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Revenue Committee
February 23, 2018

[LB910 LB937 LB1006 LB1100 LB1104]

The Committee on Revenue met at 1:30 p.m. on Friday, February 23, 2018, in Room 1524 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB910, LB937, LB1006, LB1100, and LB1104. Senators present: Jim Smith, Chairperson; Curt Friesen, Vice Chairperson; Lydia Brasch; Mike Groene; Burke Harr; Brett Lindstrom; and Paul Schumacher. Senators absent: Tyson Larson.

SENATOR SMITH: Good afternoon, everyone. Good afternoon. Going to have everyone come on in and have a seat. Welcome to the Revenue Committee public hearing. My name is Jim Smith and I'm chair of the committee. I represent the 14th Legislative District in Sarpy County. The committee will take up the bills in the order posted on the outside of the room today. Our hearing today is your public part of the legislative process. This is your opportunity to express your position on the proposed legislation that's before us today. To best facilitate today's proceedings, I ask that you follow these procedures. If you would first, please, silence your electronic devices so that they do not interfere or distract from the person that's before us testifying. The order of testimony will be the introducer of the bill, followed by proponents of the bill, followed by opponents. Then we will hear from people that would like to testify in a neutral capacity. And then we will wrap it up by having the introducer of the bill come back up for closing remarks. If you will be testifying today, we would ask that you complete one of the green forms. You'll find that just at...on the table as you walk inside the room. When you complete that green form and you come up to testify, you will hand that green form to the committee clerk. We will need...also, if you have information you would like to distribute to the committee, we will need 11 copies of anything you want to distribute. If you need assistance making copies, we can help you with that. Just raise your hand, let the page know and we can have those copies made so that when you come up to the table to testify we'll be good to go. We're going to use the light system. We don't have a lot of people in the room, but we do have a number of bills to get through. We're going to limit testimony to five minutes. The green light will be on for four minutes of your testimony. It will then turn to an amber color for one minute. And then at the end of the five minutes total, it will turn to red. And, if you're still testifying when the red light comes on, we ask that you wrap that up so that we will have ample time to have a conversation with you. We may have questions for you from the committee members. If your remarks were reflected in previous testimony or if you would like your position to be known but do not wish to testify, we offer that you sign the white form that's on the table at the back of the room, as that form will be introduced into the official record with your position on the issue. When you come up to the table to testify, please speak directly into the microphone. And you will need to both state and spell your name so we can get that accurately into the record. The staff...Revenue staff with us today; to my immediate right is legal counsel Mary Jane Egr Edson. To my immediate left is our research analyst Kay Bergquist. And then to the left at the far end of the table is committee clerk Krissa Delka. We also have two pages with us today.

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We have Heather Bentley from Miller, Nebraska. Heather is a junior at UNL majoring in agricultural economics. And we have Kylie Kotouc from Lincoln, Nebraska. And Kylie is studying political science at University of Nebraska-Lincoln, UNL. I'm going to allow the...my colleagues to introduce themselves. Senator Harr, I believe, will be joining us a bit later. [LB910]

SENATOR SCHUMACHER: Paul Schumacher, District 22. That's Platte and parts of Colfax and Stanton Counties. [LB910]

SENATOR BRASCH: Lydia Brasch; Burt County, Cuming County, and Washington County. [LB910]

SENATOR FRIESEN: Curt Friesen, District 34; Hamilton, Merrick, Nance, part of Hall County. [LB910]

SENATOR LINDSTROM: Brett Lindstrom, District 18; northwest Omaha. [LB910]

SENATOR GROENE: Mike Groene, District 42, Lincoln County. [LB910]

SENATOR SMITH: And Senator Tyson Larson will be seated at the end of the table. The senators will come and go, as they have obligations in other committees. So when you're testifying here before us, please understand that your testimony is important to us. And if we have to go back and forth, that's just a commitment that we have. It's not because we do not think your testimony is important...it's very important to us. So with that, we're going to open on our first bill, LB910. And we invite Senator Bolz to open on LB910. Welcome, Senator Bolz. [LB910]

SENATOR BOLZ: (Exhibit 1) Thank you, Mr. Chairman. Good afternoon, I am Senator Bolz. That's K-a-t-e B-o-l-z, for the record. And today I bring you LB910, the Property Tax Circuit Breaker Act. I know that I, especially at this stage in the session, don't need to repeat to you that property taxpayers in Nebraska are seeking relief. LB910 adds to that discussion by creating a targeted property tax relief mechanism for agricultural and horticultural property taxpayers and residential property taxpayers, including renters. It uses the revenue from the property...the funding from the Property Tax Credit Program and funds a "circuit breaker" of refundable income tax credit. LB910 addresses the tension between rising residential property taxes and rising agricultural and horticultural property taxes and stagnating incomes. Essentially, if property taxes are high in proportion to income the circuit breaks and we provide an income tax credit for renters, residential property taxpayers, and Nebraska farm operations. This strategy offers targeted and meaningful relief that creates stability for homeowners, and renters, and farm

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operators of many sizes across the state. First, the relief is targeted to modest and middle-income residential property taxpayers; individuals and couples earning just over the median income, \$60,840 for individuals, \$121,680 for couples. It includes renters, and uses the economic assumption that 20 percent of what renters pay goes towards the landlord's property taxes. It also applies to farm operations earning less than \$350,000. It kicks in when property taxes exceed 7 percent of farm income, double the national average. The credit is also meaningful; ranging from \$1,200 to \$300 for residential property taxpayers. It will also be more meaningful for agricultural and horticultural property taxpayers because the existing dollars will be shared among fewer, but more targeted farm operations. LB910 targeted...targets our existing property tax relief resources to those who need it more, both residential property taxpayers and modestly-sized farm operations. I want to address three issues that I think may come up in front of this committee. The first is that, of course, one of the challenges with providing property tax to those who...relief to those who need it most is the provision in our constitution known as the Uniformity Clause, requiring that "taxes shall be levied by valuation uniformly and proportionately upon all real property and franchises as defined by the Legislature except as otherwise provided in or permitted by this Constitution." I believe that LB910 is consistent with this provision because it provides for a refundable income tax credit. The property value remains uniform, but the income tax structure treats it differently. Wisconsin currently has both a uniformity clause and a circuit breaker mechanism. Second, I want to mention that, while this bill moves resources, it does not eliminate the Property Tax Credit Program. It remains in statute and can still be funded through the appropriations process. Finally, I want to make a quick clarification about the capped amounts. One might ask; why place the cap at \$190...\$119 million for residential property tax relief and only \$105 (million) for agricultural and horticultural property tax relief? And the logic behind that is that it is because residential taxpayers paid 45 percent of property taxes in 2017, and ag and horticultural land paid 30.6 percent. So, I appreciate your consideration of this concept. I agree that property tax needs action. This is one strategy and mechanism for making our existing property tax resources more targeted and meaningful. And I'd be happy to try to answer your questions. [LB910]

SENATOR SMITH: Thank you, Senator Bolz. Questions from the committee? Senator Bolz, this has nothing to do with the Property Tax Credit Relief Fund. [LB910]

SENATOR BOLZ: It pulls...it would...it contemplates pulling the resources from the Property Tax Credit Fund... [LB910]

SENATOR SMITH: Over into it. [LB910]

SENATOR BOLZ: ...into this program. [LB910]

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SENATOR SMITH: All right. Very good. And replaces that, or would that be left intact? [LB910]

SENATOR BOLZ: It would pull those resources into the circuit breaker mechanism. If the Property Tax Credit Program were to continue, it would need to be funded on the appropriations... [LB910]

SENATOR SMITH: Okay, it'd be left open as a funding mechanism? [LB910]

SENATOR BOLZ: Correct. [LB910]

SENATOR SMITH: Okay. Very Good. Senator Friesen. [LB910]

SENATOR FRIESEN: Thank you, Chairman Smith. One question; when you...you mentioned the proportion paid by residential and ag land--I believe that is...you're real close on the numbers--but the ag land...people that own ag land is only about 2 to 3 percent of the population anymore. It's very low. And so, proportionately per person, ag land taxes that are being paid are exceptionally high. And so, I understand the correlation that you're going after. And in these down years it would distribute it quite differently than what we're currently doing. But...is that your, kind of, intent...is to target it more like... [LB910]

SENATOR BOLZ: I mean, I think that's the heart of the proposal, is using the circuit breaker mechanism to ensure that the resources that we do have available go to the people who need it the most. And how we do that...I recognize that there are a couple of different moving parts in this bill. [LB910]

SENATOR FRIESEN: If you were going to look for a longer-term fix--and I know this is a short-term idea...I think, or that's the way I look at it, but maybe you look at it differently--but a longer-term fix...would you say that there's got to be a different...something different done than this? Or is this what you look at as could be a long-term solution? [LB910]

SENATOR BOLZ: I think it certainly could be a longer-term solution with additional resources, right. So, when I...I'll put it this way...I understand that I'm an Appropriations Committee member and you are a Revenue Committee member, and I am cognizant of that. And so, I didn't want to bring a bill that wasn't revenue neutral. I just thought that that was the responsible way to bring it. So, I think this is a better way of using the dollars that we're already allocating. And if we had more dollars to allocate, I think I would still argue that this mechanism uses our resources in a more targeted, strategic way. [LB910]

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SENATOR FRIESEN: Okay. Thank you. [LB910]

SENATOR BOLZ: Thank you. [LB910]

SENATOR SMITH: Very good. I see no further questions. Thank you, Senator Bolz. We now go to proponents of LB910, proponents. Welcome. [LB910]

TIFFANY JOEKEL: (Exhibit 2) Thank you. Chairman Smith, members of the committee; my name is Tiffany Joekel, T-i-f-f-a-n-y J-o-e-k-e-l. I'm policy director at OpenSky Policy Institute, here to testify in support of LB910. Senator Bolz gave a pretty thorough explanation of the piece. As she said, they are called "circuit breakers" because they are triggered when property taxes reach a certain percent of income, similar to how electrical circuit breakers are triggered when electricity surges. The tax reduction comes in the form of an income tax credit to help offset the cost of property taxes. The residential circuit breaker in LB910 would go to taxpayers with AGI less than \$175,000 who rent or own their primary residence in Nebraska. It's important to know this mechanism would also be available to renters, based upon 20 percent of their rent paid would be considered reflective of property taxes. As income increases, the circuit breaker credit calculation assumes that taxpayers can afford to put greater percentages of their income towards the property taxes. So, qualified taxpayers would receive a refundable income tax credit equal to an amount of their property taxes that exceed the set percent as laid out in the marginal rates in the bill. Ag circuit breaker is a little simpler. As written in the bill it would be available to individuals who own ag land that is part of a farming operation with federal AGI of less than \$350,000. This \$350,000 corresponds to the USDA's designation of small family farms separate from mid-size and large, which are considered to have higher than \$350,000 in income. The tax credit on the ag side would be calculated to the extent that property taxes paid exceed 7 percent of their farm income. As Senator Bolz indicated, that 7 percent is double the national average. The USDA had a study that said nationally property taxes reflected about 3.5 percent of farm income in 2015, 3.4 percent in 2016. So, this threshold at 7 percent, that's at least the logic behind that. There are 14 other states and the District of Columbia that have offered circuit breaker programs. And this is not a new idea; it has been proposed...it was suggested as a recommendation in the Tax Modernization Committee report. It was also covered in a Revenue Committee report from 2014, written by Bill Lock. It was also given pretty extensive coverage in a report by Dr. Anderson and Dr. Eric Thompson at UNL, economists, as suggesting this as an avenue to pursue targeted tax relief. So with that, OpenSky suggests this as a way to really target the dollars that this body allocates to help those whose property taxes have...take up the largest percent of their income. And, with that, I'd be happy to answer any questions. [LB910]

SENATOR SMITH: Thank you for your testimony. Questions from the committee? Senator Friesen. [LB910]

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SENATOR FRIESEN: Thank you, Chairman Smith. So, when I go through the process here and I look at the current state of agriculture and the property taxes that some districts are paying, and you use an average-sized farm of...I think it's 950 acres...so, if you wanted to simplify it we'd use 1,000 acres; you can figure someone's gross revenue really quickly if they're growing corn. It's going to be 220 bushels times the dollars, and there's your gross. And their property tax bill, if they happen to own all the land they farm, which is unlikely, but, you know, would be right at that \$100,000 mark. So it could easily be 10 to 15 percent of their gross, much less their AGI. And so when I look at this and the caps I'm thinking; wow. I mean, it's a start in the right direction, but it doesn't go very far these days, I guess. But it's per parcel of land, then? [LB910]

TIFFANY JOEKEL: So it would be per farming operation... [LB910]

SENATOR FRIESEN: Per farming operation. [LB910]

