

Transcript Prepared by Clerk of the Legislature Transcribers Office
Floor Debate August 6, 2020

FOLEY: Good morning, ladies and gentlemen. Welcome to the George W. Norris Legislative Chamber for the fifty-seventh day of the One Hundred Sixth Legislature, Second Session. Our chaplain for today is Senator Bostelman. Please rise.

BOSTELMAN: Join me this morning in prayer. Our prayer is provided by Pastor Bruick from St. John's Lutheran Church in Seward, Nebraska, from Senator Kolterman's district. Gracious God and father of us all, your creation cries out for healing and new life today, not only here, but throughout the world. Hear also the cries of your children and bring to us the restoration in body and in relationships that is needed now in our time of need. We lift before you all the citizens of this state, from the newborn to the aged. You know each of us well, for you knitted us together in our mother's womb. Hold all of us in your mighty hands, especially with all who are high risk in regards to COVID-19. Provide for them the guidance and resources that are needed in their time of need. We lift before you, father, all who serve in the areas of medicine, public health, patient care, and first responders. Guard and guide all who serve in these vocations as they seek to provide the care and guidance that is needed in these critical times. Keep them strong and help us to be instruments in providing the resources that they need. Now, as we prepare for this day's work of the Unicameral, we humbly ask that you would lead us and guide us as elected leaders of this state and grant us the wisdom that is needed to care for the citizens entrusted to our care. Bless our Governor and his staff with the same wisdom and bless all of us with the gift of unity and peace as we serve together. We pray the same for all who serve our nation at the federal level and for all government leaders around the world. Gracious God, in and through all this-- all of this, remind us again that you so love all people, that you sent your son as the savior of the world. All this we ask in his name, the name of Jesus. Amen.

FOLEY: Thank you, Senator Bostelman. I call to order the fifty-seventh day of the One Hundred Sixth Legislature, Second Session. Senators, please record your presence. Roll call. Mr. Clerk, please record.

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

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

CLERK: I have no corrections.

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

CLERK: Mr. President, your Committee on Natural Resources, chaired by Senator Hughes, reports LB46, LB285, LB509, LB580, LB802, LB845, LB860, LB863, LB1072, LB1132, LB1173, and LB1205. Those bills reported indefinitely postponed. A lobby list as required by state law to be inserted in the Journal and acknowledgement of agency reports received, Mr. President. That's all that I have.

FOLEY: Thank you, Mr. Clerk. Senator Lowe, for what purpose do you rise?

LOWE: Point of personal privilege.

FOLEY: Please proceed.

LOWE: Nine years ago today, Army Staff Sergeant Patrick D. Hamburger and his combat mission comrades, call sign Extortion 17, were killed in the Tanji Valley, Wardak Province, Afghanistan. These 31 American troops were serving our nation as part of Operation Enduring Freedom. During the early morning hours of August 6, 2011, the men of Extortion 17 were on a Special Forces combat mission to assist members of the 75th Army Rangers who were engaged in a fierce firefight with the Taliban forces. Their CH-47 Chinook helicopter was shot out of the sky with a rocket-propelled grenade fired by the Taliban insurgents. All aboard were killed, the single greatest loss of American life in the Afghan war. Today, I ask you to take a moment to remember the sacrifice made by the 31 fallen American soldiers of Extortion 17. Please say a prayer for these men and their families. Don't let their sacrifice be forgotten. Thank you.

FOLEY: Thanks, Senator Lowe. Senator Brandt, for what purpose do you rise?

BRANDT: Point of personal privilege.

FOLEY: Please proceed.

BRANDT: Colleagues, it's not often we meet in August and I hope we never do this again, but today is my wedding anniversary. So 32 years ago, I married Sandra Rodriguez at the Ysleta Indian Mission in El Paso, Texas; 14 kegs of beer, a mariachi band, and 32 years later, we're still together. Happy anniversary.

FOLEY: Speaker Scheer.

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SCHEER: Thank you. Point of personal privilege, please?

FOLEY: Please proceed.

SCHEER: Thank you, colleagues. As Senator Brandt said, we're normally not here in August, but today happens to be-- my mother-in-law, who I actually like, turns 89 today and I would like to wish Ginge a happy birthday and hopefully, many more to follow. Thank you.

FOLEY: Thank you, Mr. Speaker. Senator Vargas, for what purpose do you rise?

VARGAS: Another point of personal privilege.

FOLEY: Please proceed.

VARGAS: Some of you might have seen this on social media and so I wanted to tell everybody, but, you know, I'm really lucky to last-- I've had both-- I had my first daughter, our first child, during the session and everybody was so kind. That's my daughter Ava and she is right around a year and a half now and she's just amazing. And I'm lucky to have an amazing partner, partner in crime in my life, Lauren, and we will be welcoming a baby boy coming here in January and so we'll have some more things to celebrate in January when we come back together. But I want to thank you all for coming up and-- and thanking me and just letting me know congratulations, but we are so excited to have a second addition to our family. So thank you and thank you to my amazing wife for everything that she does. And to my family, this was-- the significance of this to me is-- you know, when-- when I lost my father, it was-- it was one of the hardest things that happened to me and my family to this virus. And when I told my-- my mother that we would be welcoming a baby boy, she was just elated because she was happy to see that we have a new-- a new individual coming into our life and it is in honor of my dad. And my father loved my daughter and I just can't wait to tell my future son about-- about my father. Thank you.

FOLEY: Thanks, Senator Vargas. Senator Murman, for what purpose do you rise?

MURMAN: Point of personal privilege.

FOLEY: Please proceed.

MURMAN: Forty-three years ago yesterday, my wife, Kathy Hinrichs, and I were married. And I just thought I'd better bring that up,

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[LAUGHTER] or I'd-- Senator Brandt would have got me in big trouble, so thank you.

FOLEY: Thanks, Senator Murman. While the Legislature is in session and capable of transacting business, I propose to sign and do hereby sign the following three legislative resolutions: LR462, LR463, and LR464. We'll now proceed to the agenda, General File 2020 committee priority bill, LB1074. Mr. Clerk.

CLERK: Mr. President, LB1074 is a bill originally introduced by Senator Linehan. It's a bill for an act relating to revenue and taxation. It changes provisions relating to improvements to leased lands and collection of certain fees and taxes. Introduced on January 21, referred to the Revenue Committee. The bill was advanced to General File. I do not have committee amendments, but I do have other amendments, Mr. President.

FOLEY: Thank you, Mr. Clerk. Senator Linehan, you are recognized to open on LB1074.

LINEHAN: Thank you, Lieutenant Governor, and good morning, colleagues. I introduced LB1074 for the Department of Revenue. This is our technical correction bill, which does two simple things. First, it addresses improvements to leased land. The improvements are assessed to the owner of the leased land unless a form is filed by either the owner or the lessee stating that the improvements are the property of the lessee. The deadline for filing the form is currently before March 1. The new language changes this deadline to "on or before March 1" to harmonize with other property tax deadlines. Secondly, the bill harmonizes the filing requirements of the lodging tax and the tire fees with those of the sales tax. Under current law, lodging tax and tire fee returns are filed every month. Under the sales tax laws, retailers may file monthly, quarterly, or annually, depending on the volume of sales. The bill will allow the lodging tax and tire fee returns to follow the same periodic filing requirements as the sales tax returns based on volume. Thank you, Mr. President.

FOLEY: Thanks, Senator Linehan. Mr. Clerk.

CLERK: Mr. President, I now have amendments to the bill. First of all, Senator Linehan would like to withdraw AM2860 and offer, as a substitute, AM3320.

FOLEY: Without objection, so ordered.

CLERK: Senator Linehan, AM3320.

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FOLEY: Senator Linehan, you're recognized to open on AM3320.

LINEHAN: Thank you. I'm going to discuss this a little bit and I'm in conversations with Senator Howard, who is trying to be very helpful here this morning. So we may pull this, but just so you all know what the subject is. There are two definitions of cigarettes in the Nebraska statute, excuse me: the MSA, the Master Settlement Agreement section, and the taxation section. In 2019, the Legislature passed LB397, which changed only the taxation definition of the cigarette to match the MSA version. Today, we have the exact same definition of cigarettes in both sections. The Department of Revenue, at the request of the AG, changed the interpretation-- interpretation of the MSA and taxation statutes and decided to tax a product called filtered cigars as cigarettes and include filtered cigars under the MSA. The problem with this interpretation, besides it resulting in a tax increase, which no one mentioned when we were doing this, is that it is taking the product out of the marketplace for nonparticipating manufacturers. So we raised the tax and took a product off the shelves without knowing it. States can tax these products as they want. So if we want to tax them, that's fine, but we cannot include under the MSA because they are subject to federal excise tax. So I brought a bill. The bill only changes the interpretation of the MSA provisions and left the tax alone. In other words, fine, tax them, but leave them out of the [INAUDIBLE]. I received feedback indicating that complicated matters too much. So I have before you an amendment that will treat filtered cigars as cigars for the MSA and taxation. Not one of the other 45 states that are party to the MSA place filtered cigars under the MSA, not one out of 45. Nebraska did not do it for 1998, when the master agreement passed, until we passed LB397 in 2019. But through an interpretation, now we do. This amendment simply puts the old practice in place. So I have talked and we are all very proud and privileged and served that Senator Howard watches the healthcare funds as she does, and she still has a concern about this. So I think we have an agreement. If I can ask, Senator-- Senator Howard, would you yield for a question?

FOLEY: Senator Howard, would you yield, please?

HOWARD: Absolutely.

LINEHAN: You think maybe there is a better way to do this, right, and get to the same place?

HOWARD: So I think because the issue here is that it-- it surrounds not the Master Settlement Agreement itself, but the Department of

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Revenue's interpretation of the statute from LB397, what we can do, as a body, is tell the Department of Revenue how we want them to interpret the statute and be more clear in that regard. It's something that we run into a lot with the Department of Health and Human Services. They maybe view a statute in a certain way and I don't want to take your time because I can talk about this as well. They view a statute in a certain way that we disagree with and then we went back and told them how we want them to interpret it. A good example is LB1053 with the nursing home bill last year-- or this year, this year.

LINEHAN: So if I would pull this amendment, then you would help between now and whenever it comes back on Select, we could work out a fix?

HOWARD: Yes, yes. Originally, you had suggested let's attach it now, but it's-- the language itself is far too dangerous to just attach and hope for the best on Select. I'm happy to try to get to something that will work between now and Select, but I would-- I would not be able to support putting the amendment on today.

LINEHAN: So do you think between now and Select we can get to a point, whether we tax them or don't tax them, which I-- that's not the issue here--

HOWARD: Yeah.

LINEHAN: --where the product can get back on the shelves in Nebraska as it is in 45 other states?

HOWARD: I mean, I'll-- I'll be honest with you. My interest here, it relates exclusively to the Health Care Cash Fund and the Master Settlement Agreement. So I believe that there's a way to tell the Department of Revenue how to manage their regulations and interpret them. But at the same time, this is not an area of law where I am an expert. So I will do my very best, but I'm not sure if I can guarantee an outcome.

LINEHAN: OK. With that, I'm going to withdraw this amendment and hope that when it comes back on Select, we have a better way to fix this so the intent of the Legislature is followed and it's not interpreted differently than when we-- thought what we were doing. Again-- and my argument is not so much whether we should or shouldn't have done this, it's when we're doing things, departments, other elected officials need to make sure the Legislature understands what we're doing. And in this case, we passed-- to Sara Howard, Senator Howard, excuse me,

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Senator Howard's point, we passed something and then the regs didn't match, I think or believe, what we thought we were doing. So with that, I'll withdraw AM3320.

FOLEY: Without objection, AM3320 is withdrawn. Mr. Clerk.

CLERK: Mr. President, Senator Briese, AM3093.

FOLEY: Senator Briese, you're recognized to open on AM3093.

BRIESE: Thank you, Mr. President. I'm going to pull that amendment. Thank you.

FOLEY: The amendment is withdrawn.

CLERK: Mr. President, the next amendment is Senator Linehan. Senator, I now have AM3235.

FOLEY: Senator Linehan, you're recognized to open on AM3235.

LINEHAN: Thank you very much. Out of respect for what we all-- I think where we are on the major agreements, or at least where it appears we are on the compromise that we did yesterday, I'm going to pull this amendment too. However, I am going to speak to it. So when we decoupled from most of the tax changes four years ago, after the Jobs and Tax Act under the Trump administration, we decoupled from almost everything that increased taxes. And I was fine with that, Senator Smith led the charge. I think it passed overwhelmingly. But what we did not decouple from was the fact if you pay over \$10,000 in property taxes, you cannot deduct it from your state income taxes. Now I-- I know this probably doesn't affect a lot of Nebraskans, but it affects a lot of people in my district. In Elkhorn, I do believe we have-- I'm not in the city, I'm in an SID. There are a lot of SIDs. Their taxes are high because they're new, right, they got to pay for all the streets and all the lights and all the sewers. So your SID taxes are high and we have a great school system that people are moving there to be in so we have a lot of bonding on top of a maximum levy. So I think it's, like, \$2.45 if you live in Elkhorn. So we all know \$100,000, that would be \$2,450 and it is-- it is what it is. If you want to live in the Elkhorn School District, a lot costs you-- just the lot, just the dirt, costs \$70,000. So I have a tremendous number of people who are not able to deduct all they pay in property taxes. And I-- I just think it's ridiculous that we would make people pay taxes on their taxes and this has been a priority of mine. I very much want to fix this. But again, out of respect for our agreement yesterday, I'm going to pull this amendment. Thank you.

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FOLEY: Without objection, AM3235 is-- is withdrawn.

CLERK: Mr. President, Senator Crawford would move to amend, AM3354.

FOLEY: Senator Crawford, you're recognized to open on your amendment.

