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Revenue Committee  
February 19, 2015

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[LB230 LB293 LB350 LB384]

The Committee on Revenue met at 1:30 p.m. on Thursday, February 19, 2015, in Room 1524 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB230, LB293, LB350, and LB384. Senators present: Mike Gloor, Chairperson; Paul Schumacher, Vice Chairperson; Lydia Brasch; Al Davis; Burke Harr; Jim Scheer; Jim Smith; and Kate Sullivan. Senators absent: None.

SENATOR GLOOR: Good afternoon. We're going to get started, if I can ask people to sit down, please. I'm Mike Gloor. I am representing District 35, which is Grand Island. I serve as Chair of the Revenue Committee and this is the Revenue Committee. This gives you an opportunity to go to the right committee if you hadn't planned to be here for the Revenue Committee hearing. We'll take the bills in the order listed in the agenda that's posted in the back of the room and elsewhere today. Glad that we have people here who want to testify. A couple of general orders that we like to go through. One is, if you have a cell phone, an electronic device, please turn it off or turn it to silent mode. The order of presentation today will be the introducer of the bill will introduce. We'll then go to proponents, and we'll go to opponents, and then we'll go to those who might want to testify in a neutral capacity. And finally, there will be an opportunity for the introducing senator to close if he or she wishes to do so. If you would like your stand on a certain bill to be known but don't wish to testify, especially if the person before you has said exactly what you were going to say, there is a sheet in the back, it's a white sheet, and you can fill out that white sheet and list whether you're opposed or in favor of any bill and that will be issued...entered into the formal record. That's important for people to realize. If you do plan to testify, there are green sheets also in the back. You need to fill out a green sheet, bring it up, hand it to the clerk so that we get a formal record of you and your testimony. And then when you begin your testimony, please give us your name and be sure to spell your name, not for us necessarily, but for those people who are transcribing this elsewhere in the building and probably at a later date. We would ask you to be as concise as you can. We have a five minute rule and so there is a light tree up here, a little bit like drag racing. If a green light is go and you get four minutes worth and then it goes to a yellow light, your last minute, and then when you're five minutes is up, you'll get a red light. And when you get a red light, we need you to wrap up your comments. If not, I will move you as politely as I can. I have an eraser here that I throw at people. That's considered polite, I think. Not really, you won't have to duck. Don't worry. But we do ask you to cooperate with us. We have lots of bills to hear and lots of people who would like to speak and so we ask people to keep it to five minutes. If you have written material that you'd like distributed, please bring those up-front. The pages will take those from you and distribute them. We need 11 copies of any handouts to make sure everybody gets enough. If you now realize you don't have copies and wanted us to see something, now would be a good time to get the attention of one of the pages so that they can make copies for you. Please speak into the microphone again, so that we can get a good record of your comments. Let me introduce the staff that are here: Mary Jane Egr Edson is

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counsel for this committee; Krissa Delka is the clerk; and Kay Bergquist is our research analyst and she's at that far end of the table. With that, I'll ask the senators to introduce themselves starting with Senator Brasch.

SENATOR BRASCH: Thank you, Chairman Gloor. I'm Lydia Brasch from District 16, that is Burt County, Cuming County and Washington County.

SENATOR DAVIS: Al Davis from District 43 representing 16 counties in north, central and western Nebraska.

SENATOR SCHUMACHER: Paul Schumacher, District 22, representing Platte and parts of Colfax and Stanton Counties.

SENATOR SULLIVAN: Kate Sullivan of District 41, Cedar Rapids. It's a nine-county area in central Nebraska.

SENATOR SCHEER: I'm Jim Scheer, District 19, which is Madison County and what Senator Schumacher doesn't have in Stanton County.

SENATOR GLOOR: We have two senators who will be joining us later, Senator Smith and Senator Harr. Understand that we have other bills that have to be presented by members of this committee and so you'll see some coming and going. Don't read anything into that other than we have multiple responsibilities and have to take care of those also. And with that, we'll start with our first bill, LB230. Senator Mello, welcome.

SENATOR MELLO: Good afternoon, Chairman Gloor and members of the Revenue Committee. I know you had a lengthy night last night and I believe LB230 will hopefully not add to your already probably lengthy afternoon and evening. My name is Heath Mello, H-e-a-t-h M-e-l-l-o and I represent the 5th Legislative District in south Omaha. I'm here to introduce LB230 which would amend two sections of the statute related to tax sales certificate processes. In 2013, the Nebraska legislature passed LB341 which amended Nebraska's foreclosure in tax sales certificate process. Among other changes, LB341 ended the ability for investors to purchase a tax sales certificate through a process that allowed them to bid down on the percentage of ownership that they would acquire. This bid-down process was in place for a number of years but was only really used in the last five years between 2010 and 2014 and has created a confusing situation that I believe needs to be clarified through LB230. LB230 seeks to clarify the process first by clearly defining joint ownership for the purposes of compelling a partition. Second, it ensures that only for ownership interest acquired via a tax certificate in the period for which the

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bid-down process was used, if the treasurer's tax deed or a tax sales certificate moves into that partition's process, and the amount due is not enough to cover the delinquent taxes, that the investor paid for, the investor will receive their share of the investment first. It's important to note that these changes in no way affect the obligations of the county treasurer pertaining to the issuance of a tax deed. It only, it affects the joint ownership situation between two parties after the deed has been issued. As I may have mentioned before, this is a small issue that obviously affects a small number of people in Nebraska due to the passage of LB341 in 2013. It's my belief though, that the outdated and confusing process that was in place prior to LB341 needs to be clarified to give some protection to the investors who did make that process work. Finally, I'd just like to state that LB230 does not change any of the foreclosure or tax sales process in any way moving forward. It merely clarifies what happens in a partition action for ownership interests arising from a tax certificate issued prior to 2015. There are testifiers after me that can give you much...probably a much lengthier detailed history regarding this process prior to LB341 since this is a technical and little known area of statute that we've dealt with in some of the tax sales certificate bills I've brought in front of this committee in the years past. With that, I'd be happy to answer any questions you may have. [LB230]

SENATOR GLOOR: Thank you, Senator Mello. Are there questions? Seeing none, thank you. Are you staying to close? [LB230]

SENATOR MELLO: As another thank-you to this committee, the Appropriations Committee right now has a executive session with the new Department of Corrections director. They had started without me and I will probably waive closing to be able to get back to that executive briefing. So thank you. [LB230]

SENATOR GLOOR: I believe what you just told us is, you have to hurry and catch up with the others for you are their leader in this. (Laughter) And that would be correct. Thank you, Senator Mello. We'll now start with proponents for this bill. Do we have proponents for this bill? Good afternoon. [LB230]

JARED HOLLINGER: Good afternoon. Senator Gloor, members of the committee, thank you for having me. My name is Jared Hollinger, J-a-r-e-d, last name, H-o-l-l-i-n-g-e-r. I own a company called Guardian Tax Partners and we are a fairly local Nebraska and Iowa tax lien investment company based out of Papillion. I'm going to first attempt to clarify what an undivided ownership interest is and where that came about. Prior to the LB341 that was passed that affects tax certificates sold from 2015 forward, the tax certificate purchasers could bid down the ownership interest. This was conceived and has been part of statute for a very, very long time. It was conceived back in the agricultural...when Nebraska was primarily agricultural, not that it isn't now, but it was conceived back with the concept that if an agricultural owner was

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having a few bad years, that they wouldn't lose their entire farm due to taxes. And so an investor could say, well, I'm going to accept ten acres of your 160 and not the whole thing. Well, that's been convoluted in recent years. This is the piece of statute that was not really used until 2010 and now you have tax certificates that have come to maturity on single family dwellings, for instance, in which an investor had bid, in an extreme case, a 1 percent ownership interest. Now, the statute said it was an undivided ownership interest and so the question is, what does that mean? Well, undivided under the law means that neither owner has an exclusive right and so to us and to attorneys that we've consulted with, that does not mean a literal 1 percent of value. In other words, I use the example to say that if in property ownership, we take pride and we own our property that we have 100 percent control of our domain. Well, when somebody infringes on that ability and somebody...and you do not have sole exclusive right to that property, to me that's worth more than a literal 1 percent of value. That's an infringement. And furthermore the fact that as an owner, as a co-owner, I have the right to take a partition action and sell that property in order to satisfy, again, that's worth more than a literal 1 percent of value. And so, why is this all important? Well, other states...our neighbor for instance, has recognized that an interest in a tax lien is protected. That in a partition action, that the outcome of that action, that lienholder is reimbursed their expenses. And so as it stands without clarity of this statute, the change...without clarity, the tax lien investor is left to take a partition action against an owner, okay, and they could very well demand payment from that owner if they were of the unethical type, and say, well, I'm going to sell your property and I want more than what I'm entitled to under what I paid. What this does, is it clarifies very particularly and says that under a partition action, the tax lien investor is due back what they would be due under the lien. Essentially, they are reimbursed that amount. And so it ensures then that there are options for the taxpayer. So, for instance, if I am an investor and I am taking a partition action against a property owner, I can if I am given some protection that I will be reimbursed for my tax lien under a partition, I can enter into a payment arrangement with that taxpayer that they can repay over a period of years. That's a fairly common occurrence. Things like that. So, at the end of the day the tax lien investor is generally not interested in getting the property. They simply want to be protected in their senior lead position. And this clarifies the fact that the taxes were paid to benefit all parties to that property. And this simply clarifies that those taxes are reimbursed to the investor in an equitable fashion and there is an opportunity for the investor to abuse the situation by demanding more, it also clarifies the function of a partition action to get that investor made whole. With that, I'll take questions. [LB230]

SENATOR GLOOR: Mr. Hollinger, can I give you a specific example to make sure I understand? [LB230]

JARED HOLLINGER: Sure. [LB230]

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SENATOR GLOOR: So we have a home that's valued at...or appraised at \$100,000. The taxes on it are \$2,000. So the change we're making here guarantees not \$1,000 to satisfy that lien, but \$2,000? Or \$1,000 that the lienholder will be reimbursed, not \$1,000 but the \$2,000 that is the amount they paid on the taxes? [LB230]

JARED HOLLINGER: That's correct. [LB230]

SENATOR GLOOR: Okay. [LB230]

JARED HOLLINGER: They're guaranteed...as they...their position is treated as a priority lien as it has been for since the inception of the statute and they are reimbursed that lien at the outcome of the sale. [LB230]

SENATOR GLOOR: Okay. Has the interpretation been that they're only reimbursed whatever percentage of ownership they have? Is that what's been happening over the past couple of years? [LB230]

JARED HOLLINGER: To my knowledge, that hasn't happened. [LB230]

SENATOR GLOOR: Okay. [LB230]

JARED HOLLINGER: There hasn't...to my knowledge there hasn't been a partition case where there had been any interpretation made. [LB230]

SENATOR GLOOR: Okay. Questions? Other questions? Senator Davis. [LB230]

SENATOR DAVIS: I guess I grasp the agricultural part of this but I'm very confused about the 1 percent share and how you bid this down and why you would even do so on a residential property. [LB230]

JARED HOLLINGER: That's a great question. The question I've had is why the county has resisted if for all the years up until 2010. This was not an occurrence, at least in my time in the business because of the complication and confusion that that would bring. And so why an investor would bid that down is because a neighboring state has interpreted that it is not a literal value, that it actually is a valid...there is a lien interest in that property. And that at the end of the day that having an undivided interest in that property means more than a literal 1 percent to

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value. That, I guess, the investor community had faith and believed that the lien position, that seniority tax lien position that had always been there would remain there. [LB230]

SENATOR DAVIS: So, so, when we talk about the 1 percent though, as your example, is that 1 percent of the value of the property? Is that what we're talking about, so if it's a \$100,000 property, it's \$1,000? [LB230]

JARED HOLLINGER: It's...I'll read the statute to you if you're... [LB230]

SENATOR DAVIS: No, I'm just confused about it. [LB230]

JARED HOLLINGER: So, the interpretation that I would say is that it is a lien interest on 1 percent of the property, not a 1 percent of value. So, in other words, it is an interest on the undivided 1 percent. So what... [LB230]

SENATOR DAVIS: But when you go and buy that tax sale at an auction, you don't go in and say, I'm bidding on 1 percent. You would go in and say, I'm bidding on this property. [LB230]

JARED HOLLINGER: You're going in and saying, I'm bidding on this property and the investors bid down. [LB230]

SENATOR DAVIS: Why do they bid down? [LB230]

JARED HOLLINGER: It was a means to compete. It was a means to compete and at the end of the day, the Legislature in their wisdom recognized that it was a system that was not designed for the here and the how and it didn't work and it wasn't being used as originally intended, is my belief. And so through LB341, it's no longer. And so what it did, it left four years of confusion. [LB230]

SENATOR DAVIS: So during the bid-down process then, so the tax lien generates interest at 14 percent, right? So during the bid-down process what you're doing is driving down your interest rates? Is that the way that's done? [LB230]

JARED HOLLINGER: No, no, it's actually driving down the ownership...it's driving down... [LB230]

SENATOR DAVIS: Who has...who gains from that? [LB230]

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JARED HOLLINGER: That's a great question. No one. Because up until the entire life of the lien is treated the same. In other words, if I buy a tax lien at 1 percent owner...1 percent interest. This isn't interest as in bank interest. This is interest in the undivided property. I still receive the percentage of accrued interest under the statute. I still have the right to foreclose. I still have the right to a tax deed. Nothing has changed. It's just this confusion of undoing it at the end. And so very literally right now, if there's no clarity, my only option as a tax lien investor is to force a sale on a property, evict the homeowner, rehab the property, sell it to recoup my profit, or my lien at the end, whereas with clarity, most tax lien investors really are interested in the property. They would just want to serve a function and earn their interest and move on. And so without that clarity, it's created this... [LB230]

SENATOR DAVIS: So my last question then is, so who gained from the bid-down process? [LB230]

JARED HOLLINGER: Who gained from the bid-down process? I suppose the large out-of-state tax lien investors. [LB230]

SENATOR DAVIS: And how do they gain from that, because then they can sue for partition and do that? [LB230]

JARED HOLLINGER: Well, I think the intent they're gaining...their intent was to bid down and buy more certificates. That happened for one year and then essentially, most of the tax lien community said, you know, these are senior liens, they're worth something, the 1 percent is not a literal, it's a nominal, and everybody operated as business as usual, for the most part. So there really was no gain. The intended gain was years ago to protect the property owners so they wouldn't lose it. And that still in effect happened. In other words, in this case if an ag...in this case, if a partition is done through the statute, the tax lien investor is not owed any more than the money that they've expended and has accrued through statute, so. [LB230]

SENATOR DAVIS: Thank you. [LB230]

SENATOR GLOOR: Senator Schumacher. [LB230]

SENATOR SCHUMACHER: Thank you, Senator Gloor. The answer to Senator Davis' question isn't it who gained? It's a guy who played chicken and went too low and in desire to get 14 percent interest over the guy sitting next to him. And who gained was theoretically the investor making a judgment that I can go lower and I want the 14 percent because that's an outrageous amount of interest and I'll go as low as I have to go in order to get it because my money in the

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bank is only worth two-tenths of 1 percent. Is that who gained or who thought he was gaining?  
[LB230]

JARED HOLLINGER: They may have...there may have been some that thought that they were gaining ground in the system by that, but at the end...after this began to happen, it was fairly consensus that, you know, the lien is the lien on the property. Okay. And so... [LB230]

SENATOR SCHUMACHER: And you purchased and what you describe, I don't think it (inaudible) to real estate law. You purchase a one lien on a 1 percent interest in the property. So all you've bought, a 1 percent interest in the property. What you're entitled to is to, if necessary, foreclose that lien and have a 1 percent interest in the process or take a partition action and ask the judge, judge, split off 1 percent of the property, whereupon the judge would say, sorry, this would just ruin the property if I grabbed 1 percent. We're going to sell the property and you're going to get 1 percent and the other fellow who owns 99 percent is going to get 99 percent because you no longer have a preferential treatment at this point, you have a 1 percent interest in the property. And my question to you is, how can this committee bound by the constitution, not to play judge and grab some of the 99 percent guy's property to give to you because we just kind of want to give to you. Where do we get authority to do that after the fact? We cannot take someone's property and give it to somebody else just because. [LB230]

JARED HOLLINGER: Because in this case, you are not taking property and giving it to others. You are offering interpretation to the enforcement of the lien itself. [LB230]

SENATOR SCHUMACHER: And that's a passed law. We can only pass laws into the future. We cannot go back and interpret our past laws and make combining this a job of the court. We have no authority under the sun to go back and shuffle the deck over again because somebody bid too low on a lien. We can't take somebody else's property, the 99 percent guys and give it to somebody else. Now, you might be able to make a case in court that you have some equitable interest but that's a case to the judge, not to the legislature. [LB230]

JARED HOLLINGER: Well, and that's exactly what has happened in other states is that an equity claim had been made that the taxes were paid to contribute to the joint property owners. And that's exactly why the tax lien investor was then made whole. [LB230]

SENATOR SCHUMACHER: So, why are you here and not across the hall with the judge?  
[LB230]

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JARED HOLLINGER: I'm here because this to me is a issue that the Legislature dealt with squarely in LB341 and did not close the gap on this. And so we have either option. We have the option to legislatively repair the issue and offer an interpretation for the courts to then take, or we let the courts all over the state waste judicial time interrupting decisions left right up down for something that has...that the Legislature has the wisdom to do away with. [LB230]

SENATOR SCHUMACHER: And we could do that perspective, no argument. We can't do that retroactively. We can't go back and interpret what was. [LB230]

JARED HOLLINGER: Well, and I would offer that this isn't retroactive and this is dealing with partition in cases that are brought forth forward. [LB230]

SENATOR SCHUMACHER: On rights that are retroactive. [LB230]

JARED HOLLINGER: I would just respectfully disagree. [LB230]

SENATOR SCHUMACHER: Thank you. [LB230]

SENATOR GLOOR: Other questions? Seeing none, thank you, Mr. Hollinger. [LB230]

JARED HOLLINGER: Thank you. [LB230]

SENATOR GLOOR: Other proponents for this bill? Do we have anybody in opposition to this bill? Anybody who would like to testify in a neutral capacity? [LB230]

LARRY DIX: Good afternoon, Senator Gloor and members of the Revenue Committee. My name is Larry Dix, spelled L-a-r-r-y D-i-x, appearing today in a neutral capacity on LB230. Just a couple of things that I want to cover and try to go over when in the past NACO had looked at this and this is a confusing section. I mean, I think you've got to work in this area to understand it very, very well. When we looked at what Senator Mello was bringing today, and I think Senator Mello touched on this in his opening, that the counties, there's no fiscal impact to the counties with what he's trying to do and we agree with that. We don't think there...when the county treasurer's do their tax sale, we think that's past, it's bid down, whatever, the counties receive their tax dollars in this situation. So we would agree with that. We went out and contacted a number of county treasurers and said, can you tell me if you have a fiscal impact in what is happening in this bill, and they said, no, we don't have a fiscal impact in what we're dealing with in this bill. As you get to some of the more rural part of the state, the county treasurers will say, but we have a concern for the taxpayer and I think Senator Schumacher

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addressed that. In some of the things that we heard back from the county treasurers were, it's difficult to sort of change the rules after the legislation has passed. And I think that's just the most recent dialogue and we have heard that from a number of county treasurers. Now, over the course of time as we move forward, this as more and more of the tax sales...as more of them are redeemed and people pay these off, your problem diminishes because you're going to have fewer and fewer of these because you no longer can do the bid-down process. So as we move forward in time, the pool of people who have bought down to a percentage of interest will diminish because once LB341 passed, at that point in time there was no more bidding down. And so we've got a window there, a very small window in time when people purchased these. Now that isn't to say we have a small number of people. I think most counties will say, yeah, we had quite a few that bid down in some varying way, some even down to 1 percent, but as time goes on, as we go through time, it will diminish. But so for those reasons, since there was no financial risk to the counties, we are here in a neutral capacity. I'll be happy to try to answer any questions anybody would have. [LB230]

SENATOR GLOOR: (Exhibit 1) Are there any questions? Seeing none, thank you, Mr. Dix. Anyone else in a neutral capacity? And I think we've...my understanding, Senator Mello will not be closing, so that will end the hearing on LB230. We did have one letter of a proponent, Jerry Stilmock on behalf of the Nebraska Bankers Association. We'll now move on to LB293 and LB350, and for purposes of clarification for the audience, and this is important, Senator Schnoor and Senator Brasch have two bills, both have been interpreted to be basically the same bill. And so, we are combining these bills into one bill, so if you came here...not one bill, one hearing. Counsel corrects me. It's true, this will be one hearing on both bills, so you'll have one chance as a proponent to speak, and one chance as an opponent to speak, and one in a neutral capacity. You'll basically be giving testimony for both of these bills. And we have...let me go ahead and read into the record letters in opposition to both bills from Jack Andersen, Sheridan County Commissioner. (Exhibits 1 and 2 for LB293 and LB350) And with that, we'll open and Senator Schnoor, welcome. [LB230]

