

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 7, 2019

LINEHAN: Good afternoon. We're going to start. Good afternoon. Welcome to the Revenue Committee public hearing. My name is Lou Ann Linehan. I'm from Elkhorn, Nebraska, and I represent District-- Legislative District 39. I serve as Chair of this committee. The committee will take up bills in the order posted. Our hearing today is your public part of the legislative process. This is your opportunity to express your position on the proposed legislation before us today. If you are unable to attend the public hearing and would like your position stated for the record, you must submit your written testimony by 5:00 p.m. the day prior to the hearing. To better facilitate today's proceeding, I ask that you abide by the following rules. Please turn off your cell phones or other electronic devices. When it-- when it's time for you to testify, please move to the chairs in the front. It just makes it all go much quicker. The order of testimony is introducer, proponents, opponents and neutral, and then closing remarks. If you will be testifying, please complete the green form that's at the back of the room and hand it to the committee clerk when you come up to testify. If you have written materials that you want to distribute to the committee, you'll need 11 copies,. And if you don't have 11 copies now, you can ask-- I'm going to introduce the pages. You can ask them as soon as we start to make the copies, so it'll just make the process go faster. And they've asked me to like really emphasize that, as soon as you can, give them the-- so they can get the copies made. When you begin to testify, please state and spell your name for the record, first and last name. Please be concise. It is my request that you limit your testimony to five minutes. And we'll use the light system. I just think it helps everybody. So you-- it's green for four minutes and then it's yellow for a minute; and then when it's red, you should wrap up. If your remarks were reflected in previous testimony or if you would like your position to be known but do not wish to testify, please sign the white form at the back of the room and will-- it will be included in the official record. Please speak directly in the microphones so our transcribers are able to hear your testimony clearly. To my immediate right is legal counsel Mary Jane Egr Edson, and to my immediate left is research analyst-- analysts Kay Bergquist. At the end on my left is committee clerk Grant Latimer. So we'll start by having the senators introduce themselves.

KOLTERMAN: Senator Mark Kolterman, District 24, Seward, York, and Polk Counties.

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GROENE: Mike Groene, District 42, Lincoln County.

LINDSTROM: Brett Lindstrom, District 18, northwest Omaha.

FRIESEN: Curt Friesen, District 34, Hamilton, Merrick, Nance, and part of Hall County.

CRAWFORD: Good afternoon. Sue Crawford, District 45, which is eastern Sarpy County.

BRIESE: Tom Briese, District 41.

LINEHAN: There's two pages with us today. Brigita, from Hudson, South Dakota, is a sophomore at UNL majoring in agricultural education, and Veronica is a senior from Chadron, Nebraska, majoring in political science. Please remember-- we've already got one senator who's not here, Senator McCollister, because he's introducing a bill in another committee, so senators may have to come and go including, I think, the introducer right now. Refrain from applause or other indications of support or opposition. I'd also like to remind our committee members to speak directly into the microphones. And lastly, if you see us using our phones or our computers, it's not because we're not paying attention but probably trying to look up some information. So with that, welcome, Senator Brewer.

BREWER: Thank you, Chairman Linehan, and good afternoon, fellow senators of the Revenue Committee. I am Senator Tom Brewer, T-o-m B-r-e-w-e-r. I represent 13 counties of the 43rd Legislative District of western Nebraska. I am here today to introduce LB153 which reduces the income tax on military retired pay. I'm introducing this bill on the behalf of the Governor and tens of thousands of retired military veterans across Nebraska. For the record, I want to note that I am one of those retired veterans drawing a military pension after 36 years of military service. I have received a number of e-mails telling me that I have an interest in this for a number of reasons and I will have to agree with that. This bill takes a substantial step toward solving a serious problem I believe we have had in Nebraska for a long time. Our income tax laws discourage military retirees from settling in Nebraska. To fix this problem, this bill "untaxes" 50 percent of a retiree's military pension. Like many neighboring states, ultimately, I think, 100 percent of military pensions should be exempt from military-- from Nebraska income tax. But given our constraints, our very limited constraints on our economic-- on our current session, I

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believe that this goal is a good first step. When the war on terror began 19 years ago, a large military buildup began. This post-9/11 military population bubble is moving across a time line and nearing the 20-year retirement age. The effects of this will be an increased number of retirees. Instead of worrying about this initial reduction in income tax revenue for Nebraska, I think we should consider how this steadily growing population of military retirees will increase tax revenues in Nebraska as more and more of those who served during the recent military buildup retire. It's no secret Nebraska competes with its neighbors. Kansas and Iowa do not tax military retirement at all. Missouri and Colorado have laws that have provided more income tax relief to military retirees than Nebraska does. Wyoming and South Dakota do not have income tax. There are 13 states that either have no income tax or do not tax military retirement at all. Nebraska is surrounded by states that offer more income tax relief to military retirees than we do. Prudence demands that we set more favorable conditions here in Nebraska. Encouraging veterans to stay in Nebraska after they have retired is a very good thing for our state. In addition, all kinds of tax revenues that these retirees would generate, we should consider. We are missing out on a host of other benefits military retirees bring to our communities. The veterans' groups that will follow me will discuss these points in further detail. For example, according to the Platte Institute, 3,500 Nebraskans moved to Iowa in 2014. That was the year Iowa exempted Social Security and military retirement pay from the Iowa income tax rolls. Nebraska is also only one of five states that tax both Social Security benefits and military retirement. It's hard to know how many of those who moved to Iowa were military retirees, but there is no question that that had a powerful incentive for them to leave Nebraska. U.S. STRATCOM officials tell me that roughly 300 personnel retire from service at Offutt Air Force Base each year. They have a choice of where to live after retirement. So as you retire, after however many years, your final duty station, you're given a PCS move: permanent change of station. You get to decide where that permanent change of station is. Also, understand that that number of 300 is only the STRATCOM personnel who are retiring at Offutt Air Force Base; all of those that are Army, Air Force, Marines, Coast Guard that are in a different location when they retire, would retire from that. Nebraska could be their chosen final destination as a part of that PCS move. Those with roots in the Omaha metro area who choose to stay often move to Iowa after retirement because Iowa is-- has enhanced a comprehensive package of veterans benefits, including making military

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retirement pay 100 percent tax exempt. Letting our veterans keep more of their military pensions will cause a modest reduction in income tax revenue. But I think that the economic benefits of attracting highly skilled and trained veterans with strong leadership qualities outweigh whatever tax dollars would be lost. If you think about it, this really isn't a tax bill issue. What this is, is a workforce development bill. The great thing here is that the workforce we want is already developed. Attracting highly skilled Nebraskans with proven management and leadership opportunities-- abilities to also work in that workforce that we so need additional personnel for, is appealing to everyone. Our educational institutions and a hard tech-- high-tech corporations, for example, need employees with skills that many veterans possess, especially those leaving Offutt Air Force Base where there are so many technical skills as part of their MOSs, or their-- their skill sets. On top of that, military-friendly tax policies will demonstrate to the federal government that our state active-- is actively working to protect a military base from closing. In 2008, the Legislature established a Base Realignment and Closure task force, or BRAC was a term that was used, and studied the impact of closing Offutt Air Force Base. Senators before us recommended tax relief for military veterans as one of its top proposals. Our requirement to show the Department of Defense Nebraska is dedicated to supporting Offutt Air Force Base has not gone away. We need to fully implement these recommendations or risk losing an important economic driver in Nebraska. Retired military veteran-- veterans are some of the best educated, best trained, and youngest retirees that are available. Active-duty members are eligible for retirement at 20 years of service. Most are in their 40s and have children in the schools when they retire. The majority go on to get civilian jobs postretirement, turning their military training into skills for the private sector. Many find work on the military installations they retired from as DOD federal employees or defense contractors. They pay income taxes for those postretirement civilian jobs, they pay property taxes, personal property taxes, excise taxes, occupational taxes, sales taxes for everything that they buy, and possibly even business taxes, boosting the economy of the states where they live. We are missing out on all of these right now. Worrying about the lost income on this tax revenue is literally a dollar chasing a dime. I have heard from a few critics who question whether or not veterans should be given a special preferential treatment. Let me be very clear on this point. We are singling out veterans for special treatment with this bill, and I believe it is altogether right and proper to do so. They are not

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only-- they not only have earned and deserve special treatment, but, as I have explained, this is a very good thing for Nebraska. This income tax exemption is only-- is not only an obvious way to express gratitude to the armed forces and to our Nebraska veterans for their service to our state and nation. This bill helps to keep pace with our neighbors and stopping the missing out on opportunities to attract outstanding groups of people to grow and enrich our state. This bill is not just a good idea for veterans; it is a good idea for Nebraska. Let me close by saying that there should be two fiscal notes with this bill. The fiscal note we cannot see is the fiscal note that matters. What is the cost to Nebraska if we don't pass this bill? We don't see what happens when we lose these outstanding citizens with high levels of technical training and strong work ethics and proven management and leadership abilities. You don't see what the cost is to our tax base by Nebraska continuing to lose on this issue. We have thousands of job openings in Nebraska. Employers need good people to fill these jobs. Veterans are 45 percent more likely to start small business than nonveterans, and that's a majority of our job growth in Nebraska. That's from the Small Business Administration. The right question to ask isn't whether or not we want to compete with our neighboring states to attract and keep military-- retired military veterans in Nebraska. The fact is that we are competing with them and we're-- and they're winning right now. I urge you to support LB153. With that, thank you.

LINEHAN: Thank you. Thank you for being a good soldier and just working right through that noise. It was good training on your part. Questions from the committee? Senator Groene.

BREWER: Why did I know that this would be the one that asked?

GROENE: I didn't like that look you gave me. But anyway, do you know what the average retirement pay is?

BREWER: I would not give you an exact figure. I would think that it's probably going to be around E-6 or E-7 pay, so probably going to be in the-- in the mid-30s.

GROENE: Do you know if the fiscal note took into account if somebody stays here, works for a consulting firm and makes \$150,000, that that offsets-- is this just a net fiscal note or is it taking into account that the person stays here and pays a lot more income taxes?

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BREWER: No, I think it's just the net, what it's going to equate to if we use the numbers that they have projected and we do the 50 percent cut, but your point being, if you're a contractor at Offutt Air Force Base making probably far more than you did as a-- as an airman in whatever capacity, is--

GROENE: More than offsets the income tax you're going to pay on that.

BREWER: I would think it would more than offset it. And keep in mind, I think if you were to put a-- a counter on the number of vehicles that cross from Iowa into Nebraska in the morning and then cross back at night, especially those in the vicinity of Offutt, it would surprise people at how many are doing the commute across the river.

GROENE: But the ones that are tax conscious, are they going to do it for 50 percent when they're still getting 100 percent in Iowa? Are we just going to give a tax break to the veterans who already live here or are we going to get somebody to say, all right, if I can save 50 cents on the dollar in taxes, I'll stay in Nebraska, or I'm going to go to Iowa and save 100 percent?

BREWER: Well, actually, I think you have a good point. I'm not so sure that you're going to be able to get them to pick up and move here because of a 50-percent cut in their income tax for their pension. But the 300 plus whatever else come in, you know, if they're getting ready to retire and they can look at the bottom line and see that there are at least benefits here, may not be exactly the same, but part of it is we're counting on the fact that they love Nebraska; they want to come back here. And I think if you-- if you have a chance to talk to some of them that are here in the room, you know, they're here because this is where their heart is, and there is a financial issue at a point where you can't work a second job anymore and whatever is left is all you have to live on. That's the ones, too, that we have to consider.

GROENE: A couple quick questions, I think they're good questions. How many of those-- those already own their own home and they're paying property taxes? Is there are a lot of them that live on base or--?

BREWER: Well, keep in mind that once you retire, you're not entitled to live on base anymore, so they would have to be somewhere diffused into the-- the community.

GROENE: But some of them already own their own home, right?

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BREWER: They could, yes, if they chose not to use base housing, they-- and bought when they came here, then-- then, yes, they would have their own home.

GROENE: And do you know what the average years they were here prior to retirement?

BREWER: Well, normally, they're going to be at least three years because that is a tour of duty that you'll normally see at Offutt Air Force Base. Many of them, because of it being a-- STRATCOM is a major command, so think of it as there's only a handful of these--

GROENE: Specialized, they can't get transferred somewhere else.

BREWER: Well, there's a lot of opportunities. So if you're not with the wing, flying, you could be within STRATCOM headquarters itself doing some-- you know, going to be a more computer-associated skill, but most of them anymore, especially on the Air Force, whether you work on a computer on a plane or you work on a computer at a desk, that's-- that's what you do.

GROENE: Three years, three to six years probably. Thank you.

LINEHAN: Thank you, Senator Groene. Other questions? Seeing none, be here for closing or maybe not?

BREWER: I am darting to Natural Resources. I'll present there and I'll-- I'll dart back.

LINEHAN: OK.

BREWER: So I think you'll still be here.

LINEHAN: OK. Thank you. Proponents? Good afternoon.

PETE RICKETTS: Good afternoon. Thank you, Chairwoman Linehan and members the Revenue Committee. My name is Governor Pete, P-e-t-e, Ricketts, R-i-c-k-e-t-t-s, and I am here in support of LB153. I want to thank Senator Brewer and all the other members, other senators who have signed onto this bill. Nebraska is striving to be the most veteran- and military-friendly state in the country. But as Senator Brewer said, this really is about a workforce development bill. One of the things that I hear when I travel around the state and talk to companies is the biggest problem, or one of their biggest problems, is

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finding the right people to hire. That's a key issue for them. And what do we know about veterans? Well, one of the things we know about veterans is, as Senator Brewer said, they can retire after 20 years, which means they could be as young as 38. And this is one of the things that really makes them unique is they're retiring at an age where they can have a whole other second career here in our state. And in fact, that was my experience at Ameritrade. When I was the chief operating officer, the gentleman who ran my new accounts department, Bob Lynn, was a retired Air Force lieutenant colonel. The gentleman who ran my training department was a retired Air Force colonel, became a director. His name is Dan Donovan. He's here in this room today. And the gentleman who ran my back office, Felix Davidson: Marine captain. All three of those gentlemen came out of the military and started working in Ameritrade in entry-level positions and quickly rose their way up into management because of the skills they'd received in the military. This bill is about retaining those veterans here in our state and making sure we continue to have them contribute to our state going forward. Now what else do we know? Well, we know that we're not being competitive. Twenty-nine states offer some sort of-- either they don't have an income tax or they offer some sort of exclusion for military retirement benefits, including five of the six surrounding states. And we know this matters to veterans. We have a study from the University of Nebraska that was done last year by Dr. Thompson and Dr. Herian that really laid out the economic impact in a lot of the things that go on with regard to veterans here in our state. There's also another economic study that showed that of the things that veterans care about, taxes is one of the things that plays into that. Now some of the other things, like having job availabilities, a base, housing, all those things we're being competitive on, but on taxes we're not being competitive on. Our current system is clunky. It requires you to make a selection, either 40 percent for the first seven years or 15 percent after age 67. It doesn't really work for our National Guard or our Reservists, and it doesn't even apply to anybody who retired before July of 2012, so it's not fair. And so we have the opportunity here to change that system entirely to make it one that is completely easy to understand, replace it with a 50-percent tax cut on military retirement benefits. Now, as the senator said, this is not 100 percent like some other states, but it is absolutely a step in the right direction to making us more competitive with our surrounding states to be able to attract and retain those people here. Other states, like North Dakota, are considering this type of legislation as well. And if we look at the data, specifically I'm referring back to that

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University of Nebraska study from last year, and we see what has happened to our paid military retirees, we can see here in Nebraska we are not keeping up with states like Wyoming, South Dakota, and Iowa. If you go back to 2012, the number of paid military retirees we have in our state has stayed essentially flat-- actually, it's down just a little bit-- while those other states are growing at 7 or 8 percent. And if you go back to 2005, our total population has grown about 10 percent while their populations in places like South Dakota and Iowa and Wyoming have grown about 20 or 30 percent. So we know that we've got a great quality of life here. We know we compete on these other things with regard to jobs and housing. Where we're not competitive is the taxes, and that's where we have the opportunity with LB153 to make us more competitive in the future to be able to help retain this workforce and help our Nebraska companies continue to grow, just like the veterans that helped Ameritrade grow and become the great company that it is today. So usually I stick around for the entire one of-- some of these sessions so that I can hear all the testimony. Today, I actually have a conflict where I'd scheduled something prior to this hearing being scheduled, so I-- I will have to leave early. But I certainly would at this point welcome your questions and look forward to working with you on passing LB153.

LINEHAN: Thank you, Governor. Do we have questions from the committee? Senator Friesen.

FRIESEN: Thank you, Chairman Linehan. I'm just-- in general, we all have a problem with-- we call ourselves a high-tax state and we look at that. And over the years, we've worked on the property tax issue which affects everybody, you know, and when we look at our budget, we've got limited dollars to work with. And when you look at the property tax issue we have and the limited revenue, how do you balance out where we're going to look at tax issues? And I-- I know it keeps people in the state, I think. But in the end, I mean, if you're here for three years, the majority are going to move back to someplace where they either have family or not. So how many-- how many are we keeping here out of that? Those would be numbers I think we'd like to see, or I'd like to see what percentage do stay. I mean, I think some of them do, but if you're only here for three years, what are the odds that you stay, and those are numbers, and how to balance that out with other tax relief that we're trying to do?

PETE RICKETTS: Right, so a couple of things on the topics you talked upon. So first of all, in the budget proposal I made to the

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Legislature, we are making those-- balancing out those priorities, right? So I proposed, for example, \$53 million a year or \$102 million for the biennium for the Property Tax Credit Relief Fund. If you look at the fiscal note in this bill, when it's fully enacted, it's about \$13 million; total for the biennium is about \$17 million. So we are making that tradeoff with regard to priorities. Obviously, we would love to completely exempt military retirement benefits so we can be on par with states like Wyoming and South Dakota and Iowa. This is a step forward though. It's helping us be more competitive with regard to that. So in the budget we did propose-- we've made some of those tradeoffs and tried to prioritize it. Specifically, with regard to, you know, how many people actually retire, I can tell you anecdotally, from the people I've talked to with regard to Offutt and so forth, a number of those people tell me they've moved here. In fact, I was actually just at a STRATCOM consultation meeting this week where one of the generals said, we have a hard time getting people move-- to move to Omaha, but once they move here we have a hard time getting them to leave, because they love the base and the surrounding communities. So anecdotally I know that a lot of people that I've talked to have come from the military to Nebraska not knowing anything about us, and then even when they got, you know, moved to another mission, came back afterward to retire. Certainly one of the more famous is Don Bacon, our congressman. Right? He's moved a number of places. And that actually brings up another thing about our veterans, is they're a population that's used to moving. They'll often, if they have a long career, they can move 15 or 20 times throughout their career. So they're a mobile population. And if we can attract them and keep them here, they'll continue to contribute. But if we don't have a competitive environment, they are very used to moving and going someplace else. Now finally, how can we actually get to the numbers you're looking for? Well, for example, we've got this study from the University of Nebraska. I don't think it specifically addresses the issues you're talking about with regard to the exact numbers who are retiring out of the military and coming back to Nebraska. I can't recall that in there. But it's certainly something that our-- you know, our new commissioner, you know, military liaison commission could study and be able to look at some of those numbers or, once we pass LB153, track to see how much a difference it has made with regard to those veterans who are retiring and how many are staying here and so forth. I will tell you, the Department of Veterans Affairs has an active campaign to, you know, reach out to those veterans who are

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retiring and really encourage them to come back to Nebraska, retire here and stay here.

FRIESEN: OK. Thank you.

LINEHAN: Thank you, Senator Friesen. Other questions? Senator Groene.

GROENE: Thank you, Chairman. I get more calls from 18-year-old Nebraskans that went off for 20 years and now they're in Georgia retiring, telling me they're not-- they want to know if they can retire in Nebraska. I think you've got a better chance of bringing them home than you do the guy that grew up in Georgia and happens to be stationed at Offutt. But I think we're losing those guys because they grew up in Nebraska and they want to come home. Do-- does anybody have any numbers on that, how many Nebraska men want to come back home after 20 years or how many are in the service and retire that their origin is Nebraska?

PETE RICKETTS: I don't know. Certainly, Director Hilgert is going to be coming up here, testifying later. He may have an answer to that with regard to it. I don't have any numbers specifically with regard to that.

GROENE: Do you know if the-- another question, Mr. Governor. Do you know if the Revenue Department right now could give me a census of, county by county, how many retired military people live in each county?

PETE RICKETTS: I believe if you look at the University of Nebraska report that I referenced, it's got a map in there that shows how many veterans we have county-- in a county-by-county breakdown, so--

GROENE: Retired military.

PETE RICKETTS: Yeah, retired military, maybe retired paid military.

GROENE: Lot of veterans in my county, but they ain't at retirement.

PETE RICKETTS: But there is a chart there that shows, county by county, where those veterans are. I can't remember exactly what it all entails, but I know there's a couple of charts that show, county by county, what it looks like.

GROENE: I haven't seen that report. Hopefully we can get one.

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PETE RICKETTS: Yep.

GROENE: Thank you.

PETE RICKETTS: Yep.

GROENE: Thank you, Governor.

LINEHAN: Thank you, Senator Groene. Other questions? Was that-- no? OK, thank you very much--

PETE RICKETTS: Great.

LINEHAN: --for being here today, appreciate it.

PETE RICKETTS: Thank you very much, Chairman-- Chairwoman.

LINEHAN: Thank you.

JOHN HILGERT: Good afternoon. Madam Chairman Linehan, members of the Revenue Committee, I'm John Hilgert, J-o-h-n H-i-l-g-e-r-t. I'm the director of the Nebraska Department of Veterans' Affairs. I'm here, strongly support LB153. Our state has many ways to thank and recognize our veterans for their service. LB153 certainly recognizes the commitment that these men and women have made serving their country; however, it does so much more. With passage of LB153, Nebraska will recognize what 29 states have already determined, namely, that retired military personnel bring great experience, skills, and training with them when they choose to retire in their state. One example that came to our department regarding the impact of the tax policy to the military retiree, this individual is a GS-15 employee, a federal employee. He's retired United States Air Force; he's an E-9. He moved from Papillion to Glenwood, Iowa, because the difference in taxation of his military-- military retirement is an immediate \$5,000 pay raise annually for him; also, his Social Security is exempt in Iowa. So as an eventual fully retired person, it's a huge difference for him. His comment was that unless you have kids who can use the excellent schools in our state, it becomes a no-brainer decision to look at living in Iowa, if it works. And the new Highway 34 bridge from Glenwood, Iowa, to Bellevue also makes the commute even easier. As noted in both the 2017 and 2018 reports issued by the Nebraska Commission on Military and Veterans Affairs, Nebraska experienced relatively steady growth in the number of paid military retirees from about 2005 to 2012; however, since 2012, the growth has slowed. In

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2017, the absolute number of paid military retirees was just slightly higher than 2012. The neighboring states, as you've heard, on the other hand, have experienced considerable growth in the number of military paid retirees. In 2017, the number of military retirees receiving military retirement pay from the Department of Defense in Nebraska began to decline, dropping from 13,746 retirees present in almost every single county in our state to 13,712. It appears that the increase has slowed, it has peaked, and it is now decreasing. The trend appears clear. We believe action must be taken. LB153, before you today, is that action. At some point, the testimony that you'll hear when we come and argue for this concept is going to shift from the value that military retired bring to our state and it will-- you'll start hearing testimony eventually of what value we are losing when they leave. I believe it when Governor Ricketts said that the future of our state continues to depend upon our ability to pull together to solve problems and to grow Nebraska. Attracting and welcoming military retirees is real and it's substantial. It recognizes and thanks them for their service, as well as making it clear that we welcome them to help build our communities and to contribute to our future economic well-being of our state. With the passage of LB153, we want our veterans to hear that message. We want them to hear that when you leave Nebraska for your military service, come home to Nebraska. When you're stationed in Nebraska, we want them to hear, "Stay in Nebraska." And when you're choosing where to live, choose Nebraska. We are going to be welcoming individuals that is diverse as the nation itself that they defend. We will grow our state and we will expand the foundation that we continue to build upon. LB153 is an important step forward, so I'd appreciate your support for LB153. And we can make available to all the members of the committee the economic impact of military assets, an update for fiscal year 2017, and then the 2018 report which is the update and the original underlined report that was done by the University of Nebraska. "Glow Big Red," 150 years, congratulations, University of Nebraska. Had to slip that in as a proud alumni. But we will get that to the committee and you can have that. Our commission is ready to update that report, as mandated by statute, on an annual basis and we can start gauging more and more of these particular statistics. So we would be happy and pleased and honored and capable of doing that, working with our Department of Revenue, of course.

