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**LINEHAN:** We're going to-- I'm going to read this slow because Senator Briese's actually got two bills he's got to introduce this morning, so he's not late on purpose. Welcome to the Revenue Committee public hearings. My name is Lou Ann Linehan. I'm from Elkhorn and I represent Legislative District 39. I serve as Chair of this committee. For the safety of our committee members, staff, and pages and the public, we ask those attending the hearings to abide by the following procedures. Due to the social distancing requirements, seating in the hearing room is limited. We ask that you only enter the hearing room when it is necessary for you to attend the bill hearing in process. The bills will be taken up in an order posted outside the hearing room. The list will be updated after each hearing to identify which bill is currently being heard. The committee will pause between each bill to allow time for the public to move in and out of the hearing room. We request that everyone utilize the identified entrance and exit doors to the hearing room. We request that you wear your face covering while in the hearing room. Testifiers may remove their face covering during testimony to assist the committee members and try-- and Transcribers in clearly hearing and understanding the testimony. So because of the glass and the distance, you can and it's easier for us to hear and the transcribers if you take it off when you're testifying up here at the table only. Pages will sanitize the front table and chair between each testifier. Public hearings for which attendance reaches seating capacity or near capacity, the intrastore-- entrance door will be monitored by the Sergeant at Arms who will allow people to enter the hearing room based upon seating availability. Persons waiting to enter a hearing room are asked to observe social distancing and wear a face covering while waiting in the hall side-- hallway or outside the building. The Legislature does not have the ability due to HVAC project of an overflow hearing room for hearings which attract several testifiers and observers. For hearings with large attendance, we only-- we request only testifiers enter the hearing room. We ask that you please limit or limit or eliminate handouts. The committee will take up the bills in the order posted. Our hearing today is for your public part of the legislative process. This is your opportunity to express your position on the proposed legislation before us today. To better facilitate today's proceedings, I ask that you abide by the following procedures. Please turn off your cell phones. The enter-- the order of testimony will be introducer, proponents, opponents, neutral, and closing remarks. If you will be testifying, please

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complete the green form and hand it to the page when you come up to testify. If you have written materials that you would like to distribute to the committee, please hand them to the page to distribute. You will need 12 copies for all members and staff. If you need additional copies, please ask a page to make copies for you now. I'll introduce the pages in a couple of seconds. When you begin to testify, please state and spell your name for the record. And that's your first and last name. Please be concise. It is my request that you limit your testimony and, OK, I thought there would be a lot more people here so I was going to go with three minutes. But how many of you are going to testify? OK, I'm going to say five minutes, but if all of a sudden, 15 minutes from now we get a whole bunch of new people, I might readjust. You will have five minutes. You'll have four minutes on green, one minute on yellow, and then when it's red, you need to wrap up or the committee will ask to do so. If there are a lot of, OK, your remarks were-- 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 on the table outside of the room by the entrance. It will be included in the official record. Please speak directly into the microphone so our trite-- Transcribers will be able to hear your testimony clearly. I would first like to introduce committee staff. To my immediate right is committee counsel, Mary Jane Egr Edson. To my immediate left is research analyst, Kay Bergquist. To the end-- to the left at the end of the table is committee clerk, Grant Latimer. Now, I would like the committee members who are with us today to introduce themselves starting at my far left or right, I get that confused, far right. Senator Pahls. And you-- you can take-- tell a little bit about yourself today because we are burning time so Senator Briese can get here.

**PAHLS:** Well, back in the day, [LAUGHTER] no, Rich Pahls, District 31, and I represent the Millard area.

**BOSTAR:** Eliot Bostar, District 29, south-central Lincoln.

**FRIESEN:** Curt Friesen, District 34: Hamilton, Merrick, Nance, and part of Hall County. I'm in my, what, fifth year here. Could probably recite most of this today. I've heard it numerous times so we're going to enjoy ourselves.

**LINDSTROM:** Brett Lindstrom, District 18, northwest Omaha.

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**LINEHAN:** Who's also been at several of the hearings.

**LINDSTROM:** Also been here for five years.

**LINEHAN:** Five years.

**FLOOD:** Mike Flood. I'm from Norfolk. This is my first year here and I represent Madison and just a part of Stanton County.

**LINEHAN:** First year on the committee.

**ALBRECHT:** Joni Albrecht, District 17: Wayne, Thurston, and Dakota Counties in northeast Nebraska. And this is my first year. I'm one of four first-years, so I'm anxious to hear everything you have to say to us today. How's that?

**LINEHAN:** This morning, do we have Turner here or just Tom? Oh, there you are. This morning Thomas, would you guys stand up, Thomas and Turner, who both attend UNL, will serve as pages, and they're both studying political science. Please remember that senators may come, hopefully that will be Briese here pretty quick, and go during our hearing as they have bills to introduce in other committees. Refrain from applause or other indications of support or opposition. I would also like to remind our committee and members, excuse me, committee members to speak directly into the microphones. For our audience, the microphones in the room are not for amplification, but for recording purposes only. Last, we are an electric-- electronic equipped committee. 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 is critical to our state government. OK, I have an impatient lobbyist asking me for sure if Senator Briese just didn't hand in written testimony. He didn't, did he, Grant, you would have told me that, right? Yeah, I kind of thought so. So, Bob, if you're listening, that's the answer. No, we're not going to say last name, I shouldn't have said first name. My guess is somebody is asking questions. So maybe we should visit. Do we know what--

**KAY BERGQUIST:** Tell them that they just need to turn their TV up.

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: Senator Lindstrom, you're in charge.

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**FLOOD:** Carry on.

**FRIESEN:** Does he have another bill?

**BOSTAR:** Sorry?

**FRIESEN:** Does he have another bill?

**FLOOD:** Oh, he had two.

**PAHLS:** Just-- just for my information, if I have two bills conflicting, can I not ask the bill to be moved to another time?

**FLOOD:** You can.

**MARY JANE EGR EDSON:** You can.

**LINDSTROM:** Or you can just have your LA--

**FRIESEN:** What's that?

**LINDSTROM:** I said you can, you can request it moved or just have your LA introduce the other one.

**PAHLS:** Yeah, that's-- that's. I mean, you're holding up a half dozen of us when there is a procedure.

**LINEHAN:** Good morning, Senator Briese.

**BRIESE:** Thank you and good morning, Chairman Linehan and fellow members of the Revenue Committee. My apologies for my tardiness. I'm Tom Briese, T-o-m B-r-i-e-s-e, and I represent the 41st District in the Nebraska Legislature and I'm here today to present to you LB422. LB422 was drafted in an attempt to adapt our sales tax system to the realities of the 21st century. It does so by requiring all services in our state to be presumed subject to sales and use tax as of a certain future date but excluding services considered component or ingredient services. As drafted, it goes into effect October 2022. It then requires all revenue generated by this base expansion to be directed to a rate reduction with the initial rate as drafted to start out at 5 percent. As drafted, it would require the Tax Commissioner to adjust the rate quarterly during the first year of implementation to best reflect a rate that yields the same revenue to the state as would have

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been raised had the current tax rate of 5.5 percent and the current narrower sales tax base been in effect. This is an effort to make it as close to revenue neutral as possible. The goal is not to raise taxes on Nebraskans. It is to update our tax code to the realities of the 21st century. When our sales tax was first implemented-- implemented, our economy was goods based. We were essentially a two-thirds good-- goods-based economy. Well, that's essentially flipped. We're now essentially a two-thirds service-based economy, and this proposal recognizes and reflects that structural change. This is needed structural tax reform. Expansion of our sales tax base, coupled with lower rates is good tax policy. Based expansion spreads the load more evenly across our population. It also makes regressive tax less regressive. A lower rate improves our state's rankings in tax comparisons. It will help attract new residents and help us in our efforts to grow our state. And I would suggest also that it stabilizes our sales tax base, and it's supported by think tanks across the political spectrum. And we're probably going to be hearing from some of those today and we might have letters from others. I'm not sure. I drafted the bill presuming all services as taxable, because I believe this is a preferable way to approach this. By presuming all service is taxable, we put the Legislature in a position of giving away exemptions rather than taking them away. I presented the bill in this manner because I believe it is much more difficult to add in services individually to the tax base, and I say that based on experience. The delayed implementation date allows us ample time for enactment of remedial exemptions to cure legitimate issues; essentially gives special interest and stakeholders an opportunity to make their case as to why their particular industry or service should be exempt from the sales tax with real economic arguments. The intent would be that we establish exemptions in the next legislative session before the October 2022 implementation date. But I would suggest that if we were to go forward with this bill, there are perhaps certain categories that should be exempted in the initial legislation. One category, obviously, would be to ensure we are covered on business inputs. There's language in there excluding component and ingredients, ingredient parts, and I'm not sure that gets us exactly where we need to be. But we'd have to take a look at that. It might be an issue to flesh out between now and implementation also. Other potential exemptions could include health, education, housing, and that-- they, too, could be fleshed out prior to implementation. So the green copy would put all services into our tax base at a future date. You know,

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we're not taking anybody-- we're not taking away anyone's exclusion right now. We're going to put in place that at a certain date it's going to be presumed taxable. In the meantime, we'll have to sort out where we're-- where we're going with this. And I was curious as to the size of the tax base, if no services were excluded, but we're still kind of left to speculate. There's no-- not any real good numbers on all the services, but the fiscal note does indicate that based on some analysis of South Dakota's sales tax base, our sales tax rate would be 3.9 percent under this bill as written is the way I-- is the way I read it. I'm not sure what they're excluding from the base to come up with that 3.9 percent. But that and that's food for thought though. I do note that South Dakota does exempt a broad category of services, including health, education, ag services, financial services, engineering, architectural, surveying and some other professional services. And as I said before, with this bill, we're not-- we're not taking away anyone's exclusion right now, but we're putting in place a mechanism that as of a date in the future, our sales tax base is going to be much more modernized than what it is now. In the meantime, we'll have to listen to the folks, let them make their case on whether they should get an exclusion, excuse me, an exemption. Once we are presuming things taxable, it would be an exemption and go from there. And there-- there will be a lot of questions raised, I'm confident. And, you know, some-- and I believe this is the preferable approach. You know, a little history lesson for those of you that weren't here a couple of years ago. I had a bill to eliminate \$100 million worth of exemptions straight to property tax relief. And the vote count on that was horrendous. I got pummeled from all sides on that, you know, barely got 24 votes. And that's only because we had business incentives on the line. With that, it probably would've been worse than that. So going after exclusions individually is a uphill battle, and it's the lobby's job to protect those exclusions. And I don't blame them. That's their job with a sales tax exemption or exclusion or removal, which is going to impact their client. It's their job to go after us on it. And they will do that. And I do think this is a preferable approach. Bring them all in. That puts us in a position of handing-- handing out the exemptions. And I have confidence that we will do that in a-- in a responsible manner. And another thought, I would suggest I have an October 2022 implementation date. I would suggest pushing it back probably another year or so. You know, we talk about comprehensive tax reform. We talk about Blueprint Nebraska, things of that sort. I think this can complement what we're

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talking about there. And I think if you're going to expand the sales tax base, this is how to do it, in my opinion. Anyway, I'd be happy to answer any questions.

**LINEHAN:** Thank you, Senator Briese. Questions from the committee? Senator Friesen.

**FRIESEN:** Thank you, Chairman Linehan. Senator Briese, it's good to see you back up there again. We've been through this a few times. I do like the approach overall. I think it probably is the way to go. My question, I guess, was just some clarification on the fiscal note. And it looks like cities and counties, you change something in the way the tax-- sales tax distribution. Could you explain, I guess, what you're after there?

**BRIESE:** Well, cities and counties, it looks like a windfall to cities and counties. What we're talking about here will be a substantial expansion of the tax base, presumably, and we would have to rely on them to do the right thing and be fiscally responsible, or we'd have to take some steps to ensure that they're somewhat limited, like we're limiting ourselves. We could talk about doing that too. You know, clearly we're striving for revenue neutrality at the state level. We're not trying to raise taxes on anybody. We're trying to lower the tax rate. But, yes, cities and counties, (A) you rely on them to do the right thing or (B) do we try to rein them in from-- from afar?

**FRIESEN:** From the county standpoint, where do they see a revenue gain from this? They don't have access to a lot of those funds.

**BRIESE:** Well, the--

**FRIESEN:** Vehicle sales, is that the--

**BRIESE:** Well, from a city-- from a city standpoint with city sales tax, --

**FRIESEN:** Yeah.

**BRIESE:** --yes, they would have a-- have an expansion there. The county, yeah, I'm not-- I'm not sure about that.

**FRIESEN:** OK.

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**BRIESE:** That's a good question. I'd have to think about that.

**FRIESEN:** I don't want to put you on the spot. I was just curious--

**BRIESE:** Yeah.

**FRIESEN:** --to see the numbers--

**BRIESE:** Yeah.

**FRIESEN:** --and saw that you were changing some distribution model there. So that will be a question on down the road. Thank you.

**LINEHAN:** Thank you, Senator Friesen. Are there other questions from the committee? Seeing none, oh, I'm sorry, Senator Albrecht.

**ALBRECHT:** Thank you, Chairman Linehan, and thank you for the-- bringing the bill, Senator Briese. But again, brand new, haven't heard the drill like others have, but where would I find the health, education, housing and ag services? Where-- where would I be able to explore what the people have said about that? Or would you want to elaborate on any of it today?

**BRIESE:** Well, it's my understanding that the states that went this route, South Dakota, you know, we're kind of following what South Dakota is doing here to some extent, but they certainly exclude those categories. And I think any state that has brought in services to a great extent stays away from those categories. The dollar amounts of those categories, I'm not sure. You know, are you talking healthcare, you know, how do you define it? We're talking, you know, there's-- there's gray areas there that would be subject to discussion and that would probably be the work of an interim study to-- as we pull those back out. We-- I have a document somewhere in here that describes essentially all the services in Nebraska tax, all untax. And I'm pretty confident that those categories are listed there, but without any dollar amounts.

**ALBRECHT:** OK.

**BRIESE:** My office can certainly share that.

**ALBRECHT:** So and in the fiscal note, it shows that the Tax Commissioner would be adjusting this. Would we give him some

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parameters? Would that also be included in how he determines what happens?

**BRIESE:** Yes. It would be up to-- it would be up to us to determine the tax base and what's going to be taxed, what's going to be untaxed, and then we start out at 5 percent. Well, that should be changed to reflect our best estimate of what this is going to generate to ensure this is revenue neutral as possible. And it's going to be-- it would be his responsibility then to see how-- how close our prediction is to ensure revenue neutrality, because we don't want to overshoot it and raise people's sales taxes. We don't want to undershoot it and create a revenue loss for the state. But it's kind of a cumbersome process there. But I don't know of really a better way to ensure that it's revenue neutral, to try to ensure we're not raising the overall tax burden and not lowering the overall sales tax burden any either to maintain our revenue flow here.

**ALBRECHT:** This is just a third question and I'll be still. But how would-- have you looked at Senator Erdman's proposal on this consumption tax?

**BRIESE:** Yes, some. I'm not an expert on it.

**ALBRECHT:** And again, I'm anxious to hear what that's all about this afternoon. But-- but if-- if something like that were to go forward, then what you're trying to do here wouldn't be--

**BRIESE:** Yes, this probably wouldn't--

**ALBRECHT:** --wouldn't go into play because--

**BRIESE:** Yeah.

**ALBRECHT:** --we're just going to do an overall consumption type tax.

**BRIESE:** Yeah, this wouldn't be relevant then I don't believe, the way I see it right now.

**ALBRECHT:** But you don't see this as something that's going to happen this year. This is something we will work toward with an LR to--

**BRIESE:** Well, I-- it's my opinion we put it in place. If it was up to me, we'd put it in place now and then we'd have probably an interim

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study to sort this out. And I say that because-- and some people are going to say, the lobby will come in and say, well, get this sorted out so we know what we're talking about. Well, of course, they're going to say that. The lobby is not going to be helpful on this. It's their job not to be helpful on this. And I don't blame them for it. You know, that's-- that's their job to look out for their clients' interests. And we've seen how difficult it is to try to sort out or pull off sales tax exemptions. You know, again, the vote count on the amended LB183, before your time, wasn't good. It's hard to do. My position is we hold hands, take the leap together, and that puts it in motion. It's up to them to come in and tell us what to do. And because I personally, I don't see an easy way to expand or broaden our sales tax base. I think this is-- this may be the only path to doing it. Because you try to broaden the sales tax base and progressives on the left, they really don't want to raise sales taxes on folks. And then we have a lot of our conservative friends and allies that really don't want to be characterized as having raised taxes. And so-- and that's-- that was really the dynamics on amended LB183 I think. There's a bloc of us in there that were all in on the property tax relief and were willing to do what it took. And even in the context of comprehensive tax reform, Blueprint Nebraska comprehensive tax reform, we're still going to have to overcome those issues if we're going to talk about expanding the sales tax base. And those issues we might not be able to overcome. I think this-- I think this approach is how you bring in, you know, you have the think tanks on both ends of the political spectrum and it's a sales tax rate reduction and it makes a regressive system less regressive. And that ought to be attractive to progressives. And lowering the tax rate ought to be attractive on the other end of the spectrum, I believe. The Tax Foundation, I think with the letter that we received the other day, they-- they supported the concept. And again, I can't speak for the think tanks, but you know, on both ends of the spectrum, they like-- they think it's good tax policy to do so.

**ALBRECHT:** I appreciate that background.

**BRIESE:** Thanks.

**LINEHAN:** Thank you, Senator Albrecht. Senator Pahls.

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**PAHLS:** I just have a couple of questions as I-- as I'm sitting here listening. If I were attorney, would my fees be involved? Would I be taxed on that?

**BRIESE:** If we didn't bring them back out, those would be services. Yes.

**PAHLS:** OK, so all services, you're not--

**BRIESE:** Yeah.

**PAHLS:** --excluding any services.

**BRIESE:** Yes. As written, we're talking all services as written, excluding ingredient or component services. And-- and that's one thing, you know, we've talked about this in the past. We would like to, if we're going to expand the sales tax base, I think all of us, it's important to all of us to try to keep business inputs, business expenses out. How we define those is-- can be problematic. In component ingredient services, maybe it gets us where we need to be, maybe not. But yeah, attorney services could be brought in, but nothing's brought in immediately. We put it in place and as of a certain date.

**PAHLS:** No, I'm just trying to figure out what.

**BRIESE:** Yeah.

**PAHLS:** OK, here's another thing too because I tried to do this a number of years ago, not necessarily to do away with exemptions. One of the bills I've put forth is let's just examine all the exemptions that we currently have so people will get a feel, because I'm assuming, you know, about how many exemptions dollarwise do we have now? How many dollars?

**BRIESE:** It depends on who you ask and how you characterize those. If you-- are you bringing in all

**PAHLS:** No, I'm just right now, the exemptions we have right now.

**BRIESE:** Well--

**PAHLS:** It runs into several billion dollars.

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**BRIESE:** Yes. It run into several billion dollars if you include everything.

**PAHLS:** Yeah. I mean, I just think everybody ought to--

**BRIESE:** Everything, including the kitchen sink.

**PAHLS:** Yeah. I think everybody ought to know that--

**BRIESE:** Yeah.

**PAHLS:** --just going in. So then-- because I'm looking for balance and I think that's what you're looking for. But I'd like to have everybody really understand how many exemptions, how many dollars that we do not receive legitimately.

**BRIESE:** Yeah.

**PAHLS:** I'm not saying doing away with it. But I just think for everybody to get it, you have to know the whole shebang.

**BRIESE:** Governor Heineman and Senator McCoy's bill several years ago, maybe you were here then. you know, they-- they looked at everything, I believe. And like you say, it was in the billions. But, yeah, you do a comprehensive study and bring everybody in and, OK, here's where we're landing. And then the lobby comes in.

**PAHLS:** Yeah.

**BRIESE:** And they're going to fight us tooth and nail, the bulk of them, on it.

**PAHLS:** Well--

**BRIESE:** And that-- that-- there is where the problem lies.

**PAHLS:** Right.

**BRIESE:** An approach like this is we just bring them all in and then we-- puts us in the driver's seat, so to speak.

**PAHLS:** Well, just to give you just a little history on that, when I did start talking about this, the lobbyists thanked me. They said that this will provide, I mean, they were joking with me. This will provide

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additional work. But to be honest, Heineman and Beau McCoy, they used a lot of the information I had. And I know if-- if the Governor and Senator McCoy could-- couldn't get it done, I mean, because the Governor, that's pretty heavy, but I think they probably bit off too much. But the Governor was surprised when I told him how many billions of dollars that were sitting there. Because after the years since the '60s, we didn't realize all the things we started exempting, not saying they weren't legitimate. But if that-- if we could put that ballgame, you'd have more of my feel for what you're doing. I want everybody to understand.

**BRIESE:** And I think so we're clear here, the lobby started out thanking you.

**PAHLS:** Well, yes, I created job security.

**BRIESE:** At the beginning of this.

**PAHLS:** Thank you.

**LINEHAN:** Thank you, Senator Pahls. Other questions from the committee? Senator Bostar.

**BOSTAR:** Thank you, Chair Linehan. Thank you, Senator. Can you tell me what the difference is in the fiscal note revisions?

**BRIESE:** I think somebody, yeah, somebody went the other way with the numbers and didn't realize-- maybe were a little unclear on-- a little unclear on what we were doing there.

**ALBRECHT:** I have an extra copy, if you'd like,

**BRIESE:** I've got it here. But for example, in the first fiscal note, I think we were showing a General Fund loss of \$295 million when in reality it was going to generate a General Fund increase, at least temporarily, because our rate was higher than we want-- than we would want it to be. Excuse me, the 5 percent was going to generate-- actually going to generate more, which is not what we're trying to do here. And for some reason, the first fiscal note showed a \$295 million--

**BOSTAR:** Had it at a loss.

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**BRIESE:** --loss.

**BOSTAR:** Is that the only-- I'm just-- I just want to make sure I'm--

**BRIESE:** Yeah.

**BOSTAR:** I was looking at the first one for a while and then I just want to make sure I understand whatever is new in Revision: 01.

**BRIESE:** I don't have the first one actually.

**BOSTAR:** And that's OK. I'll figure it out.

**BRIESE:** Yeah. Well, but-- but that's what struck me at first. What's going on here? So I had my staff contact them and they-- they--

**BOSTAR:** All right, thank you, Senator.

**BRIESE:** --made the changes, yeah.

**LINEHAN:** Thank you, Senator Bostar. Are there other questions from the committee? You're going to stay for closing.

**BRIESE:** Yes, I will be here for close.

**LINEHAN:** OK.

**BRIESE:** I may have to run down the hall, but I'll be here to close.

**LINEHAN:** OK. But your-- your overall goal here is to figure out if we brought everything on and then we had-- because we have-- we talk a lot about what we don't tax that we maybe should be taxing. But it's my understanding, maybe you can answer, I think Senator Albrecht has a bill to address this, but we are now taxing some inputs we probably shouldn't be taxing, right?

**BRIESE:** Yes, yes.

**LINEHAN:** Because I think yeast to make ethanol is taxed and ingredients for ethanol--

**BRIESE:** Yeah, yeah.

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**LINEHAN:** --and they're paying sales tax on it, which-- so I agree. I think the committee would be well served by a comprehensive study of not just what we're not taxing we should be taxing, but also, I think, for taxing some inputs that we shouldn't be taxing.

**BRIESE:** Yeah. I think I've seen-- I just saw the number this morning. It's 31 or 41 percent of our sales tax base is inputs or business serve-- business items, something of that.

**LINEHAN:** So we're taxing-- right, it's--

**BRIESE:** A substantial amount of business expenses and inputs we're levying tax on now unfortunately.

**LINEHAN:** Thank you very much for this legislation. It's important. We'll look forward to your close.

**BRIESE:** Thank you.

**LINEHAN:** Proponents. Do we have any proponents for LB422?

**TIFFANY FRIESEN MILONE:** Not going to try with the mask on today.

**LINEHAN:** Good morning.

**TIFFANY FRIESEN MILONE:** Good morning, Chairperson Linehan, members of the Revenue Committee. My name is Tiffany Friesen Milone, T-i-f-f-a-n-y F-r-i-e-s-e-n M-i-l-o-n-e, and I'm the editorial director at OpenSky Policy Institute. We're here today in support of LB422 because we support the general idea of expanding the sales tax to more services. It would be a big step toward modernizing the state sales tax and lowering the rate, which would offset any increase to regressivity from expanding the base. In Nebraska, goods are taxed unless specifically exempted by law, while services are exempt unless specifically taxed. In addition to narrowing the base, this has created some inconsistencies in the system. For example, we tax night at the movies, but not a day at the spa. Indoor swimming pool cleaning is taxed, but outdoor swimming pool cleaning is not. Other states have broadened their bases to smooth this out, including South Dakota, which taxes 152 services versus Nebraska's 81. The base also has become narrowed over time as consumer spending has shifted away from goods and toward services, which has required increases to the rate to maintain revenues. According to the Bureau of Economic Analysis, about

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41 percent of household consumption in 1967 was on purchases generally subject to the sales tax, and about 29 percent was spent on services. As of 29-- twenty-- 2019, about 31 percent was spent on taxable purchases versus 46 percent on services. As a result, we support expanding the sales tax base to repealing sales tax expenditures. LB422 would accomplish this, making the tax more neutral across a broader spectrum of final consumer expenditures. Many of the services proposed for inclusion, such as dry cleaning, interior design, and investment advice are more likely to be purchased by higher income households, which helps offset the overall regressivity of the base expansion that may affect lower income households. However, some of the services included would exacerbate regressivity, as Senator Briese said in his opening, including healthcare, tuition, automotive repairs, all of which would fall disproportionately on lower income households. And we would recommend excluding them at the outset for that reason. Finally, we would also support using a portion of this new revenue to make a couple of targeted investments that have been recommended in recent economic development reports to grow our economy. Increasing access to broadband, supporting entrepreneurs through the Business Innovation Act, and supporting workforce development through workforce training would pay dividends. Alternatively, the committee could increase investments in K-12 education funding to alleviate pressure on local sales, local property taxes, or save some cash in our Cash Reserve to ensure we can pay for recently passed expenditures. Thank you for your time and I'd be happy to answer any questions.

