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Floor Debate
April 21, 2017

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PRESIDENT FOLEY PRESIDING

PRESIDENT FOLEY: Good morning, ladies and gentlemen. Welcome to the George W. Norris Legislative Chamber for the sixty-ninth day of the One Hundred Fifth Legislature, First Session. Our Chaplin today is Pastor Jason Wolter of the St. John's Lutheran Church in Tecumseh, Nebraska, Senator Watermeier's district. Please rise.

PASTOR WOLTER: (Prayer offered.)

PRESIDENT FOLEY: Thank you, Pastor Wolter. I call to order the sixty-ninth day of the One Hundred Fifth Legislature, First Session. Senators, please record your presence. Roll call. Mr. Clerk, please record.

CLERK: I have a quorum present, Mr. President.

PRESIDENT FOLEY: Thank you, Mr. Clerk. Are there any corrections for the Journal?

CLERK: I have no corrections.

PRESIDENT FOLEY: Thank you, sir. Are there any messages, reports, or announcements?

CLERK: I have a hearing notice from Health and Human Services Committee. Health Committee also reports LB439 to General File with amendments attached. I have new resolutions: Senator Stinner, LR110. I have two gubernatorial appointment letters, Mr. President. Those will be referred to Reference for referral to standing committee for purposes of conducting confirmation hearings. Lobby report as required by state law to be inserted in the Journal. And acknowledgment of receipt of agency reports available to members on the legislative Web site. That's all that I have, Mr. President. (Legislative Journal pages 1113-1121.) [LB439 LR110]

PRESIDENT FOLEY: Thank you, Mr. Clerk. (Visitors introduced.) Mr. Clerk, we'll now proceed to the first bill on the agenda, General File appropriation Bill.

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CLERK: Mr. President, LB268A is a bill by Senator Schumacher. (Read title.) [LB268A]

PRESIDENT FOLEY: Actually, before we proceed to that, Speaker Scheer, you're recognized. [LB268A]

SPEAKER SCHEER: Thank you, Mr. Lieutenant Governor. Colleagues, a little bit on what we'll have next week. Monday, if you recall, we are going to start at 10:00. We will have a budget briefing at 8:45 and that is important to go to. It will give you some base information to start with. We will not be doing budget work on Monday. It will give you that whole day to look over the documents and really get a better understanding of what Appropriations have put together for us. We will have Final Reading on Monday. And not that you shouldn't be listening to Final Reading, but it does give you time that will allow you to look at those documents. Final Reading will last a substantial amount of time. I believe we have somewhere in the neighborhood of 50 or more bills that will be going across on Monday. And at probably finishing somewhere between 2:00 and 3:00, we will do LB595 Monday afternoon. That will have a three-hour time slot as well. So just for your own planning, I would believe Monday somewhere between 5:30 and 6:00, by the time we get done with that. Tuesday morning we will start the budget process. We will start with LB233 in the morning and then move into the main budget in the afternoon. Wednesday morning we will have LB333, which is a budget component as well. And then Wednesday afternoon and evening--Wednesday is going to be a late night; that won't get called off--will be all budget discussion. Thursday morning we will do some small Select. We have about eight or ten Select and I'll probably bring across half of our consent agenda from yesterday and do the other half the following week. So we will have maybe somewhere between 20 and 30 Select and then we will do budget as well Thursday. If things are going well in relationship to the budget I would hope to be able to be done on Thursday, because of Friday being a recess day, by 1:00. If we are still having a hard time moving through the budget, and I don't expect us to be done with the budget. Please don't misinterpret my contact here. But if we are still moving relatively slowly through the budget, I'm reserving Thursday literally to go until 5:00 that day rather being a half day. And I'm truly not meaning that as a threat. I just...we've only got so many days and so if we're going to be utilizing that much time, we're going to have to have as much time as possible to spend. I don't want to rush the process. I want to make sure everybody has adequate time to discuss it. So Thursday could be a quasi short day and it might be a regular day, so build your schedules accordingly in relationship to that. If there is any questions, please don't hesitate to contact myself or the office. And we'll have a great discussion this morning and have a wonderful weekend. Thank you.

PRESIDENT FOLEY: Thank you, Mr. Speaker. We're now prepared to begin on LB268A. Senator Schumacher, you're recognized. [LB268A]

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SENATOR SCHUMACHER: Thank you, Mr. President, members of the body. LB268A is the A bill that accompanies the welfare fraud recovery bill that we advanced the other day. I would ask your support and your green light on LB268A. [LB268A]

PRESIDENT FOLEY: Thank you, Senator Schumacher. Debate is now open on LB268A. Seeing no discussion, Senator Schumacher, you're recognized to close. He waives close. The question before the body is the advance of LB268A to E&R Initial. All those in favor vote aye; those opposed vote nay. Have you all voted who care to? Record, Mr. Clerk. [LB268A]

CLERK: 30 ayes, 0 nays, Mr. President, on the advancement of the A bill. [LB268A]

PRESIDENT FOLEY: LB268A advances. Proceeding now on the agenda, General File, 2017 committee priority bill. Before we proceed on that, we'll read some items into the record, please. [LB268A]

CLERK: Thank you, Mr. President. Your Committee on Appropriations reports the following bills to General File, some of which have committee amendments attached: LB328, LB329, LB330, LB149, LB327, LB331, LB332. Those all reported to General File offered by Senator Stinner, as Chair of the committee. (Legislative Journal pages 1121-1123.) [LB328 LB329 LB330 LB149 LB327 LB331 LB332]

Mr. President, LB461 is a bill originally introduced by Senator Smith. (Read title.) The bill was introduced on January 17, referred to the Revenue Committee, advanced to General File. There are committee amendments pending, Mr. President. (AM954, Legislative Journal page 954.) [LB461]

PRESIDENT FOLEY: Thank you, Mr. Clerk. Senator Smith, you're recognized to open on LB461. [LB461]

SENATOR SMITH: Thank you, Mr. President, and good morning, colleagues. Before I begin my remarks on LB461, I just wanted to get my thank-yous out of the way and thank Senator Brasch and Senator Lindstrom, Senator Erdman and many, many of the other senators in this body that have worked with me over a number of weeks and months, frankly, going back to last year to talk about the need for comprehensive tax reform in our state. And I do appreciate their commitment and their drive to move our state forward. Today is a big day for Nebraska. It's been many, many years, maybe even a couple of decades since we've been able to have this type of discussion on the floor of the Legislature. And I think it's good to do it. I wish we could do it more often. Today's discussion is going to be comprehensive and it's going to take time to step

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through all the components of LB461. So as I go through this, I'm going to be asking Senator Brasch and Senator Erdman and Senator Lindstrom to assist me as we go through in explaining the components of this bill. Citizens and businesses across the state are unhappy. They're unhappy with the tax burden on them. They're unhappy with the tax burden that causes us to hold back on the type of growth that we could experience otherwise. They're unhappy with the status of tax policy in our state, the overuse of exemptions, the perception of special tax treatment of some, burdensome property taxes, and income tax policies that bridle our businesses and our families. Today I hope we have the resolve to take action on what's before us. The criticisms and the solutions are diverse. There's no question about that. We heard that diversity in committee this year. We heard Senator Morfeld and Senator Pansing Brooks talk about EITC and how we assist the underemployed in our state. Some may have differences of opinion on that. But we need tax policies that help everyone in our state. We heard Senator Morfeld talk about tax credits for training because we can't grow our state if we don't have a ready work force. And there is an apprenticeship program that did not come out of committee this year because of lack of funding. But that's key to growing our state is having a ready work force. We heard from Senator Lindstrom on exempting income taxes from Social Security. We have retirees leaving our state all the time, and not just for warmer climates but for neighboring states. We heard from Senator Brewer about relieving the burden on our veterans and on their retirement. Veterans create jobs in this state. They create businesses and when we're able to keep them in our state, it's good for Nebraska. It's good for Sarpy County and it's good for Bellevue. We heard about cleaning up business incentives. We heard from Senator Harr and Senator Watermeier that talked about how do we correct and improve Nebraska Advantage Act to attract business into our state? Senator McCollister and Senator Watermeier brought solutions to address remote sellers and we've heard a lot of that discussion on the floor. Senator Groene, great advocate for improving education funding, was very bold, brought us LB640, had discussion on that. And we do need to fix the way we fund education if we are going to fix property taxes in this state. And we heard much about the overuse of credits and exemptions. And we heard from Senator Schumacher, Senator Briese, and Senator McCollister and what a mess all of that is and the solutions are not always clear. Advocacy groups like Nebraska for Reform, Farm Bureau, the chambers of commerce, Platte Institute, they've all added their voices to this and it's important. The discussion is very important to have. And I do appreciate every one of those organizations for lending their voice, not always agree with them all, but you know what, they're all hitting on a commonality and that is we have a tax problem in the state. The answer is not simple and can only be found through a compromised, compromised and consistent effort. And it must be both reasonable and affordable to meet the standards of Nebraska's businesses and Nebraska's citizens. We like to talk about the Nebraska way. I like to go back and say it's got to be reasonable and affordable. To not consider the bill that's before us today is to embrace the status quo and to ignore the greater vision for Nebraska. We can do better in this state. We have a diverse state and we need to make certain that businesses across this state are united for a common goal and that is to create jobs, to grow the economy, because it's only through that that we're able to compete with our neighboring

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states and to see the long-term solutions to property taxes and the burdens on our businesses and our families. LB461 is a step towards uniting business interests and recognizing the need for a diverse economy to meet the ever-increasing needs of our state. It's a step toward addressing the long-term concerns with agricultural land valuation and agricultural land property taxes which are disproportionately high relative to other properties. And it's a step toward relieving the tax burden on families and businesses so that each can invest as they choose, invest their own investment. It's not starving government. It is being a responsible with government spending and it's making certain that families and businesses can reach their fullest potential. Turning to the bill, there are two broad components. We have income tax and property tax are the general broad areas of discussion today. Very quickly on income tax, we do have collapsing existing brackets for the individual. Again, the individual, a lot of small businesses pays through the individual tax brackets. We have long-term collapsing of the corporate brackets. We have new, nonrefundable tax credits for personal taxes. We have earned income tax credit increases. We have creation of the Mainstreet Revitalization Act. We're going to reduce some of the tax credits that are currently there as "pay-fors" for this effort. We've heard a lot about triggers. We do have triggers as part of the bill to address long-term prospects for small businesses and corporations. And we have...the other component is going to be property taxes. And beginning in January 1 of 2018, we are proposing to move from a comparable sales approach in determining assessed valuation to an income approach calculation. And this is to address the high spikes in ag land valuation despite a farmstead's actual ability to produce income. And then also part of the property tax will be the application of the same triggers used on the income tax, application of those same triggers to transfer money into the Property Tax Credit Relief Fund. So if we're looking for attempting a balance between property taxes and income taxes, we want to apply those triggers to both. We have...in the near term, we're assisting... [LB461 LB640]

PRESIDENT FOLEY: One minute. [LB461]

SENATOR SMITH: ...smaller businesses, long term we're...in the short term we're addressing families and smaller businesses, and in long term addressing corporations and businesses. So near term is going to be for the lower brackets. Any of these individual items would be significant on their own; any one of them would be. However, together we create a stronger approach to a reform package that moves our state forward. This is very important legislation today, colleagues, we do want to have plenty of time to explain all of this. We do welcome your questions and we do want to have an engaging conversation today. Thank you, Mr. President. [LB461]

PRESIDENT FOLEY: Thank you, Senator Smith. As the Clerk indicated, there are amendments from Revenue Committee. Senator Smith, as Chair of the committee, you're recognized to open on AM954, the committee amendment. [LB461]

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SENATOR SMITH: Thank you, Mr. President. And as I mentioned, I did want to have some exchange with my other colleagues to help further explain the components of the bill. During this period of time I'm going to have an exchange with Senator Lindstrom as he steps us through the components for the income tax portion of this bill. Senator Lindstrom, can you expand a bit on what I've opened on? [LB461]

SENATOR LINDSTROM: Sure. LB461 has components of my original bill, LB452, which includes corporate income tax reform and personal income tax reform. Touching on the personal income tax, currently as Senator Smith mentioned, we have four different tax brackets starting at 6.84 percent, 5.01 percent, 3.51 percent, and 2.46 percent. What we do initially in the start of 2019 is collapse the four brackets into three brackets, the bottom bracket becoming 3.52 percent; that's initially. And then touching on the corporate income tax tied. We take the top tax bracket in the corporate side of 7.81 percent and collapse that initially to 7.59 percent. So when you talk about short-term and long-term, this would be part of the short-term process of reducing both personal income tax and corporate income tax. [LB461 LB452]

SENATOR SMITH: Please continue. [LB461]

SENATOR LINDSTROM: Sure. As with this as we look long-term, with the personal income tax, we will be reducing this, what Senator Smith talked about, with triggers. These triggers with the individual income tax is a 3.5 percent revenue growth year over year. So, for example, if we were to hit 3 percent of revenue growth, or projected revenue growth, the reduction would be deferred to the following year. We do this in a prudent way by reducing the income tax bracket from 6.84 percent over an eight-step process down to 5.99 percent with a reduction of .10 percent over those eight years to achieve our goal. With the corporate income tax, same mechanism exists in the trigger, however, this a growth rate of 4 percent as opposed to 3.5 percent. So if we do have a projected growth rate of, say, 3.75 percent, the individual personal income tax would be triggered; however, the corporate would not. So again, this is a prudent way, a method, of paying for these cuts long-term with Nebraska growing. So individuals and businesses can participate in the growth of Nebraska's economy. And again, we get, for the personal income tax and the corporate income tax, the end goal is 5.99 percent on both. So if we have a 4 percent revenue growth or higher, both are triggered down to that 5.99 percent. The other few components of this bill that are important to think about and talk about, Senator Morfeld's bill, which was LB129, addresses the earned income tax credit. And what that does is currently we have a 10 percent of the federal tax credit. In 2019 that goes to 11 percent and in 2020 that goes to 12 percent. So what we're trying to do is be cognizant and looking at low-income tax earners and making sure that they're covered in this tax reduction. We do phase out the personal exemptions starting with income earners of filing jointly at \$300,000 and individual filers filing at \$150,000. So those individuals that are on the higher end of earners will have a

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reduction in their personal exemptions. I'd be happy to answer any other questions or talk about... [LB461 LB129]

SENATOR SMITH: All right. Very good. So again, in the beginning years of this bill we're dealing with collapsing the tax brackets with "pay-fors" that include elimination of personal exemptions phased out for the high income, elimination of and suspension of New Markets and Historic Tax Credits. Those are in the near term. And then the longer term we're working with triggers to bring down those top brackets for corporations and for individuals. And as you heard from Senator Lindstrom, for that top bracket it's not very high in Nebraska. Those are not wealthy Nebraskans and those are not wealthy businesses. So with that, I'm going to close on this portion and as we come back next, I would like to have Senator Brasch...in fact, Mr. President, how much time do I have remaining? [LB461]

PRESIDENT FOLEY: About 4:40. [LB461]

SENATOR SMITH: Okay. What I'm going to do is go ahead and get started briefly. Senator Brasch, have an exchange with me on the ag side of this and then we will pick up where we leave off on the next round. [LB461]

PRESIDENT FOLEY: Senator Brasch. Four minutes, Senator Brasch. [LB461]

SENATOR BRASCH: Thank you, Chairman Smith. Thank you, colleagues, good morning, and good morning to our second house. I also want to thank Senator Erdman for his continued work on looking at the amendment, AM954, and adding to it. Senator Smith, the Agricultural Fairness Act, which is a part of LB461, is truly about achieving fairness and accuracy. LB461 is written to provide some relief from the exorbitantly high taxes that agriculture producers are required to pay the last decade. They are paying these despite that our taxes are increasing over 264 percent, yet our income has fallen over 60 percent. This is not achievable. It is not good for agriculture. It is not good for all of Nebraska. This changes the way agriculture and horticultural land is valued from the current market-based approach to a new income producing approach. It's used in nine other states. It is used in all the states that surround Nebraska. [LB461]

PRESIDENT FOLEY: Thank you, Senator Brasch. Senator Smith, three minutes remaining. [LB461]