TIFFANY JOEKEL: ...as it's written. You know, admittedly, I think there could probably be some...some tightening of the income definitions, you know. It's sort of hard to find the right place to land to make sure that you're really capturing what we should be looking at, as far as income, and then setting the percentage. The percentage, as I said, the 7 percent just...it was double the national average. Senator Annette Dubas had a bill in 2000...I'm going to say this wrong, but...in the last 6 years, that set it as 7 percent, as I recall, and did not cap it. And, again, I hate to say things that I don't know, but it had a very significant fiscal impact. So I think you're right that when you cap it at \$105 million, the demand, the way it's set, will potentially significantly exceed that. You know, there's always room to put more money into it. [LB910]

SENATOR FRIESEN: I mean, I look at the Property Tax Credit Relief Fund now and I...I'm thinking it's giving us about a 10 percent, roughly, break in your taxes. And you take that away, and if this is a cap per farm, I mean, you're going backwards because they could easily pay in \$80,000 to \$100,000 in taxes and you've got \$1,200 cap, so. [LB910]

TIFFANY JOEKEL: Sure. I think, without a doubt, there will be people who now benefit from the Property Tax Credit Program that may not benefit, or may not benefit to the extent that they do, under this scheme. You know, from our perspective, we're interested in all sorts of different ideas to look at this challenge. I think this addresses what we hear often, about property taxes are not reflective of income. This, in some way, does make a tie there. But I think that the point you've raised is a good one that there would be questions about who gains and who loses, if you take that (phonetic). Yeah. [LB910]

SENATOR FRIESEN: Okay. Thank you. [LB910]

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SENATOR SMITH: I see no other questions. Thank you for your testimony. [LB910]

TIFFANY JOEKEL: Sure, thank you. [LB910]

SENATOR SMITH: We continue with proponents of LB910. Welcome. [LB910]

ERIC GERRARD: (Exhibit 3) Chairman Smith, members of the Revenue Committee, thanks for having me here today. My name is Eric Gerrard. That's E-r-i-c, last name G-e-r-r-a-r-d. And I'm here today representing AARP of Nebraska, not the city of Lincoln, who some of you may know me for. It's been well laid out, and I thank Senator Bolz for introducing the bill. And Tiffany provided a good explanation. We just want to get on the record our support. I passed out a letter from Connie Benjamin, who's the president of AARP Nebraska. Back in 2013--which is now, I guess, five years ago--we did a survey of our members and they talked about tax relief for low- and middle-income members. And we think this bill, here, strikes a good balance. So that's the reason we want to be on the record in support of this. And I realize it's a Friday afternoon, so I'll try to wrap up my testimony there. Thank you. [LB910]

SENATOR SMITH: Thank you, Mr. Gerrard. Questions from the committee? I see none. Thank you. [LB910]

ERIC GERRARD: Thank you. [LB910]

SENATOR SMITH: (Exhibits 4-5) Next proponent of LB910. We do have letters for the record that were submitted in support of LB910 from Jordan Rasmussen representing the Center for Rural Affairs and Larry Scherer representing NSEA. We invite opponents at this point, those wishing to testify in opposition to LB910. Seeing none, those wishing to testify in a neutral capacity on LB910. I see none. We invite Senator Bolz back to close on LB910. [LB910]

SENATOR BOLZ: Just very briefly, I'll share that Senator Dubas' bill; the well-organized Tiffany Joekel happened to have the fiscal note for it. She set it at 5 percent of the taxpayer's federal adjusted gross income, did not put a cap, and the projected dollar amount for 2017/18 was \$476 million. So, you make a fair point, Senator Friesen, that additional dollars need to go to property tax relief in order to make some of these pieces more meaningful. I still appreciate the committee's consideration of this legislation as a mechanism for how that gets done. [LB910]

SENATOR SMITH: Thank you. I see no questions. Thank you, Senator Bolz. [LB910]

SENATOR BOLZ: Thank you. [LB910]

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SENATOR SMITH: And that closes our hearing on LB910. Our next two bills deal with TERC. Our first one is LB937, to be introduced by Senator Stinner. Welcome, Senator Stinner. [LB910 LB937]

SENATOR STINNER: Good afternoon, Senator Smith and members of the Revenue Committee. For the record my name is John, J-o-h-n, Stinner, S-t-i-n-n-e-r. This is a pretty simple bill. What I'm trying to do here, and the reason I'm bringing this bill, is because TERC came my first year and I looked at the fact that it's only covering 5 percent of its total cost. Appropriations is, I think, \$907 million. The rest is being covered by General Funds money. The other reason that I'm bringing it, is that with a \$25 fee, it brought...it basically...if I'm a multimillion dollar structures and I'm a corporation that has maybe a multitude of locations, it's very simple to pay \$25 for each location. It's very simple to do that every other year, for an example, as a part of a corporate strategy. Where they spend most of their time is on these complicated high-end types of structures. So, therefore I've tried to at least push the fee structure up to cover 10 percent, at this point in time. And I hope that...we did look at the district court fees that you would have to pay, and I think that it's kind of equitable with that million dollar number. Tried to structure it so that the \$200,000/\$250,000 small person that wants to come in and they handle a lot of those claims. A \$40 fee...was increased from \$25 to \$40 mainly because we went through an inflation-type of computation that...I think it's 20-some years ago is when \$25 was put in place. So, that's the essence of the bill. It's pretty straightforward. I'm just trying to get more coverage fee-oriented and really kind of taking a look at where we're spending all of our time, and it's in that high-end stuff. And I do want to have it so that there's a little bit of, I guess, a handicap or a penalty for bringing a lot of large corporate-strategy types of ideas. I've got eight locations in my bank, for an example, throughout the Panhandle. Every year I could have a tax protest. For \$25, \$200 is what I've got at risk. That's...that doesn't make a whole lot of sense to me. But that's why I brought the bill. I'll take any questions. [LB937]

SENATOR SMITH: Thank you, Senator Stinner. Questions from the committee? I see no questions. Thank you. [LB937]

SENATOR STINNER: Thank you. [LB937]

SENATOR SMITH: We now invite proponents of LB937. Welcome. [LB937]

ROB HOTZ: (Exhibit 1) Thank you. Senator Smith...Chairman Smith and members of the committee, my name is Rob Hotz, R-o-b H-o-t-z. And I am one of three commissioners with the Tax Equalization and Review Commission. I'm here on behalf of the commission. And thank you for your time and attention to this bill this afternoon. We first want to thank Senator Stinner for his willingness to introduce LB937 and to look at some of these issues which we've been, kind

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of, keeping our eye on for the last several years. And we want to thank Senator Smith again for the introduction of a similar bill, LB555, which was a carry-over which you have in committee right now. The commission has two primary functions, as many of you are well aware. First, to conduct what we call "statewide equalization." The other is to...and statewide equalization is the review of the assessed-to-sale ratios in each class or subclass of real property in all of the 93 counties. The second primary function of the commission is to hear appeals of individual property valuation protests from all 93 counties. That's a quasi-judicial function that was formerly done by the State District Courts. And 20 years ago the commission was formed to do both of those functions. LB937 would change the appeal filing fee in this latter function. The structure that has been in place and has been unchanged for more than two decades. Under the current law, the fee for every single appeal filed with the commission for each parcel of property is \$25, regardless the assessed value of the property. LB937 proposes to change the filing fee structure to address a number of criteria. The first criteria would be the longstanding filing fee of \$25 would be increased by an inflationary adjustment, making the minimum filing fee of \$40. The second criteria would be that the fee structure would be modified to address regressivity, which Senator Stinner touched on. Lower-valued parcels would have a lower filing fee, and higher-valued parcels would have a higher filing fee. The third criteria addressed by the bill would be that the highest filing fee would be more commensurate with the filing fees in the district courts in comparable civil actions. And the fourth main criteria of the legislation would be that the percentage of the commission's budget, and Senator Stinner also touched on this, paid by General Fund taxpayers would be reduced from approximately 95 percent to approximately 90 percent. Right now the user-pay percentage is 5 percent; General Fund taxpayers pay 95 percent of the commissions budget. The result of the modified four-tiered fee structure as proposed in LB937--and this would be based upon three year averages of actual filings that have made...been made with the commission--would be an overall increase in the cash fund revenue to the commission of just over \$50,000, as you can see in the fiscal note. If you have any questions, I'd be happy to answer them. And I've provided to you a spreadsheet that would indicate over this three-year period the averages for the filings that we have actually received--shows these broken down by the four tiers that the bill contemplates; the average number of appeals based upon the assessed value of the property, as determined by the County Board of Equalization when it comes to us on appeal; and the revenue that would be associated and the increased revenue that would be associated for each of those categories of appeals. The final handout that I provided to the committee would be a chart, historical chart, of the number of appeals that have been filed with the commission from 2000 until 2017. And it gives an indication of the ebb and flow, and often unpredictability, of the number of appeals that the commission files. We certainly wouldn't want to rely upon a cash fund solely as our only source of revenue. We try to fund a fairly constant dollar that's being spent to run the commission. But I wanted to give you the opportunity to see in 2012 and 2013, for example, we had the highest number of appeals in history with the commission; over 2,200 and 2,300. But then in 2016 when there is, at the same time, a lot of talk--as you know better than I--of property tax problems and concerns and so on,

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the number of appeals with the commission was down to 1,294. So it's just an unpredictable...not necessarily a correlation between people's concerns about property tax and the filing fee. I would say that, without exception, the people who come in to file appeals with the commission are not there because they want government to say that the value of their property is less. They want government to say; we're going to tax you less in the property tax. And for them, the problem is the formula; it's a levy times the valuation. And for those people, they see that one way of lowering their property tax is to come in and have the government say; your value is less. The other way, which it appears they're not utilizing as much, is to go to the local elected officials and say; what about this levy? So, it's a simple thing; levy times valuation, as you well know, and we just deal with the one side of it. [LB937]

SENATOR SMITH: Very good. [LB937]

ROB HOTZ: Thank you. [LB937]

SENATOR SMITH: Thank you for your testimony. Questions from the committee? I see none. [LB937]

ROB HOTZ: Thank you. [LB937]

SENATOR SMITH: Thank you. We continue with proponents of LB937. Welcome. [LB937]

TOM PLACZEK: Chairman Smith, members of the Revenue Committee. My name is Tom Placzek, T-o-m P-l-a-c-z-e-k. I represent the Nebraska Association of County Assessors and I'm also on the NACO Board. I'll make this very brief. We are in support of this for several reasons, some that Commissioner Hotz had said. In Platte County, and I think a number of other counties would agree with me, we spend an inordinate amount of time on...on these cases. Particularly ones that end up not showing up. I've gone through our figures and over the last ten years that ends up to being about anywhere from...somewhere between 10 and 20 percent, so we'll say 15 percent. And you just spent hours and hours and hours on each one of these cases, then to not have anybody show up is disheartening. Part of it...and I've had some feedback from some of the people. And in several cases they said; well, at the time it was only 25 bucks, so I decided to file. Then when it came around--and it's usually in the next year when it's time to go to the hearing--it's kind of like; well, you know, I'm not as fired up as I used to be. You know, I still don't like taxes, but, you know, maybe things are not so bad. So, in those cases I really think had the fee been a little higher, they probably wouldn't have even wasted their time. That's kind of our experience. One year we had ten cases not show up. We had to go through all the work and made the trip down to Lincoln. And then you have to wait and wait and wait and nobody shows up. Pack your stuff, thank you very much, go on your way home. So I think that's a huge factor for

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us. We just don't want to waste taxpayers time and effort on this. And when I say 15 percent-- when you talk about what Mr. Hotz is saying--is if they have, say, average of 1,500 a year; you're talking, what, 225 cases a year that they don't have to deal with? And it's a lot of time for them, also, that they could be spending on some of the more complex cases. And it may...at least the hope on our part is that it would allow them time to get us quicker decisions on some of the more complicated cases that are heard. That's our hope. I know there's no guarantee on this that that would actually come to fruition. But I think it is a factor, the very low fees. And with that being said, I think that's why we are in support of this bill. [LB937]

SENATOR SMITH: Thank you, Mr. Placzek. Questions? Senator Groene. [LB937]

SENATOR GROENE: I should have asked the fellow before you, but what percentage of cases are successful now? [LB937]

TOM PLACZEK: Successful through...with TERC? That I can't say. We, Platte County, wins most of our cases, probably 90 percent of them. [LB937]

SENATOR GROENE: Ninety, that's...and how many settle at Platte County versus going on to TERC? [LB937]

TOM PLACZEK: Oh, if you're talking about just protest cases in general, we probably...it's probably 50/50. We probably adjust about 50 percent of the protests. And the reason for that, Senator Groene, is that when they protest...we...I go out to see every protest. I go to their actual home or business and I check out what the situation might be. And in the ones that we change, I would say, probably 85 percent of those are because of we didn't have all of the information. It's primarily a conditional situation inside. And so we just weren't aware of it, and then once we see it, it's like; oh, okay. And then it's settled and never goes on to TERC. [LB937]