LINEHAN: Thank you, Director Hilgert. Are there any questions from the committee? Senator Briese.

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BRIESE: Thank you, Chairwoman Linehan. Thank you for being here, Director. And so your belief is that this bill could change the migration patterns of the retired folks we're talking about, right?

JOHN HILGERT: I do. And it's appropriately that we stress Offutt Air Force Base and the wing that's stationed there.

BRIESE: OK.

JOHN HILGERT: That's very critical, very important. But frankly, although I live in Omaha, I work in Lincoln and my perspective is a little broader. We get information from the Department of Defense on every single military person who leaves the service and is issued discharge papers, whether they be retired after 20 years or after 3 years. So we see them coming from all over; we see the statewide impact that these veterans and the military retired make. So as important as that is, it is a statewide issue. And when they live off base, they're paying our property taxes; when they're shopping at our stores, they're paying those sales taxes. This is a way to broaden our base and to help support Nebraska and help to grow Nebraska.

BRIESE: OK, very good, thank you. And you've seen the fiscal note on this, I assume. Do you think those changes in migration patterns could eventually create a positive fiscal note here and be a win for Nebraska taxpayers?

JOHN HILGERT: The reason I'm hesitating is I was a member of the body when we were going to build the convention center in Omaha, Nebraska, and we were talking about raising sales taxes in order to retire those municipal bonds. What we did is to have a throwback tax, which was a way to say, look at the economic development that was made and use that economic development, that income, to retire those bonds. So I'm familiar with the concept of which you're asking. I think it would be very hard to track, but I think it's possible because (1) we have a base here; (2) we have a great quality of life. Just the other day I was contacted by one of my peers that I work with in Washington, D.C. He's with our association. And he said, what are you doing in Nebraska? I said, what do you mean? He goes, well, every morning, the USVA gets all the media credentials, all the articles that have "veteran" in it, right? And we get these from Nebraska and they're always positive: What are you doing out there? And I'm like, well, isn't the rest of the country like us? Evidently not. This is a place where our service is recognized and honored. This is a great place to

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be. So it's a friendly-- military-friendly place; it's a veteran-friendly place. We have a base here, we have excellent schools, and we have great opportunity. So I think it's a fundamental part of building our foundation that will grow Nebraska and I think it would be very, very hard, directly answering your question, to track exactly what the offsets are. But I think there are many; there's many offsets, and we could go into great detail about what those offsets are. That's not a criticism whatsoever about the Legislative Fiscal Office. I understand their duty. But who is going to look at those multipliers, those offsets, the survivors' benefits program that exists, all of those things that make-- that-- that bring more revenue to the state. The commission that you established for military and veterans affairs can be tasked with that.

BRIESE: OK. Thank you.

LINEHAN: Thank you, Senator Briese. Senator Friesen.

FRIESEN: Thank you, Chairman Linehan. A couple of comments you had there and one of them was a bridge. Do we need to take out a bridge?
[LAUGHTER]

JOHN HILGERT: I had thought about making it a toll bridge one way, but I was told that wasn't legal but--

FRIESEN: That would work too. [LAUGH] And so you said a \$5,000 pay increase just from the tax and--

JOHN HILGERT: That was the story that--

FRIESEN: --policy--

JOHN HILGERT: Right.

FRIESEN: --that-- that you're looking at. And so when I-- when I-- from my perspective, if I would leave and move to Iowa, I would see a \$30,000 increase in my pay. It's harder for me to leave, but that's OK.

JOHN HILGERT: [LAUGH] We don't want you to leave, Senator.

FRIESEN: What's the average age of a retired person that comes out of the military? Do you-- do you have numbers like that at all?

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JOHN HILGERT: Military retirement is very individual specific, but it tends-- obviously, the vast majority is after 20 years. You enter the service as an enlisted person as young as 17 now. My-- when my nephew joined the Marine Corps, he went in a-- a 17-year-old. So I don't have it exactly, but I think you could-- as the Governor said, 38, 40, those are the years. We could probably attempt to track that down.

FRIESEN: OK. I was just curious what the average age might be because there's a lot of career people who do stay longer, I take it, or-- because everybody retires early, you know, so--

JOHN HILGERT: Oh, absolutely. Absolutely. And-- and we-- you know, and you have also the families that they bring as well.

FRIESEN: Right.

JOHN HILGERT: So you have other people who are going to be filling those jobs we need to fill in Nebraska, as long-- along with the military retired.

FRIESEN: OK. Thank you.

LINEHAN: Thank you, Senator Friesen. Senator Groene.

GROENE: Thank you, Chairman. Back to that \$5,000, that would have been \$73,000 of retirement pay. But you also mentioned Social Security. Was this individual old enough that he got his Social Security?

JOHN HILGERT: That was in the future. That was not counted in, but that-- but Iowa has that policy as well. And I'm here for LB153 and, frankly, I--

GROENE: Right.

JOHN HILGERT: --I probably shouldn't have mentioned this. We-- we're focusing on military retired right now. But that just talks about the other states' competitiveness, the fact that they recognize the skills and the experience that military retired bring.

GROENE: So this is military pay, which would have been around \$73,000, retirement then at \$5,000. But the other issue, to Senator Friesen's point, there's other aspects why that person will not retire here. When he gets off his military pay, off his military base housing, he goes to Bellevue to buy a quarter-million-dollar house, he's going to

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pay \$6,000-plus in property taxes; he goes to Missouri, he's going to pay half that on that same house, plus he's going to have a lower income tax rate, plus he's going to get his military. So there's-- it's not the only factor that drives veterans out.

JOHN HILGERT: Oh, absolutely.

GROENE: The same high taxes that drive out other Nebraskans, and Curt Friesen if he could magically move his farm ground, but affects those military retirees too.

JOHN HILGERT: It does, Senator, and I-- and I understand that. You know, by your leave, I would make the comment that in Nebraska I would stand our educational system straight up against Missouri's any day of the week. We have great educators and great schools in our state.

GROENE: Does your wife teach?

JOHN HILGERT: No, actually, she's--

GROENE: [INAUDIBLE]

JOHN HILGERT: She is a school counselor but she works for a parochial school in--

GROENE: I'm just kidding.

JOHN HILGERT: --in Omaha.

GROENE: Thought a lot about it. I agree with you.

LINEHAN: Thank you, Senator Groene. Senator Lindstrom.

LINDSTROM: Thank you, Madam Chair. And thank you for being here.

JOHN HILGERT: Thank you.

LINDSTROM: A couple questions and kind of touched on some points with regards to the comments were-- there's a lot of positive news across the country about what we're doing in Nebraska, and I think Senator Crawford and Senator Blood have done a lot in the last couple years to bring bills that have brought that to the forefront. I know I've sat in a couple hearings with that. And the big discussion that comes with BRAC, I know Senator Blood has mentioned on several occasions there's ten checkmarks that-- that they've gone through to be a

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military-friendly state. Would you happen to know those off the top of your head, the ten? And does the military pension come into play when-- when people are looking at the state of Nebraska and that-- that BRAC discussion, does that come into play?

JOHN HILGERT: Well, no and yes. I don't have them all at the top of my head. The report does reference the past BRACs. I want to-- I don't want to give the wrong impression. I do not believe we're currently under a BRAC scenario right now.

LINDSTROM: Right, yeah.

JOHN HILGERT: But if you look at the history and what we've had to do to react, that's a good baseline to prepare ourselves for the day, if it should come, that they talk about a base closing and realignment. This is why the commission was so important, to identify those aspects-- and we'll get you a copy of that, Senator-- to show what we've done, where we rank, and how we can better Nebraska. How we treat our military retired is part of that analysis that has taken place. It is.

LINDSTROM: And as far as the economic impact, I believe Offutt-- maybe you can correct me on this-- a billion dollars-plus that--

JOHN HILGERT: It's-- it's-- it's a billion dollars-plus, Senator.

LINDSTROM: OK, so very important to the state.

JOHN HILGERT: It is very important--

LINDSTROM: Thank you.

JOHN HILGERT: --Offutt itself, as well as all the military retired throughout our state.

LINDSTROM: Thank you.

LINEHAN: Thank you, Senator Lindstrom. Other questions from the committee?

JOHN HILGERT: Thank you.

LINEHAN: Thank you, Director, for being here. Thank you.

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JOHN HILGERT: Thank you very much.

LINEHAN: Other proponents?

DAN DONOVAN: Good afternoon, Senator Linehan and other members of the Revenue Committee. My name is Dan Donovan, and I represent the Heartland of America chapter of the Military Officers Association of America. I have been a Nebraska resident now for 36 years. The Air Force brought me to Nebraska in 1982, and I retired from the Air Force in 1988 and then worked with two great Omaha companies, First Data for 6 years and then TD Ameritrade for 12. Since 2008, I have been a volunteer counselor at the SCORE, formerly known as the Service Corps of Retired Executives, and I became chairman of that organization in 2009 for two years. Then I-- in 2011, I became president of our MOAA chapter. We have more than 2,500 MOAA members in Nebraska and approximately 210 of them from across that state are chapter members. It's well documented that our Nebraska income taxes on retired military are higher than the surrounding states, and retiring and retired military members are also well aware of this fact. In fact, our national organization, MOAA, has a transition program for retiring and separating military, and it specifically recommends that the individual retiring go ahead and determine what the state-- the taxes will be in whatever state you choose to live, and that's a factor in deciding. In 2014, as you've heard, the Iowa governor signed legislation granting that 100 percent exemption for military retirees, and that same year the newly constructed Highway 34 bridge over the Missouri opened and continues to attract military and civilian Offutt employees to reside in Iowa. For quality-of-life reasons, family considerations, education, and others, some of us have chosen to remain here. For many others, the-- the taxation was too great and they opted to leave. I have heard from retiring military members who have stated that the week they retire, they plan to move to Missouri, Colorado, Iowa or wherever, to avoid the very high Nebraska taxes. I have heard from classmates, co-workers, and friends, tell me the same thing. This year, three key members of our MOAA chapter have left the state. One, a chapter officer, retired to Florida, and the other two, both involved with the Looking Glass restoration project, the EC-135 at the SAC Museum, both workers on it, one left for Iowa and the other to Texas. So the real beneficiary of this bill is the added economic value to the state. In my civilian career, I hired several military veterans. As a SCORE counselor, I have worked with several of them. They are generally technologically savvy, they know how to work as part of a team, and ultimately they know how to get things done. Both

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as employees and entrepreneurs, they know what their mission or objective is, how to do the necessary planning, and how to make necessary adjustments and how to execute a plan. It is in Nebraska's best economic interest to provide former military people who possess such qualities. They will be needed by those high-tech companies that are currently constructing those huge data centers within the state. A 2013 Wall Street Journal article had the headline "Construction Companies Step Up to Hire Veterans," and it had the statement: The CEOs we have spoken to have been consistently impressed with their hires, reporting that veterans are some of the highest skilled, hardest working employees they've ever had, and that veterans are resilient, adept at building and leading teams, comfortable with diversity, and able to handle uncertainty. We thank Governor Ricketts for proposing this legislation, Senator Brewer for introducing it, and the several senators who have cosponsored this bill. Our MOAA chapter strongly supports this legislation to attract and retain more retired military and veterans as one way to foster economic growth for Nebraska. I'd be pleased to answer any questions, ma'am.

LINEHAN: Thank you, Colonel Donovan. Are-- oh I'm sorry. I need you to spell your name.

DAN DONOVAN: Oh, I--

LINEHAN: Spell your name.

DAN DONOVAN: I failed to do that.

LINEHAN: That's okay.

DAN DONOVAN: D-a-n D-o-n-o-v-a-n.

LINEHAN: Thank you, and I missed it too. Questions from the committee? Seeing none, thank you very much for being here, sir.

DAN DONOVAN: Thank you.

LINEHAN: Other proponents?

RONALD J. DUPELL: Good afternoon and thank you. My name is Ronald J. Dupell, D-u-p-e-l-l, chief master sergeant, retired, United States Air Force. I'm a cofounder of the Nebraska Veterans Coalition. Nebraska has been my home since 1975. I'm a graduate of the University of Nebraska at Omaha. My military service includes living and traveling

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in 27 countries, 45 states, and combat action in Vietnam. I've advocated for veterans since 1983, have done considerable fundraising for the American Legion and Veterans of Foreign Wars-- that fundraising has benefited many of Nebraska's citizens-- a combined 28 years of service as a CASA volunteer, Nebraska Foster Care Review Board, and as a mentor in the TeamMates program. I have given much to my employers, First National Bank of Omaha, Southwest Bank of Omaha, and Data Documents. In turn, all of them gave much to me. Senators, I am not unique. I am just a representative of many of the military people, veterans and retirees alike, who are able and capable of improving life in Nebraska for all of its citizens. Other veterans give much more to their churches, veterans groups, their employers and their communities. Their work in our communities humbles me and influences me to do more. I'm not here to suggest that you do more for veterans simply because they are splendid people, which they are. I'm here to say that Nebraska should do more for veterans because it needs to do so. Nebraska needs more people who are veterans. Why? What-- why do we need veterans? First of all, Nebraska needs to expand its workforce at a rate faster than the current two-tenths of 1 percent. Nebraska needs quality people. All military organizations in Nebraska in the nation screen people, train them, discipline them, and ensure they perform at a high level. Why would we not compete to retain them? The report created by the Legislature in 2008, the Base Realignment and Closure Commission documents the fact that retention of veterans has been a long-standing challenge for many years. We are now into at least the fifth decade that the effort to retain veterans in Nebraska lags far behind other states. Because of the slow expansion of its workforce, Nebraska is in much need of people to support retention of existing businesses, business expansion, new business development, and relocation of businesses into the state. Little of this can be done without workforce expansion. When competing for people to expand the workforce, veterans represent low-hanging fruit because they bring the greatest return to our efforts at the least cost. I'm saddened by the fact that Nebraska has not had a long-term concerted and coordinated effort designed to expand its workforce. During the past five years, we have heard many reasons why Nebraska could not afford to exempt military pay. It is our view that Nebraska can ill afford to not compete for the retention of veterans. On a much more positive note, much has been done to create a more veteran-friendly environment in the past five years. The establishment of a Veterans' Commission at-- at the behest of Senator Crawford is an awesome step forward. That is the thing that we need. That is the documents that you need to make

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effective decisions for the people of Nebraska. Nebraska's flagship asset of veterans' homes is the envy of many other states. Other legislation has much improved our ability to retain veterans; however, much more is needed. We can quibble about the need to exclude all military retired pay from taxation. Nonetheless, passage of LB153 is another very visible and positive step forward. If we do not compete for veterans now, just when do we intend on doing so? There's not been a concerted, organized effort to walk up to veterans, not when they are getting ready to leave but when they arrive, and say, we want you to stay here when your tour of duty or your retirement is done. Other states have done that, I've encountered that, and it makes a difference. I urge you to vote for this legislation and to lobby your colleagues in the Legislature to also support it. That concludes my testimony. Are there any questions?

LINEHAN: Thank you. Are there questions from the committee? Senator Briese.

BRIESE: Thank you. Thank you, Chairman Linehan. Thank you for being here. I think Senator Groene asked this of a previous testified, but of your membership, what is the average annual military retirement benefit?

RONALD J. DUPELL: Well, I retired in 1983, which says I'm kind of an old guy. But my-- as an E-9, my retired military pay is about \$32,000 a year.

BRIESE: OK. What would be typical of a recent retiree?

RONALD J. DUPELL: I would say it would be considerably more than that. I'd say retiree at E-9 is probably in the \$45,000 range, if I had to guess at that.

BRIESE: OK.

RONALD J. DUPELL: If we-- if we could just take a moment, when I retired in 1983, I went to work for First National Bank of Omaha. By the time I was done working for Data Documents, my income was \$125,000 a year from that company alone. And I was paying taxes on that and I was paying taxes on a home. It-- to me, because I'm not fully aware of the broad view as some of you are, it just doesn't make sense not to recruit me and recruit my family. You get my family and three adult sons. It just doesn't compute of why would not do that, be saying,

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well, we can't afford to give your dad a reduction in the state tax on his retired pay, but you were sure glad that his three sons are here.

BRIESE: OK. Thank you very much.

RONALD J. DUPELL: Thank you.

LINEHAN: Thank you, Senator Briese. Are there other questions? Senator Groene.

GROENE: I understand the career military is 20 years. What percentage are they of the total veterans? My brother fought in Vietnam. He-- he doesn't a retirement.

RONALD J. DUPELL: The total veteran--

GROENE: My father-in-law fought in Korea. He didn't get a retirement.

RONALD J. DUPELL: The-- the total veterans?

GROENE: Yeah.

RONALD J. DUPELL: OK.

GROENE: What percentage are they?

RONALD J. DUPELL: In-- in Nebraska we have 144,000 veterans.

GROENE: How many of them would be the--

RONALD J. DUPELL: We have 14,000 retirees--

GROENE: So 14--

RONALD J. DUPELL: --14,000 that are retired.

GROENE: So about 10 percent.

RONALD J. DUPELL: Yes, sir. There has been some comments made about the numbers of people who retire out Offutt. I was able to make contact with a general officer in the Pentagon and the information they gave me was that between 750 to 850 people move out of Offutt or retire from Offutt every year. If we could just retain 100 to 150 of them per year, if we could make the effort to persuade them to stay-- when they-- when they arrive in-- every person at profit must attend incoming briefing. We should have a representative there saying, you

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know, this is the good things about Nebraska, these are the things that we would like for you to consider, and we want you to stay here when your tour is done. I have family and friends scattered across the country. I have many people who work with me and for me in the military that having asked me to move closer to where they are, for good reason, and every time my answer to them is I'm staying here for one reason, the people. And we don't sell that enough. We don't sell Nebraska well enough and we should. We should be talking to people as they come into Offutt. And if you'd allow me to digress for a few moments-- I know we've got a lot of people waiting to testify-- I haven't heard anything mentioned about the Lincoln Air National Guard Base. Now I am not privy to any information, but that site, it's either going to continue as is with its current aircraft or it's going to receive new aircraft or it's going to get a changed mission or it's going to get shut down. Now we're five to eight years away from that, maybe, but that should be a concern of this committee-- of the Legislature also. We need to make sure we're looking at those people to stay here. I don't know how many of their pilots live in another state and fly out of Lincoln. But we should be lobbying them to stay here or to move into our state. Nebraska is a hidden gem. We just don't know it.

GROENE: Thank you, sir.

LINEHAN: Thank you, Senator Groene. Other questions from the committee?

RONALD J. DUPELL: Thank you.

LINEHAN: Thank you very much for being here. Other proponents? That's OK. It's good to see you jump up.

TODD HEYNE: Good afternoon, distinguished senators. I'm Captain Todd, T-o-d-d, Heyne, H-e-y-n-e, U.S. Navy, retired. I'm here on behalf of the Lincoln Chamber of Commerce military affairs committee and to offer my strongest support for LB153. It exempts 50 percent military retirement. My support is based on my over 28 years in the Navy and my time as director with Allo Communications. I was born and raised in Oshkosh, Nebraska. I entered the Naval Academy directly after high school. I met my wife, also a Nebraska native, in Georgetown, where she was working for Congressman Bill Barrett. I spent the majority of my career in squadrons and aviation staffs flying an E-2 Hawkeye. My career culminated with squadron command and duty with the Office of

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Secretary of Defense in the Pentagon where I led over 100 senior civilians in readiness training and education policies under Secretaries Hagel, Carter, and Mattis. Only 19 percent of military personnel reach vested retirement. The other 81 percent receive a defined-- receive no defined pension benefit. While in the Pentagon, I worked on the training and policy for the new blended retirement system which all new service members are under. Now everyone, regardless of time and service, will receive through savings plan contributions with a match up to 5 percent. I would recommend the current bill specifically address the earnings on military TSP retirement accounts and extend the 50-percent exemption to TSP earnings. I could make an argument that the legislation as written does this but would rather it be specifically addressed by the Unicameral. The decision to retire and transition from the military is a difficult one but one that is 100 percent sure to happen. For most officers retiring the Pentagon, the transition is simply a matter of networking and finding a suitable GS or contractor position, take off the uniform and put on a suit. I wanted to explore other options and especially wanted to focus my search in Nebraska, as my wife and family-- as my wife and I both have family here. When transitioning, I met with many officers and noncommissioned officers, and most recommended that I focused my job search in states with favorable tax law. As you've heard many times, there are 29 states that don't tax military retirement at all, and they offer the most competition for military talent. For me, I was willing to trade that tax burden to be close to family. Not all have this option and have the family to draw them here. I confirm that trying to network a job halfway across the United States is difficult. Through connections and leveraging [SIC] LinkedIn, I was able to get a phone interview with Allo Communications, a Nelnet company, in 2017. That led to more interviews and an offer for a job. I retired on a Wednesday in the Pentagon and started the following Monday in the Lincoln-- Lincoln Allo office. I do not recommend this path to anyone, only those with an awesome job opportunity and four kids to get through college. I would like to specifically address why I'm so strongly in favor of this legislation. A cynic could easily say that I'm only interested in personal gain. While I do stand to benefit, my intent goes to every soldier, sailor, airman, and Marine that enters service in Nebraska or who has ever served in Nebraska. At a minimum, we should get them to return or stay. We live in a great state with tremendous job opportunity. I do not know of any military retiree who simply retires and stops working. Nearly all enter the workforce. We buy homes and pay property tax. We

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shop at local stores and pay sales tax. Most importantly, we get jobs, with no exemption, and pay income tax. Our children attend universities in Nebraska. We volunteer and engage in civic discourse. The compounding economic and social effects of LB153 significantly outpaces the 50-percent exemption and missed tax revenue. All of this economic growth is lost if a service member retires in Texas. Nebraska is in competition for talent as a state. Our unemployment rate is one of the lowest in the nation and we need skilled workers to fill our open positions. Allo, my company, and Nelnet, my parent company, have hundreds, yes, hundreds, of open positions in Nebraska waiting for talent. Service members have the qualities we are looking for: team--teamwork, leadership, communication, discipline, integrity, planning, problem solving, technical and project management skills. That's the short list. Both Nelnet and Allo recently signed a statement of support for the Guard and Reserve, further clarifying our commitment to veterans and service members. Passing LB153 will make Nebraska a more attractive option to transitioning service members. In summary, I know that passing LB153 will help Nebraska attract the military talent we desperately need to grow as a state. I urge the Revenue Committee and the full Unicameral to pass this bill. I applaud Governor Ricketts and bill sponsor Senator Brewer and the many supporters who had the vision to make Nebraska the best state for military service members. Thank you for the time this afternoon. Go Navy, beat Army. Pending your questions, that concludes my testimony.

LINEHAN: Thank you, Captain. Questions from the committee? Senator Groene.

TODD HEYNE: Yes, sir.

GROENE: That 401(k) type, when will the first people be qualified for that? How long ago did it start?

TODD HEYNE: It started-- it was mandatory for all entering service members in 2018.

GROENE: So a long ways off.

TODD HEYNE: Folks-- no, sir. They receive that, starting in 2018, immediately. So if they only do three years in the service, they'll have a Thrift Savings Plan account with them.

GROENE: But they'll have to be 65 or 60 before they can [INAUDIBLE]

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TODD HEYNE: Before they can draw on those earnings, yes.

GROENE: So before they--

TODD HEYNE: Before they can draw on them. I understand your question. I'm sorry.

GROENE: The payments would affect our fiscal note would be a long way down the road.

