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Tax Policy Reform Commission
June 11, 2007

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The Tax Policy Reform Commission met at 1:30 p.m. on Monday, June 11, 2007, at the Sandhills Convention Center in North Platte, Nebraska. Members present: Senator Carroll Burling, Cochairperson; Richard Baier, Cochairperson; Don Freeman; Mike Hybl; Senator LeRoy Loudon. Members absent: John Anderson; Doug Ewald; Senator Deb Fischer; Matt Jedlicka; Senator Gail Kopplin; Senator Vickie McDonald; Milo Mumgaard; Mark Munger; Senator Rich Pahls; Senator Ron Raikes; Senator Arnie Stuthman. []

SENATOR BURLING: (Recorder malfunction)...get started with our program this afternoon. I'm Senator Carroll Burling. I am from the Hastings, Nebraska, area, cochair of the Tax Reform Commission. I want to welcome everybody here. A couple years ago...well, it was in 2006, the Legislature passed a bill that created the Tax Policy Reform Commission in the state of Nebraska. We're charged with doing a tax study. The last tax study we really...that was comprehensive for the state of Nebraska was the Syracuse study. Some of you maybe remember the Syracuse study. It was commissioned by the legislative...or the, yeah, the legislative Revenue Committee and Syracuse University professor and students did a thorough study, and we have implemented some of those recommendations and some of them we haven't. But that's 20 years ago that that study was done and so this effort today is to gather public input on citizens concerned for public tax policy that this commission can hopefully use in making some final determinations. The Tax Policy Reform Commission that was formed by LB542 in '06 is a little bit unique in that it comprised of stakeholders and people from the executive branch, appointed by the Governor, and eight senators, so we have legislative branch, executive branch, and stakeholders involved in this tax commission that is operating now. Most of our commission members are not here today, but this meeting is transcribed so anything that's said or testified will be recorded and we'll have that available to the full commission when we meet again. So we're charged with the issue of what is the best way for the state of Nebraska to collect revenue in the twenty-first century. We'll be looking at the demographics, the challenges that we face in

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Tax Policy Reform Commission
June 11, 2007

Nebraska raising revenue. We'll be looking at economic opportunities and the strengths that we have in this state, and then we will have a final report prepared for the Governor and the Legislature by November. So that is the plan. This meeting today in North Platte is the first of two meetings. We've planned another meeting similar to this in Lincoln on June 25 for public input, and we're very glad that you are here today to share some of your thoughts with us. Richard Baier, to my right, is cochair of the commission and I'll ask him to say a few words at this time. []

RICHARD BAIER: Morning. Thank you, Senator. Good morning or good afternoon to our group that is with us today. It's nice to see some friendly and familiar faces. If I'd only known and remembered it was Nebraskaland Days, I'd a put my jeans on and felt right at home, but kind of forgot about that this morning when I left Lincoln bright and early. As the senator mentioned, this really is a great opportunity for us to get across the state and to get input. I think we all recognize that our overall tax burden will continue to be a challenge in this state, and part of the reason that I think all of us were so interested in this effort is to talk about how do we grow this state long term and how do we make sure that we have great opportunities for our kids and grandkids, as well as our retirees. And so that's really been a driving factor to make sure we create a climate that's successful for all of us and one that we feel is equitable. We have a great mix of folks, representing public and private sector in this effort. We also have a couple of state senators who sit on the commission and we are in their district today and they've joined us as well, so I think what I'll do is maybe just go around the table, have them introduce themselves and tell us why they're here. []

SENATOR HANSEN: Okay. I'm Tom Hansen, District 42 legislator from here in North Platte. []

MIKE HYBL: Mike Hybl from Lincoln, I'm appointed by the Governor. I serve in the telecommunications slot that was put in to the commission by the legislation. []

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Tax Policy Reform Commission
June 11, 2007

SENATOR LOUDEN: Senator LeRoy Louden, I represent the 49th District, which is northwest Nebraska and mostly the Box Butte, Dodge, Sheridan County, Sioux County area, in that area. And of course we're always concerned about property taxes in that part of the country. []

RICHARD BAIER: So thank you, Senator, for joining us. Bob. []

ROBERT McMANUS: I'm Bob McManus. I'm a state tax attorney, by profession, and I'm serving as the coordinator of the commission. []

GEORGE KILPATRICK: My name is George Kilpatrick. I'm legal counsel to the Revenue Committee of the Legislature. I'm also simply a staff person here to assist the commission. []

DON FREEMAN: I'm Don Freeman of York, Nebraska. I was appointed by the Governor to represent business. I have a manufacturing company in York. []

AARON HENDRY: My name is Aaron Hendry. I'm Senator Burling's legislative aide and I'm also here in a supportive function. []

AMANDA JOHNSON: My name is Amanda Johnson and I am Senator Burling's administrative assistant and I'm (inaudible). []

RICHARD BAIER: Thank you. All right. It is my pleasure. Part of the effort to coordinate this obviously involves a lot of research, also involves a lot of planning for events. And we have divided into three committees that are looking at a variety of functions. We have an income tax committee with John Anderson. John is with the University of Nebraska-Lincoln. Don Freeman over here to my far left, Don is the sales tax; and Mike Hybl, who is property and other, which is a pretty big basket as we kind of got into the process. They've done a nice job and our challenge now is to get input from the citizens

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Tax Policy Reform Commission
June 11, 2007

and also to begin to look at how do all of these things relate, because I think that's been part of our challenge. As we talk about a change in sales tax, we have a hard time deciding what that's going to mean to property tax, and vice versa, so that's also part of the effort that the commission is going through. We've also done some work with the Department of Revenue in terms of how do we handle appeals and hearings in Nebraska, as we're looking at a whole variety of those to make sure we handle the process equitably as well. With that, I think we'll turn it back to...we're going to go to Bob? Bob is going to brief us briefly. I think he's handed out some copies for folks, looking at some of some tax materials, some rankings that are out there. I don't think there's any surprises there, but I would ask Bob to maybe kind of run down those for us and kind of give us his thoughts. []

ROBERT McMANUS: Well, that this is, is really a bird's eye view of what we're seeing. What we've been doing since January, as the commission has been meeting monthly and up to this point what we've really been doing is gathering data that the commission can look at both as to specifics about Nebraska taxes but also about what other states are doing and how Nebraska compares, and it's not an easy task, easy to just do simple comparisons because a lot of states differ so much in ways that they can get revenue; that you have, for instance, states that are very rich in natural resources who have leverage they can pull which Nebraska doesn't have. But one study that we've looked at which is prepared by the Tax Foundation, which is a taxpayer group and is kind of a probusiness, prodevelopment taxpayer group based in Washington, D.C., which does a business climate ranking of all the states, primarily focusing on the state tax systems. And the handout that I hope all of you have, and they're available on the table, shows where, from their perspective...yes, right in the... []

SENATOR BURLING: Right there. He's got them. []

ROBERT McMANUS: Shows right, from their perspective, where Nebraska ranks among the states, and just...I'm going to just walk across the turn on this, but the overall

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Tax Policy Reform Commission
June 11, 2007

rank that Nebraska has of 50 states, in their view, is 44th out of 50, where 1 is good and 50 is bad. So they would say that there are 43 states that have a better overall business climate than Nebraska right now, and they then break that down by individual taxes as you go across. Under their analysis, Nebraska is 34th out of the 50 in income tax, corporate income tax. In personal income tax, 31 states do better than Nebraska, and it ranks 32nd. In sales tax, Nebraska ranks 44th out of the 50 states. Unemployment insurance tax, 26th; and property tax, 45th out of the 50 states. And we've seen other studies which come to different conclusions and some of them show Nebraska to be even worse. For example, in some...in one study that we show where we look at property tax based upon a \$100,000 valuation, the tax per \$100,000 of valuation, Nebraska is the 3rd worst or 3rd highest state. And so we've spent a lot of time looking at the statistics and gathering the data, but what we haven't had yet is the opportunity to put faces behind what Nebraska taxpayers are facing and that's why we're coming out to you and are eager to hear your input as to the Nebraska tax system. So with that, I turn it back to the senator. []