SENATOR GROENE: So there's no fee at the county level? [LB937]

TOM PLACZEK: No, there's no fee for at the county level. Exactly. [LB937]

SENATOR GROENE: And then of the other 50 percent... [LB937]

TOM PLACZEK: The other 50 percent would probably be... [LB937]

SENATOR GROENE: ...how many of those go onto TERC? [LB937]

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TOM PLACZEK: We're probably talking, let's see...we have an average of maybe 5-6 cases a year go to TERC out of the 50. Let's say we have 200, so out of 100...so probably 5 or 6 percent out of the 50...the 100 that we don't change. [LB937]

SENATOR GROENE: So you do a good job of handling it locally? [LB937]

TOM PLACZEK: Yes, I think we do. You always try to get it so none of them go to TERC, but I think we do a good job. [LB937]

SENATOR GROENE: So, you don't get any of this fee? [LB937]

TOM PLACZEK: No. [LB937]

SENATOR GROENE: You still got to drive to Lincoln, or wherever? [LB937]

TOM PLACZEK: That's exactly right. [LB937]

SENATOR GROENE: And you're hoping that raising the fee will less cost to the county, drive to Lincoln? [LB937]

TOM PLACZEK: Yes, and our time. You know, if we're working on that, then we can't be working on other issues. But, right. [LB937]

SENATOR GROENE: Are most of your hearings in Lincoln or do they come out there... (inaudible)? [LB937]

TOM PLACZEK: They're...in the past there's...with the single commissioner hearings, in the past they would try to set them up closer. We've had some in Columbus, which has been a great help. I don't know, with budget cuts, if they're going to be doing as much of that as they used to. Our hope is that they will, but...in the past we used to come into Lincoln all the time for them. [LB937]

SENATOR GROENE: You don't do any video ones or phone? [LB937]

TOM PLACZEK: We rarely have any that come up that way, they're...just...no, we've never had any in Platte...we had one, I guess. It was more on whether the people filing the case had standing in the case to file a case, and that we did over the phone, so. [LB937]

SENATOR GROENE: Thanks. [LB937]

SENATOR SMITH: I see no other questions. Thanks for your testimony. [LB937]

TOM PLACZEK: Thank you. [LB937]

SENATOR SMITH: Next proponent of LB937. Seeing none, we move to opponents, those wishing to testify in opposition to LB937. Seeing none, those wishing to testify in a neutral capacity on LB937. Seeing none, Senator Stinner, would you like to close? Senator Stinner waives closing on LB937. And that closes the hearing on that bill. We now invite Senator McCollister to open on LB1006, 1-0-0-6. Welcome, Senator McCollister. [LB937 LB1006]

SENATOR McCOLLISTER: Thank you, Chairman Smith and members of the committee. I am John, J-o-h-n, McCollister, M-c-C-o-l-l-i-s-t-e-r. And I represent the 20th Legislative District in Omaha. Today I'm introducing LB1006 to change rehearing requirements for the Tax Equalization and Review Commission, or TERC. And this is at the request of Douglas County in Omaha. Currently, Section 77-5005(5) (sic--(4)) allows the TERC discretion about whether or not to grant a rehearing if the request is filed within 30 days of the order. LB1006 would require the TERC to grant a rehearing if relevant information is discovered after the hearing date of the order. Repeating, if relevant information is discovered after the date of the order. A similar provision was put forth last session in LB322 by Senator Craighead. LB322 was a much more comprehensive bill than LB1006. The perceived need for this provision was prompted by the mass appraisal order from the TERC to Douglas County property owners in 2016. Here's some background on the process. Every year the Department of Revenue submits reports to the TERC for each county at a statewide equalization hearing. In 2016, the Douglas County assessor analyzed residential property in six valuation subclasses. The Department of Revenue's report showed that three of Douglas County's six subclasses were outside the statutory range. The TERC voted 3-0 ordering Douglas County assessor to raise property values on west Omaha by 7 percent and lower valuations in north Omaha by 8 percent. This vote produced a blanket 7 percent increase in two subclasses of property and an 8 percent decrease in one subclass of property in northeast Omaha. Prior to this issuance of this TERC-written order to effect these changes, Douglas County filed a motion to reconsider and offered additional evidence. The evidence included information that showed the state was using unreliable information. The evidence included information that showed the state was using unreliable data. The TERC commissioners voted 2-1 to deny the motion to reconsider and issued a written order for the two increases and the one decreases, as mentioned. Douglas County appealed the TERC decision. Ultimately, the Nebraska Supreme Court upheld the 7 percent increases in the two areas and overturned TERC's 8 percent decrease in northeast Omaha. I foresee this provision in LB1006 being used in limited circumstances and most likely in cases involving counties and state

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equalization hearings. Typically, there's a fairly short window to prepare for a show-cause hearing. A county may learn something after the show-cause hearing that could make a difference in whether or not percentage increase...a percentage increase is appropriate. The provision proposed by LB1006 to require the TERC to grant a rehearing if relevant information is discovered after the date of the order is not reliable. Given the potential valuation adjustments for hundreds of thousands...or hundreds or thousands of properties considered, this bill is proposed. Thank you, Mr. Chairman. [LB1006]

SENATOR SMITH: Thank you, Senator McCollister, for your opening on LB1006. Questions from the committee? I see none. Thank you. We invite proponents at this point to testify on LB1006. Welcome, Mr. Kelley. [LB1006]

SEAN KELLEY: Good afternoon, Chairman Smith and members of the Revenue Committee. My name is Sean Kelley, S-e-a-n K-e-l-l-e-y, appearing today on behalf of the Douglas County Board of Commissioners. We'd like to thank Senator McCollister for introducing LB1006. I think he gave a good introduction as to where this came from. Douglas County is sensitive to the timing, that the Department of Revenue and TERC needs to be aware of. So, I think that would be something that the committee...we would ask to entertain while you deliberate on the bill and that is putting some sort of guideline for this rehearing. We're not trying to drag it out. If we have new information we just simply want TERC to consider that, timely, and not screw up the whole valuation and BOE process. So, with that, I'd be happy to answer any questions you may have. [LB1006]

SENATOR SMITH: Thank you, Mr. Kelley. I see no questions from the committee. [LB1006]

SEAN KELLEY: Thank you. [LB1006]

SENATOR SMITH: Thank you. Continuing with proponents of LB1006. Seeing none, we invite opponents. Those wishing to testify in opposition to LB1006. Seeing none, we invite those wishing to testify in a neutral capacity to LB1006, neutral. Welcome, Mr. Dix. [LB1006]

LARRY DIX: Good afternoon, Senator Smith, members of the committee. My name is Larry Dix, L-a-r-r-y D-i-x, executive director of Nebraska Association of County Officials, appearing today in a neutral capacity. And the only statement that we have really concurs with what Mr. Kelley had stated before that when we looked at this legislation it looked like, to us, that there was really no time line for somebody...for TERC to actually reconsider. And so we would ask the committee to take a look at that and place a date certain in there because we don't want to get beyond the time that there's a reconsideration after the county has already sent out notice of valuation increases. So there's a little bit of a timing issue there. So, if the committee would be so

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kind to take a look at that. Other than that we have no problems with the bill. Thank you.
[LB1006]

SENATOR SMITH: Thank you, Mr. Dix. I see no questions. Others wishing to testify in a neutral capacity. Seeing none, we invite Senator McCollister to close. And Senator McCollister waives closing. And that concludes our hearing on LB1006. Thank you, Senator McCollister. We now move to our next bill, LB1100, 1-1-0-0, to be introduced by Senator Erdman. I do not see Senator Erdman. We will just stand at ease for a moment until Senator Erdman arrives. [LB1100]

EASE [LB1100]

SENATOR SMITH: (Recorder malfunction)...continue and invite Senator Erdman to open on LB1100. Welcome, Senator Erdman. [LB1100]

SENATOR ERDMAN: (Exhibits 1-2) Thank you, Senator Smith. Sorry I'm late. I expected your bills to go a little longer. My name is Steve Erdman, S-t-e-v-e E-r-d-m-a-n. I represent the District 40...District 47. It is ten counties in Nebraska Panhandle. I'm here today to talk to you about an issue that we talked about last year, a valuation change for ag land. We had this conversation last year. Please pass those out. Give them one of those. Over the summer I began to realize or analyze what we were going to do last year. Maybe wasn't as streamlined and as conducive as it could have been for the assessment division of the counties. And so we have a revised valuation change from market to income. I met with the Governor earlier in the session. He had a bill last year similar to mine. Senator Brasch had carried that bill. I asked him if he was going to do a similar piece of legislation this year and he said no, he was not, because the railroads and the Chamber didn't like it. So, I'm not...I don't have any connection with the Chamber or the railroads, so I'm here to present this as the commonsense approach to ag land valuations. I think my goal this afternoon is twofold. First of all, to describe and discuss with you the fallacies of the current system that we now have. And secondly, then propose to you the system that will be more common sense and understood by those not only paying the taxes but those who are doing the assessment. We have a division of assessment now that makes decisions about how one's ag value should be valued for taxation purposes. To keep that value as high as possible because the higher the value is locally, that's the more revenue that can be collected locally, the less obligation the state has to help with state aid. Over a period of time, valuations for ag land have dramatically increased to the fact some people's ag lands have gone up over 300 percent over the 8 to 12 years. There are many reasons why people buy ag land. And there are a couple of them for production and farming. And those reasons have forced...those other reasons have forced ag land values to go up. Even when corn was \$7 and it dropped off to \$3, ag land values did not drop. And so there's not a direct correlation between the productive capability of ag land and the value that it brings on the open market. And so, changing from the sales method

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to an evaluation based on production makes a lot of sense. Behind me will be testifiers. One in particular who has spent significant amount of time in the assessment division. I will make this statement; he has forgotten more about assessment and about statistics and about valuations than probably anybody in the state of Nebraska. And he is able to shed light on where it is, why it is we're here, and how we get out of this situation that we find ourselves in. There was a letter that was received...I believe it was mailed in and you should have received it, it was from Jerry Knoche. Jerry works with...excuse me...property assessment and understands this situation very well. Jerry said it in his letter, he has an agronomy degree at the UNL and he's been involved in agricultural assessment since 1974. He was a coauthor of the first Nebraska land valuation manual and the other manuals that have followed that up until 1994. I've had numerous conversations with Jerry. He's been in my office four or five times this last couple of months. And we talked about what it is that we could do to make this process more streamlined and more efficient. And, Jerry's comments, he goes on to talk about the process that we use now to value ag land. And he has said, in his comment in his letter, basically what I told you last year. We sell less than 1 percent of Nebraska ag land on an annual basis. But we value the other 99 percent of that land based on 1 percent of the sales. And so, consequently, it's like going into a grocery store and taking the price of apples and try to determine a value for cherries or strawberries. It doesn't make any sense. And so we have decided to change the method in which we are going to value ag land different than what I had last year. Last year we were going to use one third of the landlord share of the value of the production of the soil. This year the bill says that we're going to use the capability or the production capability of each soil classification. So, you may ask how that is going to work. How is each assessment is each assessor going to develop a value for each individual parcel? I would call your attention to the two maps that I have passed out. The page gave you those two maps. If you would view the first one, it's a circle, a center pivot, a 123-acre pivot. This is in Morrill County, Nebraska. The legal description is there. And as you see, there are five different soils on that parcel. Each one of those soils...and this information is gathered from the USDA and the NRCS, so this is available to every farm in every county of the state of Nebraska. So you say; how will the assessor determine the value for each parcel by production? If you look at the map, soil number 54...5844 on that parcel has 66 acres of that class of soil. That's 53.4 percent of the total. And if you go over to the corn, irrigated corn, it shows that that type of soil will produce 134 bushels. And you go on down, all the rest of those soils are listed there. And you can see them, they correspond on the map. So at the bottom you see the weighted average of the average corn production on that piece of ground and the irrigated is 132 bushel. So, the goal is to determine the best soil in the county, the most productive soil, and then all the soils will be rated according to that. And so, if you have a soil--the top soil in Morrill County was 160 bushel and this one was 132 bushel--you would do a percentage and get the value that that cropland can produce, times the price of corn from the university or the information gathered from other statistical data that they can get. The second page is 148 acres...149 acres, a little better soil. Has three different types of soil. And as you look on that, it has the same characteristics; how many acres is in one class of soil, how much of that is a percentage of the

