

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

Tax Policy Reform Commission
June 25, 2007

[]

SENATOR BURLING: Welcome to the Tax Reform hearing. I'm State Senator Carroll Burling and we wanted to come to Lincoln this afternoon and get some suggestions and ideas on tax policy for the state of Nebraska. In 2006, the Legislature passed LB542, which created the Tax Reform Policy Commission. Policy data and information is collected by states all around the United States periodically. There are studies going on all the time in some states. It's important to update our tax code every few years, I believe. And so the last comprehensive tax study that the state of Nebraska had was the Syracuse study. That was commissioned by the Revenue Committee in 1987 and we have that report. Some of that recommendation has been adopted and some of it hasn't. But that was really the last comprehensive tax study we had. This tax commission this year is a little bit unique in that it's made up of eight senators, people from the executive branch, and stakeholders appointed by the Governor. And so we have legislative branch, the executive branch, stakeholders all involved in the commission this year. And we're challenged with making a recommendation to the Governor and the Legislature in November of what we see as necessary, if any, changes in Nebraska tax policy. As you know, the main sources of revenue for the state are sales and income tax. Main source of revenue for governmental subdivisions is the property tax. And what we do on the state level as far as assisting and subsidizing the local governments affects property taxes. So we are looking at all those issues. And so we're looking today for ideas or suggestions on how should the state of Nebraska raise revenue in the twenty-first century, faced with all the challenges, the demographics, the strengths that Nebraska has and the resources that we have. Looking at all of that, how should we, if it's necessary, change our tax policy to meet the demands and the situation as our economy changes in the years ahead? So that's what we're doing here this afternoon. We have about half of our commission here today. And this will be transcribed so hopefully those of you in the audience that are willing to come up and give us some of your opinions will come to the chair here and speak into the microphone so we can transcribe what you're saying. I'm cochair of this commission

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

Tax Policy Reform Commission
June 25, 2007

and Richard Baier is the other cochair. And so at this point I'll turn it over to him to say a few words. []

RICHARD BAIER: Great. Thank you, Senator. My name is Richard Baier. I'm director of Economic Development for the state and I represent the state administration and Governor Heineman's office in this effort and have been pleased to serve as cochair of this group. I'll tell you that I've learned a lot in this process, spent a little time doing some research in things that I hadn't really thought about over the years and some information that probably was looked at in a little different format and different way than I've done in the past. So it's been a great learning experience for me. We were out at North Platte two and a half, three weeks ago; had about 20, 25 people out there. A little different cast of characters up here at the front table because we had some of our western senators that were able to join us in Senator Louden and Senator Harms. And so we had a little bit different makeup of the commission members present that day but pleased to see many of our commission members able to join us today. My task in this effort is to really begin to look at how do we move the state forward and how do we begin to think about 20 and 30 years from now. Obviously our state faces some challenges. We all recognize what's happened with some of our population base. And so I think what we begin to look at is how to create jobs and opportunities for our kids and grandkids. And that's really been kind of the method of my approach to this process. How do we encourage investment and create jobs that lead to new opportunities? And so that's kind of where I come from in this process. I think what I would like to do now is ask the commission members to introduce themselves, starting here on the right with Senator Pahls. []

SENATOR PAHLS: Rich Pahls, I represent District 31, which basically is the Millard of Omaha. []

JOHN ANDERSON: My name is John Anderson. I'm a professor at UNL. []

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

Tax Policy Reform Commission
June 25, 2007

SENATOR RAIKES: Ron Raikes, District 25, which is the east edge of Lincoln and northeast Lancaster County. []

DON FREEMAN: Don Freeman from York, Nebraska, representing business. []

ROBERT McMANUS: I'm Bob McManus and I'm serving as coordinator of the commission. []

SENATOR KOPPLIN: Gail Kopplin, I serve District 3, which is in Sarpy County. []

MIKE HYBL: Mike Hybl with Consortia Consulting in Lincoln. I was appointed by the Governor to represent the telecommunications sector. []

AMANDA JOHNSON: I'm Amanda Johnson and I'm clerking the commission. []

GEORGE KILPATRICK: My name is George Kilpatrick. I'm legal counsel to the Revenue Committee of the Legislature and serving in that same capacity for this commission. []

AARON HENDRY: My name is Aaron Hendry and I work as Senator Burling's legislative aide. []

