

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 27, 2020

LINEHAN: [RECORDER MALFUNCTION] to the Revenue Committee public hearing. My name is Lou Ann Linehan, I'm from Elkhorn, Nebraska, and represent the 39th Legislative District. I serve as the chair of this committee. The committee will take up bills in the order posted. Our hearing today is your part of the public 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. Letters received after the cutoff will not be read into the record. No exceptions. To better facilitate today's proceedings, I ask that you abide by the following procedures. Please turn off your cell phones or other electronic devices. Move to the chairs in front of the room when you're ready to testify. The order of the testimony is introducer, proponents, opponents, neutral, and closing remarks. If you will be testifying, please complete the green form and hand it to the committee clerk when you come off to testify. If you have written materials that you would like to distribute to the committee, please hand them to the page to distribute, which I will introduce in a moment. We need 11 copies for all committee members and staff. If you need additional copies, please ask the page to make copies for you now. When you begin to testify, please state and spell both your first and last name for the record. Please be concise. It is my request that you limit your testimony to five minutes. We will use the light system. So you have four minutes on green, and when the yellow light comes on, you'll have a minute to wrap up. And then at the red light, I will ask you to-- your testimony will be over. If your remarks were reflected in previous testimony, or if you would like your position to be known but do not wish to testify, please sign the white form at the back of the room and it will be included in the official record. Please speak directly into the microphone so our transcribers are able to hear your testimony clearly. I would like to introduce committee staff. To my immediate right is legal counsel Mary Jane Egr Edson. To my immediate left is research analyst Kay Bergquist. To my left at the end of the table is committee clerk Grant Latimer. And then if we could start at my far right.

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

LINDSTROM: Brett Lindstrom, District 18: northwest Omaha.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 27, 2020

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: And Noa and Erin are both here today. Noa is from Central City, Nebraska. She's at Doane, majoring in history and political science. Erin is from Lincoln, Nebraska, and she is at Doane, majoring in political science, law, politics and society. Please remember that senators come and go during our hearing, as they may have bills to introduce and how the committees. Please 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 only. Lastly, we are in electronics-equipped-- it's like I'm not-- electronically-equipped committee, and information is provided electronically, as well as in paper form. Therefore, you may see committee members referencing information on their electronic devices. Be assured that your presence here today and your testimony are important to us and critical to our state government. With that, we will open on LB1012. Welcome, Senator La Grone.

LA GRONE: Thank you. Chairwoman Linehan and members of the committee. My name is Andrew La Grone, A-n-d-r-e-w L-a G-r-o-n-e, I'm here today to introduce LB1012. This bill was brought to me by a constituent whose church purchased some land in December and then found out they actually had to pay property taxes for the month of December. So what the bill would do is, well, currently a tax-exempt organization that purchases land after July 1st that would normally qualify for a tax exemption is required to pay taxes to the end of the year solely because they purchased the land after that July 1st date rather than before it. The bill extends the property tax-- excuse me, extends their tax-exempt status through the entire year.

LINEHAN: Thank you. Are there questions from the committee? Seeing none.

LA GRONE: I will waive closing because I have another, another bill up in Government.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 27, 2020

LINEHAN: OK. Proponents. Do we have proponents for LB1012? OK. Are there any opponents? Good afternoon.

JON CANNON: Good afternoon, Chairwoman 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, otherwise known as NACO, here to testify today in opposition to LB1012. First, we would like to thank Senator La Grone for bringing this bill. We think that at this point in the legislative session, it's always good to have these policy discussions, overarching policy discussions as to why we do the things that we do. And with that, I'll just get into why we should not have exemptions extended after the July 1st deadline. All property in the state is assessed as of January 1st at 12:01 a.m. And we have a whole calendar that spills out from that. We set values, we have TERC that goes through, it equalizes values, and then we certify those values to the political subdivisions on or before August 20th of each year. It's based on those values that the political subdivisions, your ESUs, your NRDs, your schools, your counties, your cities, that they will all set their budgets and determine their budgets. And if there is property that's been certified, or a value that's been certified, and all of a sudden that becomes exempt after that time, then that creates a hole in the budget. That's with, with counties and other political subdivisions of that nature that are run almost entirely on property taxes, holes in the budget are a little bit of a problem. And so it's for that reason that we're in opposition. We would urge you to not advance LB1012. I'd be happy to take any questions. Thank you.

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

JON CANNON: Thank you.

LINEHAN: Are there other opponents wishing to testify?

McCOLLISTER: [INAUDIBLE].

LINEHAN: Is it anyone who wants to testify in the neutral position? OK. We have letters for the record. We have none. So that was quick. With that, we bring the hearing on LB1012 to a close. The next hearing is LB1125. There she is. Senator Cavanaugh.

CAVANAUGH: You all are quick. We just finished our introductions in HHS. Good afternoon, Chairwoman Linehan and members of the-- I was

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 27, 2020

going to say Health and Human Services-- Revenue Committee. My name is Machaela Cavanaugh, M-a-c-h-a-e-l-a C-a-v-a-n-a-u-g-h, and I am here to introduce LB1125, which was brought to me by the Douglas County Board of Commissioners. As many of you may be aware, the state of Nebraska offers a homestead exemption for individuals, for qualifying individuals. A homestead exemption provides for individuals to be exempt or receive partial exemption from property taxes. The state of Nebraska pays for these exemptions at the price of \$92 million per year. To qualify for an exemption, individuals must be a veteran who are disabled by a non-service-connected accident or illness, individuals with a permanent physical disability and have lost all mobility, individuals who have undergone amputation of both arms, or have permanent partial disability in excess of 75 percent, and individuals who have a developmental disability. Income qualifications for married individuals is 100 percent for up to \$34,700 and 10 percent up to \$50,000. For single individuals, the exemption is 100 percent at \$30,300 and a 10 percent exemption at \$42,900. On numerous occasions and on an annual basis, the Douglas County Board encounters applications for homestead exemptions where the board cannot grant an exemption. More often than not, it is because the individual did not complete the required paperwork and has no idea a deadline has been missed until the tax statement is received. LB1125 allows eligible citizens to miss the deadline once. Once. The bill allows for any reason, because most often the deadline is simply missed. Next, the bill provides for eligible individuals who have a disability under Title II or Title XVI, sorry, reading my Roman numerals, under the federal Social Security Act. This section is added because applicants who are clearly disabled and meet the income requirements do not receive this exemption because of the current definitions. In my view, if the citizen meets the federal requirements, then they should fall within the spirit of a disability for the homestead exemption. I understand these are sensitive times for homestead exemptions, and those are legitimate challenges. I'm looking forward to hearing more from the testifiers to see if there is a workable solution or a better approach to accommodate the disabled in our communities who miss their much-needed homestead exemption deadline. Thank you, and I'm happy to answer any questions.

LINEHAN: Thank you, Senator Cav-- Cavanaugh, are there questions from the committee? Senator McCollister.

McCOLLISTER: Thank you, Chairwoman Linehan. I'm just reading the bill for the first time. Sorry to say. There are some income caps that

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 27, 2020

apply in the bill. Does your bill disregard any kind of income caps at all?

CAVANAUGH: I apologize, Senator McCollister. I don't believe my bill addresses income caps, but I will have to let those speaking after me to, to address that more fully. I apologize. I'll take a look and maybe get you an answer later if I can.

McCOLLISTER: OK, thank you.

LINEHAN: Thank you, Senator McCollister. Are there other questions by committee? Seeing none, thank you very much. Will you stay to close?

CAVANAUGH: I am not staying to close.

LINEHAN: OK. Proponents. Good afternoon.

JAMES CAVANAUGH: Good afternoon, Senator Linehan, members of a Revenue Committee. My name is James Cavanaugh, I am a Douglas County commissioner, and I'm here to speak on behalf of Douglas County in support of LB1125. Full disclosure, Senator Cavanaugh is my niece, but I do want to commend her for bringing this matter before you. It arises, as you probably heard, from your county boards, because disabled taxpayers come before us a lot and they have a problem with the way that disability is defined under the current statute. And if you go to page 2 of the bill, you'll see the current allocations for disability are veterans discharged with honorable or general honorable conditions who are totally disabled by a non-service-connected accident or illness. Secondly, individuals who have a permanent physical disability and have lost all mobility so as to preclude locomotion without the use of a mechanical aid or a prosthetic device as defined in section 77-2704.09. Third, individuals who have undergone amputations of both arms above the elbow, have permanent partial disability of both arms in excess of 75 percent. And this bill adds beginning January 1st, 2021, individuals who have a disability as defined by Title II or Title XVI of the federal Social Security Disability Act. For about the last 30 years, I've practiced in the area of Social Security disability, founded the oldest and largest Social Security disability law firm in the state. And I can tell you that this list of disabilities is woefully inadequate. If you go to the Social Security disability definitions, it is called the listings, it is volumes long, and it involves everything that can happen to the human body that makes you disabled. And in order to qualify for disability, you must qualify in very rigorous test of your particular

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 27, 2020

condition. This list is kind of a scattershot approach to you may have some disabilities, but for instance, you could have stage IV cancer, not on the list. You could suffer from a severe mental disability, not on the list. All of the disabilities that the Social Security Administration has spent the last 80 years defining and refining, not on the list. And so we get constantly people who are on disability, has been found disabled by the Social Security Administration, have gone through rigorous hearings to that effect, but don't fit into this very odd, and I don't know how it was arrived at historically, partial list of disabilities. And it's kind of a luck of the draw. You've got this disability, you're lucky. But if you have 90 percent of the disabilities recognized by the Social Security Administration's disability department, not so lucky. So all this does is rectify that. It's not going to touch tens of thousands of people, but it is going to take some of the people who come before us constantly with very sad situations. For instance, a constituent of mine who recently had her mother pass away. Her mother was providing her with shelter. She's totally disabled, been on disability for 10 years. Her mother left her the house free and clear, but no income. And now she's saddled with a property tax bill that she cannot meet on her limited Social Security disability payment, because she doesn't fall into one of these cookie-cutter categories. This needs to be fixed. It's the right thing to do. It does not change the financial qualifications for securing homestead exemption. Those remain unchanged. It's just the disability qualifications that it adjusts. And adjust fairly and and more equitably, and in line with universally accepted standards of disability that have been in place, again, for decades. The filing deadline is just an adjustment of something that we find administratively that people come and in good faith have made a mistake, missed a date. One time they get a do-over and that's it. And that again won't involve tens of thousands of people. But it allows us some flexibility to do the right thing for people who many times are suffering from either disabilities or just the vicissitudes of age that we all suffer from as time goes on. So I'd be happy to answer any questions you might have regarding this. It's a good bill and I hope you advance it. Thank you.

LINEHAN: Thank you, Mr. Cavanaugh. Are there questions from the committee? Senator Groene.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 27, 2020

GROENE: So you're, you, you receive Social Security disability, but you make \$100,000. Are you disqualified or, or does the disability trump the wage?

JAMES CAVANAUGH: Right. If you're not going to qualify for homestead exemption financially, say, I'm on disability, but I'm a multi-millionaire, and I have all kinds of resources, you're not going to qualify under this. This is just one criteria, the disability criteria, but it's also subject to the financial requirements that you would have for qualify for homestead exemption.

GROENE: The income qualification, if I understand, also go along with age, right? You have to be retired before you even can apply for the homestead exemption?

JAMES CAVANAUGH: No, the, the disability can occur before retirement.

GROENE: Well, I'm talking about the average person who doesn't have a disability. To get homestead exemption--

JAMES CAVANAUGH: Oh, yes. Yeah, you're exactly right.

GROENE: You have to be retired. I can't think of the beginning, 65? And then, and then the incomes step in, right?

JAMES CAVANAUGH: Right.

GROENE: I didn't think they qual-- they also stepped in with disabilities.

JAMES CAVANAUGH: Well, you can be, you know, retirement age on your Social Security retirement benefit, and if you meet the financial requirements. This is for people who are on Title II and Title XVI, are you're not at retirement age yet. They're previous to that, you have retirement benefits either based, like Social Security and retirement, on your earnings and the taxes you pay, or, in the case of Title XVI, SSI on the basis of need.

GROENE: Thank you.

LINEHAN: Thank you, Senator Groene. Senator McCollister.

McCOLLISTER: Yeah, thank you, Chairwoman Linehan. This bill carries a fairly hefty fin-- fiscal note. And so it seems to me that the way

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 27, 2020

they're finding disability is somewhat broader than current state law requires. Is that, would that be a correct statement?

JAMES CAVANAUGH: I think that's accurate. You know, we've all seen fiscal notes over a long period of time. They're estimates, and, you know, I'm not arguing they haven't made a fair estimate. I don't know exactly how they arrived at that number, because you not only have to take the number of people on disability, but the number of people on disability that would meet those financial requirements as well, which is going to be a much smaller number of Nebraskans. And smaller than that, have a home that they own. So, you know, statewide, if you were get to, I believe they estimated in FYI '21-22, \$9.3 million in statewide impact, I'd have to sit down with the fiscal analysts and have them show me my math. And I could probably get you a better estimate from our assessor in Douglas County relative to what they would anticipate as the impact. But, you know, we're the biggest county in the state, so the biggest chunk of that would come to us. And we are in favor of this, the county board has endorsed this.

McCOLLISTER: I, as I understand the homestead program, those people that receive the exemption from Douglas County or any county, that amount of money is reimbursed by the state, correct?

JAMES CAVANAUGH: I'll defer to you on that. I would hope that that would be the case.

McCOLLISTER: Yeah, a more equitable arrangement, maybe even some kind of sharing cost arrangement.

JAMES CAVANAUGH: You know, in light of the fact that we have approaching a half-billion dollar annual budget, the impact of, say, a third of that is ours. You know, \$3.5 million, whatever, it's something that we could probably make work in Douglas County.

McCOLLISTER: Thank you.

LINEHAN: Thank you, Senator McCollister. Are there other questions from the committee? You, couldn't Douglas County just do this? They wouldn't have-- they could do this without our input, couldn't they?

JAMES CAVANAUGH: Well, here's the thing that I found out, sitting as a Board of Equalization member. Is you can probably, arguably do anything that you can get a majority vote for. Those are all appealable either by, subsequently by TERC or someone else who's going

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 27, 2020

to say, well, you don't have the statutory power to do this. I've sat now for the last four and a half years as a Board of Equalization member, and I've seen my colleagues just say, well, maybe we don't have the statutory authority to do that, but we have a majority vote to do that. And that happens, yes. Practically that, that, you know--

LINEHAN: Couldn't you change, I mean, couldn't Douglas County just say this situation, we're not gonna make them, we're gonna use the same thing the state does and not collect their property taxes?

JAMES CAVANAUGH: Not-- I'm sorry?

LINEHAN: Couldn't you just say that we're gonna go, in Douglas County, we're gonna go by the guidelines of the Social Security Administration and we just won't collect these property taxes? Couldn't you do that?

JAMES CAVANAUGH: Well, you know, we've had this debate in many board meetings where our attorneys and our assessor/register of deeds says, well, you can, if you want, do that. You don't have statutory authority to do that based on the plain meaning of the language in the statute. That's why we're here today.

LINEHAN: So we could-- the, we the Legislature could give you that authority though?

JAMES CAVANAUGH: Correct. And we're asking you to do that.

LINEHAN: OK. All right, thank you very much. Are there any questions from the committee? Seeing none, thank you very much.

JAMES CAVANAUGH: Thanks a lot.

LINEHAN: Other proponents. Good afternoon.

