people or persons of color. We do have a measure, not for low-income or, or persons of color, but we do have a measure for overassessment. It's called a price-related differential. I'm out of time. I'd be happy to take any questions you may have.

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

DUNGAN: Thank you, Chair Linehan. What's a price-related differential?

JON CANNON: Thank you. That is a, a-- there are a number of measures that the Property Assessment Division, property tax administrator at the Tax Equalization Review Commission use, not just the median value that, that they're required to use by law when they're doing their statewide-- their annual statewide equalization process. The, the price-related differential is essentially a measure of overassessment or inequities in, in, in assessment. And so it is a way of determining-- and, and if you ask me the form-- for the formula, I will not know it. I apologize. I went to law school so I could avoid math and not do it, and I work-- worked for an insurance company and the Department of Revenue. Go figure. But the price-related differential is a measure of, of that inequity in, in assessments. And so it will tell you if lower-valued properties are being overassessed in relation to higher-valued properties. That is something that is defined by for-- a formula. The Tax Equalization Review Commission has a very specific definition of what it is, along with a whole host of other statistical measures. They have the coefficient of dispersion. They have the confidence intervals that, that they calculate. And the, and the thing is, and I, I don't want to volunteer TERC for anything because otherwise Commissioner Hotz is going to be here in a flash. But they have a number of these statistical measures, but there's not

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a lot that they can do to adjust off of those. And so we have a PRD, we have a COD, we have all these interesting things that say, yeah, maybe there's, there's something going on here that we should do, but they can't really adjust off of it. And so, to the extent that that's an issue, that-- the overassessment of, of lower-valued properties is an issue, we have tools there. We just need to be able to use them.

DUNGAN: Thank you.

JON CANNON: Yes, sir. Thank you.

LINEHAN: Thank you, Senator Dungan. Are there other questions? Senator von Gillern.

von GILLERN: Yeah. Thank you, Mr. Cannon. The question that Senator Meyer has asked a couple of times is individuals that might have wealth but not income. And then there are, you know, the ag industry-- and this is no secret. I'm not, not poking farmers. But the ag industry is wisely-- they, they are able to use depreciation to reduce their income in, in years, as are sub S businesses that are pass-through entities, so-- such as ag and small businesses, too. What existing measures are there in some of these existing circuit breaker programs that can avoid gaming of someone's income to, to utilize this benefit, if there are any?

JON CANNON: I'm not aware of them. I mean, frankly, we've generally accepted that we're going to have AGI as the-- as kind of the proxy for what a person's true income is. You're always going to have outliers. And, and no matter what you, you decide, if you want to go off of net income, or gross receipts, or any other sort of thing, there's almost always going to be a way to game that. And so, I, I think we've accepted that going off of AGI probably produces the fewest outliers. I, I, I, I can't say that with, with authority, but it seems like we've settled on that.

von GILLERN: And if I used gaming [INAUDIBLE], that shouldn't be the term that I used. It would be taking advantage of all available tax policies to minimize your tax debt, so.

JON CANNON: You place it far more artfully than I ever could, sir.

von GILLERN: Thank you.

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LINEHAN: Thank you, Senator von Gillern. Are there other questions from the committee? Seeing none, thank you for being here.

JON CANNON: Thank you very much.

LINEHAN: Anyone else wanting to testify in the neutral position? We do have 2 letters. One ADA, and we found out we don't have to read them. It's from Korby Gilbertson, and it is a proponent. Oh, and the organization? Nebraska Realtors Association. OK. And then we had 2 letters for the records, both proponents. So you got a high score there.

BLOOD: All right. So I know you're sad to hear this, but this will be my last time in front of you during the special session. But I think I've made it clear that I'm just trying to help solve the problem. And I came to the special session to try and help solve problems, not to rock the boat, not to try to make people angry, not to try and prove a point. And I hope that that's how you saw my bills, as well. But specifically on LB27, I just want to say that I've always-- and you know this from the very beginning. Just like unfunded mandates, I've always been very verbal about trying to implement more circuit breakers, because we always talk about property tax relief and getting-- tax relief and getting it to the people who really need it. That's how we do it. I'm open to any changes. I'm open to any suggestions. But I just wanted to say, I thank you for your time, because I know being on Revenue kind of sucks right now. And you guys are having late days, and I want to say thank you for being here and for letting me bring my bills forward.

LINEHAN: Thank you, Senator Blood. I just have one-- does anybody else have a question? I have one. And it's not, not that-- it has no reflection. It's a matter of choices, right? And all the things we can do for people who are having issues, whether it's renters or-- is this-- if we have money to do something, is, is EITC better? This better? I mean, because when we had LB388 on the floor, EITC--

BLOOD: Right.

LINEHAN: --did come up. And I expect that there's going to be bills for it again, I assume. So--

BLOOD: I don't know if I'm the right person to ask that question.

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LINEHAN: OK.

BLOOD: I-- I'm partial to circuit breakers because I think they're easy to understand. I think they're fair and equitable. I, I got to be honest. I don't have an opinion on that. I'm sorry, I wish I had something to tell you.

LINEHAN: OK. No, no. That's fine. That's fine. Fine. I just--

BLOOD: I keep it simple.

LINEHAN: OK. Very good. All right. Thank you very much. And then we'll close the hearing on LB27.

BLOOD: Thank you very much.

LINEHAN: Thank you. Good luck on your next one.

BLOOD: Thanks. Going to generate some more revenue.

LINEHAN: So we're going to skip over Senator Bostar, because he's doing another hearing, and we're going to go to Senator Day.

DAY: Hello.

LINEHAN: Good afternoon.

DAY: Good afternoon. Good afternoon, Chairwoman Linehan and 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 this afternoon to reintroduce a bill that you are all quite familiar with, LB30, which creates a straightforward way to extend our state's homestead exemption to veterans who are partially disabled while serving our country. At the moment, Nebraska only provides a homestead exemption for disabled veterans who have a 100% service-connected disability. This bill has made it to Select File in 2 different sessions, and was also used as a shell to advance a package of priorities of the Revenue Committee last year. Currently, Nebraska offers homestead exemptions to the following categories: Persons over age 65, veterans totally disabled by a nonservice-connected accident or illness, qualified disabled individuals, qualified totally disabled veterans and their surviving spouses, veterans whose home was substantially contributed to by the VA and their surviving spouses, or

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individuals who have a developmental disability. Given the challenges that disabled veterans face, LB30 is consistent with Nebraska's existing homestead exemption categories, and an exemption for partial service-related disabilities has already been implemented in other states, including Alaska, Illinois, Kansas, and Vermont. LB30 provides a flat amount of relief based on the disability rating of the veteran, so 90% disabled was \$900, 70% was \$700, and so on, which was an attempt to limit the bill's fiscal note. Under the amended version of the bill, it would provide relief for anyone with a 50% to 90% disability rating, and your amount of homestead exemption would be based on your income level. Obviously, this bill will not solve our statewide property tax issues. However, I do believe that while finding that solution, it is worth considering also finishing the job on a bill that I've never heard anyone publicly come out against. We can pursue an all-of-the-above strategy, and this fits in with other bills that target specific populations that have been brought during special session, like the targeted renters relief bill, of which I support as well. I know that this committee has a lot of work today, and you've heard this bill many times, so I won't give extended remarks again on this bill. But it remains my hope that we can provide just a bit of relief to those who have made these life-changing sacrifices to us, and advance LB30. I'm happy to answer any questions.

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

von GILLERN: Thank you for being here. Thank you. I remember the bill from last year.

DAY: Yeah.

von GILLERN: I was trying to look it up, and I'm sorry I couldn't find it quickly. This seems like a smaller fiscal note than the previous bill.

DAY: Is it?

von GILLERN: Can, can you highlight what the differences are?

DAY: I think we had it was \$20 million.

von GILLERN: Excuse me?

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DAY: I believe it was 20-- was it \$20 million? \$26 million?

LINEHAN: That sounds--

DAY: I had about 800 different fiscal notes on this, on this bill over the years, so I get confused which one was which.

von GILLERN: OK. All right. I-- for some-- whatever. I'm sorry. I was trying to look it up, and--

DAY: I mean, I. I hope that you're correct. Yes. Well it's about-- it's close to, I think, the same as what it was, but slightly lower. Yes.

von GILLERN: OK.

DAY: And I think that some of the reason is depending on the calculations, I believe the percentage of veterans that we have is decreasing. So I know that that changes the numbers from year to year.

von GILLERN: OK. And then we had talked-- I know that there were conversations post-submit-- post-submittal of the bill about changing some of the levels, but this is--

DAY: Yes.

von GILLERN: --the original bill that you brought? OK. Thank you.

DAY: This is the original one that I have presented. Yep.

von GILLERN: All right. Thanks.

LINEHAN: Thank you, Senator von Gillern. Yes, Senator Dungan, and then Senator Kauth.

DUNGAN: Thank you Chair Linehan. And thank you, Senator Gate, for being here. I appreciate your continued efforts on this. I know you've worked hard on this bill previously. I've been contacted by constituents who would have been directly impacted by this. I've had people reach out who are disabled vets, who have said this is a very important issue to them. Just taking a-- zooming out a little bit, have you spoken to a number of people who this would currently-- this

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would help, who currently are not able to get a homestead exemption?
Are there real world examples, I guess--

DAY: Yes.

DUNGAN: --is what I'm saying, where you've heard that this is a real problem we need to address?

DAY: Yes. And that-- I brought it the very first year-- my very first year as a senator. It was a previous bill, I believe, of Senator Wishart's. And so we got the idea from her. But, I mean, every single year, I hear from numerous people that live in my district and outside my district that really, really want this legislation to pass. And I think part of what happened last session, where-- it was LB26 last session-- advanced. And it ended up passing, obviously, but it passed with none of the content of, of the actual disabled veterans homestead exemption left in it. And so I had a lot of people that were really excited that it passed, and then we had to explain to them that it wasn't actually going to provide the benefit that it had originally. So again, that's why I brought it for the third or fourth time, again, here.

DUNGAN: Thank you.

LINEHAN: Thank you, Senator Dungan. Senator Kauth.

KAUTH: Thank you, Chair Linehan. Senator Day, first, thank you for bringing this back. As you look at it, I'm guessing that getting some would be better than getting none of, of the [INAUDIBLE]. So--

DAY: Right.

KAUTH: --if we could get 50% or more, that'd be great.

DAY: Yes.

KAUTH: Can you give us a breakdown on the fiscal note per level? Does that make sense? So like for, for a 90% disability, what is that fiscal note be--

DAY: Yes.

KAUTH: --just so that we can kind of figure out how we can do that?

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DAY: We will-- yes. And that's kind of one of the changes we made with the committee, when you all made the decision to advance it out of committee, is I think we then went to 50 to 90%. And it did change the fiscal note a little bit. I will try to get a breakdown of that.

KAUTH: I don't know if they can break it down, but.

DAY: I think they're, they're pretty busy--

KAUTH: Stressed.

DAY: --right now, but I-- yes. We will try to do what we can--

KAUTH: Thank you.

DAY: --to figure that out. Absolutely.

LINEHAN: Thank you, Senator Kauth. Are there other questions? Senator, Senator Meyer.

MEYER: I've always liked this idea, and I think I voted in favor of it, of it last time. If, if we were able to say, incorporate this bill or the version that we passed out last spring in our larger revenue bill with the topics we already have in that, with a revenue stream that's sustainable, would you then be a supporter of that larger bill?

DAY: Are you asking me about LB1?

LINEHAN: We don't know yet.

MEYER: Well, whatever, whatever version [INAUDIBLE], whether it's 9--

DAY: Yeah. I mean obviously-- so--

MEYER: --whether it's 9 or 1 or a combination thereof.