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total or what the average is. So that's the scenario on how they will arrive at the value. A very simple, straightforward method. It's easily understood, not only by the landowner but by the assessment division. The assessment division now uses market-approach. And one of the things that they do that's troublesome--not only to the ag producers, but also a difficult time for the assessors--is they borrow sales from other counties. And the assessment division has instructed assessors to borrow enough sales to get a sales array to make an array so they can change the price. Several years back, in a county that I'm familiar with, they had two dryland sales in the portion of the county; two in three years. The assessment division forced the county assessor to borrow sales from the adjoining counties until they had enough sales to make an array. When they got that done, they raised the price 10 percent. They raised the price on that dryland farm ground 10 percent in an area where they had two sales in three years. Those are the things that are happening to the farmers today in their valuation changes. The assessment division has instructed assessors to do certain things at certain times. And when the assessors push back and say, can you put that in writing for me? Can you put that in writing? And they say, no, no, we'd rather not. And the reason they'd rather not is because they determine what is appropriate and what isn't, not according to the statute, but according to their recommendation. So these are the things that the assessors are operating under. This approach takes all that away. There's a significant number of people in the assessment division that work in the ag valuation process. Those people will be available to help do this. And as the testifier comes up after me, you can ask him the questions about what is involved in doing the assessment. So those are the things that we need to...that we need to take into consideration. I believe this is a straightforward, very commonsense approach, even more than last year that we had. I believe last year's approach--had it not been encumbered by LB461 and tied up in the big tax decrease or tax relief bills that were tied up with--had a pretty good chance of making it. It's common sense. We've done this before. We used to have assessment done by this before, and we can do it again. If we'd have had this in place over the last several years, we wouldn't have an ag land disparity about them paying too much property tax. We would have paid more when corn was \$7 and we'd be back to paying less when corn was \$3. So, those are my comments this afternoon. I appreciated last year that you listened to what I had to say and I think it made sense last year and I appreciate you moving that bill out. I think this one makes as much sense or more than the one did last year. I have an amendment that I've also passed to you for your consideration. As I read through the fiscal note, I see what they've attributed to this. I don't believe that fiscal note will be correct because I believe those people that are already in that division can help the committee do this. But if the committee would need help doing this, the amendment is AM2099 and it talks about "the Agricultural Land Valuation Board may hire staff as needed to carry out the duties as prescribed in" the sections. So, I would ask you to adopt that amendment. That'll give them the opportunity, in case they need to. It'll be more involved this year until they get the manual set up. Once they get it set up, it'll be a pretty straightforward approach. One of the things that it will help with...it will help with the TERC complaints or appeals because when you do this, there's only about one or two things you can appeal is that the acres are wrong or the soil classification is wrong. And

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so all those things that we get applications against now or protest against now will be taken care of. So it'll help with the TERC cases as well. So, that's where I'm at on that. I would stand for any questions that you may have and see if I can try to help you answer them. [LB1100]

SENATOR SMITH: Very good. Thank you, Senator Erdman. Questions from the committee? Seeing none, thank you. [LB1100]

SENATOR ERDMAN: Thank you. [LB1100]

SENATOR SMITH: We invite proponents on LB1100, those wishing to testify in support of LB1100. Welcome. [LB1100]

DENNIS DONNER: Thank you. Senators, my name is Dennis Donner, D-e-n-n-i-s D-o-n-n-e-r. I represent myself and my family's interest in agricultural land. I've had some experience in the past working with the assessments of agricultural land and bring a different perspective. Currently, agricultural land is classified according to land capability groups which includes the wide ranges of production capability by land use. Current land use doesn't necessarily have anything to do with the highest and best land use. Two different people farming exactly the same thing with different methods of usage would get two different valuations under the current method. LB1100 moves to the underlying capability of the soil which I think is...creates an equity among agricultural land. It does...it would cause some shifting in the initial implementation to recognize the highest-producing land as being the most valuable. However using sales, as is currently used to try to value land, is a total misuse of the appropriateness of statistics. If we would rely on statistics of an unreliable sample--particularly when sales are used that are, in some cases, 50 to 100 miles away from property--to value that property, we end up with totally different market areas, totally different value concepts. If the...I use the little anecdotal comparison that said had we used flawed statistics as the department uses them in estimating the value of the land, Hillary Clinton would be president right now. As we all know, statisticians picked her by over 5 percent prior to the election. That was a bad sample. We have a worse sample in property tax. Using capability of the soil gives us a better comparison from one soil to the next as to the underlying value of the property. I would also like to mention that the Legislature has directed in the past that other properties being valued according to their income capability. For example, Section 8 housing several years ago, the department and the assessors were directed to value property according to the income approach based on a capitalization rate developed by a committee. I would recommend that agricultural land could be equally valued proportionately to its income-producing capability. As Senator Erdman mentioned, we went from \$7-a-bushel corn in one year to \$3-a-bushel corn in the following year. And the value of agricultural land cumulatively went up that year. In the past...I'll bring another example up. When Warren Buffett purchased Burlington Northern for \$44 billion, the company argued

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aggressively that the income of the railroad would not support that \$44 billion valuation. And the department subsequently valued it at about \$20 million...\$20 billion, I should say, recognizing the fact that the income would not support the purchase price. Well, the income does not necessarily support the purchase price of agricultural land either. And the selling price, when used for noncomparable property certainly is not a good indicator of the value of property. The selling price of one particular property does not necessarily give you an indication of other similarly-used properties when their capability is totally different. I think the department...or the process should move to the capability of the soil and giving them an objective target rather than a subjective target to pick and choose what sales you want to use to indicate the value. And I'd be glad to try to answer any questions. [LB1100]

SENATOR SMITH: Very good. Thank you, Mr. Donner. Questions from the committee? Senator Brasch. [LB1100]

SENATOR BRASCH: Thank you, Chairman Smith. And I do not have a question, I just wanted to say it's good to see you again. We worked together on that ag land valuation manual... [LB1100]

DENNIS DONNER: Years ago. [LB1100]

SENATOR BRASCH: ...at the Revenue Department. No questions, thank you for testifying. Thank you. [LB1100]

DENNIS DONNER: You're welcome. And the way I see it, this committee would put out the values for the assessors to use based on the capitalization rate at the income of the commodities. [LB1100]

SENATOR BRASCH: Thank you. [LB1100]

SENATOR SMITH: Very good. Great perspective, thank you for your testimony today. Thank you very much. We continue with proponents of LB1100. Welcome. [LB1100]

STEVE EBKE: Thank you, Chairman Smith and members of the Revenue Committee. My name is Steve Ebke, and that's spelled S-t-e-v-e E-b-k-e. I'm a farmer from Daykin. And I'm also past president of the Nebraska Corn Growers Association. And I'm here today on behalf of the Agriculture Leaders Working Group which is comprised of the Nebraska Cattleman, the Nebraska Corn Growers, the Nebraska Farm Bureau, the Nebraska Pork Producers, the Nebraska Soybean Association, the Nebraska State Dairy Association. And I'm testifying in support of

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LB1100, Senator Erdman's bill, to change the way agricultural land is valued for property tax purposes. The bill changes agricultural land valuations from the current market-based system to a system based on capitalized net earnings capacity. Currently Nebraska determines the taxable value of agricultural land using a comparable sales approach while most states value agricultural land based on the productivity of the land. Our organizations to various degrees, have policies supporting a productivity-based approach to valuing agricultural land for tax purposes. It is the stated goal of the Ag Leaders Working Group to secure, in a short period of time, between \$600 million and \$1 billion of property tax relief for all Nebraska property owners. This property tax relief would be in addition to the existing Property Tax Credit Cash Fund. We think it is important to emphasize that our current system of valuing property, especially agricultural land, has played a significant role in the dramatic increase in property taxes we have seen over the last decade. It is, in part, why property owners in Nebraska pay some of the highest, and in the case of agriculture, the highest property taxes in the nation. In Nebraska, the predominant way we determine wealth or resources for school funding purposes is property value. Since the state aid formula was implemented, two provisions originally intended to balance out the funding formula have been whittled away. The original law included a component to return a portion of the income taxes generated in a school district back to that district. It also included an equalization aid component in foundation aid. Today the allocated income tax has been whittled down to nearly nothing, and foundation aid is nonexistent. Even though farm incomes have fallen dramatically, the value of agricultural land remains high. And 178 of the 244 school districts in Nebraska receive no equalization aid. While we believe additional work will need to be done, we thank Senator Erdman for once again trying to improve Nebraska's system of valuing agricultural land. The Ag Leaders Working Group request that the committee advance LB1100 as one part of an overall solution. Different members of the Ag Leaders Working Group have appeared before this committee to testify in support of bills intended to provide property tax relief for Nebraska property owners. Our support is not exclusive to one bill. We urge the committee to craft one bill for those...from those currently in the committee--a bill that appeals to a broad constituency, one that can be an overall solution, and one that can attract 33 votes. I thank you for your time today, and I'll be glad to answer any questions. [LB1100]

SENATOR SMITH: Thank you, Mr. Ebke, for your testimony. Questions from the committee? I see none. [LB1100]

STEVE EBKE: Thank you. [LB1100]

SENATOR SMITH: Thank you. Next proponent of LB1100. All right, welcome. [LB1100]

JEFF UHLIR: (Exhibits 3-15) Senator Smith, members of the Revenue Committee. I hope I said that right. [LB1100]

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SENATOR SMITH: Yes. Good to see you again. [LB1100]

JEFF UHLIR: Good to see you guys. I'm here...guess she's handing out some stuff. [LB1100]

SENATOR SMITH: She'll get it distributed, that's fine. [LB1100]

JEFF UHLIR: Okay, well, I had testified before and I handed out a copy of my personal property taxes and that of the county average, which shows a 300 percent in ten years' range. You know, so on average my taxes go up about 33 percent. You know, and I'd sure like to see...you know, something's got to change. You know, and I know driving up here--I'm about as far north as you can get in Nebraska--and driving up here I noticed the pickups got a little newer, the equipment got a little better. You know, I really recommend that the urban senators, you know, you need to get out and drive Nebraska. I mean, we're not...there's a map in the stuff I handed out that shows the soil compositions. I didn't know he was going to...Senator Erdman was going to hand them out, but I like that too. But certainly there's...Nebraska's got a variety of land and bushels to the acre and, you know. Where I live we're kind of got our back up against the line as far as what we can produce for bushels for what our property taxes are. And again, we've got outside sources you know, with hunting ground being purchased. It would not be in use for agriculture. I'd like to see something based on what you produce. I'd sure like to make more money on my land than the state and county, for once. There's some facts in here; you know, Nebraska's third in corn production, number one in popcorn, number one in beef. If you're a senator in this time, you know, you guys have certainly got some reason to put some feathers in your hats. Done some great things. Some bills that were brought up were really detrimental, you know. If that would have happened, some of them...I mean, I'd like to see positive ways to help agriculture, you know. And I remember you asking me last time I testified what I was willing to give up. And I thought about that. And you know, I really don't have anything to give up left anymore. But, you know, my thought was; why do we have to get the revenue from agriculture? Is there are other entities out there? Is there other ways to do that? I started looking at how much ground is owned by nonprofits, that is owned by the state that comes off the tax roll. So less people are paying into that pie. Every year people donate land to the University of Nebraska, for example, and money comes off the tax roll. Just a way of looking at it. Another thing I have in here, superintendent pay for high schools. And, you know, I live in a county where we have 8,500 people. When I was...in the '70s, we had about 850 students, 1,200 students. There isn't that many students in the whole county today. And we pay superintendent and principal in every school six figures a year. And for less kids, they get more money. I've never had a job where I got more money for less work. Maybe that's something that we can look at. If we can't consolidate schools, maybe we can consolidate administrators. I thought I only had three minutes to talk, so I'm kind of running out, guys. (Laughter) [LB1100]

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SENATOR SMITH: I'll tell you what, well, I failed to remind you to give us your name and to spell your name. [LB1100]

JEFF UHLIR: Oh, sorry. My name...I'm sorry...Jeff Uhlir, J-e-f-f U-h-l-i-r. [LB1100]

SENATOR SMITH: Thank you. [LB1100]

JEFF UHLIR: And I knew that. [LB1100]

SENATOR SMITH: The transcriber would appreciate that. [LB1100]

JEFF UHLIR: Yeah, I apologize. I mean well. I put in there, too...you know, of course, I didn't...you come up with the input costs for agriculture, for farming. But, you know, everybody is aware that input costs go up every year. I got in here...you know what, my personal property taxes go up every year. I have in here commodity prices in here from 1990 to 2017. And I think 2017 is probably blank in a lot of them because I got them at the end of last year. But there's corn and calves and beef and milk and wheat and all that. So you can kind of see that our commodity prices have failed to come up even 25 percent from 1990 to today, but our land valuations have grown 300 percent. That's tough to stay in business. If you got, you know, your crops stored...beans or corn stored at the grain elevators, they make their money, you know, on the storage. You know, we have no control what our taxes are, no control over our commodity prices when we sell it. You know, so any bill that would help equalize property taxes based on what income, I'm for. Thank you. [LB1100]