LANCE MOLINA: Good afternoon. My name is Lance Molina, that's L-a-n-c-e, Molina is M-o-l-i-n-a. I am not here representing any organization, I am just a average citizen. The homestead exemption is very important. In fact, there are some people who, without these exemptions, would quite frankly not be able to afford their homes due to simply the property taxes associated with it. One of the more-- groups that unfortunately is not represented in total would be disabled veterans. There is currently in the current homestead exemption, it does give for the non-service-connected disabled veteran. I have here my disa-- my Department of Veterans Affairs ID card. It says I'm a VA healthcare enrollee, and it says below it:

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 27, 2020

service connected. A service-connected disabled veteran is one who is actually receiving a disability rating from the VA for something that happened to them in the service. The current homestead exemption is an all-or-nothing for disabled veterans. If you are 100 percent totally service-connected disabled, you get the homestead exemption. I am a, and I am a 50 percent, 30 percent, 20 percent, 20 percent, 20 percent disabled veteran. If you add those numbers up, it equals 140 percent. However, the Department of Veterans Affairs does not do this. In fact, Nebraska law does not mirror the way that the federal government assigns disability for a disabled veteran. Fifty, 20-- or 50, 30, 20, 20, 20 equals 80. The way that the VA does that is if you're 50 percent and 50 percent, to make this simpler, 50 percent means you're basically halfway there. And then they don't start from that halfway again, they basically you're now 50 percent again, that equals 75 percent, which is rounded to the highest or lowest number. Currently, there is a bill that is before this committee, LB1125 and an additional bill, which is a LB952, which does allow for disabled veterans to receive a prorated credit of their property taxes. I would feel it might be appropriate to combine these two bills, LB952 and LB1125, as they are indeed one and the same. Something to consider is that the, just the homestead exemption currently gives-- is based upon people with Social Security, and in fact they want to add, we want to add Title II and Title XVI. Social Security is based upon something called the Consumer Price Index for Wage Workers, CPIW. VA disabled veterans are also considered with the CPIW. Last year, my property-- or this upcoming year, my property taxes are going to go up by 7 percent. However, according to the federal government through the CPIW, my property taxes-- or inflation has only occurred about 1.8 percent. So unfortunately, it's just a matter of time before more veterans are unable to afford their homes simply due to property tax. And moreover, the service-connected disabilities are silent in Nebraska statute as it currently stands. I, you know, that's just the way it is, and I'm not-- I'm just an average citizen who served my country. And I don't wanna lose my home because of not being able to qualify, because of the way that the federal law does not enact with Nebraska law. And I open, I'm open to any questions or concerns.

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

LANCE MOLINA: Thank you.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 27, 2020

LINEHAN: Are there other proponents? Is there anyone wanting to testify in a opponent?

JON CANNON: Good afternoon, Chairwoman 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 Nebraska Association of County Officials, otherwise known as NACO, here to testify in opposition to be LB1125. And again, we certainly appreciate Senator Cavanaugh having brought this. When it comes to the homestead exemption, this is targeted property tax relief. And so getting to the core or getting to the root of why we extend the homestead exemption is probably as important a conversation as we can have. I'll note that the provision that allows the extension of the homestead exemption benefit to persons that have Social Security disability, we would just note that it expands the pool of eligible homestead exemption applicants. And as a policy decision by the Revenue Committee and by the full Legislature as to who should qualify for that targeted property tax relief, that's a determination, that's a policy determination for the legislature to make. We would just, however, note that what it does is it does expand the pool to the tune of about \$9.3 million in its first year. Given that we have other bills where there's potentially a cap on the total reimbursement across the state, this is something that would be a concern for the counties if that ever actually came to fruition. Given the fact that in the past the state has toyed with the idea of putting caps on the total amount of homestead exemption reimbursement, that's, that's just going to be a standard concern of ours. As far as the one-time late waiver, what that does is it creates less certainty for this Legislature. Frankly, when persons apply for homestead, they're, they're supposed to have their application on by on or before June 30th. Now, there's a whole process that that county goes through and then the Department of Revenue goes through. There's a summary of tax loss, which is sent to the Department of Revenue. And the Legislature has a pretty good idea as to how much they're going to be funding the homestead exemption program as a result. When you have-- allow people that are going to essentially be able to apply after they receive their tax statement, it just creates less certainty as far as how much you're going to be reimbursing for a particular tax year. And generally, when the NACO board met to discuss this, there was the general consensus of our board that dates should have meaning. We already have late application qualifica-- provisions and this is, this is essentially adding one more. For the most part, and I understand that Douglas County has a lot of homestead exemption applicants, but for 90 other counties, most assessors, when there's a prior-year

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 27, 2020

applicant that hasn't made it in on or before June 30th, they pick up the phone and they call that applicant. And they say, you know, Gert, you're-- please come on down to the assessor's office and make sure you file your homestead exemption application. I understand that they cannot work in Douglas County, probably because they just have a much higher volume. But by the same token, this is a fix for one county that would apply to all 93. And also, the last concern that we would note, is that it creates a tracking issue for that particular parcel. A homestead exemption is an application that you make for relief on property taxes on that particular parcel where you, where your home is. And so the county assessor then would have to say, OK, well, we're going to track whether or not, Senator Linehan, if you qualified in the prior year, we're going to have to make sure that that one-time application, it doesn't go with the parcel, it's going to follow Senator Linnehan or whomever else might, might have qualified for that. If a person moves from one county to the other, that's also going to create another tracking issue. Those are our concerns. Again, we understand the policy considerations and that's why we're here. Available to take any questions that you might have. Thank you.

LINEHAN: Thank you, Mr. Cannon. Are there questions from the committee? Senator McCollister.

McCOLLISTER: Yeah. Mr. Cannon, thank you.

JON CANNON: Yes, sir.

McCOLLISTER: For this bill and the next one, could you send us just a brief history of the homestead exemption? How it came to be and why the state is on the, on the hook for the money rather than the counties?

JON CANNON: Yeah, we sure could.

McCOLLISTER: Thank you.

JON CANNON: Yes, sir.

LINEHAN: Thank you, Senator McCollister. Are there other questions from the committee? Seeing none, thank you very much.

JON CANNON: Thank you.

LINEHAN: Are there other opponents? Are there opponents? Is there anyone wanting to testify in the neutral position? OK, letters for the

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 27, 2020

record. We have no proponents, no opponents. We have neutral: Diane Battiato, Douglas County Assessor; and Jennie Schneider, Morrill County. With that, we will close the hearing on LB1125 and go to LB1192. Senator Friesen, would you take over?

FRIESEN: Yes, I would, Madam Chair. We'll now open the hearing on LB1192. Welcome, Chairwoman Linehan.

LINEHAN: Good afternoon, Revenue Committee, Vice Chair Friesen. For the record, my name is Lou Ann Linehan, spelled L-o-u A-n-n L-i-n-e-h-a-n, I represent Legislative District 39. Today, I am introducing LB1192, which deals with the homestead program. And I have not ever read this before, so Kay is in trouble if I read something wrong. LB1192 will cap the amount of state reimbursement for the homestead exemption program at \$100 million. If the total amount certified from all the counties for the homestead exemption program exceeds \$100 million, the tax commissioner will proportionately reduce the amount to reimburse each county not to exceed the \$100 million cap. The county treasurer will distribute the proportionate share of the amount received to each taxing agency within the county based on the amount of tax revenue loss by the taxing agency. I introduced LB1192 to have an opportunity to give the Legislature-- I just think this is a discussion we need to have. Because if I remember right this year in the Governor's budget, which the appropriators will have to do, it's an additional \$8 million. And it's like grows every year, and we have no control of it. And it's kind of like all our other things we're trying to do with property taxes. The more money we throw at it, the more money gets spent. I don't know how-- \$100 million is a lot of money. We-- look how hard we look for \$100 million last year. And there's that issue, and there's also the issue, I think, that a lot of people don't understand how this works. They don't understand the state is filling up the pot here. So somebody else decides how much we're gonna charge and then no matter what they're charging, we decide we're gonna pay the bill. It's not a good way to do business. So with that, I'll take questions.

FRIESEN: Thank you, Chairwoman Linehan. Any questions from the committee? Seeing none, proponents who wish to testify in favor of LB1192?

LINEHAN: I didn't invite anybody.

FRIESEN: OK.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 27, 2020

LINEHAN: And it's not priority.

FRIESEN: Anyone wish to testify in favor of LB1192? Seeing none, opposition. Anyone wish to testify in opposition to LB1192? Welcome.

SEAN FLOWERDAY: Hey there, all. Good afternoon. My name is Sean Flowerday, that's S-e-a-n F-l-o-w-e-r-d-a-y, I am a Lancaster County commissioner representing District 1. By the way, you're in District 1. Welcome. And I am chair of the Lancaster County Board. Before you is a letter that's being distributed. I believe it was also submitted, so you might already have it. But this letter is from the Lancaster County Board. Lancaster County Board of Commissioners is opposed to LB1192. The overwhelming number of homestead applications are filed by claimants who are 65 years of age or older. As the average age of Nebraska's population continues to increase, the number of homestead applications will also continue to increase. Taken together with the rising real property values, the fiscal impact of the homestead exemption will continue to steady-- a steady increase. In fact, the total amount of homestead and reimbursements paid by the state of Nebraska is expected to exceed \$100 million in the next two years. LB1192 attempts to limit the state's fiscal liability by placing a \$100 million cap on homestead reimbursements, thereby shifting the burden of future growth in homestead reimbursements to the real property tax. At a time when property tax relief is the most pressing issue facing the Legislature, LB1192 would increase the burden on our property taxpayers. And for this reason, Lancaster County Board oppose-- is opposed to the LB1192, request that it not be advanced by the Revenue Committee. You know, I will not pretend to be an expert in this. We-- our, our county assessor staff debriefed us on this just earlier, just last week. It, it-- on the surface, I understand the, I understand the issue that I think Senator Linehan is trying to address here. I don't think an arbitrary cap of \$100 million is the way to do it. I would also state that, you know it, it when times get tight-- you know, right now, this is in theory supposed to be a good year for us. When times get tight again, I would be nervous about that cap being lower than in the future. I would also just simply state on a personal note, I have a disabled mother who in a wheelchair, she hasn't been able to work in 12 years now, and she's relied on the homestead exemption. She still has her house because of that. So are there any questions? I'd be happy to answer anything you would like to know.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 27, 2020

FRIESEN: Thank you, Mr. Flowerday? Any questions from the committee?
Senator McCollister.

McCOLLISTER: Thank you, Senator Friesen. Just briefly.

SEAN FLOWERDAY: Yeah.

McCOLLISTER: Sean, what are the philosophical underpinnings of the
state picking up this obligation instead of the counties?

SEAN FLOWERDAY: I genuinely don't know. I, I'm not that familiar with
the history of the homestead exemption. You know, if-- I would tell
you, I think our, our, our opposition to it right now is we've got a
crumbling county infrastructure. We've got a county jail that's on the
verge of needing another addition to it, that we keep receiving felony
3 and felony 4 offenders in our county jail from the state. And, I
mean, we're tight. We're really, really tight. We had an \$18 million
hole in our budget last year, and it's going to look like the same
thing. So what philosophically and historically, is that the way it
ought to be? I don't know. I can't answer that question right now. I'd
be happy to look into it for you. I know--

McCOLLISTER: Gotcha.

SEAN FLOWERDAY: --you asked a similar question from Jon Cannon. I
would actually be interested knowing the answer myself. The, the real
politic answer right now is, we can't afford it.

McCOLLISTER: Gotcha. Thank you.

FRIESEN: Thank you, Mr. McColl-- Senator McCollister. Any other
questions? Senator Groene.

GROENE: Question begs to be answered. Can the state afford it?

SEAN FLOWERDAY: Valid.

GROENE: I mean, if we didn't do this, if we never started this, your
mother would have been in front of you as the county commissioners
crying, saying she couldn't pay her property taxes and then maybe you
wouldn't raise them. Maybe the school wouldn't raise them. Maybe the
community college wouldn't raise them. We take this is a pressure--
you think this is a pressure relief valve for you guys? Now put

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 27, 2020

pressure on your local governments to do the right thing and start lowering your property taxes, be more efficient?

SEAN FLOWERDAY: I think that, I mean, Lancaster County has cut, you know, we've cut every, every service that's available to us at this point. All that's left is community corrections. We could cut that.

GROENE: What was your wage negotiation last year, your county employees? How much of an increase?

SEAN FLOWERDAY: I think the unrepresented was right around a 2 percent. If you kept up with cost of living. But--

GROENE: Have you done anything on the health insurance?

SEAN FLOWERDAY: Yes.

GROENE: Co-pays?

SEAN FLOWERDAY: Yes, actually. Yeah, we have. We are exploring that right now, I was in a meeting about it two days ago. You know it-- if you wanna talk about property tax, I agree with you, property taxes are too high. I've always agreed with you. I probably have the most, you know, I probably have, have the most unpopular opinion in this room on that. I think we should lower property taxes and increase income tax. You know, I'm, I'm a progressive, I won't hide that You know, that's, that's how I would do it. Property tax punishes the rural poor. I completely agree with you on that.

GROENE: To, in your defense, to Senator McCollister's question, the total tax debt from the county is only about 30 percent of it, isn't it? So we're talking about the homestead money comes in and you send it off to the schools and the community college, all the other taxing entities also, right? It's not just the county?

SEAN FLOWERDAY: Right. Absolutely.

GROENE: Thank you.

SEAN FLOWERDAY: Yeah.

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

SEAN FLOWERDAY: Much appreciated.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 27, 2020

JON CANNON: Vice Chair 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, here to testify in opposition to LB1192, LB1192. I don't have much to add from what Commissioner Flowerday had to say. I will note that last year in tax year 2019, there is going to be about a \$92.4 million reimbursement. I would expect that in 2020, if your demographic trends continue, we're probably going to get \$100 million pretty quickly. What this would do, what this bill would do, is it would say that the state will fund \$100 million and the benefit is going to be proportionately reduced for every county that has an applicant. This becomes an unfunded mandate. This is an exemption that the state is imposing, is allowing for people all across the state, which we're not we're not quibbling whether or not it's a good thing, but the state is imposing it on the counties and then saying, oh, by the way, we'd like you to pick up a portion of the cost. You know, just at it's bare bones, that's an unfunded mandate. You know, to the extent that people don't understand where the homestead exemption is coming from, we have a great deal of sympathy for that. Already we're putting on our property tax statements something that says here's the property tax credit that you're receiving from the state. If someone was receiving a homestead exemption, we would probably have, I mean, that would be a minimal cost to us as far as putting that sort of thing on the, on the tax statement. I think they probably have a fairly good idea as to whether or not they're receiving the homestead exemption since they actually had to apply for it. But that's something, you know, certainly something that if, if the state would like to have the credit, we have no problem making sure that they get that. You know, philosophically, we can talk about the, you know, who should pay, whether or not it's a program that is, you know, is viable going into the future. And I'm happy to have that discussion either now or in the interim. But with that, I'd be happy to take any questions you have.

FRIESEN: Thank you, Mr. Cannon. Questions from the committee? Senator Groene.

GROENE: Talking about the Property Tax Credit Fund, is that applied after the percentage reduction or before?

JON CANNON: It's applied after, sir.

GROENE: After?

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 27, 2020

JON CANNON: It should be. My-- the Department of Revenue has a directive where they talk about how the homestead exemption is calculated vis-a-vis the property tax credit. My recollection, and I would defer to the fine folks at the Department of Revenue who put that directive out, my recollection is that the homestead exemption is calculated first and then the property tax credit is applied.

GROENE: So if you got a thousand dollar tax bill and you apply, and you qualify for 90 percent, you're down to \$100, and then the Property Tax Credit Fund is after that?

JON CANNON: I believe so, sir. I could be wrong on that.

GROENE: And it's not a refundable.

JON CANNON: No, it's not refundable. And so any overage would be refunded to the state.

GROENE: I would think that should go first and then the percentage

JON CANNON: That, that could be. I can't speak for the Department of Revenue, but I--

GROENE: Could you find that out for me to see if it's--

JON CANNON: Yes, sir, I can.

GROENE: --first or last? Might be able to change that.

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

JON CANNON: Thank you, sir.

LYNN REX: Senator Friesen, members of the committee, my name is Lynn Rex, L-y-n-n R-e-x, representing the League of Nebraska Municipalities. We're here today in opposition to LB1192. And I think in part, to Senator McCollister, in answer to your question, this is a state policy. And so it's a state policy that was adopted by the Nebraska Legislature, not adopted by cities, villages, counties or others. Obviously, if this was to happen, it would be another shift over to others and other property taxpayers across the state. And I think I've shared with you before that of the 529 cities and villages in the state of Nebraska, 380 are villages, 117 are cities of the second class, 30 first class, and then metro in Omaha. Half of those

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 27, 2020

4-- 529 municipalities are up against their maximum levy limit of 45 plus 5, and another 115 there-- 215 basically are up against that, another 115 are up against 40 and up, up toward that effort. So we are at a point right now where we even have half of those that can't even raise the funds to pick up what they, what you already allow them to do in terms of the lid on restricted funds, which is 2.5 percent over the prior year with another 1 percent on a supermajority vote. So it does come down to an issue of affordability and another shift over to other taxpayers. And this is not the day for the discussion. But again, one of the reasons, and the primary reason, I would submit to you, that Nebraska's facing the property tax issues that you're facing, I would refer you back to the Syracuse study, the tax modernization study of 2012, and you'll find that part of it is because the Legislature, your predecessors, not you, over a period of years, exempted property taxes. Gave special exemptions, many of them very legitimate, perhaps some not, but overwhelmingly very legitimate. But that took away the tax base from local governments and that shift has happened back to others. So it is absolutely no surprise that a tax base that went from this to this is shifting to the people in the middle. The remaining people are paying those property taxes. So this is a bill that we're opposing just because it would be yet another shift. And this is a state program. And as Jon Cannon said, it would just be another unfunded mandate on local governments. With that, I'm happy to respond to any questions that you might have.