TODD HEYNE: It would be a long ways down the road. There was an option for those with 8 to 12 years of service to opt into the new blended retirement system. But-- but again, that-- that's a ways off for them to draw on that.

GROENE: So how do we get the enlisted guy to retire here? My railroad, if a military guy walks in, he's hired like that because he's used to a regiment and he knows he gets in trouble if he don't show up for work, he has a history of it, so-- but we can't get those guys to retire here either. The enlisted guy that puts in two, four, six years, I just thought maybe you had an idea how we get them to come to Nebraska.

TODD HEYNE: Well, I think you could be leading the way by extending the offer to-- I know of no other state that has specifically addressed the new blended retirement system, Thrift Savings Plan earnings. You know, I-- to me, I think that would be one of the first steps that we could do as-- as a leadership state. No-- no others that I'm aware of has-- has extended those benefits. So that would be my recommendation, Senator.

LINEHAN: Thank you, Senator Groene. Senator Kolterman.

KOLTERMAN: Thank you for coming today. Just a simple question, have you ever thought about going into broadcasting?

TODD HEYNE: [LAUGHTER] I'm too busy digging holes around Lincoln, Senator.

LINEHAN: Thank you, Senator Kolterman. Other questions? Yes, Senator Groene.

GROENE: Have you thought about coming all the way home to Oshkosh? We need people out there.

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TODD HEYNE: [LAUGHTER] I only like to go there to goose hunt, Senator, so.

KOLTERMAN: Thank you so much.

LINEHAN: Thank you, Senator Groene. Other questions? Thank you, Captain, very much, for being here.

TODD HEYNE: Thank you.

DARYL BOHAC: Tough act to follow. [LAUGHTER] Well, good afternoon, Chairwoman Linehan and members of the Revenue Committee. I am Major General Daryl, D-a-r-y-l B-o-h-a-c, the Adjutant General of your Nebraska National Guard, and here today to offer testimony in support of LB153. As stated by Governor Ricketts, the intent of the bill is to add to a growing body of work to make Nebraska even more competitive in attracting veterans to come to our state and friendlier for those still serving in the military. In the case of the Nebraska National Guard, this bill will add to the mix of benefits and entitlements that allow the Nebraska National Guard to recruit talent, particularly members of the active component who wish to continue their service but also benefit from the geographical stability that membership in the Guard offers. And as noted earlier with a question by Senator Groene, in answer, it's only about 10 percent of the active component force that stays in for 20 years or more. In fact, for the Nebraska Air National Guard, 20 percent of our accessions are directly from the active component of the Air Force, and 56 percent are prior service members who elect to continue serving with us. Every one of those members have not qualified for a 20-year retirement. For the Nebraska Army National Guard, 8 percent of our accessions come from the active component of the Army and 11 percent are prior service. I believe our ability to attract and recruit active component and prior service members, particularly into the Army National Guard, will be enhanced by LB153. This is a win for Nebraska and our nation for it capitalizes on the training investment already made with taxpayer dollars while attracting experience and talent to our state. LB153 will also help retain talent once recruited. While a brand-new, off-the-street 18-year-old-- or in my case, 17-year-old when I enlisted-- is not likely to be thinking about retirement, they might be when they-- that'll probably change when they end their first term of service, usually at the period of six years. This is because, as the previous testified noted, the Department of Defense has revamped the legacy military retirement system and every new recruit is enrolled into the

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blended retirement system which provides for combined retirement income based on two parts: a defined benefit plan or monthly retired pay for life after at least 20 years of service; and a defined contribution plan using government automatic and matching contributions up to 5 percent of base pay. A service member is fully invested in the defined contribution plan after two years of service, and those funds are in held-- are held in the Thrift Savings Plan, a retirement savings and investment plan for federal employees and members of the uniformed services. If a vested member separates before reaching retirement eligibility, or 20 years, they retain the funds in their TSP account. But they can also move that money from TSP to another retirement account, convert the funds into another qualifying investment, or reinvest the funds in another employer's retirement program; however, they would likely lose the benefit of military retirement income tax exclusion with those moves. Therefore, making a choice to remain in the military until they reach at least 20 years of service would preserve the benefit of a 50-percent military retirement income tax exclusion under the provisions of LB153. This would effectively incentivize retention of seasoned and tested soldiers and airmen for service to our state and nation in the Nebraska National Guard. And I'd offer a couple of clarifying comments. There were several questions about housing at Offutt Air Force Base. The majority of service members serving there live off-base in community housing and, in fact, the amount of base housing has steadily been reduced over the years. So those folks, and particularly married folks, with the exception of the most senior service officers there, live in the communities of Bellevue and, as Senator Crawford could tell us even more, of Bellevue and Omaha and, unfortunately, some live across the river. And so that's-- I think that's a factor too. But for all these reasons-- and then one other clarifying comment about BRAC. There is not much appetite in the federal legislative body for BRAC right now. But we do know that Secretary Wilson, the Secretary of the Air Force, sent a letter to the governors last year saying two, particularly, comments that would be considered in basing future missions anywhere in the United States. One was the quality of communities to include quality of schools, and then the other issue was license reciprocity for spouses and others coming with active component military members. And so those things are already starting to be addressed in our state, but this, this particular bill, would add to that body of work to attract those people. And once we get them here, I believe we can keep them. For those reasons, I strongly urge this committee to advance

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LB153 to the General File. Thank you, Senators, and I'd be glad to answer any questions you might have.

LINEHAN: Thank you, General. Are there questions from the committee?

DARYL BOHAC: All right.

LINEHAN: Yes, wait.

DARYL BOHAC: Oh, I'm sorry.

LINEHAN: Senator Lindstrom.

DARYL BOHAC: Yeah, please.

LINDSTROM: Thank you, Madam Chair. With the TSP plans, with-- is the same stipulations apply with regards to pulling out 59.5, similar to 401(k)? Or are there any differences?

DARYL BOHAC: No, I believe that's correct, Senator.

LINDSTROM: So it's pretty [INAUDIBLE]

DARYL BOHAC: It's at 59.5. It's essentially treated as any defined contribution plan.

LINDSTROM: OK. So I'm just trying to work through the time line here. You have an individual who is 18, serves for 20 years, gets full but can't access that money for another--

DARYL BOHAC: Actually it contributes to both, so those folks--

LINDSTROM: OK.

DARYL BOHAC: --with one these flip over, essentially, and all-- all the-- they get a benefit.

LINDSTROM: OK.

DARYL BOHAC: So the other thing is folks can leave early, again, at 10 and 12, 15 years, for example, and take the money with them without getting the pension portion.

LINDSTROM: OK.

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DARYL BOHAC: It-- yeah.

LINDSTROM: Very good. Thank you.

DARYL BOHAC: Yeah.

LINEHAN: Thank you, Senator Lindstrom. Other questions from the committee? Thank you, General.

DARYL BOHAC: Thank you, Senator.

CHRIS STOKES: Good afternoon.

LINEHAN: Good afternoon.

CHRIS STOKES: My name is Colonel Chris Stokes; that's C-h-r-i-s, Stokes, S-t-o-k-e-s. I'm here to testify in support of LB153 in two capacities: as a colonel in the United States Air Force Reserve and a longtime Nebraska small businessman representing the Lincoln Chamber of Commerce. First and foremost, I come before you as a 31-year Air Force Reservist and combat veteran, colonel in the United States-- I'm sorry, in the Indo-Pacific Command based out of Camp Smith, Hawaii. I live in Lincoln and I started my military career enlisting in the Nebraska Air National Guard during college at UNL. And I went on to fly, become an officer and fly combat missions in F-16s and A-10 aircraft over the deserts of Afghanistan and Iraq. I also served in Germany, embassies, and also at USSTRATCOM for five years in the underground Global Operations Center, along with numerous other deployments. But that's my-- not-- that's just my resume that's-- that isn't-- my credibility really comes from being-- now I'm one of the old guys at the watercooler, so I'm 49 years old, and one of the primary topics of conversation among my peers as we approach retirement is the next chapter of our lives. And literally the first thing we talk about is where our family wants to live and going to live, with the second topic usually being around what-- what kind of job we're going to do or the post-- postmilitary employment. There are two places that immediately come up and I-- there's no-- I got no stats, I've got no data, but just from-- this is legitimately hearing what guys talk about and it's Texas and Florida. And that's-- that's the first thing out of almost everybody's mouth. They have a heavy military presence, favorable tax laws, good jobs, and great weather. Military retirement checks are, as you've heard, are in the \$30,000-40,000 ranges, probably, on average-- I, you know, don't have any numbers to back that up-- but generally not enough to maintain the

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standard of living for a-- for the folks as they've-- as they've been used to. So almost all retirees, and these are people 38 to 55, go into work after retirement and, further, don't ever-- don't forget this. It hasn't been mentioned yet. Their spouses generally are professionals or have jobs as well, so please consider that when you think about the tax base and tax benefits. These are smart people. They're well traveled; they're vetted; they're healthy; they're capable, educated leaders. In preparation for retirement, they research, they run spreadsheets, they weigh priorities, and they consider many aspects to maximize their military retirement benefits. When they do a basic Internet search and see Nebraska in about 10 percent of states for tax burden, surrounded by the likes of New York, California, Connecticut, and Illinois, almost immediately Nebraska is crossed off their list. There are simply too many other states with no military retirement taxation, great jobs, and the ability to wear flip-flops in February. Although we probably won't ever be able to wear flip-flops in February here, that means Nebraska has to be even more competitive as a state to attract these veterans, America's best and brightest. Second, I come to you as a Nebraska small businessman. As a longtime member of the Lincoln Chamber of Commerce, I have owned three companies. Currently, I'm the owner of Valvoline Instant Oil Change franchises in Nebraska and employ 18 full-time employees, 5 of which are veterans. Finding upstanding applicants, individuals to work in my organizations, has always been a challenge. My military employees are the whole package though. They come to work on time; they're educated; they communicate; their grooming is sharp; they say "sir" and "ma'am," and they're respectful and are always-- almost always our best employees. There is little concern they can run a store's operation when the manager is away. Also, they understand there is a bigger world out there. They have the discipline and appreciation for their work, solely lacking-- sorely lacking in many of today's millennial applicants. Nebraska needs to pass legislation such as LB153 to keep and attract these fine individuals for Nebraska's businesses. I'm no hero, but I know a lot of them, and I know that a lot of them are sitting back here. I can just see the-- the medals on their hats. And I assert that our retired military members have sacrificed their precious bodies and minds on the numerous deployments and battlefields in Afghanistan, Vietnam, Iraq, Syria, Niger, Somalia, and many others. The great state of Nebraska needs to attract and keep U.S. military retirees, folks who provide and demand high performance, education and leadership, and all the basic tenets of good citizenship. A person who is retired from the

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military has gotten up for work every day for a minimum of 20 years, is vetted and the type of person that Nebraska needs in its workforce. It is the Nebraska State government's responsibility to pass laws which encourage this type of citizen to make Nebraska their home. I appreciate the opportunity to testify on behalf of myself and the Chamber of Commerce of Lincoln, military retirees and soon-to-be retirees who are considering staying in this great state of Nebraska. LB153 is a great start to attracting and keeping our nation's best and brightest Americans in our state and I sincerely beseech your support in making this bill a reality.

LINEHAN: Thank you, Colonel. Questions from the committee? Seeing none, thank you very much for being here.

CHRIS STOKES: Thank you. [INAUDIBLE]

GREG HOLLOWAY: Good afternoon. It's nice to be with the-- at this committee. I have-- see a lot of faces that I know. It's just kind of nice to have some new faces that I don't know. My name is Greg Holloway, G-r-e-g H-o-l-l-o-w-a-y. I am the legislative advocate for the Nebraska Veteran's Council, which is a council that is made up of all the veterans' organizations in the state of Nebraska, and I am here to act in a capacity as the appointed representative for them to speak on behalf of LB153. We have five-- usually set up five priority bills within our organization that we look at to support or to oppose, and we use this bill, LB153, as our number-one bill that we want to promote and support for many, many reasons. I'm not-- I'm one of those that did not retire from the military. I was-- received some pretty severe combat wounds and my military service ended after my first two years, which I only had to do a few years because I was actually drafted into the military in Vietnam 50 years ago. So I left the military service and I don't have to worry about military retirement-- military retirement pay. I'm on service-connected disabilities, but it is important that we retain our military people into the state of Nebraska at the workforce. I got two brother-in-laws that both married Nebraska girls. One's in Missouri and one's in Arkansas. My brother that's in-- brother-in-law that's in Missouri right now, I wish they were back in Nebraska, actually, because his sister-- his wife, my sister, is now at a care facility and it cost him over \$5,000 a month in Missouri, and she could possibly be in the Nebraska veterans' homes, which is the best places to be if you're retired and need full-time care. And it would save them a lot of money there, that's for sure. So we just got to remember this. It's the old saying: You

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got to spend a little to save a little. In this case, you spend a little and save a lot, because it will all pay off in the end when we retain our retired military. The best workforce you could ever find is military, dependable, works hard. Have any questions--

LINEHAN: Thank you.

GREG HOLLOWAY: --I sure will answer them. I don't see why you would have any.

LINEHAN: Thank you, Mr.--

GREG HOLLOWAY: But I appreciate your support and the Nebraska veterans-- I think-- believe you got a letter from the Nebraska Veteran's Council which will state our organizations that we represent. Thank you.

LINEHAN: Wonderful. Thank you very much for being here.

GREG HOLLOWAY: Thank you.

LINEHAN: Are there questions from the committee? Seeing none, thank you very much, sir. Next proponent. Good afternoon.

LARRY GERLT: Good afternoon. My name is Larry, L-a-r-r-y G-e-- Gerlt, G-e-r-l-t, master sergeant, retired back in 1992, past state commander of Veterans of Foreign Wars. I was born and raised in Nebraska, have family in Nebraska and, therefore, had an incentive to live here when I retired from the military. Having family in Nebraska is not always enough incentive to retire here as living across the river may be-- may be close enough. What are we doing to encourage them and other military retirees to live here, and why should we be seeking to retain them and their families in Nebraska? I have no answers to what we are doing to retain them, as I haven't seen a concerted effort to do so. But as to the second question, I do have much to say. What are companies seeking when they hire a new worker? One, they need a skill set; two, someone who is trainable or retrainable; three, someone who will work hard and show up, work ethic; four, someone who will follow company policies and procedures; some-- five, someone who can work with others and blend in with their workforce; six, someone who will seek to make improvements in how tasks are done or business is conducted without raising a ruckus. Please note I've just described a military retiree. As a certified national recruiter for the Veterans of Foreign Wars, I talk with hundreds of veterans each year, many of

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whom are active duty and nearing military retirement age. When we discuss the retirement plans, I rarely get the answer that they intend to stay in Nebraska. Why? No incentive to do so. They all know they can, if not already living there, move across the river and pay no taxes on their retirement pay and future Social Security income. Iowa has been doing this since 2014. Sadly, when a military retiree settles in another state, we lose much more than just the taxes we gain for the military retirement. Even if they just move across the river and work in Nebraska and we don't lose their taxable income because he works in Nebraska, we lose most, if not all, of the money they and their families would spend for rent, house payments, repairs, gasoline, groceries, clothing, etcetera. Why: because people shop primarily where they live. You must also consider their families. Most spouses are also employed. Most retirees have children and many children choose to live near their parents when they begin their families. This is a huge trickle-down effect. In other words, when a military retiree moves out of state, they lose at least two current-generation workers, at least four next-generation workers, their children and spouses, and at least eight third-generation workers. Their income is now some other state's gross revenue, and we've lost taxes on that as well as on all their other incomes. Our inability to retain military retirees is stifling our workforce growth, costing us millions in economic revenue, as well as current and future taxes. While exempting military retirement pay from state taxes is not enough to convince all military retirees to stay in Nebraska, it would be a huge step towards that goal. When this bill goes to committee for funding you'll ask, how can we afford to fund LB153? But I ask you, how can we not afford to? Thank you.

LINEHAN: Thank you very much. Other questions from the committee? Seeing none, thank you very much.

LARRY GERLT: I apologize, but I must depart. I have duties at the VFW conference.

LINEHAN: Thank you for being here, sir.

JAMES LUTZ: Madam Chairman, Senators of committee, thank you for allowing me to testify today. My name is James, J-a-m-e-s, Lutz, L-u-t-z. I'm from Kearney. I'm the commander of VFW District 13 that covers south-central Nebraska. I'm a retired Navy chief petty officer. I'm in support of and would encourage you to make every effort to pass LB153. You'll find attached is an e-mail from Command Master Sergeant

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John Stewart, United States Air Force, retired, in support of the bill. I believe you-- some of you, at least, received it about two weeks ago. John had a stroke and-- and he's here but couldn't speak.

LINEHAN: Thank you.

JAMES LUTZ: I must tell you that Nebraska is losing the best and brightest veterans to other states. Please understand that military retirees are the cream of the crop. These retired service members started as a junior enlisted, or officer, and became experts and leaders. Nebraska continually loses opportunities to bring these people home at the end of their military career. Simply put, they go to other states who offer better financial incentives. The number-one reason, as you know, is that nearly every other state does not tax military retirement. Remember, for states' finances, the most important thing to get from them is the federal money into the state. If this bill passes, the difference is the veteran will spend it mostly locally and the business or person that that dollar goes to will pay the taxes on it. Consider how a small amount of extra spending money can help a small rural community when a retiree spends it in his hometown. I grew up with Lanny and Becky in Arcadia, where their families still live. Lanny was a nuclear power electronics technician. They have retired to Iowa, where he has been able to put his expertise to work in that state. Surely Nebraska had a job opportunity for an expert like him. Not only do they spend their retirement check in Iowa, they spend any VA disability and use their VA education benefits to help put their kids through the University of Iowa. This is all federal money that could have come to Nebraska. I know of another couple who retired from the Army. Their last duty station was Ashland. They chose to move to South Dakota, where he drives a truck and she works at Custer State Park. She told me that they are happier than they ever could have been in Nebraska and that taxes were the number one-reason they chose to move there. I have been employed at the Buckle as a point-of-sale hardware manager for 15 years. The Navy gave me training, skills, and experience that made me a perfect fit in my current position. You must know that, had I been married or had children, I would have not returned because I knew of better states to care-- take care of veterans' families. Isn't that a sad statement to make? I, as a veteran, believe there are better places than Nebraska to take care of veterans' families. The military trains a large variety of skills that our state can use, anything from truck drivers, mechanics, IT, doctors, lawyers, and any skill set in between, and I'm not even talking about anybody at Offutt. Senators,

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the simple fact is, Nebraska is losing out. The cream of the crop serves 20 to 30 years. They have the best technical and leadership skills but retire to other states that offer them much better benefits and incentives than they can get from their own home state. I will tell you that we could-- will continue to lose veterans to other states until the benefits get better. LB153 is a step in the right direction. I'm asking the committee to vote unanimously to pass this bill to the General File. The only thing that's going to make it better is to make it a 100 percent exemption. Thank you very much.

LINEHAN: Thank you very much for being here. Do we have questions from the committee? Seeing none, thank you very much.

JAMES LUTZ: Madam, may I? The-- Senator, you asked earlier what a retiree makes. I was a retired E-7. I've been retired for 15 years. My take-home is not quite \$2,000 per month. Consider someone I work with: not retired, but most retirees-- retirees get disability. This gentleman gets 80 percent disability now. His disability check is higher than my retirement check. Know that most retirees get some form of disability income that is on top of their retired income. That is all money that comes here if we get-- if we get them here.

LINEHAN: OK. Thank you very much.

JAMES LUTZ: Thank you very much.

LINEHAN: I--

JAMES LUTZ: Yes, sir.

LINEHAN: Senator Groene.

GROENE: Is this dis-- is this disability payment taxed in Nebraska?

JAMES LUTZ: No. No disability payment is taxed anywhere that I'm aware of.

GROENE: In the federal or--

JAMES LUTZ: It's federal money, yeah, federal or state.

GROENE: It's clear I should know this, but is your retirement pay federally taxed?

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JAMES LUTZ: It is.

GROENE: So you pay federal taxes.

JAMES LUTZ: I do.

GROENE: Thank you.

LINEHAN: Thank you, Senator Groene. Thank you very much.

JAMES LUTZ: Thank you, ma'am.

RITA SANDERS: Hello. Good afternoon, Senator Linehan. Members of the Revenue Committee, my name is Rita Sanders, R-i-t-a S-a-n-d-e-r-s, and I am testifying today in support of LB153. Before I begin, I want to thank all the veterans that are in the room for their service, those that have served and continue to serve. Thank you very much, and thank you for your service as well. As a Sarpy County business owner, former mayor for the city of Bellevue, and members-- member of the Nebraska Commission on Military and Veterans Affairs [SIC] the issue of taxation of retired military pay has been brought to my attention many times. Like other proponents before me, I support LB153 because of the positive impact, benefits, economic benefits retired military personnel bring to Nebraska communities across the state. Military retirees spend their well-earned pensions in Nebraska in businesses, retail stores, restaurants, rent, health services, insurance, entertainment, and recreation. In research conducted by the University of Nebraska Bureau of Business Research on behalf of the Nebraska Commission on Military and Veterans Affairs [SIC] we learned that the annual economic impact of military retirement system payments on the Nebraska economic-- economy is estimated at \$373 million in terms of economic output. And that spending by the Department of Defense military retirees in Nebraska generates 2,783 new jobs in Nebraska, resulting in \$11-- \$114.2 million in compensation by these employees. We also know that retired military personnel live throughout the state. The most recent statistical report on the military retirement system-- system from the Nebraska Department of Defense Office of the actual-- actuary dated July 2018 reports the number of military retirees paid by the Department of Defense by ZIP code, using the first three numbers of the ZIP code. The 13,712 retired personnel in Nebraska live throughout the state. And I'll just give you a brief chart here that I have: at 680-- , 3,530 retired militaries [SIC]; 681-- , 5,925; 683-- , 400; 684-- , 450; 685-- , 1,384; 686-- , 183; 687-- ,

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360-- 360; 688-- , 493; 689-- , 285; 690-- , 83; 691-- , 320; 692-- , 36; 693-- , 263. Beyond the quantitative economic benefits retired military personnel bring to the state, I would echo the comments shared about the intangible benefits veterans bring to our state. Their commitment to service, dedication to duty, broad life experiences, and leadership training make them valuable members of our community. Again, I am here to testify in support of LB153. I encourage you to vote to advance the bill to the floor so we can give veterans a new tax relief. Thank you, and I'm here for any questions.

LINEHAN: Thank you, Mayor Sanders. Are there questions from the committee? Could you provide those statistics to the committee?

RITA SANDERS: Absolutely.

LINEHAN: I would appreciate it.

RITA SANDERS: And I'll make a copy of this and also the Nebraska economic report.

LINEHAN: OK. Thank you.

RITA SANDERS: Thank you.

LINEHAN: Thank you. Next proponent. Good afternoon.