SENATOR SMITH: Thank you, Mr. Uhlir. Questions from the committee? I see none. [LB1100]

JEFF UHLIR: Thank you for your service. [LB1100]

SENATOR SMITH: Thank you for your testimony... [LB1100]

JEFF UHLIR: See you guys. [LB1100]

SENATOR SMITH: ...appreciate it. Continuing with proponents of LB1100. Welcome. [LB1100]

JOHN HANSEN: Mr. Chairman, members of the committee, for the record my name is John Hansen, J-o-h-n H-a-n-s-e-n. I'm the president of the Nebraska Farmers Union and also our

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lobbyist. We supported the version of this bill last year. We think this is a better bill this year. The whole idea of, kind of, how we got to where we're at right now, relative to how we do this, is that we had a version of kind of an earnings capacity based system that got thrown out as a part of the MAPCO decision in the early '90s and we were put in a position where we had to put everything either on or off at full market value, including real and personal property. So we were in a really tough spot when Governor Nelson was governor. And so, the ag organizations came together and I was...the Farm Bureau, Farmers Union and the Cattlemen led an effort to help support a ballot issue--a constitutional amendment that the Legislature put on the ballot--for an earnings capacity based system then, which was supported by voters. And then the Supreme Court threw that out. And so, we ended up coming back to a percent of sales because we had to come up with something. But, it...the system we have now is not one of our choosing. It's not one that folks who farm think is the fair way to do it. Several years ago, 2.5 miles to the north of me a quarter ground brought \$12,000 an acre and across the road a comparable ground brought \$11,400. And yet, you could no more pay that for that and think you were ever going to farm it out of it. So, then, you know, people who are involved in agriculture say, why did they pay that much? Well, because in both cases you had two strong competing families who used the total amount of margin that they had in the rest of their operation to buy that one additional piece of ground to bring a kid into the operation. And the last time that land came up for sale was about 80 years. So you had one family that had been waiting about 80 years for that to come up for sale and said, you know, when is it going to come up again? So they had the money they paid for it, but it certainly wasn't going to reflect what the actual ability to buy that and pay for it at those prices...those commodity prices are. So, that leads us to where we're at today. I got a call this morning from one of our producers and one of our members and told me that he had filed for farm bankruptcy, and that he got his ag land valuation statement and it had gone up. And I said, so, based on sales in your neighborhood, who's buying the land? And he said kids from my county who went off to be doctors and professional people who have money, and yep, it's cash. And so they're not borrowing money. They have the cash and they're paying higher prices than you can obviously pay as a farmer and make it work. So the system we have right now is, in our view, fairly broken. And I thought that Steve Ebke did a nice job of trying to explain, kind of, the steps that go on when you have an inordinately high values and how that keys how we measure wealth in the TEEOSA formula. And the, kind of, all of the downstream consequences then of valuing things at that level. But we are higher than our other states. We are higher than can be justified based on the earnings capacity of the business investment that we make. And so we are...it puts us at a competitive disadvantage. We thank Senator Erdman for bringing this forward. And I think that we have an opportunity to make some adjustments and go back to a system that has more logic and more fairness in it. And so I would encourage the committee to look at this favorably. And I'd be glad to answer any questions in the off chance that I actually could today. [LB1100]

SENATOR SMITH: Thank you, Mr. Hansen. Senator Groene. [LB1100]

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SENATOR GROENE: I'll ask a dumb question and answer it. So, God don't make any more land and he don't make any more gold, does he? That's the answers, yes? [LB1100]

JOHN HANSEN: I...(laughing). [LB1100]

SENATOR GROENE: So are you...a lot of people buy gold, don't they, for investment? Not worrying about it, of the value right there, they look to the future, don't they? [LB1100]

JOHN HANSEN: Yes. [LB1100]

SENATOR GROENE: Do we put property tax on that? No? [LB1100]

JOHN HANSEN: Well, I don't know. [LB1100]

SENATOR GROENE: No, we don't. So, this young doctor comes into your neighborhood and buys a piece of ground. It's like gold, God don't make any more. He gets charged property taxes. But the guy who bought an ounce of gold 20 years ago, his value don't go up and he gets taxed more. But you're across the road...you're an acre away...goes up with the young doctor who looks at that piece of land as a piece of gold and he's going to just sit on it. So, I think I see the point here. But an individual goes out and buys an office building in Omaha, what's he basing his price on? The income potential. [LB1100]

JOHN HANSEN: Sure. [LB1100]

SENATOR GROENE: But that young doctor didn't buy that land based on income potential, did he? He bought it on speculative buy-in. There's a difference here. And I agree 100 percent with this. We need to go to income-based because that's how office building in Omaha is bought and that's the way land should be valued too. Is that right? [LB1100]

JOHN HANSEN: Well, it...there's... [LB1100]

SENATOR GROENE: Am I wrong in my theory here? [LB1100]

JOHN HANSEN: No, I think that your theory is pretty much right. There has to be some kind of a rational basis for arriving at value, and market sales, in the case of ag land...you know, my...the price of corn in my elevator today, my term on my elevator is \$3.33 a bushel. I sold all of my

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corn the first year I started farming in 1973 for \$3.30 a bushel. When I looked up the inflation adjusted difference between '73 and 2018 is 5.86 times. So your \$200-an-acre... [LB1100]

SENATOR GROENE: But the thing... you're thinking... [LB1100]

JOHN HANSEN: ...land in '73 should be, theoretically, worth somewhere around \$1,172. But we're so far out of whack, that it's now 40 times. Even though the price of corn is... [LB1100]

SENATOR GROENE: But you're thinking like a farmer, right, what that value of land is... [LB1100]

JOHN HANSEN: Right (laughing). [LB1100]

SENATOR GROENE: I'm telling you the value of the land isn't based on your bushel of corn, it's based on the "God don't make any more of it" and the speculator comes in and buys it. If there's 99 apples and 98 buyers, it goes up, if there's 100 apples and only 99 buyers, the value goes down, but God don't make another apple, when it comes to land. So, farmers keep talking about bushel of corn. We need to talk about it's a speculate product, land is. But if we're going to tax it, we need to tax it on income potential, not on what it's worth, because God don't make any more. But he makes a lot more people. I'm making your argument for you. I just wanted you to agree with me. [LB1100]

JOHN HANSEN: Well, if you are, in fact, making my argument for me and it's a good argument, I'm with you. (Laughter) [LB1100]

SENATOR SMITH: I see no further questions. Thank you, Mr. Hansen. [LB1100]

JOHN HANSEN: Thank you. And thanks for your help, Senator Groene. [LB1100]

SENATOR GROENE: We better talk at half time next time. [LB1100]

SENATOR SMITH: (Exhibit 16) Do we have other proponents of LB1100? Seeing none, we do have a letter for the record that was sent in support of LB1100 from Jerry Knoche. And thank you for helping me pronounce that, Senator Erdman. I was worried about that one. We now move to opponents. Those wishing to testify in opposition to LB1100. Welcome. [LB1100]

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TOM PLACZEK: Good afternoon, again, Chairman Smith and members of the Revenue Committee. My name is Tom Placzek, T-o-m P-l-a-c-z-e-k. I represent the Nebraska Association of County Assessors, and I am a member of the NACO county board, and some of my testimony actually might be based on personal feelings, as well. (Laughter) There's a number of things that came out in testimony. And as an assessor, I want to make sure that I don't leave the impression that we're against this because we don't want change, or we don't want work...or extra work ahead. Whatever ends up happening, and we're told that we will do it a certain way, we will do it a certain way. End of story. That being said, there are a couple of things stated earlier that I would like to, I guess, talk about. There was an assertion made that we keep values as high as possible, and I think that is patently absurd. I think it's wrong, and I think it's made to make a statement on their behalf but it is not true. We are to be between 69 and 75 percent of market value. End of Story. So, if that's high, I...you know, I guess if we were to have it all fair and everything, we should be at 92 to 100 percent, like residential and commercial. That would be fair, everybody is on the same level playing field. Another thing was talking about borrowing sales. Now, I don't know where this idea that borrowing sales is this horrible, horrible thing to do. We do it in an area of the county where we don't have lots of sales. It's kind of a small area of the county where it's very sandy. It's between the rivers. So we go into neighboring counties, Polk, Merrick, find sales of similar-type land. And, actually, it is a common practice among all your fee appraisers. They don't stick just in one area to find a sale. They'll try and find sales of farmland wherever that looks comparable. And so, to say that borrowing sales is automatically bad, I think, is wrong. You can use it poorly and borrow bad sales, and that's certainly not good. But just on its surface that is not correct. I believe this bill was written based, probably solely on a study of mostly grassland values out in western Nebraska. I don't believe any of this was set up on eastern part of the state, where there's lots of crop ground. I don't believe there's been a study of that in what the effects will be of this bill on crop ground in eastern part of the state. So, we have a big, big question mark as to what the effect will be in Platte County and York County. There's a lot of difference there. Anecdotally, I can just tell you, I had a sale...two sales; one person sold two pieces of property, 160 acres each, both real sandy soil. One sold for \$800-and-some thousand, and we were at 72.5 percent on the ratio, irrigated farmland, great. I did my job great, I'm right between 75 and 69 percent. The other piece--same seller, different kind of property--sold for \$450,000, mostly irrigated. But there were issues with it. Now, if we go to this system, that land is the same land as the other one and the production capability of the ground is exactly the same. But it won't...the differences between the two, the way they sell, are totally different. And I'm going to have to make some adjustment there because it had issues with its accessibility. It had issues with a high-line, so the...it couldn't wiper...it had to wiper so it didn't irrigate very well. It's sandy soil, so you have to do it quickly. That all entered into the valuation of how this was bought...and there was also a well off to the...that was owned by somebody else. So I don't think those factors are actually addressed in this kind of bill. Another thing is we, as assessors, I don't know...there might be a couple of them out there, none of us have our valuations broken down by type of irrigation. We don't have any of that data, so it would take

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probably a fair amount of time to get it. If we're supposed to get it from the FSA, good luck there because they don't cooperate. At least they don't in Platte County. So every farmer would have to come in and bring all that data in to us, we'd have to get it in, make sure...verify it, make sure it's right. I think some of the timing of this could be very difficult. We have been down this road before, in the '80s. And then times changed and we got out of it again. Now we're back to doing sales approach again. So I think there's a lot of issues in this. And one last thing, I guess I would say, and I know I'm out of time, is it seems to me that we're being asked to value this land on the low end, the production land. But, it's going to be sold on the high end because there's never been once, that I'm aware of, where a farmer or a rancher or appraiser that has either bought or appraised a piece of ground or sold a piece of ground had it purely valued on its production level. If you're selling it, you want to sell it on the market basis. You don't want it sold on a production basis. You want to maximize your investment and the return on your investment. I'm out of time so I will end there. [LB1100]

SENATOR SMITH: Thank you, Mr. Placzek. Questions? Senator Friesen, then Senator Groene. [LB1100]

SENATOR FRIESEN: Thank you, Chairman Smith. Thank you for coming, you've been here numerous times. I'm getting kind of used to you. And you seem to understand, real good, what you're doing. [LB1100]

TOM PLACZEK: I try to be. [LB1100]

SENATOR FRIESEN: So, when we talk about commercial properties, they have their own range and they're supposed to be within what range? [LB1100]

TOM PLACZEK: Ninety-two to 100 percent. [LB1100]

SENATOR FRIESEN: Okay, 92 to 100? [LB1100]

TOM PLACZEK: Uh-huh. [LB1100]

SENATOR FRIESEN: And so, do you sometimes value commercial properties on income potential? [LB1100]

TOM PLACZEK: Yes, we do apartments on an income. We take into account, also, the sales; sales-comparison approach. [LB1100]

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SENATOR FRIESEN: A combination, then, of... [LB1100]

TOM PLACZEK: Right. [LB1100]

SENATOR FRIESEN: What about commercial properties? Other... [LB1100]

TOM PLACZEK: Other...yes. In Platte County we do. I don't know that all counties use an income-based approach. We do. We have a number of sales that we can rely on. [LB1100]

SENATOR FRIESEN: Do you either do all commercial property on income based, or do you jump back and forth depending on the property? [LB1100]

TOM PLACZEK: We do, I would say, 95 percent of our commercial property on a...now, I'm kind of lumping commercial and industrial together. Industrial is done more on a sales basis, but your retail stores on main street, your convenience stores, those sorts of things, those are all done on a commercial...on an income basis. [LB1100]

SENATOR FRIESEN: Car dealerships? [LB1100]

TOM PLACZEK: Car dealerships, also. [LB1100]

