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LINEHAN: Welcome to the Revenue Committee's public hearing. My name is Lou Ann Linehan, and I serve as Chair of this committee. I'm from Elkhorn, Nebraska and represent LD 39. The committee will take up bills in the order they are posted outside of the hearing room. Our hearing today is your part of the legislative process. This is your opportunity to express your position on the proposed legislation before us today. If you are unable to attend a public hearing and you would like your position stated for the record, you may submit your position and any comments using the Legislature's website by 8 a.m. the day of the hearing. Letters emailed to a senator or staff member will not be part of the permanent record. If you are unable to attend and testify at a public hearing due to a disability, you may use the Nebraska's legislative-- Legislature's website to submit written testimony in lieu of in-person testimony. To better facilitate today's proceedings, I ask that you follow these procedures: please turn off your cell phones [INAUDIBLE] electronic devices. The order of testimony is introducer, proponents, opponents, neutrals, and closing remarks. If you will be testifying, please complete the green form and hand it to the committee clerk when you come up to testify. If you have written materials that you would like to distribute to the committee, please hand them to the page to distribute. We need ten copies for all committee members and staff. If you need additional copies, please ask a page to make copies for you now. When you begin to testify, please state and spell your name for the record. That's both first and last name. Please be concise. It is my request that you limit your testimony to three minutes. And we will use the light system. So you have two minutes on green and then it'll turn yellow; and then, red, you have, like, 15 seconds to wrap up. If your remarks were reflected in previous testimony or if you would like your position to be known but do not wish to testify, please sign the white form at the back of the room. It will be included in the official record. Please speak directly into the microphones so our transcribers are able to hear your testimony clearly. I would like to introduce committee staff. To my immediate left is legal counsel Charles Hamilton. And to my left at the end of the committee table-- excuse me-- is committee clerk Tomas Weekly. Now I would like the committee members to introduce themselves, starting at my far right.

KAUTH: Kathleen Kauth, LD 31: Millard area of Omaha.

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MURMAN: Good afternoon. Dave Murman, District 38: eight counties in southern part of the state.

BOSTAR: Eliot Bostar, District 29.

von GILLERN: Brad von Gillern, District 4, in west Omaha.

ALBRECHT: Senator Joni Albrecht, District 17: northeast Nebraska.

MEYER: Fred Meyer, District 41: central Nebraska.

LINEHAN: And if our pages would stand up, if we have pages.

TOMAS WEEKLY: We do. Collin is here. I don't know where he went.

LINEHAN: Well, when Collin comes back, he'll be sitting there behind Tomas. And that's-- his name is Collin, and he is at UNL studying political-- oh, excuse me-- studying criminal justice. Please remember that the senators may come and go during our hearing as they may have bills to introduce in other committees. Refrain from applause or other indications of support or opposition. For our audience, the microphones in the room are not for amplification but for recording purposes only. Senator Dungan, would you like to introduce yourself?

DUNGAN: Senator George Dungan, LD 26: northeast Lincoln.

LINEHAN: Lastly, we use electronic devices to distribute information. Therefore, you may see committee members referencing information on their electronic devices. Please be assured that your presence here today and your testimony are important to us and a critical part of our state government. And that, we will open on LB1183. Senator Bostar. Do we have a page?

ALBRECHT: Yeah. He just went to make some copies.

LINEHAN: Oh. OK. Good afternoon.

BOSTAR: Good afternoon, Chair Linehan and fellow members of the Revenue Committee. For the record, my name is Eliot Bostar. That's E-l-i-o-t B-o-s-t-a-r. And I represent LD 29. I'm here today to present LB1183, legislation designed to hold counties and county assessors accountable to the valuations they place on the property of Nebraskans. Under this legislation, an assessed property valuation

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would be considered an offer by the county board to purchase said property at the assessed value, meaning a homeowner could sell their house to their county at its assessed value. The legislation goes on to make the county assessor appointed by the county board. This is an essential component of the legislation because the legislation only works if the county assessor is answerable to the same body that manages the budget of the county. Valuations of commercial and industrial property over $1 million shall now be considered offers to purchase, as these properties may have very high value but can also be very specialized and may be difficult to absorb in county budgets. There are no monetary caps on residential, agricultural, or horticultural property. In order to protect county budgets, provisions have been included that require the property must be in substantially the same condition upon acceptance as it was when it underwent assessment. I also have brought an amendment before you, AM2109: harmonizes some of the language around consolidated offices and clarifies the language around the hiring and firing authority of county boards over county assessors. This amendment also stipulates that while agricultural and horticultural land is valued at 75% of market value, the county's offer will be increased by 25% to reflect this and bring the offer close to the true market value. Most importantly, though, this amendment lowers the bottom limit of the acceptable valuation range by 5%. This change ensures that counties will have more than enough room to value property in such a manner as to both provide property valuation relief and keep from overextending county budgets. A county that is confident in the quality of its assessed values has nothing to fear from this legislation. If LB1183 passes-- and, in particular, if we adopt AM2109-- Nebraskans will see an almost overnight reduction in property valuation and corresponding property tax relief. Too often the conversation around property tax relief is centered around levy rates while out of control and inaccurate valuations go unchallenged and unchecked. There are two halves to surging property taxes: assessed values and levy rates, and boast-- both must be addressed in order to bring relief to the taxpayers of our state. In 2023, Lancaster County revalued assisted-living facilities. Many of these facilities were revalued with triple-digit valuation increases. I have passed out the appraisal cards from five of these properties so you can see for yourself the sudden hikes experienced by these facilities. No business can absorb that kind of valuation hike. Rogue valuations like these have very real consequences in our communities. If we allow 300% and 400%

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valuation increases to go unchecked, it will result in essential businesses closed and people turned out of their homes. Any county that trust its valuation process should have nothing to worry about if LB1183 passes. The legislation will hold those in control of the property valuation process accountable and will provide lower property taxes to Nebraska residents. I want to take a-- just a second before I finish up and really point out-- so I, I chose assisted living because there's a-- in, in Lancaster County, there's a bunch of different kinds of properties that are valued every four years. This is the most recent activity that was done. So these are just five. And I got permission to share these, so that's why these are the five in front of you. But what we're, what we're talking about here is we're talking about effectively a year-- what would be equivalent of a year-over-year increase of over a 100% valuation increase every year for, for four years. So over a four-year time, some of these are going up almost 500%. Now, if someone wants to claim that that is representative of market forces, I would be happy to have that debate. While we've seen some-- certainly increases in, in what market-- what the market will bear for a property, it's-- we've coming-- we're kind of, I think, coming out of it, a bit of a hot market. It's a buyer's market. We-- there's no excuse for a 500% increase. And these are assisted-living facilities. We don't have enough of these. These are in my district. They're serving a critically important population that has nowhere else to go. And they're asking me how they can keep their doors open. I don't have an answer. I hear all the time from my constituents that their property valuations do not reflect what they could sell their house for. I hear it all the time. I'm not an expert. I don't know. Some of this is blatantly absurd; but in other cases, I don't know. So let's introduce market forces into this government bureaucracy. If the counties' assessments are correct and they are at 100% of market value or lower, this is going to be fine. Then any property that gets sold to them, they can sell for that amount or more. They could make money off of this if they're doing their jobs. If they're not doing their jobs, then people deserve relief. Happy to answer any questions.

LINEHAN: Thank you, Senator Bostar. Are there any questions from the committee?

ALBRECHT: Can I ask a quick question, please?

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LINEHAN: Yes.

ALBRECHT: Thank you.

LINEHAN: Senator Albrecht.

ALBRECHT: Thank you, Chair. [INAUDIBLE] was over. Have any these folks gone to TERC? Are they, are they taking it that far?

BOSTAR: Yes. So some of, some of what you see in front of you actually is-- has cases pending before TERC currently. But I think that this is indicative of part of the problem that we have, which is we have a system that puts the burden on the public to correct the mistakes of government instead of having the burden be on the state and our government bodies to get it right the first time. Not everyone knows how to navigate this system. People don't know about the Board of Equalization. People don't know about TERC. Some people come to me with these valuations, and I have to tell them, this is what you should do now. But how many aren't coming to me? Thank you for the question.

ALBRECHT: Thank you.

LINEHAN: Thank you, Senator Albrecht. Any other questions? Senator Meyer.

MEYER: Yes. Thank you, Chairman Linehan. So in your estimation, as, as I'm looking at these charts-- and there's-- there was no change for five years.

BOSTAR: They, they get, they get reassessed every four years. So that's why there's no change. And then they'll do a reassessment on them.

MEYER: So-- I guess I'm not sure what my question is. I, I, I, I understand your frustration with that constant elevation, but I see in my district where this has not been the case. It's been a steady shot up every year.

BOSTAR: But even if you averaged out that spike and you said it was going to be distributed year over year, that's still-- that's a over

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100% increase every single year consecutively even if you distributed it out, which is absurd. That's absurd.

MEYER: Thank you. I just wanted to get that-- we, we agree.

BOSTAR: Thank you.

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

KAUTH: Thank you, Chair Linehan. Senator Bostar, could you explain the part about removing the assessors from their elected--

BOSTAR: Yeah.

KAUTH: --capacity to underneath the county board?

BOSTAR: So the, the county board is responsible for the county's budget. And what we would be doing in this legislation is putting a potential outstanding liability on the county's budget. So we removed having the assessors be independently elected because the county board, who's responsible for the budget, would need to also be responsible for the assessor because the assessor-- an independently elected assessor, hypothetically, under this bill, could set all, all the valuations to 1,000%. The county board would have no recourse to control that. And they would be then responsible for paying out, I guess, those, those property acquisitions for the entire county. So it's a matter of just aligning everything so that there's actual accountability where it needs to be.

KAUTH: And the county board is elected?

BOSTAR: Yes.

KAUTH: Thank you.

LINEHAN: Thank you, Senator Kauth. Are there other questions from the committee? I, I agree. I've always thought it's a little weird the assessor doesn't work for the county board. However, the county board can-- current, current law is if someone doesn't agree with their assessment, they can go to-- I can't think of what it--

BOSTAR: Equalization.

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LINEHAN: --equalization to the county board. So the county board can overrule the assessor.

BOSTAR: So they, they can. But obviously, if the assessed val-- under this bill, if the assessed value was an offer to purchase--

LINEHAN: They go [INAUDIBLE].

BOSTAR: --then-- we, we can't wait for that to happen.

LINEHAN: OK. OK. Got it. All right. Any other questions from the committee? Thank you, Senator Bostar.

BOSTAR: Thank you very much. I'll have more to talk about at close.

LINEHAN: Are there any proponents? Good afternoon.

WARD F. HOPPE: Senator Linehan. Good afternoon. Members of the committee. My name's Ward F. Hoppe, W-a-r-d F. H-o-p-p-e. I'm a principal of Hoppe Development. We build and operate workforce and affordable housing, low-income housing tax credit properties across the state. We support LB1183, particularly Section 9. Although I've retired from the practice of law, my practice was real estate, and particularly housing. I did that for about 40 years. At assessment time, we always heard the annual complaints, my value is too high; which always led me to ask those clients a question: would you sell it for that? Almost universally got the answer, no. Anyway, this-- the question kept the client honest about valuations. This bill, LB1183, throws that game in reverse and puts the assessor on his or her toes to make sure the value of the property they're assessing's right-- or maybe low-- but in any case, right, not high; since otherwise, the county might be owning the property. This is particularly true for low-income housing tax credit properties, which have no market and otherwise never sell. Now, in this bill, LIHTC properties are, are exempt, and I would suggest I'd just soon not have them exempt. Because they never sell. But, anyway. The-- we approve this and we support this because it is intended to keep the assessors honest and right on. As to the other provisions of the bill, I know that assessing or valuing real estate takes knowledge and education and the application of methods. It should not be a political position. It should be appointed and with the right to hire and fire. So if the assessor is not doing his job well, he can be removed. In any case,

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for counties to appoint the assessor makes ultimate sense. We support this bill. I thank Senator Bostar for bringing forward this bill and recognizing an appropriate way to move for honest values of real estate in the assessment.

LINEHAN: Thank you, Mr.--

WARD F. HOPPE: Thank you.

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

WARD F. HOPPE: Thank you.

LINEHAN: Next proponent.

MONTE FROEHLICH: Thank you. My name is Monte Froehlich, M-o-n-t-e F-r-o-e-h-l-i-c-h. Hello, Chairperson Linehan and the members of the Revenue, Revenue Committee. Thank you for allowing me the opportunity to address you today. My-- did that already. I am president of U.S. Property, a Nebraska-based real estate management and development company. We have property in more than a dozen states and st-- and a significant footprint in Nebraska. We have property-- we own and manage 300 residential units, 2 million square feet of commercial space. Through our business, my wife and I also own Pemberly Place Senior Living, which I will address shortly. I speak generally in support of LB1183 as a measure trying to address the underlying problem of real estate property taxes and the startling increases in valuations in particular. Real estate taxes are paid by the property occupants, residential or commercial, and timing of when paid is the only major difference between the two types. Ultimately, taxes levied translates to affordability of the state and the community. In the case of seniors on fixed incomes in the final stages of life, it's especially important. It's important to understand real-word-- world examples of how property taxes and damatic-- dramatic increases truly affect people. Pemberly Place is located at approximately 76th at the Nebraska Parkway in Lincoln, provides memory care, independent living, assisted living, and onsite medical clinic. 120 individual apartments: 20 are memory, 60 are assisted, 40 are independent. The facility provides a theater, chapel, business center, and recreation area along with fitness center, library, private dining, and underground parking. Pemberly was built in 2018. I built it. For the years 2019, '20, '21,

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'22, the Lancaster County assessor valued our property at $6.8 million. The valuation was consistent, predictable, allowed us and our residents to plan and budget responsibly. However, the situation took a dramatic turn in 2023 when the valuation was increased by Lancaster County to over $34 million, a staggering 27.6%-- $6 million increase, which is 505% in one year. Now, I want to put that in perspective. The annual property taxes to be paid increased from $128,000 per year to $577,000. Said a different way, the property tax burden for each of the 120 units went from $88 per month to $400 a month, a monthly increase of $312. Such an unprecedented hike in property taxes would place a tremendous burden on any individual or business. But on our seniors, the generation that has, has sacrificed so much, un-- unconscionable. The average age-- I'm sorry. I've got a mother that's 94. She's in something like this-- not in ours, but it just really irritates me. The average age of Pemberly resident is 85--

LINEHAN: OK. You hit your light, so you're going to have to wrap up.

MONTE FROEHLICH: I'm done? OK. Whatever you can do, we could help. Thank you.

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

MONTE FROEHLICH: Thank you.

LINEHAN: Are there other proponents? Any other proponents? Are there opponents? Good afternoon.

DOUG KAGAN: Good afternoon, Doug Kagan, D-o-u-g K-a-g-a-n. Omaha. Representing-- excuse me-- Nebraska Taxpayers for Freedom. County assessors must have certification, competence, diligence, and, in the most populous Nebraska counties, the ability to supervise several dozens of employees. Certainly, both elected and appointed assessors can meet these qualifications. However, probably no other local official in Nebraska faces so much criticism and blame as a county assessor. Property owners blame assessors not only for carrying out their duties but also for utilizing valuation formulas for which the state, not assessors, are responsible. Because of their high profile, they should be accountable to voters, not to elected officials. Allowing county commissioners to appoint county assessors poses a threat to the independence of this office, which should be free from

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the influence or control of other elected officials. An appointed assessor might become overly responsive to political pressure or feel intimidated when determining assessments. Cronyism and favoritism also might occur from county commissioner appointments. The individual with the best credentials may not be selected. Electing assessors protects against political pressures and improper assessments and assessment practices by ensuring accountability at the ballot box. Though the general public may not be entirely cognizant of the methodology used by county assessors, elected assessors have reason to explain the assessment process in order to prove their accountability. Please vote no on LB1183. Thank you.

LINEHAN: Thank you. Are there any questions from the committee? So are you against the whole bill or that part of the bill?

DOUG KAGAN: Well, our taxpayer group didn't take a position on the other part of the bill.

LINEHAN: OK.

DOUG KAGAN: This is the part we really objected to.

LINEHAN: OK. All right. Thank you. Any other questions? Seeing none. Thank you very much. Are there any other opponents? Good afternoon.

JON CANNON: Good afternoon, Chairwoman Linehan, distinguished members of the Revenue Committee. My name is Jon Cannon, J-o-n C-a-n-n-o-n. I'm the executive director of NACO, which is the Nebraska Association of County Officials. We represent all 93 county governments in Nebraska and their elected officials. We are here today in respectful opposition to LB1183. We'd like to first thank Senator Bostar for bringing this bill because I think this is a part of the conversation regarding valuation, property taxes, and everything that, that we really need to have. I, I really wish I had a little more than three minutes because there's, there's a lot to unpack here. And I, I do want to get into, kind of the, the nature of it being an elected versus an appointed position and, and whether or not politics creeps in on one end or the other. Frankly, as far as setting values is concerned, I, I don't think that either one is going to be superior to the other, whether they're elected or appointed. And the reason is because of the oversight that we have. It's, it's not the county assessors are, are making up values on the fly. And, and you're not--

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certainly not going to ever have a rogue assessor that, that, you know, has-- values at 1,000% of, of their actual value. And the reason is because there are a number of steps that we take in order to have our valuations approved. First, the assessor goes out and determines what values are for, for each property using a system of mass appraisal, which is a bit different from the fee appraiser that you're accustomed to when you go to a-- the bank for a loan. Through that mass appraisal process, they submit their values by March 19-- or March 25 in the three largest counties-- to the Property Assessment Division. The property tax administrator reviews all the values that they have set over time. They send a report and an opinion for each county onto the Tax Equalization and Review Commission, also known as TERC. The TERC will review that during their annual equalization meeting in April. It kind of sometimes extends into May. And what they're doing is they're looking at every class and subclass of property. So those are the first two levels of oversight that assessors have when they're determining what their values are on a mass appraisal basis. And I, I want to get to that as well. After that, they send out their values on or before June 1. And at that point, someone has the opportunity to protest the value to the county board of equalization, as we have discussed already. When you go to the county board of equalization, the county board has the opportunity to hear from the assessor, from the taxpayer, and to make a determination as to what value it should be. When they do that, the-- then that taxpayer has the opportunity to protest the-- that value from the county board on up to TERC if they so desire. So there, there are at least three levels of a review that the taxpayer is afforded [RECORDER MALFUNCTION] value is set. Now, the nature of mass appraisal, a lot of people talk about a range of being 92% to 100%. I haven't seen the amendment. My understanding is that that would make the range go from 87% to 100%. And I think that range is, is actually probably a little bit misinterpreted. And-- I'm, I'm out of time. I'm happy to take any questions you have.

