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Revenue Committee  
February 27, 2015

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[LB386 LB391 LB428 LB453]

The Committee on Revenue met at 1:30 p.m. on Friday, February 17, 2015, in Room 1524 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB386, LB391, LB428, and LB453. Senators present: Mike Gloor, Chairperson; Paul Schumacher, Vice Chairperson; Lydia Brasch; Burke Harr; Jim Scheer; Jim Smith; and Kate Sullivan. Senators absent: Al Davis.

SENATOR GLOOR: Good afternoon and welcome to the Revenue Committee meeting on this Friday. I'm Mike Gloor. I am the Senator from Grand Island, District 35, and I Chair the committee. We would like to welcome you and we have a few rules that we would like folks to adhere to, if you would please. First is, if you've got cell phones with you, electronic devices, please either turn them off or put them on a silent mode. We have an agenda that we will cover in the order that's listed and that agenda is in the back of the room. Our order of presentation on a bill runs this way. We have the senator who introduces the bill first give his presentation, his opening. Then we go to proponents of a bill, then opponents of the bill, and anybody in a neutral capacity, and finally, if he or she so chooses, the senator has an opportunity to close on the bill for us. If you are planning to testify in any of those capacities today, would ask that you fill out one of the green sheets that's in the back of the room. We need that filled out. We need it handed in to the clerk, Krissa, who is down there on my left. If you have copies, we need ten...excuse me, 11 copies, and if you don't have copies, now would be a good time to get the attention of one of the pages so they can get enough copies made for you. When you testify, you need to give us your name. Please spell your name, not for us so much, but there's a microphone there that we ask you to speak into so that the recording of this, the transcribers of this can get your name spelled down accurately. We also have time limits. We give people five minutes and there's a light tree up here. When it's green, you know all systems are go. When it's yellow, you've got a minute to wrap things up, and when it's red, we ask you to stop or at least take a couple of seconds to wrap up very quickly. If not, I'll be herding you in that direction very quickly. To my right is counsel, Mary Jane Egr Edson; down on my left, as I pointed out, is Krissa Delka, she's clerk of the committee; Kay Bergquist is our research analyst, she's down on the right. And I will ask the senators to introduce themselves starting with Senator Scheer.

SENATOR SCHEER: You threw me off there. I'm Jim Scheer from District 19, which is Madison and a little bit of Stanton County.

SENATOR SMITH: Jim Smith, District 14 in Sarpy County.

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

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

SENATOR BRASCH: Lydia Brasch, District 16, Burt County, Cuming County and Washington County.

SENATOR GLOOR: Our pages are Colin from Wayne, and Donnie from Lincoln. One last comment I'd make that has to do with the fact that if you have a feeling on a bill and don't want to testify, there is a white sheet in the back of the room, on either side, and you can, in fact, put your name down and let us know whether you're for or against a bill. We'd ask you to listen to the testimony before and if your testimony is going to be the exact same testimony, you can say, I'm going to fill out this sheet rather than actually testify, or you can come up to the microphone and basically say, what he or she said, me too. We understand and we get the point when you do that. And with that, we'll start with the first bill. Senator Watermeier, LB386. Welcome back.

SENATOR WATERMEIER: (Exhibits 1 and 2) Thank you, Chairman Gloor, members of the Revenue Committee. I am Senator Dan Watermeier, spelled W-a-t-e-r-m-e-i-e-r representing the 1st Legislative District and here to introduce LB386. Currently, depreciable agricultural machinery and equipment used in commercial agriculture is exempt from sales tax and the use tax. LB386 seeks to clarify that agricultural machinery and equipment includes trailers used exclusively to transport agricultural machinery and equipment or supplies used in commercial agriculture to or from a farm or ranch. Let me give you just a little background on this. Back in August of 2013, I received a phone call from a constituent. He said he had bought a seed tender in 2009 believing that he would have to pay sales tax...that he would not have to pay sales tax due to the exemption on agricultural machinery. Several years later as a result of an audit, the dealership contacted him trying to collect the sales tax. As I understand, a new information guide from the Department of Revenue was posted on their Web site in July of 2012. We found a similar situation which was happening with header trailers as well. I passed out a picture of both of these in case you...in clearing, kind of an understanding of what they are and I'd be glad to answer any questions on what the role of those play in production agriculture. Agricultural machinery and equipment used in the commercial agriculture has been exempt from sales taxation since 1992. The Department of Revenue interprets the law through the use of rules and regulations in order to decide what machinery and equipment qualify for the sales tax exemption. A methodology used by the department involves analyzing whether the agricultural machinery and equipment is used directly in the cultivating or harvesting of a crop. As reflected in the July of 2012 information guide, the department claims that seed tenders and header trailers are subject to taxation because they are towed on public highways by a motor vehicle other than a farm tractor, and that they are not directly used in the harvesting or cultivating of a crop. I would tend to disagree with this interpretation as I feel the seed tenders and header trailers are directly

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involved in the harvesting and cultivating of a crop. I own several of these. I wouldn't own them, I wouldn't use them, and no one in the industry would unless they were actually cultivating or harvesting a crop. Although the department has indicated that seed tenders and header trailers have always been taxable, it caught equipment dealers by surprise when audited, as well as farmers when the dealerships approached them seeking to collect the sales tax. I'm assuming that these are types of equipment became more prevalent and the department had to exercise and interpret powers even though dealerships had not been collecting the sales tax on this type of equipment in prior years. Furthermore, the 2012 information guide was not publicized but simply posted on the department's Web site contributing to the confusion. Since agricultural machinery and equipment is exempt from the sales tax, it is instead placed on the personal property tax roles. The payment of sales tax typically goes hand in hand with licensing the trailer. Determining whether this type of equipment should be plated or not is part of the debate. Now, I think we need to work on developing a consistent fair way to tax this equipment making sure that owners of agricultural machinery and equipment are not...certainly not double taxed. Since I started working on this issue, some implement dealers have chosen to become a licensed trailer dealer, therefore, removing themselves from the issue by making it the customer's responsibility to pay the sales tax directly. I have introduced this bill to start the discussion. I am going to ask that the committee to hold it over the interim and let me work on it, and during that time period I intend to meet with interested parties and the Department of Revenue to see if we can come up with a workable solution to the tax issue. I did want to start the discussion and I thought I would just offer that out. I do have another bill coming up. I may not be able to offer any closing on this as well, so I'll just offer, if there's any additional questions. [LB386]

SENATOR GLOOR: Thank you, Senator Watermeier, and thank you for your willingness to keep working on this bill until you get it right, as far as your concern. [LB386]

SENATOR WATERMEIER: I think it's right. It just may take a little selling in different parts of the department. (Laughter) [LB386]

SENATOR GLOOR: Questions? Senator Schumacher. [LB386]

SENATOR SCHUMACHER: Thank you, Senator Gloor. Senator Watermeier, thank you for calling this to our attention. I would suggest just in reading your language of the bill, the bill in its present draft would exclude all trailers. They wouldn't have to be these odd things that can only be used in agriculture. So that may need to be addressed just a little further. [LB386]

SENATOR WATERMEIER: Okay. We spent a considerable amount of time and there's a definition about what trailers are. We looked in Iowa. We had a long debate with some of the interested parties and we really couldn't come up with a workable solution or a definition. The

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other problem we ran into was simply putting into statute some of these specific issues and then was afraid we've had to do it every two years. So, there...because the equipment is changing. I mean, everything wants to...everything is adding, and I see Senator Brasch is nodding her head too. It's just the way our industry works is that things are changing. I'm going to assume that NACO's going to come up behind me here and oppose this bill and it actually leaves me a little confused because if this bill...if we don't have this bill and everything is collecting sales tax, we won't have property tax on that. So, the property tax will not go to the counties. It will just...the sales tax will go to the state. So, I'm...it's just really quite a confusing issue among agriculture producers. And as I was sitting here just waiting to get started, I made a little rough list here and I actually own 17 of these in my operation. I've got a small operation and if you would go across everything that I have in my operation between hay trailers, seed trailers, water trailers, all these don't have titles and they've never been sales taxed because over the years of our industry, it's just what we've expects it. I mean, what we've experienced and what we kind of expect. [LB386]