SENATOR SMITH: Thank you, Senator Brasch. Senator Erdman, would you like to...I'll yield the remaining time to you and pick up on that. [LB461]

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PRESIDENT FOLEY: Senator Erdman... [LB461]

SENATOR ERDMAN: Okay, thank you. Thank you, Senator Smith. I made this comment yesterday. And I appreciate, first of all, all of you who came during the lunch hour the last couple of days to listen to what it is that we tried to explain about this. I said there that being in the legislature is a lot like being in a retirement home. You have new and different friends every day. It depends on what bill you have. So this morning my job, I believe, first of all, is to explain briefly why it is that we need a change the way we value ag land. One of the things that came to my understanding very quickly as a county commissioner, it seemed unfair and it still does seem unfair that we sell basically about 1 percent of the ag land in every county in the state on an annual basis. Therefore, we've created a degree of scarcity when land comes up for sale because it doesn't sell very often. People pay more than they normally would just because of the scarcity situation. I think it's wrong that 1 percent of land would sell on an annual basis and we base and price the rest of the 99 percent based on 1 percent of it selling. That's a problem. The other issue that we have is the Property Assessment Division tells our county assessors what values...how to value their land for taxation purposes. They borrow sales from other counties. And as Senator Craighead might agree with this, there are three very important things in real estate, three things you need to remember: location, location, location. And the way we do it now does not take into consideration location or where it's at. And so consequently, when you have a body telling your assessor how to value their land and they have an opportunity to gain from having your value high by putting less state aid into your county... [LB461]

PRESIDENT FOLEY: One minute. [LB461]

SENATOR ERDMAN: ...that is one of the reasons why this is a problem. And a lot of agricultural land sales that are used are not arm's length transactions sales, like 1031 exchange, for example. Some of those are used in some counties. That seems to be a problem. The other thing is the current method of valuing ag land as Lydia...Senator Brasch had alerted to...spoken about is it takes no consideration into what the land is capable of producing. It's a regressive tax and they don't ever send you a notice or put a call out and say, can you pay more taxes? They just send you the notice and say, send it in. And so consequently, the taxes we pay aren't commensurate with the amount of income we produce off of the land. So changing from a market to an income approach is a fair way to do it. We're talking about fairly valuing ag land so that it's representative of what the land will produce. I have other questions or comments to make and I'd be glad to answer questions. I handed out a sheet... [LB461]

PRESIDENT FOLEY: Time, Senator. [LB461]

SENATOR ERDMAN: ...that explains what it is. Thank you. [LB461]

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PRESIDENT FOLEY: Thank you, Senator Smith, Lindstrom, Brasch, and Erdman. Mr. Clerk. [LB461]

CLERK: Mr. President, I now have a series of amendments to the committee amendments. Senator Smith, yours is first. I have AM965 as an amendment to the committee amendments. (Legislative Journal page 959.) [LB461]

PRESIDENT FOLEY: Senator Smith, you're recognized to open on AM965. [LB461]

SENATOR SMITH: Mr. Clerk, can we stand at ease for just a moment? [LB461]

PRESIDENT FOLEY: Senator Smith, you're recognized. [LB461]

SENATOR SMITH: Thank you, Mr. President. We do have a couple of following amendments here and the first one up is going to be AM965. It is an amendment that deals on the income tax side of the bill and we're going to use this time to, again, continue to step through the components of the bill. At this point I'm going to open on, again, AM965 and we're going to step through on the income tax side, this bill, the underlying bill, the operative for tax year 2018. And thereafter will be the introduction of LB338, which is Senator Brasch's bill, and AM875 income valuation method of agricultural land. That starts in 2018 and operative for tax year 2019 and thereafter. We will have a collapse of the first two brackets at a new rate as Senator Lindstrom stepped through that, and a phaseout of personal exemption credit at \$300,000 per year for married filing jointly and \$150,000 per year for those filing individually. So that's a phaseout of those personal exemptions that will be used as a pay-for for the lower brackets. EITC will be moved to 11 percent in 2019 and 12 percent in 2020. That is a percentage of the federal EITC. Again, Senator Lindstrom mentioned that those components came to us through two bills that were heard in committee: Senator Morfeld and Senator Pansing Brooks. The corporate top rate change to 7.59 percent from 7.81 percent, we will suspend New Markets and the Historic Tax Credits beginning in July of 2017 through December 31 of 2022. There will be a new nonrefundable credit of \$40 for married filing jointly, returns with \$28,000 adjusted gross income or less, and \$20 for all other returns with \$14,000 adjusted gross income or less. Again, this is to make certain in the early years we address income tax relief at the middle to low brackets. We will then also increase personal exemption credit by \$10 for all other filers. In operative tax year 2020 and beyond, we will use credits or triggers. These are individual income top rate phased-in reduction based on triggers starting in January 1, 2020, until we reach 5.99 percent, which is currently at 6.84 percent, relatively high in the region. Corporate income tax, we will have a phased-in reduction that continues from 2019 based on triggers and this is to get that as well below 6 percent to 5.99 percent. And then in a following amendment that will be added, which will be 9...hopefully we will be able to substitute it for AM966, that is where we

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will also apply those triggers to the Property Tax Credit Relief Fund. So the same triggers in which we will be applying to income tax, we will want to apply to the Property Tax Credit Relief Fund. And again, those will be following amendments and that is why it's very important to adopt AM954, AM965, and AM966, once it is substituted with the amendment that carries the triggers for the Property Tax Credit Relief Fund. I'm going to go back and say again, this is a comprehensive approach. Taxpayers across Nebraska are hurting and we need to do whatever we can to relieve their burden, but we also need to put our state on a projection of growth. You look at our surrounding states, Nebraska at best is in the middle of the pack nationally. But that doesn't cut it regionally. Aside from one particular state to our east, Nebraska's rankings are much, much worse than other regional states. This is a regional competition for businesses and to retain retirees and to retain veterans and to retain others that would seek to stay in the Midwest but could choose another state. Also, it's vital to the attraction of businesses. This is the path forward. It also provides relief for our farm communities and this is critical to reform the way we value ag land for the future. That is definitely a reform component of this bill. And the near-term component of this bill for property tax will be addressed through the triggers. My colleagues, I am not going to try to stand here and convince you that this is everything. We've heard many, many solutions this year but this is before us today. This is an opportunity we have to set the stage for how our state is going to compete in the future and how we're going to treat our businesses and our families. I'm a small businessperson myself and usually this time of year I'm pretty irritated with having filed my own taxes. Someone was reminding me this morning that last year about this time, I had one of those moments where I was quite frustrated after filing my taxes and paying. And I know many of you have gone through that experience yourself. We're not going to eliminate that. We're going to continue to pay taxes and we have to pay taxes to meet the critical needs of our government in this state. But can we do it responsibly? Can we structure tax policy in this state in such a way that we can grow it and we can create jobs? I think we can. And this is absolutely one of the best starts we can make. We need a bill before us that unites businesses across the state. We do not need to have a fight between rural businesses and urban businesses, between ag businesses and nonag businesses. We need to help all businesses in this state to do their very best, to be their very best. And that's what's before us today. So again, we're going to continue through this process and further explain this bill. And in the next amendment, we will be adopting and hoping to adopt the Property Tax Credit Fund portion of this bill, which will use those same triggers as the income tax. Mr. President, how much more time do I have? [LB461 LB338]

PRESIDENT FOLEY: 2:30. [LB461]

SENATOR SMITH: Okay. Senator Erdman, would you like to continue where you left off? [LB461]

SENATOR ERDMAN: I would. Thank you, Senator Smith. [LB461]

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PRESIDENT FOLEY: Senator Erdman, you're recognized. [LB461]

SENATOR ERDMAN: Thank you, Lieutenant Governor. Yeah. My intention with the rest of this time is try to explain to you what exactly is needed here and why it is needed. As I alluded to in the conversation that we had at noon a couple of days...for the last couple of days, I described what happens right now the way they value ag land is everyone that understands a portion of this ag valuation understands or has the misconception that it's an average of three years of sales. An average is not part of the program, never has been. And what they do, they collect the sales array from the last three years of sales, they divide the sales amount by the assessed value, and then they place those in descending order and they choose the median sale. And so that's what happened in Morrill County. Several years ago we had several parcels of land sell for 50 percent of what the value was, and everyone in the county thought their value was going to go down because we had 17 sales happen that were cheaper than the average. And at the end of the year, our values went up. It was because none of those 17 sales reached the median number. And so when we have those kind of things happen and we don't use an average of what the sales are, it puts an unfair advantage on those sales that are higher and has more of an influence on the value. And so going forward, AM954 would allow the production of the land to be the driver of how much value you pay in taxes. [LB461]

PRESIDENT FOLEY: One minute. [LB461]

SENATOR ERDMAN: So consequently, as we go into the production of it, the committee will be set up to determine what the average county yield is for the major crops grown in that county. Then look at the NRCS or USDA information what the average price was and discover what the average production was on each acre of the major crops in that county. They will divide that by the number of acres produced, get a gross income for that county per acre. The committee will then subtract standard and normal expenses and get a net income. Once they've arrived at the net income, then they will divide the sales price that the county assessor now has on her books or his books for the year's sales and then divide that by the net income and get a capitalization rate. And a capitalization rate is basically just tells you what the percentage of return of investment would be on that land. And a capitalization rate would be then established by using that procedure. The committee will then inform the county assessor what the production was or the value was in that county and the capitalization rate. [LB461]

PRESIDENT FOLEY: Time, Senator. [LB461]

SENATOR ERDMAN: Thank you. [LB461]

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PRESIDENT FOLEY: Thank you, Senators Smith and Erdman. Debate is now open on LB461, AM954 committee amendment, and AM965. There are approximately 30 senators in the speaking queue. Senator Bolz, you're recognized. [LB461]

SENATOR BOLZ: Thank you, Mr. President. I do appreciate the committee's work to try to respond to a variety of stakeholders who are looking for tax changes in our state. However, I rise with grave concerns about the fundamental policy idea behind LB461 which is the idea of triggers--triggers for tax relief in the future. And the main reason that I have concern is in my position as an Appropriations Committee member. We not only have a responsibility to respond to our stakeholders' interest in tax relief, we also have a responsibility to take care of the institutions that our constituents hold so dear, ranging from public schools to higher education to healthcare initiatives. Those commitments are at risk when we put triggers into place when we project them into the future. And so I want to start by first discussing triggers in this bill and my first concern relates to the triggers based on projected revenue rather than actual revenue. So the Nebraska Legislature produces a revenue volatility report. And if any of you would like to see a copy of the revenue volatility report, it's here on my desk. You're more than welcome to take a look at it. That revenue volatility report tells us several very important things. The first is that revenue projections are more art than science some years. In fact, we rarely get it close to target. In fiscal year '16-17, we were overprojected our revenues by 3.8 percent. In '15-16, we overprojected by 3.7 percent. But were under error in '14-15 and '13-14 by 2.4 percent. Colleagues, there is not stability in our revenue projections. Some years we get it right. Some years we get it wrong. Some years we're close. Some years we're very far. When we turn our attention to actual revenue growth, we can see that that varies as well: a high of revenue growth on this chart in 1989 of about 11.5 percent varying to a low of negative 5 percent in 2010. That volatility is one of the things that's so difficult to manage as an Appropriations Committee member. We have to work towards the average and figure out how to smooth costs over time. And one of the things that's been very difficult this year has been dealing with an economic downturn when our costs reasonably increase. Let me talk to you about some of the reasonable requests that have come in to us this year that we have had to grapple with. The first is that we consistently underfund our healthcare services. A letter from LeadingAge, which is an organization in Nebraska that serves individuals who are senior citizens in our nursing facilities, tells us that the average daily nursing home Medicaid reimbursement is \$161.87, and the actual cost to deliver that care is \$186.93. That's a daily shortfall of \$25.06. In spite of this shortfall, colleagues, our budget recommendation only allows us to keep that funding flat. So if we were to have this bill in place and were triggering tax relief while turning a blind eye to the needed services in our state, nursing facilities like the ones who are members of LeadingAge would be in a world of hurt. Those nursing facilities not only serve some of our most vulnerable citizens, but are also major employers in several small communities statewide. Other reasonable recommendations that we get from agencies... [LB461]

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PRESIDENT FOLEY: One minute. [LB461]

SENATOR BOLZ: ...year after year range from the cost of increased utilities in the community and state college systems to the rising percentage of kids who are requiring special education in the K-12 system. And this year our budget recommendation only allows growth of 1 percent in spite of Lincoln Public Schools' increase of special education students of 8.5 percent. Colleagues, this is not responsible fiscal management. In fact, if these triggers had been in place, income taxes would have been cut numerous times, including 2002 when we had \$750 million shortfall, 2008 when we faced a \$377 million shortfall, and in 2012 which would have prevented us from getting more money into our cash reserves. Those cash reserves have been a huge life saver for us as Appropriation Committee members this year. And not only are they important in economic downturns, they're important when we have to respond to natural disasters. [LB461]

PRESIDENT FOLEY: Time, Senator. [LB461]

SENATOR BOLZ: They're important when we have federal rates that we... [LB461]

PRESIDENT FOLEY: Time, Senator. [LB461]

SENATOR BOLZ: ...have to pay back. Thank you, Mr. President. [LB461]

PRESIDENT FOLEY: Thank you, Senator Bolz. Senator Larson. [LB461]

SENATOR LARSON: I yield my time to Senator Smith. [LB461]

PRESIDENT FOLEY: Senator Smith, 5:00. [LB461]

SENATOR SMITH: Thank you, Mr. President. Mr. Clerk, I would move to substitute AM1129 for AM965. [LB461]

PRESIDENT FOLEY: Senator Harr? [LB461]

SENATOR HARR: I object. [LB461]

PRESIDENT FOLEY: There has been an objection to the proposed substitution. Senator Smith. [LB461]

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SENATOR SMITH: Thank you, Mr. President. I make a motion to substitute, please. [LB461]

PRESIDENT FOLEY: Motion is debatable. And your motion, Senator Smith, is to substitute AM1129 for AM965. Is that correct, Senator Smith? [LB461]

SENATOR SMITH: That is correct, Mr. President. [LB461]

PRESIDENT FOLEY: Senator Smith, you're recognized to open on your motion. [LB461]

SENATOR SMITH: Thank you, Mr. President. As I mentioned earlier, we do have some trailing amendments that we do need to make part of this committee amendment and the underlying bill to achieve the...what we call this comprehensive approach to tax reform and relieving the burdens on our agricultural taxpayers, our businesses across our state, and our families. AM1129 that I'm seeking to substitute for this amendment seeks to eliminate all references to land capability groups. Instead, the new Agricultural Land Valuation Committee will develop new productivity groups of soils and what I'm going to read to you are all parts of some ideas that Senator Erdman brought to us and that we wanted to incorporate into this bill to make this bill better. It clarifies that the capitalization rates will be the same for each of the subclasses of agricultural property within each county. It requires the appraiser that is a member of the committee to be an accredited rural appraiser as granted by the American Society of Farm Managers and Rural Appraisers. It provides that the committee will establish the capitalization rates for property tax year 2018. In subsequent years, the capitalization rate may only be adjusted to ensure uniform and proportionate assessments. It provides a third trigger for further property tax relief. This is what I mentioned to you, colleagues. This requires that the Tax Rate Review Committee, at its November meeting, to determine the forecasted growth rate in net General Fund receipts from the current year to the next year. If the forecasted growth rate exceeds 4.5 percent, the committee is to declare a property tax credit increase. If a property tax credit increase is declared by the committee, the State Treasurer is to transfer \$20 million from the General Fund to the Property Tax Credit Cash Fund by the second March 15th following declaration. And finally, it provides a \$10 increase in the personal exemption credit beginning in tax year 2019. Again, those are components to make certain that income taxpayers at those middle to lower brackets get the relief that they need as well. And it provides further property tax relief. That is the nature of AM1129 that I am seeking to substitute in to AM965. And that concludes my opening. Thank you, Mr. President. [LB461]