**LINEHAN:** Thank you very much for being here. Are there questions from the committee? Senator Albrecht?

**ALBRECHT:** Thank you, Chairman Linehan, and thank you for your testimony today. What I would like just to request, can you send me your testimony--

**TIFFANY FRIESEN MILONE:** Um-hum.

**ALBRECHT:** --so that I can kind of follow that? And when Senator Briese had his other bill, was it LB183 that failed, were you in support of that when that was going on?

**TIFFANY FRIESEN MILONE:** I don't recall LB183. I know last year--

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**ALBRECHT:** That's where they--

**TIFFANY FRIESEN MILONE:** --he had LB507 and LB508, which were also base broadening measures. And we did come in support of those.

**ALBRECHT:** OK, appreciate that. Thank you.

**LINEHAN:** Thank you, Senator Albrecht. Senator Pahls.

**PAHLS:** As I was listening, you do believe there should be some exclusion because of the clientele or the people that we could be hurting?

**TIFFANY FRIESEN MILONE:** Yeah, the sales tax is a-- it predominantly fall on-- the more-- a greater percentage of their-- of their income is paid by lower-income people on the sales tax than other forms of taxes. So it would be a more regressive.

**PAHLS:** So how do we get past that?

**TIFFANY FRIESEN MILONE:** Lowering the rate helps offset that regressivity, because when you're looking at effective sales tax rates, the lower rate, you know, decreases [INAUDIBLE],

**PAHLS:** So in other words, you're taxing more of my services, but you're taxing them all at a lower rate, is what you're saying is a good thing?

**TIFFANY FRIESEN MILONE:** Yes. Yeah. And some of these things are things that lower-income people wouldn't necessarily be spending their money on, like investment advice.

**PAHLS:** OK, now I heard another thing too. You said this could help the property tax.

**TIFFANY FRIESEN MILONE:** The increased revenue, if it was not going to lower the rate, could be used in alternative ways.

**PAHLS:** OK, well, if it's going to be used to lower property tax, we'd have to take a look at the TEEOSA formula so some of those tax dollars would go to those schools not receiving state aid.

**TIFFANY FRIESEN MILONE:** Yes.

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**PAHLS:** And you'd be in agreement with that.

**TIFFANY FRIESEN MILONE:** We support looking at TEEOSA to make sure it's accomplishing the state's goals.

**PAHLS:** OK. OK, thank you.

**LINEHAN:** Thank you, Senator Pahls. Are there other questions from the committee? OK, thank you for being here.

**TIFFANY FRIESEN MILONE:** Thank you.

**LINEHAN:** Next proponent. We have to let the pages clean. Very nice of him. I do really want to talk about how much we're all depending on the staff to keep us safe. Committee staff, pages, it's a lot of extra work. Good morning.

**SARAH CURRY:** Morning. I'm Sarah Curry, S-a-r-a-h C-u-r-r-y. I'm the policy director at the Platte Institute. We support an expansion of the sales tax base to purchases which are not business inputs. This is good because it avoids tax pyramiding. We also believe any base broadening expansion should be tied to corresponding tax reductions. It's our view that the expansion of the sales tax base has a much greater potential for raising significant revenue without the harmful economic or revenue stability effects of simply raising tax rates. In today's society, taxpayers tend to spend a greater share of their income on services which are largely exempt from the sales tax. Nebraska has an increasingly service-based economy as compared to the goods-based economy of 50 years ago. The sales base needs to be updated to account for this change. This principle of including services in the sales tax base is agreed across the political spectrums among tax policy experts and economists. Where the disagreement begins is where-- is when deciding what to do with the new revenues. While some might-- might want to spend the increased tax revenue from this proposal, we strongly support the revenue triggers included in LB422. This is a policy the Platte Institute supports and has advocated for in the past. Revenue triggers, a relatively modern innovation in the tax policy world, have been used in 12 states and the District of Columbia's tax legislation over the last decade. The use of well-constructed tax triggers such as the ones in LB422 enhance states' ability and allow them to implement tax policy changes in a fiscally responsible manner. In fact, two of our neighboring states,

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Iowa and Missouri, have successfully used triggers to phase in a number of their tax reforms. Another benefit of this expansion of the sales tax base is that it would allow for local municipalities to collect more sales tax, which should offset or allow for property tax reductions. Nebraska needs to modernize its tax code while also reducing overall rates and LB422 does that. And since I still have a little bit of time, I wanted to say we agree 100 percent with OpenSky and the regressivity argument. She talked about that really well, so I won't bring that up. We did a policy report two years ago on sales taxes and we have a whole appendix there showing all the sales tax exemptions of neighboring states, specifically on services and who taxes them and who doesn't. So if you're looking for a list of services and what South Dakota taxes, it would be in there. And then also when I did that report, the Tax Expenditure Report the Department of Revenue puts out is very, very good on our goods and how much money we're not collecting with those exemptions. But it's not great on the exemptions for services because we don't have data on that. And a great example is, say, childcare facilities. If we were going to levy a sales tax on childcare facilities, we have no idea how many children are in there, what their cost is per week or what that would be. And so the great thing about this bill is it would force all of those groups to come to the table and share with us, this is how many haircuts we do every year. This is how many children are in childcare. And it just gives us data that we don't have. And there's no way we could access that data from a public source like the Department of Revenue without having those lobbying groups coming forward and sharing that information with us. So we support this plan because it creates that conversation and gives us that information on Nebraska specific services, which is what we need. And with that, I'm happy to take any questions. Thank you.

**LINEHAN:** Thank you, Ms. Curry. Senator Pahls.

**PAHLS:** I'm going to take you up. Do you have the information on all the exemptions? You said you have the list of them.

**SARAH CURRY:** Um-hum.

**PAHLS:** But do you have-- because it's out there. I had at one time, but I haven't looked at it for years. Do you have the cost of these exemptions?

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**SARAH CURRY:** So the exemptions that we currently have are in the Tax Expenditure Report. And because all well, most all services are exempt, there's not a specific line item to say this is how much we're exempting for haircuts and this is how much we're exempting--

**PAHLS:** Right.

**SARAH CURRY:** --for childcare. So like attorney fees, we have no idea how much citizens in Nebraska spend on attorney fees. And attorney fees and those types of services get really weedy, like accounting fees, because some of them are business inputs and then some of them are private. So if I'm drafting a will for my family, I should probably pay sales tax on that where if I'm a business and I'm paying my accountant to do my taxes for the year, I don't need to pay taxes on that because that's an input to my business and complying with a government regulation of filing taxes. So that's where like the study committee is a really good idea because business input sounds black and white and it is when you're talking about creating widgets. But it's not when you've got other services.

**PAHLS:** Yeah, then you made a very good point there. What I'm asking you is do you know how many dollars right now we exempt? I mean--

**SARAH CURRY:** In services?

**PAHLS:** No, just exemptions.

**SARAH CURRY:** Oh, totally? No 'cause when I looked at the academic literature to figure out the appropriate way to count that, because we got a lot of questions from senators asking us how much do we exempt by dollar amount? And the only way to do it is to take the Bureau of Economic Analysis data and then look at Nebraska's and then create a formula and weight it and try to extract a roundabout figure from that. So it's not accurate because we just don't know. And that's why I was saying having that data on specific services would make it more accurate because, like, no state in the country taxes newspapers. So I have zero data on how to extract that. Even the Bureau of Economic Analysis really doesn't have that. And that's just one example. Most states do exempt attorney fees. So I would have just no data on how to pull that and run and put in an economic model to give you that output. So the answer to your question is kind of tricky because, yes,

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we have some of it. But no, I can't give you all of it because nobody really can.

**PAHLS:** OK. And the end result of this bill, do you see it as reducing taxes or may moving some taxes--

**SARAH CURRY:** Excuse me.

**PAHLS:** --to help with property tax? That's what I'm trying to figure.

**SARAH CURRY:** Right. So at one time, Dakota County had a countywide sales tax, and right now Gage County has a countywide sales tax. Also Gage County is a special exception. But right now, counties are allowed to levy a sales tax if no municipality or city within their district also levies a sales tax. So that's what happened in Dakota County. They want-- I believe it was a fire department they wanted to fund. And so the county said, let's levy a countywide sales tax. And they actually didn't know about that law. So then the city said, oh, we'll levy a little half cent sales tax, too, to help pay for the fire department and then it negated the county sales tax. So we've actually advocated for giving counties sales tax authority to-- as a way to lower the property tax. So in the event of like Gage County, this base broadening measure would increase their revenues, which we know that they're spending their money on a separate issue. But for other cities, let's just say Omaha and Lincoln, with the retail that's located in those cities, the base broadening would be huge. And so they should reduce their property taxes accordingly because they would get this huge windfall. And that's why we're saying that opportunity does exist.

**PAHLS:** That would help because I know Omaha-- Douglas County, Lancaster, the two big sales tax, that's where the money is, about three or four counties--

**SARAH CURRY:** Right.

**PAHLS:** --sales tax. OK, but let's say I'm out in western Nebraska and I want to help reduce property tax. How is that going to help those-- the individuals there?

**SARAH CURRY:** So in my sales tax paper, I actually go through and I look at the taxable sales for-- now this is under current so this is just goods, the taxable sales for every county in the state. And

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you're right, McPherson, Arthur, Banner, those smaller counties, it's not going to collect as much revenue. However, because they have such a strong agricultural base there, expanding it to services might help increase their sales tax base. So it will help those counties too. By how much I don't know, because like I said, we don't have that data, but it should help those smaller counties. But on the other side, those smaller counties aren't collecting nearly as much property taxes as are more urban counties on the eastern side of the state. So I think it would help. I don't think that the impact would be universal. Like everyone wouldn't get a 30 percent property tax cut, let's say, for example. But like Douglas County might, but Arthur might not. But Arthur is not paying as much either.

**PAHLS:** Is that sort of defeating the purpose? Because my short tenure here this time around, I feel that there is a frustration from some of the counties or schools in the less populated areas are not getting state aid.

**SARAH CURRY:** Right. And we-- we are taking a look actually into TEEOSA and just how schools are funded and how to properly allocate those dollars from a property tax perspective. We don't have any conclusions yet because we're still in the process of looking at that. But I think when we start looking at the property tax burden from the school district perspective, I don't know. Sales taxes doesn't fix that because school districts don't levy sales taxes--

**PAHLS:** Right.

**SARAH CURRY:** --and we're not advocating for them to. We're really looking at it from a municipal-- a city and a county perspective since they do have the authority to levy sales taxes. And that is an appropriate policy nationwide that it could help reduce their property tax levies. While not as great as the schools, it would still give some form of relief to taxpayers.

**PAHLS:** Right. So I'm saying in Omaha where I'm from--

**SARAH CURRY:** Um-hum.

**PAHLS:** --we'd actually, like you say, would really benefit from this because we'd in turn reduce our property tax. But I don't see where

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that's helping people in the less populated counties. That's-- that's I think [INAUDIBLE]

**SARAH CURRY:** And I think if-- if you all decide to move forward with this bill, which we would support, I think that should be part of your resolution or your study committee as well, looking at, OK, if we expand this, how many services are located in the rural counties? How many dollars are we talking about in the rural counties? Because I can only extrapolate potential property tax reductions from taxable sales because that's what I can get from the Department of Revenue. So having that broader picture I think would help answer that question and give some answers to those rural counties.

**PAHLS:** Thank you.

**SARAH CURRY:** You're welcome.

**LINEHAN:** Thank you, Senator Pahls. Other questions from the committee? Are there any foundations or think tanks that think broadening the base and lowering the rate is not a good idea?

**SARAH CURRY:** No, not-- no. Even-- Tiffany can correct me if I'm wrong on this, but I believe I've seen even Center for Budget and Policy Priorities saying that expanding the sales tax base is a-- for-- to services is a less regressive way to increase taxes. The argument comes in, what do we do with that money? A lot of times the--

**LINEHAN:** Right.

**SARAH CURRY:** --more progressive groups want to spend it--

**LINEHAN:** Right, yeah.

**SARAH CURRY:** --on things. We like the tax reductions.

**LINEHAN:** The whole broadening the base is--

**SARAH CURRY:** The broadening the base is like--

**LINEHAN:** --universally--

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**SARAH CURRY:** --in the economic literature I've read, even like economists across the spectrum agree that that's just a good policy and that this is just a holdover from our economy in the 1950s.

**LINEHAN:** OK. Thank you. OK, thank you very much for being here.

**SARAH CURRY:** Thank you.

**LINEHAN:** Next proponent.

**JOHN HANSEN:** Chairman Linehan, members of the Revenue Committee, good morning. For the record, my name is John Hansen, J-o-h-n, Hansen, H-a-n-s-e-n. I am the president of Nebraska Farmers Union. And as of last Friday, I'm out of quarantine. So it's good to be here. And we thank Senator Briese for bringing this bill forward. Our organization has seen the change in the economy as a whole and starting in about the mid 1990s. And so we have been pretty much in support I think of every effort that I can think of since then to look at ways to broaden the sales tax base. And so we've-- we've supported all of Senator Briese's efforts. We've supported Senator Cap Dierks' efforts, and going back to the mid '90s of Senator Tim Hall's efforts. So-- and the reason that we do so is that we do think that broadening the base and lowering the rate is good policy. And so as you look at the characteristics of our state policy, tax policy as a whole, one of the things that sticks out fairly soon in the discussion is that our base is, compared to most other sales tax base states' systems, fairly narrow. It's one of the more narrow of the bases. And so because of that, then in order to generate the necessary revenue to support services and required spending for the good of the whole, you're-- you come up against the-- the level of the rate. And so, you know, when your rate gets pretty high, then there's a lot of resistance to doing that. So some of the suggestions that we would have looking at areas that need to be probably added to the list to-- to not go there would be education and tuition, health and medical, food. We have never supported the sales tax on food. We do not support those things that are, in our view, essentials of life, and business inputs. And we would agree that there's a lot of business inputs that are now, in our view, incorrectly included in the sales tax base, including some of the inputs for ethanol. So-- and we would-- we would also include ag services. And one of the reasons that we do is because in the case of ag services, it is a part of an input that is necessary in order for us to produce the things that we produce. And unlike a lot of the

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other businesses in the ag sector, but businesses generally, we do not pass on additional costs of production or operation to anyone. We do not go to the sale barn and say, well, you're going to have to bid our calves up a little bit more because it cost us more this year because of insurance and taxes and-- and services and veterinary fees and all those things. That's not the way it works. We don't do that at the grain elevator. So all of those costs that we get are-- are wholly absorbed and because we can't pass those costs on. Some of the things that I think would be helpful to small business, you have a lot of small businesses now that are niche, but only part of the things that they do, the products they sell, for example, but not the actual service they provide is currently taxed. So for small businesses that are, you know, especially new to this or are really not in a good position to pass costs on, helping them with the fees involved as a part of the tax collection effort, I think, would help smooth the path. And so I think it would also not only be fair, but I think it helps, especially the smaller businesses if they're going to be collecting new things. Overall, we think this is good policy. We thank Senator Briese for bringing it forward and would be glad to answer any questions if we could do so.

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

**JOHN HANSEN:** Thank you very much.

**LINEHAN:** Other proponents. Is there anyone else wanting to speak? I'm sorry. Did somebody get up? Are you a proponent? OK. OK, are there opponents? Good morning.

**KORBY GILBERTSON:** Good morning, 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. I'm here today as registered lobbyist on behalf of 41 different entities. So you can thank me for not having the room full. I have a letter prepared that you all just got a copy of, so I'm going to vary from that because I think I want to address some things that were said by proponents. First of all, to talk about the fact that, yes, lobbyists will come out opposed to this bill, but who do lobbyists represent? We represent businesses and entities and people in the state that pay taxes and vote. So just because we're a registered lobbyist does not mean what we say should not count as

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opposed to the lobbyists that are here representing think tanks. Secondly, there were some false assumptions made in proponents' testimony that I think need to be brought out. In one testimony, they say we're here to support this bill, but we want the following things exempted. I was always taught from day one, and Senator Landis, I've only been doing this for, you know, a few decades, Senator Landis would literally kick people out of the chair if they got up and opposed a bill during their proponent testimony, if they would get up and say, well, yeah, we-- we support this bill, but we need the following 12 changes. That's not supporting a piece of legislation. We oppose this legislation because it creates false assumptions. First of all, when you look at the broad base and you'll see in my letter, we agree that-- that the best tax policy is to have a broad base and a low-- and a low rate. However, you have to consider other things when you're doing that. I thought immediately of Thomas and Turner when Senator Linehan introduced them this morning, because I bet neither of them realized that this bill would raise their tuition by over \$1,000 a year. People don't realize that these costs do fall on people who can least afford to pay them. When you look at things like car repairs, home repairs, legal fees, medical costs, childcare, those are things all discussed by proponents. But to say to trust us, we're going to put this in statute right now, but we're going to talk about it for maybe, oh, say, one or two more years and then you can convince us why you should be exempted is not the way that we should do things. Senator Linehan hit it on the head when she said we need to have a comprehensive study. And even the proponents talked about the fact that we don't know what the real numbers are for any of these services. We need to study them. We need to figure out what things would bring in, what the impact to our income for the state is. When you look at the fiscal note, I realize they said we're going to now-- we're going to look at cities to do the right thing and reduce their property taxes. Well, they're already going to have to take up some of that money to make up for the losses in road-- in road funds that they'll get. And what are we going to do to the decreases in the funding to the Highway Trust Fund that this creates? So there are a lot of either intentional or unintentional consequences to this bill that need to be considered before you pass this type of legislation. And we would recommend that the committee, instead of doing this, let's do a good old-fashioned, real deep-- sorry, MJ-- she's going oh, no, not another road trip, but that's what needs to happen right now. If you're going to do wholesale tax policy changes, then you need to

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look at it wholesale and include people. You know, I-- I've worked right across the street. My phone hasn't rang the last three years when any of these bills have been introduced. We all have clients that would be more than happy to sit down and look at things and consider taxes on their services, but not when you look at portability of services. We, through the pandemic, you look at what has happened. We now know that you don't have to be in a certain office building. You could be living in Iowa and providing a service to someone here in Lincoln. Then we not only lose that service money that's coming here, the taxes, but we lose that income tax. We lose the spending that's gone on here in Nebraska. So there are a lot of other consequences to bills like this that I hope that the committee will consider before you kill it. Thank you. I'd be happy to answer any questions.

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

**PAHLS:** Yes, I was hoping by the type of questions I was asking that you would think that I would suggest more investigation.

**KORBY GILBERTSON:** Yes.

**PAHLS:** That's one reason why I picked on attorneys, because I hopefully-- because I do not disagree with taking a look at this. But-- and I haven't been here in the last four or five years of hearing past testimony. But I also know that if you can make major changes in the system, there's going to be a lot of buy-in from everybody. That's what I look at. That's why I keep saying, hey, I need to know this information, this information, so I'm not disagreeing--

**KORBY GILBERTSON:** Yeah, no, we agree.

**PAHLS:** --with either one of you, the bill or yourself, if we can make it a combination of effort. Thank you.

**LINEHAN:** Thank you, Senator Pahls. Are there other questions from the committee?

**KORBY GILBERTSON:** Great.

**LINEHAN:** OK, thank you.

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**KORBY GILBERTSON:** Thank you.

**LINEHAN:** Good morning.

**HAROLD SIMS:** Good morning. My name is Harold Sims, H-a-r-o-l-d S-i-m-s. Thank you, Revenue Committee and Chairperson Linehan. I'm a licensed nail tech, number 2933 and the nail tech representative on the Board of Cosmetology. I am speaking only on my behalf today to clarify. I submit this testimony for record for the hearing of LB422 that I strongly oppose for two main reasons. First, if this bill is passed, it stands to be taxation discrimination within the cosmetology field. Currently, Nebraska does not license natural nails, natural hair, hair braiding or makeup artistry. I don't foresee any realistic way that unlicensed undocumented workers can be taxed. What this says to clients or practitioners that obtain a license in those fields is they'll be singled out and charged taxes because the practitioner chose to better educate themselves and obtain a license. Meanwhile, unlicensed individuals with no oversight stand to avoid taxes more easily, like natural nails, hair braiding, and so forth. I find it interesting the Platte Institute is speaking in support of this, even though they oppose full licensure and even a framework in cosmetology. Additionally, massage therapists have been excluded from this taxation for some time. Though there are therapists that work in the medical field which is not taxed, a large portion of them work in our industry. We work alongside massage therapists under the cosmetology umbrella. How can you charge taxes for every other service under the same roof except for massage? After speaking with massage clients and practitioners, most cannot use insurance or Medicare to pay for those services, the same as any other in the field. Yet LB422 makes a special exemption for massage. This leaves us with four branches in the same industry that will not be taxed the same as others in the same field. Let us take this a step further with other nontax services like cosmetic Botox. Beauty luxury services like Botox or plastic surgery typically come with a clientele that can afford to pay the taxes, unlike low-income individuals who receive a \$12 haircut from Great Clips. Another step further, what about exemptions for hormone replacement or chiropractic care, neither of which are deemed necessary enough for Medicare to cover? I find it interesting that the Board of Health oversees all of the above-mentioned entities and their individual oversight boards. Yet there does not seem to be even or fair taxation based on need versus choice in personal services. The second part of my argument on LB422 includes how the pandemic has

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affected our industry. Estheticians by far have taken the hardest hit, mostly due to face coverings. The lack of licensed estheticians and clients leaves the state to scrape up the very few pennies left behind from an already damaged industry. Salons were one of the few businesses forced to completely close their doors for weeks on end, many closing permanently, some hanging on by a thread. Am I correct in seeing that this bill also seeks to tax booth rental? Even though our industry is hurting and many of our clients are scared to return. While we're still in the midst of a pandemic, our law lawmakers, excuse me here, our lawmakers seek to squeeze the last bit out of an industry hit as hard as cosmetology, not to mention the excessive discrimination due to special provisions and lack of oversight. Now is not the time to push through a poorly written bill. Should the committee vote to pass this bill, I strongly urge you to remove all of the cosmetology field from the transcript until all scopes of practices can be equally and fairly taxed. I've been working on LB19 for years, so to pass this as is and ask that we come back and fix things, which is why we have LB19, natural nails were excluded over a decade ago. So for 10 years we've been trying to change that. So I find it hard to believe it's going to be easy for an industry like ours that doesn't have lobbyists to come back and change what could potentially be done if LB422 moves forward as is. Due to this information, the fact that two thirds of all states do not charge for personal services, I can't in good conscience support LB422. I thank you for taking time to consider my testimony and I thank you in advance for not moving LB422 out of committee. Since I have a little time, I'm just going to check my notes to make sure I'm not missing anything. Yeah, and then I'll have to agree with the testimony of the last gal that it seems like there was a lot of questions in the beginning about, you know, why aren't these studies done and that maybe there's some more work that needs to go into seeing, you know, what should or should not be exempt. So it doesn't sound like this is ready to me. So that's the final reason why I can't support LB422 and I'm open for questions.

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

**HAROLD SIMS:** Thank you.

**SIOBHAN KOZISEK:** Thank you for your time. I appreciate you.

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**LINEHAN:** Thank you for being here.

**SIOBHAN KOZISEK:** Got to get the glasses on. OK. My name is Siobhan Kozisek. It's S-i-o-b as in boy-h-a-n. The last name is K-o-z-i-s-e-k. I'm a licensed esthetician in the state of Nebraska for 24 years. I oversee the Nebraska Licensed Professionals Alliance and the Nebraska Licensed Professionals Against Domestic Violence and Human Trafficking. I submit this testimony for record in the hearing of LB422, which I strongly oppose at this time. If a tax is implemented on services in the industry, which encompass licenses under the Board of Cosmetology, those tax dollars need to go towards licensing, inspections, and laws protecting the service providers and the consumers. More-- more specifically, the tax dollars should go to expanding licensing and education to grow the industries which, according to the Revenue Committee, seem lucrative enough to tax. The state of Nebraska currently has a dangerous occurrence of unlicensed services that are uninsured, unregulated, and directly harmful, not only to the consumers, but also the service providers who are victims of predatory certifications. Companies are coming into our state and targeting a specific demographic of low-income people and those of minority population by requiring them payment to put through classes and presenting them with certificates of services that they are not licensed to perform. They are not told by these companies that they need a license. Lash extensions are a perfect example of this. Reports of injuries to the eyes are coming in from consumers and there is no recourse. The providers are unlicensed, poorly trained, and the products that they are using are questionable at best. Our state boards do not have the resources to even come up with a solution nor they can-- can they help service-- service providers or the customers remedy the situation. The consequences of defunding and deregulation over the past decade, such as repealing the certification for cosmeticians in 2018, would have provided an affordable solution to these service providers who are now victims of a predatory education. We are an industry that prides ourselves on integrity. We are a career that has an ability to properly teach and grow many helpful youths who have goals to create careers in our industries. Implementing a service tax that has no benefit towards the oversight of these industries is just robbing Peter to pay Paul. And it comes at the cost of compute-- consumer safety and improperly trained, unlicensed service providers. The inability to balance Nebraska's budget should not fall on their backs. Thank you for your consideration.