SENATOR BURLING: Okay. Thank you, Mr. McManus. As I said, the meeting today is being transcribed, so if you have a cell phone turned on I'd ask you to turn that off. Sometimes that bothers the transcribing if cell phones go off during the meeting. Right there by the microphone are testifier sheets. We'd like to have you, at some point in time if you testify, fill that out and put it in the box right there so we'll have a record of who testified, besides the transcript, if we want to contact people. We need to wrap this up about 3:30 and so I think I'll limit testifiers to ten minutes. And there's no particular order. You just kind of take turns coming up to the microphone. Aaron Hendry will time us and when you see him stand up you know you've been talking ten minutes and then we'll ask you to wind it down as quickly as you can, and we'll listen to the next testifier. There may, at some time or other after your testimony, maybe one of the people on the commission will have a question they'll want to ask you, and we'll give opportunity for that. But we want to hear from as many of you as possible this afternoon, so I think that's the way we'll try and do it. Okay, who wants to be first? Okay. State your name

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Tax Policy Reform Commission
June 11, 2007

and where you're from, and you can fill out the sheet when you get done, if you want. []

ROBERT LESSO: Hello. My name is Bob Lesso. I live here in North Platte, within the city, and upon reading the ad in the paper I found it very interesting (inaudible) my interest (inaudible) be about taxes and how we're concerned about taxes. (Inaudible) very good questions here if you think that this tax or that tax is too high, but when I sit down here and then here's Senator Burling saying, well, we're here representing the government and the commission whose mission is to figure out the best way to collect taxes, well, let me tell you right now I'm not here to help you with that. I think we have enough curmudgeons in Lincoln trying to figure out the best way to collect all kinds of taxes. I'm here to comment on the taxes and the high taxes here in the state of Nebraska. And of course Richard Baier has commented we're here to figure out how we want to grow the state of Nebraska. Growing the state of Nebraska is another way of saying collect taxes and raise taxes. Any time you grow the state, grow the town, grow the county, that's what you're doing. So I don't think you're going to get much help here but, regardless of that, I still want to comment. And I'm appreciative that Mr. Hansen is here, our new state senator and representative, and I appreciate his presence here, but let me start out by commenting on the national picture. Right now inside the Washington beltway we have a group of senators and representatives representing the people of this country voting on immigration and (inaudible) new immigration bill. Inside the beltway, the senators and congressmen are voicing what a great bill this is and how we all need to support it and they're voting in favor of this bill in various caucuses and trying to convince the population of this country how great this new immigration bill is. it and they're voting in favor of this bill in various caucuses and trying to convince the population of this country how great this new immigration bill is. Yet, when you get outside the beltway and deal with the real people that work in this town, work in other towns, work in other states, at, at least, a 70 percent rate they're not in favor of these amnesty immigration bills that we have inside the beltway, and we have to ask our question--why are our senators and congressmen pushing these beltway initiatives for alien immigration? Why are they pushing amnesty programs? What is obvious, the rest

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Tax Policy Reform Commission
June 11, 2007

of the country, and to a great (inaudible), doesn't want this. So they have to ask that same question when we're looking at North Platte and how North Platte City Council runs their city, how the county runs their (inaudible), and looking into the state (inaudible). And we see like how we had the capability because the state senate had voted a law that permits the town to collect the tax on our hotels and motels that allows us to raise a \$27 million tax to build something called the spike in this town, a viewing platform for the railroad. Now it's interesting to note that there were eight state...eight city councilors voted on that and seven of the eight approved that; however, through one election cycle every one of those city councilmen that voted for that have been kicked off the city council. I think at the next election the rest of the city councilmen who voted to raise \$27 million on that project will also be voted off. Now we get to Lincoln. Continually the budget coming out of Lincoln is, in past years, has been up about the 7 percent increase level. Now you've really worked hard in cutting it down around the 5 or 4.5 percent, while the rest of us are living on cost-of-living increases of around 3, 3.5 percent. Why, within the Lincoln beltway, do our state senators keep voting for more taxes and new tax programs? And I've been reading the paper and I see all this legislative activity going on in Lincoln and the things that are being passed have to do with broadening taxes, increasing taxes, generating new taxes. Where are the programs to cut taxes? Well, I'll tell you what. We do not have a paid lobbyist sitting in Lincoln talking to senators and state representatives and influencing them in any way that state legislators can be influenced to not raise our tax. We have an industrial lobbyist, small as it is in there, because there's little industry in this state. We have a huge educational industry continually lobbying our state senators to increase taxes and furnish more money to the colleges, the universities, the high schools, the grade schools, the school systems. We have the farmers and ranchers lobbying inside the beltway in Lincoln, wanting more subsidies for farming, more projects for the water. And then you have other venues that are still within the purview of the state of Nebraska working for increased taxes. Take our local (inaudible) and our local chamber of commerce--not friends of the average citizen and, in fact, not friends with a lot of their members. They seem to be working like the chamber of commerce nationwide is working against many

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Tax Policy Reform Commission
June 11, 2007

of the core subjects in this country that we would like to see passed and accomplished. The chamber of commerce doesn't seem to work in favor of the people. They are out there talking about increased taxes continually. (Inaudible) they implement, under the name of economic development, many taxing schemes, and you'll see money being passed out when we're getting new clothing stores or a new department store or a new Menards. But where is the economic development that was supposed to occur that brings jobs, manufacturing, and new industry to this state? It just isn't happening and the reason it isn't happening is the gloom and doom of this economic picture hanging over Nebraska of high taxes, high sales tax, high income tax, high tax on everything. Now until the State Legislature addresses that issue of making it a friendly environment for business, it isn't going to happen. You folks on the Governor's commission, you're just looking at ways of being able to proverbial rearranging the tax chairs on the Titanic , and believe me, Nebraska has become the "Titanic" of economic growth and development, and you're well aware of that, you're not going to get anywhere. I suggest you go back to Lincoln and attack the issues and lock the lobbyists out, lock out the educational lobby, lock out the farming lobby, lock out the ranching lobby, lock out all these lobbyists, the telecommunication lobbyists. There's a guy sitting right here, Mike Hybl, a member of the telecommunication lobbyists, lock these folks out; start doing what's right and best for Nebraska, not the special interests, not the lobbyists. That's all I have to say. Thank you for your time. []

SENATOR BURLING: Thank you, Bob. Are there any questions for Bob? Will you spell your last name for us, please? []

ROBERT LESSO: Yes, L-e-s-s-o. []

SENATOR BURLING: Thank you. []

SENATOR LOUDEN: I've got a question. []

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Tax Policy Reform Commission
June 11, 2007

SENATOR BURLING: Oh, okay. []

SENATOR LOUDEN: Yes, Bob, what do you do for a living? I mean what kind...are you in a business or what? []

ROBERT LESSO: I am currently retired. []

SENATOR LOUDEN: You what? []

ROBERT LESSO: I'm retired. []

SENATOR LOUDEN: Retired? Did you go to the...to your budget hearing when your school district has a budget hearing? []

ROBERT LESSO: In the past, yes, I have done this, and I've examined the budget closely, yes. []

SENATOR LOUDEN: And have you went...because that, when you talk about property tax, you know, that's your biggest part of your property tax, are your budget hearing for your schools and also your budget hearing for your city council for your city. []

ROBERT LESSO: On the local level, yes, we have a board of education that I would say is part of the educational industry in this state, much as your state commissioner and your state school board member. Now that person is really derived from the educational community and, as such, belongs to the educational industry baseline. []

SENATOR LOUDEN: What is your position on school funding? Is it adequate or is it...is there too much money spent on school funding? Or where is your position on school funding? []

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Tax Policy Reform Commission
June 11, 2007

ROBERT LESSO: I don't have a position on school funding. I don't have a position on funding the fire department. I don't have a position on funding the fire department. I don't have a position on funding the police department. []

SENATOR LOUDEN: Well, what I'm saying is,... []