CRAWFORD: Thank you, Mr. Lieutenant Governor, and good morning, colleagues. Good morning, Nebraskans. I rise to bring to you AM3354 this morning. And I apologize that it's a late addition. I just found out early this morning that Senator Briese was pulling his amendment and I thought it was a very important conversation for us to have. And so my amendment is a-- a smaller version of Senator Briese's amendment and now I'll explain what that means. Nebraska is a rolling compliance state in terms of our tax policy. That means when the federal tax policy changes, our state tax policy changes. And so when there is a major change in federal tax policy, then we have the chance to ask ourselves whether we want to comply with that and let it go or whether we think this is an important policy decision for us to make. And as Senator Linehan just alluded to, back when the federal package passed-- that was in the Trump administration tax package passed, there were components of that that actually increased taxes for Nebraskans. And so in 2018, we put together LB1090 to change our state policy so that it no longer matched federal policy on these fronts. And one piece that I know Senator Linehan cares very deeply about that we did not fix was the component that she had in her amendment that she just pulled this morning. But when the CARES Act passed, there were several tax provisions in the CARES Act. And one of them was a provision that allows people who make, as a couple, over \$500,000 to deduct excess business losses. So previous-- and our tax policy before the CARES Act is that you can deduct excess business losses up to \$500,000. What this CARES Act did is it took the lid off, there's no limit. You can-- you can deduct as much business loss as you and your accountant can creatively find against your income. So again, those who make up to \$500,000 still are able to deduct business losses, but the CARES Act took that cap off and said there's no boundaries. You can deduct as many business losses as you and your accountant can find. So I have a handout that is from the Department of Revenue and this was created for Senator Briese's bill because his bill originally would have decoupled us from all of the CARES Act provisions. So there are multiple tax cuts-- federal tax cuts that are in the CARES Act and Senator Briese's bill would have said, wait a minute, we need to think about whether or not we want to make those changes in Nebraska. So that was his bill to decouple all of them. So my amendment this morning only decouples the excess business losses provision and in the handout that I passed out to you today, from the-- that has figures

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from the Department of Revenue and-- and I have put a box around the figures that are for this provision. So this provision costs our state over \$82 million this year if we roll in compliance with the federal government, over \$82 million for a tax break for people who make over \$500,000 a year. Now you're going to hear people say, oh, this is a tax increase. No, it is not. It is keeping our state taxes the same. And so it's important to note that these people who are getting this huge tax break from the federal government will still get their huge tax break from the federal government. So they will get four times this amount already back from the federal government. The question we have before us today is whether we want to give them \$82 million this year when we're scraping and trying to find this and that piece to try to pull together \$125 [SIC] for property tax reform. And as you can see, the cost doesn't stop this year. It's over \$50 million the next biennium and over \$50 million the next biennium. The other thing people will tell you is, oh, this is critical for our businesses who are suffering in the corona crisis. No, this is for excess business losses in 2018, 2019, and 2020. So much of this losses that they can claim are losses before the coronavirus hit. So that is simply not correct. It is not correct that this is some kind of coronavirus assistance. It is not. We have much better ways to provide help and we are providing help in many ways through the work of the Governor with the CARES Act dollars to provide immediate assistance to those businesses who are suffering and the PP [SIC] loans and other things. We've done many things to help those businesses that are suffering. So the other thing that I want to emphasize to you is, again, that this is not a fix for coronavirus problems. It says losses, excess business losses. I want you to understand, colleagues, that excess business losses does not necessarily mean this company is in any financial trouble. Excess business losses can be things like interest, depreciation. Anybody with a great accountant can find ample business losses despite the fact that your business is chugging along just fine. The other thing that people are saying is, oh, no, people have already filed their 2019 taxes, they're going to have to go back and refile them. Colleagues, if you make over \$500,000, you have an accountant, an accountant who is going to be able to do this for you. And again, all of these people keep their federal tax cut four times the amount that we could give them if we allow ourselves to stay-- comply with the CARES Act funds. So this is a very important decision. Back in 2018 when we had the hearing over LB1090, one of the lobbyists for the Chambers said we wouldn't want to make these tax changes-- we wouldn't want these tax changes to occur without a debate and a vote. That is what a representative for the Chamber said in 2018 when we were talking about changing our tax code to not comply with federal

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tax code in 2018. And I agree. This is a huge tax decision, a huge revenue decision that we should debate and vote on and I urge your support for AM3354. Thank you, Mr. President.

FOLEY: Thanks, Senator Crawford. Debate is now open on LB1074 and the pending Crawford amendment. Senator Erdman, Groene, Linehan, and Williams. Senator Erdman.

ERDMAN: Thank you, Mr. Lieutenant Governor. Senator Crawford, in this body because of the plexiglass, I have a difficulty hearing people from time to time, but I want to tell you this morning I had no difficulty at all hearing you. But yesterday I said not so fast, my friend, like Lee Corso, and I was reminded that I didn't say it exactly right. He always has a pencil, and then he says, not so fast, my friend. So that's what I'm here to do this morning, is to talk about the lovefest that happened yesterday. LB1107 passed with 44 votes. And when I returned to the office, I had a couple of calls from people, taxpayers, and they said, what did you do? And I said they passed-- they, because I didn't vote for it, LB1107 first round. And they said, why don't you just resign and come home? That LB1107 is a decrease in the increase. And I shared several comments and had several questions yesterday, nobody answered them because-- Senator Wayne, I think it was because it was me. You're not the only one that gets disrespected. So let's be clear on what LB720 does, all right? LB720, when those businesses that qualify for that, and their reimbursement on their sales tax is going to come from the city. OK? Plain and simple. It's happened before in Nebraska Advantage Act, it will happen again in the same provision as in LB720. I shared with you yesterday that property tax over the last four or five years has gone up in excess, substantially greater than the amount of relief you're supposedly giving. So there's not going to be any relief. It's going to be a decrease in the increase. So we'll see today how long and how lasting the lovefest was from yesterday. You need to call it what it is. It's a decrease in the increase. And as we go home, if we pass that and it looks like if you have 44 votes, you're probably going to make the finish line, it's going to be difficult to explain to people when their property tax went up next year that would give them relief. So I'm going to vote-- I think I'm going to vote for Senator Crawford's amendment and we'll see what happens on the rest of the bills. But I can tell you right now, that what we did yesterday was insignificant and everybody's bragging about it being the salvation of property tax. I'm here to tell you it's not. I had a proposal and I have it-- still have it. It is the constitutional amendment for a consumption tax. That is the answer. Senator Ben Hansen stood up yesterday and said we need to fix our tax system and he is exactly

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right and the consumption tax is the avenue or the method to fix that. But we don't want to talk about the solution, we want to continue to treat the symptoms and never the cause. And the cause is we spend too much. The only way to lower taxes is to cut spending. And if you don't believe me, when you see property tax go up \$200 million last year, it went somewhere, somebody spent it.

FOLEY: One minute.

ERDMAN: And so as we move through the agenda today, there is a great possibility I may-- may have other things to say. But Senator Hughes was exactly right when he said, seldom, if ever, does anybody change their mind once they get to the floor. But these comments this morning weren't necessarily made for those of you in the room because it won't make any difference to you, but it does make a difference to those people who pay the taxes. And that's who I came here to represent. Thank you.

FOLEY: Thanks, Senator Erdman. Mr. Clerk.

CLERK: Mr. President, a priority motion. Senator Pansing Brooks would move to bracket the bill.

FOLEY: Senator Pansing Brooks, you're recognized to open on your bracket motion.

PANSING BROOKS: Thank you, Mr. President. Well, I'm-- I'm rising today-- I will pull my bracket at the end, but I have concerns about process. I have concerns about how we're moving forward. We all saw what happened yesterday where we didn't get the full six hours. We only needed two more. And what I'm concerned about is that I thought time was of the essence. I-- I put aside my priority bill, which I'm sure many of you are pleased about on LGBTQ workplace equity. But I put that aside in an effort to be collegial because I knew there were many things that many of you wanted to have done and to do. And so last night when I left here, I thought, well, gosh, we're going to have Final Read tomorrow. That'll be a good day. We'll get a lot of good things accomplished because we usually do do Final Read on the last day of the week. And today is five days before adjournment. So under the rules, there-- if the Governor decided to exercise his appropriate power to veto a bill, we could come back and determine whether or not we wanted to override that veto. That's the process. When I first came here-- I have the list. So there's no five-day window this year. And when we haven't had a five-day window, like with Senator-- when Speaker Hadley was the Speaker, he would go and make an

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agreement. We actually adjourned early one time-- one year. And he had an agreement with the Governor that there would be no pocket vetoes. I talked to the Speaker. He said, I've talked to him, he doesn't have a concern about what-- about any bills, that the Governor doesn't have a concern but I can't make him promise anything. Well, then if you can't, that's fine. I understand you can't make him promise anything, but then give us the five days. Which of our bills are at risk? Many of you think, oh, well, this is no problem. There's-- there's no risk here. I would say otherwise. I can think of at least five bills right now that could be on the chopping block. These are bills the constituents brought to us, the second house, the people, brought to us. These are bills that we have had hearings on. These are bills that we've worked with Bill Drafters and drafted and redrafted and made amendments. And then there are bills that-- some of which have had to get 33 votes, some of which have had to have ten hours of-- of debate through three readings: General, Select, and Final. And to say that-- that, oh, gosh, we just didn't have the time. We're leaving today at noon. We could have done these three hours this past week. We reserved all-- I forgot to count the number of nights we were to stay late, late nights. We only used one and it was on the most contentious bill of the session. We didn't have Final-- we didn't stay late on any of these other bills so that today, we could have Final Read and make sure that all the work-- I'm sure it'll be Tuesday. So when you-- when we do a Final Read on Tuesday, please think about the fact that these bills-- whatever we're voting on on Final Read, could have been heard today and that they could then be ready for any kind of override because there are people who care about these. Remember, we each represent 40,000 people. So if you multiply [SIC] a bill where we have 33 votes times 40,000 people, that's a lot of people expecting us to go forward. The rules are we pass a bill. The Governor gets to veto, totally within his right, but we are to have the last word. We are to have the ability to go back and say no, Governor, I'm sorry. We've heard all of these people coming and speaking to us. We have heard from the people and we have heard and we have spoken on the floor. You haven't had the privilege of listening to all the debate on the floor and so we're going to override you. Now the Speaker says he doesn't know of anything that-- that would be overridden. Wait till you see Tuesday and tell me that you don't think there are some things in there that could be overridden. So this year, there's no five-day window. Last year, as you know, we did not have a five-day window. Senator-- Senator Wayne's bill on felons voting was overridden. We weren't given the time or the-- he wasn't given the courtesy of time for an-- an override vote. I don't know if it would have passed. Maybe the number of people in here would have fallen off because the

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Governor wanted him-- wanted this not to pass. So maybe it wouldn't have passed, but who knows? Who knows? We are acquiescing our powers once again. Then in 2017, there was a five-day window; 2016, there was a five-day window. In 20-- in 2015, my first year, that's when Speaker Hadley made the agreement with the Governor. And I checked with many people, we adjourned early. They determined that it wasn't necessary and there was, pursuant to the agreement, no pocket veto. So I didn't realize what-- how much of a rurals-- rules girl I am. I believe in process and rules because without that, we have anarchy and chaos and that's what is happening here. I think it's sad. I think it's dangerous. I think it's callous disregard of the rules within our body and it's undermining the very integrity of the institution of which the Speaker spoke of yesterday. It is undermining the institution. Apparently, the rules will be selectively applied. It seems to be of no consequence anymore. I think it brings into the integrity of the votes taken yesterday. Is this our legacy? Is this the legacy we choose to have, backroom dealings, rules that only apply to some, lack of fairness or consistency? What is wrong with giving the five days? If you want to vote against-- not override a veto, then go for it; but at least use our rules and provide an appearance of propriety. In the law, that's one of our disciplinary rules, that we must have an appearance of propriety. That's what we're expected to do. I would at least expect that of our body. We are to get the last words on a-- on the bills that we talk about and argue about and debate on. We are to get the last words, but in this case, again, we have-- we are not given the five-day window. And I hope that all of you, as you are cajoled and campaigned for your vote for Speaker next year, I hope that you all say, let's live by the rules. Give us the five days that's necessary for each bill. It might be your bill. It might be this year, your bill. And, you know, I'm sure many of the conservatives think no, that's not going to happen to me, so why worry? But there are conservatives with bills in here that were highly debated. So I just want us all to think about that. I will make my choice for Speaker next time according to whether the rules will be followed, whether we are given the last word on a bill, the last word. And I know a lot of people won't talk on this or say anything because everybody's scared. Everybody's scared of being--

FOLEY: One minute.

PANSING BROOKS: --called out by the Speaker or the-- or those around that don't really want to support this kind of discussion. But it is fair, it is right, it is correct, it is honest, and that is the way that our body should be moving forward with integrity. Thank you, Mr. President.

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FOLEY: Thanks, Senator Pansing Brooks. Returning to the speaking queue, Senator--

PANSING BROOKS: I'm pulling my--

FOLEY: The bracket motion is withdrawn. Thank you, Senator Pansing Brooks. Senator Groene.