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

DUNGAN: Thank you, Chair Linehan. First of all, Mr. Cannon, would you like to explain that-- what you were just going to finish saying? I'm genuinely curious because I have some questions about that in a moment.

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JON CANNON: Sure. Thank you, Senator Dungan. I appreciate that. So the range that we have, which is 92% to 100% for residential commercial properties, 69% to 75% for agricultural land, that is a statistical analysis that is done. And so on the mass appraisal basis, what we're doing is we're taking all the sold properties that are out there in the county and we're, we're taking their, their assessed value and we're dividing it by their sales price. And what we do is we figure out what that ratio is. It's called an assessment-to-sales ratio. And you take-- in either a class or a subclass, you take all those ratios together. You array them from low to high or from high to low, whichever-- doesn't matter-- and you're picking the median value, the middle value. And that middle value represents the, the most likely indicator of central tendency. And, and statistically, the median is, is a-- is generally regarded as an appropriate measure for determining whether or not those values that are determined on a mass appraisal basis are generally focused toward where we want them to be. And that's a statistical range. That statistical range isn't the end all be all. It doesn't mean that if, if, if you've got 72%-- a level of value of 72% in agricultural land, that doesn't mean that every parcel of agricultural ground is at 72% of its market value. It means that the, the central tendency is towards 72%. Same with, with residential and commercial, that if, if the level of value in residential is 97%, that doesn't mean every, every parcel is at 97% of its actual value. It means that the central tendency is toward that. Because it's a median value-- and you might be able to impute that to the ru-- the unsold properties in the county-- by definition, a median value means that half of the values are going to be above it and half of the values are going to be below it for their-- for those ratios. Because of that, if you impute that to the remainder of the unsold properties, that means that there are going to be some people that will, by definition, be overassessed and some that will be underassessed because that is the nature of mass appraisal. Now, what we hope-- and there are measures to do this, to accomplish this-- what we hope is that all of those values are bunched together tightly around that median because that means that the, the assessment is-- has done a fairly reasonable job. However, if there-- if, for whatever reason, there's a lot of noise in the market, for instance, if those, those assessment-to-sales ratios are all over the lot-- and so instead of having everything tightly bunched around your median, you've got this really wide array, that is an indicator that there's something going on with the market and probably some further analysis is required. But

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again, the-- saying that we're going to be between 87% and 100%, that doesn't necessarily solve the problem because, again, by virtue of the fact this is a mass appraisal, half of all of our values are going to be above the, the median value and half of them are going to be below. So I, I hope that an-- helps answer the question.

DUNGAN: That is helpful. And I-- this is a very complicated process, and I know that you are genuinely an expert in this as well, so I appreciate you coming in and testifying. Even accounting for the fact that there's going to be some that are above and some that are below, looking at these numbers that Senator Bostar has provided for us are-- it-- to put it blatantly, they're pretty staggering, right? I mean, we're talking about land-- and I know it's only being increased in assessment value once every four years or so, but when you're talking about something that was assessed at $1.9 million and then after four years suddenly jumps to $10.4 million with no real documentation about any kind of improvement on that land, no building permits being approved in the last few years, it seems to me-- and it's not just one. I mean, the, the five that we've been provided here for assisted-living facilities all seem to document this massive jump. And I'm not trying to ascribe malice to that, but it just-- it seems to me that if the hope is that these statistical anomalies are far and few in between that we see a pattern here of things that are, in fact, beyond the standard deviation that you're talking about. So I'm just curious how that lines up with this, this plan because I understand you're assessing based off market value and percentages. But this seems to be a consistent problem, and it seems to be a consistent problem for a particular kind of living facility. So I'm just curious how you-- and I know you don't have these numbers in front of you, so I can't ask you to respond to those exactly. But how do you account for that continual anomaly of that massive increase that we're seeing every four years?

JON CANNON: Sure. And, and first of all, I will say I don't want to hide the ball. That's quite a jump. No, no question. However, I-- and I appreciate the fact that you said this is, this is a particular kind of facility that is having that issue. Again [RECORDER MALFUNCTION] levels of ordinary review. There's the property assessment division. They do a wonderful job. There's the Tax Equalization and Review Commission. They do an excellent job as well. And then, of course, there's, there's the taxpayer taking matters into their own hands and

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protesting the county board of equalization. There's a fourth level of review, however, that is available to a county board that is seeing a pattern emerge. If, for instance, I've got a county board that says, well, you know, gosh, like, we've received, we've received protests from every assisted-living facility in, in the count-- or, every assisted-living facility in a particular neighborhood, and we've adjusted them down because of the information they brought forward to us. Boy, it seems like maybe there's a, a real issue here. I-- they have, they have a tool that's available to them. It's in the TERC statutes. And it-- I-- actually, it might not be in the TERC statutes. I think it-- I think it's in the 1500s. But anyway, there's a statute that says if the county board is noticing that there should be an adjustment by a class or subclass-- and assisted-living facility, particular neighborhood, those would qualify as a subclass of property-- the county board could petition TERC based on the information they have to make an adjustment by a class or subclass. And so in-- for-- to my knowledge, that is-- there have been those appeals that have been made to TERC before. I don't know that they've-- that any of those appeals have actually gone through, but that is an avenue of relief that's available when a county board says we are seeing a significant issue with a particular class of property.

DUNGAN: OK. Thank you. I appreciate that.

JON CANNON: Yes, sir. Thank you.

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

JON CANNON: Thank you very much.

LINEHAN: Appreciate it.

JON CANNON: Yes, ma'am.

LINEHAN: Are there any other opponents? Good afternoon.

TERRY KEEBLER: Good afternoon, Senator Linehan, members of the committee. My name is Terry Keebler, T-e-r-r-y K-e-e-b-l-e-r. I am the Johnson County assessor here testifying against LB1183. I'm also a board member for NACO. So I also was a county commissioner for 12 years previously. And trying to be-- understand where this coming

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from, and I do somewhat, but I think appointing assessors is not the right way to go. We have the education and we have to have the certificate before we can even file or hold the office, which is true of the property tax administrator. And we have to have 60 hours of continuing education every four years. As such, we, we are the closest thing to experts on assessment that we have. And we are overseen by the property tax administrator and TERC, keeping us honest, as the word kept being thrown out earlier. And as Jon described, we are doing mass appraisal. We're not looking every property and comparing it to another one. We're using all the sold properties to find a value for all the properties. And this-- it is done by standards set by IAAO, which is an international organization for assessing officers. So we do our jobs by standards, by oversight. We don't need the oversight of the county board, who are-- as a former county board member, we struggle to understand the assessment, the appraisal. There is no education required for them. They do their job as-- to the best of their ability, but they are not the experts on this. As far as purchasing, we-- as a assessor, as a county board member, as one previous testifier said, we would a lot of times have them come in, my value is too high-- more often than not, it was, my taxes are too high. But if you ask them, would you sell it for that? We also got the reply most of the time, no. It's, it's worth more than that. And it-- it's a, it's a hard discussion. Sorry. I'm out of time.

LINEHAN: That's OK. Thank you very much. Are there any questions from the committee? Seeing none. Thank you for being here.

TERRY KEEBLER: Thank you.

LINEHAN: Are there any other opponents? Any other opponents? Are there-- is there anyone wanting to testify in the neutral position?

BRYAN SLONE: Chair Linehan, members of the committee. My name is Bryan Slone, B-r-y-a-n S-l-o-n-e. I'm the president of the Nebraska Chamber of Commerce. And whilst I was sitting here, I, I realized that I, I talked to Senator Bostar many, many weeks ago and promised him that I would be in the chair. So here I am. I, I, I want to testify on one thing. And the reason I said I, I would be in the chair is that, as I toured the state, as you did this summer, the, you know, the number one issue after I got past workforce, child care, and housing was property tax valuations-- not property taxes, property tax valuations.

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And almost consistently around the state, double-didig-- digit increases in property valuations. Not one year, but multiple years. Senator Bostar's examples are extreme, but, but it wasn't rare for property valuations to go up 20% or more two years in a row, or two assessments in a row, for a number of taxpayers. This is a lot of the concern that's out there as we, as we take a look at fixing the property tax problem. And so what I, what I want to suggest is-- well, I don't know whether his legislation is tongue-in-cheek in certain parts or not. It points to a real issue that we can't let go as we talk about a bigger package about property tax relief. It is, it is unsatisfactory to have property tax valuations go up double digits under any assessment methodology multiple years in a row. It, it creates financial hardships that are unexpected. And in the case of businesses like that, probably financed by Medicaid, it's, it's impossible. And so I do support the Governor and, and the proponents-- proposals to, to deal with levies. I do understand that there are those in the legal community who believe there are constitutional restrictions on, on valuation caps. I'm not so sure. But I think it's something that we should pursue in any package around property tax relief this year, is the valuation issue has to be addressed. So with that, I will be happy to answer any questions.

LINEHAN: Thank you very much. Are there questions from the committee? I have one. Isn't the real problem the tax taking?

BRYAN SLONE: Is the problem the what, sorry?

LINEHAN: The tax taking. It's-- valuations do go up. We like our valuations to go up. But that doesn't mean taxes have to go up. That's--

BRYAN SLONE: It, it, it is. But with that said, the valuation process-- I'll give you an example, something I think that would be fair. So I, I met lots of assessors this summer. And, and we have quality assessors around the state, don't, don't get me wrong on that. But this-- the process, if it's producing results that are, are causing a lot of angst out there, we should review the process. And, and a simple one I, I will just throw out is, is there some amount of valuation increase multiple years in a row where the, the burden of proof ought to shift the other way? Where no longer the taxpayer has to take it to, to-- and it could be a big number. But the taxpayer has

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the affirmative obligation to take it to the equalization committee versus the county. I think we have to think the levy rate is absolutely-- I agree, Senator-- effective in that process. But you still have these valuation concerns. You will still have valuation concerns even after you address the levy as long as these statements keep coming out and they have large percentage increases. So I would recommend that we continue to also focus on valuation. But that levy provision in this, if it's been proposed, is a very good piece of legislation subject to further discussion.

LINEHAN: Thank you very much. Are there any other questions from the committee? Seeing none. Thank you very much for being here. Is there anyone else wanting to testify in the neutral position? Good afternoon.

ALAN SEYBERT: Good afternoon, members of the Revenue Committee. Thank you for the opportunity to testify before you. I'm Alan Seybert, A-l-a-n S-e-y-b-e-r-t. I'm neutral on LB1183 because I think it needs amended. My focus is on single-family residences. As for the first part of the bill, I think county commissioners need more control over county assessors. If that's the intent of LB1183, I don't know if allowing commissioners to appoint assessors is a good way to do that. How will the appointment process work? Will it be open to, to a public hearing? Will the appointed assessors be unbiased or sympathetic to the commissioners who appointed them? If county assessors continue to be under control of the state tax administrator, the process will not change and excessive valuation increases and inequities will persist. Efforts to keep overall assessments in the acceptable range of 92% to 100% of the overall market will continue instead of making valuations of individual properties fair and equitable. Douglas County assessors are elected. The disrespect the previous assessor had toward the commissioners was disgusting. Having commissioners appoint assessors may mitigate that, but where would the assessor's loyalty lie? There have been problems with the process for years, but there has been no significant attempt to revise it, only justification to continue doing the same thing. As for evaluation being considered a county's offer to purchase: if the offer is good for 90 days, it should also allow a property owner an additional 90 days to move after accepting the offer. It wouldn't be unreasonable to give a property owner six months to make a decision like that and then deal with it. In addition, it should be considered an as-is offer, and the county should cover all

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closing costs, including moving costs. I also have a comment for the various taxing authorities that oppose all these property taxes-- tax bills. You will not be expected to do anything other than what you have been expecting property owners to do, and that is tighten your budgets. If you paid attention to my testimony last week on LB1241, you would know you have other options. Finally, I can tell you the statistical anomalies in Senator Bostar's report are caused by the valuation process itself. Thank you.

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

ALAN SEYBERT: Thank you.

LINEHAN: Are there any others wishing to testify in the neutral position? Seeing none. Senator Bostar, would you like to close? Oh, and we did have lev-- letters. I'm sorry. We had three proponents, two opponents, and zero neutrals.

BOSTAR: Thank you, Chair Linehan and members of the committee. You know, you heard a lot about processes. You heard a lot about formulas. You heard acronyms. You heard initialisms. You heard about how the process works and that they're following the process. OK. The process doesn't work. It doesn't. The 500% increase is broken. And no one can defend it. And, and I don't, I don't know if this problem exists in Johnson County. I've actually had occasion-- you know, the assessor from Johnson County has participated in the valuations working group over the last, I don't know, eight months we've been working on it, and I've always found him to be very knowledgeable and I appreciated his comments. I don't know what's going on in Johnson County. I know what's going on here in Lancaster County. And no one can explain to me why I should think a 500% valuation increase on an assisted-living facility serving a Medicaid population should go up 5-- 500%. No one can explain. And no matter how many conversations we have about formulas and processes and everything else, it doesn't matter. If we can't defend the blatantly absurd valuations we're getting on a specific level, then nothing else is relevant. Maybe in the rest of your counties these aren't problems. Maybe your valuations are low. Maybe when everyone asks, well, would you sell it for that number? They all say no. Here in Lincoln, they say yes. Repeatedly, they say yes. If you ask them, will you sell this assisted-living facility for

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$10 million? They say yes. There's a lot to be said here, but let me see if there's any questions, and then--

LINEHAN: Thank you, Senator Bostar. Are there any questions? I-- Senator Kauth and then Senator von Gillern.

KAUTH: Thank you, Chair Linehan. So Senator Bostar, how would this help the assisted living? Is it that it would give them the option of selling that property?

BOSTAR: We obviously don't want them to sell the property. We don't-- the concern right now is they'll have to sell the property because they can't afford the taxes.

KAUTH: OK.

BOSTAR: What we want is a level of accountability within the valuation process so that they can stay in business. That's what I want.

KAUTH: I was unaware when Mr. Cannon was talking about how the county board can ask for an adjustment based on a class or a subclass. Has that been attempted yet in this area?

BOSTAR: I don't think so. But, like, I want to be clear. This isn't like there was a, a fluke in the formula and we got a subclass problem. The most recent ones that were done in Lancaster County were assisted living. That's what I grabbed. I got permission for these five to share them. They are not the only problem. I've got residential problems. I've got other subclass problems across the board. If you ask people in Lincoln, would you sell your house for your current valuation? They say yes. Now, maybe they're lying. This bill would tell us. I don't know. I, I'll, I'll, I'll say this: you know, there's concerns over the appointment of the assessors and some who like it, some who don't. I, I thought it was a, a, an important way of actually protecting the counties, was to insure in a system like this, that the assessors were hirable. But that's actually less important to me than the accountability on the valuations themselves. And, you know, I'm willing to compromise with folks here. If we wanted to try this out and amend the bill down so that it applied to counties containing a city of the primary class, we could see what it looks like in Lancaster. I don't-- again, I don't know what your districts look like. I don't know if you have this problem. I have this problem.

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And I understand-- though the, the Governor has said and others have said we want our valuations to go up; it's the taxes that are the problem. I actually disagree. I don't think we want our valuations to go up. Because they're not actually related. They, they don't imply a tangible value that you can extract anything out of. Really, if you want to sell your house or buy a house, the bank doesn't look at what the assessor said. They send someone out because they don't, they don't apply any real financial value to whatever the number of the assessor has. So the assessed value from your county doesn't do you any favors to go up. It doesn't imply any value you have. It just implies you're going to pay more in taxes.

LINEHAN: Thank you. Senator von Gillern and then Senator Murman.

von GILLERN: Thank you, Senator Linehan. Senator Bostar, as usual, I'm confused by the fiscal note. States there's no impact. I understand that. Lancaster County estimates no impact, which is interesting and curious based on some of your comments. And then NACO--

BOSTAR: I would say this is an endorsement.

von GILLERN: And then, and then NAC-- I haven't ask you a question yet. And then NACO, NACO estimates somewhere between $20 billion and $31 billion of impact, so that's a pretty wide variance.

BOSTAR: NACO's pretty funny. I, I actually-- I thought NACO's fiscal note was particularly interesting because they do a couple of things in here that I want to, I want to point out. In order to try to get some of these really, really funny calculations, they referenced things like the Cash for Clunkers Program, right, which is, I, I think, telling, right? The, the idea being that you could see as much as 20% of properties being sold to the county, similar to the federal Cash for Clunkers Program that encouraged owners to sell old vehicles and buy new ones. What this is saying, intentionally or otherwise, is the Cash for Clunkers Program existed because we needed to support the auto industry during the time of a recession, right? So a subsidy was created. A premium was created in order to incentivize behavior of purchasing a new car and getting rid of your old car. By comparing that to the valuation system we have today, there is an acknowledgment that homeowners would perceive the opportunity to sell their house for what it is valued as being able to capture a premium, a subsidy,

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thereby completely acknowledging that, yes, if there's a premium there to be captured, the value must be overmarket. This is NACO saying the values are too high. That's what this is. This is a very lengthy way of saying we would have to spend billions of dollars as the counties to compensate for values that are above market value. And we can talk about how the median value has to be in a range and whatnot. I don't want anyone's value to be above market value. I don't think it should.

von GILLERN: Thank you.

LINEHAN: Thank you, Senator von Gillern. Senator Murman.

MURMAN: OK. I'm not sure how to put my comments in form of a question, but I'm familiar with assisted living. I think it's more long-term care centers that are-- been sold or went out of business, and, and they typically stay-- they're, they're not resold. They're-- they just sit there after that. So I assume maybe they were overvalued. I really don't know. But the other thing jumped me out-- jumped out at me with the sheets that you passed out, was that, as Senator Meyer said, valuations stayed the same for three or four years and then took a big jump because in counties I'm familiar with, they, they go up every year, especially agriculture values, I guess.

BOSTAR: Right. And, and in, in, in Lancaster County, it's different. And they all do them differently. And-- so, yeah. So it's every four years. But I think a way to compare it-- it's similar to the comments to Senator Meyer. I think a way to compare it would be, OK, that jump, if you, if you distributed that increase over four years, what would that look like? And if you're still talking about triple digits-- I don't know. It's indefensible.

MURMAN: Yeah. At 5% interest, you could invest that money for three years, come out pretty good.

