

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 27, 2025

von GILLERN: All right, let's, let's roll today. Welcome to the Revenue Committee. I'm Senator Brad von Gillern from Elkhorn, representing the 4th Legislative District. I serve as chair of this committee. The committee will take up bills in the order posted. This public hearing is your opportunity to be a part of the legislative process and to express your position on the proposed legislation before us. If you're planning to testify today, please fill out one of the green testifier sheets that are on the table at the back of the room. Be sure to print clearly and fill it out completely. When it's your turn to come forward to testify, give the testifier sheet to the page or to the committee clerk. If you do not wish to testify but would like to indicate your position on the bill, there are also yellow sign-in sheets back at the table for each bill. These sheets will be included as an exhibit in the official hearing record. When you come up to testify, please speak clearly into the microphone. Tell us your name, and spell your first and last name to ensure we get an accurate record. We will begin each bill hearing today with the introducer's opening statement, followed by proponents of the bill, then opponents, and finally, by anyone speaking in the neutral capacity. We'll finish with a closing statement by the introducer, if they wish to give one. We'll be using a three-minute light system for all testifiers. When you begin your testimony, the light on the table will be green. When the yellow light comes on, you have one minute remaining, and the, and the red light indicates you need to wrap up your final thought and stop. Questions from the committee may follow. Also, committee members may come and go during the hearing. This has nothing to do with the importance of the bills being heard; it's just a part of the process, as senators may have bills to introduce in other committees. A few final items for today's hearing. If you have handouts or copies of your testimony, please bring up at least 12 copies and give them to the page. Please silence or turn off your cell phones. Verbal outbursts or applause are not permitted in the hearing room; such behavior may be cause for you to be asked to leave the hearing. Finally, committee procedures for all committees state that written position comments on a bill to be included in the record must be submitted by 8 a.m. the day of the hearing. The only acceptable method of submission is via the Legislature's website at nebraskalegislature.gov. Written position letters will be included in the official hearing record, but only those testifying in person before the committee will be included in the committee statement. I'll now have the committee members with us today introduce themselves, starting at my left.

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SORRENTINO: Tony Sorrentino, Legislative District 39, Elkhorn and Waterloo.

KAUTH: Kathleen Kauth, LD31, the Millard area.

JACOBSON: Mike Jacobson, District 42.

MURMAN: Dave Murman from Glenvil, eight counties along the southern border.

von GILLERN: Also assisting the committee today, to my right is our legal counsel, Sovida Tran, and to my left is legal counsel Charles Hamilton. Far left is committee clerk Linda Schmidt. Our pages for the committee today, if you would please stand and introduce yourselves.

LAUREN NITTLER: Hi, my name is Lauren. I'm from Aurora, Colorado. I'm in my second year at the University of Nebraska-Lincoln, and I'm studying agricultural economics.

JESSICA VIHSTADT: Hi, my name is Jessica. I'm from Omaha, Nebraska. I'm in my second year at the University of Nebraska-Lincoln, and I'm studying political science and criminal justice.

von GILLERN: Thanks for your help today, ladies. With that, we'll open today's hearing with LB424. Welcome, Senator Andersen.

ANDERSEN: Good afternoon, Chairman von Gillern and members of the Revenue Committee. For the record, my name is Senator Bob Andersen, B-o-b A-n-d-e-r-s-e-n, and I represent Legislative District 49; northwest Sarpy County, a part of Omaha. While campaigning in 2022-- or 2023-2024, I asked residents of every home I visited-- which was over 11,000-- what their highest priority was for me to work on when I get to the, to the Legislature. Hands down, it was property taxes. The extreme property tax is driven out of control-- by out of control valuations are taxing people out of their homes. The message we received loud and clear: we need to stop punishing people for simply owning a home. To stop the bleeding, I'm introducing LB424, the Capping Annual Property tax Increase tax-- for Taxpayers-- the CAP IT Act-- to cap the annual increase in property tax bills. Despite numerous legislative efforts in the recent years, Nebraskans have experienced little to no tax relief. LB424 limits these increases to the lesser of the current rate of inflation or 3%, ensuring stability for homeowners and businesses. For too long, property owners have been burdened with unpredictable and often excessive increases in their property tax bills, placing undue strain on their family finances. Many times, these strains leave families are selling their homes,