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

GROENE: I guess I haven't paid attention to this Syracuse study. But you're telling me we have more exemptions of properties than most states do?

LYNN REX: I will not say that you have more exemptions than other states. What I will tell you that unequivocally the Syracuse study, the tax modernization study made it clear that if the Nebraska Legislature wanted to effectively deal with the property tax issue, that the state of Nebraska would do fundamentally what other states have done, and that is reimburse local governments of the tax base that was taken away. I understand LB974 goes a large way to that end for schools. But certainly when you look at cities, villages, counties and others, that certainly hasn't been--

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 27, 2020

GROENE: Are you talking about sales tax exemption or are you talking about property exempt--

LYNN REX: We're talking about property taxes here. Well, that's another issue for another day on sales tax. But certainly for property tax, absolutely one of the issues that was both, both in the Syracuse study in 1996 and also the tax modernization study by this committee in 2012, when Senator Hadley was the chair of the committee, the issue was, what can the state of Nebraska do on income taxes? What could the state Nebraska do on sales tax? And what could the state of Nebraska do on property tax? And I know Senator Briese is smiling, because I know he's read those. And maybe, which is the catalyst for some of the legislation he's introduced this year.

GROENE: So we give more charitable exemptions for land and--

LYNN REX: No. What I'm suggesting, Senator, is that the reason for the property tax dilemma we're facing for local governments is because the state Legislature, unlike other states, has not given back to local governments the type of revenue that would have been generated for property taxes.

GROENE: You mean the \$275 million we give in the Property Tax Credit Fund that municipi--

LYNN REX: That has an impa-- absolutely, that has an impact.

GROENE: The municipalities get a big chunk of that check.

LYNN REX: Sure. I mean, that's--

GROENE: And that's state aid to local governments, I would call that.

LYNN REX: I would suggest-- but for example, and we've talked about this before, but when LB518, which was the last piece of exempting livestock, farm equipment, and business inventory back in 1978 passed, on that day alone, when that took effect, that was \$250 million in 1978 loss for local governments across the state. You put an escalator on that, you can see where we are today. And that's just one bill. That's just one bill, three exemptions.

GROENE: So you are talking sales tax? You're not talking property?

LYNN REX: No, I'm talking property tax. LB518 was a property tax bill.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 27, 2020

GROENE: Thank you.

FRIESEN: Thank you, Senator Groene. Senator McCollister.

McCOLLISTER: Just so I understand, Ms. Rex, what kinds of properties would be exempt for property tax? Hospitals? What other tax exempt facilities are--

LYNN REX: Well, for example, on the property tax side, the Legislature, you know, exempted personal-- there are certain personal property taxes that are exempt. There's other, tons of other exemptions. Like you said, for churches, for other, for nonprofits and for others.

McCOLLISTER: And we're unique in, in the way--

LYNN REX: No. The Nebraska Legislature is not unique in those exemptions. My understanding from both of those reports is the difference is that other states have fundamentally reimbursed local governments when the tax base was narrowed.

McCOLLISTER: I see. Thank you.

FRIESEN: Thank you, Senator McCollister. Any other questions from the committee? So is one of those things that was exempted, was that the intangibles that were tax--

LYNN REX: Households and intangibles were exempt before the final piece was put in place with the passage of LB578. That's true. And basically that was, at that time, though, totally inadequate in terms of a reimbursement for local governments. That was the governmental subdivision fund that ultimately was merged with the personal property tax relief fund for a total of roughly \$70 million. It was a whole lot more than that, but Governor Exon said, we're not going to give you more than that. So everybody, the local governments across state of Nebraska, ate that loss, and that's just for those limited exemptions. But there are many others, of course.

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

LYNN REX: Thank you very much. Thanks.

FRIESEN: Any others wish to testify in opposition?

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 27, 2020

DANNY DeLONG: Senator Friesen, members of the committee, my name is Danny DeLong, D-a-n-n-y D-e-L-o-n-g. I'm here today as a volunteer testifying on behalf of the 200,000 members of AARP Nebraska in opposition to LB1192. We appreciate the opportunity to share our concerns about LB1192, which would cap state funding to Nebraska's homestead exemption programs. AARP Nebraska is the largest nonprofit, nonpartisan organization representing the interests of Nebraskans aged 50 and older and their families. Key components of our advocacy agenda include helping to ensure that Nebraskans are financially secure and can age in their own homes and communities among friends and family. AARP strongly believes that all individuals have the right to be self-reliant and live with dignity. This is especially true during retirement years. Housing is the largest item in many American household budgets. Housing costs directly impact financial security. Our research tells us that 86 percent of people 65 and older want to remain in their own homes and communities as they age. Yet older adults living on a fixed income are especially vulnerable to the rising cost of housing. The average Social Security benefit for a single person was, as of January 2020, \$1,500 a month. Single persons who spend a net of over \$500 a month for housing, including utilities and upkeep, are considered housing cost-burdened and are in danger of losing the security of living in their home and in their community. It is not surprising, then, that many of our members tell us that property taxes are the single most burdensome tax, and we believe this is particularly the case for those who are living on low to moderate fixed income. Residential property tax affects older people directly as homeowners and indirectly as renters. AARP, AARP believes that property tax relief should be equitable, targeted and cost-effective, while there are many different kinds of relief programs, our policy particularly favors programs that are targeted to those residents who are most in need of assistance, low and moderate-income Nebraska households, many of whom are living on a fixed income. We are alarmed at the introduction of possible passage of LB1192, which will limit the ability of Nebraska state and local governments to offer targeted tax relief to this important population. Local governments are already hard-pressed to find the dollars necessary to fund essential programs and services, which include responsibilities for public safety, infrastructure, maintenance and improvement and disaster mitigation, all of which are relied upon by seniors, children, and other members of our community, including our businesses. Finally, in 2006, AARP Nebraska spearheaded a three-year reform effort with then state Senator Combs to expand the homestead exemption by increasing the amount of the exemption and by raising the maximum value that can be

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 27, 2020

exempted. However, our past two legislative sessions have had as their primary focus the need for property tax relief. Therefore, it is with a real sense of alarm, again, I use that word, that we are here today to oppose LB1192, which, if passed by the 2020 Legislature, will begin the rollback of a truly successful tax relief program vital to older Nebraskans who want nothing more than to live their retirement years in their home communities. We ask that members of the committee oppose LB1192, a bill which will cap state funding for Nebraska's homestead exemption program, leading inevitably to an increase in a tax cost burden for Nebraska's older citizens. Thank you for the opportunity to comment. I'm available to answer your questions.

FRIESEN: Thank you, Mr. DeLong. Any questions from the committee? Senator Groene.

GROENE: Do you have any are-- research or any data about those retirees? Most of the wealth is in people's hands over 65. You know that, 70, 80 percent of all the wealth in the country. About those people in the state of Nebraska--

DANNY DeLONG: [INAUDIBLE] accept your assertion of it.

GROENE: It just happens that way.

DANNY DeLONG: OK.

GROENE: Always does. Do you have any-- where the people who can afford to move away in Nebraska compared to other states, how many of the retirees do we lose? You know, I agree with you. Those on the lower income are trapped here. They don't have the resources to move. But the ones who have been successful, how many of them move away because of high property taxes? Have you any--

DANNY DeLONG: I don't think we have any information on that, but I'm guessing that information is available. And we'd be glad to try to identify the source of it and provide you with the information.

GROENE: Would you do that, if you could? If you could find that Census Bureau information? I mean, we could do it.

DANNY DeLONG: Yes, we will.

GROENE: Thank you.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 27, 2020

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

DANNY DeLONG: Thank you all. Appreciate it.

LARRY STORER: Good afternoon. Thank you for letting me testify. Larry Storer, S-t-o-r-e-r, Omaha, Nebraska. I came down primarily today because I go to the meetings in Omaha a lot, and I've been hearing my commissioners in Douglas County and city council people all getting all scared about the property tax increases that are going to fall on senior citizens because the funds that are reimbursed to Omaha or Douglas County are going to be cut. And therefore they have to raise my property taxes more, again. I just got a 70-- \$700 a year increase. I might have to move out. But what I want to complain about is that, well, most of you know, the old circle-- circus game of the pea under the pot, and if you find which one the pea is under, you might win. Well, that seems to be the game we play with tax dollars. We don't know who's actually taxing who. The school board blames it on the city and the city blames it on the county. And then the county says yesterday, or Tuesday, I guess it was, unfunded mandates. And the state keeps sending these things out to us that cost us money. and we have to raise your property tax. And now they're going to cut reimbursement they give us. So what I want to say is maybe state, county, and city people need to stop spending so much money. And one way they can do that is maybe stop giving it a lot of money away, number one to 501(c)(3), the tax-exempt organizations. They are tax exempt, but they also march down to the microphone and ask for money, don't they, in a lot of cases? Some donors get breaks, their property taxes stay the same or they don't pay them for 20 years. And now they want 25 years? Excuse me, I'm a little guy. I guess I'll have to move out and let the young people move in. Those are the same people, maybe they're millennials or younger, that don't stay very long and they go to the northwest because they can't afford property taxes or they won't buy a house because of property taxes. So you raise the guy who owns the apartment building, but we, we don't see that. Nobody knows how much you raised his. I know how much you raised mine. And I know a number of friends that have decided to move out, and I'm probably not too far distant future. Thank you.

FRIESEN: Thank you, Mr. Storer. Any questions from the committee? Seeing none, thank you for your testimony. Any others wish to testify in opposition? Seeing none, anyone wish to testify in a neutral capacity? Seeing none, Senator Linehan, would you like to close? We

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 27, 2020

have one letter of opposition from Sean Flowerday, Lancaster County Board of Commissioners.

LINEHAN: Thank you. I want to be abundantly clear, I support the homestead exemption. I do support it. But what we're doing in that case, as we're doing in some other cases, we're picking up a bill, we have no control over the bill. So if you look at the fiscal note, we're not going to get to \$100 million probably until '21-22; but at '22-23, it's \$6.9 million; at '23-24, it's \$12 million. And that number is going to keep going up. So I, it-- this is just another case when I feel like we're in denial about what's going on. It's true, if you're low income and your house is less than the value that they say you can keep, you can stay there. But the people we're going to lose are the people that pay the taxes. Because people are not going to stay here on their fixed income, which is significant. Let's say they've been successful, as Senator Groene said, and they actually are have over \$50,000 a year. But if you're over \$50,000 a year and you're still looking at a property tax bill, that's five or six times higher than most the states around us, why are you going to stay in Nebraska? This keeps low income people in Nebraska, that's fine, that's good. And we should help them with their-- but what, we're chasing people out of the state. And it, how people say that, you know, we shouldn't do anything about property taxes, I'm-- so here's a case where it's going to go up \$6, \$7 million a year. Then the Property Tax Credit Fund, as somebody said at a hearing last week, we put \$2 billion in it over the last 10 years, but property tax has gone up \$2.4 billion. That's not working either. Any time you're willing to pick up the tab with no controlling the cost, you're gonna go broke. It's just a fact of life. And that's what we're doing with these programs. We're picking up the tab with no control on the cost. So I think that's all.

FRIESEN: Thank you, Chairwoman Linehan. Any questions from the committee? Seeing none-- Senator Groene.

GROENE: Just to clarify my question earlier from staff, and did you know-- I'll ask another question. Did you know that we give the percentage off the tax liability? And then after that the Property Tax Credit Fund is applied so--

LINEHAN: I have two staff members shaking their head yes.

GROENE: So really, we don't have a 90 percent level because that Property Tax Credit Fund would wipe out anything those people at 90

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 27, 2020

percent. We probably don't have an 80 percent level of the Property Tax Credit Fund.

LINEHAN: Well, I think it would-- I think we need to look at the numbers because there's also a cap on their value. So I don't know.

GROENE: But I'm just saying, if anybody qualified for Property Tax Credit Fund, they end up with zero tax, I think is what happened.

LINEHAN: Oh, well, then that's, yes, that's something we should look at. I agree.

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

LINEHAN: Thank you very much.

FRIESEN: Close the hearing on LB1192.

LINEHAN: Good afternoon. We will now open the hearing on LB1212. Welcome, Senator Hansen.

B. HANSEN: Thank you. My first time, I think, in Revenue is the last one of the year.

LINEHAN: Yes.

B. HANSEN: Last two of the year? If I'm smiling more than I should be, my wife just texted me, Senator Groene's niece, all excited, crying that my, my three-year-old daughter for the first time went potty on the toilet.

LINEHAN: Yay. That is a big deal.

B. HANSEN: So however this hearing goes, that made my day,

LINEHAN: She needs to visit one of my grandchildren, who I won't name, so I don't embarrass him.

B. HANSEN: She even took a picture. It was ridiculous. All right, sorry. I digress. All right. Good afternoon, members of the Revenue Committee. My name is Ben Hansen, B-e-n H-a-n-s-e-n, and I'm senator for Legislative District 16, representing Cuming, Burt, and Washington Counties. LB212 [SIC] is a bill that puts the power into the people's hands regarding tax asking from various political subdivisions across the state. Senator Linehan's LB103, which I very much appreciate her

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 27, 2020

for introducing last year, which passed last year on a vote 47-0, was a necessary and needed measure to return not just power through proper informed consent to the people, but by also ensuring that when assessments go up, the money goes to the people first and the taxing authority has to ask the people for more money. LB212 [SIC] expands on that effort by requiring the political subdivision to send out a postcard, as well as publish the information online. This bill also makes one important change, and that allows for new growth. Many cities and towns throughout the state are improving existing land, as well as developing and growing considerably. Naturally, those improvements create higher tax valuations. LB212 [SIC] makes an effort to account for economic development and not punish political subdivisions for progress. LB212 [SIC] puts no hard caps on spending or the amount of money a political subdivision can raise. It simply requires that if a political subdivision will raise more money from the taxation of property than the previous year, it takes all the necessary and prudent steps to notify people via means of a technological society. Rarely are notices in the newspaper effective anymore. So steps must be taken by direct and electronic means to notice, notify the citizen-- citizenry of a tax increase. This bill is similar to a current law in Utah, commonly known as the Truth-in-Taxation law. Utah's law has been an effective means of keeping property tax low since it was passed in 1985. When the law was passed, Utah ranked 24th in nation property taxes per \$1,000 of personal income. It now ranks 36th. A bill like this, if passed, would help slow Nebraska's rising property taxes. Some of the handouts that we gave gave some examples of postcards that will be handed out, like what an example would give all political subdivisions of what they're supposed to hand out to all the constituents that would be affected by a property tax increase. One of them is from Utah's Truth-in-Taxation one that they, an example that they give. The other one is one that we gave that would include all political subdivisions. Whichever one was asked for more money would be included in this postcard and give a total at the bottom that would be given to all the constituents that are affected by it. So with that, I'll do my best to answer any questions.

LINEHAN: Thank you, Senator Hansen. Are there questions from the committee? So you're saying that the county would be responsible for sending this out?

B. HANSEN: Yes.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 27, 2020

LINEHAN: Once everybody announced their--

B. HANSEN: Yeah, we don't want to have every political subdivision send out a postcard and then somebody gets five of them in the mail. And we understand-- we define what political subdivision is in the bill. So we, there are certain ones-- we're not saying every political sub-- like Lincoln might have, what, 15? So we're not having each one of those have to report to this, just very specific political subdivisions.

LINEHAN: OK. So I would get in the mail how much my taxes are going up?

B. HANSEN: Yeah. We're trying to be as simple and specific as we can, so we have proper informed consent. So everyone can see, this is what your property taxes were before, this is what the person is asking for. This is what it's gonna be now per your taxable valuation.

LINEHAN: OK. Thank you. Yes, Senator Briese and then Senator McCollister.

BRIESE: Thank you, Chairwoman Linehan. Thank you for presenting this, Senator Hansen. The newspaper ads relative to a budget increase or tax asking increase, are they a minimum size required or--

B. HANSEN: Yeah, we've tried to be, again, as very specific as we can in the bill. We have where you're supposed to put it, what font you're supposed to use, what size it's supposed to be. What kind of newspaper. We know that some smaller towns may not have a newspaper in circulation, so we're trying to almost get away from that a little bit and do more electronic means as well.

BRIESE: OK. And what size is it? What is the minimum size required?

B. HANSEN: It might be an eighth of a page or a quarter of a page. One of those two. We just don't want them to bury it in the public notices, like typically happens. We're having a public hearing, and then nobody sees it.

BRIESE: I've been out of state where they have a truth in taxation provision by statute, and those ads jump right out at you like this, big bold block. Presumably that's what you have here.

