

Revenue Committee February 8, 2019

LINEHAN: Welcome to the Revenue Committee public hearing. My name is Lou Ann Linehan. I'm the state senator from District 39 in Elkhorn, Nebraska. The committee will take up the bills in 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 you 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 follow the following procedures. I don't think I can turn my cell phone off because I think I didn't bring it, but the rest of you please turn off your cell phones or other electronic devices. When you get ready to testify-- and this is really helpful. It moves things along. Move to the front of the room and sit up here so we can kind of keep things moving quickly. The order of the testimony is introducer, proponents, opponents, and then neutral testimony and then closing remarks. If you will be testifying, please complete the green form and hand it to the committee clerk when you come up to testify. If you have written materials that you would like to distribute to the committee, please hand them to the page when you come up. We need 11 copies for all the

committee members and staff. So if you need additional copies, as soon as we get started here and I've introduced the pages, you can ask the pages to do that right now. You don't have to wait until right before you come up because then we get backed up. When you begin to testify, please state and spell your name for the record so we don't have to interrupt you just-- it's like Lou Ann Linehan, and then L-o-u A-n-n. Please be concise. It is my request that you limit your testimony to five minutes. And we use the light system, so you'll have-- the light will be green for four minutes and then it will be yellow. And yesterday, I let people go into red, but I'm going to try to be really tough today. So if it turns red, I'm going to say, thank you. If there are a lot of people wishing to-- well, I don't think we have a line yet anyway. If your remarks reflect-- 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 it will be included in the official record. Please speak directly into the microphones so our transcribers are able to hear your testimony clearly. To my right is our legal counsel, Mary Jane Egr Edson. And to my left is our research an-- analyst, Kay Bergquist. At the end of the tab-- at the end on my left is our committee clerk, Grant

Latimer, and I would like the senators to introduce themselves starting with my far-- at my far right.

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

GROENE: Senator 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, Senator Sue Crawford, District 45 which is eastern Sarpy County.

LINEHAN: Senator McCollister and Senator Briese are in other committees and they will be here, at least, there's Senator McCollister. Our pages for the day are Brigita who's from Hudson, South Dakota, a sophomore at UNL majoring in agricultural education. And our other page is Tsehaynesh-- Tsehaynesh who's at UNL, and she's a political science major. Please remember that senators may come and go during our hearing as they have bills to introduce in other committees. 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. Also for our audience, the microphones in the room are not for amplification but for recording purposes.

Lastly, we are an electronic equipped committee. Information is provided to us electronically as well as in paper form, so we're using our computers, it's probably to look up the information.

Be assured that your presence here today and your testimony are important to us and critical to state government. So thank you for being here. And with that, we'll start the hearing on LB76.

Welcome, Senator Williams.

WILLIAMS: Thank you, Madam Chairman. And thank you, members of the Revenue Committee. My name is Matt Williams, M-a-t-t W-i-l-l-i-a-m-s. I represent Legislative District 36. LB76, which I'm introducing today, addresses an issue that was brought to our office by a constituent who realized that his solar panel array was not being taxed in the same manner as other renewable energy generation facilities, such as wind turbines. As technology evolves, solar panels will continue to grow in popularity among landowners. Currently, in Custer County, which is in my district, there are eight solar arrays generating power, all being purchased by Custer power. That is one of the highest concentrations in the state. Under current law, the nameplate capacity for solar panels is being calculated based on direct current or DC rating of the facility. The change in LB76 would

clarify that the nameplate capacity tax for solar panels would be calculated on the basis of alternating current or AC rating of the facility. This would bring solar panels in line with the taxation of other renewable energy generation facilities in the state but also with the industry standard in other states. I want to highlight that last point because when the taxing scheme on renewable energy generation facilities was originally created by LB1048 in 2010, the Legislature included intent language in the bill which is now codified in statute at Section 77-6201. Subsection 2 of that section says, "The nameplate capacity tax should be competitive with taxes imposed directly and indirectly on renewable energy generation and development in other states." Through our research, it has been discovered that every other state that has a similar taxing scheme on renewable energy taxes solar panels on their AC rating, not DC rating. Therefore, we urge the committee to advance LB76 so that solar panel array operators in Nebraska are taxed in an equitable fashion compared to other renewable energy in-- in the state but also taxed the same way as other states. I would point out, if-- if you can take a quick look at the fiscal note that is attached, there is no cost directly to the General Fund. There is, however, a very limited cost to counties. If you look down on the-- what I think is page 3 of the fiscal notes where there are counties rated

there-- or listed there with the capacity tax. If you look down at Custer County with the \$542,000, switching this to AC would reduce that by approximately \$2,000. So we're talking a very limited amount of lowering the tax. We had that calculated. With that, I would try to answer any questions, but there are experts behind me that understand this issue completely. Thank you, Madam Chairman.

LINEHAN: Thank you, Sen--- thank you, Senator Williams.

Questions from the committee? You must have done an excellent job. There's no questions. Proponents for LB76? Good afternoon.

WAYNE WILLIAMS: Thank you. My name is Wayne Williams, that's W-a-y-n-e W-i-l-l-i-a-m-s, no relation to the senator that I know of, unless we came over on the boat at the same time. I am the president and owner of Interconnection Systems Incorporated out of Central City, Nebraska. And we are regarded as the largest solar contractor in the state of Nebraska. We put in a significant amount of the solar that was put in up in Custer County up there. We've also installed the seven-megawatt solar system that was over in Kearney. We installed the largest battery system which-- over in Colorado in about a seven-state region out there. We've also been up in Minnesota, doing work up there, several megawatts there. And we do some work up in South

Dakota also. So we kind of touched the solar industry all throughout and got a fairly good idea of how the solar process, the development work on it, goes because we do development and construction both. And this originally came up, this-- the issue of the taxation, on the placard tax when we were doing the pro formas for some of these projects out there. When it came to the-- seeing the placard tax on there, we actually took the \$3,518 that was attributed to wind per megawatt, was \$3,518 per megawatt for the wind turbines out there and assumed that would be the same as what it would be for solar. Now when the calculations came back up, after we installed the first couple systems up there, the-- they came back and the-- they were basing it off of the DC system instead of off of the AC system. Now when you go out and you actually put one of these systems together out there, you actually-- the nameplate rating on it. And I'll give you an example. Like one of the ones up there would be like 600 kW, and that's AC. But in order to get that, you've got to have an additional 30 percent on top of that. So it would actually come out at about 780 kW is what it would actually be. Now when you take the tax on that and if you taxed it on the DC side of it, what happens is it ends up being 30 percent more. So these pro formas end up-- they can get upside down very quickly because of the tax side of it out there.

Discussing the solar side, solar itself against wind on a capacity factor, solar is not quite as good, as far as the capacity goes, as what the wind is. So it's a little bit of a disadvantage to begin with on it, and then adding this on top of that and having the tax on top of it, it puts it at an unfair disadvantage. Now you compare it to some of the other states that are around us, as pointed out by Senator Williams, and they-- we don't have in Nebraska a friendly atmosphere already within the solar industry. So I guess I would leave it at that, and take questions if you have any questions.

LINEHAN: Thank you, Mr. Williams. Any questions from the committee? Senator Friesen.

FRIESEN: Thank you, Chairman Linehan. So basically what you're saying is you're losing-- it's the conversion basically that is costing you that 30 percent when you're converting it to AC?

WAYNE WILLIAMS: Yes.

FRIESEN: So you lose that capacity. And so the actual production of electricity, if it was done after it was converted to AC, would be a different number than the nameplate capacity as before it's-- when it's in direct current.

WAYNE WILLIAMS: Correct, Senator. What it is, is that if you had a 1 megawatt AC on a wind turbine, you would pay your \$3,518 on that one megawatt AC. Now if you had a 1 megawatt solar system that was out there that was AC also, you wouldn't pay the same amount. You would pay 30 percent more than that underneath the way the law is currently structured. So you pay 30 percent more than that simply because it's a DC. It generates in DC but-- but it hits the inverter, and that actually converts-- inverts it back over into AC. And so the nameplate rating on it is actually, in fact, an AC nameplate rating. So if you were to ask anyone of the districts or anything about what's sitting out there and looking at it, they would say a 1 megawatt AC solar system. They wouldn't see the-- the 1.3 megawatt AC solar system-- or DC solar system. They wouldn't see that or regard it as that. All the forms we fill out, whether it be for, you know they got K450s or whatever for the utilities, we reference it AC. Every-- everything-- everything about it is reg-- is registered and regarded as an AC except for when it comes to the taxation side of it. And the taxation side of it does the-- they look at the DC which raises the taxes on it by 30 percent over and above.

FRIESEN: OK. All right. Thank you.

LINEHAN: Thank you, Senator Friesen. Senator McCollister.

McCOLLISTER: Yeah. Thank you, Madam Chair. Thank you for your testimony. I found it very interesting. Of course, solar arrays generate direct current, do they not?

WAYNE WILLIAMS: Yes, they do.

McCOLLISTER: OK. So in order for you to convert that or sell the power to a utility or use it in some way, you've got to convert it to AC, right?

WAYNE WILLIAMS: Yes. True statement.

McCOLLISTER: OK. You're familiar with, although it's not the purview of this committee for net metering, but the net metering limit, at least throughout Nebraska, is-- is 25-- is-- is currently 25 megawatts, is that correct?

WAYNE WILLIAMS: kW, yes.

McCOLLISTER: kW.

WAYNE WILLIAMS: Uh-huh.

McCOLLISTER: Correct. And so should that be measured in-- in DC or AC current?

WAYNE WILLIAMS: Because when it comes out on the line also, it also should be measured in AC. Because-- because-- and the reason I say that, Senator, is-- is that that's-- that's the working components in the back side of that. Anything-- anything on the-- the point of delivery, wherever you deliver it, where it's being metered at, the metering and everything is all in AC.

McCOLLISTER: So what you're saying is when a-- when a installer or-- or the farmer or whoever else install-- installs those solar panels, they ought to figure on an AC equivalent, correct?

WAYNE WILLIAMS: Yes, everything should be regarded as an AC, true statement, on the size that you're going to put in there because you have to do that for the utilities because they have to know the-- the actual power that's going to be dumped over onto their line for that.

McCOLLISTER: Would it be a unfriendly amendment if we-- we defined net metering in this bill to be based on AC current?

WAYNE WILLIAMS: That would be-- that would help out for interpretation for the various districts that are out there when it comes to filling out the paperwork. And as-- as we're filling out-- but most of it is all in AC. I don't know how-- how technical you want to get on this, but as far as the DC goes on

there, you could put on 25 kW worth of DC and you could have a 25 kW AC inverter on there. You could do that, but you would not be using the optimum-- it would-- it's a lot better, you build it up on this side over here. And then it-- it--when-- when you come up from a thing called clipping-- when you-- when you come up on the top of your curve up here, you want to stay as flat on that curve as you can. If I just did 25 and 25, we'd come up. We'd hit that curve at the top of it, and we'd come right back down. And you don't want to do that because you lose a lot of production.

McCOLLISTER: So if you wanted to optimize the installation, maybe you could set it 30 DC and what, 25 AC?

WAYNE WILLIAMS: Thirty DC, yes. But-- but see, if you-- if you have trackers or dual access trackers and things like that, you can actually reduce the DC side down because the trackers actually will follow the sun around. The reason that you would load that up on like on a stationary mount, like some of the ones that we're talking about in Custer County up there, the stationary-mount units out there, they won't have the-- they will only produce when they see the sun come across here. These other guys, you can reduce the DC now because it sees that sun when it comes up. And so then that follows it all the way around

here. And so in that case, you see, you would manipulate the DC so that we're using the-- making it so that the inverter is-- is operating optimally. You see? So-- so the DC side can fluctuate and that's why--

McCOLLISTER: OK.

WAYNE WILLIAMS: --that's why it's-- but-- but the AC rating will not fluctuate.

McCOLLISTER: I see.

WAYNE WILLIAMS: So the AC rating can [INAUDIBLE], and if I fill out a form for the district and I say we're going to put 25 kW out there, that's exactly what it's going to be. It's going to be 25 kW AC.

McCOLLISTER: Got you. Thank you.

WAYNE WILLIAMS: Yeah.

LINEHAN: Thank you, Senator McCollister. Senator Groene.

GROENE: Thank you, Chairman. Just a bit east of Callaway on the way to Broken Bow, there's one of those solar fields?

WAYNE WILLIAMS: Yes.

GROENE: You familiar with that?

WAYNE WILLIAMS: We installed that one.

GROENE: So what do they pay in taxes on that now?

WAYNE WILLIAMS: Well, that is based on-- the way the placard tax is figured right now, that particular system there is you got this 300 kW times 1.3 on that, so you got 390 kW on DC. And so the placard tax is-- is figured on 390 kW on there.

GROENE: So would you know what that would be, the tax would be, about?

WAYNE WILLIAMS: It would be 30 percent of your allowance. I'm not a calculator. Yeah-- but yeah, but it would be your-- your one-third of the-- so it's \$1,000-- it's \$1,000 or so, a little over that.

GROENE: And this would drop it to what, this bill?

WAYNE WILLIAMS: Well, it would drop it down, well, 30 percent of what that would be, so it would be a couple hundred dollars.