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sometimes even moving out of the great state of Nebraska. LB424 addresses this problem by limiting the tax burdens placed on homeowners and small businesses. I recognize the concerns about potential fiscal impacts, and understand that this would be a significant change. However, I believe a radical change is necessary to provide relief for homeowners here in Nebraska. States such as Florida, Iowa, and Oregon have already adopted hard caps on annual property tax increases that protect local taxpayers from rapidly-rising assessments. In Florida, for example, the "Save Our Homes" amendment limits the annual growth of a homesteaded property to the assessed value of-- to lesser than 3% or the rate of inflation, ensuring that long term residents are not penalized by rapidly-appreciating market values. Similarly, Iowa enforces a statutory cap, typically around 3%, on how much property assessments can rise each year, shielding homeowners from sudden increases in tax bills. Florida, Iowa, and Oregon provide examples for a stable and predictable tax environment for their homeowners. Much like LB424, these measures-- these measures tether property tax growth to objective economic benchmarks rather than volatile market conditions, thereby providing certainty and fiscal stability for our local taxpayers. While LB424 may be a radical departure from our past approaches, it is precisely this sort of bold change that Nebraskans have been calling for. We need to stop punishing people for owning a home. Just as hard caps in other states have provided predicta-- predictability and relief by anchoring property tax growth to measurable economic indicators, LB424 offers a proven path forward to protect families from unmanageable tax increases, increases. This measure is rooted in a sound fiscal responsibility, ensuring that the government does not overburden hardworking Nebraskans with out-of-control property taxes, and provides long-term stability for our communities. Members of the Revenue Committee, we all talk about reducing property taxes, but nothing seems to get done. It's time to put our money where our mouth is and do something about it, because Nebraskans deserve better. We need to stop the bleeding. I look forward to working with the committee to advance LB424 out of committee for consideration by the entire legislation [SIC]. This common-sense solution is what all Nebraskans deserve. Thank you for your time and consideration, and I welcome any questions that you may have at this time.

VON GILLERN: Thank you, Senator Andersen. Questions from the committee? Senator Jacobson.

JACOBSON: If I'm not mistaken, the current caps, I thought, were zero or the rate of inflation, and the rate of inflation was defined by the

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governmental rate, which is of course a higher rate than the, than the-- basically, the CPI. And the reason it was zero, the greater of zero or that rate, is if we end up in a recessionary area/time where we're maybe a negative inflation rate, you go-- you can't go to three, you can only go-- you have to stay flat. Is there a reason you changed from-- to the three plus-- or, or the rate of inflation and that-- so it's a minimum of three effectively, the cap?

ANDERSEN: So, maximum of, maximum of 3%--

JACOBSON: Right.

ANDERSEN: --to be tied to the rate of inflation. And to be frank with you, when I would knock on doors and talk to constituents, I would get questions from them asking me why are their taxes going up, what are the taxes being used for, why they go up to a certain percentage, and it's a really difficult discussion to have because it's not really apparent.

JACOBSON: And, and I understand that. I, I guess I'm specifically thinking about-- on-- what I'm seeing here is a change from the 0% cap, or the greater of 0% or that higher number, or 3%.

ANDERSEN: Senator Jacobson, I'll, I'll have to check it out. I'll get with you offline. But--

JACOBSON: OK.

ANDERSEN: --I don't know anybody that's seeing a 0% tax increase.

JACOBSON: Actually-- OK, and so, what all, what all is this dealing with? Just-- cities and counties are subject to that-- what I just described. And so, you're looking beyond that?

ANDERSEN: So, my intent is the top-line tax increase by the individual, which realize by--

JACOBSON: Gotcha.

ANDERSEN: --the homeowner, regardless of everything that's buried below it. What they realize, that home is less than 3%.

JACOBSON: So, all the political-- all the political subdivisions combined.

ANDERSEN: Yes, sir.

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JACOBSON: OK. How would, how would that work if you got-- I mean, at the end of the day, everybody sets their budgets. And you add it up, and you're north of 3%, then, then what happens?

ANDERSEN: I guess you'd have to prioritize.

JACOBSON: But who, who does that prioritization?

ANDERSEN: You're talking about the cities in the counties?

JACOBSON: Right. In other words, if the total tax bill that the county's going to have to reconcile, is everybody going to get reduced pro-rata? Or how, how would you go about reconciling that? Maybe I'm missing the, the piece, here, but--

ANDERSEN: No-- you're the banker, not me. But I mean, the way I see it, we need to cap it for the-- so the bleeding stops for the people and it's predictable; they understand--

JACOBSON: Right.

ANDERSEN: --what their bill is going to be. If the county grows at a greater rate, then I guess they have to figure out if they-- their bills go up more, they have to figure out how they're going to pay that [INAUDIBLE] and prioritize.

JACOBSON: Well-- and I applaud what you're trying to do. I'm just trying to make sure I understand the mechanisms that are, that are in play here, so.

ANDERSEN: So, there's a lot of that that still needs to be worked out.

JACOBSON: Perfect. All right. Thank you. Thank you, I appreciate it.

von GILLERN: Senator Kauth.