DAY: Yes. I-- my hope is by the end of the session that there will be a piece of legislation that, whether it includes this or not, that we can support-- that I would like to support. Because I think we all know why we're here. Right? I can't say whether I would support it or not, because I don't know what the contents of that would be, or what the repercussions of the different levers moving. I will tell you that I'm hopeful that that will end up happening. There will be something

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that I could support as a larger package, yes, particularly if it included this.

MEYER: Well, I appreciate that.

DAY: I can't give you 100% yes.

MEYER: I mean, perfectly honest that--

DAY: Right.

MEYER: --you know, we, we all support the--

DAY: Yeah.

MEYER: --the notion that we're able to help disabled veterans especially.

DAY: Absolutely. And so-- and one of the conversations I had over the summer with-- obviously, I'm senator in Sarpy County. We sat down with the United Cities of Sarpy County, and I believe it was one of the mayors that was, that was there that day. I can't remember who it was, but they had mentioned Illinois does-- they do targeted property tax relief through homestead exemptions, various populations. And they allow people to stack their homestead exemptions. So you can have-- you know, you can be a part of populations that receive different benefits from different homestead exemptions, and you're allowed to use multiple of those to provide a greater amount of property tax relief. And I thought that was a really great idea. And this could maybe fit into something like that, or whatever the larger package would look like.

MEYER: Sure. But the, the key, again, is whether we can all agree on some revenue--

DAY: A revenue stream.

MEYER: --to help fund notable things like that.

DAY: Ideally, ideally, yes. I would love to be able to find another additional revenue stream for the state of Nebraska so that we can do this. Yes. Thank you.

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LINEHAN: Thank you, Senator Meyer. Are there other questions? Did you have an income limit on this? Is that one of the things you said you changed?

DAY: We did.

LINEHAN: That's right.

DAY: Yes.

LINEHAN: But not last session. This, this, this is new.

DAY: I think we had one last session, as well.

LINEHAN: OK.

DAY: I will look and let you know for sure.

LINEHAN: Because it might have changed the fiscal note--

DAY: Yes.

LINEHAN: --if you didn't have it and now you do.

DAY: I think I did, but--

LINEHAN: OK. OK.

DAY: --I could be wrong. I mean, either way.

LINEHAN: All right. Thank you very much.

DAY: Yeah.

LINEHAN: Any other questions from the committee? Seeing none--

DAY: Thank you.

LINEHAN: --thank you very much. We have proponents.

JON CANNON: Madam Chair. Good afternoon, 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 today in support of LB30, but there's a couple of things that we'd like to hopefully see changed. I want to thank Senator Day. You know, there's a number of

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veterans that serve on the NACO board. We have a number of them-- a lot of them in county government, in general. My parents are both veterans. And so, this is kind of a big deal for us. We like homestead. It's a targeted property tax relief program. And it is the targeted property tax relief program that we have in the state of Nebraska, and so it's something that we generally are in favor of. As a lot of assessors have told me, it is the only time that people come in the assessor's office and they're happy. There is a little bit of confusion that we have about the numbers. Generally, we talk about a percentage of exemption for homestead. In here, what we're talking about an exemption in dollars. The question is, is that \$1,000 of tax at the highest level? Is it \$1,000 of value, which is a little bit-- quite a little bit less, actually. And then the, the differences are going to appear from county to county. For instance, if you have-- if you're getting \$1,000 tax exemption and you're a veteran in Boyd County with a, a very low-value homestead, you might actually be getting more relief than 100% disabled. And so, it, it seems that we would probably want to have these things match up to what we're doing currently with homestead. That's just a, a technical issue I wanted to bring to the committee's attention. Otherwise, we're very happy to be in support of this bill, urge it's, it's, it's passage out of committee. And I'm happy to take any questions you may have.

LINEHAN: Thank you, Mr. Cannon. Are there any questions from the committee? So you just-- because the part of the homestead exemption, it's on the average of that county-- the average home in that county.

JON CANNON: Yeah. It's-- we base it on the average assessed value for single-family residential.

LINEHAN: Which is widely different across Nebraska.

JON CANNON: Yes, ma'am. \$49,000 in Boyd. \$259,000 in, in-- or \$253,000 in, in Douglas.

LINEHAN: OK. Got it. That's helpful.

JON CANNON: Yes, ma'am.

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

JON CANNON: Thank you very much.

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LINEHAN: Are there other proponents? Are there opponents? Anybody wanting to testify in the neutral position? Senator Day. And do we have letters?

DAY: OK. I won't take too much more of your time, but in--

LINEHAN: Just a second. I got to read the letters.

DAY: Oh, yes. Sorry.

LINEHAN: No, it's fine, it's fine. So, another one with ADA accommodation. And it's representing the Nebraska-- it's for Korby Gilbertson, and it's representing Nebraska Realtors Association. And they are proponent. And other letters for the record are 3 proponents and no opponents.

DAY: Thank you. Our intention with the bill is to reduce directly the amount of property tax owed. So if it's \$1,000, that would be \$1,000 off of the property tax bill itself and not the value. Obviously, if you have a \$500,000 home, you know, that's not really going to make much of a difference. So if there needs to be some change-- clarifying language changes or whatever, we'd be happy to amend it to do that. You guys all understand this bill. You've seen it a million times.

LINEHAN: I think if you have a \$500,000, it makes it-- \$1,000 is still \$1,000.

DAY: Yeah, but I mean off the, off the, off the actual tax liability.

LINEHAN: Right. It wouldn't make-- yeah.

DAY: Yes.

LINEHAN: It wouldn't be as obvious if it--

DAY: Right.

LINEHAN: Right.

DAY: Yes.

LINEHAN: Are there any other questions for Senator Day? Seeing none, thank you very much.

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DAY: Thank you.

LINEHAN: And that closes the hearing on LB30. And we'll skip back to-- did I see Senator-- yes. There he is. Senator Bos-- are you ready? You want a break? You want to wait?

BOSTAR: No, no. I'm good. I'm actually still in the middle of the other hearing. So--

LINEHAN: You're doing well.

BOSTAR: Yes, I want to open here--

LINEHAN: OK.

BOSTAR: --is what I'm trying to communicate.

LINEHAN: OK.

BOSTAR: I'll just have to run back to General affairs.

LINEHAN: Are there a lot of people over there?

BOSTAR: Well, there's this football coach there.

LINEHAN: A winning coach.

KAUTH: Are you [INAUDIBLE]?

BOSTAR: He has a-- he has thoughts about it. So.

LINEHAN: We had a coach.

von GILLERN: What?

LINEHAN: We had a coach. We had, we had our volleyball coach. Good afternoon, Senator Bostar.

BOSTAR: Good afternoon, Chair Linehan and 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, represent Legislative District 29. I'm here today to present LB28, a simple piece of legislation that would exclude restricted funds budgeted for public safety services from the calculation of the base limitation for political subdivisions. This, this legislation is effectively identical to LB1216 that I brought

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before this committee last session. The intent behind this legislation is to exempt or exclude law enforcement, corrections, fire service, and emergency medical services from excessive budgetary restrictions in order to ensure that public safety, a critical duty of government, is never impeded. When the people who keep our community safe and secure go to work each day, it's critical that they know that they will be provided with the resources and staffing needed to do their job safely and effectively. National events and political trends have created a ripple effect that is making it more difficult and more dangerous than ever to be a first responder. The Bureau of Justice Statistics National Crime Victimization Survey shows a 44% increase in violent crime from 2021 to 2022. These numbers are all also the most recent numbers available. The Federal Bureau of Investigation's Criminal Data Analysis statistics demonstrate a 7% increase in property crime from 2120-- from 2021 to 2022, which came after a decades-long downward trend. The Justice Department estimates that violence against young people doubled from 2021 to 2022. Local 10/11 news reported in April of 2023 that within the City of Lincoln, car thefts had gone up 75% over the previous 4 years. Rape had gone up 25%, fraud had gone up 22%, thefts from vehicle had gone up 9%, and felony arrests in general had risen 16%, all over the same time period. According to the 2023 Lincoln Police Department Annual Report, between 2022 and 2023, child abuse went up 85.29%, theft went up 47.24%, use of a weapon to commit a felony went up 19%, felony assault went up 13.68%, and first-degree sexual assault went up 13.04%. The city of Omaha saw 29 homicides in both 2022 and 2023. In the first quarter of 2024, Omaha has already seen three times the homicides compared to the same period of 2023. The city of Grand Island has seen a property crime rate more than 19%, higher than the national average. And this increasing demand for emergency services is hardly limited to law enforcement. In 2023, Channel 6 News, out of Omaha, reported a record breaking year for emergency calls. It was estimated the Omaha Fire Department responded to more than 68,000 emergency calls the previous year, an all-time high for the community. It's a 12% increase over 2020 and a 33% increase over 2016. All of this, while it's, it's never been harder for departments to recruit and retain staff nationally. Across our country, 78% of agencies reported having difficulty recruiting qualified candidates, 75% of agencies reported recruiting is more difficult now than 5 years ago, 65% of agencies reported having too few applicants, 50% of agencies reported having to change policies and qualifications for candidates, and 25% of agencies

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reported having to reduce services. With the obvious growing reality of increased demand for public safety services, it's clear that we must take action to safeguard public safety funding against effort to reduce dollars spent on these services. LB28 does just that. This legislation is both a safeguard against efforts to reduce public safety funding, as well as a way that this body can provide clear direction to political subdivisions about what we consider to be the critical duty of local government. As the Governor said yesterday, the highest calling in government is public safety. It's important that we stand together to protect our citizens. As this committee constructs legislation to address soaring property taxes, I strongly encourage each of you to consider the real needs of our communities. I believe we must focus local dollars toward keeping our neighborhoods, our streets, and our children safe in order to safeguard the good life here in Nebraska. An exclusion or exemption for funding public safety services is a critical component to any legislation this committee puts forward for consideration by the rest of the body. I want to take a moment to thank all the first responders who have taken the time to come before this committee to speak out about the importance and necessity of this legislation. I would also like to thank the committee for your time and consideration, and I would encourage you to support LB28, and be happy to answer any preliminary questions you may have.

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

DUNGAN: Thank you, Chair Linehan. And thank you, Senator Bostar, for bringing this. You know, I was supportive of this last time it was around. I still support this idea. The question I had, though, was the Governor indicated in his playbook, in his exemptions for public safety, a desire or at least an intent to also exempt county attorneys and public defenders. The definition I think that's used in your statute here--

BOSTAR: It doesn't cover those.

DUNGAN: It doesn't cover those. Is that something you would be open to, or is that a separate conversation?

BOSTAR: No, I'm open to it. Yeah. Absolutely.

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DUNGAN: That's all.

BOSTAR: No, it's-- you know, the language is identical to what was introduced last year. And when trying to get legislation drafted that could get in under the wire for this session, going with something that they had already written was the right way to go.

DUNGAN: No, that makes sense. I just was curious, given that that was in that playbook conversation.

BOSTAR: Yes. No, the Governor's, the Governor's playbook, right, that's what they call-- that also mentioned those, those populations.

DUNGAN: OK. Thank you.

LINEHAN: Yes. Senator Albrecht, and then Senator Kauth.

ALBRECHT: Thank you, Chair.

LINEHAN: And thank you, Senator Dungan.

ALBRECHT: So nice to have you back.

BOSTAR: It's good to be here.

ALBRECHT: Busy guy today. He hasn't been in the room much. Last year, we didn't have anything to do with volunteers. Right?

BOSTAR: That's correct.

ALBRECHT: So what do we do about those counties if we put caps on cities and counties? I mean, where, where would they fall?

BOSTAR: I , I guess I'm-- I don't understand the question.