PRESIDENT FOLEY: Thank you, Senator Smith. (Visitors introduced.) Continuing discussion on the bill and the motion, Senator Geist. [LB461]

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SENATOR GEIST: Yes, thank you, Mr. President. And I would yield my time to Senator Smith. [LB461]

PRESIDENT FOLEY: Thank you, Senator Geist. Senator Smith, roughly 5:00. [LB461]

SENATOR SMITH: Thank you, Senator Geist. I appreciate that. I know I cannot yield it back to you, but what I wanted to do is be able to spend some more time on the property tax component of this. I think it's important that Senator Brasch and Senator Erdman step through this a bit more. Again, the majority of the amendment that we're attempting to take up with this motion relates to Senator Erdman. I am going to speak to it since I don't think I can yield back here. But let me just speak to the trigger portions of this. I want to go back and say that the Property Tax Credit Relief Fund is probably one of the better things we've done in recent years to try to deliver some type of tax relief to property taxpayers in this state. It's not sufficient. It's not enough and I certainly understand that. I do believe that going forward we are going to have to address education funding in this state. And Senator Groene, in his LB640, he made a very bold attempt to begin that conversation. Senator Friesen prioritized that bill, very important steps. We do need to address education funding and we need to provide certainty in education funding, but we need to reduce the property tax burden on our families and our businesses and particularly agricultural land. And adding more money into the Property Tax Credit Relief Fund will help all property taxpayers in this state. It will help farmers and ranchers in our state. I know more is needed. I understand that. I've heard that loud and clear. We're trying to work inside of the boundaries. You heard Senator Bolz earlier on the mike. I certainly appreciate her concern and her hard work on the Appropriations Committee. But what we are looking at here, colleagues, be very clear, we're not looking to spend money we don't have. If we're able to achieve the trigger points, if we're able to see the growth in government of at least 3.5...or the growth in revenues of at least 3.5 percent, we then, and then only, reduce income tax brackets and provide funding to property tax credit relief. We leave money on the table to meet the needs of government. Does government need to grow 3.5 percent every year? No, I do not believe it does. Are there years that there may be additional expenditures needed? Absolutely, and that's why we need to make certain we're in a position that we leave money on the table to replenish our rainy day funds. LB461 as amended will leave money on the table for the necessary cost of government. Thank you, Mr. President. [LB461 LB640]

PRESIDENT FOLEY: Thank you, Mr. Smith. Mr. Clerk. [LB461]

CLERK: Mr. President, I have a priority motion. Senator Krist would move to recommit LB461 to the Revenue Committee. [LB461]

PRESIDENT FOLEY: Senator Krist, you're recognized to open on your motion. [LB461]

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SENATOR KRIST: Thank you, Mr. President. Good morning, colleagues; good morning, Nebraska. I have diligently, and I have to underline that word, given a great deal of thought and study to what LB461, AM954, and AM965 are. And now we're being asked to substitute an amendment with some more explanation for a very complicated and a very complex, at the same time, process. The committee has had now 69 days to put something forward that was not just well thought out but was a plan moving forward. Now, in essence when I have my own time at the mike later, I wanted to discuss my own constituents' concerns with property tax reform. Never in eight years has anyone said I want my income tax lowered. They've always talked about the property tax. I'm trying to get my arms around LB461 as it has been...as the collage, if you will, has come together. And I'm just about getting there and now we're going to substitute another issue. I've seen projections like these handed out--you all have them on your desk--from the Governor, and they give actual percentages. And I'm not understanding how, if we don't know what the cap is because those caps have not been put in place yet, we can actually come to those percentages. There's a lot in this bill. There's a lot of tax shifting in this bill. Ag properties in this bill will have to shift the burden of the county to the urban, residential, and commercial. I'm trying to get my arms around that. I'm trying to make sure that the number one priority of the Governor is given a fair hearing. And we're talking about the things technically that are very important, but they're complex and they're very complicated, and now we're going to throw another monkey wrench into it. I do think Senator Smith has done his best to bring forward a comprehensive plan. The problem is explain it to us. Get us to a point where we want to move forward, and let's talk about the amendments as they come up. The recommit motion is not an insincere motion. It is a motion to make us all understand that there are so many parts to this puzzle. Maybe it should have been four or five different bills. I don't do this lightly, and I certainly don't do this to keep us from giving tax relief for property tax relief, but I'm not able to put this puzzle together. If I could ask for a show of hands for anybody who understands this, I don't think I'd see too many hands up in the air. I don't want to be like Kansas. They've got big problems. I don't want to be like places that have a tax burden or a tax shift that comes from ag to residential. I want to represent the entire state. My personal goal was representing the entire state and the citizens of the state. We had a Planning Committee study done by the University of Nebraska at Omaha that gave an incredible plan in the Planning Committee, an incredible plan for what not to do. And they highlighted Kansas and they highlighted Wisconsin and they highlighted Ohio in different ways. And the composite of that taught us what not to do. I venture to guess that there are some members on the Revenue Committee and others who have not even looked at that Planning Committee. I've asked Peg in Senator Schumacher's office to pull it up and get it to us today so we could take a look at that. Again, this motion to recommit is not about anything other than putting a plan together that we can all understand and we can all support. It also gives me an opportunity to stand up right now and say I do support property tax relief, but I don't know how we give property tax relief and give triggers down the road that we're committing future legislators to. Those triggers can be pulled just as easily as we put them in place. So there's a series of questions that I've presented in this recommit motion, and I hope we

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have a good discussion about it. And eventually we'll take it to a vote and then we'll get to the motion to substitute in AM1129 and the discussion will continue. And this is not meant as a hostile action. It is meant as a take-a-breath moment and let's stop amending things and talk about what this bill, in composite, will do. How much time do I have left, please? [LB461]

PRESIDENT FOLEY: 4:50. [LB461]

SENATOR KRIST: Okay. I would yield the balance of my time to Senator Harr, if he would like it. [LB461]

PRESIDENT FOLEY: Thank you, Senator Krist. Senator Harr, you're recognized. [LB461]

SENATOR HARR: Thank you, Senator, appreciate it. Mr. President, members of the body, I want to thank Senator Krist for yielding me some time. We've had almost an hour of conversation so far, and it's pretty much been one-sided, and that's good. I like that because, well, it takes up time and we've got to fill three it, so that's good. We're going to have a conversation about taxes. But I support this motion to recommit, because let me tell you what happened in committee. We had some conversation, not a lot. And apparently we didn't have enough because, as you can see, we had to substitute. Now, there were two options Senator Smith had. He could have waited in line behind other amendments that we could discuss about what we should or shouldn't be doing on tax policy, or he had an amendment and he could try to jump the line because it became apparent that this bill, as drafted, was pushed out too soon and wasn't fully thought out. So we're jumping the line. Well, there are other people who want to have a conversation about what we should or shouldn't be doing and there are amendments that have been filed. I have some. I would have liked to have been able to skip in line, move to the front of the line, because I think there are problems with this bill. I'm not going to talk about those problems right now, but I am going to say this motion to recommit is a serious motion. I think it's something we should probably talk about. Do we want to start doing substitutions? Why do we pass out bills before they're ready for prime time? I don't know. And does this really grow Nebraska? If we want to talk about the substance of this, let's talk about the substance of this bill. We want to grow Nebraska's economy. And when I want to grow our economy, I go to the experts. And to me, one of the great experts out there...there are two. I turn to the Department of Revenue and I turn to the Department of Economic Development. And you know what they both say? This isn't the solution. Now, they won't say that specifically about this bill, but look at their reports. Look at the reports that they have produced about how to grow Nebraska's economy. I'm going to talk about one. It's called Nebraska's Next Economy, Analysis and Recommendations. It was done by the SRI International at the request of our Governor and the Department of Economic Development. In there they have recommendations on what we could and should be doing and analysis. And those recommendations and analysis are not LB461, AM954, AM965,

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none of those. Nothing in there is what our own Department of Economic Development recommends. There's another study that I will grab and we can talk about. It's by the U.S. Council on Competitiveness. It's called the "No Recovery: An Analysis of Long-Term U.S.... [LB461]

PRESIDENT FOLEY: One minute. [LB461]

SENATOR HARR: ...Productivity Decline," done by Gallup, a company right here in Nebraska. And you know what it says? It's not what's in LB461. It's not what's in AM954, and it sure as heck is not what's in AM965. Studies, independent studies done, not by ideological groups, independent studies, there's one more by FSG that also talks about how do we grow our economy. And I'll go into that. It was...it, too, says do not do this. This will not grow your economy. A cut when fully implemented of .003 does nothing. It does not have the results that you want. Thank you, Mr. President. I move...I support Senator Krist, thank you for the time and ask that we recommit this to Revenue so we can have serious conversations within the Revenue Committee before we present this to you on the floor. Thank you. [LB461]

PRESIDENT FOLEY: Thank you, Senator Harr. Continuing with discussion, Senator Clements. [LB461]

SENATOR CLEMENTS: Thank you, Mr. President. I've been a tax preparer in Nebraska for 38 years, and I've done a number of nearby states and states farther away, and I've been noticing that Nebraska's income tax rates are a little bit higher than others around us. And I have seen some of my clients moved away to lower-tax states and it has been a concern of mine. I think it's a good thing that we're doing responsibly to gradually lower our tax rates. But the most talked about thing in my area has been property tax. And I'm seeing this bill as an important step for making property tax more fair here and Nebraskans expect something to change. This may not be exactly what everybody wanted. It's not as much as...the ag people wanted even more, but at least it is something and a good start. With that, I'd like to yield the rest of my time to Senator Erdman to explain more of the property tax. [LB461]

PRESIDENT FOLEY: Thank you, Senator Clements. Senator Erdman, 3:40. [LB461]

SENATOR ERDMAN: Thank you, Lieutenant Governor and Senator Clements. I appreciate that. I had a conversation with Senator Krist off the mike and I think I will continue that when I get done with this time. One of the things I want to talk about AM1129 as to why that was amended in that way is in the state of Nebraska, they have land capability groupings. And one parcel of soil may have a certain soil types in a land capability grouping and the next section over it has the same...say, for example, 1-G, same classification for soil groupings, but it has different soils

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in that group. And so if we're going to go on production of what the land is capable of producing, we have to break it down to where we get the individual soil types on each parcel of land and the capability of what that land will produce based on that soil type. That information is available. The NRCS has all that information on the soil types. It's not a difficult process. That can be arranged and set up. So that is the reason for the amendment, because if we continue to use the LCGs then we wind up having some soil types or some land being classified different than others and that won't work, so it's got to be based on actually what the soil will produce. And so that's why the amendment is put in place to change that we can use the soil classifications and make it more fair and equitable to those people who have different types of soils. As...I handed out a sheet and you may have that on your desk, and there are some examples there, and these are for examples only. These are for explanation. You will see that in that example right above the red chart it talks about how the system may work. And what the committee will do is they will develop a value for the highest and most productive land based on the average income for that crop in that county. So in that example, the best land would be a 100 percent, or 1, and then each one of those soil types would be rated according to what the best soil is. In the example, if you look there, the first soil under where it says crop soils, the HIB soil would be capable of producing 72 percent as much as the best soil. So consequently, you would multiply... [LB461]

PRESIDENT FOLEY: One minute. [LB461]

SENATOR ERDMAN: ...the net income per acre times the 72 percent and that would give you the value of that parcel of land on that soil type. And you follow on down and the rest of those are just examples. So that is an example of why...that is an example of how it works. And that is a brief explanation of why we needed to change from land class groupings to the specific soil types. That information is readily available. It's not something that's difficult to find. It's easily done and I think that the committee will have an opportunity to look at those soil types. Their job will be to determine the value on the best soil and the county assessor then will just make that application. And once they get their spreadsheet set up, that all those types of soils are in their spreadsheet, it should be just a calculation process and it should be more simple for them than gathering the sales information as they do now. So that's a brief explanation. I'd be glad to answer any other questions that you may have, but I would hope that you understand partially why we did what we did. Thank you. [LB461]

PRESIDENT FOLEY: Thank you, Senator Erdman. Senator Riepe. [LB461]

SENATOR RIEPE: Thank you, Mr. President. I would like to yield my time to Senator Brasch. [LB461]

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PRESIDENT FOLEY: Thank you, Senator Riepe. Senator Brasch, 5:00. [LB461]

SENATOR BRASCH: I want to thank Senator Riepe and thank you, Mr. President, and thank you, colleagues, friends all. And I do say that with the greatest sincerity. And I do want you to recall that in 2014--and those who are watching may remember this--there were countless town hall meetings that the Tax Modernization Committee held across the state. Many, many people came from all walks of life. And from that, a report was created. And during this commissioned work, in 2014, the Lincoln and Omaha Chamber of Commerce commissioned a study by the University of Nebraska Bureau of Research and in that study called a Tax Modernization Committee for Nebraska states that analysis demonstrates the overall burden of taxes, including personal income, corporate income, and sales taxes, influences economic growth. The study provided a list of recommendations, including reducing the marginal income tax rates. From that study, a priority that we were moving to that was next on the agenda is working with property tax. Friends, we have a critical problem, not a mild problem but a critical problem, that conversations in committee have been plentiful. And this bill is not made to divide city from rural. It is designed and written to make us alliances, neighbors, friends all, that our very best that come from the city, that come from the farm, that come from main street have a future moving forward. The future of agriculture is being tried. Farmers have been used to, through the history, of making do with little. But we've gone beyond making do with little. And when I heard that the concern is counting on the future, farmers count on that every day. We work with our bankers. Our bankers will agree, we count on the future to be better to farm. We count on the future to be better to grow our crop. We start with one seed and we grow an entire field. This seed is desperately needed, to be able to change the way we tax agricultural land to go away from market value into the income producing model that has been tried a long time, utilized, and is successful in nine states. So the time has come that we look at how we tax ag land and this recommendation and this bill is sound, is tried, and it is reform. Had it been done ten years ago, we wouldn't be standing here in this situation today. That it creates a Ag Land Valuation Committee, it goes beyond what the Tax Commissioner and Property Tax Division works on. It creates an alliance with our assessors,... [LB461]

PRESIDENT FOLEY: One minute. [LB461]

SENATOR BRASCH: ...with the committee, and with the people of this state because this is all about fairness. I have met many, many Nebraskans in my seven years here, as we've tackled tornadoes, floods, hail. We all believe in fairness. We've helped each other out in the darkest hours. These hours are dark on our farms. I am looking to my colleagues here to create alliances, to create these bridges, a better plan. Thank you, Mr. President. Again, thank you, Senator Riepe, for this time. There is much to be said today. [LB461]

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PRESIDENT FOLEY: Thank you, Senator Brasch. Senator Friesen. [LB461]

SENATOR FRIESEN: Thank you, Lieutenant Governor. As a farmer, as an ag land owner, as a property taxpayer, as an income taxpayer, I think what we're doing today is historic. I have not heard this Legislature debate meaningful tax reform in a lot of years. So when I look at this bill...and I've been happy to work with Senator Smith and I'm glad that he brought this and I admire his enthusiasm and his tenacity in dealing with the multitude of changes he's had to make since he first started. When I look at the data from the past nine or ten years here, we've seen individual income tax collections average 4.84 percent increase. On average, property tax collections have been have been 5.09 percent increase. Agricultural land has been at growing at 10.63. If we look at the last ten years and we look at the share of property taxes levied on ag land has gone from 18.4 percent to 29.14 percent of all property taxes collected. When I first came here I was going to work on property tax relief and I still am. But I also see the need for comprehensive tax reform. And what I envision is doing both at one time. We're not there yet with any of these bills or this motion or this amendment, but we're getting closer. But I have always said I need meaningful property tax relief up-front, and we can do a lot of things going down the road. There's amendments coming that will address some of my concerns. But I think this is a very important step, and we need to keep this bill moving forward. We have developed a partnership between urban and rural senators and we would like to keep that intact, and I will work my hardest to make that happen. We have a chance, for the first time in probably 30 years, 40 years, to do something significant for comprehensive tax reform. I'm looking forward to it. We have a little work to do yet and I'm willing to do that work. But when we look at our growth in this state, and I see how difficult it is to cut our budget and cut our spending, whether it's in the schools or any of our other programs, somehow we need to address that. We can't seem to be growing our state through people moving in. So if we're a high-tax state, we need to address it, whether it's property taxes or income taxes or any other taxes. So this is one of the ways that I think we can start that path. And if we want this state to be a tax-friendly state, this is one of the things we need to start working on. There's other things in the future that need to be dealt with: the Nebraska Advantage Act and there's a multitude of other tax credits that I think take a lot of revenue from the state that probably don't produce the results we need. We have to look at spending reform. And just because we give more state aid to schools or whatever, cities, counties, municipalities... [LB461]