KAUTH: Thank you, Chair von Gillern. So, a, a couple things. Would you say that the goal of this bill is to create predictability?

ANDERSEN: Absolutely.

KAUTH: OK. Which I applaud. And then, would this actually remove the ability of those political subdivisions to use some of their own tools that they have to raise taxes?

ANDERSEN: Of the schools?

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KAUTH: The other tools that they have to raise taxes. Because, I mean, cities and counties have a variety of things they can do. They can raise their--

ANDERSEN: Sure.

KAUTH: --sales tax, or they can do occupancy [SIC]-- I mean, there are a lot of different ways that they can do it. I, as I was campaigning, also got the feeling that the political subdivisions really enjoyed the windfall because then they didn't have to be very clear with the fact that they were actually raising their taxes.

ANDERSEN: I think we really needed to, to peel back the onion on all of that, and I think we need to assess all of that. So, it's-- if you, if you cap spending at 3% but you bring in 11%, what happened to that 8%?

KAUTH: Right. So, but-- but so, if we capped the spending at 3%, a county could still-- if they need the money, they could still raise the tax in another way, by one of the other mech-- mechanisms that they have to increase their tax, whether it's a bond or whether it's-- I mean, they still have those mechanisms available.

ANDERSEN: So, that's an interesting dialogue. If you look at Millard Public Schools just passed a bond, and they said it was a zero tax increase, right? And that's because they're retiring bonds now that they're offsetting with a new bond. OK, that's fine; that's a zero-sum game for the individual taxpayer. You're not increasing the taxes they have to pay on a daily basis--

KAUTH: Right.

ANDERSEN: --or a yearly basis, whatever. And that's really the intent, is maybe more planning, more predictability. If you, if you need to put a school bond in, maybe you need to time it so that you have one expiring.

KAUTH: OK. OK. Thank you very much.

von GILLERN: Just a couple of questions on those-- on that same note. This-- the-- by the way, congratulations, as I think this is the shortest bill we've seen before the committee, so. I don't know if there's a word for that or not, but you have my admiration. The-- this only applies to tax collect-- this is to tax collections. So, if I'm a homeowner, if I'm a property owner, business owner, whatever-- it, it,

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it caps the amount that my tax bill would change year-over-year to a maximum of 3% or the CPI, correct?

ANDERSEN: Yes, sir.

von GILLERN: It has nothing to do with the spending of the cities, there's no-- this, this doesn't mess with the caps that we did under LB34, doesn't mess with the school caps that we did a couple years ago.

ANDERSEN: I think it really has the reverse perspective of instead of capping the spending, it's capping what they can bill to. Right? So, if you tell them that the maximum you're going to get is 3%, well then the budget you're building for next school year, guess what? The max increase you're going to have is 3%. So, by in essence, it's kind of a wrap-around--

von GILLERN: Artificial--

ANDERSEN: --cap.

von GILLERN: Yeah, yeah.

ANDERSEN: It is, but it gives, it gives predictability, like Senator Kauth said. The whole point is, you know, we have done damage to people and to businesses. There's businesses that build a building that can't afford the building that they built because the assessment's gone up, the taxes have gone up, and now they're in a situation that they're trying to figure out how do they survive? At some point, we need to stop and create the stability and predictability for the individual homeowners.

von GILLERN: So, one, one other question. The-- one thing I learned this last year as we were talking about-- working on LB34 is that there are multiple CPI indexes. How did you land on the index that-- that's in the bill?

ANDERSEN: I asked a friend of mine that's a financial advisor. I said, what is the-- what is the best predictor or best measure of, of the current rate of inflation? And that's what he told me.

von GILLERN: And this is most reflective of homeowners, or, or it's a more broad--

ANDERSEN: That's what he told me, but certainly that's a--

VON GILLERN: OK.

ANDERSEN: --negotiation dialogue.

VON GILLERN: OK. All right. Yeah, I'm not contesting it. I just realized-- I didn't know until this past year that there are doz-- literally dozens of indexes.

ANDERSEN: Yeah, I found that out, too.

VON GILLERN: Senator Jacobson.

JACOBSON: I just have one more quick thing. I-- and as I reread this, so, what you're really saying is you're capping this at 3%, and it's the lesser of 3% or the inflation rate.

ANDERSEN: Correct.

JACOBSON: So, you're kind of-- we, we used to approach that in the opposite. It's-- it can be no, no, no less-- well, it's you, you can get zero or the rate of inflation; this is just saying 3% is the cap, rate of an-- if the rate of inflation is less, it's less than 3%. So, you're covering that original concern. Yeah. The, the big question is, I guess, that I would still have-- and I'm sure we're going to have testifiers, as I look-- as I look--

ANDERSEN: Sure.