SENATOR SCHNOOR: Okay. Thank you, Senator Gloor. Ladies and gentlemen, my name is Senator David Schnoor, that's spelled D-a-v-i-d S-c-h-n-o-o-r, and I represent Legislative District 15, which encompasses all of Dodge County. LB293 addresses the challenge of skyrocketing agricultural and horticultural land valuations. Currently, valuations are at an unprecedented high level, never before seen in my lifetime, or in the lifetime of my father before me. The other thing we have not seen is a reduction in valuations. As we all know, economies are fluid. The only constant is change. The ag economy is subject to change in perhaps a more dramatic fashion than the nonag sector. High property taxes will be detrimental to farm income should the farm economy decline. And we know that is always a possibility. This legislation would shift taxes from agricultural property to residential property with the average increase in residential property taxes of approximately 1 percent. This will create a more stable source of funding going

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forward. I request your support of LB293 and I will take any questions you have. And I would also like to add, do I think this is the best fix for our tax situation? Actually not. I think it's going to require a lot more work specifically, you know, with the Education Committee and the things that we have discussed. There is...you know, like I say, were at unprecedented levels that I have never seen before and this is just a small...almost a Band-Aid fix, if you will, to help us out for the next year or so. So with that, I will take any questions. [LB293 LB350]

SENATOR GLOOR: Thank you. Are there any questions? Senator Smith. [LB293 LB350]

SENATOR SMITH: Thank you, Mr. Chair. Senator Schnoor, I don't mean to put you on the spot, but can you...when you say this is a Band-Aid approach and what are some of the long-term things we should be looking at in your opinion for property tax or whatever? [LB293 LB350]

SENATOR SCHNOOR: In my opinion, you know, we've had a lot of discussions within Education Committee. I am of the thought that...I first thought this could be solved within the Legislature and I am beginning to believe that it's going to take a committee outside of that, somebody with a...some nonbiased views that can look at it objectively and study it and go from that angle. You know, and even to be...to be chaired by somebody that is totally unbiased to the situation that can just keep things moving forward in a good manner. I also feel that we need to look at our taxation system as a whole. I think it...I think it needs an overhaul, but, you know, that's much easier said than done. You know, that's something that would require a lot of work and it's just not something that somebody can submit a bill and say, this will fix it all because in my short tenure here, I've just discovered it doesn't work that way. You know, this didn't happen overnight, we're not going to fix it overnight. [LB293 LB350]

SENATOR SMITH: Thank you. [LB293 LB350]

SENATOR GLOOR: Other questions? [LB293 LB350]

SENATOR DAVIS: Senator Schnoor, you know, I'm in agriculture just like you are and have a lot of anger about the property tax problem that we have, but I'm going to ask you the question that urban senators are going to ask you. Why should you have a reduction in valuation when you already are lower than we are? We're paying at 100 percent and you're paying at 75 and now you want that lowered. [LB293 LB350]

SENATOR SCHNOOR: That's true and I have been asked that. And, yes, the overall valuation percentages are lower, but the folks in the ag sector still pay a large majority of the taxes, particularly...most particularly to property taxes for the school systems. There are other areas that

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are paid as well and, you know, your community college areas, your NRDs and so on and so forth, but the highest sector is with the schools. And you are right, that is a question that everybody has been answering, but it is because of these unprecedented levels that the ag sector taxes have gone up. [LB293 LB350]

SENATOR DAVIS: So if I were an urban senator, I would say, okay, we'll do that and then we're done discussing property taxes, and yet we have seen consistent 20 percent increases for the last several years and at least maybe...at least nine. Cherry County is talking 20 percent again this year. So my big concern about trying to do this is, we essentially neutralize the whole discussion for a Band-Aid. And so, I just would encourage you to think about that. And I think I shared with you some data that I put together on Lincoln County with its 15 different school districts of which McPherson County is in my district and it shares a portion of Lincoln County school property. So it's 94 percent agriculture, McPherson County. So, what's going to happen in McPherson County is you're going to see residential property with essentially about a 13 percent kick-up in value in taxes, but you're not going to see any change in the agricultural sector because ag has to pay over everything. That's my big concern is there's such an uneven application across the state. Would you like to comment on that at all? [LB293 LB350]

SENATOR SCHNOOR: No, because you can't argue that, those facts. It's hard to argue those kind of facts when they're put out on the table because of the...there is such a wide variance of property tax, you know, valuations. [LB293 LB350]

SENATOR DAVIS: Thank you. [LB293 LB350]

SENATOR GLOOR: Senator Harr. [LB293 LB350]

SENATOR HARR: Thank you. Thanks for coming today, Senator Schnoor. And I am an urban Senator. I have the smallest district in the state by landmass. And, you know, what Senator Davis said are concerns that I hear oftentimes from my constituents. My district, the population is a little older and they would rather see that money go to Homestead exemptions. And their argument is, my house has gone up in value and I...happy it did, but I can't cash in on the value of that house until I sell it and I still have to pay higher taxes. Whereas in rural Nebraska, or in the agricultural section...sector, at least, the reason, you know, the number one price, or what's driving the price is increase in commodity prices. It's because they're making more money. So, what do I say to those people? You know, you're making...you make the argument that, yeah, we pay a largest portion in rural Nebraska. That probably is true. I'm not going to fight you on that, but what I'd also say is, be happy for what you have, to have your investment increase 100 percent over four years instead of complaining about the taxes you have to pay on it or...let me

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restate that. That's what my constituents would say. (Laughter) I'll blame them. No, I'm kidding. But, I mean, did you see what I'm saying? [LB293 LB350]

SENATOR SCHNOOR: I do. [LB293 LB350]

SENATOR HARR: You have been very blessed. [LB293 LB350]

SENATOR SCHNOOR: Agreed. [LB293 LB350]

SENATOR HARR: Ag has been very good, especially when we compare it to the '80s. I was looking...I was looking at the Nebraska farm real estate market for 2013-14. You know, and it shows the number one price, purchasing land for farm expansion has had the strongest impact on area land values. Well, the reason they're expanding is because who wouldn't want to get in farming after the last couple of years. Now, I understand commodity prices are coming down and ag values, I saw last week for February...or it came out February 1 that it was down, a second, 2 percent last year. So, you know, are we...I guess my question is are we also chasing good money after bad if the values are starting to come down? Now, they're going up with prairie because cattle are doing well, but...I guess, my question is, why should we do this? [LB293 LB350]

SENATOR SCHNOOR: Well, because I'm asking you. (Laughter) [LB293 LB350]

SENATOR HARR: I appreciate that, yeah. Okay. Thank you. [LB293 LB350]

SENATOR SCHNOOR: Valid arguments, very valid arguments, and the economy in the ag sector has been good and we have been very blessed, there's no doubt about that. But we all...everybody knows economies fluctuate. They go up and they go down. They seem to go up and down in ag...they'll go up and down weekly, you know, but the overall cycle they seem to...everything seems to go in extremes now. You know, it used to be corn. Corn prices would go up and down. Over the course of the year, they'd fluctuate maybe ten cents. Now it's three or four dollars. Cattle can go up and down ten dollars in a week. It's...you know, and I don't understand all that and I don't know why. You just kind of hope you hit the high market when you sell them. But the question is, what's going to happen? You know, everybody is just waiting for the farm economy to crash and crash hard and this is one small thing that my constituents are asking for to help mitigate that when it does happen, you know. And your folks in Omaha are saying just the opposite and I totally understand that too. [LB293 LB350]

SENATOR HARR: Okay, well... [LB293 LB350]

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SENATOR SCHNOOR: I don't that I really answered your question, but... [LB293 LB350]

SENATOR HARR: Well, I'm not sure I really asked a question either, so, you did a great job. Thank you. Appreciate it. [LB293 LB350]

SENATOR SCHNOOR: Fair enough. Thank you. [LB293 LB350]

SENATOR GLOOR: Senator Smith. [LB293 LB350]

SENATOR SMITH: Thank you, Mr. Chair and Senator Schnoor, I appreciate your honesty in the way you answered the last question. That was very good. And I, too, am an urban senator, but I don't think I would ask the question that Senator Davis suggested that an urban senator might ask because I do empathize with property owners, agriculture property owners in the state. And this is an ag state. It's an ag product state and they are hurting and we certainly understand that. But there's a lot of nonland-based small businesses in western Nebraska, throughout the state actually. What do we do for those types of nonland-based small businesses that are hurting, that are struggling, and that need help as well, or the families in the state? Is it all about...in your opinion, is it all about property? [LB293 LB350]

SENATOR SCHNOOR: No, I think it kind of goes back to the earlier question that you asked me that I think we have to look at our overall system. To answer your question specifically, I guess, I cannot, because I am not familiar with that. You know, my area of familiarity is Dodge County because that's where, you know, that's where I live, that's where, you know, that's where I farm, and that's what I understand. I can't understand Omaha as a whole, you know, other than, you know, when Senator Harr explains it as he did when people are asking, you know, why the farmers and why not us? And I guess, you know, in answer to that question as well, I have another bill that will be coming up too for property tax incentives that is more equal to give everybody a fair shake in a reduction. But, I guess to give you a good answer, Senator Smith, I cannot, because I don't understand some of those issues. [LB293 LB350]

SENATOR SMITH: And might take away, though, from that answer is that you're not opposed to try to find those pain points with other businesses throughout the state as well, or with our families, and try to find some relief for them as well. [LB293 LB350]

SENATOR SCHNOOR: Oh, I agree. You know, it's just like Senator Chambers says...has said this morning, nobody wants to pay taxes, but we have to. I mean that's how our government runs by the taxes that we pay. And we, as the Legislature, have to be good stewards of that and have to do the best we can to...and to the best of our ability to manage that properly. So if there's other

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ways to do that and to help people, I am all for helping anybody out that needs help. [LB293 LB350]

SENATOR SMITH: Thanks, Senator. [LB293 LB350]

SENATOR GLOOR: Senator Schumacher. [LB293 LB350]

SENATOR SCHUMACHER: Thank you, Senator Gloor. Yesterday, we were handed out by someone, some papers that showed that over the last few years when farm values went up and up, the levy didn't change much in a lot of cases and a lot more taxes were collected. So, the amount of property taxes comes from what the local taxing entities, the school boards, and the county, and the NRDs and those guys, levy. When the people complain to you, how many of them, do you suppose, showed up at the local budget hearing and said, listen, the value may have doubled, you need to take that mill levy down by half because you don't need any more money. Instead, stayed at home and let them get addicted to the greater money stream and now we've got the mess we have. [LB293 LB350]

SENATOR SCHNOOR: Well, I was on a school board and we would get it firsthand when we would have our budget hearing. So, you know, to give you a number, I don't know, but there are a lot of them that complained that you need to...you're spending too much money. And whenever we....and, you know, this 10 percent reduction, you know, most school boards are just going to raise their levy to offset that, but...and the reason...you know, part of the reason for that spending is we all know that within our economy how expensive everything has gotten for us. You know, just to go put a set of tires on a vehicle is...I won't say it's twice as much, but it seems to be awful close. You know, gas seems to be fluctuating up and down, but our normal...our normal cost of living has increased and within those schools districts and everything else, theirs has gone right up along with it and that's why those budgets are increasing. [LB293 LB350]

SENATOR SCHUMACHER: And so we have this upward pressure to increase spending because that's the nature of our economy and we now find it...would find it very difficult to roll back that spending in any measurable degree, so we've got to find the financing for it. So in choosing to find the financing for it, is it more fair to put some more of that burden on the people who are enjoying a tremendous increase in their net worth and their bottom line on their net worth, or to the person who may be making \$15 an hour showing up each day at the factory and not having a nickel to pass on to their kids when it's gone. [LB293 LB350]

SENATOR SCHNOOR: A very valid point and that's a job for this Legislature to decide. [LB293 LB350]

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SENATOR SCHUMACHER: Thank you, Senator. [LB293 LB350]

SENATOR GLOOR: Senator...I'm sorry, Senator Scheer and then Senator Davis. [LB293 LB350]

SENATOR SCHEER: Thank you, Senator Gloor. Senator Schnoor, as far as the taxes going up so much, do you suppose that that might be in concert with the fact that as your valuations come up, especially in the ag areas, that because based on the state aid formula, you have a lot of resources? So, in looking at the number of schools that have fallen off the allocated dollars from TEEOSA, if a district, for example, had a ten million dollar budget and if they were getting a million or a million and a half in state aid, and the valuations went up 20 percent in one year, all of a sudden, on paper, because that value went up so much, it would look like they can easily afford to pay all the costs of the school and you aren't going to have any participation from the state. Couldn't that be part of the problem that we're looking at as well? [LB293 LB350]

SENATOR SCHNOOR: Well, I wouldn't say it's necessarily a problem because that's the way that the formula is set up. It's for...it's needs minus--and Senator Sullivan can correct me if I'm wrong--needs minus resources equal your state assistance. So if your resources pick up as in your taxes, then you automatically get less state aid or less help overall from the state. So I wouldn't say that the TEEOSA formula in itself is a problem because it is doing what it was designed to do, but I don't know what...you know that formula is 25 years old. And I think when it was...in my opinion, when it was set up in 1990, they did not anticipate ag ground being valued at ten to fifteen thousand dollars an acre because back then it was five hundred to a thousand dollars an acre. [LB293 LB350]

SENATOR SCHEER: Okay, then let me rephrase this, perhaps in a different tone. The current system we have, under most people's opinion, would have meant that both residential and ag would mirror themselves in valuation gains over years. Now, it may be 2 percent of residential and 1 percent on...for example, agriculture the next year may be three on ag and only one on residential, but over a 10-year period, or a 6-year period, they would equal out so they would remain somewhat constant. And perhaps the unheard of increase of values in the ag area outstripping the residential gain, which in some areas of the state was actually negative, in some of the bigger school districts actually was a negative, wouldn't that not have caused part of the problem? [LB293 LB350]

SENATOR SCHNOOR: Very possible. [LB293 LB350]

SENATOR SCHEER: Okay. To your bill specifically, because it depends on the ratio of how much ag ground you have in a district or a county versus how much you would have in

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residential or commercial, do you know how many counties this might help the ag industry out of the ninety-three? Because there will be some areas that...in the state that is so highly agricultural that we'll say 95 percent of their valuation comes from ag. So even if you lowered it 10 percent, those people still might be writing the same check or very close to it. So although we've reduced the valuation, it really hasn't lowered their check per se. [LB293 LB350]

SENATOR SCHNOOR: Oh, very correct. I'll use myself as an example in the Scribner-Snyder school district. If my valuation drops 10 percent, a school board will just say, okay, we'll just increase it by this much to offset it. Then a small portion of that, and I'm just guessing at this number, a small portion, I'm guessing 1 percent will shift from agriculture to residential. And, you know, and that's just for Scribner. I would say many rural area schools would be about the same. We get into a...into the Learning Community, it...I believe it will have little or no effect on them except if a person is a landowner, you know, his valuation will drop by 10 percent. But if they're tapped out on their General Fund already, you know, the chances of his actual check that he's writing for taxes won't change, will change very little. [LB293 LB350]

SENATOR SCHEER: Thank you, Senator. Thank you, Senator Gloor. [LB293 LB350]

SENATOR GLOOR: Senator Davis. [LB293 LB350]

SENATOR DAVIS: Senator Scheer, in many respects asked the question I was going to ask, but my...I guess my thinking, and you made this comment earlier, we lower the valuation and the resources are reduced within your district and your school district then automatically raises its levy as does your county, as does your community college. So, what's to be gained from doing this? [LB293 LB350]

SENATOR SCHNOOR: It's just a very small incremental tax shift, and I say incremental, it's good for a year for it to off from the ag sector to the...more of the residential sector. It allows us some time to look at greater detail into this of what, you know, how to put the overall fix on the situation. [LB293 LB350]

SENATOR DAVIS: I don't want to editorializing it, is what people end up doing here. I said the same thing you did... [LB293 LB350]

SENATOR SCHNOOR: You're right. [LB293 LB350]

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SENATOR DAVIS: This came up as an issue with the Tax Modernization group in 2013 and we're still dealing with it and we're not able to solve it. So what is your levy...your school district levy? [LB293 LB350]

SENATOR SCHNOOR: I believe, if I remember right, our General Fund is 89 cents. [LB293 LB350]

SENATOR DAVIS: So you would probably need to go to a dollar, would you say? [LB293 LB350]

SENATOR SCHNOOR: Yeah. Well, no, I wouldn't know if it would be that much. Maybe one or two cents more, but not much of an increase. [LB293 LB350]

SENATOR DAVIS: So then this comes back to the urban argument. I just want it out there. So the urban argument is, you know, they're already at 75 percent, they want to go to 65 percent, but they're not even going to be paying the dollar five that we're paying on our residential property. And this was a discussion that Senator Scheer and Senator Sullivan and I had many times ad nauseam in the Education Committee the last few years, with some senators who said, where's the fairness with this? You know, so, I admit to editorializing, obviously, and I don't mean to do that, just I'm frustrated that... [LB293 LB350]

SENATOR SCHNOOR: Your point...yeah, your points are well-taken and I understand exactly what you're saying. You know, I'll say it, you know, myself coming as a new senator to come in with this overall new tax...tax plan for the entire state of Nebraska, it just wasn't going to happen, you know, until I can get my head wrapped around all of this because it is so complicated. And...but this is what the constituents in my county are...this is their number one complaint, so I felt I had to do something. And I also feel...we all know how many tax bills there are on the table this year. And I'm thinking, my thought was to...let's throw a bunch out there and hopefully something will stick. And hopefully it will be as fair as we can and also understanding that we're...not everybody is going to be happy about it and it's never going to work. And I think the TEEOSA formula for...you know, I always wondered why it's so complicated. Well, it's to make it as fair as possible for everybody, but yet we still can't be...you know, not everybody...it doesn't work for everybody. [LB293 LB350]

SENATOR DAVIS: Well, I appreciate your coming in. [LB293 LB350]

SENATOR SCHNOOR: Thank you. [LB293 LB350]

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SENATOR GLOOR: Senator Schumacher. [LB293 LB350]

SENATOR SCHUMACHER: Thank you, Senator Gloor. One quick point you mentioned, there would be a 10 percent cut in valuation, but actually it ends up more than that because you're...the drop of...is 10 percent of 75 percent, so the cut in taxable valuation actually about 13.3 percent because you don't start out at a 100, you start out at 75. So it's a little bit more than that. It's a third more than 10 percent. Am I getting that right? [LB293 LB350]

SENATOR SCHNOOR: Yeah, I think so, but the folks that write the check, you know, the ag folks, they're going to look at...they're going to know that the valuation went from 75 to 65 and that's how they're going to have it in their heads and that's how it's used for the assessment value anyway, so. But I also see what you're saying. [LB293 LB350]

SENATOR SCHUMACHER: And the mill levy went up and the check is the same. [LB293 LB350]

SENATOR SCHNOOR: Yeah, or more, actually, you know, just because of the cost, the increase of everything. [LB293 LB350]

SENATOR SCHUMACHER: Thank you. [LB293 LB350]

SENATOR GLOOR: Seeing no more questions, thank you, Senator Schnoor. [LB293 LB350]

SENATOR SCHNOOR: Thank you. [LB293 LB350]

SENATOR GLOOR: Are you...are you going...you're not going to stay to close, you're going...you may stay for a while, but... [LB293 LB350]

SENATOR SCHNOOR: I may stay for a little while, but...so I can get back to Natural Resources. [LB293 LB350]

SENATOR GLOOR: Okay. [LB293 LB350]

SENATOR SCHNOOR: But I guess I figure since Senator Brasch's and mine are identically the same, I'll give her the courtesy. She can close on everything then. [LB293 LB350]

SENATOR GLOOR: Understood. (Laughter) Senator Brasch. [LB293 LB350]

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SENATOR BRASCH: This really is the hot seat. My goodness. (Laughter) [LB293 LB350]

SENATOR GLOOR: The control is back here. [LB293 LB350]