PRESIDENT FOLEY: One minute. [LB461]

SENATOR FRIESEN: ...we still need to look at how we control some spending. But I, for one, know that we can't, as far as school funding, we cannot cut our way to get to the point where I need to be with property tax relief. And so I look forward to the discussion. I think as we move forward and get to hear some of the other ideas coming up, I think there's some good

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amendments coming that really do improve this bill and I look forward to hearing what those ideas are. Thank you, Mr. Lieutenant Governor. [LB461]

PRESIDENT FOLEY: Thank you, Senator Friesen. Senator Erdman, you're recognized. I do not see him at the moment. Oh... [LB461]

SENATOR ERDMAN: Thank you, Lieutenant Governor. I'm kind of short. You couldn't see me in the back. I would like to continue my conversation. I just had an off-the-mike conversation with Senator Krist and I do appreciate that. He has some very legitimate questions. One of the things that I want to make sure that we're clear on this is this is a fair way to value ag land. And has...this has been said before and I'd like to reiterate that. Had we had in place this type of valuation process, ag land would have not increased at the rate that it did over the last 10, 12 years. With that being said, we need to understand that when ag...when prices of corn are \$7 under the income approach, an agricultural producer will pay more taxes. He has the money to pay more taxes. And when corn is \$3, he will have less revenue and he also is obligated to pay less taxes. And that is what we need to keep in mind. This is an approach that allows us to pay our taxes commensurate with our income. As Senator Brasch had alluded to earlier, ag values have gone up significantly and income has decreased significantly. She had shared this yesterday in the meeting, that it would be like if your staff came to work one day and they worked a normal day and at the end of the day you would say to your staff you owe me \$20. That's kind of what happens in some of this regressive agricultural property tax. And so as we move forward with this explanation of what this is trying to do, this bill is trying to fix a situation that we've been dealing under for years and that is, as I said earlier, less than 1 percent of the land sales on an annual basis, and we price the other 99 percent based on the 1 percent of sales. There are many reasons that people buy ag land and one of those reasons may be to produce crops or to continue farming. But there are so many other and many varied reasons to buy agricultural land. It's a safe investment against inflation. And right now--and I hope Senator Stinner don't take any offense to this--the banks are paying such a great interest rate, up around .8 percent, it doesn't take a huge investment return on your agricultural land to make that a good deal. So some people buy agricultural land for different reasons. And so those varied and many reasons play into the role of what the next-door ag producer is paying for his land based on what somebody else perceives the value of the land to be. And so consequently that's why we have to look at a different way to approach valuing ag land from the current sales approach that we have now. I would hope that we can get through the questions that are asked. And I had a good conversation with Senator Krist and I would ask that once I'm done speaking here, if you have questions that I may help you with I would sure like to sit down and try to do that, because the worst thing that can happen is that we go forward and don't understand what it is we're trying to do and, therefore, you can't vote for that. And so what my concern is, if you have a question and I haven't answered it appropriately on the mike, please let me know and I'll try to go through those individually and try to answer them as best I can. Thank you. [LB461]

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PRESIDENT FOLEY: Thank you, Senator Erdman. Senator Pansing Brooks. [LB461]

SENATOR PANSING BROOKS: Thank you, Mr. Lieutenant Governor. I really want to mention that I appreciate the sincerity and the genuine concerns of my colleagues, and of Senator Smith and Senator Brasch in bringing all of this forward. My concern is I don't feel like we can be deciding this in a bubble and I think that's exactly what we're doing. We look at the fact that we have a deficit budget of almost \$1 billion, but the plan is to cut more. We have difficult decisions as lawmakers and we have to make decisions that are often not popular with our constituents. And today Senator Smith said, well, if we don't do anything, we just embrace the status quo. Well, right now our status quo is budget crisis. So I'm not sure how any of this, all these cuts, help the budget crisis. It becomes a budget devastation. So we do need to make tough decision. Everyone wants cuts. Everybody I know wants to cut their taxes. Everyone wants to keep more money. And we will continue to hear that from everybody the whole time we're here, no matter what we do. You know, the presidential election was a mandate from both the left and the right. And that mandate was quit giving benefits to the wealthy, help the middle class, help the poor. Quit supporting the wealthy to the detriment of the middle class and the poor. I do appreciate the fact that Senator Smith is trying to add the EITC in, the Earned Income Tax Credit. But in relation to what's happening to the wealthy people, it's a crumb in light of the cuts that are going on to the wealthy. And this has been done in other states, to try to get the more moderates and left to come along. You know, the triggers sound good, but in 2008, the projected growth that year for our state was 3.8 percent, so under this bill, a trigger would have been initiated. And in actuality, the growth was negative 4.2 percent. So an auto-trigger is dangerous unless we're dealing with actual numbers. We have to look at actual numbers when considering tax cuts. I heard today that taxpayers are hurting. Well, this tax plan and the budget takes away funding for education and safety net services. If we were flush, I'd be on board with all of this. I think they've worked really hard to find a positive solution for everybody. But we aren't a flush state. We are not rolling in money. We continue to hear that the state needs to pay more for education to take the burden off the counties. So we're going to pay more from the state in education and we know that the Nebraska Department of Correctional Services has hundreds of millions of dollars of need. So, again, we're looking at this in a bubble. Does this sound good? Yeah, it sounds really good. But wait a minute. We're in a deficit budget, we have hundreds of millions of dollars to spend. We're not making the investment. When we have fires, we need to put them out. Tecumseh has fires, literally and figuratively represent the fact that we are facing a conflagration in Corrections,... [LB461]

PRESIDENT FOLEY: One minute. [LB461]

SENATOR PANSING BROOKS: ...in education, and in our budgets. So the tax cuts sound great in a bubble. We aren't talking about all the other things. The cuts to education, the cuts to Corrections, the cuts to the university, the greatest driver of economic development in our state.

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Where is that discussion with this? And the State Chamber...you know, we keep saying we're in terrible shape. If you look at the State Chamber's Web site, we're top 15 in the cost of doing business; pro business regulations, top 10; legal climate, top 3; fiscal solvency, top 2; CNBC top state for business, number 11. So where is the problem? I understand the property taxes are hurting for the farmers. Then let's address some of that. But we are not flush with money to be able to decide we will make these cuts. And I am concerned about those in poverty. My constituents need help. And my wealthy constituents are not the constituents... [LB461]

PRESIDENT FOLEY: Time, Senator. [LB461]

SENATOR PANSING BROOKS: ...of whom I'm speaking. Thank you, Mr. Lieutenant Governor. [LB461]

PRESIDENT FOLEY: Thank you, Senator Pansing Brooks. Mr. Clerk. [LB461]

CLERK: Mr. President, Senator Chambers has filed a higher priority motion. He would move to bracket the bill until June 2, 2017. [LB461]

PRESIDENT FOLEY: Senator Chambers, you're recognized to open on your motion. [LB461]

SENATOR CHAMBERS: Thank you. Mr. President, members of the Legislature, there was conversation earlier about jumping the line. That's what I'm doing, on purpose. I have been listening in my office to every word spoken. I could probably do a fairly good job of repeating back to the senators the essence of what they said. I cannot take it anymore. Yesterday, I gave a handout which dealt with little children and how they should not be abused and what would happen to people who do that. I refer to you all in this way, all of my children--fractious, hard-headed, and so forth. And the point was in that handout: fathers, provoke not your children to wrath. If I refer to you all as my children, I should not provoke you to wrath, and that's precisely what I would do if I stayed up here and participated in this go-nowhere fulminating. That's all it is. This bill should not be out here, but that's for you all to argue. I had another purpose for handing that item out yesterday. It's the lead-up to what I'm going to be doing when we come to the budget. I've used three words: the least, the last, and the lost. All of this talk about land and helping people who have got money, while it has been made clear that there are people who would like to cut programs that assist children, poor people, and those who really need some of the services that government exists for the purpose of providing. Those people get elbowed out of the way, and much time is going to be given to help these people who chose to go into a particular line of work. It hasn't panned out, and they want to be subsidized by people in other parts of the state who have nothing to do with the choice they made or the circumstances under which they labor. Let them do the praying to those who control the weather and talking to those

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who are talking about controlling the markets, subsidies that exist at the federal level, and those kind of issues. I'm not going to waste my time on that. I'm not going to get into the discussion of the rural-urban split. People want to deny reality, thinking that will make it go away, soften everybody's attitude, and give the "ruralies" what they want and the urban people to go along with it, swallowing spit and being quiet. That is an area you all can discuss too. My comments refer to people not exclusively on the basis of whether they would be described as urban or rural but, rather, heartless and compassionate. I have listened to the heartless people on this floor and now I hear them yelping, like a hog with his nose stuck under the gate, about how they need something. But they're not talking about being hungry. Their families are not deprived of medical coverage. None of the things that those...some of us are concerned about providing for the people who need them do people on this floor have to contend with, so those issues are not on their radar screen. I know that nothing I say is going to change anybody's mind one way or the other, but I stated when we first started in the session that we're going to get to the end, and time is going to run out, and there are a whole lot of things that are going to have to be addressed in a compressed period of time, and that's when the session belongs to me. And we're at that point now. Not with this bill. There are plenty of people who will argue on both sides, so it's not necessary for me to waste my time or invest any emotional, if I had emotions, any emotional capital in a go-nowhere argument and discussion. Everybody on this floor has heard how people talk. I could write a list of those who are going to support the Governor's position on each one of these bills. They are basically bought and paid for. I can write the names of the rural people and tell you how they're going to vote on these bills, and everybody on the floor knows it. Everybody knows it. These debates are not going to change anybody's mind. They're designed to show people where they are, that they're paying off the debt, that they're delivering to the one who gave them money to get here. And such discussions are a waste of my time, but I'm glad you all are taking the time, because that's less time that I have to take. Every minute that you take on something like this, the more you play into my hands. And I begin to feel better and better. In addition to listening and watching you from my office, I'm working on legislation that is going to come before us so that I will be prepared. And a wise person would make the best use of time, and the best use I can make of my time is not standing here watching what I know is going to unfold, listening to what I know is going to be said, and knowing that none of it is going anywhere. I will wager, but Senator Briese won't accept it, that LB461 is not going to be enacted into law. So wrangle, wrangle all you please. Other days were as simple as these. Sometimes my rhyming bone comes into play and I just can't help it. I refer to it sometimes as the third bone. But I am enjoying this discussion, not because it has merit or substance, but there are people on both sides who are doing enough talking that all of the issues will be brought and laid on the record. That is a good thing. The public will be able to review what was said, the positions that people took, and see if the final action comports with the attitudes expressed by those who are engaging in this debate. So my fractious, hard-headed, contrary children, godfather is going to leave you to your devices. Wrangle on and on, far into the night, until the cows come home. I'm going to withdraw this motion. Now, if you all want to, you can object to my unanimous consent

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request to withdraw this motion, and you can take it all the way to a test vote. But I just wanted to make it clear why I'm not going to be up here, but let you know that I am watching today. I am like the Lord, you will not see me, you will not hear me, but you will know that I am there just like the air, everywhere. Mr. President, I would withdraw that motion. [LB461]

PRESIDENT FOLEY: Without objection, the bracket motion is withdrawn. Continuing debate, Senator Hansen. [LB461]

SENATOR HANSEN: Thank you, Mr. President. I would yield my time to Senator Schumacher. [LB461]

PRESIDENT FOLEY: Thank you, Senator Hansen. Senator Schumacher, five minutes. [LB461]

SENATOR SCHUMACHER: Thank you, Mr. President, members of the body. Just as a little background, I studied tax law at Georgetown University, for years eked out a living doing corporate and personal tax returns. I understand the income tax system. As county attorney, I advised the county board on property taxes and tax appeals, understand the property tax system. I got here and after my first year got appointed to the Revenue Committee. I introduced the tax modernization legislation that led to the tax modernization study. There's been very few committee hearings that I missed. I was all...I have been at all the seminars and symposiums where we brought in experts studying our tax system, served for four years under two Chairs as Vice Chair of the Revenue Committee. And so I would like to take some time in the course of this tax discussion to kind of go over the basics of tax law, some of the things that we should be thinking about as we formulate a tax policy. With respect to the immediate motion at hand, and that is the motion to recommit to Revenue, which arises out of a substitution motion, which was put on this bill, I would like to point out that tax law is not like the law that we often play with in here. It is not like whether or not a security car should have an amber light on or whether or not the license plate should be green or red. It's not like that. A single comma can make a difference. A phrase can change an entire application of how the law is done. And it is painstakingly slow process to take language and absorb it and see how it affects and have it sink into your head as to what implication this paragraph has with that paragraph. And this morning we were introduced to new language, no time to run any simulations on it, to think about the implications on it. Quite frankly, I have no idea if it's good language or bad language. I sat here and tried to pencil in the various things from the amendment into the bill and to see how that might impact, and I am not talented enough to do it on the run with the chatter in the background, nor to make the associations necessary to say, oh, this has an impact here or there. I've got questions. I mean, why does the amendment talk in terms of a 4.5 percent trigger and other places in the bill it talks in terms of a 3.5 percent trigger? And then, just on first reading, and I might be wrong, but it appears that when one trigger is triggered we put \$20 million out of the General Fund into the

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Property Tax Credit Fund. And that's what appeared to occur after the first trigger is triggered and we have cut our income tax revenue by roughly \$40 million. [LB461]

PRESIDENT FOLEY: One minute. [LB461]

SENATOR SCHUMACHER: Just for rough government figures, for example, 1 percent change in the top income tax rate translates into a \$400 million loss, give or take. Those numbers aren't perfect, but they're kind of good ballpark. So we're cutting income taxes, in spite of the fact we might be having tremendous inflation, by \$40 million, and we're dipping into the General Fund by \$20 million that we're going to send out in the Property Tax Credit Fund. What impact does that have? How does that impact what's going to be going on, not in my time, because we're going to commit all the sins we're going to commit in my time in just the next few weeks in the appropriations argument, but in your time? What impact does that have? Before we can make such decisions, we have to be able to have the time to think and absorb it. [LB461]

PRESIDENT FOLEY: Time, Senator. [LB461]

SENATOR SCHUMACHER: Thank you. [LB461]

PRESIDENT FOLEY: Thank you, Senator Schumacher. Senator Lowe. [LB461]

SENATOR LOWE: Thank you, Lieutenant Governor. You know, as I was just newly elected to this position back in November, and on my campaign the biggest concern by almost each and every one of my constituents was taxes, that their taxes are too high. And most of it was property tax. People are concerned. Tax is one of the biggest expenditures that they have right now. I'd like to ask Senator Briese a question. [LB461]

PRESIDENT FOLEY: Senator Briese, will you yield, please? [LB461]

SENATOR BRIESE: Certainly. [LB461]

SENATOR LOWE: Senator, you just got done with your campaign. What was the biggest concern by your constituents? [LB461]

SENATOR BRIESE: Property tax relief was far and away the number one issue. [LB461]

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SENATOR LOWE: Thank you, Senator. Senator Albrecht, would you yield to a question? [LB461]

PRESIDENT FOLEY: Senator Albrecht, would you yield, please? [LB461]

SENATOR ALBRECHT: Yes, I would. [LB461]

SENATOR LOWE: On your campaign, what was the biggest concern by your constituents? [LB461]

SENATOR ALBRECHT: Property taxes. [LB461]

SENATOR LOWE: Thank you, Senator. Senator Brewer, would you yield to a question? [LB461]

PRESIDENT FOLEY: Senator Brewer, would you yield, please? [LB461]

SENATOR BREWER: I would. [LB461]

SENATOR LOWE: What was the biggest concern by your constituents? [LB461]