GROENE: So do you own that or does a farmer or somebody own that?

WAYNE WILLIAMS: The farmer. We did development work on that and another individual owns that particular one.

GROENE: So how much income would you get off of that a year?

WAYNE WILLIAMS: On that particular unit there I'm going to say, probably \$25,000, somewhere around there. Trying to-- trying to think in my head what it is.

GROENE: Just on sunny days, on average, huh?

WAYNE WILLIAMS: Yeah. Yeah, that's what it would be. But all of that-- all of that is rolled up in the pro forma, you know, for the production and then the payback and all that. And then it's-- it's run out over X amount of years to-- to try to maintain an [INAUDIBLE] line.

GROENE: Thank you.

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

WAYNE WILLIAMS: Thank you.

LINEHAN: Thank you. Other proponents? Are there any opponents? Is there anybody wishing to testify in a neutral position? Senator Williams, would you like to close?

WILLIAMS: Yes, very quickly. And I was-- I was going to waive closing but I would like to address Senator McCollister's question with that. Net metering is a completely different issue than we're talking here. It's a different section of the state statutes, and I would suggest that it would require a hearing that would be announced so people could talk about that. So I would urge the committee to advance LB76. Thank you.

LINEHAN: Thank you. Do we have any questions for Senator Williams? Seeing none, thank you. There is one letter for the record, proponent from SunVest Solar, Inc. And with that, we'll close the hearing on LB76, and open the hearing on LB4-- excuse me, LB63, yeah, can't read today, LB463. And just so you know, I'm going to have to leave in a little bit. So I don't interrupt you in the process, Senator Friesen will take over.

WILLIAMS: Thank you, Madam Chairperson and members of the Revenue Committee. My name is Matt Williams, M-a-t-t W-i-l-l-i-a-m-s, and I'm here today to introduce LB463. LB463 amends the statutes concerning the tax certificate and treasurer's deed process to ensure that real property owners and those in the process of real property receive adequate notice that they are at risk of losing their property if they do not take action. Many of you know this, but there were some articles in the

newspaper, in particular this fall but my office actually started getting calls on this particular issue about a year ago, based on a case in-- in North Platte, in Senator Groene's district, that reached a result which many people would deem in- - inequitable. As has become my style on these kind of issues, I brought a number of people together to discuss what-- what happened in that case and what we could do in the future. I was able to enlist the support of the attorney Dave Pederson from North Platte that represented the Wisner family and also Mark Porto, an attorney in Grand Island, who represented a constituent of mine from Ravenna. That was the veteran that you may have read about that was in the process of losing his home. We also had several county treasurers and NACO involved. And also, very importantly, we brought in two of the largest businesses in our state that purchase tax certificates and tax deeds, US Assets and Guardian Investment. We also had help with the Nebraska Bankers Association because when you get into this, you also have liens that are possibly available on the property. And I'd like to give a shout out to my staff who worked very hard with this. Historically, this issue is really important and it is somewhat complicated. And I'm going to try to walk through this in a way that doesn't confuse everybody. But the tax certificate/tax deed process is important because it is a way

that creates a significant incentive on the part of people to pay their taxes. And if they don't pay their taxes-- and remember, this whole process only happens and only starts when people don't pay their taxes, and I would add to that they don't pay their tax-- taxes for a significant period of time. On the front end, most counties don't start the process until taxes are delinquent for generally about two years. We don't get to the tax deed portion of this for an additional three years on top of that. So during that period of time, we have an owner of the property who has not been paying their taxes. The problem that we have here and that we are attempting to correct, and I believe we have significantly addressed it, is the fact that in the couple of the cases that have happened, you could certainly argue that the property owner did not receive adequate notice of what was going to potentially happen to them. And that's the basis of LB463. LB463 accomplishes the goal of strengthening the treasurer's deed process by making several changes to existing law aimed at ensuring real property owners receive adequate notice, while at the same time clarifying what is required to be filed by treasurer's deed purchased in the county treasurer's office. LB463 starts by removing the distinction between standard real property and owner-occupied real property in the existing statutes governing the process. Current law provides

for different notice requirements depending on this distinction. The Supreme Court case from North Platte was not owner-occupied property and was thus subject to notice requirements that were not as stringent. LB463 simplifies, but at the same time strengthens, what is required for adequate notice by ensuring that those who occupy the process-- the property as well as those listed on the title of the property receive multiple, potential layers of notice. The bill requires personal or residential service by a sheriff or constable to be attempted on both the owner of record listed on the title and on the person in actual possession or occupancy of the property. If the first layer of notice fails, a treasurer's deed purchaser must then proceed to the next layer of notice required by LB463. The second layer permits notice to be provided by certified mail or designated delivery which is to be sent to the property address for a person in occupancy of the property and for a person listed on the title to the address where the property tax statement was mailed. If both of these first two layers of notice are not successful, a treasurer's deed purchaser can then proceed to the final layer of notice which is notice by publication. Current law requires this type of notice to be published in any newspaper of general circulation within the county where the real property is located. LB463 tightens this

provision to require notice by publication to be published in a newspaper of general circulation which has been designated by the county board as its newspaper of publication. In the case in North Platte, the property was located in Lincoln County but it was located right outside of North Platte. The tax deed purchaser chose to use the Sutherland paper to publish that notice. This would require them to have published that notice in the North Platte paper. Same thing happened to my constituent in Ravenna. It was not published in the Ravenna paper or the Kearney paper. It was published in the Overton paper. This will ensure that the trustee's [SIC] deed purchasers are not publishing notice in a paper that might not be as widespread in the county other than their newspaper. Existing law requires treasurer's deed purchasers to provide service of notice by affidavit whether by personal or residential service, certified mail or designated delivery, or publication. The affidavit is then filed with the county treasurer's office prior to a deed of conveyance being issued for the property. LB463 keeps this existing requirement but clarifies that copies of the signed delivery receipt or return receipt, or if applicable-- applicable, copies of the publication must accompany the affidavit. Furthermore, the bill requires a title search to be conducted by a registered abstractor, and a copy of such title

search must also accompany the affidavit. Use of a registered abstracter ensures to the county treasurer that the title search was conducted by an experienced and independent third party. This bill also clarifies and puts into statute a checklist of documents, this is something that was desperately wanted by the county treasurers, of the documents of fees required to be filed with the county treasurer by the treasurer's deed purchaser before the county treasurer issues a deed of conveyance for the property. These items include the certificate issued from the initial tax sale, the fees required by law, the affidavit and accompanying documents providing service of notice, and the affidavit and accompanying documents proving publication of notice if applicable. Finally, LB463 addresses the issue in statute that allowed for provisions of law to be continually delayed with respect to the treasurer's deed process. This has resulted in previous good faith attempts to amend these statutes to never fully come into effect, causing confusion for the public, the investors, and the county treasurers' offices. For those reasons, I would urge the committee to advance LB463. There are a number of people that will add testimony to clarify some of the things, but if I could answer any questions, at this point, I would be happy to try.

LINEHAN: I'm going to go, but go ahead Senator Groene.

GROENE: All right. Thank you, Chairman-- Chairwoman. Thank you, Matt, for doing this. You know, we've had conversations. I called you up and said. I don't want to do-- be redundant and present a bill also. And I think Curt had a bill in the works too. So you took it over and championed it. That way, at least, we didn't have our staff working on three separate bills. But as you said this thing was in North-- the big one was in my county. A couple million dollar ranch was taken over for \$50,000 or \$60,000 in back taxes. I have a acquaintance, constituent. I think he's contacted your office. He's a small timer. He buys tax deeds, and he does his own. He's-- he's honest. He does his own title searches, saves the money. You know, and we're basically doing it around North Platte, so he knows everybody in the courthouse. And he's concerned why he has to pay a registered ab-- abstracter to do-- you know, he doesn't want that property. He gets stuck with a trailer house he'd just as soon not have. So is it necessary to-- to have the registered abstracter? Has there been-- has there been offenses tracked where-- where a good title search wasn't done on these cases?

WILLIAMS: I'll answer that, and then I would suggest that you ask that of the county treasurer--

GROENE: Yeah. OK.

WILLIAMS: --if one comes up in addition to that. But the situation of the registered abstracter only happens when you get to the end of this process when you're dealing with a trust-- or a tax deed. It doesn't start on the front end with the tax certificate. And it's my understanding that maybe as few as 5 and maybe as many as 10 percent of these transactions that start get to the end where it's necessary to have the registered abstracter do the title search. The title search is extremely important. That's where you-- you find out absolutely if there are encumbrances on the property and who has to be notified of those kind of things, who actually owns the property. I-- I have no-- no doubt that your constituent who has contacted me, in his case, has the ability to do that. I am concerned about other people that do that because at the end of the day, they-- the county treasurer, if-- if these documents are presented to them, is going to be in a position of issuing a deed on the property. So transfer of that property is going to happen. I would suggest that it's a cost of doing business, in this situation, and that the protection of having that be a registered abstracter is necessary.

GROENE: Like he said, it's his own loss if he does a bad job, if he doesn't find an encumbrance on it or something and it gets transferred and that-- whoever has that still-- still has the

lien on it. So like he said, if I do a bad job, it's my own loss.

WILLIAMS: You could also have the bad job being on finding exactly how the current property is titled and who that is. And then it would be the loss of that person if that deed is issued.

GROENE: That's the other side.

WILLIAMS: Now-- now you could-- you could go-- go-- you could-- if that happened, there could still be a quiet title action brought. You know, so I mean, it could be brought, but there's certainly expenses with that. It was my al-- understanding also that with the constituent of yours that has contacted me--

GROENE: He said he did, yes.

WILLIAMS: --Yes, he did. He-- that he also uses the typical foreclosure process more often than the tax deed process. So I'm not sure in that case.

GROENE: All right. Everything you said, I'd never-- I don't know anything about. I just told him not to ask me.

WILLIAMS: I didn't, either until we got into this.

GROENE: It's OK.

WILLIAMS: And that's-- and that's interesting. You know, I appreciate that when-- when we got into this, this was certainly not an area that I had a lot of experience in. We brought in the people that I think really know what's going on, and that's how we crafted this legislation.

FRIESEN: Thank you, Senator Groene. Any other questions from the committee? Some of the letters that we received, I mean, some of them even suggest you just doing away with the tax sale. And so I take it the process would be then is if you're delinquent on taxes, the county holds it. And at some point in time after that period of either two years, five years, the county then would just sell it. And then we'd eliminate that third party. They still get reimbursed full interest costs. Would that be a simpler, cleaner, no mistakes would ever be made, or what's the drawback of doing that?

WILLIAMS: Well, I think that the drawback of that is-- is not creating a process where the counties collect their taxes in a more timely manner like they are able to now. The process right now is not a broken process. It works in the vast majority of the cases, and I think you'll hear that with the testimony. Right now, it's my understanding that Douglas County, for instance-- instance, issues about 3,500 tax certificates

annually. So you know, we've-- we've had some-- some bad situations that have happened. I think LB463 will address those in an adequate fashion, and we'll be OK going forward.

FRIESEN: OK. Senator Crawford.

CRAWFORD: Thank you, Vice Chair Friesen. And thank you, Senator Williams. In some of the news coverage of the case in Wisner [SIC], there was some conversation, too, about whether or not notifications needed to have more alarming language or be in larger size. I don't see any of that in the bill. I wondered if you had considered that or not? And if you had considered it and ruled it out, why?

WILLIAMS: We looked at that. It did not seem to be the fact of whether the language was looked at. It was whether it was received or not. Whether it was in 16-point type, which I think is what's called for currently in statute, if we just maintained that, it was the fact that it was not-- they were not receiving notice. And Senator Friesen mentioned letters, and I was going to mention this in-- in-- in closing, and I'll mention it now. You also-- you have a letter from Dave Pederson, the attorney in the Wisner case, and his comment in his letter is that if the additional safeguards of this bill had been in place, the Wisner family would not have lost their farm, just that simple. So I

think we are accomplishing what our goal is here and that's to be sure that the owner of property has adequate notice. And then again, I want to point out that this only happens when people don't pay their taxes. There is some culpabil-- culpability on the part of the property owner.

CRAWFORD: Thank you. Could we just walk through, in that case, how this would have solved the problem in Wisner? You have an--

WILLIAMS: Um-hum.

CRAWFORD: --elder person to my-- who is probably-- I don't think she was on the property. I think she's in a facility, perhaps?

WILLIAMS: She was in a nursing home in North Platte with no family members--

CRAWFORD: Who can stay. Right.

WILLIAMS: --living in the community. The property is a farm and it was rented. To start with, under this legislation, notice would have been required to go by personal service or residential service, meaning a sheriff or constable would have been delivering a notice to her in the nursing home. That's different than sending the certified letter. In addition to that, a sheriff or constable would have been required to give

notice to the person in possession of the property, the renter of the land. In this particular case and I think in most cases, if-- if the renter of her farm ground had gotten notice that she was going to lose her farm ground, he would have had an opportunity to participate in being sure that the family was notified, that, you know, do you know this is happening?

CRAWFORD: Um-hum.