SENATOR BRASCH: Oh, okay. Thank you, Chairman Gloor and good afternoon, fellow members of the Revenue Committee. I am Lydia Brasch, L-y-d-i-a B-r-a-s-c-h, and I represent the 16th District in the Nebraska Legislature. I am here to introduce LB350 which I have brought to you at the request of numerous constituents and on behalf of a greater number of citizens across the state as well as the Nebraska Farm Bureau. I'm going to take a pause here in my introduction because of some of the questions. I will continue, but what I've heard here today is what I heard a little bit of in Education Committee. Senator Harr brought it out with the money, the business aspect in farming, in agriculture. And Senator Sullivan, please forgive me, you heard this in the Education Committee. Senator Schnoor just told us, he's a farmer, he's the son of a farmer. He doesn't...you know, some of this he doesn't know why it's the way it is. He sees the increase, his father saw the increase. I started out, not a farmer. I became a farmer when I was forty. And when I met my then to be mother-in-law, Mrs. Brasch, she quickly sat me down, fist on the table, showed me the ledgers, so you want to marry my son? There's no money here. He pays this for seed, he pays this for the implement dealer, he pays this for fertilizer, he pays this for repair, he pays that, and this and that, and he owes the bank twenty thousand dollars. Oh, my. Mrs. Brasch, don't worry, I have a wonderful job in Lincoln, Nebraska. I have a beautiful new home, custom built. We're living in...or we will be living in his grandma's house, has no air conditioning, an oil burning stove in the corner, just one bathroom. I have three in Lincoln. I can get Lee a job, a good paying job and he won't owe the bank twenty thousand dollars. Oh, my goodness. At that moment, I imagined the loudest boom of thunder. It was five generations of Brasches rolling over in their graves. (Laughter) Lee's dad was a farmer, his grandpa was a farmer. His father's father was a farmer. It goes back. And to her dying day, God bless her, I believe she slept with one eye open, afraid I would steal her son to Lincoln. Last year as I was out with a little axe by the auger in the freezing weather trying to help my husband move equipment, I thought I should have stole him to Lincoln. What was I thinking? (Laughter) So, it's about more than money. It's about dad, and grandpa, and great-grandpa and the pioneers that came here in their covered wagons unafraid, unafraid that this could be a barren desert, but they were going to make a life. And they homesteaded and they survived an awful lot of things and I pray that they survive our property taxes as well. I'd like to continue, but that's been on my mind, so thank you for that privilege. LB350 does bring a drop from 75 percent to 65 percent and we heard it. We heard it across the state. We heard it recently as all of the candidates, including myself, were going door to door and parade to parade, and those running for higher elected offices, they heard about property taxes being too high, especially ag land taxes. And we also heard that...the same thing with the Tax Modernization Committee. You heard that. You know, I was not on the Revenue Committee at that point but people lined up, you know, for hours and hours to talk about the tax burden. I did not write this bill. I'm not the original author. I'd love to

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give credit and I will give credit to late Senator Kremer and he wrote this back in 2006 and it was LB960. He championed not only growing Nebraska through agriculture, but he was a great community servant and a state servant. And later the bill was given a priority by Senator Heidemann almost a decade ago. While many years have passed, the need for ag land property tax relief has not lessened, but instead has become compounded. Last year, I made this very bill my priority bill despite all odds against this bill ever advancing out of committee, and I understood that, and I was okay with that because I know Nebraska needed broader tax relief as well. That was not being questioned. In Nebraska, the Legislature did indeed deliver tax relief. Let's take a moment to review what happened as we adjourned last year. LB1067 extended the Nebraska Tax Advantage, our major comprehensive economic development bill that helps for expanding or relocating businesses to Nebraska. We were helping to create jobs. It created more certainty for businesses utilizing job creations and investment incentives. We helped businesses. And in the package were extensions for the Angel Investment Credit, the Microenterprise Credit, and the R&D Act, and the Legislature also provided four hundred and twelve million dollars of tax relief to Nebraskans over the next five years, which Governor Heineman then called meaningful, responsible, and significant tax relief. I agree. LB350 is also meaningful, responsible, and significant, and most of all, it is fair. Some are calling it a shift. I'm calling it a realignment. We are out of realignment and our responsibility to share and share alike in taxes has indeed shifted. And it's shifted towards the occupation of farming. During last year's tax discussions, it was also stated on the floor of the Legislature during our many debates that we could not provide all types of tax relief and specifically it was pointed at ag land and property tax relief. And in our short session, respectfully, I understood this. I did know that we couldn't address everything and that I believed in my heart of hearts that it would come back this year. And it has, not just in this bill, but nearly a decade old, but in several bills that we are listening to here as a committee. Let us not build our reputation of stating that property tax relief is next and then not do anything about it. Let's do what we said we started out to do and let's move forward. And regardless of the other forms and the focus of property tax relief that we are looking at here, it is important on so many levels, even that 10 percent. Last year, I could not return to my district knowing that in good faith that I didn't give it my all, but I heard their cry. That 49 senators heard their cry and we did have the heart to look at doing something about it this session. We weren't in a recession as we were in 2010. We looked at a good time in our economy and if it hasn't been stated clearly enough, I want to say it one more time because I know we don't have two Nebraska's, whether it's someone who's heart is full of love and loves the farmer who then loved agriculture just as much, but I'm the same person that left Lincoln. And yesterday it was also stated in committee as we sat here last night that the fear that I felt from our urban senators, is you look around Lincoln, and I don't see many tractors. I don't see any tractors sitting in anyone's back yard. There aren't as many farms here. They have a lot of corporations, a lot of business entities. There's a way in Lincoln and here to make money to help offset that 10 percent drop. It's not going to make a major impact. But I do agree that we need to look at education funding, and we do. Senator Sullivan, we do every year. I remember your appeal on the floor adamantly last

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year trying to make it right for everyone, and I remember that same appeal by Senator Adams then. We look at tax relief, but we also look at how to fund schools. Education is important and it will continue to be so and there's education bills. My LB351, you have a bill, there's others that we can address property tax relief for ag land and we can also address the funding needed for education. Overall, LB350 would result in a minimum of eight hundred million dollars in property tax relief with spending restraints and state aid increases with the potential over a hundred million dollars in savings. But this would provide for an equitable solution to a disproportionate taxing system and that's what I'm saying. We're not asking for favors. We're asking for fairness. And the neighbors I know here in Lincoln and those ones I know in Bancroft, we want to do what's fair. We're not asking anyone to do more than their fair share in any aspects of life. We all step up when it's time to step up. Farmers and ranchers have had their property taxes increased by nearly 170 percent compared to residential neighbors only at 40 percent. And this puts our Nebraska farm and ranch families in a situation where they are paying the third highest property taxes in our country. Notably, a criticism frequently raised regarding LB350 concerns the fact of property tax valuations coming down without anything else in place, but that's again where I'm saying that we are going to need to work with the TEEOSA formula and we know that. Currently, about 2 percent of our income tax from local...from a local school district is returned to our district. With LB351, and perhaps another bill, we can return money out of income tax back into our districts. Overall, I think it's very important that we note here that it's a privilege to serve and that 10 percent even though Senator Schumacher and others say, it's nothing, it's something. We did something. People asked for that 10 percent and even if it means writing a larger check next year, they will know we did what they asked. And with the valuations rising, continuously as they have, and we'll hear testimony behind us, I don't believe that this year education will be hurt because the increase in taxes is still going to provide adequate funding for education. If we have districts like Cherry County and others that need other adjustments, we're able to look at that. We're able to address that. The Legislature is an institution that we have the ability to make changes to make an amendment. We've had a special session in the time I've been here as well. I don't think that will be necessary on this, but we are able to address problems as they occur. I give credit to our counties too. Our counties can be even more responsive, local control. When this happens, our counties are there also to step up. This is going to be a partnership, a partnership between the rural farmers and ranchers, the people who live in town, the teachers, the educators, the businessmen and women, but it's a partnership. And I don't think we turn a blind eye or a deaf ear. We did a lot for business last year and I think we can do a little for agriculture this year. Thank you. [LB293 LB350]

SENATOR GLOOR: Senator Brasch, let me ask the question that I...Senator Davis brought it up and others indirectly, but you use the term fairness. So if we do this, if your bill passes, is it then fair? Are we done with the discussion on fairness? [LB293 LB350]

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SENATOR BRASCH: We are moving in the right direction for disproportionate taxing and individuals that are coming up to testify will show you tax receipts, across the state even, where at residential level, we're 100 percent, just like someone who lives in town. Our residences are taxed the same. We're in the same school district, but if I live in town, over the last five years, I may have several hundred dollars of my tax reduced. However, if I lived ten miles from town or more, I may be being paid...or paying several thousands of dollars more. So it is fair in that we are trying to realign, just like realigning your tires. You know, you're driving down the road and your car keeps shifting one way. Well, there's something wrong with that tire. We need to make it more even. Is it that we'll never hear about it again? I can't say that. You know, I think that if we don't do anything, then that's a problem. That is sad. That is really, you know, heartbreaking to me that if we cannot do a little, a little will go a long ways on this. [LB293 LB350]

SENATOR GLOOR: So, so you see this as a little, not a... [LB293 LB350]

SENATOR BRASCH: But a little that is significant in the eyes of rural Nebraska. After ten years of being told no, a little will go a long ways. [LB293 LB350]

SENATOR GLOOR: Do you share some of the concerns I've heard that it will be hard to get the Legislature's attention again if this passes because it may be seen as special legislation for ag that was to address the problem and address the issue of fairness. I mean, do you share that concern that this may be the single bite of the apple? [LB293 LB350]

SENATOR BRASCH: The what if, you know, aren't realistic in my eyes that, okay, I get this one apple that I haven't had for ten years. You know, I don't know if I'm hearing you right. I don't know what will follow. If I had a crystal ball, (laugh) and I could predict the future... [LB293 LB350]

SENATOR GLOOR: You couldn't take....(inaudible). [LB293 LB350]

SENATOR BRASCH: And I could predict the future, yes. You know, I do know it will go a long ways because the one thing I have learned from living in rural Nebraska over twenty years, is they're a humble people. They don't brag a lot. They really don't. Bragging is not a virtue to them. And for them to have to sit and wait year after year...and like I said, it's compounded. It hasn't gotten better and it's gotten more complicated where I believe Senator Scheer brought up that when this came out in 1990, we at that point, we believed and we thought that residential property and ag land would move along a parallel direction. And we've seen that change. I'm saying it's disproportionate and those behind me will say more. But, what will people say? I think they will say, good job, Revenue Committee, especially Chairman Gloor. (Laughter) [LB293 LB350]

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SENATOR GLOOR: I'm sure there would be parades for all of us. (Laughter) [LB293 LB350]

SENATOR BRASCH: For all of us. We could all ride in one wagon and wave, so. [LB293 LB350]

SENATOR GLOOR: We'll do it at the State Fair. [LB293 LB350]

SENATOR BRASCH: At the State Fair. But it's important. I can't stress how important it is. And maybe, again, I chaired the Hospitality Committee for the Lincoln Visitors Bureau for years. I see, Senator Schnoor...you know, he's saying, well, I don't know. Well, I know. I know in...I know when I moved to the farm, there were no "honey dos," it was all action items. That was the difference between Lincoln and Bancroft. You know, we had action items to do on our farm and the same here that it will go a long ways to people who have not lived large, worked hard, continue to work hard, the economy has cycled, they have survived so many obstacles. You know, it breaks my heart. It does and in Lincoln I knew what I was going to pay the vet. On the farm you have no clue, you know, what that bill may be. It's not all easy money and easy street, and Senator Harr has a grandma that's a farmer, I think, or had farms, some farming in the background, both sides. And so you know, people have told their kids, run, save yourself, you know. And that's why our population has decreased. Just now people are starting to return back home. But, whoa, let's put the brakes on it because grain prices are going down, property taxes are unmanageable, but I sincerely know that 10 percent isn't going to break education, that we can do something about it through TEEOSA. We can...it's realignment of taxes. [LB293 LB350]

SENATOR GLOOR: Okay. [LB293 LB350]

SENATOR BRASCH: I would not...I think we all have a conscience, I really do, whether you live on the farm or you live in town. [LB293 LB350]

SENATOR GLOOR: Thank you. Other questions? We'll start with Senator Sullivan and go to Senator Scheer. [LB293 LB350]

SENATOR SULLIVAN: Thank you, Senator Gloor, and thank you, Senator Brasch. Some say that perception is nine-tenths of reality and...but I'm concerned about the 10 percent, or the one-tenth, I should say, because I think you indicated that there would be a total of eight hundred million dollars in total property tax relief, but is it fair to say that that will not resolve in a lower check for everyone. And where do you suppose are the pockets of where that eight hundred million dollars in property tax relief might generally go? [LB293 LB350]

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SENATOR BRASCH: Senator Sullivan, I do have people with very sharp pencils and calculators coming up in the next...as speaking up on this bill. [LB293 LB350]

SENATOR SULLIVAN: Okay. [LB293 LB350]

SENATOR BRASCH: And if you could ask them that question, they could be more specific. I'm here from the heart, not from the calculator today. [LB293 LB350]

SENATOR SULLIVAN: Okay. Very good. Thank you. [LB293 LB350]

SENATOR GLOOR: Senator Scheer. [LB293 LB350]

SENATOR SCHEER: Thank you, Senator Gloor. To follow-up on Senator Sullivan and I think we're both asking the same question, my concern is that from the information I've looked at, probably at least half, if not more, of the counties, if this were to take effect, those folks because it has such a high agricultural value in those areas that regardless of the reduction of the 10 percent, they still will be writing the same check or more. And I guess I don't share your optimism that when they write that check for the same amount or more, they're going to feel good because we, you know, we did this. And more importantly, if we do this, as I think Senator Gloor pointed out, you know, the perception for more urban people said, we already did something for them. And my problem is, we're not really doing as much as you might think because for half of those areas, we're not doing anything. They still write the same check. [LB293 LB350]

SENATOR BRASCH: Senator Scheer, my greatest fear is that if we don't do this, we end up doing nothing. And the TEEOSA formula does need an adjustment. It does...it...we adjust it. That's what we've been doing. That's what we've done all along. We need to look at LB351, a partnering bill, a bill that can help, again, realign taxes. Otherwise is it right, is it honest to have 3 percent of our population paying over 30 percent of the tax burden? [LB293 LB350]

SENATOR SCHEER: Well, you know, I get to ask you the question so I don't have to answer that one, (laughter) but the fact of the matter is, my concern is that half...at least half of the rural people out there will be writing the same check. And I hate to have us say, okay, here's the big one for us. We're going to get this through and a year from now we're going to have a whole lot of people saying, my God, I got my valuation. You know, the valuation went up 20 percent, my credit went down 10 percent and my check went up, you know, 6 percent. What happened? And I don't want a false allusion that there's going to be this massive tax reduction in ag and ranch

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areas because it's just not going to happen under this process, in the near future, it just won't happen. [LB293 LB350]

SENATOR BRASCH: Senator Scheer, the ag community realizes what's happening. I have not...no one has stepped up and said anything any different and I believe they'll accept responsibility for that. They're smart. [LB293 LB350]

SENATOR SCHEER: Well, I understand that, but this...(inaudible). [LB293 LB350]

SENATOR BRASCH: Many are college educated, and just... [LB293 LB350]

SENATOR SCHEER: I hate to have this be the big one and the big one only covers about a third of the potential ag business out there. So, I'm more editorializing again as Senator Davis, but I just...that's a concern that we're going to feel better about doing something but then in effect might be, we didn't do as much as we think. [LB293 LB350]

SENATOR BRASCH: Thank you. [LB293 LB350]

SENATOR GLOOR: Senator Schumacher. [LB293 LB350]

SENATOR SCHUMACHER: Thanks, Senator Gloor. Thank you, Senator Brasch for bringing this, more interesting discussion. When you say that TEEOSA needs adjustment, are you referring to some changes in the TEEOSA mechanism to get more money into the rural districts? Is that what you're referring to? [LB293 LB350]

SENATOR BRASCH: When we look at the districts that will be affected here, yes, we will...and whether it's LB351, TEEOSA, we're going to need to do this in parts. One, is we need to look at ag land values and reducing that. The other...so it's...it's not so disproportionate. [LB293 LB350]

SENATOR SCHUMACHER: So, if part of this game plan is to get more state money into some of these ag districts, then state money comes from sales and income taxes. How do we resolve the pressure that we were hearing yesterday, we have to lower sales and income taxes. Because we don't have a printing press, so if we're going to put more money into the rural districts, not cut the urban districts, and cut sales and income taxes, and not burn people making twenty to one hundred and twenty thousand dollars a year worth more sales taxes, something has got to give in that...in that thing. [LB293 LB350]

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SENATOR BRASCH: And Senator Schumacher, as I said, last year we did a grand showing of tax incentive, tax programs, we bracketed the income tax. This is the time to look at ag and go down our list of taking turns. [LB293 LB350]

SENATOR SCHUMACHER: But the income tax folks are asking for more this year. So, do we say, look, you know, we took care of you last year, go home because we're going to do a...we're going to have to jack them up a little bit because we need a little extra juice to pass through TEEOSA to the rural districts now. [LB293 LB350]

SENATOR BRASCH: And what's so wrong with that, I ask? [LB293 LB350]

SENATOR SCHUMACHER: So is that kind of saying, income tax people, you know, don't look for a cut. You might even get an increase out of this deal. [LB293 LB350]

SENATOR BRASCH: We're saying that the taxes are disproportionate. That they are...and whether, however, the tax is realigned, is income taxpayers, do you feel good that there is someone else that is pulling more weight on education than you are. [LB293 LB350]

SENATOR SCHUMACHER: Well, you mentioned share and share alike, that that's the spirit. So how do we structure this whole system so that the folks in the towns who are working for a wage, don't have beans for an estate, and get a share of a hundred to three hundred percent increase in valuation and net worth, that ultimately is going to head to the heirs, half of them are probably out of state. How do we...how do the folks in town we are now shifting things back to, get a piece of their share and share alike of that tremendous increase in wealth? [LB293 LB350]

SENATOR BRASCH: And I believe they're out of state because we've chased them off the farm. [LB293 LB350]

SENATOR SCHUMACHER: What about the ones in state? How do they get their share? [LB293 LB350]

SENATOR BRASCH: How do they get their share? [LB293 LB350]

SENATOR SCHUMACHER: Of the big increase in wealth, because we're sharing and sharing alike now. [LB293 LB350]

SENATOR BRASCH: A big increase in wealth. Whose wealth? [LB293 LB350]

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SENATOR SCHUMACHER: The wealth of the ag owner, of the landowner. [LB293 LB350]

SENATOR BRASCH: And you're saying that ag owners are not entitled to any wealth, that they must be forever dirt poor? [LB293 LB350]

SENATOR SCHUMACHER: Share and share alike. [LB293 LB350]

SENATOR BRASCH: In the responsibility of funding education. [LB293 LB350]

SENATOR SCHUMACHER: So the urban guy working for a wage, with no estate, should pay more in order to ease the burden on somebody who has had a 300 percent increase in wealth in the last five years. [LB293 LB350]

SENATOR BRASCH: People have lost their farms over several years. The false sense of wealth there, many of the farmers, especially the smaller farms now, the wife or somebody goes to town to work to try to keep that farm in the family. And the person who is in town, they're occupation so shouldn't some be sheltered from taxes more than others. Tax a farmer more as an occupation than say, somebody with a law degree perhaps. You know, let's take a look at advanced degrees. They have a potential to learn more...or earn more because they learned more. I don't think it's about occupation. It's about doing the right thing and even distribution. Will it go up? Should it go up? [LB293 LB350]

SENATOR SCHUMACHER: Do you dispute the fact that there's been a 100, in some cases up to 300 percent increase in valuation due to actual market value changes in the last few years? [LB293 LB350]

SENATOR BRASCH: I don't dispute that fact, but I do know that many people have sent family, their kids off to colleges, they've invested heavily in it for an earning capacity, and the farmers, I believe, they're buying more because it's taking more land to make a living. The equipment, you know, changing. [LB293 LB350]

SENATOR SCHUMACHER: But there isn't any more land, so that necessitates bigger farms, fewer people, greater concentration of wealth lands of view. [LB293 LB350]

SENATOR BRASCH: It equates to the need to survive on the farm, basically. [LB293 LB350]

SENATOR SCHUMACHER: Thank you, Senator. [LB293 LB350]

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SENATOR BRASCH: Thank you. [LB293 LB350]

SENATOR GLOOR: Senator Harr. [LB293 LB350]

SENATOR HARR: Thank you. Thank you, Senator Brasch for coming in or moving... [LB293 LB350]

SENATOR BRASCH: Or moving today? (Laughter) [LB293 LB350]

SENATOR HARR: Sorry. [LB293 LB350]

SENATOR BRASCH: I'll be back. [LB293 LB350]

SENATOR HARR: Yeah. So I want to clarify the record a little bit. It's what Senator Schumacher says, not 10 percent. We're giving more than 10 percent, it's really 13.3 percent. So it's more than 10 so pat ourselves on the back. And then you talked about what we did last year. The bracketing that's not...that's an income tax on one point, so everyone pays income tax whether you're, hopefully, whether you're a farmer or a factory worker, you're paying income tax, or a banker or a lawyer. It's just a matter of degree. [LB293 LB350]

SENATOR BRASCH: Correct. [LB293 LB350]