BOSTAR: If you could extract the value out of a fantasy valuation, yes, we could all make a lot of money. I think that's what NACO's talking about in this. I think these are the billions of dollars.

LINEHAN: Thank you, Senator Murman. Are there-- Senator Dungan.

DUNGAN: Thank you, Chair Linehan. And thank you, Senator Bostar. This is an interesting proposal. One of the complaints, I guess, concerns

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that I heard raised-- and I was curious your response to this-- is in the event that-- let's play this out, right? Like, let's say this happens and an individual does act on this offer, sells their home.

BOSTAR: Yup.

DUNGAN: One of the concerns that was raised is that could potentially then shift property tax burden to other individuals paying property tax in the community if the county doesn't respond by lowering their tax asking or something like that. So if you have less people paying property tax because they're selling their homes, could that disproportionately hurt the other people around? I know that was raised as one concern, and I'm just curious if people actually act on this what the impact would be on that aspect of it.

BOSTAR: Yeah, I know. That's a, that's a good question. And NACO actually gives us the answer in their fiscal note as well. The counties can't afford to hold the property. They have to sell it. So the, the concern of removing so much property stock out of the, the pool of, you know, what's taxable is mitigated by the fact that the counties don't carry enough cash to actually hold that [INAUDIBLE]. They have to flip the properties. And I want to, I want to be clear: the-- if the system is working right, the counties should want people to take them up on this. Because if, if, if the valuation is at market value or below market value, then there-- it's either a wash or the county would make a return. And honestly, if the valuations just looked better in, in Lancaster County, I wouldn't be hearing from every other one of my constituents about how they can't sell their house for what it's being valued. I, I don't think we would get to a place-- if we passed this, I think you would see valuations go down immediately. Immediately. Overnight. You'd see them go down. No one would risk it.

DUNGAN: Thank you.

LINEHAN: Thank you, Senator Dungan. Senator Murman.

MURMAN: This is also a commentary about our high property taxes in the state. What do you think the risk is of people selling their property in Nebraska and moving out state?

BOSTAR: With this bill?

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MURMAN: Yes.

BOSTAR: Again, if, if the assessors are doing their jobs, it wouldn't be a good deal for them to sell their property under this-- the idea being that they would get more if they sold their property privately. So this shouldn't result, this shouldn't result in anyone selling their property because the valuation should not be more than market value. I'm not concerned.

LINEHAN: Thank you, Senator Murman. Are there any other questions from the committee? It, it does seem that we have a system where the assessors are responsible to a state agency. And even if-- people have to go through, like, five steps and all this bureaucracy that's been set up over the years and we still have an issue.

BOSTAR: Yes. A big one. 500% increases.

LINEHAN: OK. Any other questions? Thank you very much, Senator Bostar.

BOSTAR: Thank you.

LINEHAN: And you come back for LB114, Senator Bostar. I'm sorry?

CHARLES HAMILTON: Three ones.

LINEHAN: Oh. LB1114. Sorry.

BOSTAR: I think the tone of this one is going to feel a little different. Good afternoon, Chair Linehan and fellow members of the Revenue Committee. For the record, my name is Eliot Bostar. That's E-l-i-o-t B-o-s-t-a-r. I represent LD 29. I'm here today to present LB1114, a bill that would provide for a 15% state income tax credit on charitable gifts made to endowments with community foundations located in and serving the state of Nebraska. Individual tax credits would be nonrefundable and would be capped at $50,000 per year per filer. In totality, the Endow Nebraska Tax Credit Program would be capped at $5 million per year and run through 2030. Community foundations are place-based philanthropic organizations that provide grants to support pressing local community needs. Through one of Nebraska's 14 local community foundations or one of the 245 local affiliated funds of the Nebraska Community Foundation, every county and nearly every community in our state is supported by a community foundation. Across the state,

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community foundations are critical institutions promoting local community prosperity. While each community foundation and affiliated fund is independently governed and led by a local board, the common thread is their purpose of place. Community foundations fund their grants to the community through one or more endowments. An endowment is a charitable tool that provides permanent funding to support the community. In the case of community foundations, organizations whose mission is quite simply their local community, endowments are used to fund the grants that address pressing and evolving local needs. In recent years, grants from community foundations have provided valuable funding for affordable housing, workforce development programs, early childhood education centers, community facilities, and college scholarships. Endowments are established and initially funded by individual donors who care about their community. The community foundation administers the endowment where they invested in the market for its long-term growth, and then a portion of the endowment is awarded in the form of grants to support local community needs. Endowments are forever, supporting the needs of local communities indefinitely. Individuals use their personal wealth to reinvest in their community by establishing and funding endowments with community foundations. Nebraska is currently experiencing the largest intergenerational transfer of wealth in its history. In the next ten years, $100 billion will transfer from one generation to the next. Over the next 50 years, nearly $1 trillion will transfer generations. There has always been a transfer of wealth as parents pass away and leave their estate to their children. But if the heirs no longer live where they grew up, that wealth may leave as well. In 71 of Nebraska's 93 counties, the transfer of wealth is peaking now. The proposed endowment tax credit provides an opportunity and incentive to permanently preserve a portion of a community's wealth for the bene-- for the permanent benefit of that community. We know other-- we know from other states this is a popular and powerful incentive to help individuals permanently reinvest in their home community. And given the relationship our local community foundations have with their community, we believe this would be widely adopted. The proposed bill would cap the total tax credit program at $5 million annually and would sunset after six years, for a total state investment of $30 million over that period of time. As the tax credits represent 15% of the individual contribution, it would produce $200 million in endowed funds for communities throughout our state during the program. An endowment produces an annual grant to the community of approximately

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4.5%. So in this case, it would provide at the beginning approximately $9 million in grants to local communities every year forever. Endowments are also invested, growing the base and therefore the grant amount each year. So what would initially be $9 million in annual grants would grow each year. Following me, you will hear from representatives of the many community foundations and community funds serving the local communities of our state. With the help of these individuals, you will see the importance of our state's community foundations, how grants from community foundations are impacting the critical issues we are all talking about, the important role of a donor, and why now is the right time for our state to invest. Thank you for your time in consideration. I'd encourage you to support LB1114. And I'd be happy to answer any questions you have.

LINEHAN: Thank you, Senator Bostar. Are there any questions from the committee? Senator Kauth.

KAUTH: Thank you, Chair Linehan. Do we already give a tax deduction for charitable giving?

BOSTAR: Sure.

KAUTH: So this would be in addition to that?

BOSTAR: Yes.

KAUTH: Yes-ish?

BOSTAR: Yes. Yeah, it would be a 15% tax credit. Nonrefundable. Capped at $50,000.

LINEHAN: Thank you, Senator Kauth. Are there any other questions from the committee? I'm going to have some questions, but I didn't give you a heads-up, so this is more for educating of the public and the media. So this is a tax credit, right?

BOSTAR: Yes, it is.

LINEHAN: I've heard a lot about tax credits, so--

BOSTAR: I've heard of them too.

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LINEHAN: So who, who gets-- who does the credit-- the way I would understand that is, is-- it's-- I am not this rich, but-- I'm not rich at all, but if I was and I wanted to give $1 million to Crab Orchard, Nebraska, then I could write off $1 million off my-- I take a deduction from my federal and a deduction on my state income taxes. And then I would also get a $150,000 tax credit, which means if I owed an-- does it carry forward?

BOSTAR: Well, no. So, so you-- in this bill, you actually couldn't get the $150,000 tax credit because it's capped at $50,000 per filer.

LINEHAN: OK.

BOSTAR: That's the maximum you could receive. But in a, in a scenario where we didn't have a cap, you would get $150,000 tax credit for your $1 million contribution at a rate of 15%. This is nonrefundable. So there would be nothing to carry forward. And if your tax liability wasn't at least $150-- $150,000 in that scenario, you wouldn't be able to maximize the tax benefits of that contribution.

LINEHAN: OK. But if-- let's say the numbers worked and I had the max of $50,000. Who benefits from that tax credit? It goes to the--

BOSTAR: Well, you would get the credit.

LINEHAN: So it goes back to the taxpayer, the credit does.

BOSTAR: Goes back to the taxpayer.

LINEHAN: And--

BOSTAR: But I, I think, functionally for the bill, the benefit-- so you getting 15% of a philanthropic contribution of a 100% whole something, the idea being that Nebraska communities are the ones who are truly benefiting the most.

LINEHAN: Right. And I'm-- this is, again, for educational purposes.

BOSTAR: Yes.

LINEHAN: My point is that the person who gets the credit is the taxpayer.

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BOSTAR: Yes.

LINEHAN: They actually see a financial benefit--

BOSTAR: Yes.

LINEHAN: --from giving to these community foundations, which means the benefit goes to them personally.

BOSTAR: Yes.

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

BOSTAR: Thank you.

LINEHAN: Are there proponents? Some of you may not realize this, but we're going to be here a long time today. So if you're going to testify on the bill that's up, please move to the front. Good afternoon.

MELISSA DIERS: Hello. My name's Melissa Diers, M-e-l-i-s-s-a D-i-e-r-s. I am executive director of the Fremont Area Community Foundation, and currently serve as president of the Heartland Council of Community Foundations, a collaborative of independent community foundations across Nebraska. I'm testifying today in support of LB1114, the Endow Nebraska Act. The community foundation I serve is one of over 250 such organizations working for communities across our state. A community foundation is an independent charitable organization designed to collect and combine donations, understand community needs, and make grants within a defined geographic area. As Senator Bostar said, it is place-based, working to pool resources to meet the unique needs and opportunities of a community or a specific region. The primary goal of a community foundation is to enhance the quality of life within the community or region it serves by addressing a range of local needs through strategic investment. It is my job as executive director of the Fremont Area Community Foundation to connect donor interests with the specific needs of the Fremont area, a greater than five county region. We administer over $33 million in community assets, funds established by donors, agencies, and others, which collectively have awarded over $40 million in grants to address the most pressing needs of our area. But perhaps the most important thing

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we do is give everyone access to the power of endowment. An endowment fund, again, is a type of fund created to provide ongoing financial support for charitable initiatives, organizations, or programs. The principal amount of the fund is never spent. Instead, it is invested for growth over time, providing permanence and ongoing strength to the causes Nebraskans care about. Community foundations are equipped with unique ability to work across sectors, build consensus, and pool resources to make strategic investments in communities. Last year, the Fremont Area Community Foundation turned to its unrestricted endowment fund to help meet the local match requirement of the state's Rural Workforce Housing Fund. Our dollars came alongside the state's investment to support affordable housing and efforts in our community. This demonstrates the power of endowment and why community foundations are the ideal partners in meeting the needs of Nebraska communities. The two documents that have just been passed out to you include a summary of what the Endow Nebraska act could accomplish for our state, and the other details just some of the impact our Fremont Forever Fund has had on the Fremont area. I encourage you to support the growth and development of Nebraska communities by supporting LB1114.

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

MELISSA DIERS: Thank you.

LINEHAN: Are there proponents?

JEFF YOST: Good afternoon, Senator Linehan, Revenue Committee members. My name is Jeff Yost, J-e-f-f Y-o-s-t. I'm the president and CEO of the Nebraska Community Foundation. I'm here to testify today in support of LB1114, the Endow Nebraska Act. The Nebraska Community Foundation Network as 245 affiliated funds benefiting 269 communities in 81 counties. Total assets are $256 million. Endowments have doubled in the past decade to $159 million. And $331 million has been rin-- reinvested in Nebraska hometowns in the past ten years. In 2002, the Nebraska Community Foundation completed the nation's first statewide county-by-county analysis of the transfer of wealth. This groundbreaking work illustrated the amazing abundance present in every Nebraska hometown. Since then, 40 other states have done transfer of wealth studies. In 2001, we completed the most recent transfer of wealth study, which we just handed out to all of you. As Senator

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Bostar mentioned, we project $100 billion will transfer from one generation to the next in the next decade and $950 billion will transfer in the next 50 years. This is a remarkable opportunity but also creates reason for concern. Many of the heirs of this wealth no longer live in the communities they grew up in. When the parents pass away and the children no longer live where they were born, the wealth also leaves the community forever. Here are three examples of this massive opportunity in counties represented by committee members. In Wayne County, population 9,385: $590 million will transfer in ten years; $5.8 billion over 50 years. In Howard County, population 6,475: $359 million in 10 years; $3.5 billion in 50 years. And in Clay County, population 6,104: $566 million in 10 years; $5.1 billion over, over 50 years. In all three of these counties, and 68 others, the peak transfer of wealth is occurring now and in the next 20 years. This opportunity has a relatively short shelf life. The public benefit, as Senator Bostar referenced, is referenced on the bottom right-hand corner of that Endow Nebraska Act. $30 million investment will produce at least $200 million in gifts to endowments. In 20 years, these endowments will have granted $230 million and have a market value of $328 million. On the back of that Endow Nebraska sheet is an illustration of the power of an endowment for your reference. In dozens of Nebraska hometowns, grantmaking from endowments are helping community leaders to magnetize their community to attract the next generation. Affordable housing, early childhood development, parks and recreation, leadership development, youth engagement, health and wellness-- all of these are being substantially improved because of grantmaking from endowments.

LINEHAN: You're going to have to wrap up. [INAUDIBLE].

JEFF YOST: I encourage you to support LB1114. Thank you very much.

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

JEFF YOST: I would add, Senator Linehan, that if you want to work through the tax calculations, I've got an illustration for you too.

LINEHAN: Thank you very much.

JEFF YOST: Thank you.

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LINEHAN: Other proponents. Good afternoon.

CYNTHIA HUFF: Good afternoon. I'm Cynthia Huff, C-y-n-t-h-i-a H-u-f-f. And I am from McCook, Nebraska. I am a retired public school superintendent who now spends most of my time in my community working on community services. I'm a member of the McCook Community Foundation, and I'm also statewide and the Nebraska Community Foundation. I'm a member there. I'm grateful for this opportunity to speak to you today about the mechanism that could impact all of our Ne-- Nebraska hometowns. No one's coming to save us, so we figured out in McCook that we need to build tools that would help ourselves. Unrestricted endowment funds are the tools that we use to develop ourselves and create communities that will attract people and continue-- and tinue-- continue to grow. LB11144 [SIC] will help us do a better job of this. This bill is truly economic development. In smaller communities in Nebraska that do not have an economic development department, it empowers our small communities to lead change at a local level, allowing community members to create the tools, build unrestricted endowment funds, and lead locally. Our McCook Community Foundation Fund balance has significantly grown in the past years due to the generosity of our community members and their planned gifts. Some of the areas that we have seen progress and positive changes in McCook are early childhood care and development that is creating more capacity and improving the quality of care; community wellness through creating partnerships with other community leaders; recreation in the arts through funding feasibility studies and supporting the art community; people attraction using strategies that involve community members actively inviting newcomers to the community activities and working with these relationships to move them from welcome to belonging; housing planning and, and-- where we examine every level of homeownership and support innovative concepts; quality schools, where we can fund some of the things the school budget cannot afford; and so much more. As a fourth-generation Nebraska farmer, I can say that this type of investment bill involving the transfer of generational wealth and our local community funds and estate planning excites me. Because of the potential for community development that otherwise would not happen, LB1114 can be a value-added tool for capitalizing on the generational transfer of wealth that is now taking place. But this tool-- I guess I'm out of time.

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LINEHAN: You can take a couple seconds to wrap up there.

CYNTHIA HUFF: But this tool is not specifically for just one segment of our state's population. Everyone can benefit from participating in the Nebraska transfer of wealth by designating a portion of their accumulated wealth in a planned gift to their hometowns. In McCook, our current grantmaking capacity is nearly $200,000 a year. If we can do more to encourage donors to create planned gifts, just think of the possibilities when McCook has $500,000 to spend a year, $1 million-- that's chokes me up-- $1 million to spend in a year.

LINEHAN: All right. Maybe somebody will ask you a question.

CYNTHIA HUFF: OK.

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

MURMAN: Just quickly, what else have you done for McCook?

CYNTHIA HUFF: Oh, you need to come to McCook and I'll give you a tour.

MURMAN: I've been there.

CYNTHIA HUFF: We have done a lot. We've [INAUDIBLE]. I think one of the biggest things we have done as a foundation is the partnerships with our community leaders, where we all come to the table together now. And everybody in McCook talks about planned giving. So we've brought all of our entities and have a philanthropy council with the hospital, the community college, the YMCA, our community fund. And we are educating McCook on planned giving and how that affects our community with what we can do.

MURMAN: Appreciate what the foundation does. Thank you.

LINEHAN: Excuse me. Thank you, Senator Murman. Are there other questions? How much have you put toward early childhood education?

CYNTHIA HUFF: Well, exact amount I couldn't tell you because it's cumulative, but we have, we have put probably $30,000 with our economic development and our hospital in a year. And-- so we pay $100 for every input spot. They get a little boost every month of $100. We

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pay for some schooling for kids at McCook Community College that are going into early childhood. And we help and support-- we bring our child care providers and we're working through the steps-- I can't remember the term-- but quality--

LINEHAN: [INAUDIBLE] quality.

CYNTHIA HUFF: Yes. And we pay for that and we bring them in and we incentivize them. So we feel we've really made an impact on our early childhood education and daycare.

LINEHAN: So-- do you have more slots now than you did before the--

CYNTHIA HUFF: Yes, we do.

LINEHAN: So can you give me an idea? You started, like, five years ago. You had X and now you have Y.

CYNTHIA HUFF: Oh, wow. We're way over 100. I think 120 spots at this time. And there may have been, like, I think-- if I remember right, it was 80 at the time. And we were really struggling as a community.

LINEHAN: So at the time is, like, five years ago. Is that what you're saying?

CYNTHIA HUFF: Yes.

LINEHAN: So from 80 to-- you went to 101.

CYNTHIA HUFF: Mm-hmm. 100-plus.

LINEHAN: 100-plus. OK. Thank you very much. That's helpful. Are there any other questions from the committee? Seeing none. Thank you very much.

CYNTHIA HUFF: Thank you.

I'll just go over and ask a few.

Pardon.

[INAUDIBLE] You want results? No.

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I think you.

LINEHAN: Good afternoon.