SENATOR GLOOR: Do you use a header trailer to go from field to field to take it in for replacement of the teeth, I mean, a little of everything? [LB386]

SENATOR WATERMEIER: A little of everything, but mainly when they first came out, they were used as a better way to store the vehicles in the sheds. They take up less space. So they kind of serve two purposes. They're probably used once a year. I mean, I found my farm we use them half a dozen times for a six-week period and they're put in a shed. Sometimes they're pulled with farm tractors, sometimes with pickups. Of the ones that I was mentioning that I have on my particular operation, there isn't one of them that has a title. So that process would have to start all over as well and get a title for them if they want to collect sales tax. [LB386]

SENATOR GLOOR: Okay. Seeing no further questions, thank you. [LB386]

SENATOR WATERMEIER: All right. Very good. [LB386]

SENATOR GLOOR: We'll move to proponents. [LB386]

JAY REMPE: Senator Gloor, members of the committee, my name is Jay Rempe, J-a-y R-e-m-p-e. I've vice president of governmental relations for Nebraska Farm Bureau here today in support of LB386. First, I want to express our appreciation to Senator Watermeier for all his work behind the scenes on this issue and on this bill. We've worked closely with him and other parties to this, the equipment dealers and, somewhat, the Department of Revenue and others. I'm trying to work through this and I think Senator Watermeier did an excellent job of explaining the situation and the confusion we find ourselves in in trying to resolve this situation. Most farmers when they purchase these types of equipment--I'm glad Senator Watermeier passed around a picture of the

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equipment--they think of these as ag machinery and equipment. And so, we started getting some phone calls with the change of how the Department of Revenue was approaching it and asking why are they paying sales tax on it. And to complicate things further, there was a time element that Senator Watermeier mentioned that oftentimes these were purchased two or three years prior, they are depreciated out. They are put on their personal property tax rolls and so they're paying...being asked to pay twice on this piece of machinery. When farmers look at this, they think of a machinery equipment, it's a single purpose trailer, if you will. They're used for a very short time period. They don't think of them as the trailer like you normally you would run up and down the road. So, right now, how these things are treated tax wise is contingent upon whether or not they get them licensed. If they get them licensed, which by law they're supposed to, they're supposed to pay the sales tax. But oftentimes, farmers don't realize that they're supposed to be licensed so they're registering on their property taxes or depreciating them out and paying the personal property taxes on them. So, there's confusion out there. The bill doesn't resolve the situation. It's a little too broad as you pointed out, Senator Schumacher. And then we realized in looking at it that if you carried the bill forward, if a trailer wasn't licensed, then you wouldn't be paying any taxes on it, and that wasn't our intent either. Our intent was to try to clarify that you either do one or the other. So, we're going to work diligently with Senator Watermeier over the interim and others in trying to bring the committee back a better solution to this. So, with that, I'd be happy to answer any questions you might have. [LB386]

SENATOR GLOOR: Any questions of Mr. Rempe? Senator Schumacher. [LB386]

SENATOR SCHUMACHER: Thank you, Senator Gloor. You mentioned that they depreciate them out. Assume they don't pay sales tax on them, and they take the 179 one-year depreciation, then they wouldn't pay property tax on them either because they wouldn't have any value for personal property tax purposes. [LB386]

JAY REMPE: I...that's a good question and now that you ask it, I was going to look into that more because I think for personal property taxes, and I'll double-check this, Senator Schumacher, the statute lays out the schedule that they have to follow for personal property. It doesn't necessarily follow with what you do on your Section 179. Does that... [LB386]

SENATOR SCHUMACHER: That might be. I don't know. [LB386]

JAY REMPE: I think that might be right. I'll double-check on that and see. I'll let you know. [LB386]

SENATOR GLOOR: Senator Brasch. [LB386]

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SENATOR BRASCH: Thank you, Senator...Chairman Gloor, and thank you, Jay. I'm just curious on a seed tender. I've never seen one off the trailer. Do they...or maybe I'm just not looking close enough, but isn't that...or unless you have multiple seed, doesn't the farmer typically once it's on there, it stays on there? [LB386]

JAY REMPE: Yeah, I do know of some situations where...yeah, I think that's by far the majority. I'm thinking of a couple situations where, you know, farmers are known to kind of build their own equipment. They'll have the seed tender separately and they'll have like the trailer...the wheels and they'll take the wheels off and...or the framework and the wheels and use them for something else too. But most people, it's permanently on wheels. [LB386]

SENATOR BRASCH: I guess I didn't realize it was an a la carte purchase. I'll have to talk to my husband about that. (Laughter) I have no other questions. I just was surprised that that trailer was a separate and not a part of the unit, so. [LB386]

JAY REMPE: Yeah. Okay. [LB386]

SENATOR BRASCH: Very good. I have no other questions. Thank you. [LB386]

SENATOR GLOOR: Senator Smith. [LB386]

SENATOR SMITH: Thank you, Mr. Chair. I'm going to ask you the question, I'm going to kind of glance over at the legal counsel to get a nod as well, but is this the sales tax that otherwise would be paid on this? Is that what flows...that flows into the State Highway Trust Fund? [LB386]

JAY REMPE: Correct. [LB386]

SENATOR SMITH: So, the State Highway Trust Fund then helps to fund county roads and bridges. So, you're going to be taking money away from county roads and bridges. [LB386]

JAY REMPE: Uh-huh. [LB386]

SENATOR SMITH: I imagine that may be why we may have Mr. Dix coming up here in a little bit. [LB386]

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JAY REMPE: I imagine that's right. And which when you connect all the dots, that makes sense. When we were thinking about this bill, we weren't thinking of these as motor vehicles, if you will, but according to statute, these kind of trailers would fit the definition of a motor vehicle. So the sales tax that's collected on those go into the Highway Trust Fund. Yes, that's correct. [LB386]

SENATOR SMITH: All right. Thank you. [LB386]

SENATOR GLOOR: Seeing...Senator Schumacher. [LB386]

SENATOR SCHUMACHER: One quick follow-up to Senator Brasch's question. I assume it's in reference to the pictures that were handed out? [LB386]

SENATOR BRASCH: Just the seed trailer. I've seen the other two separate, but I myself have not seen one of these trailers independent of the seed tender. [LB386]

SENATOR SCHUMACHER: That's a completely different gizmo than the header trailer. [LB386]

SENATOR BRASCH: Yes, yes. [LB386]

JAY REMPE: Correct. Yes, they're two separate things. [LB386]

SENATOR SCHUMACHER: All right. [LB386]

JAY REMPE: Yep, exactly. [LB386]

SENATOR GLOOR: Seeing no further questions, thank you, Jay. Other proponents. [LB386]

JOHN HANSEN: 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. I'm the president of Nebraska Farmers Union. We are in support of LB386. And as we look at this issue, we have bumped up against the Revenue Department's cultivating or harvesting standard before. And to our mind, there ought to be consideration relative to agricultural use as to the rules of the road relative to its tax treatment because there's just a lot of things that you do around the farm that are not just exactly cultivating or harvesting, but it's certainly involved in agricultural production, which I think should be the more clear guidance on these things. So, the issues that we've had in the past with the department

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have to do with pieces of equipment and how they get treated that could do multiple things. They could be items of machinery that go for construction, or they could be used by a farmer. So, these things involve a Caterpillar. I used to run a Cat, but I didn't do outside work. A lot of farmers have Cats, backhoes, those kinds of implements. And so we have done service work with folks who bought a piece of equipment. They were not charged sales tax, and then at a point after they took it home, were using it, audits were done, then the dealership was on the line for sales tax and then they come back after the farmer after they thought they had paid everything in full and were being asked to pay sales tax. That indicates to me that it probably wouldn't be a bad idea to just take a look at how the Revenue Department classifies some of these things, but to my mind just looking at it from my perspective, if it's a clear agricultural use and intent and purpose for which the machine is bought, then it seems that it ought to be exempt from sales tax. With that, I'd end my testimony and answer any questions. And thanks, Senator Watermeier, for bringing this bill forward. [LB386]