SENATOR HARR: So that helped everybody. And then you talked about, well, we gave some tax breaks to businesses. Well, we also gave some to ag last year too. We did the ag part repair and that was a major...that had a large fiscal note on it. So it wasn't as though we only did one. And the Microenterprise applied to urban and rural as well. As a matter of fact, just today, as you know, we voted out to increase the amount from Microenterprise so we could get more farmers involved because we went from three fifty to five hundred because our farmers are worth more than three fifty now. So, again, at some point, to me it becomes an embarrassment of riches. I was looking...I did...I went on the Department of Revenue's Web site and I looked at ag land valuation now. You know, I know that's comparing apples to oranges because, you know, row crop property prices went down 2 percent last year. Cherry County and farm and ranchers...ranchers are continuing to go up, right? But they didn't see the earlier growth debt row crop did. So there is a difference, but I'm going to clump them together because I'm from Omaha. Ahhhh...and I have ag land and I have residential growth from 1992 to 2014. And here's what I found is that this is valuation. From 1992 to 19...excuse me, 2005, residential outperformed ag as far as increase in value. So then we keep going down and ag clearly starts to do a lot better. But then if you take the aggregate 1992 to 2011, residential is still owned to 100

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percent greater percentage of wealth; 2012, we're getting closer; 1992 to 2013, we see the percentage of growth between the two identical. Okay? 294 for residential, or excuse me, 292 for residential, 294 for ag land. Now, there is a disparity going on. I'll fully concede that. Based in 2014, it was 409 percent growth and 304. Okay? So I would argue, this change over the last ten years has been argued that ag says they're owed...probably wasn't owed for the last ten years. Now, maybe, it is because there's a larger growth percentage than residential. But what this doesn't take into account, the 304 to 409, is that in 1992, everyone paid 100 percent of the value. Now ag is at 75. So, lo and behold, 304 and 409, 304 is almost 75 percent of 409. So we're pretty much...you say you want to redistribute, we're pretty much back to where we were in 1992. And I guess my question is, you know...and this is with farmers doing very well. Now, I will fully concede that commodity parts are coming down, but I also will probably see...you'll probably see a lot of land values starting to go up. We already have, 2 percent last year and for row crop...or for cropland. So, I don't know, you know, if you want to do...you're saying it's out of whack, maybe the better way instead of lowering it because we might then, do we come back to 65 or 55, 45, 35, or do we want to maybe say, ag land shall pay this percent of property tax, residential this percent, commercial this percent. And if Omaha takes off and we have a ton of commercial, you know, they may not pay the whole 100 percent on the value. These are all going to take a constitutional amendment to change, but if your concern is ag is paying too much, what, I guess, my question...ah, I have thousands of questions, right, in there, but...and I am editorializing, but we're...so when ag prices come down, are you going to be coming back in...if they, let's say they go down 100 percent, are you going to be coming back and asking to raise that rate? I'll start with that question. [LB293 LB350]

SENATOR BRASCH: If... [LB293 LB350]

SENATOR HARR: If ag prices drop 100 percent, will you be coming back to ask for the level to go back? [LB293 LB350]

SENATOR BRASCH: I believe the Governor will call an emergency if we...we have enjoyed a very strong ag economy during a recession. If ag comes down 100 percent, we're all in trouble. [LB293 LB350]

SENATOR HARR: Yep. [LB293 LB350]

SENATOR BRASCH: I don't think it will need to be Senator Brasch sitting here. It will probably be Senator Harr worried about his grandparents on both sides of the family. [LB293 LB350]

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SENATOR HARR: I understand what you're doing and I understand ag, we are in ag today. Ag plays a very, very important role. And when ag does well, as you said, we all do well, right? [LB293 LB350]

SENATOR BRASCH: We all do well. [LB293 LB350]

SENATOR HARR: But we all have a burden to carry and the numbers don't lie. These numbers are from the Department of Revenue Web site and what they're showing is we're almost exactly where we were 23 years ago. [LB293 LB350]

SENATOR BRASCH: I can't tell you what I'm going to do. [LB293 LB350]

SENATOR HARR: Okay. Thank you. [LB293 LB350]

SENATOR BRASCH: Thank you. [LB293 LB350]

SENATOR GLOOR: Seeing no more questions, Senator Brasch, thank you. [LB293 LB350]

SENATOR BRASCH: Thank you. [LB293 LB350]

SENATOR GLOOR: We know you will be staying to close. Can I see a show of hands of those people who wish to speak as proponents? Can I see a show of hands of people who want to speak in opposition to this bill? Okay. Great. Thank you. We'll start with proponents. [LB293 LB350]

STEVEN MENCKE: I apologize. First time that I've ever been to one of these hearings so if I make a few mistakes and... [LB293 LB350]

SENATOR GLOOR: We don't hold up score cards afterwards, trust me, it's just fine. Be comfortable. [LB293 LB350]

STEVEN MENCKE: Okay. It sounds good. My name is Steven Mencke, M-e-n-c-k-e. I'm a Washington County assessor. A lot of people would love to have me in this hot seat so, but I'm putting myself in here voluntarily today. I really don't have anything prepared but I listened to a lot of the questions that were asked and I'll briefly address some of those and then open it up for questions that you would wish to ask me. I guess the first thing is, I hear a lot about tax shifting, tax shifting from agriculture because of this proposal and how it's going to go to residential.

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Now, when I'm doing my remarks today since I'm more familiar with property tax at a local level, I'm going to be referring to Washington County, not statewide. But I don't think that's a bad thing because property tax are more at the local level, right? Property taxes do not flow between counties and so you can't compare Omaha to Washington County to Cherry County. Let's talk about Cherry County first if it's out there, whatever, and say that out there if it's basically all ag ground out there and let's say that ag values go up, what happens? Their valuation goes up and if there's no additional asking from the entities, the levy goes down, and there's that one, senator. Well, that's not as big a problem. There may be somebody here from Cherry County that would argue that, but let's just...I'm just going from my view of it. When you get to addressing ag land in Omaha, Mr. Harr, I guess I won't ask a question, I'm talking, but let's just say that relatively safe to say that the percentage of ag ground in Douglas County is relatively small or Sarpy County in there. So we'll go under that assumption too. Washington County is kind of a...well, it's greenbelted for one thing, but it's a beltway county, transition county, whatever you want to call it in there. Hmm. Tax shifting. Hmm. Well, let's talk about the last five years. The last five years in Washington County, residential has went up 3.4 percent, ag has went up 137 percent. Okay. Hmm. Tax shifting. How much of the total valuation in Washington County was in ag ground in 2009? Well, in 2009, 15 percent of it was ag. What was it in 2014? Twenty-nine percent. To me that's a tax shift from residential to ag and I don't see any other way. The total valuation of the county went from 15 percent being supplied by ag to 29. Well, now there's a proposal out there that will cut the valuation from 75 to 65 percent. Since I am the assessor, I know what I'm going to turn in as far as abstract on March 19. We're talking about 25 percent increase as far as dryland and irrigated ground and that makes up almost 90 percent of the total ag in Washington County. Twenty-five percent, let's look at that proposal that's out here. This reduction from 75 to 65 percent. I'm going to use a simple example. Let's say that there's \$100 of valuation out there and ag is at 75 percent, which is for 2014 in there, plus \$75. Pretty easy math. What happens if we have that 25 percent increase put on for 2015? What's \$125...what's 65 percent of that? What's 81 percent? So what's all this reduction that we're talking about out here, we're asking to slow the increase. I'm talking about the 25 percent out there. I've already been notified by the Department of Revenue, Property Assessment Division, that this 25 percent won't cut it and they're going to probably recommend a much higher increase and when they make those recommendations, it will go to...from Property Assessment to TERC and they'll enact them. Okay, so we're going from 75 to 65, that's all left that, you know, that's going to have to be picked up by the rest. I guess I just don't see it. So if you increase that 25 and add an additional percentage on top of that, you're still going to see a very substantial increase going in as far as...as far as the ag part of the total valuation that's out there. Let's go back to the Cherry County one out there again. When I first came in the office, I'd make those statements a few times in there, you know, that okay, you know about the...if the value goes up and the levy goes down, it's the entity asking is the same. I don't know a whole lot about aid to education, but I'm going to make a little bit of a stab at it and hope I don't put my foot in my mouth too much here, but I can do that sometimes. [LB293 LB350]

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SENATOR GLOOR: Mr. Mencke, you have a red light on, so I'd ask you to wrap up your comments. [LB293 LB350]

STEVEN MENCKE: I'm fine. [LB293 LB350]

SENATOR GLOOR: Okay. Answer questions. [LB293 LB350]

STEVEN MENCKE: I didn't...like I say, I didn't look for it. [LB293 LB350]

SENATOR GLOOR: That's why I politely reminded. It's easy to not. Yes, Senator Davis. [LB293 LB350]

SENATOR DAVIS: Thank you, Senator Gloor. Thank you, Mr. Mencke, for coming in. A couple of questions. How often does the residential real estate reappraise? [LB293 LB350]

STEVEN MENCKE: We look at it every six years, but we do a percentage increase based on the market that's based off of a sales file that's out there, and we make the adjustment annually. [LB293 LB350]

SENATOR DAVIS: So residential property is treated in some respects the same as agriculture in terms of valuations... [LB293 LB350]

STEVEN MENCKE: Exactly right. [LB293 LB350]

SENATOR DAVIS: ...commercial also, is that right? [LB293 LB350]

STEVEN MENCKE: And like I say, we make our recommendation, then it goes to Property Assessment. They say if we're within range and if additional adjustments are needed. Yep, very good. [LB293 LB350]

SENATOR DAVIS: And you talked about greenbelting. Can you explain that a little bit to me? [LB293 LB350]

STEVEN MENCKE: (Laugh) In five minutes or less. Greenbelt was enacted by the Legislature. At the time it was enacted it was supposed to provide a way for ground to still stay in agriculture's hands rather than being bought up by developers. The valuation was far higher in the belt around Omaha, Lincoln, whatever. It was thought that property owner...that developers

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would buy that up, would not take as good a care of the ground in there, would not grow crops, they're looking at development. And they thought it would be better to base those values on ag ground what it would sell if development was not considered. That's normally done by going to counties farther out. That's the short answer. [LB293 LB350]

SENATOR DAVIS: So, essentially what that is, is development of property that's being treated like ag property? [LB293 LB350]

STEVEN MENCKE: Right, and there was a big difference, but at this point anymore, in Washington County, the county has kind of split. The farther south you get, there is a little bit of development potential, but it's more ag than anything else, yeah. [LB293 LB350]

SENATOR DAVIS: So you said your residential property has increased 3.4 percent in value since... [LB293 LB350]

STEVEN MENCKE: The last five years. [LB293 LB350]

SENATOR DAVIS: The last five years. So essentially you're frozen in many respects. [LB293 LB350]

STEVEN MENCKE: Pretty much. [LB293 LB350]

SENATOR DAVIS: No new development, no new additional property is built there. [LB293 LB350]

STEVEN MENCKE: That is the total of growth in there. [LB293 LB350]

SENATOR DAVIS: That's the total...that's the total growth, so no appreciation at all in housing? [LB293 LB350]

STEVEN MENCKE: Well, let's look at what we went through in the last five years in there. I mean, you know...I mean, we had kind of a bubble that went through there. And keep in mind, that the sales file are a little bit in arrears. So that's the (inaudible) explanation there. [LB293 LB350]

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SENATOR DAVIS: So, and I asked this question of Senator Schnoor, but so how do you rationalize...and this is sort of what Senator Schumacher was talking about earlier, the guy that's got a farm that has increased now this year 25 percent in value. [LB293 LB350]

STEVEN MENCKE: Uh-huh. [LB293 LB350]

SENATOR DAVIS: How do rationalize the reduction to the residential homeowner who is kind of just getting by in making his house payments and saying, you got to give this guy a break. [LB293 LB350]

STEVEN MENCKE: Right. Well, let's just say if the roles were reversed. Let's say that the... [LB293 LB350]

SENATOR DAVIS: But that's not the case, though, you know. The case is, you have to rationalize that to me. [LB293 LB350]

STEVEN MENCKE: Okay. [LB293 LB350]

SENATOR DAVIS: How do you do that? Because I think that's the argument that we as the Legislature if we were going to try to do this, we have to be able to say to the citizens of the state of Nebraska, this is why we have to do this. I need to know why you think that's... [LB293 LB350]

STEVEN MENCKE: Well, first off, it's not a tax shift to residential. I think I showed that here that the shift has occurred in the last five years from our total valuation. Remember, property taxes are at local level here. So in Washington County, and you can apply it to any county you have out there, that it's went from 15 to 29 percent supplied by ag. So there is no tax shift to residential. If you go from this point on in there, it's actually recouping some of the shift that did occur in the last five years. Now, you can go back maybe ten years, you can go back forty years or whatever, but I'm using it as in the last five years. [LB293 LB350]

SENATOR DAVIS: But you still haven't told me how I can rationalize that to a residential homeowner. I have to have a reason for saying to the residential homeowner, we have to do this for our agriculture community. [LB293 LB350]

STEVEN MENCKE: We have to do it for the agriculture community...I mean, why we have to? I think it's fairness. I think you go back to the old issue that's in there with these type of shifting to ag in the last five years, it's in fairness to give some relief. And if roles were reversed which you

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wouldn't, I mean, go in there, and the shifting was going the other way, this bill would already have passed. [LB293 LB350]

SENATOR DAVIS: So my argument is, it's really not about fairness and I'm an agricultural person myself. [LB293 LB350]

STEVEN MENCKE: I am, too. [LB293 LB350]

SENATOR DAVIS: I have a ranch in Cherry County. [LB293 LB350]

STEVEN MENCKE: Did I hit Cherry County? (Laugh) I apologize. [LB293 LB350]

SENATOR DAVIS: No, that's because Senator Harr brought it up. (Laughter) So my argument is that there's a competitive disadvantage to being in agriculture in the state of Nebraska because of the high property taxes. Other states have lower property taxes. Over time, Nebraska farmers and ranchers cannot put the kind of investment into their property to develop it and stay cutting edge, that everybody else can because they have such confiscatory property taxes. So that's why we need to do it. I mean, so that would be an argument that I think is a salable argument. [LB293 LB350]

STEVEN MENCKE: Right. [LB293 LB350]

SENATOR DAVIS: I think when you say it's a fairness issue, and as I said earlier, Senator Scheer and Senator Sullivan were on the Education Committee, we heard this a lot. I've got people that are barely getting by and they're paying on a 100 percent of their value at \$1.05, how can you out in the country argue that you need a break when you're paying 70 cents on 75 percent of your value. [LB293 LB350]

STEVEN MENCKE: Well, always keep in mind though that houses and first acre and everything like that, the houses are valued just the same as they would be in town and they are at 100 percent. All the buildings are valued at 100 percent that's out there too. Are there other businesses, Nebraska Advantage, whatever, when you get to the business end of it, are there issues out there? You'd have to make those same arguments for them that you are for ag ground out there, and the Legislature has chose to go there on them. I'm not saying it's a bad program. I think it's a good one, but I'm just saying that this is not unprecedented. [LB293 LB350]

SENATOR DAVIS: I appreciate that. Thank you, sir. [LB293 LB350]

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STEVEN MENCKE: Okay. [LB293 LB350]

SENATOR GLOOR: Yes, Senator Harr. [LB293 LB350]

SENATOR HARR: Thank you. Well, thank you for coming here today. And you talk about the last five years and the last five years have been amazing. I don't think any...I think every farmer would be happy if the last five years stayed the way the last five years have been, if they stayed that way forever. But, you know, again, I went to...I don't know if you...how long have you been an assessor? [LB293 LB350]

STEVEN MENCKE: Twelve years. Going on my thirteenth. [LB293 LB350]

SENATOR HARR: Okay. Just reelected, congratulations. (Laughter) [LB293 LB350]

STEVEN MENCKE: I don't know if that's congratulations. (Laughter) [LB293 LB350]

SENATOR HARR: Yeah. So, you know...and I went to the Department of Revenue Web site and again this is...I said this to Senator Brasch, if you go back in the '90s and residential killed ag on percentage of growth, killed it, and I never heard residential people coming down to Lincoln saying, hey, we need to have our valuations lowered. Matter of fact, I heard the opposite. I heard Lincoln saying...at least in my county, Douglas, get your valuations up quicker. Even though it's every six years you've got to get it up quicker. That's what we were hearing. So, you know, and when my house goes up in value and actually more property taxes, I don't...I don't have any more...I have more value, but I don't have any more income coming in, right? I don't see that increased value until I sell the home. Not complaining about that, but in ag, it's different. You know, I have reports that show that, you know, the number one driver of increase in ground is farmers expanding their own operations. Not new farmers coming in, it's the farmers expanding. They're already existing operation, which means they probably have some income which they're then using to reinvest. And again...so then, but to get back to this, if you take the 23-year average and we can only go back to 1992, because that's all the farm revenue goes back, or I can go back further. I can't go back to '40 like you said, but again, if you go back, it's residential 304 percent increase in value; ag 409 percent increase in value. Ag valued at 75 percent of 300...of residential. And they get you...the percentage of growth is almost...the valuation is almost identical to what it was in 1992. So, yes, there's been a radical shift in the last five years, fully concede that. But I think what we're doing is we're going back to where we were in 1992 and, matter of fact, residential grew, I mean...or ag was closing a lot during that time and now it's just back to where it was in 1992. So it's a better bill...let's lock in percentages. That's what they do in Colorado is ag pays a percentage of the total land value, commercial pays a percentage of the total land value, residential pays a percentage, so that we don't have these ebbs and flows based

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on the market, by the way. But we don't have these ebbs and flows. I'm a free market guy and these ebbs and flows right now are based on the free market. Would it be better if we had government come in and say, you pay this amount? Ag you have this percentage of economy, commercial you have this percent, residential you have this percent. [LB293 LB350]

STEVEN MENCKE: Well, let's start with some of your first statements there. You said all the growth that occurred in residential was out there. You have two different things that are out there. You have appreciation and you have growth. Growth is stick construction. That's new property that's actually developed out there. And it's my guess in your numbers there, you're counting new houses that were constructed, in your numbers. You don't have that in ag, you have a fixed number of acres that's out there. [LB293 LB350]

SENATOR HARR: But we take them from dryland to wetland so you have growth there. Now, it's a fixed growth, but we've had some... [LB293 LB350]

STEVEN MENCKE: Whoa...yeah, but...look at Omaha. What was Omaha like in... [LB293 LB350]

SENATOR HARR: No, but increase in value. [LB293 LB350]

STEVEN MENCKE: So, you're not comparing apples to apples. That's the trouble you get when you get numbers and don't have the whole story here. I mean, you need to have the background that's there. Growth for houses is stick construction. If you went back and looked at the existing houses that were back there in, what year did you say, 1992? [LB293 LB350]

SENATOR HARR: Yep. [LB293 LB350]

STEVEN MENCKE: And say if you took the value of just those houses and compared it to ag, I'd guarantee you'd have a whole lot of different number that's out there. But you're adding growth houses that didn't even exist in '92 to get your increase. [LB293 LB350]

SENATOR HARR: And I totally am. And I can see that, but that's what I'm saying is, there's still that percentage of the market that's paying that percentage because the reason you have new homes is because you have, what, more people, and that's where that population growth is coming from. So, yeah, it's growing but you're saying...that's why I'm asking though is, you have a growth in that sector, so if that's been shifted to that sector, whether that's through new homes or whether that's a shift because of actual increase in the value of the homes, it's still that area has increased growth. [LB293 LB350]

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STEVEN MENCKE: But I'm saying, you should run the numbers on that the other way. You'd be shocked at how much less it is. Again, you're comparing appreciation to growth. Growth is actual new construction that's out there. Appreciation is increase in existing property and that's where the numbers are really skewed. [LB293 LB350]

SENATOR HARR: Well, but that's where growth is the people who pay taxes, period. They're still paying that... [LB293 LB350]

STEVEN MENCKE: You just have more people paying it. [LB293 LB350]

SENATOR HARR: You're paying, it's a shift. [LB293 LB350]

STEVEN MENCKE: Let's say...let's say, that if you went in there and, well, you said... [LB293 LB350]

SENATOR HARR: Well, I think I made my point, yeah. Okay. Thank you. [LB293 LB350]

STEVEN MENCKE: That's all right. [LB293 LB350]

SENATOR GLOOR: Other questions? Thank you, Mr. Menke. [LB293 LB350]

STEVEN MENCKE: Okay. [LB293 LB350]

SENATOR GLOOR: Next proponent. [LB293 LB350]

STEVE NELSON: Good afternoon, Senator Gloor and members of the committee. My name is Steve Nelson, S-t-e-v-e N-e-l-s-o-n. I'm a farmer from Nebraska where I raise irrigated corn, soybeans, and hybrid seed corn with my son, and I'm the president of the Nebraska Farm Bureau and I'm here on behalf of the members of Nebraska Farm Bureau today. You all had a lot of questions or a lot of testimony in the last day and already today, and what I'm going to try to do here is maybe answer some of the questions that have been asked and hope that there will be an opportunity then at the end to...for you to ask me some of the same questions you've asked others and I'll try to provide our perspective on that. First of all, we are here in support of LB350 and LB293. We believe that these are important bills in lowering the valuation to 65 percent is an important thing to do, and so the questions that I want to try to address in advance, I guess, I'll start out this way. First of all, we hear, and you've heard this too, reducing ag land values does not do enough. I'd respond to this in a couple of ways. First, our calculation show that land