ALBRECHT: Well. I mean, when it comes to what we're able to provide here, I mean, do you, do you see a need in the, in the volunteers and the EMTs? Some of them have paid EMTs, things like that.

BOSTAR: So they would actually be covered. So the-- any expenditure the political subdivision has, if, if you look at the definition that's referenced in this particular legislation, it's expenditures that go toward firefighting, EMT services, law enforcement. So if, if

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a political subdivision has an expenditure for volunteer fire service, it would also be covered under the language that is in LB28.

ALBRECHT: So, another thing that they ask me about is equipment.

BOSTAR: Yes.

ALBRECHT: So again, if we have caps on these folks, do you feel like that's when they're going to have to override and go to the vote of the people to purchase equipment?

BOSTAR: So currently, in the language in LB28, there is no, there is no specification on what part of fire service, law enforcement's budgets are being exempted. It's, it's all of it.

ALBRECHT: Mostly for recruitment and--

BOSTAR: So this is the whole budget. So the, the language in LB28 would exempt emergency medical services, law enforcement, fire, rescue, the-- those segments of the budget would be removed from the base limitations calculation.

ALBRECHT: Thank you.

LINEHAN: Thank you, Senator Albrecht. Senator Kauth.

KAUTH: So Senator Albrecht, Senator Dungan kind of hit mine already. Thank you, Chair Linehan-- about the county prosecutors. But can you fill me in a little bit more about what are those restricted funds? So we can't have the political subdivisions saying, well, gosh, roads or public safety? And I mean, renaming things public safety to--

BOSTAR: It's, it's defined in law.

KAUTH: OK.

BOSTAR: They don't-- they-- political subdivisions would not have the ability to just decide for themselves what is public safety.

KAUTH: OK.

BOSTAR: It's-- the definition is referenced in our statutes.

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KAUTH: OK. And so anything that is currently a restricted fund that they're using for public safety as defined in statute would be protected?

BOSTAR: It would be removed from the, from the base calculation.

KAUTH: From the base. OK.

BOSTAR: So-- yes. Effectively, yes.

KAUTH: OK. Thank you.

BOSTAR: It's just when they go to calculate their restricted funds allowance, so to speak-- that's the wrong word, but I think it's going to be close enough, they wouldn't need to include public safety within that calculation.

KAUTH: OK.

BOSTAR: That's what this legislation does. Obviously, we are working on legislation related to this. And my expectation is the concept here is what's important. To, to really make it clear, in LB1, we remove restricted funds, right. That, that, that stops existing. So the language in LB28 doesn't really-- it's not a, it's not a great fit for what's in LB1. So the concept here is what I'm really trying to convey. And wherever other legislation lands, I would like to adapt what this is doing to that, if that makes sense.

KAUTH: Yes. Thank you.

LINEHAN: Thank you, Senator Kauth. Other questions from the committee? I don't know-- I don't-- I'm not-- I don't think I'm knowledgeable enough to answer this-- to ask the question that I-- I don't know how to ask it. Right now, is public safety-- is it part of the restricted funding now?

BOSTAR: Yes.

LINEHAN: So this is opening the door wider than it currently is, except there's no cap, so not really. Help me figure--

BOSTAR: Yeah. So this--

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LINEHAN: Do you know what the question I'm trying to ask is?

BOSTAR: --this-- I mean, what this would basically do is, is take it outside. I think it does what you think it would. It would remove it from the lids--

LINEHAN: OK.

BOSTAR: --is what it would do.

LINEHAN: And from any restrictions they currently have?

BOSTAR: Yeah. Yes.

LINEHAN: So it's like a double opening.

BOSTAR: Well, it's--

LINEHAN: Which, I'm not saying that's wrong. I'm just trying to understand.

BOSTAR: It's, it's a full opening.

LINEHAN: OK.

BOSTAR: Right. It's the, the budgets of public safety services would not have an impact on any of the other calculations.

LINEHAN: OK.

BOSTAR: Period. Right. So it's just-- it, it takes them and, and takes them out of, out of the whole equation, is what it does.

LINEHAN: OK. But it would still be-- the local governing authorities still have control whether they give them money or not. So it's still up to the board.

BOSTAR: Yeah absolutely. They still set their board-- yeah-- their budgets.

LINEHAN: Yeah. The boards still set the budgets.OK. Thank you. Did I see another question? Thank you. And you have to go back to your other hearing now?

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BOSTAR: I'm gonna go back, but I hope to be able to make this--

LINEHAN: It looks like you brought a crowd, yes.

BOSTAR: --this work. So thank you very much.

LINEHAN: OK. The way we have done all the hearings during this session is we go proponent, opponent, neutral. So I doubt there's any-- well, I shouldn't say that. So, first proponent. Don't, don't-- just jump, jump. Go, go.

MICHON MORROW: Good afternoon.

LINEHAN: Good afternoon.

MICHON MORROW: And good afternoon, Chair Linehan and members of the Revenue Committee. My name is Michon Morrow, M-i-c-h-o-n M-o-r-r-o-w. I'm the chief of police for the Lincoln Police Department. And I would first like to thank Senator Bostar and the Revenue Committee for their support of law enforcement, and grateful for the opportunity to be in front of you here again today. I am here in support of LB28 on behalf of the Lincoln Police Department. The proposed exemption for public safety in LB28 allows both police and fire to continue to protect our community against threats, threats to life and property. Other exemptions that we've seen proposed during the special session essentially apply only to new hires. LB28 provides a straightforward public safety exemption that supports all public safety personnel and programs. It supports the safety of the men and women who work to protect the community and allow us to keep our communities safe. The Lincoln Police Department is committed to engaging this conversation by providing information and perspectives to help ensure public safety departments are protected and well-resourced. Public safety is our community's and administration's highest priority and responsibility. In order to fulfill this responsibility, LPD must be allowed to provide competitive salaries and benefits, new equipment and technology, and training for all personnel. A few examples of increasing costs for our department are recent salary increases that range from 8 to 10% to remain competitive in the market and for recruiting and retaining of our talented personnel. The cost to fully outfit a cruiser has increased 28% over the last 2 years. The cost to maintain and repair police emergency vehicles is up an average of 7%. We are concerned because underfunding can lead to vehicle breakdowns,

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vehicle shortages, officer downtime, longer response time in service to our community and those in need. The cost to fund our combined pension for police and fire has increased 8.5% over the last 5 years. LPD works hand in hand with other law enforcement agency and community partners to keep our community safe and create efficiencies. Example of this is the-- with the Nebraska State Patrol, the tactical flight officers, security enforcement at or around the State Capitol, joint task forces, collaborative responses with Region V to mental health, homelessness, and addiction. We want to continue to invest in these important collaborations. However, proposed budget restrictions would likely result in difficult decisions being made, which in turn could diversely impact our ability to provide the level of service that our community has come to expect from LPD. Lincoln is a growing community, and with that comes increased demands. LB28 would allow LPD to continue to keep those increased demands in mind as we serve our community to keep them safe. Again, thank you for your time and consideration, and I welcome any questions that you may have.

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

MICHON MORROW: Thanks for your time.

LINEHAN: You're welcome. Yeah. She's proponent. Or are you a opponent?

LYNN REX: I'm an o-- I'm a proponent.

LINEHAN: Well, I think that's all-- are there any opponents here? I didn't think so, either.

LYNN REX: Oh, sorry. No. Thank you.

LINEHAN: Is anyone here neutral position? OK. Proponents, let's go.

LYNN REX: So sorry.

LINEHAN: No. You're fine. OK.

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. So LB28 is needed regardless of what you do with a cap. I mean, the League and NACO have negotiated a cap, which is embedded in LB388, of 3% or CPI, which is ever greater. That had, in

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subsection-- in Section 4, subsection (6), language that Kenny Zoeller and Senator Bostar negotiated on public safety. That needs some further clarification. The League and NACO put in language saying, any other expenses relating to public safety in a broader context for interlocal agreements. You're looking at LB1. The League and NACO of course oppose LB1 because it's 0%. That also has the same language that you had in LB388, relative to public safety. Jon Cannon and I spoke with Kenny and David Lopez last night. That's still under negotiation about how to deal with public safety. However, notwithstanding what may happen with that, and of course, we're still trying to get to 3% or CPI, which is ever greater, that it's important to also understand that this provision would need to be there for those entities still under the lid on restricted funds in Chapter 13, Article V. Because Chapter 13, Article V relates to all political subdivisions right now, except schools. And if municipalities and counties are taken out of the lid on restricted funds, which is what LB388 would have done, what LB1 would do, and also, by the way, LB80 which the League and NACO have introduced on behalf of-- Senator Raybould was kind enough to do that for us. Basically what you have left is rural subdiv-- rural and suburban fire protection districts. To your point, Senator Albrecht, they need to have that exception for property taxes, dealing with fire services. So, for example, the definition I think that was raised here in terms of what constitutes public safety under LB28, as it was in-- previously, in LB1216, public safety services is defined to mean crime prevention, offender detention, and firefighter, police, medical, ambulance, or other emergency services. And I think there-- as you know, there's been a discussion, which was asked about do you include county attorneys? Do you include others in that? And that's obviously up to the committee in how that's negotiated. We think a broad context is really important. So we support this. And I have a lot of other information about why we think it's important to do it. But I'm happy to answer any questions when we get to this point here when the red light comes on. Because I do think that it's really critically important, when you look at and hear some of the testimony today-- and I think one of the most compelling testifiers last year on LB-- last session, on LB1216, was by Sheriff Neil Miller. And I know that his deputy is here today to talk about that, and all this-- all the really serious things that law enforcement, fire, and others are, are basically facing-- and corrections. So just know that there are, there are discussions underway in terms of how to deal with the definition of public safety.

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And notwithstanding, whatever happens with LB1 or LB80 or any of the other bills, this bill would need to be there for those entities under the lid on restricted funds, because you're not eliminating the lid on restricted funds for everyone. You're just eliminating it for counties and municipalities if you're imposing a different cap.

LINEHAN: Thank you very much. Are there questions from the committee? So currently, this is a problem?

LYNN REX: Yes. I mean, if, if the special session wasn't in play, if discussion of caps, additional caps on municipalities and counties was not in play, this bill would still be important because bottom line is municipalities, counties, rural fire protection districts, all political subdivisions except schools have been under the lid on restricted funds in Chapter 13, Article V, since 1996. And that lid is basically this: you cannot have more than 2.5% over the prior year in restricted funds. Restricted funds includes all property tax, all sales tax, all occupation tax, everything basically is included in that lid on restricted funds. So you take whatever's the prior year of [INAUDIBLE] on restricted funds. You cannot exceed that more than 2.5%. If you have growth above the base limitation, which is what this addresses, the base limitation of 2.5%, then you can have that growth, but-- if it's above 2.5%. And then, in addition, a 1% with a supermajority vote. So 2.5% plus if you're above 2.5% with growth in parentheses, literally, there's probably not even a dozen cities in the state that are above 2.5%, so they can't access that. So in any event, the lid on restricted funds has been in effect since 1996, and will continue, regardless of what you do with caps on municipalities and counties.

LINEHAN: Growth being growth in valuations, or growth-- real growth-- and it's OK if I'm not [INAUDIBLE].

LYNN REX: Growth-- yeah, growth under the lid on restricted funds in Chapter 13, Article 5 deals with annexations. It deals with new housing. It's still-- it's actual--

LINEHAN: So it's real growth.

LYNN REX: It's real growth.

LINEHAN: What we refer to as real growth. OK.

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LYNN REX: Yes. Under the lid on restricted funds, it's refer-- referred to as allowable growth. And if the LB1 cap that's suggested, as was the LB388 cap, as is the LB80 cap that the League and NACO had introduced by Senator Raybould, that basically, allowable growth there obviously is, is also being considered in that context. But it is-- it would be what you would deem to be real growth.