KILE JOHNSON: Good afternoon, Senator Linehan, members of the Revenue Committee. My name is Kile Johnson. I'm a Lincoln lawyer. I'm a member of the Lincoln Community Foundation board of directors, and I'm appearing here in support of LB1114 on behalf of the foundation and also the Lincoln Chamber of Commerce. I'm here primarily because my wife and I have established an endowment that I want to visit with you about, particularly with regard to early learning. First of all, the Lincoln Community Foundation works with generous indi-- individuals to establish and fund endowments for community prosperity, permanence, and sustainability. The Lincoln Community Foundation endowed funds produced tar-- local community grants and scholarships totaling $3.2 million annually. Lincoln Community Foundation has another 400 planned gifts that will someday produce additional endowed funds. There are many individuals and families in Nebraska that will be motivated to invest in their communities with this tax credit in this bill. The community foundations are ready to work with them to fund their endowments for the benefit of their communities. The community foundations are very good choices because of their focus on community versus any single mission. The mission is the community and their ability to be responsive and supportive of a wide variety of community needs. The endowments create sustainability. The money stays in the community to help sustain the chosen programs. In recent years, the Lincoln community grants have provided funding for affordable housing, access to early childhood education, and to local students attending college and securing a job in their local community. Lincoln Community Foundation grants are commonly leveraged grants that require a match, such as state programs, including match funds for the Middle Income Workforce Housing Fund. The Lincoln Community Foundation has the expertise to receive the money, provide professional investment of the money and the skills to make proper distributions. And my wife and I, Virginia, created and funded a permanent endowment in early childhood education to support the Lincoln Community Foundation Lincoln Littles Program. Our Early Learning Childhood Education Support Fund provides hope to families that access quality early childhood education so that both parents can work and so the kids can get a good start from our fund. Income at the rate of 4.75% is distributed. Excess earnings further grow the fund. The money is permanently in Lincoln. Quality

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early child care and education consistently leads to edu-- better preparation for school, higher rates of graduation from both high school and higher education, and greater success in life. Our fund helps support and educate caregivers, aides families that face childhood expenses, which, for one child, costs more than the University of Nebraska tuition.

LINEHAN: OK. You're going to have to wrap up.

KILE JOHNSON: Thank you. It allows two-earner families to stay in the Nebraska workforce. Thank you.

LINEHAN: Thank you very much. Are there any questions from the committee? So the, the Lincoln Community Foundation, they also fund First Five, don't they? And if you don't know, that's OK.

KILE JOHNSON: I don't know that.

LINEHAN: OK. OK.

KILE JOHNSON: Not by that name.

LINEHAN: OK. Are there any other questions? Thank you very much for being here.

KILE JOHNSON: Thank you.

BOB STOWELL: Good afternoon. My name is Bob Stowell, B-o-b S-t-o-w-e-l-l. And I practiced law in Valley County for about 52 years. I'm fortunate to have served on the Nebraska Community Foundation Board and-- for about nine years. And I've served on the Valley County Community Foundation Fund since its in-- inception about 25 years ago. I'm testifying today in support of LB1114. I have focused my law practice on estate planning and trust administration. For many years, I've been blessed to rep-- for many years, I have been blessed to represent John and Alyce Wozab who, as a part of their estate plan, left $1.2 million to Valley County for philanthropic and public purposes within the county. Fortunately, the county board sought help from Nebraska Community Foundation and the Wozab Endowment Fund was created. The Wozab Endowment Fund became a tremendous model and talking point for me as I discussed potential charitable gifts with my estate planning clients. Several clients, as I [INAUDIBLE],

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say, well, I just like to do what the Wozabs would have done. So the Wozab example and Nebraska Community Foundation trainings about endowments have made my job as an estate planner much easier because of heightened awareness of the benefits flow, such as community growth opportunities and so forth. LB1114 likewise would provide a great benefit to professional advisors as we educate and motivate prospective donors about the tremendous benefits of endowments to grow and prosper our communities. Valley County is enjoying tremendous community and economic success. Because of our ecosystem building, we've been invited to tell our story on several international levels. Success has come to us largely because our endowments directly support community strategies such as SynoVation Valley Leadership Academy, Valley Performing Arts, rural workforce housing, and many, many other endeavors which have helped to build our community ecosystem. Valley County has been able to provide these wonderful services and programs because of grants made from the Wozabs. And now, if you look, we have $10.2 million that is under endowment, with $5 million of expectancies. And it really, really helps our community in every way. I can only dream about what $25 million would do if you were to pass this bill and we could enhance this giving. Don Macke prepared a county peer review of Valley County and 30 other-- 31 other peer counties in South Dakota, Kansas, Nebraska, and discovered our metrics were increasing approximately 10% while metrics in these other counties are decreasing about that much. So as a result of LB-- how exciting would be to see the same positive metrics for all counties in Nebraska if LB1114 would pass. Economic input would be amazing. It's so important to understand that once our wealth leaves the community, it's gone forever. Once our wealth is endowed, it's here forever.

LINEHAN: OK.

BOB STOWELL: So the time is to act now. The opportunity will be greater. Please--

LINEHAN: Thank you. We'll--

BOB STOWELL: --support [INAUDIBLE].

LINEHAN: --see if anybody has any questions. Does anybody have-- excuse me. Are there questions from the committee? Senator Albrecht.

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ALBRECHT: Thank you, Chair Linehan. And thank you for being here. This is enlightening. I don't think I've ever heard anybody come in and talk about this in the Revenue Committee before. And you talk a lot about child-- like, the children. You know, do you, do you do the same thing with your endowment? Did you mention something about the children?

BOB STOWELL: Absolutely. We, we do a lot of youth development kinds of thing. My in-laws left a $100,000 endowment for youth development. We have efforts in the child development area. We're not as far along as some are, but it's a high, high priority. And we're-- we've hired architects. We're looking at old hospital buildings owned by the county that we want to repurpose for that kind of thing. Absolutely. These endowments will help us do a lot of it.

ALBRECHT: And the workforce development. Do you just basically go to some of the people in your community who need more housing for those that work for them or they're thinking about coming to work for them or a hospital situation where you needed more spaces for some of the doctors--

BOB STOWELL: Rural workforce housing is the real deal. And we did apply for and receive the million dollar Rural Workforce Housing Grant from Nebraska Department of Economic Development. To do that, we raised $551,500 of our own funds to match. We are in the process of building housing right now because some folks are driving 70 miles to work.

ALBRECHT: Oh, yeah.

BOB STOWELL: And so that-- the housing part is, is a big part of it. And our entrepreneurial development is a big part-- we have a business coach and we've used him before, and we intend to continue through our endowments to sustain the entrepreneurial navigator position because it's so critical to go out there and see that new started business. And then now we're understanding that, you know, three to five years, three to seven years into that business, people start to have burnout and they start to have second thoughts and cash [INAUDIBLE]. We need that navigator to help them get over that hump. And, and I call them the matchmaker because they connect needs to resources like our endowments.

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ALBRECHT: Very good. Thank you very much.

BOB STOWELL: Thank you, ma'am.

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

BOB STOWELL: Thank you.

LINEHAN: Next proponent.

DEXTER SCHRODT: Good afternoon, Senator Linehan, members of the committee. My name is Dexter Schrodt, D-e-x-t-e-r S-c-h-r-o-d-t. I'm the president and CEO of the Nebraska Independent Community Banker Association. Here to testify in support of LB1114. We'd like to thank Senator Bostar for bringing this bill. In its simplest terms, community banks and community foundations share the same goal, and that's to keep money and resources local for the betterment of their communities. So it should be no surprise that many of our community bank members are also board members of community foundations-- their local community foundations across the state. And really, both community banks and community foundations are on the front lines of what you've heard: housing, child care, recreation, arts, anything that makes the community better and, and drives people to want to remain living there or move there. And we'd point to the Department of Economic Development Director K.C. Belitz's comments. He listed his two priorities for his tenure, and one of them happens to be homegrown economic development, and we believe that LB1114 would be a great vehicle to accomplish that goal. Because as you've seen in your handouts, endowments are an effective way to do that because they have the ability to give out funds while maintaining the longevity of the funds. So really, it's a win-win for everybody. And for those reasons, we do encourage your support of LB1114.

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

DEXTER SCHRODT: Thank you.

LINEHAN: Next proponent. Good afternoon.

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RYAN McINTOSH: Good afternoon, Chair Linehan, members of the committee. My name is Ryan McIntosh, M-c-I-n-t-o-s-h. Appearing before you today on behalf of the Nebraska Bankers Association. I'll keep my testimony brief. As Mr. Schrodt mentioned, banks are at the very center of every-- of all community development and, and community foundations and play an active, leading role. The only thing that I will add is that I would ask the committee respectfully to consider including entities to pay the franchise tax as levied under 77-3806 so that banks may take advantage of this credit as well. With that, I'd be happy to answer any questions.

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

RYAN McINTOSH: Thank you.

LINEHAN: Are there any other proponents? [INAUDIBLE] insurance companies aren't here. Any other proponents?

***CYNTHIA HUFF:** The Endow Nebraska Act is a potential game-changer for our rural hometowns. The abundance of wealth in Nebraska may go unseen, but the NCF Five to Thrive study proves it exists. Our communities have a chance to capitalize on these funds during a transfer of wealth from one generation to another soon. This bill will provide an additional avenue to create opportunities that benefit Nebraskans and their families through creating tax advantages. Nebraskans have proven to be generous in their giving when supporting their hometowns. Please support the Endow Nebraska Act so that we, as Nebraskans, can generously support our state’s communities and keep Nebraska growing.

LINEHAN: Are there any opponents? Any opponents? Anyone wanting to testify in the neutral position? Senator Bostar.

von GILLERN: Letters.

LINEHAN: Oh. Yeah. Letters. Thank you. There were-- I'm sorry?

TOMAS WEEKLY: ADA testimony as well.

LINEHAN: Oh, yes. Thank you. So I actually have to read this. I'm sorry. So we have-- on the letters, we have 59 proponents, 0

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opponents, no one in the neutral. We also have ADA accommodation written testimony from Cindy-- Cynthia-- excuse me-- Huff at-- from McCook, Nebraska.

von GILLERN: She was here.

LINEHAN: Oh. So you're here. OK. So we have this too. All right. With that, Senator Bostar, would you like to close?

BOSTAR: Yes. Thank you, Chair Linehan and members of the committee. I think that-- I think the simplest way that I can kind of highlight what this legislation represents is, functionally, what we'd be saying is we would have the state, under the, the current language of the bill, put up $30 million in return for $200 million of endowed funding for Nebraska's communities, which would equal-- so that's-- it's $5 million a year going in and $9 million a year minimum coming out. So it's, it's sort of a no-brainer. I think the work the community foundations are doing are incredibly important and are really serving their communities. I know that's the case in Lincoln. And having just learned about what's going on across the state, it's really impressive. And-- it is. This is, this is permanent funding to support local communities. And, you know, they can certainly use it. Be happy to answer any other questions.

LINEHAN: Thank you. There are any questions from the committee? Senator von Gillern.

von GILLERN: Thank you, Senator Bostar. The-- it was awesome. Again, thank you for the testimony today. And it's great to hear the charitable mindset of so many communities. And, and I know in my community in Omaha, that's, that's the case also. And really proud of what happens from a philanthropic viewpoint there. I'm curious. Anything that we do here, we want to motivate behaviors by tax benefits. At what point-- and again, these behaviors are already occurring without a tax credit motivation. Is there a point that you feel that we are-- at, at this 15% credit, are we going to dramatically increase and dramatically motivate people to, to give to a higher degree? Just any thoughts on that.

BOSTAR: Yeah. I mean, that's a great question, right? Because we don't, we don't want to do it for no reason. And, and I think, related to that point, the timing of this is very relevant, right? We are--

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we're either right now, depending on the location of the state, or soon to be at the peak of generational wealth transfer-- the largest in the world's, you know, history. So we want to be able to capture as much of that and keep that in Nebraska as possible. That's the goal. My understanding is that similar legislation adopted in Iowa has been very successful and they have seen a real net benefit from that legislation. I'd be happy to look into what that looks like. That is anecdotal, obviously. But, you know, I'd be happy to-- let me, let me see what I can find from what they've done and if there's any numbers we can pull out of that.

von GILLERN: All right. Thank you.

LINEHAN: Thank you, Senator von Gillern. Senator Albrecht.

ALBRECHT: Thank you, Senator. The bankers asking for the franchise and wanting to get involved in that. How, how are you feeling about that?

BOSTAR: Well, I-- my, my plan is to, to talk to Ryan, talk to the bankers, and, and talk to their stakeholders, the community foundations, and see what we can do.

ALBRECHT: So is there, like, a list of foundations throughout our state--

BOSTAR: Yes.

ALBRECHT: --in the different communities?

BOSTAR: Yeah.

ALBRECHT: Can you provide that to us?

BOSTAR: Yes.

ALBRECHT: And, and do these banks hold a lot of these? Obviously, I know that some of the endowments that we have where I live are at the bank, you know--

BOSTAR: Yeah.

ALBRECHT: --or, or they're managing it or--

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BOSTAR: I would imagine a lot of them are at banks. There's-- yeah. The number-- I, I, I will get you a list. There are 14 community foundations and there are 245 local affiliated funds within the Nebraska Community Foundation. So sometimes, you know, communities-- it doesn't necessarily make sense for them to have their own full foundation. So that's when they will have a, basically, equivalent. They'll put a fund within the Nebraska Community Foundation that's for them. So functionally, we're looking at 100-- 200-- excuse me-- and 59 total entities served at a, at a, at a community level.

ALBRECHT: Very good. Thank you.

BOSTAR: And I'll get you a full list.

LINEHAN: Thank you, Senator Albrecht. Senator von Gillern.

von GILLERN: I'm, I'm sorry. I had another question I wanted to ask and I, I forgot about it. The, the structure of most community foundations is, is that you can contribute appreciated assets. I presume there's nothing in this that changes that. You can still contribute appreciated assets. And so there's, there's another layer of motivation to, to donors in order to defer capital gains tax. Is that correct or-- is there anything in here that changes any of that?

BOSTAR: No.

von GILLERN: OK. All right. Thank you.

LINEHAN: Thank you, Senator von Gillern. Any other questions? I have one-- and it's not, not reflective of whether I do or do not support the bill. But with hundreds of millions of dollars, is there any, like, parameters, like how much you can spend on overhead or how much has to be-- because I've done a lot of looking at foundations. And in the ones-- some that I've looked at, a huge amount of money is going to salaries and-- so is there any parameters about what they can and can't do with the funding?

BOSTAR: That's a good question. I don't know what the parameters are. I will certainly get you that answer. I can tell you that, because we're talking about, you know, 259 funds that are either the 14 community foundations or the Nebraska Community Foundation, it's-- the vast, vast majority of those have, you know, no salaries, right?

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They're being housed in something else. My experience has been that these are very efficient organizations. And I will get you comprehensive information to that effect.

LINEHAN: My life experience is, if you have 259 organizations, somebody will go wrong.

BOSTAR: And I, I prefer, as everyone knows, to take an optimistic view of everything.

LINEHAN: I just-- I'm guessing that the Nebraska Community Foundation has some parameters.

BOSTAR: Yes.

LINEHAN: So maybe you could provide the committee with that.

BOSTAR: And, and look-- and I-- and my guess is, of course, that these are all foundations. I mean, we-- the information about how much is put into what are their top salaries, all that other-- that's all going to be public as well, so.

LINEHAN: Yeah.

BOSTAR: We'll get you the information.

LINEHAN: Because they all have to do 990s, right? Thank you. Any other questions? Thank you very much.

BOSTAR: Thank you.

LINEHAN: And we will close the hearing on LB114 [SIC] and open the hearing on von-- Senator von Gillern's LB1134.

TOMAS WEEKLY: I put the wrong order [INAUDIBLE]. Sorry.

von GILLERN: LB1134.

LINEHAN: Good afternoon.

von GILLERN: Good afternoon, Senator Linehan, members of the Revenue Committee. This will be the easiest, shortest, briefest testimony of the day. Pretty sure of that. LB1134 was brought to me by NACO as a

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mechanism to alleviate the burden of added interest following a decision of the Tax Equalization and Review Commission, or-- otherwise known as TERC. Although it doesn't happen often, when the TERC determines that the valuation on a property should be higher, the taxpayer will owe additional taxes. Not only that, interest will be charged on the tax due going back to the due date. And after a TERC hearing, that could be in excess of a year. LB1134 would provide the taxpayer with a 30-day window to pay the balance owing before interest begins to accrue. Without this mechanism, county treasurers must charge interest on the outstanding balance dating back to the delinquency date. This concept is similar to legislation adopted in 2017 that gives taxpayers a 30-day grace period to pay their taxes when a homestead exemption application has been rejected by the tax commissioner. This has been very effective and taxpayer friendly. If you'll note, there is no fiscal impact. And Jon Cannon from NACO will follow me. And he'll be happy to answer any questions you may have, as will I if I may-- if I can. Thank you.

LINEHAN: Thank you, Senator von Gillern. Are there any questions from the committee? Seeing none.

von GILLERN: Thank you.

LINEHAN: The first proponent. Good afternoon.

JON CANNON: Good afternoon, Chairwoman Linehan, distinguished members of the Revenue Committee. My name is Jon Cannon, J-o-n C-a-n-n-o-n. I'm the executive director of NACO, Nebraska Association of County Officials. We represent all 93 county governments in Nebraska. Here to testify today in support of LB1134. Thank you, Senator von Gillern, for bringing this bill. It is not the, the sort of bill that I thought we would be bringing in-- to you. But last summer, we had a call from a county treasurer that said, you know, hey, by the way, we had a, a, a TERC opinion that came out and the value got raised. And the way I'm reading the statute, we have to charge interest all the way back to the delinquency date. And we said, yeah. We sure do. And we said, well, you know, good thing that never happens that-- hardly that often. And then a week later, we got a call from another treasurer and we said, OK. That's a problem. We should probably, we should probably draft something and, and put it in front of NACO Board. The NACO Board, you know, endorse that. And so we-- Senator von Gillern was,

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was kind enough to bring this for us. Like he said, it goes back to the delinquency date. TERC does a, a, a fine job of, of moving things through the process. But when you have everything funneling into one agency-- as opposed to district court like we did before TERC was created-- you know, that is necessarily a choke point. So there are-- you know, if they've got a couple thousand appeals in any given year, that's a couple thousand cases they have to get through. And, and through no fault of their own, it can be that you've got someone that will get a higher value after waiting for TERC to make a decision and then the interest is calculated back to the original delinquency date. We think that's un-- unfair to the taxpayer that-- frankly, it adds insult to injury. They just got a higher valuation and now they get to pay interest on top of that. So, you know, it, it's a small issue. Doesn't happen terribly often, like Senator von Gillern mentioned, but it is an issue that we think should be addressed. You know, in-- I'm-- frankly, I'm, I'm just happy to take any questions you might have.