GROENE: Thank you, Mr. President. I voted LB1074 out of committee. It was a simple bill about leases. I also stand in support of AM3354 because I knew a lot of-- we need the money, folks. Yesterday, you seen it again. We don't control spending. Went home, didn't sleep last night, and I remembered how I-- I started my career. I took a couple of small companies out of bankruptcy, basically because they controlled spending. From now on, my next two years, I'm going to concentrate on spending and maybe then taxes will come down. But this credit stuff, this tax cut stuff without outspending controls is not good government, it isn't good business. Senator Crawford, I appreciate you bringing this because I thought my grand compromise that somebody else was-- already had it dropped and I wasn't in that room. The grand compromise was between seven people. I guess they all shook hands like a school board and said we all got to come out positive and be on the same page on everything. But she did it right. If those wealthy people who own an S corporation or an LLC-- you know how that works, folks. You own the LLC, you own the S corporation, you just make enough money. Every extra profit goes to you as salary or to you. So what this bill does is it allows them to take the losses, there's a 20 percent-- the government only lets you take 80. That 20 percent-- now you can go back and take off that 20 percent off your personal income if you're the LLC owner or the-- or the S corp of the-- besides the five or six or whatever states that don't have a state income tax, Nebraska has the best tax situation for S corps and I totally agree with that. We keep some pretty good-sized, privately-owned companies here because of our tax policy on S corps and LLCs. We already treat them well, very well. When the federal government or even our delegation, federal government, I don't think they were talking-- when they voted for the CARES Act, worrying about our state tax policy. Twenty-five states it didn't even affect because they don't tie it directly to the federal. We don't have to accept this. And like I said, she did it right. It's actually \$125 million, but the one she took out, the \$82 million, is what I just talked about. These wealthy folks, if-- if they want to have a tax deduction, they can go 100 percent of their base above in-- on donations. They can give to the private schools and help expand all these kids fleeing the public schools. They could give money to anything they want. Susie

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could give money to whoever she wants and get a tax deduction. That's fine. This is not a tax cut-- I mean, a tax increase, this is good tax policy to decouple us from this, this giveaway. We didn't cut any spending yesterday, we gave more money away, all right? We gave some credits away, all right? We got to pay for that. We got to pay for that because the numbers I see don't pay for it coming into the next three years, especially next year. We need this \$82 million. And by the way, I wanted this-- I wanted-- for the public out there, when you read the coverage of yesterday's debate, it is not 6 percent. It's 5.3 percent on your General Fund taxes for schools. It is not 18 percent after five years, it's zero. Because if you go back at the history, the last five years, property tax revenues increased by 17 percent. So in five years, that \$375 million will be ate up already by increased property taxes.

SCHEER: One minute.

GROENE: And it isn't 6 percent, folks, on your taxes. The General Fund school taxes are about 50 percent of your taxes. So the best you're going to get is about 2 percent off of your taxes, property taxes as a whole. Let's tell the people the truth. Senator Erdman has said it right. This is-- what we did yesterday was not a property tax cut. It was a tweak on the increases, historic increases, the property taxes that we get. We need to decouple. Senator Crawford is exactly right. These individuals are treated very well in Nebraska already on their taxes if you-- or S corp. She knows, she's on Revenue, she heard it when-- when whatever his name is from Columbus, Schumacher, brought the bill. We heard all about it.

SCHEER: Time, Senator.

GROENE: We were very, very lenient.

SCHEER: Thank you, Senator Groene. Senator Linehan, you are recognized.

LINEHAN: Thank you. So I think what's going to happen this morning is all those who aren't on the Revenue Committee are going to see what it's like to be on the Revenue Committee. You're going to see the differences in opinion very varied from suburban, urban, rural. So I am not supporting this amendment. I-- I want to address something else that has been discussed. I've heard it several times. I heard it today and I heard it yesterday. My priority bill is still in the Revenue Committee. I put the good of the state ahead of my priority bill. It's still in committee. It will-- I will be back next year, but this is

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about what's best for the whole state. Now I think I understand the argument here. It's what I've heard Senator Crawford say, and Senator Groene's still on yesterday, but on this argument, we're against being able to deduct business losses? I-- I don't even quite comprehend that. I've had LLCs, not S corps, family businesses. We're not going to allow deductions of business losses. So now we're talking about taxing losses? I mean, I know that the IRS code is complicated and difficult and I know that we don't automatically have to agree to their changes. But these companies generally, not always, but generally are family businesses. There are S corps and LLCs in agriculture. There are businesses all across the state. These family businesses, most of them could sell their assets tomorrow, not have to worry about their future, and retire to Florida where they have, we all know, less taxes. That's what they could do. But instead, they get up every day and they go to work and they employ many Nebraskans in good-paying jobs with benefits, and if they leave their communities, it's devastating. We can talk about S corps and LLCs in Omaha. They are some of our best corporate-- well, they're not corporates, they're LLCs. We think of them as corporate, but they're not corporate. We are very, very lucky. And-- and Senator Groene's right, as he almost always is, we treat them well, but we treat them well because it benefits all of us. Tenaska, Kiewit, really? We want to have a great compromise for the whole state and then the very people that we desperately need to stay in this state and stay in business, that provide very high-paying jobs, we want to tax them as the last state, that's-- that's what we want to do. That's the message we want to send. I don't think so. I-- I-- I've had a family business. I've had my own business. It is tough.

SCHEER: One minute.

LINEHAN: Again, remember all these people that we think, oh, they shouldn't be able to deduct their business expenses, they don't really-- most of them need to keep working. They could retire. Is that really the message you want to send? Like, why don't you just give up on Nebraska, go live somewhere where their taxes are less and show a lack of appreciation for all they do for Nebraska? I don't think so. Thank you, Mr. President.

SCHEER: Thank you, Senator Linehan. Senator Williams, you're recognized.

WILLIAMS: Thank you, Mr. President, and good morning, colleagues. And when I think about who could have imagined, when we started this session in January, what could have happened to us and did happen to

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us when in March-- in fact, on March 6, when we had our first case of COVID diagnosed in our state, quickly we were sent home. And we have heard on the floor of the Legislature since we've come back, a litany of the people that have been damaged by COVID: schools, hospitals, nursing homes, individuals in all categories, and then businesses. And the federal government was quick to react, in many cases, in distributing assistance to all of those classes of people. Before we left in March, you will remember we did something very similar here to help those people. Businesses have been hit exceptionally hard with COVID and that's not to diminish the fact that many individuals have been hit very hard. But sometimes our rhetoric in here does not follow the facts. And as a small business owner myself, but as a businessman that deals with many other businesses, it's really easy to classify the beneficiaries of assistance as large corporations, multi-million-dollar companies. I want to assure you that many of the people, many of the businesses, the LLCs, the partnerships, the sub-S corporations that the federal government intended to benefit with the COVID money are the mom-and-pop grocery store. They're the furniture store on the corner. They're the appliance dealer. They're our ag customers in our state's number one industry. This is clearly a tax increase on them. And for those that have sworn in their publications to not vote for a tax increase, this is nothing but a tax increase. We've done a lot of good in our state. We've done a lot of good from the federal government in dealing with a significant, once-in-our-lifetimes event. Taking money now that was committed to businesses and redistributing that in another manner-- if it's not a tax increase, it is clearly a tax shift. We've talked about whether we have a spending problem or a revenue problem in the big picture here. And as I mentioned on the floor yesterday, we want to drive on good roads. We want to lock up the bad people. We want to educate our kids and we want to take care of those people less fortunate than we are. And we're always looking for a source of revenue to do that with. This isn't the right source of revenue to do this with.

SCHEER: One minute.

WILLIAMS: This doesn't make long-term economic sense. These businesses have been crippled by their lack of cash flow, their lack of liquidity. Talk to any banker about what causes businesses to fail and those items will be on the list of reasons that businesses can't maintain and can't survive. There were many people in this body scurrying around through the summer trying to find additional ways to support business. And now you would think about taking this benefit away from them? It simply makes no sense. Thank you, Mr. President.

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SCHEER: Thank you, Senator Williams. Senator Crawford, you're recognized.

CRAWFORD: Thank you, Mr. Speaker, and good morning, colleagues, again. I forgot-- I had something at the very top of my sheet to say on the opening that I forgot. I did really want to thank Senator Briese for pulling together this decoupling amendment, and I wanted to thank Senator Linehan, as Chair of the Revenue Committee, for allowing us to have a hearing on this very important issue. We have-- since the pandemic began, you know, we have tried to do our best to-- many of us have tried to do our best to try to address the issues that came up between when we left in March and coming back here in July. We've tried to introduce some bills, introduce some amendments, and I appreciate the work of Senator Briese to do that. And I appreciate Senator Linehan being willing to have a hearing on that so we could discuss this very important tax change that happened since we left in March. So now I want to address a couple of concerns. You are probably getting furious texts from the Chambers telling you that this is a tax increase for our most vulnerable businesses in this time of COVID. Colleagues, let me assure you again, we're talking about a tax cut for individuals who make over \$500,000 in income. That doesn't sound very vulnerable to me. And also, the Chamber is passing out something about net operating losses and the need to be able to carry those to be able to address needs right now. Colleagues, I'm not changing the net operating loss component of the tax bill. That is going to cost us \$4 million this year and then \$4 million in out-years, \$8 million. I'm not touching that part of the tax code. So the net operating loss changes that were in the tax code that allow people to move their losses so they can get that money now, I'm not changing that part so that still exists. Those people who had net operating losses with the changes that allow them to claim that now and get money back, I'm not changing. Again, I want to remind you that we've done many things to try to address needs of businesses during this pandemic. The Governor has had many provisions with those CARES Act dollars to get that money out to those businesses. We've had PPP loans to get money out to those businesses and we've done many things to try to help address those concerns. This is not something that we need-- not something that we need and not something that is hitting those most vulnerable businesses. This is something, again, that is just a tax change that helps those people, as a couple, who make over \$500,000 in income. If you make over \$500,000 in income, now you can claim extra business losses against that. And let me remind you again, we're talking about tax losses, not necessarily a business that is struggling. This can be interest. This can be depreciation. We are not talking about

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businesses that are necessarily struggling to have these losses. So colleagues, one of the reasons this was really important for me to bring today-- two things. One, I got on the Revenue Committee because I was on this floor for six years and kept hearing people talk about how we need revenue.

SCHEER: One minute.

CRAWFORD: We need revenue-- thank you, Mr. President-- to address the concerns of the state. So I got on the Revenue Committee and we've had many bills, S corp bills, other things to try to bring in revenue. All of those get shot down. This is one chance to make sure that we keep \$82 million at this time, when we are in a vulnerable position, people. Our state is in a vulnerable position right now, more vulnerable than business owners who make over \$500,000 a year. It's important to be fiscally responsible. I feel bad. We've moved money forward that we've never done before in my eight years. I feel bad about that. I feel some concern about passing a property tax bill that we don't necessarily have all the money for, that we're taking from one-time funds. This is one way to be fiscally responsible. Let's make sure we keep this \$82 million this year with over \$100 million in the years out in our state where we need it.

SCHEER: Time, Senator.

CRAWFORD: Thank you, Mr. President.

SCHEER: Thank you, Senator Crawford. Senator Kolterman, you're recognized.

KOLTERMAN: I'll try and change the tone a little bit. Thank you, Mr. President. Thank you, Senator Crawford. That was very passionate. I appreciate your interest in this. And I-- I rise in opposition to AM3354. I'm one of those pass-through businesses. I was a pass-through business for over 35 years. This might have affected my business. I'd have to go back. I was an S corporation. What people don't understand in this body, unless you've been in those shoes, is a loss is a loss, is a loss. Doesn't matter whether it's depreciation or if it's a direct loss of income, it's still a loss. We've heard over the last two weeks that we aren't doing enough for the-- the people in need. I would submit to you that the federal government has given our state over \$1.1 billion and most of that went to direct needs of the people of this state, whether it was in unemployment benefits, whether it was in-- in rent reimbursement benefits, \$1.1 billion. That's a lot of money. As a result of the CARES Act, though, we had a-- we had this--

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this section of the CARES Act that came back and took care of more than just what we're talking about today. There were actually 11 different items that were listed and we heard all that in the committee. All told, it was \$250 million. What Senator Crawford is attempting to do here, out of that \$250 million, is redirect \$187 million because-- because we have a bunch of big, bad businesses running around in our state. I don't-- I don't particularly think that the businesses in this state need to be singled out. I mean, it also took into account things like retirement funds. It took into things like-- took into things like school loan repayments. There's a lot more into this. So I think it's-- it would be wrong for us to go back now and take this off the backs of the businesses that have-- that have helped grow our state. So again, I-- I don't agree with the amendment and I would yield the rest of my time to Senator Stinner.

SCHEER: Senator Stinner, 2:30.

STINNER: Thank you, Senator Kolterman. I'm just-- I really like the passion that has been demonstrated by Senator Crawford. I'm trying to match up that rhetoric with my understanding and I'm going to do some more research off the mike to truly try to understand this \$500,000 or 250-- 250 individually, 500 on it. Let me give you an example of my understanding of why they put this in the CARES Act. It was targeted to actually help small businesses. So if you have a rest-- well, let's say this first of all. The Jobs Act eliminated the ability to carry back. So you can't, under the current-- so they had to open it up. Obviously, they opened up this legislation. So you have a restaurant that's been closed and that's an LLC. You've got a fitness center that's been closed because of COVID and they incur operating losses during the shutdown. They try to get started back up. They need startup capital. They've paid in taxes for the last five years. What this allows them to do is go back, file a fast tax, get those dollars back into their business for liquidity purposes and startup purposes. They also get to carry it forward to help them get back on their feet. That's Main Street stuff, that's small business. And I get the fact that the big business probably participates in it too, but there also are people that create jobs.

SCHEER: One minute.

STINNER: But that's the example, the best I could do, to try to get my head around this. Now what I'm going to try to do is figure out what this 250 and 500 limitation and all the stuff that she's talking about. And I appreciate the discussions, but I-- I need to do a little more research. I know Senator Clements is somebody that I go to when--

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because he's still filling out tax returns and probably understands, you know, down-in-the-weeds type of analysis. So I-- I am generally opposed to anything that affects-- this was put in place, it was targeted, it was well-thought-out by Congress. For us to abandon business at this particular point in time with this type of activity, even though it helps the budget and it makes our jobs a little bit easier, I'm-- I'm opposed to this type of, of legislation. With that, I would--

SCHEER: Time, Senator.

STINNER: Thank you.

SCHEER: Thank you, Senator Kolterman and Senator Stinner. Senator Lindstrom, you're recognized.