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values...lowering ag land values for tax purposes at 65 percent would mean an eighty million dollar reduction in taxes for farmers and ranchers statewide. That figure assumes all local governments raise their levies to make up the reduction in ag land values. If local governments demonstrate spending restraint combined with increased state aid to schools which would result, it could mean tax savings for farmers and ranchers of around one hundred million dollars or almost a 10 percent reduction of the one billion dollars paid on agricultural land in 2014. Second, we've never argued reducing the taxable value on our ag land is the only answer. We've always considered it a part of a larger package that includes more dollars in the Property Tax Credit program, reform to school funding, and perhaps reductions in personal property taxes. The second question that I would address, reducing taxable value on ag land, agricultural land, does not help the more rural parts of the state. Reducing the taxable value on agricultural land to 65 percent treats all farmers uniformly. All farmers and ranchers would experience the same percentage reduction in taxable value of around 13.3 percent. Additionally reducing the taxable value on agricultural land would help target tax relief where it is most needed. Farmers and ranchers whose land is located in taxing districts with lower percentages of ag land in the tax base. That's because while farmers in these districts have experienced high values, the levies have not decreased like those of more rural areas. So these farmers are paying higher taxes already relative to their more rural counterparts and as such would experience more reductions under this proposal. For example, the school levy in Mullen in 2013 was 70 cents, while at Grand Island Northwest, it was \$1.10. So a farmer with a million dollars of taxable value paid \$7,000 in property tax in the Mullen's School District, while one in the Northwest, Grand Island Northwest School District would pay \$11,000. So with the reduction in taxable value, because those farmers in areas with less agricultural land were already paying more, they will receive more tax savings. The third question that we hear that I would address at this point is reducing the taxable value on agricultural land will shift taxes on to other property sectors, and that's true. Reducing agricultural land to 65 percent will shift taxes on to other property sectors. But remember, this is a step towards reversing the shift toward agricultural property that has already occurred in recent years and it's been discussed here already. As a result, farmers and ranchers pay more taxes today than other...and other sectors less. Farmers and ranchers, 3 percent of the state population, now pay 30 percent of the total property taxes collected in the state. I'm going to use Hooker County and Mullen School District as an example of the shift occurring in rural Nebraska. Over the time period from 2008 to 2013, total residential value in Hooker County declined 10 percent while total agricultural land increased 73 percent. In that same time period, the Mullen school levy declined from 95 cents per \$100 of value to 70 cents. So someone with a \$75,000 house in Mullen paid \$712 towards the school in 2008 and \$525 in 2013. Assuming the residence did not decline in value, and remember the total residential value in Hooker County did decline 10 percent, a rancher with one million dollars of property in 2008 paid \$9,500 in taxes to the Mullen school. Assuming the ranchers property increased in value 73 percent, that rancher paid \$12,110 to the school in 2013. The homeowner paid \$187 less for the same public good over that time while the rancher paid \$2,610 more. So, yes, a shift occurs while reducing

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taxable value on ag land, but it is a shift back towards equity in our minds. The fourth item...and I've seen that I hit my red light and I just will... [LB293 LB350]

SENATOR GLOOR: Yeah, can you wrap it up quickly, please? [LB293 LB350]

STEVE NELSON: Well, I can pretty quickly but I think that I'll close like this, and it answers some of the questions that have been asked related to equity. But Nebraska farmers and ranchers, as has been said, pay the third highest taxes in the nation on ag land. And Nebraska agriculture is valued higher than any of our surrounding states that produce similar commodities. Nebraska, 75 percent; Iowa, 50; Illinois, 30; Kansas, 30; Colorado, 29; and so on. You've heard these numbers before. This places Nebraska farmers and ranchers, and especially our young farmers and ranchers, at a significant disadvantage to their counterparts in other states. The situation needs to be corrected and we believe that moving the valuations from 75 percent to 65 percent is a step in that right direction. So thank you very much for letting me go overtime, Senator. [LB293 LB350]

SENATOR GLOOR: Thank you. Questions? Senator Harr. [LB293 LB350]

SENATOR HARR: Was that your fourth point, the last one you just made, or do you want time to make your fourth point? [LB293 LB350]

STEVE NELSON: No, it...it really relates to the issues related to school funding and we've talked about that in other bills, so. [LB293 LB350]

SENATOR HARR: So, if you want to make that point, go ahead. [LB293 LB350]

STEVE NELSON: No, no. [LB293 LB350]

SENATOR HARR: Okay. That was all I had. [LB293 LB350]

STEVE NELSON: I'll work it in if I need to...if there's other questions. [LB293 LB350]

SENATOR HARR: Okay. Thank you. [LB293 LB350]

SENATOR GLOOR: Senator Sullivan, then Senator Schumacher. [LB293 LB350]

SENATOR SULLIVAN: Thank you, Senator Gloor. Thank you, Mr. Nelson. So just to clarify, you said the drop in value to 65 percent will impact, certainly, the values for all ag landowners,

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but it will not result in a lower check that they will write ultimately for every taxpayer. Is that correct? [LB293 LB350]

STEVE NELSON: There's no guarantee of that. I mean, there's the factors of what the levy is set at and the different situations in different counties, so there's no way to guarantee that that would be the same for every person. So, you know, almost the way you have to look at it is by looking at the averages. [LB293 LB350]

SENATOR SULLIVAN: Thank you. [LB293 LB350]

SENATOR GLOOR: Senator Schumacher. [LB293 LB350]

SENATOR SCHUMACHER: Thank you, Senator Gloor. Thank you for coming before our committee today. You mentioned that comparatively Nebraska ag pays more than surrounding states do. But on the other hand, we set on the Aquifer, we've got some incredibly fertile land, how do our yields of our farmers...I mean, are they paying more because their land is more powerful because of the irrigation, because of fertility? How do the yields compare with surrounding states? [LB293 LB350]

STEVE NELSON: Well, what those numbers represent is the percent of value that they pay in those states. So, what...we're at 75 percent today on agricultural land. Those other states are at those lower numbers. So the attributes of the land that you talk about should be reflected in the price. So, if land is of a lesser value, it, obviously, that's not a comparison. But if you took land of the same value in Nebraska, it would be valued at 75 percent of that value. In Iowa, for example, it would be valued at 50 percent of that value. So, I'm sensing that doesn't completely answer your question. [LB293 LB350]

SENATOR SCHUMACHER: It goes pretty far toward it. [LB293 LB350]

STEVE NELSON: And so, I hope that I have. [LB293 LB350]

SENATOR SCHUMACHER: Thank you. [LB293 LB350]

SENATOR GLOOR: Senator Davis. [LB293 LB350]

SENATOR DAVIS: Thank you, Senator Gloor. Thank you for coming today. [LB293 LB350]

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STEVE NELSON: You bet. [LB293 LB350]

SENATOR DAVIS: So I want to take issue a little bit with something you said and while in principle I agree and understand, yes, it does apply equally to everyone. However, if you're in a high levy agricultural district, by the time you redistribute the taxes...by the time you redistribute the valuation and still have to raise the revenue, there's very little gain as opposed to an urban district which has ag land right outside. So, I did a study this fall on Lincoln County and in Lincoln County about one and a half percent of the valuation within the North Platte School District is agriculture and the rest is residential, commercial. McPherson County which also has a chunk of that, and I referred to that earlier, was 89 percent ag, but by the time you add in all the other things that are agricultural, which are the personal property, tractors, the silos, the things that are out on the farm, it's 94 percent ag. So, you know, you take the raw ground value down, you got to raise the same amount of money, and you're going...part of that is going to be shifted to personal property which is agriculture, so, you know, it's sort of rearranging things. So I just don't see that it benefits everyone equally. In fact, I think it helps people who are close to urban districts, urban school districts, and helps...and doesn't help those who are in more agricultural districts. [LB293 LB350]

STEVE NELSON: Yeah, well, I think the way I would answer that or how I would speak about that is that first of all, this is only one piece of a bigger picture. And I mentioned that in the testimony that we believe that additional money into the Property Tax Credit program is important, but probably more important than that is to look at how we fund schools and how we look at wealth in the state and we've talked about this at the Education Committee a couple of weeks ago with the bill, and I'm sorry, I don't remember the number, but to bring income into that formula. I think these are all pieces that we need to look at to address the tax system in the state. I don't think we...I mean, I'm under no illusion that we solve the property tax issues in the state or the tax issues in the state with this one piece. It will take several pieces, but I think we can...and it would be my encouragement that we don't have to have all of those pieces at once to accomplish this and that we can go ahead and take this step while we work on those other steps. And, you know, we're...and certainly, I didn't mean to portray that this was equal to everyone. There's some equity there. I would say some increased equity, but it's certainly not equal. But I do believe this is a step in the right direction and certainly that the piece of a bigger puzzle that we need to look at as a state to have a more equitable tax system for everyone. [LB293 LB350]

SENATOR DAVIS: So you heard Mr. Mencke...sorry, heard Mr. Mencke say valuations are going to go up 25 percent in Washington County this year and we'll say we're going to do this, knock this down by 13 percent, but you say it's one step in the process and it's small, and so where do we go with the next step and how do you...how do you...how are we as a committee going to answer to the people in town who say, well, you did this for the agricultural people last

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year, now here they are back wanting something else again. What's going to be the answer to that? [LB293 LB350]

STEVE NELSON: Yeah. Well, first of all, I come back to the answer that you used and that I use both when we talk about the difference between how agricultural land, the percentage of...how agricultural land is taxed in Nebraska compared to our competitors or our surrounding states, and I think that makes a really important argument about not only a fairness issue but a disadvantage, it creates a negative or a disadvantage for Nebraska producers in our number one industry which is very important to the entire economy. So, to me, that's how you answer the question. I mean, it...I think, too, you know, I mean, you know, you can again look at the different time periods looking back and, you know, and how far you look back, and I don't know how, you know, where the...you know, it's everybody's opinion on how far back it would be the right time or the right picture to take. But, obviously, and it's very clear that a huge shift has happened here and what we're talking about is really just trying to look at ways to address and to develop a more equitable system in the state and I believe this is a piece of that puzzle. [LB293 LB350]

SENATOR DAVIS: So, let's just say the shoe is on the other foot and residential valuations have climbed by 300 percent in five years and residential people say they want a break. That's going to shift to ag. Can you see how people would say, we're not going to support that? [LB293 LB350]

STEVE NELSON: Well, I'd still come back, you know, that...as you well know, farmers and ranchers pay 100 percent on their homes just like people in town so we have that argument. I can't tell you what other states do on agricultural property, you know, I have the numbers there. You know, I don't know if there would be the same kind of comparison there or not, but I think there's a lot of things we can look at and, you know, and I wouldn't pretend that there's a perfect answer to that question, but I think we have a lot of things that we can stand up for on the agricultural side and say, these are reasons why we need to do this. [LB293 LB350]

SENATOR DAVIS: Thank you. [LB293 LB350]

SENATOR SCHUMACHER: Senator Sullivan. [LB293 LB350]

SENATOR SULLIVAN: Thank you, Senator Schumacher. Thank you, again, Mr. Nelson, for being here. You make reference to the fact that there are maybe some needed changes in how we fund our schools, but to look at the present situation, you said you were from Axtell, right? [LB293 LB350]

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STEVE NELSON: Yes. [LB293 LB350]

SENATOR SULLIVAN: And that's...are they...do you know if that equalized or nonequalized school district? [LB293 LB350]

STEVE NELSON: I can't answer the question. I should know that. [LB293 LB350]

SENATOR SULLIVAN: Okay. And how far are you away from Holdrege? [LB293 LB350]

STEVE NELSON: We're about 15 miles from Holdrege and 15 miles from Kearney. [LB293 LB350]

SENATOR SULLIVAN: Okay. Well, I see two things going on and I wonder, you know, how you might react to them. One is, a nonequalized school district who might perhaps have a very low levy losing some of this ag land value will probably result in it increasing their levy, which doesn't result in any tax savings for a property...ag landowner. The other extreme is a district that may be at the \$1.05 levy limit. Losing that ag land value, perhaps then regaining some of it by equalization, some additional equalization aid, but perhaps not. So you have an ag landowner maybe not seen any gain in the amount of taxes that they're paying, but also a school district on the other extreme losing some aid because of this. Where are some of the advantages to be gained? [LB293 LB350]

STEVE NELSON: Well, I think, you know, I don't...you know, I'm not sure...maybe this gets too philosophical to...in an answer to your question, but I'm not sure that if we sat down and figured, you know, either measured every school district or every county or measured every taxpayer, and said, well, 51 percent are on this side and 49 are on this side, so we ought to do what's best for the 59 percent. I'm not always sure that that makes it right. And I think what we need to look at here is, again, is to come back to the bigger picture of are these steps in the right direction and are bills like this a piece of the answer, a piece of the puzzle, in addressing the taxing situation in the state of Nebraska. And I think...I mean, I think, you know, the proponents and opponents of all of these bills would tell you that they want a fair taxing system in the state of Nebraska and I know that's what all of you want. And that's really what we're trying to get to. And, you know, certainly taking a look at how we fund schools, I think it's very important. I think that it's a separate question when we talk about how much funding we do for schools. I think that that's not a bad question to ask and have answered, but I think that we still, irregardless of how much we fund schools, we want a system that has fairness and balance in the taxing system. So if we decide that we ought to fund schools at this level, that it's fair...relatively fair across the board, can't be perfect. It's not going to be perfect for everybody in every situation, or if we decide that when reductions need to take place it needs to be down here, that at least, you know, the pain is

distributed either direction. And so, I think it's still...you know, and this bill really isn't completely about balance, but when we look at the entire tax system, you know, I still bring it back to balance and fairness of equity as best that we can do, and that's what we're after. [LB293 LB350]

SENATOR SULLIVAN: Thank you. [LB293 LB350]

SENATOR GLOOR: Senator Scheer, and then we'll go to Senator Schumacher. [LB293 LB350]

SENATOR SCHEER: Okay. Thank you, Senator Gloor. Thanks for your testimony, Steve, but I want to put this framed in maybe a little different portion. We're talking about lowering the value and the hope's is, hope's would be that the state aid would backfill the loss. Otherwise if everybody is still paying the same amount of taxes, we really haven't accomplished much. But when I look at the fiscal note, we're going to have somewhere around nine hundred and seventy million dollars in state aid that will flow out to schools. The fiscal note on this is only thirteen million dollars. That's nothing. And thirteen million is statewide. So, this isn't producing the flow back to the districts that anyone is going to be anticipating. I understand everything you've said, but unless this fiscal note is way, way, way off, when we're spending nine hundred and seventy million dollars and only thirteen of it is going to be redistributed, I don't think...I'm not sure that's what everybody had in mind. [LB293 LB350]

STEVE NELSON: Yeah. [LB293 LB350]

SENATOR SCHEER: It seems to tell me that everybody is going to still keep paying the same amount. [LB293 LB350]

STEVE NELSON: Yeah, I don't think that I can answer the question about what people's perception doing this will be in the end or not. What I will come back to is that when you put this with the package of other things that are being talked about, all of which we won't get to this year, that I believe we do move in the right direction and this does move in the right direction when we look at valuations compared to other states for agricultural land. So that...I think that part of it is, you know, what part of the discussion are we having here and it's hard...and you can't have those in a vacuum. I don't mean to say that but again, I still believe this is a step in the right direction and, you know, it's worthwhile and important in...connected with the other steps that we're talking about. [LB293 LB350]

SENATOR SCHEER: Fair enough. Thank you, Senator Gloor. [LB293 LB350]

SENATOR GLOOR: Senator Schumacker. [LB293 LB350]

SENATOR SCHUMACHER: Thank you, Senator Gloor. Just a couple more questions. You know, the rock and the hard place that I see that we're in, is we can shuffle the cards back and forth between the towns and the farmers all day long and in the end, there's still going to be the same amount of cards unless we bring in some resources from the outside and that means whether it's through TEEOSA mechanism or credit fund of some kind, getting the money from sales or income taxes. And we spent a good portion of yesterday hearing, well, you know, it would sure be great if income taxes were to go down, we really need to do that and we, we all realistically realized that there's not much wiggle room to go down, and if we're going to move resources from sales and income taxes to property tax, something's got to go up on the other side of the equation. And so, are we seeing a fundamental clash here between income tax changes and property tax changes? [LB293 LB350]

STEVE NELSON: Well, there's a lot of ways that a person could try to answer that question. One of the points I would try to make is that the fundamental clash has already happened, or is happening, or I don't think it's about to happen, it's happened. When we see property funding as much of state government, or of total government expenses as we see property funding, and that gets...and there's a lot of issues there that are beyond what this bill talks about, I think that's a huge issue. And so whether that's ag property or residential property or commercial property or whatever it is, I think that's a huge issue. And, you know, we've always talked about, you know, having some kind of relative balance between the three-legged stool which, you know, some will argue is not the right concept to use but our policy talks about that and, you know, we believe that we should, you know, move in that direction. We certainly have been moving the other way. So, I don't know if that really answers your question or not, but I think that...another thing that I, and not to just go on and on here, but again when it comes down to looking at what is the right tax system for the state of Nebraska, you know, that question is not a new question. It's been asked by, you know, lots and lots of people over a long period of time. It's not a bad question and I think we...you know, that's part of what we're all here to do is to try to find that system and I'll close by saying that this is a step in that right direction. [LB293 LB350]

SENATOR SCHUMACHER: Neither the rock or the hard place got any softer. (Laughter) Thank you. [LB293 LB350]

SENATOR GLOOR: Senator Harr. [LB293 LB350]

SENATOR HARR: And I'll just follow up then on Senator Schumacher's question. Mr. Nelson, would you support a local income tax to lower property taxes? [LB293 LB350]

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STEVE NELSON: We testified in support of the bill that would bring income tax into the formula as a measurement of wealth. I think one of the fundamental problems that we have is that we, you know, when we look at measuring wealth for school funding, that we only look at property. And while that is a measure of wealth, you know, it becomes very debatable. You've brought up questions about, well, you know, is it worth something if you don't sell...does it get sold until after you die, what's it worth? Is it worth any more than what you can make off of it, so you have...you have all of those questions that come up when you try to do that. So, you know, I think we need to bring income into the formula of measuring wealth. Now, I don't support raising income tax to...for a direct funding method. So, I think that, you know, that would make...be more difficult to balance than this is, so. [LB293 LB350]

SENATOR HARR: Okay. Thank you. [LB293 LB350]

SENATOR GLOOR: Senator Smith. [LB293 LB350]

SENATOR SMITH: Thank you, Chairman Gloor. Thanks for being here. It made me feel very good. That sounds as if Senator Schumacher was actually paying attention to some of my testimony yesterday. (Laughter) But, you know, I don't think...you know, maybe this is more of a statement than a question, but I don't see that we have to choose between the ag sector and the nonag sector of business. I think they go hand in hand. I certainly, again, am very empathetic to the ag values, the land values, and seeing some relief. I understand the point that you're making, but there's also many businesses in the rural communities that support the ag industry that are nonland-based industries. And, again, they need the relief in order to grow those businesses and provide that long-term support in our agricultural communities and then in the urban areas as well, businesses and families. So, I hate to see that it's a trade-off either way and I'm pleased to hear your answer that the tax shift is not the answer but how do we...how do we give relief and still maintain the services that we have? It's a huge question and I appreciate the answer that you had to that. [LB293 LB350]

SENATOR GLOOR: Thank you, Steve. [LB293 LB350]

STEVE NELSON: Thank you. [LB293 LB350]

SENATOR GLOOR: Next proponent. [LB293 LB350]

LAVON HEIDEMANN: Senator Gloor and members of the committee, I wasn't really going to testify today and I was sitting in the back and I felt a little bit compelled to do, to come up here and actually say a few words. It's not an easy issue. There are a lot of...there's a lot more

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questions than there are answers many times and you've got to figure out the right questions and the right answers in the end. And this committee has a huge job to do this year and I think you're going to have to look for priorities in the end. I hope this is a priority. Senator Harr, you talked about...I'm going to start with you, you're on my left. You talked about if ag land would ever correct by 100 percent, would we come back in and say, let's raise it. You know what, I would say, it's something that would need to be looked at, but if ag land is correct by 100 percent, there was a reason why that happened. And the only way that we can pay our property taxes is if we're actually making money and if they correct by 100 percent, evidently we're not making money. (Laughter) So that would be... [LB293 LB350]

SENATOR HARR: Zero. The value is zero, too, so there wouldn't be any tax. [LB293 LB350]