LINEHAN: Thank you, Mr. Cannon. Are there questions from the committee? I would have one. Is 30 days enough time?

JON CANNON: Yes, ma'am.

LINEHAN: I mean, if you get a surprise bill and you have to borrow money.

JON CANNON: It's-- we, we mirrored it to what we do for homestead exemption, and that, that was the only reason.

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

JON CANNON: Yes, ma'am. Thank you.

LINEHAN: Uh-huh. Are there any other proponents? Are there any opponents? Is there anyone wanting to testify in the neutral position? Senator von Gillern waives closing. Do we have letters? Yes. We, we had one proponent, no opponents, and no neutral. With that, we'll close the hearing on LB11-- LB1134 and open the hearing on Senator Hughes's LB1299.

I think it is something that we need to do better. So

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LINEHAN: That went a lot faster. How many are here to testify on LB1299? OK. Where are all the people hiding on the next bill? You're fine, Senator Hughes. That last hearing was like, woo.

HUGHES: Brad's went too fast.

LINEHAN: Yeah. It was--

HUGHES: [INAUDIBLE]--

LINEHAN: Von Gillern knows how to be very efficient.

MEYER: Just right.

von GILLERN: Told you it was going to be quick and easy.

HUGHES: That's how this one will go.

von GILLERN: Mm-hmm.

LINEHAN: Welcome.

HUGHES: I almost feel like I'm in Education again, except, like, you're--

LINEHAN: Well, that-- there's a reason you feel like [INAUDIBLE]. Many of us are on both. Go ahead.

HUGHES: Oh, OK. Thank you, Chair Linehan and members of the Revenue Committee. I am Jana Hughes, J-a-n-a H-u-g-h-e-s. And I represent District 24. I am before you today to discuss LB1299. I'd like to thank my cosponsors, Senators Albrecht, Bosn, Brewer, DeKay, Halloran, Hardin, Kauth, Linehan, Meyer, Murman, and von Gillern. I introduce LB1299 for two reasons. The first reason is this-- that this committee has been tasked to look at what can be done to reduce property taxes while sustaining a reasonable balance between revenue and expenditures. I believe that it's important to bring all the stakeholders together in advance to any consideration of changing any of our tax levels. The second reason I introduce LB1299 is that I believe our current excise tax on vaping is too low. Starting January 1 of this year, Nebraska began collecting an excise tax on electronic nicotine delivery systems, also known by ENDS, otherwise known as vape. The tax on vaping products that contain three milliliters of

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vaping product or less is $0.05 per milliliter, and vaping products with more than three milliliters of product are taxed at 10% of wholesale. I'd also like to share how we arrived at that. When crafting LB584 from last year, we looked at how other states take-- tax vaping products. I first looked to our neighbors to the south in Kansas, and they've been taxing vaping products of all sizes at $0.05 a milliliter. Several manufacturers and retailers reacted in opposition to this for their products that are larger, refillable products. They asked for a percentage of wholesale on these products. We then looked at doing such a wholesale tax across the board for vaping products. Then we heard from other manufacturers and retailers that this would result in too large of a tax for the smaller and often disposable products. They asked for a cents per milliliter tax, like Kansas had on these products. As a result, we ended up with a bifurcated system taxing the small three milliliter or less at $0.05 a milliliter and the products larger than three milliliters at 10% of wholesale price. I'm sharing all this with you just to give a perspective of how we came up with this current system. The industry has asked us to continue to follow a bifurcated model, not based on the size of the vaping device but based on whether it's closed or a disposable-- closed or a disposable system or an open, refillable system. I look forward to their testimony to learn more about this idea. So the big question you hear on things like this is, what do other states do? So I've shared some handouts with you to look at what other states are doing related to taxing vape. Note that Michigan and Rhode Island currently do not have any tax on vape but are considering legislation to tax vape products at the rate of 50% and 87%, respectively. Also note that the average percent wholesale tax is 42.59% for the states that use this type of tax, more than four times our current rate. States using a cent per milliliter tax average slightly more than Nebraska at $0.07 per milliliter. 18 states do not tax vape. Eight of these are, unsurprisingly, tobacco-producing states. Ten states tax vape products on a cents per milliliter basis, and they range from a low of $0.05-- five states-- to a high of $0.15 in Louisiana, which, interestingly, is a tobacco-producing states. 19 states, plus the District of Columbia, have a wholesale tax on ENDS. The lowest is New Hampshire at 8%, and the highest is Minnesota at 95%. The average wholesale tax on vape is-- in these states is 42.59%. There are three states that handle things differently, and one is Nebraska. One is New York, which charges 20% on retail price. And finally, there's Maryland, which charges a 12% tax of the retail price

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for the vape device and then 60% retail tax on the refillable liquid if it's five milliliter or less. That is even more complicated. I want to mention that a pack of cigarettes, 20 cigarettes, has an excise tax here in Nebraska at $0.64 a pack. The equivalent to a pack of cigarettes would be a vape device with around one milliliter of liquit-- one milliliter of liquid nicotine product. And these are more or less equivalent to a pack of cigarettes in terms of puffs and the amount of nicotine. The one milliliter of lape vip-- vape liquid in Nebraska right now is taxed at $0.05. So we tax a pack of cigarettes at $0.64 in Nebraska; equivalent vape, five-- of one milliliter is at $0.05. And I just wanted to point out that difference. I am hopeful that this hearing may provide you with some information and insight to what that appropriate level of vaping product should be taxed at. As you can see, it is the wild, wild west in vaping. There is no consistency whatsoever. I appreciate your time and consideration and welcome any questions.

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

HUGHES: All right. Thank you guys.

LINEHAN: Do we have proponents? Good afternoon.

ALAN THORSON: Hello, Senator Linehan, Senator von Gillern, Senator Albrecht, Senator Dungan, Senator Meyer, Senator Murman, Senator Kauth. My name is Alan Thorson. It's A-l-a-n T-h-o-r-s-o-n. I am here to testify as a proponent of LB1299 on behalf of the Nebraska Cancer Coalition and as the current president of the NC2 Board of Directors. Additionally, I am a past president of the National Board of Directors of the American Cancer Society and the American Cancer Society Cancer Action Network. The Nebraska Cancer Coalition is the neutral voice of oncology in Nebraska, whose role includes advocating for policies that promote cancer prevention, including tobacco control. It is that critical role in cancer prevention that brings us to testify today in support of LB1299. Tobacco remains the primary cause of cancer of the lung and respiratory system. The American Cancer Society estimates there will be over 230,000 new cases of lung cancer in the United States in 2024, with over 125,000 deaths. This will include nearly 1,200 new cases of lung cancer in Nebraska and 700 new deaths, making lung cancer Nebraska's largest cause of cancer deaths. These cancers

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and deaths are largely preventable. LB1299 would assist our work in prevention. E-cigarettes and vaping devices contain nicotine and other chemicals, including carcinogens such as acetaldehyde, formaldehyde, and acrolein, which is a herbicide which can cause irreversible lung damage known as popcorn lung. As an addictive chemical, vaping and e-cigarettes place our youth at risk. Their utilization is associated with an increase in smoking cigarettes, with currently up to 40% of high school students in the United States using e-cigarettes in 20 of the past 30 days, and 30% have used e-cigarettes on a daily basis. Data show that increasing taxes on tobacco products and education results in fewer youths starting smoking and more adults stopping. By these means, LB1299 can decrease tobacco product utilization, prevent many cancers and other fatal respiratory conditions, and ultimately decrease health care costs by reducing the need for expensive cancer care and respiratory care while improving quality of life. Finally, I recognize this bill does not increase tax on cigarettes, but I am aware of the Governor's suggestion of a $2 per pack increase in the cigarette tax. A comprehensive approach to raising all tobacco taxes to reduce consumption is the most effective way to save lives and improve quality of life for Nebraskans.

LINEHAN: You're going to have to--

ALAN THORSON: In the end, reducing consumption will save lives and decrease health care costs. For all these reasons, we ask the committee to--

LINEHAN: You got a red light.

ALAN THORSON: --support LB1299. Thank you very much.

LINEHAN: Thank you. I'm sorry. Are-- Senator von Gillern, could you take over?

von GILLERN: Yes. Thank you for your testimony. Any questions from the committee? Seeing none. Dr. Thor-- Thorson, thank you for being here today.

ALAN THORSON: Thank you.

von GILLERN: The next proponent testimony. Afternoon.

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MAGGIE BALLARD: Good afternoon [INAUDIBLE] Vice Chairperson von Gillern and members of the Revenue Committee. My name is Maggie Ballard, M-a-g-g-i-e B-a-l-l-a-r-d. And I am a prevention specialist at Heartland Family Service. And on behalf of Heartland Family Service, I'm testifying in support of LB1299 and want to thank Senator Hughes for introducing this bill as well as the tax that she was able to pass last year and from-- LB584 was a great start, but we are glad to see this come back in front of the committee, even in the same biennium, with a higher tax that will have more of an impact on preventing people from starting and that will help tho-- help those that already use to quit. Increasing the price of these products-- as the person before me was talking about-- it-- including those increases resulting from excise taxes, it significantly prevents and reduces use, particularly among youth and young adults. As I talked about last year-- I don't want to just repeat all the same information because I'm hoping that everything I said you were carrying on to every word and just remember all of it, right? But you've heard this before, I'm sure. Vaping is the biggest problem in the-- [RECORDER MALFUNCTION] into. And I could tell you story after story about what teachers and school resource officers are seeing or what they've seen, or what students have personally shared with me. Keep in mind that while the number of youth cigarettes-- I'm sorry-- the number of youth using cigarettes has continued to decrease for several years, we are seeing vaping become such a problem that, of course, it was at one point declared an epidemic. So I have some statistics there about, you know, youth here in Nebraska and what that use has been. And you can see that it's gone up considerably year after year. I will jump down to my next paragraph to state that adult e-cigarette use in Nebraska is also on the rise. So we see that 5.9% of adults reported currently using cig-- e-cigarettes in 2020, which was a-- about a 50% increase from 2017. The same survey shows that 24.9% of adults in 2010-- 2020 reported ever using e-cigs, which was also an increase. So if we want to see these rates go down, the price that the consumer pays is going to have to go up. Senator Hughes has talked about, the rates at which different states tax electronic nic-- nicotine delivery systems is as diverse as the states themselves. We've seen everything from a few pennies per milliliter to 8-- 80% of the sale price. Keep in mind that in an age where our Governor and our Unicameral, all of you, are concerned with bringing in money to reduce property taxes, we hope that 20% is the smallest number that you will consider passing. So if Nebraska truly wants to fund property tax relief, we will see this

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bill passed. If Nebraska truly wants to get ahead of the vaping epidemic amongst our youth, we will see this bill passed. Last-- yeah. Well, you can read my last sentence. It's right there, so.

von GILLERN: Very good. Thank you. Appreciate you being here. Any questions from the committee members? Yes, Senator Kauth.

KAUTH: Thank you, Vice Chair von Gillern. Ms. Ballard, what in the last year have you seen as far as an increase or a decrease because of Senator Hughes's bill?

MAGGIE BALLARD: To be honest, I haven't heard about much. I, I don't think that they're seeing very much just because it has been such a small percentage. I just know-- honestly, from the stories that I hear-- honestly, now that you say that, I can remember one particular middle school in Sarpy County talked about the fact that she's like, I don't know what happened, but this semester-- so I guess semester of, you know, fall of 2023, she said, we have not been seeing as much. And just kind of like a knock-on-wood situation. So that was one school resource officer's experience, is that it hasn't been. I would love to credit that to Senator Hughes and the, the bill that she passed. So hopefully that is having an impact. But again, if we look at the percentage or the amount of tax that you have to put on cigarettes for that to really have an impact on people to quit using, we probably haven't approached that much yet with what we've been taxing vapes.

KAUTH: OK. Thank you.

MAGGIE BALLARD: Yeah.

von GILLERN: Thank you, Senator Kauth. Any other questions from committee members? Seeing none. Thank you for being here today, Ms. Ballard.

MAGGIE BALLARD: Thank you.

von GILLERN: Next proponent testimony, please. Anyone else who would like to testify as a proponent? Seeing none. Any opponent testimony? Anyone would like to testify in opposition? Good afternoon.

SARAH LINDEN: Good afternoon, Vice Chair von Gillern and members of the Revenue Committee. My name is Sarah Linden, S-a-r-a-h L-i-n-d-e-n.

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And I'm the president of Nebraska Vape Venders Association and owner of Generation V, a Nebraska-based business with 15 vape stores in the state. I was born and raised in Nebraska, graduated from UNL, and came back to Nebraska to start my business in what I thought was a business-friendly state. I kindly ask that you oppose LB1299, which would double the tax on vapor products, which was just passed last year. A vapor tax of 10% wholesale was passed last session and just went into effect on January 1. The state has not yet even collected its first payments, which are due on February 10, yet there is already a proposal to double the tax to 20%. I am very grateful to Senator Hughes that she was willing to hear my thoughts last year and change the tax to a percentage-based tax versus a milliliter-based tax. I opposed 20% last year because I believe vapor taxes should be significantly less than the tax on cigarettes due to their proportionate harm. I'm not necessarily against 20% now as long as the tax on cigarettes is increased as well. Studies show that vapor products are at least 95% less harmful than smoking and are twice as effective at helping smokers quit than all other nicotine-replacement therapies combined because vapor products mimic the hand-to-mouth habitual aspects of smoking that other cessation products don't. I would ask the committee to consider the proportionate harm and keep the vapor tax much lower than the tax on deadly cigarettes to encourage smokers to switch to a less harmful alternative. As a multistate operator, I considered moving my distribution center to Council Bluffs after the tax was passed last year yet decided to stay and write off the hundreds of thousands of dollars in excise taxes for shipping inventory to Nebraska to my distribution center here, which is then sold at my stores in Iowa and South Dakota, where there is no tax. Increasing the tax rate will make it even more burdensome to stay in Nebraska. This bill also seems to be in direct conflict with LB1296, heard in the General Affairs Committee earlier this week. LB1296 would ban 99.9% of vapor products in Nebraska, leaving only 23 products left to tax. If it passes, you could make the vapor tax 100% and I wouldn't mind because all legitimate taxpaying specialty vape retailers would be out of business, as we cannot survive only selling 23 products. I guess that I am out of time.

LINEHAN: Thank you.

SARAH LINDEN: Thank you.

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LINEHAN: Are there any questions from the committee? Senator Kauth.

KAUTH: I, I had a question about the difference between the wholesale and the retail.

SARAH LINDEN: Mm-hmm.

KAUTH: Which is, which is better for the businesses? Is it to pay the wholesale tax or pass that onto the consumer as a direct retail tax?

SARAH LINDEN: I am very glad that you asked that, Senator Kauth. I would love it if it was a retail tax because the problem that I have with the tax is not paying a tax. It's that it messes up how I do business because I mult-- I operate in multiple states and I'm bringing products to Nebraska and paying a tax, but I can't collect that tax. And I have no justification for charging customers more in Iowa and South Dakota. It is much cleaner also from, like, the perspective of, like, tracking, reporting, even, like, for the state of Nebraska to audit it. It would be much, much easier for everyone if it was a retail tax because we can report it just with our sales tax or-- it's straight numbers. We don't have to dig through invoices and figure out, OK. This vendor already paid the tax on my behalf, but this vendor didn't. And this was the cost. And then multiply it all out. It, it is quite cumbersome. And like I said, I have no problem with a tax on vapor products as long as it's less than that of cigarettes.

KAUTH: OK. Thank you very much.

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

SARAH LINDEN: Thank you.

LINEHAN: Other opponents.

NICOLE FOX: Good afternoon, Chairwoman Linehan and members of the Revenue Committee. Nicole Fox, N-i-c-o-l-e F-o-x. I'm here today representing the Platte Institute. It's well-established and supported that cigarette taxes are not a stable source of revenue, and the same could be said for taxes on electronic nicotine delivery systems, also known as e-vapor. LB1299 proposes to increase taxes on all vapor

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products to 20% of the manufacturer's wholesale price. Such a steep increase has the potential to harm both public health and Nebraska businesses. E-vep-- e-vapor products provide an option for individuals interested in smoking cessation. High excise taxes like the tax proposed in LB1299 would prevent adult smokers from switching to these alternative, less harmful products. As the bill is written, the bifurcated system established by last year's legislation is eliminated. If passed, e-vapor users who prefer purchasing closed system products would experience an approximate 1,000% tax increase as opposed to the 100% increase this bill would impose on users preferring open system products. This increase would impact both consumers and businesses. A steep in ta-- steep tax increase on e-vapor products would likely presu-- produce two results. First, following this increase, Nebraska would impose taxes much higher than its neighbors. Only Colorado would have a higher tax than Nebraska, while Iowa and Missouri do not tax these products at all. It would incentivize consumers to go across our borders to other states to produce-- to purchase products. This would harm Nebraska businesses. This avoidance could result in lost revenue not just from the loss of vapor tax revenue but also because, when they leave the state, they're purchasing other products as well, and that tax revenue is going to other states. And just real quickly, I'd like to share a quick personal story. I know some of you know that I have a family member who is undergoing treatment for terminal lung cancer. And I can tell you that they went across borders because of their tobacco addiction to purchase products in other states. And that's part of the public health concern here too. Smoking cessation would less likely be achieved. Protecting access to harm-reducing e-vapor products is intertwined with tax policy because nicotine-containing products are economic substitutes. Low tax rates on vaping encourage consumers to switch from combustibles. High excise taxes on e-vapor products are counterintuitive to harm reduction efforts, as they encourage users to return to smoking combustible tobacco products. I do understand that the goal of targeting youth-- or, the goal with this bill is to target youth and improve health, but let's not forget that this is a regressive tax. This hits people on-- of those of lower incomes and those on fixed incomes. LB1299 as introduced is not a sound tax policy. We believe that the proposed substantial tax increase on e-vapor products would do more harm than good in Nebraska. And at a minimum, I would ask this committee to at least maintain the current

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bifurcated system and tax proportionately. And with that, I see I have my red light. And I'm happy to answer any questions.