SENATOR GLOOR: Any questions for Mr. Hansen? I don't see any. Thank you. [LB386]

JOHN HANSEN: Thank you. [LB386]

SENATOR GLOOR: (Exhibits 3 and 4) Any more proponents? We have two letters from proponents: Ken Boswell with the Nebraska Soybean Association, and Larry Mussack with the Nebraska Corn Growers. We'll move to opponents. [LB386]

LARRY DIX: Senator Gloor, members of the Revenue 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 appearing in opposition to LB386. I believe Senator Smith and Senator Jay...or Jay Rempe almost gave my testimony on this. It is because of what you're seeing, what we notice in the fiscal note. And when you go through sales tax, there's an amount of that sales tax that flows into the Highway Allocation Fund. The Allocation Fund then split between cities and counties. There's an amount of sales tax that goes into the Highway Trust Fund and the Highway Trust Fund, of course, then that branches off, goes over into the Highway Cash Fund. And so, I think the fiscal note pretty well portrays what's happening. It's unique in that when you start looking at sales tax, the amount that ends up getting divided between the state's Cash Fund and the Allocation Fund is almost, you know, identical dollar for dollar. The cities and counties actually get just a little bit more, but irregardless, that is the basis for our opposition. Certainly, Senator Watermeier knows we'll be happy to try to work through this scenario with him. When I...yeah, I was sort of waiting for the fiscal note when I read it this morning. I contacted Senator Watermeier's office and said, you know, given the nature of that fiscal note, we will have to appear in opposition to the bill. So, that is the reason for the opposition. [LB386]

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SENATOR GLOOR: Senator Schumacher. [LB386]

SENATOR SCHUMACHER: Thank you, Senator Gloor. Senator Watermeier mentioned something that I'm a little unclear on indicating if you pay sales tax on something, you don't have to pay property tax on it. Do we exempt from sales tax that which you...or from property tax, that which you pay sales tax on? [LB386]

LARRY DIX: Well, I think that's an area where even our counties have some confusion on it and we're certainly looking for clarification. I think what Senator Watermeier was trying to do in LB386 was clarify it and we, too, would want that clarification because we don't want to go through a process where someone is taxed twice on it, but it's hard to make that determination because someone could pay sales tax. Property tax over here is sort of a self-reporting tax, if you will, so there really isn't any time that the documents somewhat come back together to prove if somebody paid sales tax on one side or the other unless somebody starts to question on the personal property tax side. And so, where now some are, we hear, we understand are going down these two paths. We don't necessarily know when they paid one or the other if we don't see it on the personal property, then the assessor would ask, taxpayer then would provide proof that sales tax was paid at the dealer, then we would say, then it does not go on the personal property schedule. But it's a little bit confusing. [LB386]

SENATOR SCHUMACHER: Is that true for the general business and commercial property or just farmers? [LB386]

LARRY DIX: No, just ag farm. [LB386]

SENATOR SCHUMACHER: Thank you. [LB386]

SENATOR GLOOR: Seeing no further questions, thank you. [LB386]

LARRY DIX: Thank you. [LB386]

SENATOR GLOOR: Any other opponents? Anyone in a neutral capacity? And I think he's waived closing, is that right, Kim? Okay. So, that will end the hearing on LB386. We'll move on to the hearing on LB391. Senator Crawford. [LB386]

SENATOR CRAWFORD: Hello. Good afternoon, Chairman Gloor and members of the Revenue Committee. My name is Sue Crawford, S-u-e C-r-a-w-f-o-r-d and I represent the 45th Legislative District of Bellevue, Offutt, and eastern Sarpy County. LB391 is part of my ongoing

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commitment and interest in addressing unfunded, underfunded mandates to county governments. As many of you know, last session I sponsored LR582 to examine unfunded and underfunded mandates to counties. Over the interim, the Government, Military and Veterans Affairs Committee had a series of conference calls as well as two public hearings on the topic. LB391 is one of the 14 unfunded mandates identified over the course of that study. LB391 represents one of several actions the legislature has taken over the past two economic downturns to balance its budget. In doing so, the legislature cut funding and revenue streams for counties. Counties were largely unable to pass their costs on to political subdivisions like the state was and many began to rely more heavily on property taxes. With high agricultural land valuations and a stabilizing economy, now is the time to reevaluate these decisions and reexamine the relationship we have with the county government. LB391 restores a one-half percent commission to counties across the state of Nebraska for all motor vehicle sales tax collections over \$3,000 a month. Prior to October 1, 2002, counties received a 2.5 percent commission on the first \$3,000 of motor vehicle sales tax collected in the county during the previous month, as well as a .5 percent commission on tax collections over \$3,000. This .5 percent commission was eliminated as part of a larger budget package during the state budget crisis that year. In counties across the state, county treasurers and county office staff assist in the motor vehicle registration and titling process. As part of this process, county employees may need to track down paperwork from out of state or private sellers before completing the sale. This work takes time and the current 2.5 percent commission does not accurately reflect the cost to counties to collect these taxes. You'll hear more about the current cost to counties from Brian Hanson, Sarpy County fiscal administrator, and others a little later. The flat commission rate currently in statute also means that counties with a larger volume of motor vehicle registrations receive the same commission as counties with much fewer registrations and titles despite the increased work load in counties with higher monthly volumes. Colleagues, our larger counties are using property tax dollars to collect sales tax revenue. It is important to note that retailers are able to pass along the cost of collecting this tax on to consumers more easily by raising the prices at the point of sale. However, this is not possible for counties. Counties cannot pass along the cost of collection. This is all the more reason why we should better compensate the counties for the work we, the state, ask them to do. Counties are a creature of the state. The state has a special relationship with them in carrying out state tasks as well as the role in responding to local needs. Our responsibility in this relationship is to ensure that we provide counties with the authority and resources to make these things possible. In other words, we, as a state, need to pay our part of that partnership. It has been 13 years since counties received fair compensation for collecting motor vehicle sales tax. It's time for the legislature to change that. I'm happy to answer any questions you have now or at closing. [LB391]

SENATOR GLOOR: Thank you, Senator Crawford. Senator Smith. [LB391]

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SENATOR SMITH: Thank you, Mr. Chair. Senator Crawford, I understand what you're trying to do, but when roughly 20 percent of the state Highway Trust Fund is funded through such sales taxes, that in turn are used to pay for roads and bridges at the county level, how does this actually help the counties if they're...if we're taking it from one pocket and putting in the other? [LB391]

SENATOR CRAWFORD: Well, the case that those counties that have higher volumes, it actually pays off in their case because their commissions outweigh whatever gets lost. I think you'll hear from Larry Dix a bit about how it balances out for difference sizes of counties. It's the case also that, again, the commission was taken away during a budget crisis, so it was a budget crisis reason the commission was taken away. What's happened since then not only have we come out of that budget crisis, but we've also had LB84 dollars coming in. So, the fact that those LB84 dollars are coming in, I think puts us in a situation where it's easier to make sure we're paying counties for doing this work of collecting...this is collecting money for roads. [LB391]

SENATOR SMITH: LB84 dollars... [LB391]

SENATOR CRAWFORD: I'm sorry, excuse me. I meant the sales...not this year, LB84. I meant the LB84 dollars were going into infrastructure. [LB391]

SENATOR SMITH: But in a time when we have deficiencies on county bridges and roads, is this the time to be depleting those sources of income? [LB391]

SENATOR CRAWFORD: I think it is a small hit to that and I think it's a worthwhile investment myself. [LB391]