ROBERT LESSO: My position is taxes are too high. []

SENATOR LOUDEN: ...you know, that is your property tax. []

ROBERT LESSO: (Inaudible.) []

SENATOR LOUDEN: It isn't down in the Legislature, but a lot of that is where your property taxes is assessed. []

ROBERT LESSO: Let me take a little issue to that. De facto, the state has set up a system where the state, and I think it's the only state, sets the assessment value for the whole state. If a local community doesn't set their taxes at what the state feels is the right amount, the state will set them for them. That's a de facto system of setting the property taxes. []

SENATOR LOUDEN: That's equalization of property. That isn't (inaudible). []

ROBERT LESSO: You call it what you want to call it; I'll call it what I want to call it. []

SENATOR LOUDEN: Okay. []

ROBERT LESSO: It's state mandated assessment of properties throughout the whole state. That's the functionality of it. Call it anything you want. []

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Tax Policy Reform Commission
June 11, 2007

SENATOR LOUDEN: Now one other question: Did you realize that we funded the community colleges this year and that will cut down your property tax some? []

ROBERT LESSO: The "we" is the state. []

SENATOR LOUDEN: The Legislature did that. []

ROBERT LESSO: The tax is funded. The taxes were being taken by my property tax. How nice of you. []

SENATOR LOUDEN: That money that will come out of some other revenue, it won't come out of your property tax, but it will lower your property tax. []

ROBERT LESSO: Will it come out of taxes somewhere? []

SENATOR LOUDEN: Sure it will. []

ROBERT LESSO: Well, how great a move is that? []

SENATOR LOUDEN: How else are you going to operate the state of Nebraska unless we have some taxes? []

ROBERT LESSO: Look, in state of Nebraska we have a number of pockets to pull money from: property tax, sales tax, income tax. So you're telling me, you ought to appreciate that we're not going to take money out of your property tax pocket; we'll take it out over here out of your state income tax profit. []

SENATOR LOUDEN: Probably take it out of your sales tax because with the... []

ROBERT LESSO: Okay, sales then. []

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Tax Policy Reform Commission
June 11, 2007

SENATOR LOUDEN: ...with 1.7 million people, we rely on people coming through Nebraska. That's why Interstate 80 is out here. That's the reason North Platte is in such a good position as it is now, is because Interstate 80 is out here. You get off of the Interstate 80 corridor and these towns aren't doing quite so well. So we know that sales tax must have some impact on how the state of Nebraska works and how the cities work. I just wondered if you realized that the transportation corridors are really our big asset to these towns up an down them. []

ROBERT LESSO: Yes, I do realize that. []

SENATOR LOUDEN: Okay. Thank you. []

ROBERT LESSO: But I do realize that taking money out of one pocket is still taxpayers' money. The taxes in total are too high. You just can't start shifting the tax burden. Rearranging the Titanic chairs of the tax burden is not going to work in Nebraska. Keep doing it and see it go down just like the Titanic. []

SENATOR LOUDEN: Okay. One other question then: Do you think the sales tax rate in Nebraska is too high? []

ROBERT LESSO: I don't have an opinion on the sales tax. I have an opinion on all the taxes, summed together, are too high. I'm not going to pick on one particular tax or one particular department. I'm not going to pick on the fire department, police department, or the school system. Gentlemen, this ship is sinking. []

SENATOR LOUDEN: Okay. Thank you. []

ROBERT LESSO: You are the stewards of that ship, the State Legislature, working with their lobbyists, of what's guided the ship so far. When are you going to stop that? When

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Tax Policy Reform Commission
June 11, 2007

are you going to think of the people first and put us in charge of what's going on in this state? When are you going to look to the people who elect you to office? Because, I'll tell you what, inside the beltway in Washington, voting on these immigration bills is just like inside the beltway of Lincoln voting on these tax cuts. The results are the same. []

SENATOR BURLING: Okay, Bob, thank you very much. []

ROBERT LESSO: You're welcome. []

SENATOR BURLING: Who's next? Next testifier. []

DENNIS DRAYTON: (Exhibits 1, 2) I'm Dennis Drayton from Ainsworth, Nebraska. I appreciate the senators' time today, the meeting here. I just... []

SENATOR BURLING: Will you spell your name, please? []

DENNIS DRAYTON: Yes, Dennis Drayton, D-r-a-y-t-o-n. Boy, you know, we get ten minutes to talk about a, in my case, my time is a lifetime of living in this state, from the time I was a child. It's hard to mend all the problems in ten minutes or tell you. As you know, it's a conglomeration of problems. It's not just a sales tax. Your studies you've done have shown you where Nebraska stands. That's no secret at all. And the trouble--what can we do about it? You know, people are uninformed. We get together and we argue about things that we shouldn't be arguing about. We don't ever get to the crux of the problem. And we've had studies by the Center for Rural Affairs, this one called "Digging Deeper in Shallow Pockets," and I thought, well, boy, here's a great friend in Nebraska that has done the work. And if the senators have not been privy to this report, I'd like to leave a copy and then they could get some copies possibly. It's a wonderful study, but the center never, other than putting it out, has never done anything to help us in this state after that. They go on to something else. And it shows, you know, we've got four of the poorest counties in the nation in Nebraska. You know, there's

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Tax Policy Reform Commission
June 11, 2007

Blaine County and Loup County and Thomas County, (inaudible) Boyd County, I'm not sure of the listings, but we have to...all these studies that we've done have shown us where we're at. And I talked to Governor Heineman in Brewster last summer before the election and we talked property tax. He said, how high are you willing to go on a sales tax? How high are you willing to go? I said I'm willing to go as high as it would take as long as everybody helped me support our counties and schools. A little county, Brown County, with just over 3,000 people in it, the dispersals from the county last year were like \$2,500 or \$3,000 per man, woman, and child in the county. We have a sheriff's department for 3,000 people with a budget of half...almost half a million dollars. Then we go to a commissioner meeting in Brown County and they say, well, don't expect to see the sheriff down there because they're too busy up here. Well, we pay taxes as well in the county. At this time I haven't paid a state income tax return in years. I haven't made any money. And, of course, the only tax that we have...that we do struggle to pay is the property tax. We acquired a ranch in southern Brown County in 1992. The taxes on it at that time per acre were about 75 cents an acre, 1992. Two thousand one we decided to jump in with both feet. We traded. We had...we traded our last land (inaudible). We had Holt County for...land joining us, land in Brown County, so we got that done. But now, since '92, the taxes have gone from 75 cents an acre to almost \$3.50 an acre, which to some people in this room sounds pretty cheap, Custer County being over \$4, Holt County over \$8. We take in cattle from Wood River once in awhile. The man from Wood River, west of Grand Island, his taxes are over \$30 an acre. But to get to the crux of the matter, we cannot pay these property taxes so, as a result, our kids have not come home to work on the ranches and farms. You can talk about all these subsidies we get, but the price of the subsidies the farmers and ranchers, mainly farmers, have received over the years has done nothing but keep relatively cheap food in front of the United States. So there's kind of a trade-off there, and I'd like to mention that to my friend that testified first. You know, so there's a little trade-off there. The Governor's Nebraska Advantage Act, and I've got copies of tax breaks for companies, you know, since they implemented this Advantage Act in 1988 these 30-some corporations in the state have got, you know, almost \$2 billion in property tax relief,