B. HANSEN: That's what we're trying to accomplish with this. Yes.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 27, 2020

BRIESE: Thank you.

LINEHAN: Thank you, Senator Briese. Senator McCollister.

McCOLLISTER: Thank you, Chairwoman Linehan. Just so I understand, Senator Hansen, not every subdivision will be obligated to communicate this, just the county board?

B. HANSEN: Yes. Well, they all go-- they would all have to report to the county board and the county board would be responsible in sending out the, the postcard.

McCOLLISTER: But--

B. HANSEN: And they would have the hearing, too. The county would be-- would have the hearing that people can go to.

McCOLLISTER: But isn't that a little late in the process? Because once those subdivisions certify a, a mill levy to the county board, all they simply do is, is figure it into the overall budget and move forward.

B. HANSEN: Yeah. One of the handouts that we also gave you was a time line that Utah provides for all, for all political subdivisions to follow. And that's one thing we're gonna be working on is to-- this all ties into the next bill, LB1213, right. So LB1212 is a portion of LB1213. We made it a separate bill in case I wanted to prioritize it myself and make it separate. But this kind of leads into LB1213 as well. And so one of the things we're gonna have to work on is a proper time line for political subdivisions to make sure they send out the postcard that gives them fair, a fair chance to figure out their budget, to provide informed consent to, to the constituents. And so that's one of the things we're going to have to work on over the interim. So you're right, we're gonna have to make sure we give proper, a proper time line for people to report.

McCOLLISTER: Well, as I recall, after Christmas, but before New Year's, I get a handy-dandy property tax bill from, from the county. So they're already communicating with me that way. I need to review this, this timetable to see how things would work out.

B. HANSEN: Sure.

McCOLLISTER: But that seems to me that--

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 27, 2020

B. HANSEN: That's an example, that's not really the one we're going to be using, but it's an example of what we can give to all political subdivisions so they can have-- we're trying to be as clear as we can. We don't want to sit here and just give vague recommendations and then nothing ever happens. We're trying to be as specific as we can so that we can come back and say if they're doing their job or not.

McCOLLISTER: Thank you.

LINEHAN: Thank you, Senator McCollister. Senator Groene.

GROENE: Toot my own horn, we got LB148 passed this year about budget hearings, all right. It has to be a separate hearing. January is a real touch, short timeline to get their new valuations. They have their budget hearing in September, this is all in about 30 to 40 days, if I remember right. Where does this process fit in? I mean, they're going to have their budget hearing and then they're going to say how much you're gonna spend. And then they're going to have to figure out how much each person's taxes-- its individual card, each individual, how much their taxes go up--

B. HANSEN: Yes.

GROENE: --from each subdivision? Then on that card, is it going to be the date when that hearing is going to be?

B. HANSEN: Yes.

GROENE: So all, all that information--

B. HANSEN: Yeah, it's on the example that I gave you. Yeah. And again, we're-- one of the time lines we're going to have to work on, I think, is just trying to figure out what's going to be fair for the political subdivision, but also the property tax owner to make sure that they have fair and adequate response, so they can get to the hearing on time. And the hearing is a separate hearing, but I believe, according to this bill, it can still be during a hearing that they have. But they just have to close that hearing, open a separate hearing for the purposes of this tax increase.

GROENE: Thank you.

LINEHAN: Thank you.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 27, 2020

GROENE: I mean, I'm all for you. It's just a really tight--

B. HANSEN: Yep.

GROENE: --time line, maybe by design so that people don't have enough time.

B. HANSEN: Could be.

GROENE: [INAUDIBLE] move back the valuation of the county, announce valuations a couple of months earlier, move up that whole time line. But could be addressed too. Thank you.

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

CRAWFORD: Thank you, Chairwoman Linehan. And thank you, Senator Hansen. So I'm just still trying to process. You said that there would be one per the county, but the decisions that are being made, influence that tax level would be being made by all those separate subdivisions and that each separate, like the schools, the NRDs, they would be having their budget hearings and discussions. So it would seem that you would need one from each of your subdivisions, not just one--

B. HANSEN: [INAUDIBLE] we're trying to find a way to make it as easy as possible for people to go to one kind of hearing where they're finding out, man, my school is raising my levy again. Where can I go to complain and where, what authority can people have to say, you know, you can't do that or you're gonna have to check your levy or get enough people complaining. So it makes them think twice about when they're gonna raise their levy so there's-- the people have a place to go, I think, and they have adequate information. We're just trying to put the power, I think, back in people's hands a little bit here and just have informed consent.

CRAWFORD: So it would be per-- for each unit would do this?

B. HANSEN: Yes. Each political subdivision would do this, would have to report this, and then that-- our goal was to have one hearing where everyone can kind of go, one postcard that includes all the political subdivisions that will be sent out at one time. Again, one of the things we have to work on is the time line and how we kind of process that a little bit better.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 27, 2020

CRAWFORD: OK, thank you.

LINEHAN: Thank you, Senator Crawford. Other questions from the committee? So, I'm sorry, I haven't read the bill, but so are you talking about they would each have their own individual hearings and then there would be one countywide hearing where they would all have to discuss--

B. HANSEN: No, we're just hoping to have one hearing where they all go to.

LINEHAN: So for every taxing-- so it would be like an additional hearing?

B. HANSEN: Yes, in a way. Where they can just go and complain about, they want to complain about this, the NRD, if they want to complain about the school raising their levy or, or asking, having a property tax asking more than they did a year before. Somewhere people can kind of go where they include all this.

LINEHAN: So that way they don't-- so would it be-- could you set it up where it's like every year they know that this big meeting is going to happen on such and such a date?

B. HANSEN: Could, sure.

LINEHAN: Because then, you know, you could-- I've heard all week, for two weeks now, nobody comes to our hearings. Well, nobody, if they're at 5:30 at night and you're picking up your kids from daycare, it's pretty hard. But this would be something you could put where every year on this day, like a holiday, those hearings are going to be.

B. HANSEN: You could put that in the time line as well, or in the bill. Pick a certain date.

LINEHAN: OK. Thank you very much. Are there other questions from the committee? Thank you. And you'll be here to close because you--

B. HANSEN: Yes.

LINEHAN: OK.

B. HANSEN: Thank you.

LINEHAN: Proponents. Are there any proponents? Good afternoon.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 27, 2020

DUSTIN ANTONELLO: Good afternoon, Chairwoman Linehan and members of the Revenue Committee. My name is Dustin Antonello, spelled D-u-s-t-i-n A-n-t-o-n-e-l-l-o, and I'm here speaking on behalf of the Lincoln Independent Business Association in supp-- in support of LB1212. LIBA believes requiring political subdivisions to hold a separate hearing after 6:00 p.m. when considering a property tax request that exceeds the previous year's property tax request will promote transparency and good governance. Last year, LIBA was the only testifier when the Lancaster County Board of Commissioners adopted a budget that included a three-quarter of a cent levy increase to the county's property tax levy rate. We believe one of the main reasons that so few people testified on this property tax increase was due to the hearing being held at 9:00 a.m. on a Tuesday, when many people are just getting to work for the day. Furthermore, the property tax increase was considered along with a dozen other agenda items, including a contentious proposal to implement a wheel tax in Lancaster County. The wheel tax proposal garnered most of the attention during the meeting, while the property tax increase was considered last, when many of the testifiers on the wheel tax had already left to get back to work. LIBA also supports using newspapers, postcards and other electronic means to inform constituents of a property tax increase. Unless you subscribe to emails from a political subdivision or regularly go to their websites to check the agendas, it's easy to be aware-- unaware that a subdivision is considering a property tax increase. Finally, LIBA appreciates that LB1212 will, will require political subdivisions to hold a separate hearing when property taxes go up because of higher valuations. We found that political subdivisions will often claim that they are not raising your taxes when they decide to keep the tax levy rate the same, even when they will be receiving more in property taxes from higher valuations. LB1212 will raise greater, greater awareness among the public when a public political subdivision is considering a property tax levy increase. We urge you to advance LB1212 to General File. Thank you.

LINEHAN: Thank you.

DUSTIN ANTONELLO: I'd be happy to answer any questions.

LINEHAN: Thank you. Are there any questions from the committee? Seeing none-- Senator Groene.

GROENE: So do you go to a lot of public hearings, budget hearings, budget--

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 27, 2020

DUSTIN ANTONELLO: Yes, I do. I always testify at the Lincoln City Council, the County Board of Commissioners.

GROENE: So what times of the day and where are most of them held?

DUSTIN ANTONELLO: The county board is usually always on their regular Tuesday meeting, which is at-- starts at 9:00. And it's considered along with a number of different items. It's just treated like any other--

GROENE: Next year with LB148, they'll have to change that. But it's 9:00 in the morning, what about the school board?

DUSTIN ANTONELLO: School board usually holds theirs at around 6:00, I believe. It's like 6:00 to 8:00 that they do it.

GROENE: Have you ever gone to the community college?

DUSTIN ANTONELLO: No, I have not.

GROENE: With the--

DUSTIN ANTONELLO: Lincoln City Council is a little better. They'll hold theirs in the evening as well.

GROENE: Are they separate hearings or, or combined with other?

DUSTIN ANTONELLO: They're combined with others as well, I believe.

GROENE: Thank you.

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

DUSTIN ANTONELLO: Thank you.

LINEHAN: Next proponent.

NICOLE FOX: Good afternoon, Madam Chair Linehan and members of the Revenue Committee. I'm Nicole Fox, N-i-c-o-l-e F-o-x, director of government relations at the Platte Institute, and I am here testifying in support of LB1212. We are especially enthusiastic about the amendment filed with this bill. Last year, the Legislature unanimous, unanimously approved LB103, an important transparency and accountability measure for when local property tax increases might occur due to rising valuations. The problem that we have observed in

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 27, 2020

the first year of implementation of LB103 is that most Nebraskans still don't know about the law or their opportunity to be engaged in the process of deciding how their property taxes are levied. With the amendment, LB1212 would update LB103 to become a real truth in taxation law. Property taxpayers would receive notice by mail informing them of the LB103 hearings in their community and the impact the decisions of local subdivisions would have on their property tax bill. This policy has worked very well in Utah to motivate residents to become involved in local government. It has also helped to keep property taxes down to a reasonable level. One downside of truth in taxation is that local governments may sometimes become reluctant to, to adopt modest property tax increases, and that places the burden of-- on future office holders and taxpayers when much larger tax increases are necessary all at once. On the whole, though, Utah property taxes are much lower than Nebraska's, and we know that Nebraskans are willing to give local boards the opportunity to make their case for why an increase in property taxes has merit. We support truth in taxation because we believe Nebraskans will feel a greater sense of balance and satisfaction in how property taxes are levied if they are given more information about how to address their concerns. We also believe it will help local governments make tax and spending decisions with greater, greater buy-in from taxpayers. LB1212 does not impose any additional limits on property taxing authority, but it does give every taxpayer the information they would need to decide whether they should get involved in the local process that decides what their property tax bill will be. And with that, I'm happy to take any questions.

LINEHAN: Thank you very much. Are there any questions from the committee? Senator Groene.

GROENE: How familiar, you're familiar with the Utah situation?

NICOLE FOX: I mean, yeah, I've had discussions with folks at the think tank in Utah.

GROENE: Did they tell you what time of day and what day certain entities have to have their hearing?

NICOLE FOX: I mean, I haven't, I guess I haven't really gone into the specifics about, you know, time of day or anything. It's just kind of more, the discussions I've had have been more the impact of truth in

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 27, 2020

taxation on the state. I mean, that probably doesn't answer your question but--

GROENE: I think we could--

NICOLE FOX: I'm happy to talk with--

GROENE: --since we love taxes here in this state, and we must cause we're rated higher there than we have been in football for a long time. So maybe we had tax week. Monday is county commissioners of August. Tuesday is school boards and people stay home and nobody else schedule anything so everybody can go to the tax hearings every year.

NICOLE FOX: Yeah. I mean, as, as I understand it, the way LB103 is designed, I mean, there's already hearing-- I mean, hearings to be scheduled. I think what this is about is giving the public very obvious, kind of in your face notice, so that they are becoming more engaged.

GROENE: Everybody know April 15th, what that day means. Everybody knows what May 1st or whatever it is, first half your property taxes. Why don't we, everybody know just this date every year you're gonna have your county budget hearing?

NICOLE FOX: No. I mean, like I said, I have-- most of the, most the conversations I've had with those in Utah have been more about just kind of more outcome-related as far as, you know, taxes and, and their tax rankings and stuff like that. But I'd be happy to reach out to them and find out if, you know, it seems to be certain timing mechanisms that, that allow, you know, more people than not to be engaged.

GROENE: Thank you.

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

NICOLE FOX: All right.

LINEHAN: Thanks for being here. Are there other proponents?

JOE MURRAY: Good afternoon, Senator Linehan, members of the Revenue Committee. My name is Joe Murray, it's J-o-e M-u-r-r-a-y, and I just want to get a little different perspective as a citizen here in Lancaster County, rural Lancaster County. LB103 passed last year with

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 27, 2020

pretty much unanimous support. It was the understanding, at least of the public, was that was going to shine a light on escalating valuation increases. Seems like we're on a one-way escalator when it comes to valuation increases sometimes. And in practice the way it happened with the three largest taxers here in Lancaster County, the city of Lincoln, the county board, and Lincoln Public Schools, they already had a two, two-tier method of, you know, they had two hearings. They already did that. So rather than shining a light and having a specific time, they pretty much just did what they always did. And now they-- I'm not saying they didn't comply, because it was loose enough. But I think there needs to be some more teeth to it, some more clear, so we actually have a specified hearing with notice. And it really needs to be in the evening, I think, so people can get there to do that. And I think that's the direction to go in. I think it would be more helpful because, for example, on the valuation increase, the city of Lincoln was in the second year of a budget. They do a biannual budget. They budgeted a 4 percent increase in valuations, but they ended up with a 6 or 7 percent increase. So they could have, staying within their budget, gave a 2 percent to 3 percent of that back to the taxpayers. But they didn't do that, even though they had already set a budget at 4 percent increase projections. When they got more, they just kept it. And I think that's what some of us get upset about and like to see a more clear perception of that. And speaking of the people, somebody mentioned the wheel tax debate here in the county, which currently as a rural resident, nobody in the state pays wheel tax that doesn't live in a city. It was designed for cities. So but they had hearings to do a wheel tax, they had to join with the JPA, with another municipality. So they had hearings in the evening. It was the county, but before the Hickman City Council and the Waverley City Council. And we had 100 people show up in Waverly opposing it and 50 in Hickman. And those two city councils decided they didn't want a part of it. So for the time being, we don't have a wheel tax increase. So I think that's a demonstration that if you give people opportunity when they can get there, you're gonna get more insight than the way it worked with LB103, at least here locally, was that it was in the day. It didn't get a lot of attention and people just couldn't get there. So that's all I have to say. I'd be happy to answer any questions if there are any.

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

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 27, 2020

JOE MURRAY: Thank you.

LINEHAN: Other proponents?

ANSLEY FELLERS: Thank you, Chairwoman Linehan and members of the Revenue Committee. My name is Ansley Fellers, A-n-s-l-e-y F-e-l-l-e-r-s, and I'm here on behalf of the Nebraska Farm Bureau Supporting LB1212, Senator Hansen's bill to require political subdivisions to comply with certain notice and hearing requirements, as has been covered. While LB1212 retains local control by allowing locally elected boards to increase property tax asking according to existing budget limitations, the bill increases transparency once again by requiring property tax collecting entities to provide further notice of and host a separate public hearing. As an organization representing tens of thousands of farmers and livestock producers, we believe the Legislature must act to provide property tax reform and relief on a broader scale, but also appreciate small commonsense reform to bring more transparency to local tax collections and spending. Nebraska ag land owners pay the highest property taxes in the nation, as Senator Hansen well understands. We're asking this committee to make property tax relief and reform the priority, but encourage you in the meantime to take an important step by advancing LB1212. I'd be happy to answer any questions.