BRIAN COFFMAN: Good afternoon. Good afternoon, Chairman Linehan. And I'd like to thank you and the committee for this opportunity to testify today in support of LB153. My name is Brian, B-r-i-a-n, Coffman, C-o-f-f-m-a-n. I'm a retired Air Force master sergeant with over 24 years of military service. I am also a resident of Cass County in District 2. Besides being a retired military member, I'm also a Cass County official and I currently hold a position as the Cass County Veterans' Service Officer. I represent several thousand veterans and family members in the system, navigating the complexities of our Department of Defense and VA regulations and benefits. Today you've heard a number of testimonies which included detailed statistics regarding the economic impact of the military footprint in Nebraska. Many of these resources play a vital role in our state's economy, but I'm sure each and every one of you will agree that no base, no facility, no airplane or weapon can replace the value of a person and that veteran. I hope that this committee does everything within its power to pass this bill and to take yet another step towards keeping America's best here in the state of Nebraska. For many

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veterans, getting ready to hang up their boots is a daunting task. What I will do-- what will I do in my next career? How can I earn the money I made? Will it be enough to support my current lifestyle? Where do I want to live and where can I afford to live? We're going to focus on that latter: Where do I want to live and can I afford to live there? I don't have to tell anybody here on this committee or in this audience that we have higher than normal property taxes, that you may also agree that at best we certainly have a moderate retirement benefit for tax relief for retired members. When compounded, those two items, it's really hard to refute the benefits of living elsewhere. Simply put, Nebraska is not a tax-friendly state for a retired member. As a veteran service officer whose county is nestled between the infamous Highway 34 bridge and Highway 2 in Nebraska City, I see a lot of veterans, due to the proximity of Offutt Air Force Base, work in the metro area but live in Iowa, and mostly the Mills County area which is the Glenwood area. Many retire-- many retired veterans are subject matter experts so they leave work on Friday in uniform and go back to work on Monday in a civilian attire. That's a win-win situation for the employer and the employee, but it's a huge loss if we don't retain them in the state of Nebraska. As a CVSO, my assistant and I have processed multiple change-of-address forms. This is an actual form that tells me that a veteran is moving from his place in Nebraska to another location. It's a 572 form. I have noticed an uptick in my last two years of these forms being filled out more frequently. I get to talk to some of these veterans and 100 percent of the time, when I ask them why they're moving to Iowa, it's usually not because of the black and yellow football flag; it's usually because of property taxes and that their military retirement tax is taxed. I like to use analogies. I'm a Veterans' Service Officer. A lot of my veterans just don't understand the human body, the heart, you know, different things like that, so I like to use engine parts to explain how the body operates, or in this case we'll talk recruiting. Well, Tom Osborne, I think most of us here know who he is. He wrote a book called Faith in the Game: Lessons on Football, Work, and Life, and I will be paraphrasing. And in this book he reflected on the success of himself as being a coach and the five factors he believed contributed to his successful recruiting or lack thereof. One was good facilities; the second was tradition; third, coaching; a large population base; and weather. I think you know where I'm going with this. He had three of the five. He could not make the population larger and he could not change the weather, no how-- no matter how good he was as a coach. So just as football, we as a state need to recruit. There's positive and

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negative aspects to recruiting and some can be said our state has the ability to maintain and recruit highly skilled, highly educated military retired because we have great schools, we have great employment opportunities, and we have a great way of life. I am from Ohio. My wife is from Norfolk. I moved here because of my wife. Now I live here because of my job. I must be in the state, and I love Big Red, so. What we're lacking here is affordable taxes on property and of course the reason we're here, which is to pass LB153. This is something we can do as legislation to fix one of those five items that Mr. Osborne, Coach Osborne could not. We can fix the tax deficit. So the good news is this legis-- bod-- legislative body has the ability to eliminate one of the recognized negative aspects of recruiting by supporting and passing this bill. Bottom line in recruiting, we must be competitive. We need to change what we can and we need to entice these highly skilled, ready-to-work retired veterans to stay here in Nebraska. So in closing, I'd like to thank you, Chairman Linehan, and this committee for your time and I hope you will support LB153. Thank you.

LINEHAN: Thank you very much. Thank you. Questions from the committee? Seeing none, thank you very much for being here.

BRIAN COFFMAN: Thank you, ma'am.

LINEHAN: Can I see a show of hands of how many more people plan on testifying? OK, I'm going to get really tough about the lights, OK, because we-- there's three other bills that follow this, so we're going to have to get tough. Go ahead. Thank you.

JEFF MIKESSELL: Chairman, honorable members of the Revenue Committee, my name is Jeff M-i-k-e-s-e-l-l, J-e-f-f- M-i-k-e-s-e-l-l. I'm a Papillion resident and retired Air Force colonel pilot with over 24 years' active-duty service. I'm speaking today in support of LB153 and ask you to support an effective reduction in taxation of veteran pension benefits our military veterans have served decades to earn. A reduction in military pension taxation recognizes the vital role such an exemption would play in promoting the economic development of the entirety of our state's economy. All our border states, all our border states with the exception of one, Colorado, exempt 100 percent state income tax of military retiree pay via explicit military exemption or by virtue of no tax at all. The benefits of exempting at least a portion of military retiree pay from state income tax far exceed any fiscal note. The exemption would promote the attraction and retention

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of a highly skilled, highly educated and motivated veteran workforce to our state. Although Nebraska can boast-- boast many advantages, it's no secret within military community Nebraska ranks low on the list of retirement states, many saying this is specifically due to our state's tax treatment of military retiree pensions. It's not just active-duty members. The National Guard and Reserve members live throughout the state, and the current tax environment within Nebraska serves as an impediment retaining veterans as they actively seek out second careers in more favorable tax environments. In addition to recruiting and retaining a highly skilled, highly educated workforce, an income tax-friendly environment for military retirees has an impact on our state's economy. Military retirees in Nebraska number around 16,000 and, after 20 years of service, receive roughly half their base pay in retirement pay. Oftentimes enlisted troops hit their 20-year mark at age 38 to 40; officers will hit this bogey about 43 to 45. Both groups are looking to start a second career, and these second careers often last longer than their original military service. Reserve and National Guard retirement pay is calculated by active days of training or mobilization but not received until age 60. Many Nebraska-based troops, upon retirement, wish to stay in Nebraska, but neighboring states, specifically Iowa, due to proximity to Offutt Air Force Base, and other locations such as Texas, Wyoming, Nevada, Florida-- it's not 10 degrees in Florida today-- offer real tax savings and often actively-- actively recruit retiring military members. Often overlooked is the contribution of family members living, working, buying homes, cars, furniture, groceries, and paying state and local income taxes and sales taxes. My family in particular is responsible for five current Nebraska residents. When Congress and militaries-- military leaders look to reassign missions and close installations, one of the criteria taken into consideration is the environment within the surrounding community and support of the troops and their base. Whether it is the future of Offutt Air Force Base or the federal mission of the Nebraska National Guard, exempting state tax on military retiree pay will directly and indirectly affect the future of those missions when the military looks again at force structure. It is vital the Unicameral take action now in order to protect the impact-- the economic impact these missions have on our state. In closing, I strongly urge you to favorably consider LB153.

LINEHAN: Thank you very much. Are there questions from the committee? Seeing none, thank you very much for being here.

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JEFF MIKESELL: Thank you.

LINEHAN: Thank you.

PAM WHISENHUNT: Good afternoon.

LINEHAN: Good afternoon.

PAM WHISENHUNT: My name is Pam Whisenhunt, P-a-m W-h-i-s-e-n-h-u-n-t. I am here in favor of LB153 on behalf of the Nebraska National Guard Enlisted Association. The Enlisted Association advocates on behalf of all Army and Air, enlisted Guardsmen, retirees, and their families. I've been active with the association since 2004, and tax relief on retirement pay has been consistently a top priority of ours. This legislation would be huge-- a huge step forward in honoring our veterans and keeping their talents in Nebraska. A lot of this you've heard already, about how people move away, you know, for better incentives, but I do want to talk about me and my situation. So I moved here in 1994 because of my husband. He's a Nebraska native. I'm from Minnesota. My husband and I are both veterans. He's retired. He continues to work in Lincoln. I continue to serve full time in the Army National Guard. I volunteer, as well. We-- actually, we both volunteer in our communities. I will be retiring in the next couple of years and we have started looking at other options. We have family in both Minnesota, my family, and he has family in Oklahoma. Both states are absolutely viable options for us to move after I retire. It might not sound like a lot, but it does add up over time. So you had asked about the retirement pay, so my husband, his state tax-- state tax this year was \$900. So mine, I'll retire a little higher rank, a little more time in service, so mine will be a little bit higher than that. So we figure over-- a little over a thousand dollars between the two of us at the 50 percent tax rate is what we would be saving a year and. Both of us, we do continue on working-- we do plan on working after we retire, volunteering in our-- in our communities. We have two children. One, she's in the National Guard full time here as well. Our other daughter, she is going to the University of Minnesota, so we do have family here that we'd like to stick around, grandchildren as well. But I guess that's my story. It's just probably a matter of what state that we retire in. Passing LB153 will help make Nebraska a more veteran-friendly state to live in. And I do thank you for your time and consideration. I hope you vote favorably on this legislation and move it forward to the floor.

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LINEHAN: Thank you for being here. Are there questions from the committee? Seeing none, thank you very much for your testimony.

PAM WHISENHUNT: Thank you.

LINEHAN: Next proponent. Good afternoon.

LYLE BARTELS: Good afternoon. I'm Lyle Bartels, L-y-l-e B-a-r-t-e-l-s, and I'm currently serving as the state commander for the Nebraska American Legion. I am a veteran. I am a retired serviceman. I listened with interest to all these other people giving testimony. They had a lot of facts and figures that-- and they presented it in a way that would convince you to pass this bill. God didn't bless me with that ability at all, so all I'm going to tell you is I think you should pass this bill because the men and women who serve this great country in the Armed Forces for that many years, they earned it. That's why you should pass this bill. That's all I have to say.

LINEHAN: Thank you very much. Are there questions from the committee? Thank you very much for being here, sir.

LYLE BARTELS: Thank you.

LINEHAN: Uh-huh. Good afternoon.

DAN BENES: Good afternoon. Chair-- Madam Chairman, Senators. My name is Dan Benes; I spell D-a-n B-e-n-e-s. I support LB153. I'm asking for your support. I have a summary typed up as far as some of the reasons I believe the retired military members have earned this tax break. And I talked about communication skills, flexibility, teamwork, integrity, planning skills, problem solving. But rest assured, these military members are much more employable and talented often-- than often considered. We need to continue to make more effort to retain them in our state. I am a member of the American Legion, the largest military veterans' organization in the world. I serve as the District 7 commander. I served 31 years in the Army, Army National Guard, and Army Reserve. I stayed here in Nebraska. I own two businesses of my choice. My businesses are I farm and ranch, and I'm here to tell you, I know how to pay taxes, trust me. [LAUGHTER] So with conclusion, there were a lot of talented people spoke before me. They talked about a lot of things that I was going to say. In summary, this completes my comments. Are there any questions?

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LINEHAN: Thank you, Mr. Benes. Questions from the committee? Thank you very much for being here.

DAN BENES: Thank you.

LINEHAN: Thank you.

DAN BENES: Thank you for all you do.

LINEHAN: Good afternoon.

JOSEPH SMITH: Hello. Madam Chairman, my name is Joseph Smith, J-o-s-e-p-h S-m-i-t-h. I am the state senior vice commander for the Veterans of Foreign Wars, and I'll be short and sweet. I support this bill and I hope you will too. Thank you.

LINEHAN: Very kind. Thank you very much, sir. Thank you.

JAMES REED: Good afternoon. I'm James Reed, J-a-m-e-s, Reed, R-e-e-d, and I want you to support this bill also, a wee bit behind far as Nebraska compared to other states. I spent 28 years far as in the military, about 8 in the Navy, and the rest in the Nebraska Air National Guard, and I retired in 2004. And I agree with all the people before me, what they have said. I have family and whatever that would have come back to Nebraska but they-- of course, our taxes and the military-- military taxes is one reason they didn't-- haven't come back. So again, I want you to all support this bill, and I appreciate your time. And thank you very much.

LINEHAN: Thank you. Questions from the committee? Seeing none, thank you very much for being here. Appreciate it. Good afternoon.

DANIEL PAXTON: Good afternoon, Madam Chairwoman. Senators, my name is Daniel Paxton, I spell D-a-n-i-e-l P-a-x-t-o-n. I'm a medically retired, having served just shy of 26 years in the active Army and the Nebraska National Guard. I've been to the Middle East with the military on three separate occasions. I have a small military retirement of \$22,612.70. That's according to my W-2 for 2018. I am being taxed by the state of Nebraska \$720. It seems an unimportant amount until you realize that I also pay sales tax, land tax, vehicle tax, and spend my money in the state in Nebraska. I also do receive my medical retirement, medical benefits, as well, from the federal government, so I spend that here as well. I pay that money to the state unless I plan to move to another state that doesn't tax my

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money, and then that state becomes the beneficiary of my other income. When I came off of active duty, I was in Texas, and Texas does not tax military. I could have chose to stay in Texas, but I love Nebraska. I'm born and raised here. I was actually raised in Senator Groene's district out in North Platte and just-- I-- I love Nebraska, so I came back and I joined the Nebraska National Guard and finished out my time here. I have many friends that are about to retire from the military and are looking for a place to call home. They would like to come back to Nebraska, but it comes down to taxes. Why would they come back to Nebraska when their retirement pay is taxed? Military members have a choice when they go-- where they go after they retire from the military. Some military retirees have unique skills, create small businesses, and hire other employees. That generates tax monies for the state as-- that they retire to. Of course, you've all heard this before. I'm beating a dead horse with a stick. Does the state of Nebraska want to lose out on that money and other monies that come along with a retiree and their family? We've heard that as well too. That money might mean-- I'm sorry. Military retirees often come complete with a family, and that family goes out, earns a living, and pays taxes as well, so we want to keep that in mind too. With the veteran comes the family. My brothers and sisters of all branches of service deserve a break. You might say that military retirement pay is an unsubstantial amount of tax revenue. What does it matter? Think of the veteran or retiree that are living paycheck to paycheck. Some can't-- they-- they can't get a job outside of their military retirement for whatever reason there may be. So that-- that-- that veteran may have to be depending on that tax money, that-- that-- that extension [SIC] that pay raise, if you will. That un-- unsubstantial amount of money might mean the difference between making rent payment or kids getting medicine or a meal. I want to thank you for allowing me to speak before this committee and speak on-- for my-- my support of LB153. I want to thank you also. May the god-- may God bless the state of Nebraska, United States, our leaders, Governor Ricketts, President Trump. I'd like to especially thank Senator Thomas Brewer for introducing this legislation and keeping his oath to always watch over his fellow military brothers and sisters. Thank you.

LINEHAN: Thank you very much. Yes, Senator Groene.

GROENE: You grew up in North Platte?

DANIEL PAXTON: Yes, sir.

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GROENE: If I put an amendment on it that if you retire west of Kearney and we give you 100 percent, would you come back? [LAUGHTER]

DANIEL PAXTON: I-- I-- I--

_____ : We support that.

DANIEL PAXTON: I was actually just living in North Platte last July through December. My father had Stage IV cancer and I moved back out to North Platte to take care of him. So this last election, I actually voted for you.

GROENE: Thank you. We want you back. [LAUGHTER] Thank you.

LINEHAN: OK. Thank you, Senator Groene. Other questions from the committee? Seeing none, thank you very much for being here, appreciate it.

ROBERT PETERSON: I'm Robert Peterson, R-o-b-e-r-t P-e-t-e-r-s-o-n. I'm a retired master sergeant with the 155th. They said there's a small percentage that make it to retirement, and I'm one of those. I'm native Nebraskan. My father was a World War II vet, a private, and, I don't know, the-- the draw to this state is-- is pretty com-- pretty good for me. But I do have another brother that is retired military and he's-- like this gentleman before me said, his military retirement is about a third of what he gets, so. He gets that and Social Security, those two things, and that's what he lives on, so it would be pretty significant for him to not have to pay as much of a tax burden. The other thing I'd like the committee to think of is Nebraska as a state or Legislature have had friendly things for veterans or people in the military. They've-- tuition assistance, there's other things, so I think this bill would really help veterans think about, well, where am I going to retire at? I know, like the guy said before me, we're beating a horse with this, but sometimes it takes a little guts to make a bold move. I think Osborne, he had guts a lot of times. I was-- I was in that '83 Orange Bowl where he threw a pass going for two, or then kicking the point after. And I think-- I hope the members of this committee got a little bit of guts to take a bold move to think this is maybe not the most popular thing to do but it's the right thing to do. That's all I got to say.

LINEHAN: Thank you. Thank you very much. Are there questions from the committee? Seeing none, thank you very much for being here today.

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TERESA CLARK: Good afternoon. I will be brief. My name is Teresa Clark; that's spelled T-e-r-e-s-a C-l-a-r-k. I'm here and testifying in support of LB153. I'm a retired Nebraska Air National Guard member with 31 years and 10 months of service, but who's counting? Professionally, I'm the program director for VetSET with the Nebraska Association of Local Health Directors. Additionally, I participate with the Nebraska Veteran and Family Task Force. And I am a local business owner. In my years-- many years of involvement within our veteran community, I have had the opportunity to work with so many amazing people with a wide variety of stories that I could tell related to these issues. What I choose to focus on today is my experience as a business owner here in Nebraska who has seen firsthand the work ethic, professionalism, and overall quality of veterans as employees. My husband, who is a 24-year veteran of the Nebraska Air National Guard, and I own BigShots Indoor Range and Silencer Headquarters. In our seven years of operation, 40 percent of those we have employed were veterans; and frankly, it would be 100 percent if I could get them. We know that to be successful we need to surround ourselves with people with high integrity and diverse talent. We have found that veterans always fill this bill and bring many diverse talents to the team and the success of our business. I'm sure you're aware of the many open and unfilled jobs in our state, as we have learned today, and a large number of them in skilled and technology fields. There are few populations better suited to fill these jobs than retired military members. Every retiree who moves to another state is a job unfilled. Every retiree that-- every retiree-- every retiree we lose is lost growth in our state's business and its economy. I ensure-- I encourage you to support the importance of this and look to the potential growth we are continuing to lose as long as Nebraska is not competitive with our neighboring states. For these reasons, I encourage you to vote to advance LB153 to the floor so we can give veterans new tax relief. I'm ready to take questions and thank you, Madam Chairman and senators.

LINEHAN: Thank you, Ms. Clark. Questions from the committee? Seeing none, thank you very much.

JERRY CHLOPEK: Good afternoon. My name is Jerry Chlopek, J-e-r-r-y, spelled C-h-l-o-p-e-k. I'm a retired Vietnam veteran who served in the Marine Corps, and also I was retired from the Army Reserve there for 30 years, served as a first sergeant, retired as a first sergeant. And I'm just going to make this short and sweet. I'm in favor of LB153 and

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just-- just to show my support of it and that I'm in favor of it and my testimony to that fact.

LINEHAN: Thank you very much. We appreciate that. Are there any questions? Senator Groene.

GROENE: Where do you live, sir?

JERRY CHLOPEK: I live in Columbus, Nebraska.

GROENE: Thank you.

JERRY CHLOPEK: I'm a post-- VFW post commander there.

GROENE: Thank you.

JERRY CHLOPEK: Thank you.

LINEHAN: Thank you.

MICHAEL DUNN: Good afternoon, Madam Chairman, committee. My name is Michael Dunn, M-i-c-h-a-e-l D-u-n-n. I'm from Superior, Nebraska. I-- I am not a retiree. I probably would have been, but on my second enlistment I got injured and I'm a 100 percent disabled veteran. I do, however, have my son-in-law and a couple of his friends who are retired out of the National Guard here in Nebraska. They started their business. They have probably in the vicinity of 25 employees. They have seven tractor-trailer trucks running around, around the Midwest. But one point I would like to make is that when I came to Nebraska, I brought three grown children with me. They all have jobs and businesses that they started here in Nebraska. They pay their taxes. And for every retiree that is in the state of Nebraska, when they're at the age, in their 30s or 40s, when they retire, they usually have children, and if they stay in Nebraska those children also start businesses and go to school and pay taxes in Nebraska. So I think it is important that we try to retain the number of retirees to stay in Nebraska. It's-- actually is a no-brainer. You know, we-- we have the unlimited potential of all the experience and dedication that these veterans and retirees have and to lose their experience to another state is just unfathomable to me. So I am strongly urging you to support and pass LB153.

LINEHAN: Thank you, Mr. Dunn.

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MICHAEL DUNN: Thank you very much.

LINEHAN: Thank you. Are there questions from the committee? Thank you very much for being here, sir.

MICHAEL DUNN: You're welcome.

MARK GILL: Good afternoon, Madam Chairman--

LINEHAN: Good afternoon.

MARK GILL: --Senators. My name is Mark Gill, M-a-r-k G-i-l-l, and I am not a native Nebraskan. To answer your question, however, how many stay in Nebraska, I don't have stats about how many, but I'm originally from Florida. I was a service brat and I spent a lot of time in the southeast corner of the United States. So when I retired from the military, I loved Nebraska. I stayed. A lot of reasons I stayed in Nebraska is quality of life. We've got clean air. We got good water here. We got agricultural, which I've fallen in love with, just all the agricultural land we here for-- have here. And traffic is not too bad most days. However, this morning, as I cleared the driveway out in this-- in this arctic air we've got here, I did question my wisdom in opting not to go back to Florida. On the other hand, I have a-- I have three children here and they have grandchildren-- they have grandchildren, and I have great-grandchildren through some of them that are here in Nebraska. On the other side of the coin, my youngest started his education here in Nebraska. He graduated from Raymond Central just north of Lincoln here, and he started his education here at UNL, Southeast Community College, and then he went into the Air Force himself. And he just finished up his career in the Air Force. He got-- while he was there and then he got himself a double master's and a-- and a BA in business administration, organizational leadership, and information management systems, and he's got a well-paying job. He could afford to live in Nebraska off of his-- his job pay. He chose not to come back to Nebraska because, he said, for one, real estate prices are too high; taxes on that real estate is too high; and like me, he agrees it's too expensive to-- to register your vehicle in Nebraska. So he stayed in another-- one of the other 29 states that do give veterans a break on their taxes. His son is about a year and a half away from graduating high school and he plans to go into agriculture, but he-- he won't be doing it here in Nebraska because we tax our farmers so heavily on their land and equipment that a lot of them are just-- the family

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farms, some of them are just selling and leaving, going to other states. I'm a member of the veterans agriculture coalition. I'm-- we'll be meeting next week with one of the Governor's aides to try to see if we can't get some advocacy groups going here in Nebraska to bring farmers, bring veterans into the agriculture in the state of Nebraska. We lose 22 veterans a day to suicide, but we find that those that are actively engaged in agricultural pursuits, the suicide rate drops off significantly. Now I don't have land, a farm. I live in the city. My wife I have a 23 by 60-foot raised-bed garden, and I can tell you of my own personal experience how therapeutic it is for me to get out and just work with the soil and living things. If we can give a better tax structure for veterans who have served this country so well over so many years, many of them for decades and they've have come back, some of them, physically and emotionally broken. If we give them a reason to call Nebraska home, you'll find a lot of them, like me, that are not natives who are not just-- excuse me, don't go back to their home states but adopt Nebraska as their new home. My wife is from the Republic of Vietnam. I met her here in Lincoln. In fact, I-- a lot of people ask me, did I meet her in Vietnam. I volunteered for Vietnam three times. I ended up drawing Thailand, so I did duty in-- duty in Thailand with the Eighth-- Eighth Pacific Air Command out there. But my wife, being from Vietnam, I thought she would like a milder climate/ And she's-- typical Asian, she's frugal with money, so I thought she might like a better tax-- a tax, you know, break, keep more of our money. But even when we go back to visit what family she has left in Vietnam, she calls Nebraska home and she comes back to Nebraska. She's always happy to come back here. We visit family out of state. She's ready to come back to Nebraska. We spend anywhere from four to five weeks a year visiting family over in Vietnam and when she speaks of Nebraska back in-- in her native country of Vietnam, she speaks of it as home. And that's the culture we want to engender in our veterans, in our immigrants, people who live here by choice, not because they have ties to the land here.

LINEHAN: Thank you very much. Appreciate it.

MARK GILL: Thank you very much for your time.

LINEHAN: Are you-- are there any questions? Seeing none, thank you very much for being here. Appreciate it.

MARK GILL: Thank you.

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LINEHAN: Hi.