LINEHAN: OK. Thank you very much.

LYNN REX: And those caps, Senator, as you know, would replace for municipalities and counties only would take us outside of the lid on restricted funds. So, the caps you're talking about in LB1, that you did talk about in LB388, which we're talking about again in LB80, those caps make it clear that for municipalities and counties, they would no longer be under the lid on restricted funds. But the lid on restricted funds in Chapter 13, Article V continues for everyone else, except schools. That's why this bill is important, no matter what.

LINEHAN: OK. Thank you very much. That's very helpful. Any other questions?

DUNGAN: Briefly. Do you mind?

LINEHAN: Yeah.

DUNGAN: Thank, thank you, Chair Linehan. Thank you, Ms. Rex. I just want to kind of take a second. I'm not-- I don't want to belabor the point too much, but to put a finer point on it, just to clarify, the caps that are currently being considered in LB1, which are akin to what was being considered in LB388. So there was the exemption in there-- or exception for the 6% increase in compensation. Right. That's the-- we keep, we keep talking about the 6%. That 6% increase in compensation was only for understaffed law enforcement agencies, and that 6% increase in compensation had to go to the filling of currently vacant positions. So that wouldn't go towards equipment, that wouldn't go towards maintenance of vehicles, that wouldn't go towards increasing salary to remain competitive, which Chief Morrow talked about. So the current exception that's being considered on LB1, really is only a 6% increase in salaries to fill vacant positions. It doesn't go to anything else. Is that correct?

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LYNN REX: Yes. But there still is confusion about, is it 6% on top of the 3? Is it 6% only for the folks that are being-- the new ones? But it deals with un-- you're correct, to be fully staffed.

DUNGAN: OK.

LYNN REX: That language itself needs to be reworked if that's the direction this committee wants to go. Notwithstanding, to your point, the equipment needs to be outside, but there are other expenses that need to be outside of those caps. It needs to be outside of the lid on restricted funds, which, which would be the case under LB28. LB28 references 13-320, which would take that out, in terms of equipment and that kind of thing. But this is a very limited exception, which is on page-- what are we here-- page 6, Section 4 (6) of LB1. It's the same ironic pages as it was in LB388. And we did not include this exception in LB80, that Senator Raybould was kind enough to introduce on behalf of the League and NACO, and the reason for that is because of the confusion of this language. So we just have a-- simply an exception for expenses related to public safety, because that would also include expenses and other sorts of things.

DUNGAN: OK. I, I just-- I got a lot of contacts from people in my district about the language previously, so I wanted to clarify that. So it's, it's good to know that we can, we can keep working on that. But thank you. I appreciate it.

LYNN REX: But I do think it's important to note: well-intended. It just-- there's some question about what the language did mean in any event. But I do want to say, had LB388 passed, and the League and NACO supported that as it applies to caps-- we did not weigh in on how you raise the money or any of the rest of it. But in terms of the caps itself, had that passed, we had had negotiations and discussions with the Auditor's Office in terms of the intent of what that language was. And then, we'd be coming back in, in the 2025 session, had the special session not occurred, to deal with other related issues on equipment and other things like that.

DUNGAN: Thank you.

LYNN REX: You're welcome.

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LINEHAN: Thank you, Senator Dungan. Any other questions from the committee? Seeing none, thank you very much for being here.

LYNN REX: Thank you.

LINEHAN: Again, and I haven't done this enough today, but there are yellow sheets in the back, so if you're here and you don't want to testify, but you have a position, you can sign the yellow sheets in the back and say what your position is. And it'll be part of the permanent record, or if you're here and somebody has already said what you're say-- you're saying, it, it will also be part of the permanent record. So, good afternoon.

DAVE ENGLER: Good afternoon, Chair Linehan and members of the Revenue Committee. My name is Dave Engler, D-a-v-e E-n-g-l-e-r. I'm chief of Lincoln Fire and Rescue. I would first like to thank Senator Bostar and the entire Revenue Committee for your support of first responders. I'm here today in support of LB28 on behalf of Lincoln Fire and Rescue. The proposed exemption for public safety in LB28 allows both, both police and fire to continue to protect our community against threats to life and property. Other exemptions that we've seen proposed during the special session are too narrow and essentially apply only to new hires. LB28 provides a straightforward public safety exemption that supports all public safety team members and programs, whether new hires or personnel with decades of service and experience. It supports the safety of our communities and the safety of the men and women who work to protect the community. We believe it is important to help find solutions to problems, not just complain about them. Like many other public safety professionals, I've been glad to help policymakers like yourselves get the information you need to do your important work during the regular session, and continuing during this special session. We all know that maintaining our highly skilled team requires resources. Our fire budget includes competitive salaries and benefits, new equipment and technology, training, and community programs. One example of a recent investment we made is our salary increases for firefighters, totaling 18% over 3 years. This was necessary for competitive recruiting and retention of the men and women who serve and protect Lincoln. All of these tools and training must be available to all team members, and not just new hires or other narrow exemptions. At Lincoln Fire and Rescue, we believe in partnerships that create efficiency and improved outcomes. Our team not only supports the city of Lincoln, but also state, county, and

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other government entities. For example, we provide support to rural fire districts in our region. We want to continue to invest in our budget in support of these important collaborations. Lincoln is a growing community, and with that comes the commitment to protect new homes, families, and businesses. That requires strategic and efficient investment in our public safety teams. LB28 would allow public safety agencies like Lincoln Fire and Rescue to continue to keep families and communities safe across Nebraska. Thank you for your consideration. I welcome any questions you may have at this time.

von GILLERN: Thank you for your testimony. Any questions from the committee members? Senator Albrecht.

ALBRECHT: Thank you, Chair. Thanks for being here. And I just want to kind of wrap my head around, around exactly what we're doing here. So you still present a budget to your city, right?

DAVE ENGLER: Yes, we do.

ALBRECHT: And if there were something above and beyond, something that you had to have, you know, people come back for a lot of overtime, you know, a lot of time helping an incident of some sort out, that goes on for a couple days, whether it's a tornado or fires or whatever it is, what does the city do today? Do they have enough put away for things like that, and can they really tell you, sorry, we don't have the money?

DAVE ENGLER: I would say, luckily we haven't been to that point, which is great, but we work with the finance department, so the finance overall manages the budget. They've got to stay within the lid.

ALBRECHT: Sure.

DAVE ENGLER: And so, I would, I would guess that depending on the situation, they would have to take away other resources. I know if I, I have to stay within my budget and, if, say, personnel expenses due to overtime are above my budget, then I have to take it out of equipment, training, all those other things. So I don't have the latitude to really try to dip into other budgets or anything like that. I've got to stay within the fire department budget.

ALBRECHT: But I guess I've sat on a city council and county board before, and I know that you're protecting the people and property, and

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if there's extenuating circumstances, there's, there's really not been a way that we were able to say no. So maybe that pulls the city back, in saying maybe they can't do as many things as they'd like to do in other areas, because the money would have to come from somewhere. So if you decided, though, that you wanted a new, you know, fire truck or ambulance or more equipment, I mean, that I can see would have to be budgeted in, like anybody else's budget. But if it's above and beyond, in a circumstance with a concert or you guys have the football games or whatever it is, they have to have something, or you guys probably already know from year to year how much it goes up.

DAVE ENGLER: Certainly, I think the challenge that we're experiencing today is that all the costs-- and, and I think one of the reasons we're here today is inflation and, and all those things. But all the costs are far exceeding what we ever thought they'd be. And so, we're seeing that. We've got to maintain competition, so we've got to look at the personnel costs. But the equipment is just drastically rising. So all those things are really tough to plan for, and we need to be able to be flexible for the future, to make sure that we're able to provide that equipment. Sitting behind me is a number of Lincoln firefighters, who do an excellent job every day. I have to make sure for them and their families that they have equipment that functions, the best safety equipment that we can get for the price. I owe that to them, and, and having restrictions on our budget makes it very difficult to do so.

ALBRECHT: All right. Thank you.

LINEHAN: Thank you, Senator Albrecht. Other questions from the committee? Seeing none, thank you very much--

DAVE ENGLER: Thank you.

LINEHAN: --for being here.

TONY CONNER: Good afternoon. My name is Tony Conner. T-o-n-y C-o-n-n-e-r. I am the newly elected president of the State Fraternal Order of Police. And I'm here to support LB28. For a lot of you guys that know me pretty well, I'm gonna say something that's going to shock you. I'm going to keep my comments short today. I know, so it's probably a shock to you guys, but--

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LINEHAN: You are, because you're on the clock.

TONY CONNER: Yeah, yeah. So, the biggest thing that we're facing in law enforcement-- obviously, I'm a sergeant in Omaha, but representing the entire state of Nebraska. A lot of municipalities are struggling with recruitment and retention, just as we are in Omaha. You guys will hear from the current president of the OPO here soon, with more specifics about the problems in Omaha. But this is just not-- it's not an Omaha issue. This legislative body have done a good job over the last couple of years of supporting law enforcement that we appreciate. You guys did things that are good for us, like bringing in free college for us and our dependents. We changed the reciprocity process so we can get out-of-state applicants. If we put a cap on these municipalities, it will only erase those, those, those 2 forward steps. It would almost be putting us, putting us a step backward. So, we're here to support this bill to make sure that we're not, we're not capping that, that each agency still has the ability to do what's going to be necessary to recruit and retrain-- recruit and retain. Also, as you guys know, we have worked with the legislative body to make changes when it comes to our training, to make sure officers across the state are being trained properly. We're trying to professionalize the profession. Every single, every single day, we're trying, trying to get better police department. So with that, that comes additional cost, when it comes to training, when it comes to equipment. So there's a lot of issues that come that we want to make sure that we're not capped on. So once again, I want to thank Senator Bostar for bringing this bill. And I want to thank you guys all for having this hearing, to hear some of our concerns. And I'm certainly here for any questions you guys may have.

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

GARY BRUNS: Good afternoon, Chair Linehan and members of the Revenue Committee. My name is Gary Bruns. That is G-a-r-y B-r-u-n-s. I'm here today as the president of the Nebraska Professional Firefighters Association. We advocate for 1,400 paid firefighters, EMTs, and paramedics across the state. We'd like to thank Senator Bostar and this committee for bringing forward LB28, because, because having hard caps on public safety budgets will lead to several negative consequences, one being the inability to adapt to modern emergencies. Public safety needs fluctuate based on various factors such as

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population growth, pandemics, natural disasters, and technological advancement. A rigid budget cap prevents agencies from adapting to these emergent-- these changes, potentially compromising public safety. As we learned from COVID, there are no-- there going to be unforeseen emergencies that we've yet to encounter and will change the way we operate. Two, limiting resources for equipment and personnel. Up-to-date equipment, technology, and well-trained personnel are essential for effective public safety, and also keep our firefighters and EMS providers safe. A hard cap will limit the ability to invest in these critical areas, hindering the agency's capability to respond to incidents. As mentioned yesterday, departments have little control over the cost of capital expenditures. And is-- as it was said and I liked it, we aren't buying fire trucks and ambulances at Walmart. Three, increased emergency response time. Understaffed or inadequately equipped departments experienced longer response times to emergencies, which put the lives of the community at risk. Four, is it-- increased workload and burnout. Reduced budgets lead to understaffed departments, placing excessive workloads on the remaining firefighters and EMS providers. This leads to burnout, decreased morale, and compromised performance, or as we're seeing, firefighters and EMS workers just leaving public safety altogether. A hard cap will also jeopardize the health and safety of our firefighters and EMS providers. When budgets are tight, necessary protective equipment, training, and mental health resources are often among the first items to be cut. This increases the risk of physical injuries, illness, and mental health injuries. The issues I described are the current reality under our current budget structures. Take, for instance, the community here in Nebraska, that deferred maintenance costs for so long that they now have to replace their entire fleet of 54 vehicles at \$30 million. Or as in another example, a first-class city hasn't been staying competitive in the job market and will be down an entire shift of firefighters because of recruiting and retention challenges and long-term injuries. The community is already at risk, and hard caps on public safety will only further exasperate these shortfalls. Public safety is an investment, not an expense. We urge you to consider the long-term consequences of hard cap on public safety budgets. The safety of our communities and the well-being of our first responders depend on your decision. We thank you for your time here today, and for your time in the spring. We have a number, number of members back

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here willing to testify. But to be mindful of this committee and the, the community's time, I, I-- I'll be your only speaker.