SENATOR SMITH: Thank you. [LB391]

SENATOR CRAWFORD: Thank you. [LB391]

SENATOR GLOOR: Other questions? I don't see any. [LB391]

SENATOR CRAWFORD: Thank you. [LB391]

SENATOR GLOOR: Are you going to stay for closing? [LB391]

SENATOR CRAWFORD: I will stay for closing, yes. Thank you. [LB391]

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SENATOR GLOOR: We'll move to proponents. [LB391]

BRIAN HANSON: Thank you, Chairman Gloor and members of the committee. My name is Brian Hanson, B-r-i-a-n H-a-n-s-o-n. I'm fiscal administrator for Sarpy County. As Senator Crawford mentioned, prior to October 1 of 2002, all vendors received a 2.5 percent commission on the first \$3,000, which amounts to \$900 a year and a one-half percent commission on collections over \$3,000. After October 1, Section 77-2703 was amended to eliminate the half percent commission on sales tax collections over \$3,000 per month. The Sarpy County Treasurer collects over \$21 million per year in sales tax on motor vehicles in concert with the registration and titling process. We've estimated that about 7 percent of our treasurer's budget is involved in collecting and disbursing motor vehicle sales tax. That equates to about \$120,000 a year for him to collect those taxes. This means that the Sarpy County Treasurer is only being paid \$900 per year for...to recoup a cost of \$120,000. This also means that our county treasurer is only receiving \$900 per year to collect \$21 million in sales tax. And as Senator Crawford mentioned, instead of using a commission to pay for those services, we're having...forced to use property taxes. If the legislature were to pass this bill, that wouldn't increase our commission, we still wouldn't recover all of our costs. I think we'd recover about \$107,000 versus the \$120,000 that it cost to collect it. And as Senator Crawford mentioned, we do not have the ability as private businesses do to raise our prices. So, we are just stuck. So the elimination of the half percent commission did result in additional funds going to the state Highway Trust Fund, but the additional Highway Allocation Funds received by Sarpy County are just a fraction of the money that we would get from the sales tax commission. On the Highway Trust Fund dollars, roughly about twenty-five cents for every dollar is all that we get back, whereas, with a sales tax commission, we would get a hundred percent of that. So, in closing, LB391 would return the commission to where it was prior to 2002 and it will provide fair compensation for the work done by our Sarpy County Treasurer's Office. I'm glad to answer any questions you have. [LB391]

SENATOR GLOOR: Thank you, Mr. Hanson. Questions? Senator Smith. [LB391]

SENATOR SMITH: Thank you, Mr. Chair. I recognize that 25 cents of every dollar would get to the Highway Allocation Fund, but the money that you would be receiving, that one dollar would not be going to highways and bridges. How could we ensure that at least that 25 cents on the dollar got to county bridges and roads? [LB391]

BRIAN HANSON: Well, I can speak for Sarpy County and there's a 25 percent match for Highway Allocation dollars received by the counties. And we far exceed that match. We use a lot of General Fund money to put into our roads and we are definitely doing everything that we can to meet the infrastructure needs that we have. [LB391]

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SENATOR SMITH: Thank you. [LB391]

SENATOR GLOOR: Senator Schumacher. [LB391]

SENATOR SCHUMACHER: Thank you, Senator Gloor. Thank you for your testimony. Assuming you take this money from this additional fee for licensing, how much of a reduction in your mill levy would there be on the property side? Would you reduce your property taxes? [LB391]

BRIAN HANSON: Yeah, and that's a good question. In Sarpy County, we have not raised our tax rate for 13 years and some of those years we had large valuation increases. Some of those years we were down below 1.5 percent increase in our valuation. And so, we have cut operating expenses, we've cut capital outlays as far as equipment, and so we need this money to help us just get by and to keep caught up with the expenditures that we're incurring as a really fast-growing county. [LB391]

SENATOR SCHUMACHER: So, you'd just spend this money rather than reduce property taxes? [LB391]

BRIAN HANSON: We would most likely use this to provide the services that are needed by a really fast-growing county. So, I think that I'm sure we'd hate to promise any reduction in the tax rate. But there is interest by our Sarpy County Board in reducing the tax rate, but if we can get to that point, we will. [LB391]

SENATOR SCHUMACHER: Thank you. [LB391]

SENATOR GLOOR: I see no further questions. Thank you. [LB391]

BRIAN HANSON: Thank you. [LB391]

SENATOR GLOOR: Other proponents? [LB391]

JOE KOHOUT: (Exhibit 1) Chairman Gloor, members of the Revenue Committee, my name is Joe Kohout, K-o-h-o-u-t, registered lobbyist appearing today on behalf of our client, the Lancaster County Board of Commissioners. I am passing out to you a letter signed jointly by Roma Amundson, the Chair of the County Board, as well as Andy Stebbing, the Lancaster County Treasurer. We'd ask that our support of LB391 be made a part of the record and that that

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letter from the commissioners and Treasurer Stebbing be made part of the record as well. Then I'll try to answer any questions that you might have. [LB391]

SENATOR GLOOR: Thank you, Mr. Kohout. Questions? I see no questions. Thank you. [LB391]

JOE KOHOUT: Thank you. [LB391]

SENATOR GLOOR: (Exhibit 2) Other proponents? We have one letter of proponents: Renee Fry, OpenSky Policy Institute. We'll move to opponents of this bill. Anyone in a neutral capacity? [LB391]

LARRY DIX: Senator Gloor and members of the committee, my name is Larry Dix, spelled L-a-r-r-y D-i-x. I'm executive director of the Nebraska Association of County Officials appearing today in a neutral capacity. First, I want to thank Senator Crawford for bringing this bill and working with us throughout the summer months on the unfunded mandates. This one's a little bit different for us as it breaks down, you know, around the state and so I want to...I just grabbed from Mr. Kohout the Lancaster County numbers, but just so we can make sort of a comparison and help through that. I tried to quickly calculate. If I look at the fiscal note, I see that the...and I'm going to look at the fiscal year 2016-2017 because I think that will be a full year. You'll see a reduction in the Highway Allocation of \$719,000 and so of that \$719,000, 50 percent of that would go to the cities, 50 percent to the counties. So, we'd be left with \$359,500. So if we start to compare that to...let's look at Sarpy County. I think Sarpy County was here and testified that they on the sales tax side, they would receive about \$120,000 on the sales tax side. On the...their share of the Highway Allocation I believe would be about \$27,000, you know just sort of rough calculation. Lancaster County in their letter, I think they would collect \$141,000, their allocation is about \$19,000. Now, it's interesting in that Lancaster County's Highway Allocation is less than Sarpy County's Highway Allocation and that sort of breaks down because of the way the formula, the Highway Allocation formula is, and somewhere I think I've got a note. But anyway, there's about eight different criteria that go into that allocation formula. So, you can see that in those counties there's a net effect, a net positive effect for those particular counties. When you start to get into the middle tier of counties, then it becomes a little bit more nebulous. And as I testified on Senator Schumacher's bill earlier this session, Senator Schumacher had LB74, and I think that was the one that did this for all of the entities that collect sales tax. And we were neutral on that bill too, really for the same reasons. You're moving it really from one pocket to the other to a certain effect. At the end of the day, if you were to just look at it from a dollar and cent point of view, I believe the counties come out ahead with LB391. I think they come out ahead on Senator Schumacher's bill if you just look at that and you just say, would I rather have the money in General Fund, or would I rather have the money in the Highway...in our road funds.