WILLIAMS: All of that happens also 90 days in advance of when a trust deed can be requested. So there-- there is time there. There's a 90-day time period. That's the first thing that-- that would have happened. The second thing that happened in that case is when-- when the certified letter was not received, they started using the alternate form of notice which was the newspaper. And in the particular case in North Platte, they chose to use the Sutherland newspaper which is not-- it met the statutory requirement of a paper of general circulation. However, it was not the newspaper that the Lincoln County Board selects to use for their public notices which would have been the North Platte Telegraph bulletin. That is important not only-- not because necessarily a landowner or a homeowner is going to read that. But I have been told by Dave Pederson, the attorney

in the case, that part of his responsibility is-- is every week when those notices are published, he reads those.

CRAWFORD: Hmm.

WILLIAMS: And he tells me that he would have recognized that that's Mrs. Wisner's property. So-- so that could have happened. So I think there are several things put in place with LB463 that substantially enhance the opportunity for proper notice.

CRAWFORD: Thank you.

FRIESEN: Thank you, Senator Crawford. Senator McCollister.

McCOLLISTER: Yeah. Thank you, Vice Chair Friesen. Thank you, Senator Williams, for bringing this legislation. In the utility business, when you've got an elderly person in a home or, you know, there's often third-party respondents who are supposed to help-- help that elderly person with her-- her life-- her or his life issues. Have you thought about going to those third-party folks that might be listed in the nursing home or some-- some other place that would-- would have-- would have some interest in those-- with those kinds of issues?

WILLIAMS: There are several things in place now that-- that could, and I believe would, have handled that had it been

handled properly. This person, even though they were "olderly"--elderly, excuse me, I'm "olderly," was not incapacitated in or diminished mental capacity, as opposed to what it might have indicated in the World Herald article, so she did not have a guardian appointed or anything like that. If a person was in a nursing home and-- or even in their own home and had diminished mental capacities, the family-- family could do that. The other thing that was slightly not reported accurately in the World Herald article was, a financial institution in North Platte, through their trust department, were paying the bills for this lady. But they were not doing that under a trust agreement that created a fiduciary responsibility to delve into the things, and they were just paying whatever bills she happened to get. And remember, in this process, once the tax certificate is purchased by one of the purchasers, they are getting the-- the notices for the delinquent taxes at that point.

McCOLLISTER: So there is no search of third parties that could be helpful in-- in this whole issue with the home?

WILLIAMS: Not that I'm aware of.

McCOLLISTER: Would that enhance the bill?

WILLIAMS: I think-- I think we could be adding a layer there that would become very burdensome on those people that are making a business of buying these-- these items. And under the-- under a couple of these cases that we've seen, at least one of these companies has been painted quite negatively. I will tell you from the two companies that I've had the chance to work with over the last couple of months, US Assets and Guardian Investments, these are top quality people. Both of these companies do this business in at least eight states outside of Nebraska. So they're being very helpful in providing counties, and therefore school districts, hospitals, other taxing authorities the ability to get their taxes in a timely manner. I would suggest that that's a question, if-- if one of them chooses to testify today, that you might want to direct to them, Senator McCollister.

McCOLLISTER: What I was thinking, Senator Williams, is not necessarily the purchaser of the certificate, adding that burden to them, but making that burden apply to those people serving documents. Maybe that would-- maybe they'd be in the best position to define those third parties by simply asking the nursing home or maybe a neighbor, who's-- who's helping this elderly person with their living issues?

WILLIAMS: I don't want to jump into an area that I-- that I know not so much about or a limited amount. We're asking, right now under this bill, the sheriff or constable--

McCOLLISTER: Right.

WILLIAMS: --for a very minor fee that they charge to do this, to go deliver documents. I don't know that they are in the best position or the-- the best qualified person to go try to find out the things that you're asking. They're given a specific name and a location. Mrs. Wisner's at this nursing home. You go hand it to her. And that's what you're paid to do. Whether that would transform into an area where they're-- they're going to have to go out and find out if she has other-- where her family is, that's maybe beyond their scope.

McCOLLISTER: Thank you.

FRIESEN: Thank you, Senator McCollister. Senator Groene.

GROENE: Thank you, Senator Friesen. Did I catch that right? Once the tax could be sold after about three years, right? For the next three years the owner doesn't get a tax statement from the county? It goes to the person who bought the certificate?

WILLIAMS: That's my understanding. Now we-- we can clear that up with additional testifiers but.

GROENE: So the son comes home and he goes through mom's mail. If-- if there would have been a duplicate sent to mom, he would have caught that, right?

WILLIAMS: I'm not positive on that, Senator Groene, how that system works.

GROENE: So and also I believe delinquent taxes are posted in the paper. The lawyer should have caught that. He should have seen that because that's posted every year if he represented that family. Thank you.

FRIESEN: Thank you, Senator Groene. Any other questions from the committee? Seeing none, thank you.

WILLIAMS: Thank you.

FRIESEN: Proponents who wish to testify? Welcome.

JEAN SIDWELL: Thank you. Good afternoon, Revenue Committee. I'm Jean Sidwell, Buffalo County Treasurer in Kearney, Nebraska. And I would like to appear today in support of LB463.

FRIESEN: Could you-- could you please spell your first and last name?

JEAN SIDWELL: J-e-a-n S-i-d-w-e-l-l, this bill has been brought to you to try to help county treasurers do their duties in terms of executing tax deeds for-- for purchasers of tax sale certificates. It helps in three significant ways, and the senator has already described those to some-- to the most degree that they do help us. And one is about the clarification of the notice and how the title search by the registered abstracter will be conducted. And all of that will help a county treasurer know whether or not enough of the right people are getting noticed. Right now, the law requires very little in that regard, and the treasurer can look at what tax deed applicant gives to us. And as long as they have met the minimums that the statutes require and have performed their duties correctly, the treasurer will issue a deed. This bill will help enhance that and make it a more further process so that treasurers can evaluate whether or not the owner of the property actually did get enough notice about potential loss of their property through a deed. The second part of it was a checklist to help treasurers navigate whether or not, when the tax deed application is made to them, that all parts of the process have been met by the person applying. So it's a clarification. It appears in the statute in

easier language for treasurers to understand. None of us are practicing attorneys, so currently some of the language that's in statute is difficult for treasurers to understand. So the checklist that happens occurs there makes it easier for us to go through it. And the last thing I would like to, in particular, say is that the clarification of what set of statutes we're going to use in order to issue a tax deed is clarified by this bill. Currently, the statutes have been changed multiple times through the course of years which has added to a great deal of confusion for county treasurers to try to figure out how the process should proceed. So at one point in time, a bill was passed that said, forget all the things that have been issued in the interim. We want you to look back to the 2009 statutes and act accordingly in issuing a treasurer's tax deed. Well, the 2009 statutes are clear enough, but the 2009 statutes are also fairly minimal in what the requirement is for the tax deed applicant to perform. So when we reverted back to 2009 and we ignored all the statutes that had changed from then to 2018 even, we went back to 2009 and we were able to proceed, issue the deed. Now this rewrite today, this bill, will allow us to take the year's tax deeds that we will be issuing in 2020 and go with the current statutory law as it exists on the books. However, this does not allow us to change the rules for the 2019

tax deeds that we will be required to issue this year. So that's quite a bit-- an important distinction, but it does help bring some clarity at least one year earlier than what we have now. In closing, I'd like to say that treasurers have been placed in the awkward position of serving a tax purchaser. A person, a company that comes in, they want to know that when they go to the county treasurer's office, the county treasurer understands the statutory duties of her office and that she correctly issues them a tax sales certificate because an incorrectly issued tax sale certificate can also lead to problems in foreclosing and getting a tax deed at a later date. So the purchaser wants to know they've got a treasurer who is doing the right thing when they issue that tax sale certificate. But the treasurer also then has the awkward position of looking at the time when the process brings in an application for a treasurer's tax deed. At that point in time, the treasurer is going to look at that application and, as you have heard in previous testimony, there are many working parts to what that application is going to look at, like when it comes to county treasurer. Now the treasurer will stand in judgment, probably along-- hopefully with the assistance of her county attorney, to see whether or not the requirements of the law have been met in that tax deed application. So on one hand, we are trying to help taxpayers who

own property, but we're also then turning round and standing in judgement about whether or not we should actually issue a treasurer's tax deed. So I would like you to keep that in mind as you think about this process and how it works for us. I would like to correct the statement made. We do send tax statements to the owners of properties when we are putting out our annual statements. So we will notify, also, purchasers of tax sale certificates. They'll get notice of oncoming taxes. But owners of the real estate still also receive a tax bill from us. Now that tax bill is going to go to their current address, and it is the person who owns the property's duty to change the address on property tax statements. So if they have failed to do that, we are going to be operating with old addresses and therefore, they may not get notice on it. I think all treasurers include on that tax statement perhaps a number of years that are delinquent or notice that a tax sale certificate has been issued on this property. So in general, I would say that all taxpayers that are delinquent are getting notice that they have taxes that have been delinquent or a tax sale certificate has been issued on it.

FRIESEN: OK.

JEAN SIDWELL: Are there any questions I can help with?

FRIESEN: Questions from the committee? Senator Groene.

GROENE: So you clarify, you're sending two. You send to the person who owns the tax lien and you also send a copy to the owner.

JEAN SIDWELL: Right. The official statement will go to the owner of the property. We will send sort of a redacted informational statement to the purchaser of the certificates.

GROENE: So then they pay the back taxes as they come for the next three years?

JEAN SIDWELL: They have already purchased the back taxes on the certificate. So we are asking them to continue to pay the subsequent taxes that are due as they come due every year after that until we go into foreclosure.

GROENE: So you wait until the last day of the ability to pay for the owner, and then you turn that over to the-- the person who bought the tax.

JEAN SIDWELL: We are sending a tax bill. So for instance, I'd use the example, in 2018-- in December of 2018, we send out tax bills to all constituents. And the owners of those properties are also receiving a tax bill at exactly that same time. So there is no delay in them getting that information.

GROENE: So if this bank who was the trustee got the bills from the fertilizer dealer, tenant, whatever, why weren't they getting the tax statement?

JEAN SIDWELL: We do not forward any tax bills to encumbrances on the record unless it is requested by them. So they would not get that. For instance, a lot of folks who have mortgages on homes have escrow accounts that pay their taxes. So the escrow companies will request billings, so we send them also to them. But in this case, it wouldn't always happen that the encumbrancer of record would actually request a tax bill from us. So we do not send them unless it's requested.

GROENE: So the bank would have had to request it?

JEAN SIDWELL: They would have had to request it.

GROENE: That would have been common sense if you're a trustee, to do that, wouldn't you? You're paying the bills?

JEAN SIDWELL: I would-- I'm sorry. I couldn't comment on that.

GROENE: Thank you.

FRIESEN: Thank you, Senator Groene. Senator McCollister.

McCOLLISTER: Yeah. Thank you-- thank you, Senator. You indicated that a party can come in and change the address where documents are sent, correct?

JEAN SIDWELL: Only the owner of a parcel of real estate can change the address--

McCOLLISTER: So if it's--

JEAN SIDWELL: --on the future mailing for tax bills. However, there is a difference in recognizing that the register of deeds office maintains an address when the property was originally purchased. And she also maintains the addresses of any encumbrancer of record at her office. So as time goes on and people move around, it is incumbent upon the person who owns the real estate to keep the county assessor informed of what the address, the correct mailing address, for her property is.

McCOLLISTER: But if that owner is disabled in some way, could a son or daughter come into your office or some other third party and change the address of record?

JEAN SIDWELL: Well, and I'm reluctant to answer that. It occurs at the county assessor's office, and I do not know what the requirements are in terms of change in an address. But I do know that they are-- they do try to be very careful in that they do

not want things incorrectly being mailed out because somebody requested it who had no authority to request it. So I think they do have standards upon which they act if somebody comes in to change an address on a mailing statement.

McCOLLISTER: Thank you.

FRIESEN: Thank you, Senator McCollister. Any other questions from the committee? Seeing none, thank you, Ms. Sidwell, for your testimony.

JEAN SIDWELL: Thank you.

FRIESEN: Other proponents? Welcome.

MONTY STODDARD: Good afternoon. Members of the Revenue Committee, my name is Monty Stoddard, M-o-n-t-y S-t-o-d-d-a-r-d. I'm the Banner County Treasurer. I'm here to speak in favor of LB463. I'm the chairman of the legislative committee of the Nebraska Association of County Treasurers. Over the last two years, in conjunction with other shareholders, we have worked to create this checklist included in this bill to clean up the process of how all parties treat a request for a treasurer's deed. The added requirements of a title search for a licensed abstracter with a signed affidavit of the same helps ensure all filings on the property in question are accounted for. I-- or we

feel that moving to a personal service to residents is a huge step in the right direction to make certain the proper individuals are notified in a timely manner. Currently certified mail is allowed, and it has proven to be ineffective as they are all allowed-- or they are all too often ignored or not picked up in a timely manner and therefore fail to serve the intended purpose. Another proposal we view as an improvement is a requirement of the newspaper notice to be the designated newspaper as set forth by the various county boards. In the past, small, low-circulation papers at a distance away from the parcel have been used by investors. I believe that LB463 is a solid foundation for improvement, for the treasurer's deed legislation provides clear wording, as we refer to a checklist which helps detail the steps which must be taken and followed by all parties involved with the process. For these reasons, I believe LB463 is a move in the right direction to assist treasurers, investors, and counties in proper handling of treasurer's deeds. And we look forward to working with this committee and the Legislature in the future. Thank you for your time.