LINDSTROM: Thank you, Mr. President, and good morning, colleagues. I rise in strong opposition to AM3354. The question was asked or I had an individual in-- in the body come up and ask, is this a new benefit or is this a planning issue? And I had to stop and think for a second. I thought, you know, it's a little bit of both and I'll explain. If we take it back and I just want to talk about the timeline here. If we go back to, say, January, February, when we started to hear about the COVID situation, you know, people started to put their antenna up-- antenna up, but we really didn't start to take action until into, call it March. And we were here back in March, on March 25, and we took action and so did Congress. You know, the PPP came about and Nebraska was number one in accessing those funds. For most businesses, that helped them through the month of April, but we're still not out of the clear here. This particular provision going back to 2018, 2019, 2020, it still comes down to losses. You cannot get this quote, unquote, benefit, unless you can actually take losses and that is operating capital moving forward. I-- and I thought Senator Stinner pointed out exactly right as--as some of these businesses-- and they're-- they're small businesses. You know, \$250,000 for an individual or \$500,000 for a couple that might own several businesses is not a lot of money. I know it sounds like a lot, but it is not. When you have rent and utilities and other things, when you're shut down and you have those net operating losses that you're not able to pay because we don't have any revenue coming in, this is where the timeline is very important. So as these businesses are struggling and you see it, you read in the paper every day in the Lincoln Journal Star, Omaha World-Herald. Every day, we see a business that shut down. Probably more restaurants than other businesses, but that's-- and it's going to continue to be that way. And it's going to get bumpy here for the rest of the year. So as

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people are able to utilize these losses as net operating losses moving forward and can get a refund, that money is going to be put back into paying-- keeping the lights on, paying their employees because this PPP loan money is not going to last for a very long time either. It might last a month or two and then that's going to be gone and Congress and the feds might have to do something else by year end. So I understand that this is a-- a-- you know, is looked at maybe as a new source of revenue, but that-- the intent of this is strictly to keep businesses open and keep the lights on and keep people employed. So again, I-- I really-- employers-- employee-- implore you, excuse me, to vote against AM3354. Thank you, Mr. President.

HUGHES: Thank you, Senator Lindstrom. Senator McCollister, you're recognized.

McCOLLISTER: Thank you, Mr. President. Good morning, colleagues. As I see this particular bill and the amendment, you can frame it in two-- two different parts. There's a timing element to this amendment and the bill and also there was a removal of the caps and we can't distinguish between the two parts. As a small businessman myself, we had losses in the '80s and we were able to carry those back and offset some of the profits that we made in the succeeding years. And that's always been in the tax law, but this would allow you to go forward and recapture some of the profit you made previous to 2020, which is probably a good thing. I certainly don't object to that. The second part of it is a removal of the caps and we would remove the cap over \$500,000 for a couple of-- for a tax-- two taxpayers. So I'm still wrestling with whether that is a good thing or a bad thing and perhaps we-- as debate continues, we can figure out whether that is, in fact, good or bad. With that, I would yield the balance of my time to Senator Crawford.

HUGHES: Senator Crawford, 3:35.

CRAWFORD: Thank you, Mr. President, and thank you, Senator McCollister. I appreciate that. Again, I want to come back and assure you that this amendment does not affect the net operating loss component of the CARES Act, which moves timing for people to be able to claim their losses now to get their money back from those net operating losses. This is ex-- the excess business loss provision. And I want to read you just a little bit from a University of Chicago Law Review article. It says: Regarding the unlimited pass-through deduction, the Joint Committee on Taxation's explanation of tax provisions in the CARES Act provides no statement of purpose for unlimited pass-through deduction. It was not made clear to the federal

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JCT staff and they apparently could not determine, based on their understanding of how the provision works and who it will affect, what legislative purpose it serves. In contrast, the modifications to the net operating loss provisions are described as intended to provide businesses with liquidity to weather the COVID crisis. And that's the provision I'm not touching. Presumably because the unlimited pass-through deduction is so narrow, the same liquidity argument cannot be advanced as a way to help the broader economy. That's from the University of Chicago Law article talking about these tax provisions and the impact of the different tax provisions. The only tax provision we are changing in this amendment is the one that allows people to claim excess business losses against income for people-- for couples who make over \$500,000 in income. Again, this is not what we mean when we talk about vulnerable. We've talked about a lot of vulnerable populations in our time here and have done very little with our money to address that. We do not need to spend \$80 million this year and \$100 million in an out-year to help, quote, vulnerable, unquote, businesses when these are businesses that already have the other provisions that help them, that already get four times this amount--

HUGHES: One minute.

CRAWFORD: --from the federal government to help them with their liquidity. Thank you, Mr. President.

HUGHES: Thank you, Senators McCollister and Crawford. Senator DeBoer, you're recognized.

DeBOER: Thank you, Mr. President. I just wanted to take a second to say I'm still listening to debate. I know popularly, everyone thinks that we don't change our minds on the floor here, but apparently there's an exception for every rule and I'm happy to be that if that's the case. But I did want to take a second to build on something that I heard Senator Patty Pansing Brooks say earlier, but maybe from a-- a slightly different direction. There are a lot of rules or courtesies or traditions in this body that aren't actually written down. And I won't speak for my entire class of senators, who I guess are rising freshmen, but when suddenly we're going a different direction on the floor than I had anticipated, there are a lot of us who sort of look around and then someone says, oh, yeah, we did that three years ago or, well, there's a precedent for that. And in an era of term limits, there are a lot of those rules that are going away. So if they're not written down when you're new, you can't possibly know the full playing field and I personally think that's not good. I'm not aiming criticism

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at any individual, but I think this is the world we live in in an era of term limits. And I get it that some of it is getting used to any new job, but we are losing our institutional memory. And then we have nuance of process that aren't communicated. And maybe it's too-- just too onerous to do so. I don't know. But when we learn the rules without learning their exceptions, it looks like we're breaking the rules. And I would ask you then, colleagues, for the good of the institution, that we try harder for even more consistency going forward and perhaps a lot more communication. I think a lot of our process problems, though not all, would get better with more communication. So I would ask us all, over the short interim, to think about how we might pass on our unwritten rules of practice, our courtesies. And I-- I also want to take a second to shine some light on a couple of our graduating seniors, as it were, Senator Howard and Senator Crawford. I just want to really raise them up as shining examples of folks who educate the new senators about some of those courtesies and some of those unwritten rules. So I want to thank them for that. But sadly, they're leaving us, so I think we're going to have to work on what our process is for talking about process. I'm still untangling all of what happened in the last few days, but it does seem to me like we shouldn't have senators who try to learn the rules, who end up in a cloud about whether or not we're actually following them. Maybe we did, maybe we didn't. It's as much of a problem if we have uncertainty, I think. So I would ask this, that for all of those folks in this body who are considering running for leadership next year, please think about how we might continue to do better, what we might continue to do to pass along some of those courtesies, those unwritten rules, and to try to develop some of the communication around process in here. Thank you, Mr. President.

HUGHES: Thank you, Senator DeBoer. Mr. Clerk.

ASSISTANT CLERK: Mr. President, Senator Slama would move to bracket the bill until August 13.

HUGHES: Senator Slama, you're recognized.

SLAMA: Thank you, Mr. President, and good morning, colleagues. It's been a big week in the Nebraska Legislature. I rise today in support, actually, of LB1074. I'm certainly opposed to AM3354. That's actually why I filed this bracket motion. I do intend to withdraw it at the close of my open, but I did see there is a long list of folks waiting to speak in the queue and I believe the cutoff for LB1074 for that three-hour limit is about an hour and a half away, so I wanted to make sure that I was able to get up and speak on this very important issue

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because I think this is a great discussion we're having today and very substantive as to where we're spending our money, how can we-- how we can best position our state, financially, to recover from the CARES Act-- from the COVID crisis, sorry about that. So at the core of my opposition to AM3354 is that we're talking about a tax increase here on businesses of \$82 million this year, \$100 million or so the next by decoupling from a tax cut that was created to help some of our best employers in this state survive. I take issue with the fact that we're painting our business owners who make \$250,000 each year, or if you're a couple, \$500,000 each year, as somehow impervious to the challenges that COVID-19 has presented. When you look at this level of business owner in a town like District 1, Senator Linehan is absolutely right. These are our successful small business-- small businesses, moderate-sized businesses who, guess what, they don't have to be in business. They get up every morning and go to work and employ Nebraskans because they want to. They're in a position where they could sell their business, move their business and be just fine. But they stay in business because they want to make a positive difference in the state of Nebraska. They want to do business in the state of Nebraska. They want to employ Nebraskans. And we're talking in the midst of a global pandemic that has crippled our economy of saying, you know what? Apparently, we can raise your taxes by \$82 million this year, \$100 million the next because we don't think that the tax cuts that the federal government designated for you are deserved because you've been successful. And make no mistake about it, I've gotten a few emails wondering where this money would go if it was freed up in our state's budget. And it's not going to be given to the taxpayers, that's not the intention here. I don't foresee that happening at all. There's been no specification that this \$82 million will be designated for property tax relief and I don't think that would get the support in this body, oddly enough. That's because the intention in freeing up this \$82 million this year, \$100 million in the out-year, it's not to give it back to the taxpayers in another way, it's to increase spending. And I know there are some fiscal conservatives on the floor standing in support of this and I totally understand where they're coming from. But for the most part, this seems to be a mission to free up money to create additional state spending, which I'm not going to stand up and-- sit back quietly as we take \$82 million from our business owners, \$100 million in the next year, and designate it for additional spending. That's not acceptable. We need to be doing everything in our power to help these businesses succeed. And the least we can do is give the green light to federal tax cuts, rather than making our business owners not only file an additional tax return, but take an additional financial hit from not being able to

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get these tax cuts. And mind you, it's a-- it's mandatory that to qualify for these cuts, you have suffered a loss. This isn't a matter of hiring an accountant to find your losses. I mean, anybody can do that already. These are losses that these business owners have far more likely than not incurred as a result of COVID-19. We should not be voting on a tax increase on our businesses today. This is not how we grow Nebraska. I will probably speak again on this bill at some point, but I did just want to get up and take a few minutes this morning to express my extreme concerns with how we're freeing up money for the state to spend on the backs of our employers in this state. So again, I rise in support of LB1074. I'd encourage a green light vote on that bill, but I am wholeheartedly opposed to AM3354. Thank you, Mr. President. I'd like to withdraw my motion.

HUGHES: So ordered. Those in the queue are Senators Groene, Briese, and Clements. Senator Groene, you are recognized.

GROENE: Thank you. Senator Slama, I've never said anything negative to you, but we've talked about rules and abuse of rules. If we're going to at least jump the line with bracket motions and things and withdraw them, please at least keep it to five minutes like the rest of us instead of ten. On this issue, let's give you a little history. This policy used to be the tax policy. You could take your losses forward or backwards, all right? Then came the Trump tax cuts and the grand bargain that the federal government was-- all right, you S corps and LLCs, you give up this and you only take your losses forward and we'll give you overall tax cuts, all right? They agreed. What this CARES Act did, said they get the Trump tax cuts and now they get to go back and take their losses backwards and forwards. Plus, we have one of the best, best tax codes for S corps and LLCs, which I fully agree with because we are a high-tax state. At least we get these businesses, large ones, to stay here. But I've got to pay the bills. I have asked the State Chamber of Commerce for six years to come in and tell me where I can cut spending. Oh, they want tax cuts and then they want to be cheerleaders. They want to support early childhood education. They want to-- Nebraska to stay in the top five per capita, support of our university, higher-education system. They want all this stuff, but they don't want to pay for it. Bring me where I can cut spending and then I'll help you cut taxes. I haven't seen it. Oh, I should say-- correct that. They finally came to the table on LB1106 and said we're going to slow down the increase of spending in public education and they came on board in LB1106, first time in six years. Well, you know where that went. Some senators were adamantly about this on the Revenue Committee, now they're supporting it. Now they won't support it. I'm sorry, folks, but if you want to be the fourth-highest support

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of higher education in the nation, then pay for it. If you want to have preschools in your-- in your public schools, then pay for it. If you want to have one of the most generous HHS that we have people immigrating into our state to get the benefits, then pay for it. Come on. I want to cut taxes more than anybody, but pay for it. We have to pay for that tax, that tax credit we gave yesterday. We have to pay for it. This is not a tax increase. This is tax neutral to the state of Nebraska. A federal delegation made a tax cut and they're going to get four to five times higher, as Senator Crawford said, a tax cut. They got the-- the tax cuts from the Trump tax cuts, but no, they wanted it back. Remember all of these tax losses, they can take forward 20 years. But they want to take it back three years now, something they agreed to in the tax-- the Trump tax cuts, but now they want it back. All right, State Chamber, Omaha Chamber, bring me some spending cuts. Oh, no, no, we're going to want \$300 million for a hospital. Who's going to pay for that? Oh, not you, huh?

HUGHES: One minute.

GROENE: Pay for it. This-- Senator Crawford is exactly right. We don't agree very often, but she's exactly right. We got to pay for it. She left the best parts in this-- in these cuts, the charitable thing, the individual taxes. And quite frankly, I hope everybody makes \$500,000. That's the American dream, 250, \$500,000. I agree with them. If you can get a tax cut, get it. Go for it. Get as much as you can. Greed is good in a free enterprise system. I do it. But don't tell me you think preschools are good in public schools and you want to give HHS benefits to everybody and you want to throw money at the University of Nebraska and then tell me you don't want to pay for it. Show me where we can cut spending. Show us where we can cut spending. Help us so we can give you tax cuts.

HUGHES: Time, Senator.

GROENE: Thank you.

HUGHES: Mr. Clerk.

ASSISTANT CLERK: Mr. President, Senator Erdman would move to bracket the bill until August 13.

HUGHES: Senator Erdman, you're recognized to open on your bracket motion.