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Tax Policy Reform Commission
June 11, 2007

which I believe they're not responsible for until after they've been here 15 years. But they also, every year, get almost \$2 billion in relief from sales tax and income tax. I don't get any of that up here on the ranch. I just struggle to pay our property taxes. And a couple years ago we got together. We started having some meetings and so I've got all these papers. And I thought I was done with this because I'd given up and I told some friends, after they had told me about this meeting, which I hadn't seen advertised, so I went through my box and I dug all this stuff out, that I don't have time to be here. I have bulls in the wrong pasture at home. I have fencing to do. I have a haying crew to get going. We have elected officials that...our senator from our area up here, Deb Fischer, is not here today. I would have liked to have seen her here. So we elect people to represent us, but when we go to talk to them, they don't...they just cite us studies and they wring their hands and they say, well, you know, property taxes are the one most hated; you know, of course you're right on that. But darn it, we don't get any relief from it. And we, when we talk to the Governor about it, he says, well, you know, that's a local problem; the people you elect, your commissioners and supervisors, are the ones spending the money. Well, he's exactly right, and those people have failed us over the last three generations. I wrote a resolution a year ago and I passed it around the state, but I didn't have time to take it very far and I'd like to leave a copy with the committee today. I've got some of the signatures that I've collected in different sale barns. But in the resolution...and I had probably nine people or eight people out of ten that would sign it. The only people that wouldn't sign it were current senators and an ex-senator from a rural district. And in my remaining time I'd just like to read this to you, and this is what I've passed around and I took it to my committee meeting in Brown County and they had copies of it for two months. Well, the first month they didn't read it; second month, (inaudible) read. I asked them if they would sign this that I'm going to read to you. They declined; the last question being to me that day, how much weight would this carry if we were to sign this, as a county committee? And I was distraught at the time. They let me talk for five minutes and cut me off. So I laid awake all night thinking, and I called my commissioner in the morning who's a neighbor to me. I said, I laid awake all night, I want to give you some feedback on the meeting we had. And I said, you asked me

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Tax Policy Reform Commission
June 11, 2007

yesterday what weight the resolution would carry if we were to sign it, and I said, after thinking about it tonight, it would carry an intolerable weight because I could get almost everybody in the county to sign it if I had time to do it, and this is coming from a guy that carried 423 petition last year and the state wasn't even smart enough to vote for that. Here's the resolution: Whereas, we, the undersigned, being citizens and property owners in the state of Nebraska, constituents all of the various legislative districts, and being also these various boards of commissioners and supervisors of these same 93 counties, do wish to call to the attention of our state senators and Governor these following concerns and thoughts. Whereas, being citizens we do not consider ourselves to be without a glimmer, or that it is none of our business when it comes to our concern for public matters. To the contrary, we believe it to be one of our chief concerns to secure for ourselves and our families a government which allows us the good things we want and a government which will not stop or limit us from peacefully enjoying these things we already possess. Freedom to discuss these things is our best tool to safeguard our well-being. Be it resolved that our elected officials acknowledge that the property tax system in Nebraska constitutes a regressive tax in that all taxes due are in respect to valuations and not income tax...and not income producing abilities. There are many repercussions of which we have not seen the last. Our constituencies have many examples. This is not a rural verse urban issue. Each has in common the ownership of property which makes us brothers in the contention that you cannot spend more than you have, and people's lives and the economies of our counties are being adversely affected by the disparities of this tax system. If you are 1 of some 30-some corporations in this state, changes are that you pay little or no property taxes. Be it resolved that the state be aware that mandates, funded or not, are constant reminders of the usurpations of state government upon our counties and schools. This infringement on local control must be abated. Finally, be it resolved that our state representatives employ themselves in the next session of their assembly with, as their top priority, the exploration and implementation of an effectively fair, alternative way to fund our counties and schools. And whereas, it is at these very citizens' urgent request that these changes be undertaken, this legislative body must be mindful of and in constant communication with

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Tax Policy Reform Commission
June 11, 2007

a full contingent of the constituents. Time is of the essence. We are respectfully...and I've had several hundred signatures. I could get many more. I'd like to thank you for our time to testify. I've got many more things we could talk about, you know: Nebraska's rank in economic development a couple years ago, 50th; 228 percent, that's the spending increases in our state in the last 13 years; 70, that's the number of, out of 93, counties losing population between 2003 and '05; \$65, this two years ago was the amount that it cost us for each cow that we go to pasture with each spring, \$65 bucks right off the top. That's, gentlemen, too big a hole to dig out of every year, and it's more than \$65 now. We got our valuations the other day. We would like to help contribute to this state, but our kids can't come home because there's not enough money. Our ranch is for sale, as are two or three others within a 50-mile radius of our place. My assessor looked at me the other day and said, do you know what will happen to valuations if you get what you're asking for your ranch? And I just winked at her and I said, I sure do, because it will be not just me leaving but my son and daughter-in-law. We will find various other places where we think we can do a little bit better. We hate to give up the ghost, but we don't have much faith that anybody is going to help us. []

SENATOR BURLING: Well, thank you, Mr. Drayton. If you have anything you want us to have, resolution or any... []

DENNIS DRAYTON: I'll leave you a few copies of this... []

SENATOR BURLING: ...give it to Aaron. []

DENNIS DRAYTON: ...for your information. []

SENATOR BURLING: And are there any questions for Dennis? Yes, Senator Louden. []

SENATOR LOUDEN: Yes. This is what this commission has been set up about, was to find how...what may be overtaxed and that sort of thing. You talked about property tax.

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Tax Policy Reform Commission
June 11, 2007

When you traded your land from Holt County to where you are, did you use a 1031 tax-deferred sales on that? []

DENNIS DRAYTON: We did to a certain extent. We ended up owing some more money, so we had to pay a mortgage that we had to pay off in '92. We traded. []

SENATOR LOUDEN: Now do you think that 1031 tax-deferred sales should be used as a comparable sale analysis for valuation of property? []

DENNIS DRAYTON: I can't say that it isn't, but, as you know, there's different people of different circumstances that are taking advantage of this, whether it's a contractor in Colorado selling a development in an urban area and coming out of there with big bucks and coming out here and trading it on a ranch in Nebraska or Kansas. I don't feel that's right, but I'm not a student of it. I (inaudible). []

SENATOR LOUDEN: Well, what I'm asking is, as a property tax administrator now, whatever you paid when you bought that land (inaudible) you probably were able to pay more for that land since you were doing a tax-deferred sale. They use that valuation for comparable sales analysis, whereas you probably paid that for that land because it wasn't for the productivity you was going to get out of it but for the fact that it was closer and you could get a discount back on your tax-deferred sale. That's what I'm wondering, if that should be looked at and if that valuation should be used in a comparable sales analysis for the valuation of property, what your opinion is on that. []

DENNIS DRAYTON: Well, you have to come up with something and I guess, for the time being, unless some scholars would tell you differently...I'm not a mathematician and I'm not a tax person. At the time we made the trade in '92 I had a younger family. My parents were both in their later stages of passing away, which they both did in '95. I had a family to raise. We go on and we make decisions at times without conferring with people. Did we do the right thing? Sure, that land would have cost under \$200 we

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Tax Policy Reform Commission
June 11, 2007

traded for in '92 and it's worth a lot more than that now. And, as a businessman, I hate to have to take advantage of that. To tell you the truth, there's a better plan out there and somebody has been meeting and somebody can meet with you in Lincoln and tell you if we just add a 1 percent of 1.5 percent of a consumption tax or sales tax on this, we could do away with all the other taxes in Nebraska. We could fund the counties and schools and prorate it back out to where I think everybody could manage. But in the meantime, they're closing our little country schools. We're 30 miles from town. I had a prospective buyer there; he said, well, where do the kids go to school? And I said, well, it was 7 miles away but not you're going to have to go 30. []

SENATOR LOUDEN: Now when you say your consumptive use tax, you mean on every possible thing that's sold or traded? []

DENNIS DRAYTON: Everything. Everything. []

SENATOR LOUDEN: Everything. []

DENNIS DRAYTON: There was some papers that somebody else had done a lot of work previous to when I looked at it. They said the tax shall be on everything as everybody needs to know the cost of government. I thought that was a pretty good saying. Everybody needs to know the cost of government. []

SENATOR LOUDEN: How do you work your cities and your counties in on that then if you put that consumptive use tax on everything? []

DENNIS DRAYTON: Senator, I don't know. I haven't looked at this for six months, that plan that they had, but there's a plan. There's smarter people than me that can tell you and I would encourage you to talk to those people and be open to them. Not being from the town, but I realize, I mean, their tax would probably have to stay the same, but somebody who's getting food stamps, a little bit extra tax they pay on their groceries or