LINEHAN: He's a smart guy.

GARY BRUNS: Here to help.

LINEHAN: Are there any questions from the committee? You do understand diminishing returns?

GARY BRUNS: Yes.

LINEHAN: Thank you.

GARY BRUNS: I've been watching.

ALBRECHT: Oh, did he say he's speaking for all of them?

LINEHAN: Yes.

GARY BRUNS: I'm speaking for our association. I think you're going to have a number of fire chiefs here, and, you know, directors that are going to speak for you, but yes.

LINEHAN: It's OK. That's good. Thank you for being here.

GARY BRUNS: Thank you.

WILLIAM RINN: Good afternoon, again, members of the committee, Madam Chair. Thank you for hearing our testimony. My name is William Rinn, W-i-l-l-i-a-m R-i-n-n. I'm the chief deputy of administration for the Douglas County Sheriff's Office in Omaha, Nebraska. On behalf of Sheriff Hansen and the Douglas County Sheriff's Office, we are a proponent of LB28. I'll go a little off script here. And obviously, you saw me here yesterday. And I appreciate your-- can be very brutal, and, and it was brutal for everyone, in particular for yourselves, so I do appreciate your service. We were in opposition to parts of LB1. The reason we're here as a proponent of LB28 is that it is the patch or the fix that is a smart balance between having the public have-- be safe in their finances and safe from being victims of crime. And we can accomplish both at the same time when we can put smart language together such as this. If not verbatim, but at least intent of, of the concept, I think, as the-- Senator Bostar was speaking of. So that we're not so unoriginal, I'd like to address a couple things that have

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come back and forth yesterday and today, about the confusion of the 6% and the personnel. And, and there's some ambiguousness to that interpretation. What we believe is most important about LB28 is that it removes that ambiguous language, makes it unambiguous not only for the reader, but for those local boards who are tough-- faced with those tough decisions of does this apply, does it not? It removes that, and it makes the priority of law enforcement and any public safety crystal clear, as to what needs to be done. And to address Senator Albrecht, your, your one point that you had made, with regard to are budgets ever made or are they not? I mean, I work exclusively with the finance department in Douglas County. And, and they have a tough road every year, deciding what's real growth, how much do we allow percentage growth. And we're, and we're kind of wrapped into the sauce. And, and they, they do their diligence and, and make sure that public safety gets what they needs. This I think, improves that situation, by not having to consider [INAUDIBLE], they'll be able to spread their, their growth out to some of those other departments that have to be left without growth. And with that, I'll take any questions you have.

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

WILLIAM RINN: Thank you.

PATRICK DEMPSEY: Good afternoon. Hi. My name is Patrick Dempsey, P-a-t-r-i-c-k D-e-m-p-s-e-y. I'm a 14 1/2 year law enforcement veteran for the city of Omaha. I'm here on behalf of the Omaha Police Officers Association. Unlike Tony, I'm the much better looking president. So you guys have that for you. I want to address the issue of placing a cap on [INAUDIBLE] spending, which ultimately places a cap on police budgets. This topic is filled with complexities for public safety, community well-being, and effectiveness of law enforcement. Imposing budget caps on police departments can have far-reaching negative consequences. First, consider the impact on public safety. Police budgets are crucial for ensuring adequate staffing levels and resources to respond to emergencies and combat crime effectively. As many of you know, staffing is an issue that is plaguing the law enforcement. Currently, in the city of Omaha, we're down 120 officers. That's 13% of our authorized strength. When budgets are constrained or capped, it can lead to understaffing and stretched resources, hampering law enforcement's ability to protect and serve our

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communities. Second, community policing relies heavily on building trust and relationship with the community that we serve. Budget cuts can hinder community policing efforts, as officers have fewer resources and time to engage with our residents, being short-staffed, address their concerns, and collaborate on crime prevention initiatives. Lastly, budget constraints can negatively impact officer morale and recruitment efforts, which this Legislature has fought to ensure does not happen in the state of Nebraska. Experienced officers have become disillusioned and leave the force, while potential recruits may be deterred by the prospect of joining underresourced off-- or departments. This exodus of talent can further strain law enforcement agencies and compromise public safety efforts. Although caps on spending may be necessary, including first responders in this will defund the police. In conclusion, placing caps on police budgets has far-reaching complications and is detrimental to public safety and community well-being. We must prioritize adequately funding law enforcement agencies as we continue to grow and compete with qualified talent, so our community-- communities continue to thrive. With that, I urge this community to support LB28, and I will take any questions.

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

PATRICK DEMPSEY: Thank you for your time.

ROD BUETHE: Good afternoon. My name is Rod Buethe, R-o-d B-u-e-t-h-e, and I have the privilege of serving as the fire chief for the Gretna Fire Department. I've been a volunteer with Gretna for 35 years, and have been the fire chief in the volunteer capacity for 25 of those years. In 2023, I was asked to take a paid position as fire chief for Gretna. I also serve as the president of the Tri-Mutual Aid Firefighters Association, which represents 30 fire departments, volunteer and paid, in the metro Omaha area. Gretna Fire is also a longtime member of the state-- Nebraska State Volunteer Firefighters Association. Today, I'm here on behalf of the city of Gretna, the United Cities of Sarpy County, the Nebraska State Volunteer Firefighters Association, and the Tri-Mutual Aid Firefighters Association to express our strong support for LB28. As emphasized by Mayor Rusty Hike of Bellevue and Mayor Doug Kindig of La Vista during the discussion of LB1 yesterday, the United Cities of Sarpy County understand and support the goal of reducing property taxes. However,

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we believe it is crucial to provide clear exceptions for public safety services. We support LB28, which aims to remove restricted funds allocated for public safety services from the calculation of base limitations. Public safety is a fundamental responsibility of local government. Currently, cities in Sarpy County dedicate approximately 25 to 30% of their general fund operating budgets for public safety services not covered by interlocal agreements. Last year, the Gretna Volunteer Fire Department responded to over 1,550 calls, including accidents on Interstate 80 and critical medical emergencies, where every second counts. As the fire chief for Gretna, I am overseeing our transition to a combination department. We're switching from an all-volunteer to having some paid staff. This transition requires hiring 12 full-time fire and EMS employees, along with the necessary training equipment and operational expenses. As our city continues to grow, our residents rightfully expect us to provide comprehensive public safety services. This demand necessitates a significant financial investment not only in staffing, but in equipping our personnel with safety equipment and facilities, as well as adequate support staff. These are ongoing expenses that cannot be sufficiently addressed through temporary funding increases or annual elections. We need the flexibility to access necessary resources to meet these expanding demands. LB28, along with a comprehensive public safety exclusion from hard caps will greatly assist municipalities like Gretna as we grow and transition. Thank you for your attention to my testimony. 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.

ROD BUETHE: Thank you.

BEN HOUCHIN: Good afternoon. Ben Houchin, B-e-n H-o-u-c-h-i-n. I'm the chief deputy of Lancaster County, representing Lancaster and the Sheriff's Office. I'd like to say I have something really new to add to a lot of this. I don't. I do want to talk about unfunded man--mandates, and that affects us. So, court security is 13.2%. State statute says we have to do that. We don't get any money. Sex offender registration, we have to do that, but we don't get any money. Gun registration, title inspections, none of that has gotten up. In '81, a title inspection was \$10. 2024, \$10. But it doesn't cost the same to do it for us. So I just want to make sure you guys understand that part of it, too. When it comes to budgets and putting a lid on it

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would hurt and especially un-- unfunded mandates. Any questions for me on that?

LINEHAN: I will see. Do we have any questions from the committee? Explain-- I'm sorry-- title inspections. Is that what you said?

BEN HOUCHIN: Yeah. So when a car comes from out of state--

LINEHAN: Yes.

BEN HOUCHIN: --and they have an out-of-state title, they have to go get a Nebraska title, so it has to go get inspected. A lot of times, people will try to get a salvage title washed, meaning it taken off, and then they get more money for it. So we do title inspections to make sure that doesn't happen.

LINEHAN: So it's state law that you have to do it but, but the county has to pick up the tab.

BEN HOUCHIN: Well, we get \$10.

LINEHAN: Well, the--

BEN HOUCHIN: Yes.

LINEHAN: I just had this done, actually--

BEN HOUCHIN: Yes.

LINEHAN: --a few months ago.

BEN HOUCHIN: Yes.

LINEHAN: So you-- but the customer pays it.

BEN HOUCHIN: Yes. The \$10.

LINEHAN: But-- and that's fixed by law?

BEN HOUCHIN: Yes. State statute.

LINEHAN: OK. That's interesting.

BEN HOUCHIN: Yeah. And like I said with our--

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LINEHAN: That was 1981?

BEN HOUCHIN: I believe so, off the top of my head, yes. Like, with our court services, I said like 13% of our budget goes to that. We have 7 county court judges, 8 district, a referee, and 4 juveniles. And we got to have--- I have 2 sergeants in that, 12 deputies, and 8 building security, and it's about \$2.4 million of my budget for that. And I'm being told I have to do that, which I understand to a point. But we don't have a choice. We have to do that. And, we don't get to control a lot-- you know, that part of it. So if salaries go up on those things, I have to have those deputies in those positions, and that puts us in a world of hurt on some of these things. I have to have at least 3 title inspectors. We've had-- go up and add more to that, but the funding has never came up or changed.

LINEHAN: OK. Got it.

BEN HOUCHIN: OK.

LINEHAN: Former sheriff from Douglas County has been talking to me, so I've heard this.

BEN HOUCHIN: Good.

LINEHAN: Senator Meyer.

MEYER: So, so in your opinion, what would be a fair fee for that? 20, 30 bucks?

BEN HOUCHIN: Probably. 25? You know, like I said, with the sex offenders things, we get nothing. And we had to add a person to the staff. Now, I understand they're not going to pay. And I get the, the whole thing. And I think that it's important that we are doing this, but it does, you know, make our budget go up. And that's one of the reasons why I'm so concerned about this, is I don't have it controlled. And, you know, who knows what other things could be coming down through statute that's going to make our office do something that I don't get any funding for, but I'm going to have to deal with? And so this-- not having a lid on this would help us at least be able to address it and, and do it so I don't have to take away from the services we're already doing because that, that would stink. I don't

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want to hurt the public, my citizens in Lancaster County, because of that.

LINEHAN: Thank you. Thank you, Senator Meyer. Did you have a question? Any other questions? Thank you for being here.