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

**TYSON SCHAFFERT:** Can you hear with the mask OK or take it off? Can I take it off?

**LINEHAN:** Yeah, if you--

**TYSON SCHAFFERT:** My name is Tyson Schaffert. I'm a tattoo artist, license number 2.

**LINEHAN:** I need you to spell your name, please.

**TYSON SCHAFFERT:** Oh, I'm sorry.

**LINEHAN:** That's OK.

**TYSON SCHAFFERT:** T-y-s-o-n S-c-h-a-f-f-e-r-t.

**LINEHAN:** Thank you.

**TYSON SCHAFFERT:** I'm here to express strong opposition to LB422, taxing of certain personal services. I believe it will place extreme burden on individuals and businesses. This tax poses a great threat to those businesses and even more so after the difficulties of 2020 and into the uncertain future. And I understand they're talking about adding this tax years and years down the road. But in my business, we've-- we understand that our closure that we had is going to affect us for many, many years down the road. This tax will place a burden on businesses and sole proprietors. Operating costs, supply costs, the costs of-- the cost of PPE have risen dramatically with no sign of coming back down. There have also been a great cost of closed businesses from this year alone, and the expenses, as I said, will take years to recover from. Having an additional sales tax to file and track will take time and money. Sales tax will mean we will have additional time and money spent on yet another tax preparation, most of us using tax professionals to help. Most of us are sole proprietors and our time and money is stretched to the limits. Having to hire a tax professional for additional hours to file sales tax is going to drive up our costs even more. The additional sales tax will raise prices on our services, and this means less clients being able to afford the services. And I know I'm under the Board of Cosmetology and

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we've talked about lower income people. Well, lower income people get hair done. They get nails done. They get tattoo services. They get piercing services. These are the treats that they can afford to give themselves. Sales tax will raise the cost of these services. We are already struggling not to raise prices with new PPE required, and some people will keep PPE and other things permanently because they see a benefit for one reason or another. Now is not the time for us in the service business to raise our prices because we are already struggling to keep clients coming in and make them feel safe and do our part to keep the community safe. Most of us are working less hours to accommodate for spacing, fewer appointments due to the expanded sanitation and client screening processes. And little to no walk-in-traffic at all make it even more difficult for those service professionals to recoup all of the rising costs. Hardworking small businesses, I believe, are the backbone of our community. The proposed sales tax is bad for the consumers as well as for the business. We help the community receive the self-care that they deserve. I urge you to oppose this tax and others of this nature. And one thing I heard today, and I'm not a politician, I don't get up and speak often. One thing I heard today was we should pass this as it stands and let the lobbyists work it out. Well, I don't have a lobbyist and cosmetology doesn't have a lobbyist; and a lot of people receiving the lower income services don't have lobbyists too. So I don't know how the lobbyists are going to come in and handle for lawyers or financial advisors or people that can afford a lobbyist. But if the tax is fair and it's for everybody, then why are we already talking about the exemptions that we're going to-- that we're going to create? That's all that I have.

**LINEHAN:** Thank you very much. Are there questions from the committee?

**PAHLS:** I have a question.

**LINEHAN:** Senator Pahls. I'm sorry.

**PAHLS:** Thank you.

**LINEHAN:** That's OK.

**PAHLS:** The question I have. Do you pay taxes? I'm assuming-- I don't-- I know very little about your business.

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**TYSON SCHAFFERT:** Sure.

**PAHLS:** Do you pay taxes like on your ink that you use?

**TYSON SCHAFFERT:** If I get it delivered to me, yes.

**PAHLS:** So would that be classified as a business input?

**TYSON SCHAFFERT:** I suppose it would be.

**PAHLS:** I think you ought to start looking at all the business inputs, because if we're talking about-- I heard somebody from the Farm Bureau says we need to be taking a look at business inputs. So maybe we ought to really start digging down into all these professions and just see what the business-- I'm just curious. I've not thought about it--

**TYSON SCHAFFERT:** Yeah.

**PAHLS:** --until it's been brought up several times.

**TYSON SCHAFFERT:** Well, I'm a numbers guy. In my business, I look at the numbers all the time. And from what I heard today, we discussed it that Nebraska has two thirds of services, but we don't have any numbers on them. How is that possible? How do we know it's two thirds services, but we have no numbers on them? So I have a little bit of confusion there. But it seems to me that there's a big gap in what we're managing and what we're measuring. So if we don't have the measurements, we can't manage it. And so I have some confusion there. This is just the stuff I've heard today.

**PAHLS:** No, I-- I hear you. You have a point. Thank you.

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

**TYSON SCHAFFERT:** Thanks for your time.

**LINEHAN:** Thank you. Thank you and good morning. How are you?

**KEN ALLEN:** [INAUDIBLE] I'm well, thank you, Madam Chair. Members of the Revenue Committee, my name is Ken Allen. That's K-e-n A-l-l-e-n. I'm the director of the Board of Barber Examiners. Our industry is the

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second oldest profession in the world. And we're going to stop right there. OK. That being said, the Board of Barber Examiners stands in opposition of LB422. We feel that our services are essential, necessary. I look around the room, everybody's got haircuts probably done by a professional, I would hope. And that's another point of contention. If this bill goes through and barber services are included, my job, I see every one of the communities that you're in. I was in Norfolk or close to Norfolk last week. I was up in West Point, your district. What I can see happening here is licensed professionals going underground to not have to report sales tax, especially if it's-- I-- we consider it essential, because hair is hygiene. We all like to look good. We all like to feel good. We-- to keep your hair clean, come see us. So that being said, sales tax is a regressive tax. I don't care what adjective you put in front of it, you can less regressive, you can call it whatever you want. It's still regressive. So that being said, a regressive tax will hurt the lower and fixed income people. No questions. The only way around that and I proposed this a couple of years ago, I don't remember which bill, is a predate, if you will, which would be hard to implement, but that would be the fairest way to let the lower and fixed income people get that piece of the pie back, because they're going to be the ones hit the hardest. In our industry, we're not notorious for making a lot, a lot of money, but we're essential. Our people see all faces of life. In other words, the higher income, the higher-- high-income people come in, the middle-income people, and lower-income people. Working behind the chair for 32 years myself, when we had the recession back in '08, my lower-income families would come in less frequent because they were directly affected by impacting incomes. They lost revenue through their 401s, whatever they had. So that will directly impact our industry as well. Any time you have to put a tax on something, it's going to hurt their budget. They have to decide, am I going to buy food this week or am I going to get a haircut? Am I going to have to pay my heating bill or am I going to get a haircut? I mean, you got to think about all these things and it's-- I wouldn't want to be in your shoes. I appreciate each and every one of you. I really do. And you have a great job in front of you. That being said, I would take any questions.

**LINEHAN:** Thank you very much, Mr. Allen. Are there questions from the committee? Senator Pahls.

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**PAHLS:** Thank you, Senator. In your line of work, do you have any business inputs?

**KEN ALLEN:** Well, I'm an agency, so. Yes, in our line of work, yes. And most of our-- most of our inputs would come through, as Senator Linehan used to be in the field of selling hair products or products used in salons. So, yes, they are not taxed coming out if you buy them through a supplier.

**PAHLS:** OK. Thank you.

**LINEHAN:** Thank you, Senator Pahls. Other questions from the committee? Thank you very much, Mr. Allen, for being here.

**KEN ALLEN:** Thank you.

**LINEHAN:** Are there other opponents? Your turn.

**VICTORIA JORGENSEN:** Thank you for hearing me this afternoon. I appreciate having the opportunity to speak. I really appreciate all the work that all my constituents and the opponents put forward. I'm just a hairdresser of over 40 years. And I know by talking to people every day of these 40 years and going through this pandemic, it has really hurt our industry. And this is terrible timing to try to balance it, including us. So I understand there's a lot of other people that have problems with it, and I understand that. But this is what I do for a living. I was a caregiver at a young age. I wasn't able to go to college to get a job with a pension, with health insurance benefits, 401k and all that. And I'm telling you, on a hairdresser's income, cosmetologists, facial, any of that, you're under \$100,000. If you get anywhere close to that, praise God for that. So I ask that you take into consideration all the hard work that these people have done, excuse me, over the years to see. Yes, we need to have some things done in Nebraska, but there are other ways to make it go through. And it is going to hurt a lot of people. It's going to help to have some people really take a look at the industry itself, because we do not really have any regulation. There is just people doing things out there that we don't-- I haven't been inspected in a salon for over eight years. I don't know if people realize, but everything has gone up with the pandemic. Our shears alone, to buy a pair of scissors to cut your hair are over \$1,000. People don't even believe that. Everything is so expensive. You charge something. If

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you're going to add a sales tax on there, people are going to tip you less. My clients told me this. I love my clients. They love me. They want to help support me. But, you know, everybody's stuck right now. It's a hard time for everybody. So I just ask that you really consider this bill to be no. And unless they can, like they said ahead of time, kind of go through and see what they need to do about some exemptions. Thank you for your time.

**LINEHAN:** I forgot--

**VICTORIA JORGENSEN:** Oh, I'm sorry.

**LINEHAN:** That's OK, my fault.

**VICTORIA JORGENSEN:** Victoria Jorgenson, V-i-c-t-o-r-i-a, Jorgensen, J-o-r-g-e-n-s-e-n. And my customers wanted me to come speak today too. The reason we didn't have a lot of people here today, you know what? We don't work; we don't get paid; we still pay the rent. So they were all like, thank you for coming. So thank you for hearing me. Any questions?

**\*BOB HALLSTROM:** Chairman Linehan & members of the Revenue Committee, my name is Bob Hallstrom and I am submitting this testimony as registered lobbyist for the National Federation of Independent Business (NFIB) to express our opposition to LB422. LB422, would, effective October 1, 2022, presume all services, except for business inputs, to be subject to the sales and use tax, and would lower the state sales tax rate from 5.5 percent to 5 percent. NFIB/Nebraska has traditionally opposed a sales tax on services for the following reasons: 1. Small and newly created businesses are especially disadvantaged by a tax on services. These firms must generally purchase many professional services, such as landscaping services, yard maintenance services and snow removal which larger firms are better able to provide in-house. This factor places small businesses at a distinct competitive disadvantage vis-a-vis larger businesses. 2. Small businesses face a greater burden through the imposition of a tax on services since the increased compliance costs which accompany such a tax are proportionately greater for small firms and make up a greater percentage of their total sales. We are also concerned that the expansion of the tax base proposed under LB422, even with the proposed one-half cent decrease in the state sales tax rate, will provide the basis upon which additional revenues can be generated for

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increased spending in times of prosperity. For the foregoing reasons, I would respectfully request that LB422 be indefinitely postponed.

**\*KRISTEN HASSEBROOK:** Chairwoman Linehan and Members of the Revenue Committee, my name is Kristen Hassebrook, registered lobbyist for Nebraska Chamber. I am here today in opposition to LB422, a bill to change the sales tax rate and impose sales tax on additional services. LB422 would presume all services in Nebraska, except for business inputs, to be subject to taxation, and would lower the sales tax rate to 5 percent. The bill would not take effect until October 1 of 2022. Historically, the Nebraska Chamber has opposed further expansion of sales and use taxes to services and exempt categories on an ad hoc basis. However, the NE Chamber would support a broad review of sales and use taxes only in the context of true tax modernization which would also have to include a review of income taxes and property taxes. Currently, the Nebraska Chamber opposes LB422.

**LINEHAN:** Thank you very much, Ms. Jorgensen. Wait, are there any questions from the committee? Thank you very much. Are there other opponents? Is there anyone wanting to speak in the neutral position? OK, we did have written testimony submitted: Bob Hallstrom, Nebraska Bankers Association, Nebraska Federation of Independent Businesses; Kristen Hassebrook, Nebraska Chamber. There were no proponents. We had 70 letters. We had no letters proponents, 70 opponents, and no neutral. Deja vu.

**BRIESE:** Pardon?

**LINEHAN:** Yeah.

**BRIESE:** Thank you again, Chairman Linehan and fellow members of the Revenue Committee. And I want to thank everybody for coming in and testifying on both sides. We needed to hear from you and that's what we're here for, to sort these things out and get some opinions on this. And-- and I could react to a few of the things I heard, a few things I agree with, and a few things I don't agree with. But the bottom line, I think, is we're all in agreement that an expansion of our sales tax base is a good thing. It's warranted. And I think most of us are in agreement that dedicating those dollars to reduction in the rate is probably the avenue we want to proceed in. But the big question is, if we're going to do that, how do we do it? And do we do it as I suggest in this bill, you know, hold hands, take the leap and

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get the ball rolling? Or do we do a study first? Do we look at all these things first? And-- and what we heard today really is kind of a precursor to what that study is going to be like. Any hearings on that study, we're going to have folks coming in right and left trying to-- probably trying to stop what we're wanting to do. And-- and speaking of studies, we had the Syracuse study in the '90s. We had the Burling study in '07. We had the Tax Modernization Committee. We had our interim study last year, the year before, whenever it was. And we've studied this quite a bit. And I think it's time to get something done on it. And-- and I submit that, well, let's hold back and let's have an interim study on this and try to figure, sort this out and then introduce regila-- legislation. I think that's a recipe for a stalemate. I really do. And I think what I've proposed here is really the best way, maybe the only way. I shouldn't say best way. You know, it would take some tweaks here and there. But I really kind of think it's the only way to get the ball rolling and get this done. So anyway, that's all I have. Thank you.

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

**PAHLS:** Thank you. What does the executive side think of this? Do you have support from the executive side?

**BRIESE:** I haven't asked the executive side, but I would certainly think based on the support of the think tanks and the fact that we would be lowering the sales tax rate, it's completely designed to be completely revenue neutral, I would hope that the executive branch would be in support. But I haven't asked the question.

**PAHLS:** Thank you.

**LINEHAN:** Thank you, Senator Pahls. Other questions from the committee? I just want to clarify. What you're saying is we would put this in place and it kicks in when? October of--

**BRIESE:** October of 2022. And I would-- I don't know, you might want to push it, if we did it, I'd push it back maybe another year.

**LINEHAN:** So what you're really doing is put our backs up against the wall and saying we're going to-- we're going to take this on and we've got a deadline to get it done.

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**BRIESE:** Yeah. Yeah. That way it gets done because I would predict that it's not getting done otherwise. But maybe--may--

**LINEHAN:** Are you somewhat shocked by the list of opponents that came in from the business community this morning?

**BRIESE:** Oh, I'm not shocked, but I-- I-- but-- but that's their-- yeah, I'm disappointed, I guess. But am I shocked? No.

**LINEHAN:** But having talked to several people--

**BRIESE:** I'm disappointed, yes.

**LINEHAN:** --that are represented in this, I can't find it right now. I shut my book. But haven't several of these people, at least in my experience, it's several members of the communities represented in that letter have said we need to modernize our tax code. I mean, I've heard that since I've had Chair of this committee--

**BRIESE:** Yes.

**LINEHAN:** --that we need modernization.

**BRIESE:** Yeah, yeah, that's a good question. Am I shocked? No, I'm typically not shocked, but I am disappointed, yes.

**LINEHAN:** OK. Other questions from the committee? All right, with that, we're done--

**BRIESE:** Thank you, everyone.

**LINEHAN:** --before 11:30. All right. Thank you.

[BREAK]

**LINEHAN:** I'm sorry for the late start here, we had a-- we're squeezed on rooms for hearings, so the Exec Committee was in here. Welcome to the Revenue Committee public hearing. My name is Lou Ann Linehan. I'm from Elkhorn and represent Legislative District 39. I serve as Chair of this committee. For the safety of our committee members, staff and pages and public, we ask those attending our hearing to abide by the following procedures. Due to social distancing requirements, seating in the hearing room is limited. We ask that you only enter the hearing

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room when it is necessary for you to attend the bill hearing in progress. The bills will be taken up in the order posted outside the hearing room. The list will be updated after each hearing to identify which bill is currently being heard. The committee will pause between each bill to allow time for the public to move in and out of the hearing room. We request that everyone utilize the identified entrance and exit doors to the hearing room. We request that you wear face covering while in the hearing room. Testifiers may remove their face covering during testimony to assist members and the transcribers in clearly hearing and understanding the testimony. Pages will sanitize the front table and chair between testifiers. Public hearings for which attendance reaches seating capacity, which we are at today, the entrance door will be monitored by the Sergeant of Arms right back there in the redcoat, will allow people to enter the hearing room based upon seating availability. Persons waiting to hear-- enter the hearing room are asked to observe social distancing and wear face covering while waiting in the hallway. The Legislature does not have the ability due to HVAC project of an overflow hearing room for hearings which attract several testifiers and observers. For hearings with a large attendance, which we have today, we will request only testifiers in the hearing room. We ask that you please limit or eliminate your handouts. The committee will take up the bills in the order posted. Our hearing today is your public part of the legislative process. This is your opportunity to express your position on the proposed legislation before us today. To better facilitate today's proceedings, I ask that you abide by the following procedures. Please turn off your cell phones. The order of testimony will be the introducer, the proponents, the opponents, neutral and closing remarks. If you will be testifying, please complete the green form and hand it to the page when you come up to testify. And I'll introduce the pages in a second. If you have written material that you would like to distribute to the committee, please hand them to the page to distribute. We need 12 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 your first and last name for the record. Please be concise. It is my request today, we're going to limit testimonies to three minutes and we'll use the light system so when the red light comes on, you need to wrap up. If there are a lot of people-- we already-- we are. We do have a lot of people. If your remarks were reflected in previous testimony or if you would like your position to be known but do not wish to testify,

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please sign the white form on the table outside of the room by the entrance and it will be included in the official record. Please speak directly into the microphone so our transcribers are able to hear testimony clearly. First, I would like to introduce committee staff. To my immediate right is Mary Jane Egr Edson. To my immediate left is research analyst, Kay Bergquist. And at the far end of the left table is committee clerk, Grant Latimer. Now I will have the committee introduce themselves, starting with Senator Pahls.

**PAHLS:** Rich Pahls, District 31, southwest Omaha.

**BOSTAR:** Eliot Bostar, District 29, south central Lincoln.

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

**LINDSTROM:** Brett Lindstrom, District 18, northwest Omaha.

**FLOOD:** Mike Flood, District 19, Norfork, Madison and part of Stanton County.

**BRIESE:** Tom Briese, District 41.

**ALBRECHT:** Joni Albrecht, District 17, Wayne, Thurston, and Dakota Counties in northeast Nebraska.

**LINEHAN:** And our pages for this afternoon if they stand up-- Jason, who is at UNL studying political science and history and Reid, who's at UNL studying ag economics. Please remember that senators may come and go during our hearing as they may have bills to introduce in other committees. Please refrain from applause or other indications of support or opposition. I would like to remind our committee members to speak directly into the microphones for our audience. The microphones in the room are not for amplification, but for recording purposes only. Last, we are an electronics equipped committee. 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 it's critical to our state government. So with that, we will start with Senator Erdman's introduction of LB133. Good afternoon.

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**ERDMAN:** Good afternoon. Thank you. Thank you, Senator Linehan, I appreciate it. My name is Steve Erdman. S-t-e-v-e E-r-d-m-a-n. I represent District 47, which is 10 counties in the Panhandle. Today, I am here to present to you LB133, which is for a better lack of a better term, the nuts and bolts of implementation of a consumption tax. I will be as bold to say this. This is the most significant bill that has been introduced in this body in decades. We have, over time, been nibbling away at taxes, consumption-- or property tax and all the other taxes combined. Let me give you a bit of history just to refresh some of those of you, memories of what happened the last three or four years and those you already knew, Senator Bostar and Pahls and Senator Flood. In '17, when I was here at the end of the session, we had accomplished absolutely nothing on property tax. And you may have made campaign promises, as I did, that my goal is to fix the property tax problem. So at the end of '17, on the 23rd day of May, I had a press conference stating I was interested in doing something with property tax, please join me. To my surprise, I had about 35 people step up, organizations and others, and we started a petition drive in '17 that would have reduced your property tax by 30 percent of the amount that went through public schools. That-- that petition was collecting signatures at a pretty good rate. On about the 15th of May, the people were circulating a petition, pulled the petition for no unknown reason-- no reason they gave me. So in '19, I introduced another resolution, another petition initiative, and that was to reduce your property tax by 35 percent. It had a little different twist and that was it was going to give you an income tax credit, a rebate on 35 percent of the property tax you paid. Imagine that, a property tax-- an income tax rebate on your property tax. Have you ever heard of that before? Last year, LB1107, that's exactly what they did. So that petition was halted because of the COVID situation. Neither one of those two petition drives were considered, in my opinion, to be the solution. Those were the mechanism to force this body to make a decision once and for all about fixing a broken tax system. There's a very smart lady in this room, and I won't mention her name, but she sits in the middle in the front, mentioned to me on January 4th that we have a 1967 tax system. It's outdated and needs to be reviewed and changed. And so after the petition ceased to exist on the '20-- the middle of 1920-- 2020, there was a gentleman who came to my office and presented to me the idea of a consumption tax. I then invited Senator McDonnell and Senator Holloran to join me for that presentation. After listening to the presentation we said, this is the solution. This is

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how you fix the tax system. This is how you fix it once and for all because what we've been doing, and I believe you would agree with me, we've been nibbling around the edges. We did a Band-Aid here. We did Property Tax Credit Fund. We did LB1107, which decreased the increase, and we've never, ever attempted to make a real change. So if you don't make big plans, you don't have the opportunity to disturb men's souls to get behind the project or the program. This consumption tax model is the answer to fix Nebraska's problems. As I was traveling around and presenting the 35 percent solution, I began to understand something that I hadn't comprehended before. There was issues with income tax as well, corporate income tax, individual income tax. And as I began to look at that, I said, it's not just property tax that's affected here, it's all taxes. And we are ranked highly in the category of all taxes collected in all states. Just an example of how much relief would you have gotten with a 35 percent solution? If we had had reduced property tax by 35 percent, it would not have moved us in front of any of our neighboring states, not one. It would have moved us from fifth or sixth to whatever we are, to 29th. That's how far out we are. So this bill, LB133, is the how we do this. Later on, we're going to talk about LR11CA, which is the constitutional amendment about why. OK? And there will be many people here today that will talk to you about what they see as a need for us to make a difference and make a change, and then you will hear from a group that are going to talk to you about, we can't meet our budget, this won't work, and it's an issue that we can't deal with. Those are the people whose focus are wrong. You see, what I've discovered since I came here is our focus is wrong, that's why our taxes are so high. If our focus was on the people who pay the taxes instead of the people who collect and spend the taxes, we'd have a different tax system. And that's what this does. And so the bill is 67 pages-- well, 71, I guess. And I could say we have to pass it to see what's in it. I will tell you this. Getting that 71 pages put together, took a long time, took a lot of work. We had meeting after meeting, my staff, Joel did most of the work putting that together before I sent it to Bill Drafting and I appreciate what he did. So I am going to read some of the things that this bill will do, and then I will try to answer your questions. There are other people that will be testifying behind me that will know more about the consumption tax than I do. But before I read that, I would like to say something about how we got here. I did-- I did some research and tried to discover what did they do in 1967 when the state was no longer able to collect property tax. I made an assumption. And

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you know what happens when you make an assumption? I made an assumption that the people were just fed up with property tax and they circulated a petition to eliminate it. So yesterday we went to the Research Office and we pulled the information. The Legislature prior to '67 had already made a decision that they were going to implement sales tax and income tax and it was going to be on the ballot in 1966 to include sales tax and income tax. So that is when the electorate got motivated and they put a petition drive together to remove property tax in its entirety. Had they not done that, had they not removed property tax, the state would be collecting three types of taxes. From what I can tell, from what I read, the reason for introducing sales tax and income tax was to reduce property tax, but it passed. The petition was on the ballot and it passed. By the way, there were 16-- 16 initiatives on that ballot in '16, and they passed the income tax sales tax and they removed property tax for the state. Interesting, 1968 came. In 1968, the voters tried to repeal the income tax. It only had been in place two years. They tried to repeal it in 1968. They were unsuccessful. So today we have property tax locally collected. We have sales and income tax collected by the state. Property taxes too high, income taxes too high, corporate taxes is a sham. No corporation pays taxes. All the individuals who own the corporation pay taxes, so we need to fix the whole tax system. And so that's what LB133 does. And so let me share with you a few things and then I want to highlight briefly about the fiscal note. And I don't know if you've had a chance to see the fiscal note. You-- if you have gotten it, you have it at about the same time that I got it. I received it last night at five o'clock. The fiscal note has huge issues and I'll talk about those. But LB133, in my opinion, is the taxpayer's bill of rights. The citizens of Nebraska are entitled to a fair tax and a just system which favors neither the poor nor the rich, neither rural dwellers or urban dwellers, and neither businesses or owners of-- owners or laborers. That has no respect of race, religion, creed or sex. The state of Nebraska will never impose and collect another tax-- income tax on its citizens, whether such tax at a personal nature or a corporate nature tax after we pass a consumption tax. We're going to repeal all those. The state of Nebraska will never impose and collect a tax on property already owned by citizens, regardless of whether such property is real, personal, tangible or intangible. If you own property in the state of Nebraska, you never really own it. You continue to rent from the county. You don't believe me, don't pay your property tax for three years and see who owns your