ERDMAN: Thank you, Mr. President, I appreciate that. You know, it seems that today we're bringing out the best. People speak up so I can

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hear them. You know, one of the things that has been alluded to several times today is that we have to find the money to give the property tax relief, supposed property tax relief we did yesterday. I'm here to tell you, you don't need to find the money because it is an income tax credit. The state is not going to write a check for the property tax, so-called property tax relief yesterday. You're just not going to pay your income tax. It's exactly this same procedure they use with LB720. We never, never, never, never, never talk about funding LB720. We don't, but we somehow have to have an appropriations to figure out how to give you a credit on your income tax. It's foreign to me that I've asked that question at least five or six times, no one has ever spoken to it, nobody, and I'm sure there are people out there listening today that would like an answer to that as well. So what we're doing here today, we may pass AM3354. I don't know. I'm listening to try to figure out where it is. But this may be a better way, a better mechanism to incentivize businesses than the incentive package that passed first round yesterday. So maybe Senator Crawford is on to something here and I need to join with her and pass this. Now earlier today, someone had said the Chamber of Commerce is opposed to this bill. Now you need to remember, last week I announced to you that generally, if you want to get something passed in the Nebraska Legislature, you first have to get the blessing of the Chamber of Commerce. And then second, you need to get the blessing of the University of Nebraska. And in third, are the big schools. Now those second two, the third-- second and third one may be interchangeable, but the first one is locked in solid at the top, Chamber of Commerce. And Senator Groene said it well when he said, bring me something that shows how we cut spending from the Chamber and that just doesn't happen. So we're going to talk about this a little longer. I think we have to adjourn at noon, which is good because I have nearly 400 miles to go to go home. So that's a good thing, but we're going to talk about this until we come to a conclusion as to what it should be. And I haven't completely decided yet, but I think Senator Crawford is winning me over to her side. There's no free lunch, OK? And so, as Senator Groene said, if you want all these things, you need to pay for them. And we will continue to talk about why we don't need to have an appropriations for property tax relief in the method that's included in LB1107. Until someone stands up on this floor and explains to me what the difference is between funding the incentives for LB720 and the incentives for property tax relief and explains the difference, I will continue to bring that up. So it appears today what has happened, the old lovefest didn't last long. It was only for yesterday afternoon, which is OK, because maybe today we're now demonstrating the fact that people are thinking. Because, as

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I said yesterday, if we're all thinking alike, is anybody really thinking? Well, it doesn't seem that way today. And Senator Chambers, as you have spoken to several times, there's probably only three people in this room listening anyway, but that doesn't make any difference. We'll take the time to say whatever we have to say and they can listen or not, that's their prerogative, but I will listen to Senator-- Senator Clements. I think Senator Clements probably has some information that will be shared with us that will shed some light on where we need to go with this, but this is an issue that we need to deal with today and move on. And Senator Crawford, thank you for bringing this. It gives us an opportunity to discuss this, but we may want to consider this being a better avenue than the incentives we currently give because those incentives that we currently give only affect or benefit the people who get the tax incentives. And I know, I know, I've heard it from several senators how wonderful the incentives have been. They brought this to the state and that to the state, but nobody ever asks them if they would have come if we give them nothing. And so I was invited about a week ago to join a coalition of 14 states that are trying to eliminate all incentives. I'm going to sign up for that. I'm going to sign up for that because that makes some sense to me. Eliminate the incentives, everybody plays on the same level playing field, and then government isn't afforded the opportunity to pick winners and losers. That's what we do. We pick winners and losers. And we talk about the business incentive help that we've given to the small businesses through the CARES Act and we put this in place to help the small businesses, and that's-- that's baloney, OK? So if you're a small business in the state of Nebraska and I mean small, like, say you're a husband and wife and you have one part-time employee and your business doesn't do income tax withholding, because you don't do that, you're not eligible for the \$12,000 grant. Now that's a small business, the smallest there is, but we don't help those people. No, we don't. And so don't stand up here on the floor and say we've helped small businesses with our programs we put in place because we don't. We help some small businesses, but we don't help all. And when the question is asked, why don't we help them all? The answer is, well, we would get the Uber driver in Omaha, he would make an application or she. And we get all these questions-- all these answers to our questions that don't make any sense. And I ask them, don't you have a computer and you can scrutinize or analyze who it is and what they're doing and make a decision that makes sense for rural, small businesses? No, we don't do that. And so until we figure this out on how to treat people right and how to take care of them correctly, and the only way we can do that is to lower taxes so everybody can compete on the same level playing field. Incentives

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don't help anybody but the people who get the money. And I was thinking about removing my bracket, but I'm not going to. I'm going to leave it up there. Thank you.

FOLEY: Thanks, Senator Erdman. Senators Briese, Clements, and Hilgers. Senator Briese.

BRIESE: Thank you, Mr. President. Good morning, colleagues. I rise in opposition to the motion to bracket-- excuse me-- in opposition to AM3354. You know, we talk about all the time about growing our state. How do we grow our state? There's a lot of ways to help grow our state, but one key method is to allow our business to prosper. Businesses in our state, including agriculture, drive our state. But here we're talking about a provision to limit the ability to deduct these excess losses. Can't write them off? That's ridiculous. We've talked-- I've heard Senator Kolterman tell us many times that we need to be open for business and I agree with him 100 percent. And taking away our ability to deduct these business losses sends the wrong message. So people ask, well, Briese, why did you bring the decoupling bill? Well, I-- I have a history of bringing revenue-generating bills in an effort to achieve and try to solve the number one issue facing our state and that's property tax relief. And so I brought the decoupling bill in an effort to ensure that we had the ability to enact meaningful and substantial property tax relief. I think I made that clear from the beginning. But AM1107, excuse me, LB1107 yesterday, the amendment to it, it sets out a sustainable path forward for funding property tax reform. Senator Stinner, on the floor yesterday, confirmed that and I agree with his analysis. It's also safe to say that the business community has enormous concerns about my original decoupling bill and this AM3354. And some have suggested that decoupling could go so far as to blow up the deal that-- blow up the package that this floor almost unanimously sent forward yesterday. And I-- I'm not certain that's the case, sounds like posturing to me; but-- but out of respect for the stakeholders and what we've essentially agreed to regarding the package, I'm not-- I'm not going to support this amendment. And I do want to address something else that was said. Someone suggested, well, there was a backroom deal on-- well, you do this and Briese's going to pull the decoupling and this and that. No, we never, never talked about that. It wasn't-- it wasn't an explicit part of the deal. I wouldn't consider it an implied part of the deal. I never discussed it with anyone. I essentially pulled that-- my amendment out of respect for the package and out of respect for the parties to the package. But anyway, I would urge your opposition to the motion and to Senator Crawford's AM3354. Thank you, Mr. President.

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FOLEY: Thank you, Senator Briese. Senator Clements.

CLEMENTS: Thank you, Mr. President. I've been trying to get caught up on what all this is and making some notes and my name has been mentioned a lot. Thanks for the mention, but I am-- just wanted to stand up and say, as I've been thinking about this, I'm opposed to AM3354. The CARES Act, this year, restored a carryback of current operating losses to prior profitable years. The federal Tax Cut and Jobs Act that started in 2018 eliminated carryback of losses over \$250,000, which had been allowed for many years. The loss carryback helps a business average their income and their taxes from ups and downs in the economy in their business. And it's a way to average out their flow of expenses and income. The way I think of it, some businesses may not even survive into next year to claim this year's losses if they have to just carry them forward. The 2020 tax savings would give them some breathing room, getting a tax refund to help with their 2020 cash flow, their operating expenses, because business is still trying to recover. Those taxpayers who survive will claim these losses in the future anyway as this year's losses are claimed. And so we're not really saving money. We're just shifting it from whether it's claimed this year or in the next few years. It's already August and this change would be retroactive to January 1. Some businesses have already counted on these deductions and this will disrupt their plans, more than halfway through the year, making a retroactive change. We have balanced our current budget this year, taking into account the CARES Act. We already have the-- this loss of revenue in our budget. And it's not going to break our budget, it's balanced already. And so it is-- also the added income or the added revenue that this would generate, I don't know for sure where it's going to go. I doubt it would really go to property tax. But mainly, I want to make sure we get some businesses be able to survive that may not survive without being able to claim these deductions and get some refunds. So I oppose AM3354. I'd yield the rest of my time to Senator Erdman.

FOLEY: Thank you, Senator Clements. Senator Erdman, 2:00.

ERDMAN: Thank you, Mr. Lieutenant Governor. I wish to withdraw my bracket motion.

FOLEY: The bracket motion is withdrawn. Returning to the queue. Senator Hilgers.

HILGERS: Thank you, Mr. President. Good morning, colleagues. I rise in opposition to AM3354. I want to make two preliminary points. The first

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is, I really want to give a shout out and an acknowledgment to Senator Crawford. I-- I have listened to the debate yesterday and there were a lot of well-deserved kudos as to a number of different senators who participated in the compromise and worked together to try to-- to try to come up with a bill that passed with over 40 votes yesterday. And I agree with all that, by the way. Senators-- the work from Senator Stinner, the Speaker, Senator Linehan, Senator Briese, all of those senators mentioned yesterday, I think all-- deserve all the credit that they get. But I think one senator who was not referenced who I think has played a big role in this is Senator Crawford, and I-- I was in the part of the working group of ten senator discussions before we came back, during this little interim that we had. And she was-- always has been very thoughtful, very policy driven, very conscientious, very principled, and so I think she deserves some public acclamation for-- for the work that she's done. And this is-- continues with the work that she's done bringing this particular amendment so I appreciate that very much. The second point I would make on a policy perspective, the idea of decoupling from whatever the federal tax structure does is not something that I would automatically reject. The idea of having this policy discussion, which is a good discussion today, is one that we ought to have. The federal government has different policy aims, has different resources. They can deficit spend, they could do a whole lot of things that the state of Nebraska cannot do. And so the idea of just automatically accepting a tax change of any kind, tax increase, tax reduction from the federal government, I think is one that we ought to look at carefully. And that is what we are doing this morning and I appreciate the debate that we've had. Now why am I rising in opposition to this particular amendment? The key reason I believe is this impacts-- this has a potential significant impact to small businesses. And I think one of the great blessings of this country is the ability of any individual to be able to bet on their own time and talent, to be able to start their own business and see how far that their time and their talent can take them. And the reality is, a lot of businesses, small or even medium size, don't have nearly the resources that large businesses do. They don't have access to public capital markets. They, oftentimes, don't have access to big bankers who can-- who can loan them lots of money, even when times are tough. So if you're a small business or a medium-sized business and you're grinding out a 10 percent profit every year-- you're doing OK, you're making it, maybe you're growing. You're putting in a lot of your own effort and you're employing people. Now what happened earlier this year is that the government essentially put our economy into a medically-induced coma. We shut down our economy. Now if you're going around a 10 percent clip for a

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profit per year, you're eking it out, you're doing what you can and all of a sudden your revenue dips 40 percent, you don't have a lot of options. The math does not work. So here are your options. One, you could just lose money until you go bankrupt. And there are, unfortunately, untold number of businesses to which that has already happened and the scars on our economy will last for a very long time. Two, you can go out and get additional resource. You're losing money every year so you can go out and get additional resources. The problem, as I mentioned, is if you're a smaller business, you tend to not have access to the same capital, the same dollars that larger companies have. You have to pay payroll, you have to pay your utilities, you have to pay rent, all these costs that you've-- you've committed to without considering that a pandemic would come. Those are costs you have to pay if you want to stay in business. So how do you close the gap? Well, you can go try to get outside capital. In many cases, that's very difficult to do. You can go to a bank, but the truth is, when times are tough and you're losing money, banks don't tend to lend to those types of operations. Not always, but they tend not to. So what do you do? Well, the government, the federal government, decided that one of the things that they could do was try to inject liquidity, give cash, give dollars. They put the economy into a medically-induced coma, so they wanted these-- they wanted to survive through the coma and so they made payments. So one of the things they did for individuals who were having the same problem is they-- they made the direct cash payments to individuals. They increased the unemployment insurance. And what-- and what they did for smaller businesses--

FOLEY: One minute.

HILGERS: --they did a variety of things. Thank you, Mr. President. And one of the things is they did this particular tax provision. Now it's very complicated, but the ultimate result was it gave liquidity to small businesses. It gave cash in the pocket of small businesses and it allowed them, in many cases, to continue to operate. Now what we would do here is take that away. And to Senator Clements' point, which I think is a very strong one is, this is retroactive. So these small businesses have been operating for months on the idea that they'd get this cash back. And instead of certainty, we're giving them uncertainty and we're taking dollars away if this were to pass. So ultimately, colleagues, this is a very good discussion. I'm not sure I'll have time to be able to get in the queue again. I do oppose this amendment because the impact it's going to have on small businesses that might now just be surviving and get through this, people who--

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they didn't ask for the economy to shut down. They just want to get back to-- as close to a normal as they can and we want to make sure--

FOLEY: Time.

HILGERS: --that they get them there and I think they ought to have these dollars. Thank you, Mr. President.

FOLEY: Thank you, Senator Hilgers. Senator Linehan.