SENATOR FRIESEN: Okay. So, when I've watched...and I've just happened to have watched Lincoln here, and sometimes I'll get Senator Groene excited here and I'll talk about TIF. But when a city sometimes purchases some property for redevelopment, I'll notice that they'll pay 120 to 130 percent of assessed value. [LB1100]

TOM PLACZEK: Okay. [LB1100]

SENATOR FRIESEN: To get the property. Why is the range always so far off? Are they undervalued? [LB1100]

TOM PLACZEK: That's a good...you're saying the assessment is quite a bit lower than the... [LB1100]

SENATOR FRIESEN: Yes, they'll always show the assessed value of the property and then people will complain a little bit that they're...why are you paying more than assessed value, because you're going clean it up, you're going to redevelop it... [LB1100]

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TOM PLACZEK: Yes. [LB1100]

SENATOR FRIESEN: ...you assessed them...you're even going to take over some liability, and so, the city ends up purchasing it, and it's always seems like it brings more than the assessed value. [LB1100]

TOM PLACZEK: Yes, that's a good question. I think in some part of the answer is that communities, economic development groups tend to...if they find a piece of property that they want, they'll pay whatever it takes to get it. It's kind of like what a Walgreens would do; if they want a corner, they'll pay whatever it takes to get that corner because they want that location. That may be partially... [LB1100]

SENATOR FRIESEN: So, does that, do those sales then...do they drive the valuation of other sales? Or how do they... [LB1100]

TOM PLACZEK: No, in Platte County they don't. We tend to throw them out because we know they're unduly influenced by other factors. [LB1100]

SENATOR FRIESEN: So in some counties, though, they do influence land price? [LB1100]

TOM PLACZEK: They may, they may. So, I don't want to answer for all counties. I think you have to use a lot of common sense when you're doing this job. And you really look at it...what is...I'll use your commercial vacant lot question; is you've got one piece that's still way up here, and then you've got a bunch of other ones that are maybe selling down here. Well, there are probably a lot of factors that brought that up. It probably really should have sold somewhere around here. And we're supposed to be equitable and treat things fairly, and so I will throw that value out based on factors. I will use the general of what it's mostly selling for, that land along that corridor or whatever and use that as my basis for valuation. Yes, I'm going to look stupid on that one sale, but on the other seven or eight or ten or fifteen, I'm going to look, you know, a lot better. [LB1100]

SENATOR FRIESEN: When you're talking industrial property valuations, because there, in most places, there aren't probably a lot of sales. [LB1100]

TOM PLACZEK: No. [LB1100]

SENATOR FRIESEN: How do you come up with those values? [LB1100]

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TOM PLACZEK: Those are a lot more difficult. You tend to have to go out wider. You have to, maybe...I usually...quite honestly, I know a couple of appraisers in Omaha and Lincoln, and I'll try and find information...any information they might have on sales that occur. Industrial property is, like you said, the sales are few and far between. In Columbus, luckily, we seem to always have a couple of them that kind of happen. We've got a lot of industry in Columbus. I don't know if you're familiar with Columbus, but we've got a lot of industry in Columbus. And so, we probably are better off than some. But they're pretty difficult, and they tend to sell more on a...just a cost-per-square foot. I mean, it's not an income-based, it's really on what the square footage is, how it best fits their needs... [LB1100]

SENATOR FRIESEN: So there isn't real income potential on that at all? [LB1100]

TOM PLACZEK: Well, they don't really...on industrial property, they don't really sell, like on a leased square-foot-basis, generally. So you really don't have that. For instance a store will...a Hobby Lobby will move into a store and they'll pay five bucks a square foot. Well, so, they may not even...they probably don't even own it, they're leasing it. So, that owner's income in that building is actually generating \$5 a square foot of income. On industrial, it doesn't really do that. If it is, it's more... [LB1100]

SENATOR FRIESEN: I was thinking more like an ethanol plant. How do you...they don't sell, rarely sell at least... [LB1100]

TOM PLACZEK: Yes. [LB1100]

SENATOR FRIESEN: ...usually under bankruptcy conditions if they do... [LB1100]

TOM PLACZEK: Yes. [LB1100]

SENATOR FRIESEN: ...in the past. But they generate a lot of income per acre, per square foot... [LB1100]

TOM PLACZEK: Yes, and that's more of a...that's more...that's a tough one. What we do is we hire Wayne Kubert from Great Plains Appraisal, and he does it because he does almost all the ethanol plants in Nebraska and he has a lot of expertise in that area, so. [LB1100]

SENATOR FRIESEN: One other question; you talked of borrowing sales. And I know I've run into some situations in my district where I've had some complaints. And you take a county like Nance County, and I think what's unusual about them is that they have probably a real even mix

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of grass, cropland, irrigated. And so there's no one type of property that's more than the other. So they have a few sales of each, and so a lot of times they do have to reach out for sales. [LB1100]

TOM PLACZEK: True. [LB1100]

SENATOR FRIESEN: And so they...what happens is they reach up into your territory. And you have a... [LB1100]

TOM PLACZEK: We have the highest. [LB1100]

SENATOR FRIESEN: ...well, you have a whole different market, you know, with ADM and the plant there. You have a whole different grain market. And it really has a huge impact when they borrow a sale from you. And so, there was a case even where they showed me the data and they had taken it to TERC, and it's still going there. But it's actually valued more than what they paid for the ground. And it's because of one borrowed sale. And nobody (sic--everyone) refuses to acknowledge that. [LB1100]

TOM PLACZEK: Okay. [LB1100]

SENATOR FRIESEN: So sometimes when they borrow those sales, and like you said, you're allowed to use common sense. But if people don't use common sense, and I don't know whether they're pressured by the, you know, administrator or whatever, I can't say that...I don't...but how do you, how do we make sure we use common sense? [LB1100]

TOM PLACZEK: That's a really good question. I work closely with my liaison, but I've also been at this long enough to know that I can push back against...if I feel something's not right. Some other assessors are maybe less forceful than I am. I don't know. In Nance County's case, we probably do have enough sales along the western edge that probably can be used. We probably would be on the high end of a bracket for them because, well, you know, Platte County land is high. It's definitely the highest in our area. And our sales continually prove it. They have come down a little bit, but they've settled at a higher rate than, I think what everyone thought maybe they would. But, again, borrowing one...I don't think you should cherry-pick sales. And I do think that happens, don't get me wrong, because there's a pressure on you to get in a ratio and do that sort of thing. So, I understand that. My preferred way of doing it is, if I do need to borrow sales, I want to borrow maybe several sales from a couple of different counties in a general area so I do have enough data that seems to support it. I don't want to rely on just one sale putting me over the top. I just don't think that's good appraisal practice. [LB1100]

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SENATOR FRIESEN: So if...I don't know if you have looked at the proposal that closely, but what do you feel it would do to acre of ground in as far as the valuation if you went to this base versus what you're currently... [LB1100]

TOM PLACZEK: I think the valuation would go down. [LB1100]

SENATOR FRIESEN: Any idea of, roughly, what you think... [LB1100]

TOM PLACZEK: I have no idea. Not to throw anybody under the bus, I know Senator Erdman was going to send me some information and I haven't gotten it, so, I don't know exactly how it would work. So, I really don't know. I suspect it'll be lower. [LB1100]

SENATOR FRIESEN: Okay. [LB1100]

TOM PLACZEK: Is it going to be 10, 20, 30 percent? Could be. I think in a real rural district, I'm not sure it's going to make any difference tax-wise for them, anyway, because there's nobody to shift the values to the... [LB1100]

SENATOR FRIESEN: Exactly. [LB1100]

TOM PLACZEK: ...anybody, but... [LB1100]

SENATOR FRIESEN: So with the three-year rolling average, do you think there will be much...you know, I always look for the highs and lows; who's going to make it up when we're at the low if the value changes too much, because somebody has got to make up that... [LB1100]

TOM PLACZEK: Right. [LB1100]

SENATOR FRIESEN: ...that cycle, like you were talking about. So it's going to fluctuate back and forth... [LB1100]

TOM PLACZEK: Right. [LB1100]

SENATOR FRIESEN: ...ag cycles rather quickly, sometimes. [LB1100]

TOM PLACZEK: True. [LB1100]

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SENATOR FRIESEN: I don't know if...do you think that three-year rolling average keeps the cycling part of it out of there so it doesn't fluctuate up and down too much? [LB1100]

TOM PLACZEK: I think...I do think it helps. I don't think going to change it...I think using a three-year rolling average, if you want to go longer and make it a little even more stable, that's fine. I don't think there's an issue with that. I don't think just using one year averages is a good idea, myself, but. [LB1100]

SENATOR FRIESEN: Okay, thank you. [LB1100]

SENATOR SMITH: Senator Groene. [LB1100]

SENATOR GROENE: Thank you, Chairman. So, you own an apartment or a strip mall, right? [LB1100]

TOM PLACZEK: What's that? [LB1100]

SENATOR GROENE: If you own an apartment building or a strip mall... [LB1100]

TOM PLACZEK: Uh-huh. [LB1100]

SENATOR GROENE: And one year at a strip mall it's completely full of tenants, same at the apartment. Next year, company leaves town; 2 or 3 strip...units don't sell in the strip mall, 2 or 3...10 out of 100 don't sell in the apartment building. How quickly does your income, based on those valuations, change? [LB1100]

TOM PLACZEK: Well, something radical like that I'd probably change it the next year. [LB1100]

SENATOR GROENE: Isn't that what Senator Erdman is trying to do? [LB1100]

TOM PLACZEK: The only thing is, when it...I understand the argument. I guess I'm not going to...I think there's a valid point to what he's saying with the production value. I think it's quite divorced, though, from the market value. And in the case of what you're talking about, because we've had this happen, say, an apartment complex, where there was a change. The sale...we didn't change anything based on the one event. Now, if there was something that affected like a bunch of them, I probably would. But if it was a case of one where it was...it sold low because it

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was a management issue, or conditional issue, I probably wouldn't change it because I know it was not based on what is there... [LB1100]

SENATOR GROENE: But it can change rapidly. [LB1100]

TOM PLACZEK: It can change rapidly. It can, yes. [LB1100]

SENATOR GROENE: So, then Mr. Hansen, John, said if two farms sell next to him, two neighbors bid it up; do you throw those out? [LB1100]

TOM PLACZEK: No, I actually had a situation exactly like that. Here's what I did. It was a piece of farm, two farmers were right...farmed next to it. They both wanted it quite badly. And so, what I did was, I called the broker. I said, what did it appraise at? And he...I'll just use a figure and say it was \$9,000 an acre, okay? And I see, well, it sold for \$9,900 an acre. So I said, was there...are what you saying then, it was like a 10 percent factor baked in there just because of two guys really wanting it? And he said, yeah, that's probably how I look at it. So I made a 10 percent adjustment and used the \$9,000 an acre figure instead of the \$9,900. I verified that with my liaison at the state and told him what we did. But you have to do your verification. You know, that's just part of the job and you have to do it and... [LB1100]

SENATOR GROENE: But you're able to throw the highs and lows out, aren't you? And you're supposed to, aren't you, to a point? [LB1100]

TOM PLACZEK: You throw out the highs and lows if there's reasons for throwing out the highs and the lows, you know. Whether it's a family sale, there's some factors in there that make it not a arm's-length transaction. You can have an arm's-length transaction for whatever reason, somebody got a heck of a deal, or sometimes you just don't know. And if you don't know, you can't just throw it out because, well, something smells...smells to me. I just don't know. But generally speaking, Senator, there's a reason for those and they do get thrown out. [LB1100]

SENATOR GROENE: But, ag land basically is the one commodity that we value that God don't make any more of it. If a home being sold is too expensive, they can sell it and buy a cheaper home somewhere else, so they can move somewhere. Business is the same way. Business can say, I can build here and do my business, or I can build over here where I can buy land in a cornfield less and do the same business. Farmer can't do that. So, but the other ones are based on income, but we don't let ag land be based on income? [LB1100]

TOM PLACZEK: Well, residential is not based on income. [LB1100]

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SENATOR GROENE: Well, I don't own that house if I can't afford it. [LB1100]

TOM PLACZEK: That's kind of your choice. People are buying land that maybe they shouldn't, they can't afford it also. I guess I just look at land sales as being business decisions. And, people buy land all the time based on their particular financial structure, for reasons probably unbeknownst to most of us on the outside. And I guess I'm giving the farmer/rancher credit for making the best decision possible. And, I don't know why we should be trying to interpret it... [LB1100]

SENATOR GROENE: That's one farmer, rancher or speculator... [LB1100]

TOM PLACZEK: Yeah. [LB1100]

SENATOR GROENE: ...who might be making the right decision, might be going broke... [LB1100]