FRIESEN: Thank you, Mr. Stoddard. Any questions from the committee? Are there-- you know, you said this is a move in the

right direction. Is there-- is there other steps that should be taken to make this a better process?

MONTY STODDARD: We believe that there-- there are steps that should be taken. You know, some clarification of notice, for lack of a better term, some standards as to the-- the title search, etcetera, perhaps based on some value of said property. But we-- we think that this-- this LB currently is a solid foundation to move forward with what has turned into somewhat of a problematic process because of the changes, you know, were referred to, going back to the 2009 statutes, et cetera. That-- that's where the problem has been created and been taken advantage of by people.

FRIESEN: Would a-- would a cap on the gains, you know, when you-- when you have a tax sale of \$10,000 and you acquire a property worth \$100,000, should there be a ratio there that should be capped out to where you take an extra step? Or because I know there's probably a lot of-- you know, they talk about the number of tax certificate sales in Omaha. So evidently there's a lot of mon-- I would assume that there's not a lot of value there. But should there be a cap when it reaches a certain threshold that we should look at things more stringently?

MONTY STODDARD: I would believe that perhaps there should be a cap and perhaps-- perhaps a minimum as well to help us navigate through the system. The treasurer's deeds help us to-- the counties to get their monies. You know, the tax sale process and the treasurer's deeds help the county. But there is a-- through the conversation with the other stakeholders as I call them, you know, be the-- the banks, land title associations, etcetera, there is-- that would be a possibility, yes, that that-- maybe a threshold should be considered.

FRIESEN: Thank you, Mr. Stoddard. Senator Groene.

GROENE: Thank you, Senator Friesen. Don't other states sell them on the-- the properties on the courthouse steps?

MONTY STODDARD: I believe they do. I cannot. I've got a little--

GROENE: [INAUDIBLE].

MONTY STODDARD: --Yeah. I've-- I've done a little research on that as far as, you know, my position as the committee chair, but I can't answer that definitively. But I believe they do. There are tax sales in the other states. How they're handled is-

-

GROENE: Why don't we do that? And then on a certain date, county contracts with a certain auctioneer. You sell it off, and you get your little bit off the top. The guy with the tax lien gets paid, and at least, the family gets what's left.

MONTY STODDARD: --We would-- I would say that that is a possibility, that that is something that could perhaps be looked at. But we thought this checklist from the Nebraska Association of County Treasurers, that this checklist was the best place to start. But we are not-- and that's why I said that I look forward to looking-- you know, working with this committee and the Legislature to help straighten out this process.

GROENE: Thank you, sir.

FRIESEN: Thank you, Senator Groene. Senator McCollister.

McCOLLISTER: Yeah. Thank you, Senator Friesen. Would adding a third-party notification process on your checklist unnecessary-- or would that make your life considerably more difficult or would it not?

MONTY STODDARD: As far as the third-party notification sometimes-- and I'm not here to stand in judgment as to whether-- how they're receiving that as we, you know, discussed it, as far as the-- the trust, etcetera, I don't think it would make

our-- our life miserable. Sometimes I sit there and say that because I'm from a small county. It's-- I may have some of my constituents which would disagree with that, but it would be something that we-- we are certainly willing to consider. We would prefer something like that as opposed to adding any more wording to-- to documents that we already send out that are sometimes already filled with information.

McCOLLISTER: Thank you.

FRIESEN: Thank you, Senator McCollister. Any other questions from the committee? Seeing none, thank you for your testimony.

MONTY STODDARD: Thank you very much.

FRIESEN: Welcome.

LINDSAY BRINSON: Good afternoon. My name is Lindsay Brinson, L-i-n-d-s-a-y B-r-i-n-s-o-n. I'm a lifelong resident of the village of Eagle in Cass County, District 2. I'm here today to testify in favor of LB463. I, unfortunately, had a negative experience with the current statutes regarding the tax deed method just over one year ago. And I've submitted further written testimony, but I'd like to review some of that. I originally purchased my home in 2004 through a private contract with my grandmother. I was a 23-year-old, single, first-time

home-- home buyer. I had recently graduated nursing school and had a wonderful job in the health care industry. The contract required that I would pay her \$75,000 over approximately 20 years. In February of 2013, she granted the property to me and we terminated the warranty deed. When I purchased my home, the tax-assessed value was \$102,000, not significant for a lot of people. Due to unanticipated financial difficulties, I had trouble paying my property taxes. As a result, the tax certificate was sold at the county's tax sale in 2014. I received no notice from my county that a private investor had purchased this tax certificate. As my financial situation began to improve, I was able to slowly save money to redeem the property. The investor had also paid my taxes in 2014, '15, and '16 which amounted to \$10,000. I was aware of the 14 percent interest. By September 2017, I had saved approximately \$14,000. Without any notification or any prior knowledge, I received a letter in my regular postal mail in September of 2017 from a lawyer stating this management company is now the owner of your property due to foreclosure proceedings. It further stated that if an agreement cannot be reached, then, unfortunately, they would be forced to have me removed from the property. Within hours of receiving this notice, I met with a local attorney. I had been able to quickly research the process of tax deed

acquisition prior to meeting with him. They've reviewed some of the statutes with you. In the case of an owner-occupied property, such as mine, the purchaser is not entitled to the tax deed unless at least three months and 45 days prior to applying for the deed, serves the required notice. This must state that at the end of the expiration, the tax deed will be applied for. It states the service of this notice shall be made by personal, residential, certified mail or delivery service upon every person in actual possession or occupancy of the pri-- property who qualifies as an owner-occupant, which was my position, or certified mail service upon every person in whose name the title appears. The statute further details that personal, residential service shall be made by county sheriff. Section 25-501.01 [SIC] specifies that certified mail service shall be made with a return receipt requested showing to whom and where delivered and the date of delivery. Returning to the meeting with my lawyer, he interpreted this to mean the same that I had, that as an owner-occupant, the purchaser was required to serve notice to me as stipulated in section (a) [SIC], personal, residential, certified mail, or delivery service. I was then referred to a second lawyer. Through discussions with him and more independent research, I discovered that the current statutes regarding the issuance of the tax deed and service of notice contain several

areas that are very unclear and open to interpretation. [Section 77-] 1833 states that if certified mail or designated service is used, the certified mail return receipt or a copy of the signed delivery receipt shall be filed. This does not state that they must actually prove delivery to the property owner which contradicts 25-501.01 [SIC] which states certified mail service shall be made with a return receipt requested showing to whom and where delivered and the date of delivery and proof of service with the original signed receipt attached. In my case, the certified letter was returned to the purchaser unsigned and undelivered. Continuing my research, I discovered that [Section 77-] 1834 requires that if the person whose name on the property appears cannot, upon diligent inquiry, be found, the purchaser shall publish the notice in some newspaper. My lawyer was able to learn that a public notice had been printed in one of the county newspapers in May 5, May 11, and May 18. In my situation as the owner-occupant, I could be and have been found by the purchaser. On the date of my consultations with both of my lawyers, I returned home and found a copy of the original eviction letter dated September 12 from the purchaser with a handwritten note stating, I stopped by; call to avoid eviction. At this time the lawyer advised me not to contact the purchaser's attorney. The purchaser clearly knew where I was

located, yet he had still been able to acquire the tax deed by publishing the public notice. After researching the statutes regarding issuance of tax deeds, I was even more confused than when I received that first letter indicating that someone unknown to me now legally owned my property. The second lawyer I felt with-- that I met with felt that the purchaser had received the tax deed lawfully and I trusted his judgment at that time. Because I didn't have financial resources to dispute the deed in court, I had to accept a settlement in order to remain in my home. The investor, initially, was unwilling to sell the property back to me at any price. We eventually settled on a settlement in which I will pay \$58,000 at 9 percent interest over 15 years which equates to over \$99,000. I learned that the amount that they paid for the taxes was \$16,000. This gives them a profit of almost \$83,000. In my situation, the tax certificate on my property was purchased in 2014. Had the legislation enacted in 2012 not been on hold, the loss of my property and the potential loss to me of \$99,000 would never have occurred. After learning more about the inconsistencies regarding the taxing method, I was more frustrated than ever before. The investment companies are taking advantage of people who are already in severe financial difficulties and making it dramatically worse, taking advantage of these property owners by

using these inconsistent statutes to their advantage. In my case alone, they are standing to gain almost \$83,000, and I'm only one of these property owners. I am here today to encourage you to advance this bill so that it will not allow this tragedy to occur to other Nebraskan citizens. Thank you for your time, and I'll answer any questions that you have.

FRIESEN: Thank you, Ms. Brinson. Are there any questions from the committee? You know, it's unfortunate it happened. Sometimes we have loopholes in the law that none of us have seen, but this was unfortunate. Seeing no questions, thank you for your testimony

LINDSAY BRINSON: Thank you.

CANDACE MEREDITH: Good afternoon, members of the Revenue Committee. My name is Candace Meredith, C-a-n-d-a-c-e M-e-r-e-d-i-t-h. I am the operations manager at NACO, and I am here in support of LB463. I'd like to take this opportunity to thank Senator Williams for introducing this bill. Besides that checklist that the treasurers did speak of, I just wanted to talk a little bit about the added component that the applicant will provide, the title search by a registered abstracter. This does give the county treasurers the resources needed-- needed to reference the certified or designated mail receipts and returns.

With clear instruction on record of how, who and where the notice of deed will be served and published, we'll ensure that all encumbrances on record with the register of deeds and those that have interest in the parcel have been properly notified and due diligence has been performed by both the certificate owner and the county treasurer. So that's all I really have to add, but thank you for your time. And I'll be happy to answer any questions that you might have.

FRIESEN: Thank you, Ms. Meredith. Any questions from the committee? Senator Groene.

GROENE: Does-- do treasurers get return mail sometime in tax statements, where it comes and the address is wrong?

CANDACE MEREDITH: Yes.

GROENE: What happens then?

CANDACE MEREDITH: I can't verify with all counties, but if it comes back undeliverable, there's really no steps to go forward from that. But I know in one county, if there is a return address, they will forward that to that return address on the yellow slip that the U.S. Postal Service provides.

GROENE: What do you mean?

CANDACE MEREDITH: So if it comes back there's a little yellow--

GROENE: Um-hum.

CANDACE MEREDITH: --you know, address that might be on there.
They will forward the official statement to that known address.

GROENE: So you don't-- they don't look for a new address or try
to find that person at all?

CANDACE MEREDITH: I can't verify that for each county for sure.

GROENE: And you're a treasurer?

CANDACE MEREDITH: I came from the Lancaster County treasurer's
office.

GROENE: And what do you do at yours?

CANDACE MEREDITH: That's exactly what we would do. We look at
the-- and obviously with 120,000 statements going out, we would
look at the yellow return address. And if there was a return
address on there, we'd make sure that we got that forwarded to
that new address just to be on the safe side.

GROENE: I have no idea what you're talking about, yellow return
address thing. The postal service might know--

CANDACE MEREDITH: Yeah. So when you get a return, undeliverable-- or there-- there's sometimes a forwarding address on a little yellow label.

GROENE: Because that person has told the post office where they moved to.

CANDACE MEREDITH: Told the post office that they moved. So that's our best attempt.

GROENE: And if there isn't one?

CANDACE MEREDITH: Um-hum.

GROENE: And if there isn't a yellow tag on it?

CANDACE MEREDITH: If there's a yellow tag that says undeliverable, then there is no-- we don't have a way to reach out to them. The assessor does send-- the Lancaster County assessor does send the treasurer a new updated list at the beginning of the year, and we do do another set of mailings as well but that's just for Lancaster County. I can't verify this in other counties.

GROENE: Thank you.

CANDACE MEREDITH: Yep.

FRIESEN: Thank you, Senator Groene. Senator McCollister.

McCOLLISTER: Thank you, Senator Friesen. What's involved in a title search?

CANDACE MEREDITH: For--from a registered abstracter?

McCOLLISTER: Yes.

CANDACE MEREDITH: That I-- I've never done an actual title search myself, so I don't know. But I know it would pull information from the register of deeds. The ones I've seen before, it pulls information about any liens or people that have interest in the property, and any encumbrances that are from the register of deeds on it is what I've typically seen in the past.

McCOLLISTER: When you say people that may have interest in the property, is that-- so primarily those people that may have liens or--

CANDACE MEREDITH: Right.

McCOLLISTER: --some kind of debt instrument on that property?

CANDACE MEREDITH: Correct.

McCOLLISTER: Or how about multiple owners or success-- folks that may have a-- a-- a right to the property in the-- in the event of a death. Is that-- would that be on a title search?

CANDACE MEREDITH: I don't know about people that would have rights over the property, but I know from the register of deed's standpoint whose names are on the title. That would pull-- so it would be--

McCOLLISTER: Like rights of survivorship kind of thing.

CANDACE MEREDITH: Uh-hum. Um-hum. Right. I've seen that on there.

McCOLLISTER: OK. Thank you.

FRIESEN: Thank you, Senator McCollister. Any other questions from the committee? So if there's multiple owners of a property and only--use-- usually one person getting mailed the statement. But if they would ignore that statement and throw it away, there's no way that the other three would even know it-- or, and there's nothing really they could do about it. And it would be delinquent, right?