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

JESSICA SHELBURN: Good afternoon. My name is Jessica Shelburn, J-e-s-s-i-c-a S-h-e-l-b-u-r-n, I'm the state director for Americans for Prosperity here in Nebraska. As one of the largest grassroots organizations in the nation, AFP is dedicated to bringing people together to change our government and public policies for the better. We believe that one pub-- public policy that would do this is the truth in taxation piece that Senator Ben Hansen has brought before you today. More specifically, the amendment. As laid out, truth in taxation would provide the needed transparency that I think would kind of give a little bit more teeth to some of the proposals that you guys have already passed this session and last year with LB103 and LB148, which we were very supportive of. This gives that extra additional layer of transparency so that those individuals get that piece of mail and they can see specifically what those increases are going to be, the entities that are imposing those increases, and then it gives them the opportunity to go to a hearing. There are a lot of individuals in this state, and I'm thinking of a few, even in my family, that happen

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 27, 2020

to be here today, that have had large property tax increases. And they're intimidated by going in and having to go through the process of trying to appeal those increases. If you give them this extra step where the taxing entity has to go before the people, they have to hear the individuals out, and those individuals can come together as a group like Mr. Murray stated. When the wheel tax was being discussed in Lancaster County, those meetings were in the evenings and they had 50 to 100 people had them. Those people felt empowered to speak their mind and to tell those taxing entities: We have a problem with this. Something has to be done. We cannot continue to tax our individuals to the point where they can't afford to live here anymore. And we feel that this is a very good piece of legislation that would help empower our citizens and hold our, our tax-- our lawmakers, I guess, accountable, or our elected officials accountable. So with that, thank you.

LINEHAN: Are there questions from the committee? Senator Groene.

GROENE: Have you ever checked to see how many states change their valuations across the board the same year? Always seemed to me that in Nebraska that it really is kind of planned, that they divide and conquer, they only do a third a year. And they do a third a year, so a third of people get a huge tax increase and the other two, three-- two-thirds are hiding under the desk, waiting for their turn.

JESSICA SHELBURN: I have--

GROENE: Maybe if we did it all at once, there would be more people show up at the hearing.

JESSICA SHELBURN: That could be. I have not looked into that, but I will take a look at that and have a conversation with you about it.

GROENE: Thank you.

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

JESSICA SHELBURN: Thank you.

LINEHAN: Are there other proponents? Any opponents?

JON CANNON: Good afternoon, Chairwoman Linehan, 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

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 27, 2020

Officials, otherwise known as NACO, here to testify in opposition to LB1212. We appreciate Senator Hansen having brought this bill. I had a conversation with Senator Hansen yesterday to get to understand what he was going for in this bill. And I certainly understand where he is coming from, but I'm, you know, this body is charged with developing wise tax policy for the state. And I would urge you to consider a couple of notes. These notice requirements, they are more burdensome than we already have. There's, there's no question about that. And the underlying rationale is we just want to make sure that people really get notice. Well, we already have notice provisions. We have notice that's provided in the papers, but we're going to put it on steroids by saying it can't be in the classifieds, can't be in legals, has to have, you know, 14 point type, has to have a border around it, all that good stuff that, that will really catch their attention. I, however, I don't believe that I've seen that an enhanced notice leads to greater civic participation. We've used the example of Utah. And that's terrific. Oh, by the way, and I did a Google search, so I could be a little bit off, but most of the land in Utah is owned by the federal government, 64.9 percent. That's subtly different from Nebraska. There are 29 counties in Utah, little bit different from our 93. And I suspect that if you looked at population growth, probably the rate of growth in Utah is a little bit different since the mid 80s than it has been in Nebraska. So I think what we're doing is we're create-- we're comparing apples to oranges, you know. And so, again, we can talk about civic participation, but if people don't show up, I mean, that's, that's on the people that haven't shown up. Now, I appreciate the fact that when there are things that are well-publicized through the papers, you know, and, and people really, really care about, they do show up. To a certain extent, I kind of wish Senator Erdman were here, because one of the things I've heard him say before is that he was on the school board out in Bayard for a number of years. And he will ask the question, you know how many people, people showed up to our budget hearings? Zero. And they still had the same notice requirements that we have now, they still had the same publication requirements and people don't show up. Now, I don't know when they were having it, if they were having it at 6:00, if they were having it on the same day as any other hearings that they're having. But by the same, they're complying with the requirements that we already have set out in statute. If we feel that we need to put those requirements on steroids, I think all we're gonna get is, is tax policy on steroids. I'm not sure that we're actually getting to the root cause of civic engagement. And also, this is going to be a cost. And so in order to get people to be more mindful about their property

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 27, 2020

taxes, we're going to add to their property taxes. I'd just like to have, have that with you. Also, the bill requires that we have publication two weeks prior to the public hearing. Budgets are supposed to be done by September 20th. Certify-- values are certified on August 20th. That doesn't really leave us much of a window. And with that in mind, I invite any questions you may have. Thank you very much.

LINEHAN: Thank you, Mr. Cannon. Are there any questions from the committee? We don't really think that people don't come to budget hearings because they're not mad about property taxes, do we?

JON CANNON: I don't know. I've--

LINEHAN: You don't think people are mad about property taxes?

JON CANNON: I think they are. And I-- but I would welcome them to attend the budget hearing. That's, that's where the property tax is determined. I mean, we can talk about valuations and we can strategize all around that all we want. But at the end of the day, it's the amount of money that's being spent by a political subdivision that determines what your property tax bill is. And if people-- and for what it's worth, I've been talking to taxpayers across the great state of Nebraska for about the last dozen years, and in different capacities. And generally speaking, they'll call and say I don't like my property taxes. And when they do, I say, well, have you attended the budget hearing? And, and no kidding, the conversation typically goes, I can't be bothered. Next caller, I can't be bothered. Third caller, I can't be bothered. Fourth one says, oh, OK, that's a good idea. I'll do that. I mean, that's a, that's not an accurate, I mean, completely accurate statistical representation. But I would say that's pretty darn close. You know, if people don't want to show up, and you know, I think I heard from some of the other testimony, well, they hold a hearing about the same time they're picking up their kids from daycare. Well, we don't like that. Well, OK, what's a good time? Is it 7:00? Is it 8:00 in the evening? And then that starts get a little too late, especially if you want everyone in the public to be able to speak their piece. Especially when you consider that a hearing, if I schedule it for today, today ends at midnight. So the later we put it back, the less time we have for people to speak. And so if we want meaningful conversations, you know, I don't see that there's anything wrong with what we've got.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 27, 2020

LINEHAN: OK.

JON CANNON: Yes, ma'am.

LINEHAN: Senator Groene.

GROENE: [INAUDIBLE] Question. Thank you, Madam Chairman.

LINEHAN: I'm sorry.

GROENE: I think I remember the question I was going to ask now, but how many in the county commissioners, how many tax protests do they have a year? They keep pretty busy with those don't they?

JON CANNON: It's got--

GROENE: Valuation?

JON CANNON: Yeah, it will, it will vary from county to county. But yes, sir, that's true. They'll be busy.

GROENE: They're busy. So basically isn't that a protest against property taxes?

JON CANNON: It's protest against their value. You know, and, as you know, sir, you and I have had this conversation in different capacities. But, you know, the valuation, all that is it's my percentage share of what the total property tax asking for the political subdivision is. And so I might lower it by a percent and I feel pretty good, but the overall political subdivision budget is going to be made whole.

GROENE: Isn't the problem what we heard earlier from the AARP representative? I don't want to pay my taxes, but Nebraska has great state policies and straight-- state programs that HHS and everything. In other words, I don't want to pay for, but I still want it.

JON CANNON: Well, I don't want to put words in the gentleman from AARP's mouth.

GROENE: No, I know--

JON CANNON: But I love the programs that we have. I'm-- my fiance will kill me, but I'm content paying the property taxes that we do, because

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 27, 2020

I understand that the services that we're getting are, you know, we're, we're getting a pretty good bang for our buck.

GROENE: If you use them.

JON CANNON: Yes, sir. If you use them. Correct.

GROENE: Thank you.

JON CANNON: Yes, sir.

LINEHAN: Thank you, Senator Groene. Did-- Senator McCollister.

McCOLLISTER: Yeah. Thank you, Chairwoman Linehan. Currently our subdivisions of county government, do they have levy lids?

JON CANNON: Subdivisions of county, county-- so the county is its own political subdivision. And then when you go to NRD, ESU, schools, city, those are their own separate political subdivisions. And, and my understanding is, yes, they each have their own lids, but they're not subdivisions of the county.

McCOLLISTER: Right.

JON CANNON: Yes, sir.

McCOLLISTER: But they each have their own levy limit, correct?

JON CANNON: Yes, sir.

McCOLLISTER: All right. Do you know what each of those levy limits are?

JON CANNON: Off the top of my head, I don't, sir. I know that for cities, it's 50 cents. Counties, it's 50 cents. Schools, it's \$1.05. And there's, there's some futzing around on either end as, as far as what sort of authority they have and what sort of situations allow them to get that high. But that's generally, you know, the three main ones that are out there.

McCOLLISTER: So as valuations increase, those-- if those levies, if there's a lid on the levy, they still generate more money, do they not?

JON CANNON: Mathematically, it works out that way, sir.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 27, 2020

McCOLLISTER: OK. Thank you.

JON CANNON: Yes, sir.

LINEHAN: Thank you, Senator McCollister. Are there any other questions from the committee? We have lids on the levies, but there's no lid on valuations is there?

JON CANNON: No, ma'am, there is not.

LINEHAN: So if you have a formula and if you put a lid on one side of the formula, that doesn't really control anything if there is no lid on the other side of the formula.

JON CANNON: That's correct, ma'am. We're, we're a market value state. And I'm not sure that you could have a formula that would accurately get you to market value.

LINEHAN: Well, I'm not talking-- I'm just talking about the formula. It's your levy times your valuation. Your valuation goes up--

JON CANNON: Yes, ma'am.

LINEHAN: And-- OK, the other thing I have a question, do you have any idea the number of newspapers that are sold in Nebraska today compared to the number of newspapers that were sold in Nebraska 20 years ago?

JON CANNON: I have no idea, ma'am. Our friends of the Press Association probably have a good idea.

LINEHAN: Yeah, well, but we agree that it's significantly less.

JON CANNON: Yes, ma'am. Absolutely.

LINEHAN: So we might be a bit behind the times using newspapers to notify Nebraskans.

JON CANNON: I agree. And frankly, if, if we wanted to move to a notice system where we were harvesting email addresses, which I think some people might have a problem with. But if, if we got, went to that sort of system where we're, at the push of a button, you know, as I'm sitting in the treasurer's office and I press a button and all of a sudden an email blast is going to go out to all of my constituents, we could talk about that.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 27, 2020

LINEHAN: It's not-- I'm not very computer literate, but I'm not illiterate.

JON CANNON: Yes, ma'am.

LINEHAN: It's not that hard to sit at my computer, push a button that produces a whole bunch of postcards that are addressed and you stamp them and send him out. That's not that burdensome.

JON CANNON: That costs--

LINEHAN: If you have a program set up to do that.

JON CANNON: Yeah. If you have a program set up to do that, that, that cost, actually it does start to ratchet up pretty quickly. I mean, just the cost of cardstock.

LINEHAN: I've sent out a lot of postcards. It's not that expensive.

JON CANNON: Yes, ma'am.

LINEHAN: OK. Thank you. Yes, Senator Groene.

GROENE: Senator Linehan made me think of a great idea. You know, I get an Amber Alert. How about we, every county has to have a tax hearing alert flashes on your cell phone? Very loud alarms.

JON CANNON: I have never considered that before, Senator. I'd have to think about-- and I'm not laughing at the idea. I just, that's a new one on me, sir. I sure want to think about it, and I'd love to visit with you about that.

GROENE: Thank you.

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

FRIESEN: Thank you, Chairwoman Linehan. So everybody is mad about property taxes, and more so, I think, out our way than probably anywhere, because in some areas still bond issues keep passing. So I will argue that sometimes there is no anger. They continue to raise their own property taxes. The Governor keeps saying that's a local issue. So do we just take the lids off of cities, counties, schools, make it a local issue?

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 27, 2020

JON CANNON: And again, I've not considered that one. And I want to make sure that I'm still the deputy director of NACO next week, and so I'm not going to answer that, sir.

FRIESEN: Well, I mean we-- how many, I've asked before too, I have asked what are the unfunded mandates that have been thrown at the counties? I've always wanted a list. What are the unfunded mandates that we've put on cities, counties, schools. You know, we do unfunded mandates all the time. We pass laws here and we make you do things and we don't pass the funding on. Now, some things are just functions of local government, I get that. And those are the ones I've never been complaining about my county's property taxes because those services are directly tied to what I want. But is there a master list somewhere of those unfunded mandates that over the years have accumulated and yet been forced upon the taxpayer when maybe they shouldn't be property tax issue, maybe it should be something else?

JON CANNON: Yes, sir. I mean, I believe it's 2016 that there was a report published by the Legislature in conjunction with NACO, and it's, it's on the Legislature's website. And I think we started updating it for tax year 2019. Where that is, I'm not entirely certain. I believe we had sent in a request to have it amended to-- or appended to the, the report that's already on the Legislature. I'll be honest with you, I don't know exactly where that is, sir, but I'd be happy to get the research that I know we did do. I'd be happy to give that to you, sir.

FRIESEN: OK. Thank you.

LINEHAN: Thank you, Senator Friesan. Senator McCollister.

McCOLLISTER: Such a list exists. And I, I've had copies. In fact, I received the copy from Larry Dix in 2016. And it's a list of those unfunded mandates. But on the other side of that list, I think it was Medicare that the state picked up from the county. So we've got to equate that. But I think it's high time we, we took a, a list from both sides and determine what the state's picking up, what the state is obligating the counties, and things like that. And there's some other issues, the inheritance tax. You know, Nebraska is only one of seven states that has an inheritance tax-- tax, how crazy is that? So it's, you know, we do have to take a look at what the county is picking up and what the state picks up, because it's, I'm not sure it's working out as, as, as, as it should.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 27, 2020

JON CANNON: Sure. I believe we'll be discussing inheritance tax in the next bill, sir.

McCOLLISTER: OK. Thank you.

JON CANNON: Yes, sir.

LINEHAN: Any other questions from the committee? Thank you very much for being here, Mr. Cannon.

JON CANNON: Thank you, ma'am. Good afternoon.

LYNN REX: Senator Linehan, members of the committee, my name is Lynn Rex, L-y-n-n R-e-x, representing the League of Nebraska Municipalities. And I'm going to wait just a second until you receive this letter from Stromsburg. First, let me start by saying the League is here today respectfully opposing LB1212. And I will, when I testify opposed to LB1213, just incorporate by reference my testimony, since a lot of LB1212 is incorporated into LB1213. That being said, I think it's-- I want to emphasize that I've not seen the amendment, so I can't address the amendment. I'm going to address the bill as you have it before you. And I would ask that you look on page 6 of the bill, which is Section 5, because so much of the bill references back to Section 5. And I understand that, with respect to those that have testified in favor of this, it's intended to be sort of an update or an enhanced version of LB103. And just to put that in perspective, LB103 that passed last year, it basically said instead of having two hearings, which would be the propose-- basically the hearing on the proposed tax statement, which is already required in 13-503, and has been for decades, that you have that hearing. In addition to that, you have a hearing on the budget. And then due to passage of LB103, you have a separate hearing, and that would be the hearing on tax asking. So in any event, we think that that did, went quite a distance in terms of providing additional transparency. I'd like to just review with you a little bit about, and again, I don't have the amendment, so I can't address that. This is one of many letters we received. This one was from Stromsburg, Nebraska. If you look on page 6, line 25 of LB1212, what you'll see is that there is a requirement that they're-- basically the political subdivisions shall not schedule a public hearing at the same time as a public hearing of another political subdivision in the same county. I think it's important to look at the practical application of that. In this letter from the city of Stromsburg, 29 total public political subdivisions in Polk County. In addition, if you turn to the backside, page 2 of this letter, Twin

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 27, 2020

River School District is in four different counties and High Plains School District is in five different counties. So essentially the concern that's here is how would you possibly coordinate all of that so that no one's having it at the same time? And again, I can assure you there is no effort here by anybody to try to hide the ball, there has never been. And I just want to emphasize that. With respect to the second item here on page 6, line 25, again, it says, although it allows for the hearing to be the same date as the regular council meeting, the restriction required the other meeting to be included in time for the budget hearing is problematic. The budget hearing would need to be scheduled long before the regular council meeting agenda is even set because the publications required by LB1212. In other words, it's not even realistically-- realistic to do it. The third item is just the cost. So prior to in 2018, the costs for the city of Stromsburg was \$67. In 2019, it's \$104.38. And then if LB1212 would pass, it would be \$204.75. And again, that may not seem like a lot of money, but for the city of Stromsburg it is. And so I just want to underscore that on their behalf. And this is just a very-- a letter that frankly is very, very carefully, I think, put together by Nancy Bryan, the city clerk-treasurer of Stromsburg, who's just trying to underscore the fact that folks want to comply with what you pass. But sometimes it's very important to understand what that means. The third page on, which is her fourth item here, it says according to the bill, the budget hearing notice must be published-- published for two consecutive weeks with the hearing taking place a minimum seven days after the first publication. Again, she knows what those requirements are. Jon Cannon has referred to some of those already. It is, frankly, short of impossible to try to do that. So in any event, I just think it's important to understand the implications of what this bill would have, and the practicality of it. I don't know, I don't have the amendment to know exactly how that would interface with LB1212 as introduced. But this bill in its current form, we don't think is workable. LB148, which you've already passed, Senator Groene's bill, this session, has some of the same information here in terms of allowing people to speak and doing those sorts of things at the budget hearing. And I do want to emphasize one other thing, too. And I think Senator McCollister, perhaps it was you asking the questions about valuation. No matter what the valuation is for municipalities, and frankly, I'm not going to speak to schools because I don't know their lid as I understand the lid for everyone else, there's a double lid here. In 1996, the Legislature passed a lid on levy, levy limits, which took effect in 1978. In two years, second-class cities and villages across the state of Nebraska had reduced by well over half,

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 27, 2020

from over a \$1.05 per \$100 valuation, and they were all there down to 45 cents plus 5 in two years. Just imagine if the federal government said to the state of Nebraska, reduce your sales and income tax by half. And by the way, you have two years to do it, and good luck with that. Hope you can provide all the services that you've been providing. And of course they couldn't. The light is red, so I can't respond. I hope you ask a question.