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

STACY LOSTROH: Good afternoon, Senator Linehan and members of the Revenue Committee. My name is Stacy Lostroh, S-t-a-c-y L-o-s-t-r-o-h. I am here on behalf of Whitehead Oil Company as well as the Nebraska Petroleum Marketers and Convenience Store Association and the Nebraska Grocery Industry Association. In its current form, we are opposed to LB1299, as it would impose a 20% wholesale tax on vapor products as written and it would increase the closed systems that we sell by 1,000%. Today, products under three milliliters are taxed at $0.05 per milliliter, and all other systems are taxed at 10% of purchase price. The current tax system, which only became effective on January 1 of this year, ensures that different types of e-vapor products are treated fairly. The bifurcated tax method makes sense for e-vapor taxes because closed systems generally use much less e-liquid due to their design. The state would be discriminating against pod-based e-vapor products, which are largely sold by traditional retailers like our convenience stores. Again, if the bifurcated system is removed, the tax rate on these products would increase by 1,000%, whereas the taxes on most other open vapor products would only double. Nebraska should continue to levy the tax on closed e-vapor systems based on volume. A tax based on price gives advantages to the cheapest products because they will have the lowest tax. A volume-based tax respects adult consumer choice and it avoids creating a race to the bottom for the lowest-priced products in the same category. Nebraska taxes other products by volume- and weight-based specific taxes like cigarettes, smokeless tobacco, beer, and fuel taxes. There's no reason for the state to utilize a different structure for closed e-vapor products. Thank you for your consideration.

LINEHAN: Thank you. Are there questions from the committee? Seeing none. Thank you for being here. Are there other opponents? Are there any other opponents? Does anyone want to testify in the neutral position? Let's see if we have letters. Yes, we do have letters. We have five proponents, eight opponents, and no one in the neutral. Thank you, Senator Hughes.

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HUGHES: All right. Thank you, Madam Chair and members of the Revenue Conni-- Committee. I just want to say one thing: the FDA has stated that no e-cigarette has been approved as a cessation device or authorized to make a modified risk claim. I am going to use a Brewer example. Would you rather be shot by a .22 or .357 [INAUDIBLE]? Anyway. I hope that the testimony here has given you some useful information. I appreciate the opportunity to let the stakeholders come before you and share their perspectives on what is best for our excise tax on vapor products. I also want to reaffirm my belief that our current excise tax is too low. And I look forward to working with you to improve this legislation so it could advance to General File. Like I said, I will work with every single one of you to figure this out. And I welcome any questions. Thank you.

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

HUGHES: All right.

LINEHAN: Thank you very much.

HUGHES: Thanks, guys.

LINEHAN: Oh, did I say the letters?

HUGHES: Yes, you did.

LINEHAN: With that, we bring the hearing on LB1299 to a close. And I will turn it over to Senator von Gillern.

von GILLERN: Welcome, Senator Linehan. We'll open the hearing on LB1315.

LINEHAN: Thank you, Vice Chair von Gillern and members of the Revenue Committee. I am Lou Ann Linehan, L-o-u A-n-n L-i-n-e-h-a-n. And I am from LD 39. I'm here today to introduce LB1315. LB1315 would increase sales tax rate in Nebraska by 1% to 6.5%. This bill is one piece of a larger package to raise revenues to provide property tax relief across the state of Nebraska. Currently, property tax up-- taxes make up the largest portion of the total tax taking in Nebraska, which includes income taxes, sales taxes, property taxes, and other excise taxes. Property taxes account for just over $5 billion. Income taxes are

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approximately $3 billion. And sales taxes are approximately $2 billion. This piece, as, as shown in the fiscal note, would ultimately provide a yearly amount of between $450 million and $500 million of the approximately $2 billion yearly that is needed to achieve the Governor's stated goal of a 40% reduction in property taxes across the state. We heard several bills last week and are hearing more this week that will potentially be included in the Revenue Committee's priority bill. As a member of the Governor's Valuation Reform Working Group this past interim, I heard stories of issues taxpayers are facing with property taxes all around Nebraska. There will be those here today that will claim sales taxes are regressive. I want to point out Nebraska rightfully addresses this by not applying sales taxes to groceries, to rent, car repairs, and other items. The claim that those-- the claim that will be made that a family whose income is under $50,000 pays 5.5% of their income in sales taxes ignores the fact that family will not pay sales taxes on housing, which would at least be $12,000 a year; or groceries, another at least $6,000 a year. If they pay sales tax on everything else, then that family's p-- would pay 1% increase, which would equal $30 a month, or less than 1% of their annual income. I would also like to point out that there will be here that claim that sales tax are regressive. I have two publications from OpenSky, and both of those publications say that property taxes are regressive. Of course they are. Because the less amount of money you have, you've got to pay a certain amount of property taxes, even if you are a renter, which, when I close, I will have those available. I also want to remind the committee and others that since I've been Chair of the Revenue Committee and since many of you been on the committee with me, we have used the Blueprint of Nebraska as a guide to how to fix our tax problem in Nebraska, and the Blueprint clearly stated that we had to expand the sales tax base and depend more on sales taxes to fix our overall tax problem. So with that, I'll take any questions.

von GILLERN: Thank you, Senator Linehan. Any questions from the committee members? Seeing none. Will you stay to close?

LINEHAN: I will if I can.

von GILLERN: Thought you might. We'll open for proponent testimony. Welcome back.

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JON CANNON: Good afternoon, Vice Chairman Gillern, distinguished members of the Revenue Committee. My name is Jon Cannon, J-o-n C-a-n-n-o-n. I am the executive director of the Nebraska Association of County Officials, also known as NACO. Here to testify today in support of LB1315. I want to thank Senator Linehan not only for bringing this bill but for also the work that she's had on the Valuation Working Group Committee that the Governor put together. And certainly, the, the conversation that we've had has been pretty intense and, at times, wide-ranging. You know, our support is conditioned on this being part of a package concept, which I believe Senator Linehan had addressed in her opening. And because of the fact that we're invested in the package concept because of the fact that we've been part of this working group and, and we've, we've put our own time and effort into this thing, we have been made aware of a poll that had been conducted a couple of weeks-- a few weeks ago about this particular proposal, and we commissioned our own poll. And I have to, I have to state for the record that what we have received so far are just preliminary results. We got them yesterday. We will share with the committee when we get the final results, and I'll be happy to do that. You can see the questions that we asked. You can see what the-- you know, the breakdowns were and all that good stuff, but the results generally. Voters generally defer to local government on, on who they trust to manage taxpayer dollars, particularly for local issues. That's no surprise there. And, you know, of course, we put that in there because that's what the counties, what the counties want to know about. But the other results are more interesting. 49% of the people prefer to have state sales tax to help fund local government. 21% prefer that to be funded solely by the property tax. And 29% prefer a combination of the two. That's pretty important. 65% of the people that we polled either strongly support or support a 1% sales tax increase. 84% of the people that we, we polled support a tax on games of skill. And 74% support an increase in cigarettes at $2 a pack. That's not the subject of this, of this bill, but I want to make sure that I got that in there. I could go on about the sales tax, but again, the sales tax, as far as NACO's concerned, is not something that we're particularly aligned with. But we've been part of this working group. We do want to make sure that we're, we're here in support. We wanted to share the, the results of a poll that we commissioned on the issue. And with that, I'm happy to take any questions you may have.

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von GILLERN: Thank you, Mr. Cannon. Any questions from the committee? Senator Dungan.

DUNGAN: Thank you, Vice Chair von Gillern. And thank you, Mr. Cannon, again for being here. So generally speaking, it sounds like NACO's support for this is predicated on the property tax relief that ultimately is the goal of this entire working group. Is that true?

JON CANNON: That is, that is true, sir. You know-- and you've, you've heard me say this before, but I'll say it again for the record since you've given me the opening, and I appreciate that. You know, counties are responsible for roughly 1/6 of the property tax load in the state. I think it was $860 million that were levied by counties last year. However, we're in-- we're part of 100% of the process. Our, our assessors set valuations as of January 1 of each year. They send that information up to the Department of Revenue on March 19 or March 25, depending on the county, each year. They participate in statewide gli-- statewide equalization in front of TERC. We send out the valuation notices. Our county boards of equalization-- that are just the county board-- they listen to valuation protests, as we went through earlier today on Senator Bostar's bill. Our treasurers send out the tax notice. Our treasurers collect the taxes. We are 100% invested in the process but only responsible for 1/6 of the total property tax load. And so, yeah, we are very invested in making sure that the property tax issue in our state is something that we can solve in a sustainable and-- [INAUDIBLE] a sustainable way.

DUNGAN: And so just to kind of-- brass tacks, I guess, just be as honest as possible. What we're trying to do right now, it sounds like, in general as a state, through these working groups that you've talked about, is to find that money, right? There's been this number that was given, a 40% property tax reduction. And last week, we heard a bill that had to do with a major part of that property tax relief, where it was that up-front cost-- or, that up-front relief that would then sort of offset the property tax cost. What is the total number-- what, what's the, what's the amount of money that you think, based on your conversations in this working group, we're trying to get to in order to say we can officially pay for that property tax relief?

JON CANNON: Ooh. That's a very loaded question, Senator, so I'll-- let, let, let me-- I'm going to pause to make sure I answer this.

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DUNGAN: And it's-- I, I genuinely don't mean it to be a gotcha question. I'm trying to figure--

JON CANNON: Sure.

DUNGAN: For people who are paying attention at home, I'm just trying to figure out what we're trying to do and what we're trying to pay for.

JON CANNON: Sure.

DUNGAN: And so I'm-- that, that's why I'm asking that question.

JON CANNON: Well-- so I'll, I'll look at it just in terms of numbers. And, and some people can criticize the, the so-called three-legged stool. Other people like it because of its simplicity. But I will-- what I will say, and as I testified last week, approximately $5 billion-- over $5 billion of property taxes were levied last year. Now, when you go through all the credits that the state of Nebraska provides through the work of this committee, and-- which has to be underscored-- that number is actually closer to probably about just north of $4 billion of prop-- of net property taxes paid, which I think is an important number. $3 billion of income taxes were paid, and $2 billion of sales taxes were paid in. And so when you look at the, the total tax load in the state, if, if you're-- if you really believe in a-- the, quote unquote, three-legged stool, $4 billion in property taxes, net property taxes paid; $3 billion in income taxes; $2 billion in sales taxes-- that's pretty simple math, is to-- if, if you're trying to truly balance that stool. Now, the question as to whether or not the stool requires balancing, that is, you know, obviously a question for this committee to decide and then, of course, the Legislature. But to the extent that that's the-- that was the goal. That has been the stated goal. We've heard that this-- in the Revenue Committee a zillion times if we've heard it once over the years. Then those numbers seem to be the ones that we should be reaching for.

DUNGAN: OK. And we've also bandied about the words "regressive" and "progressive" on every side of the issue. From your perspective, a regressive tax is one that does what? Can you just articulate what that actually means?

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JON CANNON: Sure. For me, a regressive tax would be the sort of tax where if I am, if I am lower income, a greater proportion of my income is going to be devoted toward paying a tax, no matter what that tax is. You know, progressive would be the opposite. As my, as my wealth goes up, I'm, I'm, I'm paying a more proportionately, or a larger-- or-- yeah-- a proportionately larger share of my income into that.

DUNGAN: And the reason I ask that is when I have these conversations out in the community with people who ask me about this, they sometimes think when we're saying regressive or progressive we're assigning some sort of moral value to that, right? That's-- a tax can be regressive and you can still support it or a tax can be progressive and you can support it. It's just the nature with which the tax affects the individual taxpayer. Is that fair to say?

JON CANNON: That is a fair statement, sir.

DUNGAN: OK. And so I know that we talked both-- obviously, both property tax and sales tax are regressive taxes. And it sounds like you said income tax is, by definitional nature, a progressive tax.

JON CANNON: Well, I want to make sure I, I answer this correctly too, sir. So the way we have structured the income tax can be in some ways more progressive. But when-- if, if you, if you don't have those, those brackets or the fewer brackets that you have, I, I, I think that, that gets into its progressivity. And so I-- I am not the expert on income tax by any stretch of the imagination. And so I, I want to avoid, avoid too much commentary on that.

DUNGAN: That's fair. And I-- it's a very complicated issue, but I just wanted to make sure definitionally we kind of got those things on the record. Thank you. I appreciate your testimony.

JON CANNON: Yes, sir. Thank you.

von GILLERN: Any other questions from the committee? Thank you, Mr. Cannon. Good job threading the needle.

JON CANNON: Thank you, Senator. I don't know if I did, but thank you.

von GILLERN: Other proponent testimony.

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I was aggressive and I was like, oh, I didn't kill that guy.

von GILLERN: Good afternoon.

BRUCE RIEKER: Good afternoon, Vice Chairman von Gillern, members of the committee. My name is Bruce Rieker. That's B-r-u-c-e R-i-e-k-e-r. I'm the senior director of state legislative affairs for Nebraska Farm Bureau. In addition to being here on behalf of Farm Bureau, I'm representing eight other organizations we call the Ag Leaders, but those are the Nebraska Cattlemen, the Nebraska Corn Growers, Pork Producers Association, Nebraska Sorghum Growers Association, Soybean Association, State Dairy Association, Wheat Growers and Renewable Fuels Nebraska. First, we want to thank Senator Linehan. We appreciate her bringing this bill. And to emphasize her unwavering commitment to finishing what was started last year. Last year, the Legislature took significant steps forward to lower the income tax burden. Plus, advancements were made in providing more property tax relief. But there's still more work to be done. The billion dollars that we in agriculture put on the table in the discussions with the Governor's working group is just not an arbitrary number. The information that I gave you, in addition to our written testimony, will hopefully help justify where we're coming from as to why that figure, how we arrived at it. And we stand steadfast on that it takes an additional billion dollars. If we were to-- if you look at where we'll be based upon the income tax reductions that were put in place-- and we supported those. I want to make sure that you all know that. In 2027, all things remaining equal, it would take $1.3 billion to balance the three-legged stool. OK? And-- so I want to point that out. If you look at this-- you know, Senator Dungan, you ask about the specific money-- I see the yellow light's on. One of the biggest concerns that we have, in addition to what Senator Linehan talked about, where the levels of revenue come from, is that income tax revenue, based upon fiscal notes, is projected to grow at $100 million per year. Sales and use tax is projected to grow at $100 million per year. But between 2017 and '21, property taxes grew $193 million per year. And two years agro-- ago, they grew at $293 million; and last year, $286 million.

von GILLERN: If I could ask you to wrap up your testimony, please.

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BRUCE RIEKER: That is unsustainable. And if you don't do something this year, we'll come back with a number that's $300 million bigger next year.

von GILLERN: Thank you. Any questions from the committee members? Senator Dungan.

DUNGAN: Thank you, Vice Vair-- Chair von Gillern. I promise I won't ask questions every single time. But you just mentioned-- referenced some of the things that I brought up, and so I just wanted to touch base on that. So last year, we did pass the corporate and income tax reductions, correct? And, and that was something that Farm Bureau was in favor of.

BRUCE RIEKER: Yes.

DUNGAN: And that was coupled with a larger package that had to do with also property tax reduction as well, correct?

BRUCE RIEKER: Correct.

DUNGAN: Do you recall what the total ultimate out-year projection cost was of the corporate and income tax reduction if we're looking towards about 2027 or 2028?

BRUCE RIEKER: $1.25 billion reduction.

DUNGAN: And is-- it sounds like that is a similar number to what we are now seeking in property tax.

BRUCE RIEKER: Very much so.

DUNGAN: OK. I don't have any further questions.

BRUCE RIEKER: And that was part of the deal.

DUNGAN: Thank you.

von GILLERN: Senator Murman.

MURMAN: Did you get through all of your figures that you really wanted to present to us?

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BRUCE RIEKER: Well, I got through most of it. But one of the things, one of the charts I, I gave you-- it's on the, the second page of the, the attachment to this-- is that, that chart indicates when the previous shift took place. We hear a lot about there's a shift, that we'd be shifting this to other people. In 2008, there was something called the Great Recession. In 2009, '10, and '11, our Governor and the Legislature found it convenient to shift their responsibility to property owners-- not just ag, but property-- including such things as shifting $411 million of state funding for education to property owners, eliminating state aid to counties, state aid to cities, never fixing it even though they said they would. And that resulted in that chart that you see as to how the shift took place and why we are now in a situation where we have out-of-control growth in property taxes.

MURMAN: Thank you.

von GILLERN: Any other questions from the committee members? I, I have one. You mentioned last year that $1.25 billion in income tax reductions. I believe the committee was very careful last year in all of our-- all of the bills that got passed to make sure that we had dollar-for-dollar tax reductions in property tax and income tax. Would you agree with that?

BRUCE RIEKER: No.

von GILLERN: OK.

BRUCE RIEKER: It was promised. And as we got closer to the end of the session, I was told, Bruce, we'll make it up to you next year. But we got to get this done. We got to get the income tax cuts.

von GILLERN: So, so how far off in your recollection was the dollar-for-dollar match?

BRUCE RIEKER: About $300 million last year.

von GILLERN: OK. Not my recollection, but I'll have to double-check my figures to make sure. Because my recollection and a conversation I had recently was it was-- with the-- less than, less than $1 million.

BRUCE RIEKER: Less than $1 million?

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von GILLERN: Yes.

BRUCE RIEKER: I would say that-- well, I don't want-- I don't know what numbers you're using, but there was some double-counting of what's on the books. And the way we calculate it is if it was already on the books, you couldn't count it again for property tax. If you accelerated something and it was on the books, we didn't count that as new relief. It may have been expedited relief, but it wasn't new relief.

von GILLERN: OK. I can, I can, I can state within the committee structure it was considered a satisfactory dollar-for-dollar match between property tax and income tax. But you and I can arm wrestle over what the figures are later.

BRUCE RIEKER: You bet.

von GILLERN: Thank you for being here today. Thank you for your testimony. Any other proponents? No other proponent testimony? Then we'll open for opponent testimony. Good afternoon.