TOM PLACZEK: Might be, we don't know. [LB1100]

SENATOR GROENE: But there's nine guys across the fence that said; I'd never pay that much for that because I'm a cheap businessman. And now you're going to come out and value my land the same as that nut over there that paid 12,000 bucks an acre. [LB1100]

TOM PLACZEK: Well, I would posit to you, then; you decide to put your land up for sale, which market price are you going to use for your basis? The one that just sold, or, well, I just want it on a production basis so I'll take an extra \$3,000 less an acre on it because it'll only produce... [LB1100]

SENATOR GROENE: A farmer won't sell that land any more than you'll sell your appraiser's license that allows you to make income. [LB1100]

TOM PLACZEK: Well, I'm just saying, I know what the market will do, and what people will do. They'll search out the highest return they can get. [LB1100]

SENATOR GROENE: But you got to pay your property taxes with income. [LB1100]

TOM PLACZEK: Well, yes. [LB1100]

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SENATOR GROENE: Thank you. [LB1100]

SENATOR SMITH: Seeing no other questions, thank you, Mr. Placzek. [LB1100]

TOM PLACZEK: Thank you very much. [LB1100]

SENATOR SMITH: (Exhibits 17-19) Other opponents to LB1100? Others wishing to testify in opposition to LB1100. We do have a couple of letters for the record that were sent in opposition from Michelle Robinson, representing Panhandle Association of County Assessors and Jenni Benson representing NSEA. Do we have anyone wishing to testify in a neutral capacity, neutral? We do have a letter that was sent in a neutral capacity from Linda Dallman, representing Franklin County Assessor's office. We now invite Senator Erdman back to close on LB1100. [LB1100]

SENATOR ERDMAN: Thank you, Senator Smith. I thought perhaps we'd have some questions about the committee and what their job was, and we didn't. So, it's similar to was last year's, and maybe you remember that. I appreciate the assessor coming and sharing his testimony. The longer he talked, the stronger my bill became. Most of his comments were subjective. I choose sales, I have to make an adjustment. I have to do this. And he talks about you want to sell your land at market. That's exactly what they do in commercial. He values commercial in income, and they sell it at market. I had reached out to him to come and help me work on the bill, and perhaps I didn't send him any information that maybe I should have. But I'm not surprised that the assessors are against this. It doesn't surprise me at all. And the comment that I made about the assessment division, it's their job is to keep your values high, is a true statement. Ruth Sorensen and her group have a liaison between each county, and most liaisons are there to make sure the value is as high as possible. There's a problem with somebody who runs a division that has an opportunity to value your property stands the most to gain by having it high. You know, so it's...he was talking about all the subjective things they do, and he said that this won't work, and eastern Nebraska hasn't been tested. It's the same in every state, in every county. Every county has those same...that same information I printed for you. Every county assessor has that NRCS information available on production on every soil type. Once you get the program set up, all of a sudden it becomes very objective. The subjectivity is removed. And those borrowing sales, Senator Friesen, from other counties, it happens. Not by us, we have counties that have a restriction on pumping. And they borrow sales from counties who don't have restrictions in pumping. Quite a difference in the way they value that land. So, maybe some assessors are very conservative and very common sense in your approach...in their approach. That's not the case with all of them. This bill is intended to keep the value exactly the same, after they implement it the very first year, as it was when we started. Let me be clear, this is not a property tax reduction bill. Last year, that was the Governor's intention in his bill to drop the value by about 12 percent.

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You can drop the value all you want, but to freeze property tax you've got to freeze the mill levy. If you change the valuation, the mill levy will go up and they'll get the same tax as they always have. This bill is not intended as a property tax relief bill, understand that. This bill is a fair way to value ag land that takes all those subjective things we talked about, and the assessor talked about, it takes them out of the picture. They look and see how much the soil produces, they see how much the corn value was, they do the multiplication, they send it out. They put it in a spreadsheet, it's over, it's done. So those are the things that we're dealing with. As always happens, when you go to make change people don't like it. Ronald Reagan once said, the only way you can manage change is to create it. We've done this before, but what we're doing now we're going to continue doing because that's what we've always done. That's how we do things. This is a fair way to market ag value...ag land for valuation for taxation purposes. This is not property tax related. Because if we would have had this in place over the last 10, 15 years, agriculture wouldn't be paying 300 percent more than they did 15 years ago. It would have been up and down slightly, but we wouldn't have seen the increases as we've seen. So, you can say what you want about borrowing sales, you can say what you want about this is a property tax relief bill and he thinks it's going to reduce the value of ag land values, that's not the case. The committee's charge will be to have the value the same when they start out as when we got the...for the year after this is implemented as it was the year before. The only change that's going to happen is the value in commodities. I wasn't surprised that the assessors didn't appreciate it. That don't surprise me. But we got to make a difference and we've got to change the way we do it. And we've got to take away the subjectivity, and this is how you do it. So I would appreciate you advancing this. Thank you. Any questions? [LB1100]

SENATOR SMITH: Thank you, Senator Erdman. Senator Groene. [LB1100]

SENATOR GROENE: Mr. Placzek--I believe I'm pronouncing his name right, and he does do us a service coming in here all the time, driving in from Columbus, we actually get some expertise in the assessor business, but--said something about he doesn't know how they're irrigated. That a part of your formula is if it's pivot irrigated, or ditch irrigated, or...or river water? [LB1100]

SENATOR ERDMAN: Right. Well, Senator Groene, we're going to differentiate between flood irrigation and pivot irrigation. In our area we have a lot of pivot irrigation and we have a lot of gravity as well. Those two parcels, those two pieces of ground bring \$700 to \$800 an acre more if you have a pivot on it because of the use of irrigation. [LB1100]

SENATOR GROENE: So, he said the federal agencies wouldn't share that. But we do control NRDs, and the NRDs knows every single acre of ditch...or flood--you call it flood, where I grew up it was a ditch. [LB1100]

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SENATOR ERDMAN: Correct. [LB1100]

SENATOR GROENE: But, anyway...or pivot, is that not true? [LB1100]

SENATOR ERDMAN: Uh-huh. [LB1100]

SENATOR GROENE: And we control the NRD and we control the Department of Revenue... [LB1100]

SENATOR ERDMAN: The information... [LB1100]

SENATOR GROENE: ...so we could easily tell the NRD to share that information. [LB1100]

SENATOR ERDMAN: The information available. We could make it work. But if you don't want to do something, you're going to find all the ways why you shouldn't. [LB1100]

SENATOR GROENE: Plus the NRDs would also know which farm got 10 inches allocated and which one had unlimited, which would help the assessor. [LB1100]

SENATOR ERDMAN: Yes, the districts are set up that way. Yes. [LB1100]

SENATOR GROENE: Thank you. [LB1100]

SENATOR SMITH: Other questions from the committee? I see none. Thank you, Senator Erdman. [LB1100]

SENATOR ERDMAN: Thank you, guys. I appreciate it, Senators, thank you. [LB1100]

SENATOR SMITH: Thanks for the closing on LB1100. We now move to our last bill of the day, LB1104, 1-1-0-4, to be introduced by Senator Friesen. [LB1100]

SENATOR FRIESEN: Thank you, Chairman Smith, members of the Revenue Committee. My name is Curt Friesen, C-u-r-t F-r-i-e-s-e-n, represent District 34 and presenting LB1104. Hopefully, this is a very simple bill. LB1104 adds qualifications for valuing agricultural or horticultural land in counties with a population of 100,000 inhabitants or more, consists of no more than five contiguous acres, and the owner or lessee of the land must prove they derived at

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least 15 percent of their gross income from agriculture or horticulture activities in the immediate preceding year, or the land produced at least \$1,000 of gross revenue from agriculture, horticulture activities in the immediate preceding year. And the Department of Revenue estimates a minimal fiscal impact on the state. And there are people behind me that will provide the technical answers for what this bill does. And what it deals with is land that has been...and when you get near municipality, they have annexed around some of this land because it's still called agricultural land, and I suppose it has to do with greenbelt status and those types of things. So that's kind of what we're talking about today. And I think they can explain it probably better than I can. And the goal would be, down the road, we'd bring an amendment that would just include all areas of the state instead of just those counties. [LB1104]

SENATOR SMITH: Very good. Thank you, Senator Friesen, for your opening on LB1104. I see no questions from the committee. We invite supporters, proponents of LB1104. Welcome, Commissioner. [LB1104]

DON KELLY: Hi Chairman, how are you doing today, Chairman Smith? [LB1104]

SENATOR SMITH: Very good, good to see you. [LB1104]

DON KELLY: (Exhibit 1) Thank you, members of the Revenue Committee. My name is Don Kelly, D-o-n K-e-l-ly and I'm Chairman of the Sarpy County Board of Commissioners, representing the 1st district. And today I'm here to support LB1104. I thank Senator Friesen for introducing the bill and beginning the discussion of tax fairness in Sarpy County and across the state. As this committee knows, we evaluate and discuss taxes based on the principles of proportionality, certainty, and simplicity. The current statutes related to special valuations of agriculture and horticultural land, or greenbelt, have become difficult for county boards of equalization and county officials to apply consistently and reliably, creating a lot of uncertainty for Nebraska taxpayers. Over the years, the Legislature has made it easier and easier to qualify for greenbelt. And the current system operates, for the most part, on an honor system with little ability for county officials to ensure tax benefits are applied fairly. I guess I'd point out that I'm really happy to come testify in front of you today about a proposal that doesn't cost money, it will actually generate money if this is taken forward to the full Legislature. The only real stipulation that is outlined in statute, currently, for greenbelt or special valuation is that the land must be located outside the city, corporate boundaries of any sanitary improvement district, city, or village unless there is a conservation easement or preservation easement, and that it is agreed to by that city and that land must be agricultural or horticultural and stay underneath those requirements for the entire year. What does that mean for Sarpy County? Well, it basically means that anybody that lives outside of city in our county is eligible for greenbelt. There's a Trisha Yearwood term, hayseed plowboy. All you have to do is drive outside the city limits around

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Sarpy County and you'll see acreages after acreages with rolled-up bales of hay in the front yard from brome grass that is cut by somebody else and that qualifies you for greenbelt. There's no measure of metric that will help us identify if it's eligible or not. So, you know, essentially there's no acreage requirement, there's no revenue produced requirement. The current laws are literally so nonspecific that anything imaginable falls within the criteria of horticultural or agricultural. In my role as chairman of the Board of Equalization, I have seen pictures of goats, I've seen a pallet of cedar logs, and other such products used as justification for greenbelt exemption. And there's really literally nothing our assessor can do to refute that. There's no metric that says you're not using this law...this land as it's intended for an agricultural or horticultural purpose. So, bottom line, the current state law is too lenient. It allows landowners in rural areas to get an undeserved break from taxes and it shifts the property tax burden to other taxpayers. And that law needs to be tightened up significantly. And I appreciate that Senator Friesen is taking this initiative on. I tell you, when we originally, when...as he originally proposed this he's looking at the big three counties, and after talking with Larry Dix from NACO, I think it's an issue that should be statewide so we're not just segregating the three largest. I think it's an issue in the outstate regions as well. And I would encourage him to consider raising the revenue proposal in the current bill from \$1,000 up to something a little bit more meaningful and significant. I have a whole list of other examples I could share with you, but Senator Smith, you're from my county. You know all too well what I'm talking about and it's late on a Friday afternoon so I'll let you share those examples with your colleagues at your leisure. Any questions? [LB1104]

SENATOR SMITH: Thank you, Commissioner Kelly. Questions? Senator Groene. [LB1104]

SENATOR GROENE: In your county, somebody goes out and wants to subdivide a quarter. How many acres do you limit to putting a well there, a septic field? [LB1104]

DON KELLY: Here's a perfect example of a subdivision that happened recently. And it happened...and a personal friend of mine. Has a nice farm, 160 acres, totally agricultural, farms all kinds of different crops. Has some family members, wants to carve out some land for them so they can build their houses. So he carves out two five-acre parcels, gives one to each child. Each child builds a house on that property, greenbelt. No agricultural... [LB1104]

SENATOR GROENE: So your zoning is five acres? [LB1104]

DON KELLY: No, there...it's not five acres, our zoning in Sarpy County is...there's no restriction that I know of. [LB1104]

SENATOR GROENE: So I could buy a 150 by 75 plot and put a septic tank and a well out there?
[LB1104]

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DON KELLY: You could. [LB1104]

SENATOR GROENE: You could? [LB1104]

DON KELLY: Yes, you could. [LB1104]

SENATOR GROENE: It doesn't have to be tied into the sewer or anything? [LB1104]

DON KELLY: No, it doesn't. And one of the things we've tried to do, we recently updated our comprehensive plan so we have smarter growth because nobody wants to end up, for a lot of reasons, with a county made up of nothing but acreages on septic tanks. It's not good for growth and economic... [LB1104]