JEROMY McCOY: Good afternoon, Senators. My name is Jeromy McCoy. I am the-- it's J-e-r-o-m-y M-c-C-o-y. I'm the sheriff of Hamilton County, Nebraska. I'm here today to testify in support of LB28, and want to thank Senator Bostar for bringing this important bill forward. LB28 is important to law enforcement because it will protect public safety functions by placing them outside any spending limitations. Other bills before the Legislature are attempting to impose limits on our spending. And this is very important. Some examples of how this would affect our small agencies. My small law enforcement agency, we have 10 sworn, we operate a 35-bed jail, multi-county public safety dispatching center. And one example, last year-- we replace 2 vehicles every year from our fleet. We ordered those in Octob-- in August. They did not come in until this July. So we had to turn that money back into-- we didn't spend it. Went back to the budget. Requested it this year. It looks like I'm requesting a 10% budget increase, just replacing 2 vehicles from last year, 2 from this year. So that-- we need-- this would allow us the opportunity to be outside that-- in these emergency situations where we really can't control what, what happens with our supply chain. Operating the jail, this is also an unpredictable public safety aspect. We don't-- we can't control our jail population, who walks in that door, and their medical needs that we have to provide for. Our county has tried to take some of this uncertainty off the table by entering into a contract for medical insurance for our inmates. However, the county is still responsible for the first \$10,000 per inmate. And so, again, if you have 20 inmates, you really can't control the medical needs. And we need to have some ability to adjust on the fly when those medical needs come up. So again, just testifying in support. You never know what's-- what you're going to run into in law enforcement in these emergency situations.

LINEHAN: Thank you very much. Are there questions from the committee? You live in Aurora?

JEROMY McCOY: Yes.

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LINEHAN: I have kids, grandkids there.

JEROMY McCOY: I go to church with them.

LINEHAN: You have a very nice community.

JEROMY McCOY: Thank you.

MIKE ROBINSON: Good afternoon.

LINEHAN: Good afternoon.

MIKE ROBINSON: My name is Mike Robinson, M-i-k-e R-o-b-i-n-s-o-n, and I am the sheriff of Washington County. As you know, in the last year, Washington County, we experienced 3 homicides, an F4 tornado, devastating flood, and stopped a nationwide fraud ring based out of Atlanta, Georgia. Just the-- 2 of those homicide cases were in Washington County. We were responsible, and the lead agency in investigating those. And I can tell you that those homicide cases resulted in about \$15,000-plus in overtime cost and \$15,000-plus just for equipment and other items needed for that. Because what happened in the last year in Washington County, my overtime budget was 210%. It ended June 30, and my law enforcement equipment was 178% of what I budgeted. Overall, I was \$68,000 over budget in one, the patrol budget that covered those costs. In addition, this year, this year's budget, my inmate medical costs for the jail went up 9%. I had to budget \$237,000 for that. We have constant equipment and technology upgrades throughout the office. If there's not a law enforcement exemption, I can see what's going to happen. And you can disagree. I'll agree with that. Eventually, it's going to come down to if we can't get the increases we need to fully fund our offices to respond to these emergencies, to respond to normal, everyday patrol tactics, or even follow-up investigations, and to keep up with our technology and equipment, we'll eventually have to start laying off officers. 78% of my budget is strictly personnel costs. And with that, I'll agree to answer any questions that you may have.

LINEHAN: Thank you very much for being here. Do we have any questions from the committee? I-- was yeah, you've had a tough year. Thank you.

JERRY STILMOCK: Madam Chair, members of the committee, my name is Jerry Stilmock, J-e-r-r-y S-t-i-l-m-o-c-k, testifying on behalf of my client, Nebraska State Volunteer Firefighters Association, in support

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of the legislation brought by Senator Bostar. Fire districts were set 1996-98 era of-- in the funnel districts, they have to look up, if you will, to request lever authority to the counties in which they're located. That's tough enough, but if a 0% comes in, they're really going to be in trouble. You heard yesterday from the Kearney, Kearney city administrator the wonderful relationship they have with Volunteer Fire. Rescue is provided by another entity. Bellevue has already moved. Gretna is moving to a paid staff, a combined volunteer and paid staff. Bennington is moving to a, a combined staff of paid and volunteers. The-- but it's the smaller ones, those that are at 15, 16, \$20,000 a year just to cover fuel and insurance. Workers compensation must be provided under Nebraska law for volunteer fire and rescue. The Howells Volunteer Fire Department, they had scheduled a 20-year replacement for a, a fire truck. Right now, they had to move that to 28 years. And if there's a cap, I, I don't know how they would do it. They're trying to cover it with existing tax levies without going to bonded indebtedness. The volunteer service gets used equipment for excess military equipment that's provided by the Nebraska Forest Service. I'm trying to give you a glimpse of the different things, the different aid, sometimes Band-Aids to make public protection, public safety work for the volunteer areas and the communities which they serve. The folks behind me know very well. Bunker gear is-- it has elements in it that was wonderful when it first started. But now we learn that it's causing cancer among the firefighters, paid and volunteers. So that bunker gear is needing to be replaced. What's happened last year and the year before and the year before that with wildland fires, they're not just in western Nebraska anymore. They're across the state. What was 2023-- was burning up. Iowa fire jumped across the Missouri River. My point is there's 2 sets of bunker gear, because lo and behold, you can't go on a wildland fire with structure fire equipment. Two sets of bunker gear are required many times. The-- Lake Cunningham recently had a drowning. Who was there? Omaha, Bennington, and Waterloo. Waterloo, Waterloo, completely volunteer. There's extra things that they have to pay for. The bomb was dropped in Ogallala last year. The bomb was after years and years of service by the hospital in the area, they, they gave them a 6-month notice. EMS services are going away. Cover yourself up. So the cities of-- the city of Ogallala and the County of Keith joined together quickly in order to form an interlocal agreement. Interlocal-- even in-- under LB1, I, I believe is-- still would be exempt. My point is, as the gentleman said before me, you don't-- or the 2 gentlemen before me,

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you don't know what's around the corner. And when legislation is passed, we don't know the impact of what's going to have. One last point, if I may, Madam Chair and members. The Department of Health and Human Services has a wonderful pilot project to support the dwindling numbers across the state for rural EMS-- EMTs. They have a pilot project, a freebie for one year. Ravenna was the first city to join in that effort, to get that free service. After one year, that fee, to-- in order to continue that wonderful service of telemedicine, with a paramedic on the other side of the line, a physician on the other side of line, \$20-30,000 annually, \$20-30,000 annually, just to keep that thing in place. And then once you put the candy in front of the, if you will, the, the, the receiver, take it away. See what happens then. And I, and I didn't say that in a threatening way. It's just factual. I want you to know what's going on across Nebraska in the volunteer services. Thank you for the extension of time. I appreciate it. We support LB28.

LINEHAN: Thank you.

JERRY STILMOCK: Yes, ma'am.

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

JERRY STILMOCK: Thank you, all. Appreciate the extra time.

LINEHAN: Proponents?

KEVIN EDWARDS: Members of the Revenue Committee, my name is Kevin Edwards, K-e-v-i-n E-d-w-a-r-d-s. I'm the fire chief of the Millard Suburban Fire District and the administrator of the Papillion Rural Fire Protection District, and we are a proponent of LB28. The Millard Suburban and Papillion Rural Fire Districts each contract through interlocal agreements for our fire suppression emergency medical services with fire departments that utilize paid firefighters, EMTs, and paramedics. Our contracts for service require us to pay a portion of the cost associated with providing this 24/7 service to a combined population of approximately 61,000 people. Our general fund costs go up approximately 7% per year, with a hard cap of any amount less than that, we would not be able to support those services fully, and cuts in personnel and/or equipment would be necessary, which would cause a reduction in services. Please support LB28 in a manner that will allow

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our fire districts to continue to provide these essential public safety services without any reduction in the service levels. And with any of that, I'd like to take any questions.

LINEHAN: Thank you very much. Are there questions from the committee? So you, Millard, outside the city limits or--

KEVIN EDWARDS: Yes, Millard is outside the city limits. We have district in Douglas and Sarpy County.

LINEHAN: OK.

KEVIN EDWARDS: We have about \$5 billion in valuation, and two-thirds of it is in Sarpy County. And the other third of it is in Douglas County.

LINEHAN: OK. And in the Sarpy County, you're not in this city either. It's all--

KEVIN EDWARDS: No.

LINEHAN: --SIDs.

KEVIN EDWARDS: All SIDs and, and unincorporated areas.

LINEHAN: OK. Thank you. Thank you for being here.

JON CANNON: Madam Chair, good afternoon. 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 support of LB28. Thanks to Senator Bostar, a member of your committee for bringing this bill. We think it's extremely important, especially when we're in a special session where we're going to be discussing a lot about caps. I, I, I can't say anything more ably than the gentleman before me have, and certainly some of the folks that come after me. One thing I will note, and I think, Deputy Schleusener is going to be talking about this, from Buffalo County. Buffalo County recently received an inmate whose medical needs are \$50,000 a month. And their budget, you know, on an annual basis for med is \$300,000. Last year, they had the same guy in there. He alone cost him 450 grand. So they blew through, through their budget for one person. That highlights the, the problem that we have. We have-- when, when people are inmates, my understanding is that they're not eligible for Medic-- Medicare or Medicaid. And

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therefore, that's going to be a medical cost that's, that's incurred entirely by the county. A lot of everything that we've talked about, however, also includes links to other things that are not strictly the folks in uniform that we have here today. You know, public safety relies on things like 911 and dispatch, adult detention, the county attorney's office, the public defender, as you noted, Senator Dungan, the courts, emergency managers. When you-- anytime you talk about an emergency, that-- those are the folks that are on the ground, helping us get through those sorts of things. And one other thing I'd like to mention is a just show of hands, how many of you all know what the largest mental health facility in the state is? It is the Douglas County Jail. And Senator Linehan, she was quick-- quicker than me on the draw. These are all things that are vital parts of public safety, and, and I don't think they should be overlooked. I think we, to the extent that we can settle on a good definition of what public safety encompasses, I, I think that would be all for the good. And with that, I'm happy to take any questions you may have, acknowledging the law of diminishing returns.

LINEHAN: Thank you, Senator-- Mr. Cannon. Any questions from the committee? Seeing none, thank you for being here.

JON CANNON: Thank you very much.

LINEHAN: Next proponent.

DAN SCHLEUSENER: Madam Chair, members of the Revenue Committee, my name is Dan Schleusener, D-a-n S-c-h-l-e-u-s-e-n-e-r. I'm the chief deputy for the Buffalo County Sheriff's Office. I'm here to support, on behalf of Sheriff Miller and the Buffalo County Sheriff's Office in support of LB28. I don't want to belabor the points made prior out of respect for your time. But I can echo all the points that they make in regards to, to law enforcement. The two points that I would like to make are in relation to how it affects us locally in Buffalo County and the city of Kearney. First, the, the growth that Buffalo County and the city of Kearney are experiencing, through business development, recreation, tourism, lodging, the growth that we're having, those business owners and investors expect public safety to keep up with, with that growth. And I feel that it would-- that growth could be stifled if there's not the safe communities and the services able to be provided for that, for that growth to happen, especially what we're seeing on the, the south part of Kearney. The, the second

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point I would like to make is-- and Jon Cannon had referenced it, we did have and currently still do have an inmate. His prescription drugs cost \$50,000 a month. And that will quickly eat up a jail budget. So I can answer any questions if there are any.

LINEHAN: Thank you very much for being here. Are there any questions from the committee? Seeing none, thank you very much for being here. Appreciate it. Other proponents? We don't have any opponents. Nobody snuck in or-- OK. And Senator Bostar is not here to close. He must still be--

_____: Yeah. He's still, he's still stuck in General Affairs. [INAUDIBLE].

LINEHAN: OK. So we had 3 letters-- no, excuse me, 4 letters for the record: 2 proponents, 1 opponent, and 1 neutral. With that, we close the hearing on LB28. OK. Welcome, Senator Conrad.