LINEHAN: Thank you, Mr. President, and thank you for Senator Hilgers' explanations. And I have had a request from Senator Blood, which I appreciate very much, just explain exactly, so what this does. So let's say you're a restaurant and we have a few of those in my district, family-owned businesses. They work seven days a week. Well, a couple of them are closed on Monday. So and they do-- they do a good business. And I'm guessing that some of them are in this income level when times are good and we're a-- we're a community that likes to eat out a lot. So for the last-- in '18, '17, they made considerable money. Then the federal government-- and not the federal government, I'm sorry-- we all had to close, shut down, close their doors, can't be open. They make no money. They hardly can-- maybe have to let go some staff. Hopefully, they got PPP loans. But they go from-- through no fault of their own, they didn't-- no fault of their own and they have no-- they have no decision. All decision is taken away from them. They have to close their doors. Now how are they going to survive paying property taxes, paying their utilities? If they have a loan, they have to pay all those things and they have no revenue coming in the door, none. So the federal government decided, Congress, that we have to give these businesses who are successful, many-- well, we know they're S corps and LLCs. They're not corporations, guys. These are-- these are family businesses. How do we keep them from going bankrupt? And we know we're not going to-- I mean, if you read the paper every other day, there's a story about whether it is-- I'm not thinking of any of the famous restaurants that are closing in Omaha, but Dundee Dell. Dundee Dell's been around-- I don't ever remember when there wasn't a Dundee Dell. And as I said yesterday, I'm not a youngster. They're not coming back. This allows businesses that were very profitable in '17 and '18 to go back and recap, take some of those losses back so they have cash to keep the doors open, to keep people employed. That's all we're doing here. And I don't know how we can argue about letting people keep their doors open and keep people employed. It is-- we could argue it's a tax increase, it's not a tax increase. But to Senator Hilgers' and Senator Clements' point, they filed their taxes in July of this year under the law that they could

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carry back. So don't be confused. If we would decouple, they're going to have to pay taxes. And basically, we all understand politics. If you send somebody a letter that says you owe taxes that they didn't owe two months ago, it is a tax increase, guys. Nobody is going to see it any-- any differently. They've already taken advantage of this law. So if we do-- we decouple, people who are already suffering, who have losses-- remember, we're talking about business losses. Did I-- did you say a minute yet, sir?

FOLEY: One minute.

LINEHAN: OK. I'm going to allow Senator Blood to have the rest of my time. Thank you.

FOLEY: Senator Blood, 1:00.

BLOOD: Thank you, and thank you, Senator Linehan. I just want to say real quickly on record, to the rural senators who have negatively spoken about the NExT Nebraska project, if you're worried about property tax, you should worry about losing that \$1.6 billion that Offutt Air Force Base puts into the Nebraska economy every year. Sarpy County will be in a world of hurt if Offutt Air Force Base goes away. This public-private partnership that's going on with the university, with Nebraska Medical Center, is going to take us off the BRAC list. If we are off the BRAC list, we never, ever have to worry again about where Offutt Air Force Base goes. So please don't misinform your constituents on how that's an issue that's going to negatively affect property tax. If we are bringing in income into the state of Nebraska, we are helping the property tax issue. If we are keeping people employed, we are helping the property tax issue. We don't have a lot of people in Nebraska. We got to take advantage of what we've got. And if you're not willing to protect our number one employer--

FOLEY: That's time.

BLOOD: --with a simple relationship, that's wrong.

FOLEY: That's time. Thank you, Senator Blood. Senator La Grone.

La GRONE: Thank you, Mr. President. I completely agree with Senator Blood on the importance of Offutt and that's why I also am so strongly in favor of the NExT-- the NExT project. I really want to thank Senator Linehan for that great explanation of what this does. This is a small business bill. This-- we're dealing with small businesses right here and we need to ensure that we do not increase taxes on small businesses, which is why I'm opposed to AM3354. Nebraska has one

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of the best unemployment rates in the nation right now because of how well the small business community and the banking community responded to the economic crisis. And the majority of Nebraskans are employed by these small businesses so when we're talking about increasing taxes on these small businesses, we're potentially talking about putting people out of work. And so I think that's a-- that's a huge issue and another reason I'm very opposed to AM3354. But I was talking with Senator Clements off the mike and I thought he had-- he has really great insight on this so I want to put some of that on the mike. So I was wondering if Senator Clements might yield to a question?

FOLEY: Senator Clements, would you yield, please?

CLEMENTS: Yes.

La GRONE: Thank you, Senator Clements. Senator Clements, have you-- you're a banker and you deal with a lot of tax issues. Have you ever dealt with something similar to this before in your career?

CLEMENTS: Yes, we went through the 1980s farm crisis. Not only the farmers had trouble, the bank itself was struggling with income. And so the farmers who had large losses, as they started to recover, we did net operating loss carrybacks to help them average their income and save some tax, actually to get working capital back in the 1980s. It was very important to be able to carry back losses for those farmers.

La GRONE: Would you say that the current situation we're going through is similar to that?

CLEMENTS: Yes, it is. As-- as I was thinking about this, we have a large farmer who carries his grain in bins till June of the next year. So last year's corn crop was carried in the bin till June. And about 300,000 bushels of corn dropped by a dollar a bushel. That's a \$300,000 loss and I already know that he's not making all of his payments this year. If he had-- he has prior years' profits, that will definitely help him to recoup some of that tax paid in previous years.

La GRONE: So there's something implicit in what you just said there and I want to draw that out a little bit. So you're-- mentioned how it relates to some of your clients. So my understanding of this and tell me if this is correct, is that it applies to all types of businesses. Is that correct?

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CLEMENTS: Yes. Farming is just another business, same tax forms. It's-- farming business or any other business would be eligible for the same type of strategy.

La GRONE: Do you think that this is something that when we're thinking about ag, because you and I both-- we-- our districts abut each other in the-- the rural part of Sarpy County. So this is an issue I know that you and I both deal with. Do you think this is an issue that my constituents and your constituents in that similar area are going to be dealing with on an ongoing basis?

CLEMENTS: Yes, I-- I do. I think this would be an advantage for them to be able to have this tool to use.

La GRONE: Thank you, Senator Clements. Colleagues, I found that conversation I had with Senator Clements off the mike, that we've now put on the mike, really informative due to his expertise and how this type of policy works, but also in how it applies across sectors. And that's something that's really important to me because I have a district that is suburban but is also rural in some areas. And so I think that's really important to understand how this affects not only small businesses in urban areas, which is something that's very important to me, but also small businesses like farms in rural areas. It's also important in my district. So I really, really do thank Senator Clements for his expertise on that. I think we've had a really good discussion today about the intricacies of this and I'd yield the remainder of my time to Senator Stinner if he would like it.

FOLEY: Senator Stinner, 30 seconds.

STINNER: Thank you, Mr. President. And I was just going through an example and I'm trying to get my head around this \$500,000 cap and people who make over \$500,000. The cap is combined over a five-year period of time, OK? I'm a single individual. I made \$90,000. I paid taxes on \$90,000 over the last five years. That's \$450,000. The cap is \$250,000. So I can go back, I've incurred losses of \$500,000. I can only go back and scoop up 250 of it. So by removing the cap, I can scoop up the rest of that taxable income, utilizing that not only on the federal refund side, but on the state refund side. I think Senator Linehan said we're going to either pay now or we're going to pay later because I can carry that loss forward and supposedly, I'll have income going forward. So eventually, that loss gets paid out by the state, either prospectively or helping them now on Main Street. And this is in the individual income taxpayer. So you've got farm income, you've got interest and dividends, you've got business--

FOLEY: Time.

STINNER: --S corp and partnerships.

FOLEY: Thank you, Senator Stinner. Senator Ben Hansen.

B. HANSEN: Thank you, Mr. President. I actually appreciate the debate that's going on here. I think it's an important topic for all of us with shared opinions and different opinions to express. And so as a business owner myself, I own multiple businesses, some S corps. I wish I made more than \$500,000 a year. I don't. So I think speaking from that aspect of being a small business owner, I can hopefully maybe attest to why I oppose AM3354, even though I do appreciate all the work that Senator Crawford has put into this. And I do have to disagree with the fact that-- that this is a tax increase. I don't see it as a tax increase if this amendment fails. It's just a verbiage thing with me. I do like to echo some of the sentiments from Senator Hilgers. I think he explained a lot of things very well. And especially with the uncertainty in the marketplace, when we say we're going to do one thing and then we don't. I think that will create uncertainty in marketplaces and will affect our economy even more. I also agree with something Senator Crawford said, maybe with the potential need for revenue in the future. However, I-- the one thing I think we all talk about is balancing the three-legged stool. That's one thing we all talk about trying to do. I think staying coupled will help balance that if eventually we can start looking at the possibility of how we incorporate sales tax in the state of Nebraska. I know we-- we heard that from other senators, all exemptions that we have. Then that's a way you can kind of help balance that three-legged stool, which is what I think we did kind of yesterday with property tax. We're trying to bring down property tax, trying to affect the income tax, increase sales tax to a certain extent. And that's how you balance that three-legged stool so long as you have all three components and not just one, I think that's the most fair to the taxpayers of the state of Nebraska. One thing that I've always kind of been passionate about is cutting spending in the-- in our state government and I fundamentally believe as a bureaucracy, we don't ever cut spending voluntarily. This is something I know President Reagan or his administration talked about previously, about one way that you can help facilitate cutting spending in your government is decreasing your revenue in certain areas. It's kind of what they always called starving the beast, right? They viewed our-- our government as a beast that always kind of eats up everything in its way and so take away its food. It'll lose weight and this is one way you can do it. I already think our state government is obese and could lose some weight. One

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thing-- I know I'm going to hear about it later from my esteemed colleague, Senator Groene. One of the things I do disagree with him is he-- he did give some good history about the-- the grand bargain from the federal government and the Trump tax cuts. Well, one thing has changed since then, and something I do disagree with, and that is the government sticking their nose into our business as business owners and consumers in the free marketplace. They have disrupted that whole philosophy of decisions being best made by the business owner and the consumer, something I've talked about before. They've forced a lot of these businesses to close unvoluntarily because they're worried about the behavior of the consumer, something I fundamentally disagree with. If the consumer doesn't want to go into a business, they don't. If the business owner is concerned about the health and safety of themselves and the welfare of their employees, they don't open. It's a mutually symbiotic relationship that whenever the government gets involved, ruins things. And I think that's one of the things that damaged our economy. And so because the government-- I-- in my opinion, the government caused a lot of this damage to our economy. There is one way we can make up for it. Let the people have some of their money back, some of the-- some of the money that we already took from them. I think this is one way we can do that, so I'm fundamentally opposed to telling businesses--

FOLEY: One minute.

B. HANSEN: --who can be open and who can't. And like I said, this is one way we can make up for it. So whatever time I've got left, I will yield the rest of my time to Senator Albrecht. Thank you.

FOLEY: Senator Albrecht, you've been yielded 45 seconds.

ALBRECHT: Well, I probably can't talk that fast, but thank you very much. I appreciate the time. I'll keep my light on because I do want to tell a story about my district and I think that this is going to harm Main Street in our small, rural areas in my district. I stand in favor of LB1074 and opposed to LB3354 [SIC]. Thank you.

FOLEY: Thank you, Senator Albrecht. Senator Dorn.

DORN: Thank you, Lieutenant Governor. Would Senator Clements yield to a question?

FOLEY: Senator Clements, would you yield, please?

CLEMENTS: Yes.

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DORN: Thank you. I think I am-- I'm pretty sure I understood you right, earlier on your comments, and I appreciated your comments very much. This is revenue now that in this coming year, the state of Nebraska-- this is-- it was the revenue that we will not be taking in. However, just so I understand it correctly and because of the pullbacks and all that, this revenue that-- this current year, in the short period of time here, that will be coming in, that will or has a high probability at some time, being used-- if-- if this isn't in effect, would be used in future years anyway. So the revenue loss that we have here is not a-- what I call a brand new one, it is shifting kind of the time.

CLEMENTS: That's right. We would be losing the-- these tax receipts in the future anyway. It's just going to-- over the next two or three years, I suppose, instead of all in one year. Yeah, we're not going to save any money really; it's just going to shift it from this year to the next couple years, probably.

DORN: Thank you. I-- I appreciate you very much, those comments. And then the other comment I'd like to make is I've had a hard time, too, realizing how the cap is affected. I appreciated Chair-- Chairman Stinner or Senator Stinner's comments on that cap and explaining how that cap truly affects some of these small businesses because we kept talking about the \$500,000 for a married couple on everything. There are a lot of these small businesses that would not be at that level of income so his explanation was very good too. Thank you and I'll yield the rest of my time.

FOLEY: Thanks, Senator Dorn. Senator Williams.

WILLIAMS: Thank you, Mr. President, and good morning again, colleagues. I want to talk a little bit about businesses. I-- I-- I really appreciate the explanation that Senator Clements and Senator Linehan have recently given on the mikes, clarifying how these losses can and should be used. It's-- it's really easy for all of us to fall into the trap of-- of giving all of our listening ears to individuals and sometimes forget that we have businesses that are vitally important to us, businesses that don't always have a voice and sometimes don't have a sympathetic ear from those that are listening. And I would remind you that it is these very businesses that we are talking about that are creating and have created the jobs that hire the individuals that you're concerned about, the jobs that provide benefits to the individuals that you're concerned about so that they have that opportunity so that they can pay their rent, make their house payment, and all of those kinds of things. All too often, we

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forget that there's just a couple of things that businesses have to have. And I'm telling you, in a crisis, it's all about liquidity and cash flow. You can have customers if you're a business, you can have a business if you're a business. But if you don't have liquidity, which for those here I would define as money in the bank, you can't stay open. Decoupling takes away a tool. The-- the CARES Act allowed for an opportunity for businesses that now are having a loss, a significant loss, but have made money in previous years to go back and capture those funds to provide the liquidity to stay in business now to continue providing those jobs for the future. With that, I would yield the balance of my time to Senator Stinner.

FOLEY: Thanks, Senator Williams. Senator Stinner, 2:40.

STINNER: Thank you, Senator Williams. Just a little bit different discussion and I think that people have to be aware where we're at budgetarily. Right now, this is all baked into our projections as it relates to the CARES Act impact. It's also-- when we do forecasting, it's baked into the forecasts. So just talking about revenue and a lot of people are concerned where we're at with COVID, where the budget's going to be. I'm more concerned than anybody in this place about it because the-- and-- and actually, I have instructed Fiscal to deviate from our normal methodology and to use the forecast of IHS and Moody's. There is a lot of discussion about forecasting, what it means, how it works, all the rest of that. Well, if-- if you're following anything on CNBC or business channel, you're seeing businesses come in with higher earnings. If you're following just the state side of things, sales tax has stayed in place. That's my leading indicator, to my surprise. If you followed where I was at on the forecast early on, I would-- sought 10 percent, \$500 million down. We've revised that. All of the sudden, we're-- we're revising to about \$200 million down. So this is kind of a fluid situation. You can take both sides of it, but let's add some realism to it. We were \$430 million in the out-- out-year up. Under the revision that we--

FOLEY: One minute.