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Tax Policy Reform Commission
June 11, 2007

something, if that's...everybody has to pay equally, to me, to support our county and schools. And another thing that happened (inaudible) run a bond issue through for a new hospital addition but it goes on their property taxes in that county. It raised ours \$1,200 alone for the year. So that's not equal. It shouldn't have been done that way but it got voted in. You know, what I can I (inaudible)? []

SENATOR LOUDEN: Your consumptive use tax, as you say, that would be on groceries and gasoline and... []

DENNIS DRAYTON: It has to be on everything. []

SENATOR LOUDEN: ...and whenever any land traded it would be a .5 percent tax on the land that was traded (inaudible). []

DENNIS DRAYTON: Sure, whether you were buying cattle or whatever. []

SENATOR LOUDEN: Okay. Thank you. []

DENNIS DRAYTON: All right. []

SENATOR BURLING: Any other questions? Thank you, Dennis. Next person. Welcome. []

ERIC SEACREST: Good afternoon, senators and others of the commission. My name is Eric Seacrest and I'm a resident of this area, North Platte, and it's a pleasure to be in front of you. []

SENATOR BURLING: Spell Seacrest, please. []

ERIC SEACREST: Excuse me? []

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Tax Policy Reform Commission
June 11, 2007

SENATOR BURLING: Spell your name, please. []

ERIC SEACREST: Last name is Seacrest, S-e-a-c-r-e-s-t, Seacrest. []

SENATOR BURLING: Thank you. []

ERIC SEACREST: You bet. (Exhibit 3) It's entirely appropriate that every few years that there's an undertaking like this where you look at the state taxes from a comprehensive point of view, and so I applaud what you're trying to do and wish you good luck.

Obviously, we want government to be as efficient and economical as possible, so I'm not going to go into the spending side of things, but focus on a few areas of lowering taxes. I'll begin with property taxes. Virtually every study comparison you've seen in the last several decades has shown that the primary problem of high taxes exists in the property tax area, and we are making some headway on this. I think the Legislature does deserve some credit for the progress we're making. We've done a reasonable job in increasing the discount on ag property from 100 percent down to I believe it's 70 percent now, and those are proper moves. Here in North Platte, the current property tax levy is 2.0905 percent, and there are some places where it's lower and places where it's higher. In general, I believe it's commonly recognized that the best property tax systems keep the property tax (inaudible) under 2 percent. I've seen that cite in several places. And while we're close, we aren't there yet, and I believe it would be appropriate for this group to consider setting some kind of goal for Nebraska as it relates to the property taxes, such as maybe let's try and get it no higher than 2 percent on actual value. I'd like to move on to sales tax. It seems to me that the biggest problem we have in the sales tax area is the giant sucking of sales through Internet and mail order that...where there's no revenue left for the state of Nebraska, and our local retailers are disadvantaged because they're having to collect for sales tax. Just this morning I bought a small amount of peanuts from Virginia. As a gift, I try to give peanuts now and then, and they're good peanuts and all that, and they were happy to take my order over the

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Tax Policy Reform Commission
June 11, 2007

Internet; cost \$43, no taxes. I would have been happy to pay the taxes to the state of Nebraska, or even Virginia, if all states levied some tax on Internet sales. This area is increasing and it's putting out businesses in every town from Ainsworth to York at a disadvantage and it does need some attention, and I hope there's a reasonable solution that would be beneficial to the state. Finally, I'm going to talk about some issues involving road financing. You know, basically, roads don't pay for themselves so we have to figure out how we're going to pay for them, and we're fortunate we have a pretty good financing system of paying for our roads, especially our state highways. User taxes and fees make it possible to maintain and have pretty good roads, and this is of supreme importance for the state because next to our land, our water, and our people, our number one strategic advantage is our location on the transportation corridor. It's just that simple. That is one of our strategic advantages and we need good transportation and good roads system to take advantage of that. Now it's entirely proper that the road users pay for roads, and in general that's what our system does. Gas taxes are an efficient system of collection, and one of the best features about the gas tax is that motorists traveling through our state, when they buy gas, they pay part of the bill. That's a good thing. We do the same when we go to other states. Now we've been doing a pretty reasonable job of using Nebraska gas tax to pay for state highway improvements; however, we have been neglecting the cities and the counties of the state. Since October of 1985, the cities of the state have been getting 1 cent of Nebraska's gas tax, and the counties of the state have been getting another 1 cent of Nebraska's gas tax. While the state's share of Nebraska's gas taxes have increased many times, the part that goes to the cities and counties has not changed for almost 22 years. Now certainly the costs of maintaining the cities and county roads have increased significantly, so what's the result of all this? The result is two things. We're seeing deferred maintenance on cities' and counties' roads, and we're seeing cities and counties having to use other revenue sources, especially the property taxes, to pay for the roads when, in fact, it would be better if we could find a way for the road users to pay for the roads. I have a little chart on this that I'll leave with you. The second point on roads I'd like to talk about is Nebraska's train mile tax. We appropriately have a state

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Tax Policy Reform Commission
June 11, 2007

train mile tax that the Legislature set up several years ago. It's used to help pay for improvements to railroad grade crossings, where highways and roads meet railroad tracks. Now the current tax levy on the railroads on this train mile tax produces just a few million dollars a year, hardly enough to pay for one viaduct a year. It is time that some group take a look at increasing the train mile tax to improve our roads and pay for more grade crossings, providing more relief for property taxes. That's the essence of what I wanted to leave with you today. Again, my best wishes on what you're doing. I know it's a lot of time that you're giving to this and hope it's a successful venture. []

SENATOR BURLING: Thank you, Mr. Seacrest. Are there any questions? There's one. []

SENATOR HANSEN: Mr. Seacrest, thanks for being here today. Is the train mile tax just miles of railroad per state, or is it...does it have any connection to the 150 trains that go through? []

ERIC SEACREST: It's based on train movement over miles across the state, and Mike Hybl actually may be a better source for information about that. I believe you served as the legislative counsel for the Transportation Committee for many years and you probably know that tax better than many. The more train movement across this state the more the tax (inaudible), but it's on a very low rate. And again, this is one of our strategic advantages moving across the state and we ought to find a way to get a reasonable, a better share, from the railroads on helping pay for grade crossings. And grade crossings (inaudible) virtually all the state. []

SENATOR BURLING: Thank you. Any other questions? Thank you very much. []

ERIC SEACREST: Thank you. []

SENATOR BURLING: Next testifier, please. Who's next? There we have one. []

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Tax Policy Reform Commission
June 11, 2007

DUDLEY OLTMANS: Good afternoon. My name is Dudley Oltmans, O-l-t-m-a-n-s, and I'm here as a citizen of the state of Nebraska, involved as a representative for the Development Corporation of North Platte. I've lived in Nebraska all my life, been a resident of North Platte 30 years, and I think we all can see, based upon your own studies and rankings, that we need to do something to change the direction the state is going if we are to be competitive and successful in the future and be able to attract business and industry and people to our state. We've all said that, you know, we have a brain drain in the state because--Dennis referred to it--young kids, they get their education, seldom stay in the state. They go to other locations. The individual that gets a job in Nebraska can go to South Dakota and have 20 percent more spendable income than they can in Nebraska because of the differences in our taxes, income taxes, personal property taxes, those types of things. Now I think we've made some strides, but we've got still a long ways to go. And contrary to what Mr. Lesso had to say, you know, I think we've done well in our community in creating jobs. It wasn't too long ago we were able to attract a Wal-Mart distribution center here and it's created 650 jobs. We have a Cabela's call center here that has 100-plus jobs. We have a Menards that located in our community and, again, that's probably 100-plus positions. So we have been successful in attracting new jobs. There was a period of time when I lived in North Platte when it was said we'll never be able to attract any industries because nobody wants to come into this community and compete against the railroad for the wages that they pay. Well, I think we've changed that and we have had some success, and I think we'll continue to have some success. But the taxes in the state are the major issue that we need to deal with. It's a challenging task, it is. You know, it's probably the hottest topic talked about by a majority of people when they get into this. Now as I understand it, the state budget, there's only 81 percent of the state budget is made up of three...basically three things. The first one is education and the support the state gives to education, both university, community colleges, and your school districts. The next one is health and human services, which would include a variety of things, but included in that is, like, the Medicaid program and that type of thing. And the third one is the