CONRAD: Thank you, Chair Linehan. Thank you, members of the committee. My name is Danielle Conrad. D-a-n-i-e-l-l-e Conrad, C-o-n-r-a-d. I'm here representing North Lincoln's Fightin' 46th Legislative District. I proudly introduced LB31 to make sure that we continue our discussion in this extraordinary session of the Nebraska Legislature to talk about reasonable, sustainable and equitable tax relief and tax policy overall. LB31 would create an excise tax of 9.5 percent for dollars earned above a certain amount for single, married filing separately, or wills and trusts; a "levy" of 9.5 percent over \$1 million of income for single, married filing separately, or wills and trusts that will be levied. For married filing jointly, or a head of household income over \$2 million threshold, the excise fee would be levied, all less the applicable, applicable income tax rate in section 77-2715.03. So, I believe that this measure may provide an opportunity for negotiation and-- or common ground by addressing our revenue structure to ensure that it is equitable, but also leaving in place the income tax cuts and corporate tax cuts that the Legislature decided to pass a few years ago for the vast majority of taxpayers. This bill would impact approximately 307 individuals in Nebraska, 2,688 joint filers, 20 head of households, and 46 married, filing separately. It is a very targeted tax towards the very highest earners in our state; far less than 1 percent of Nebraska taxpayers would be impacted by this measure. So, if this measure were to be enacted, it would bring in approximately \$30 million in fiscal year 2024-2025, about \$44 million

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in fiscal year 2025-2026. So, it goes to show for this very, very targeted tax approach, it could generate significant revenue in our-- in, in Nebraska, for a variety of different sources. I directed this to be established into a cash fund, and that the cash fund could be transferred by the Legislature for General Fund purposes, property tax relief purposes, or for school funding purposes. So, I did not ask anybody to come testify in support, or opposed, or neutral. I thank the committee for your incredible hard work during the course of this session and leading thereupto. I, like most senators, have been watching as much of the hearings as I can, and was with you late into the night last night. And I, I know you're working really, really hard and taking all of this feedback and all these different ideas into consideration. And even when we find ourselves in disagreement, it's with great respect and admiration for your service. I'm happy to answer any questions.

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

ALBRECHT: Thank you. Could you just tell me again those numbers and what they were? That was just too fast for me.

CONRAD: Yeah. So-- and these are estimates that we got working with Research and Fiscal, but they would-- they estimate that this bill, because it sets such a high threshold of over \$1 million, or \$2 million, depending upon the category, the bill would impact approximately 307 individuals in Nebraska, about 2,688 taxpayers who are married, filing jointly, about 20 head of household filers, and about 46 married filing separately.

ALBRECHT: How many, how many marrieds?

CONRAD: About 46 married-filing-separately.

ALBRECHT: 46?

CONRAD: So it's a very, very small percentage of Nebraska taxpayers.

LINEHAN: Is that it? Thank you, Senator Albrecht. Senator Dungan.

DUNGAN: Thank you, Chair Linehan. And thank you, Senator Conrad. So, just to make sure I'm understanding this correctly-- Similar to how

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income tax works, when you kind of get into the next bracket, the 9.5 percent on each dollar earned is only above that million, right?

CONRAD: That's right.

DUNGAN: Once you cross that million dollar threshold, then everyone beyond that is 9.5 percent.

CONRAD: Yes, I believe that's my understanding. Yes.

DUNGAN: OK. I just wanted to make sure it's clear that this isn't just an additional tax on all of the money. It's just the part over the \$1 million.

CONRAD: Right. Yes, that's my understanding. Yes. And if we need to make any technical adjustments to achieve that, I'd be happy to work with the committee or otherwise, but it's meant to just apply to that very, very small class of high-wealth Nebraskans to provide a little extra revenue for General Fund, property tax relief or school funding while leaving in place the c-- the vast majority of the income tax cut and corporate cuts that are scheduled to progress and take effect that the Legislature passed in 2023.

DUNGAN: Thank you.

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

VON GILLERN: Thank you. Question. The-- why an excise tax instead of another bracket in the income tax?

CONRAD: Yeah, that-- Thank you, Senator von Gillern. I am very flexible with, how we address the technical aspects of the bill. I purposely wrote the bill to go to appropriations, and, and so I created a cash fund in that regard--

KAUTH: Surprise!

CONRAD: So-- but I'm always happy to be in front of the friendly confines of the Revenue Committee. But it was a little bit of art and science, honestly, knowing, or having a general idea about what would probably be in the call, but not knowing exactly what would be in the call. I knew excise taxes would be on the table, I knew that aspects of the budget would be on the table, so that's why I'd crafted it in

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that regard, because I thought it might come in-- the call purposes-- from excise tax angle or from a budgetary angle.

VON GILLERN: Excise tax is easier to direct where the funds go. All right. OK. That's fair.

CONRAD: Yes, that, that's another feature that, that we could definitely take a look at too. And, you know, also my reading of past practice in the Nebraska case law, which of course, you're all very familiar with. You know, once we got the call, and, and I think it does provide a lot of latitude for the Legislature to address solutions. We also know that it can be amended at any time, and that has happened--

VON GILLERN: Yeah. No, that's fine. That's--

CONRAD: --in past negotiations. So I'm not necessarily married to the technical components, but I have brought measures like this in the past during my, my tenure in the Nebraska Legislature; it's colloquially known as a Buffett rule, or a millionaire-billionaire rule, where you do have a different tax treatment for very, very high wealth individuals.

VON GILLERN: You do realize this would not collect a dime from Buffet, though?

CONRAD: I, I think that we can--

VON GILLERN: OK. You can call it that all you want, but--

CONRAD: I think that we can have some discussion and dialog. I understand that people have different assets and different types of wealth in terms of what's subject to taxation, but I think just for a general kind of common understanding, the effort is meant to ensure tax equity for the highest earners.

VON GILLERN: Got it, thank you.

CONRAD: Yes. Thank you. Thank you, Senator von Gillern.

LINEHAN: Thank you Senator von Gillern. Are there other questions from the committee? OK. Do you have an exception for a person or couple that sell their business? And so their income for most of their life

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has been \$250,000, and then they decide to sell it, and it's-- they sell it for \$2 million.

CONRAD: Yep. So-- Right. Thank you, Senator Linehan. I don't think the bill, as written, does provide that exception. I know, having worked on this policy in the past, that was perhaps criticism or-- constructive or otherwise, that business leaders brought forward on similar ideas to talk about the one-time millionaire, or the one-time billionaire, or what-have-you, that when, when somebody does have that kind of life event or business event, that would only temporarily include them in these very highest brackets. That's something that the committee and the Legislature needs to be thoughtful about. So, if there is a general interest in crafting something like this to ensure equity for the highest income earners or, or highest net wealth kind of folks in Nebraska, I'd be, be happy to work with you or the committee in the confines of existing legal restrictions that might be out there, in terms of how and when we, we subject things to tax.

LINEHAN: Good. Because I don't believe we have a capital gains exclusion in Nebraska.

CONRAD: Right, right. Yes.

LINEHAN: [INAUDIBLE] capital gains.

CONRAD: Yes, thank you. And I know having worked in the past, and this is an issue that this committee has looked at before when Senator Briese was here-- some of his past work. He was looking at other things like the extraordinary capital gains treatment, and things like that, that have cost the state a significant amount of lost revenue and apply to a very, very small amount of very, very wealthy Nebraskans.

LINEHAN: Just one in--

CONRAD: And I don't begrudge their wealth and their success--

LINEHAN: No, no. That's one opinion, that it's cost the state. The other opinion is they would move.

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CONRAD: Yes, they-- that's exactly right. That's the other side of the coin on that. And, and I think that that is something important to give voice to. Yeah.

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

CONRAD: I'll waive closing in interest of the committee's time, but thank you very much. And of course, we'll be around our session to continue the dialog. Thank you. Thank you.

LINEHAN: Thank you very much. Proponents?

JOEY ADLER RUANE: Good afternoon, Chairperson Linehan and members of the Revenue Committee. I am sure you're all shocked to see me here. My name is Joey Adler Ruane. J-o-e-y A-d-l-e-r R-u-a-n-e, and I am the policy director at OpenSky Policy Institute, here today to testify in support of LB31, because it would help make our tax code a little bit more progressive. This bill would levy an excise tax of 9.5 percent on every dollar earned above \$1 million for individuals, or \$2 million for joint filers, heads of households. This would be in addition to the yearly personal income tax cuts for the third-- second- and third-highest tax brackets that were passed in 2023. OpenSky supports an additional tax on the state's highest earners; according to this bill's fiscal note, LB31, would bring in \$30.5 million in additional tax revenue this year, and an additional \$44.7 million next year. While this is a positive shift towards progressive taxation, these new revenues will be outweighed significantly by the income tax cuts scheduled to come into effect over the next three years. According to the legislative Fiscal Office, these cuts are estimated to cost the state \$387 million in lost revenue this year, and \$750 million by fiscal year 2028-2029. For this reason, OpenSky supports LB31's intent to levy a new excise tax on top earners, but believes this legislation would be most effective if paired with-- shocker-- proposals to pause the income tax cuts, in order to improve long-term sustainability in Nebraska income tax code. Thank you for your time. I'm happy to answer any questions.

LINEHAN: Are there any questions?

_____ : [CHEERING]

JOEY ADLER RUANE: I feel the same way.

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LINEHAN: That was loud!

JOEY ADLER RUANE: I think that's my sign. Thank you very much.

LINEHAN: No, wait a minute. No.

JOEY ADLER RUANE: I was so close.

LINEHAN: I do enjoy you. You're pleasant. I'm trying to, trying to get out a question, but the "yay" flew it out of my brain. I know this is OpenSky's policy, but I feel like-- we're on record, and I need to catch it.

JOEY ADLER RUANE: Sure.

LINEHAN: You know, in our-- we keep saying that, you know, that, that's going to be a problem. But the way the Fiscal Office does things-- my understanding-- and it's very conservative. They are-- they have taken our growth-- like, they, they have decided that we're going to get less money next year than we did this year for the next, like, 2 or 3 years, because they're seeing these tax cuts. So, it's not like we haven't accounted for those tax cuts in the budget; they're, I think, for-- way over-accounted-for, so--

JOEY ADLER RUANE: Yeah, I think we're going to have to-- I think there's maybe a little "agree-to-disagree" on that issue, right? I think we've debated this several times, and I think the way that we look at the accounting for that is maybe a little bit different than legislative Fiscal does. And that's just-- I think really just--

LINEHAN: You're more conservative than legislative Fiscal.

JOEY ADLER RUANE: I think we are more concerned about the impacts coming in. Whether that's wrong or right, it's still, you know, clearly to-be-seen. And as you pointed out, sometimes we overestimate things and underestimate things on both sides, both at Fiscal, and at OpenSky, so--

LINEHAN: I know. I've never had enough time to go back and look at all your-- though I've printed them off. All your future-- not yours, the-- OpenSky's-- what they have predicted. They, they've been off even worse than the Fiscal ones.

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JOEY ADLER RUANE: Yeah. I will take your word for that one. I've only been here for two years.

LINEHAN: OK. This probably happened before you were here. OK. Any other questions from the committee? Thank you very much.

JOEY ADLER RUANE: Thank you, Senator.

LINEHAN: Appreciate it. Any other proponents? You have got to be kidding me. Is there no opponents?

VON GILLERN: Wow.

DUNGAN: Sounds like consent coming.

LINEHAN: Can you say that louder, so the press hears? [LAUGHTER] Is there anybody in the neutral position? OK, letters for the record. We have-- here they are. Two proponents, three opponents, and that's it.

CONRAD: Thank you. Thank you.

LINEHAN: You don't want to close? I'd, I'd leave. You're winning. Congrats. [LAUGHTER] Good night.

BRANDT: Are we ready to roll? I'm last, I'm standing between you and Billy's, and we can--

KAUTH: And what?

LINEHAN: Yeah, I don't think-- I would suggest that the Revenue Committee, all this week, doesn't hit Billy's before like 7 or 8 at night, and by then they should be home. Not that I'm their boss.