STINNER: --put in this budget, we're down 4-- is that time, sir?

FOLEY: One minute.

STINNER: One minute. OK, thank you. So now we've revised down 400. I think we're being pretty conservative in that. I hope we're being realistic in that. We're planning around that, but this is all baked into it. You know and I've got a fiscal report. I asked Fiscal to kind

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of draw this out so we have some kind of status report as we go forward. And some of the adjustments, for an example, the transfer to the rainy day fund, will not be in those projections once-- once you get that. So next week when you get a-- a-- a financial status report, it's going to show a big negative from the effects of what we're trying to get done here. However, there are adjustments. You know, kind of hold your fire on what-- what is happening there. And-- and I guess I do agree with Senator Linehan. You-- this-- this is-- impact's going to be felt prospectively or right now. Right now, businesses need the help.

FOLEY: That's time.

STINNER: And that's-- that's the important thing. Thank you.

FOLEY: Thank you Senator Stinner. Senator Friesen.

FRIESEN: Thank you, Mr. President. So when we talk about issues like this and how it affects different taxpayers, that's one after being on the Revenue Committee now for I think this is my fourth year, you find out how complicated our tax code is. There have been a lot of discussion, I think, among businesses and others in the industry that talk about reforming our tax code, making it simpler, making it more transparent, and making us more business friendly. And this is some of the discussions we've had when we've talked about our incentive program. Should we make our state a tax-friendly state where all businesses can benefit or do we choose the winners and the losers? This is kind of-- part of what we're doing at times is we have an advertised rate of a certain amount, but what the effective tax rate is, is a whole different number. And so the effective tax rate is what the taxes you actually pay. And again, going forward, I mean, our revenue is something we're all concerned about. We don't-- we don't know where we're going to be in the next couple of years. We don't know if this recession is going to last one year, two years, three years. If we suddenly don't have a vaccine, are we going to be going through this-- through the motions of this for the next couple years? Don't know. And so as we look forward trying to build a budget and do things next year, that's when the stress begins, is we'll-- we'll at least know a little bit more, we'll be into-- into January. We'll have some revenue pictures of where we've been, what's happened in July, August, September, October, November. It'll give us a little bit of a pattern, but there will be still a little-- a lot of unknown. So one thing that we also have hanging over our head is all of the money, the-- the tax credits that have been earned under the Advantage Act. And when those get collected and when they don't and if they just keep

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riding and moving forward, they will come into play some day. With the federal government, they will send another, probably, round of COVID money. Right now, I still think they're arguing over it. I don't know quite what it's going to amount to, who gets helped, who doesn't. That will have an impact on our revenues for next year. So when we're-- we're talking about our tax policy in-- in broad terms, again, it goes down to we have property taxes, which are totally on the local level. We have sales taxes, which is a state and a local level issue. And then we do have the income tax, corporate rates and our individual pass-through rates. The corporate rates are the highest rates of all, but when you look at the effective rate, they would be more reasonable. But if we're going to be a business-friendly state, we should be working on lowering our corporate rates. When you take a-- a C corp, those dollars in income from a C corp either get paid out as dividends or profits to shareholders, which are then taxed. So you can say those dollars are basically taxed twice. Now when you're talking about a Subchapter S or an LLC of those types, those are passed through and taxed on the individual level and that's what we're really dealing with here. It's not the-- not the C corps, not the large corporations. We're talking about the Subchapter S's and LLCs that are out there taking advantage of this. So again, it's-- we are talking a considerable amount of money, but the federal government did this for a reason. It is meant to stimulate the economy, to be able to let those businesses write off those losses. In the end, Nebraska always has that choice of whether or not are we going to write off these-- or follow the federal--

FOLEY: One minute.

FRIESEN: --and-- and match their tax code or are we going to break away and do what-- whatever we decide? And we're capable of doing that and I think you'll-- you see the impact. But again, it's-- it's not known for sure. These are estimates. And I do really thank Senator Crawford for-- for bringing this amendment. I think this has been a good discussion. I think actually people are listening. She has framed it well and it's going to be interesting to see where everybody lands on this. We've had some tough votes in the last few days, and I think everybody's kind of watching this and trying to decide what do we do? And so I-- I think everybody needs to keep listening because there's still some good discussion going on and-- and you can-- I can-- I can make the arguments still either way.

FOLEY: That's time.

FRIESEN: Thank you, Mr. President.

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FOLEY: Thanks, Senator Friesen. Senator Albrecht.

ALBRECHT: Thank you, Mr. President. Colleagues, I just want to talk about a little story that happened in my district. And in the last four years, I watched this person, I won't say who it was, but I watched this individual have a dream. I watched her talk about it with people within the community. I watched her develop this concept, this new business with her family. I watched how their family got behind her. The community got behind her. It was an amazing venture for her and I still believe it is a very good venture. But if something like this decoupling happened, I mean, not only would she have to say goodbye to her employees, but to have to shut the business down would not work. And in-- again, in rural America, where we are very happy to have any new business opened, but the amount of energy and the-- just the dream that she had and watching this come into fruition and then the COVID hits and everything comes to a complete standstill. I mean, you know, while I was home, I probably took more phone calls at my home in the last 119 days before we got down here than I did in all three years or four years that I've been-- been in the Legislature. There were a lot of people, not just in a small arena, but I also had the calls from the-- the larger venues that are out there that are suffering because I'm in that tri-state area. And when you have one state that was open and another that was not, these people that were booked with these venues just decided to move and just leave the commitment they had and they went somewhere else, and that was devastating. That was devastating to the community. It was devastating to this owner. It was devastating to their family. It was devastating to-- to the employees. I mean, people are suffering through this and now is not the time to-- to ask everybody to step back. You know, of course, you know, the alarms were set off. And Senator Crawford, you did a great job in your opening, but-- but not that \$500 million-- or \$500,000 that we think that these people are making and then finding all the ways to-- to get out of it. I mean, these are-- these are new businesses. These are businesses that have been around a long time. These are businesses that need this help to stay afloat so that they don't close down. And believe me, there are too many people-- I am very grateful for what we are getting done here in these final hours, but we need to be there for-- as you say, there are a lot of asks right now, but this, to me, is not the time to be decoupling in our state. And again, I rise in support of LB1074 and against AM3354. Thank you.

FOLEY: Thank you, Senator Albrecht. Senator Lowe.

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LOWE: Thank you, Lieutenant Governor. I'm going to read an excerpt from Freedom to Chains by Paul Harvey and it was from 1965. It was not an external attack that destroyed the Roman Empire. Starting about 146 B.C., internal conditions in Rome were characterized by a welter of class wars and conflicts, street brawls, corrupt governors, lack of personal integrity, and moral responsibility. About 290 years after Christ, a Roman emperor named Diocletian took over. He really grabbed the bull by the horns. He took over in a period of turmoil, severe depression. The first thing Diocletian did was call in the gold and closed the banks and raised the taxes. He reduced the power of the Senate, delegated the power to a lot of little government bureaucrats. Do you know he even had a transportation act back then, prescribing the fee required to rent one laden jackass per mile? At today's rate of exchange, it would have amounted to about a half a cent per mile, which meant at that time, in order to care-- to make a profit on a jackass, he would have to carry five passengers. That was simply beyond the capacity of the jackass. Diocletian put millions of people on the public payroll; but when this failed to do the job, the country was still in trouble, he asked for more personal powers for himself. For a brief while, incidentally, they were on standby powers, but then he used them. All at once, he froze wages, froze prices. He froze jobs. He stopped profits. He dictated to the farmer what he should plant, when he should plant it, and where he should sell it and for how much money, and he rationed the food, and what happened? The labor market closed down. Incentives were gone, farm life became dependent on bureaucratic red tape. Exorbitant taxes cost the farmer his land. He kept for himself only a small plot of land, which he might grow turnips on for his family. He lost the rest of it to the state and without food and without [SIC] incentives gone, the city life stagnated and declined. And Rome passed away into what history has recorded as the Dark Ages, lasting for a thousand years. Just by turning to the left, the world is gone in circles. Now either we will profit from our errors of their ways or it follows as the night, the day. Our children are going to have to relieve-- relive the Dark Ages all over again. How come, after thousands of years of experiment, our new nation has come so far, so fast? It is because we have had the free market society in the past, but we are letting it slip through our hands at this time. I'm not in favor of AM3354. Small businesses make 150-- or \$500,000 a year. I had a small yogurt shop, which employed ten part-time people, all of them students, most of them from the University of Nebraska-Kearney, but we had several high school students. We used very good ingredients in our yogurt. It was the top of the line.

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FOLEY: One minute.

LOWE: Thank you, Lieutenant Governor. We did not have frozen fruits and things like that to put on it. We cut up, every morning, fresh fruits to put on top of yogurt. The banana was peeled every hour because we didn't let it spoil. Our costs were high. And for that little yogurt shop, we did a good business. We did a great business in there and it was over \$500,000 a year, but the costs of what we did left little room for profit. It was a good business and I enjoyed it, but it would-- this amendment would take into effect that business with little profit. Thank you, Lieutenant Governor.

FOLEY: Thank you, Senator Lowe. Senator McCollister.

McCOLLISTER: Thank you, Mr. President. Good morning again, colleagues. I really appreciate the comments of Senator Lowe and my friend, Senator Ben Hansen. And we talked about how government interferes with our lives and with our businesses to the detriment of society. And to some extent, as a former business manager, I agree. You know, when government puts their heavy hand on business, it makes it more difficult for business owners and individuals to make money. And, of course, the solution to that was starve the beast, according to Senator Ben Hansen. All I ask before I start dealing with this bill and the amendment is to say, if that's true, if that philosophy is true, how does that not apply to LB814, LB814? Just a rhetorical question for you this morning. With this example, LB1074 and AM3354, if my glasses are correctly adjusted, I had a business in 1980, family had a business; and we've heard from senator-- senators, that was a tough time in the ag industry. And we lost probably \$1.5, \$2 million in a period of four years when interest rates were 18 percent. So this loss carryforward provision was something we were able to use after the bad business quit occurring. And we were able to take advantage of that. Would Senator-- would-- I'll-- I'll come back with a question. But the loss carryforward provision was something we could really use and so I'm going to come out against the amendment, but support the bill. And this is a bill that we need to pass this morning so I would hope that we would quit talking on the mike. Would Senator Clements answer a question or two?

FOLEY: Senator Clements, would you yield, please?

CLEMENTS: Yes.

McCOLLISTER: Senator Clements, we talked about the loss carryforward provisions that are related to this amendment, correct?

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CLEMENTS: Yes.

McCOLLISTER: And for the most part, it's just a timing issue, wouldn't you agree with that?

CLEMENTS: Yes, it is a timing issue, whether they deduct that this year or it has to be carried forward because they're not allowed to carry it back.

McCOLLISTER: But we looked at the fact that under the CARES Act, you can go to the previous five years and, you know, recalibrate your-- your tax-- your-- your tax situation and-- and retain those-- those profits that you had before. Is that correct?

CLEMENTS: Yes, this would allow the carryback of all the losses that are-- are occurring.

McCOLLISTER: But if for some reason you were not able-- your business did not succeed, you lost so much money in 2020 that you weren't able to go forward, this particular provision that we're looking at would not make it possible to go back and recapture those profits in those previous years. Isn't that correct?

CLEMENTS: Yes, if the business does not survive, there's no future-- future tax return or income to claim those losses against. And as I told you, there's a risk that the bank may be the one who ends up with that loss, some of it. That has happened to me before.

McCOLLISTER: Thank you, Senator Clements. We've been talking about how the state spends money this morning. My good friend--

FOLEY: One minute.

McCOLLISTER: --Senator Groene talked about the university and what we spend for K-12 education. I contend that we could probably spend less money on Corrections if we were to do sentencing reform. When it comes time for people to come to me and say, John, it's time to build prisons. We need 50 to \$100 million to build a prison and we haven't done anything with sentencing reform, don't count on me for a vote. We need to do something with sentencing reform because we have too many people stuck in our prisons. These people-- some people for sure, need to stay there. The violent folks, they don't belong back in society, but there's a good number of folks that could be released on work release or some kind of parole program, which we could save some money. When it costs between 30 and \$40,000 a year to keep somebody in our prison system, we could save some money--

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FOLEY: That's time.

McCOLLISTER: --that way. So let's keep that in mind when we--

FOLEY: That's time, Senator.

McCOLLISTER: --need to look at the budget in years coming. Thank you.

FOLEY: Thanks, Senator McCollister. Senator Groene, you're recognized for your third opportunity.