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So, the net effect of this, I believe, counties would come out ahead. Going back to that difference...which I just pulled this and when we get to Senator Smith's gas tax bill here I think next week, I'll go into the details of that formula at that point in time. But that's sort of the net effect, so I think at the end of the day counties would come out ahead on LB391. It's just which fund that we put it into. Be happy to answer any questions anybody may have. [LB391]

SENATOR GLOOR: Questions? I don't see any. Thank you, Larry. [LB391]

LARRY DIX: Thank you. [LB391]

SENATOR GLOOR: Anyone else in a neutral capacity? Senator Crawford, you're recognized to close. [LB391]

SENATOR CRAWFORD: Thank you, Senator Gloor, and thank you for your attention and your great questions. I think as you heard in the neutral testimony, the counties generally come out ahead overall. You know your job as the Revenue Committee is to deliberate who pays and who benefits and which of those policies are ones that we want to pass, but I urge you to consider LB391 in terms, again, because the counties come out ahead overall and it's a particularly important issue for the larger counties like Sarpy County. And I thought, Senator Smith, your interesting idea of asking about if any of that savings ends up back into roads and bridges and I'd be happy to work with you on that if we think that's something that makes it a more powerful idea. I haven't talked to the counties about it, but I think it's a reasonable discussion for us to have. Happy to do that. [LB391]

SENATOR SMITH: Okay. [LB391]

SENATOR GLOOR: Sure, Senator Smith. [LB391]

SENATOR SMITH: Thank you, Mr. Chair. And Senator Crawford, I like what Mr. Dix...how he laid that out and I should have asked him, but could we get an idea county by county how that works because granted probably larger counties do well or we all do well, but some of the smaller counties where they have a lot of infrastructure needs and maybe not a lot of the sales tax, how does it break for them? I mean, are they at a disadvantage then? [LB391]

SENATOR CRAWFORD: I will do my best to get that information to you and other members of the committee. [LB391]

SENATOR SMITH: Thank you. [LB391]

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SENATOR GLOOR: Any other questions? Thank you, Senator Crawford. [LB391]

SENATOR CRAWFORD: Thank you. Sure. [LB391]

SENATOR GLOOR: And that will end the hearing on LB391. We'll move to LB428. Senator Garrett. Welcome back. [LB391]

SENATOR GARRETT: Well, good afternoon, Chairman Gloor and members of the Revenue Committee. Good afternoon. I'm state Senator Tommy Garrett, T-o-m-m-y G-a-r-r-e-t-t. I represent District 3 which is part of Bellevue and Papillion. LB428 provides a motor vehicle tax exemption for one motor vehicle owned and used for his or her personal transportation by a 100 percent service-connected disabled veteran. The veteran's unremarried surviving spouse may also receive the same motor vehicle tax exemption. The motivation to this bill comes from the fact that there are 100 percent service-connected disabled veterans with significant medical costs who cannot afford to pay for the licensing and registration of a motor vehicle. Yet, then, these same veterans have medical appointments, they need to be able to get to and cannot because they don't have a licensed and registered vehicle to get there. I'd like to thank Greg Holloway of the Disabled American Veterans for bringing this issue to my attention and I would welcome any questions. [LB428]

SENATOR GLOOR: Thank you, Senator Garrett. Are there questions of Senator Garrett? [LB428]

SENATOR GARRETT: If I might add, I spoke with you this morning. The fiscal note on this, we got it yesterday. We went into a little bit of a sticker shock with that, so we're talking to the Fiscal Office about that and we hope to have a revised fiscal note. [LB428]

SENATOR GLOOR: Was your question one of the numbers of disabled vets who would benefit or the cost of the vehicles or...? [LB428]

SENATOR GARRETT: The actual cost because we have a good fix on the number of 100 percent service-connected disabled veterans, but we don't have the actual...how they came up with the cost for that, how much tax per vehicle, and how many of those service-connected disabled veterans actually have...or actually going to be using the car, registering the vehicle. [LB428]

SENATOR GLOOR: Okay. All right. Any questions now? Seeing none, thank you, Senator. [LB428]

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SENATOR GARRETT: Thank you. [LB428]

SENATOR GLOOR: Are you staying to close? [LB428]

SENATOR GARRETT: Yes, I'll stay. [LB428]

SENATOR GLOOR: Could I see a show of hands of those individuals who plan to testify in any capacity? Okay. We'll start with proponents. [LB428]

GREG HOLLOWAY: (Exhibit 1) Thank you, Senator Gloor and committee. It's good to see you all again. My name is Greg Holloway, G-r-e-g H-o-l-l-o-w-a-y. The question that has been brought up, how much is this going to cost? I am by far not an expert on the cost of what this will be, but one thing I am an expert on is what a disabled veteran is. I'm passing you out some packets, so I would like to read you a letter. Looking at this, a picture of a young veteran, I want to read you a letter so you can actually put a face with this letter from back in 1968, and you can put another face with it sitting here talking about it. This is a letter I wrote to my mom from Vietnam. As a matter of fact, February 27, 1968, was the day before I left for Vietnam, so this is a pretty good day to be talking about veterans issues. Today it has been a very bad day for some men and a good day for some of them. Five days ago we made a combat assault in the A Shau Valley. As for me, I was lucky and my chopper was about 20 feet above the ground. I heard sniper fire, two choppers have already been hit and shot down. I looked out of the chopper down to the ground, it looked damn far, but the earth was soft from a B-52 bomb strike before we came in. I decided to take my chances were better on the ground than in that chopper, so I jumped to the ground. It was soft, but when I hit I fell back down into the bomb crater, twisted my ankle. I was carrying about 400 rounds of machine gun ammo, my own M16, 20 magazines of ammo, light antitank weapon, a machete, and when I got up, about 20 meters, then I realized the blood from my right hand. I felt kind of sick. I thought I had been hit in the hand. I thought my whole future was gone. I actually wanted to be an artist. But luckily, it was just torn open my thumb, not even any stitches were required. I was a medevac back to the rear that day. The day following, one of my men on my team was brought in with a back wound to be sent home, none for the worse. It was a good day and a bad day for him. Now, he can sleep and relax without fear. Today, three more men in my squad came in with frag wounds from a mortar round. Now, they're on their way to the hospital and to rest. They will be okay. One man was in my team and had taken over my team when I left, the other was our squad leader. They, too, will be able to rest now. They are the lucky ones. Some others, it wasn't like that. On the first day, seven would not go home. After I was down, I saw two more choppers go down. It was a good pilot, it was hit with a 50 caliber machine gun. Two men were hit directly in the chest. They had no time to feel pain for their war was over. It was a long day for me, not being able to help when help was most needed. But the day did end and I was safe in the rear eating a hot meal and sleeping under a

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clean blanket with nothing to worry about. But tomorrow I'll go back to the hell of all hells. But, you know, it's where I belong. They're down to five men in our squad now, and that are in the field. Two are old-timers and the other three have only been there a short time and don't know what to do yet. Vasquez is in charge of the squad. He's a very capable man and I have much respect for him and has no team leader to help. So I'm needed and must go to help. We are soldiers with a job to do and damn it, we're going to do it. Another letter I wrote. I do think now...I do think I'm a man now, or am I. To explain myself, I'll just start from the beginning. On the 16th of June about 8:30 P.M. we are on a slash and we mean, six other men and me set up for an ambush in a river trail just outside of a village. Just as we were setting up our guard, two BC came up from the river and into the trail. Just to our front we heard them coming about 50 feet in front of us. As we started, they were about 15 feet in front of us, then they saw us, so we had to fire on them. We killed one of them and wounded the other. I don't know if it was me that had killed him or not, but I did have a hand in it. Doing this in my eyes won't make you a man. I think it was that what made me a man is that night it was a person in charge of the slash froze and I had to take over. That didn't...I didn't lose a man even one wounded, so that might be responsibility from...was to me... [LB428]

SENATOR GLOOR: Greg, you've run out of time. Is there a summary that you wanted to give us? [LB428]

GREG HOLLOWAY: All right. Summary, well, I left Vietnam July 3, 1968, after being wounded by a grenade trying to extract a soldier that was killed trying to save me when I pinned down by machine gun fire two days before. These are what Vietnam veterans are and all veterans are, 100 percent service-connected disabled veterans. I could probably tell you, all these veterans behind me, almost every one of them, what their disabilities are and what their service was because I know them well. This is what this is about, 100 percent service-connected disabled veterans. There's not a lot of us in this state so the impact won't be a lot, but the impact is important. I want you to understand by seeing this, listening to this, who we are and what we are and how we come about. [LB428]