BRANDT: OK. All right, here we go. LB33. Good afternoon, Chair Linehan, and members of the Revenue Committee. I'm Senator Tom Brandt. T-o-m B-r-a-n-d-t. I represent Fillmore, Thayer, Jefferson, Saline and southwestern Lancaster Counties. Today I'm bringing a version of a failsafe for this special session. While I believe that we can come up with a transformative property tax relief plan this special session, I am offering this just in case the Legislature isn't quite ready to tackle that yet. This bill simply adds an additional \$300 million to the Nebraska Property Tax Incentive Act, commonly known as LB1107, and another \$300 million next year. This increase would put the fund at \$860 million for this year, and over \$1.1 billion next year. If we go

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ten days, and there's just too much contention on a property tax relief proposal, we can, we can pass this, go home, take a breather, refresh, and come back in January to tackle the issue. The idea would be people who claim this credit can get a better rate on the credit. That's all this is, and I'd be happy to answer any questions.

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

MERLYN NIELSEN: Good afternoon and, and thank you for having this hearing. My name is Merlyn Nielsen M-e-r-l-y-n N-i-e-l-s-e-n. I hope you're not tired of seeing me yet, but it's been a tremendous week. I just really greatly appreciate all the time that this committee has poured into preparation for this week, and the work this week, and the work that is coming yet for you. Thank you, Senator Brandt, for bringing LB33. I didn't prepare any notes because you've heard me talk already about how I felt about LB1. That has a tremendous win-win at the end, from my standpoint; if we can take it to that point and, and get that tremendous amount of property tax relief by having the state take on most of the General Fund what we have for our schools. You heard me visit about LB9 on Monday. It's-- the starting point on that is a real heartburn for me, but if we could start at a much greater amount of help, or start at a much lower cap rate, get that down under 0.5 or 0.45 to start, then, then I'm on board and, and ready to go, because it, it, it fits our-- my situation. And just like Senator Brandt just said, I looked at this bill as the one that, if things fall apart and we just can't find enough supporting votes, even with some amendments to bring something else along, like the LB1 or the LB9, this is a nice out. And I have benefited greatly. I have benefited greatly, and so appreciate the work of past Revenue Committees and the Legislature with the-- well, I guess we call it the tier-two benefits now; the roughly \$560 million. That makes a tremendous income tax rebate that I get back, to really offset my property taxes that I pay into schools. And to take that 560 to 860 and then, goodness, if we could go one more year after that to the \$1.16 billion, just tremendous amount of support that I would get. Thank you again for all of your efforts. Thank you for listening today. Thank you, Senator Brandt, for bringing this alternative. And I rest.

LINEHAN: Thank you very much for being here. Are there any questions from the committee? I, I [INAUDIBLE] appreciate all the hard work

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you've done over the years, too. So, I may never have you in the committee-- well, maybe if we're not done with this week. But anyway, I do appreciate all your hard work, and your, your constant calmness and real numbers and spreadsheets to back up what you're saying instead of just, you know, saying something.

MERLYN NIELSEN: I must have nothing to do, you know, retired professor, nothing to do. Right?

LINEHAN: You're useful to us. So thank you for being here.

KAUTH: [INAUDIBLE] greatest asset.

MERLYN NIELSEN: OK. Thank you much.

LINEHAN: You're welcome. Other proponents?

BRUCE RIEKER: Good afternoon. Chair Linehan, members of the committee, my name is Bruce Rieker. B-r-u-c-e R-i-e-k-e-r. I'm the senior director of state legislative affairs for Farm Bureau, here testifying on behalf of our organization and the ag leaders group; you can see them all listed there. My testimony is, I agree with what Senator Brandt said when he introduced this bill. We appreciate him bringing that. We appreciate all of you. And while we're throwing out accolades, I want to tell you that I appreciate Merlyn Nielsen, too, because, gee Merlin, how many times a week do we talk? Anyhow, he helps me sharpen our numbers and things like that as well. My only regret is I wish the previous bill affected me. And with that, I'm done.

LINEHAN: OK. Do we have any questions? OK, I'm gonna be a little tough here, Bruce.

BRUCE RIEKER: Yeah, sure.

LINEHAN: Are all these ag groups willing to pay 2 percent on machinery to pay for this?

BRUCE RIEKER: Not right now.

LINEHAN: Are-- what are they willing to do to pay for this? You just made it.

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BRUCE RIEKER: Yeah.

LINEHAN: 300 million-- and part of my frustration is you were here when we got LB1107, right?

BRUCE RIEKER: Right. Yeah.

LINEHAN: How hard was that?

BRUCE RIEKER: How hard was that?

LINEHAN: How hard was it to get the LB1107 passed?

BRUCE RIEKER: Well, in my estimation, it was very hard.

LINEHAN: Right. So I feel kind of sorry for some that have come since then that weren't here when we did that.

BRUCE RIEKER: Right. Right. So here's the math for us, OK?

LINEHAN: I'm-- I know your math. I've heard it a hundred times.

BRUCE RIEKER: Well, this concerns everybody else--

LINEHAN: You're bringing a bill that you know has no chance. There's no. Where would you get the votes for this? No press here, right? There's no press; it's just us team members.

BRUCE RIEKER: Here's-- Right. This is fine. This bill-- yeah, he just brought because, just in case the Legislature fails to do anything else, at least you could do this and say you did something.

LINEHAN: Oh, Bruce, where would we get the votes?

BRUCE RIEKER: I'm not saying it's there. I'm just saying-- you know, and maybe, maybe this is an all-or-nothing session is, just like, you know, if we can't get--

LINEHAN: No, but let's just say we're right where you say. And we can't do anything else. How could we possibly pass this? You don't have the votes.

BRUCE RIEKER: Nothing does right now.

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LINEHAN: No. Nothing does.

BRUCE RIEKER: Yeah.

LINEHAN: Oh, yes. Thank you. It's just-- it's-- I understand. I want to solve this. It's-- this whole committee wants to solve it--

BRUCE RIEKER: And so do we. And we believe it's possible. And, you know, it's-- yeah, everybody's been staking out their position or their turf this week. But, you know, I'm here to tell you, now that everybody's done, or close to staking out their position, we will work with you to figure this out. OK? We will. Now, for others on the committee, agriculture gets 23 percent of any of the property tax relief that's generated. OK?

LINEHAN: From what? 23 percent from what?

BRUCE RIEKER: Any new money that goes to property tax relief. It's just-- if it's distributed, either through LB1107 credits, or through another funding source. Now, who's the recipients of it in agriculture? It depends on whether we're distributing it based upon valuations and the proportion of that, or whether it's based on taxes paid, which is LB1107. So, roughly 23 percent. And this includes ag land, farmers resident-- or, ag producers' residence and their farm sites. Right now, according to the Department of Revenue, the Property Tax Administrator-- and I can give you the numbers-- ag gets 23 percent of the relief. OK? Residential gets about 51 percent. Commercial gets just slightly less than we do, probably 21 percent; I don't remember their number exactly. And the rest is centrally-assessed property. OK? So here's our math, just as-- just so we can all be on the same page. If you're going to tax us at 2 percent, that's \$96 million. Why would we agree to anything that would give us less than a \$96 million reach-- if we're-- if you're asking us to put money on the table, OK? Please don't ask us to put money on the table, and then we lose in the benefit equation. So, if you take \$300 million, ag's share of that is \$69 million. So, are you saying you want to tax us \$96 million? And if we go to 4 percent, that's \$191 million. So when we get to a math equation, and this is a math problem, but-- OK, I'm speaking as candid as I can to all of you folks.

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LINEHAN: Well, that's what we need to do because we are on a very short leash here.

BRUCE RIEKER: Yeah, I know, I got it, OK? And I know there are some people in this room that are very frustrated with the position that we've put down-- I mean, that we have stated. OK. I'm here, and I'm willing to work with every one of you. And as we're being as candid as can be, I have as much of an issue lobbying up where I work as lobbying with you. OK? But we're going to work through--

LINEHAN: We are on TV. Just-- which, Senator von Gillern was nice enough to remind me.

BRUCE RIEKER: Yeah. Yeah. That's fine. Yeah. But we have, we have a very diverse membership. OK? We have some that see the trade off as it works, that it works; some don't. But what-- I don't-- you know, we're not going through everybody's individual math. But, when it comes to the math, if our relief is less, would you take a deal?

LINEHAN: No, no, this is very helpful.

BRUCE RIEKER: Yeah. So that's where we're at. So on these price points--

LINEHAN: So the property tax relief has to be more than you're paying-- more than you would pay in new--

BRUCE RIEKER: Absolutely.

LINEHAN: Right. OK. OK.

BRUCE RIEKER: Yeah, absolutely. And so that's--

LINEHAN: All right. So you don't think if we picked up 100 percent of school funding, or 80 percent, or 90 percent, whatever it is-- because it's not on buildings and, and I know you get overridden on a bond; that's a concern. I get that.

BRUCE RIEKER: Yeah. Yeah.

LINEHAN: What's the number? What is the number you would get if we got to that? Do you know?

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BRUCE RIEKER: Absolutely.

LINEHAN: What, what is--

BRUCE RIEKER: So, OK--

LINEHAN: In your number-- in your figures, what number is that?

BRUCE RIEKER: OK. Are you talking \$1.7 billion? I think that that's the number we're talking about, right?

LINEHAN: Yes.

BRUCE RIEKER: OK, 23 percent of that would be roughly, 230-- around \$400 million.

LINEHAN: Over and above what you're getting now? Is that what we're dealing with here? Yeah. OK.

BRUCE RIEKER: Yes. Yeah. So here's the concern from us, is-- we get that's the target. But very little in LB1 seems to get us there. And the, and the fact that one day it's 2 percent, another day it's 4 percent.

LINEHAN: OK, that's legitimate, but-- OK.

BRUCE RIEKER: Yeah. OK? But if you, if you get to the \$1.7 billion, we-- I mean, to turn that down, compared to what it would cost? I mean, that truly is a no-brainer. OK?

LINEHAN: OK.

BRUCE RIEKER: --as, as to what you're proposing. I get that. But we're also not ready to buy a car that's not built.

LINEHAN: OK.

BRUCE RIEKER: I'm, I'm really-- I mean, and I'm fine with people hearing this, but I'm glad we're having this conversation, because this is--

LINEHAN: I know, but I think maybe we should pause it--

BRUCE RIEKER: OK.

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LINEHAN: --let Senator Brant finish, and then we could continue it.

BRUCE RIEKER: Yeah. OK. Yeah.

LINEHAN: OK. So, any other questions for Mr. Rieker? Thank you. Are there any opponents? Anyone neutral? Would you like to close? Waives closing. Letters? ADD, representing the Nebraska--

VON GILLERN: ADA.

LINEHAN: ADA. [LAUGHTER] Thank you. That's me. I've [INAUDIBLE] admitted I'm dyslexic, I'm also a little ADHD-- It's Korby Gilbertson, Nebraska Realtors Association. Proponent. All right. Here you go. OpenSky is opponent. Surprise, surprise.

CHARLES HAMILTON: And then that's the-- that's that, down at the-- this is LR4CA and LR5CA. They were at the back of the set, and I forgot to give them to you this morning. So we should probably at least read on the record. These were for the--

LINEHAN: Even though it's a different hearing?

CHARLES HAMILTON: Yeah, you know, this constitutional amendment's from this morning, so just--

LINEHAN: OK, we're-- OK, so, we're closing that hearing. That hearing's over. Leave the camera on. We also had letters for the record on LR5CA: proponents, 39; opponents, 2; neutral, 1. We also had letters for LR4CA: proponents, 51; opponents 3; 1 neutral. And with that, we'll close our hearings, and we're done for the day.