CANDACE MEREDITH: Right. Correct.

FRIESEN: And you would keep sending notices to that one person?
OK.

CANDACE MEREDITH: Right.

FRIESEN: Thank you.

CANDACE MEREDITH: Um-hum.

FRIESEN: Seeing no other questions, thank you for your
testimony.

CANDACE MEREDITH: Thank you.

DAN RYBERG: Good afternoon. My name is Dan Ryberg, D-a-n R-y-b-e-r-g. I'm an attorney in Omaha who for 47 years have been dealing with real estate issues. Thank you, Senator Williams, for doing the homework here. The citizens of Nebraska have been not treated fairly up till now, and I'm sure this committee will do what it can. But the bill doesn't go far enough. We've hit two things here just today. Caps, there is absolutely no reason in God's name why somebody could pay \$50,000 and walk away with a \$3 million piece of asset. There is no reason why if the tax certificate holder pays X amount of dollars for taxes, even for the next three years they pay the taxes, OK. Then they should be able to have that amount returned plus a multiple-- a reasonable

multiple for their business. They should not get \$2.5 million. Absolutely no reason why there could not be a reasonable cap on that. The other thing you touched on was the abstract fees. This morning, I just happened to notice. I was downtown, and the Daily Record came out today with the 3,500, if you will, tax certificate notices. Now, in the rural areas, maybe a publication by-- in a paper might work where people may pay attention to those papers a little bit more than they would the umpteen pages in the World Herald, or in this particular case, the Daily Record which nobody except attorneys and-- and trust officers look at. So when you're talking about reasonable notice, you have in section of LB463, section 1834 [SIC] that if after due-- due diligence. It's not defined anywhere. It's not defined anywhere, and kind of right now, it's up to the state, the treas-- treasurers' offices to determine if that's been taken care of. There's no third party to determine if due diligence is noticed. The sheriff goes out, says I knocked on the door three times. I went back three times, knocked on the door three times. There was no answer. And that's his due diligence. They do-- the constables do that all the time in Omaha. There needs to be further due diligence as to what that is. Now, when it comes down here to that section, it says here that if a person cannot be found, then you go ahead and publish

which, I've got to submit to you, in Omaha is a waste of time and money and everything else because nobody is going to see it except the people who are already involved. What I'm suggesting to you, if that-- if that person cannot be found, you can't find a body to serve, then require a foreclosure. You get a court involved, at leastwise, to find out what due diligence there is and if there is anybody else out there. Now getting back, but there is a cost, getting back to your abstracter fees. Of these 3,500 or so today that was published in Douglas County, I am going to bet that there is a huge percentage of those on houses which aren't worth a whole lot, and that the tax certificate holders on those have not paid a whole lot, maybe \$100, \$200 a year for-- for a house which is in a low-income area or which is dilapidated. The last one I had, nobody bid on because they drove by and saw that it was-- should have been condemned. But here's-- here's a situation where if you're going to then require an additional abstract fee and an abstract fee depending upon what they find, is going to cost at least \$150. And if they find other-- other things in there, that's going to go up to \$250 or more. So now you're-- you got a tax certificate holder who's already just spent about maybe \$400, \$500 over the last three years, who's now going to have to pay another \$200 to \$300 for an abstract fee, getting to the point that you have. I don't

know the answer to that. I really don't. But it certainly is-- is something where the tax-- the tax certificate holder is just going to throw their hands up and say it's not worth it. So you're not-- the treasurers might not get their bids-- or their money. People aren't going to pay the taxes, buy those kind of tax certificates. I don't know, but it is certainly valid. But I would suggest somehow or another, you-- you put into this a definition of due diligence. What does it take to be due diligent? Does it take somebody to know that a person's in the-- just left for the nursing home? Yes, the senator's right. Taxes haven't been paid for three years. But who are those notices going to? I think I heard here that it's kind of up to the county treasurer to determine, am I going to send it to the owner and to the tax holder? Who else am I going to send it to? I don't think there's any requirement, I could be wrong, that the treasurer send these things out. Sounds like to me it's one of those checklist things that these-- these treasurers come up with. There's no requirement.

FRIESEN: Could you wrap up your testimony?

DAN RYBERG: Yes. So I'm ask-- I'm urging you to add a definition of due diligence, address the abstract issues. And I-- I must-- I did send a letter. I'm wondering if-- did it get included in

your documents? Okay. And this-- this is not the only statute. Deeds of trust are even worse as far as notices are concerned. People are getting hurt-- your citizens are getting hurt badly on the deeds of trust. Thank you.

FRIESEN: Thank you, Mr. Ryberg. Any questions from the committee? So when a notice is published in the paper, could you describe that notice? Is there a name associated with that property?

DAN RYBERG: No, you don't even get the address actually. It's a legal description, and unless you know-- I don't know my legal description.

FRIESEN: How many-- how many people would recognize their legal description in that ad?

DAN RYBERG: They wouldn't. It's not at all-- in Oma-- now, people in the rural area read these things, and they know what they're looking at. No.

FRIESEN: I will tell you, I look at those sometimes, and I don't know--

DAN RYBERG: OK.

FRIESEN: --if I would recognize my own property either so.

DAN RYBERG: Yeah.

FRIESEN: I agree with you. Senator Groene.

GROENE: So why don't they put names on there?

DAN RYBERG: Because you don't require it.

GROENE: But you say attorneys read it, so if you're-- what's your occupation?

DAN RYBERG: I'm an attorney.

GROENE: I'm just gone [INAUDIBLE].

DAN RYBERG: I do the real estate. I've handled the tax certificates. I handle the deed trusts.

GROENE: So you read this and you look for [INAUDIBLE].

DAN RYBERG: Oh, I don't because I get the one-- I get the citizen who's getting-- getting their house taken away from them. That's when they usually come to me.

GROENE: Yeah. But you-- so you don't look-- you don't have customers that-- people that you handle their affairs and you look at the registry all the time.

DAN RYBERG: That's for the United Equity-type people.

GROENE: They do that stuff.

DAN RYBERG: They do that religiously. They know what-- they know what houses-- there's one down here in Waverly right now. It's a \$350,000 house, and they're going to end up with it with a \$250,000 bid. My people's been there for-- they built the house. And they're elderly, and he's senile. And he should have done things. He didn't do things. But because of that, he's going to-- he's having his house taken away from him.

GROENE: Taken away or sold out from under him?

DAN RYBERG: It's a deed of trust, a little different. But then the notices are inadequate in those situations too. And in the deeds of trust, it requires, if it's agricultural land, you have medical issues. Even in this Wisner case, the court mentioned that there's no medical issues in the tax certificates. And you do have that protection if-- on a deed of trust. So if nothing else, put in them-- that section in the deed of trust in your tax certificates.

GROENE: Thank you, sir. Appreciate it.

FRIESEN: Thank you, Senator Groene. Any other questions from the committee? Seeing none, thank you for your testimony. Any other proponents LB463? Welcome.

DEANA WALOCHA: Thank you. Good afternoon, Senators. My name is Deana Walocha, D-e-a-n-a W-a-l-o-c-h-a. I'm in-house counsel for US Assets, LLC from Omaha, Nebraska. Thank you for the opportunity to testify before you today. I'm here to testify in support of LB463 on behalf of US Assets. Our company has been in business for 27 years, and has purchased tax liens in the state for many years. We have purchased tax liens in 14 states over the years, though we are currently only purchasing in 6 states. We are private investors. We generally invest our own funds as opposed to managing investments from others. We employ 25 people in our Omaha office and 12 others in offices in Mississippi and Louisiana. We've had the opportunity to work with Senator Williams and his staff on the language of LB463. This bill requires that personal or residential service on the owner of record of the real estate and the person in possession of the real estate must be attempted before an investor can turn to an ultimate-- alternate form of service. I've practiced in tax foreclosure for the last 18 years, and this is the first bill of which I am aware that-- that would require this method of service. Even the changes that were made by LB341 in-- in 2012, which have yet to go into effect, would have allowed an investor to serve notice by certified mail without first attempting personal or residential service of the notice. Under the

proposed terms of LB463, service of the notice by certified mail cannot be attempted until personal or residential service of the notice fails. Publication of the notice can only be relied upon as a last resort under proposed terms of this bill. I think those are terms that-- that does define due diligence because they're required-- required two different attempts at service before the person can't be found. So I think due diligence is-- is defined in that way. Personally, that's my belief. We believe that properly providing notice of a pending tax foreclosure is the best-- in the best interest of the property owner and the investor, and that personal service is best. This bill reflects what has always been my company's practice. If we are unable to obtain service through a certified mailing, as this court currently required under Nebraska law, we send notice out for personal or residential service by constable in addition to the publication of the notice that is also currently required by Nebraska law. We've even asked that the notice be physically posted on the property. We do this because we feel that property owners should be given every opportunity to pay their taxes and retain ownership of their property. But we also do this to ensure that we will have good title to the property should the taxpayer fail to pay their property taxes. We believe in operating fairly to all parties concerned, and we do believe

that this bill does this. I would just like to address, people talked about caps. I know, Senator Friesen, you've asked about that. I think that something that you need to be aware of, as far as caps go, is when we buy these certificates, I can-- in Douglas County, as they've discussed, there's 3,000 certificates and there are a lot of properties that just aren't worth anything. So we pay the taxes on there. So there are losses that have to be balanced against the occasional windfall. And yes, those are windfalls. And it's just-- unfortunately, it's the nature of the beast. I mean, that is how important it is to pay your property taxes. We, as a society, have decided that it's that important. And if a owner doesn't pay their taxes, then that's what can happen. So I would like to thank you for your time, and I would like to thank Senator Williams for bringing forward this bill.

FRIESEN: Thank you, Ms. Walocha. Any questions from the committee? Seeing none, thank you for your testimony. Any other proponents on LB463?

JOHN HANSEN: Mr. Vice Chairman, Madam Chairman, members of the committee, good afternoon. For the record, my name is John Hansen, J-o-h-n, Hansen, H-a-n-s-e-n. I am president of Nebraska Farmers Union. I also wear another hat and that is that I am the

secretary of the Nebraska Rural Response Hotline. And so I've had life experiences having been the oldest of seven, taking care of my aging parents at the end. And the-- the line at which mom and dad are no longer really fully able to take care of their business is not a bright white line. It is a decline. It's a slide. There's a lot of folks in that position. In my case, my father used to pile stuff up next to his read-- his recliner. And I was there going through that pile, and there was the unpaid taxes. So for my father not to pay his taxes was just, you knew that things were in trouble. So that's the point at which we had to take over taking care of the paying of the bills and all those things. But there's aging people all over, rural and urban, where you don't have a family member there who's really able to do that. And so it's most-- I think most kids are thinking about mom and dad in terms of their-- their medical condition and those kinds of things, their finances. This is not an easy line sometimes. So more-- we appreciate Senator Williams bringing this bill. So more notification, the more things you can do to clarify the process, the easier for the bells and whistles to go off to know that there's trouble so that other folks in the family can know, this is a good thing. But there's also a lot of things that go on for farm and ranch families who are in financial trouble. And that is they survive on a heaping

helping of nothing more than just good old fashioned denial. And so how do you not pay your taxes for three years? How do you-- when's the last time you talked to your banker? When's the-- and so when the wheels start falling off and people start going into kind of shutdown and depression, they deny the obvious like nobody's business. And so by the time you finally get to the point where there is a legal action taken, where the loan has been shut off, where those things happen, it's amazing what you find in these kinds of cases of things that didn't happen that should have . And so the tax bill, it's a big bill. And so if you're short of money, it's easy to just kind of push it to the back, and it kind of sits there. But you know, sometimes the folks that are in this kind of situation, they're very good at covering up how bad things are with family members. Family members are-- are not aware. So the kind of-- the-- the situation causes-- I think the-- the denial is a kind of fog. And so I suspect that it's a case of notices sent in a lot of cases where one way or the other nobody is home that's responding, that it doesn't click in. And it's always a shame when you see folks that are in a situation where they lose their property. And so anything that we can do that helps clarify the process, that-- that makes the situation more clear sooner, we think is an improvement. So we thank Senator Williams for

bringing the bill, and I'll be glad to answer any questions if I could.

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

JOHN HANSEN: Thank you very much on a Friday afternoon.

LINEHAN: Are there proponents? Are there opponents? Is there anyone wanting to testify in a neutral position? Thank you.