LINEHAN: Senator McCollister.

McCOLLISTER: I'd appreciate if you would finish your comments.

LYNN REX: OK, thank you. So with respect to second-class cities and villages, they went from \$1.05 to 45 cents plus 5. They had from 1996 to 1998 to do that. First-class cities also went from 87.5 down to 45 plus 5. But frankly, most of them were not at close to 45 cents, and neither at that time was Lincoln or Omaha. In addition to that, in addition to that was LB299, which went into effect and passed in 1996. That was the lid law on restricted funds, that was supposed to go away in two years. That was Senator Warner's vision. It was supposed to go away, because he did not want anybody artificially raising what their budget was going to be. Unfortunately, he passed away, other things happened. And Senator Coordsen, when he chaired this committee, and then Governor Nelson said, you know, we're going to keep them both. So there is a double cap. My point being, what the valuation is is secondary to the fact that, no matter what, you cannot go above 2.5 percent over the prior year, plus another 1 percent on a supermajority vote. So you can only raise so much money. And just to underscore this point, again, 529 cities and villages, half of those are up against their levy limit, half of those can't even raise the 2.5 percent over the prior year to even spend it. So I'm just suggesting to you that, you know, again, this, this in terms of transparency, we're happy to do whatever you think is important for that. I do think that there are other ways to do that. We don't think LB1212, though I'm sure very well-intended is not workable in its current form.

McCOLLISTER: I'm very grateful for the history lesson.

LYNN REX: No, thank you very much for the question, too.

LINEHAN: Thank you, Senator McCollister. Senator Groene.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 27, 2020

GROENE: So after this disaster you're talking about, police cars ran, the lights went on the next day on the utility company, the potholes got fixed. So--

LYNN REX: No, and actually that's not actually true.

GROENE: I've been to a lot of towns in Nebraska, the lights go, street lights work, police cars drive by.

LYNN REX: Not in-- not police cars. One of the things, one of the first things to go with our smaller communities was some people wanted to say, isn't this great? Look at all the consolidation. A lot of our villages lost their one or two police officer force. Some at that time could even afford to contract with the sheriff. Some now can't even afford to do that.

GROENE: But isn't the contract an interlocal agreement outside the levy lids?

LYNN REX: Pardon me?

GROENE: The interlocal agreement with the sheriff's department is an interlocal agreement outside the spending lids. Is that not true?

LYNN REX: They could do that.

GROENE: They did in Lincoln County.

LYNN REX: But in most of the communities, they can't even afford to do that. Because there is, there's, I mean, you asked the question, Senator Friesen, what if you did away with the levy limits and the caps and their lid on restricted funds? I can tell you unequivocally, in my view, that would not change what city officials and village officials do in this state, because I've never met that elected official who decided I'm going to run for mayor or village board chair and I'm gonna spend. I'm gonna get as much money as I can get, I'm gonna spend as much money as I can possibly spend. I've never met that person because they're a tax-- they're a taxpayer, too. And as you well know from, I know your experience, not personally, but on the recall side of things. It's, it's hard even to get people to run for a local office.

GROENE: So excuse me, I'm confused. I'm a simple man.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 27, 2020

LYNN REX: OK.

GROENE: So you said because they lowered the lids they had to lay off the policemen, but if we took away the lids, they wouldn't hire the policemen to raise the taxes. That makes no sense.

LYNN REX: Well, what I'm telling you. Is that, right, I mean, everything is a paradigm shift. So when you had literally hundreds of municipalities in the state, second-class cities and villages predominantly, because they were the ones that were most impacted in 1996, between 1996 and 1998, to reduce basically their amount of revenue by more than half. And so then there now you're starting today. So if today you're going to say to somebody, if you took away the lids and the levy limits, are you going to double what you're spending in various cities? I don't think that's the case.

GROENE: I guess I'm just totally confused. I see the cities giving away \$80 million a year to \$100 million a year in TIF. Why are they doing that then if they need those tax revenues?

LYNN REX: Well, first of all, they're not giving it away. What tax increment financing is is basically you're not giving away the taxes that you're already getting, what you're doing is it's an increment so that once that increment is paid off, then you have, in fact, built the base. That is one of the most important ways in the state of Nebraska in which the state of Nebraska has grown. And it's grown because, in fact, it's enabled--

GROENE: Thank you.

LYNN REX: --the base for schools and others to grow.

GROENE: One last question. I keep hearing that you can't, you don't have time. These guys are too busy. They can't have a budget hearing, they can't have a levy hearing.

LYNN REX: We've never said that, Senator.

GROENE: Well, you didn't on my budget hearing. But I hear from a lot of taxing entities they just can't do that, don't have time. But then I read in the paper they have meetings on zoning, they have meetings on, on TIF, where they give tax dollars away, but they can't give the public-- you know how serious this issue is. In a free society, you

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 27, 2020

are confiscating people's money through a tax levy and you can't give them a hearing?

LYNN REX: Senator, I've been with the League for 40-plus years--

GROENE: And put it in the paper--

LYNN REX: I have never been-- I, I don't know of any time when municipalities were not-- I can't speak to other political subdivisions, but when municipalities were not required to have a budget hearing. You're the former mayor of Henderson. You had, you were required to have a budget hearing and you did. You're required to-- I think the difference and I think it added additional transparency because, prior to LB103, what was happening is, yes, you'd have a hearing on the proposed budget statement, usually the same day. And that's probably happening now, a hearing on the budget. Prior to LB103, the, the tax asking was usually done the same time as the budget hearing. Senator Linehan's bill with LB103 said now you're gonna have a separate hearing, can be the same day, though, but you're gonna have a separate hearing and it's gonna be on tax asking. We have never once, not ever have I known of a municipality that has ever said we can't do a budget hearing. They're required to. They've always been required to.

GROENE: I will take that back. The cities have been the best that I've ever gone to a budget hearing. When I first started going, I was an outcast, like, why are you here asking these questions? But the cities have been pretty good, so I will give you that. Thank you.

LINEHAN: Thank you, Senator Groene. Are there other questions from the committee? So how did the Legislature, well, it had to be something on the other side of the deal, right, in 1978? They took you from \$1.05 to 45 cents. They didn't-- there was no other tradeoff? There wasn't anything you got? They just--

LYNN REX: Oh, no, we did not, Senator. What was happening at that time is there was an individual by the name of Ed Jackshaw [PHONETIC] and he was floating a petition.

LINEHAN: Petition.

LYNN REX: He was thinking about it or was doing it. And I believe it was LR293CA, I have to go back and verify that. But in any event, Senator Warner did something very similar to what the tax-- what this

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 27, 2020

body has done with, the Revenue Committee has done in the past with the Syracuse study and also the tax modernization study. Senator Warner's view in putting forth LB1114 in 1996 on the levy limits and LB299 on the lid was that there were some areas of the state of Nebraska that were not paying enough in property taxes and other areas that were paying too much. And that's why he wanted to have an equalizer in terms of what the maximum levy limits would be based on the various political subdivisions. In ours, ours for municipalities, it's 45 cents plus 5 with interlocal agreement. The county lid is constitutional, and so theirs is 50 cents minus 5 for interlocal agreements.

LINEHAN: So it was part, it was part of fighting off a petition drive.

LYNN REX: For the state. It was a lid on the state. It was not, that the Jackshaw [PHONETIC] lid was not a lid, as I recall, on the local government side, as much as it was Senator Warner's concern, and rightfully so, of the implications of what that would be for what was then called the Department of Roads, now NDOT, and what the lid on spending would be for the state of Nebraska itself. And so the issue was, let's look at the issue of property taxes, let's look at spending.

LINEHAN: People were mad about taxes even back in 1978. When they're mad about taxes, they come to the Legislature regardless of who is taxing.

LYNN REX: I'm sorry?

LINEHAN: Nothing. People are mad about taxes, obviously.

LYNN REX: They also talk to their city officials. They also talk to their village officials.

LINEHAN: So--

LYNN REX: People are concerned about that, of course.

LINEHAN: In 90-- well, we will have it off. I'm not going to keep the committee or you here. That's not fair. Other questions from the committee? Senator Friesen.

FRIESEN: Thank you, Chairwoman Linehan. So I'm, I'm looking at the list of unfunded mandates. And, yes, lots of things I remember them. So when, when state aid was removed, and this was before I was

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 27, 2020

involved in city government, but did they implement other taxes at that time? You know, is that when wheel taxes became popular, when occupation-style taxes started to climb? Were they looking for other ways to raise revenue to make up for that loss in property taxes?

LYNN REX: Are you talking specifically about municipalities?

FRIESEN: Yes, municipalities.

LYNN REX: I mean, without a doubt, the single most important thing that municipalities have done to lower property taxes and to fund major programs that are necessary, and some because of mandates, it would be basically local option sales tax for municipalities across the state of Nebraska. There is no question about that. And if you look at what the implications-- implement, implementation was of some of the issues that were brought forward with the Syracuse study, I'm just going to read to you from page 35, it's only three sentences. Thirty-- this is page 35 of the tax modernization study of 2013, basically saying the following: The primary policy option for reducing property tax use recommended by the Syracuse tax study was increased aid to local governments, emphasizing equalization aid for local governments. This was to supplement the then existing aid programs which have been implemented to offset loss of property tax capacity from prior exemptions granted. The recommendation was implemented in part. The preexisting aid programs which Syracuse recommended retaining had been repealed, and that included state aid to municipalities. And state aid to municipalities only was aid that was to replace the basically exemptions, property exemptions for livestock, real estate-- livestock, business inventory and farm equipment.

FRIESEN: Intangible tax.

LYNN REX: And, and also then merging the households and intangible that those two things, the Governmental Subdivision Fund, the Personal Property Tax Relief Fund. It went to the Nebraska Supreme Court at least three times and they said to the Legislature, you have a frozen class because you didn't put an indicator on it. So therefore, you cannot call it Personal Property Tax Relief Fund. John DeCamp, who was then a state senator, said in frustration: Fine, we're just going to call that state aid. So state aid to municipalities, to counties, to NRDs and others basically was simply a reimbursement for intangibles-- there in an adequate reimbursement for households, intangibles, livestock, farm equipment, and business inventory. The Legislature at

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 27, 2020

that time said to us, along with roomfuls of folks representing new car dealers, the ag folks, the Farm Bureau was there, everybody was there, that basically wanted those exemptions, and they said, you know what, we're not going to have a shift because my predecessor, my predecessor, Dave Chambers, and others for schools and counties said, we don't want to shift over to the other property taxpayers. And the answer was, that's not going to happen. Senator Loren Schmidt, Senator John DeCamp, Senator Frank Lewis and others said, no, no, no, we're gonna have a dollar-for-dollar reimbursement. You will not see that shift. That didn't happen because then Governor Exon said, we can't afford it as a state. So we're gonna give you \$70 million.

FRIESEN: When you said--

LYNN REX: That was totally inadequate.

FRIESEN: --was, was taken off. I mean, I still pay property taxes on farming equipment.

LYNN REX: That's because it went back on.

FRIESEN: Oh, it's only for a short time?

LYNN REX: It was, yeah. The rest though, the business inventory and livestock are still off.

FRIESEN: Yes, the intangibles did never come back.

LYNN REX: That's right.

FRIESEN: OK, thank you.

LINEHAN: Sir-- thank you, Senator Friesen. Senator Groene.

GROENE: How much livestock and equipment are in a city?

LYNN REX: Pardon me?

GROENE: I mean, what does livestock have an effect on a city's property tax base?

LYNN REX: Oh, very little. I'm just saying, though, that, that was part, certainly in terms of county taxes, sir.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 27, 2020

GROENE: So you don't think the check you get at the Property Tax Credit Fund is from the county treasurer is state aid to the city?

LYNN REX: It is not direct state aid, but it certainly is of-- of course, there is-- the city gets some of that. And by the way, the Legislature, I think gets a bad rap. I think you get a bad rap. You're stuck trying to solve the problem of what your predecessors created by not doing what other states have done repeatedly, and that is to reimburse local governments of the tax base that was taken away. I think look at, I think that what the Legislature has done in the property tax credit fund is significant. I think other things that you've done are significant. And I commend you for the efforts that you've been doing, trying to challenge yourselves and others in terms of what you can do this year.

LINEHAN: Thank you, Senator Groene. I'm not going to, because-- but I would like for the record not-- you don't have to answer me today. I'm going through some of these state unfunded mandates. I think most of them we could agree are, probably need to be done, right? I mean--

LYNN REX: I don't know what list you're-- I don't know the list.

LINEHAN: OK. Well, this was connected to your, what you handed out.

LYNN REX: I didn't have a handout.

CRAWFORD: City of Stromsburg.

LYNN REX: Oh, the city of Stromsburg. I'm sorry, yeah. OK. Yes, I'm sorry. Yes.

LINEHAN: So it's like--

LYNN REX: Yes.

LINEHAN: --energy code enforcement, asbestos compliance, EMT training. And I'm not, I'm not-- this is not on the cities, but I'm sitting on Education. What I've seen happen several times is schools come in and they want us to make them do something. And then the following year, it's a mandate. I mean, they come in, they want us to make sure they're all doing it. And then the next year, it's like we've mandated them then. So I'm just, on some of these things that are mandates like compliance issues with the sex offender registry, wouldn't everybody in every city want that?

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 27, 2020

LYNN REX: Well--

LINEHAN: And I know you didn't hand out the list, but--

LYNN REX: Yeah. Yes, but what I'm suggesting here is that in terms of, and I'm thinking that's why this is here, that in terms of what are the kinds of things that are being required and the-- and also the huge shifts that do occur over time. Incrementally, though, because it's all incrementalism in many cases, of what was being funded by, for example, DEQ, and then there's a raise in fees, there's a raise in rates, and those are shifted on down. The largest unfund, unfunded mandate on local governments in the state of Nebraska, certainly for municipalities, is the requirements of Chapter 48, Article VIII on CIR, and there were some significant improvement on that when Senator Lathrop was here the first time, and the work that was done on CIR reform at that time. But in terms of what municipalities are required to do throughout the state, they will do a comparability study to figure out, to try to not go to the CIR. That's a whole, that's the game plan. The endgame is not going to the CIR, to make sure that you're paying your, your employees a fair wage and also the benefits that are comparable.

LINEHAN: I don't think CIR is listed on here.

LYNN REX: May not be.

FRIESEN: Yes, it is.

LYNN REX: Is it? OK, maybe.

LINEHAN: Well, I just, and again, I don't need you to answer today, but I just think that some of these things, Stromsburg's, not you. But before I would scrub it to see if we were, you know--

LYNN REX: This is part is of her letter.

LINEHAN: Swimming pool operator requirements, surely every city wants to have a swimming pool with operator requirements. I mean, I'm just saying that some things that are put down as mandates, I don't think you would want the Legislature not to have the cities doing it.

LYNN REX: But I think that-- I understand your point. But the point that I think she is trying to make with this letter is that, just like with EMT training, you know, if the hours keep growing and the hours of the required hours under state law for getting these certifications

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 27, 2020

and whatever are in-- continue to be enhanced, it's harder and harder to get people. And also there's a cost with that.

LINEHAN: OK. All right, thank you. Any other questions? Thank you for being here.

LYNN REX: Thank you for your time, and appreciate it very much.

LINEHAN: Other opponents?

