

LEGISLATURE OF NEBRASKA

ONE HUNDRED THIRD LEGISLATURE

FIRST SESSION

LEGISLATIVE BILL 613

Introduced by Schumacher, 22; Campbell, 25; Harms, 48; Harr, 8;
Lathrop, 12; Mello, 5.

Read first time January 23, 2013

Committee: Executive Board

A BILL

1 FOR AN ACT relating to revenue and taxation; to create the Tax
2 Modernization Commission; and to provide powers and
3 duties.

4 Be it enacted by the people of the State of Nebraska,

1 Section 1. The Legislature finds that the economy is
2 constantly changing, requiring the need to continually review and
3 update the state tax laws. Furthermore, the Legislature finds that
4 state and local tax policy are interdependent and that there are
5 consequences, intended and otherwise, that need to be studied when
6 adjustments are made to the state tax laws, such as instability for
7 both state and local governments. After a decade-long state
8 structural deficit, the Legislature also finds that a tax
9 modernization commission, whose purpose is to modernize and align
10 Nebraska's tax law with a twenty-first century economy, is essential
11 to Nebraska's prosperity.

12 Sec. 2. The Tax Modernization Commission is created. The
13 commission shall be composed of the following individuals:

14 (1) The Speaker of the Legislature;

15 (2) The chairperson and vice-chairperson of the Revenue
16 Committee of the Legislature;

17 (3) The chairperson and vice-chairperson of the
18 Appropriations Committee of the Legislature;

19 (4) The chairperson of the Health and Human Services
20 Committee of the Legislature;

21 (5) The chairperson of the Education Committee of the
22 Legislature;

23 (6) The chairperson of the Legislature's Planning
24 Committee;

25 (7) The Tax Commissioner, as an ex officio member;

1 (8) The Property Tax Administrator, as an ex officio
2 member;

3 (9) The Legislative Fiscal Analyst, as an ex officio
4 member; and

5 (10) Two academic tax experts employed by a Nebraska
6 university, appointed by the Executive Board of the Legislative
7 Council, as ex officio members.

8 Employees of the Department of Revenue, the Revenue
9 Committee of the Legislature, and the office of Legislative Fiscal
10 Analyst shall be available to the Tax Modernization Commission to
11 assist it in carrying out its work.

12 Sec. 3. The chairperson of the Revenue Committee of the
13 Legislature shall serve as the chairperson of the Tax Modernization
14 Commission. The commission shall meet bimonthly or more often if the
15 chairperson determines additional meetings are necessary to
16 accomplish the objectives established in sections 1 to 7 of this act.
17 At least one meeting shall be held concurrently with a meeting of the
18 Legislative Council. Members shall be reimbursed for their actual and
19 necessary expenses as provided in sections 81-1174 to 81-1176.

20 Sec. 4. The Tax Modernization Commission shall consider,
21 but is not limited to, the following six elements for successful tax
22 modernization:

23 (1) Fairness. The commission shall review the tax burden
24 of different taxpayers, from Nebraska families to Nebraska
25 businesses, from small businesses to big businesses, and within

1 different industry sectors in the state. The tax system should treat
2 people equitably;

3 (2) Competitiveness. Any changes to the tax system should
4 ensure that Nebraska continues to attract high-paying jobs and
5 investment to the state, while keeping and protecting the jobs and
6 businesses we already have. The commission shall review how Nebraska
7 compares to other states regarding business taxes and identify ways
8 to improve business tax competitiveness;

9 (3) Simplicity and compliance. A tax system should be
10 easy to understand and follow. The commission shall make
11 recommendations to ensure compliance with Nebraska's tax system is
12 simple for individuals and businesses and to ensure efficient
13 administration by the state;

14 (4) Stability. A stable tax system has revenue that is
15 relatively reliable over time and not subject to unpredictable
16 fluctuations. The commission shall not only address the stability of
17 Nebraska's current tax system, but will also ensure that any
18 recommended changes will maintain or improve stability;

19 (5) Adequacy. The tax modernization process should create
20 a tax system that provides adequate revenue to fund critical state
21 services. The tax structure should allow revenue to keep pace with
22 spending needs; and

23 (6) Complementary tax systems. Modernization of the tax
24 system should address the interrelationships of tax systems within
25 the state revenue system as a whole.

1 Sec. 5. Community discourse and involvement is essential
2 to the success of the Tax Modernization Commission, so the commission
3 shall engage the public in a variety of ways, including, but not
4 limited to:

5 (1) Holding hearings throughout the state for purposes of
6 receiving input from the public on tax modernization ideas and
7 recommendations;

8 (2) Online questionnaires and other Internet-based
9 solutions designed to solicit public input throughout the process;
10 and

11 (3) A tax summit to which the public is invited to
12 participate and provide input through working groups defined by the
13 commission.

14 Sec. 6. The Tax Modernization Commission shall examine
15 previous studies, including the Tax Policy and Reform Commission from
16 2005 to 2007 and the Comprehensive Tax Study done by Syracuse
17 University from 1986 to 1988, and ascertain which recommendations
18 from such studies can be utilized in the commission's research. The
19 commission may request any state agency or political subdivision to
20 provide information relevant to the commission's work, and the state
21 agency or political subdivision shall provide the information
22 requested within thirty days after the request. The commission shall
23 issue a preliminary report to the Executive Board of the Legislative
24 Council, the Revenue Committee of the Legislature, and the Governor
25 by December 15, 2013, containing the commission's preliminary

1 findings and recommendations. The commission shall issue a final
2 report to the Executive Board of the Legislative Council, the Revenue
3 Committee of the Legislature, and the Governor by November 15, 2014,
4 containing recommendations for legislation to modernize state and
5 local tax policy and corresponding proposed language for legislation.
6 The commission shall draft legislation that can be implemented
7 immediately during the initial phase of the commission's work or
8 during future upcoming sessions of the Legislature. The commission
9 shall also identify areas of concern that require in-depth analysis
10 and study before implementation.

11 Sec. 7. Once the final report has been submitted, the Tax
12 Modernization Commission shall no longer be required to meet at least
13 monthly, but will meet at least once per year to determine what, if
14 any, additional updates to the tax code should be made to keep up
15 with Nebraska's changing economy.