JOSEPH YOUNG: My name is Joseph Young. I work for the Department of Economic Development as well. []

RICHARD BAIER: And I think I saw one other senator join us. Do you want to say...maybe introduce yourself and say hello, I'd appreciate it. []

SENATOR AVERY: I'm Bill Avery from District 28 (inaudible). (Laughter) []

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

Tax Policy Reform Commission
June 25, 2007

RICHARD BAIER: All right, Senator. Thank you for showing up today. With that, I think I'll turn it back to Senator Burling. []

SENATOR BURLING: Okay, thank you. []

_____: We've got another... []

SENATOR BURLING: Oh, yes. Come on in. []

_____: Is that one going to be open? []

SENATOR BURLING: It is now and you're here, so take it, change the name. []

RICHARD BAIER: Another daring soul that wore a jacket today. (Laughter) []

MATTHEW JEDLICKA: Oh, yeah. I don't know why. []

SENATOR BURLING: We just had introductions, Matt, so if you'd like to introduce yourself, why... []

MATTHEW JEDLICKA: Matt Jedlicka from Schuyler, representing agriculture on the committee. []

SENATOR BURLING: Thank you very much. Thank you folks for coming. So the procedure this afternoon, as we ask you come up and testify, is that we ask you to turn off your cell phones if you have them on because they interfere with the transcribing. We'll plan to limit your testimony to ten minutes and then the members of the commission will have opportunity to ask you questions when you're done giving us your ideas. And over here we have...bring in a chair, Senator McDonald, and we'll squeeze you in here someplace. []

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

Tax Policy Reform Commission
June 25, 2007

SENATOR McDONALD: Well, if you don't have room, that's... []

SENATOR BURLING: No, that's fine. Come on up, there's plenty of room right here. []

SENATOR McDONALD: I'll sit between those handsome guys. []

SENATOR BURLING: Okay. So after you've given your testimony, some of the members of the commission may have questions for you. And so that's how we will proceed. There are sign-up sheets, I think, at the door and some up here at the table. We'd like to have you fill out a sign-up sheet with your name and address so if we want to contact you later, we'll have that information. And when you come forward to testify, would you please state your name and spell it for the transcribers. This will be conducted very much like a legislative bill hearing, which I think most of you have attended in the wintertime. But we don't do pros and cons. We just invite you to come up, give us some ideas on how you think our tax code is correct or how it might be changed in your opinion. And that's what we're looking for. So we'll use that information as we prepare our report. Aaron Hendry; stand up, Aaron, please. If you go the full ten minutes with your testimony, he will stand up and let you know you've been talking ten minutes and then I ask you to kind of wind it down after you see him stand up. So that's the procedure we'll follow. If there's no more suggestions...do you have anything you want to add before we start? []

ROBERT McMANUS: I might discuss a little bit the survey that people have as a handout there. []

SENATOR BURLING: Okay. []

ROBERT McMANUS: At the back of the room there's a handout. And the purpose of that, since January, the commission has been meeting monthly. And up through this

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

Tax Policy Reform Commission
June 25, 2007

point we've really been fact-finding and we've been looking at what does Nebraska do, what do other states do, what to taxpayer organizations think of Nebraska. And just as a sample, I have put in the back the Tax Foundation's state tax climate index. And the Tax Foundation is a Washington, D.C. organization which views taxes from a business standpoint. How does a small business or business in general look at a tax and how a state taxes? And this gives you a sample of what the kind of information we've been looking at. And from their perspective, how does Nebraska rate? Well, they say the overall rank of Nebraska is 44, with 1 being good and 50 being bad. So they say overall, Nebraska ranks 44th among the states in overall rank; that in corporate income tax rank, they would rank 34th. In individual income tax rank, Nebraska would be 32nd. From a sales tax standpoint, based upon exemptions and the broadness of the tax, they rank Nebraska 44th. And on property tax, they rank Nebraska 45th. Now other organizations which have different perspectives come up with different answers on this, that an organization which is looking at progressivity of the tax may view Nebraska quite differently. We're gathering all that information. But what we hadn't done up to this point is gotten the human input of real Nebraskans about how taxes are impacting them. And that's why we're glad that you joined us today. Senator. []