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Tax Policy Reform Commission
June 11, 2007

correctional system. (Inaudible) correctional system. Now if we're going to have any significant impact on how we adjust our taxes in this state and get some tax relief, we're going to have to make some adjustments in one of those three areas, because they make up 81 percent of the state budget. We can talk about the Roads Department or other departments, but they have a small percentage. So I really believe the commission needs to take a look at that. Now I believe, Richard, correct me if I'm wrong, but I believe we were recently rated as the 10th state in the United States as far as business climate. []

RICHARD BAIER: That's correct. []

DUDLEY OLTMANS: Which is a great improvement from where we've been. In spite of our tax situation, we were rated as the 10th state to have a favorable business climate. So if we can, you know, work away at this tax thing, I think, you know, there's a lot of good things that can happen in this state. I believe in this state and I think that we do have a lot of things to offer. We've just got to work at making it more attractive and deal with our tax situation. And an interesting thing happened today. I work for a banking institution here in North Platte. Today we had a couple come in from Wyoming that were seeking a house loan. They were relocating from Wyoming to Nebraska. (Inaudible) one reason (inaudible) tax base that they didn't have a problem with (inaudible) reasons. And during the course of the conversation it was amazing that it came out, because they are both on disability, and one of the reasons they were moving to Nebraska was they said, it's easier to get on financial aid and assistance in Nebraska than it is in Wyoming and we can get more in Nebraska. Well, I've heard that more than once, but I've actually had an instance of that where these people had figured that out. Now that's not the reason we want people to move to Nebraska, so we need to take a hard look at health and human services and what we're doing in the aid. I have no problem with aiding those that truly need aid, but we have more people getting assistance than I believe that really need to have that aid. It's not an easy task, which you all know, but I believe it's one we need to address if we're going to attract business and industry and

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Tax Policy Reform Commission
June 11, 2007

people, for that matter, into our end of the state, as well as retain what we have in the state. I don't have an exact solution, but in private business, and I've been in private enterprise business working in financial institutions for a number of years, but, you know, if...and maybe this is way oversimplification, but you can't spend more than you bring in, so you've got to work on it from both ends, and if we're going to reduce taxes in this state, we have to reduce spending. And that doesn't mean going from a 6 percent budget increase to a 3.8 percent budget increase. You've got to find ways to do with less. So, you know, my thoughts would be, if I was faced with this on a business, is that you come up with a five-year plan and you stick to it. And we say...now you can't do it overnight. You can't change your rankings overnight and improve, because that would be too significant of an impact on the state and the people in the state. Why can't we look at a possibility of saying, okay, over the next five years we're going to reduce taxes 5 percent per capita? So at the end of five years we can say we've reduced taxes 25 percent against our citizens. Now if you reduce revenue, you got to reduce spending, so you'd have to do the same thing on the spending side of the ledger--let's reduce spending by 5 percent over the next five years. Now you can't tell in an organization that you can't find 5 percent savings somewhere. Now in most organizations that's human resources. That's your biggest expense. Well, in private industry, if we, you know, we look at where we sit efficiencywise compared to our peers, and then we want to, you know, be competitive. We have to look (inaudible) and that may mean a reduction in spending. But in reality, (inaudible) we have to look at if we want to improve our standing in the United States. That may be an oversimplification, but, you know, I deal with numbers all the time and I counsel people with their farming operations, with their commercial business operations, and you know in private enterprise you can't spend more than you make, and sometimes you have to find ways to cut so you can live within your means. It's not an easy task, I think I said that before, but we need to change directions if we're going to survive and improve our state and make it make it a more desirable place to live and to attract the kind of business and industry and people that we want in the state. Logistically, we are located almost in the exact center of the United States. That can mean an awful lot to big organizations as we look at distribution of

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Tax Policy Reform Commission
June 11, 2007

product. That's becoming a bigger and bigger factor all the time in the United States. Those big companies are looking for ways that they can be more efficient in how they distribute their product. So I think we have (inaudible) in our state and I think the Nebraska Logistics Council is working on that continually. So I just encourage you to look in other places than we have traditionally. We've got to think outside the box. We can't keep doing the same things that we've been doing because we aren't gaining any ground. You can see our rankings. So you got to think outside the box. So with that, I wish you well. Thank you for listening to me and, if there's any questions, I'd be glad to entertain those. []

SENATOR BURLING: Any questions for Mr. Oltmans? Yes. []

SENATOR HANSEN: Mr. Oltmans, I'm going to ask a question of George because you said something...or he worked for the Revenue Committee. George, what did the Appropriations Committee find for a decrease in HHS this year? Was like 2.9 percent decrease in HHS budget, if I remember. []

GEORGE KILPATRICK: I don't know the answer to that. []

SENATOR HANSEN: Okay. I'm pretty sure that's correct. I sit on the HHS Committee and I don't know if it was the Governor's idea or if it was all the Appropriations Committee, but anyway, they did decrease 2.9 percent. They've tried to reorganize HHS and hopefully it's not a reorganizing the deck chairs either, but Chris Peterson is new to HHS administration. She went along with the 2.9 percent decrease. It's an increase next year, but if she can find that she gets by with the 2.9 percent, may continue with another 2.9 percent decrease of it next year. So we are addressing HHS. []

DUDLEY OLTMANS: I understand. []

SENATOR HANSEN: HHS has 6,700 employees in the state, \$1.3 billion budget. []

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Tax Policy Reform Commission
June 11, 2007

DUDLEY OLTMANS: Well, we really have to look at our programs, too,... []

SENATOR HANSEN: Right. []

DUDLEY OLTMANS: ...and see if they are comparable to other states. You know, we can't have people moving into Nebraska just because we have an easier way of getting on those types of services. And like I said, I'm all for helping those that truly need help, but we have too many situations, I'm afraid, that there's people utilizing that and abusing that system. So I just encourage you to take a look at that and, you know, again, if you're going to have an impact, you're going to have to address, you know, one of those three areas (inaudible), because that makes up the majority of the state budget. []

SENATOR BURLING: Any other questions? Seeing none, thank you for your testimony.
[]

DUDLEY OLTMANS: Thank you. []

SENATOR BURLING: Next testifier, please. []

GARY HEINZLE: My name is Gary Heinzle. It's like Heinz ketchup with an I-e on it: H-e-i-n-z-l-e. I'm from North Platte. I appreciate the opportunity to give my views on some of our problems in Nebraska. It was interesting, I don't know if Mr. Baier recalls, he was here three or four years ago addressing this same problem, trying to promote business and yet dealing with an excessive amount of spending at the state level. And unfortunately, there wasn't anything resolved in that meeting. When the subject did come up to reduce spending, I recall, I think it was, some fellow who was associated with the chamber of commerce in Omaha just went bananas. He said there's no way we can cut spending. Well, it was interesting, the opening comment by Senator Burling was how are we going to arrange our tax revenue. He did not address the spending issue,