SENATOR BREWER: Every stop, every town, property tax. [LB461]

SENATOR LOWE: Thank you, Senator. Senator Bostelman? [LB461]

PRESIDENT FOLEY: Senator Bostelman, would you yield, please? [LB461]

SENATOR BOSTELMAN: Yes, I will. [LB461]

SENATOR LOWE: You just finished with your campaign in November. What was the biggest concern of your constituents? [LB461]

SENATOR BOSTELMAN: Both in the ag and in the communities, in the towns was property taxes. [LB461]

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SENATOR LOWE: Thank you, Senator. Ladies and gentlemen, that's our concern. We need to do something about our property taxes and we need to do something quickly. That is why we all got elected here, to come here to do something for our state. And right now, our property taxes are way too high. As in my family, we live within our means. We live with must have. We live with needs and we live with wants. And our must-haves are food, water, and shelter. That's what we need to concern ourselves with as a state first. And then we have our needs, which might be care for us later on, our schools, and other things that are essential for our state, transportation. And then we have our wants--everything else that we have been doing up until this point here on this floor. Ladies and gentlemen, this is a step in the right direction. We need to take LB461 and we need to make that first step for Nebraskans. If Senator Smith would like the rest of my time, I would be glad to yield the rest of my time to him. [LB461]

PRESIDENT FOLEY: Thank you, Senator Lowe. Senator Smith, two minutes. [LB461]

SENATOR SMITH: Thank you, Senator Lowe. I appreciate that very much. And Senator Lowe is absolutely correct, property taxes are too high, and we need to address that and we need to address it as quickly as we can and we need to make certain it's substantial. We also need to grow our state forward and we need to create jobs in this state, so that's the rest of the package as well. And together we can make Nebraska's future much brighter for businesses and for the ag community and for businesses in our state. I just wanted to clarify a couple of things that have been said. There was some discussion about using actuals versus forecast for the triggers, and there's a good case for using actual revenues, of course, in all cases, but the argument for the LB461 model is that it tracks the budget process. Remember, it tracks the budget process. This is how the entire budget is set. If this process is unacceptable, colleagues, then how do you ever set a budget? Basically LB461 treats tax reform as a budgeted item. It's also sharply distinguishable from Oklahoma's tax triggers, which you may hear about that, because that was projection to projection, never bringing actual revenues into the equation. That's not the case here, where it's actuals last year versus projections for the next year. So actuals are factored into this, this tracks with the budget process. Colleagues, we have property taxes...the total burden in Nebraska, if you look at it, 34.54 percent is property taxes; 31.39 percent is sales and use tax; 27.07 percent is income taxes. And then there's this other, that's about 6.99 percent, and that's motor vehicle licenses and things of that nature. [LB461]

PRESIDENT FOLEY: Time, Senator Smith. [LB461]

SENATOR SMITH: Thank you, Mr. President. [LB461]

PRESIDENT FOLEY: Thank you, Senator Smith. Senator Morfeld. [LB461]

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SENATOR MORFELD: Thank you, Mr. President. Colleagues, I rise in support of the Krist motion to recommit to committee for some of the reasons that Senator Krist brought up, but then also some of the reasons that Senator Schumacher brought up in terms of the amendment not being able to run adequate analysis on the impact of the amendment and just really, quite frankly, not having the opportunity and the time to fully analyze or study the amendment. I would like to also note that Senator Lowe didn't ask me to yield to a question in terms of what the number one issue in my campaign just a little under two...or a little bit over two years ago. The number one issue in my campaign going door to door, yes, property taxes were brought up to a certain extent, but it was healthcare, the affordability of healthcare. And that's one of my problems that I have with the proponents of this type of legislation is their failure to take advantage of other revenue streams, both from the federal government, money that comes from our taxpayers, us here in this body, that we could be utilizing and ensuring that Nebraskans have the opportunity to have affordable healthcare, to be able to be successful, to work hard, to contribute to the tax base. A lot of those folks, they're not worried about property taxes because they're worried about losing their home because of unaffordable healthcare, unexpected medical costs. And it's interesting, when I go across the state and talk to individuals, and not just individuals in my district, I really enjoy sitting down and actually talking to CEOs and businessmen and women and asking them, what's your number one problem; what's the number one issue that you have in the state? If you were me and you had 25 votes and the Governor's signature, what would you do? What kind of policies would you enact? And I could have sworn that they would have said lowering taxes, regulations, all these other things. And the thing that shocked me the most was their number one answer was recruitment and retention of talent. Recruitment and retention of talent, particularly young talent but also older skilled talent as well. And you know what's interesting? I probably have the best perspective out of any member of this body of what recruiting and retaining young Nebraskans should look like, because half my district, 20,000 constituents, are students--the exact type of people that we want to stay in Nebraska. You know what's interesting? Not one of them have told me that they are leaving the state because of our oppressive tax system, not one of them. Now, some of you say, well, it's because they don't pay taxes or they don't pay a lot of taxes or something like that. But the bottom line is that these are future taxpayers, these are potential taxpayers. And when they tell me what they want to see in the state, they want to see, obviously, job opportunities. That's one big one. Another one is making sure that we have good entertainment opportunities like the things going on down in the Haymarket or even in Omaha or in other places across the state. There's a lot of other entertainment opportunities outside of Lincoln and Omaha, too many to list or name here today. But none of them said taxes. And it's interesting, I talk to my grandpa who's, a big shock to a lot of you, a lot more conservative than me...well, one of them, anyway. The other is actually a little bit more liberal than me, which is probably also hard for a lot of you to believe. But in any case, my more conservative grandfather had always complained about Nebraska taxes. He had left the state for many years. He was in La Crosse and then he also has a place down in Arizona. But it's interesting, through all of that

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complaining about property taxes, in particular, after years of hearing it at the table, what does he do? He comes back. He came back and bought a home... [LB461]

PRESIDENT FOLEY: One minute. [LB461]

SENATOR MORFELD: ...this last year in Nebraska. And he came back to Nebraska because taxes are not the only thing people look at. They look at quality of life, they look at family, they look at various other factors. I would submit to all of you that we need to look at how are we investing in our people. And once we start investing in our people in appropriate ways, such as Medicaid expansion, then maybe I'll be open to these types of different tax policies and changes. I heard Senator Erdman talk about a property tax, and I would ask him to yield to a question to reiterate this, or make sure I have it right, but I don't have enough time. Senator Erdman talked about having a property tax that was based on income. Now, I couldn't believe my ears. He is talking about a progressive property tax that's based on income. Now that is something that my district might actually get behind. But of course, that is probably only--I haven't had the chance to look at the amendment--but that's probably only targeted towards rural folks. Now, if that was targeted towards urban folks, maybe Senator Erdman and I can talk. [LB461]

PRESIDENT FOLEY: Time, Senator. [LB461]

SENATOR MORFELD: Thank you, Mr. President. [LB461]

PRESIDENT FOLEY: Thank you, Senator Morfeld. Senator Bostelman. [LB461]

SENATOR BOSTELMAN: Thank you, Mr. President. I stand in opposition to Senator Krist's motion to recommit, and I yield the rest of my time to Senator Smith. [LB461]

PRESIDENT FOLEY: Thank you, Senator Bostelman. Senator Smith, 4:45. [LB461]

SENATOR SMITH: Thank you, Mr. President. And thank you, Senator Bostelman, for yielding time. I, too, again, agree that we stand in opposition to the motion to recommit to Revenue. And, Senator Krist, I do appreciate the kind remarks. I know it's quite a number of times ago that you spoke on this and you said that you appreciated the time that was invested in committee this year by me. And I just wanted to make certain that it's not me, it's a number of people, and it's a number of our constituents out there that are pushing us to do more for this state. And it's my colleagues that have worked so hard over a number of months to try to get this discussion to the floor today, so I do appreciate them. And we can disagree on elements of this, that's perfectly fine, and I do appreciate the conversation that's taking place so far today. I want to make certain

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to those folks that may be watching us on TV or on their computers that they understand that there was a great deal of discussion over the last several months on issues of taxation in this state, property and income, sales taxes. I tried to allude to that in my opening. And there was a significant amount of conversation in committee this year on the components of this bill. Having amendments and doing substitution of amendments, nothing sinister there, colleagues and those of you watching. And it certainly doesn't indicate that we are somehow unprepared for the legislation that's before us. Amendments are made every day, substitutions are made to amendments, that's part of the legislative process. It's part of the process. Again, there may be disagreements with elements of the legislation before us, but this is comprehensive. This is about being reasonable, cautious, and providing tax relief in the long term. And it's about short-term tax relief that is paid for without vying for dollars in the budget. I totally agree with my colleagues that have been talking about property taxes and I had just gotten into a little bit the various Nebraska tax sources. You have a handout in front of you and it should be tax...Nebraska tax burden sources that's in front of you. This is just to let you know where the taxes are coming from in our state, and this is the total tax burden in our state. And this does not even begin to talk about how we rank with neighboring states. We must, we must do better. We can do better and we can do it in a very reasonable, cautious approach. We talked a little bit about the triggers and the use of actuals and why the forecasted approach, based on elements of actual, is the right way of going. It looks like, as we're looking at the number of people left in queue to speak, there is a great...I think there will be a diversity of discussion that's coming up. [LB461]

PRESIDENT FOLEY: One minute. [LB461]

SENATOR SMITH: We have taken this much time in this process already this morning to make certain we have gone over the elements of the bill that's before us, and I'm looking forward to continuing this discussion until the point we adjourn today. But when we do come to a vote, colleagues, I'm asking you to vote no on recommitting to Revenue and vote yes on a motion to substitute AM1129. This is the path forward. We're going to keep pushing on this and we need further discussion on this today to make certain all the voices are heard. But in the end, we need comprehensive tax reform and we need it now. It's a path forward for our state, especially to compete in the region, to have sustainable property tax relief, to grow businesses, to create jobs. [LB461]

PRESIDENT FOLEY: Time, Senator. [LB461]

SENATOR SMITH: Thank you, Mr. President. [LB461]

PRESIDENT FOLEY: Thank you, Senator Smith. Senator Vargas. [LB461]

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SENATOR VARGAS: Thank you very much, President. Colleagues, I really appreciate this discussion. I think it's important that we're talking about this topic. There is a couple things I want to touch upon first. The first is I still think that where there's a level of uncertainty that we're dealing with that is making it difficult to say whether or not this is the right pathway or if it's the wrong pathway, I echo what Senator Schumacher shared around the amendments and making sure we're doing our due diligence, studying this. And not to say that we haven't had preparation in advance to do that, but with some of the changes I think we want to better understand what is the holistic impact of what's being proposed. And that is extremely important when we're making such a big decision. And that's something that I'm still going to look to others to be able to speak to. The second thing is not only is this uncertainty in what we're looking at but uncertainty in terms of the situation that we're currently in as a state. I think we heard this from Senator Bolz around the triggers. We've heard from many different individuals that we're facing a revenue shortfall. Which means in Appropriations we have been doing what we can to cut in a responsible, prioritized way, that is in a good way responsible to taxpayers, making sure that services are still kept intact, but also making sure we're being as fiscally responsible as we can. There is the other side of this picture of if we have shortfalls that are happening, but we're also look at more tax cuts, that doesn't mesh in the best way possible. I think there is an appropriate place to think about tax cuts, but in this scenario, in this current environment, the uncertainty that we're currently facing, it doesn't seem like the right time. I know that we've heard from many of our constituents. I'm hoping you have, too. I have received e-mail upon e-mail from both sides but more and overwhelmingly, at least from my constituents, against LB461. And there is a few different reasons. One of them is this side of fairness. I have many people that are calling out that there is still a level of inequity in the way that the impacts of these tax cuts they are having on individuals, in particular when we're looking under this, from some of the analysis that the more wealthiest individuals, let's say the top 25 percent, are still going to receive somewhere between 70-plus percent of the total tax cuts and the bottom 20 percent are going to still have an average net cut of 1 percent or \$12. It's concerning to me that I understand this need to go down trying to have some reform in taxes. But seeing the impact on our highest earners and on our lowest and medium earners and that inequity still concerns me. And as somebody that represents a very diverse constituency, but I do have a large number of individuals that are in poverty that are struggling, I can't support something in isolation that is doing more to benefit those that can...that have more ability to take an impact, take a cut. This fairness continues to be the reason why I am concerned about this bill, the uncertainty about our current economic situation as a state, and furthermore, as a country. We continue to have uncertainty about what's going to happen under this federal administration and how the impacts of any changes in tax codes are going to have on potential changes to the state. And I want to make sure we're being cognizant of that, because it's a reality that we're facing. And making this decision now doesn't seem like the most prudent decision to make. The last thing I want to say is around the impact that we're seeing on schools. I know there was an editorial in the Omaha World-Herald that talked a little bit about that there is an impact, at least a positive impact, in

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terms of state aid to education, but that when we're look beyond the next couple of years in this bill there still isn't a consistent source of aid going to schools to make sure that there is a long-term commitment to what this bill is stating. And I, as a former teacher and as a former school board member, want to do everything I can to support K-12. Because unlike... [LB461]

PRESIDENT FOLEY: One minute. [LB461]

SENATOR VARGAS: ...similar to many other people, we campaigned. And yeah, I've heard property taxes is one of the reasons, but actually probably one of the top three things I heard at the door had to do with healthcare, had to do with education, had to do with improving quality of life. And the lowest common denominator wasn't property tax reform. It might have been part of a conversation. And I can't speak for every single part of this state. I actually appreciate hearing from Senator Briese and Senator Bostelman that their constituents are saying something different. I think that lends light to the fact that our body is representing sometimes different constituencies with different needs. But I'll say for myself, I heard different things. And a brief question, if I can ask a question of Senator Blood, if you would yield. [LB461]

PRESIDENT FOLEY: Senator Blood, would you yield, please? Actually, there's only 10 seconds left, Senator. [LB461]

SENATOR VARGAS: Can you tell me what was the number one concern you heard at the doors for your campaign? [LB461]

SENATOR BLOOD: Taxes on Social Security, taxes on military retirement. [LB461]

PRESIDENT FOLEY: Time, Senator. [LB461]

SENATOR VARGAS: Thank you very much. [LB461]

PRESIDENT FOLEY: Thank you, Senator Vargas. Senator Hilgers. [LB461]

SENATOR HILGERS: Thank you, Mr. President. Good morning, colleagues. I rise in support of LB461. And because this is probably going to be my only time at the mike, I'm going to stick to some big picture themes. But before I do that, I would like to thank Senator Smith and the members of the Revenue Committee for their incredible work to get to this point. I know they've spent a lot of time working with a lot of stakeholders trying to work through this complicated and complex issue. The other point I wanted to make is I completely agree with Senator Lowe and a lot of my colleagues and friends from the rural part of Nebraska in the importance of