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property. Under the consumption tax once it's paid for, you own it. The primary revenue will be subject to the citizens of Nebraska and readily correcting the-- correcting errors in taxation and granting temporary relief to registered sellers suffering hardships due to over taxation. So the sellers will collect the consumption tax just like they collect the sales tax now. So let me just give you this before I move any further than that. I've had the question, what is the difference between a consumption tax and sales tax? It's very simple. A sales tax is collected every time something sells and a consumption tax is collected once by the first consumer or when you hire a service. So there's a significant difference between a consumption tax and a sales tax. And so the consumption tax will be on all services and new goods. And people have said, what happens to the people in the lower income? And I have a couple of flyers here I'd like the young man to pass out if he would. The first one is how the consumption tax works and the second flyer will be examples on how it works for buying a new home, a new car, opposed to a used car, border bleed, what will happen on the border? Will people go to Iowa and buy things, or Wyoming? And it will also describe to you how we're going to do the prebate. The consumption tax will work on a monthly prebate that is given to everyone in the state of Nebraska, and it will be-- the consumption tax will be based on the poverty level of an individual or a family, whatever your marital status is, times the consumption tax rate divided by 12. So the example that you have in front of you is if you look at that brochure, what we did is the average or the individual poverty level is 12,700 for an individual would multiply that by 9.8. Let me-- let me say that in the bill you looked at, the consumption rate was 10.64 and the Beacon Hill Institute had done the research for us and they came up with 10.64 percent would be the number to collect as much taxes as we currently collect now and also collect the prebate. In December-- the first part of December, we had a conference call with the Beacon Hill Institute and I asked them to review what they had put in place earlier, and they did. And they came back just after the first of the year with their new rate and they're-- they are now assuming the new rate is like 9.85 instead of 10.64. So what we did is we took the 12,700 times the 9.85. That's the amount of consumption tax prebate one would receive. So if you're in that category, that income category, you would not spend one dime on taxes until you exceeded 12,700. So for people to say that this consumption tax is going to be unfair or a problem for low-income people, it's absolutely false. In fact, it's better than what they

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have now because if a person is in the 12,700 category, when they eat out, when they buy clothing, when they buy the necessities they need, they pay a sales tax on that now. Federal law will not allow the state to collect a consumption tax on food stamps or on SNAP. So those people that are in that category that apply for food assistance will be prebated as if they paid consumption tax on their food and in reality, they will not. So this puts them completely harmless until they spend over 12,700. So that is-- that's the flyer that I presented-- two flyers to you. That's-- that's one of the instances that explains there. So as we move forward with this, this is a revenue neutral concept. OK. And you will hear people come in today and say we will have trouble making our budget. They're going to cut our taxes and you'll see in the fiscal note, if you've looked at it, Lancaster County is going to lose 85 million and the community colleges are going to lose 235 million. And the people who did the fiscal note never called me, never checked to see how does this work, exactly what is this? So they make all these assumptions. None of those are true. Every dollar that we currently collect, we will collect after the consumption tax is in place. We will collect enough dollars to also pay the prebate. And so what will happen-- and Rob Rohrbough will come later and he'll be able to explain it to you, but what will happen is we currently collect sales tax on about \$47 billion a year, \$47 billion annually. If we remove all exemptions, we put the consumption tax on food and services, it is estimated that that will go from 47 million to around 108-- 109 billion. If you multiply the 9.85 percent times that base number, you collect enough taxes to fulfill every obligation that we had-- we have currently. This is not-- this is not a bill to cut taxes. This is not a bill to remove spending from anyone. This is a revenue neutral bill that will collect the same amount of taxes we do now. What this is, is a different way to fund government, to fund schools. That's what this is. This is not a tax cutting method and this is not intended to hold people spending down. That's for someone else to discover. So that's-- that's kind of where we're at. This is a bill that will give people the opportunity to be able to pay the tax they want to pay, that they can afford to pay. And as I was reading-- I was reading the Federalist Paper 21, and when you get down towards the end of Federalist Paper 21, Alexander Hamilton says it is a single advantage-- he's talking about the consumption tax. He said it's a single advantage tax on articles of consumption that they contain in their own nature a security against excess. He also went on to say they prescribe their

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own limit, which cannot be exceeded without defeating the end proposed. This is an except-- an extension of the revenue. So what he's saying is you can't be overcharged because you will decide by what service you hire or what product you buy or consume, on how much taxes you pay. And I don't know if any of you have ever experienced this, but in the past, as a farmer, I had a tax liability, but I didn't have the money to pay. That will never happen with a consumption tax. We will collect every dime, every dime we need to fulfill the obligations that we currently have. Now, let's talk a bit about the fiscal note, because I think I need to touch on that. As I said, I got it yesterday, about five o'clock. Didn't have a chance to look at it a whole lot last night, but I reviewed it again this morning when I came in, if I can find it. Here it is. OK. Now if you have a fiscal note, on the first page I'm going to read something to you that I think reveals the value of the fiscal note. It says this, due to time constraints under the accelerated schedule, an estimate of the fiscal impact is not available at this time. An estimate will be provided and this fiscal note will be revised once more information is available. Did they reach out to me to see how this bill was going to be implemented or what it was going to do? They did not. So they go on to talk about certain things that I need to draw your attention to on that first page at the bottom in the middle there, it says that the TEEOSA formula will be eliminated. That is a false statement. And I'll tell you why that's a false statement. When we were putting this together, I contacted Senator Groene and I asked Senator Groene to stop by the office and see if we could figure out how we best do the TEEOSA formula. So we made the schools and the Department of Education a state agency, and we put the schools under those-- under their-- under their jurisdiction. We did not and we do not, and we will not eliminate TEEOSA. It's going to stay in place. So as you look through that fiscal note, there are many things in there that they have stated that they're making an assumption on. All right. None of those are true. None of those things are true. They don't spend any time checking with me to see what may happen, how it will be done. One of the things that they are correct on is that when we implement this in 2024, we will collect property tax and income tax in '24 for the year '23. And so we will have revenue coming in at the beginning of the year, and the bill also says the-- the LB133 bill says that we will transfer 240 million from the General Fund to pay for the prebate. So when we first got the bill and Beacon Hill Institute was trying to put together what the prebate was going to cost us, they were assuming

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that the poverty level for a family of four was 33,600. As I began to review that and look to see if that information was true, I found out that was not right. And the number is 26,000-- more like 26,200. So the prebate will not be a significant dollarwise, as we originally thought. So 240 million is more money than we will need to do the prebate the 1st of January, '24, because the bill says that we will start the prebate on January 1st, 2024 to offset any consumption tax low-income people will have to pay. Now, that prebate is going to come to everybody in the state, depending on your marital status, whether you're Warren Buffett or whether you're making 12,700, you're going to get a prebate because we will not be collecting any income tax. We have no record on how much money you make and we don't need to know. So the prebate will be given out to each person. Each household will be-- will be able to claim that and it will be deposited in their-- in their account. And so that they said that we would transfer 240 million, it may not be that much. So that is how that-- that's how that was put in place. One thing I will tell you and I don't need to remind you of this, you're aware of this as much as I am, this is a work in progress. This bill will take many hours of work to complete and implement correctly. My goal is that we have an opportunity this summer to work with the committee, put together to see what we need to do, bring in the experts on taxes and analysts that show us how we can put this in place. This is a step moving forward to accomplishing what we need to accomplish. And so I would ask that you consider this. I would also ask if you have any questions, please let me know what those are. If I can't answer them, we'll get an answer back to you, but there will be other people behind me that may be answer questions that I cannot. But just let me say this. If we don't do something, if we don't do something about property tax, income tax and all the taxes we pay, the voter is going to take it in their hands and they're going to do something that we won't like. We have a chance to make a difference. We have a chance to fix the issue. We have a chance to fix the problem. We have a 1967 model car, time to trade it in and get a new one. So we need to revamp the whole system, which includes income tax, inheritance tax and sales tax, one flat consumption tax. That's the answer. There are many people that will testify today that are here telling you we're at the end of our rope. We cannot continue to pay these taxes. I've never received a little 3x5 notecard from my county assessor or treasurer and asked me if I could pay more taxes. I just get a notice that say send it in. This is an opportunity for people to be taxed on what they can afford to pay. The more you spend,

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the more taxes you pay. So I appreciate the opportunity, Senator Linehan. I appreciate the fact that you moved this hearing up at the start of the session. I thank you for that, and I thank you for this opportunity to present that today. Thank you.

**LINEHAN:** Thank you, Senator Erdman. Are there questions from the committee? Seeing none. You'll be here to close?

**ERDMAN:** I will.

**LINEHAN:** And then with your permission, I'm going to suggest that there are people here who have testimony for both this and the LR that they can talk to both of them.

**ERDMAN:** OK.

**LINEHAN:** If that's OK.

**ERDMAN:** I assume that to be the case, I told them that.

**LINEHAN:** OK.

**ERDMAN:** OK.

**LINEHAN:** Thank you very much.

**ERDMAN:** So I figured you had common sense, OK. [LAUGHTER] Thank you.

**LINEHAN:** Thank you. So we will start with the proponents. And remember, we have to let them clean the desk in-between, guys, for your safety and everybody else's.

**CRAIG BOLZ:** Senators, my name is Craig Bolz, B-o-l-z. I'm from Palmyra, Nebraska. I've lived and farmed in the state my whole life and I've watched-- whether you guys believe this or not, I've watched the senators ever since I was 18 years old. And my daughter tells me I'm rude. My daughter tells me that, you know, I have no smooth. I don't, but the senators really are not trying to represent the people of the state of Nebraska and the people that pay the taxes, just like Senator Erdman says. They're always trying to represent the people that collect the taxes. We always have-- we say it's a Unicameral. It's not. It's the 32-- 31 against the 18-- 32 against 17, whatever. But you people have a chance of being historical here with this

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consumption tax absolutely making history across the whole United States. We have tried and tried and tried. Senator Erdman says it started in '67, yes. We had a fork in the road and I think it was '98. I don't know whether it's '96, '97, '98 when we capped spending, we didn't cap the growth. If we'd capped the growth at 2 percent, we wouldn't be here today. This consumption tax solves so many problems. In one swing of the bat, it's-- it's mind boggling. I am so blown away that I even know Steve Erdman. We have tried and tried and tried a year or so ago, Linehan, Briese, Friesen and Groene come real close with LB984 to making a-- making a big swing. Couldn't get the 17 to agree. So then we settled on LB1107. Oh, wow, we got nothing. My taxes went up \$152 because we got the personal property tax exemption taken away from me. Through lawyers, LLCs and all that, I solved that problem. We don't need-- we don't need to go through this thing. I've got a whole bunch of things marked, but some of the things that this really addresses is the valuations. I've always said the valuations are set by 1 percent of the people. That's wrong. The 99 percent of people have to take 1 percent of valuation. We have taxes. We raise tax and tax and tax and tax and tax cars, vehicles over and over and over. This is so simple. This is so simple and fair. You've heard me scream at you guys about being fair before. You've seen me cry up here before, and I'm not proud of that, but I ain't going nowhere. I ain't going nowhere. You can take my grandpa's farm from me if you want to, but I'm going to fight to the end to support this. And I hope that you guys realize what chance you have of making history here by changing the tax collection and the tax code of the state of Nebraska. Thank you.

**LINEHAN:** Thank you, Mr. Bolz.

**CRAIG BOLZ:** Is there any questions?

**LINEHAN:** Are there any questions from the committee? Seeing none, thank you for your testimony.

**CRAIG BOLZ:** Thank you very much.

**LINEHAN:** Thank you.

**CRAIG BOLZ:** Thank you.

**LINEHAN:** Next proponent. Thank you. Good afternoon.

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**ROB ROHRBOUGH:** Good afternoon, Senators. My name is Rob Rohrbough. That's R-o-b R-o-h-r-b-o-u-g-h. I live at 8515 South 105th Street, La Vista, 68128. I appreciate you're hearing all the testimony this afternoon. Mine starts with my father. He was born on December 31, 1901. I always wondered why he wasn't called the tax baby because there were no taxes then, there were no income taxes. So nobody had to worry about what time of year they were born. And I wondered why there weren't always income taxes. I discovered that they-- they came along in the early 20th century. I also wondered why somebody should be able to take-- might somebody's prop-- another person's property, but if I tried to take that property, I would be arrested. But for some reason, the government gets a pass. And I realize that it really was the taxing property, taking property. When I sold my house after about 40 years, I realized I was paying more in taxes than I was paying on my mor-- mortgage payment. And so I was effectively paying rent, and I think Senator Erdman already made the point about that. So I started studying what taxes were like when our country was founded. And I discovered that these people had a great respect for property rights. And if you read the Constitution, Article 1, Section 8, it presents an array of taxing methods that are purchase oriented, not income oriented, and I wondered where we went wrong. So I joined a group that promotes consumption-based taxation at the national level and I learned a lot and I started thinking that maybe this is the solution for our tax problems. So I approached Senator Erdman and the primary thing I want to do today is, look-- have you look at a table that explains exactly how we replace 100 percent of the revenue raised now. As he mentioned, the tax base we have is much larger than the current sales tax base because we don't have any exemptions at the retail level, save one on fuel. So our tax base starts at \$104.9 billion. We add in state and local government consumption and salaries and wages because they're not a business. We do eliminate business taxes as Senator Erdman-- corporate taxes, that's the C in EPIC. But they-- not the government isn't valuable, but they don't produce goods and services to be purchased. So they are consumers like us. We added new home sales that weren't in that original number. We subtract the prebate, the cost of the prebate and the cost of paying retailers to collect the tax. The bottom line is our base is \$110 billion, you divide that, as Senator Erdman said, by 10.9 billion, we get a tax rate under 10 percent and we don't confiscate any property, nor do we threat-- do you have any questions for me?

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**LINEHAN:** Thank you very much. Yes, Senator Albrecht.

**ALBRECHT:** Thank you, Chairman Linehan. And I understand that you're the mastermind behind this, is that correct?

**ROB ROHRBOUGH:** I've been accused of that, but I won't take credit.

**ALBRECHT:** Well, I'm going to ask you some questions because there's no way that you can help me understand what I have in front of me without--

**ROB ROHRBOUGH:** All right. If you don't mind, I'm going to take notes if I can to answer it I'll find it.

**ALBRECHT:** Now, you've provided us with 2024 tax consumption rate for Nebraska. And without going into 30 minutes worth of a presentation, can you sum it up in about 5 minutes where I need to-- did you help make these sheets up too?

**ROB ROHRBOUGH:** I reviewed them. I think Joel did most of the work on those. We had several people work on them.

**ALBRECHT:** OK, so then I'm going to ask you to just stay in here and just give me-- I mean, when did you start working on this for the state of Nebraska?

**ROB ROHRBOUGH:** Oh, probably about two or three years ago.

**ALBRECHT:** And have you ever talked to anybody else about this besides Senator Erdman?

**ROB ROHRBOUGH:** Yes, several. You know, I've talked to several of the co-sponsors. We had several of us that were involved. We would approach the state senators on a regular basis.

**ALBRECHT:** Were you involved in any particular group that did that?

**ROB ROHRBOUGH:** At the time I was part of that national organization called FairTax, that--

**ALBRECHT:** FairTax.

**ROB ROHRBOUGH:** --Americans for Fair Taxation. And you might recall FairTax Floyd. I don't know how long you've been in the Senate here.

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**ALBRECHT:** I've only been here since-- this is my fifth year.

**ROB ROHRBOUGH:** Floyd did most of the talking to the senators. I didn't talk as much.

**ALBRECHT:** OK, and how many states actually have consumption taxes instead of something else?

**ROB ROHRBOUGH:** There are several states. There are five states without income taxes, state income taxes.

**ALBRECHT:** OK.

**ROB ROHRBOUGH:** And we found that they tend-- they're not perfect, but they tend to do a little better economically, Florida and Texas are among them. There are-- I can't-- I don't think there are any tax states without property taxes. Alaska-- I used to cite Alaska. They have a minerals tax. That's a way they can collect money on the oil they produce. There are a couple of states that are looking-- there's one other state that I was made aware of recently. It is looking at getting rid of their property tax and they don't currently have a sales tax.

**ALBRECHT:** So how many--

**ROB ROHRBOUGH:** Pardon me. An income tax.

**ALBRECHT:** So how many of them actually have consumption tax, did you say?

**ROB ROHRBOUGH:** Well, no one has embarked on the effort that we are. I shouldn't say nobody's completed the effort. There are one or two other states that are doing the same thing we are promoting this bill, including the prebate that untaxes the poor. But we've looked to the states that do not currently have an income tax and that's been the FairTax organizations focus for many years is getting rid of income taxation. We believe that addressing the property tax as well is novel and we would be the national leaders in that area.

**ALBRECHT:** OK, so just walk me through your table of contents real quick, just to point me in the right direction of being able to understand this proposal. Is that OK, Chairman Linehan?

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**LINEHAN:** Yeah, but we have to be fair to everybody.

**ALBRECHT:** I understand, but knowing that this is where it's coming from, I feel like I need to--

**LINEHAN:** Yeah.

**ALBRECHT:** --pick somebody's brain.

**LINEHAN:** OK, just as long as we do it quickly.

**ROB ROHRBOUGH:** Proceed, Senator.

**ALBRECHT:** Go ahead. Just--

**ROB ROHRBOUGH:** Did you want me to walk through it?

**ALBRECHT:** Yes, just-- just briefly.

**LINEHAN:** I think she's trying to ask, just do the tables. Tell us what the tables say.

**ROB ROHRBOUGH:** Would you like a little more detail on the table that I mentioned?

**ALBRECHT:** Sure.

**ROB ROHRBOUGH:** OK, I'm proposing that because it gets to the meat of how the tax, the current revenues are replaced. There are several tables in there. There's a table where we illustrate how the cost of the prebate is computed. There-- we have some detail on how we came to the \$10 billion number of current taxes collected. And those numbers, by the way, are projected to 2024, which is the first year that this will take effect.

**ALBRECHT:** And so there's a projection that there'll be this grand total, but are you saying every year families will get 20-some thousand dollars back? Was that something that Senator Erdman--

**ROB ROHRBOUGH:** Well, let's talk about a single person, because I don't know why I became a math major, but I have a terrible time with arithmetic. So I want to make it simple. That \$12,000 a year will round down to \$12,000 is a \$1,000 a month in purchases at the poverty level for an individual.

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**ALBRECHT:** OK.

**ROB ROHRBOUGH:** The tax on that would be-- we're going to round-- going to round up to 10 percent because that's easy. So that means that a person spends a \$1,000 dollars a month toward that 12,000, that 10 percent of that would be \$100. So at the beginning of the month that-- that person gets a deposit automatically in his bank account or a check, if he can't do automatic funds transfer, for \$100. That is equivalent to the consumption tax on a \$1,000 worth of spending.

**ALBRECHT:** OK. OK, next table. So we went through the first table one and then you got table three in here.

**ROB ROHRBOUGH:** OK.

**ALBRECHT:** And that just talks about the households.

**ROB ROHRBOUGH:** Yeah, a number of households. And so that-- that helps us compute the total cost of that.

**ALBRECHT:** And then we jump to the table four. OK.

**ROB ROHRBOUGH:** That table crosses pages, and that's one of the reasons I reprinted it in my testimony so that you can see it all in one place. So what I produced in my testimony on the back side is table four. Does that make it a little bit easier to digest?

**ALBRECHT:** Yeah, one-- OK. And the rest is on the back side. Got it. OK. And the Nebraska consumption number, table five.

**ROB ROHRBOUGH:** OK.

**ALBRECHT:** Excluding-- OK, so you have the cars and the houses and these are estimates, right?

**ROB ROHRBOUGH:** They take current documented data and move it forward, inflation adjusted.

**ALBRECHT:** 2024. OK.

**ROB ROHRBOUGH:** Yes.

**ALBRECHT:** All right. Well I won't take any more time so other people can talk, but I appreciate the energy you put into this and I can see

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that it would be historic if something like this could happen. Thank you.

**ROB ROHRBOUGH:** Thank you, Senator.

**LINEHAN:** Thank you, Senator Albrecht. Are there other questions from the committee? And you would be available if anybody wanted to talk to you about this, right?

**ROB ROHRBOUGH:** Absolutely. Be here all day.

**LINEHAN:** Thank you very much. Other proponents. Proponents.

**JEFF UHLIR:** [INAUDIBLE] print more copies.

**LINEHAN:** No, he can print more copies. Oh, there's a lot. OK, we'll just leave what you have and we'll make sure everybody else gets them.

**JEFF UHLIR:** OK. Thank you. It's hard to tell my story in a paragraph.

**LINEHAN:** Well, it's what we got. Go ahead.

**JEFF UHLIR:** So first thing, I guess in your books, there's a-- there's a map. This is our market area.

**LINEHAN:** Oh, yes. I'm sorry. Your name. State and spell your name.

**JEFF UHLIR:** Oh, Jeff Uhlir. U-h-l-i-r.

**LINEHAN:** I'm sorry, say again.

**JEFF UHLIR:** Jeff Uhlir, U-h-l-i-r.

**LINEHAN:** Thank you, Jeff.

**JEFF UHLIR:** First thing, I got a map of Knox County where I'm from, and it's got the market areas. If you guys are familiar, obviously every county in Nebraska, your soil and your rainfall get better as you go east in the state. One way to keep your valuations high in the worst part of your county is to expand your market area further east. So market area two that I'm in, two miles east of Holt County is where my property starts. And if you know Holt County, it's all sand. And the market area goes two miles east of Creighton which is two-thirds across-- across the county. And I also live on the left side. There is

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soil map of the state. And if you can find Knox County in there, it divides it on about Highway 14, which should be several miles west of where the market area is now. This is a 10-year map, rainfall map. On the other side, there's a 30-year rainfall map and the yellow on the 30-year averages, that's right over my pasture. So, you know, that's one of the issues they have. I found out when I testified at the County Board of Equalization, that the county assessors make up the market areas. But I think I got enough to show that it should be moved, but nothing ever gets done. I never know what to say when I get up here to remember everything. So I actually wrote everything down, typed it out. I've never been a English teacher, so sorry for my pronunciation and commas and whatever.

**LINEHAN:** Is that in here?

**JEFF UHLIR:** Yeah, that's in there. It should be on the first thing on the left. And on the right side, the first page, that's a letter from Jerry Green, he-- he went through all my taxes and this is what his findings were. And I won't go through that. I'm already in the yellow, but had a house fire Mother's Day this year. This last year, they put a \$5,000 valuation on my house. County Board of Equalization assessor wouldn't take it off. We couldn't live in the house for five months. Been paying on 23.6 acres of land for 20 since 1972. The assessor notified me of it, wouldn't take it off the tax rolls, lost at TERC. The only people with accountability is the taxpayer. With all that being said, all the intricacies of our current tax system, Erdman's bill gets rid of all that. It simplifies things, you know. And at the end of the day, you know, I mean, basically, you guys are voting to know-- to let the taxpayers of Nebraska vote on this. You know, I mean, I don't know. I don't know how that sounds. I mean it well, but--

**LINEHAN:** It sounds fine.

**JEFF UHLIR:** --you know. But anyway, everything that I really wanted to say was in that first letter on the-- on the left side of my book. There's-- I'm already in the red. Well, I got--

**LINEHAN:** Well, it's all here. Just tell us exact-- if you had to say one sentence, the problem is-- finish the sentence.

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**JEFF UHLIR:** Property taxes. I mean, I can't-- we've been on the family farm 151 years this year. I'm trying to figure out how to hold on to it.

**LINEHAN:** Thank you. Are there other questions from the committee. Yes, Senator Briese.

**BRIESE:** Thank you, Chairman. Thanks for being here today, Mr. Uhlir.

**JEFF UHLIR:** Thank you.

**BRIESE:** You think it's extremely important to let the citizens vote on something like this, don't you?

**JEFF UHLIR:** I do. I don't know how-- and I mean this well, but I don't the question to me is, should elected officials stop the people from voting on a bill?