SENATOR BURLING: Okay, thank you, Bob. We hope that you folks in the audience came to testify, not just to listen. So don't let the fact that there may be more of us than there are of you, don't let that worry you. Feel welcome to come up and give us your ideas on tax policy in Nebraska, pro or con or neutral, whatever. So if there are no more comments at this point in time...let's see, you didn't get introduced. Senator McDonald, we did the introduction before you got here. Go ahead and introduce yourself. []

SENATOR McDONALD: I'm Senator McDonald. (Laughter) []

SENATOR BURLING: From District 41. []

SENATOR McDONALD: Thank you. I live in St. Paul. []

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

Tax Policy Reform Commission
June 25, 2007

SENATOR BURLING: Thank you. Okay, all right. Who wants to be the first person to come forward and give us their opinions on our tax policy? Who came prepared? Somebody be first. Always takes that first one. Welcome. []

JEFF BEALS: Thank you. These go in here? My name is Jeff Beals, B-e-a-l-s. I live in Omaha and I am vice president of a commercial real estate company there and also, on the side, host a weekly radio show about economic development and am here on behalf of the chamber of commerce of the greater Omaha area. Given my professional interests in real estate, Nebraska's economic competitiveness is of paramount importance to me. As a commercial real estate executive and as a participant in several economic development efforts, I'm often involved in the business recruitment and site selection processes that occur. We are in, of course, a highly competitive world when it comes to developing our economy. But fortunately, Nebraska does have some advantages. We work hard, we have respectable educational attainment levels, and we show a lot of loyalty towards our employees. And of course, recently we have benefited a great deal from the Nebraska Advantage Act, which has certainly enhanced our ability to attract jobs and investment. We've also taken some important steps with tax policy in the last two legislative sessions. But given that recent progress, there's a concern on my part that we can become too complacent as a people because unfortunately we still have much more to do in order to make ourselves more competitive. I'm concerned that human nature is such that after we pass some tax incentive legislation and some tax cuts, that the following years can actually be a little bit dangerous because we have the tendency to maybe sit back and admire our work and enjoy what we've accomplished. Meanwhile, our competitors continue to move. The target is moving and the battlefield with the other states is always in flux. So we need to go further and we need to continue our efforts. States with high personal income tax rates are at a disadvantage, especially when trying to recruit higher-paying jobs. Nebraska's individual income tax structure effectively penalizes high achievers with an excessive 6.84 percent top level rate. The problem is that it's pretty easy to reach that rate, especially for a professional-level

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

Tax Policy Reform Commission
June 25, 2007

employee. As you know, single filers need only make a little less than \$27,000 in a year to reach that top rate and joint filers only need to make about \$54,000. And in this day and age when the average worker in the state is above \$32,000, too many people are paying top bracket income taxes. When we consider that 10 percent of Nebraskans provide half of all personal income tax revenue and considering that income tax provides more than half of the general budget fund, it's critically important that we maintain our attractiveness to high-income wage earners in this state. But the problem is that our income tax structure creates disincentives for high achievers. We've legislated a bias against professionals and entrepreneurs that are doing well in business and we're driving away high wage earners, who are the people who decide where businesses invest. And it's a big vulnerability for Nebraska. It's only logical that a business owner or a top executive would be personally opposed to moving a business to a high-tax state because they will personally bear part of that burden. If I was a CEO, I would be more inclined to pick a state for my business that won't take so much of my personal money, assuming that I would move to the state with my company. As you all know on this committee, we are now a part of a very competitive global economy in which capital transcends all political boundaries, things move very quickly, and we compete against every other political subdivision that exists in the world. And in this environment, the traditional economic development model has been turned on its head. It used to be that chambers of commerce and people like Mr. Baier focused solely on capital and jobs. The theory was that if we recruited the capital and the jobs, that people just came automatically. Well, the problem is today's economy is so dependent upon creativity, visionary people, people who are very technologically proficient, who are able to think on their own and take tremendous risks, that we have to focus now on the people. It's the people that come here and the right people that come here that actually create the wealth and form the jobs. If we focus too much on the old model of economic development, which is company- and job-driven, and not enough on doing what it takes to get the super high-achieving people, we're selling ourselves short. Now these talented knowledge workers that create the new economy--create the economy, I shouldn't say new economy--create the economy have a lot of factors that they look at