EDWARD JANECKO: Hi. Good afternoon, Chairman Linehan and Revenue member-- Committee members. I'm Edward B. Janeczko, Jr., E-d-w-a-r-d J-a-n-e-c-z-k-o, residing in Papillion, Nebraska. I retired from the Air Force as a major in 1996, at age 42, after 20 years' service, and completely retired in January 2018 after additional 22 years as an operations research analyst at Offutt Air Force Base. I represent myself. I most sincerely support LB153, either as introduced or in some combination of dollar limits and/or phase-in periods. As a matter of full disclosure, I would receive a personal benefit under this bill. My current Air-- taxable Air Force retired pay is just under \$2,700 per month. Under LB153, I would be liable for Nebraska income tax on \$1,350, which, at the 6.84 percent tax rate, provides me a tax savings of about \$92. This would be the cost of a very nice dinner each month for my wife and me. Others have made the case that as other neighboring states exclude military retirement pay, there is an inexorable pull on us retirees to relocate those states. This is a brain drain of highly trained and educated workers who command above-average salaries. In my personal case, I have my daughter, her husband, and their three children living in Bloomington, Minnesota. They would love having my wife and me relocate to be near them. In fact, they regularly inform us about homes for sale near them. The "People's Republic" of Minnesota currently excludes military retirement pay from taxation and has for a number of years. This New Jersey boy, having first arrived in Nebraska back in '86 and living here for 32 years to raise our daughters, we are not yet ready to pull up roots and relocate north, but we definitely feel the pull. I see the large fiscal note for LB153. As an ops research analyst, I believe that is only first-order effects, as others have said, the initial cost of the tax exclusion. I don't believe it includes the second-order effects, the lost income tax, sales tax, and property taxes paid when a retiree relocates to another state. In the vernacular of the Fram oil filter factor commercial: You can pay me now or you can pay me later. I think this dynamic scoring would reduce the loss of revenue illustrated in the fiscal note. In conclusion, I most emphatically support LB153, urge-- encourage the committee to advance it to General File for debate. Thank you for your time and attention, and I can answer any questions if you'd like.

LINEHAN: Thank you very much, sir, appreciate you being here. Are there questions from the committee? Seeing none, thank you very much.

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EDWARD JANECKO: Thank you.

GARY HANSEL: Good afternoon.

LINEHAN: Good afternoon.

GARY HANSEL: My name is Gary, G-a-r-y, Hansel, H-a-n-s-e-l. I am a retired chief master sergeant with 37 years of service. I was one of the lucky ones: They kicked me out when I was 60 because I guess I got tired of doing push-ups and sit-ups, I guess. I don't know. But anyway, mine's going to be short and sweet. When I came back from Vietnam, back in 1969, there was other states that were giving the Vietnam veterans some kind of a cash bonus when they come back. To the best of my recollection. Nebraska was not one of them, because I never received nothing. So this has gone back since 1969 that they haven't really supported the veterans. So who'd have thought, people? It's about time to support LB153. Thank you.

LINEHAN: Thank you for your service. Are there questions from the committee? Seeing none, thank you, sir. Hi.

JOHN STEWART: Hello. I am Chief Master Sergeant-retired John Stewart, S-t-e-w-a-r-t. I sent each of you had an e-mail with all the data and all that, so I'm not going to go through the numbers and all that. You've heard enough numbers to last you a lifetime. I'll give you a couple numbers. I had a stroke three weeks ago. I just got my voice back today. This is the first day I've been able to talk, because my-- they were paralyzed. I've had 16 surgeries. I had a double bypass in my 40s. I've had seven heart operations, four-- this was my fifth stroke from Agent Orange from Vietnam, serving in the war in Thailand. I served 18 years based out of Germany, working in the Middle East for U.N. peacekeeping force supports, Air Force Special Operations, presidential sport, number of things like it, and a lot of desert time in just about every country in the Middle East and Africa. I deserve a tax break. My family deserves a tax break. The sacrifices that we do is unbelievable. I remember we were on one tour-- my voice is trying to go-- on one tour with my wife and children. There was no high school for my children. They-- my options were to send her to Spain, my daughter to Spain at 14 years old to in a barracks with other kids and-- and attend the school because we had no schools for them. That's how-- kind of sacrifices we had to do. My wife took care of-- of the kids and raised them herself. I deployed eight to ten months of the year for 18 years when I was in Europe, then Ukraine and Thailand and

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Vietnam and Guam and Okinawa. I was never there, so you can imagine what our families went through. They deserve some support on this tax break like this. I lived here in Nebraska when I retired. I left. I went to Florida, just like the gentleman was talking a minute ago. I went there not to get-- just to get warm; I went there because of the taxes. I could not afford to live here. They just-- I just couldn't do it, and I couldn't work anymore. I was ill. I'm back. I just moved back this past year. The doctors have told me to come home to be with my children. They teach at Kearney High School, where I live down there. And the doctors told me to come home, and they were probably right, it looks like. But I just believe in my heart it's duty and honor and country from your part and my part, for my service and all these people in here. I don't lead any organization or anything. I've been through that and I'm not going to do it anymore. I'm retired. I'm just an old grunt and I deserve it for my duty and my honor and my country. And you would not be sitting here today if it weren't for these men and women who are behind you if-- we wouldn't have the freedom without you people. So I hope that you'll pass this not only for the tax incentives and the money-- that, to me, is a small part-- is, one, is that you remember my honor and all these men and women's honor, what they did for our great country. God bless you and thank you for letting me talk to you.

LINEHAN: Thank you, sir, for being here.

JOHN STEWART: Thank you.

LINEHAN: And thank you for your service. Do we have any questions from the committee? Thank you very much. Are there other proponents? Seeing no proponents, are there any opponents? Not surprising. Are there any neutral?

SARAH CURRY: Sarah Curry with the Platte Institute, S-a-r-a-h C-u-r-r-y. I'm here to speak in a neutral capacity on expanding the tax exemption for military retired pay. We've heard about how many states have tried to find ways to reduce the burden of taxation for its military retirees and the competition among states wanting to attract and keep military retirees is very important, and Nebraska is one of the ones competing. I handed out a table to you of the tax treatment of military retirement pay for all 50 states, since I know a lot of times you want to see what neighboring states are doing. Right now, there are only seven states that do not offer a special tax treatment of military pensions whatsoever. We understand the military

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is very important to Nebraska, specifically eastern Nebraska where many of our veterans reside after their service at Offutt Air Force Base. We also understand that due to Offutt's close proximity to the Iowa border, this is one reason why this legislation is so important and being introduced. The reason for our neutral testimony is because lowering the taxes for military retirees is just part of the overall equation. After retirement, many of these people get civilian jobs, like you've heard about, and they pay other taxes: income taxes, sales taxes, and most importantly in Nebraska, property taxes. I didn't include this on the table I gave you because that's just how income tax is treated, but Iowa also does offer a property tax exemption for veterans on top of also having lower property taxes than the state of Nebraska. So many of these veterans have lived in several places and they understand the tax treatment in those different states. And while we know that tax rates are not the final decision factor for many families, Nebraska's high taxes will remain for those veterans once they enter civilian life, and it could be a contributing factor for them to move away from Nebraska. I want to share with you two recent examples that show that even states with exemptions can face challenges in part due to their overall tax and economic climate. Maryland, which is home to the U.S. Naval Academy, despite a budget deficit in 2015, added an exemption for their military retirement pay. Connecticut, also facing a budget shortfall in 2015, decided to increase taxes on its businesses in order to exempt its military retirement taxation. Data collected from the U.S. Department of Veterans Affairs found that both Maryland and Connecticut lost some of their veteran populations between 2015, when the exemptions were enacted, and 2017. And at the bottom of the table, I've given you the-- the numbers for both those states. Maryland saw a 4.6 decline in their veteran population and Connecticut had a 7.5 percent decline in their veteran population. Overall, this exemption is an important discussion to have as we discuss property tax reform. We know that some tax expenditures are going to be adopted for one reason or another, and under that circumstance it's even more important to prioritize and discard some of the other tax expenditures in the tax code, if the committee believes that an expansion of this exemption is very valuable for our state. By eliminating inefficient tax expenditures where possible, the savings can be used to make improvements to the overall tax code with fewer barriers for everyone. At a time when the Legislature must fund core government services, is pressured to find a solution to the high property tax problem and also fund the additional cost of Medicaid expansion, it only makes sense to

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eliminate some of the less impactful tax expenditures, if this one is a high priority. There are many aspects to the issues of tax expenditures that deserve a longer discussion. But if you can work to make the tax system less of an economic consideration for all Nebraskans, it can help to reduce justification for increasing the tax expenditures. Thank you.

LINEHAN: Thank you. Are there any questions? Senator Friesen.

FRIESEN: Thank you, Chairman Linehan. So what you're-- what you're saying is, well, if we prioritize what kind of tax credits we want to give, things like the Advantage Act, if we currently have 55,000 job openings and low unemployment rate, we need to attract people to come back here to fill those jobs, we would prioritize something like this.

SARAH CURRY: We would argue that a lower tax rate for everyone, not just veterans, would help fill those jobs, and it would help veterans and then also those people of the veterans' families that aren't service members alike. And so if you have a low tax rate, you can help fill those jobs.

FRIESEN: OK. Thank you.

LINEHAN: Thank you, Senator Friesen. Senator Groene.

GROENE: One of the statements was-- I'm all for this, but I think it's just going to give a tax break to the people who want to live here, and they deserve it. I don't see how it's going to bring people in when they can still get 100 percent in Iowa. One of the point-- points that was said is active duty at Bellevue are living in Glenwood, Iowa. They're not getting retirement pay. Actually, the income taxes in Iowa is very similar to ours and in fact, if they make over \$70,000, they're higher. Is it property taxes? That's what I hear from friends and relatives in Omaha who live in Iowa. It's property taxes.

SARAH CURRY: I can tell you personally that I do know some-- some active-duty military and also veterans that live in the Glenwood/Pacific Junction area, and they wanted acreage properties and they couldn't afford it in Nebraska, and they chose to live over the river because the Highway 34 bridge makes it very easy for them to access Bellevue.

GROENE: Define "couldn't afford it." The taxes of--

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SARAH CURRY: They couldn't afford the mortgage, like the property tax escrow on top of the mortgage.

GROENE: Right.

SARAH CURRY: And I can tell you that when I moved here from North Carolina and we were looking at purchasing a home, there were many homes that my husband and I could afford the mortgage, but when I escrowed the property tax, we could not afford those homes. And so we had to look at different homes than maybe we would have purchased due to that high property tax. And-- and many of the homes that we were desiring for our family were affordable in Iowa because the property taxes were lower.

GROENE: What percentage of your mortgage payment would be escrow?

SARAH CURRY: I don't know. I like to pay it out every year so I know when it goes up, so I don't know the percentage-- I don't escrow it-- but when we were looking at what our monthly expenditure was going to be and what we were comfortable, because when we moved here, my husband didn't have a job, so we had to live off my income.

GROENE: So there's a lot more reasons why military don't retire here than just the military tax. It's a big one, but there's a lot of good reasons.

SARAH CURRY: Yeah, I would agree, and that's-- that's the reason for our neutral testimony, because I think this is a very good idea for our military veterans. But a lot of military veterans have family that aren't associated with the military, and then their children and grandchildren paying higher taxes, and they could move over the river to Iowa and pay less taxes. And if Iowa offers their grandparents the income tax exemption, it makes sense for them to move over there. I'm not saying that's the choice for everybody, but I do think, because of the location of Offutt being right on the river, it's very easy. If Offutt was in North Platte, it would be a different situation.

GROENE: All right. Thank you.

LINEHAN: Thank you very much. Are there other questions? Thank you, Senator Groene. Thank you, Sarah.

RENEE FRY: Good afternoon, Chairwoman Linehan and members of the committee. My name is Renee Fry, R-e-n-e-e F-r-y. I'm the executive

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director of OpenSky Policy Institute. I decided I couldn't let our friends at the Platte Institute sit up here by themselves, so I decided to-- to come up and share that our concerns that we share with the Platte Institute is that we do need to think very hard about the policy choices we're making when we add-- continue to add these tax expenditures to our tax code. I would disagree. I would say that we are not a high-tax state. We are not a low-tax state either, but we do tend to hover about in the middle, with the exception of property taxes where we rank higher. An incredibly small number of the population are motivated to move because of taxes, so we agree with Senator Groene that what we're likely to do if this bill were to pass would be to give a tax credit to people who choose to live in Nebraska, who want to live in Nebraska, rather than actually motivating people to move here. As many people testified, Nebraska has fantastic services and a great quality of life, and we are concerned that as we continue to give a little bit here to this person and continue to give this credit to someone else, that we put those high-quality services in jeopardy. We end up having to make cuts to education and roads and other things that people really care about that make Nebraska a great place to live. So again, we would just encourage you to think about what the policy justification is. If it's we-- we love our vets and we want to help them, that's one thing. This would certainly do that, right? But if it's-- if the policy argument is that we think more people will move here, I think that that justification is flawed based on a lot of research. One other idea, there was-- there was some talk about helping veterans who are lower income. You could always target it, like the Social Security exemption, so that it is targeted to lower income veterans, rather than all veterans regardless of their income. So with that, I'd be happy to answer questions.

LINEHAN: Thank you. Are there questions from the committee? Seeing none, thank you very much. Any other individuals wanting to test--

_____: Neutral.

LINEHAN: --yes, who are testifying, neutral position? Seeing none, Senator Brewer is probably wrapping up another hearing, right? So are you here to fill in? Do you want to wrap up?

TONY BAKER: Senator Linehan, Senator Brewer waives closing.

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LINEHAN: Oh. Thank you. We do have several letters for the record. Excuse me. Proponents: Bill Williams, Patriotic Productions; Mayor Jean Stothert, mayor Omaha; Ryan McIntosh, National Guard Association of Nebraska; John Albin, Commissioner of Nebraska Department of Labor-- excuse me-- Dave Rippe, director of Nebraska Department of Economic Development; Ryan Irsik, Walmart Public Affairs and Government; David Salak, Nebraska Veterans Council; Mark-- Schoen-- Schoenrock-- I'm sorry-- chairman of Jefferson County Board of Commissioners; Kristen Hassebrook, Nebraska Chamber of Commerce; Charlie Janssen, State Auditor; Paul Cohen, Omaha; Allen Perkins, Omaha; Michael Rosenthal, El Cajon, CA-- California, I guess that means-- Allan Lierman, Lincoln; Dean Kenkel, Omaha; Ruth Schuster, Omaha; Eric Benson, Fort Calhoun. There were no letters of opposition and no letters in neutral. So with that, we draw hearing on LB153 to close, and thank you all very much for your patience and for being here today.

LINEHAN: OK. Thank you very much. Hello, Senator Clements. Because of the time, I'm going to try and get us state-- started right away again. So thank you all for being here. We're going to start the next hearing. Thank you. Good afternoon, Senator Clements. Would you like--

CLEMENTS: Thank you, Madam Chair, members of the Revenue Committee. I'm Senator Rob Clements, R-o-b C-l-e-m-e-n-t-s. I represent Legislative District 2, and I'm here to introduce LB263. LB263 would amend section 77-2716 to fix an unintentional oversight which affects income tax liability for many Nebraska National Guard and Reserve retirees. I'm not a veteran, but I am the son and grandson of veterans. I'm active with the Sons of the American Legion, and I'm pleased to bring this bill. Currently Section 77-2716 allows military retirees two different options where they might elect to exclude a percentage of military retirement pay from Nebraska income tax liability. The first option allows for 40 percent of military retirement to be excluded for seven years from the time of the election. The second option allows for 15 percent of military retirement income to be excluded from all taxable years, beginning with the year military retiree re-- turns age 67. Because military retirees must make an election between the two options within two years from their date of retirement, the majority of National Guard and Reserve members cannot take advantage of the first option, 40 percent for seven years, due to the fact that they do not begin to receive their retirement until they have reached age 60. This bill, LB263, would allow National Guard and Reserve retirees the ability to

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take advantage of either one of the income tax deduction options currently in statute. This is accomplished on page 9, in lines 14 and 15, where it adds the language "or the year in which the individual begins receiving military retirement benefits, whichever is later," to modify when the seven-year time clock begins. For example, a young man signs up for the Guard at age 18. He stays in 20 years, retires at age 38. He must elect this benefit within two years, which would be at age 40, and that starts the seven-year clock running to age 47, when he hasn't reached-- but he's in the Guard, so he doesn't get any benefits until he's 60. So the seven years ran, page 47, and he had the benefit of this election, but zero times zero is zero. He got no benefit, and at age 60 starts getting benefits, but if he elected the 40 percent option, it will not help. This bill fix this oversight. At the time these options were enacted into law, it was-- unintentionally-- prevented many in the Guard and reserve the ability to choose the 40 percent option. This bill will be unnecessary, however, if the Legislature chooses to pass LB153 that you just heard from Senator Brewer, and I support LB153 and would prefer that it be prioritized and advanced while LB263 be available to fix the problem for Guard and Reserve if LB153 is unsuccessful, and the difference being LB153 is around a \$15 million fiscal note. This one is about \$68,000 in the first fiscal year is all it is. General Bohac will be testifying after me. He'll be able to address specific questions regarding the differences in retirement income among different military personnel. I will gladly work with the committee to address any concerns you may have. Thank you for your consideration of LB263 and I will try to answer any questions at this time.

LINEHAN: Thank you, Senator Clements. Are there any questions? Seeing none, will you stay to wrap up? OK, thank you. Proponents? Good afternoon.

DARYL BOHAC: Well, good afternoon, Senator Linehan and members of the Revenue Committee. I am Major General Daryl Bohac, D-a-r-y-l B-o-h-a-c, the Adjutant General of your Nebraska National Guard. I'm here to offer testimony in support of LB263. I was doing some editing while Senator Clements was talking, because he essentially provided my testimony-- testimony, which concerns me because I'm concerned that he hacked my laptop somewhere along the way. [LAUGHTER] I want to emphasize that this does correct a technical issue in the original legislation. And our research for legislative intent would not argue that-- would argue that it was a technical oversight and probably, at the time that that legislation was enact-- was enacted, there were

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multiple retirement bills on the floor that were merged together, so we think that's what happened. I would also say that I would hope that LB153 is the prevailing bill in this matter, rather than this bill-- than needing this bill, but I offer my support to it and I express my gratitude to Senator Clements' willingness to bring this forward on our behalf, and I urge the committee, if appropriate, to advance the bill to the General File. I'd be happy to answer any questions you might have.

LINEHAN: Thank you, General. Do we have any questions from the committee? Seeing none, thank you very much.

DARYL BOHAC: Thank you, Senator.

JOHN HILGERT: Good afternoon.

LINEHAN: Hi.

JOHN HILGERT: Madam Chairman Linehan and members of the committee, I'm John Hilgert, J-o-h-n H-i-l-g-e-r-t, the Nebraska Department of Veterans' Affairs Director. I, too, will have greatly reduced my testimony. Senator Clements, thank you so much for introducing this bill. And again, I would reiterate what General Bohac said that in this situation, LB153, if passed, would negate the need for-- for this correction, LB153 which was funded fully in the Governor's budget, I might observe. yes.

LINEHAN: Thank you. Yes, that's good. Any questions? Senator Crawford.

CRAWFORD: Thank you, Chairman. And thank you, Director, for being here. I just wondered, does your department track number of veterans, including veterans of the Guard, who stay in the state versus leave the state? Do you have that information?

JOHN HILGERT: You know, no, with an asterisk. One of the things that you have done was to put "veteran" on the driver's license and allowed the Nebraska Department of Veterans' Affairs to maintain that registry that daily updates the Department of Motor Vehicle [SIC]. Through that mechanism, we're able to amass-- I think there is 85,000-88,000 uniques that we currently have. The estimates that we used to rely on before, and then largely still do today, is from the USVA, and I think that that's a lot of stubby pencil and-- and proportions. But the registry is able to do that. We also reach out to every single-- "we," meaning the state-- John Albin, [INAUDIBLE] the Department of Labor,

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reach out to every returning veteran that we receive a discharge notification to. So we do a lot of work in that, but we're-- we're getting better at it and we're-- our capability is increasing. We're not where we need to be, but I wanted to explain where we're going.

CRAWFORD: Great. Thank you.

LINEHAN: Thank you, Senator. Crawford. Are there other questions for the director? Seeing none, thank you very much.

JOHN HILGERT: Thank you.

LINEHAN: Other proponents?

EDWARD JANECKO: Dear Chair-- Chairman Linehan and Revenue Committee members, I'm Edward B. Janeczko, Jr., E-d-w-a-r-d J-a-n-e-c-z-k-o, of Papillion, Nebraska. I retired from the Air Force as a major in 1996 and completely retired in January 2018 after 22 additional years supporting Strategic Command at Offutt Air Force Base. I represent myself. I want to thank Senator Clements and the additional cosponsors for introducing LB263 this session. I hope we will be successful this year in some shape or form. I testified earlier in support of LB153. I also greatly support LB263 as a potential lower-cost alternative if LB153 is not successful. In fact, LB263 will provide tax changes I discussed with Senator Clements when we chatted door-to-day-- door--door-to-door during the campaign. So I want to personally thank Senator Clements for introducing this bill. And again, as a matter of full disclosure, I would receive a personal benefit under this bill. With a taxable Air Force retired pay of about \$2,700, at age 67, I would be able to exclude 15 percent, \$405 a month; at a 6.84 percent tax rate, I would have a monthly tax savings of about \$27. This would provide the cost of a weekly footlong Subway sandwich. If I got the weekly special, I could also afford to get a bag of chips or a drink. I see the statement of intent for LB263 indicates that equitable treatment for Nebraska-- Nebraska National Guard Reserve retirees is the main impetus for this bill. Now, not being a lawyer or a senator, when I read the text of the bill, page 9 in particular, I see no specific reference to Guard or Reserve retirees. To my untrained eye, I believe it would reply-- would apply to all military retirees. If not, I do urge that LB263 be amended to so apply. If it could be amended to apply or the actual intent be to provide those of us who retired more than two years prior to the effective date of the existing law, it would also help me, as well as a former chief master

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sergeant in the Air Force and the last vice commander-in-chief of Strategic Air Command. We all attend the same church in Bellevue. So I interpret LB263 to be at lower cost, half-a-loaf alternative to provide some income tax relief to military retirees. I do understand the fiscal constraint under which we are working in Nebraska, especially with the re-- requirement to fund Medicaid expansion. So I believe LB263 could be a reasonable compromise over LB153 if need be. In conclusion, I very strongly support LB263 and encourage this committee to either advance it to General File for debate on its own or consider amending it into LB153 for General File debate. Thank you, Senators, for your time and concerns, and I'll be happy to answer any questions if you have any.

LINEHAN: Thank you very much. Are there any questions from the committee? Seeing none, thank you very much. Are there are other proponents? Are there any opponents? Is there anyone wanting to testify in the neutral position?

SARAH CURRY: Sarah Curry, Platte Institute, S-a-r-a-h C-u-r-r-y. My testimony is pretty much the same for this bill as it was LB153. The only thing is, is that we feel that if you are going to give the exemption, that it should also apply to Reserves and Army National Guard as well.

LINEHAN: Ok. Any questions? Thank you, Sarah. Is there anyone else wanting to testify in the neutral position? I don't see anyone. Would you like to close, Senator Clements?

CLEMENTS: I'll waive closing.

LINEHAN: Thank you, Senator Clements. He'll waive. OK, with that, we have no letters for the record?

MARY JANE EGR EDSON: One.

LINEHAN: OK. I have to find my-- yeah, I got it. We have one letter, a proponent, Ryan McIntosh, National Guard Association of Nebraska. With that, we close the hearing on LB263 and start the hearing on LB268-- excuse me-- turned my numbers around-- LB628, Senator Pansing Brooks.