**BRIESE:** OK. Thank you. Thanks for being here.

**JEFF UHLIR:** And that's-- I mean that as well as I can possibly mean that.

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

**JEFF UHLIR:** Thank you very much, you guys.

**LINEHAN:** Thank you.

**JEFF UHLIR:** I don't envy you sitting here all day.

**LINEHAN:** Next proponent.

**CHARLENE EDMUNDSON:** Good afternoon. My name is Charlene Edmundson, C-h-a-r-l-e-n-e E-d-m-u-n-d-s-o-n. I live at 5068 North 165th Street, Omaha, 68116. Senator Brett Lindstrom is my Senator in District 18. And today I'd like to talk to you about something very dear to my heart and that is 280,775 single parents that live in Nebraska. I request that my written testimony be included in public records for LR11CA and for LB133. I want to thank you for inviting me to share my story of why these two are so important to me. I'm here specifically to speak how both of these will affect single parents and the quality

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of family life that they will have. I was born in 1950 to a family of six children and when I was five my father died, leaving mom to support us. She worked in a restaurant while she also managed our home that we shared five different families with. Mom and our family crew cooked, did laundry and cleaned for our tenants. We were very poor. Lucky for us, our mom was a super smart cookie. She knew if she were to accept any financial food or aid from the government that it would shine a spotlight on me and my siblings, and that would give the opportunity of the-- of the government and possibly divide us into-- into different living communities because they felt that we shouldn't have to work that hard. We should have more money in the family. Our childhood was frightening and at times we all feared being removed from each other because of our poverty and our feel was a real motivator for each of us kids to do our share in keeping our family together and strong and our mom made sure we would not be divided. She knew her parental authority would be gone if she accepted the slightest bit of government help. We took pride in supporting ourselves and we worked hard. We were disciplined in our studies and our daily life. We were a super close family that stayed together and prayed together and we remain close in praying family today. The quality of our life, though it was hard, really formed our character and-- and it provided for a healthy, long family life. So you're probably all wondering why I'm giving this story, but I'm here to let you know that times haven't really changed that much, except for the fact that single parent families have increased. Get this, 556 percent from-- in the U.S. from 1950 to 2020. I took that from the U.S. Census report and it's in your document. Parents work hard today to care for and provide for their children, and they deserve the full portion of the money they earn and the right to decide how to spend it in their children's best interest.

**LINEHAN:** OK, Charlene, I'm going to ask you to wrap up.

**CHARLENE EDMUNDSON:** Thank you.

**LINEHAN:** You're welcome. Do we have questions for Charlene? Seeing none, I think you made your point very well.

**CHARLENE EDMUNDSON:** Thank you.

**LINEHAN:** Thank you. Next proponent. I don't really-- I'm going to tell you. I'm going to be tough on this red light because we've got a whole

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bunch of people that are opponents and if I don't hold you guys, it's not fair to them so I need you to stay under that light.

**CHARLENE EDMUNDSON:** Thats fine. I'm all good, Senator.

**LINEHAN:** Thank you.

**CHARLENE EDMUNDSON:** You're doing a good job.

**LINEHAN:** Thank you.

**GEORGE DAVIS:** Good afternoon, Senators. I'm George Davis, 7801 South 71st Avenue in La Vista. I'm the owner of a small business. That business is the Davis Entertainment, LLC. doing business as Ollie the Trolley. You may have heard of this, about 36 years worth. My background, you may not know this is it has been in government and federal, state and local level. I was a presidential appointee. And I helped to fashion public policy at each one of those particular levels, directing its implementation, regulations, evaluating, auditing the results of decisions made by decision makers like you. In our present form of government in-- in a democracy seeking and encouraging input from informed civil society thus requires engagement, debate and ultimately a decision that reflects a consensus of thought that shapes the laws on public policy. Some of you have legislated before in the past. Some of you may be new at it and some of you may not have been born at the time some of this legislation was passed. And now you're here charged with the responsibility to serve the interests of your constituencies and you may recognize that you have a problem. And it was created over fifty years ago. Property taxes, income taxes, sales taxes, other confiscatory taxes at all levels are the tools of the beast. It cannot keep up with the financial demands to feed it. Those charged with overseeing its feeding say we'll just assess and collect it-- more of the tax dollars and use those resources to satisfy the loudest voices demanding to be fed. What do we know? We know that this tool of property taxation does not and cannot keep up with the demand of the bureaucratic beast. The taxation burden is crushing us. We are limiting our ability to care for ourselves. We have created disincentives to invest in which we'll never be able to pay it off. We are mortgaging our future and our debts in which we'll never be able to pay them off. In Nebraska, income taxes, property taxes, sales taxes and other confiscatory and excise taxes administered by state, county and local governments in

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other taxing collecting units are punishing its citizens or using government. And they're delegated confiscatory powers to grow their bureaucracies. Oh, oh, there it is. While dismissing accountability without self limitations, wringing their hands, we have no choice. Really? Certainly being less responsive to the voters--

**LINEHAN:** Mr. Davis.

**GEORGE DAVIS:** --in the-- in the common good. OK.

**LINEHAN:** You're very-- you're very good, but I got to keep-- your light is on. [LAUGHTER]

**GEORGE DAVIS:** I got you. Let me tell you this one thing.

**LINEHAN:** One thing.

**GEORGE DAVIS:** I have a very good friend, an ex-Army, two-star general that once told me, if you're going to rock the boat on the water, sometimes it's better to turn the boat over totally and force everyone to swim. It means you're going to have to take some courage and commitment and some luck to reach the shore.

**LINEHAN:** Thank you, Mr. Davis. Do we have any questions from the committee? I'm assuming that boat are property tax system and we need to turn it over and swim.

**GEORGE DAVIS:** Yeah. That's right.

**LINEHAN:** OK. All right.

**GEORGE DAVIS:** You need to swim.

**LINEHAN:** Oh, I'm sorry, Senator Friesen.

**FRIESEN:** Thank you, Chairman Linehan. So you said you're a small businessman.

**GEORGE DAVIS:** Yes.

**FRIESEN:** How are you doing through the pandemic? What is business like today?

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**GEORGE DAVIS:** Barely-- we're not considered to be a necessity business. That's what the federal government said. I'm offended. Tell me-- tell my banker that, because I still have to pay him.

**FRIESEN:** What is it that can we do for small businesses like you?

**GEORGE DAVIS:** Oh, I need less regulatory relief. I need some regulatory relief. We pay a lot of dollars to the state of Nebraska across the board. Every time that I have a highway patrolman that comes in to look at my equipment, all of a sudden it cost me four or five thousand dollars more. It's not because I'm not maintaining the equipment, it's other stuff they nitpick. You combine that with the cost of one trolley, \$250,000. How am I going to pay for that, a new one that won't break down. So thus my repair costs are very, very high and every time I go to Omaha Truck Center then all of a sudden I've got a 2,000-- 3,000. I had to replace an engine and-- in one of my particular-- the trollies, and it cost me \$5,000. That does not come growing off the tree. So operating costs, repair costs, regulatory costs, licensing, all is a burden. I'm a small guy. I'm not a big guy. I just want to make a living. Oh, by the way, I want to make a profit. That's the only reason why I'm in the business in the first place. So from a state legislative process, I need relief that way. You know, access to capital would be helpful. Maybe there's some things that the state can do in working with financial institutions in collaboration that can help me. Access that. Have the opportunity to access it. That's one thing you really could do.

**FRIESEN:** OK.

**GEORGE DAVIS:** Yes, sir.

**FRIESEN:** Thank you.

**LINEHAN:** Thank you, Senator Friesen. Other questions from the committee? All right, seeing none, thank you, Mr. Davis.

**GEORGE DAVIS:** Thank you.

**LINEHAN:** Next proponent.

**EDWARD B. JANECZKO JR.:** Thank you. I'm Edward B. Janeczko, Jr., E-d-w-a-r-d B. J-a-n-e-c-z-k-o, Jr. residing at 506 Wizard Drive in Papillion. I'm a retired Air Force Major. I spent an additional 22

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years out at Offutt Air Force Base in Operations Research Analyst. I am representing myself, and with her permission of my beloved wife, her view's also. We want to express my and my wife's full support for LB133. You've heard from people who have written this and know about it. And you're going to be hearing from many opponents of this bill who say that the LB133 will be completely devastating to their ability to educate, provide basic services to the populace. They may even call it a nuclear Armageddon. Well, considering we're about the sixth highest tax burden state and eighth worst state for retirees, you may need to invoke the nuclear option. This EPIC tax, replace all these myriad of taxes in the one-time consumption tax. Opponents will probably say that this is going to be regressive and you know-- you know, for the poor and possibly I'll bet that somebody will claim LB133 is racist at some point during the testimony. That is not true. The fact that you have the prebate will hold harmless those at the poverty level. And if you actually work the numbers out, you see it's a progressive tax. If you spend 2,000 a month on items subject to the consumption tax, your effective tax rate will be about 5.3 percent, 4,000 per month will be just under eight. And the wealthy spending \$8,000 a month on consumption tax items will pay just over nine and a quarter percent. I'm not an economist. That sounds like a progressive tax to me. LB133 is a bold and unique initiative to fully remake our tax system. And as we the only state with a Unicameral, only one of two that divide electoral votes by Congressional district, uniquely should not be an issue, but embraced. It's inherent simplicity of the consumption tax, it eliminates the current [INAUDIBLE] for sales taxes with multiple inconsistent exemptions. It removes the inherent subjective nature of property valuation assessments, as well as another layer of government bureaucracy. An elimination of income taxes provide a much greater business incentive and economic stimulus than the old LB775 did or what last year's LB1107 will do. The prebate makes this a progressive tax and protects everybody. The LB133 consumption tax make Nebraska the great white spot once again, as it was back in the '60s before sales and income taxes became constitutional. I did it. Thank you.

**LINEHAN:** Yeah, you did.

**EDWARD B. JANECZKO JR.:** Five minutes in three minutes.

**LINEHAN:** Well, you're military.

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**EDWARD B. JANECZKO JR.**: Any questions?

**LINEHAN**: Are there questions from the committee? Yes, Senator Bostar.

**BOSTAR**: Thank you, Chair Linehan. Thank you, sir, for your testimony.

**EDWARD B. JANECZKO JR.**: My pleasure.

**BOSTAR**: You mention that we should be willing to embrace uniqueness. And you mentioned the electoral divide, you know, how we do it here. Is that something that you support?

**EDWARD B. JANECZKO JR.**: I am a conservative, but I heartily endorse the divvying up of electoral votes by Congressional district. I wish every state would do that, as opposed to the proposal by some states that will give our electoral votes to the overall winner of the popular vote. This maintains the concept of states and electors, but it provides granularity. And again, Omaha voted for Joe Biden. Maine's second two elections went for Donald Trump. Some places in Minnesota would have gone for Donald Trump. Many places in Texas would have gone for Joe Biden. It's granularity I like. It is unique, but it's right.

**BOSTAR**: Thank you, sir.

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

**EDWARD B. JANECZKO JR.**: Thank you.

**LINEHAN**: Next, proponents. Good afternoon.

**FRED COFFMAN**: Good afternoon, Senator Lineman, counsel, or--

**LINEHAN**: Linehan.

**FRED COFFMAN**: --committee. My name is Fred Coffman, C-o-f-f-m-a-n, 16715 Hartmann Avenue, Omaha, Nebraska. Basically, my testimony is the sheet of paper that's just been handed out. But I would like to reiterate my feeling with respect to the property taxes and how it affects retired people, older people. You buy a home and you take into consideration when you purchase that home, the property taxes, the cost of the home, can you-- can you make the mortgage payment, can you pay the property taxes and everything goes fine until you retire. And

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in our case, the property taxes have gone up virtually every year since we purchased it in 2003. Two years ago, it went up 25 percent in one year, over \$100. Since then, it's gone up the last two years, minimal increases, but it's still going up. We're driving the retired people, the senior citizens out of the state. They can't afford it. I've had a lot of friends who have said we're going to Arkansas, we're going down to the Ozarks, going to go to Florida, going to go to Arizona, and it's because of property taxes. I just think that-- that-- we are making a mistake in Nebraska and not looking after these people. The-- the LB133 is at least a-- a step in the right direction. I'm not a tax expert. I'm not anything with respect to the finances and how we're going to do it, but the process that I understand is to eliminate the property tax, cover it with the usage tax, the consumption tax, so that if you had the money, you had the wherewithal, you can buy whatever you want and you pay the taxes on it. Those that have less money were going to buy less. With the-- with the rebate or the probate, the lower-income people will be protected. They'll have some coverage for it so that they can get what they need and be compensated for it up to a point. That's all I have. I thank you for your time and your attention. If you have any questions.

**LINEHAN:** Thank you, Mr. Coffman. Are there questions from the committee? Senator Pahls.

**PAHLS:** I heard you say the retired people are leaving the state. You think-- you attribute some of that because we tax Social Security?

**FRED COFFMAN:** I'm sure that's part of it, yes.

**PAHLS:** Have you ever figured how much you pay on Social Security compared to your property taxes? I'm not asking you--

**FRED COFFMAN:** No, I've not-- I've not figured it out, but the property tax is greater than Social Security. My property tax is greater than Social Security.

**PAHLS:** Thank you.

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

**FRED COFFMAN:** Thank you.

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**DEB BREDENKAMP:** Can I cut in line? OK, mine is going to be short and sweet, but I thought I should come after the older guy because I'm the older woman. So my name is Deb, D-e-b, Bredenkamp, B-r-e-d-e-n-k-a-m-p. We're a family farm and my husband and I've been retired for seven years. We rent our land to a young farmer. We receive cash rent, which is great, but half of our cash rent goes to taxes and insurance on our farm and our home. And the property taxes aren't allowed soon to be lowered, it would just make it more difficult for this young farmer that farms our ground to survive because we can't lower our cash rent because we won't be able to pay our taxes and our insurance and our pivots and everything we own. So if we don't get some relief soon, some farmers will have to sell their land. That will bring the value of the land down, which will mean less taxes. And yes, the problem with farmers is we-- see, I get nervous --we own our own land, true, but we are all cash poor and that's how it is. And that's it.

**LINEHAN:** Thank you, Ms. Brendenkamp.

**DEB BREDENKAMP:** Thank you.

**LINEHAN:** Are there questions from the committee? Seeing none, thank you. Just so we understand how this situation works, you get up and hand it to-- your paper to the page. You have to kind of walk up here, wait for him to clean up the table. And I'm sorry, Sergeant of Arms, are we having people leave after they testify, is that part of what we're doing?

**SERGEANT AT ARMS:** Some are, some aren't.

**LINEHAN:** Well, do we need them to, that's my question actually. I can't see--

**SERGEANT AT ARMS:** You have quite a few opponents.

**LINEHAN:** But all the proponents are in here?

**SERGEANT AT ARMS:** I think so, yes.

**LINEHAN:** OK, at some point here-- how many more people are proponents going to testify? OK, I'm going to start having you leave after you testify so the opponents get a chance to come in and hear what's being

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said. It's just being fair. I want to be fair, OK? So go ahead, sir. I'm sorry.

**LEE SAATHOFF:** Thank you, Senator, members of the Revenue Committee. My name is Lee Saathoff. I reside in Hastings, Nebraska, at 904 North Sixth Avenue. I forgot to spell my name. L-e-e S-a-a-t-h-o-f-f.

**LINEHAN:** Thank you.

**LEE SAATHOFF:** I have three children and they all farm in the Adams, Clay and Hall County area. You cannot imagine how hard it is to try to help three families get started farming. We all talk about the cost of higher education and how we should forgive student debt. What is the difference for someone to go into debt a little to become, shall we say, a doctor? When he does become a doctor, he works at a hospital and the equipment there is completely tax free. To start farming you have to have a tractor, combine and a line of machinery to operate a farm. It should-- it would be a lot easier to help your kids if property taxes were not so terribly high. I cash rent to my kids and almost a \$100 an acre is needed just to pay the real estate taxes. Last year we supposedly got tax relief from LB1107. I did a comparison on one of my properties from 2019 to 2020. 2019 taxes were \$8,219. 2020 taxes were \$7,998, a 2.6 decline. Big deal. I guess at least they did not increase. Years ago owning the land-- owning land was a sign of wealth. When a young person today wants to buy a farm, in most cases he goes to his banker. If he is lucky and has 25 percent to put in equity and borrow 75 percent, how is that a sign of wealth? Why do we have an intangible tax, stocks and bonds that is more of a sign of wealth. Nebraska used to tax intangibles. That was called a liar's tax. Today, with the Internet, it wouldn't be that hard to administer. Something has to be done. In 1990, the Nebraska Legislature passed LB1059. I thought then we finally were going to equalize funding for schools. A certain percent of each school district was to get back from the state a certain percent of the sales and income tax that the people in that district paid in. It wasn't but two or three years and the state was taking that away from our school district, Adams Central, because we were property rich. We were back to funding our school district with property taxes. Something has to be done. I would ask you to vote Senator Erdman's LR11CA and LB133 out of committee and to the floor of the Legislature. Something has to be done. Thank you.

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**LINEHAN:** Thank you, Mr. Saathoff. Are there questions for Mr. Saathoff? Seeing none, thank you very much for being here.

**LEE SAATHOFF:** Thank you.

**LINEHAN:** Go ahead, I'm sorry.

**DOLEN FREEOUF:** OK, I'm Dolen Freeouf, D-o-l-e-n, Freeouf, F-r-e-e-o-u-f, 819 Boswell, Crete, Nebraska. I don't know what else you needed.

**LINEHAN:** That's fine.

**DOLEN FREEOUF:** OK, I'll go ahead and get started. By the way, I cannot hear some of you, Senators. Put the mike up into your mouth. Sorry to tell you things. OK, my point here is I'm a little bit angry because we're probably gonna lose the farm that's been-- it was settled in 1874, sod hut and all that. My ancestors that came from a peasantry situation that they wanted to escape. And guess what? We're going back to that. OK, we have 240 acres, that's all, 160 is tillable. We have a 40, right now I'm too old, I can't farm it. 40-60 arrangement with the tenant. Very good young man. From-- I'm going to cite years 2000 to 2019. That's all I'm going to site and several instances between that. Since 2000 to 2019, the valuation of the lab (SIC land) multiplied by 3.8 times. OK, now we didn't have any-- any right on deciding that. The gentleman that you presented earlier talked about soil sampling and computer modeling. Guess what? If somebody several miles away sells a farm for a certain amount to some really expensive executive, they go by the soil samples, they computer model, they find our farm has the same computer model of-- of soil sample across sections, and guess what? Our price goes up too. Go out and buy an F-250 and give three-- three times as much for it down the road to another city. Guess what? All of a sudden the 350 you buy is going to be there. I'm-- I'm over-- overextending myself. I'm sorry, I'm blown up. OK, this is bad. Of-- of the-- the taxes have gone up 3.6 times since 2000. OK. We subject to decreasing grain prices, I'm going to show you what's happening. If you go to the second page, I've got some graphs from the USDA. All right. Corn prices and soybean prices since 2013, look at it. They're mountains and they're now-- we're in the valley on prices, almost one-third the refund for that. Look at the top graph, please. I hate to boss you. The dotted line has to do with Nebraska's. This comes from reputable sources. Notice the cost of seed,

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fertilizer, chemical. That's that dotted graph. OK, I'm running short of time. I know I'm going to run out. I'm sorry. Our net income in 2013 was 42,000 bucks. Our share in 2015, we were down to 15,000. In 2019, last year we had 12,000. OK, I've got to take 12,000 and do something, keep the farm up with that. And I kind of blew it here, I didn't get enough of the information I wanted to get across, but this is very concerning. This isn't a joke. We're not looking for a handout. My grandpa was a legislator in 1927 through 1930 up here. He didn't mean to lose the farm.

**LINEHAN:** OK. OK.

**DOLEN FREEOUF:** Sorry.

**LINEHAN:** That's OK. Thank you for being here.

**DOLEN FREEOUF:** OK. Any questions?

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

**DOLEN FREEOUF:** By the way, the last page from the University of Nebraska, you can read A, B and C.

**LINEHAN:** Yes. Thank you very much for being here. The next proponent. Good afternoon, go ahead, I'm sorry.

**DUANE LIENEMANN:** Senators, members of the Revenue Committee, my name is Duane Lienemann, D-u-a-n-e, Lienemann, L-i-e-n-e-m-a-n-n. I'm from Blue Hill, Nebraska. I represent many of my family, friends and hardworking taxpayers and citizens from south central Nebraska who are deeply concerned about the issue that is in front of us today. I'm here as a private citizen, landowner and taxpayer to ask you to vote Senator Erdman's LR11CA and LB133, or the EPIC Consumption Tax Act out of committee. It is beyond time that we need to take positive and concrete steps to solving what I consider the most pressing issue we have faced in Nebraska for far too many years. It's time to say enough is enough. As a longtime ag teacher and county agent, I have seen the effect that the ever increasing burden of property tax has had on our farmers, ranchers and businesses in our towns, both large and small. I am now a retired citizen on a fixed income which is exceedingly and unfairly being squeezed by high property taxes here in Nebraska. It goes far beyond that and I will try to explain as I go. I see former

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students who wanted to farm, pack up and move to look for jobs. I see our main street shrinking with closed businesses that were once vibrant, and census showing our county declining. I see friends having to take bankruptcy or sell off land and hear of depression, tore--torn apart families and suicides. I see our schools getting smaller and forced to consolidate. It is now not just low commodity prices or production expenses, property tax is the big driver. As I said earlier, I'm now retired, but I continue to see each new year bring in an increasingly unequal and unfair method of funding our state that is not sustainable. The current method is not healthy, economically, physically, mentally or fiscally. We cannot keep going down this road of status quo. We are losing farms to economics, bankruptcy, selling and moving to other states, and more sadly, farmers and ranchers to suicide. We are now seeing a new federal administration. It looks like it's going to increase taxes across the board to pay for their pet projects and ideological boondoggles. I think it behooves us to build a fire all around Nebraska. Something significant needs to be done immediately or we will not recognize our state in the near future. I firmly believe Senator Erdman's Consumption Tax Act is the answer. We hear about the three-legged stool for taxation in Nebraska. It is no secret that that tax stool has become more of a one-legged milking stool in the state. In reality, the stool is not even close to being level. Nebraska is the worst state in the nation for inheritance tax and the seventh worst state for property tax and taxes continue to be a burden. It is not sustainable, nor is it fair. The proof for need, and I believe that the solution are both there. Senator Erdman's bill will bring Nebraska's tax code into the 21st century and help us all. I once again fully support Senator Erdman's LR11CA and LB133, and encourage you to take this out of committee and put it in front of the full Unicameral and the people of this great state.

**LINEHAN:** Thank you. Thank you for being here. Do appreciate it. Are there questions? Senator Flood.

**FLOOD:** Thank you, sir, for your testimony. You and I probably agree on a lot of things, given your concern about rural Nebraska. Do you--what county do you live in?

**DUANE LIENEMANN:** I live in Webster County.

**FLOOD:** OK, and you have a farm in Franklin County?

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**DUANE LIENEMANN:** I have a farm in Franklin County, yes.

**FLOOD:** And where did you teach?

**DUANE LIENEMANN:** I taught at Blue Hill for 29 years, at Logan View High School at Hooper for a year and a half.

**FLOOD:** OK.

**DUANE LIENEMANN:** And I did extension work out of Webster County and had eight counties in south central Nebraska. So I know the area pretty well and I know the farmers pretty well.

**FLOOD:** Yeah. If we were to adopt this framework, there wouldn't be any more local control for the K-12 systems.

**DUANE LIENEMANN:** Right.

**FLOOD:** All of the money would go to Lincoln. And one of the concerns you have is school consolidation.

**DUANE LIENEMANN:** Yeah.

**FLOOD:** What do you-- what do you-- how do you reconcile that? Do you trust the people in the Legislature to pass the money out fairly back to Webster and Franklin County to maintain the school districts and keep the communities healthy?

**DUANE LIENEMANN:** Well, that's a good question, because, first of all, quite honestly, and you've probably heard this a lot, it's really hard to trust any Legislature.

**FLOOD:** Sure.

**DUANE LIENEMANN:** And-- and that's a fair assessment, I'm afraid. If you studied this consumption tax, it's got provisions that we can see to it if schools need to be built, that that can be done with the-- with the stipends that are allowed. We can also do a consumption tax individually within a school district, and I think that's how you solve that problem.

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**FLOOD:** OK. Was that one of your concerns-- is it one of your concerns losing that, I mean, fixing the tax problem, but losing your school, too, is obviously important to you, you recognize that.

**DUANE LIENEMANN:** A lot of that, quite honestly, has been taken care of with the consolidation that already met. Schools have been forced to consolidate. And-- and that solved some of those problems. I'll tell you, I taught for 29 years, and I can tell you we can be a little more frugal in-- in our school systems. I think-- we all have to be accountable.

**FLOOD:** Sure.

**DUANE LIENEMANN:** And I think this will actually help us become more accountable as school districts, as individuals, as businesspeople and as legislators.

**FLOOD:** Thank you.

**LINEHAN:** Other questions from the committee? When did you retire from education?

**DUANE LIENEMANN:** Pardon?

**LINEHAN:** What year did you retire?

**DUANE LIENEMANN:** I retired in 2000. Then I went to work for the university for 18 years as extension educator. So I retired from-- the real of work about three years ago.

**LINEHAN:** OK.

**DUANE LIENEMANN:** And now-- now our income is either Social Security off of our farm and we pay roughly \$30,000 a year for property taxes and we don't hardly get that back in the rentals we pay. And so it's pushing on me. I have a-- I have a sister who lives in California and I send-- send the income, our part of the income. We distribute it. And the first year I sent it out to them, everybody got a nice chunk. And 10 years later after my-- after I took over for the farm, I sent about half to my sister in California, said, what are you doing with that extra money? And I said, ask the Legislature in Nebraska. They've got it, we don't. And she-- and I gave her the tax and said, my God, I live in California and I thought we were bad, Nebraska is worse.

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**LINEHAN:** OK, but you do know, and I know you know this, but just for the record here, does the state of Nebraska collect property taxes?