SENATOR GROENE: That's what I was going to say, our county out in the sticks is one acre if you subdivide. It's not a subdivision, it's ten acres. [LB1104]

DON KELLY: We've had several acreages, that have... [LB1104]

SENATOR GROENE: You guys could do that, right? [LB1104]

DON KELLY: Yeah, we could. And I don't know exactly, I can't answer your question with 100 percent certainty, but our new comprehensive plan addressed that and I know it made it much more restrictive. [LB1104]

SENATOR GROENE: So, I didn't read the bill, but you would think we ought to put a restriction of ten acres or something in? [LB1104]

DON KELLY: I'd like to see at least...I mean, to me, and I'm not a farmer, but I don't see how you can have a viable agricultural venture with anything less than 20 acres. I really don't. Now, there are some exceptions, I suppose, if you're a pecan farmer, or you're growing... [LB1104]

SENATOR GROENE: Well, if you're taking it out to the farmer's market at the Haymarket... [LB1104]

DON KELLY: Sure. [LB1104]

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SENATOR GROENE: ...and bringing a bunch of eggs in or tomatoes, they might disagree with you. [LB1104]

DON KELLY: Well, they might. But, I'll...here's another example. I live in the city limits, in the county, but in the city's ETJ. I have two apple trees, I have two peach trees, and I have two cherry trees. If I picked up my house and I moved it a half a mile south, I'd be...I'd qualify for greenbelt. It's just too lenient the way it's written right now. I know there's always going to be exceptions that, some that you just mentioned, but I think there's a way to tighten it up so that everybody...because what happens under equalization is those taxes don't go away. When somebody's granted relief, those are just redistributed among other people. And so it's really a fairness issue in that regard. [LB1104]

SENATOR GROENE: So if somebody in Sarpy County build...subdivides a quarter into five-acre plots, what are they getting for that and then what are you appraising that at? [LB1104]

DON KELLY: Well, it... [LB1104]

SENATOR GROENE: What are they selling it for? [LB1104]

DON KELLY: Well...well, that's a difficult question because it's very situational... [LB1104]

SENATOR GROENE: Well, just an example that you... [LB1104]

DON KELLY: But, I mean, there are a whole bunch of acreages out in the western part of the county that are five acres in size that have nice half-million to a million dollar homes on them, bale of hay in the front yard and the owner gets in a, you know, a nice car and drives into Omaha to work at a, you know, corporation somewhere, qualifies for greenbelt. That shouldn't occur. Here's another example... [LB1104]

SENATOR GROENE: But you don't know what the lot next to him would sell for, you know, the five acres next to him for the next millionaire... [LB1104]

DON KELLY: It would probably sell for anywhere between \$20,000 and \$25,000 an acre. [LB1104]

SENATOR GROENE: And then you would...and the ag land is what \$7,000, \$8,000? [LB1104]

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DON KELLY: Yes... [LB1104]

SENATOR GROENE: So there's... [LB1104]

DON KELLY: Some of it's 60 (\$60,000), depending on where it's located. [LB1104]

SENATOR GROENE: Not the farmer isn't buying 60 (\$60,000)? [LB1104]

DON KELLY: No. [LB1104]

SENATOR GROENE: Not paying \$60,000 an acre to farm it. [LB1104]

DON KELLY: No. [LB1104]

SENATOR GROENE: But a developer is. [LB1104]

DON KELLY: Right. [LB1104]

SENATOR GROENE: All right, thank you. [LB1104]

SENATOR SMITH: Other questions from the committee? Senator Harr. [LB1104]

SENATOR HARR: Thank you. Thank you, Commissioner, for coming down. Isn't this bill just really a secret handout to lower taxes for state senators? Because if I'm making...if I own some land and I'm making \$100,000 a year and I produce, I don't know, \$15,000...\$14,000 worth of ag, now I become a state senator, I'm going to make less money and now I qualify for this exemption. [LB1104]

DON KELLY: What? I'm not following you on this one. [LB1104]

SENATOR HARR: All right, let me ask you this way. You say he or she at least derived at least 15 percent of his or her gross income from agriculture. So, if someone lowers their income, it can change their tax status? [LB1104]

DON KELLY: I didn't draft the bill. (Laughter) [LB1104]

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SENATOR HARR: Okay. [LB1104]

DON KELLY: You could probably refer that question to Senator Friesen, but I...the way I interpret it is, the intent of, if you buy agricultural land at 15 percent of your...of your income must be derived from the use of that land. [LB1104]

SENATOR HARR: Right, so if I lower my income... [LB1104]

DON KELLY: But you're using that land for its intended purposes. [LB1104]

SENATOR HARR: So if I lower my income, that 15 percent number goes higher. And I have some questions, this bill isn't going anywhere, obviously or I would ask some more drafting questions. But let me just ask you this. This bill, if it were to become law, would raise somebody's property tax, is that correct? [LB1104]

DON KELLY: It would, yes. [LB1104]

SENATOR HARR: Okay, thank you. [LB1104]

DON KELLY: It definitely would. [LB1104]

SENATOR HARR: Okay. [LB1104]

SENATOR SMITH: Very good... [LB1104]

SENATOR GROENE: One quick question. [LB1104]

SENATOR SMITH: Yes, Senator Groene. [LB1104]

SENATOR GROENE: Would this...what school district would these be in? [LB1104]

DON KELLY: Well, we have... [LB1104]

SENATOR GROENE: Springfield? [LB1104]

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DON KELLY: ...we have five school districts in the county, so it could cut across Omaha Public School District, Gretna School District, Millard School District, Papillion School District, Springfield Platteview School District. [LB1104]

SENATOR GROENE: I'm done. [LB1104]

SENATOR SMITH: Okay. I see no other questions. Commissioner Kelly, I really appreciate the work... [LB1104]

DON KELLY: Yes. [LB1104]

SENATOR SMITH: ...that you and the other commissioners do down in Sarpy County... [LB1104]

DON KELLY: Well, I appreciate the work you do... [LB1104]

SENATOR SMITH: ...doing a great job. [LB1104]

DON KELLY: Thank you for your service. [LB1104]

SENATOR SMITH: Next proponent of LB1104. Mr. Dix. [LB1104]

LARRY DIX: Good afternoon, Senator Smith, members of the committee. My name is Larry Dix, L-a-r-r-y D-i-x. I'm executive director of the Nebraska Association of County Officials, appearing today in support of LB1104. And one of the things that we do know that Sarpy County has a situation up there with a lot of these acreages and things like that. One of the things that we would ask the committee to look at, the way the bill is written, it is written for counties that have a population of 100,000 or more. From a tax policy point of view, we believe that it probably should apply to all counties if we were to do that. We are not aware of any other taxation policy that we have created taxation policy for just select counties. Now we have changed some deadline dates and some things like that for other counties, but not actually the taxation policy that we're aware of. So we believe that if someone were a neighboring county to one of the counties that's 100,000 in population, if you were just across that county line...we think this type of a policy should apply to all 93 counties. And we've checked with a number of the other counties around the state and they have, they would have no problem with that. So, if this bill were to move forward, we would recommend that on page 2, lines...probably 13, 14, part of 15, that we strike the reference to the 100,000 population threshold. [LB1104]

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SENATOR SMITH: Very good. Senator Harr. [LB1104]

SENATOR HARR: Thank you. So you've read the bill? [LB1104]

LARRY DIX: I've read it as much as I can see it. [LB1104]

SENATOR HARR: Okay. On page 3, section 2, line 17...it's really starting on line 20, it'll prove that (a) or (b) it should be the lesser of or I'm not sure how...do you just have to meet one of the criterias? I'm not sure how that works. [LB1104]

LARRY DIX: Yea, I think it... [LB1104]

SENATOR HARR: Or the greater of? [LB1104]

LARRY DIX: I think you'd have to meet one or the other criteria. [LB1104]

SENATOR HARR: Okay. [LB1104]

LARRY DIX: As I read it, but I would want to read it in a little more detail. [LB1104]

SENATOR HARR: Okay. Thank you. [LB1104]

SENATOR SMITH: I see no other questions. Thank you, Mr. Dix. [LB1104]

LARRY DIX: Thank you. [LB1104]

SENATOR SMITH: Next proponent of LB1104? [LB1104]

SEAN KELLEY: Good afternoon, Chairman Smith, members of the Revenue Committee. My name is Sean Kelley, S-e-a-n K-e-l-l-e-y, appearing today on behalf of the Douglas County Board of Commissioners in support of LB1104. As Commissioner Kelly mentioned, we will see some of these before the Douglas County Board, and any sort of metrics that we can put in statute would be tremendously helpful. So, with that, I'd be happy to answer any questions. [LB1104]

SENATOR SMITH: Thank you, Mr. Kelley. I see no questions. [LB1104]

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SEAN KELLEY: Thanks. [LB1104]

SENATOR SMITH: Other proponents of LB1104? Seeing none, we invite opponents. Anyone wishing to testify in opposition to LB1104? Seeing none, anyone wishing to testify in a neutral capacity on LB1104? Seeing none, Senator Friesen is invited to close on LB1104. [LB1104]

SENATOR FRIESEN: Thank you, Chairman Smith. Just a couple of things. Basically, the description there when it talks about \$1,000 of income, that is what qualifies you as a farmer under USDA terms. I would be more than happy to raise that to whatever number you want. But this...if you remember back when Senator Ben Nelson, or former Senator Ben Nelson, he had a house out in the country and he raised a few wild turkeys and he had greenbelt status. And so, here, I guess, you know, if it's...like it says in there, either it's 15 percent of your income, you can prove it's at least 15 percent. So if you're a vegetable farmer and you do...are bringing in a pretty good revenue from this, you still could get the greenbelt status. But if you...and \$1,000 of income off of a farm, a few hay bales can get you there pretty quickly. And really, it is a good game to play and call yourself a farmer and qualify for greenbelt status and yet you're really not. So, it's tightening up the restrictions. And yes, it would raise someone's property taxes and raise values of that land considerably, I would take it, in some places. With that I'd be glad to answer any questions. [LB1104]

SENATOR SMITH: Senator Harr, then Senator Groene. [LB1104]

SENATOR HARR: I just want to thank you for bringing legislation to raise property taxes on ag land. (Laughter) [LB1104]

SENATOR FRIESEN: I'm...you know, I look at things from a fair perspective, and so, trust me when I tell you some other cases that we need to lower some values. [LB1104]

SENATOR SMITH: Senator Groene. [LB1104]

SENATOR GROENE: Were you surprised there were no savings in the fiscal note? [LB1104]

SENATOR FRIESEN: Well, it doesn't impact the state. [LB1104]

SENATOR GROENE: It doesn't? [LB1104]

SENATOR FRIESEN: It'll impact TEEOSA to a little bit, possibly. [LB1104]

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SENATOR GROENE: I figured the example the commissioner gave; if it was \$14,000 they paid for it, and it gets valued at \$7,000. Seven thousand acres and...let's just say 5,000 acres in Sarpy County, they would reevaluate. That's \$350,000 that would shift in state aid. [LB1104]

SENATOR FRIESEN: I don't think that much of it is... [LB1104]

SENATOR GROENE: Or shift away from state aid. [LB1104]

SENATOR FRIESEN: I don't think that much is getting greenbelt status that doesn't deserve it. It's that 5-acre plot that's getting greenbelt status, not the 50,000 acres. [LB1104]

SENATOR GROENE: No, I'm talking about five-acre plots and if you, what's that, 1,000 individuals? [LB1104]

SENATOR FRIESEN: I'm not sure how many of them are asking to have greenbelt status, so there might be numerous... [LB1104]

SENATOR GROENE: So you think there's only a hundred of them? [LB1104]

SENATOR FRIESEN: What? [LB1104]

SENATOR GROENE: If there's only 1,000 of them, we're talking...we're still talking a lot of money that would shift away from state aid to education. [LB1104]

SENATOR FRIESEN: Sure. But if they're getting greenbelt status now, and they wouldn't be getting greenbelt status, their valuation would rise considerably and it would change TEEOSA formula, but in the scheme... [LB1104]

SENATOR GROENE: More local effort and less state aid. [LB1104]

SENATOR FRIESEN: ...in the scheme of things... [LB1104]

SENATOR GROENE: I just don't understand why... [LB1104]

SENATOR FRIESEN: ...I don't know... [LB1104]

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SENATOR GROENE: ...why this didn't get reflected here. [LB1104]

SENATOR FRIESEN: You'll have to ask Senator Harr on the fiscal note. [LB1104]

SENATOR SMITH: Other questions from the committee? I see none. Thank you, Senator Friesen, for your closing on LB1104. And that concludes our hearings for the day. Thank you all, have a good weekend. [LB1104]