LAVON HEIDEMANN: Yeah. I understand what you're saying there, okay. Senator Davis, we are trying to help farmers and sometimes this isn't going to be equal all the way across. There are farmers right now that are closer to a more populous center and they're paying...those people tend to pay \$1.05. They are going to get more help. But in my mind, they probably need more help because they have the same valuation probably as some farmer that is paying 60 percent on their levy. They're paying at \$1.05, or 60 cents on their levy, they're paying \$1.05. I probably do want to see more help for that person paying \$1.05. It's, you know, it's not me, but I understand where the help needs to be given and it's not going to be fair across the board. But maybe if you really look at it, maybe that's where it needs to be helped the most. Senator Schumacher, you talked about reshuffling the cards and for some reason it popped in my mind that I play Go Fish with my granddaughter and she always asks me for a card and then I get to ask her for a card, and that seems to me to be fair. But right now, I think in the ag community we feel like we get to ask for a card and somebody gets to ask us for three cards. We feel it's disproportionate what's happening to us. You can look at that. We had a discussion back when it's going on what the actual definition of fair is and maybe that's one thing that this committee has to actually determine this year. Another comment I would like to make is farmers don't buy our whole land to be wealthy. They buy it...a majority of them anyway, they buy it so they're able to farm and make a living for their families. And they can be worth all the money in the world, another point is, just because you own the dirt doesn't mean you're going to make money from the dirt. And we're starting to edge down that way. Farmers have become a very productive machine. There's no doubt about it. We are able to produce off the same acre far more than we have ever been able to before to feed the world, but it costs money to do that. We're putting more seed in the ground, we're putting more expensive seed in the ground. It takes more fertilizer to do that. We soil test now where we use to not do that years, years ago when I first started. We're putting potash and phosphate and micro nutrients down. It takes more money to get that crop back to try to make money. Heads up for Senator Sullivan. [LB293 LB350]

SENATOR SULLIVAN: I'm sure you did. (Laughter) [LB293 LB350]

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LAVON HEIDEMANN: I think you had talked about, you know, if all they're going to do is raise their levy and that is true that they probably will raise their levy, but I will say that there's got to be a shift somewhat back--Senator Schumacher will argue with me--there's got to be a shift back to commercial and residential. If they raise their levy, they should pay more. We have seen a shift from residential and commercial to agriculture in those districts. We should see, if we do this, we should see a small shift back the other way. And that's all we're asking. We're not asking for the world here. And as a point that I think was made someplace here that you don't want to pass something that looks to solve the problem, but in the end doesn't. And are we going to be writing out the same check that we did last year in ag land for property taxes? And I will be one to hold up my hand and say, I would like to write the same check out because my check is always bigger year after year after year after year and I own the same land. I see I'm code red here, so. [LB293 LB350]

SENATOR GLOOR: We also need you to spell out your name, Senator. [LB293 LB350]

LAVON HEIDEMANN: I am sorry about that, and I should be a whole lot better than this. Lavon Heidemann, L-a-v-o-n, Heidemann, H-e-i-d-e-m-a-n-n. [LB293 LB350]

SENATOR GLOOR: We know you well enough to know when you get excited about something you want to share your knowledge with us and so we understand why that might have slipped by. Senator Harr. [LB293 LB350]

SENATOR HARR: Mr. Lieutenant Governor, if you'd like to continue around the desk, please feel free to, what you had to respond to the other two senators. (Laughter) [LB293 LB350]

LAVON HEIDEMANN: Would you give me the opportunity to say one more thing? [LB293 LB350]

SENATOR HARR: Of course, yes. [LB293 LB350]

LAVON HEIDEMANN: Okay. The only thing that I would like to say is I was in the Legislature for eight years and we tried to do many things to help across the board with taxes, whether it was income tax. We did sales tax my first year in...well, in my second year, in 2007. And we did some property tax. We created the Property Tax Credit Relief program which I'm very proud of. I will say from 2012 to 2014, there were some things that helped agriculture in the rural community but there was a lot of focus on income tax. We indexed. You was able to accomplish last year, you indexed income tax and I somewhat believed that a lot of people don't understand how big that was. We're not talking tens of millions, we're talking hundreds of millions of dollars

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in savings in income tax over the next four to five to six years. It was huge. And all I'm going...would like to say is, hopefully now, it's property tax a little bit and especially ag land because that's where we feel the burden at. I think now is our time. Thank you for giving me the opportunity to say that. [LB293 LB350]

SENATOR GLOOR: Other questions? Senator Davis. [LB293 LB350]

SENATOR DAVIS: Thank you. And thank you for coming in, Lt. Governor. And, you know, I would just say this, the Platte Institute doesn't think we've done enough for income tax. They want more cuts. So I agree with you, it was a big deal and nobody realizes what a great deal it was. So, in reply to Senator Harr's question, I'm just playing a devil's advocate a little bit, but, you know, you said if ag valuation is dropped for 100 percent, there's a reason why that happens. And I think you can say the same thing is true when ag values rose in the way that they did. Now, I think we're at a different point in time and, you know, I completely agree with you, we have to find a solution to this. This is my big issue, but I worry that this is such a tiny step and you've heard me say this over and over again today, but urban parts of the state are going to say, hey, we fixed that last year. Look at these guys, they get this tremendous break and a lot of them aren't even paying at the \$1.05 now for school levies. Any comments on that? [LB293 LB350]

LAVON HEIDEMANN: It is a small step, but we have an opportunity to take a step now. And if one was to walk across this country, you begin that journey by taking the first step. And I think we really have to take that first step and I know it's a small step. Hopefully, it's not the end, but I believe it's a step that we need to make this year. It is a small...there are a lot of people that still will not be happy. But let me tell you what if we don't do something, it will be worse, in my mind. [LB293 LB350]

SENATOR GLOOR: Thank you. Appreciate it. Oh, I'm sorry. [LB293 LB350]

SENATOR SCHUMACHER: I was just going to tell him, we saw him sitting in the back row aching to come up here and testify and we're sure glad we smoked you out. (Laughter) [LB293 LB350]

LAVON HEIDEMANN: Thank you. [LB293 LB350]

SENATOR GLOOR: Next proponent. Good afternoon. [LB293 LB350]

ROBERT JOHNSTON: (Exhibits 3 and 4) Senator Gloor, Revenue Committee, thank you for your time. Robert, R-o-b-e-r-t, Johnston, J-o-h-n-s-t-o-n. I emphasize the "t" because they put the

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"t" in our name when they found out how tight our family was towards paying taxes. (Laughter) So by saying that, I would also say, Senator Sullivan, I have 16 years of experience on the Board of Education, so I can understand some about school funding. I was going to read my testimony but I think I'll deviate from that. I'll do you a favor. We're all out of kind of testimony. A couple of comments I would like to say. But first, I feel at a disadvantage following the previous testimony. I would agree with a lot of what's already been said and I do want to go on record for the Nebraska Soybean Association--I am a director--to say that we do support LB350 and LB293. So that being said, one comment I wanted to make that was just said, high land values and valuations do not guarantee profitability. Now granted, the last two or three years we've been very profitable. And to that, I say, thank God, and I'd say the state of Nebraska should thank God because I do believe that ag has driven the state when other sectors weren't doing so well. Senator Harr, I would like to mention this, not all ag land is owned by farmers, and I am a farmer. I would venture to say that...you say you represent the smallest district in the state, I would venture to say that a lot of ag land is owned by some of your constituents. And I bet they would appreciate a decline in ag valuation even though that probably would not affect their ability to make a living. So, another comment I'd like to make and I'm going to get out of here and shorten this up, if...if ag income drops 100 percent as has been discussed a couple of times, yeah, we're in serious trouble. I want to mention something that my father talked to me a lot about. I was fortunate that my father was 40 years older than me and so he expressed a lot of things. He graduated from high school in 1935 and he told me repeatedly about what happens when the ag sector is not able to pay their taxes. Your administrators, your teachers, they leave town with a sandwich that some good-hearted person made for them and they have a handful of distress warrants. Not very many people know...obviously nobody remembers that, but my father told me that numerous times, so. Anyway, we agree with mostly everything that's been said previously and thank you for your time. [LB293 LB350]

SENATOR GLOOR: Thank you, Mr. Johnston. Questions? Seeing none, thank you. [LB293 LB350]

WILLIAM KAISER: William Kaiser, W-i-l-l-i-a-m, Kaiser, K-a-i-s-e-r. [LB293 LB350]

SENATOR GLOOR: Mr. Kaiser, can I ask you to say that again, please, into the microphone? [LB293 LB350]

WILLIAM KAISER: I'm sorry. Yeah, William Kaiser, W-i-l-l-i-a-m, Kaiser, K-a-i-s-e-r. [LB293 LB350]

SENATOR GLOOR: Thank you. [LB293 LB350]

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WILLIAM KAISER: Okay. Thank you, Senator Gloor and members of the Revenue Committee for allowing me to speak today. I'm a certified general appraiser specializing mainly in ad valorem appraisals since 1979. I do all types of appraisal but mainly ad valorem. Work for the Department of Revenue Property Tax Division, some appraiser supervisor for approximately 15 years. During my years, Department of Revenue assisted in arriving at, we call it suggested assessment values for agricultural land. I was also chairperson for the Area V Agricultural Advisory Board, so I've had a lot of experience with agricultural values over the last 30 years or so. I also worked as advisor referee for numerous counties such as Douglas, Washington, Otoe, Colfax, Dodge and others where agricultural values and the taxes related to them were issues. I'd like to quote from a publication, just a couple items. A Brief History of Property Tax by Richard Henry Carlson. It states taxation has existed in various forms since civilization began. Days of old, the source of wealth was land and its proceeds. For the existence of property, or monetary assistant tax were paid by percentage of the crops raised. Property taxes were used in Egypt, Babylon, Persia, China, throughout the ancient world. The primary focus of early property taxation was land and its productive value. And I think that's the issue that's been discussed here today. You know, I would suggest that you read that publication. I think you could get a copy at Senator Brasch's office. It's a very interesting publication. You know, the governing bodies again, property owners have been dealing with property tax over thousands of years and I don't think it's going to change or go away. You know, it's a problem...probably is the best way to determine who pays what portion on the tax burden. So, I guess, I don't know if I'm saying i'm feeling sorry for you folks or what, (laughter) but this is the issue that's been going on for an awful lot of years. So if some type of resolution can be resolved for Nebraska, you're doing something that probably other governing bodies have not been able to do. So thank you for your interest and support in this issue. You know, a good example of what's happened in Nebraska, and I'm going to take a...I've got an example. This is an actual 118 acre tract located in Tekamah-Herman District was valued approximately \$1,500 in 2005. In 2014, it was valued at approximately \$5,500, so we're talking, you know, a \$4,000 increase in the tax burden over a ten-year period. There's a residential property in the same taxing district within a mile or so of that farm, tax was \$2,400 approximately in 2005, in 2014 it was \$2,200, went down \$200. I think there was reference to another property earlier today stating how the tax burden had went down on a residence and the increase that the ag sector has seen. And again, if the assessed value of ag land in Washington County is projected to go up 25 percent, there's testimony of that earlier today, if that happens, this 118 acre tract of land, the tax burden could be close to \$6,800. You know, that's quite an increase over one year. If the assessment level is reduced to 65 percent, the same tax...the tax would be roughly \$5,900. So, you're still going to see an increase in the tax burden, and I think Senator Schumacher making a statement that the assessment went down 13 percent, well, if you have a 25 percent increase, that's still a net 12 percent increase in the assessed value of the property. The dollar amount of increase for that particular parcel with 125 percent increase is roughly \$34,000. So, that is after at 65 percent level, not 75. So even going down to 65 percent, you're looking at a \$34,000 increase in assessed value. And the part of the large reason

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for the increase, you know, the tax burden, is that the sale prices have increased and they've been going up and also increased spending by, you know, governing bodies. The tax paid to the Herman School District...the school portion on this parcel in 2012 went up 19 percent, went up approximately 5 percent in '13, and 13 percent in '14. And I think there was reference to some urban property going up 13 percent if this shift changes without an increase in the assessed value. You know, this individual has seen that, you know, close to that over the last three years. And then I'm going to get into commodity prices. Corn from 2003 to 2007 was \$2.00 to \$2.50; 2008 through 2010 roughly \$4.50, \$4.25. Then we've seen a rise in 2011 to \$5.50; '12, \$7.50; '13 up to \$8.25; '14 down to \$4.25; '15, \$3.50. The USDA, which I'm not sure how accurate this is going to be or not, is projecting \$3.50 a bushel for the next five years. The ag market is a worldwide market. We don't know what's going to happen in Russia, China. We don't know whether it's going to rain in Brazil. All these things are going to affect that number. [LB293 LB350]

SENATOR GLOOR: Mr. Kaiser, I need you to wrap up your comments, if you would. We've go into a red light. [LB293 LB350]

WILLIAM KAISER: Okay. You know the Legislature has ability to carry out the intent of our forefathers, the constitution stresses equalization and uniformity. And I think that this will help towards that goal. [LB293 LB350]

SENATOR GLOOR: Thank you. Are there questions? Senator Davis. [LB293 LB350]

SENATOR DAVIS: Just a couple of questions. You talked about the increasing the tax asking by the school district over the course of those years. Do you know, was that because that was just moving out of equalization at the time or have you done the research on that? [LB293 LB350]

WILLIAM KAISER: I have not done any research but I looked at the entire levy changes and so forth and this was...that was the amount of additional revenue going to the schools over those years. What the schools did with the money, I don't know that. The urban advisors, like I stated on that one, remain roughly the same, the tax levy, the tax burden on that actually did go down a couple hundred dollars. [LB293 LB350]

SENATOR DAVIS: And the reason I asked that question, I had lunch yesterday with school superintendents and one from Broken Bow told me, so we lost...our levy was at \$1.02. We lost a million two in state aid. So ag values have gone up 20 percent in that district so that whole triple whammy of all that happening together will probably drive those levies up even though they've got the valuation because of the loss of TEEOSA funding would indicate...you know, you have a 19 percent increase. [LB293 LB350]

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WILLIAM KAISER: And I would agree with it. Those numbers could have been affected by state aid to schools, you're right. [LB293 LB350]

SENATOR DAVIS: Which to me is one of the big problems that we have. So you've been an appraiser for thirty-some years? [LB293 LB350]

WILLIAM KAISER: Yes. [LB293 LB350]

SENATOR DAVIS: Can you talk a little bit about...I guess, what 1985, would that be right? [LB293 LB350]

WILLIAM KAISER: In 1985 the Legislature passed a constitutional amendment and allowed agricultural land to be valued utilizing the income approach and I attended most of the public hearings and meetings. I met with the individuals, officers of the Farm Bureau during that time. In my opinion, they did an excellent, the best job, they worked harder...the hardest they could to put in place an income approach measuring tool, which is what it is, that would be nonpolitical. They actually cited publications that numbers would come from such as expenses, yields, that type of thing to generate an income...opinion of income. They cited government information where the capitalization rate would come from. That process was in place up until the early '90s. The farmers were very unhappy with it and asked that it be switched back to market. The reasoning that I understand is, first off, their taxes did not go down. You know, if the school spends a thousand dollars or the fire department spends a thousand dollars, they collected a thousand dollars. What did happen that I was told listening to property owners and taxpayers and farmers, was that the burden shifted within ag land. The publications, the information was extracted from, ended up creating a indication of a higher value for the poorer ground than the higher quality ground. And up in Dakota County, the tax burden on some of the better ground dropped, the tax on the poorer ground went up. Again, if there was a thousand dollars collected, one paid \$300, the other seven, what happened, it went to four hundred to six hundred. And so the individuals with the poorer quality ground whose taxes increased were very upset with local and I could go on with some stories, probably I shouldn't. But anyway, so the process was taken back to market value as a measurement tool, that's all it is really. [LB293 LB350]

SENATOR DAVIS: Thanks again. [LB293 LB350]

SENATOR GLOOR: Seeing no further questions, thank you very much. [LB293 LB350]

WILLIAM KAISER: Okay. [LB293 LB350]

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SENATOR GLOOR: We appreciate the history lesson. [LB293 LB350]

WILLIAM KAISER: Okay. Thank you. [LB293 LB350]

DAVID GRIMES: Nice chair. [LB293 LB350]

SENATOR GLOOR: We go through about one a week. (Laughter) [LB293 LB350]

DAVID GRIMES: Well, long hearings like this, they would wear out a little quicker. [LB293 LB350]

SENATOR GLOOR: Thank you. [LB293 LB350]

DAVID GRIMES: I'm David Grimes, D-a-v-i-d, Grimes, G-r-i-m-e-s, and I started farming 40 years ago this spring at 84th and Holdrege Street with 20 acres when I was a junior in high school. For most of my farming career, our family farmed in rural and then somewhat suburban Lancaster County in the last...well, last year we moved our farm to Kearney County. And I want to try to make three points as quickly as I can and as efficiently as I can. But I'm sorry, I'll apologize right now, I'm not organized, I didn't prepare. This was just sort of something I decided to do, being here. First point. Oh, and I also want to mention that I served 13 years on the local school district ending as the president and I also for nine years I was the secretary-treasurer of a local fire district, so I've got some experience in paying taxes and also in trying to use the revenue as efficiently as I could as well for the benefit of the community. First point, Nebraska is overly reliant on property taxes for funding local government. And I believe for the stability of the system, to help with economic growth, we need to diverse...Nebraska needs to diversify its portfolio of resources for funding local government because there's times when one sector is high, it gets low, another one's up, and when you get, at least in the rural part of the state where local government is so dependent on just one of those three legs of that stool--sales, property and income tax--and not ignoring the urban areas as well because there's a high amount of property tax there and it's just getting out of kilter, it's just not a good staple plan. Two, LB350, I would ask you to forward that bill out of your committee to the floor to the full Legislature for debate. No, it doesn't cure everything, it doesn't fix everything, but it's a good first step. It's a good part of an overall package of ideas and bills that are out there that could be done to make a good step, a good effort to make the tax burden paid by all Nebraskans more equal and fair, more stable. Three, and this is where I'm going to try to shuck down to the cob. There's one thing I've listened this afternoon, there's one thing the discussion has kind of gone off in the wrong direction. And that's trying to compare property in this discussion. Yeah, you're the Revenue Committee and we're talking about property taxes so what kind of nut is sitting up here saying you shouldn't be comparing property. But we're comparing apples to, most people would

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say oranges, I'll say corn. We farm about 1,000 acres, just a little less and we own about three-fourths of that. And in the coming year I expect that we'll pay less than \$5,000 in state income tax, but we paid \$50,000 in property taxes. Now, we own a house and a couple of cars and so we pay property tax on them just like I would if...like when my parents when I grew up in Lincoln. But I also pay all this tax on the property, the land that I have to own or rent, and even if I rented, that cost is built into what I have to pay for rent. I have to pay that tax on that property that's necessary for farming and ranching to make an income. Am I off if I consider that another income tax in an indirect way? And so I would just ask that you don't get stuck on comparing, well, this property is taxed like this, this is like that, because property again doesn't pay tax, people do. What's wealth? Oh, the yellow light is on, I've got to go fast to get through it before it turns red. What is wealth? You know, I can't take an acre of land to town and buy groceries or whatever, and that land I have to have for my income. It's also my 401(k) or my IRA. It's my investment and I pay income tax on the income that I use to buy that land where someone in town, and they've probably done pretty good with say an investment account last years, the stock market is doing pretty good here lately. You know, so what's wealth? And this relates back to even, you know, the state aid formula which is not this committee's responsibility. That's something in my previous experience on school board. We were very aware of, you know. At one time, the biggest dream anybody that ever came to North America and Nebraska had was to own property because they came from someplace where that was probably impossible. It was the ultimate, ultimate sign of wealth, if you owned property. At one time in the United States you had to own property to vote when we started out even, it was that important, that significant. But things have changed and I think we need to look at people here and not property. We need to make it fair for all people in Nebraska. Thank you. Good luck. Your job is not easy. I can realize that. You have a limited number of resources that you also have to balance, and thank you for your time. [LB293 LB350]

SENATOR GLOOR: Mr. Grimes, thank you for your testimony. Even though it was extemporaneous, it was very nicely done. But if not property tax, given the other options that you gave us, which one do you think makes the most sense? Where does the burden shift to when you take a look at that three-legged stool? [LB293 LB350]

DAVID GRIMES: Ideally, you'd want them to have...our original goal in Nebraska as I recall was to have them fairly equal. Nobody wants to pay more taxes. The best and the most hardest, most difficult to solution is to grow the tax base. And you know, a lot of those things could come about by adding value to agricultural products. You know, we sometimes brag about our agricultural exports. Well, you know, really in some respects it's a failure because we export raw commodities. We need to do things, you know, to add value to what we do here and to grow our economy. That of course is the best solution and the most difficult and the one we would require the most patience to achieve. Short term, might be talking somewhat of a tax shift. [LB293 LB350]

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SENATOR GLOOR: Okay. Thank you. [LB293 LB350]