CAITLIN CEDFELDT: Good afternoon, Chairperson Linehan and members of the Revenue Committee. My name is Caitlin Cedefeldt, C-a-i-t-l-i-n C-e-d-f-e-l-d-t. I'm an attorney with Legal Aid of Nebraska's Housing Justice Project. Legal Aid of Nebraska is the only statewide nonprofit law firm providing free civil legal services to low-income Nebraskans, and our Housing Justice Project works to ensure that our clients can maintain safe and secure housing. Thank you also to Senator Pansing Brooks for inviting Legal Aid to testify. We think that our clients experiences may help inform you about LB463 and the tax lien sale process as a whole as it impacts vulnerable, low-income, Nebraskan homeowners. To be clear, our clients don't own million dollar ranches. Their means are much more modest. They own small pieces of properties and small homes across the state of

Nebraska. And while the value might be low on paper as far as the assessed value, the value of a home means much more than that. We are testifying neutrally because although LB463 represents some improvements to the notice requirements, we believe there's still not enough notice, and the statutory scheme as a whole is right now unjust and inequitable to low-income elderly or disabled homeowners. First, LB463 does require more notice through sheriff, certified mail, and publication, as we've heard today, to property owners of their right to redeem, but that right to redeem is not until three years later, let's be clear, after the taxes have been sold. That means subsequent taxes are being paid on the property, interest is accruing at 14 percent for three years before a homeowner gets their notice about the right to redeem. Notice ought to be given much earlier in the process, more often, and it should be in plain English. If Facebook or Google can put their terms of service in plain English and make it so anyone can read, then we can also explain in easy-to-understand terms what a homeowner needs to do to prevent their property from being taken from them and what resources are available to them to perhaps prevent that from happening. Next, we believe the tax lien sale process, even with LB463, has inequitable and possibly unconstitutional results. I mean Legal Aid agrees that property taxes need to be paid. We're

not disputing that, but nonpayment should not excessively penalize homeowners. Under this law, it doesn't matter how much equity the homeowner has in the property. The investor only has to pay for the taxes and the fees of-- where related to applying for the tax deed. The result is that the investor gets the deed to the home for the cost of the taxes, and the homeowner loses all their equity in the home above the amount of the tax debt owed. It's an incredible windfall. The tax lien sales statutes represent a sort of inverse Robin Hood. These-- the laws mandate the county treasurer's take property from the poor and give it to third-party investors all as a punishment for not paying their taxes. Legal Aid is currently challenging this law as unconstitutional. It is well documented, in addition, that owning a home is one way for individuals to overcome poverty. By punishing homeowners for being unable to pay property taxes for whatever reason, by taking their homes and what little wealth they have away, this tax sale leads-- tax liens statute, I'm sorry, further cycles it-- furthers the cycle of poverty for the most vulnerable Nebraskans. I'd like to conclude by telling you a little bit about our clients who have been impacted by the tax lien sale process. One elderly couple we have worked with, for not paying approximately \$600 in taxes, stand to lose their \$60-- \$60,000 home that they have lived in for over 20 years. They

did not pay their taxes after their wife-- the wife of the couple was diagnosed with a severe, rapidly progressing, medical condition that resulted in her losing her job. And then her husband also had to stop working in order to care for her. They didn't get notice of redemption until three years after the tax lien was sold. Nebraska can do better. And while LB463 is a step in the right direction in providing better clarification and notice, it could do more to protect Nebraskans and keep them in their homes. We urge you to consider that the notice requirement could still be improved, and that the Legislature should consider the tax lien sale process as a whole. More details are in my written testimony. Thank you, and I would be happy to answer any questions that you may have.

LINEHAN: Thank you very much. Do we have questions from the committee? Senator Crawford.

CRAWFORD: Thank you, Chairwoman Linehan, and thank you for being here. Is the main specific change that you would make in the approval process is to require that somebody is notified once that tax process-- tax process starts?

CAITLIN CEDFELDT: Yes, we would-- I think I've noticed, in our experience, more often, and earlier than three years out when the bill has gone from \$600 up to, in the case I describe,

\$6,000 in order to get their property back would help tremendously.

CRAWFORD: Thank you.

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

CAITLIN CEDEFELDT: Thank you.

LINEHAN: Other-- others wanting to testify in a neutral position? Good afternoon.

LYNNE VAUGHN: Hi. I'm Lynne Vaughn, and I also live in Cass County. And this is in regard to the purchase of my property.

LINEHAN: Spell your name. Spell you name.

LYNNE VAUGHN: I'm sorry.

LINEHAN: That's OK.

LYNNE VAUGHN: L-y-n-n-e V-a-u-g-h-n.

LINEHAN: Thank you.

LYNNE VAUGHN: OK. Due to the unforeseen circumstances, we were not able to pay our taxes on the property in a timely manner. It

is my opinion that investment companies and lawyers take advantage of tax sales and know all the loopholes to take advantage when people are in a financial bind or from other circumstances. In our case, it was a timing error. Our property was transferred to an investment company on September 15, 2017. I paid the property taxes for the years of 2013 through '16 on September 18, 2017. At this time, my monies were accepted, and I was not informed of the tax sale of our property. I actually found out our property was not in our name so when I applied for homestead exemption on June 26, 2018. I received a notice in the mail but didn't understand exactly how serious it was. My husband was very ill, and my short-term memory was not good. I had a lot going on, and an investment company paid less than \$1,000 to get the title to my house. I called the investment company that paid my taxes, and we went back and forth by phone. I was confused about what happened with my house, and it took me a while to figure out what happened. My husband and I bought the mobile home in 1996, and we lived there together until his death in 2018. I'm 75 years old. I don't have much, but I do have my home. I pay [INAUDIBLE] dues, home insurance and I have had repairs on it. Thankfully, my lawyer from Legal Aid helped me settle my case so I can stay in my home. Please improve the notice that homeowners like me receive. Thank you.

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

LYNNE VAUGHN: OK. Thank you.

LINEHAN: Are there others who would like to testify in the neutral position? Senator Williams, would you like to close?

WILLIAMS: Thank you. And thank you for the committee taking time this afternoon to hear about these issues. And a special thank you for Ms. Brinson from Eagle for coming and putting a face on this so that you can talk to that person and-- and our last testifiers also. I remind everybody, this problem starts because somebody doesn't pay their taxes. That's where this starts. And the difference between the tax certificate and the tax deed is a three-year period of time. So we're talking about nonpayment of the taxes for a significant period of time. And as you've heard, in-- in correction of what I said earlier, during that whole period of time, the owner of the property is receiving a tax notice at least on an annual basis, OK? I again, appreciate significantly the working group, and I would remind you that were attorneys that deal in this area, the county treasurers and NACO and purchasers of tax certificates and the bankers were also involved. We need to be careful with what we do here that

we do not incent bad behavior. Now, I'll tell you what I mean by that in just a minute. The ideas of caps, the ideas of other forms of notice, the ideas of going completely to a foreclosure model, the idea of sales on-- on the courthouse steps, all of those ideas were talked about by this group of people. And they were not supported by NACO, the attorneys handling them, the people buying these deeds. What was supported is what we have in LB473-- or LB463, the enhanced notifications that are in that. We need to encourage people to pay their taxes. And if we allow caps or sales, we will undoubtedly have people that use that as their method to get rid of their property instead of going through a normal sale or those kind of situations. So I would-- I would encourage you to think about that, visit with me if you have questions about that as we move forward with this legislation. Again, I remind you of the comment made by the attorney, Dave Pederson from North Platte representing the Wisner family, that if-- if these safeguards in this bill had been in place, the Wisner family would not have lost their farm. With that, I would take any final questions, and ask you to advance LB463 to General File. Thank you, Madam Chair.

LINEHAN: Thank you. Senator Groene.

GROENE: Senator Williams. These are rare cases because if there's a bank lien or a bank loan on these things, the banker catches it, don't they? And they either pay them or sell them out.

WILLIAMS: Yeah.

GROENE: So. I'm not a-- you're a businessman. How many sellouts are happening because property tax is so high that the farmer can't pay them and then the banker has to sell them out?

WILLIAMS: I've not seen one.

GROENE: You haven't seen one. Usually the taxes are paid and then they get sold out for not making their loan payment?

WILLIAMS: We have not sold out a farmer--

GROENE: I wasn't implying your bank.

WILLIAMS: --in at last-- in at least the last 15 years.

GROENE: Yeah. And I'm not implying you. I travel, and I hear in ag-- I hear-- I hear that all the time.

WILLIAMS: So it-- it just-- it-- Yeah. No, I-- I--I-- I recognize that. Yeah.

GROENE: But-- but anyway. Anyway. But this is the rare case where somebody doesn't have a loan on the property because usually the banks are--

WILLIAMS: Well, many-- many elderly people that own their-- their home or their farm, at that point, may not have a lien on it.

GROENE: Yeah. And then they get caught in this.

WILLIAMS: Yeah. Again, these are the rare circumstances. These are circumstances where people have not paid their taxes for, generally, give or take five years when you finally get to the tax deed end of this.

GROENE: OK.

LINEHAN: Thank you, Senator Groene. Senator Friesen.

FRIESEN: Thank you, Senator Linehan. You know, I guess one common theme here is that people, at one time or not, couldn't pay their taxes. They didn't even have the money or something. So I guess I might add maybe, that property taxes are just too high, and maybe people could afford them if they weren't quite so high. Thank you, Senator Williams.

WILLIAMS: I don't have any disagreement with that, Senator Friesen.

LINEHAN: Thank you, Senator Friesen. Senator Crawford.

CRAWFORD: Thank you, Madam Chair. And thank you, Senator Williams. I wonder if you comment on just the additional notice of the sale of the tax certificate. That doesn't seem to, I think, create perverse incentives. It should also encourage someone to pay their taxes if they get a notice of that sale.

WILLIAMS: I'm-- I'm not sure that that wouldn't create-- create any additional incentive on their part. They're already have ignored paying their taxes for about two years before the certificate would be sold to start with, at least that, and they're still getting a notice that they owe the taxes. So I'm-- I-- I-- I guess I'm not convinced that a notice that the tax certificate has been issued would create additional incentive.

CRAWFORD: Is it true that when the tax certificate is sold, that they would owe interest?

WILLIAMS: Under statute, when a tax certificate is sold, the holder of that certificate is paid interest at the rate of 14 percent or the county is paid and then delinquent taxes accrue interest at the rate of 14 percent in Nebraska. So the holder of

that certificate then is-- would be receiving that interest. But-- but the-- but the-- it is accruing at the rate of 14 percent to the county even before it's sold once taxes are delinquent.

CRAWFORD: Thank you.

LINEHAN: Thank you, Senator Crawford. Are there other questions? Ever since-- I have-- just-- it's always struck me as odd. I understand if it's in Omaha, it's-- but in rural Nebraska, my mother used to read those notices like, you know, it's like the most important thing you read in the paper. Has that changed in Nebraska? Are there just that many fewer people that people don't read those notices.

WILLIAMS: Well, I think they do read them, but I-- but I think the situation that has caused the largest grief with those notices is when the notice has been published in a paper that met the current statutory definition of a newspaper of general circulation but is a Sutherland paper--

LINEHAN: Right.

WILLIAMS: --or the Overton paper versus--

LINEHAN: The paper that I read.

WILLIAMS: --the paper that's required in LB463.

LINEHAN: OK. Thank you very much. Any other questions? Thank you. Oh, I'm sorry. Yes, Senator Crawford.

CRAWFORD: Thank you, Madam Chair. I just wondered if you could confirm for us between-- if you could confirm for us if the treasurer is required to send to the owner and the holder or if that's just a practice in some counties and not in others?

WILLIAMS: I do not know the answer to that, Senator Crawford--

CRAWFORD: I just wondered if you could check-- check on that and let us know.

WILLIAMS: --but we could-- we could find. They're sitting right here. I'm sure they can answer that question for us.

CRAWFORD: Right. Right. Thank you.

LINEHAN: Thank you, Senator Crawford. Are there questions? We do have letters for the record, proponents: Sheri Bryant, Custer County Treasurer; Amanda Bartek-Young, Richardson County Treasurer; David Pederson, Pederson--

WILLIAMS: Troshynski.

LINEHAN: --Troshynski Attorneys at Law; Daniel Ryberg, Omaha; Ronald Reagan, Reagan, Melton and Delaney. And with that--

McCOLLISTER: I have a question.

LINEHAN: OK.

McCOLLISTER: Thank you, Chair. I've been reading the statute 25-505 that requires a notice to respondents, and as I read it, it seems fairly vague. Did you-- as a part of your process, did you-- did you look at these notice requirements?

WILLIAMS: Are you talking about the notice that requires the--

McCOLLISTER: Yeah.

WILLIAMS: --unless you act you will lose this property?

McCOLLISTER: I think that's section 3. Is that section 3?

WILLIAMS: The notice that-- are you-- are- let's be sure we're talking the same. Are you talking the notice that is-- is delivered either by the sheriff or by hand--

McCOLLISTER: Yeah.

WILLIAMS: --has to include the statement in 16-point type, unless you act, you will lose this property?

McCOLLISTER: Yeah. The statute itself is-- you know, I think-- which you refer to in the bill, you know, is somewhat vague. So you know, maybe in due course we should talk about what-- because-- about that because I think enhancing notice is one of the issues that was raised today.

WILLIAMS: The notice now requires it to say, unless you act, you will lose this property. That's what the requirement in the statute is today. And what we are requiring is additional forms of delivering that specific notice to the-- to the taxpayer and to the person that would be in possession of the property.

McCOLLISTER: Yes. And that's what I'm talking about, this form. So we can talk.

LINEHAN: Thank you, Senator McCollister. Other-- Yes, Senator Groene.

GROENE: Real quick. Why wouldn't we add-- it would make a big difference, especially in North Platte, if a name was added to the 77-1802 about the county assessor-- treasurer has to list and post all of the properties. And all it says-- you've added it, in making such lists, the county treasurer shall describe the property as is-- as it is described on the tax list and shall include the property's parcel number and-- and owner's

name. You might fill this testimony room of people not wanting to have their name showing in a-- in a-- in a statement going out in the newspaper that they have delinquent taxes.