PANSING BROOKS: No comment. [LAUGHTER] Thank you, Chair Linehan and members of the Revenue Committee. For the record, I am Patty Pansing Brooks, P-a-t-ty P-a-n-s-i-n-g B-r-o-o-k-s, representing District 28 right here in the heart of Lincoln. I'm here to introduce LB628 today

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to help break the cycle of intergenerational poverty, encourage work, and create greater spending power for the working poor in our communities. LB628 is an ambitious proposal. It increases the refundable Earned Income Tax Credit from 10 percent to 13 percent in 2020, from 13 percent to 17 percent in 2021, and from 17 percent to 20 percent in 2022 and thereafter. I brought this bill for your consideration knowing there are several tax-cut plans before the Revenue Committees [SIC]. I also understand that revenue projections could make it difficult to provide substantial tax cuts while protecting important state priorities like education and public safety. However, if this committee concludes we can afford a reduction in taxes this year, we should also look at a plan designed for the working families who need it most. We should look at the plan that uses the most effective antipoverty program in the country. We should look at a plan that would guarantee added spending in our local economies. And finally, we should look at a plan, at the one that would undoubtedly create positive residual benefits for our state's revenue base. LB628 would add these benefits to Nebraska's economy, and that is why I bring it before you today. The Earned Income Tax Credit is a refundable credit, meaning that in order to receive it the taxpaying family must file a federal return establishing eligibility, and then they can claim it, even if they owe no tax, because of their low income. If a tax is owed and the credit applies, the credit reduces the taxes owed. If the credit exceeds the taxes owed, the remainder is-- is refundable to the impoverished and working taxpayer. According to the National Conference of State Legislatures, 136,000 Nebraska families claim \$310 million in EITC for an average of \$2,271 in 2015. The EITC has had broad bipartisan support because of what-- it has proven to be one of the most successful tools available to lift families out of poverty while incentivizing work. It is had bipartisan support from national leaders ranging from Speaker Paul Ryan to-- former Speaker Paul Ryan to former President Barack Obama. In 2016, the Nebraska Legislature's special-- special Intergenerational Poverty Task Force released its report which highlighted some startling statistics. In 2015, 18.1 percent of Nebraska families with children under five years of age were in poverty; single mothers had a poverty rate of 38 percent compared to 5.8 percent for married couples. That's quite a difference. The report highlights a study from the National Center for Children in Poverty and shows that "42 percent of children born to parents in the bottom 20 percent of the economic distribution remain at the bottom as adults," and, "At the other end of the income distribution, 39 percent of children born to parents of the top stay

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at the top." As a result of these two findings, the Intergenerational Poverty Task Force recommended a two-generation approach to poverty that improves child well-being while increasing family economic security. As a part of this task force, the committee also recommended an increase to the Earned Income Tax Credit. In addition, a study from The Aspen Institute found that children in low-income families that received an additional \$3,000 per year earned 17 percent more as adults than children and families that did not receive this additional income support. So clearly these investments work and they incentivize people working. Phasing in an increase from 10 to 20 percent allows Nebraska to catch up with neighboring states. Iowa currently offers a credit of 15 percent and Kansas offers 17 percent. Twenty-nine states have enacted EITCs and some go as high as 40 percent, so 20 percent for Nebraska would be in keeping with national norms. Renee Fry from OpenSky will be providing data that shows how much each of your districts are receiving in the Earned Income Tax Credit returns and how much your districts would be projected to receive under my bill. I worked with Senator Briese and Senator Friesen on inclusion of an increase to the Earned Income Tax Credit in their property tax legislation last year after those bills came to the floor. I want to thank Senator Briese and Senator Crawford for including a 15 percent increase to the Earned Income Tax in their tax bills that they have introduced this session, LB314 and LB614. I once again urge you to advance LB628 or include a version of this bill in tax legislation that you move to General File. And with that, I'd be glad to answer any questions that you have that I can answer.

LINEHAN: Thank you, Senator Pansing Brooks. Are there questions for the-- no questions. I had just one. The first two numbers you said at the top, how many Nebraska families and what's the total amount? I think you said \$22 million, but it was like maybe in the second paragraph.

PANSING BROOKS: OK. So the-- are you talking about how much we-- we are now or how much it's asking for or--

LINEHAN: How much we are now.

PANSING BROOKS: OK. According to the Nebraska-- let's see, 136 [SIC] families claimed \$310 million for an average of \$2,271 in 2015. Is that what you're looking at?

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LINEHAN: Right. So 36-- 136 [SIC] families, and what was the total?

PANSING BROOKS: One hundred and thirty-six thousand Nebraska families--

LINEHAN: Yeah, I thought-- OK, 136,000, and the total--

PANSING BROOKS: --claimed \$310 million for an average of \$2,271 in 2015.

LINEHAN: OK. Thank you very much. Other questions? Seeing none--

PANSING BROOKS: Thank you.

LINEHAN: --thank you. Proponents? Renee? Proponents?

JULIET SUMMERS: Good afternoon, Madam Chair, members of the committee. My name is Juliet Summers, J-u-l-i-e-t S-u-m-m-e-r-s. I'm here on behalf of Voices for Children in Nebraska supporting LB628. Our state benefits when all children in Nebraska have the opportunity to reach their full potential. Growing up in a family that is struggling economically is associated with a variety of challenges for children related to health, education, and other opportunities. Voices for Children supports this bill because it targets tax cuts to hardworking, low income Nebraskans while preserving our state's ability to invest in other community infrastructure that is critical for kids. The Earned Income Tax Credit is widely recognized as one of the most effective antipoverty-- poverty programs in the nation, raising over 6 million people, half of them children, above the poverty line each year. The EITC is refundable, received from the first dollar earned, and phases out as family income increases. The credit thus incentivizes work and helps low-income families make ends meet. In fact, research shows that the boost to family income as a result of the EITC has been linked to positive health outcomes, improved student achievement, and even increased future earnings. Moreover, the EITC has been shown to promote community revitalization because families often utilize their credits to pay off debt, invest in education, and secure housing. Unmarried mothers, in particular, work more hours as a result of the credit, perhaps because refundable EITCs can be used to pay for necessary work supports like childcare and transportation. In 2017, 126,316 Nebraska families claimed the state EITC and it returned almost \$30 million to Nebraska's working families. However, the state EITC is currently set at 10 percent of the federal EITC and has not been raised in over a decade. We support

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LB628 because it would bring targeted tax relief to lower income working families in our state. We thank Senator Pansing Brooks for her leadership on this issue and respectfully urge the committee to advance the bill. And I did hear in the senator's introduction that Renee Fry will have a data table similar to the one I offered you just now. So I did want to point out that what we did at Voices for Children is we-- we took the numbers from the IRS that were the actual federal returns claiming EITC and then did our own state estimates based on the current law and based on the additions in the bill. We weren't able to get state EITC information broken down by legislative district.

LINEHAN: Thank you.

JULIET SUMMERS: And that's the sum of my testimony.

LINEHAN: Are there questions from the committee? I have one question. Has-- you said that we haven't-- the state Nebraska hasn't increased the EITC for the last ten years, but has the federal credit going up?

JULIET SUMMERS: You know what, Senator, I don't know the answer to that question off the top of my head, but perhaps someone testifying behind me might.

LINEHAN: OK, well, that would be-- if you could-- we'll find out. OK.

JULIET SUMMERS: Yeah. And if no one answers that, I'll be happy to follow up right away.

LINEHAN: OK. All right. Thank you very much.

JULIET SUMMERS: Thank you.

LINEHAN: No other questions, thank you. Other proponents?

LEE TODD: Madam Committee Chair Linehan, Senators, state of Nebraska, thank you for the opportunity to be here. My name is Lee Todd. I live in Lincoln, Nebraska. I will spell my name. It's fairly simple: L-e-e T-o-d-d, so it shouldn't be much difficulty. Generally I'm a big fan of the Earned Income Tax Credit. Nebraska is 16th, depending on your sources, as far as a taxed state. Property taxes, as you know, and that's probably a big agenda in your Revenue Committee, you'll probably hear more on that today, are sixth or seventh highest in the nation. Anything we can do that has some sense to it as far as

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economic incentives, I am a big proponent of tax refunds, particularly to people who are working hard and want to improve their lives. I think this bill is a step in that direction. I would be supportive of it for that-- for that nature. I do have some children at home. I don't know if this would apply to my children. I would also encourage all the senators in the Legislature to-- if we do pass meaningful tax legislation, that it is fair and equitable to all, not just people who aren't paying taxes and not just people who are paying taxes. It should be a refund to everybody. People who are paying high tax rates also deserve refunds. So from that standpoint, though, generally, overall, I would be in favor of income tax-- income-- Earned Income Tax Credits, and I would be in favor of the 20 percent level that Senator Patty Pansing Brooks has suggested. Thank you for your time.

LINEHAN: Thank you. Are there--

LEE TODD: You're welcome.

LINEHAN: Are there questions from the committee? Seeing none, thank you, Mr. Todd.

LEE TODD: You're welcome.

LINEHAN: Other proponents? Any-- any opponents? Anyone wanting to testify in a neutral position?

MARY BAUMGARTNER: Good afternoon, Chairperson Linehan and members of the Revenue Committee. My name is Mary Baumgartner, M-a-r-y B-a-u-m-g-a-r-t-n-e-r, and I'm the OpenSky Fellow at OpenSky Policy Institute. I'm here today to testify in a neutral capacity on LB628. We do support the Earned Income Tax Credit since it provides highly targeted tax relief to low-income working families. Scholarly research indicates that in 2016 the EITC lifted 5.8 million people out of poverty, including 3 million children. Additional research reports that the EITC benefits local economies as well, as \$1 in EITC ends up investing more than \$1 into a recipient's community. Positive policy outcomes aside, we're testifying neutral because there is no "pay for" included LB628 and the state faces a tight fiscal situation with limited revenue, concern over property taxes, and economic uncertainty over this biennium. I would like to take a couple of moments to share some data that I hope will be useful to you all. In the first graph, you can see how the \$31,255,000 of tax credits at full implementation would be distributed by income group. Eighty-eight percent of the

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increased credit would go to the 40 percent of Nebraska taxpayers with incomes less than \$44,000. The next chart uses 2015 data from the Tax Policy Center to estimate how taxpayers in each of your districts would be affected by the state EITC expansion proposed in LB628. So if you look at Senator Friesen's district, you can see that in 2015, 2,850 taxpayers received the EITC, which was about 24 percent of the district's total returns. Taxpayers in his district received about \$686,495 in state EITC. If LB628 passes, this would increase to approximately \$892,000 when the state EITC expands to 13 percent of the federal credit; \$1.17 million when it expands to 17 percent; and \$1.37 million when it expands to 20 percent, with an average credit of about \$482. Currently, looking at all of your districts, the average amount of state EITC received ranges from approximately \$200 to \$242. With LB628, these amounts would double by 2020. Also, just to clarify, the federal EITC amount for Nebraska was approximately \$310 million and, with the state credit being at 10 percent of the federal, is approximately \$30-31 million. Thank you for your time. I'd be happy to answer any questions.

GROENE: Senator, Chairman.

LINEHAN: I'm sorry. Excuse me, Senator Groene.

GROENE: I understand. Thank you, Chairman. This bill, similar to it, came before this committee two years ago and at that time, we were like eighth or ninth in the nation with our state credit. Senator Pansing Brooks mentioned somebody at 40 percent. Do you know where we're at now?

MARY BAUMGARTNER: I don't know the exact ranking off the top of my head. I just know that there are 29 other states with income tax credits. But I can get you those numbers as well.

GROENE: I want to know where we sit now.

MARY BAUMGARTNER: Yeah.

GROENE: Do you know what of this 900 and-- well, whatever the statewide-- you said it was \$31 million?

MARY BAUMGARTNER: Yeah.

GROENE: How much is the statewide?

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MARY BAUMGARTNER: About \$31 million. It's 10 percent of the federal.

GROENE: How much of that is actually a net credit, refundable credit, versus what it cancels out of? You know what I'm saying?

MARY BAUMGARTNER: What sort of--

GROENE: They might owe \$150--

MARY BAUMGARTNER: Right.

GROENE: --taxes and then they get the credit and it's refundable.

MARY BAUMGARTNER: Right.

GROENE: Do you know much of this--

MARY BAUMGARTNER: I don't know.

GROENE: --credit we will-- somebody else will pay taxes and that their tax dollars will then go to the credit? You don't know what that number is?

MARY BAUMGARTNER: Which-- how much of it is actually refund-- like the refundable component?

GROENE: Yeah. actually.

MARY BAUMGARTNER: Right. I don't know that off the top of my head either. But I can look and see if we could find a source to send to you on that.

GROENE: OK. Thank you.

LINEHAN: Thank you, Senator Groene. Good questions. Anybody else have a question? Did you? Do you know what-- if the federal Earned Income Tax Credit has gone up over the last ten years?

MARY BAUMGARTNER: I don't. I heard that get asked earlier and I'm not sure.

LINEHAN: OK. All right. That's fine. OK. Thank you very much.

MARY BAUMGARTNER: Yeah.

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LINEHAN: I think that's it for questions.

MARY BAUMGARTNER: Thank you.

LINEHAN: Are there any others wishing to testify in the neutral position? Senator Pansing Brooks, would you like to close?

PANSING BROOKS: Yes, thank you. I just want to thank you very much for listening to all this information. When you asked me that question and then you're looking at the-- you asked me about what -- the amount and the average was \$2,271, but that included the federal. Were you-- were you aware of that? And so then when you look at the-- the sheet that the-- that OpenSky just passed out, the average state EITC is, I don't know, \$210-242.

LINEHAN: OK.

PANSING BROOKS: So--

LINEHAN: That's a very good clarification. Thank you.

PANSING BROOKS: --I thought we'd better clarify that because I think--

LINEHAN: Yeah, thank you.

PANSING BROOKS: --I misspoke, so. And the 310 includes the federal, as well, so-- the \$310 million that families have claimed, the 136,000. So you asked me that question and I just want to clarify--

LINEHAN: OK.

PANSING BROOKS: --136,000 Nebraska families claimed \$310 million in EITC, but that's including the federal dollars that were claimed.

LINEHAN: I got it. OK. Thank you.

PANSING BROOKS: And so the average that I told you before of \$2,271 in 2015 included the federal.

LINEHAN: The federal.

PANSING BROOKS: But as you can see from OpenSky's statistics, it's actually-- the state dollars were \$210-242 basically.

LINEHAN: OK. Thank you.

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PANSING BROOKS: And, Senator Groene, those were good questions. I think that would be interesting to see how much was-- like if it was a credit against some taxes paid, I think that's an important thing, so we could try to find that out. And also, I don't know if you were asking specifically our ranking, but we are right now at 10 percent. But you were wondering how we were ranked? Is that what you were asking?

GROENE: Me and you are [INAUDIBLE]

PANSING BROOKS: When you were just asking, were you asking--

LINEHAN: Yes.

GROENE: May I ask a question, Senator?

PANSING BROOKS: I'm sorry.

LINEHAN: Yes, you may ask a question.

GROENE: Back when [INAUDIBLE] you and Senator Morfeld both had bills in my first year on this committee.

PANSING BROOKS: Yeah.

GROENE: At that time we were eighth, I believe, in the nation--

PANSING BROOKS: OK.

GROENE: --or at 10 percent and everybody else was 5 or 6--

PANSING BROOKS: Yeah. OK, well, we'll check that out--

GROENE: --what our state credit was. All right. Thank you.

LINEHAN: Thank you, Senator Groene.

PANSING BROOKS: Thank you-- and get it back to you or get it to the committee.

LINEHAN: Other questions?

PANSING BROOKS: Thank-- thank you all for listening and I hope you'll consider moving forward on increasing our earned income tax rate. Thank you.

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LINEHAN: Thank you very much. We have letters for the record, I believe. Proponents: Tom Venzor, Nebraska Catholic Conference; Tessa Foreman, Nebraskans for Peace board of directors; Sherry Miller, League of Women Voters of Nebraska; James Goddard, Nebraska Appleseed; Tiffany Joekel, Women's Fund of Omaha; Ashley Frevert, Community Action of Nebraska; Kelly Keller, National Association of Social Workers-Nebraska chapter. We had none opposing and we had-- the Platte Institute submitted a letter neutral. So with that, we close the hearing on LB2-- excuse me, I don't know what I'm doing-- LB628. Thank you. Next, if i can find it, we will open the hearing on LR3CA, Senator Erdman.

ERDMAN: Thank you, Senator Linehan, Revenue Committee. I appreciate being back. Senator Kolterman, I appreciate you being in that chair. My name is Steve Erdman. I represent District 47, ten counties in the Panhandle of Nebraska. That is S-t-e-v-e E-r-d-m-a-n. I have a couple of handouts. Thank you for the great results in voting my other bill out. I appreciate that and I hope this thing goes as well. I told someone in the hallway we could make a million or so people happy by advancing this bill to lower property tax. So what I did yesterday, I thought, you know what, I should look up and see what the origination-- when property tax started. So I looked it up, and so it says in here that property tax started in 8-- in 1086 when William the Conqueror conquered England and he allowed some of his lieutenants and those people that reported to him to have land, and they were paying taxes to him by the form of either money or service. So I got to thinking about that and that's not exactly the truth. Property tax started back in the Bible, and you've heard some of those stories about-- from Senator Chambers about the Bible. So Joseph in the Bible, Joseph was sold into slavery by his brothers. Joseph-- Joseph was then taken to Egypt and worked for Pharaoh and after he got-- after he was-- found favor with Pharaoh, Pharaoh put him in charge of his his whole operation and-- because David had interpreted a dream that he had that we were going to have seven years of famine and seven-- seven years of good and then seven years of famine. So when Joseph became in charge, he had food stored up because his wise decisions that he made, and the people came and said, hey, we don't have any food, can you sell us food? And he said, I can. So he sold them some food and then they came and they said, we're still hungry. And Joseph said, what do you have? They said, we have cattle. He said, OK, bring your cattle, I'll take those. A year passed and we're hungry again, so he-- he took their horses and their donkeys. So it continued on, then we got to the

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place all they had left was their land. And Joseph-- Joseph said, I'll take your land, so that's what he did. So fast-forward a couple of years and Joseph said, hey, this isn't working out so well, we need somebody to work the land, so what he did, he gave the land back to them to use, to rent, and they had to pay a 20 percent property tax. So property tax actually started way before 1066. Property tax is the most hated tax in the world. It has been that way for thousands of years and it will continue. It's a regressive tax. It's the worst tax you can place on anybody. So what they do is they continue to tax you in-- in-- forever on the property that you once paid for. So if you think you own your house or you own your farm or you own your property, you do not because if you don't pay your taxes for three years, you find out who owns your property. This is not a good situation. Property tax is absolutely the worst tax there is. So as we proceed down to understand what LR-- what LR3CA is, it's an opportunity for the voters in Nebraska to decide whether they're paying enough property tax or not. And so we-- we had a similar situation a couple years ago. I had LB829 and it was very similar. It was a 30 percent reduction in your property tax. This is different. This is a constitutional amendment. The other was a statute. And this has no-- no connection to your school funding like the other one did. This is basically just a straight 35 percent reduction in your property tax in the form of a credit or a refund on your income tax. The Attorney General, we've taken this to him and he has concluded that it does not violate the Commerce Clause and it doesn't discriminate against nonresident taxpayers. So we've-- we've cleared those two hurdles. We have been talking about property tax relief in Nebraska for at least-- at least a minimum of 40 years, and we keep kicking the can down the road. And we keep saying we're going to nibble at it and we're going to put a little Property Tax Credit Fund in there, \$224-275 million. It doesn't work. We're not gaining, we're not catching up with it, OK? So we are in some regards the fifth highest property tax state; some say the seventh. Whatever it is doesn't make any difference. That's not the position you want to be in. Let me give you a little-- a few statistics of what's happened in my county. In Morrill County we have about 5,000 residents; 5,000 people live in Morrill County. So over a period of time from 2006 to 2010, our property tax collected in the county in 2010-- 2006 was \$7.39 million, \$7,390,000. In '16, property tax collected was \$17,569,000, \$10,000-- \$10,117,000 difference in ten years. So what does that mean? That means-- there's 542 people in Morrill County-- that's \$2,000 a person every year increase property tax. This isn't

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working. Not only is it not working in Morrill County; it's not working in Douglas County, it's not working in Lancaster County or Lincoln County, and property tax is out of line. Nebraska property tax have been raising faster than the average property owner's income, and that cannot-- that cannot be sustained. You can't do that. The Legislature has ignored this problem for years and we continue to move on down the road and let the property taxpayers pay the-- pay the-- the-- the brunt of the taxes. We have to make a change. Property tax has got to be reined in and if we don't rein it in, we're not going to have retirees staying here. We're not going to have ranchers and farmers and businesses staying here if property tax is out of line. I have received numerous letters of support. I don't know what there is. Maybe I have 30 or 40 letters. But I wanted to-- I wanted to bring your attention to a couple that I received that I think are of significance. And the one that I want to make you aware of is there's a family that lives in Garden County and Garden County is near Oshkosh. And they have been there for five generations, and that family is thinking about expanding their operation. Guess where they're thinking about expanding. They're looking at Wyoming and they're looking at Colorado. And the Van Newkirks have been raising Herefords in Garden County for five generations. Now they have children that would like to get in the operation, they'd like to expand, but they're not going to expand in Nebraska. They can't afford to pay the property tax. They're paying today \$157 per cow per year property tax. That equates to over 20 percent of their gross income for property tax, gross. I'm not-- not net, gross. So we have a very serious problem in agriculture. Fast-forward, the night before last I was watching 10-- Channel 10/11. There was a gentleman from Lincoln on there and he was talking about the values of his property have gone up. He had 14 properties. He was in the rental business. He said. The value of my 14 properties have gone up \$400,000 this year, \$400,000. He said it equates to \$8,000 more taxes. He said, I can't make this work, so I decide-- he decided he would sell some of his properties, put one of his properties on the market for \$3,000 less than the county had it assessed. Said he hasn't even had anybody look at it. It's not working, so it's not working for agriculture; it's not working for the homeowner; it's not working for the commercial property owner. Property tax is a problem. We have an opportunity here today to advance this to the floor to allow the people of Nebraska an opportunity to vote on lowering their property tax. We have polled several times and it is consistently, every time, 79-80 percent of those polled say property tax is the number-one issue. Whether you're

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18 or whether you're 80, whether you live in Omaha or whether you live in Scottsbluff, it is the same opinion across the state. So today you will hear from people who come here as a lobbyist or somebody who's been sent here by a think tank organization about how this won't work. OK? But what you won't hear are people that come up here and sit down here that pay the taxes and say, I want to continue to pay taxes. So listen to the people who come to speak about this issue that's bothering them that's-- that it is a problem for them and you make the decision. We as the Legislature, and I'm as guilty as anybody else, we've been kicking this can down the road. It's time to give the people an opportunity to speak about what they think is most important to them, and that is property tax. And so as we move through this, I'm sure you'll have questions about how this will work and how it's going to get paid. And the questions that I've already received are, how are you going to pay for this? All right. But anybody bothering asking that question on Medicaid expansion? No, we've just got to pass it. So it's an opportunity for this committee to step up and show leadership, take this to the floor, let the people, let us discuss it, let us vote on it, because in '17, or '18, last year, the-- the driver of the discussion about property tax was the petition. There's no question about that. The driver on property tax in '19-20 is going to be the petition. And I'm here to tell you today that if you don't advance this to the floor, that the people circulating a petition-- petition will get it on the ballot. And if they get it on the ballot, I guarantee you, this will pass. And so what I'm asking is take it to the floor, let's talk about how to implement this, and we won't have to have a vote of the people if we show leadership and do the right thing. But we have gone past-- we've gone past the state of seriousness. We're already past that. And in my district where I live, we've been in a recession for a couple of years. Last year, we slipped into a depression. I met with a college board this morning from Scottsbluff and I asked him how the economy was and he said not good. We have restaurants closing, we have businesses leaving town, and agriculture people are trying to find something else to do besides farm. And unless we fix this tax problem, this property tax problem, we're going to see an exodus of more Nebraskans. So when I read the other day is we've lost 52,000 people in rural Nebraska-- and I call rural Nebraska those counties that aren't Sarpy, Douglas, or Lancaster. That's what I call rural Nebraska. We've lost 52,000. Those three counties I just mentioned gained 42,000, so 10,000 of those people went somewhere else. Perhaps they went to Wyoming. Perhaps it was Missouri, or maybe they like heat and they move to Arizona. They

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don't move Arizona because like 115 degrees; they move to Arizona because a \$150,000 house in Arizona, the property tax is about \$600 bucks and a year's insurance is about \$500. So that's why they move to Arizona. And so people are leaving our state because they're not going to continue to pay these taxes. So if you want economic development, you want to grow the state, what you do is fix your tax system. When you fix your tax system so everybody pays fairly and people can make it work, people will move here because we have a great state to live in if we didn't have the burden of property tax. It's late. I know you guys have been here a long time and I appreciate that. But thank you for what you do. And I just hope that you advance this to the floor. Are there any questions?