**DUANE LIENEMANN:** No, no.

**LINEHAN:** It's local government.

**DUANE LIENEMANN:** It does. Yeah. Oh, I'm fully aware of that.

**LINEHAN:** OK, all right. Thank you very much. Other questions?

**DUANE LIENEMANN:** I didn't mean to lose that--

**LINEHAN:** No, no. I just-- I just want it for the record.

**DUANE LIENEMANN:** OK.

**LINEHAN:** Any other questions? Thank you very much. Appreciate it.

**DUANE LIENEMANN:** Thank you.

**LINEHAN:** Thank you. Go ahead.

**LAWRENCE CONSBRUCK:** I'm Lawrence J. Consbruck from Hastings, L-a-w-r-e-n-c-e C-o-n-s-b-r-u-c-k, retired farmer. Well I farmed all my life and we moved into town. In the past 10 years, my property taxes more than tripled. To give you a number and it's on the same acres, I didn't buy more ground, the property tax was at \$17,000-\$18,000 dollar range. Today, I get a rent check and I go to the-- to the courthouse and send them a check for \$60,000 on the same ground, and the income producing capacity of that ground has not changed. So where does it come from? You know, I can't-- like one other person said, I can't raise the rent on the young farmer that's farming because he'll go out of business. So that's-- that's where that's at. And this, you know, nothing has really been substantially done for property tax. The can continually gets kicked down the road. And I think it's time for us to move away from the antiquated tax system that we have. You know, the bold move was done in 1967, and I think it's time to-- to-- to do that again with a new bold move on Senator Erdman's proposal for a consumption tax which broadens the tax base. You know, the-- do we mention the three-legged stool? That stool is so out of shape that, you know, from the three different taxes that it's not equitable at all. The past-- your past solutions are not

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unappreciated, but they have hardly touched the problem. I ask this committee to please pass it out to the Legislature so they can debate it and hopefully they see the merit of it and let the good citizens of Nebraska vote on a solution. I'm sure there's plenty of opponents going to come in, but as has been mentioned, most of those people are going to be the people who suck off of our tax dollars. And it's already been mentioned, but it's time to give consideration to the folks who are paying the bill. One-- there was a question from one of the senators about local control. I've served on a school board and for the most part, we don't have a lot of control. When you take in all the regulations that are passed down the school district has to do, about all we get to do is hire the teachers and buy the books. You know, so, yeah, there is some local control, but not a whole lot. So that's-- I just beg you to pass it out to the Legislature, let those folks work on it and give it a shot.

**LINEHAN:** Thank you. Thank you, Mr. Consbruck.

**LAWRENCE CONSBRUCK:** Thank you.

**LINEHAN:** Are there questions from the committee? Can-- can you just tell us which county, which school district, and you're living in a city now, but your farm--

**LAWRENCE CONSBRUCK:** We live in Hastings now. I lived out of Juniata, a little town west of Hastings. I'm in Adams County.

**LINEHAN:** And your school--

**LAWRENCE CONSBRUCK:** Adams Central school district.

**LINEHAN:** OK, all right.

**LAWRENCE CONSBRUCK:** We're rich.

**LINEHAN:** Yes, I know.

**LAWRENCE CONSBRUCK:** So they can just stick it to us.

**LINEHAN:** Next proponent.

**DOUG WITTMANN:** Hi, my name is Doug Wittmann, D-o-u-g W-i-t-t-m-a-n-n. This morning I read Governor Ricketts' message about the negative

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effect of higher and higher property taxes on the state and its citizens. Most Nebraskans agree with his complaint, but revenue for the state has to come from somewhere. Your task on the Revenue Committee, it seems to me, is to discover and promote a taxation system that is just and impartial, that treats all Nebraskans with respect and fairness and does not overburden any. Most-- that's a big order. Most Nebraskans are willing to pay their fair share, but start complaining when they see injustice. This consumption tax idea is bold, one that needs to be passed out of committee and discussed on the floor of the Legislature, in the coffee shops and dinner tables around Nebraska families. Eliminating the property tax so that a family actually owns the property they have worked so hard to buy and improve, that's security. Eliminating the income tax, which actually seems a bit regressive in that it does not inspire productive citizens to produce more because they will be taxed more, that's freedom to work and earn and produce as much as one desires. Just one more benefit I'd like to point out. Implementing the consumption tax plan would allow farmers to obey God if they'd like to. As it stands now, annual property taxes prohibit a farmer from giving his land a Sabbath rest every seventh year. Property taxes need to be paid or else they lose their land so they feel compelled to plant and harvest every year without giving the land God's required rest. This goes on year after year, decade after decade, and generation after generation, without following the creator's instructions, not wise. Eliminating the property tax would give free-- farmers freedom to honor their creator and benefit from his blessings. Nebraskans like freedom. Please support this idea and vote to send LR11CA and LB133 out of committee. Thank you.

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

**SARA FREEOUF:** My name is Sara Freeouf. I am married 52 years to that angry farm boy back there that you listened to. [LAUGHTER] My pastor said one day to me, well, you know, Sara, behind every good man is a better woman. Hang in there. OK, I live at 819 Boswell in Crete, Nebraska, across the street from Doane. I've been in that town for 42 years and I look out my north window. The letter you're getting is about my extra lot. I find it very interesting that the 3 to 1 ratio here is what I've heard from several other farmers. When my husband was looking for tax information, I went to the file cabinet to look at

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our house taxes and back in '98, when we bought our little house, the taxes on that lot that I look out at every day were like 98 bucks here. I can't see it. \$99.38 a year, OK. The last tax we paid on it for this year was \$323.22. I added to that lot a bird feeder and a tire swing for my grandkids. Go figure. This is ridiculous. I'm hearing it from all kinds of retired people. They can't afford their house taxes. And if you want us to take a scat out of this state, keep up the insanity. If you want to do something very heroic, vote to get this thing out of committee. Let's get our name on the platter of all 50 states to do something positive for the people that are paying the load to keep government afloat. It's time.

**LINEHAN:** Thank you, Mrs. Freeouf. Are there questions from the committee? Oh, oh, questions from the committee? Seeing none, thank you, you answered them. OK. Good afternoon. Go ahead.

**LEE TODD:** My name is Lee Todd, L-e-e T-o-d-d. Short and simple, live in Lincoln, Nebraska, grew up on a farm and ranch in northern Nebraska. However, I left that good life and am now residing in Lincoln, and I do make my living investing in real estate. I invest in real estate. I won't go into that detail. But I will also say that I teach young people real estate classes and that is how to buy your first home. You've heard a lot of issues today and I will concur with this, it is getting very, very difficult for people to retire and stay in the state. I have some anecdotal information I'd like to share with you. Before we start too far down the list, I would like you to look at, and if you would take your pen and circle at the bottom of the graph, you see a figure 2010 to 2021 Midwest CPI 11-year average. What do we compare high to? I would suggest if you would please circle that number, 1.35 percent, that has been the increase in a basket of goods, fuel, dental services, groceries right on down the board. They sample 22,000 different businesses across the Midwest. To me, it seems like that would be inadequate or a comparison. Our tax is really high. Last year, if you remember, I was down here and I pointed out how do property taxes relate in relation to our income, i.e. our ability to pay for them. Another metric and if you remember the testimony of last year, which you don't, but you can dig out that graph and I have that graph available, I can give it to you, the-- the comparison between property taxes and, say, someone who was making \$65,000 a year, property taxes were going up five or six times as high. Clearly, that is unsustainable. If you would look at then what's going on-- and then what I did is I took three properties in Lincoln that we have, a

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central, north and south Lincoln, and you can see them there on the graph. And then that purple line in the middle, which says is labeled CPI, there is a comparison as far as what a property tax has done in that 11-year span versus the consumer price index. To me, that seems to be compelling evidence that something is drastically out of whack, something is definitely askew. And Senator Linehan, I appreciate you stating that, well, the state Legislatures don't control property taxes, but I would also encourage you to look at an opportunity that is suddenly presenting itself to you and to consider the ramifications as far as where this could lead. We do have a serious problem. I've been invested in real estate for 40 years. I make my living about it. And I have two children who have saved up money from helping me in my real estate investment career, one is 10, and one is 12, and they have each over \$3,000 in a savings account that they've made. But I have to tell you, I am very concerned because when I get this envelope in the mail, as many people do, and you open it up, this isn't the real envelope, I already know what's in here but this is my property taxes and you open this thing up, you have no control over this. We have no control over what's going to happen on here and this happens to be our home and we went up 17 percent this year. And that can happen again and again, again. I can't control that but what I can control is I can decide, you know, do I want to go up to Menards and buy some equipment or buy something to fix the house or do something with? I can control that and when you give people that empowerment that they can control their destiny, you change the dynamic incredibly so. So I'd like to point that out. And if they're-- I guess I really can't understand how I can talk for three minutes and it just goes like that. My wife says the same thing. So thank you for the time--

**LINEHAN:** Thank you.

**LEE TODD:** -- and I know that it gets to be a long day, but thank you very much.

**LINEHAN:** Thank you. Do we have any questions from the committee? Seeing none. I do-- I want to clarify, since you mentioned it, I said we didn't collect them. I didn't say we-- they weren't our issue.

**LEE TODD:** Yes. Yeah. And I wanted to reiterate that this is an opportunity--

**LINEHAN:** Right.

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**LEE TODD:** --Senator, and I hope that we embrace it as such. It is a great opportunity to make a change. It really is.

**LINEHAN:** Thank you.

**LEE TODD:** You might want to look at that bottom line down there. One of my friends who left the state of Nebraska because of-- one of the things was high property taxes. Guess what we did? We bought a house in Mesa, Arizona, together. Have a look at that line at the bottom there. That's Mesa, Arizona, a similar property, actually property more valuable than the three in Lincoln at the time. And look how trends and follows the CPI. Other states are doing some things that we're not doing. We need to open our eyes and see what's going on. To me, that was compelling. I wasn't going to put that on. I just thought, what the heck, I'll put the Mesa property on there. I was shocked when I saw what that Mesa property is doing there. Just-- just so-- thank you for your time. Appreciate it.

**LINEHAN:** Thank you. Next proponent. Good afternoon, sir.

**JOHN KNAPP:** Good afternoon. My name is John Knapp, J-o-h-n K-n-a-p-p. I live in Sarpy County, Springfield, 19010 South 168th Street. Thank you for the opportunity to testify before the Committee-- Revenue Committee. I am testifying here to give my personal and my business small farming operation full support for Senator Erdman's LR11CA, LB133, the EPIC Consumption Tax. Nebraska's current tax code is not conducive to attracting new businesses to Nebraska and penalizes current citizens and businesses. The research has already been done by the Beacon Hill Institute to help you understand whether LR11CA, LB133 will work for Nebraska. Points. Those spending the least, low-income groups benefit the most. The feasibility study has been done. It only needs to be implemented. LR11CA, LB133 fully funds all current services. Businesses would be attracted because of friendly tax climate, no property taxes, no income taxes and no taxes on business inputs. Individuals have more options or control over the taxes they pay. A monthly prebate is paid to each individual to cover the taxes paid up to the poverty level. My property taxes went from about \$6,000 in 2005 to about \$21,000-- or \$20,000 in 2019. I have little control of my income. You have to have a market for what you can raise. You usually have high prices when there is a widespread low production because of various environmental problems. Most of my equipment is pre-1985. I don't believe our land assessments are done correctly.

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Please give LR11CA, LB133, the EPIC Consumption Tax your full and complete support. Thank you for your time and consideration.  
Sincerely, John Knapp.

**LINEHAN:** Thank you, Mr. Knapp. Are there questions from the committee? Thank you very much for being here. Are there other proponents? Are you a proponent. OK, I think we're about there.

**MARY GLOYSTEIN:** I'm Mary Gloystein, G-l-o-y-s-t-e-i-n, from York, Nebraska, York County. I come to you in person thanks to our freedom of speech on this day, 3 of February, 2021 of the year of our Lord. Dear Senators, I am here to give testimony in reference to the legislation package LR11CA, LB233 (SIC LB133). I'm a resident of Nebraska, a business, land and homeowner. I pay many taxes in Nebraska. I hear my family, friends and neighbors tell me how much tax they pay and we all see our children will not be able to afford to be an owner of any of the businesses, land or homes. I support our local stores by shopping Nebraska. We need to change our tax laws to keep our businesses, ranches, farmers and retired citizens here in Nebraska. This will be a fair tax paid by all. I have been researching these ideas that have been brought forward with this bill, and I am excited to debate with others about the positive changes we, as Nebraskans, will have with this legislation advancing. I give thanks for giving me a chance to be a voice with my opinion. And I do know we need tax to be able to support Nebraska to pay for the things, whether it's schools and etcetera, and as my husband says, I may be paying more with a consumption tax. I love to shop for myself and others.

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

**MARY GLOYSTEIN:** Thank you.

**LINEHAN:** Next proponent. Good afternoon.

**MARK BONKIEWICZ:** Good afternoon, Senators. My name is Mark Bonkiewicz. I live at 11129 Z Street, Omaha, Nebraska, 68137. Thank you for this opportunity to share my story with you today.

**LINEHAN:** You have to spell your name. You have to spell your name.

**MARK BONKIEWICZ:** Mark, M-a-r-k, Bonkiewicz, B-o-n-k-i-e-w-i-c-z. I'm here today to support LR11CA and LB133, and here's my three reasons.

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The current Nebraska state-- taxes are a burden for farmers, ranchers and citizens on fixed income. That's real estate property taxes. Inheritance tax is particularly cruel as it penalizes people who work diligently, invest their money wisely and provide employment for other citizens by taxing large estates after they die. There are a large number of exemptions in the current system which places a stifling burden on the people who don't have tax exemptions. So here are two quick stories that should provide energy for you to vote these two pieces of legislation out of committee for floor debate. Story number one. I farm with my dad in the Sidney, Nebraska area, after graduating from UNO with a bachelor's degree in business administration, until a combination of two years of drought and 13 percent interest rates made it economically impossible to continue. My friends who survive those tough times are still using many of the same tractors and combines as they did 35 years ago. These hardworking citizens simply cannot afford to buy new equipment because the burden of the high property taxes they pay on pasture and row crop land. I doubt anyone drove here today in a 1986 or older vehicle, yet we expect that of them? Story number two. I live in the Millard area of metro Omaha. Many of the homes in my area are owned by citizens who work diligently for the Western Electric plant, which was located at 120th and L Street. They bought their homes for \$40,000 to \$50,000 in the 1980s and 1990s. They were frugal and they save for retirement. Although their homes have appreciated in value, requiring them to pay \$3,600 per year for the privilege of living in their home, which they own free and clear. This \$3,600 annual tax payment is a huge burden to them. EPIC consumption tax will help these citizens and all Nebraskans because it's fair. We will only pay the consumption tax when we decide to buy new retail products and services. So there's going to be plenty of money, as I state here in the last two paragraphs of my letter, for all of the taxes that are currently being used for expenses on the state level, on the county level, all the way down to the NRDs. So do the right thing. Vote this out of the committee. Let's have some vigorous floor debate. Let's get down to the-- all the details on this and really verify for a fact that it can work. Thank you very much.

**LINEHAN:** Thank you very much, Mr. Bonkiewicz. Are there questions from the committee? Senator Flood.

**FLOOD:** Thank you, Chairman Linehan. I have a question for you. You live in Omaha. What kind of border bleed would we-- would our retailers suffer if our consumption tax is at 10.8 percent and Council

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Bluffs is at-- I don't know what they are, 7 percent. You think that our retailers would suffer?

**MARK BONKIEWICZ:** No, sir. Our retailers will gain because if you really look at the facts and the figures, if you take a \$200-- five bags of groceries today. All right. There are real estate taxes and income taxes that are a part of that \$200 cost in that grocery bill. So those are going to disappear. And so grocers are going to be able to lower the prices of groceries because they don't have those costs that they have to pass on. The corporations don't pay those taxes. Those taxes are pushed on to the consumers who always end up paying them. So the price of the groceries is going to come down. And now you multiply that times the 9.8 percent, we're still going to be-- have cheaper groceries in Omaha than we are in Council Bluffs. And you can do that on a can of oil, you can do it on whatever you want to do. You do the calculations, it works. It's an exciting opportunity.

**LINEHAN:** Thank you, Senator Flood. Other questions from the committee? Seeing none, thank you for being here.

**MARK BONKIEWICZ:** Very good. Thank you much.

**LINEHAN:** Are there any more proponents?

\_\_\_\_\_ : A lady, she just came but she left her paperwork , so she went back to the room to get her properties to give. I don't know if she's [INAUDIBLE]

**LINEHAN:** Oh, boy. OK, well, if she comes back, she'll have to come up in the neutral where she can say she's for it because I can't hold, so.

\_\_\_\_\_ : She was talking with the Sergeant at Arms.

**\*MARY HILTON:** My grandfather was a life-long farmer who lived on the Kansas-Nebraska border, just south of Trenton, Nebraska. He often made this statement: "I own twice as much land in Kansas as I do Nebraska, but I pay twice the tax in Nebraska as in Kansas." Partly due to high taxes, it took my grandfather 55 years of farming to finally pay off his land and reap some of the benefits of a life of hard work. Excessive taxes hurt every Nebraskan, but it is the Nebraska farmer who seems to be in a detrimental situation with the current tax system. An Epic Consumption Tax would help the family farming business

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by equaling the playing field; it would encourage further capital investment and entrepreneurship; and it would make it affordable to pass a farm down from generation to generation. On a personal level, a consumption tax is a whole new way of looking at taxes and spending, but what I like most about it is the choice of how much money to spend, knowing that in the future, taxes won't price my family out of Nebraska.

**LINEHAN:** OK, we're going to move ahead with-- we'll figure it out. We'll be fair. Opponents, do we have opponents? OK, come forward. Opponents.

**ROMA AMUNDSON:** Well, good afternoon, Senator Linehan, and members of the Revenue Committee. My name is Roma Amundson, spelled R-o-m-a A-m-u-n-d-s-o-n, and I am appearing before the committee as my capacity as a member of the Lancaster County Board of Commissioners. Although I'm aware that LR11CA and LB133 touch on a variety of modes of taxation, including a proposed consumption tax, I will focus my remarks on the effect that both of these measures will have on the inheritance tax and a negative impact repealing the inheritance tax would have on Lancaster County, specifically. Based on the current budget, repealing the inheritance tax could result in a \$5 million annual loss of income to Lancaster County. Please consider the following facts in measuring the impact of this loss on our taxpayers. In Lancaster County the inheritance tax plays a key role in balancing our budget and keeping the property taxes as low as possible. All inheritance tax revenue is deposited into the county's General Fund to help cover operating expenses, thereby providing direct property tax relief. \$5 million is equivalent to a property tax levy of 1.7 cents, or approximately 6 percent of our entire levy for the present fiscal year. While the Legislature has complete-- has created numerous mandated responsibilities for counties, our revenue tools are very limited. More pressure will be placed upon the real property tax by taking away one of the few revenue sources available to counties. If the inheritance tax is repealed there is no guarantee the additional money received by the beneficiaries, including out-of-state beneficiaries, will stay in our county or for that matter, in the state of Nebraska. On the other hand, every cent of inheritance tax collected will be invested in our community. Finally, a \$5 million funding reduction could seriously undermine the county's ability to provide public safety services, whether it's through the dismantling of our communities social safety net, or cuts to the agencies which

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provide direct services to the public. At the end of the day, the safety of our community would be negatively impacted. So thank you for the opportunity to testify and I would be glad to answer any questions.

**LINEHAN:** Thank you very much for being here. Are there questions from the committee? You focused on the inheritance tax here. Do you think that somebody with a \$40,000 estate is-- is wealthy?

**ROMA AMUNDSON:** With a \$40,000 estate, are they actually required to pay inheritance tax? What is the cutoff line?

**LINEHAN:** Anything over \$40,000.

**ROMA AMUNDSON:** Was-- would you say over \$40,000?

**LINEHAN:** Over 40.

**ROMA AMUNDSON:** Then it depends upon what the level is, whether they are a--

**LINEHAN:** No, but my question is, is somebody with a \$40,000 estate wealthy?

**ROMA AMUNDSON:** No.

**LINEHAN:** Thank you. Are there any other questions from the committee? Thank you very much for being here. Appreciate it. Other opponents.

**JOHN HANSEN:** Chairman Linehan, members of the committee, for the record, my name is John Hansen, J-o-h-n, Hansen, H-a-n-s-e-n. I'm the President of Nebraska Farmers Union. I am not a stranger to this tax. I would tell you that Fair Tax Floyd was a member of ours and that before that we had folks who were pushing the transaction tax. And so we are familiar with this tax and we have modeled it. We have hired ag economists to evaluate it. We have used revenue staff in the past as we've worked with different state senators who wanted to say, how does this work in the real world if we actually plug it in? And I would just tell you that I have-- we have never done a model or a run where ag doesn't get just clobbered. And so, know at the end of the day, sounds good. We don't think it works structurally, and I think Senator Flood just kind of started the question, but we're going to lose two more rural state senators. We're going to collect all this money. It's

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all going to go to Lincoln. And then everybody who's not in Lincoln or Omaha are hoping that the good folks that are in the Legislature will be sending the appropriate and necessary monies back home. And I was born at night, but not last night. I would not, based on my 31 years doing this job, bet very much that that's going to happen or work out well. I think that puts us in an extremely vulnerable position. We're in a declining population position. And as you have heard today, are folks unhappy over our current state tax system? Yes, they are. This is not news to me. It's not news to you. And so we do need to think about how it is that we redo things. In our view, and Senator Albrecht, you get to be the-- the beneficiary of the new kid on the block, but we've been saying this for a long time. We have a structural inequity. And so when you take a look at the total tax load in our state, we pay altogether too many property taxes. And it is the most regressive of the three different forms of taxation and we need some structural remedy. We need to realign the revenue streams and get them more back into alignment because we are altogether too heavy on property. And there's no question that there's a lot of pain out there. And there's no question that we need to be looking for ways to try to reduce property taxes, but also meet the needs that we need-- that we need to meet relative to goods and services that we need to provide because they go to the quality of life. And so we need infrastructure. We need all of those things. We have some challenges to work on. If I thought this thing would work, I'd be-- I'd be very enthusiastic and in support. But I'm-- I cannot be honest with you and tell you that I think this is going to work. I do not think--

**LINEHAN:** Thank you.

**JOHN HANSEN:** --this is a viable option.

**LINEHAN:** Thank you. Senator Albrecht.

**ALBRECHT:** Thank you, Chairman Linehan, and thank you for your testimony. I appreciate it. But I may be the new kid on the block, but I pay those taxes just like everyone else. And you-- you don't trust that this committee, if we were to take CA to the-- to the people of the state of Nebraska, wouldn't put some parameters around exactly what we would expect. And I don't believe those parameters could be changed unless we went back to the vote of the people so that they would come back and change anything in the future.

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**JOHN HANSEN:** My experience is that-- I understand full well good intentions, but I also understand the real world gap between theory and practice. And this is-- would be the most radical, complicated redoing of our entire state tax structure. And the last place, in my opinion, that you would want to put it would be in the inflexible position of-- in our state Constitution.

**ALBRECHT:** But at the same time, the time you've spent here and-- and you've got to go to many, many of these meetings, what-- what other options do we have? I mean, we can continue to roll this little cart down the road, but we're not getting anywhere. And this is very frustrating. I've never had as many emails and they are not saying the same thing. These are telling stories of every single person in the state of Nebraska. I don't care if you own a home or you own a ranch or you have a farm, people cannot afford what we're doing and we're doing something wrong. It's so totally antiquated that unless the opponents have something super great that they're ready to propose or help us out here, either you need to jump on or help us out here because this isn't working for Nebraska. So I appreciate your testimony and thank you.

**JOHN HANSEN:** I would-- I would just say in response that we-- we do support a broadening of the sales tax base. We did-- we do support that.

**ALBRECHT:** OK.

**JOHN HANSEN:** And we've also supported other approaches in the past that were funded that did realign the revenue streams that would have provided relief, that did not enjoy the necessary support to be able to get out of the committee.

**ALBRECHT:** Thank you.

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

**JOHN HANSEN:** Thank you very much.

**LINEHAN:** Opponent. Just to give the committee some idea of how long they're going to be here, can I have a show of hands of who else is left to testify? Is it four? I can't-- four, OK, thank you. It's good to know.