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Tax Policy Reform Commission
June 11, 2007

and I was very happy to see Mr. Oltmans address that issue. He was one of the first ones that talked about cutting spending. The other comments have been on tax shifts. Tax shifts accomplish absolutely nothing. The bottom line is we still pay the same amount of dollars. It was interesting, during the last Governor's campaign, that both Osborne and Nabity made the comment that with serious criticism and critiques of our state government we can cut. I think the number was a half a billion dollars. I didn't see anything...any of those concepts addressed by the last Legislature. All we talked about was more spending. The Governor wanted to try to keep it to 3.8; ended up 4.6 and he was happy with that, which I was disappointed in. We also talked about...also talked about property tax and the comment was made, property tax is a result of local government. Unfortunately, this is not entirely true. All you have to do is look at the mandates that come out of the state school board and out of the Legislature that imposes programs on our local governments, and I think many of these things are uncalled for. I mentioned to a state senator several years ago that they need to go back and evaluate, with a committee, unbiased committee, of why these mandates are there and are they still important. And I think a lot of this is because the mandates at the school board level, state school board level, is because the teachers' union has an awful lot of control over that state school board. All you have to do is look at the people that are on the board and how much money they receive from the teachers' union for their campaigns. Those numbers are astronomical, so you know where their allegiance lie. I think it would be helpful, and I've mentioned this to other people, to change the way that we elect our state superintendent of schools. Instead of having the board elect that position, it should be appointed by the Governor, to try to get away from some of the political overtones involved in that position. There's no question about it, one of our biggest expense is our education, and the question was brought up, do we have enough money. I think there's more than adequate amounts of money there. It's a matter of being more frugal in our spending. I had a son that worked for both the University of Nebraska and the prison system. Sounds kind of goofy he worked for those two different outfits, but anyway, he was in the computer business and so he worked for computers in both of those areas and he was really disenchanted with it. He said the

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Tax Policy Reform Commission
June 11, 2007

extravagance and the wastefulness in both of those institutions is just unreal. And I think those are the things we need to look at. We need to have this study, like Osborne and Nability suggested. We need to be very critical of our spending. Was kind of interesting, I was in Wyoming here awhile back and listening to a radio station in Rapid City. They were talking about conservative states and they said, well, Wyoming was a conservative state; South Dakota, conservative state; North Dakota, conservative state; and maybe the western half of Nebraska is a conservative state. And I thought those...there was an outsider making that comment and I thought that really rang true. Nebraska is becoming a socialistic state with our spending. All you have to do is look at our spending, look how we stack up with the rest of the states, and you know there's no question about it, we spend way too much money. There was a statistic, and I'm poor with remembering numbers, along with a lot of other things, but I think the number was about 5,000 Caucasians left Nebraska. The only other state in our area that lost Caucasians was Kansas and, guess what, Kansas is the next highest state taxwise compared to Nebraska. We're the highest tax state in this area; Kansas is the next. Colorado was getting our residents, Wyoming was getting our residents, South Dakota was getting our residents. This should be telling people something that...and these people, generally, are probably retired people that have some money and this money is leaving. And I know several people in our local town that they retired and they left the state, and these people were affluent. I won't mention any names, but a constitutional officer told me here awhile back that he cannot retire in Nebraska because of the taxes. That's a pretty strong statement. We have to cut spending. We cannot tolerate tax shifts. The total tax bill has to come down. That's my only comment. []

SENATOR BURLING: Thank you. Any questions for Mr. "Henzle"... []

GARY HEINZLE: Henzle. []

SENATOR BURLING: ...Henzle? Thank you. Any questions? Seeing none, thank you for your testimony. Next person. Do we have another testifier? Welcome. []

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Tax Policy Reform Commission
June 11, 2007

DAVID HANSEN: David Hansen, H-a-n-s-e-n, from Anselmo, Nebraska. I'm a farmer, small farmer. I guess there are probably about three...well, first of all, thank you and, Mr. Baier and Senator Burling and members of the commission, for the time to give some testimony. There are three or four things that I would like to speak to. One of them is the issue of property tax and what appears to me to be a disincentive for economic development. As a farmer, I put up a \$40,000 building a few years ago to house my machinery. Of course, I paid the sales taxes, as would be appropriate, but I continue to pay additional property tax every year on that building. And interesting enough, it doesn't depreciate. Somehow that piece of property tends to appreciate, as property values go up. So I keep paying more on it, rather than less. And, of course, the same is true with the real estate taxes and the, in some cases, the personal property, that tends to depreciate, but real estate and other property doesn't. We talk a lot about how important the tax incentive programs have been in bringing in businesses like Wal-Mart and Cabela's and others, but a few years ago--and I'm on the board of directors for the Center for Rural Affairs, although I'm not speaking in any official capacity for them today, I do...I know of their work--we did a study of middle border states, the center part of the country, in terms of economic development and what came out of that was that the small businesses in rural communities are what makes a difference, not the big single entity of attracting some big industry. And so out of that has come the development of microenterprise, the development of small businesses, and I commend the Legislature on the things that they have done in the previous session to encourage that. But the property tax is really a disincentive. There's not much incentive to buy a new tractor when you know it's going to add a heck of a chunk to your property values and your taxes. There's not much incentive to put up another building that you may need because it's going to up your taxes, not just this year but every year in the future for a goodly number of years. So when we talk about economic development, I don't think anybody has really said what is the negative impact of our high property taxes. When I bought this farm, my wife and I, in 1981, the total property taxes were like \$2,200. Now they're nearly \$5,000 in 2007, and I haven't got my new valuation yet. It's

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Tax Policy Reform Commission
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supposed to be in the mail shortly, and I don't think it's going to be any less. The disincentive of property value...of property taxes is doing a lot more damage, I think, in the state than we realize. Again, one of the studies that the center did some years ago was that, in their analysis, if we had a third of our revenue coming from property tax, a third of it coming from income tax, and a third of it coming from sales tax, we might have a better balance of equity across the board as far as how we raise the revenue that is needed. And some attempts were made to bring that into balance and it did come pretty close to in balance, I think along in the early eighties or maybe early nineties. But then, when the economy kind of took a downturn and income didn't produce quite as much as we thought and sales didn't produce quite as much as they had in previous years, the state then simply started shifting. And this is where the person who testified earlier said when we talk about property taxes being only a local issue, it's not a local issue. Because when you have school subsidy formula changing, it doesn't...it decreases, it simply shifts the burden back to the local property tax to pick up any slack that is...that can be picked up in order to maintain the level of education that we should...we feel we should maintain. I think now, if I'm not mistaken, the property tax percentage of total revenue in the state is up in the neighborhood of 40 percent. Maybe I could be corrected on that, but I know it's not down at the 30 level. So I think, because of its disincentive to economic development, and it isn't just for farmers, for manufacturers and people who aren't able to get into the tax incentive programs, the costs of doing your additional development comes at a pretty high price when you not only pay for it but then you continue to pay for it year after year in the additional taxes. A third factor relating to that is the issue of justice and fairness. Earlier, it was mentioned that among the poorest counties incomewise per capita in the country are in Nebraska: Loup, Blaine, Arthur I believe was another county. And yet, those people are paying horrendous percentages of their disposable income in taxes in order to maintain the county's operation and the schools. Is that fair? I don't think so. And this brings me to the second issue that it would seem to me taxes ought to be based somewhat on the ability of people to pay. And one of the trends that's been taking place in this country in the last few years has been the continuing disparity between the wealthy and the lower

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Rough Draft

Tax Policy Reform Commission
June 11, 2007

income. It isn't getting closer. It's continuing to expand, getting wider and wider. And the tax codes in many policies, in so many cases, are geared toward keeping the wealthy wealthy and getting more wealth, and here's where I think we need to think outside of the box. Maybe income, sales, and property are not the only sources of revenue that we really ought to be thinking about. Earlier it was mentioned the idea of the consumption tax, and a few years ago a man by the name of Dobrovolny from up in the northern part of the state worked real hard to get an initiative on the ballot to give people a chance to vote on a transaction tax. Another illustration: In England, they had a tax on stock trading and financial investment transactions. Who makes stock tradings? Who makes financial transaction investments? The wealthy, for the most part. And yet, of course, there's a tremendous lobbyist to resist this among people in the financial industry, but I would say that is a way, that is an avenue that should be pursued in terms of looking at people's ability to pay, and no less of one than Warren Buffett, who is probably one of the wealthiest people in the country, makes no bones about the fact, he says, I don't pay the kinds of taxes I really should pay. I know there will be a lot of resistance from the financial area, but a tax on transactions of that nature is a very legitimate form of taxation, and it isn't something that's going to be hanging on the neck of those people year after year. It's something that happens when they do it, then it's over until they make another transaction. So I would encourage you to seriously investigate that. Check out how it is working in England. They are doing it and they are raising very significant amounts of money through that method. So I make the point here of thinking in terms of taxation according to the ability to pay. And one other area I would lift up is a matter of the inheritance tax. We hear it referred to always as the death tax, in a negative way, to get people to think it's a bad thing. As you know, we already have in our national taxation program a \$2 million exemption for a married couple to pass on to their prosperity without any taxation. The inheritance tax nationally covers very few people that fit into that high income bracket. But one of the important things about taxation that we forget is that it is one of the ways that we maintain a distribution of the wealth. Whenever the wealth accumulates into the hands of fewer and fewer people, you are making for unrest and a very unjust society. And therefore, inheritance tax is not