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property tax relief. It is a critical time for our ag producers. They need relief. And if this was a bill in front of us that had that relief, I would likely be very strongly in support of it. But that's not quite the issue that's on the table for us. It doesn't have that relief in LB461, but it is a significant step forward. And I want to talk about who it is a step forward for from two different perspectives. The first perspective are the people in my district. I represent northwest Lincoln and Lancaster County. Northwest Lincoln and Lancaster County is filled with a lot of great people. We've got nurses, we've got teachers, we've got policemen, firefighters, union workers. We got a lot of hard-working people. And when I walked door to door, you know what they told me? They told me they were concerned about their economic future, the ability to pay for their child's education, to be able to pay for their bills every month. And I told them and I committed to them that I would do everything I could to give them more of their own money back. That's exactly what LB461 does, it gives them money back. Now, you might say, well, it doesn't give them a lot. Well, first of all, every dollar matters. Every dollar matters to the people in my district. And second of all, if we gave them a lot more, I'm sure there would be a lot of people screaming about, well, we don't want to be like Kansas, we don't want to cut it to zero, we got to do it responsibly. Fair enough. This is a responsible step forward, colleagues. Even if when LB461 is fully implemented, we're still going to have an upper income rate at just under 6 percent. If you're making \$29,000 a year, \$29,000 a year as a single person in Nebraska, you are taxed at our highest income tax rate. Do you think that's fair? Do you think that's equitable? It is not. The second perspective that I want to speak on is one of a business owner. I built my company from scratch about six years ago. And I agree completely with Senator Morfeld, that the question, if that question were posed to me, what's the most important thing for me and my business, it's talent acquisition. And if you don't think that our tax climate doesn't play a role in acquiring talent, you're fooling yourselves, period. I do a lot of tech, I do a lot of work in the tech industry. We do a lot of intellectual property work. We need people with a certain kind of niche skills and backgrounds. And we looked at Nebraska first. But the reality is, unfortunately for me and a lot of industry, a lot of tech industries in Lincoln, we don't have the talent that we need. So where do we get it? We get it from other states. And I have recruited attorneys from other states, and I've won some and I've lost some. I got to tell you if you are...you have a young family and you have student loan debt and you want to provide for your family's future, you are looking at every piece of the economic puzzle. Is it all taxes? No, of course not. Is it all economic? No, it's not. But you cannot get to the quality of life issues, you won't even get there if you can't cross the economic hurdle. And Nebraska, unfortunately, for a lot of the competing states we have, our salary levels are below those states. Now, I think we got a better quality of life than anybody, but we're not getting there unless we can get a nice, positive economic package for folks. I'm recruiting someone now in Colorado who has got four kids, who actually would love to come here but probably can't afford it. This isn't some wealthy person who we're going to give some break to. We're going to help our economy grow. We're going to help our businessmen and women attract talent here to Nebraska. And I believe the research... [LB461]

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PRESIDENT FOLEY: One minute. [LB461]

SENATOR HILGERS: ...and analysis and information shows that as we become more...as states become more competitive on their tax rate, they grow. It's not just people coming here, colleagues. It's people not leaving. The other people I met when I walked door to door, fixed income seniors who were concerned, as Senator Blood said, about their income tax on their Social Security. Military individuals, people graduating from the University of Nebraska, this helps all of them. We've got to stop the outflow of young people from our state. The only way we're going to grow is by closing our borders, encouraging people to stay here, and growing and encouraging people to move. And the way to do that is keep our quality of life and lower our tax burden and make it a better economic picture for those individuals. So, colleagues, I know it's not perfect for everyone, may not be perfect for anyone. But it is a positive step forward and I strongly urge you to vote green on LB461. And with that, Mr. President, I would yield the rest of my time to Senator Hughes. [LB461]

PRESIDENT FOLEY: Six seconds, Senator Hughes. (Laughter) [LB461]

SENATOR HUGHES: Thank you very much, Senator Hilgers. [LB461]

PRESIDENT FOLEY: Thank you, Senator Hughes. Senator Quick. [LB461]

SENATOR QUICK: Thank you, Mr. President. I'm actually opposed to LB461 and I support Senator Krist's motion to recommit. And, you know, as I was going door to door and talking to the constituents, the only thing that besides people living in poverty and their struggles, was I heard about property taxes. I never once heard about income tax relief or that we need to change the income tax brackets. But I heard a lot about changing...getting some property tax reform. And the one thing that I told them is that I never promised anyone that I could make those changes with the budget shortfall that we had. I said we need to fund our, you know, fund the education; we need money to fund the county, the city, and all those entities. And I could make no promise that I could actually lower those taxes. But I said that I would like to look at doing some property tax reform to help them out when we can do that. And the other thing we talked about was that if we're going to do that, we have to find that revenue that's going to replace that revenue that we lose through those property taxes. Now, the other part of this bill that has me concerned is the loss of the historic tax credit. Now, I know they're saying it just goes away for a short time, but that actually sunsets in 2022. So more or less, it's just going to take it all away and we probably won't get that back. And that's very important to Grand Island and the downtown area. Right now we have several people that are revitalizing downtown and they use those historic tax credits to do that. They can't actually even get a loan from the banker without having that promise that they'll get that. And they brought in jobs, they have created new

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businesses, and it's really helped the downtown area. And so I am opposed to LB461 and I would yield the rest of my time to Senator Harr. Thank you. [LB461]

PRESIDENT FOLEY: Thank you, Senator Quick. Senator Harr, three minutes. [LB461]

SENATOR HARR: Thank you very much. Thank you, Senator Quick. If Senator Hilgers would yield to a question, I would appreciate it. [LB461]

PRESIDENT FOLEY: Senator Hilgers, would you yield, please? [LB461]

SENATOR HILGERS: Of course. [LB461]

SENATOR HARR: Thank you, Senator Hilgers. I admire what you do by bringing people into this state. And I just want to say, if we pass this tax cut, we may not be able to fund our universities and we may not have...we will have even fewer well-educated workers. But you mentioned you wanted to bring someone from Colorado. Let me ask you, how much are you willing to pay this individual? Give me round numbers. [LB461]

SENATOR HILGERS: Well, we're in the middle of negotiations, Senator Harr. So I don't want to tip my hand. [LB461]

SENATOR HARR: Okay. [LB461]

SENATOR HILGERS: Above market for Lincoln. How about that? [LB461]

SENATOR HARR: Okay. Let's hypothetically say \$200,000, just because I want to help you out. [LB461]

SENATOR HILGERS: Let's not set expectations too high, Senator Harr. [LB461]

SENATOR HARR: Okay. So I'll say \$85,000, \$85,000. Do you know what the income tax rate is, top rate is in Colorado? [LB461]

SENATOR HILGERS: Off the top of my head, no. I do not. [LB461]

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SENATOR HARR: Okay. If I told you it was 1 percent higher than Nebraska, would you doubt me? [LB461]

SENATOR HILGERS: I would believe whatever you said, Senator Harr, on that. [LB461]

SENATOR HARR: Okay. Well, it's approximately, you never know with marginal effective. So what you have is an individual making approximately \$85,000. And so there is a 1 percent difference between ours and theirs. I doubt, folks...thank you, Senator Hilgers. I doubt they're going to make...not come here based on that difference in our income taxes. Right? Think about it. Our top rate doesn't kick in for a married family until approximately \$60,000. [LB461]

PRESIDENT FOLEY: One minute. [LB461]

SENATOR HARR: Thank you. Doesn't kick in until about \$60,000 and then you add the difference between the two. Income tax isn't going to make or break that person. It's going to be less than \$1,000. Probably less than \$500, probably less than \$300. So I understand what he's trying to say, but that's not why people come here. They come to Nebraska and they will come work for Senator Hilgers based on their potential to grow. That's why they're coming here, because they think that he has a good practice and that practice is going to grow and they can grow their practice better in Nebraska than they can in Colorado. That's the real reason. So while I appreciate his argument that this person may or may not come here because of our tax rate, in reality, it's about--when you're young--potential. When you're older and you're on a fixed plan, maybe. Maybe. But you know what? You're going to move to Florida anyway, Senator Schumacher, because it's zero taxes there. There is no income tax there. [LB461]

SPEAKER SCHEER PRESIDING

SPEAKER SCHEER: Time, Senator. [LB461]

SENATOR HARR: Thank you. [LB461]

SPEAKER SCHEER: Thank you, Senator Quick, Harr, and Hilgers. Senator Lindstrom, you are recognized. [LB461]

SENATOR LINDSTROM: Thank you, Mr. President. I appreciate the comments today, I think it's been a good discussion. I rise in opposition to the motion to recommit to Revenue. We spent a lot of time on this bill over the last several months. There was a lot of discussion. I even appreciate Senator Harr's comments in the committee and on the floor today. I do want to circle

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back to some of the specifics that have been discussed today, and I think Senator Hilgers touched on this, is that in the state, a person making \$29,000 a year is considered a high income tax. Senator, I would think if you would ask somebody making \$29,000 a year if they feel that way, I highly doubt it. I do agree with a lot of what has been said with regard to property tax relief. And again, this bill is a comprehensive bill targeted towards short term and long term. And the elements of LB338, which is Senator Brasch's bill, does smooth out the potential spikes in valuations of property. I do appreciate Senator Morfeld's comments dealing with keeping folks here and the talent here in the state of Nebraska. I believe that having the income reduction does help to facilitate that. When we talk about the individual tax rate, we're talking in this bill about individual and corporate. Most of the small businesses in the state of Nebraska file as individual entities, as corporations, partnerships, sole proprietors. So these individuals, I look at this more of as a business tax cut, maybe more so than what's been stated as far as a wealthy individual tax cut, because again, the wealthy are making \$29,000 a year in this state. And what this does is help make us competitive. When we look at the states surrounding us, of course, we talk about South Dakota, Wyoming. But when we look at some of these growth potential in the tech sector with what Senator Morfeld talked about, lot of these individuals that I've talked to that have some of these start-up companies dealing with tech are looking at other states, particularly Texas, Florida. And without, really, without the Nebraska Advantage Act, a lot of these folks have told me that they would move. So this is a broad tax reform bill geared towards growing business in the state of Nebraska, both on the individual side and the corporate side. And I believe that at this point in time, this is the best package to move forward with to give Nebraskans tax relief. And with that, Mr. President, I would yield my time to Senator Linehan. [LB461 LB338]

SPEAKER SCHEER: I'm sorry, who are you yielding to, Senator? [LB461]

SENATOR LINDSTROM: Senator Linehan, please. [LB461]

SPEAKER SCHEER: Senator Linehan, you have 2:15. [LB461]

SENATOR LINEHAN: Thank you, Mr. President. Thank you, Senator Lindstrom. I support LB461, and I greatly appreciate Senator Smith's work on this all session and Senator Erdman's efforts and Senator Brasch's efforts and Senator Lindstrom's efforts. I, too, was just elected last fall and I went door to door from spring, January...it's okay, from January through up to election day. And I heard at every door about property taxes. I heard also about income taxes. I think maybe one of the reasons I heard more about income taxes and property taxes both together was in Elkhorn, where a lot of new homes are being built, we have a lot of people that move here from other states. And it's not...I really, really appreciate this chart that Senator Smith handed out because we are a high-tax state. I remember talking to a woman from California who was a nurse and whose husband worked for... [LB461]

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SPEAKER SCHEER: One minute. [LB461]

SENATOR LINEHAN: ...she was appalled at the taxes here, all of them. It is...and as far as living in Colorado, I don't know. I've never been the one in my family that has been the numbers person. That's always been my husband. He's been very good. He's a business owner. He's managed to invest in properties. He took pen to paper on living in Nebraska versus living in Summit County, Colorado, and there's no comparison. You save thousands of dollars by living in Summit County, Colorado. I have a brother-in-law and sister-in-law who moved to Florida because there's no income taxes. So let's not kid ourselves that we don't have a tax problem. And it's over all the taxes. I agree, you can't...we can't tax our ag guys out of business and we can't chase seniors out of Nebraska, which we are doing. [LB461]

SPEAKER SCHEER: Time, Senator. [LB461]

SENATOR LINEHAN: Thank you very much. [LB461]

SPEAKER SCHEER: Thank you, Senator Lindstrom and Senator Linehan. Senator Briese, you are recognized. [LB461]

SENATOR BRIESE: Thank you, Mr. President. Good morning, colleagues. I rise today to comment on LB461, and I would like to thank the Governor, Senator Smith, members of the Revenue Committee, along with Senator Erdman for their leadership on tax reform. But with that said, I do note that Nebraskans are far and away more concerned about property tax relief than income tax relief. Senator Schumacher, would you yield to a question? [LB461]

SPEAKER SCHEER: Senator Schumacher, would you please yield? [LB461]

SENATOR SCHUMACHER: Yes, I will. [LB461]

SENATOR BRIESE: Did you serve on the Tax Modernization Committee? [LB461]

SENATOR SCHUMACHER: I did. [LB461]

SENATOR BRIESE: And in doing so, did you conduct several hearings across the state where you heard from the public on issues related to tax policy and tax reform? [LB461]

SENATOR SCHUMACHER: We did. [LB461]

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SENATOR BRIESE: And did you hear much testimony from the public relative to income tax relief? [LB461]

SENATOR SCHUMACHER: Comparing the property tax to the income tax was like comparing a mountain to a mole hill. [LB461]

SENATOR BRIESE: Okay. Fair to say there was an avalanche of testimony in support of property tax relief. [LB461]

SENATOR SCHUMACHER: I don't know. We weren't buried by it, so I'm not sure if I would call it a avalanche. But there was a considerable amount of it. [LB461]

SENATOR BRIESE: Okay. Thank you very much, Senator. And I dare say those folks testifying for property tax relief were everyday Nebraskans, the folks we were elected to represent. As I campaigned across the district the last two years, I mentioned to Senator Lowe earlier, property tax relief was the issue that I encountered. And polls and surveys confirm that property tax relief is the overwhelming concern of the majority of my constituents. Earlier in the week I handed out some surveys specific to your areas of the state showing that Nebraskans everywhere want property tax relief. And we don't have to wonder why Nebraskans want property tax relief to be the priority. I handed out that earlier data in the week from the Legislative Research Office showing that Nebraskans pay 50 percent more in all property taxes than income taxes. And we talk about growing Nebraska. One significant factor that many young folks consider when they're considering whether to move to Nebraska or stay in Nebraska are housing costs. And according to the Tax Foundation, we have a seventh highest residential housing costs in the country. And our residential housing costs as a percentage of home value...housing taxes, that is, are higher than any neighboring state. And, folks, that's not conducive to economic growth. It's clear that all Nebraskans need property tax relief. But in the face of this, we've got a proposal here initially weighted towards income tax cuts. And let's be clear, I will support responsible income tax reform. But let me also be clear, I was elected to represent Nebraskans, and Nebraskans are demanding property tax relief. I made it clear to those involved in this process nearly two months ago that I would not support any comprehensive tax proposal that does not contain significant and substantial property tax relief. That was my position then and that is my position now. And for me, substantial and significant property tax relief means finding new revenue, creating more fairness and balance in our tax structure. And that's why I have offered an amendment to this bill, AM1115. AM1115 would eliminate some sales tax exemptions typically taxed in Iowa and Kansas and a couple of income tax loopholes enjoyed by a small group of Nebraskans. These items can raise over \$200 million annually, which would be placed in a newly created Property Tax Credit Fund to be distributed to all Nebraskans. And there would be some that would call this a tax increase. Do not call this a tax increase. A tax increase is raising

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revenue, shoving it into a government program and watching it walk away. These dollars would go directly into property tax relief for hard-working Nebraskans. Obviously, we aren't going to get to AM1115 today, but at this point, I'm waiting to see how things play out. And for me, the test is whether what we are doing will help us deliver... [LB461]

PRESIDENT FOLEY PRESIDING

PRESIDENT FOLEY: One minute. [LB461]

SENATOR BRIESE: Thank you, Mr. President...will help us deliver on the mandate that Nebraskans have charged us with, and that mandate is to deliver significant and substantial property tax relief. I would yield the rest of my time to Senator Erdman if he has use for 30 or 40 seconds. [LB461]

PRESIDENT FOLEY: Thank you, Senator Briese. Senator Erdman, 42 seconds. [LB461]

SENATOR ERDMAN: Thank you, Senator Briese. Thank you, Lieutenant Governor. I will just say this, that as we go forward, I want you to understand one thing about this amendment that I have on an evaluation change. This is a valuation change, okay? This is a different way to value ag land. So remember that. It's one of those things that we need to put in place to make ag land fairly valued. What the taxes are is based on those people back home that set their mill levy. This is an evaluation change on ag land. And I want to say one other thing. I didn't find it hard at all to believe that Senator Morfeld's grandfather was more conservative than he was. Thank you. [LB461]

PRESIDENT FOLEY: Thank you, Senator Erdman. Senator Crawford. [LB461]

SENATOR CRAWFORD: Thank you, Mr. President. Good morning, colleagues. Colleagues, LB461 brings some interesting property and income tax reform ideas to the floor for debate. And I commend all those who have been involved in these discussions and who brought other revenue reform bills and ideas to the floor, including one of our newest colleagues, Senator Briese, who has brought interesting bills and has brought amendments to some of our bills to try to encourage discussion on some of those ideas for changing our revenue policies this year. Most of us understand the need to ensure that our income tax is competitive and fair and the need to consider what our state's role can be in helping to pull down property tax burdens in the state that are out of line with other states. I understand the frustration with past inaction and the impatience to just pass something to, quote, at least get started. However, while LB461 includes some components that are good starting points for income and property tax reform, as it stands now, it