SENATOR HARR: Thank you. Are there any questions? Senator Harr. [LB428]

SENATOR HARR: Thank you and thanks for coming today and thanks for your service for the country. Let me ask you a question because there is a large fiscal note on it. Sell me on this. Tell me how much money it will save by you having a car or a spouse having a car over the cost of alternative transportation. [LB428]

GREG HOLLOWAY: It won't affect us...affect the veterans in Douglas County, Lancaster County or in Hall County as much as it will the outlying counties of the state. We have

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transportation programs set up through the Disabled American Veterans that assist the veterans to make their appointments, but outlying state...outlying in the state they have to travel either by van all day long, all night long, or use their personal vehicle to get to where they need to go. Some have to go up to Wyoming. This will reduce the impact on veterans and their families by being able to at least save a little bit of money. Granted they do get...they do get travel pay. That's not very much. That doesn't replenish... [LB428]

SENATOR HARR: It's still cheaper than having... [LB428]

GREG HOLLOWAY: It doesn't replenish the wear and tear on a vehicle. Dependable transportation is what we need. You take off and want to go to Cheyenne from Scottsbluff tomorrow, maybe, when the storm comes through, to meet an appointment that you definitely...if you don't make that appointment, it might be six months before you can get to another one. You need dependable transportation. This might help 100 percent service-connected disabled veterans and their spouses or dependents have dependable transportation so they could actually get to where they need to do. And we talked about county bridges and stuff, drive around Seward County sometimes on the back roads and the dirt roads which I drive a lot and you'll see they're not spending their money wisely that they need to, you know, to fix the roads. So, but that's why we want to do this. That little bit of impact. [LB428]

SENATOR HARR: Yeah. [LB428]

GREG HOLLOWAY: I don't think it will be very much. We're not talking about thousands and thousands of dollars per 100 percent service-connected disabled veterans. It all depends on what vehicle. [LB428]

SENATOR HARR: Yeah. [LB428]

GREG HOLLOWAY: My vehicle cost me, what, about \$1,500 to tax and license you know. [LB428]

SENATOR HARR: Let me ask you this because I'm trying to figure out how to do this to bring the fiscal note down because I do...I see a need for what you do. What if we made it full service or the spouse, because some people can't drive because of their... [LB428]

GREG HOLLOWAY: I think that's the way it is. [LB428]

SENATOR HARR: I heard you say "and" so I wasn't sure. [LB428]

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GREG HOLLOWAY: Actually, it's the surviving spouse. Here's what happens to a surviving spouse. I was a county veterans service officer so I can explain surviving spouse maybe a little bit. When a veteran dies that's 100 percent service-connected disabled, his...that income stops, is eliminated. The surviving spouse does not collect any of his 100 percent service-connected disability. Can collect the Social Security that he's on, but they are eligible what's called DIC and DIC is for unmarried widow of a veteran of service member...that died of a service-connected disability. It's about \$1,200 a month. That's not a lot. So, the impact on saving a few dollars for them is a lot, a lot of money. A few dollars to them are. [LB428]

SENATOR HARR: Thank you. [LB428]

SENATOR GLOOR: Seeing no further questions, thank you. [LB428]

GREG HOLLOWAY: Thank you. [LB428]

SENATOR GLOOR: Next proponent. And if you plan to speak, we would ask that you move to the front of the room so that we're not spending quite as much time with the back and forth flow of people. Thank you very much. Good afternoon. [LB428]

JOHN-HENRY PEARCY: Good afternoon, Senator and committee members. My name is John-Henry Percy. That's J-o-h-n-H-e-n-r-y P-e-a-r-c-y. I am the American Legion District 8 commander representing 6,500 members from Washington, Douglas, and Sarpy County, and we are all in full support of this bill helping the 100 percent disabled veterans. In addition to that, I myself am a 100 percent disabled veteran. You may not know it looking at me, but I am. I have multiple internal problems. I just got a new artificial leg put on in October. I have not been able to work since 2004. I retired in 2003. I tried to get a teaching degree so I can work that way, but because of my health has been deteriorating, and as I found out in June...or January this past month, my lung disease is spreading into my kidney and into my stomach. And I am for this because veterans who put out, and those who are able to survive in a combat and do what they do for their country, should receive some sort of support when they come back home. So, I'm for this bill. That's all I have, sir. [LB428]

SENATOR GLOOR: Thank you. I believe I'm correct though, but the disability, 100 percent disability doesn't have to be combat related, does it? [LB428]

JOHN-HENRY PEARCY: No, it does not. [LB428]

SENATOR GLOOR: Okay. [LB428]

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JOHN-HENRY PEARCY: It does not. [LB428]

SENATOR GLOOR: Thank you. Specifically service related. [LB428]

JOHN-HENRY PEARCY: It's service related, yes. [LB428]

SENATOR GLOOR: Okay. Like the ambulance who drove over my foot with one of my buddies. That would probably... [LB428]

JOHN-HENRY PEARCY: Yes, and I don't know how many members are 100 percent disabled in the state of Nebraska. [LB428]

SENATOR GLOOR: I'm sure there's some numbers that the VA would have. [LB428]

JOHN-HENRY PEARCY: I'm sure the VA would be able to tell you. John...I forget his name that works there, probably could tell you that. I do know also on behalf on part of the DEC, the American Legion, department level or the state level and I know the American Legion as a whole is in support of this bill because it does support members who are 100 percent disabled who are unable...most of them are unable to work and, therefore, need this break because I've been on a fixed income since 2004. [LB428]

SENATOR GLOOR: Okay. Any other questions? Thank you and thank you for your service. The next proponent. [LB428]

TIMOTHY ANSON: Good afternoon, ladies and gentlemen. My name is Timothy P. Anson, that's T-i-m-o-t-h-y, P for middle initial, last name is Anson, A-n-s-o-n. I am the...I volunteer most of my time nowadays as the adjutant for American Legion Post 3. We are...our Post alone is a little over 3,000 members and I am a 100 percent disabled veteran myself, 16 years in the Army as a Army cook, who cannot basically work. I have two traumatic brain injuries, a PTSD, two knees with no cartilage. I have a pinched back, basically, I'm basically 100 percent disabled and this bill would definitely help me in the long run and the rest of my members. Just a rough estimate off of our members, I would say there's about 25 to 50 percent of our members are basically at least 100 percent disabled anyhow. But I just recently got my car taxes in January and the first few years I had the car, if it wasn't for my sister helping me, I wouldn't have been able to get the tags on the car. This year I had to get them myself because she had lost her job, went on Social Security disability while trying to look for other work. It cost me...basically January's budget went from say about five hundred bucks a month for food alone just to pay for my food and my oldest son is a...has autism real bad and lives with me basically, but our food

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budget went from five hundred a month to two hundred and fifty a month just to get those tags on a car, plus I had to cut back on other smaller bills like my credit card bills and whatnot, which I will originally get caught up here in the next month or two on those. But I want to put it this way basically. When I was back in the Army, of course, we had...I think I'm the youngest veteran that's in this room right now. I buy War on Terror of Veteran that when I was put out of the Army I was making pert near, I think, \$6,000 a month anyhow in Army pay and whatnot, dropping down to...well, this month my budget will start at \$2,906 a month, and talk about a big reduction of what I could do and what I can't do. And then, of course, this car tags take up a lot of that and I just recently started of using the Homestead Act to purchase a home for property tax, anyhow, which I thank God that's the only reason I'll be able to afford to do this as long as it goes through in August. But...excuse me, I hardly ever speak in public, but I am strongly for it and I hope you all decide to basically go for it. But like...my point I was getting to basically, say I know most of you have private jobs outside of your legislature jobs anyhow, and if you were to become 100 percent disabled, couldn't work, couldn't basically go on disability, go from whatever you're making now to half to a third of what you're making now and try and live with the cost of living going up, but you're still sitting at that low level. That's how I'd basically put it. How I feel about this bill. It needs to go through to give us a better benefit to where, like I said, my tags on the car were \$256 something a month...well, just for this year. Next year I think it's going up another ten to twenty, but my disability will still be the same, so. Please pass this bill. [LB428]