DAVID GRIMES: And I know that doesn't make your job easier. [LB293 LB350]

SENATOR GLOOR: We enjoy it nonetheless. (Laughter) Senator Schumacher. [LB293 LB350]

SENATOR SCHUMACHER: Thank you, Senator Gloor. One quick question, you said the best way is to grow the tax base. Well, in one respect you could look at the expansion of value of land as a real successful way of growing the tax base. [LB293 LB350]

DAVID GRIMES: Oh...okay, there you go. You're stuck on property, not on wealth. What is wealth? What's the tax base? Is it dirt, soil? Or is it income? Or is it people spending? You know, what is really wealth? And even the value, you know, I'm not...you can't just buy and sell farmland, although I kind of did a couple years ago. You know, it's not as easy as say, buying and selling stocks or bonds or something like that. And even if you did sell a farm...I mean even the farm isn't worth what it's worth because if I go to sell it there's a deferred tax liability against that capital gain. Say, there's an idea. We never come up with that one yet. Maybe the values, maybe we need to change how farmland is valued. Maybe we should deduct the deferred tax liability against it. But, yeah. [LB293 LB350]

SENATOR SCHUMACHER: But what if you die with it? Then you don't have that tax liability. [LB293 LB350]

DAVID GRIMES: Well, they're trying to take care of that unfortunately I think. Yeah. [LB293 LB350]

SENATOR SCHUMACHER: I just wanted to comment that we spent a semester when I was Georgetown Law School asking the very same question: What is property? We never came up with an answer. So we're all doing... [LB293 LB350]

DAVID GRIMES: The good news is we're blessed with some...and you brought it up. We are blessed with a real good land resource in Nebraska. And unfortunately, it makes it pretty easy to just tax land because it's always there. But again, I appreciate all you're doing, but we need to get past what...talk about resources. We need to talk about people and wealth and what's fair and go from there. [LB293 LB350]

SENATOR GLOOR: Thank you, Mr. Grimes. [LB293 LB350]

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DAVID GRIMES: Thank you for giving me the opportunity to speak. I hope I didn't just confuse you more. [LB293 LB350]

SENATOR GLOOR: We appreciate the empathy. Thank you. Next proponent. Can I see a show of hands of how many proponents we have remaining. Okay. Thank you. [LB293 LB350]

LAURA FIELD: Good afternoon, Chairman Gloor, members of the committee. My name is Laura Field, L-a-u-r-a F-i-e-l-d, and I'm here on behalf of Nebraska Cattlemen. I should have let my former neighbor, David Grimes, who only lived a mile north of me until he moved and very eloquent speaker, just speak on my behalf. I don't have much to add to the conversation except to say our board of directors voted to support both of the bills that you're hearing right now and certainly realize this is part of a bigger conversation. And we're glad to be part of that and appreciate being here today to tell you that. [LB293 LB350]

SENATOR GLOOR: Questions? Seeing none, thank you, Laura. And our final proponent. [LB293 LB350]

JEFF QUIST: Good afternoon, everyone. [LB293 LB350]

SENATOR GLOOR: Good afternoon. [LB293 LB350]

JEFF QUIST: Chairman Gloor, committee members, I'm Jeff Quist, J-e-f-f Q-u-i-s-t. I'm the chairman of the Washington County Board of Supervisors. We're here...our board voted last Tuesday to support the tax relief legislation. We're getting a lot of conversation locally from farmers--as a matter of fact, the local newspaper yesterday, headlines. You might not all be able to see it: "Ag land owners question high valuations." They haven't even seen their valuations coming in May yet. And as their county assessor, as I already spoke, it's going to go through the roof again. This probably is one of the most discussed issue that's ever come before me. I've been on the county board for 15 years now. And this has really become a hot-button issue. I mean, whether it's personal contact, phone calls, I got texts today, you know, it's really come to the forefront. And folks are kind of at their limit on this. And these are the folks that maybe they own ground, maybe they rent ground, bigger operations, smaller operations. One of the things that hasn't been touched on is the retirees that rely on their rental income from farms. And that's being squeezed. You know, rents have went up. They've went up. It's reached a plateau now, but our values still seem to be creeping up. And you've got folks that are in retirement homes. It's costing them just about everything that they're netting from these farms to exist right now. So there's a lot of different dynamics going on here. Am I saying that this is the absolute best solution. No. There's a lot of bills out there. There's a lot of different dynamics going on in some of the things that have been presented. I'm just hoping that we can get something accomplished.

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One of my good friends and neighbors is a farmer. And he happens to be president of the Blair School Board. And they're really wrestling with some issues there: big tax reductions, laying off teachers, administration, all of those kinds of things. And they're at their levy limit. Like he told me today, he says we need to try to figure out something here to make this whole thing work. And I think he wouldn't support another bill or two that's out here. We had a brief conversation about it last night. It may end being the offset is to increase income tax, you know. And that's kind of the way he was leaning. I'm not saying that that's the absolute. I think we just have to have a conversation. It's not easy for anyone here. I sit on...I sit where you're at every other Tuesday, and you hear all these issues come before you. But we're all tasked with trying to come up with a solution. And it's been kicked around. I know there was that committee that Senator Schumacher was on that went around to I don't know how many stops around the state. The one I was at at Norfolk, the big discussion was coming out of the ag producers, I believe. That was what I took out of it. So they're showing the most stress out of this right now. You know, a lot of other folks have testified to other things and increases and percentages and so on and so forth. And so there's no reason for me to get back in the middle of that. I was at an ag seminar last Friday, talked to the presenter who is a farmer, northwest Iowa. I says what are your real estate taxes up there? He says, gosh, I don't know. He says my wife pays them, but I think they're in that \$25- to \$35-an-acre range. Well, that's a far cry from where we're at in that \$50 to \$90 range in Washington County. So there are some inequities going across the state lines. I'm not claiming to have the magic bullet, but if you, you know, at any time wish to call me, I can talk for hours, so. (Laugh) Anyway, I'll wrap it up. I see I've got a yellow light. And I'd entertain any questions. [LB293 LB350]

SENATOR GLOOR: Thank you. Are there any questions? Senator Schumacher. [LB293 LB350]

SENATOR SCHUMACHER: Just one kind of information question, when you have the values go up, what's been your county board's reaction with your county levy? Has the levies gone down so the taxes stayed even? [LB293 LB350]

JEFF QUIST: And that's interesting because our tax-asking dollar this past year went down, not...the levying went down but even the tax-asking dollar. And we've been able to achieve that the last couple years. Two years ago it was small. Mr. Kaiser had some information about that. I think it was 7 percent lower last year. And this is another thing that...and this is another bailiwick and it's ends up being inheritance taxes and stuff. The inheritance tax allowed us to lower our tax-asking dollar and still manage to conduct our services and get our projects done. [LB293 LB350]

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SENATOR SCHUMACHER: And I take it the school board hasn't been so lucky to be able to reduce its levy to offset the increase in value. [LB293 LB350]

JEFF QUIST: You know, I'm not going to speak with great knowledge about the nuances of the school board. I do know that a couple years ago there was a large influx of personal property tax, and it was due to some industry. But they created enough jobs that it was there one year, created enough jobs, about \$1 million worth of valuation went away the next year. And it raised havoc with their state aid. It raised havoc with the spending that they had done. You know, there's a lot of dynamics in there. And I won't speak totally on that because I'm not that familiar with it, just cite conversations about this. So the state aid would be a big component I'm sure of our local school board. That's been discussed. And as the school board formula works right now, they're kind of in the doughnut hole. We're not the Learning Community. We're not a small western district. I understand they get some help. We're kind of in the middle. And there is no state aid that helps them out, that's what I've been told. So some of the schools...they said Beatrice perhaps is maybe the closest to what Blair's size is. And they're kind of in the same situation. But, you know, talk to the school board president. He would know more. [LB293 LB350]

SENATOR SCHUMACHER: Thank you. [LB293 LB350]

SENATOR GLOOR: Thank you. Thank you for your testimony. We'll now move to opponents for these bills, those in opposition. [LB293 LB350]

TOM PLACZEK: Good afternoon, Chairman Gloor and the rest of the members of the Revenue Committee. My name is Tom Placzek, T-o-m P-l-a-c-z-e-k. I am the Platte County Assessor and the legislative representative for the assessors to NACO. My opposition to the bill, and in talking with lots of assessors, while it doesn't change what we do, most of the talk, in fact all the talk is--with obviously a few exceptions here, my compadre from Washington County, Steve--don't feel this bill will really achieve anything. The urban tax districts won't be affected because there's no farmland there. The rural tax districts won't be affected because there's no...there's very little to no residential and commercial property to move it to. So the ones that maybe see some effect would be a suburban district. In Platte County, the Lakeview School District, which Senator Schumacher is very familiar with, I looked at that. There's about 48 percent of that district is ag land. When I ran the numbers and did a 10 percent deduction and used the same budget and worked the figures the best that I could, it amounted to approximately a \$300,000 reduction in taxes...or that would have to be shifted. It's a very big district. The school budget is \$7 million. So just on that alone, that doesn't take into account any of the other entities that would, you know, have some effect there. If you divided that out on a per-acre basis, I think you were looking at maybe \$2 an acre, something like that. It just didn't amount to a lot. One of the things that I keep hearing and I don't know that it's being addressed is as an assessor, we are on a...we

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always look at ag properties every year, and we have a three-year rolling average of sales ratios that we're dealing with. At this time, I believe the ag market is self-correcting. I believe this will probably be the last year that you're probably going to see any significant increases at all. In Platte County, we'll have two market areas. One area will have a 20 percent increase. There's one area that will have a 10 percent decrease. The marginal ground is starting...is going down. The better ground has leveled off, but because we're still...have the two years, three years out, it's catching up. Had we just been on a year-to-year basis, I wouldn't be surprised if we'd had gone down just a little bit this year, but we're still playing catch-up. So I believe this is self-correcting as most markets do. They go up, they go down. And any time you try to harness markets, you end up with a mess. This will, I believe, sort itself out. I have no dog in this fight, so to speak. But I just don't believe that this particular bill is going to achieve. It may feel good to some people, but I just don't feel it's going to achieve really anything. And that's all I've got to say. [LB293 LB350]

SENATOR GLOOR: Questions for Mr. Placzek? I see none, thank you for your testimony again. [LB293 LB350]

TOM PLACZEK: Thank you. [LB293 LB350]

SENATOR GLOOR: We should give you frequent-flyer miles. [LB293 LB350]

TOM PLACZEK: (Laugh) I know the way by heart. [LB293 LB350]

LARRY DIX: (Exhibits 5 and 6) Good afternoon, Senator Gloor. My name is Larry Dix, spelled L-a-r-r-y D-i-x. I'm executive director of Nebraska Association of County Officials testifying today in opposition to LB350 and LB293. And what I'm handing out, a couple of documents. There's going to be a document coming around. It's going to have some yellow highlighting on it. And typically I get that to the committee at some point in time every year. It shows what is happening with the county tax rates and what they're doing with their levies. So for the probably past six or seven years, I have done that. And then the other document that I handed out is coming to me by way of Frontier County, Frontier County Assessor. And it takes a little bit longer to look at values and levies over an eight-year period of time. And so we can start to look at it at a bigger picture. But before we get to those, I wanted to just get a couple of comments in here. It's very, very difficult I know to develop tax policy statewide that is going to impact across the whole state. We know it's going to impact very, very differently. What you heard in testimony from Platte County and what I'm hearing from assessors across the state is that we're starting to see a flattening of the ag land sales. We're starting to see that. In fact, we've seen some auctions where property just hasn't sold. People aren't getting what they want out of it. So we're seeing a fewer number of sales. And when we are seeing those, it's becoming flat. It's starting to do that.

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So it will catch up. One of the things...and I've testified on this bill for however many years we've had this bill in here, a number of years. One of the things that we look at in this bill is typically we're always reducing the ag land value in a bill like this. As we've had the conversation today and people are saying, yeah, you know, we go through, if we have crashes, this and that, I don't ever see anything in the bill that says when do we increase them? When do we change the percentages back up? If we actually have a significant drop in ag land values, should there be something that kicks in that says, okay, now we ratchet back up that percent because that could have a significant impact. From the county's perspective, our concern is about the tax base and the size of the tax base. And it's our concern across the whole state. When you look at some of the folks on this sheet, you'll see a couple of counties that are at their 50-cent limit. Now when we see a decrease in tax base, they simply have nowhere to go. They're...they cannot raise that. I don't want to say they have nowhere to go. They would have to take it to a vote of the people. That's going to be a very difficult vote. Or they would have to start shutting down services. Services to counties are things that our ag industry primarily depends on: roads, bridges, things like that. And so we have sort of a dynamic because from a county perspective, we're not able to rely on income tax and sales tax. We don't have that. It's only this tax base that we're concerned about. One of the comments that I want to make, and it just sort of popped into my mind earlier today when we were talking about...I think Senator Harr had asked the question or looked at, where is the percentage of values over a many-year period of time. And the comment was, yeah, but in the residential area, we're seeing new growth and things like that. One of the phenomenons that was happening in the ag sector that no one has mentioned today is we have seen a number of folks that have taken dryland, converted it to irrigated. It's the same number of acres. Or they've taken marginal ground that's pastureland, converted it to dry. And, of course, that creates a pretty good spike in value. We're not...we don't have any more acres. We just are converting the use. So that has created a little bit of what we see in the increase. It hasn't just been sales. It has been a little bit. So this is self-explanatory. This document here will take you through Frontier County. And a couple of you have seen this before. But what it does, it shows the value, the valuation increase. And the first page, the one in red is the value in the cities, in the cities and villages. And you can see over that eight-year period very, very little valuation growth. The next one, it looks at schools and separates out those. And you'll see the increase in value. So if we take the first column it went from \$80 million of value in 2006 to \$200 million in 2014. So it recognizes, it shows that is an increase. And you'll see here the levy went from \$1.21 down to \$0.71. We see that happening. When you shift to the middle part, we see a similar increase, but we do not see the same decrease in value. And that may be due to some unique things that are going on in that school. But where their value...and I haven't studied it to that level. And I'm not trying to throw anybody under the bus here. If you flip to the next page, then we look at fire districts. And I'm out of time. So I will close unless anyone has a question. [LB293 LB350]

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SENATOR GLOOR: Thank you, Mr. Dix. I have a question about your fire districts page.  
[LB293 LB350]

LARRY DIX: All right. On the fire district levy, this one here...and I'll just point out to the very far right column. If you'll note, fire districts, which are not made whole by any of the state aid, went from \$12 million to \$34 million, but you can see what happened to the levy. There was no change, no change at all in the levy. And you go through...and really I apologize. I haven't done this for a number of counties. I did contact Department of Revenue. I think they can produce this information. But part of the dynamic that we're seeing in the incredible ag land growth is we're seeing some taxing entities that make up your tax statement not really doing a very good job of lowering levies because valuation is doubling and tripling. I think we can see it a little bit on the last page that is sort of in yellow. So it's hard to read. I'll have to get my glasses out to read that one. But it's...like on the ESU if you look at that. That one has shown two and a half times, and very, very minimal decrease in value. So we've got some unique things going on within the taxing system of taxing entities that are also compounding exactly what you heard from the folks from the ag sector that's going on. So you know, it's part of when we look at this big picture of what do we do, part of...we've got to take a look within there of what individually taxing entities are doing. And I know I've been talking to counties, and I think when you look at this sheet here and you see that 89 out of 93 counties either lowered or left their rate the same, that's probably what you would expect in a number of other taxing entities. But that isn't...in reality, that isn't what's happening. And so that's compounding some of the problems that we're seeing out in the rural areas. Frontier County is an excellent example. Frontier County, the county seat is Stockville. And I don't know, Senator Harr, if you've been to Stockville. It's got 25 people. So if you lower ag land value, you're not...you don't really have anywhere to go to shift it. You are simply...and there's one other town in that county of 900. You have nowhere to shift. You simply are going to lower the value and you're going to see exactly what we see happening here. People are going to...lower the value, they're going to increase the tax rate. And without anywhere to shift it to, those same taxpayers are going to pay a higher rate. So I'm not saying that this necessarily is the solution to our taxing problem, but within some of these taxing districts, maybe there is something we should look at. [LB293 LB350]

SENATOR GLOOR: Senator Sullivan. [LB293 LB350]

SENATOR SULLIVAN: Thank you, Senator Gloor, and thank you, Mr. Dix, for your comments, and I'm sorry I wasn't here at the first of them. So I don't think any of this though relates to anything you've said thus far. But I happened to see a constituent in the Rotunda yesterday, and he posed a couple questions. And I didn't know if this bill has any implications. But he said what would this mean to homestead exemptions and also to school bonds? Will this action of lowering ag land values have any impact? It doesn't reflect on the fiscal note any implications for the state

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reimbursement for homestead exemptions, so I guess there is no impact there, but I don't know. [LB293 LB350]

LARRY DIX: No. On homestead exemption I don't believe there would be any impact because this bill would lower ag land values. Homestead exemptions should be...should remain the same. So I don't believe there should be any impact on the homestead exemptions. On the school bonds, those bonds would have been passed based on a valuation base. And so I don't think there would be much if any impact on a bond. Now I want to sort of reserve the right to think through that and maybe get back to you in the next couple of days. [LB293 LB350]

SENATOR SULLIVAN: Yeah, yeah. Okay. [LB293 LB350]

LARRY DIX: But I don't think so. [LB293 LB350]

SENATOR SULLIVAN: Okay. Thank you. [LB293 LB350]

LARRY DIX: Don't think so. [LB293 LB350]

SENATOR GLOOR: Senator Schumacher. [LB293 LB350]

SENATOR SCHUMACHER: Thank you, Senator Gloor. In some of these cases where valuations have gone way up and there's not been much change in the levy, shouldn't that taxing entity have hit some kind of a budget lid or something that would have stopped that? [LB293 LB350]

LARRY DIX: It's interesting, when I look at these and, Senator Schumacher, let's just pull out this fire district here. Most of these taxing entities, like county government is tied to a 2.5 percent spending limitation. And so if we're tied to 2.5 percent spending and the valuation is jumping much faster than 2.5 percent, somewhere, you would think, that the spending limitation would force the tax rate to decrease. And so I didn't dig into that. So I don't know the answer to that, but logic tells me that's what should be happening. But the numbers are telling us that's not exactly what is happening. Now I think once you get to schools, I think because of some of that shifting of value, then you kick into the state aid formula which may give them some authority to do something different. But like an NRD, a county, those kinds of things, you should not see, if you have that much of an increase, you should not see that that tax rate is staying the same. And I don't really know...all these budgets are sent into the State Auditor's Office. And I think that would be the entity there that we would think maybe would catch some of that. But we as counties don't ever see those budgets. [LB293 LB350]

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SENATOR SCHUMACHER: Well, doesn't some of this stuff go to the county board? They prepare their budget and it goes to the county board and the county board is the one that cooks up the overall levy figure. [LB293 LB350]

LARRY DIX: No. The county boards will say we are going to give levy authority, like a fire district. They will say all the fire districts in a county, we give you X number of cents of levy authority. Then the fire district does their budget and it's sent into the state. That budget does not come back to the county. [LB293 LB350]

SENATOR SCHUMACHER: So the tax request isn't made through the county board then. [LB293 LB350]

LARRY DIX: No. The county board doesn't have the authority then to say, no, you've raised it too much or too less. [LB293 LB350]

SENATOR SCHUMACHER: So they wouldn't have a paper trail that they could say, whoops, something doesn't look right. [LB293 LB350]

LARRY DIX: I don't think. The only thing that they have is what they come back, and what is resubmitted to the county then is the tax rate. So then the county can apply the tax rate to the value to come up with the tax. [LB293 LB350]

SENATOR SCHUMACHER: Thank you. [LB293 LB350]

SENATOR GLOOR: Seeing no further questions, thank you, Larry. [LB293 LB350]

LARRY DIX: Thank you. [LB293 LB350]

RENEE FRY: (Exhibit 7) It's still afternoon. Good afternoon, Chairman Gloor and members of the Revenue Committee. My name is Renee Fry, R-e-n-e-e F-r-y. I'm the executive director of the OpenSky Policy Institute. We appreciate the intent of LB293 and LB350, but we have two primary concerns about these bills: first, the disparate impact on taxpayers and, second, the loss of revenue to schools, counties, community colleges, and other local governments that will likely lead to cuts to services or higher property taxes for many Nebraskans. I'm not going to spend time talking about the disparate impact. I feel that's been more than covered today by questions that the committee has asked. But I have handed out a closer look at Lincoln County that was referenced earlier by Senator Davis. And this does illustrate the variable impact to ag landowners, residents, and businesses. Our greater concern is a loss of revenue for local

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governments. LB293 and LB350 would result in a \$138.5 million shortfall for Nebraska's localities that include \$94.2 million for K-12 schools, \$27.6 million for counties, \$9.6 million for community colleges, and \$7.1 million in losses for other entities. Current law would call for a \$26.4 million more in state aid, still leaving K-12 schools with a \$68 million shortfall. Even if the additional state aid is funded, it would not be triggered until the second year after valuations were decreased, and it would only benefit schools that receive equalization aid. Counties, community colleges, and other local entities would not be helped at all. If the state aid increase is funded, property tax levy rates across the state would have to increase an average of 5.8 cents to avoid service cuts. And at least 16 school districts in four counties would be unable to make themselves whole without overriding their levy limits. If the state does not fund an increase in state aid, levies across the state would have to increase an average of 7.1 cents, including 13.5 cents in the most agricultural parts of the state, and at least 55 school districts would be unable to make themselves whole without overriding their levy limits. As a final observation, this proposal would narrow the disparity of property tax levies among ag landowners since ag landowners that are adjacent to urban areas tend to have higher levies than those in highly rural areas. However, you could accomplish this by reducing the value of ag land in the TEEOSA formula if the state aid increase is funded, and this would not cause a negative impact to other critical local services. Thank you for your time. I would be happy to answer any questions. [LB293 LB350]

SENATOR GLOOR: Questions for Ms. Fry. Seeing none, thank you. [LB293 LB350]

RENEE FRY: Thank you. [LB293 LB350]

SENATOR GLOOR: Anyone else in opposition? [LB293 LB350]

JOHN HANSEN: (Exhibits 8 and 9) Mr. Chairman, members of the committee, good afternoon. For the record, my name is John Hansen, J-o-h-n, Hansen, H-a-n-s-e-n, and I'm the president of the Nebraska Farmers Union, and I represent my organization as well as I'm pinch-hitting today for the Center for Rural Affairs. So I also represent them. The case that the folks have made today for the inequities and the problems with how we value ag land is a good case to be made. And my organization agrees with that. We would...the point at which we disagree is what we think the remedy is. And in our view, we have...when you go out and you talk to agriculture and you talk to the folks in our ag organizations, I get more calls on property tax problems and property tax issues than any other thing I do. I get a lot of calls from folks along the borders. And conversations go to the specifics of this is what I am paying per acre for the same land in Kansas as I'm paying in Nebraska. This is what I'm paying in Wyoming compared to Nebraska. This is what I'm paying in Colorado compared to Nebraska. And so it goes, as well as South Dakota and Iowa and Missouri. And so as I have those conversations, when I ask the question, well, what do you think about a 10 percent reduction? It just kind of makes them spitting mad.