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also includes fiscally irresponsible and unfair measures and fails to address our current need to restore our cash fund and address funding shortfalls in our current tough economic situation. Colleagues, I grew up on a farm during the 1980s farm crisis, so I appreciate the disconnect between farmland prices and family income to pay property taxes. I understand that farmland is purchased for ag production and so its value is more fairly assessed by considering its production value instead of its resale value. So I truly appreciate the work of Senator Brasch and Senator Erdman to push for a change in our ag property valuation to make it more dependent on the income production potential of the land and less reliant on the resale prices. This seems to be a fair and appropriate component of ag land tax reform. However, LB461 also includes an arbitrary cap on valuation growth and a provision to pull ag land valuation down to 55 percent to 65 percent of value, which does not seem fair to other landowners who pay property taxes or fair to other Nebraskans who earn income in other ways and don't have a similar arbitrary cap. As we discussed extensively last year, when we debated a bill to pull valuation down to 65 percent, this shift simply shifts the property tax burden in counties where it can be shifted to other landowners and raises levies in counties where it cannot be shifted. I appreciate the efforts of Senator Smith and the State Chamber and Greater Omaha Chambers to push us to pull down our top income tax rate and corporate tax rate to make the state more competitive. Although our effective top income rate is actually around 4 percent, if someone looks up our actual top income rate, it does not look good in comparison to some of our other competing states. And it is made worse by the fact that our top rate does kick in for our middle-income taxpayers. I appreciate that LB461 includes components to begin to restructure the brackets and that it includes provisions to shield lower-income taxpayers from being harmed by those provisions, and that it does bring in a freezing of exemptions to pay for a corporate income tax cut that it makes right now. However, the bill uses fiscally irresponsible triggers to cut income tax rates in the future, rather than taking the responsibility to pay for those cuts right now. And it ignores the responsibility that we have to use some of the revenue policy changes to help with our current fiscal shortfall. Those same Nebraskans who get very little from the existing provisions in LB461 are the same families that will suffer the most from our appropriations cuts, that will lead to higher tuition rates, higher child-care rates, and higher fees for school activities. Triggers, in general, pass the buck to future lawmakers... [LB461]

PRESIDENT FOLEY: One minute. [LB461]

SENATOR CRAWFORD: Thank you, Mr. President...but the triggers in LB461 are particularly troublesome because they are based on revenue projections, not actual revenue, and have only a one-year look-back instead of a more stable baseline. And I believe Senator Harr had a handout that explained some of those concerns about the provision even by the conservative Tax Foundation. There are millions of dollars of tax exemptions and exceptions that are on the table from various bills before the Revenue Committee from several senators in this room that could be used to pull down top tax rates and reduce the cuts in our budget to our investments in our

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children and the future of our state. We can't accept the risks in LB461, and I urge you to make sure that we reconsider all of our options and make sure that if we're pulling down those rates, that we're doing it in a responsible way, that we're paying for those cuts. If we're making tax cuts, we want to take responsibility for them, as well as credit for them. And I urge us to make sure we're also considering the balance in terms... [LB461]

PRESIDENT FOLEY: Time, Senator. [LB461]

SENATOR CRAWFORD: ...of how we make sure that we're being attentive... [LB461]

PRESIDENT FOLEY: Time, Senator. [LB461]

SENATOR CRAWFORD: ...to fiscal responsibility and the investments in the future of our state. Thank you, Mr. President. [LB461]

PRESIDENT FOLEY: Thank you, Senator Crawford. Senator Walz. [LB461]

SENATOR WALZ: Thank you, Mr. President. I just want to make a few comments. First of all, I want to thank the committee for their hard work. And I especially want to thank Senator Brasch and Senator Erdman for their efforts to assist in property tax relief for farmers. I also appreciate Senator Briese's comments and I look forward to hearing more about his ideas. I do have concerns about LB461, especially in regards to triggers, triggers that are based on projected revenues, not actual revenues, and based on projections that only go back one year. Senator Brasch's bill provides property tax relief for farmers, but what happens when the projections are off and the revenue doesn't come in and the tax triggers come into play? How will that impact funding for vital services in education? Who will pay for that shortfall to fund schools and to fund services? My guess is that it will go back to the property tax owners. I would like to yield the rest of my time to Senator Harr. [LB461]

PRESIDENT FOLEY: Thank you, Senator Walz. Senator Harr, about 3:50. [LB461]

SENATOR HARR: Thank you, Mr. President. Thank you, Senator Walz, for your comments regarding property taxes. And it is true, we do have to do something for our brothers and sisters in regards to property taxes. We in Nebraska have been very fortunate. Our economy has enjoyed a period of continuous growth, even during the Great Recession. As a result of this success, Nebraska's economic development is at a turning point. It has the opportunity to pursue high-quality economic growth, consistent with the quality of life the state's citizens already enjoy. This path towards Nebraska's next economy will help resolve some of its present economic

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challenges. At the moment, unemployment is at very low levels. We're up a little bit. We were at 2.5 percent last year. We're about 3.2 percent at this time, with labor force participation rates that are the envy of the country as a whole. Nebraska is a job machine, with significant shortages of workers in many key areas. However, wages are still below the national average. This makes it hard to keep the best and brightest from leaving the state and hard to recruit workers from elsewhere, as Senator Hilgers pointed out. Those are not my words. Those words come from "Nebraska's Next Economy: Analysis and Recommendations" from the Nebraska Department of Economic Growth (sic--Development). They go on to state: We need to identify, to grow this economy, high-skill, high-demand, high-wage jobs. We need to be technology intensive in our investments. We need to work on innovation and we need to develop high-quality communities. I encourage all my fellow members and all Nebraskans to read this report. A lot of money was spent on this report and it's a very good report. And when you're done reading it, what you're going to find is this report is not consistent with tax policy proposed in LB461. It's plain and simple. Would Senator Brasch yield to a question? [LB461]

PRESIDENT FOLEY: Senator Brasch, will you yield, please? [LB461]

SENATOR BRASCH: I will yield. [LB461]

SENATOR HARR: Thank you. Senator Brasch, you're pretty economically savvy. You used to work for the Department of Revenue. Is that correct? [LB461]

SENATOR BRASCH: I did work. I was a public information officer and also in the forms area. But as far as economically savvy,... [LB461]

PRESIDENT FOLEY: One minute. [LB461]

SENATOR BRASCH: ...we have research that is savvy. [LB461]

SENATOR HARR: Okay. Let me ask you, if I gave you \$1, would you give me \$10 back? [LB461]

SENATOR BRASCH: Not really. [LB461]

SENATOR HARR: Okay. Thank you. Folks, that's what LB461 is. It's \$1 of tax relief, property tax relief, to \$10 income tax relief. Now, I sit on the Revenue Committee. I'll freely admit I didn't vote for this bill. That is a terrible deal for our friends in rural Nebraska. I don't know who the rural members on that committee are who made that agreement, but I want to make that

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agreement with them, each and every one of them. You give me a \$1...I'll give you a \$1, you give me \$10. This bill needs work. It is not ready for prime time. How do we know that? We already have a motion to substitute, followed by a good six... [LB461]

PRESIDENT FOLEY: Time, Senator. [LB461]

SENATOR HARR: ...or seven other motions on this bill. [LB461]

PRESIDENT FOLEY: Time, Senator. [LB461]

SENATOR HARR: Thank you. [LB461]

PRESIDENT FOLEY: Thank you, Senator Harr. Items for the record, Mr. Clerk? [LB461]

CLERK: Thank you, Mr. President. Very quickly, Government Committee reports LB644 to General File with amendments, and LR1CA, and LB451. Notice of hearing from Natural Resources. Two new resolutions: LR111 by Senator Bolz; LR112, Senator Kolterman. Both will be laid over. Thank you, Mr. President. (Legislative Journal pages 1126-1134.) [LB644 LR1CA LB451 LR111 LR112]

PRESIDENT FOLEY: Thank you, Mr. Clerk. Continuing discussion on the bill, Senator Watermeier. [LB461]

SENATOR WATERMEIER: Thank you, Mr. President. Good morning, Nebraskans. This is the point in the session in which we have all been waiting for. What Nebraskans have gotten to witness a little bit this morning is what the poor Revenue Committee has been doing since January 4. And my hats go off to Senator Smith, the Governor, and all those members of the committee because they have been working hard. I think the gloves came off about a week into that process, even in the middle of committee hearings. They have been working very hard. I have told my constituents and really across the state of Nebraska that I am here not for one agenda, but one of the items that I would like to speak to while I'm here the last three years of my term is property tax reform. What we're talking about today here in some ways is just property tax relief, short-term band-aids. We have got a lot of discussion to come yet in Nebraska about what property tax reform. Reform really means CIR reform. Sorry to tell that to the educators, but it means CIR reform. Property tax reform actually means TEEOSA changes, big time. So let's keep our contents today what we're talking about is another band-aid approach today to property tax relief. Last year Senator Smith offered an amendment right in the middle of a bill, which I think it was LB586, and he brought the place to a halt because he wanted to talk

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about income tax relief along with the bill that we were talking about on property tax relief. And I publicly supported him at that effort and I have been ever since. But today I have to publicly say that I would be opposed to LB461 from Senator Smith as it is written today, probably in favor his AM954, and probably in favor of Senator Erdman's efforts on AM1129. But it comes back to that conversation that a lot of those things talked about Senator Erdman's is not property tax reform, it's property tax relief because it's changing how things are assessed. And I am all-in on that conversation. I've got an amendment in the wings, it's still on my desk. It's still on my desk because I want to make sure I'll vote for it. It's still on my desk because I want to make sure it is proper tax language. As Senator Schumacher so eloquently brought up several times this morning is, tax language doesn't match what we do in here in this floor. It's very specific, and by that I mean it's very dangerous if it's not done right. So I'm going to propose something in the next week or so, but I'm not ready to bring it out yet because I don't want to...I want to make sure I want to vote for it. But let's be clear about what we're talking about today, that I still believe we have to be talking about \$10 of property tax relief to \$1 of income. And the way the bill is written now, it's completely the opposite. So I would urge Nebraskans that are watching today, I would urge Nebraskans and the lobby that they represent, to let us know if that's really what they want, because this bill is going to come back up again next week, maybe through the budget or the week after, depending on what the Speaker decides. But what we are seeing today here is a good example of what the Revenue Committee has gone through. And I really take my hat off to them. They have worked hard. I still stand with Senator Smith in the effort to get this moved off center. I will do the very best I can, but I can't support it the way it is right now. So today I would be reluctantly, reluctantly in favor of the recommit motion, but I could be talked out of that. I would be in favor of Senator Erdman's AM, in favor of the other amendments. But as the bill is written, I have got a ways to go yet. So with that, I would yield the rest of my time to Senator Smith if he would like to use it. [LB461]

PRESIDENT FOLEY: Thank you, Senator Watermeier. Senator Smith, 1:15. [LB461]

SENATOR SMITH: All right. Thank you, Mr. President. A lot to consume with that last one. But, Senator Watermeier, I certainly appreciate your comments, your thoughts. I would...a couple things I just want to clarify for the record. There was some discussion on Colorado and the tax rates in Colorado. And just for the record, Colorado has...their top marginal personal income tax rate is 4.63 compared to Nebraska's 6.84. I know Senator Harr mentioned that he was referring to the effective tax rate, but that's something quite different than the marginal. And also, Colorado has a flat tax of 4.63, top marginal. Also, the discussion of the ratio of dollars in this bill, my calculation is something much different than what Senator Harr mentioned in his conversation. I would say it's closer to probably maybe a two-to-one on the way this...once this is fully amended. That's before us with the adoption of the substitution. [LB461]

PRESIDENT FOLEY: Time, Senator. [LB461]

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SENATOR SMITH: Thank you. [LB461]

PRESIDENT FOLEY: Thank you, Senator Smith. Senator Brasch. Senator Brasch, you are recognized. [LB461]

SENATOR BRASCH: Thank you, Mr. President. Question. [LB461]

PRESIDENT FOLEY: The question has been called. Do I see five hands? I do. The question is, shall debate cease? Those in favor of ceasing debate vote aye; those opposed vote nay. Record, Mr. Clerk. [LB461]

CLERK: 25 ayes, 0 nays to cease debate, Mr. President. [LB461]

PRESIDENT FOLEY: Debate does cease. Senator Krist, you are recognized to close on your motion. [LB461]

SENATOR KRIST: I thank you for the discussion. I do again compliment the Revenue Committee for all their hard work to get to where we are. I think we've had a great discussion this morning. I think this recommit to Revenue may be a test vote that we need to see in terms of what the support is for the package as it exists, and if it fails, potentially bringing it back in the form that we can all live with. For the record, I will tell you that I am still a bit concerned about the matrix of the puzzle that still has not come together for me. Although I have to say that in researching and talking to Senator Erdman, LB602 as it was originally written and as he describes the amendments that he would like to put on it, I could vote green all day long on LB602 and the proposed amendment as long as it is as he has described it, because I think it is the first step that we need to take to have a level playing field in terms of assessment in ag property for the future. The confusion for me is all of the other factors. And this recommit, again, was not an easy thing for me to do, but I think in terms of just slowing down the information that we had and being able to have a good discussion, I do appreciate the civility. I do appreciate the concerns that were brought to the floor today. And that's what this process is all about. It's all about the debate, it's all about the collegiality of making sure that we're doing what we need to do in here and doing the best that we can for the state of Nebraska, all 1.9 million people. I'm still concerned, and my biggest concern is the shift in tax to our residential areas. And in some of your small towns and some of your counties, there is nothing to shift to. There is nothing to shift to. So I think you should think long and hard about that as we go forward. I ask you to vote for the recommit if you're concerned with LB461 and let's move on with that. Mr. President, I would ask for just a board vote to start out with. [LB461 LB602]

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PRESIDENT FOLEY: Thank you, Senator Krist. Members, you heard the discussion. There has been a request to place the house under call. The question is, shall the house go under call? All those in favor vote aye; those opposed vote nay. Record, Mr. Clerk. [LB461]

CLERK: 37 ayes, 2 nays, Mr. President, to place the house under call. [LB461]

PRESIDENT FOLEY: The house is under call. Senators, please record your presence. Those unexcused senators outside the Chamber please return to the Chamber and record your presence. All unauthorized personnel please leave the floor. The house is under call. Senator Krist, for what purpose do you rise? [LB461]

SENATOR KRIST: As long as Senator Harr has had the call of the house, we could have a roll call vote in reverse order, please. That would be great. [LB461]

PRESIDENT FOLEY: When all members are present, we'll do that, Senator Krist. Thank you. Waiting for Senators Stinner and Linehan. Please check in. Senator Linehan, if you could check in. Senator Krist, we're lacking Senator Stinner at this point. We could proceed or wait. We'll go forward with the roll call vote, Mr. Clerk. Members, the question before the body is Senator Krist's motion to recommit the bill to committee. [LB461]

CLERK: Senator Albrecht. I'm sorry. Reverse, excuse me. Senator Krist was that you who asked for reverse? Okay, thank you. (Roll call vote taken, Legislative Journal pages 1134-1135.) 15 ayes, 29 nays, Mr. President, on the motion to recommit. [LB461]

PRESIDENT FOLEY: The motion to recommit is not successful. I raise the call. Continuing discussion on the bill and pending motions and amendments. Mr. Clerk. [LB461]

CLERK: Mr. President, Senator Burke Harr would move to reconsider the vote just taken with respect to the motion to recommit. [LB461]

PRESIDENT FOLEY: Senator Harr, you are recognized to open on your motion. [LB461]

SENATOR HARR: Thank you, Mr. President. How much time do I have? [LB461]

PRESIDENT FOLEY: Ten minutes. [LB461]