SENATOR GLOOR: Thank you, Mr. Anson. Hang on a second. Are there any questions? I see none. Thank you and thank you for your service. Next proponent. [LB428]

RICHARD ESQUIVEL: Good afternoon. My name is Richard Esquivel. Phonetically it's Echo-Sam-Quebec-Uniform-India-Victor-Echo-Lima. I'm proud to say that I...my family has four generations of veterans from World War I, World War II, Korea, Vietnam. My son went to the Cuba deal in 1994. I have my cousin's son going to Iraq and another cousin's son going to Afghanistan. So, we've had 14 family members serve in the military and 9 have seen combat action and 1 was lost in World War II. Miller-Long VFW Post 3606 is named after my uncle who was lost on September, 1944, and my cousin came home from Vietnam in 1969 and was killed by a civilian out in Oregon within a week. So, let's talk about the question of what will this do for a 100 percent veteran. Well, let's look at the veteran. Vietnam veteran, which I am. The youngest Vietnam veteran right now is probably 57, and starting this year begins the 50th anniversary for the Vietnam War. This is a revenue bill that it will help. It will help every veteran, not just the 100 percent veteran which this is for, but it could help every veteran in the state. Now, I'm a 100 percent. I'm a 100 percent because of PTSD and Agent Orange, in stage four cancer, in remission for six years now. However, I'm still on treatments. But it's a few people. There aren't that many World War II veterans left. There aren't that many Korean veterans left, and the modern veteran, we're talking about less than 1 percent of populace nationwide are veterans. So, are we looking at it as why do we need it, or is this a benefit that the state can give

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to 100 percent disabled veterans. I took an extremely large pay cut. I was a lucky one because I came back home, got my degree, got a good job, but then I had to retire early because I couldn't handle the pressure in fighting cancer. It was that simple. But to me this is a benefit that Nebraska up until last year has not given to any veteran of the state of Nebraska and that's something I think that should be considered strongly. [LB428]

SENATOR GLOOR: Thank you, Mr. Esquivel. Did I say that close to right? [LB428]

RICHARD ESQUIVEL: Yes, that's correct. [LB428]

SENATOR GLOOR: Any questions? And what is the "Q"? I don't remember what "Q" is? [LB428]

RICHARD ESQUIVEL: Quebec. [LB428]

SENATOR GLOOR: Thank you. It's been a while. Next proponent. [LB428]

JERRY KRAUS: Ladies and gentlemen of the committee, I'm Gerald Kraus. I was born and raised in this state. [LB428]

SENATOR GLOOR: Mr. Kraus, could I have you spell out your name for us? [LB428]

JERRY KRAUS: K-r-a-u-s. I was born and raised in this state. In 1965 I enlisted in the Navy, U.S. Navy, to do my part in defending this great country of ours, this great state, and this great city. The VA has been good to me. The state of Nebraska has been good to me, and I'm here to support that bill, LB428. [LB428]

SENATOR GLOOR: Thank you, Mr. Kraus. Any questions? So noted. Thank you. [LB428]

JERRY KRAUS: Thank you. [LB428]

SENATOR GLOOR: Other proponents. Seeing no further...if you are a proponent, I'd ask...it helps us if you move up a little closer, if it's possible for you to do so. Good afternoon. [LB428]

WILLIAM BOWMAN: Good afternoon. My name is William Alton Bowman, B-o-w-m-a-n. I'm here to support this bill. I'm a 22-year veteran. I went in 1954 to 1976. In 1962 I injured myself and that's why I'm having problems with my back at the present time, and I'm also at this time,

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I'm also under chemo for cancer due to my time in Thailand, Vietnam War. And so I'm here to support the bill. [LB428]

SENATOR GLOOR: Thank you, Mr. Bowman. Are there any questions? [LB428]

WILLIAM BOWMAN: Thank you. [LB428]

SENATOR GLOOR: And good luck with your battle with cancer. Continue with proponents. [LB428]

ED SCHNABEL: Good afternoon, sir. [LB428]

SENATOR GLOOR: Good afternoon. [LB428]

ED SCHNABEL: I'm Ed Schnabel. I'm the District 15 commander for American Legion and I'm here...I'm not disabled myself, but I'm here to support my fellow veterans who are. [LB428]

SENATOR GLOOR: Could I ask you to spell your name for us, please? [LB428]

ED SCHNABEL: (Exhibit 2) S-c-h-n-a-b-e-l. I live here in Lincoln and last year you passed a retirement bill for those who are retired and it's a slap in my face because it only affects those who retired after the first of January. What about us Vietnam veterans who did not retire before that? So, I'm here to help all my fellow veterans who are disabled, give what they need to have. I'm here for any questions. I'd like to have this put in the record. Can I get that put in the record? [LB428]

SENATOR GLOOR: You bet. They'll take a copy of it from you. [LB428]

ED SCHNABEL: And it is the soldier, not the minister who has given us the freedom of religion. It is the soldier, not the reporter who has given us the freedom of the press. It is the soldier, not the poet who has given us the freedom of speech. It is the soldier, not the campaign organizer who has given us the freedom of protest. It is the soldier, not the lawyer who has given us the right to a fair trial. It is the soldier, not the politician who has given us the right to vote. It is the soldier who salutes the flag, who serves beneath the flag and whose coffin is draped by the flag who allowed the protester to burn the flag. Thank you for your time. [LB428]

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SENATOR GLOOR: (Exhibits 3 and 4) Any questions. Thank you, Mr. Schnabel. Any more proponents? Let me read this into the record while this gentleman is coming forward. Other letters, proponents: Jim Shuey, Disabled American Vets; and Pete Pirsch, former state senator and a former member of this committee. Good afternoon. [LB428]

EDWARD SEWELL: Good afternoon. My name is Edward Sewell, E-d-w-a-r-d S-e-w-e-l-l. I thank you for the opportunity to speak this afternoon. I am a 100 percent disabled veteran. I'm also kind of nervous, you have to excuse me. Seven years recovering alcoholic because I self-medicated before I knew I had benefits and there were things available to me through the veterans organization. And a senator asked earlier, you know, how much does this...these sales tax matter. Well, I happen to work with an organization called OVER, Operation Veterans Encouraging Recovery, and we help a lot of vets. We have a halfway house that a group of us put together. We're rebuilding the thing ourself through community help for veterans like us who have nowhere to go. And you'd be surprised, just the little things that make a difference in veterans' lives. Each and every day there's so many out there struggling in so many ways and they're blind to the public. You know, it's only during time of war confrontation that we're usually...people notice us and so normally, we're overlooked. And there are few opportunities to do something for men and women who have given to this country. And it's not a lot they're asking. And so, you know, and people do not realize when you're out there, whether you're out in the field or whether you're on-board ship, you do not have a life. I remember thinking...I've been in the Navy. We'd been over there in Vietnam out there for 60 days. One night I walked outside my ship to go on duty at midnight and it was 12 o'clock midnight, going on midnight to eight watch, and you do not realize what it does to you. But I walked outside the ship briefly and I said to my fellow serviceman there, my naval guy, said, you know, it just doesn't seem like 12 o'clock noon, and it's pitch black out there, but you are, because of the hours you serve, eight hours on, eight hours off, 24 hours a day, you lose your life. You give so much to this country. You ask for so little in return and you don't get a lot in return. So, please consider this. [LB428]

SENATOR GLOOR: Any questions? Thank you, Mr. Sewell. Any other proponents today? We'll move to opponents. Are there any opponents of this bill? Anyone in a neutral capacity? Senator Garrett for closing. [LB428]