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**ROBERT M. BELL:** Good afternoon, Chairperson Linehan, and members of the Revenue Committee. My name is Robert M. Bell, spelled R-o-b-e-r-t, last name is spelled, B-e-l-l. I'm the executive director and registered lobbyist for the Nebraska Insurance Federation. I am here today in opposition to LB133 and LR11CA. The Nebraska Insurance Federation is the primary trade organization of insurers domiciled in or with a significant economic presence in Nebraska. Currently, the Federation consists of 29 member companies and 8 associate members representing a spectrum of insured-- insurers, from small insurers to Fortune 500 companies' members, nearly all lines of insurance. One of the goals of the Federation is to promote the concepts and importance of insurance products to policymakers and the public. Nebraska insurers provide high value quality insurance products to Nebraskans to help protect Nebraskans during difficult times. Not only do members of the Federation provide protection to Nebraskans, but we-- the company also provide high paying jobs. Members of the Nebraska Insurance Federation alone, provide well over 14,000 jobs to the Nebraska economy. And why do we care about consumption tax? It's because how insurance products are taxed. Nationwide, it is on a retaliatory-- well, there's a premium tax. It's a little bit unclear in LB133 whether or not the premium tax is repealed. It doesn't appear to repeal it, however, it does apply the consumption tax to insurance products the way that we read it. Right now, the premium tax is at 1 percent. That means our products are very competitive outside of the borders of Nebraska. How insurance is taxed is that you pay the higher-- as a company, you pay the higher of the tax of the state you're domesticated in, like Nebraska or the resident state. So if Iowa had a 4 percent premium tax and Nebraska had a 1 percent premium tax, which we do, those Iowa insurers that sold products in Nebraska would be taxed at a 4 percent rate because of retaliatory reasons. And so if we had a consumption tax that taxed our products at 10 percent are-- all over the nation, Nebraska insurance products would be taxed at 10 percent, making them wholly uncompetitive versus any other state. I think the highest premium tax state is 4 percent right now. I might be off by half a percent there, it might be four and a half percent. And so that's our narrow issue with consumption taxes. It would-- it would drive the insurance companies out of Nebraska and I know we have thousands of jobs in Omaha, Lincoln. I know we have hundreds of jobs in Senator Albrecht's district. This-- this would be difficult. So if the committee saw fit to move this bill forward, I

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would certainly think that you would like to take a look at the premium tax issue related to LB133. Thank you.

**LINEHAN:** Thank you, Mr. Bell. Are there questions from the committee? Yes, Senator Albrecht.

**ALBRECHT:** Thank you. Thank you for your testimony. If something were to happen that this premium tax that you talk about is part of what we work in to massage-- massaging this the way it needs to be, would you still be opposed?

**ROBERT M. BELL:** Well, if it didn't include premium tax. We left premium tax alone.

**ALBRECHT:** If you left that alone, so--

**ROBERT M. BELL:** Then I would think the Federation would probably-- I mean, I wouldn't be here testifying if it--

**ALBRECHT:** So-- so--

**ROBERT M. BELL:** --it did not include premium tax.

**ALBRECHT:** --let me ask you this.

**ROBERT M. BELL:** Sure.

**ALBRECHT:** If you were not lobbying for an insurance company and it's just you, yourself, how would you feel about this consumption tax?

**ROBERT M. BELL:** Well, I tell you, you know, what I did before I came over here is I went on to the health insurance exchange and I plugged in my family to the health insurance exchange and there's five of us. I'm-- I'm 44, my wife is 43. I have a 16-year-old. I have a 13-year-old and I have an 8-year-old, and I-- I picked a medium plan on the health insurance exchange. That's a silver plan, was-- I got my numbers here. It is \$26,400 in premium. Ten percent of that is about \$2,800 and I know what I pay in property taxes, less than I pay in property tax, but it's a significant chunk. So I think if somebody like that lives-- that has to pay this health insurance premium, that's just one insurance product, right. We're not talking about property taxes. We're not talking about life or anything like that. It gets pretty expensive, pretty fast. And I understand-- I

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understand if I was a large landowner, I would certainly have a very, very high tax bill in Nebraska on property tax as well, but there are other Nebraskans, too, out there. And, you know, I picked the most expensive, you know, product I could find, which is-- or is health insurance, right? But those numbers are about standard. I mean, you're talking about most Nebraskans or their employers pay, you know, \$20,000 of life on--

**ALBRECHT:** Well, I can share with you, we have several folks that are nearing their retirement--

**ROBERT M. BELL:** Yep.

**ALBRECHT:** --but not yet there. Farmers that are paying 36 to 38,000 and majorly high deductibles.

**ROBERT M. BELL:** Yes.

**ALBRECHT:** So I'm just saying, you know, if it were just you yourself, where would you be on this? Could you-- could you see this consumption tax working for your family?

**ROBERT M. BELL:** For my family, probably not.

**ALBRECHT:** Thank you.

**LINEHAN:** Thank you, Senator Albrecht. Are there other questions from the committee? I have just one. Is it one of the reasons we have so many insurance companies located here, which I am thrilled, is because we have one of the most competitive tax rates for insurance companies in the country.

**ROBERT M. BELL:** That is one of the reasons, yes.

**LINEHAN:** So you agree that having that competitive state tax code is critical to our future growth?

**ROBERT M. BELL:** I do.

**LINEHAN:** OK, thank you--

**ROBERT M. BELL:** You're welcome.

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**LINEHAN:** --for being here. I think that's it. Other opponents. Good afternoon.

**JON CANNON:** Good afternoon, Chairwoman Linehan, and distinguished members of the Revenue Committee. My name is Jon Cannon, J-o-n C-a-n-n-o-n. I'm the executive director of the Nebraska Association of County Officials, sometimes known as NACO as well, and I'm here to testify today in opposition to LB133. First and foremost, I would like to thank Senator Erdman for bringing this up. I'm always happy to have these conversations about tax policy. This is obviously the appropriate place for that. But more than that, I've known Senator Erdman for about 13 years now. I know that he's a-- known to be a good man. I know that he cares very deeply about the taxpayers in general and particularly the taxpayers in Morrill County, where he used to be a county commissioner. And I know that on this issue, he wants to hit a home run. But when you're down to nothing in the middle of the seventh inning, you usually-- I-- I was always taught. You're not going for home runs. You're not sending in the home run hitters. You're usually trying to get back in the game with manufacturing runs by bunts and singles. From our perspective in the counties, we know that the counties still want services. I went through my view of how you-- the questions that you would ask for-- for a proper tax policy overall last week with this committee. I still stand by that. I won't bore you with-- with going through that again. But what it comes down to, generally speaking, is what services do our folks demand and how do we want to pay for them? And, you know, the question was raised during the introduction for this bill that they're going to be a lot of people that come in and say we can't make our budget. Well, the reason that we're concerned about our budget is there are a number of things that the state has told the counties. You're responsible for roads and bridges and jails and law enforcement and elections. And because of that reason, there are things that we have to do. The price of election equipment not exactly tied to CPI. You know, the price of asphalt for a hot mix, the price for us to replace a structurally deficient bridge, those are not exactly tied to CPI. Those services we think are pretty important. We think our taxpayers think they're very important too. We frequently talk in-- when we're talking about tax policy, we talk about the three-legged stool. For county government means more like a one point, one-legged stool. Primarily, it's going to be funded by the property taxes, which we've heard a lot of testimony about here today. The point one, that sliver comes from a

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mix of some inheritance tax, which is not an entirely reliable source of revenue, but also from a small slice that we get from motor vehicle taxes. We've studied this issue in the past, and I would implore this committee to look at the studies that we've done. We did the Syracuse study many, many years ago. The Tax Modernization Committee had a study recently within the last 10 years. I would implore the committee to look at those studies and see what those recommendations are. And let's have the conversation about those recommendations that were put forth by tax professionals that have studied this issue nationwide year after year. This particular issue, I agree with Senator Erdman is going for a home run, as I said earlier, and I think that is laudable. I think it also deserves its own study if we're going to go forward. And with that, I'll take any questions you might have. Thank you.

**LINEHAN:** Thank you, Mr. Cannon. Are there any questions from the committee? Seeing none. I think when you were here last week, there were some follow-up things you were going to get. I'm just reminding you.

**JON CANNON:** Yes, ma'am. I believe Senator Flood had a question about health insurance and you had a question about retirement. Retirement is something that we are statutorily obligated to provide to our county employees.

**LINEHAN:** We do statutes here.

**JON CANNON:** Pardon me.

**LINEHAN:** We do statutes here.

**JON CANNON:** Yes, ma'am.

**LINEHAN:** So we--

**JON CANNON:** So I've heard.

**LINEHAN:** Yeah. So we-- the information, if you could get it to us, it would be great.

**JON CANNON:** Yes, ma'am.

**LINEHAN:** OK.

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**JON CANNON:** All right.

**LINEHAN:** Are there other questions from the committee? Thank you very much.

**JON CANNON:** Thank you.

**\*BOB HALLSTROM:** Chairman Linehan, members of the Revenue Committee, my name is Bob Hallstrom and I am submitting this testimony as registered lobbyist for the Nebraska Bankers Association (NBA) to express our opposition to LB133. LB133 would create the EPIC Consumption Tax Act which is designed to replace our existing tax system with a consumption tax. In light of Nebraska's comparatively high income tax and property tax burdens compared to other states, it is certainly appropriate to seek alternatives to our present system of taxation. The discussions surrounding various property tax relief bills before this committee highlight the difficulties that the state's tax burdens pose to the ability of our state to grow and prosper. Notwithstanding our willingness to consider alternatives to the present tax system, the consumption tax proposed under LB133 is fraught with uncertainty and would create significant administrative burdens for Nebraska businesses. The fiscal note provides no insight regarding the amount of revenue that would be collected in comparison to the revenues currently raised by our tax system. The determination of revenues to be raised under the proposed consumption tax would be further complicated by the inability to determine if the new tax would potentially result in businesses and jobs fleeing to other states. In addition, any estimate of the revenues to be generated under the consumption tax would need to take into consideration that the tax would lead to the shift of purchases by consumers from businesses in other states, particularly with regard to the "purchase" of financial services. Given the ease of acquiring financial services "electronically," this could certainly result in a significant transfer of accounts to institutions in other states. Given the difficulty in enforcing taxation of out-of-state purchases by Nebraska consumers, this would truly place Nebraska businesses at a competitive disadvantage. In addition to the administrative burdens placed that would be placed on a business under LB133, the state will no doubt incur significant expense in bolstering the Nebraska Department of Revenue (DOR). The cost of additional personnel and infrastructure to enable DOR to administer and enforce the proposed consumption tax system would no doubt be significant. All consumption taxes are

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generally touted as a true replacement tax. If the tax fails to raise the revenues necessary to fund state and local governments, new additional taxes or reinstatement of taxes originally intended to be eliminated could result. For the foregoing reasons, I would respectfully request that LB133 be indefinitely postponed.

**\*KRISTEN HASSEBROOK:** Chairwoman Linehan and Members of the Revenue Committee: My name is Kristen Hassebrook, registered lobbyist for Nebraska Chamber of Commerce and Industry. I am testifying in opposition to LB133, a bill to establish the EPICConsumption Tax Act. In principle, Senator Erdman is right, Nebraska's relatively high income and property tax burdens compared to peer states are too much of a challenge to the continuing competitiveness of our communities, businesses, manufacturers, and agricultural producers. Additionally, Nebraska's tax burdens can be an obstacle as our communities throughout the state seek to attract new residents, talent, jobs, innovators, and entrepreneurs. LB133 seeks to replace our tax system with a singular consumption tax. A state-only consumption tax in Nebraska would be very difficult and expensive to administer, would potentially drive businesses and jobs to other states, and if history is any guide, would likely eventually become an add-on to existing tax regimes to raise funding for more government spending rather than a replacement tax. True consumption taxes are very difficult to administer and would require a much larger and more aggressive Nebraska Department of Revenue (NDOR). In Nebraska's case, it would likely take NDOR several years and millions and millions of dollars of additional personnel and infrastructure costs to build the administrative capability to administer and enforce a true consumption tax system. An axiom of taxation is that what you tax you will generally get less of. Were Nebraska to create a stand-alone true consumption tax, there would potentially be a competitive advantage for retailers in surrounding states. Consumption of taxable goods at retail would likely shift to neighboring states without a reliable mechanism to enforce taxation of out-of-state purchases by Nebraska consumers. For our border communities, this would be a particularly difficult competitive situation. While consumption taxes are almost always offered sincerely by their proponents as a true replacement tax, the fact is that over time, other forms of taxes have often been retained or added back. Consumption taxes have very often ultimately been yet another add-on tax regime to fund government spending instead

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of a replacement tax. For these reasons, the Nebraska Chamber opposes LB133.

**\*TIFFANY FRIESEN MILONE:** Good afternoon, Chairwoman Linehan and members of the Revenue Committee. My name is Tiffany Friesen Milone, Editorial Director for OpenSky Policy Institute, and I am testifying today in opposition to LB133. Open Sky opposes a consumption tax for several reasons: it would require a much higher rate than 10.64 percent to be revenue neutral, fall disproportionately on immigrants and middle-income Nebraskans and undermine the long-term stability and predictability of state and local revenues. A 2005 report by President George W. Bush's Advisory Panel on Federal Tax Reform considered a national consumption tax, but strongly rejected it partially due to the high tax rate required to achieve revenue neutrality.<sup>1</sup> We have this concern about LB133, as the consumption tax rate would likely need to be higher than the proposed 10.64 percent rate for it to be revenue neutral in Nebraska. The Panel found the actual rate that would be required for neutrality was significantly higher than proponents had cited. In that case, difference between the rate promoted and the rate needed for neutrality was 11 percent. Similar results have been found at the state level. Even with substantial rate increases, independent analyses of proposals in other states have found the proposed rates weren't enough to replace the revenue lost from the repealed taxes. For example, a proposed FairTax in Michigan that would have raised the sales tax from 6 percent to 9.75 percent on a broadened base would have fallen \$2.5 billion short revenue neutrality, according to the state's Department of Treasury. The federal Advisory Panel also focused on the regressivity of these plans, as middle-income taxpayers will end up shouldering the burden of a consumption tax proposal. LB133 includes a "consumption tax monthly allowance" equal to 10.64 percent of the federal poverty level (adjusted for family size) per year and would be sent to Nebraskans of all income levels, rather than just those that need it to afford this new tax system. Even if the allowance succeeds in protecting lower-income households, the ensuing tax shift will fall on the middle class. The wealthy are unlikely to spend enough to pay as much in sales tax as they had been paying in income and property taxes, meaning only those in the middle would be left to make up the difference. We are extremely concerned that the bill requires Nebraskans to be a U.S. citizen with a social security number, or a foreign exchange student, in order to be counted for the purposes of

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this allowance. In addition to burdening middle-income Nebraskans, this bill targets immigrant communities regardless of workers' legal status or how long they've been a resident of Nebraska. Immigrant workers are critical to many sectors Nebraska's economy, such as agriculture and research and development, and this bill will render Nebraska unwelcoming to non-citizen immigrants and shrink our current population of these vital workers. LB133 would also disproportionately affect seniors and retirees, who have paid income taxes throughout their lives only to be suddenly taxed a high rate on their consumption. There are longer-term budgetary impacts to consider as well. Namely, an overreliance on a single revenue source would increase the risk of fiscal instability. When consumer spending decreases during a recession, relying on spending as the sole source of state revenue would mean severe budget cuts at a time when government spending is needed to stimulate the economy.

Diversification of our tax code is good policy - a mix of different taxes provides greater stability, as each responds differently to different economic conditions. Wyoming provides a contemporary cautionary tale of the overreliance on a single revenue source: without an income tax, the state's extreme dependence on oil and gas revenues has left it in a precarious fiscal position due to the hit that energy sectors have taken during the COVID-19 pandemic and ensuing recession. Lastly, LB133 would put severe budget limitations on state agencies and localities, and does not guarantee their funding. State agencies (including the University of Nebraska and Nebraska state college system), counties, and other local subdivisions would be limited to growing their budget by the change in consumer price index each year, with exceptions for emergencies. Public elementary and secondary schools would be, for budgetary purposes, considered part of the state Department of Education and must fit within the growth limits of the Department. LB133 dictates that localities submit annual budget requests to the Governor and Appropriations Committee, but leaves it up to state leaders to meet these requests. If the state is not able to meet their revenue needs, political subdivisions would be able to "enact their own consumption taxes upon such terms and conditions as the Legislature may provide." However, assuming the Legislature decides to approve such a measure, the total consumption tax paid by the consumer would grow to be higher than the statewide rate of 10.64 percent, without a corresponding increase in the allowance to offset the regressivity. For all of these reasons, we oppose LB133.

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**\*JOSEPH D. KOHOUT:** Good afternoon. My name is Joseph D. Kohout and I am testifying on behalf of ABDN, or the Associated Beverage Distributors of Nebraska, a trade association of the 17 family-owned beer distributors that employ hundreds of family, friends, and neighbors across the state in order to provide choice and variety to retailers and consumers when it comes to beer choices. I thank you for the opportunity to express the views of our members and their employees in regards to LB133. I ask that this testimony be made part of the record. We appear in opposition to LB133. Let us begin by saying that we sincerely appreciate your efforts to address the issue of tax reform - be it property, personal income, corporate or sales. Our businesses pay an enormous amount of tax the most prevalent of which for many of us is the excise tax. For some of our members, the amount of monthly excise tax remitted can be as much as six figures. What is not clear to us is whether or not the amount of state and federal excise would be included in the price of our product. Thus, a tax of 10.64 percent added to the final cost of our product would make it potentially cost prohibitive and mostly affect those craft brands whose product generally sell at a higher price point in the market. We do know that our customers are price sensitive. On behalf of our client, the Associated Beverage Distributors of Nebraska, we ask that the committee not advance this measure.

**LINEHAN:** You're neutral? OK, are there still opponents, are there any opponents? Did the lady come back that had to leave? OK, all right, if there's no more opponents, then neutral. Good afternoon,

**TROY UHLIR:** Good afternoon. My name is Troy Uhlir, T-r-o-y U-h-l-i-r, from Norfolk, Nebraska. I also am a Madison County Commissioner. I guess I'm not here to testify as a commissioner, but as my commissioner experience, if that makes sense. Quickly, I'm-- I'm an optimist by nature and realist by business. I have a business in Norfolk. So some of these things that I see as everyone's talking and as a business owner, as a commissioner, I'm kind of stuck in the middle of this, right? Because we've got to levy on tax valuations and I have to pay as a business. And so, again, I'm an optimist and I'm a realist. So just some of the things today, quickly I jotted down in listening to everybody. Some of the pros are streamlined taxes, fair through all income levels, you can control what you spend. Tourists are going to pay into our budget when they travel through Nebraska. You're going to reduce the state and county budgets by elimination of departments. I don't know if anybody really touched on that, but there

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will some people-- be some people that lose their jobs in this. It puts taxpayers first. Tax rate will be controlled by the Revenue Committee, benefits those on Social Security or fixed incomes. And we actually have a potential for people to influx into our state. Going really fast because I'm going to run out of time. Cons that I see and-- and it's just high level of when I say this because I don't want to offend what I'm saying here, but tax revenue all comes into Lincoln and then it's just-- just distributed back out to our budgets, the county and local. There's a 3-year budget period that these entities that are taxing locally are going to be able to gross up their baseline budget. I don't know if anybody saw that. I mean, it's not going to be implemented till 2025. I see that as a con. And then will the-- will the consumer index be enough pricing to lift the budget year over year? We're seeing, you know, budget increase. Last year we were actually fortunate. Our valuation went up on commercial property and our ag land went down, so we were actually able to reduce our-- our levy a little bit at the state-- or at the county level. So we're working hard to try and reduce that because that all comes on us. The property tax valuation is at the county level. I mean, those taxes don't come to you. You guys base a lot of that on what state aid gets to schools. So I guess I'm open for questions. I have more to say, but I'm going to run out of time, so.

**LINEHAN:** Thank you very much for being here, Mr. Uhlir. Are there questions? Yes, Senator Flood.

**FLOOD:** Would you like to finish your thoughts, Mr. Uhlir?

**TROY UHLIR:** Yes, so-- so I guess when I look at this broadly from both sides, from a business side, my business pays \$26,000 in taxes a year. I have revenue of \$3 million and that's two different businesses in Norfolk. I compare it to a former rancher in Knox County who has a gross income of \$60,000 a year and pays \$16,000 in tax. My ability to recover that tax in my prices, I'm able to do. So that's one of the sides of this that I look at. One of the sides that I look at from accounting standpoint is our tax levy last year in Norfolk was a \$1.94 per hundred. Ninety-four cents of that went to our schools. And I'm not here-- I am for schools, I'm for education, OK? I pay my taxes into the public school system and sent my kid to private school, so I'm all about funding our public schools. And those people, especially right now what's going on, they deserve everything they're getting. But at 94 cents, that's what's driving the worry on property taxes.

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You know, pulled some research, you know, up in Knox County, you've got a school, Lebron, runs on about a \$1.8 million budget. Verdigre runs on a \$2.6 million budget. OK, you got average of 25, 30 kids in those high schools. They're 10 miles apart. With this bill, I'm guessing some of that would have to be consolidated. You know, there's going to be some hard choices. We have counties, our county has three commissioners, which, you know, it's been talked to go to five and I don't agree with that. I mean, I think, yes, it's better representation, but is it worth the cost? We've got counties, 8,500 people and they have 7 supervisors. So these are some of the things that at the local level this would help control with, here's your set budget. I don't like that they have three years to really bump their baseline. You know, we're at 36-- 36 cents at the county level and we can be up to 50. You know, we can only take-- I know we can only increase a certain percentage a year, but-- so last statement is, is something. I'd love to see this get to debate. I'd like to see you guys beat it up, make it work, because something has to happen. Otherwise, I'm fearful that we aren't going to like the outcome of the-- if the voters want to get outside petitions and put something on the table. That scared me really bad last year before COVID hit that-- what they were trying to bring forward, because that really would hurt us at the county level.

**LINEHAN:** Thank you very much.

**TROY UHLIR:** My pleasure.

**LINEHAN:** Are you in Lakeview?

**TROY UHLIR:** Pardon.

**LINEHAN:** What school district are you in?

**TROY UHLIR:** I'm in Norfolk School District. Yeah.

**LINEHAN:** OK. Any other questions? You should come more often. That wasn't a question, it was an order. You should come more often.

**TROY UHLIR:** Oh, I should come more often. I'm sorry, I thought you said count. [LAUGHTER] I'm so sorry.

**LINEHAN:** No, no--

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**TROY UHLIR:** Yeah.

**LINEHAN:** --it's nice to hear somebody who's like got both sides because that's what--

**TROY UHLIR:** Well, that's why I thought it was important because I know property tax gets beat up and that falls on our shoulders. You don't control that. You control to a certain degree that you say we have to be at a certain value so that we can get our state aid to our schools. But, you know, our assessors, you know, talking with other assessors, there's-- there's-- there could be some work there that those things could be narrowed down, so. Like I said, I won't take up too much of your time and I'll try to be in touch with you guys.

**LINEHAN:** OK.

**TROY UHLIR:** Thank you.

**LINEHAN:** Thank you very much. So we did have letters submitted. These were submitted this morning. So they're the same as if they were here and we're supposed to read them. So proponents, Mary Hilton. Oh, I'm sorry, another neutral. Oh, I'm sorry. I'm so sorry. OK, I'm sorry. Two more neutrals. OK, I'm sorry. Thank you. I'm sorry.

**ERIC MILLER:** Oh, that's OK. Hello, my name is Eric Miller, E-r-i-c M-i-l-l-e-r. I live in Omaha, District 11. I've lived in Omaha about 10 years. Before that I lived in rural Lancaster County. I've been interested in the consumption tax since reading an entire book written about how dynamic and amazing this could be. It's been found that sales tax and more consistent-- it's been found that sales tax is more consistent than income tax. So not only does it save compliance costs, it also is more recession proof. I know from my own experience in the size and scope, the cash economy, how people try to game the tax system. Just like leaders in Washington and big business, it has become big business to avoid taxes. Consumption tax takes advantage of retail tax collection mechanism that already exists. Most tax filers from millions of individual tax paying residents to just the number of sellers of new goods. It becomes much easier and cheaper to regulate and police. This is the only way to tax the cash economy and the black market. No more offshow-- offshore tax shelters. Now, even old money who might try to hide their wealth will be taxed equally. When the choice to spend money happens, all economies would be taxed of actual

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wealth. Actual spending is the real measure of wealth, including old money. High income, as we say, producers, economic innovators used to be in our current system higher taxed than, say, old money who has the wealth but isn't making the current income. Now we set loose the high achievers and high producers and what their income work because as they-- as they know how to work, income becomes investment and savings, spending becomes more individual freedom and tax happens when we-- when we choose to fuel the economy. Consumption tax is a grassroots movement. This policy could be great and should have broad and nonpartisan support. For one thing, its EPIC law has a pre-payment for all Nebraska residents. This means Nebraska would basically be the second state with some form of UBI. Also, it's not unusual for a farm family like mine to spend thousands of dollars with tax planners to keep property safe from death tax. No longer will financial decisions be made with tax policy in mind. Now, Nebraska farms and corporations can do what makes the most sense, not what makes the most sense for taxes. Making decisions that reduce taxes rather than increase income is a practice that costs our economy. They found 18 percent of our GDP is based on decisions made for taxes, not what makes the most economic sense. Imagine that increase year after year, 18 percent. Fixing our tax system has too much potential for benefit to allow those who gain from the complexity of the tax system from dictating through shrouded power. Nine states have no income tax. This EPIC version for Nebraska sees Florida, Texas, and South Dakota, Washington state and others, and improves on its progress. So to answer a little bit of correction, Senator Flood's question about the bleed. So generally they find that because of the cheaper embedded taxes, because of bringing more business here, that that balances out and you bleed from the other states and like I mentioned, South Dakota also already has no income tax.

**LINEHAN:** Thank you very much, Mr. Miller. Are there any questions from the committee? Seeing none, thank you very much for being here. Are you-- you're a neutral, though. You said you were neutral.

**ERIC MILLER:** Yeah, I see-- I see it as a progressive policy also. So I've had that conversation with a lot of people that I feel like it's-- that it is very nonpartisan.

**LINEHAN:** OK. All right. Thank you for being here. Appreciate it. Others wanting to speak in the position of neutral. I know, and you've been very kind to wait. Well, I guess part of this is your position.