DOUG KAGAN: Good afternoon. Doug Kagan, D-o-u-g K-a-g-a-n. Omaha. Representing Nebraska Taxpayers for Freedom. Urban and rural property owners in Nebraska crying out loudly for property tax relief, but we want comprehensive tax relief. Raising the sales tax $0.01 per dollar is merely taking coins from one pocket after putting them in the property tax pocket. Residents of larger Nebraskan municipalities that levy local sales taxes would suffer more, $0.08 per dollar in Omaha, plus the restaurant tax. Instead of raising the sales tax, apply the sales tax to all services and lower the rate. Examining the tax structure of other states, we see a gradual reliance away from state income and local property taxes to consumption taxes, like sales, use, and excise taxes. Georgia, Kansas, Oklahoma, Ohio, and North Carolina have introduced or passed legislation that reduces state income tax rates and property taxes while increasing tax revenue from consumption taxes. States have found that shifting to consumption taxes accrues sufficient revenues to adequately fund both state and local governments. These taxes comprise more than the sales tax. They include excise taxes on such things as furs, jewelry, luxury cars, personal aircraft, and yachts, et cetera; nuisance taxes on movies, sporting events, plays, concerts, and amusement parks; public and

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chronic nuisance taxes on unkempt properties; occupation taxes like licenses; administrative and inspection fees; sin taxes on cigarettes, vaping, liquor, junk food, and gambling devices, and user fees and charges. In other words, the more you buy and the more you use, the more you paid. Abuse of the nonprofit system in Nebraska is flagrant. Many nonprofit businesses, like hospitals and medical clinics, enjoy tax-exempt status for their entire facilities although many of their services and facility areas compete with private enterprises for clients and customers. Nonprofits use infrastructure services like streets and sewers and public safety services just like private commerce. Institute the Payment in Lieu of Taxes, the PILOT, system to tax the profit-earning parts of nonprofit businesses to share the property tax burden with local property taxpayers. Only raising the sales tax is no solution. Thank you.

von GILLERN: Thank you for your testimony. Any questions from the committee members? Seeing none. Mr. Kagan, thank you for being here. Next opponent testimony, please.

JIM SMITH: Good afternoon.

von GILLERN: Good afternoon.

JIM SMITH: Vice Chairman von Gillern and members of the Revenue Committee. My name is Jim Smith, J-i-m S-m-i-t-h. And I'm here today to testify on behalf of the Platte Institute and in opposition to LB1315. I appreciate Senator Linehan mentioning Blueprint Nebraska. The Platte Institute is a Blueprint, Blueprint Nebraska Alliance partner. And I'm the former president of Blueprint Nebraska. Considering the hour, I will keep my remarks short and to the point. However, I have provided recent blogs from the Platte Institute for background on my remarks today. While we appreciate Senator Linehan's desire to curb the ever-increasing burden of property taxes, we have concerns with the intended use of state funds to solve local tax burdens as well as the potential for compounding current bias in the state's sales tax system. By design, sales tax revenues that are collected from across the state should be reserved for statewide needs, while local property tax revenues collected from local government levies should be dedicated to the unique needs of our local communities. To otherwise subsidize local government spending with new state sales tax revenues is unfair to the statewide taxpayer and

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violates principles of good tax policy. Increasing Nebraska's sales tax rate also compounds the bias that already exists in the state's sales tax system. As we know, the current sales tax system is riddled with exclusions and exemptions that favor some over others. So while an ideal system would tax only final personal consumption of goods and services, Nebraska's sales taxes are levied primarily upon goods that often include those purchased by businesses. Therefore, increasing the existing sales tax rate without modernizing the tax code only serves to reduce Nebraska's competitiveness with border states and increase the bias of the current system. We ask Senator Linehan and this committee to consider other means to deliver property tax relief. And if new sales tax revenues are needed, we recommend that they be raised by extending the sales tax base or sales tax as broadly as possible upon final retail consumption, including retail services. Thank you for your time.

von GILLERN: Thank you. Questions from the committee members? I just want to ask the-- it, it's a little bit confusing even if you've read Blueprint and, and you've tried to delve into this. Senator Linehan mentioned earlier that Blueprint called for expansion of the sales tax base. And I heard you say that, but it sounds like it's a very specific expansion of the sales tax base. Would you-- do you want to expand on that a little bit?

JIM SMITH: Yeah. Well, first of all, I think most economists will say that taxing business inputs is, is very bad, is-- that's not something you want to do. So we want to avoid that. But there are plenty of other goods that are currently exempted, and servic-- certainly services that are excluded from sales taxes that you could expand it to. And, and Blueprint Nebraska avoided applying that to foods. In Blueprint Nebraska, we, we selectively identified services and goods, and I think we came up with roughly about $1.2, $1.3 billion-- a far cry from the 40% reduction in property taxes that are kind of targeted with this approach. And that $1.2, 1.3 billion was considered to be pretty aggressive. Of course, we know a lot of folks come out of the woodwork to oppose removing those exemptions and exclusions. But a broader base is a really more ideal approach if you have to raise the revenues.

von GILLERN: Very good. Thank you. Any questions from the committee? Seeing none. Thank you for your testimony today.

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JIM SMITH: Thank you.

von GILLERN: Next opponent testimony.

REBECCA FIRESTONE: Good afternoon, Vice Chair von Gillern, members of the Revenue Committee. I'm Dr. Rebecca Firestone, R-e-b-e-c-c-a F-i-r-e-s-t-o-n-e. And I'm executive director of OpenSky Policy Institute. Here today to testify in opposition to LB1315. We oppose LB1315 because, as a sharer of income, our modeling indicates that this rate increase will have a minimal impact on Nebraska's high-wage earners while disproportionately affecting our lowest-earning families. Further, we have concerns about raising the price of what we all pay for goods and services as a tool to pay for property tax cuts. First, the sales tax is Nebraska's most regressive tax. Property taxes structured in Nebraska is regressive, but the sales tax is more regressive than pro-- the property tax. The IRS defines a regressive tax as one that has a-- that takes a larger percentage of income from low-income groups than from high-income groups. Of all the tax categories, the sales tax has a long track record in economic research and policy of being sharply regressive. And recent modeling indicates that of any tax type, sales tax has currently consumed the greatest share of lower earning Nebraskans' incomes, five times more than that of top-wage earners with a greater ability to pay. Sales tax is charged on many items which could be deemed necessities, like cars, clothing, and school supplies. And we can expect an increase in the sales tach-- sales tax to touch everyone in Nebraska. Our modeling indicates that 80% of Nebraskans who have incomes below about $146,000 a year would see almost twice the impact of this rate increase as the share of their income as compared to the top 20% of earners. We also have concerns with the proposal as part of a package that uses sales tax revenue to pay for property tax relief for property owners. Everyone pays sales tax in Nebraska. Not everyone owns property, so funding a tax-- a property tax relief through a sales tax increase is a tax shift that continues and reinforces a current trend of making Nebraska's revenue system more regressive, shifting the burden of taxa-- of taxation away from those with the greatest ability to pay towards those with the less-- least ability to pay, which goes against a long-standing principle in American tax policy. Recent polling shows Nebraskans see what the Legislature is doing, with 60% of respondents, nearly two out of three Nebraskans, saying that the state is not doing enough to help average-income families to succeed. Finally, we're

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concerned about the timing of this proposed tax shift coming on the heels of legislation last year to reduce income tax revenues to the tune of $1 billion annually when fully implemented with rate changes that favor the wealthiest Nebraskans. We support efforts to address the heavy reliance on property taxes to fund local services in Nebraska, and we support policy initiatives to provide targeted relief to income-constrained property owners who struggle with their property taxes. But all of these efforts need to be designed in consideration of the state's ability to sustain its funding commitments without making our revenue system more regressive than it already is. OpenSky has long supported broadening the sales tax base, but opposes a rate increase as part of this tax shift package since its impact will be felt disproportionately by Nebraskans' lowest-earning families. Thank you. I'm happy to answer questions.

von GILLERN: Good job on the light.

REBECCA FIRESTONE: Thanks.

von GILLERN: Nailed it. Questions from the committee members? I just have a couple. The, the model that you mentioned-- did you say was based on an income-- a household income of $146,000? Did I hear you correctly?

REBECCA FIRESTONE: Yeah. We were looking at 2023-2024 dollars. But basically, what we're saying is that folks in the top 20% of the income distribution in Nebraska is, basically, the cutoff is about $146,000 house-- total household income.

von GILLERN: OK. I'm, I'm sorry. You lost me there. The-- at $146,000, that's individuals in the top 20% of, of earners?

REBECCA FIRESTONE: Yes.

von GILLERN: OK.

REBECCA FIRESTONE: Mm-hmm.

von GILLERN: All right.

REBECCA FIRESTONE: And for-- as a point of comparison: right now, the lowest 20%, that cutoff, is about $30,000 a year.

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von GILLERN: OK. All right. I'm just curious. Did you do any modeling at maybe the $100,000 mark or the $50,000 mark?

REBECCA FIRESTONE: We've got the middle income district-- the middle quintiles and the income distribution as well and what the potential increase in terms of shift in the sales tax burden that would be for those quintiles as well.

von GILLERN: And then Senator Linehan mentioned earlier with the, you know-- and I'll just pick a number-- say, $50,000 income. With the, the exemptions for groceries and car repairs and those kinds of things, is it, is it as regressive for that income ta-- in-- that group of, of earners? Or is it-- do you-- I think you get into a, a greater level, to make your point, $50,000 to $100,000 or even higher, it becomes a larger portion of their income. But with other tax exemptions and, and exempt items for the lower income individuals, is it-- do you still feel it's as regressive?

REBECCA FIRESTONE: I want to make, make sure I'm understanding the question and, and, and responding to it, Senator. The modeling that we do, the tax incidence is based on census of state and local finances. So we're sort of collecting states', like, you know, tax revenues that are currently corrected-- collected and then sort of modeling that out to try to understand what the potential changes in revenue collected would be. So when we're looking at-- whether we're looking at the lowest quintile or folks in the middle, we're sort of factoring in what the effect of that tax change would be across the income distribution. We're not sort of modeling what, what this change would be for one income distribution of income quintile versus a different income quintile. It's the same across the board. So just to be clear. So we do-- our modeling also, because we are looking across the entire income distribution of the different quintiles, our current modeling that we I think put out publicly in a blog post this morning that suggests that there's a 0.6% increase in sales-- over-- in the burden of taxation for the lowest quintile for folks in the middle, 20%, its a 0.5% increase in, in sales taxes; versus for the top 1%, it's only a 0.1% increase in their overall tax burden.

von GILLERN: All right. Thank you. Appreciate that. Any other questions from the committee? Seeing none. Thank you.

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REBECCA FIRESTONE: Thank you.

von GILLERN: Next opponent testimony.

JOSEPHINE LITWINOWICZ: I got to go get off my back. I'm Josephine Litwinowicz, J-o-s-e-p-h-i-n-e L-i-t-w-i-n-o-w-i-c-z. Legal name: Vincent. And-- oh, yeah. I'm sorry that I didn't say hi first. Hello there, Vice Chair von Gillern and members of the committee. For me, I, I've been paying a lot more attention to other things, as you might imagine. So it'd be kind of like trying to grab a tiger by the tail to, you know, offer a really informed opinion. But I, I have some things I felt compelled to say to think about. And I don't know if there's, like, an analog, for example, to the Laffer curve in the early '80s when they-- have we found a sweet spot for raising or lowering income taxes? And is there, is there a way to find that out so maybe we could even charge less and get more money? You know, that kind of thing. And, you know, it is a highly aggressive tax. You know, I don't-- the numbers anymore, I don't remember. But as far as things go, real wages have declined remarkably over time. And, you know, with the-- real wages of what people make. And so, you know, you-- we're even getting more labor issues and union-- we're, we're kind of trending down. I just want-- and, and the, the property tax rate here is insane, you know? So that's got to be helped out too. The thing is, you know, corporate tax-- and I guess we have to compete now because now, you know, for example, you could-- in certain areas, like Houston, you can decimate a school district, you know, by trying to-- companies, you know, trying to negotiate sweeter deals. It's gotten to the point now where it, it's kind of gotten out of hand. I-- and I'm just saying I don't know how to fix that. It's just-- it's, it's disturbing. You know, there's no reason why-- you know, and all these income tax rates for the, for the wealthy, you know, it's-- they're all less, you know? But-- when I was keeping track, you know, income tax for corporations were between 7% and 11%. My peasant family married into an older New Orleans family. And, you know, insider trading. I mean, there's so many-- it, it-- I don't know where to begin. I just want people to think about the implications of, of-- where the state of affairs are with working-class people and raising those taxes. Anyway-- so, my dad, I think he just did a-- just the-- he, he didn't want to take the advice. And, and he just put a little bit of money, I think, to say that he did it because-- so insider trading, my dad-- [INAUDIBLE]. So-- you know-- I don't know how-- the prevalence. It's just that we got to-- I think it-- you know, if I made more money-- actually, I don't know. I just-- I own this. Not that it matters, but I wouldn't mind paying-- contributing more, you know. I don't know. It's kind of a mindset. Anyway, that's it. Anyway, have a good one.

von GILLERN: Thank you for your testimony. Any questions from the committee members? Seeing none. Thank you for your testimony today. Next opponent.

JOHN GAGE: Hello.

von GILLERN: Good afternoon.

JOHN GAGE: Good afternoon, Vice Chairman von Gillern, members of the committee. My name is John Gage. That's J-o-h-n G-a-g-e. And I'm here on behalf of Americans for Prosperity to testify in opposition to LB1315. AFP is a principle-based organization. We are not here testifying on behalf of any special interest or faction. We are here because we want lower taxes and more fiscally responsible policies. Our views represent the majority of Nebraskans who want lower property taxes but do not like the Legislature's attempts to hike the sales tax and call it tax reform. Nebraskans deserve real and principled tax reform, not quick fixes. Tax reform should adhere to the following principles: it should be simple and transparent, neutral, equitable, predictable, and permanent. First, this package is not simple and transparent. This bill is a direct taxation with tax relief coming indirectly to taxpayers. The mechanism to give back the money is complicated, and the Legislature has not been able so far to successfully cap local spending. School districts especially have always found a way to continue raising our taxes. And now we're engaged in a high-risk $2 billion bet that this body will get it right this time. This package is not neutral nor equitable. This tax package is tax breaks for Ted Turner and Bill Gates and tack h-- tax hikes for the average Joes in Lincoln, Omaha, Kearney, Grand Island, Scottsbluff, Columbus, and Norfolk. AFP agrees with the Governor. Lawmakers need to put aside factional interest and pursue tax reform that serves the whole state. Unfortunately, this package picks winners and losers. And make no mistake, there will be more losers than winners. Finally, this tax package is not predictable nor permanent. While ra-- while raiding the rainy day fund might be good for

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short-term tax relief, it's not a permanent solution. Raising taxes on vapes, cigarettes, and other unpredictable forms of revenue will predictably push Nebraska consumers to spend their money out of state, but it will not predictably provide property tax relief. Long-term and prudent tax reform will only be achieved when the Legislature has the courage to limit spending on local governments, especially schools. Long-term and prudent tax reform can only come with less spending and less taxes, not tax hikes and tax shifts. Senators need to find the courage to cut, limit, and stop the growth of government on all lever-- levels of government without raising taxes. AFP looks forward to working with senators on real and meaningful tax reform. I urge this committee to listen to Nebraskans and reject LB1315. Thank you.

von GILLERN: Thank you. Any questions from committee members? Senator Kauth.

KAUTH: Thank you, Vice Chair von Gillern. Mr. Gage, I do have one question. So you talked about less spending-- and we absolutely need to cut spending, but I have not heard anyone yet say what needs to be cut. Like, what specific proposals are there to cut programs? Because I agree. We, we-- shifting taxes is not as ideal. But right now, our property owners are being crushed. I talked with people at the doors, and probably 1 in 10 is saying they're ready to move because they cannot afford their property tax. So in the time being, as we shift property taxes, what are we doing to put together a, a proposal-- and I'm sure you have one-- on what programs we as a state can cut to, to lessen our tax burden?

JOHN GAGE: Well, I think when it comes to property taxes, I think we need to start by capping spending. And then we can allow lower-- local governments-- they're, they're the best ones to decide what they're able to cut with the money they have.

KAUTH: OK. So you don't actually have a idea specifically--

JOHN GAGE: I'm not going to come in here and say we need to cut this or this program on the local level. I don't--

KAUTH: That, that's where it starts getting really, really tough, is nobody wants to cut anything.

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JOHN GAGE: But I, I think the, I think the first place to start is to be limiting spending and put those limits in place so that they can decide what-- how they want to work with the money they have.

KAUTH: So you would agree with the hard caps that we're putting in?

JOHN GAGE: Yes.

KAUTH: OK. Thank you.

von GILLERN: Any other questions? Se-- Senator Meyer.

MEYER: Yes. Thank you, Mr. Chairman. I, I guess I have a question as I've been sitting here listening to the last couple of testifiers talking about expanding the base. And representing my district, it, it has always seemed odd that we have picked one form of wealth to tax, and that's real estate. And you opened the door with Bill Gates and Ted Turner owning real estate. I could go back to friends in Omaha who have considerable wealth, far beyond those fellas, and they pay no tax, basically, because the assets that they have are not land or real estate. So has your group ever done some work on maybe expanding the base of everything that we tax? Forget sales tax. Ford in-- forget income tax. There's a vast amount of wealth out there that's not real estate that we don't touch. It's like it's off-limits. Can't even be talked about.

JOHN GAGE: What, what's the question specifically?

MEYER: Stocks, bonds, saving [INAUDIBLE], IRA. My farmland is my IRA. Everybody else in metropolitan areas that has those pays no tax until they catch them. But there's a vast amount of wealth that's other places in Nebraska that, that is off-limits for taxation. We just put the tax on real estate as far, as far as a form of property. That's the one form of wealth that we tax as much as we can, basically, because it can't move. So has your group ever talked about, studied other forms of wealth that could be brought into a broadening tax base?

JOHN GAGE: You're asking if we would support a wealth tax in general?

MEYER: Well, have you ever even looked at it?

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JOHN GAGE: No, I've not looked at--

MEYER: OK.

JOHN GAGE: --introducing a wealth tax.

MEYER: I just wanted to-- so, so you're, you're OK that we only form-- that we only tax one form of wealth: land and real estate?

JOHN GAGE: I mean, we, we have income tax. We have sales tax. Those are--

MEYER: But, but the people that own real estate also pay income tax. And we also pay sales tax.

JOHN GAGE: Many of them do.

MEYER: But there's this other massive amount of wealth out there that's untouched.

JOHN GAGE: To answer your question, no, I don't think we would support a wealth tax.

MEYER: Thank you.

von GILLERN: Any other questions from the committee? Seeing none. Thank you, Mr. Gage. Next opponent testimony. Can I see a show of hands, how many more testifiers are there today? Thank you. Good afternoon.