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

Tax Policy Reform Commission
June 25, 2007

when deciding where to live. Obviously some of those are out of control. We don't have mountains, oceans, and our weather is a little extreme. But people come to Nebraska because of Nebraskans and the things that Nebraskans make. They come here because of the people that are here and the things that those people do. So if we want more of the types of people that create wealth and form jobs and form companies, we have to make our economy very desirable to them. One of the ways that we do that is by making a personal income tax rate that is less punitive. Now in addition to recruiting these edgy, technologically savvy people, there are some other benefits that would come our way by lowering the personal income tax rate. One of those would be more entrepreneurship. Obviously when people have more of their money that they control, they have money to invest in businesses and they'll also probably feel a little more confident in making those business and entrepreneurial risks. The second additional benefit would be more investment in businesses and real estate and other types of Nebraska companies that are not necessarily just entrepreneurial in nature but people just becoming passive investors. Obviously they'll have more money to spend. Third, I believe it'll help slow depopulation in our rural communities and I also believe it'll help build Omaha and Lincoln into the national economic powerhouses they have the potential to be, both of which benefit the entire state. As our economy improves, we can fight brain drain more effectively and more young Nebraskans will stay home or return home to build dreams, build careers, and raise families. Fourth and also very important, reduction in personal income taxes will help us keep retirees. States like Nebraska are losing too many of their retirees and oftentimes they're losing them shortly before they retire while they're still earning substantial incomes. The problem is that these people are very valuable to our economic prosperity. And economist once argued that recruiting one retiree or keeping one retiree is the economic equivalent of two and a half manufacturing jobs. The justification is that retirees or near-retirees statistically have the most wealth, they're the most likely to participate in politics, the arts, support the community, and they're the least costly to society. And so I think we have to be careful. Are we doing the right things economically to make Nebraska a place for people to be comfortable when they're at the end of their career, when they're really at that peak

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

Tax Policy Reform Commission
June 25, 2007

income earning potential and they're getting ready to decide where they're going to settle down? In summary, I encourage this commission to ponder seriously the economic ramifications of the tremendous burden our high personal income tax places on individuals and how it dampens our competitiveness. I also believe it's a mistake to look at income tax cuts strictly as an expense or a short-term loss of revenue for the state. Instead, I believe we must see tax cuts as an investment. History has shown that when the citizenry controls its own money, the state benefits in the long run with increased economic activity and vitality. So with that, those are my prepared remarks for you and would be happy to answer any questions any of you may have. []

SENATOR BURLING: Thank you, Mr. Beals, for your testimony. []

JEFF BEALS: Sure. []

SENATOR BURLING: Anybody have any questions for Jeff? Senator Pahls. []

SENATOR PAHLS: Jeff, I have a question. This last session, I don't think there was not one of the newly elected senators stood up and ever said anything that people were complaining about income tax. There was word almost to the point of, you know, enough is enough, property tax. That's what I heard constantly from the new...I'm not saying their wrong but that's what they're saying everybody was telling them. As senators, are we focusing on...are we missing the boat? Is that what I'm hearing you're saying, telling me to some degree? []

JEFF BEALS: Well, I have to tell you, I purposely avoided using the term "property taxes" because I really wanted to focus on personal income taxes. There's no question that property taxes are an important issue and a problem for Nebraska. But I purposely didn't mention those today because I really wanted to draw attention to the other. Because I think in Nebraska, when we bring up concerns or complaints about the tax burden, everyone immediately gravitates toward that issue. And I think it's important that

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

Tax Policy Reform Commission
June 25, 2007

we remember the other side, too. Because when it comes to, in my opinion, recruiting companies or high-achieving individuals, in a lot of ways, I think the personal income tax may be a slightly bigger determinant for them than the property tax issue. []

SENATOR PAHLS: So just another question. So then you know property tax, understand that, because especially in Douglas County when everything has been...every place I go, you know, they're saying, oh, well you did it to me again, Pahls. And I say, well, (laughter) maybe I didn't but that's...but in your...you know we do need to take a look at that. You're saying that we need to really be taking a stronger eye at the... []

JEFF BEALS: Absolutely, that we need to take a stronger eye at the personal income tax situation because I don't think it gets enough attention, especially when there's so much focus on the property tax problem. []

SENATOR PAHLS: Okay. And you're saying it's, the levels are so low, the ceilings are so low right now that basically everybody is sort of getting... []