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SENATOR HARR: Thank you very much, I appreciate that. So I didn't file a bracket motion, but I did find a different way to skip in line. I want to thank Senator Smith for introducing this bill. I want to thank the Revenue Committee for allowing us to have a conversation regarding property taxes, income taxes. But there is a third leg of the stool we haven't talked about: sales tax. When we started this conversation last summer, folks, we started out talking about tax reform, not tax cuts. And you may ask yourself, well, what's the difference? Tax reform is looking at our current tax structure and saying, what do we need to do to modernize it, to make it more fair? Now, as Andrew Jackson once said back in the 1800s, before we even had sales or income tax, merely tariffs and property tax, "The wisdom of man never yet contrived a system of taxation that would operate with perfect equality." So I am not going to let perfect be the enemy of good. However, we started out this process working with members of Revenue, future members of Revenue, members of Education, Farm Bureau, other ag societies, and the Chambers--Omaha, Lincoln, and Nebraska. And we said, how do we do this in a revenue-neutral manner that says...incentivizes growth in our economy and makes it more equitable? So how do we take what has been argued as a shift from urban areas to rural areas on agriculture land? How do we relieve some of the pressures we have on income tax? We do have, one could argue, a large marginal rate, a high marginal rate. I'm not sure we have a high effective rate. Senator Smith mentioned that Colorado is 4.63. That's correct. That's their marginal and effective because of the way they do it. They just take your AGI, no matter how much or how little you make, and they say, 4.63 of your federal AGI. So it saves their audit department a whole bunch of time and money. That's what we used to do in Nebraska prior to Kay Orr, Governor Kay Orr's tax changes in the 1980s. That was probably done a little prematurely because what ended up happening was when we finished it, the feds also made changes to their tax policy. And as a result, what was advertised as a tax cut in reality, unrefutable, tax real numbers will show you was an increase in taxes. We are now headed down that same route, folks. I've heard our Governor, our current Governor say, this is the most important tax change in 30 years. He's got to be referring back to the tax increase Kay Orr did. And what's going on, on the federal level? We have a President and a Congress who say they are going to do tax reform. Probably more tax cuts than reform. And we are going to be reacting to that. Do we want to waste time and energy this year, knowing that we may have to do something? Unlike healthcare, I think Congress will actually do something on it, or at least I hope they do. And what are we doing? We don't know. We don't know what the feds are going to do. We should wait on that. So back to we started out with tax reform, revenue neutral, and we talked about, hey, maybe we need to look at some exemptions--income and sales. Maybe we need to increase some sales, maybe we need to look at other areas of how do we pay for this. If we're going to lower here, what are we going to raise here? And we're going to have that conversation next week with Senator Stinner and the budget. There's going to be talk, if you want to cut or increase parts of the budget, you better find a way to pay for that. Why are we doing it on the budget next week, but not doing it this week? That's the question. But you know why we didn't? Because Governor Ricketts said, I will not vote for a tax increase. So we got scared. And people on the lobby said, well, I'm paid to protect this interest, don't raise that. And we got

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scared. So what was supposed to be tax reform has turned into a bunch of kids in a candy store without anyone watching the counter. We went in and this bill attempts to grab a whole bunch of candy. Who is going to pay for it? How are we going to pay for that? Don't worry about it. Growth. I saw in the paper today it's the 50th anniversary of The Graduate. I don't know why we don't just say plastics. How are we going to pay for it? Plastics. That's the key. This is a feel-good bill. For me and members of my class, this is a really good feeling bill. You know why? Because we can say we cut taxes and we can pat ourselves on the back and we can say, good job, attaboy, "attawoman." We made this place better. What we didn't say was that cutting these taxes would lead to growth. Congressional Budget Office, controlled by Republicans, said it doesn't do it. Think about it. When fully implemented, this will be .003 percent of our economy. Do you really think that's going to drive it? Or do we want to be focused like a laser and say we want to incentivize high-demand, high-skill, high-wage jobs? That's the debate we're having. Where do we want to be? We're just giving money away. Now, I love this for a different reason. I can say I cut taxes. And you know who has to pay for it? Not me. I may not be on a beach in Florida, but I won't be in here when the time to pay for this comes due, when we have to figure out, much like we are today, how are we going to fund our university. Don't you dare touch our roads, right? The only tax increase that I have voted for since coming down here was an increase in the gas tax. And guess what? We had to overcome a Governor veto to do that. I want to thank Senator Smith for his leadership on that. It was a difficult vote for many of us. It cost some members their seat in the Legislature. No one can deny that. But it was the right thing to do. Now, question is, do we have a spending problem or do we have a revenue problem? If this bill had been in place, all the cuts we made this year and how much difficulty we're going to have next week and that we had in January, it would have been made worse, because we had projected growth at over 3.6 percent...3.5 percent. We would have had a tax cut based on a projection that the only thing accurate about projections is they're not accurate. We can guarantee you that. What are we doing? Do we want property tax reform? You bet we do. Does this bill do that? We got an amendment that I would argue is constitutionally suspect at best. We are taking dollars, we are taking power from the Legislature, and abdicating I would argue too far to the tax review committee or whatever it's called. I would argue we are abdicating too much power, but we're also, we aren't giving them enough to know what they can and cannot do. And I'm not sure...there are about three issues of constitutionality within this amendment that I wish I had had a chance to see before it appeared on the big board. Why? Why did we wait? [LB461]

SPEAKER SCHEER PRESIDING

SPEAKER SCHEER: One minute. [LB461]

SENATOR HARR: Thank you. We weren't ready. This bill is not ready for prime time. Why did he do a substitution instead of waiting for the other motions to work their way through? Because he didn't want to hear those other motions. This bill is not ready for prime time. We have

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constitutional questions. We have \$20 million, \$20 million--folks, next week you're going to want \$20 million--that we automatically just shift over to the Property Tax Relief Fund. Maybe we need that money. This bill needs to be mature and take some time and decide, do we next year want to do incentives or do we want to do this? Because ultimately, folks, that's what this is about. I can go on, on what I think we should be doing and focusing, which is on healthcare, controlling healthcare, education, housing, getting better housing, and a better work force. I had a work force development bill. I couldn't even find 25 votes for it. [LB461]

SPEAKER SCHEER: Time, Senator. [LB461]

SENATOR HARR: Thank you. [LB461]

SPEAKER SCHEER: Thank you, Senator Harr. Senator Baker, you are recognized. [LB461]

SENATOR BAKER: Thank you, Mr. President. I'm going to refer to an Op-Ed that was in the paper today, authored by former Senators John Harms, Kathy Campbell, and Don Pederson, you know, three very distinguished people in their careers in the Legislature, more experienced than all of us, except Senator Krist and Senator Chambers. But I apologize. It's been active outside the glass today, and maybe someone has already talked about this and, if so, I apologize. But to me, I think the end game, the bottom line is what is an economic well-being of the state of Nebraska. The end game is not tax cuts so politicians can put a feather in their hat. If I thought LB461 would do...would lead to the better economic well-being of Nebraska, I would vote for it in a heartbeat. I appreciate the fact that the tax cuts would not be triggered until designated benchmarks are reached, but...so to that extent, we are not approaching this like Kansas did. But let's look at Kansas. You know, Kansas did these same type of things, believing that economic conditions would improve, that people would move into their state, that business who received the tax cuts would expand, hire more people. That didn't happen. I'm with Senator Briese on some of things that he said. We really need to look at new revenue if we're going to have property tax relief. And in my district, that is what is most desired, is property tax relief. Without that, without some new revenue in order to get property tax relief, the tacit message, is not very often vocalized, the tacit message is we're going to make school districts spend a whole lot less money. We could have great property tax relief, we could cut school spending by 50 percent. That's the kind of thing we're looking at, and it's the kind of thing that I cannot support. You know, school districts can deal with a tough year now and then, that happens. Some years things don't work out as well on the revenue side, so you have to do deferred maintenance. Or maybe you don't buy any new school buses for a year or two. But that only lasts a certain amount of time. Sooner or later, that maintenance better be done or it's going to cost you more in the long run. Sooner or later, those old, worn out buses are going to have to be replaced. So where's it going to come from if...the unspoken, and I believe it's there, the unspoken desire is to make

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school districts spend less money? Where is that going to come from? It's going to come from people. You know, 80 percent, on the average, 80 percent of a school district budget, the salary, the salary-related matters, salary and salary-related. The other things you can't do much about. You can't do anything about the cost of fuel. I mean, that's marketplace. [LB461]

SPEAKER SCHEER: One minute. [LB461]

SENATOR BAKER: Utilities are going to be utilities. Did you say time? [LB461]

SPEAKER SCHEER: One minute, Senator. [LB461]

SENATOR BAKER: One minute. So it's going to come out of personnel. What do you think will happen? I mean, it's going to be one of two things. Either, and I think this is probably also the tacit desire of a lot of people. I think people are irked by what school administrators are paid, although that's market-driven. Some people probably think teachers are paid more than they should be, or need to be, even though that's market-driven. And we already know there is already a teacher shortage, and we know that the pipeline of teachers moving through, prospective teachers moving through colleges and universities is far smaller than it was five or six years ago, even. So... [LB461]

SPEAKER SCHEER: Time, Senator. [LB461]

SENATOR BAKER: Thank you very much. [LB461]

SPEAKER SCHEER: Thank you, Senator Baker. Senator Hughes, you are recognized. [LB461]

SENATOR HUGHES: Thank you, Mr. President. Everyone, I'm going to take all of my time this time. I rise my first time today, and I want to talk about...a little bit about being a taxpayer in the state of Nebraska. I'm fortunate I pay income tax, I'm very fortunate I pay property tax, and I pay sales tax. We pay a lot of taxes in the state of Nebraska. And the fact that we are leaning too heavily on one of those sectors is why I'm talking about this...in favor of this bill today. Is this a perfect bill? No, not yet. Will it get to be perfect? Maybe. If we continue on, we're going to make it better through the discussion. Senator Harr mentioned earlier that there was a lot of work done last summer and I'm fortunate to have been part of that group with Senator Smith and Senator Harr and many groups in the state of Nebraska. I spent all summer coming to Lincoln, and we sat down across the table from each other and we talked about taxes and how taxes affect the state of Nebraska, the good and the bad. You know, tax dollars do a lot of good things in the state of Nebraska. But right now property taxes are killing our number one industry. Agriculture

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accounts for 25 percent of the state's economy. Why do we have a billion-dollar budget shortfall? Because the ag sector's not paying income tax, and they're not buying inputs, they're not buying clothes, they're not going out to eat. That's sales tax. The ag industry needs relief. And I agree with Senator Watermeier, I would love to have tax reform rather than relief. But that's not achievable yet. Sometime before I leave this body, I hope to have...be a part of tax reform, specifically tax reform. I could talk a long time on that. But the things we need to be focused on now is not the perfect. There are parts of this LB461 that I like, parts that I don't like. Part of what I don't like is the changing the way we value ag real estate. I think if we're going to do an awful lot of work for not much benefit, there's still an arbitrary number assigned to find the value that you need from property tax. And the way Senator Erdman's done it, he's done a fantastic job of explaining it, and so has Senator Brasch, but there's still an arbitrary number. The way we have now, it's 75 percent of value. That's an arbitrary number set by this body. And their way of doing it. There's an arbitrary number. It's called a capitalization rate. It's going to be set by this body. That's an arbitrary number. It doesn't...you know, why go through all of that? And quite frankly, under their scenario, my taxes are not going to go down on my property for probably at least two or three years, because my school valuation is so low that it's going to take time before that catches up. That's probably a good thing to have happen. But there's a lot of things at play here. The TEEOSA formula is broken. That's a big piece of our problem. But we need to take small bites. You know, this bill is a small bite of where we need to go. [LB461]

SPEAKER SCHEER: One minute. [LB461]

SENATOR HUGHES: I do applaud the Revenue Committee, Chairman Smith and those members, and the Governor has been very active in drafting this legislation. And it comes down to whether you think the economic driver of this state comes from private industry, from people to invest their own money to buy goods and services, or whether you think state government is the economic engine of the state. That's the fundamental difference of where we're at. Private industry making the decisions are more agile to adjust to market conditions. We do need government, there's no question about that. There are constituents of mine and everybody in this room who do need our assistance. But at what point does it become a handicap, allowing them to continue to be at the mercy of the state? [LB461]

SPEAKER SCHEER: Time, Senator. [LB461]

SENATOR HUGHES: Thank you, Mr. President. [LB461]

SPEAKER SCHEER: Thank you, Senator Hughes. Senator Linehan, you are recognized. [LB461]

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SENATOR LINEHAN: Thank you. I was deep in discussion with Senator Friesen on how to fix this all. Again, I support LB461. I am absolutely convinced that we have to do something about taxes, both income taxes and property taxes in the state of Nebraska. We are...you can't...I mean, one of our costs that are exploding, when we get to the budget next week we will talk about it, is Medicaid expenses. And one thing you don't want to do for certain is chase the people who are retiring, who have wealth out of the state, leaving you more people who are elderly, who are going to end up on Medicaid. This is...I think the Revenue Committee, Senator Erdman, Senator Brasch, Ag Committee have done a great job with trying to piece all this together. It's not going to be perfect, because we can't fix...the hole we have got ourselves in, spending versus revenue, is very deep. So we're not going to fix it with one thing. But it is definitely a start and it's definitely moving us the right direction. And the other thing I would like to talk about a little bit this morning, because this has been confusing to me. And if people are watching at home, I think it's probably confusing to most Nebraskans. Our budget shortfall that we keep talking about, the billion dollars over the biennium, it's a budget shortfall if revenues don't go up. And I might be off a little bit on this, but it's based on our revenues going up every year 4.5 percent. So our revenues did not go up 4.5 percent, so we have a shortfall. It doesn't mean we didn't get in more money this year than we got in last year we did. We did in fact get in more money. We just did not get in as much money as we thought we were going to get. So when all the different cuts are being talked about, people need to understand that it is not a cut from what we spent last year, but it's been a cut from what we thought we were going to spend this year. I don't think most Nebraskans understand that. I understood that's the way it worked in D.C., because when I worked there I understood that's how we talked about money. I didn't think that's the way Nebraskans talked about money. And I don't think that's the way most Nebraskans sitting at home with their checkbook writing out their income taxes to the state or the federal government this week think about it. And I don't think it's the way people that write out the checks for their property taxes think about it. When they look at their budgets and they think they have to cut from last year, they think they have to cut from their income that they got last year. The ag community that is going through a rough time, which you know, I grew up on a farm, happens every generation. When they talk cuts, they're talking real cuts. They're talking they may have made \$25,000 last year and this year they're going to lose \$12,000. That's a cut. I just want people in Nebraska to understand when they hear these stories about how we're really chopping, that we're not chopping from what we spent last year. A good example of that would be the TEEOSA funding. We've all gotten emails, at least I have, many of how these dramatic cuts that we are making to TEEOSA. And there are school districts that are going to get less money than they got last year from the TEEOSA, but the overall fund was not cut. It didn't go up according to the formula, as much as the formula, again, 4.5 percent, but we actually increased TEEOSA funding over 2 percent. So just for the people at home, understand when you hear how much we're cutting, it's not from what we spent last year. [LB461]

SPEAKER SCHEER: One minute. [LB461]

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SENATOR LINEHAN: It's from what we planned on spending. Thank you. [LB461]

SPEAKER SCHEER: Thank you, Senator Linehan. Mr. Clerk for announcements. [LB461]

CLERK: Mr. President, Enrollment and Review reports LB409, LB259, and LB268 to Select File. Amendments to be printed: Senator Wayne, Harr, Bolz, and Briese, amendments to LB461; Senator Friesen to LB389; Senator Baker, amendments to LB595. Mr. President, your Committee on Enrollment and Review reports they have examined and engrossed LB97, LB152, LB172, LB257, LB323, LB346, LB478, LB481, LB509, LB509A, LB512, and LB605. (Legislative Journal pages 1135-1138.) [LB409 LB259 LB268 LB461 LB389 LB595 LB97 LB152 LB172 LB257 LB323 LB346 LB478 LB481 LB509 LB509A LB512 LB605]

Mr. President, Senator Briese would move to adjourn the body until Monday, April 24, at 10:00 a.m.

SPEAKER SCHEER: Colleagues, you have heard the motion. All those in favor say aye. All those opposed say nay. Pretty shallow nay today, easy call. We are adjourned.