WILLIAMS: Another incentive to pay your taxes. Could work. Could work.

GROENE: But at least a neighbor might notice.

LINEHAN: Thank you, Senator Groene. Anyone else? Thank you very much, Senator Williams. Oh, with that we are now closing the hearing on LB463 and open the hearing on LB393. Good afternoon, Senator Groene.

GROENE: Chairman Linehan, thank you. Mike Groene, M-i-k-e G-r-o-e-n-e, and you've noticed I got a bad cold.

KOLTERMAN: Really.

GROENE: And I am actually Mike Groene. Senator Groene's actually introducing a tax increase, and I'm not going to blame it on the cold medicine, but would change the rate of the documentary tax-stamp tax to \$3.25 for each \$1,000 valuation. The current rate is \$2.25 for each \$1,000 value. Rate has not been adjusted since 2005, and presently, 50 cents goes to the county general fund, 95 cents goes to Affordable Housing Trust Fund, 25 cents to Site

and Building Development Fund, 25 cents to Homeless Shelter Assistance Trust Fund, and 30 cents to Behavioral Health Service Fund. The additional \$1 revenue collected under this bill will be distributed to the Property Tax Cash Fund. I don't believe this to be a tax shift. It, to me, it's a-- it's a similar concept that Prop 13 in California, just a different version. The individuals who cause property valuations to increase by their willingness to pay high prices for property which causes their neighbors' valuations to rise, their payment of the doc tax to the Property Tax Credit Fund will help offset a portion of their neighbors' property tax increases. I understand inflation and everything else, but if you're the person driving up the valuations, maybe you ought to help offset the property taxes for your neighbors by paying into the Property Tax Credit Fund. We have to do a shift somewhere. This is a measurable-- measurable tax. Unlike the sell-- Internet sales tax, it's easily calculated. And it's a one-to-one property tax reduction. There's no any of it disappearing in the General Fund before it gets the property tax relief. It goes right into Property Tax Credit Fund. It's-- it stays within the same group of taxation, property taxes. It's actually not that large a tax increase. I seen the letter said 44 percent, but it's .03-- .325-tenths of a percent tax is what it is overall. I pay more than that on my

premium on my-- on my home insurance and liability insur--
insurance on my land. So anyway, it's truly a tax that
apparently the people can bid that land up can also afford the
tax. That's the point I'm trying to make with it. And as we pay
for property tax relief, I think it'd be a good part of the mix.
Probably be less people against this than if you start taxing
the [INAUDIBLE]. So anyway, thank you, Senator Linehan.

LINEHAN: Thank you, Senator Groene. Do we have questions for
Senator Groene? Oh, Senator Kolterman.

KOLTERMAN: Yeah, Senator Groene. It's 3:30 on a Friday
afternoon. This one isn't quite as bad as your horse massage you
brought to us on a Friday afternoon. So it's getting close. But
I do have a serious question for you.

GROENE: All right. Thank you.

KOLTERMAN: On the floor of the Legislature the other day, you
talked about incremental tax increases. Would this be qualified
as one of those incremental tax increases that you were talking
about?

GROENE: No. It's bigger than that. It's 44 percent. It's in a
different category.

KOLTERMAN: Thank you.

LINEHAN: Are there other-- thank you, Senator. Kolterman. Are there other questions for Senator Groene? Seeing none, you will be here to close? Obviously. Are there any proponents for Senator Groene's legislation? Any opponents?

JUSTIN BRADY: Chairwoman Linehan, members of the committee, my name is Justin Brady, J-u-s-t-i-n B-r-a-d-y. I appear before you today as the registered lobbyist for the Nebraska Realtors Association, also for the Home Builders Association of Lincoln and the Metro Omaha Home Builders Association in opposition to LB393. I would agree with Senator Groene. This is not a tax shift. It's, as he said, a 44 percent tax increase on homeownership. It-- I understand what he's saying if you got certain people that are driving up the value. Unfortunately, this also catches people that aren't driving up the value. They're going out and buying what the market value is. And I would also submit that you will have a larger number of individuals, homeowners, pay a higher percentage of this. Roughly on average, a homeowner will own 11 homes over their lifetime. If you look at that compared to the ag sector, someone will either buy or inherit the farm and hold it their whole life. They will receive the benefit from it based on the other

individuals paying that on a more regular basis. Looked at other states. You know, we call it the doc stamp. A lot of other states refer to it exactly what it is and that's a transfer tax. But Wyoming doesn't have any. Kansas has none. Missouri has none. South Dakota is at 50 cents per \$500, so they equate it to this. They're at \$1 per \$100. Iowa is at \$1.60 per \$100, and Colorado is at ten cents per \$100. So taking us up to \$3.25 would put us extremely out of whack with the surrounding states. So I will stop there, and see if there are any questions.

LINEHAN: Thank you, Mr. Brady. Senator Friesen.

FRIESEN: Thank you, Chairman Linehan. Are homeowners required to sell their home and move to another one?

JUSTIN BRADY: They are not, no.

FRIESEN: They choose to.

JUSTIN BRADY: They choose to. Circumstances either a different job or they-- they start with a small house and have a family and grow and need more space. Or-- or if they're successful, they would like to have a little bit bigger home.

FRIESEN: Do landowners sometimes sell land and just-- to try to give a different piece?

JUSTIN BRADY: Sometimes they sell, yeah.

FRIESEN: So it's just a matter of choice mostly.

JUSTIN BRADY: Yes. Yeah.

FRIESEN: Thank you.

JUSTIN BRADY: Um-hum.

LINEHAN: Thank you, Senator Friesen. Other questions from the committee? So we're higher on this than any other state around the state?

JUSTIN BRADY: Yes.

LINEHAN: Great. OK. Thank you. Other opponents?

DUSTIN ANTONELLO: Good afternoon. My name is Dustin Antonello, D-u-s-t-i-n A-n-t-o-n-e-l-l-o, and I'm appearing before you on behalf of the Lincoln Independent Business Association. LIBA opposes LB393. We do not believe it is prudent-- prudent to raise taxes on property in order to reduce taxes on property. In 2018, there were 254 commercial real estate sales in Lancaster County. If the documentary stamp tax were raised by \$1 for each \$1,000 in value, it would have added nearly \$1,500, on average, to the price to acquire these properties. For properties sold

for over \$1 million, which is very common in Lincoln commercial real estate, the price would have increased by over \$6,300.

Raising taxes on property tracks-- transactions could lead to negative consequences for a commercial real estate market that is already facing several headwinds. Over the last six months, the real-- retail vacancy rate has risen by nearly a full percentage point in Lincoln as brick-and-mortar stores struggle to compete with on-line retail. In addition, building permits for retail building and remodeling only totaled 15.5 million in the second half of 2018, the lowest amount in four years. Again we do not believe the correct approach is to raise taxes on property to lower taxes on property. Please oppose LB393. Thank you.

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

DUSTIN ANTONELLO: Thank you.

LINEHAN: Are there other opponents? Is there anyone who wants to testify in the neutral position?

JON CANNON: Good afternoon, Senator Linehan, distinguished members of the Revenue Committee. My name is Jon Cannon, J-o-n C-a-n-n-o-n. I'm the deputy director of the Nebraska Association

of County Officials. We're here to testify neutral on LB323 [SIC]. I think most of the conversation that Senator Groene has brought forward-- we appreciate you bringing this forward, sir. I just wanted to point out, from NACO's perspective, that the county share of the doc stamp has not seen an increase since 1993. Prior to that, it was one-third of the proceeds went to the county general fund. And when we raised it back in 1993, we said that 50 cents was going to go to the county general fund. It's been increased since then, in 2005, with no increase in the amount of the share that goes to the county general fund. Certainly if we're going to be increasing it by \$1, certainly it seems like it would be appropriate to have a share of that go to the county. They're the ones that are doing the work. Our register of deeds are the ones that are doing the recording. If we're talking about decreasing property taxes, certainly putting money into the county general fund is the most direct way of doing that as opposed to sending money to the state and then having it go to the state treasurer's office and then being remitted back to the counties where it was ultimately collected in the first place. Also just as a point of clarification, I think Mr. Brady, and I'm not sure if-- if he misspoke or if I misheard him, he was talking about the rates in other states in a percentage fashion. It was I think tens-- ten cents per \$100

in Colorado, is the last thing I think I heard him said. Whereas in Nebraska, the documentary stamp tax is \$2.25 per \$1,000 of consideration given. So I just wanted to clarify that. And with that, I'd be happy to take any questions from the committee.

LINEHAN: Thank you, Mr. Cannon. Are there questions from the committee? All right. I have one.

JON CANNON: Yes, ma'am.

LINEHAN: So we haven't increased the percentage since 1993, but wouldn't it not be true that real estate values have increased significantly since 1993?

JON CANNON: Yes, ma'am. I would agree.

LINEHAN: So even if you still get the 50 cents, you're getting the 50 cents on a lot more \$1,000.

JON CANNON: We're getting the 50 cents on a lot more \$1,000, and the \$1.75. Actually it was 50 cents plus I think \$1.25 and then 50 cents plus \$1.75. And we've never increased the county share. As a matter of fact, the county's share of the documentary stamp tax has gone down as a percentage of-- of what was being collected.

LINEHAN: But hasn't the amount you've collected on doc stamps gone up every year?

JON CANNON: Yes, ma'am. It would have.

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

JON CANNON: Thank you.

LINEHAN: Anyone else wanting to testify in the neutral position? OK. Would you like to close, Senator Groene?

GROENE: Yeah. Thank you, Chairman. My staff looked it up and our-- Sam over here. Arkansas, it's \$3.30 per \$1,000. We'd be a nickel less. Minnesota's \$3.30 per \$1,000. Nevada is \$3.90 per \$1,000 for smaller counties and \$5.10 per \$1,000 for larger counties. Oklahoma is a \$1.50. South Dakota is \$1.00. I figured if we're going to be sixth- or seventh-highest in property taxes, we might as-- we'd be sixth- or seventh-highest in all the other taxes. I'm just trying to make us even across the board here. \$250,000 house is \$250. Real estate agent probably gets \$12,000 as a-- as a commission. So you give me-- I'm not planning on buying another house. I'm planning on selling one. But-- can't afford it on \$12,000. But anyway, that's \$250. On that same house in Lincoln, you're probably paying \$5,000

property taxes. I could give them 1 percent reduction in property taxes, only take them five years to break even, that homeowner. So that would be \$50 a year. I think any homeowner would gladly pay \$250 if we could fulfill a promise that we're going to lower property taxes to them. But we got to start by accumulating some money to offset that property tax reduction. This one makes sense. Really, it does. Those who drive up the valuation, across the board, should help lower the property taxes for their neighbor. So thank you.

LINEHAN: Thank you. Questions for Senator Groene? Seeing none, we do have a couple of proponents for the record. I just had them in front of me: John Dickerson, Nebraska Association of Commercial Property Owners, Inc.; and, Kristen Hassebrook, Nebraska's Chamber of Commerce. Oh, those are opponents, I'm sorry. Opponents. Thank you, Kay. Opponents. We had no proponents and nobody in neutral. So with that, we close LB393. Thank you, Senator.

GROENE: Thank you.

FRIESEN: Next we'll open the hearing on LB523. Senator Linehan.

LINEHAN: Thank you, Senator Friesen. Good afternoon, fellow committee members. For the record, my name is Senator Lou Ann

Linehan, spelled L-o-u A-n-n L-i-n-e-h-a-n. I represent the 39th Legislative District in Nebraska. I am introducing LB523. LB523 amends current Nebraska statute to provide additional exemptions for certain entities from the payment of real estate transfer taxes on certain transfers. The bill will provide an exemption from the payment of property taxes on such real estate.

Specifically, the bill would provide that when a nonprofit entity transfers real estate to a wholly owned limited liability that is a subsidiary of a nonprofit entity, the transfer is exempt from the real estate transfer tax. The bill would further provide that after such transfer is made, the property title in the name of the LLC is exempt from property tax. The bill was brought to me by the members of the real estate probate and trusts section of the Nebraska State Bar Association. And a representative of the bar, an attorney who deals with the technical aspects of this area of law, is here to testify and prepared to answer any technical or practical questions you have.

FRIESEN: Thank you, Senator Linehan. Any questions from the committee? I have one. Are there-- are there other circumstances where there are no doc stamp fees assessed?

LINEHAN: I'm going to let--

FRIESEN: OK.

LINEHAN: --Bill answer it because the way this was explained to me and you have-- you have safe houses. And they don't want the safe houses in the name of say the WCA in Omaha because then if somebody is looking for their ex-spouse, they just have to look up properties that are registered under WCA. So this is basically a way to help them make sure that the safe houses are safe, and people can't find them.

FRIESEN: OK. All right. Thank you.

LINEHAN: Thank you.

FRIESEN: Any other questions? Seeing none, proponents who wish to testify in favor of LB523? Welcome.