KORBY GILBERTSON: Chairwoman Linehan, members of the committee, for the record, my name is Korby Gilbertson, K-o-r-b-y G-i-l-b-e-r-t-s-o-n, appearing today as the registered lobbyist on behalf of the Home Builders Association of Lincoln and the Metro Omaha Builders Association Coalition. That's the only one today. And I want to make clear, we're not opposed to any of the notice provisions or trying to encourage people to be involved in the governmental process. Their concern, and mostly it's builders in Omaha that do a lot of work with SIDs, are concerned literally with just the logistics of the bill and being able to do the hearing, because they already have a very short time frame in which they do their budget hearings. So it's more so just we need to make sure this will work.

LINEHAN: Thank you. Is there any questions from the committee?

KORBY GILBERTSON: Thank you.

LINEHAN: Thank you very much. Other opponents? Anyone wanting to testify in the neutral position? Letters for the record, we have proponent: Ron Sedlacek, Nebraska Chamber of Commerce and Industry. Opponents: Dr. Mark Adler, Ralston Public Schools; Nancy Bryan, city of Stromsburg. Neutral: Shawn Renner, Media of Nebraska, Inc. Would you like to close and to open, I guess?

B. HANSEN: Yes. Thank you for everyone, for still hanging in there. Don't worry, my next bill is small and should go quickly so.

LINEHAN: None of them left.

B. HANSEN: Senator Groene left, so that will cut out half the conversation. Now you guys are starting to realize what our family reunions are like.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 27, 2020

LINEHAN: I don't think you can say that at a public hearing. No, no, no. OK, move on. Opening.

B. HANSEN: Want me to close real quick on this one?

LINEHAN: Yes, close.

B. HANSEN: I do appreciate the people who did come and testify. Ms. Rex, Mr. Cannon. I appreciate their comments. I know we talked to them a little bit off the floor as well, especially Mr. Cannon, about the possibility of maybe moving some of this towards more of an email-based system that might be a little more fiscally, fiscally responsible for the counties, get things out in a more timely manner. So that's one of the things we have approach, we're just trying to figure out the logistics of that as well. The Amber Alert was kind of interesting from Senator Groene, never thought about that one. And something Mr. Cannon did say was we do need to have meaningful conversations about property tax relief and about making sure people have informed consent, but that doesn't mean we should stop trying. And I think that's what this bill is trying to do. It may not be perfect, but at least we're trying something. At least we're gonna try to make sure people have informed consent so they have a place to go to, instead of waiting for their property tax bill to come in the mail and then they find out what everything happened. They get informed consent that way, but by then it's too late. So that's just something I think we're trying to, trying to provide with this bill. And so with that, I will do my best to answer any questions if you guys have any.

LINEHAN: Thank you very much. Are there any questions for Senator Hansen? Oh, wow. Senator Friesen and then Senator Kolterman.

FRIESEN: Thank you, Chairman Linehan. So I've been involved in numerous public organizations over the years, and I've never had anybody show up for a hearing. One time we had two gentlemen show up at an NRD hearing and turns out they were just there to listen. They didn't care. Budgets, I don't know if people don't understand them or part of the problem is when we get to the point where you're having that hearing, nothing can change. You've spent six months as a unit of government talking about the budget, building the budget, and you get to that endgame and you've designed a budget. And even if people would show up, I don't know that they would feel satisfied because in the end they would say, well, you know, we built this budget. This is what we have to do. We spent months working on it, fighting over it. We've had votes on it. And this is our final product. Does it change, or

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 27, 2020

does it somehow we have to change the mentality of the things we want?
The spending.

B. HANSEN: I've been on city council in Blair for many years, too, and that was the same sentiment we had. When we came to a budget hearing, two people showed up. But how do you fix that? I'm hoping this is one of the ways that we can. Again, doesn't mean we don't try because it isn't happening. Maybe people-- now when they, when Stromsburg sends you a letter and has 29 political subdivisions, that's a lot of political subdivisions for one person to kind of go through. If their, I mean, it does not include in their property tax bill. Or you go to Lincoln and have 13 political subdivisions. They get confused by some of that stuff. The postcard and some of the informed consent is supposed to simplify that. Here is what you were paying before, here is what you're paying now, here's your total. Here's where you can go and complain. And so that's, so hope-- we're hoping that will be the avenue that will drive people. Ms. Rex said incrementalism. Maybe people incrementally get angry every time they see that postcard. And this year, like I should probably go, got to go to the hearing. It's at a good time, maybe it's at night. Next year, more people are-- I'm trying not to swear, this is hard. More people are upset and then they, then they start to take action. I mean, maybe that's what this turns into. You mean, throwing a rock into a pond sometimes creates those waves, and that's maybe what we're trying to do here.

FRIESEN: I won't disagree with what you're trying to do. I'm just asking kind if, you know, people are going to show up-- if you get people to show up, they can still be 60 people that are upset with what's happening and nothing can change in that budget because it's too late.

B. HANSEN: It can. Here's the thing. Now when these political subdivisions have to raise their property tax request asking, they're going to remember every-- anything they say is going to be sent to a postcard to everyone of their constituents now, who might give them a phone call. Where as before, it's like it's in the public notice section, they may know about it. But nobody ever shows up. It's OK. We're trying to create that mentality that everybody who wants to raise your taxes now has to think twice about doing it, because they're gonna have a lot more people complaining to them. That's what we're trying to accomplish as well. So you can make changes. And it's not up to our government to force people to go to these meetings. But we're also trying to make the people, the political subdivisions who

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 27, 2020

want to raise our taxes think twice about doing it, because now a lot more people are gonna know about it. If they had, if everybody had an Amber Alert on their phone and their property tax is gonna go up because the school district said their property taxes are gonna go up, hell, I'd think twice about it. And so who knows? Maybe, maybe this will change the mentality of the people that are trying to raise our taxes, maybe it won't.

FRIESEN: All right. Thank you.

LINEHAN: Thank you, Senator Friesen. Senator Kolterman.

KOLTERMAN: Thank you, Senator Linehan. And Senator Hansen, I really appreciate what you're trying to do here. But I only gave him a 20, so let's move on to LB1213.

B. HANSEN: That sounds good. We got 20 minutes here.

LINEHAN: Other questions from the committee? OK. We have letters. Did I already read those? I already read them. So that brings our hearing LB1212 to a close and we will open on hearing LB1213. Again, Senator Hansen.

B. HANSEN: All right, I'll try to keep this brief, best I can. Good afternoon, members of the Revenue Committee. My name is Ben Hansen, B-e-n H-a-n-s-e-n, and I'm senator for Legislative District 16, representing Cuming, Burt, and Washington Counties. I'm passing on a few graphs the committee may be familiar with, and a large spreadsheet with some figures on it to help our conversation. With the spreadsheet, we did highlight-- we tried to be specific with each, each member of the committee, that would highlight the school districts that are in. We highlight, I believe we high-- highlighted them in yellow. So that would pertain to you guys' district in particular. I'm here to introduce LB1213, a bill that would change income tax brackets, eliminate some sales tax exemptions, lower the overall sales tax rate, and change how Nebraska funds its K-12 education system. Doesn't sound like too much. This bill is comprehensive tax reform that previews what could be possible in the future. Members of this committee are no strangers to our sales tax code and the fact that it was written in 1967. Since then, the only major changes to it have been carveouts for more sales tax exemptions, amplifying and expediting the erosion of our sales tax base, which is placed in more danger as our economy has changed from being primarily goods-based to primarily service-based. Here are a few things that

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 27, 2020

have happened since 1967. In 1968, McDonald's unveiled the Big Mac. In 1969, America put a man on the moon. In '71, Disney World opened. In '77, Star Wars came out. In 1980, Pac-Man. In '83, the Internet launches. In '96, DVDs became popular. In 2000, the Toyota Prius came out. In 2004, Facebook was launched. In 2014, the launch of Google's Alexa. You see, our tax code in Nebraska is older than the Big Mac, older than Disney World, older than Pac-Man, and older than the Internet. I wish my uncle-in-law was here. because I had a joke for him too. It might be even older than my good uncle-in-law, Senator Groene. But it's not. The world around us has changed dramatically, but our tax code has only become less and less effective, and it needs to change. One of the biggest things I talked about with my constituents when I went door to door is not just tax relief, but tax reform. The other primary element of this bill is a complete overhaul of how we fund our K-12 public education system in Nebraska. Again, as this committee knows, the state government is not picking up its share of the tab and local property taxpayers are suffering for it. This bill provides an increase of over \$640 million in state aid to schools through a fair and responsible delivery system where the money follows the student. We've included grants to address sparsity, especially in our western area of Nebraska, English language learners, poverty, and high-ability student populations. Some of these are addressed in our amended version as well, our white copy version. We've also created a system that rewards responsible spending by incentivizing schools with a gross incentive and disincentivizing overspending by way of a spending adjustment. If schools spend more than they should. This system encourages responsible spending without setting a hard caps allowing for responsible local control. It is the motto, "trust, but verify" in action. One of the things that we also included in there that I didn't in my opening statement was we're incentivizing school administration consolidation. Again, I don't ever believe in forcing schools to serve something such as that, but we're going to do our best to incentivize that through a grant. If two schools decide to consolidate superintendents or share superintend-- superintendents to save money, we will help incentivize that process. Since the original bill's introduction, I've worked on an amendment addressing some errors. The amendment clarifies that the various grants would be calculated at 10 percent of the school's general fund operating expenditure per student, and this percentage could be changed. Because tribal lands are exempt from property taxes, we saw a disproportionate amount of funding in tribal regions, so we put in place an increase in funding for school districts that are comprised of 50 percent or more of tribal land. Not only does this bill require state governments to

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 27, 2020

step up to the table, but it creates immediate property tax relief by requiring school districts to lower their levies. This is the amended version. According to the initial analysis, this would result in a \$640 million property tax decrease and an average levy decrease of 24 cents. Even with including a provision that allows school districts to retain 25 percent of the levy as a growth allowance, the bill decreases property taxes by over \$400 million, \$480 million, and results in an average levy decrease of 18 cents. This is what I call a win-win. And I can kind of simplify this a little bit more, is whatever new allocated money that the states are going to get, or the city-- or the schools are going to get from state aid because of this bill, 75 percent, 75 percent of that they have to use to lower the levy. The other 25 percent they can keep. I'm happy to continue working on changes over the interim, but I want to summarize a few things. One, this bill creates intentional school spending where the money follows the student, which I think is important. The student is prioritized not administrative salaries, not fancy athletic complexes, but the student. The bill lowers property taxes immediately. The bill enacts long-overdue tax reform. The bill empowers the citizen-- this word I always have a hard time with-- citizenry to be the government watchdog. This bill is a win-win-win. Not only does school district get more money and the citizens get property tax relief, but the counties will benefit from a broad and local-- broadened local option sales tax, if they have one, and the people will benefit from a transparent, functional, fair tax structure. I'm sure you guys might have some questions. I'm happy to share my research we've done best I can, and engage in a conversations and work with you with this bill over the interim if you have any more questions. But for now, I'll do my best to answer any questions you might have. Thank you.

LINEHAN: Thank you, Senator Hansen. Do we have any questions from the committee? It's impressive.

B. HANSEN: Thanks.

LINEHAN: That wasn't a question. So can you walk me through, because I didn't have time to look at this before. What are you, what are you doing for revenue? So revenues goes up in 2021?

B. HANSEN: Yeah, you're talking about the fiscal note?

LINEHAN: Yeah.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 27, 2020

B. HANSEN: Yeah. We pretty much hit the expenditures exactly what we were thinking. The revenue was a little bit off according to what, with the sales tax exemptions that we got rid of. We thought our revenue was going to be higher.

LINEHAN: You thought there would be more revenue.

B. HANSEN: Yeah. So that's one thing we're definitely going to have to look over a little bit more over the interim. But the expenditures were almost spot on of what we thought. The amount of foundation aid that we're gonna have total, and then the other costs on top of that.

LINEHAN: How do you do-- how did you-- does somebody else got questions? I don't mean to jump in front. How do you, how did you do-- what did you-- how did you do foundation aid?

B. HANSEN: So we took the average cost per student in the state of Nebraska. So we took all the schools minus the top 10 and minus the bottom 10, and we took the average of the in-between, kind of the bell curve of the graph there, best we could. And then we took 30 percent of that.

LINEHAN: OK.

B. HANSEN: The whole purpose of this is to be a simplified version that we can understand as legislatures-- as legislators, especially because of term limits. I think that's the reason why a lot of people may not tackle this big kind of task of trying to get rid of TEEOSA, is because a lot of people may not understand it very well, especially when they have limited time. So we're trying to make this a simplified version, almost a weighted system.

LINEHAN: So you were gonna do it all in one year?

B. HANSEN: Yes.

LINEHAN: But you're falling a little short on the revenue.

B. HANSEN: Yes.

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

B. HANSEN: Thank you.

LINEHAN: Are there proponents?

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 27, 2020

FRIESEN: Welcome.

JESSICA SHELburn: Thank you. Good afternoon, again. My name is Jessica Shelburn, J-e-s-s-i-c-a S-h-e-l-b-u-r-n, I'm the state director for Americans for Prosperity here in Nebraska. I'll kind of skip some of the opening. We, we really like the framework of LB1213, we feel it starts to respond to some of the complaints that we are hearing a lot of these days regarding property taxes by lowering the property tax bill percent by-- in 2020 by 10 percent. One of the more important pieces of this legislation is that it would implement, I think, based on the amendment, that truth in taxation piece that we just talked about in the last hearing, which is another important structure that we need in Nebraska. But more importantly, it takes steps to address the sales tax issues in the state by lowering our sales tax rate to the 5 percent and expanding it onto services. It also reduces the income tax brackets by 20 per-- or 0.20 percent, which is a larger percentage tax decrease for the lower brackets than the upper brackets. The new rates would range from 2.26 percent to 6.64 percent. While we do applaud the income tax decreases, ideally we would like to see more of a flat income tax rate for all incomes. And I spoke with Senator Hansen about that. And it also takes a step of eliminating the, the inheritance tax that we've heard a couple of different times mentioned. One piece that this plan does not include is any reduction to the corporate income tax bracket. We felt that this was something that we should consider and look at, and I have also spoke with Senator Hansen about that. Because it would be an important step in moving Nebraska's economy forward. Ideal tax reform would reduce the rates and spending, and truly keep more of the taxpayer money in their own pockets instead of in the pockets of our government. Our current school funding formula has been another driver for our taxing issues in the state. And we're encouraged by Senator Hansen's efforts to try to address that and update that, and we look forward to working with Senator Hansen and the rest of you on strengthening it and making it more student-centered. One way of achieving this is going with a more weighted-based system, which he mentioned, and moving away from the mechanisms that fund district characteristics instead of students directly, giving students more educational opportunities and lessening the school's reliance on property taxes. And with that, I would answer any questions, I'll attempt to answer any questions.

FRIESEN: Thank you, Ms. Shelburn. Senator McCollister.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 27, 2020

McCOLLISTER: Thank you, Senator Friesen. How does this bill or this spread chart reduce spending?

JESSICA SHELBURN: We have some concerns, but if you implement the truth in taxation piece in that, it makes those entities more accountable and it adds to that layer of transparency.

McCOLLISTER: And you really think that's going to reduce spending?

JESSICA SHELBURN: I think at some point our local governments are going to have to reduce their spending because people are going to be leaving the state and there's not going to be anyone to tax anymore.

McCOLLISTER: Thank you very much.

FRIESEN: Thank you, Senator McCollister. Any other questions? Seeing none, thank you for your testimony. Any others? Proponents.