LINEHAN: Thank you, Senator Erdman. Are there any questions? Senator Groene.

GROENE: Thank you. Senator Erdman, I'd have felt a lot better about your biblical story if you said Pharaoh raised the taxes and not Joseph, but anyway-- started property taxes.

ERDMAN: OK. I-- I try to be honest, Senator Groene.

GROENE: But 20 percent, that was of the income back then, right? That example you gave, that young family, of \$158 [SIC] what percent of that is of that profit on that cow? Yeah.

ERDMAN: Senator Groene, they-- they told me that their gross-- their gross income. 20 percent of their gross income goes to paying property tax, not their net but their gross.

GROENE: So their net is probably all of it.

ERDMAN: Their, net, it could be all of it. It could be all of their net.

GROENE: Just the net--

ERDMAN: It very well could be. And we have-- we have farmers that are paying \$100 an acre in property tax before they plant anything. There's-- there's homeowners, and there may be some sitting around this table, that pay \$10,000 in property tax on their home. Could be. I don't know what kind of house you live in. But you figure two and a-- 2 percent-- two at 2 percent or a little more on property tax, doesn't take long. And a couple of years ago In the Education

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Committee, and Senator Linehan may remember this, a gentleman came in and he said he rented from Douglas County, and I thought at the time, I thought, Douglas County is in the rental business. And then he said, we paid for our house, but we're still renting it from the county because our taxes now are higher than our mortgage was when we bought the house. And that's happening. So not only will you make agriculture people very happy about making a property tax adjustment, there will be a lot of people that live in Omaha and Lincoln, in Lincoln County and all over the state, will be happy about what you do.

GROENE: Of course, there's no fiscal note on this. What-- what is your estimate?

ERDMAN: One-point-three billion, not-- not trying to hide that. That's what it is. That's what's going to take us to get back to about normal, 1.3, and how we get there, that'll be the Legislature's decision. And so if I was to sit here and I would say we're going to do this and we're going to do that, then that's where the rub will start. And so we didn't do that on Medicaid expansion. We figured out we have to pay for it. And if this comes about and it's on the ballot and it passes, we'll have to figure out how to pay for it. We filled in a hole, Senator Groene, two years ago in '17, \$1.1 billion, if you remember, when we got here. We were short. The deficit was \$1.1 billion. So we swept every cash account there was and we took some from the rainy-day fund and we lowered the Cash Reserve and we did all those things, very creative accounting, and we filled that hole in pretty quickly. And so when you talk about \$1.3 billion, it sounds like a lot, but I thought \$1.1 billion was enormous. But it didn't take long to figure that one out. There's lots more people in that room up there. I'm not saying I'm one of those, but we can figure it out and we will figure it out, and the people of Nebraska are asking us to do that. That's why they elected us, and so that's what I'm asking.

GROENE: I believe the \$1.1 billion was a biennium number, \$500 million a year.

ERDMAN: You heard it was \$500 million a year?

GROENE: No, I think the number you're talking about was a biennium budget, 1.1. It was two---

ERDMAN: Yeah, it was-- correct. You're correct. You are correct.

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LINEHAN: Thank you, Senator Groene. Other questions? Senator Briese.

BRIESE: Well, thank you. Just to follow up on that question, don't we collect \$3.3-- or \$3.7 to \$4 billion in property taxes annually?

ERDMAN: Yes, sir. Yeah, it's-- it's a little--

BRIESE: So we're talking 35 percent of that annually.

ERDMAN: Yeah, it's a little more than that. Yeah.

BRIESE: So-- so the number you're talking about would be an annual number.

ERDMAN: Yeah, it's an annual number.

BRIESE: Yeah. OK.

ERDMAN: Yeah, what-- and the budget shortfall was a biennial budget.

BRIESE: Yeah.

ERDMAN: Yeah.

BRIESE: Thank you.

ERDMAN: Senator Groene was correct.

LINEHAN: Other questions? Here's the question I don't think we-- it's one that comes after we pay the bill. How do we control? I mean we can't go into partnership with people. We're going to pick up 35 percent of the cost and we're not going to have anything to say about what they're doing? That's the problem I see. I just don't know how that works. How do you keep them from just spending more money?

ERDMAN: I understand your question and I do agree with you, and that's where we have to be understanding what is going to happen. Those restraints have to be put in place. I had a conversation this morning with a group that wanted to have local control and they didn't want to have more state funding because the state may have some authority. And I told them when local control looks like it makes sense and it's a commonsense approach, then we won't have to have more authority to tell you what to do. And so that's what happens sometimes when we have

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to put some place-- some things in place to make sure that the funding doesn't run out of-- out of balance.

LINEHAN: Thank you. Senator Groene.

GROENE: I think it was Senator Linehan saying, so the city of Omaha has a billion-dollar problem with sewage and with OPS has a billion dollars of--

KOLTERMAN: Eight hundred million.

GROENE: Eight hundred million, all right [INAUDIBLE] So they go to the voters and say, hey, if you pass this, the taxpayers of Nebraska will pay 35 percent of it. Won't that be a little scary? including them, they're income and sales taxpayers, too, but--

ERDMAN: OK, so let me see if I understand what you're saying. You're saying they're going to-- they would go and pass a bond issue to do those things and then they would collect property tax on those--

GROENE: [INAUDIBLE]

ERDMAN: --and then they would get a refund the 35 percent--

GROENE: [INAUDIBLE]

ERDMAN: --and the state would be paying for their sewer and their retirement. I had not thought about that.

GROENE: Thank you.

LINEHAN: That's-- it's hard.

ERDMAN: Yeah.

LINEHAN: If it was easy, we'd have done it already.

ERDMAN: Yeah.

LINEHAN: Thank you, Senator Groene. Senator Briese.

BRIESE: Thank you, Chairwoman Linehan, again. Thank you again, Senator Erdman. But wouldn't you admit that-- or agree that by doing that, that's going to encourage and incentivize the state to look for ways to control local spending, look--

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ERDMAN: Yes.

BRIESE: --look for ways to enable efficiencies in local government, local spending, and that eventually will help drive down the cost of local government? Would you agree with that?

ERDMAN: Yeah, I agree. Senator Briese, one of the things that happens, and you know as well as I-- you've been there same time I have-- when we have an appropriations bill up on the board, we understand that that's going to cost the state something. That's why it's up there. But when we have an unfunded mandate that's going to cost the county, the city, the school, or whoever it is something, we don't put any-- any amount on there. And when we have to start funding the bill as a refundable income tax or credit, we're going to start looking at who's paying this and what are we doing with-- what are they doing with it. I think that will be an automatic. I think we'll start looking at those things differently than we do now because right now, and I have a list, I have a packet of information 97 pages thick of unfunded mandates that the state has forced down on-- on just four counties, just four. We analyzed just four of them and there's millions and millions of dollars of unfunded mandates just on those four counties. And so I think you're exactly right. I think what will happen is the Legislature will begin to look at that and say, hey, wait a minute, wait a minute, who's paying for this? And if it's property tax and the state is refunding 35 percent of it, we have some skin in the game and we'll start looking at how to make restrictions.

LINEHAN: Thank you, Senator Briese. Any other questions? Thank you.

ERDMAN: Thank you.

LINEHAN: Proponents? Do we have any proponents? How many are here to testify, any which way? OK, if you'd move up front, then we can kind of click this along.

PAUL VON BEHRAN: Senator Linehan, committee--

LINEHAN: Hi.

PAUL VON BEHREN: --I appreciate the opportunity. My name is Paul Von Behren, P-a-u-l, last name is two words: V-o-n and then B-e-h-r-e-n. I live in Fremont, Nebraska. I'll be brief. I will not be profound, so I won't trouble you. Obviously, Senator Erdman's comments set off a lot of thoughts. You've all been immersed in this and you've all heard

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about property taxes in your campaigns. The interesting thing is, as you think about this problem, have you ever considered why we've never had a solution to it? We've talked about it for decades and yet this-- Nebraska remains the seventh most heavily property taxed state in the nation and, depending on whose estimate, either the second or third most heavily taxed state in the nation. And partly to address your question, Senator-- well, let me-- let me go do one thing first. It's worth noting that the legislative page lists 3,000 political subdivisions that are authorized in Nebraska to-- ought to levy property taxes. And so to your point, to jump ahead a little bit, and, Senator Groene, Senator Linehan, what do you do if there are abuses? What happens with this bill is they come before the Unicameral to rein in because the Unicameral has both authorized and set the rules operation for every one of those 3,000 entities. So if the problem is there, it comes here to the Unicameral. But have you ever thought about why we really haven't solved this? The problem is that I can say it's school-- it's got to be land valuations. I can say it's an ag problem. I can also say it's a school funding, it's a TEEOSA problem. I can say we need to rein in learn-- learning communities, NRDs. Problem is we're all right. The biggest reason that we have not solved this problem is that we have kept ourselves arguing over the solutions. If you think about it, how many bills have you seen in this Legislature? And because you disagree on the solution, you're not going to support the bill. Without 30-- 33 votes and the Governor's pen, nothing happens. The beauty, I believe, of Senator Erdman's bill is that it doesn't provide the solution. It simply turns the problem upside-down in a way we've never thought about it. It says, look, let's specify the amount of tax relief, let's make it 35 percent. Makes a world of sense because 35 percent now makes the property tax burden almost equal to the sales and the income tax burden. They now become roughly proportional instead of property taxes being almost 45 percent of our total burden. When you do that, this bill simply says let the people of Nebraska vote on this and set the amount. That moves everything right here to the Unicameral floor where everything gets a fair hearing, everyone can offer their solution, everyone has their day, but at the end of it there is-- the people have relief and it comes to the very people who have authorized the entities and the rules that we are now debating. It comes back to let you solve that very problem. Even with 35 percent, it's important to note that Nebraska isn't even average. We moved to about number 18 in the nation, but we can't even get to average with a 35 percent cut. It's gone that far. The biggest problem we're going to have with Senator--

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Senator Erdman's proposal is that it's too simple. The longer you think about what this bill does and the implications of what it allows on a level playing-- playing field, the more elegant you're going to realize this solution this. And I-- this-- this is not said critically in any regard. But the biggest problem you're going to have thinking about this is because you're going to-- thinking about it politically. The political view and the citizens' view are very, very different. And by the nature of what you've been assigned to do, it's hard to step into that role. The point of this entire legislation is that if you're truly serious about true property tax reform, let the people of Nebraska decide how much relief that they want and then bring it back here where all of you can engage in open and fair debate and come to a resolution that will likely be much more equitable than any solution that you might adapt as a full body if offered individually. Thank you.

LINEHAN: Thank you very much for being here. Do we have questions from the committee? Senator Groene.

GROENE: Thank you, Chairman. Scenario-- I'm starting to think like you are. And don't get me wrong, I'll vote for that if we don't do something here this year.

PAUL VON BEHREN: OK.

GROENE: So your-- your-- what you stated earlier, so we pass this 35 percent, and let's say before this committee some tax taxing entity wanted to raise their levy authority by 3 cents--

PAUL VON BEHREN: OK.

GROENE: --that would now have a fiscal note, wouldn't it, because-- because the state would have to pay a third of that.

PAUL VON BEHREN: Well, it does.

GROENE: So maybe we wouldn't be so kind about local control and just be kind to other senators and give them a little 3 cent tax increase. We might think twice about that.

PAUL VON BEHREN: Yeah, it's not a big deal. Just give them the tax increase, what happens at the state? You're writing just a little bit bigger check. How long does it take for the Unicameral to now be invested and involved in the abuses? It's a-- it's a self-policing

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entity and that's largely the beauty of this whole proposal; plus, it also brings back obviously a state spending discussion, but it's a, what, 12-13 percent impact? I don't think-- I've never seen a corporation, business, or our own personal budget that probably couldn't absorb 12 to 13 percent hit. We absorb the property tax increases. Almost any budget is capable of absorbing us. And if you look at if it is true that dollars saved back-- remember, these dollars are coming directly out of the economy. If it is true that every dollar passes through the economy roughly seven times, if you look at the revenue generated, it will pay almost half of that. If it's spent, it'll-- almost half of that will come back in sales taxes. So in many forms, this is a self-fulfilling bill that isn't nearly as burdensome if you'll just give us-- give it some time and think through it. It's a very elegant solution.

GROENE: Thank you.

LINEHAN: Thank you, Senator Groene. Other questions? Seeing none, thank you for being here.

PAUL VON BEHREN: Thank you.

LINEHAN: Appreciate it very much. Good afternoon, Doctor.

ED TRUEMPER: Thank you. Senator Linehan, Senators, thank you very much for giving me an opportunity to speak. My name is Dr. Ed Truemper; last name is spelled T-r-u-e-m-p-e-r. I live in Saunders County just outside of Ashland, Nebraska. I won't be as eloquent as Paul Von Behren. I actually wasn't going to speak, but I had just come back from traveling the state. Once Senator Erdman's bill had been introduced, had some time on my hand and decided to travel the state and discuss this bill. And I've visited more than 48 towns. I've talked to at least 20-odd groups and hundreds of people about their property tax issues. And if there's one issue that unites people in this state, it's the-- and I will call it the abuse of property taxes. There's-- I ran into a gentleman who is actually south of Beatrice who was on television here recently, a gentleman named Mr. Praley [PHONETIC] who has a cow/calf operation. He is paying 75 percent of his income as property tax. In Saunders County, I have a gentleman that pays close to 90 percent. The only reason that he can survive is his wife works as a nurse at the local hospital. Both in Lincoln and Omaha, which I have fair knowledge of, I also ran into people who are not able to buy a house because once they can meet the-- the purchase

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price of the house and those taxes at that time, they're unable to keep up with the taxes. And we've had double-digit increases both in Omaha and Lincoln this past cycle. In fact, in Omaha, the collective income tax increase was \$100 million. I'm probably the only person who solved the property tax problem for himself and my wife. I moved from Omaha, Douglas County, where I was paying \$14,500, to Saunders County rural Saunders County, where my property taxes are now \$2,200. However, my son, who has twice the land, a house that is less expensive, pays exactly \$680 on his property, which is of higher value than mine. We're losing people to Iowa. We're losing people to Kansas. They're not just moving to Arizona and Florida. They're moving to contiguous states and we're losing the lifeblood of this state, both millennials as well as retirees. I will simply say that I think this bill is very dramatic. It certainly does help right the ship. It is not a foolproof solution. It's just to stop the hemorrhaging. I will add, as Senator Groene and you, Senator Linehan, had brought up how are we going to pay for this, well, the issue is that's been every one of the property tax bills that have come before this committee. And the issue is we argue about amount and argue about how it's going to get done and then it dies. I looked up bills the last ten years. Something like 85 percent of the bills have died in Revenue Committee. Rarely do they ever get to the floor to even discuss. I realize that this is a very tough bill to swallow. But let me just add that the people in the state of Nebraska have been swallowing this property tax issue for a long, long time and they're suffering. This is a dramatic change and it can be paid for. And as to the issues of increasing, how do you handle these increases by the 3,000 property tax entities? Well, simply this: The state has control of every one of those charters and every one of those mandates, the millage rates, all of it. And I've watched too many senators tell me that they can just throw up their hands and say it's a local issue. I've had the Governor tell me that too. Yeah, it's a local issue, but you all as legislators are the ones who wrote all the rules. You're the ones that created these institutions. Please help us. Thank you.

LINEHAN: Thank you, Dr. Truemper. Questions? Thank you very much for coming down. It's cold. Other proponents?

LEE TODD: We meet again. I do have some handouts. My name is Lee Todd, L-e-e T-o-d-d. I live in Lincoln, Nebraska. I grew up on a ranch near O'Neill, Nebraska, actually Antelope County. I'm a real estate investor. I have commercial, residential, and farm ground. I'm here to talk primarily, though, and focus on the residential aspect of it. I

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also teach classes to primarily young people on how to buy your first house. We put in-- a number of things into spreadsheets and one of the things that we put in, of course, is property taxes, and property taxes are by far and away our number-two, most expensive item. If you have no loans on your property, interest goes away, of course, and then property taxes become far and away the number one expense. And it is the number one contributor, in my opinion, of why we have a massive problem in the state of Nebraska. I'm going to kind of work backwards. I've given you a substantial handout. This handout consists of decades of research that I put together as I've watched this opportunity-- or this problem develop. I've been an investor for 40 years, primarily in Lincoln, also have properties in Arizona. I have property in Kansas City-- that's a commercial property-- and in Virginia. Starting from the back then, I'd like to just point out, because I'm going to do this strategically, I may not have time to beat the yellow button or the yellow light. So the-- the last page is out of the-- your own legislative book, Nebraska At-a-Glance and you will see that is indicative of the number of employees, state employees that work in Nebraska. The second page from the end, or the penultimate page, page 7, and after that all the pages are numbered, shows what we could do. It also shows that Nebraska is probably a bit top heavy as far as the number of state employees versus the population. And if you look at page 7, you can see that if we would use the metrics of Iowa, of 2.35, or South Dakota, of 2.26 employees per 100, we could save, and there are the projected savings at the bottom of the page. You can look at those. And some people have already been asking, how do we pay for this? Between \$550-640 million, I would say, is a substantial start. Page 6 is what I like to call, although I didn't put it on here, this is what another pizza after 40 years looks like. There is a councilwoman here in Lincoln, Lancaster County, that says, well, it's just another pizza, referring to property taxes. This is what that looks like after 40 years. We have seen property taxes rise at the rate of 44 percent, and this is over a 2006-2014 period. This information is from the Department of Revenue, Lincoln, Nebraska, both the Revenue and the Property Tax Division. And then you see at the various same time frames the amount of increases that we've had as far as our ability, family incomes, to pay for said property taxes. I remind you, this has been going on for 40 years. I've watched it. We are rapidly and at a point where we are being outstripped of our ability to pay these high taxes and we can't get away from it. There is no way. You either pay the property tax or you lose your property or you move. And I've got a number of investors that have moved out of

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state. An investor and I, we bought a property in Arizona \$200,000 home. That home in Lincoln, Nebraska, we'd be paying \$4,100-4,200 in property taxes; we pay \$1,800 in Arizona. Kansas and Missouri-- excuse me. Missouri, you'd pay about the same; it's about half the price. Colorado, Wyoming, you'd pay a third; that \$4,200 in property taxes, you'd be paying \$1,300 or \$1,400, the exact same house, the exact same property. So, and finally, this is a-- pages 4 and 5, this shows-- and this is only one source; you can find others. But this puts Nebraska-- and by the way, big rankings in pages 4 and 5 is bad. OK? So rank-- Nebraska has a big ranking. We're 45th highest, or we're 45th from the bottom, if you will, in affordability as it relates to property taxes. And on that \$3,308 you see, that's on a \$179,000 home. So remember, on that particular handout a big ranking is bad. We are the seventh highest property tax state in the United States of America. OK. So that covers everything that I wanted to cover as far as getting to the yellow light. I didn't have much time left to go over some of these things. But it seems to me Senator Erdman brought up some very, very good points. We need to shift the paradigm. I've said this. I'm excited to be here. I was here in 2018. I was here in 2017. I was here in 2016. I was here in the 2000s. I was here in 1990. I'm still excited to be here and I still watch this problem get kicked down the road. I'm sorry to say that you have-- you, the senators, are now in the middle of it, and I wish you the best in dealing with it. One thing-- one last thing, and I know I've hit the red light. The 35 percent rebate is fair. Everybody who pays property taxes gets the rebate. It's not discriminatory to anybody else or other people. Everybody who pays into the system gets the system and this is real, significant property tax, shall we say, improvement, or reduction, it really is.

LINEHAN: Thank you.

LEE TODD: You're very welcome.

LINEHAN: Do we have questions from the committee? OK, I have--

LEE TODD: Yes, Senator.

LINEHAN: Your-- it's very interesting to me. So your chart median on the price, state median home value tax--

LEE TODD: Page-- page, please.

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LINEHAN: I'm sorry.

LEE TODD: That's OK.

LINEHAN: Quick question, 4 and 5.

LEE TODD: Four and 5. Source of that, by the way, is a Web site. Well, you see it at the bottom of page 5. But go ahead.

LINEHAN: The way I look at this, we're-- we're worse than 45th, because if you own a medium-price house in New Jersey, the value of the home is \$315,000. So, yeah, you pay more but you're-- you're paying more-- I-- I don't know how to say exactly. I've got a bigger asset, so I don't quite--

LEE TODD: Well, it looks to me like what they did, if you look at page 4 at the top, this is on a-- an average \$179,000 home.

LINEHAN: OK.

LEE TODD: Evidently, they felt that that was the average median home price across the United States. Then they applied tax rates and--

LINEHAN: So this-- this row doesn't have anything to do-- I see what they've done. OK.

LEE TODD: OK?

LINEHAN: Help-- thank you.

LEE TODD: And-- and if you look at Nebraska, you see they have it at 1.85 percent depending on your county. Ed Truemper alluded to some differences between counties.

LINEHAN: Yes.

LEE TODD: In-- in Lancaster County, you're looking at 2 percent, so that \$179,000-180,000 home, you'd be paying \$3,600, \$3,700, \$3,800 in property taxes.

LINEHAN: OK.

LEE TODD: And by the way, we're looking at 20 percent jumps in Lincoln, across the board, almost everywhere.

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LINEHAN: Right.

LEE TODD: People are--

LINEHAN: Right.

LEE TODD: --not happy at all, and that's an understatement.

LINEHAN: So on the last page, page 7-- no-- page 7-- page 8--

LEE TODD: Which isn't numbered, by the way--

LINEHAN: Yeah, so the last page [INAUDIBLE]

LEE TODD: --but that's out of the legislative--

LINEHAN: So is this just state employees or is it all government employees?

LEE TODD: Full-time state government employees, and I don't know. I-- this is from-- but I--

LINEHAN: It would be-- it would be interesting because it goes back to the 3,000 political subdivisions. Prob-- many of them have employees. So I'd be interested if this is only state or if this is all government employees. Maybe it's not near enough-- it's probably not near enough for all government employees, but--

McCOLLISTER: Madam Chair.

LINEHAN: Oh, I'm sorry. Senator McCollister.

McCOLLISTER: It may be a bit misleading because I think it also includes all the public utilities in Nebraska, and so some of those statistics I think may be a little wrong.

LEE TODD: It might be. Yeah. I didn't put this together, but I do think that it is worth looking at. And the topic has come up: Well, how do we pay for something like this? And I think the paradigm shift needs to go in play. How can we-- and I think Ed Truemper brought this up and Senator Erdman as well. We have been asking that question but we've not really asked the question, how is it that Nebraska citizens have paid for this again and again, year after year?

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LINEHAN: Which I think this comes from the Legislature, so we probably should try to figure that out.

LEE TODD: Yeah, yeah. It's this book.

McCOLLISTER: It is.

LEE TODD: It's this book right here, so you all--

LINEHAN: Thank you, Senator McCollister.

LEE TODD: --so you're all familiar with it. One other thing, even if we do enact this legislation, which I do hope-- I hope we do, it'll only move Nebraska to 18th worst in the United States. I've done the math on it and I've tripled, doubled, quadruple checked it. We'll still be worse than California.

LINEHAN: OK. I have to have somebody ask you a question.

LEE TODD: Sure.

LINEHAN: Thank you, Senator McCollister. Senator Groene, did you want to ask a question?

GROENE: Thank you. This chart on 4 and 5, it came from that book or did that-- is that different?

LEE TODD: No, this is from-- the source is a wallethub.com.

GROENE: Yeah, they're pretty reliable.

LEE TODD: Yeah, and they have us as seventh worst.

GROENE: Confused. It says state median home value. We just got told that our houses are too high and we've got to give tax breaks away to build them. We're only \$133,000 for the average house. That's in the bottom tenth.

LEE TODD: Yeah, I-- as I said, I think this is for the United States. I'm not certain. But they used \$179,000 [INAUDIBLE]

GROENE: No, the next column, state median home value.

LINEHAN: That's probably true. Figured you got a lot of homes since-- I'm out of order, nevermind.