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(Laugh) It doesn't, you know, it doesn't even come close to equalizing the disparity in the starting place for valuations. And so while I think we've done a good job of identifying...the proponents have done a good job of identifying the problem, the size of the problem is such that we need more than a 10 percent difference. I think we have to take a look at how it is that we value ag land in our state because our starting place is substantially out of whack. So I have a confession to make. I've been carrying around...I'm Norwegian, and I have a lot of guilt as any Norwegian should. But last year I testified in a neutral position on this issue, and then proceeded to pretty much savage the whole concept. And so I thought that was less than honest and straightforward. So I put this issue before my board at my last meeting. And so the discussion of my board was an interesting discussion. And based on where they lived and where they were in the state of Nebraska, this particular proposal would help those closest to population centers, and it would not help a substantial number of my board of directors in counties where there was no...there were not multiple sources of tax treatment. So if there was not anyone to shift to--so where you didn't have different classes to move to--all you were doing is changing pockets on the same set of pants. And so the argument was, well, okay, so if we help you guys, then what about us? And then what are the prospects for helping us after we've helped you. And the view was that it went down and that we ought to hold out for something more substantial, more across the board that actually gives us more substantial property tax relief. And so my testimony from last evening was we would look at something like this if it were part of a package where there was a trade-off that actually got us to somewhere that we wanted to go. But if this is standalone, the public perception will come back and bite us both in terms of the public at large, in terms of the ag community. I'm afraid of divisions within the ag community. You helped some of us. You didn't help the most of us. And I think that the majority of landowners will not be helped by this, frankly. And that's what the data that we've looked at from the Revenue Committee for years has said. You know, we're in a situation where it is an urgent situation we have. When you look at the USDA data, the forecast for 2015 is farm income to be down 32 percent this year. And when you look at it from 2013-15, it's projected to be down 43 percent. So we're seeing substantial reductions in farm income, yet our valuations are sitting there pretty much the same, going up in a lot of cases. And we're completely out of whack. We're not a little of whack. And so I would like to see this committee, if I had my druthers, do a task force that gathers up the stakeholders and brings in some expertise and tries to get at the business of how Nebraska values ag land because I think it is in need of an overhaul as opposed to a tinker. [LB293 LB350]

SENATOR GLOOR: Mr. Hansen. [LB293 LB350]

JOHN HANSEN: Yes. [LB293 LB350]

SENATOR GLOOR: Have you discussed further the bill that would provide for a \$25,000 personal property tax exemption, which is really a small business bill, not just an ag bill? It certainly would help ag and would help ag producers who farm the land, not as was referenced

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earlier, the property owner who lives in Senator Harr's district who might be benefitted by 75/65. [LB293 LB350]

JOHN HANSEN: Well, if I'm remembering my last discussion, I think it was some senator from Platte County that raised the question of whether or not it was constitutional. And it was my view then, as it is now, that all of the things that are some version of circuit breaker-type legislation, I think we ought to find out whether it is in fact going to be held constitutional or not because I don't think...I think it's a good enough concept generally that it could be useful in a lot of different ways in order to try to provide a more fair and balanced based on the ability to pay tax system. But I think we ought to take it for a spin and see whether or not it gets shot full of holes rather than just voluntarily park it in advance of that. And I...maybe I'm feeling more adventuresome these days. But I like the concept, and I hate to just park it because we fear it may not stand constitutional muster. I think we ought to check it out and see. [LB293 LB350]

SENATOR GLOOR: Okay. Thank you. Any other questions? Seeing none, thank you. [LB293 LB350]

JOHN HANSEN: Thank you very much. [LB293 LB350]

SENATOR GLOOR: Were there any other opponents? Anyone in a neutral capacity? [LB293 LB350]

LARRY SCHERER: Good afternoon, Chairman Gloor. [LB293 LB350]

SENATOR GLOOR: Good afternoon. [LB293 LB350]

LARRY SCHERER: (Exhibit 10) Members of the Revenue Committee, my name is Larry Scherer, L-a-r-r-y S-c-h-e-r-e-r, and I'm here representing the Nebraska State Education Association. On the tax policy part of this, we are neutral in that there obviously are some concerns. There are some real issues there. But on the...not opposed to that necessarily, except if it hurts schools. And you've heard about what happens to school districts that have a loss of money. If it's all rural, raise the levy. But there are a number of them out there. And I gave two examples, could have probably given a half-dozen of those--it's on the back there--of a district in southeast Nebraska and one in south central. And they're small towns. They're six...but one of them has a \$7 million budget and the other about a \$3 million budget. You see that the first one would lose about \$366,000. And this is based on the assumption that there is a loss of revenue after equalization. These districts do not receive equalization. They're nonequalization districts. And they're near the \$1.05 levy, so their options are more limited. And it just...you can see one of

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them has \$1.0422, and the other one is already at \$1.05. One of them, the one in south central, does gain some equalization. This is enough to put them into equalization. And that's what it should do. The other one unfortunately does not, meaning it's so far down below that it doesn't bring them up. So what this ends up at is, you know, cuts of around 4 percent. Actually the first one is probably over 5 percent because there's a little question about the valuation in that one. I just wanted you to know that there are some real districts out there that if something like this passes, their board is going to have to, you know, make some hard choices. And we think that if you do enact something like this, you know, put the \$64 million (laugh) in the budget to help those school districts deal with it. They're already under levy limits. They're already under budget lids. And going down would be pretty difficult for many of these rural districts because their budget lid has been pretty tight for a number of years. So I don't have anything else. I know the hour is late, and \$12,000 a year isn't nearly enough for what you folks do. If there's any questions I would try to answer them. Otherwise... [LB293 LB350]

SENATOR GLOOR: Senator Scheer, would you like to ask Mr. Scherer a question? [LB293 LB350]

SENATOR SCHEER: Well, he spells his name wrong. That's okay. Is this something that you folks would support if indeed it had some type of a hold-harmless clause attached to it? [LB293 LB350]

LARRY SCHERER: If there would be a component of aid put into it to offset the loss, you know, we wouldn't have any problem with it. Whether on the tax policy part of it, if the rural districts are more supportive of state aid than they are right now, yes, I think it is beneficial because there's a great divide there right now as you know. [LB293 LB350]

SENATOR SCHEER: Okay. Thank you. [LB293 LB350]

LARRY SCHERER: Thank you. [LB293 LB350]

SENATOR SCHEER: Thank you, Senator Gloor. [LB293 LB350]

SENATOR GLOOR: Any other questions? Thank you. Any other neutral testimony? Good afternoon. [LB293 LB350]

MICHEAL DWYER: (Exhibit 11) Good evening, almost. Chairman Gloor and members of the Revenue Committee, my name is Micheal Dwyer, M-i-c-h-e-a-l D-w-y-e-r. I am president of the Arlington School Board and also a member of the NASB legislative committee, but I want to

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stress that I'm here testifying this afternoon personally and not on behalf of either of those organizations. You have my testimony and I'll let you enjoy that. And because of the hour, I won't belabor it by simply reading it off. But I would stress just a couple of things. For me personally this has been a...and I think for many school board members across the state, this is a difficult issue. Senator Brasch is our senator. She's a great Nebraskan. And obviously by her opening, she's very impassioned by this issue. In addition, her staff has been very helpful in helping me prepare my testimony. But on the other hand, as a member and president of our school board, I have a great responsibility to our 597 students this morning. So I'm trying to walk, quite frankly, a very narrow line at the top of this hill and perhaps just provide a little bit of our perspective and information and answer some questions. As you read through that, I would just stress a couple of things. And we spoke with the Governor yesterday, and I think he has agreed that phasing of whatever plan that comes out of the committee and the Legislature will be important just to give us a little bit of time. And speaking with Senator Brasch's office this morning, there's still a little debate about whether this, LB350, would take effect immediately or whether it would be '16-17 year. So just giving us a chance to adjust a little bit. In our particular case, we're at \$1.05, so we have very little flexibility. We have done our best, I think, to do due diligence to hold our budget. But we also again have 597 kids that we're responsible for. The only other thing I would mention, and it's been sort of alluded to today a little bit, that somehow school districts across Nebraska, particularly those of us that have seen budget increases, are spending like drunken sailors. And I would challenge you that...I promise you we're not doing that. We're simply trying to do the best job that we can for the kids that we have. On the second page you'll see a list of the programs, and in some cases, the mandates beyond just the three Rs that our district and districts across Nebraska are responsible for implementing. Quite frankly in many cases whether we...they're all good ideas. There's a lot of good things on that list, but whether we necessarily like them or not, those are our responsibilities and we get that. The only other point that I'd make is...and some of the things that were brought up today, what I haven't heard that I think will be really important whatever comes out of this committee and goes to the floor will be some of those modeling pieces. I know that NDE, I spoke with Rachel Wise yesterday, has offered to do, and I think they're already starting on some modeling. Because of the diversity of so many school districts across the state, I think as you look at that picture, modeling exactly how that will affect those individual districts will be a key component in deciding exactly what property tax relief comes out. With that said, I also want to make sure you understand that clearly property tax relief needs to come to the ag districts particularly in our state. And I think most people, school board members included, support that. Thank you for your time. I'll be happy to answer any questions I can. [LB293 LB350]

SENATOR GLOOR: Thank you, Mr. Dwyer, and I do appreciate this list. And it does a great job of emphasizing how times have changed. I know it's been reprinted or reshared, but there are asterisks by some of these. [LB293 LB350]

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MICHEAL DWYER: Yes, and I appreciate you mentioning that. The Governor's Office had also asked for a copy, as did Rachel Wise from NDE. And those asterisks indicates the programs that I know to be mandates. And I will tell you honestly that I did that work early this morning and that question came up, and I don't want to get too far into the weeds and, quite frankly, well above my pay grade. And I want the opportunity to clarify exactly which of those that we have simply no choice about and the ones that are simply programs, perhaps good programs, that we need to educate our kids beyond the three Rs. I hope that answers your question. [LB293 LB350]

SENATOR GLOOR: Yes. [LB293 LB350]

MICHEAL DWYER: That's what the asterisk is for. I'd be happy to clarify that list. I promised the Governor's Office that Tuesday. So perhaps he'll do that. [LB293 LB350]

SENATOR GLOOR: Okay. Thank you. Senator Schumacher. [LB293 LB350]

SENATOR SCHUMACHER: Thank you, Senator Gloor. Some of those asterisks are federal and some state. [LB293 LB350]

MICHEAL DWYER: Correct. [LB293 LB350]

SENATOR SCHUMACHER: Thank you. [LB293 LB350]

SENATOR GLOOR: Thank you, Mr. Dwyer. [LB293 LB350]

MICHEAL DWYER: Thank you. [LB293 LB350]

SENATOR GLOOR: Anyone else in a neutral capacity? Senator Brasch, you're recognized to close. [LB293 LB350]

SENATOR BRASCH: So here we are again. First of all, I do want to thank everyone that came forward to testify today. Their testimony is valued and appreciated. In closing, I did need to clarify something as well, is that in my opening I had mentioned that LB350 would result in a minimum of--and it's \$80 million, not \$800 million. So for transcribing, it's \$80 million. That's a correction. And when we talk about ag land versus residential property, they are two different types of land. And our constitution recognized this in 1990 with two different purposes. One provides a livelihood, the other provides a home. One is a business, and the other is a home.

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Businesses have different, if you want to call it tax breaks, tax credits, so be it. And in the state of Nebraska, everyone has said here how highly we value agriculture and its role. And we value everyone's occupation in our state. We did talk about the county levies. Senator Schumacher had a good point. It's the job of the constituents to urge and encourage their local government to control spending, their budget, and their levy increases. That is local. That is their responsibility. We can do only what we can do here at the state level. It's been brought to everyone's attention not only here and now, but there's been a request, an ongoing request for ag land property tax relief. One piece of a bigger puzzle is that this bill, along the way with others, we do need to address education funding. I had introduced LB351. I believe it's important that we do look at providing 20 percent of our current local income tax to the local school districts rather than the current 2 percent. And I have not looked at Senator Sullivan's proposal, but I understand that and possibly another one is again looking at that. And, Senator Davis, you made an excellent point. This is about fairness and the competitive disadvantage that we have. And I do want to thank you for making that point. Senator Schumacher, you had mentioned, but living in Nebraska is just the perfect place to live because of the water and irrigation and, you know, we...it's the perfect storm to grow great crops. That is valid and important. However, the grass is always greener. Somehow, you look into Iowa and they have more moisture than we do. They don't need all that irrigation. So they don't have the expense of the pivots and the energy and all the inputs you need. It isn't free to irrigate. Irrigating is very expensive. And we're also looking at the year we had our drought. Those pivots were turned off. They were regulated. In many parts of the state, you can't put a pivot in. You have what you have and you do your very best with it. And you're right, ag has come knocking on this door year after year. And this is a tough job of the Legislature. And we have an important function of gate keeping for the entire state. And the ag community has been, as I mentioned, along for the last ten years addressing this. And if this is provided and barring any unusual or emergency circumstances, we could put ag land property value back in the queue. But we've done that, and I don't think it's necessary to do that. We're not asking others to wait at the end of the line as we have for agriculture, year after year. You had mentioned the income tax bracketing as well. And yes, we will also pay in our income taxes as well as our ag land taxes and our personal property taxes and the other taxes, but we will share in the income tax burden. Happy to do so. And, Senator Schumacher, please let me use the analogy that was used by Lieutenant Governor Heidemann. It isn't as entertaining because his are with his grandkids. I love my grandkids too. But when you're dealing with a limited hand...card of hands...or hand of cards, and you have 50 cards. And you each start out with 25 cards. And one point if you end up with 35 and I have more, I might need to give you some of my cards to make the game right. And at some point, your hand will also not be equal or heavier than mine. And the right thing to do would be to give those cards back. So we can continue as good sports in sportsmanship where we're enjoying each other's company instead of fighting at who has more cards than the other has. And I think Nebraskans can be fair, and they're able to do that and accept that. And to Bill Kaiser's point, when he testified, that there will be increased revenues to some extent with the increase they see in Washington County. And I've heard other counties

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already declare the same, that they are going up. So we're not taking all the revenue away, all the abilities to fund schools necessarily, but we are putting a hold on astronomical growth that has occurred. And the local governing bodies, they've seen the great growth in revenues from the increased valuation. And if we need to look at all of the other needs on our tax receipts, that's the job of the local governments. That is outlying factors that need to be addressed on the local government level. However, that is their job. People have said our job is very difficult, and I would concur with that. But we must do our job and our responsibility as they must do theirs. So I would like to encourage you to help, and let's get this out on the floor with a companion bill that looks at school funding to ensure that there is no student in rural Nebraska or urban Nebraska who is put at risk in any potential way. And from the people who did run numbers, we have not run models yet. I spoke with Senator Sullivan about a model, and we're not quite there yet. But when we have an accurate working model, then we will do the Nebraska way on making sure that we are being fair, whether it's a handful or whatever districts. And right now, it is not equal. It is not fair. And I'm asking for your consideration in moving this forward. Thank you. [LB293 LB350]

SENATOR GLOOR: Any final questions for Senator Brasch? Thank you, Senator Brasch. And that will end the hearing on LB293 and LB350. We'll now move to LB384. Senator Lindstrom, thank you for your patience. I'll bet you can be rather quick with your bill. (Laughter) [LB293 LB350]

SENATOR LINDSTROM: This will be quickest bill you probably hear all session. So, yes, I will be brief. Thank you, Chairman Gloor. Thank you, committee. For the record, my name is Senator Brett Lindstrom, B-r-e-t-t L-i-n-d-s-t-r-o-m, representing Legislative District 18. I worked with Game and Parks to bring you LB384 for two reasons: first, to allow farmers the ability to gain some property tax relief and, second, to rebuild our wildlife habitat. It came to my attention this morning that there are currently provisions within the Department of Revenue that allow landowners to reclassify their land as they wish. In light of this new information. I would like to ask that this bill be held in committee until further research can be done. Thank you. [LB384]

SENATOR GLOOR: Thank you. And so let me repeat to make sure that we all understand, we have it on the record. You're asking the committee that based upon new information you have that shows this issue may well be addressed by...is addressed by current regulation, there's no need for us to take any action on this bill. [LB384]

SENATOR LINDSTROM: That is correct, Chairman. [LB384]

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SENATOR GLOOR: Okay. Thank you. Any questions? (Laughter) Apparently we have questions. Senator Smith. [LB384]

SENATOR SMITH: Given that this came to you from Game and Parks, did you determine that there is a mountain lion habitat in that area? (Laughter) [LB384]

SENATOR SCHUMACHER: That was my question. [LB384]

SENATOR LINDSTROM: No comment, Senator Smith. [LB384]

SENATOR GLOOR: I see no further questions. Thank you. [LB384]

SENATOR DAVIS: Senator Lindstrom, I'd like to visit with you about this off the floor sometime, this bill. I've got a thought on it. [LB384]

SENATOR LINDSTROM: Okay. Good. Thank you, Senator Davis. [LB384]

SENATOR GLOOR: Are there any proponents for this bill? Are there any opponents for this bill? Anyone in a neutral capacity? [LB384]

SENATOR SCHEER: It's late, Larry. [LB384]

KRISSA DELKA: I won't use the timer. [LB384]

LARRY DIX: Oh, thank you. Senator Gloor, members of the committee, my name is Larry Dix, L-a-r-r-y D-i-x. I'm executive director of Nebraska Association of County Officials. And Senator Lindstrom and I talked about this this morning. And really if somebody wants to change this valuation, we can do it today. And so I mean, I felt bad that I hadn't talked to Senator Lindstrom probably two or three weeks ago. But it's just one of those things I just sort saw, oh, this bill is up today, I need to talk to Senator Lindstrom about it. And there is statutory authority to really change somebody's land as far as land use, and it happens all the time. So we had a discussion and realized that this is something that the assessors can already do without this legislation. And so that was our piece in it. And again, I should have probably talked to Senator Lindstrom a couple weeks ago and really had the discussion at that point in time. So with that, that's all I have. [LB384]

SENATOR GLOOR: Okay. [LB384]

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SENATOR SCHEER: So you're saying it's really your fault. [LB384]

LARRY DIX: It's my fault. I will...Senator...I will take the fall. [LB384]

SENATOR GLOOR: Or Game and Parks. Seeing no questions, thank you. Anyone else in a neutral capacity? Senator Lindstrom waives closing. And that ends the hearing on LB384, and that ends the hearings today. Thank you all for your participation. [LB384]