GROENE: Thank you, President. Let me explain something here, folks. You file-- they filed their income taxes in '17, '18, '19. They made money. They paid taxes. This body took those taxes and spent them, put them into the budget and spent it. What they can do now is if they lost money back then, they can take it forward. That makes sense because the economy is better. We-- the revenue is flowing into the state and we can give up some income. What they're talking about here is going back to 1918-- I wish I could-- '18, 2018, and saying, all right, you paid taxes back then, you refile '18, you refile '19, and you take these-- these losses you got in '20 and you take it off. They refile them and we write them a check. We're going to write the check in a year that we're going to have very bad revenues. Those checks are coming out of our bank account of taxes that we expect to reduce taxes we're going to collect this year because they refiled income taxes in the past. The system works. I've got nothing against about moving it forward. That means you made money. Probably, everybody made money. The economy was good and we had a little reduction. You're going to take a reduction out of a year where we have-- we're hurting already. We have no idea how bad it's going to be. As far as ag, there's some darn good farmers out there, but there-- and there are a lot of good farmers, but the midsize ones probably didn't make money in '18 and '19. They got no income to carry back and get a deduction. Now the system works, a deal was made. They got a heck of a tax cut with the tax-- Trump tax cuts. Fine with it, loved it. Economy boomed and the federal government is going broke. They can borrow money. We can't-- we got to balance our budget. They just go another trillion in debt. This isn't good politics. This makes no sense. Yes, I wish everybody could get a tax cut. I want one. Somebody's got to pay for the schools. Somebody's got to pay for the roads. Now if you're going to go broke, I'm going to tell you what, if you're going broke because of COVID and the government actions on COVID, you're going broke. These small companies aren't going to get enough of a refund to go broke, they might be able to save their home. They're not going to hire anybody extra. So that-- that ideal isn't-- doesn't exist. We never

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planned this. It was not in what this body did to adjust our tax rate. Somebody-- in the past, we've-- we tied it to the adjusted gross income of the federal government. We never planned on this. The federal government never planned on this flowing back through the state budgets too. We made no promise. You-- you heard talk about where the promise was made that they were going to get these tax cuts, now we're pulling the rug out of them-- from under them. The promise was made that they would get a federal tax cut, a federal tax cut. No promise was made that they would get a state tax cut by the people who actually voted on it: Bacon, Fischer, Sasse. So all of a sudden it's like, we did it here. No, we didn't. We got to pay for things. If you think in any case-- in any way in heck people with the property tax that we just passed yesterday is going to be there if the election goes the wrong way? And there's five on the-- on the Appropriations Committee and enough--

FOLEY: One minute.

GROENE: --to pass the budget, that that's going to be there in the future? Dream on. Dream on. Most of that great tax cuts yesterday is out there five or six years for property taxpayers. It's peanuts. Doesn't even keep up with inflation. And by the way, you heard there was caps on LB720. There isn't. There's \$25 million-- if they only use \$4 million, we get-- we-- we write a check to Pfizer or some company retention and there's \$21 million left over the first year. It adds to the second year. Now it's \$46 million. If we don't claim the \$46 million, only \$20 million, then \$26 million moves to the next year. Now it's \$126 million. It's capped after five years at \$400 million total. Wow. There's no caps. That's fine, but tell the truth, newspapers, when you write this thing up. There's no cap.

FOLEY: That's time. Thanks, Senator Groene. Senator Clements.

CLEMENTS: Thank you, Mr. President. I think there has been-- you know, this is a technical issue. I'm going to try again to discuss a little bit of it. In the General Fund financial status, we get all those fun numbers that I like to look at, lots of zeros. Anyway, the-- line 9 says net receipts and-- and unfortunately, it isn't itemized out here, but there is \$125 million that's been reduced from the net receipt line, line 9. And so the-- and that was the estimate that the Department of Revenue says we're losing-- we would lose or are losing from the CARES Act loss or tax deductions, not just operating losses, but all of the tax changes from the CARES Act. So we have accounted for-- we've lowered our estimated receipts \$125 million already. And so it's not going to jeopardize our budget by leaving things the way

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the current law is. And the-- the-- back to individual businesses, the loss carryback helps businesses average their income and their taxes from ups and downs. And I, in-- in the economy and especially in agricultural area where I work, a lot of farm income goes up a couple years, then it goes down for five or six. Anyway, they can make a big profit and then have some losses. We're going to have some this year, I know, and it will be very helpful for them. The profits that-- we've had pretty good crops the last couple of years, which has made a little bit of profit even with lower prices. But it is going to be important for agriculture and agribusinesses. We have other businesses that rely on agriculture that are going to have some trouble because farmers aren't-- especially aren't buying farm equipment. And the ability to leave the law the way it is and to help some businesses survive that may not survive without this, is important to me. And we have already balanced our budget. We've taken into account these dollars. Plus, we're going to lose these anyway. If we add it back in this year, we're going to get-- we're going to lose it back. The \$80 million we're talking about is still going to be claimed as businesses do recover and claim those in the future year if we force them to carry them forward and not be able to carry them back. And so I've-- still oppose this change and I don't know how we're going to get LB1074 passed, the basic bill. I'm still in favor of the change that that's making, but I'm still opposing AM3354. And thank you, Mr. President.

FOLEY: Thank you, Senator Clements. Senator La Grone.

La GRONE: Thank you, Mr.-- thank you, Mr. President. Would Senator Stinner yield to a question?

STINNER: Yes, I will.

La GRONE: Thank you, Senator Stinner. Senator Stinner, I had a converse-- so my district has a-- a couple of farms on the southern edge of it. And that's what I talked about to Senator-- with Senator Clements my last time on the mike. But the vast majority of my district also is a suburban area. And you and I were talking off the mike about an example of how this would affect businesses in that area and I was wondering if you might be able to walk me through that hypothetical again to get that on the mike, since from my perspective it's important both for ag and for suburban areas.

STINNER: Sure. I-- I'm just going to give an example of what an individual income tax looks like and what we're talking about in this. The individual income tax includes interest, dividends, net operating

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income from farms, net operating income from any other business, plus wages. So there is-- the hypothetical that I'll try to give you is somebody has income weight from wages of \$50,000. They also have a restaurant that actually has flowed through to them on their individual tax return and in the past it's made about \$45,000 a year. Wife works and also has a gym, OK? That-- all of that was shuttered during-- and that's all your Main Street businesses. And I look up and down Gering's, Scottsbluff Main Street, these are the things that people are talking-- should I open, should I not? Restaurants that are open just partially because-- because they don't have the capacity to put people in and comply. But say that all of that combination, that person makes between \$150,000 combined income over a five-year period of time and incurs a \$600,000 loss. That loss is probably because they've shuttered, because they've opened and the cost of opening. So right now under the CARES Act, they allow you to carry back five years and pick up all that tax that they've paid in, in a refund, in a fast-tax refund, that helps support their opening and that helps support. If they don't, that \$615,000 loss is carried forward. And in the situation if they get back in business, they make identical money, it takes them five years to recover that entire loss. It will still impact the state's revenue, but it will be not in the right bracket. They need the money right now. So that's what I'm trying to emphasize is, both the federal side, they get a refund there. The state helps out and it rejuvenates our Main Street. So that's-- that's important. I think it's important to remember. I get the fact that we're talking a \$500,000 cap. That doesn't mean that they're making \$500,000 and that--

La GRONE: Senator--

STINNER: --they could make \$50,000, but go ahead.

La GRONE: You know that, Senator Stinner, was, I think, a great point that really hit me when you explained that to me was the fact that they're not necessarily making over \$500,000, that's-- this amount that we're talking about here. And really to me, and correct me if you disagree here, this isn't so much about-- and based on your comments, I think you do, this isn't so much about-- what this is really about is helping people get through this tough time, helping people ensure that they have the liquidity and the-- the money that they need to make it through this downturn so they can come out the other end and continue to contribute to our communities, continue to employ people. Is that what you're saying, Senator Stinner?

STINNER: Yes, that is correct.

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La GRONE: Well, thank you very much for those comments. I found that very informative and wanted to get those on here. How much time do I have left, Mr. President?

FOLEY: Just under a minute.

La GRONE: OK. If Senator Linehan would like it, she can have the rest that time. Thank you, Mr. President.

FOLEY: Senator Linehan, 45 seconds.

LINEHAN: Am I-- thank you. Am I next in the queue?

FOLEY: You are next in the queue.

LINEHAN: OK, thank you very much. I'm going to-- I'm sorry to do this to you, Senator Stinner, but I have a couple of questions that I think we haven't covered. I've been kind of in and out, so maybe we haven't covered this. And then I'm going to yield time to Senator DeBoer. But-- so this was the law when people filed in April-- in July of this year. So people-- Nebraskans who filed this year could have taken advantage of the law that we're now debating about whether to keep or not. But even with this law on the books, our income tax revenues, if I recall right-- and this is why I'm asking you-- our income tax revenues are up from last year when this wasn't the law.

FOLEY: Senator Linehan, you're now on your time.

LINEHAN: Oh, thank you.

FOLEY: Senator Stinner, would you yield, please?

STINNER: Yes, I'll yield and yes to both of those.

LINEHAN: Can you say it so--

STINNER: Oh, revenue actually, over last year, is up, yes.

LINEHAN: So even though this isn't current law, people who file taxes for 2019 in July, a month-- whatever, it's almost a month ago now-- our income tax revenues are above what we thought they would be. So I'm going to turn it over to Senator DeBoer here, but one of the things I feel, if you listen to any of the news this morning and there is going to be another federal package at some point, we don't know what. But the dire kind of straits that some feel we might be sailing to-- and we might and if we do, we'll have to adjust. But right now, I

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don't think our economy, looking forward for all the numbers I'm seeing and I think Senator Stinner would agree with me, it looks better now. Senator Stinner, would you yield?

STINNER: Yes, I will.

LINEHAN: Do you think the economy outlook looks better today than you thought in March after COVID?

STINNER: Oh, absolutely, yes.

LINEHAN: Thank you. OK, with that, I would like to yield the rest of my time to Senator DeBoer.

FOLEY: Senator DeBoer, you've been yielded 3:45.

DeBOER: Thank you, Senator Linehan. Thank you, Mr. President. And I would like to ask Senator Clements a question. Senator Clements, would you yield?

FOLEY: Senator Clements, would you yield, please?

CLEMENTS: Yes, I would.

DeBOER: Thank you, Senator Clements. So as I understand it-- you and I have been having some conversations off the microphone-- as I understand it, with respect to 2020 losses, this change in whether or not there's a \$500,000 cap or not, does not affect whether or not a company could get all of that money back, it would just be the timeline, is that correct?

CLEMENTS: Yes, it's a timing issue.

DeBOER: But with respect to 2018 and 2019 losses, if they had them, is there a change-- because of this change in the federal government tax structure, is there a change with respect to those 2018 and 2019 losses in excess of \$500,000?

CLEMENTS: Yes, those companies with those excess losses that couldn't be carried back, they've carried them into 2020. They would have-- '18 and '19 losses are adding to the-- to 2020. It would be all one big number that would become available for carryback.

DeBOER: OK. Thank you very much, Senator Clements. So my understanding here is that with respect to the 2020 losses, we're basically looking at timing. And then that's a question for us, as senators, to look at

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whether or not-- how we want to time our-- our revenue loss, I guess. But with respect to 2018 and 2019 losses in excess of \$500,000, there is the possibility that we have some additional losses that we would also have to figure out what to do with. And I think that's something I have to still think about and certainly before we get to Select File, would want to look at numbers in terms of how much that additional losses from '18 and '19 would-- would be. Thank you, Mr. President.

FOLEY: Thank you, Senator DeBoer. Senator Slama. Is Senator Slama on the floor?

SLAMA: Thank you, Mr. President. I apologize for my delay. I rise today still opposed to AM3354. I-- I am in support of LB1074. I'd just like to reiterate a few points I made earlier in the morning, but would also like to know for Senator Groene-- when I did bring my bracket motion, I did take five minutes on the mike and I cut it off. I did not go the full ten minutes, so I did not break any unwritten rules of the Legislature there. I'm out of breath because I ran to get here, but I would like to emphasize that decoupling at this point in time hurts our Main Streets in my district, Senator Albrecht's district, northeast Nebraska, southeast Nebraska, the Panhandle, Omaha, Lincoln. Everyone across the board is hurting right now and the federal government created tax cuts to help our businesses survive the storm. And these are cuts that we need to keep in place. This is \$82 million in cuts this year, \$100 million the next. We have our property tax package paid for. We're in a good place financially as a state. This isn't money that we have to take away from our business owners. I'm opposed to decoupling. We should not be getting resources for additional state spending on the backs of our small business owners who are just trying to survive. And with that, if Senator Clements is on the floor, I'd like to yield him the remainder of my time because I think he's done a great job of discussing the numbers and explaining this to everybody on the floor and anyone who's watching today as well. Thank you, Mr. President.

FOLEY: Thank you, Senator Slama. Senator Clements, you've been yielded 2:35.

CLEMENTS: Thank you, Mr. President. Thank you, Senator Slama. The last discussion we just had with the question with Senator DeBoer, there's a question of whether-- she was talking about the 2018, 2019 losses that have been carried forward. Will that create additional reduction in revenue if they're allowed to be claimed now? I think the Department of Revenue is aware of those already existing. I haven't

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spoken to them, but I think-- I would hope they would already have figured that in to the \$125 million that we had to take out of their estimated receipts in our budget. I-- I think they're very, very capable people and understand not just 2020, but 2018, 2019 that I think have been-- it's my opinion that they should have already been accounted for. If somebody finds out that they're not, you could correct me, but I don't think that is a-- an additional-- should not be an additional amount to have to consider in what the effect of the CARES Act is. I would hope that they have already taken it into account and that we have balanced our budget. If they hadn't done that, they should be letting us know as soon as possible so that we can--

FOLEY: One minute.

CLEMENTS: --figure that in our revenue in our remaining net income that we're counting on is for funding this year's expenses. And so I think I-- in answer to one question from Senator La Grone, I did talk about a farm operation I'm aware of that carries about \$300,000 from last year's corn crop into this year and didn't have it priced until this summer and it's probably a dollar a bushel. It would be \$300,000 of lost revenue. And the revenues, you know, if that's that much of a loss, I know that that person doesn't show that much profit every year. It's going to take maybe five years of prior profits to even get that back and I--

FOLEY: That's time, Senator.

CLEMENTS: --would hope that that would be available. Thank you, Mr. President.

FOLEY: Thank you, Senator Clements. Items for the record, please.

CLERK: Mr. President, a new resolution, LR472, by Senator Ben Hansen. That will be laid over. I have an amendment to be printed, LB866 by Senator Wayne, and a motion with respect to LB1218 from Senator Wayne. Mr. President, a priority motion. Senator McDonnell would move to adjourn the body until Tuesday, August 11, at 9:00.

FOLEY: You've heard the motion to adjourn. Those in favor say aye. Those opposed say nay. We are adjourned.