NICOLE FOX: Good afternoon. My name is Nicole Fox, N-i-c-o-l-e F-o-x, director of government relations for the Platte Institute, and I'm testifying in support of LB1213. And the Platte Institute commends Senator Hansen for wanting to be a part of the tax discussion. This bill represents an approach to tax reform that modestly tackles the concerns with property, sales, and income taxes all at once, and provides structural reform that is worth building upon. One excellent aspect of LB1213 is that each major, each major tax would be reduced by broadening the sales tax base to a select number of currently exempt, exempt goods and services. Real property tax assessment ratios for all political subdivisions would decline by 10 percentage points and marginal personal income tax rates would be reduced by 20 basis points in each tax bracket. Nebraska would have a reduced 5 percent general sales tax rate and a new 3 percent grocery sales tax rate. Ideally, though, states should have a single sales tax rate on all consumer goods and services. States that do, that do compromise with a lower rate on groceries include Utah, Missouri, Tennessee, Virginia, and Illinois. However, by holding back on the number of services that would be included in the tax base, charging a lower grocery sales tax rate and exempting WIC-eligible foods for all consumers, the state and local governments would be forgoing more, forgoing more revenue than is the like-- than is necessary. And in a way, that is less effective for addressing ability to pay concerns or overall tax reform. Focusing in on the WIC-eligible grocery example, a higher-income grocery shopper in Omaha would pay a combined 6.5 sale-- percent sales tax on paper towels, 4.5 percent sales tax on a live lobster, 9 percent sales

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 27, 2020

and restaurant tax on a rotisserie chicken, and a 0 percent tax rate on lettuce, since fresh fruits and vegetables are on the WIC list. These are a lot of different tax rates for items that really should be treated the same way. And just of note, according to ALEC, their, their Principles of Taxation, these multiple rates contradict with their principle of simplicity. Tax complex-- complexity adds costs to the taxpayer and increases the cost of government, administration and enforcement. Meanwhile, a low-income shopper using WIC or SNAP would already be exempt from sales tax for the unprepared grocery purchase, purchases they would make with their benefits. We would suggest, then, that all the sales be taxed at one rate that is as low as possible, and to provide a refundable income tax credit that could be-- that could hold the low-income shopper harmless or better off for the tax on their out-of-pocket purchases. Furthermore, under this bill, the higher-income taxpayer would still pay 0 percent tax on personal accounting services, but the lower-income taxpayer would pay 6.5 percent to call an Uber or purchase other services that are not so-called professional services. This is important to consider because by maintaining arbitrary exemptions, we miss opportunities to reduce tax rates and make taxes less of a factor for economic decisions. While the tax reductions in LB1213 move Nebraska in the right general direction, the bill could still do more to improve the overall tax climate. For example, under this proposal, Nebraska's average state and local sales tax may be about the same as South Dakota's, but that state uses a broader sales tax base to have no personal or corporate income tax and a property, property tax that is ranked more competitively than Nebraska's. It's unlikely the bill in its current form would move Nebraska signif-- significantly closer to that model. LB1213 also eliminates the 1 percent inheritance tax on property valued at greater than \$40,000 to a lineal descendant. We like this change because Nebraska is an outlier. It's one of just a handful of states that does levy an inheritance tax, and we feel that for local, for local units of government, this is not a stable revenue source, and that the increase-- increased sales tax base would, would be better suited for local governments for, for revenue. Since we're talking about a very cons-- comprehensive tax reform proposal, one thing we will mention is that it is silent on Nebraska's personal property taxes and high corporate income tax rate, which many states we compete with do not have or are working to reduce. As for personal property taxes, most Midwestern states now forgo personal property tax or tax personal property less than Nebraska. If you get on I-80 and head west, you won't find a state with a higher corporate income tax until you reach California. As a result, the state currently depends

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 27, 2020

heavily on taxes and policies to make up for the fact that businesses don't want to pay the statutory corporate tax rate. And some businesses, like data centers, have significant personal property tax exemptions while other businesses don't receive the same treatment. Of course, these are all reasons a comprehensive approach to tax reform is needed in Nebraska, and LB1213 is most definitely another good contribution to the discussion. Again, we thank Senator Ben Hansen for his proposal and the opportunity to discuss tax reform once again. And with that, I'll take any questions.

LINEHAN: Thank you. Are there any questions from the committee? Seeing none, thank you very much. Are there other proponents? OK. Are there any opponents?

JON CANNON: Chairwoman Linehan, 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, otherwise known as NACO, here to testify today in opposition to LB1213. First and foremost, I haven't seen the amendment, so I really can't comment on those. I'll direct my comments to the green copy of the bill. But I do want to say that I appreciate the having these core tax policy discussions. I notice that there's a spreadsheet that's been handed out. I'm a real nerd when it comes to those sorts of things, so I can't wait to see that. I'll keep our comments limited to the things that really affect county governments. The first one, the valuation provisions, as has been noted before, this is a 10-point reduction in the valuation of agricultural, residential, and commercial property. It's not a, it's a percentage shift, it's just a, a point reduction. Essentially, what that's-- what that means is that those folks that are in a county that's primarily agricultural, those folks are still paying the rate-- paying the freight for that. And what it's going to do, however, because of the relationship that you have between 65 and 75 and 90 and 100, it will be a proportionate shift over to the residential and commercial sectors. Just because 65 divided by 75 is a greater percentage reduction than 90 divided by 100. You know, and for what it's worth, that, that all sounds good in theory. And most people will say, well, you know, if you do that, if you, if you lower the valuation base, you can make-- you can raise the levy to make up for it. However, we have a few counties that are over 40 cents on their levy. Gage County, you've heard a lot about Gage County in the last year. They're at the 50-cent limit because they have a judgment that they have to pay off. They have nowhere to go. And frankly, what that means is that by further reducing the valuation base they have

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 27, 2020

available to them, those folks in Gage County are going to be paying off that judge-- that money judgment against them for the Beatrice six for probably 10 or 15 years. Deuel County, they're at 48.5 cents currently. If there were a reduction in the valuation base for agricultural, residential, and commercial properties, they would be about 54.5 cents in order to provide the same amount of services that they're providing. And oh, by the way, the counties that I just mentioned to you, they're not spending lavishly. They're not financing film productions, they're not opening bakeries or anything like that. They're providing core government services. The notice requirements-- I'll incorporate my testimony from the last bill we referenced and skip over that. I do want to address the inheritance tax. The inheritance tax functions as essentially the reserve for every county. There are, there are very few cases that have any sort of reserve whatsoever. The inherent tax acts as that. And what I can say is that if the property-- if the inheritance tax is done away with, property taxes will go up because we will tell our counties you need to start building up a reserve. And in order to do that, they're going to raise their levies. From what I understand, based on the conversations I've had with county officials all across the state, the inheritance tax is actually a very stable reserve component that they have available to them. And also, as far as the inheritance tax is concerned, last year with the floods, counties were obligated to come up with a match, 12.5 percent match in order to qualify for FEMA funds. If the inheritance tax had been done away with, there is no county in the state that would have been able to meet the FEMA match. They would have not been able to get FEMA fund, funding. So I just, I want, I would like you to dwell on that. I'm not entirely certain how the local option sales tax is going to help counties. As most of you know, the local option sales tax, while it is available to counties, is something that, if there is a local option sales tax which has been adopted by a municipality within the county's borders, then the county sales tax is inoperative. And so the amount that's actually raised as a revenue source through the local option is, is fairly negligible for most counties. However, again, these are just the concerns we have on the county side. When it comes to income tax and sales tax, we have no brief with that, really. And certainly when it comes to how we fund education, that's, that's not something we're here to comment on. But I do like tax policy discussions. Senator Hansen has indicated his willingness to talk about this with various stakeholders through the interim. I just hope that we're one of them. We'd love to be part of that. And so with

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 27, 2020

that, I'll conclude my testimony. If there are any questions, I'd be happy to take them. Thank you very much.

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

JON CANNON: Thank you.

LYNN REX: Senator Linehan, members of the committee, my name is Lynn Rex, L-y-n-n R-e-x, representing the League of Nebraska Municipalities. I'd like to incorporate by reference my testimony from LB1212, just due to the sake of time. And also just indicate that that is in reference to pages 11 to 18, dealing with the property tax request information and that sort of thing. So with that, I'm happy to answer any questions. And one thing I will say is that if you want to get people at a budget hearing, propose cuts. Because I've been in a number of them, and if you're proposing a cut in library hours, proposing a cut in swimming pool hours, people show up. One of the most controversial sessions I've ever attended was when one of our first-class cities was proposing a cut in the amount of time and energy and money that they would put into transporting the elderly to their medical appointments and things like that. And people showed up en masse for that. Elderly people showed up. And when asked by one of the city council members, well, then what do you propose cutting, one of them said, cut the library. I don't use that one. So I'm just suggesting to-- that's one way that people show up with budget hearings, is when you have those cuts. But I do think people care about their taxes clearly. And we appreciate all the effort that this committee's been going to, to address that issue. I'm happy to respond to your questions.

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

LYNN REX: Thanks.

LINEHAN: Thank you very much. Are there other opponents?

KORBY GILBERTSON: Good afternoon, Chairman-- Chairwoman Linehan, members of the committee. For the record, my name is Korby Gilbertson, it's spelled K-o-r-b-y G-i-l-b-e-r-t-s-o-n, appearing today as the registered lobbyists on behalf of the Home Builders of Lincoln Association and the Metro Omaha Builders Association Coalition, and also the American Property and Casualty Insurance Association. I'm

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 27, 2020

going to limit our comments just to one section of the bill, and that's the elimination of the sales tax on services for a certain number of services. Those include carpentry, painting, plumbing, and repair and remodeling of real property. This argument goes for two sides. One side is we've always, the Home Builders have always tried to maintain that keeping homes affordable and trying to get people into homes affordably. And this goes against that grain. The second, and probably more problematic argument against this, is that this would then for any catastrophic thing that would happen to your house, you have to have a new roof for anything else done, this would add a sales tax to that which would then be paid for by your insurance, which would then increase the amount of your claim to your insurance company and would likely result in increased insurance costs. Furthermore, there's some, somewhat of a concern that when you do things like plumbing, people may that don't have necessarily a lot of money, may result in them not using a professional to do work in their home so that they can avoid paying that tax. And that's another concern about these particular ones on the list. I'd be happy to answer any questions.

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

KORBY GILBERTSON: Thank you.

LINEHAN: Thank you much. Other opponents?

KEN ALLEN: Good afternoon, chair and members of the Revenue Committee.

LINEHAN: Go ahead.

KEN ALLEN: My name is Ken Allen, K-e-n A-l-l-e-n, director of the Board of Barber Examiners. My testimony will not change a whole bunch from yesterday's. So if you could pull that in. Nonetheless, our board feels that, well, for a fact, barbering is the second-oldest profession in the world. We're not going to go any further than that. The board, the board feels that barbering, hair care in general, is a necessity because of hygiene and health reasons. We would like to see the hair care part struck from the bill. They have no other issues with the rest of the bill. I'll just leave it at that. Any questions for me?

LINEHAN: Thank you, sir. Are there any questions? Senator McCollister.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 27, 2020

McCOLLISTER: Thank you, Senator Linehan. Is Senator Chambers a member of your association?

KEN ALLEN: Not currently. He was.

LINEHAN: Thank you, Senator McCollister. Are there other questions from the committee? Seeing none, thank you very much, Ken. Are there pro-- opponents, excuse me. Opponents? Anyone wanting to testify in a neutral position?

CONNIE KNOCHE: Good afternoon, Chairperson Linehan and members of the Revenue Committee. For the record, my name is Connie Knoche, C-o-n-n-i-e K-n-o-c-h-e, and I'm the director of education policy at OpenSky Policy Institute, testifying in a neutral capacity about LB1213. We appreciate Senator Hansen's work to modernize our sales tax system and provide more state aid to schools. We would like to note some portions of this bill that we would like to address and some other portions that we think could be improved. We support broadening the sales tax base to encompass more services. As consumer spending shifts more towards services, our tax code should change to reflect this reality and take advantage of potential sources of revenue to the state. Broadening the sales tax base and lowering the rate in a revenue-neutral manner makes Nebraska's tax code more progressive and in general lowers the effective tax rates for low-income taxpayers. The proposed changes in valuation of real property beginning in 2021 will decrease the tax base for local political subdivisions. Local political subdivisions that are at their levy capacity will have to increase their levies to make up for lost revenue without a corresponding increase in state aid. Any political subdivision that, that is at their maximum tax levy limit will have to reduce services because of lost revenues. The amendment to LB1213 limits property taxes levied by school districts to the prior year's tax levy minus 75 percent of the increased state aid under the new school act. And when you reduce assessed value and then require levies to be lowered, it can have a negative impact on school districts and may cause some schools to have less revenue under this proposal than what they have under current law. The new school aid act determines funding for K-12 school districts by encompassing many of the components used by other states to fund education. The act includes calculations for foundation aid, sparsity, high-ability learners, poverty students, ELL students, has a provision for tribal land, and provides infrastructure aid. We have concerns about the student growth grant, that's where they limit spending to 2 percent of the prior year's general fund

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 27, 2020

operating expenditures. Because the data used to calculate general fund operating expenditures is 2 years old, this provision would effectively limit spending increases to 1 percent per year, which could be hard for the schools to, to make up. The act also has a spending adjustment for schools with declining student populations who increase spending by more than 2 percent. So if you're in a small school district, losing students, you could-- you're limited or you'll get aid taken away because of the spending adjustment. We appreciate Senator Hansen's efforts to modernize Nebraska's tax code and provide a sustainable funding source for increased state aid to education. He has indicated his willingness to work with stakeholders to improve the state aid funding formula and the tax code provisions that some people have expressed concerns about. And we encourage him to do so and we look forward to working with him over the interim. And I'd be happy to answer any questions.

LINEHAN: Thank you. Are there any questions from the committee? Seeing none, thank you very much. Any others who want to testify in the neutral position? Letters. Senator Hansen, would you like to close?

B. HANSEN: Yes.

LINEHAN: Letters for the record. Proponents: none. Opponents: Mark Adler, Ralston Public Schools; Julia Tse, Voices for Children; Bill Lange, Nebraska Self Storage Owners Association; Ken Allen, Nebraska Board of Barber Examiners; American Massage Therapy Association Nebraska Chapter; Nancy Bryan, city of Stromsburg. Neutral: Catherine Loughead, Tax Foundation.

B. HANSEN: Thank you. I'll be sure to take as much time as I possibly can to keep everyone here.

LINEHAN: Thank you.

B. HANSEN: I wanted to explain just a couple of things, maybe in a little more detail. I know Senator McCollister had a couple, had a question about how do you decrease spending? So and when I mentioned in my opening statement, we're trying to "de-incentivize" bad spending, I guess you would say, overspending. We're trying to incentivize good spending. So we're not putting any caps anywhere right now on anything, they can spend as much as they want. However, if you lose students, and our goal was, if you lose students from, from the last year's data and they go over 2 percent spending, they're gonna get dinged for it. So we're "de-incentivizing" them spending

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 27, 2020

more, especially if you lose students and they spend more than 2 percent. If you gain students and you spend under 2 percent like you control your spending, even though you gained students, you get incentivized for that. And so again, we're just trying to incentivize, I'd say, good behavior and "de-incentivize" bad behavior, but that's kind of what we're trying to do here. So that's the framework we're trying to put around here. Again, some of that's stuff can change, 2 percent, 2.5 percent, 3 percent, 1 percent. We're trying to do it on a yearly basis, but because they can [INAUDIBLE] data back two years, we're trying to figure out the wording with the bill. And I think that's what she was alluding to before, from OpenSky. We have talked with Mr. Cannon about the decreases in assessed values, as that is one of the things that we will kind of be looking at. And see, that is something we will keep in the bill. Because when we looked at the final-- when you're looking at just the preliminary numbers as you go, especially what you guys had your spreadsheets about the amount of the levy decrease we would see with this increase in aid to the schools, we almost don't even need to touch the assessments or decreases in value. And so because those were a little more dramatic than we thought they were, this had a greater impact on levy decreases than we thought it originally did. Which is good news, but then we figure out there's a way we can work with the counties. The counties will, in our opinion, see a little bit more revenue to make up for that loss in inheritance tax because it increased the sales tax base. So those are just some of the thoughts that we have. And I think our main goal right now was just to at least put this out here, because this will come back next year, and work with everybody to figure out if this is something we can accomplish in the state of Nebraska, make sure we're doing it the right way. Because this, if this does not have property tax reform and relief, I'm not going to bring it. You know, I'm not going to tax people to get rid of sales tax. And it's not going to have a meaningful impact on everybody's property taxes. Every farmer I talked to, pretty much, in my district said-- I asked them, would you pay sales tax on your farm equipment if you could have a substantial decrease in your property tax? Almost all of them said, yes, that is a tax you can choose. Property tax is not one you can. And I think it's an unfair tax. I know I'm not the best politician in the world, or I'm not very good at politicking, but I feel like one of the things I am good at is looking at problems such as this and solving them or coming up with helpful solutions or thinking outside the box or looking at all the angles of a problem and fixing them. I feel like this is something I'm good at. The problem is that with our current tax structure, there's a lot of angles. With our current way we fund our

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 27, 2020

schools with TEEOSA, there is a lot of angles. If I ran any corporation and had TEEOSA in my corporation, I would have gutted that thing a long time ago. And so that's one of the things we're trying to accomplish with this, but also be fair to everybody and make sure we do our best is to protect the taxpayer money. So with that, I'll take any questions. Thank you.

LINEHAN: Thank you very much, Senator Hansen. Are there any questions from the committee? There you go.

B. HANSEN: All right, thank you very much. I appreciate it.

LINEHAN: Thank you for being there last hearing.

B. HANSEN: Thank you.

LINEHAN: We are closed.