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Tax Policy Reform Commission
June 11, 2007

a bad thing. Warren Buffett will also testify to that, as with eight Presidents of the United States, including Abraham Lincoln. It is important to maintain a wide distribution of the wealth of the country in order to do that, and so we have to even do that on a state level. []

SENATOR BURLING: Mr. Hansen, can you wrap it up? []

DAVID HANSEN: I think those are the things that I would like to conclude with. Thank you. []

SENATOR BURLING: Okay. Thank you. Any questions for Mr. Hansen? I see none. Thank you very much for your testimony. Next testifier, please. Who's...there we have. Thank you. []

MELISSA EVANS: Gentlemen, I am Melissa Evans. I'm a Sandhill rancher from northern Keith County. I'm a little nervous about leaving my name today. Last year I went before the Board of Equalization to explain to them that our buildings were not 23 years old but, rather, closer to 95 years old, and got rewarded with a \$20,000 increase per section this year. So I'm a little concerned about retribution and the fact that my name will be in print. But nevertheless, I feel it's important to share with you our story. I'm here on behalf of the future generations of ranchers. I'm not retired. I do not have a retirement account. I will never have a retirement account. I will never be able to retire. I, too, like Mr. Drayton, would like to pay income tax. It would signify we made a profit. Each year we go deeper in debt. Last year we had record calf markets, something we should be proud of. However, when the tax accountant got through with everything he said, you sent in the hole \$23,000 this year. That was \$23,000 that I couldn't pay toward the line of credit that we needed to operate this year, so we had to borrow \$45,000 just to feed the cows from January through April. Last year, even though we saw record calf markets, we also saw skyrocketing inputs; namely, fuel, grain, hay, insurance, and property taxes. We live very modestly. Our newest vehicle is seven years old and has

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Rough Draft

Tax Policy Reform Commission
June 11, 2007

over 175,000 miles on it. We must drive 50 miles to get a gallon of milk. Our son just graduated from high school. He would like to go to college to get a degree in beef production. How can we, in good faith, encourage him to come back to the ranch when each year he sees his parents going deeper in debt? How could he even consider bringing a bride back to the ranch when he sees us having to borrow the money each year to pay the taxes, not to mention the rest of the inputs? The valuation on our "4-G" grass pastures has risen 500 percent in 20 years. This year alone we saw a 20 percent increase...or \$20,000 increase. At present, the valuation puts an acre of grass at \$240 an acre. It does not pencil a profit in anything past \$99 an acre. Gentlemen, our industry, due to its very nature, requires a large amount of land and it is at the whim of Mother Nature. One section of grass will feed approximately 50 cows for five months out of the year, that is if the rains come in time, which they have not the last seven out of eight years. This spring looks good. The section of grass will feed 50 cows for five months if the winds, like we witnessed last week, do not blow and if the grasshoppers, which we see every July, August, and September, do not eat what grass is already there...what grass is still there. We have no safety net. We are told what we will pay for our inputs and we are told what we will get for our outputs. We are now allowed, like most businesses, to evaluate our costs, add a reasonable profit, and set our price for our products. Our pasture, which currently costs us \$1,600 a year in taxes, only produces \$1,200 a year in pasture rent. Why would anyone buy such a piece of property? It doesn't make sense financially. If we were to sell one section of this ground, the interest alone would cost over \$13,000 a year. This is for ground which produces \$1,200 a year in grass. That is its only income. So why do people buy these ranch parcels? Why are the markets going up? It's because the buyers come from jobs that make 1,000 times more than what we make. A few years ago my husband and I figured out he makes \$1.15 an hour in a good year. I would like you to reevaluate the buyer's motives before considering them like sales. I think this is very important. Reevaluate how valuations are determined. They need to be based on income producing capacities, not on what Ted Turner or the like is willing to pay for like property down the road. Reevaluate the whole concept of taxation. I remember, too, about 10 to 12 years ago

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Rough Draft

Tax Policy Reform Commission
June 11, 2007

the notion of a transaction tax. Basically, if I recall correctly, a 1 percent transaction tax would wipe out sales, income, and property tax. In reality, we'd get back to the premise that each person would pay their fair share. Mr. Drayton mentioned each person should pay his fair share. I agree. If the homeless person on the street only has enough money to buy a loaf of bread and he pays his transaction tax on that loaf of bread, he can hold his head up high and say, I pay my fair share of the taxation. Also, I would like to discuss the disincentive that the personal property tax has on business. Currently, we pay \$16 a year in personal property tax. The reason: We can't afford new equipment. We have had to make do with 25-year-old tractors. Gentlemen, what do I go home and tell my son that wants more than anything to go to college and then come back to the ranch? What do I tell him? Thank you. That's all. []

SENATOR BURLING: Thank you. Any questions for Mrs. Evans? See none. Thank you very much for your testimony. I think there was another person that wanted to testify. []

ED RIEKER: My name is Ed Rieker, that's R-i-e-k-e-r. I'm from North Platte. I'll keep my comments pretty brief. A couple people mentioned about cutting taxes and cutting expenses. I'm not a professional speaker so I'm a little nervous here, but nonetheless, we heard the talk of several ranch and people and farm people. I grew up on a farm years ago. Every October we weaned the calves. The calves bawled for about a week. That's all I have to say. []

SENATOR BURLING: Thank you. Any questions? Thanks for your testimony. Any other testifiers? []

JEFF RICHARDS: Good afternoon. My name is Jeff Richards, R-i-c-h-a-r-d-s. I'm from Geneva, Nebraska. You could probably say I'm one of the farthest away people today. I am currently a student at Hastings College. I have just finished my junior year there, and this summer I am working with United Methodist Church as a Peace with Justice intern. I'd like to say that I would like to speak for the future generations of Nebraskans.

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Rough Draft

Tax Policy Reform Commission
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I grew up in Geneva, a small town, a little less than 2,500, maybe not as small as the towns that I've been journeying around at this time of year, and I'd like to say that before we look outside, before we look at the industries that can come in from other places, we need to look within. Before you look at the outside of the bowl to see how beautiful it is, we have to look at what is within. My town has been slowly declining over several years, even before I was born. I know I will be finishing up my education as Hastings this next year and I will be going out of state for further education. Whether I will come back or not as soon as that is finished, I cannot say. I would like to...one major issue that has been raised this...or during this discussion is that of education. As I grew up, Geneva High School was a good school, a very good school, and then it was consolidated with Fairmont, which is a close town nearby, and we were promised that would bring a new golden age. And as I went through high school it, as well, declined and many of the opportunities that we so enjoyed, and I enjoyed seeing growing up, slowly dwindled. And what the condition is now I cannot say, but I earned a very good education at Fillmore Central High School and I would like the same opportunity for those who will continue to come in after me. There's just a whole lot in our state that we need to look within before we try to pull from without. I see the future of this state can be a very bright one. We are, after all, called the good life, and I would just like to charge you all and everyone in Lincoln to try to uphold that for my future and for the future of all other Nebraskans. Thank you. []

SENATOR BURLING: Thank you. Are there any questions for Mr. Richards? Seeing none, thank you for your testimony. Anyone else wishing to testify today? Any other testifiers? Okay, if not, why, that will close our hearing today and I really appreciate all of you coming and having an interest in the problems that we will be addressing in the next few months. So thank you again for coming and being a part of the process. []