SUZAN DeCAMP: Good afternoon, Vice Chair von Gillern and members of the Revenue Committee. My name is Suzan DeCamp, S-u-z-a-n D-e-C-a-m-p. Here today testifying on behalf of AARP Nebraska as state president in opposition to LB1315. AARP opposes the use of regressive tax structures, which we believe decreases fairness and hinders long-term economic growth and budgetary stability. Sale taxes are volatile and often respond more acutely to economic cycles, especially downturns in the economy. More than one in six Nebraskans age 65 and older rely on Social Security for nearly all of their income. And even more concerning, the average Social Security retirement benefit in Nebraska is only about $1,850 a month. Regressive taxes, such as sales tax, place a higher burden on older adults, lower income, and even

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middle-income families. These taxpayers pay a disproportionately larger share of their income as sales tax compared to those who have higher incomes. Right now, in Nebraska, the sales tax of 5.5% cuts significantly into the meager earnings of too many of our senior citizens who are living on fixed incomes. An increase of 1% in sales tax would further limit their ability to pay for day-to-day expenses. Raising the sales tax to 6.5% would place Nebraska tied with three other states for the ninth highest state in the nation on sales tax rates, or the top 1/5 of all states. Currently, Nebraska is tied with one other state for 29th highest in the nation. As you can see, a whole 1% increase in the sales tax does make a big difference. According to the "Longevity Economy" report prepared by the Economist and AARP, Nebraskans over the age of 50 support not-- 39% consumer spending, infusing an annual economic impact of $50 billion into the state's economy. Age 50-plus households accounted for $0.56 of every dollar spent in Nebraska in 2018. Increasing the sales tax would likely reduce spending by older residents and those with low to middle incomes. This could limit the economic growth that Nebraska is hoping to achieve. AARP is committed to working toward a balanced approach to tax reform and urges the Legislature to reject increases in regressive taxes such as sales tax. Thank you for providing the opportunity to comment.

von GILLERN: Thank you. Any questions from the committee members? Seeing none. Thank you for being here, Ms. DeCamp.

SUZAN DeCAMP: Thank you.

von GILLERN: Next opponent testimony. Good afternoon.

GARRET SWANSON: Good afternoon. Vice Chair von Gillern and members of the Revenue Committee. My name is Garrett Swanson, G-a-r-r-e-t S-w-a-n-s-o-n. And I'm here on behalf of the Holland Children's Movement in opposition to LB1315. We commend this committee and Senator Linehan for working toward solutions that will lower property taxes. However, lowering property taxes by increasing sales tax is a regressive solution that will disproportionately hurt lower-earning Nebraskans. Other speakers have and will touch on the economic drawbacks and consequences of raising the sales tax. For my testimony, I want to touch on recent polling done to gauge what the second house, the people, believes about this issue and related ones. A poll

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published today by our sister organization, the Holland Children's Institute, offers us some insight. For the first time since the institute began polling in July of 2019, most Nebraskans believe the state is moving in the wrong direction, with 52% of Nebraskans believing that the state is moving in the wrong direction compared to 39% of Nebraskans believing the state is moving in the right direction. Second, when it comes to who Nebraskans trust to be good stewards of their tax dollars, 52% of Nebraskans believe local governments are better stewards of tax dollars than the Legislature. Meanwhile, only 18% of Nebraskans trust the Governor to be a better steward of tax dollars compared to local governments. When it comes to property taxes directly, Nebraskans were asked about several solutions to lower property taxes. When Nebraskans were asked if they believed the state should offer income tax rebates to homeowner-- owners and businesses to offset skyrocketing property taxes, 42% of people preferred that solution. Meanwhile, 39% believed that the state government needs to better fund programs and services such as roads and schools and public safety that take the burden off local governments. 18% did not know. Finally, Senators, when respondents were asked directly if they support-- would support reducing property taxes by raising sales taxes from 5.5% to 6.5%, 43% of Nebraskans were in net favor, while 45% were net opposed, while 12% did not know or had no answer. For anyone else that wants to see the results of the latest polls-- poll for themselves [INAUDIBLE], they can go to hollandinstitute.org and look under the Research tab. For your use, Senators, I've clipped a few samples from our poll. I actually put them on the other side of the sheet. Sorry about the small text. And there's, like I said, more on our website. Thank you for your time. And we urge this bill not to be voted out of committee. Thank you.

von GILLERN: Thank you. Any questions from the committee members? Senator Murman.

MURMAN: I might have missed it on the poll, but did you ask consumers how many would want to actually raise property taxes to increase revenue?

GARRET SWANSON: We didn't ask if people were interested in raising property taxes.

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MURMAN: OK. You asked, I think, about raising sales taxes or raising income taxes.

GARRET SWANSON: Sales tax, yes. And it's, it's the second-to-last paragraph.

MURMAN: OK.

GARRET SWANSON: Yeah.

MURMAN: I haven't got my sheet yet.

GARRET SWANSON: Oh.

MURMAN: But they're, they're running one off. Thanks.

GARRET SWANSON: Yeah. Sorry about that.

von GILLERN: Any other questions? Seeing none. Thank you, Mr. Swanson.

GARRET SWANSON: Thank you.

von GILLERN: Next opponent.

RICH OTTO: Vice Chair, members of the Revenue Committee. My name is Rich Otto, R-i-c-h O-t-t-o. Testifying in opposition to LB1350 on behalf-- LB1315 on behalf of the Nebraska Retail Federation and the Nebraska Hospitality Association. Retailers, restaurants, and hotels are required to collect and remit sales and local-- state and local sales tax and occupation taxes. Often, sales and occupation taxes are considered simple pass-through taxes. However, these taxes are not fully pass-through. The $0.01 increase in the sales tax will cost those businesses more than $10 million in bank swipe fees on an annual basis, and the true number is much closer to $15 million annually. We had encouraged the committee to raise the cap on the sales tax collection allowance accordingly to help small businesses that collect and remit sales tax to be compensated for the loss due to the swipe fees they incur for collecting the increase in sales tax. With that, happy to answer any question you may have.

von GILLERN: Thank you. Any questions from the committee? Senator Kauth.

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KAUTH: Thank you, Vice Chair von Gillern. Mr. Otto, so when you talk about swipe fees, is it true that more and more retailers are going to-- charging the swipe fees to the consumer? I'm seeing it on receipts that, that they're--

RICH OTTO: Sure.

KAUTH: --starting to pass that through now.

RICH OTTO: Right. Absolutely. So we are seeing unique restaurants and potentially a retailer that doesn't have, I guess, your standard goods. But when you look at milk, bread, gasoline, any of those retailers that try to pass it on will immediately lose customers. They're going to--

KAUTH: But--

RICH OTTO: --they're going to move--

KAUTH: --milk and bread are not taxed under this, correct?

RICH OTTO: Sure, sure. Grocery items. That-- those aren't very good. So gas, other, other commodity-type items. I apologize for using the grocery example. But other items that are very competitively priced we find that most retailers are not willing to put the, the fee on. Now, there is other, you know, measures federally-- Credit Card Competition Act-- that would introduce some competition in the banking arena for swipe fees. And we'd encourage you to look at that. The United States charges 5 to 10 times higher swipe fees than Europe, so.

KAUTH: Thank you.

von GILLERN: Other questions from the committee? Just for clarity, gas is not sales taxed either, but--

RICH OTTO: Well-- yeah.

von GILLERN: But we understand--

RICH OTTO: I apologize. Yeah.

von GILLERN: No, we understand the metaphor.

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RICH OTTO: You're right. Yeah. We have taxes on-- fuel taxes up-front. There is tax on it, just not as a sales tax. You're correct.

von GILLERN: Thank you. Appreciate your testimony, Mr. Otto. Thank you. Any other opponent testimony? Welcome back.

BRYAN SLONE: Vice Chair von Gillern and members of the Revenue Committee. My name is Bryan Slone, B-r-y-a-n S-l-o-n-e. And I'm the president of the Nebraska Chamber of Commerce. And on behalf of the State Chamber, the Lincoln Chamber of Commerce, the Nebranker's-- Nebraska Bankers Association, and the National Federation of Independent Business, I'm here to express our opposition to LB1315. If it's OK, we'll just put my entire statement in the record and I'll just highlight things that haven't already been said unless there's an objection. So I think some, some key points of this is, for the last number of years, we've continued down the path of modernizing our system by growing our economy and using excess revenues to support comprehensive tax reform, both income tax and property tax. And very substantial amounts of money, particularly in the last two sessions, have been dedicated to both income tax and property tax relief and, and much, much-- because of the work of this committee, this Legislature, and the two Governors. Unfortunately, property tax burdens have been stubbornly high even with everything that's been done and, and all the money, literally billions of dollars of state taxes dedicated to property tax relief and, and even earlier efforts to try to fix TEEOSA and those dollars as well, to the point that a substantial part of our state budget anymore is, is focused on how do we transfer money from state taxes to, to try to relieve property taxes? And we still haven't fixed the problem. The primary reasons for this is the valuation increases that I talked about earlier today. Secondly, inability to reach an agreement on local government and education budgets. And third, some of last year's property tax provisions still haven't or won't kick in until this year. So we haven't seen the benefits of that relief. So in response, this package has-- the package of proposals this year has many good things focused on those areas. Certainly, the levy features, the caps, and, and the efforts to front-load things that have already been enacted. Those are all things that, that, that we would support. And I believe the Omaha Chamber has also submitted a letter on this as well. Our opposition relates solely to the, to the tax shift and the effects of that shift. Because for every, every person who has thousands or tens of thousands

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of dollars in reduction in property tax, in a tax shift, somebody's picking up the tab on the other side. And if I, if I get some questions on that later, I'd be happy to talk about that subject a little bit more. But lastly, I would just say that, that we're very concerned on its effect on workforce, and I'd be happy to talk about that some more as well.

von GILLERN: Thank you. Any questions from the committee? Senator Meyer.

MEYER: Yes. Thank you. I, I guess I'm looking at a chart that was handed out earlier. And you just alluded to a tax shift. It seems like we've already had the massive tax shift. The, the horse is out of the barn, so to speak. So now it's just a matter of trying to rebalance things because-- I can go to my office and pick up 20 charts that show that the, the, the shift has already occurred. So let's not, let's not sugarcoat that.

BRYAN SLONE: Senator--

MEYER: We need to rebalance.

BRYAN SLONE: Yes-- Senator, yes and no. And, and we get many of these charts all the time. It depends on which year you start. And so if you start in a particular year, you're going to find that, that school spending has only increased at a very low rate. But if you include other years farther back, you'll find that it increased at one point or another. There's been various points of time-- inflections points-- to your point, the first being really the, the enactment of the sales tax with [INAUDIBLE]. That was supposed to be the solution to property taxes when I was in fifth grade. And we've been piling money into this problem ever since. So, yes. And I'm not debating that chart. I'm just saying. You, you can't consider this prob-- problem without looking at everything. And I would argue, including TEEOSA.

MEYER: I would agree with you. Thank you. Appreciate it.

von GILLERN: Any other questions? Seeing none. Thank you for your testimony. Any other opponent testimony? Seeing none. Would anyone like to testify in the neutral position? Seeing none. Senator Linehan, would you like to-- oh, I'm sorry. We have a neutral testifier. I missed that.

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Cheese.

OK, but I am sorry.

von GILLERN: Good afternoon.

BILL HAWKINS: Vice Chair von Gillern, members of the Revenue Committee. My name is Bill Hawkins, B-i-l-l H-a-w-k-i-n-s. I'm a lifelong Nebraska resident. I'm a property owner. I was born in Senator Meyers' district on the Blue River. I chose to stay in Nebraska. About 11 years ago, I became a very watchful citizen in here. And I've watched the struggle of helping property tax owners. I have a 50-acre old farmstead a mile south of Branched Oak, north of Lincoln, where I enjoy sailing, Senator von Gillern. And I love being in Nebraska. And so listening to the property taxes, Nebraskans-- and sales tax-- they're paying attention and they know that shifting taxes isn't reducing taxes. An answer quick to Senator Kauth's question. I would take any public servant, directors of these state agencies, and cut their salaries. If they don't want to do the job for $100,000, there's people in that department that will. I don't know how much that will save you, but that's where you start. People need to do a job for a fair price. You've got people suffering all over this state. Can't afford property taxes. I have 50 acres out by Branched Oak. I also have a commercial building in Senator Bostar's district here in Lincoln. It's a burden for these people. So, in answering Senator Meyers' question, expanding the tax break. I'm also with the Nebraska Hemp Company, which is a nonprofit that has been working on educating this Legislature on cannabis reform laws. So the first handout is a high support of full legaliza-- federal legalization of cannabis here in this country. 70% of Nebraskans-- of United States citizens believe in full federal legalization. So I'm offering you to expand your tax break. There's information on the billions of dollars of recreational sales here in this country. There is approximately $1 billion right now being consumed in Nebraska with Nebraska citizens. It's time to tax it. Nebraska, it's time to start taxing these long-haired, tie-dyed, pot-smoking hippies and other cannabis consumers.

von GILLERN: And your time's up, sir.

BILL HAWKINS: I want to thank you for your time.

von GILLERN: Thank you.

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BILL HAWKINS: And this is no joke. It's a reality. And so look at the figures. And I'm here to answer any questions at any time.

von GILLERN: Thank you. Any questions from the committee members? Seeing none. Thank you for your testimony, Mr. Hawkins.

BILL HAWKINS: You bet. And I want to thank Senator Linehan for really working on this issue.

von GILLERN: Great. Any other neutral testifiers? Seeing none. Senator Linehan, would you like to close?

LINEHAN: This went a lot better.

von GILLERN: As you're-- sorry. As you're coming up to close-- sorry-- and [INAUDIBLE] here. You have 25 opponent letters, 0 proponents, and 1 neutral.

LINEHAN: This went a lot better than I thought. I'm actually pretty thrilled with this-- with the results. First of all, I really appe-- appreciate NACO coming forth with the poll. And I know Holland's Family-- whatever they are-- they came forward with one too. But I've seen some polling even-- I've done polls before in my life, paid for polls, and you can get polls to tell you whatever you want if you have the right questions and you only poll certain people. I go back to, I don't know, whatever one was done earlier on another bill that I did, and I read the questions and looked at the people that they polled, and of course it was going to say what they wanted it to say. I'm guessing that NACO's poll is very legitimate poll, and they said 65% of the people supported penny increase in sales taxes to reduce their property taxes. I don't-- that doesn't surprise me at all. Anybody-- we got to remember that people live in their groups, like most people. Like, if you work in education, most of your friends-- and it seems to me a lot of your family's in education. If you work in retail, you talk to people in retail. We're the people that talk to everybody because it's just the nature of our jobs. So I think that's what we're hearing, and some of these other groups don't hear it. The other thing that I thought was wonderful is OpenSky now claims that $146,000 is average household income. That's much higher than they said it was last year during the income tax conversation. Senator Dungan's gone, but I want to go back to something-- and this is more just for us and anybody that's listening presswise what we're trying to do here. What

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does it take to get a 40% reduction in property taxes? We already have $1 billion. That's the work we've done over the last five, six years. So there is $1 billion sitting there. It's both tiers of the property tax credit. A lot of people don't-- well, they like the first tier because it comes off the thing. But the second tier where you have to claim it, they don't like. I think more people like that than we think. But until we take it away, we won't know if we take it away [INAUDIBLE]. So what we're actually looking for is another $1 billion-- not $2 billion, but $1 billion-- would take it down 40%. I understand a lot of people said today that we should look at all services. We did four years ago. We sat here till midnight one night looking at all the services. And I will give you some problems with those. I pay a lawn service and I do think it's incredibly unfair that one of my children go out-- adult children-- they buy a lawnmower. They pay a sales tax on it. But I don't pay sales tax on my lawn service. I think that's not fair. But when you go to a taxed lawn service, what are you going to do with the 18-year-old kid that mows five laws? How are you going to-- and what we really-- and what we've talked about in committee-- and I can talk to the press about this-- most of those services they're talking about taxing don't generate very much money. So it's-- it, it's nice talking points, but it doesn't add up. On the discrepancy between whether the numbers were exactly equal or not-- Senator von Gillern, you had this discussion with Mr. Rieker from the Farm Bureau-- I'm not sure, but I think one of the misconceptions here-- but I'm not sure. But we can go back and figure it out. I think the $337 million new funding in TEEOSA-- some of us counted it, some of us didn't. And that's pretty close to the number that Mr. Rieker was talking about. And in fairness to the Farm Bureau, a lot of that didn't end up in property tax relief, right? So. And some of us were concerned it wouldn't anyway, so I don't know whether it's fair to count it or not. On AARP, I'm a little frustrated. Because if you all remember, what did we take taxes off last year? Social Security. So we have no income taxes on Social Security. That is a big break. And now somehow if we're a $0.01-- I mean, their, their written testimony I don't think passes, like, critical thinking. Nebraskans over the age of 50 support 39% of the consumer spending. 39%. Yeah, I don't know how much percent is over 50. But, yeah, people over 50 get to spend more money. Their kids have left home. They're-- maybe done paying for college. So they're going to spend-- they're going to pay more in sales taxes because they've got more free money to do so. And good catch on no taxes on groceries

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and no taxes on gas. There is one thing that-- I think it was Mr. Otto-- he was [INAUDIBLE]-- representing Nebraska retailers, Nebraska restaurants, chambers, bankers. These swipe fees are ridiculous. I was in the grocery store Saturday. And I, I didn't pay that much attention. But I checked myself out, which I don't generally do, and I noticed a little sticker on Kroger's baker's. They say, if you have our credit card, we'll give you a 5% discount on everything you buy. So we have people using their credit cards because I don't think people take checks anymore, right? You don't carry around cash. So I think if we're worried about low in-- middle-income and low-income people, that should definitely be addressed. Now, I don't know if the state can do anything about swipe fees. It's probably-- what is that? Inner commerce--

ALBRECHT: Interstate commerce.

LINEHAN: --interstate commerce, so we can't. But I'm more than willing to write my federal delegation and say we need to do something about swipe fees. Because we're sitting here talking about $0.06, $0.065 being too high? But every time you use your credit card, it's 5%? There's something disconnect there. So with that, I thank you all very much. I thank everybody that came: proponents, opponents. I couldn't agree more with the lid concept because that is truly the problem. We can't-- again, since I've been here, Senator Albrecht's been here, property taxes have gone up $1.3 billion. So when we put $1 billion out just to help, people don't see it. We can't do anything unless we do a lid. That-- a lid of 3% plus growth. And people have a right to override it. But none of this stuff-- I even got emails today. Well, we didn't, we didn't increase the levy, or the valuations are the problem. No, the tax taking is the problem. So thank you.

von GILLERN: Thank you. Any questions from committee members? Seeing none. Thank you, Senator Linehan. That'll close our hearing on LB1315--

LINEHAN: Perfect.

von GILLERN: --and close our Revenue hearing for the day.