ALYSSA MARTIN: Thank you. Good afternoon. My name is Alyssa Martin, A-l-y-s-s-a M-a-r-t-i-n. I'm here today to speak on behalf of the Nebraska State Bar Association. By way of background, I'm an attorney at Rembolt Ludtke law firm here in Lincoln. The bar supports LB523. I am testifying today to provide some context for the bill and explain the need for the bill. The impetus for the bill stems from issues my law firm experienced in the course of representing an IRS-recognized 501(c)(3) nonprofit corporation that provides shelter to abused

spouses and children. The nonprofit needed to increase the anonymity of its properties after it received a security threat from someone who looked up the name of the nonprofit on the county assessor's Web site in order to locate the shelter where his estranged spouse was seeking refuge. To prevent this situation from occurring in the future and to protect vulnerable Nebraskans, we determined that the properties had to be transferred to another entity with a less recognizable name. We decided to transfer the properties to an LLC wholly owned by the nonprofit with the understanding that the properties would be used for the same purpose as before, to provide shelter for people. We faced two issues. First, we needed to make sure the property tax exemption enjoyed by the nonprofit would flow through to its wholly owned LLC. Second, we sought to obtain an exemption from the doc stamp tax so that the nonprofit would not be taxed on the transfer of the properties. With respect to the nonprofit's property tax exemption, we were told that the exemption may not flow through to the wholly owned LLC absent sufficient assurances that the properties were exclusively owned by, exclusively used for, and for the exclusive benefit of a qualified nonprofit. We had no guidance on how to provide these assurances and to encode these limitations into the DNA of the LLC. We did some research and found that other states do provide

clear guidance on how a single member LLC, wholly owned by a qualified nonprofit, can obtain its parent's property tax exemption. The key is that the wholly owned LLC must have specific language in its charter restricting its purpose, use, and ownership so as to preserve the integrity of the nonprofit property tax exemption while providing the nonprofit with some much-needed flexibility to organize its operation in a way that maximizes its purpose. According to the IRS, nonprofits are increasingly resorting to single member LLCs to hold donated real estate and to further their charitable purposes which is partly why, in 2012, the IRS confirmed that a donor may deduct donations to a single member LLC from his income tax where the single owner of the LLC is a charitable organization. The perspective of the IRS is that the single member-- member LLC and its sole owner are one and the same for tax purposes. Against this backdrop, LB523 is best viewed not as a new property tax exemption, but as a clarification of how the existing property tax exemption for qualified nonprofits applies to LLCs wholly owned by such qualified nonprofits. It should not take a sophisticated lawyer to figure out how the exemption works in this situation. It is important for the law to be accessible to the public. The value of LB523 is that it provides meaningful notice and clarity to would-be applicants while

preserving the integrity of the nonprofit property tax exemption by imposing rigorous organizational and operational requirements on single member LLCs seeking to obtain the benefit of property tax exemption. With respect to the documentary stamp tax exemption, we discovered there was no exemption for the transfer of proffered-- properties from a qualified nonprofit to another entity although there are exemptions for other types of transfers. We found that many other states, including those in the Midwest, do have exemptions that would have applied to the situation we faced and would have prevented a charitable organization from having to shoulder an unfair excessive tax burden. We found that several states have a specific exemption from the doc stamp tax for transfers to or from a qualified nonprofit for nominal consideration. The bar supports adoption of such an exemption in Nebraska. In conclusion, the bar supports LB523 in its present form because it provides important guidance and support for qualified nonprofits as exemplified, though not limited to, the situation involving a nonprofit that's simply needed to increase the anonymity of a domestic shelter without compromising its mission.

FRIESEN: Thank you. Questions from the committee? Senator McCollister.

McCOLLISTER: Thank you, Senator Friesen. How many transactions of this type do you anticipate will be occurring in Nebraska in a given year?

ALYSSA MARTIN: I think it's difficult to quantify. It's certainly nonzero. I think it's a surprising amount of nonprofits need to maintain anonymity for security purposes, so a domestic shelter being one such situation. But there are other such nonprofits. So, you know, I'm not imagining hundreds of such transactions. But, you know, difficult to quantify, but certainly-- certainly more than a few.

McCOLLISTER: OK. The fiscal note that came from the department states, new property tax exemption will have an effect on TEEOSA which will have a corresponding impact on the General Fund expenditures. Any clue why this-- this bill would have some fiscal impact at all?

ALYSSA MARTIN: That-- it's, honestly, a little bit perplexing to me because, as I mentioned, it-- I see it as a clarification of the exist-- existing property tax exemption as opposed to making it sort of difficult and arcane for people to apply the existing exemption which was intended for uses in this situation but is-- absent guidance, is very difficult for people to figure it out. So I don't-- in theory, I don't think there should be any net

impact because this is exactly what was the intent. This is just sort of spelling it out so that, in the future should the situation arise, people have very clear guidance on how to-- how to qualify.

McCOLLISTER: Thank you.

FRIESEN: Thank you, Senator McCollister. Any other questions from the committee? Senator Briese.

BRIESE: Thank you, Vice Chairman Friesen. Thank you for being here. Quick question. You gave the example of a shelter run by a nonprofit. What are the other examples of how this is going to be used? You said it'll be more than zero, so what else?

ALYSSA MARTIN: Well, you know, I think security is probably the most prominent example. Other entities might-- you know, they-- to-- to minimize-- to hold donated real estate to minimize liability potentially, you know, in order to further the charitable purpose. If there's, you know, if the charitable operation is such that it has maybe certain assets that are a little riskier than others, it might be better for the overall organization if those are in an LLC that's-- that-- that enjoys that exemption.

BRIESE: Um-hum. Thank you. But you don't have any specific examples in mind?

ALYSSA MARTIN: Not-- not-- not off the top of my head at the moment but I'm happy to provide some.

BRIESE: No. That's all right. Thank you.

FRIESEN: Thank you, Senator Briese. Any other questions from the committee? Senator Groene.

GROENE: I haven't had a question in a week so. What frustrates me is when I see Creighton University quit and then sell their land to-- to private developers.

ALYSSA MARTIN: Um-hum.

GROENE: And they have a zero base on the-- on the property because it-- it hasn't been taxed. It's zero. So the developer pays no property taxes into the system. In these instances, I could see it failing or they decide to move on and then they sell the house. Somebody then blighted/substandard and it goes to the new owner with a zero property tax base.

ALYSSA MARTIN: Well, I think that's why it's really important to look at the specific limitations imposed by the statute because I think it would prevent that sort of situation. The property

isn't supposed to ever be used for financial gain or profit. And, you know, it's always supposed to be wholly owned by qualified nonprofits solely for the purposes of advancing the qualified nonprofit. It's-- upon dissolution, its assets have to be distributed to a qualified nonprofit. So that's why we--

GROENE: You're just worried about the valuation of it. Even though churches--

ALYSSA MARTIN: Um-hum.

GROENE: --after a few years, a generation or two, end up being sold and go back into private use. It's one of them little-- I wish we could put a base value on all these nonprofit. Even though we don't collect the tax, the assessor should put a value on them.

ALYSSA MARTIN: I see. Well, in our situation, I mean, there was a value to the properties. And you know, unfortunately, we were hit with a substantial doc stamp tax because of the assessed value.

GROENE: But then after you took ownership, the value became zero because the assessor never came back out there.

ALYSSA MARTIN: I'm not sure I'm 100 percent following on that.

GROENE: If you go down and look at a church or a hospital--

ALYSSA MARTIN: Oh, I see. I see. I see.

GROENE: --or anything like that, their valuation on there, the statement at the county assessor has a zero value. And then if that-- this home-- group home or whatever fails or you decide to move to another location and sell it, it goes back on the tax rolls. If it was bought for tax increment financing development, it goes back to zero. No taxes are collected.

ALYSSA MARTIN: I see.

GROENE: I'm not--

ALYSSA MARTIN: Yes. No. I suppose-- I guess I see that as a bit of a distinct issue from-- from-- from this particular issue, but I see what you're-- I see your point.

GROENE: Thank you.

FRIESEN: Thank you, Senator Groene. Any other questions from the committee? So there-- there are some other situations where you do transfer property and they are not subject to the doc stamp fees?

ALYSSA MARTIN: Um-hum.

FRIESEN: And-- and so I guess clarify to me you're-- you're transferring a property that is already used for a nonprofit. You're just transferring it into another entity, and you're required to pay the doc stamp fees just to make that transfer?

ALYSSA MARTIN: Um-hum. Yes.

FRIESEN: No money has changed hands?

ALYSSA MARTIN: No money has changed hands.

FRIESEN: The value of the home didn't change?

ALYSSA MARTIN: No. So that's-- that's why you see in a lot of states actually they-- they'll-- the exemption is actually pretty broad. They'll say any transfer for nominal consideration or for consideration less than, you know, \$10 is exempt from the doc stamp tax. We're not suggesting something even quite that broad. We're just saying in the context of a nonprofit, if you have a transfer where there's no consideration, that should be exempt.

FRIESEN: So the main reason, though, you're asking for this is you want anonymity on the home.

ALYSSA MARTIN: Um-hum.

FRIESEN: And so that's why the transfer is happening, and it's costing you the doc stamp fees because of that.

ALYSSA MARTIN: Yes. Yes.

FRIESEN: OK. Thank you. Any other questions from the committee? Seeing none, thank you for your testimony.

ALYSSA MARTIN: OK.

FRIESEN: Any other proponents for LB523? Seeing none, anyone wish to testify in opposition to LB523? Seeing none, anyone wish to testify in a neutral capacity to LB523? We do have one letter from the Platte Institute in a neutral capacity. Welcome.

JON CANNON: Thank you, Senator Friesen, distinguished members of the Revenue Committee. My name is Jon Cannon, J-o-n C-a-n-n-o-n. I am the deputy director of the Nebraska Association of County Officials, and we are here to testify neutral on LB523. The provisions of this bill are well laid out. The reason that we're here in a neutral capacity is that we're not entirely certain this is a law that's needed at all. I am, to borrow off of what - what Alyssa said just earlier, I'll say that I'm an unsophisticated lawyer. But I do know that 77-202(1)(d) provides that we provide property tax exemption for property owned by "any organization for the exclusive benefit of any such

educational, religious, charitable, or cemetery organization and used exclusively for educational, religious, charitable, or cemetery purposes." We're not sure exactly what-- what subsection f-- or proposed subsection f is going to add to the conversation. I know that I've-- I've spoken to the Lancaster County assessor or the chief deputy assessor, the one that is in charge of reviewing all exemptions from property tax. I gave him the very basic fact pattern as to what we're describing here in this bill. And what he told me was that we wouldn't even question this. We would-- we would recommend an exemption, and pass it on to county board-- recommend approval for the county board. With that, I have nothing further to add. I'd be happy to take any questions the committee might have.

FRIESEN: Thank you, Mr. Cannon. Any questions from the committee? I guess my-- my question then is if we do something like this, does it open up a loophole that somebody can take advantage of, an unknown consequence, somebody else trying to play the system? I--

JON CANNON: I think your concern is well-founded, Senator. My-- and I'll say that in my reading of the exemption laws of the state, generally the Supreme Court has said that we construe exemptions narrowly, and their-- their operation will not be

extended by construction. However, they have stated pretty explicitly that when it comes to charitable, religious, educational, those terms, we're going to construe those terms as broadly as we can in order to effectuate the Legislature's intent. And so therefore, we think that the language in 77-202(1)(d) is-- is pretty much clear as to what the Legislature's intent is. I think that by creating subsection f, proposed section f, what's going to happen is we're going to have something that's very, very clear for the organization that we're talking about. And so that's going to leave in doubt, well, what exactly does-- does the-- "any organization" in (1)(d) actually mean. And so I-- I-- we think that what it's going to do is create confusion for anyone that is not an organization such as has been described here but would want to seek the property tax exemption under the "any organization" portion of 77-202(1)(d).

FRIESEN: So is your position with NACO, would it be in your best interest to make sure that all of the counties are operating under the same rules? Or do you guys, in your capacity I mean, do-- you work with all of these county officials, and-- and so is this just something that everybody needs be on the same page?

JON CANNON: We work with county officials, however, general authority for the enforcement of the property tax laws of the state lies with the property tax administrator. And so if the question came to us, we would certainly defer to the PTA. My-- my familiarity with the Department of Revenue is that they generally try to provide a consistent answer.

FRIESEN: OK. Thank you for your testimony.

JON CANNON: Yes, sir. Thank you.

FRIESEN: Any other questions from the committee? Seeing none, thank you.

JON CANNON: Thank you. I had the unenviable position of being the last testifier on a Friday afternoon, so thanks for your patience.

FRIESEN: Anyone else wish to testify in a neutral capacity? Seeing none, Senator Linehan do you wish to close?

LINEHAN: Just quickly. I'm hoping that this can be worked out, too, without legislation. And I do think we need to be careful. The one thing I've thought about is somebody has a large piece of property or large asset, and they take it off the tax rolls for 10 years while it appreciates and then. So I can-- I get the

concerns. They're legitimate. So I'll work with the committee and work with people about the bill and make sure that we get, what we're trying to do here is keep people safe, that that's the purpose. And I'm sure we can find a way to do that.

FRIESEN: Thank you, Senator Linehan. Any questions from the committee? Seeing none, thank you very much. And we'll close the hearing LB523, and we'll close the hearings for the day.