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LEE TODD: At \$133,200? Yeah, I would say that would be high for rural areas. In-- in-- in Lancaster County it's not.

GROENE: That makes sense. They're the ones that's overtaxed--

LEE TODD: Everybody is, yeah.

GROENE: --can't afford a house over \$130,000.

LEE TODD: Yeah.

GROENE: Thank you.

LEE TODD: You're welcome.

LINEHAN: Thank you, Senator Groene. Any other questions? Thank you, Mr. Todd.

LEE TODD: You're very welcome.

LINEHAN: Appreciate it. Any other proponents? Opponents?

_____: Go ahead first.

NICOLE FOX: Good evening. Nicole Fox, think tank lobbyist for the Platte Institute, N-i-c-o-l-e F-o-x. The Platte Institute believes something must be done about the high property taxes in Nebraska. And we appreciate Senator Erdman and supporters of this amendment for their clarity of how much property tax relief they are seeking. Nebraska-- Nebraska currently has the seventh highest property tax in the nation and is in need of property tax reform that addresses the underlying problem of a local tax system that imposes too great a burden on the state's taxpayers. The Platte Institute supports a path forward to reducing property taxes but not at the expense of raising other taxes that would harm the state's economic growth. The reason this amendment exists is because many Nebraskans want significant-- significant property tax relief; however, we are concerned that the impact of rising state taxes on Nebraska's economic growth, which would-- which could be an under-- an underlying consequence of this legislation, simply offering a credit for property taxes paid does not solve the underlying problem of local government spending. Over the last year, the Platte Institute has conducted extensive research into the property tax issue. A recent poll we conducted finds that a strong majority of Nebraskans support a new state tax law to further limit

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how much property tax local taxing subdivisions can collect, either by limiting property tax rates or valuations. Through our research and responses from the poll, we've come to the conclusion that the only way to substantially and sustainably reduce property taxes is to enact limitations on property taxing authority at the local level. This proposal does not do that. There is nothing in this amendment that caps future costs. Any taxing political subdivision would be foolish not to levy the maximum property tax levy if they can get away with it because 35 percent would be paid back to their voters by the state no matter how high valuations go. In addition, this bill does nothing to address the high tax burden on those that do not own property. Nebraska has the 15th highest income tax rate in the nation and one of the highest in the region. Unfortunately, we can't just pay people 35 percent of what they pay in property taxes without either making major cuts to the budget or enacting very large state tax increases. We've heard from the people testifying in support of this plan, but we must put our differences aside and find some consensus as to how structurally to reform the property tax without imposing new barriers in our tax system. The Platte Institute believes the state needs to address the property tax burden, but this bill is not the answer. It would be a shame to replace the property tax with higher income taxes and other state taxes that are detrimental to economic growth. I thank you for the opportunity to testify and I would be happy to make any-- or take any questions from the committee members.

LINEHAN: Thank you. Are there any questions from the committee? Seeing none, thank you much.

LARRY GROSSHANS: Senator Linehan and members of the Revenue Committee, my name is Larry Grosshans. I'm a member of the Board of Education of Norris School District 160 and the District 12 representative of the legislative committee of the Nebraska Association of School Boards. I'm also a retired member of the Nebraska Council of School Administrators, having previously been an educator and an administrator in both the Norris and the Alliance, Nebraska, systems. I am here representing the Nebraska Association of School Boards as well as the Nebraska Council of School Administrators in opposition to this legislation. Before I begin, I ask that you bear with me. I had some significant oral surgery a couple of days ago and so if I start slurring my words, it isn't because I've been imbibing; it's just because I've got some issues. OK?

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MARY JANE EGR EDSON: Sir, could you spell your name for the record?

LARRY GROSSHANS: Oh. Larry, L-a-r-r-y, and last name is Grosshans, G-r-o-s-s-h-a-n-s. OK?

LINEHAN: Thank you.

LARRY GROSSHANS: As you know, this resolution allows all property owners to claim a 35 percent credit or refund on their property tax bill on their Nebraska income tax return. Even those with no income tax or it-- with no income can claim a refund on their property taxes if paid. However, there's no provisions in this resolution to make up for the overall loss in revenue to the state, which has been estimated to be about \$1.3 billion based on current valuations. That would likely increase in the future. That amount I think represents almost a fourth of the State General Fund. I understand the plight-- the flight of property taxpayers. I, too, pay property taxes and have seen them increase significantly in recent years. I am acquainted with a number of agricultural producers and we agree that efforts need to be made to reduce the overreliance on property taxes; however, we also believe that there are other means to accomplish this goal without reducing state resources and potential revenue to schools, counties, and cities. At the current time, approximately 48 percent of the revenue comes from property tax; 33 percent from income tax; and 19 percent from sales tax. This resolution does not appear to reduce the 48 percent reliance on property tax, nor address the disparity between property and sales tax. What it does is significantly reduce the state's revenue from income tax at a time when the state is already facing revenue challenges. This could be disastrous to those entities that depend upon funding assistance from the state. Consider the fact that Nebraska currently ranks 49th in the nation in state financial support for its public schools. Looking at it from a different perspective, Nebraska public schools receive 33 percent of their funding from the state, while the national average is 47 percent. The amount of revenue public schools receive from the state would likely decline significantly with this resolution. Health and Human Services and the penal system are already receiving more tax dollars from the state of Nebraska than K-12 education, special education, and our College System, according to recent reports. In addition, over 70 percent of the public schools in Nebraska don't receive any equalization aid, and that number is growing with the increased reliance on property taxes each year. This information does not even consider the impending negative impact the resolution would have our

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counties and cities. There are those who believe our schools are responsible for the property tax crisis. Yes, schools are usually the largest consumer of property tax revenue, but most often they are also the largest entity within a given district. In my own 225-square-mile district of nine communities, over 2,400 students are served and 300-plus staff members are employed. We are the largest entity in our district. We strive to provide the best possible educational services and opportunities we can afford for all of our students while dealing with levy restrictions, legislative mandates, increasing mental health issues, more children living in poverty, increasing special education services, and the list goes on. State aid in my school district has actually decreased over \$1.5 million over the past five years while our enrollment has increased 200 students during that same period of time. In closing, the Nebraska Association of School Boards and the Nebraska Council of School Administrators would recommend that LB3CA [SIC] not be advanced. We believe the ultimate impact on those entities that depend upon state financial support would be devastating. We believe that the passage of this resolution-- or resolution will not solve a problem but actually compound it since there are no provisions to make up revenue loss from the property tax credits or refunds. My father used to say, "You get what you are willing to pay for." If we want good schools, adequate fire and police protection, and good roads and highways, then we must be willing to pay for them. That doesn't mean we have to continue to overburden property taxpayers; it means that we have to find a reasonable solution for reducing our reliance on property taxes while continuing to adequately fund our public schools, our counties, and our cities. Thank you for your time and your willingness to listen to me.

LINEHAN: Thank you very much. Are there any questions from the committee? I just want to have one because I'm just checking that this number is right. And you're Norris and you have a great superintendent.

LARRY GROSSHANS: Yep, I met with you one other time. You remember.

LINEHAN: Right, I remember. Yes, I do. I-- tell John hello.

LARRY GROSSHANS: John is back in the back of the room.

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LINEHAN: Oh, he's there. OK. Is this-- OK. I'm going to ask this on the record. Twenty-four hundred students and 300-plus staff, so does that mean you have 1 staff member for every 8 kids?

LARRY GROSSHANS: Well, that-- that figuring-- that's not teachers; that's total staff. So that figure includes paraprofessionals, bus drivers, cooks, health aides, everybody.

LINEHAN: OK. OK. Thank you very much for being here.

GROENE: I have a question.

LARRY GROSSHANS: Thank you.

LINEHAN: Senator Groene.

GROENE: Thank you. I understand you-- you-- your school district, you're expected to get about \$2.5 million in state aid next year, equalization aid, but-- but Waverly is getting zero. So those citizens in Waverly would look at this and say, boy, this is-- it's not going to hurt my state aid.

LARRY GROSSHANS: And you know why that is, that happens, is because of the increase in property valuations--

GROENE: I understand.

LARRY GROSSHANS: --in the Waverly district.

GROENE: But you have 174 districts that would say this 35 percent--

LARRY GROSSHANS: That's what I was talking about.

GROENE: --is great for us.

LARRY GROSSHANS: There's a number-- the number of nonequalized districts is increasing all the time. That's true.

GROENE: But they wouldn't be harmed by this 35 percent at all--

LARRY GROSSHANS: Well, yes they would.

GROENE: --because they didn't get any state aid.

LARRY GROSSHANS: Well--

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GROENE: They don't get any state aid.

LARRY GROSSHANS: But they wouldn't-- they wouldn't get that state aid. That's true.

GROENE: They don't get it now.

LARRY GROSSHANS: They don't-- no, they're getting something now.

GROENE: Yeah, a little bit. Done a--

LARRY GROSSHANS: My-- my older son is actually president of the Waverly School Board. They are receiving some.

GROENE: Yeah. They done a great job over there, by the way-- well, that's Ashland-Greenwood.

LARRY GROSSHANS: Yeah.

GROENE: --done a great job of cutting their spending [INAUDIBLE]

LARRY GROSSHANS: Well, I appreciate your willingness to listen. Thank you very much.

LINEHAN: No, and we appreciate you very much being here.

GROENE: No, we-- yeah.

LINEHAN: Thank you, Senator Groene. I was trying to think. There was one other question. I do-- because this is not-- so these are numbers we hear all the time and then we repeat them on the news and in newspapers. And I know you know this and I know that your administrator knows this, while it is true when you get down in here about we only pick up 30-- where is it? I'm sorry. You said it, about how much the state fixed. We're 49th in the nation. Nebraska public schools receive 33 percent of their funding from the state while the national average is 47 percent. We do know that the three largest school districts in the state receive more like the 47 percent. There are districts in the state that get more than--

LARRY GROSSHANS: There is--

LINEHAN: --almost half their funding by the state.

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LARRY GROSSHANS: Yeah. And if you're looking at the TEEOSA formula, if we are talking about Lincoln and Omaha and metropolitan areas, you also must consider that those particular school districts are serving 80 percent of the students, or more, in the state of Nebraska.

LINEHAN: But those 80 percent aren't any more important than the other 20 percent.

LARRY GROSSHANS: Yeah. No, I agree, absolutely.

LINEHAN: OK. Thank you.

GROENE: One more quick comment--

LINEHAN: Yeah.

LARRY GROSSHANS: Yeah.

GROENE: --question. But you didn't mention that the taxpayers of Nebraska don't have to apologize for how they support their public schools. We're about 14th and 15th overall when you-- when you add in the property taxes in the nation.

LARRY GROSSHANS: And-- and I would agree with that, and I would also tell you that if you look at-- at the statistics, for instance, Nebraska students, when 80 percent of them take the ACT test, will rank number one in the nation. I think most of the schools in the state of Nebraska are doing an excellent job. I think we can be very proud of our schools. That doesn't mean there isn't room for improvement. Yes, there is. We can always improve, absolutely.

GROENE: Thank you.

LINEHAN: Thank you very much for being here.

LARRY GROSSHANS: Thank you.

LINEHAN: Thanks.

LARRY GROSSHANS: Good to see you again.

RENEE FRY: Hello again, Senator Linehan, members of the Revenue Committee. My name is Renee Fry, R-e-n-e-e F-r-y. I'm the executive director of OpenSky Policy Institute. We recognize the very real challenge that this bill seeks to address and we share the goal of

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reducing our reliance on property taxes to fund the critical services provided by local governments and the state. But LR3CA is not a fiscally responsible mechanism through which to accomplish meaningful and sustainable property tax reform. LR3CA includes no clear pathway to pay for such a substantial reduction of state revenue. In fact, we estimate that this would actually increase state spending, if you want to look at it that way, by more than \$1.3 billion. Members of the Legislature and their constituents deserve to know what programs and services they will be asked to forfeit as a result of this policy or what additional taxes would be raised. In that way, LR3CA fails to represent a transparent choice. We have concerns that LR3CA does not address our state's property tax challenges because it does not change our property tax system in any way; instead, it provides an income tax reduction. We have legitimate concerns that despite such a substantial commitment of state resources, it may still not be recognized by taxpayers as a reduction in their property taxes because it does not actually reduce their property taxes. We would also raise a couple of technical points that I have in the letter just really briefly. This does appear to allow both a state tax deduction and a state tax credit, and there is also concern we have with time. In the way that it's written, it says an amount equal to 35 percent of property taxes that were levied and paid in the same taxable year, but property taxes actually don't become delinquent until the following year. So I'm not sure how all of that would work itself out. So finally, LR3CA takes what has been a very difficult revenue situation over the last couple of years and makes it monumentally worse. State revenue growth has been weak, as you know, and budget cuts have been made, and LR3CA would inject significant revenue challenges into an already difficult budget situation. So in conclusion, while we acknowledge our state's heavy reliance on property taxes to fund critical functions of government, we oppose LR3CA because it is unaffordable, unsustainable, and ignores the very difficult budget choices that would need to be made if a policy like this were to be implemented. With that, I'd be happy to answer questions.

LINEHAN: Thank you. Any questions from the committee? Seeing none, thank you very much.

ROBERT J. HALLSTROM: Senator Linehan, members of the committee, my name is Bob Hallstrom, H-a-l-l-s-t-r-o-m. I appear before you today as registered lobbyist for the National Federation of Independent Business to testify in opposition to LR3CA. I also represent the Nebraska Bankers Association, who I've signed in on behalf of, to

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register their opposition and have been authorized by Mr. Ron Sedlacek of the Nebraska Chamber of Commerce and Industry to register their opposition as well. Since I'm the last thing that stands between you and the opportunity to hear Senator Erdman's closing, I will be brief. The members of NFIB are fully aware of the calls for meaningful property tax relief and, in fact, they join in that call. However, LRCA does not-- LR3CA does not represent the kind of stable and predictable public policy to achieve property tax relief for all property owners, whether they be commercial, residential, or agricultural. The proposed constitutional amendment purports to deliver property tax relief without containing any provisions on how the relief is to be funded. I found it interesting that one of the supporting witnesses suggested that the Legislature can't solve this problem because they continue to argue over what the solution should be. LR3CA would seem to be a solution that just creates another problem. One of the witnesses suggested that-- what I call the chaos or the crisis that would develop if LR3-- if LR3CA is adopted would lead to local subdivisions deciding to reduce spending and efficiently manage their budgets. That's kind of putting the cart before the horse. We ought to be doing that initially and would suggest that that's the better way to resolve the problem. Again, if LR3CA is approved by the voters, it would inevitably involve a significant shifting of the tax burden without identifying the manner in which the replacement revenues would be raised and for that reason, we are concerned over the proposed constitutional amendment. I'd be happy to address any questions that the committee may have.

LINEHAN: Thank you, sir. Do we have any questions? Senator Briese.

BRIESE: Thank you, Chairman Linehan. Thank you, Mr. Hallstrom, for being here.

ROBERT J. HALLSTROM: Yes, sir.

BRIESE: Will the NFI-- excuse me-- NFIB-- NFIB be testifying in support of my LB314 next week?

ROBERT PETERSON: I would assume that that will not be the case.

BRIESE: OK.

ROBERT J. HALLSTROM: We have some concerns--

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BRIESE: But yet your--

ROBERT J. HALLSTROM: Yes.

BRIESE: But yet your testimony suggests that you're concerned because Senator Erdman hasn't identified any revenue sources to fund this relief. LB1084 last year identified sources; LB314 identified sources. But yet your organization won't testify in support of those, correct?

ROBERT J. HALLSTROM: That is correct.

BRIESE: So to me, that highlights a problem we have here. We can't agree on a solution, can't agree on how to fund this, and so how we going to get it done?

ROBERT J. HALLSTROM: Well, that's the conundrum that we face, Senator.

BRIESE: Well--

ROBERT J. HALLSTROM: And I think one of the issues becomes the-- the broad array of, or the menu of solutions that are in LB314 or LB497 or whatever other bill number of the day is, creates the problems in terms of bringing all kinds of groups together that have particular issues that they could perhaps coalesce around and others that they cannot.

BRIESE: Yeah. It's not my job to pontificate about the issues here. I should be asking questions. But really, again, that highlights the issue, the inability to come together on those revenue sources and find a way to fund that. And Senator Erdman's proposal forces the issue and forces us to do that and that's the beauty of it. But anyway [INAUDIBLE]

ROBERT J. HALLSTROM: Yeah, and-- and it's your prerogative--

BRIESE: Thank you very much.

ROBERT J. HALLSTROM: It's your prerogative to pontificate, Senator, so.

BRIESE: OK.

LINEHAN: Thank you, Senator Briese. Senator Groene.

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GROENE: Does your organization-- would they support any tax increase at all to offset this property tax that you agree there's a problem?

ROBERT J. HALLSTROM: Senator, I think the issue that we have in terms of the public policy that our members have supported, we-- we ballot our members on specific issues. And their-- their general proposition is not necessarily the solution here, but their general proposition is that they prefer tax relief over tax shifts.

GROENE: Where-- what's your position in the city of Lincoln's wanting to raise sales taxes? I seen some of the business community is supporting that.

ROBERT J. HALLSTROM: NFIB does not have a position on that type of local-- local issue.

GROENE: Do you see the frustration of taxpayers across the state when they see a city like Lincoln, who has all that tax revenue coming in from all the visitors, sales tax revenue is high, property tax is 178, and they can't even manage their city enough to fix their potholes?

ROBERT J. HALLSTROM: Yeah, I-- I assume one could form that opinion. I don't know whether that's anything that NFIB has a specific policy position on that I could comment on.

GROENE: It's pretty frustrating when you see that happening, so thank you, by property taxpayers.

ROBERT J. HALLSTROM: Thank you, Senator.

LINEHAN: Thank you, Senator Groene. Does the NFIB have any-- is there anybody else here to question just to fill out the menu here? Have any positions on any things we could cut spending on?

ROBERT J. HALLSTROM: Certainly, Senator. I think, you know, our-- our members are probably like the-- the majority of the general public in terms of thinking that there are lots of ways to cut fat. They, too, like new senators coming into the body, don't know exactly where to start. But we would certainly enjoy the opportunity to sit down and discuss some of those areas of reduced spending, whether it's at the state level or, probably more specifically, at the local level.

LINEHAN: Thank you. We look forward to that conversation.

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ROBERT J. HALLSTROM: Thank you, Senator.

LINEHAN: Any other questions? Thank you very much for being here.

ROBERT J. HALLSTROM: Thank you.

LINEHAN: Any other-- that was--

MARY JANE EGR EDSON: Opposition.

LINEHAN: --oppositions. Do we have any other oppositions? Do we have anybody testifying in neutral? Senator Erdman, would you like to close?

ERDMAN: I would. I handed you a picture when I came in, looks something like this. What this is, this picture was sent to me by a friend who was coming from the state of Wyoming into the state of Nebraska on a county road. And you know sometimes when you see that sign in a work zone and there's a little sign below the speed limit says, "Fines Double"? This says, "Taxes Triple." And it was in the evening, so he stopped. He said, I had to stop and take a picture. So you heard Mr. Todd allude to the fact that Wyoming's taxes is one third what Nebraska's is. It's a little less than that, but that's the point. We got high property tax. So I alluded to it in my opening remarks that there were going to be people come here and talk to you about the problem of property tax. Bob talked a good talk around your answer to your question. When you asked, he spoke like a lawyer. He talked in generalities and he never got to any specifics. That's what they do. So the other people that came here were paid lobbyists. They came here and shared with you why we shouldn't cut property tax. I never seen one person step up here that was paying the tax and said, hey, I want you to continue charging me the tax you are, I like it. No. All those people come before you today have a vested interest to come here because they're paid to come here, all of them, right? School board member comes and talks to you because they get the taxes. You got many letters that talked about I'm paying too much, and you heard from Paul Von Behren about the taxes turning over; when you give a refund, what it does, it turns over in the economy. Not one of those people had a solution, or maybe they said it and I didn't hear it. So they're a think tank; they're an organization that thinks about solutions, right? They're smart people. They understand all this. What are their solutions? None. You're fortunate this-- this petition says 35 percent reduction, because when I started, in '16, running for the

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Legislature, I had my lawyer draw up a petition that said: One year from today, no more property tax, none. That's the right solution. That's the right procedure. But he called me back a week later. He said, I think you're a little out of line, we need to adjust it this. So we started talking about making adjustments and that's where we got to 35 percent. But the point is nobody has any solutions, but what they say is, we sure hate yours. Senator Briese was correct. What is your solution? Will you support a property tax increase, Senator Groene asked. Well, no. Do you have a solution? No, but we're willing to sit down and talk about it. We've been doing that for 40 years. We've been talking about it for 40 years. And we can keep talking about it and people can keep leaving. We have a chance to fix it. And Senator Briese is right. This is what is going to start the conversation about how to fix it. And unless this legislative body is forced to make a decision, they never will. And the only cuts that I ever seen in this legislative body in this room, in this Capitol Building, was in 2001 and the state budget shortfall was about 25-30 percent of their total revenue. And Governor Johanns called a special session and those senators arrived in Lincoln and they made a 10 percent cut straight across the board; every organization, every agency that collected taxes took a 10 percent cut. And guess what? Even the Big Red "N" made it through that. Can you believe it? HHS made it through that, the Road Department; everybody that took a cut made it. And Paul Von Behren was right. There's not an organization or an agency that can't take a cut and make it work. But when you drive into Lincoln and you roll your window down, you could smell taxes. And so when taxes is what you're driven on, you got to continue to get more taxes; you can't make cuts. But I'm telling you cuts is where we start, and then we figure out a way to make this work. And if you don't advance this, that conversation about property tax at the end of the year when we sine die on June 6, we will have accomplished exactly what we accomplished for the last 40 years and that's nothing. This is going to be the engine that drives the conversation in making a difference. And if you want to make a difference for the taxpayers in Nebraska, now is your chance. Advance this to the floor. Thank you.

LINEHAN: Thank you, Senator Erdman. We have any questions? OK. We do have a lot of letters for the record, both sides, more proponents. Proponents: Steve Nelson, Nebraska Farm Bureau; Mike-- I'm going to mess this up-- Drinnin, Nebraska Cattlemen; Dan Nerud, Nebraska Corn Growers Association; Mike Guenther, Nebraska State Dairy Association; Robert Johnston, Nebraska Soybean Association; Robert Johnston,

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Nebraska Soybean Association [SIC] Darin Uhlir, Nebraska Pork Producers Association; Mark Spurgin, Nebraska Wheat Growers Association; Denny Van Horn, Home Builders Association of Lincoln; Ryan Krejci, Metro Omaha Builders Association; Mark Haynes, Dawes County; Virgil Hagle, Bayard; Peter Ward, North Platte; Linda Von Behren, Fremont; Paul Von Behren, he was here, Fremont; Lew and Joyce Russell, Bayard; Gary and Jeannine Tyree, Bayard; Doug Wittman, Dodge; Barbara Otto, Spencer; Roy Hahn, Scottsbluff; William Reeves; and Kathy Greeley. Opponents: Andy Hale, Nebraska Hospital Association; Dave Slattery, Nebraska Hospital Association; Lynn Rex, League of Nebraska Munici-- oh [LAUGH] it's been a long afternoon. We all know Lynn-- Mike Dulaney, Nebraska Council of School Administrators; Kyle McGowan, Nebraska Council of School Administrators; David Ludwig, Educational Service Unit Coordinating Council-- they have a Coordinating Council? Jennie Benson, Nebraska State Education Association; Ronald-- Sudnicka? [PHONETIC]

_____: Sedlacek. [SIC]

_____: Studnicka.

LINEHAN: --Studnicka, Sidney; Rich Schommer, Alliance. Nobody is neutral.

ERDMAN: Nobody is neutral.

LINEHAN: Nobody is neutral.

ERDMAN: So the list you wrote on opponents are pretty much the same as come and testified in person.

LINEHAN: It's the same group.

ERDMAN: Thank you.

LINEHAN: OK. With that, we close the hearing on LR3CA. Thank you all very much for having a very long afternoon, appreciate all your hard [RECORDER MALFUNCTION]