JEFF BEALS: Right. []

SENATOR PAHLS: ...screwed, you might say, because they hit that... []

JEFF BEALS: It's just too easy to obtain that level. When you look at a level below \$27,000 per year and you look at where our state is going and the numbers of people who are fortunately earning more than that, it just seems to be a disincentive that you can reach the highest tax bracket at such a low level of income. []

SENATOR PAHLS: Yeah. And to be honest with you, you gave me some information that I really hadn't thought about because several times this last year on the floor when we talked about income tax, people were saying, yeah, you're looking towards the rich,

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

Tax Policy Reform Commission
June 25, 2007

you're not looking towards, you know, the average person. But we would be if we raised that. But I needed that argument for my mind. I didn't see the ceiling. []

JEFF BEALS: Sure. []

SENATOR PAHLS: So at least you've given me some information there. I appreciate that. Thank you. []

SENATOR BURLING: Any other comments or questions for Jeff? Oh, John. []

JOHN ANDERSON: I just had a couple questions. First of all, what thoughts do you have about the appropriate degree of progressivity in the income tax system? You've spoken to the issue of reaching the top rate relatively early in the income distribution. But what's your view about what might be an appropriate degree of progressivity compared to what we have now? []

JEFF BEALS: Well, I'm not prepared to throw a number out at you. But obviously I believe that the top rate needs to raise. And obviously, it's going to be something where a person who makes a decision about a company's location or a high-achieving individual thinking about where to move, chances are that person is going to reach that rate pretty easily regardless of where we put it. But I think that's something that needs to be looked at very carefully, that it needs to be substantially higher than \$26,500. The other thing that I think would be worth exploring would be, are we comfortable with the actual rates at each bracket? A 6.85 percent rate strikes me as somewhat high. And I know we have some real-life concerns because somehow or another state budgets aren't going to easily go away and if we mess some of the revenue side...but my argument is that if we are truly interested in competitiveness and we're interested in getting the right types of people that can build our economy to where we think it can be, the fact of the matter is, right now, that the system is a little too punitive. []

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

Tax Policy Reform Commission
June 25, 2007

JOHN ANDERSON: As a follow-up then, what are your thoughts about the corporate income tax? There's always, of course, a linkage between the two and the top corporate income tax rate is even higher. What are your thoughts on that? []

JEFF BEALS: For this, I just chose to focus on the personal income tax rate and didn't do a great deal of research on that. The angle that I wanted to take before you was that I think that ultimately a lot of people will look at business decisions a little emotionally and with their personal interest. And in my conversations with business owners and in some experience with executives that have looked at the market, I have heard a lot of people complain about that and I don't feel it's gotten a lot of attention. So that's why I chose not to focus on the corporate. []

JOHN ANDERSON: Okay, thank you. []

JEFF BEALS: Sure. []

SENATOR BURLING: Matt? []

MATTHEW JEDLICKA: Yeah, I did have a question. Jeff, I hear your show quite often and enjoy it. []

JEFF BEALS: Thank you. []

MATTHEW JEDLICKA: Listening to your show, I know you are involved with a lot of...or have input on a lot of the different businesses that are looking at the state. What do you hear--and I'm going to kind of head away from your income tax again--but what do you hear about the property taxes in Omaha when businesses are looking to locate to Omaha? []

JEFF BEALS: Well, everyone who comes to Nebraska from out of town has a little bit of

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

Tax Policy Reform Commission
June 25, 2007

a sticker shock when they find out about that property tax rate. And it's a complaint that we get fairly often. And of course in our business, we have to constantly try to mitigate the impact of that in our marketing. And so we talk about cost of living and things of that issue. But fact of the matter is, whether you're talking about our property taxes or you're talking about any of our other taxes, we're high and it does scare away a lot of people. And I think one of the things that I've noticed as well with some of the companies that we have successfully recruited--and this is just anecdotal, I don't have quantitative evidence for this--but anecdotally, it seems to me that it's becoming a little more common for the headquarters to be in Omaha or the major operations to be in Omaha but a couple handful of top executives choose to be somewhere else. And maybe it's easy to assume that's because they're going to a bigger city where there's better airline connections or warmer weather or what have you. But I'm wondering if some of that isn't tax-related because oftentimes they're also living in places where the state's tax burden is not quite as onerous. But anecdotally, we are seeing some of that. And certainly when we deal with those types of business owners, taxes in general are a frequent complaint. []