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**SARAH CURRY:** I just wanted to hang out all afternoon here.

**LINEHAN:** Go ahead.

**SARAH CURRY:** My name is Sarah Curry, S-a-r-a-h C-u-r-r-y, and I'm the policy director for the Platte Institute and we are testifying neutral on both LB133 and LR11CA. We want to thank Senator Erdman for proposing these bills, which is prompting a much needed discussion about creating a more complete vision of tax reform for Nebraska. Our economic competitiveness and the simplicity of our tax code would improve substantially if the state and local government relied more on consumption-based taxes and less on taxing property and income. For nearly a decade, the Platte Institute and the Tax Foundation have recommended that the Legislature remove exemptions in the sales tax and use those revenues to reduce the state's high tax rates. A key reason is stability. Last year, during the economic downturns, we saw states primarily funded with sales taxes fare better than those relying more heavily on income taxes, especially corporate. However, while we share the frustration state lawmakers and taxpayers have with property taxes in Nebraska, the pandemic also proved that property taxes to be a reliable local revenue source, which is one reason no other state in the nation goes entirely without real property tax. Still, lots of states have much lower property taxes. And if we wanted to do that in Nebraska, then using a consumption tax-- tax approach is a good alternative. For example, neighboring South Dakota has no income tax and a broad-based sales tax that includes more goods and services than Nebraska and their state revenues are ranked one of the most stable. We also want to acknowledge that Senator Erdman's inclusion of the language preventing business-to-business transactions and business inputs is sound tax policy. Where we differ with the EPIC tax is in levying the country's highest consumption tax or sales tax rate. We would be broadening bases-- we prefer to broaden bases, to lower rates and at 10.64 percent, that's almost 4 percent higher than our current average state and local tax rate. It would also be the highest in the nation, with the next closest being Tennessee, Louisiana, Arkansas, Washington and Alabama. Also, we believe that using GDP, not CPI, should be used for the growth measurement adjusting in this tax. And on the constitutional amendment side, we fully support the voice of the people through the democratic process of voting. And it's been nearly 60 years since the last major tax restructuring, so it's reasonable to be asking voters about this. And citizen-initiated referendums, while they should always be an option,

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can be costly, time consuming and uncertain, and the Legislature has the ability to do its homework on both policy and public sentiments giving Nebraskans the chance to weigh in on substantive tax reforms that address their concerns. And it's a tool that senators can consider using during this two-year session. Thank you.

**LINEHAN:** Thank you, Ms. Curry. Are there questions from the committee? Seeing none, thank you very much for being here. Are there any other members of the public wishing to testify in the neutral position? OK, now do I go-- so proponents for LB133 were Mary Hilton, self.

**Opponents:** Bob Halstrom, Nebraska Bankers Association, National Federation of Independent Business; Kristen Hassebrook, Nebraska Chamber; Tiffany Friesen Milone, OpenSky Policy Institute; Joe Kohout, Associate Beverage Distributors of Nebraska. Good afternoon, sir. Would you like to close?

**ERDMAN:** I would, thank you. Interesting proponent's observations and lack of knowledge. Disappointing is a better word. Not one of those people that came here to testify contacted me.

**LINEHAN:** You said proponents.

**ERDMAN:** The opponents contacted me, not one. The lady from Lancaster County said that they're going to lose their inheritance tax. That is the most immoral tax ever thought of. You die, it creates a taxing event. So the people who inherit the property are going to pay for the services they can't necessarily enjoy because most of the time they don't live there. And the people who donated the property are then-- and they give the property, the inheritance, are dead. So what you don't know is LB310 introduced by Senator Clements was going to remove the inheritance tax. I'm amazed that these educated people, they get paid big dollars to come here and lobby do not understand what neutral means, revenue neutral. Let me explain it to them if they happen to listen or read the testimony. It means we're going to collect the same money as we did before. So the county comes in and they say, we're going to have trouble making our budget. Did the county people come by and ask me how this is going to work? Oh, the insurance group. Oh, this is going to put us out of business. Did they read the bill? No. No, they didn't. On the insurance-- the insurance, the premium that they charge will be paid, it will charge a consumption tax on the premium. The insurance company, when they pay the hospital for services rendered or whatever the repair business or whatever it is,

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no business-to-business transactions. Did they come and ask me how that works? No, but they came here and they said, we've got to protect our-- our base and we can't have anything new and we can't change it. All right. Not one of those people stopped to ask me. Not one. Now, John Hansen, he's got all the answers. OK. I've listened to John Hansen for 30 years. If John Hansen has all the answers, why hasn't he fixed the problem? He's looked at the consumption tax and he knows this is going to be very, very unbeneficial, going to be hurtful, harmful for farmers, for agriculture. What-- what-- I don't understand what he's talking about. Agriculture is not going to pay any property tax. The businesses in Omaha, the gentleman that said here has a small business and he said, I can't afford to fix my equipment. He's not going to pay any property tax, no income tax. No business-to- business transactions. That's what it says. So the farmers won't get charged for their seed corn. Look at the flyer I gave you. On the back, it tells you what will be exempt. Seed, fertilizer, chemicals, tractors, the things you buy for your business will be exempt. Radio station. You buy a new transmitter, it's exempt. Right. So these people come in and they try to tell you all this stuff that they know and they don't know nothing. All right. This is going to be good for agriculture, it's going to be good for business. Now, Senator Blood-- or Flood, I wanted to ask you if you've seen that flyer I gave you about border bleed? Did you see that flyer?

**FLOOD:** No.

**ERDMAN:** Look at the flyer. It's-- it's the one-- the other one. The one in your right hand. OK, open it up. OK, there's a section that says border bleed on the right hand side at the top. See it where it says border bleed? OK, let's walk through that. All right, here's what's going to happen. All right. Say that that person is selling a quart of oil for a dollar, right. So that's what it says, all right. So currently in that quart of oil, there are hidden taxes. What are those hidden taxes? They're property tax he has to pay. There's income tax he has to pay. All those hidden taxes that are in that can of oil, he has to charge a dollar to make up those taxes. It removes those taxes. What does it say? How much can he sell the can of oil for? 95 cents. All right. When he sells that can of oil for 95 cents and then the Platte Institute said, oh, we can't afford to have a 10.6 consumption tax rate. They didn't call me either. There's a prebate. All right. So listen to this. A family of four that makes \$64,000, if-- if they could spend all 64,000 on consumables, they can't, but

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say they did. \$64,000 in consumables and they make \$64,000, their average consumption tax rate, their effective consumption tax rate would be 5.8, not 10.64, not 9.85, but 5.8, because they're going to get a prebate of \$2,620 to offset against whatever their necessities were. So the effective rate is not 9.85. For a family of four, 64,000, it's 5.8. For you to get to 9.85, you have to spend a million dollars a month to get to 9.85. So I don't know where these people come from when they come in here and they say this is going to be the rate, we can't afford that. The insurance company says we can't afford that because it's going to put us out of business or we're going to have border bleed. They're going to go over to Iowa. No, they're not going to Iowa. Use my-- look at my example. They're not going to Iowa. There are some other examples there. One about buying a new house. You buy a new house under the current tax system, guess what? You pay sales tax on all the material that built that house. So you live in Lincoln, right? Sales tax, 7.5, whatever it is, buy a \$200,000 house, 60,000 of that is material. Sixty thousand times 7.5 is \$9,000 in sales tax is included in the \$200,000 house you buy now. Then you're going to add a \$4,000 property tax every year of that. All right. So do the math. Look at the example. You run through it. This payment for a \$200,000 house at 4 percent interest is 934 bucks a month. You add the \$333.00 a month, the property tax is, your payment is 1,287.00. Right? You buy a house under the consumption tax model, and in the example I used a \$64,000 income family, their effective rate would be 8.6. So 8.6 on a \$200,000 house is \$17,600. Right? Put that in the mortgage. Their mortgage payment is about a thousand bucks. So if you do the example, under the consumption tax that same family could buy a house that is \$250,000 for the same monthly payment they could buy a house for 200,000 under the current system. So tell me how that's a bad deal. Tell me how we're going to have border bleed when the consumer is going to be able to buy things in Nebraska cheaper than in Iowa, because they're going to have to charge the dollar for the quart of oil, plus add their sales tax. And you don't think our-- our businesses are going to drop the price of what they sell? Because guess what, it's competition. It's market share. If Senator Albrecht has a store, she's selling oil for 95 cents, what am I going to do. I'd be 95 cents. Now, if you're a renter, you say, oh, OK, so renters don't pay property tax. Well, let me tell you something. In my rentals back home, if the guy down the street, his property tax went down because of the consumption tax and he rents his house cheaper than mine and I want to keep my tenant, what am I going to do? I'm going to

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lower the rent. All right. This is going to drive the price of things down because they don't have all these hidden taxes. The young man, Mr. Miller, that talked about what it cost to prepare your taxes. It's a lot of money we spend preparing to pay our taxes so we pay them right. Then the other issue you have talked about, we all think that everybody pays all their taxes, right? They pay them all. Nobody cheats. Everybody pays in full. It's not true. People hide money and they cheat all the time in our current system. Under this system, you buy something, you have to have two people cheat, the one selling it to you and yourself because the person you buy the stuff from has to collect a consumption tax. It doesn't make any sense at all that those people would come here and say, we're not going to be able to meet our budget. Oh, local control. I forgot about that one. Here it is. It's local control. What it means is we can't tax the-- out of you, you know what I mean? That's what it is. Has nothing to do about local control. The gentleman here from the school board said what kind of control do we have. We don't have much. Oh, but we can't continue to tax you like we always have. That's what it means. I understand local control. I understand. I mean, these arguments don't hold any water. But those people that came in and testified today are getting paid a lot more than those people who came in as proponents. Those people came on their own time. Right? Those other people got paid to come here. It is absolutely amazing that they don't take the time to read the bill to understand how it works. How it will work is this. The people will submit their budget, the local units of government submit their budgets to the county, the counties submit their budget to the state. The state cuts one check to the county treasurer and they distribute the money. We'll start with a baseline where they are now and move forward from there. And we put in the bill CPI. The increase will be CPI or some other inflationary issue. That's all for negotiation. We had to start somewhere. All right. But the point is, this is a program, this is a policy, a proposal that needs to move forward and be adopted. You're going to have a chance to make a decision on this one way or the other. And those people who came today that weren't paid to come here, that came on their own initiative, they're going to watch what we do. I get hundreds of emails a year about taxes, all kinds of taxes. I made a promise to those people that I'd try to help them. I'm asking you to help me help them.

**LINEHAN:** OK, let's see if there's any questions, because we have another hearing.

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**ERDMAN:** What's that, ma'am?

**LINEHAN:** We have another hearing, so.

**ERDMAN:** I know.

**LINEHAN:** Let's see if there's any questions and then--

**ERDMAN:** Thank you.

**LINEHAN:** OK. Are there any questions for Senator Erdman from the committee? Senator Bostar.

**BOSTAR:** Thank you, Chairman Linehan. Thank you, Senator. And I just well, I have several questions, but I'll just have one. So the example of buying a house. If the house was already built, wouldn't the cost of the sales tax and all the materials already be captured in-- in the construction of that house already or--

**ERDMAN:** Yeah. Senator, new houses have a consumption tax. Used houses don't.

**BOSTAR:** Understood. Thank you. That-- that--

**ERDMAN:** New vehicles will have a consumption tax. Used vehicles won't. We're only going to tax one time. No double taxation.

**BOSTAR:** Thank you.

**ERDMAN:** Yeah, you're welcome.

**LINEHAN:** Thank you, Senator Bostar. Other questions from the committee? Thank you very much, Senator Erdman. Do-- we had letters sent in, not brought in this morning, but letters sent in. We had 56 proponents, 14 opponents and zero neutral. So with that, we close the hearing on LB133, and we will open the hearing on LR11CA.

**FLOOD:** Madam Chairman.

**LINEHAN:** Yes.

**FLOOD:** Does the introducer of this constitution amendment have the ability to incorporate his prior comments by reference?

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**LINEHAN:** Yes, he does.

**ERDMAN:** Say that again.

**LINEHAN:** We could just use all your comments for your closing. I mean, your opening earlier.

**ERDMAN:** No.

**LINEHAN:** No.

**ERDMAN:** Sorry, but I will-- I will make it brief.

**FLOOD:** That's OK.

**ERDMAN:** OK, I'll make it brief.

**LINEHAN:** All right.

**ERDMAN:** All right. OK, you ready?

**LINEHAN:** Yes.

**ERDMAN:** Do I need to do my name again?

**LINEHAN:** Yes, you need to do your name again.

**ERDMAN:** OK.

**LINEHAN:** So, I'm going to kind of hold you to brief.

**ERDMAN:** I am Steve Erdman, S-t-e-v-e E-r-d-m-a-n, and I represent District 47, which is 10 counties in the Panhandle. LR11CA is the why we need to do this. Senator Flood, this is why we need to do it. And-- and I'll be brief that if you'll turn in the back part of that LR, you will see-- I'll just bring your attention to the-- to the language that will be on the-- on the ballot. In the back-- the back part of that on page 11 will be the-- will be the language, the constitutional amendment to prohibit the state from all political-- and all political subdivisions from imposing an income tax, a property tax, inheritance tax and estate tax and a tax on retail sales of goods and services, except for a consumption tax that would require the Legislature to enact consumption tax-- a consumption tax. That will be the language that will be on the ballot in 2022. So what I'm asking is for the

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Legislature to advance these-- both these bills to the floor so we can have a thorough discussion and go through line by line, that 71-page nuts and bolts bill, so we understand what it's going to do because it talks about how the taxes are going to be collected, talks about the budget, how they're going to do-- all that stuff is in there. We never spoke about any of that stuff today. And I'm willing to sit down with any one of the committee to make you want-- make sure you understand thoroughly what it is we're trying to do. This is not sleight of hand. I'm not trying to slip something in the back door. I'm trying to make a presentation that you can understand so that when we go forward to vote, you understand clearly what we're voting on. I will tell you this. When I was doing those other two petition drives, we had-- we had polled people twice. The first time we polled them, what is the major issue in your life? Eighty percent said property tax. We did it again. The next two years later, it was 79.8. Property tax was number one. I'm here to tell you, it's not only property tax, it's corporate income tax and personal income tax. That is a problem for us. All three of those. Inheritance tax is one of the most immoral taxes I've ever seen in my life. I can't believe we still do that. We're going to eliminate all those. And that's an opportunity for us to sit down, have a presentation on what it is, what it's going to do, so that when you make an informed decision about fixing the problem because I don't see any legislation anytime in the near future to fix the problem. It will continue to put a Band-Aid on a decrease in the increase. That's what we'll continue to get. You heard people say that today. We'll continue to get that decrease in the increase. If you had cancer, you wouldn't want the doctor just take part of it out, you'd want it all removed. And the gentleman who gave me the boat about the sailor turning the boat upside down, that's what this is. And the other issue, Jon Cannon, a nice guy. I appreciate Jon. He does a good job with NACO. But to say I'm trying to hit a home run, I don't care what he calls it. All right. What I'm here for is, I'm here for the taxpayer. All right. And what those people that came in and testified against this, they're for the tax collector. All right, our focus is wrong. Their focus is wrong. If they get their focus right, they'll understand we have to do something to fix it and this is the answer. Or we can kick the can down the road and we can do this again, but I want to tell you something. This consumption tax model is catching fire, is catching a lot of support from the business community. All right. A lot of support. I will tell you that going forward, this will be on the ballot in 2022, one way or the other.

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**LINEHAN:** Thank you.

**ERDMAN:** And it's not a threat. I'm just telling you what's going to happen.

**LINEHAN:** Thank you, Senator Erdman. So are you-- the constitutional amendment, just to clarify, would be line 12 through 18 on page 11.

**ERDMAN:** That will be-- that will be the wording on the ballot, yes.

**LINEHAN:** That's helpful to know. Are there questions from the committee? Senator Albrecht.

**ALBRECHT:** Thank you, Chairman Linehan, and thank you again for bringing this bill. Senator Erdman, how would you protect future legislators from spending-- giving this money back in areas maybe that they shouldn't. How do you-- how do you lock it in that this is the way it is? I see on page 11, the Legislature may authorize political subdivisions of the state to enact their own consumption taxes upon such terms and condition as the Legislature may provide. So how does that--

**ERDMAN:** Are you talking about the current occupation tax and those things they have in place?

**ALBRECHT:** Well, I think so, yeah. It talks about the consumption tax, which shall provide purchases, services, goods, fuel.

**ERDMAN:** It is my understanding that the way that would work, Senator Albrecht, is the local units of government would have an opportunity to place a consumption tax on the ballot for their voters to approve, just like they did the sales tax. So instead of-- instead of an occupation tax, it would be a consumption tax for the local-- for the local unit of government.

**ALBRECHT:** So that would be above and beyond what we're asking for in this total package.

**ERDMAN:** Right. Currently, the way the sales tax are.

**ALBRECHT:** Is there going to be any kind of a lid on it or, you know, you can't go over a certain amount. I mean, I can understand where the person was talking about careful what you allow them to do. And-- and

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also between now and the next three years, they're going to be-- you're going to go with their current budget so they're going to be ratcheting it up just a tad. So, that's--

**ERDMAN:** They will have an opportunity to have their own consumption tax. And currently, they're regulated by how much consumption tax-- or sales tax they can charge, the voters vote on. The voters have an opportunity to vote on consumption tax. What will happen and we're trying to figure out which economic advisor or-- or forecaster we can get to-- to discover what would happen to our economy if we went and-- if we eliminated all the taxes. Can you imagine what would happen to a college graduate graduating from the University of Nebraska, would you want to live in a state where you get to choose what tax you pay? There's no income tax. There's no property tax. You want to live here? Yeah. What about old people like me? When you get old and you got to start paying your medical expenses, you want to pay your medical expenses or your property tax? So you move to Arizona, not because you like 115 degrees. It's because in Arizona a \$150,000 house, property tax is \$600. That's why you move to Arizona. So that fixes all those issues. But as far as what they do locally, that's a decision for the voters to put in there.

**ALBRECHT:** But what I've heard in this room just in the last couple of weeks is they'll put it on the ballot and if the people say no, they do it anyway. So, I mean, I'm just-- I can understand where people are coming from that it almost sounds too good to be true that they would truly-- and how is one area, you know, let's say the big cities, you know, kind of like this TEEOSA. They don't like to share. So, you know, you get all this money from throughout the whole state and the smaller counties are going to get what they need, hopefully. And if they don't, it's going to go to the east side. So I'm just saying, when you bring something to the vote of the people and it better be written the right way, and I just want to make sure that-- that it is so that we don't have any hiccups when we circle the wagon and make sure that if-- if it should pass, that we have some-- some things locked down.

**ERDMAN:** They have limits now, Senator Albrecht, how much they can raise their budget.

**ALBRECHT:** I understand.

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**ERDMAN:** They have limits. And-- and if the people want to get involved and-- and elect people that take their best interests at heart, they need to get involved. People have sat on the sidelines. I was on the school board for 12 years in public schools. You know how many people came to a budget hearing? Not one. Not one, but they came to the county and they complained about their value-- about their taxes when they never went to a school board meeting. So people have to get involved and have to be watching-- the watchfulness of the citizens.

**LINEHAN:** Thank you, Senator Albrecht. Are there other questions from the committee? Senator Briese.

**BRIESE:** Thank you, Chairman Linehan, and Senator Erdman, thank you for bringing this and appreciate your tenacity and perseverance on tax reform and looking out for the taxpayers. But just to follow up on Senator Albrecht's question, the constitutional amendment will not allow the state to authorize the imposition of a property tax at the local level, though, will it.

**ERDMAN:** Did you say they won't be able to collect property taxes then.

**BRIESE:** Right.

**ERDMAN:** That's correct.

**BRIESE:** Yeah, thank you.

**ERDMAN:** Yeah, no property tax, none. And the constitutional amendment says they shall never do that again.

**BRIESE:** Yep. Thank you.

**ERDMAN:** Because the worst thing could happen to us, they put this in place and then they do a property tax or a sales tax on top of that, or income tax. And that's kind of what happened in '66. You know, when the voters found out they were going to put property-- or sales tax and income tax in place to lower property tax, they said we'll have three taxes. So they circulated a petition and they removed the property tax or we'd have all three of them. Have you ever heard before we're going to do this to lower property tax? I think we've said that before.

**BRIESE:** Thank-- thank you.

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

**ERDMAN:** Appreciate it.

**\*TIFFANY FRIESEN MILONE:** Good afternoon, Chairwoman Linehan and members of the Revenue Committee. My name is Tiffany Friesen Milone, Editorial Director for OpenSky Policy Institute, and I am testifying today in opposition to LR11CA, a constitutional amendment to replace all current forms of taxation in Nebraska with a consumption tax on services and new goods. OpenSky opposes a consumption tax for several reasons: it would require a much higher rate than 10.64 percent to be revenue neutral, fall disproportionately on immigrants and middle-income Nebraskans and undermine the long-term stability and predictability of state and local revenues. A 2005 report by President George W. Bush's Advisory Panel on Federal Tax Reform considered a national consumption tax, but strongly rejected it partially due to the high tax rate required to achieve revenue neutrality.<sup>1</sup> We have this concern about a consumption tax in Nebraska, as the tax would likely need to be higher than the 10.64 percent rate proposed in the accompanying bill, LB133, for it to be revenue neutral. The Panel found the actual rate that would be required for neutrality was significantly higher than proponents had cited. In that case, difference between the rate promoted and the rate needed for neutrality was 11 percent. Similar results have been found at the state level. Even with substantial rate increases, independent analyses of proposals in other states have found the proposed rates weren't enough to replace the revenue lost from the repealed taxes. For example, a proposed FairTax in Michigan that would have raised the sales tax from 6 percent to 9.75 percent on a broadened base would have fallen \$2.5 billion short revenue neutrality, according to the state's Department of Treasury. The federal Advisory Panel also focused on the regressivity of these plans, as middle-income taxpayers will end up shouldering the burden of a consumption tax proposal. The structure proposed in LB133 includes a "consumption tax monthly allowance" equal to 10.64 percent of the federal poverty level (adjusted for family size) per year and would be sent to Nebraskans of all income levels, rather than just those that need it to afford this new tax system. Even if the allowance succeeds in protecting lower-income households, the ensuing tax shift will fall on the middle class. The wealthy are unlikely to spend enough to pay as much in sales tax as they had been paying in income and property taxes,

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meaning only those in the middle would be left to make up the difference. We are extremely concerned about the requirement for Nebraskans to be a U.S. citizen with a social security number, or a foreign exchange student, in order to be counted for the purposes of this allowance. In addition to burdening middle-income Nebraskans, this bill targets immigrant communities regardless of workers' legal status or how long they've been a resident of Nebraska. Immigrant workers are critical to many sectors Nebraska's economy, such as agriculture and research and development, and this bill will render Nebraska unwelcoming to non-citizen immigrants and shrink our current population of these vital workers. A consumption tax would also disproportionately affect seniors and retirees, who have paid income taxes throughout their lives only to be suddenly taxed a high rate on their consumption. There are longer-term budgetary impacts to consider as well. Namely, an overreliance on a single revenue source would increase the risk of fiscal instability. When consumer spending decreases during a recession, relying on spending as the sole source of state revenue would mean severe budget cuts at a time when government spending is needed to stimulate the economy.

Diversification of our tax code is good policy - a mix of different taxes provides greater stability, as each responds differently to different economic conditions. Wyoming provides a contemporary cautionary tale of the overreliance on a single revenue source: without an income tax, the state's extreme dependence on oil and gas revenues has left it in a precarious fiscal position due to the hit that energy sectors have taken during the COVID-19 pandemic and ensuing recession. Lastly, a consumption tax would put severe budget limitations on state agencies and localities, and does not guarantee their funding. Under LB133, state agencies (including the University of Nebraska and Nebraska state college system), counties, and other local subdivisions would be limited to growing their budget by the change in consumer price index each year, with exceptions for emergencies. Public elementary and secondary schools would be, for budgetary purposes, considered part of the state Department of Education and must fit within the growth limits of the Department. LB133 dictates that localities submit annual budget requests to the Governor and Appropriations Committee, but leaves it up to state leaders to meet these requests. If the state is not able to meet their revenue needs, political subdivisions would be able to "enact their own consumption taxes upon such terms and conditions as the Legislature may provide." However, assuming the Legislature decides to

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approve such a measure, the total consumption tax paid by the consumer would grow to be higher than the statewide rate of 10.64 percent, without a corresponding increase in the allowance to offset the regressivity. For all of these reasons, we oppose LR11CA and the proposed consumption tax.

**LINEHAN:** I don't know if we have proponents. Do we have proponents who want to speak on LR11CA? Please raise your hand, except for you, Jack, you can't raise your hand. Do we have anybody who wants to speak against LR11CA, opponent? No opponents. Anybody in the neutral position? No one in the neutral position. Do we have letters from this morning, written. They're on the back. We had one proponent who delivered testimony this morning, Mary Hilton, herself. We had one opponent who delivered it this morning, Tiffany Friesen Milone with OpenSky Policy Institute. Letters for the record, we had 47 proponents, 18 opponents and no one in the neutral position. Senator Erdman, you can close or you can waive. Thank you. So with that, we bring this hearing on LR11CA to a close. Thank you all very much. Thank you, everybody, good discussion.