SENATOR GARRETT: Thank you, Mr. Chairman. I'll be brief. I'd like to thank my fellow veterans for coming out to support this bill. We didn't go out there and recruit these folks. They knew about the bill and they came on their own volition and really appreciate it. As you can see, there's so many veterans who sacrificed so much for the country, and last year we were able to get the homestead exemption for them, and we really hope you give serious consideration to giving 100 percent service-connected disabled veterans this tax exemption for a vehicle. With that, I'll take any questions. [LB428]

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SENATOR GLOOR: Any questions? Senator Scheer. [LB428]

SENATOR SCHEER: I know it's Friday. Do you have any idea of the number that would be qualified because probably the gentleman, I think, was talking about the 3,000 in his group and he thought there might be 50 percent of that would be 100 percent disabled. So I'm wondering how many that might be. [LB428]

SENATOR GARRETT: Now, we were trying to get you a number. There are approximately, I think, 2,300 or so, 100 percent service-connected disabled veterans in the state, 2,300 total. And that's the number the fiscal folks were using as well. I don't suspect even half of those would be trying to...you know, some of them are already in veterans homes, those kinds of things, so. But it's hard for us to get a good firm number on that. [LB428]

SENATOR SCHEER: How would you determine the amount of the spouse then because you probably have a good figure of those that are still with us, but how...do you have any idea of how you're going to find out how many might be the spouse as well? [LB428]

SENATOR GARRETT: You know, no, that...those are good questions. And really the...when the Fiscal Office was working this, they had to work a worst-case scenario that we'd have 2,300 all taking approximately a \$400 exemption, so. [LB428]

SENATOR SCHEER: Thank you. Thank you, Senator Gloor. [LB428]

SENATOR GLOOR: Seeing no further questions, thank you, Senator Garrett. [LB428]

SENATOR GARRETT: Thank you. [LB428]

SENATOR GLOOR: And thank you also for your service. And that will close the hearing on LB428. We'll move to our final bill, LB453. Senator Hilkemann. Senator Hilkemann, welcome to the best committee in the Legislature. [LB428]

SENATOR HILKEMANN: Okay. I thought I just came from the best one, but we'll work together, so. [LB453]

SENATOR GLOOR: Oh, you don't want to start your hearing then. (Laughter) [LB453]

SENATOR SCHEER: I guess you didn't want the bill out. [LB453]

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SENATOR HILKEMANN: Good afternoon, Senator Gloor and members of the Revenue Committee. I'm Robert Hilkemann, that's R-o-b-e-r-t, last name is spelled H-i-l-k-e-m-a-n-n, and I'm here to introduce LB453. This bill, which was brought to my attention by a constituent of mine during the campaign, would amend our current laws concerning the payment of motor vehicle taxes and fees in those private transactions. My constituent who often trades cars noticed that both the buyer and the seller paid the fees for the month of the transaction that occurs from...for trading a car. LB453 states that in a private transaction, the seller would not be taxed for the month of disposition. Since the statute had said do not differentiate between private and dealership sales, Loy Todd is going to follow me in a neutral position and we'll be offering an amendment and I do not object to the amendment that he presents. I would be happy to answer any questions you may have. [LB453]

SENATOR GLOOR: Are there any questions for Senator Hilkemann? Seeing none, thank you, Senator Hilkemann. We'll move to proponents of this bill. We'll move to opponents of this bill. [LB453]

LARRY DIX: 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 opposition to LB453. And quite honestly, the opposition is not something that we're just adamant about, but when our board did look at this, we do know there will be a reduction in fees and it's very...it's almost impossible to determine what that is. And I think the fiscal note notes that there is a reduction in fees. One of the things...the other thing that we'll have a loss on is a reduction in taxes and that is not reflected in the fiscal note. It is only noted that there will be a reduction in taxes. And we just don't have any way to guess how many of these sales would be private and how many that will happen in this scenario, but we think there will be, certainly, a reduction in taxes. And the tax dollars then for motor vehicles are then distributed to the cities and to the schools. And so, when we see that, there will be a reduction in those areas. So, beyond that, you know, current law is pretty clear on how we handle these vehicles. This one here, of course, will put a little bit of a slant into it because we're going to have to make sure if it is a private sale, which isn't that difficult to do. But at the end of the day, it really becomes then a tax policy of the legislature as to how you want to handle these and what could those reductions, if you think that is something that is good tax policy or not. And so, I'll end my comments with that. Thank you. [LB453]

SENATOR GLOOR: Mr. Dix, do you know any of the history of this? Most folks who look at this would say, well, somebody must have overlooked it, except I don't think anybody overlooked it. I think the original intent was to have it set up this way and have it coming and going. [LB453]

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LARRY DIX: Yeah, you know the original intent years ago in the motor vehicle systems, you know, years ago and see...go back to the '80s before we had a state VTR system. At that time these were handled the same and you sort of get into that question of, okay, if I come in and buy a car, and like a lot of other things in life, I guess the timing is everything, the determination was made that we're going to look at the unexpired in a situation of months rather than days because otherwise you're really going through a calculation for not a whole lot of money. So, I think that is why at that time the Legislature said, okay, we're going to handle it and that, for those of you, that really is defined on page 2 about line 13 and it talks about the number of unexpired months remaining as opposed to the number of unexpired days remaining. So, that was at some point in time, that certainly was a discussion of the Legislature and a decision was made that it should be a month period of time. [LB453]

SENATOR GLOOR: (Exhibit 1) Okay. Any other questions? Seeing none, thank you. Anyone else in opposition? Anyone in a neutral capacity? And while Mr. Todd comes up here, we have a letter in a neutral capacity from Rhonda Lahm, Nebraska Department of Motor Vehicles. [LB453]

LOY TODD: (Exhibit 2) Senator Gloor, members of the committee, my name is Loy Todd. That's L-o-y T-o-d-d. I'm the president of the Nebraska New Car and Truck Dealers Association. I'd like to thank Senator Hilkemann for sharing this legislation with us early and letting us work with him on what I have...is being distributed as a proposed amendment, if you decided to move this forward. I think the explanation is clear and we do have in Nebraska a situation right now where a person pays taxes for the full year and if they dispose of the vehicle in some way, they're due a refund. And historically, that's been for the remaining months available. And if that's changed to days, I'm sure that can be done. Our concern about the bill primarily is that it talks about private party sale. And I don't know of any place else in the law we distinguish taxes among private parties and other parties. In motor vehicles, we talk about use and there are variances in the taxes depending on what use they're put to, but not whether they're a private party or not a private party. And it seems to us that if you choose to change the refund method, that anyone who pays taxes on a vehicle, and there is an unexpired portion of that, ought to get a proportionate refund for that purpose. As far as whether you do it monthly or daily, actually we don't feel like we should take a position on that. That's a matter of policy. In response to your question, Senator Gloor, I think that this all started before we got all these computers and the math computations would be somewhat different. Also, it's pretty tough to figure out exactly when the transactions take place. Vehicles are traded and now we've got the Internet. You got Internet sales going out there. When did it happen? This is a little tricky to track and I have talked to the DMV extensively. I know they've sent a letter and I certainly don't want to speak for them, but the current computer is not programmed to do this, so they'd have to do that. And again, the information coming in will be a little bit tricky to get, but certainly it can be done, so. If you have any questions, I'd be happy to answer. [LB453]

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SENATOR GLOOR: Are there any questions for Mr. Todd? I see none. [LB453]

LOY TODD: Okay. [LB453]

SENATOR GLOOR: Thank you, Loy. Anyone else in a neutral capacity? Senator Hilkemann, you're recognized to close. [LB453]

SENATOR HILKEMANN: My Friday gift to you, I will not close. (Laughter) [LB453]

SENATOR GLOOR: Thank you. That ends the hearing on LB453 and that ends our today's hearing. [LB453]