SENATOR BURLING: Any other questions? Yes. []

RICHARD BAIER: Jeff, in terms...are you managing property in Omaha? []

JEFF BEALS: Yes. []

RICHARD BAIER: What kind of valuation increases are you seeing year to year? []

JEFF BEALS: Well, there are...I'm not prepared to give you a percentage, Richard, but it is substantial and the property tax increases in Douglas County have definitely been in the news a lot this year. And part of our business is to assist property owners in challenging those property values. But we've heard anything from no increase this year to 50 percent increases in value among some of our clients. It's really been quite a

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

Tax Policy Reform Commission
June 25, 2007

range and it's been quite variable. []

RICHARD BAIER: Of those protests, how many of those do you think are seeing their valuations adjusted after the protest? []

JEFF BEALS: The majority, the majority of them. []

RICHARD BAIER: That was the experience here in Lincoln as well. We went through a major overhaul and we all stood in line, thousands of people standing outside the high schools (inaudible) to have their valuations protested. I think most all of them came down. []

JEFF BEALS: And I'm talking just commercial property, just for the record. We do nothing with residential so I'm not familiar with that. []

RICHARD BAIER: Right, okay. Thank you. []

SENATOR BURLING: Senator Raikes. []

SENATOR RAIKES: You mentioned desirability of attracting high performers. Our policy in the state since the late 1980's has been to do that with special tax deals for those people instead of everybody. And you also mentioned the need to make ends meet. You've got this much expense and this much revenue, how are you going to do that? And the state can't generally borrow money. I mean, we have to make it work. So if you had a chance to say we're not going to offer tax incentives anymore, we're simply going to lower the income tax rate for everybody; would that be the thing to do? []

JEFF BEALS: No, I don't believe that would be an appropriate thing to do. I think the income tax situation is a problem that needs to be addressed without necessarily penalizing any sort of business incentive programs that exist because that is important,

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

Tax Policy Reform Commission
June 25, 2007

too. And these companies are looking at it from a variety of different angles. And I think most people when they think of business incentives, they think of benefit to the company, whereas the personal income tax level, they're looking a little more emotionally at themselves. And the problem is that the battlefield, all these other states and municipalities, continue to be aggressive. As you know, Senator, the stakes are quite high and I don't think we can afford to go backwards in business incentive programs. The question is, are there ways that we can address the personal income tax rate in addition to that? And without being knowledgeable enough of everything related to state budgeting, the concern I have and the information that I'm bringing to you is just based on concerns that are voiced from businesspeople and from professionals that are comparing Nebraska to other states. []

SENATOR RAIKES: Just as a follow-up, isn't it likely that if you pursue business tax incentives, for example, to the extreme, that surely somebody out there in the form of another state is going to offer more of an incentive to a business than what it's worth? In fact, I think there's pretty well-documented examples... []

JEFF BEALS: Sure. []

SENATOR RAIKES: ...of that having happened. So is it really a wise state policy to pursue being number one in business tax incentives? []

JEFF BEALS: Well, I don't know if it's necessarily wise to be number one for the sake of being number one. I think we have to constantly evaluate how we are standing vis-a-vis our top competitors. And I think it's important for the state to consider all factors that are involved, as well. It's not just fiscal policies or tax incentives or other business incentives--certainly the quality of the labor force are issues, as well--but all of that being controlled. One of the most important things that they're considering is where do they get the best deal. And it's a constant balancing act on our part to determine where, you know, the cost-benefit ratio falls out of whack. But I think for the most part, we have

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

Tax Policy Reform Commission
June 25, 2007

to look at business incentives and other types of tax cuts fairly aggressively and not necessarily focus on just being number one and giving up the farm, like some states have done for auto manufacturers or what have you. But I don't think we ever want to become less aggressive than we are right now in pursuing those tax incentives. []

SENATOR BURLING: Any other questions anyone has? Thank you very much, Jeff. []

JEFF BEALS: Okay, thank you. Appreciate the opportunity. []

SENATOR BURLING: Thanks for coming. Next testifier, please. Who wants to be next? Everybody come to listen? We need more ideas than one person. No more testifiers? Okay, okay. Thank you for coming, appreciate your attendance very much. That will close the hearing today. []