JACOBSON: --at the room here that are going to talk to us about the controlling the costs and how we're going to allocate those. Because we're clearly going to be at the cap, just based upon what we're looking at today, so how is that allocation process going to work? And I think there's a lot of people in this room that are going to try to educate us on that.

ANDERSEN: Well, I'm big into, to accountability and transparency.

JACOBSON: Well, I agree.

ANDERSEN: When I can't explain to a constituent why their taxes went up, that tells me there's a problem. We need to have a common-sense approach to say "your taxes are going up by this much because of that." And what I'd say to him, say, if I told you that your taxes are going up next year by the rate of inflation, would, would that be understandable? And their answer is yes.

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JACOBSON: I, I think what you're really saying is that everybody's going to talk about "these are all needs" until the money's not there. And then, you start really figuring out what the needs are, and that may end up laying off some people, that may mean holding off purchases, it may mean a lot of things, but I think what you're bringing-- and I applaud you for this-- is we're looking-- we went through a high rate of inflation, but we're seeing a lot of this growth and our, and our numbers continue to climb. And as we've noted, I-- that number's all over the board, but somewhere between \$240 and \$300 million a year in additional spending if you consolidate all of the political subdivisions. I'm not overly-- I'm, I'm-- that includes inflation and everything else. There's about-- we need to raise about \$300 million more every year. So, if the state were to provide those dollars-- and I don't know where we would find them-- if the state were going to provide that money, we'd have to give \$300 million a year collectively to all political subdivisions just to keep your property taxes flat. And we'd have to do that every year. So, this is really an attempt to really force some downsizing.

ANDERSEN: Yes, sir. And I look at it from the small business owner perspective. I was saying if I know what my revenue is, and I know next year my revenue is going to be 3%, I can build an operating plan based on that 3% increase in operating revenue. All right? So, I-- as long as I live within that, maybe I can't afford to buy a new tractor or a new whatever. I have to wait till the following year.

von GILLERN: I have one other question. The fiscal note raises-- and you don't need to answer this, but, but I just wanted to point out the fiscal note raises a constitutional question. Have you had any conversation about that?

ANDERSEN: No, I have not had any [INAUDIBLE].

von GILLERN: I'm sure some of the-- certain some of the folks that are going to follow you might address that issue, so.

ANDERSEN: No, sir. I haven't had a chance to talk to them yet.

von GILLERN: OK. All right. Thank you. Seeing no other questions. I presume you'll stay to close?

ANDERSEN: Yes, I will.

von GILLERN: Great.

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ANDERSEN: I have two bills on HHS, so unless I get called up there to introduce.

von GILLERN: OK. All right. We'll see how this goes.

ANDERSEN: [INAUDIBLE].

von GILLERN: First, first proponents. Good afternoon.

DOUG KAGAN: Good afternoon. Doug Kagan, D-o-u-g K-a-g-a-n, Omaha, representing Nebraska Taxpayers for Freedom. Nebraska is far behind other states in reforming its property tax system. Alabama limits assessment growth on commercial and residential properties to 7%. Alaska has rate and levy limits on all real property. In Arizona, if the property tax exceeds the rate limit, school district tax is reduced. Our neighbor Colorado has a 5.5% levy limit, not allowed to collect more than this increase from the previous year. LB424 and limiting annual growth in property tax bills to the inflation rate or 3% belatedly follows other state reforms. The only change I would suggest here is using the Midwest Urban CPI instead of one for all urban consumers. This bill would nullify the current situation whereby homeowners never know when they will receive property tax sticker shock because of valuation spikes. It also would break the ball and chain that automatically links valuation to taxation. We have an affordable housing crisis in Nebraska. Our high property taxes make homes less affordable, prospective buyers priced out of the market. This situation makes it more difficult for buyers to afford mortgage payments. Property taxes also make it more difficult for first-time homeowners to purchase a home. These homebuyers often have less savings and may be more sensitive to the cost of property taxes. More difficult to sell a house because potential buyers consider taxes in deciding their offer, making it more difficult to find a buyer willing to pay the asking price for a house. Thus, a decreased demand and more difficult to find a buyer willing to pay the asking price for a home. Oh. Thus, the decreased demand and dampening of the real estate market. Property taxes also have a negative impact on homeowner ability to afford home repairs and improvements. High property taxes can increase overhead costs for housing providers, which lead to higher rents and reduced housing development. High property taxes increase operating costs for businesses, which hinders employment, job opportunities, and investment, and discourages them from expanding operations in Nebraska. Small businesses face a significant impact operating on narrow profit margins. High property taxes deter potential investors and entrepreneurs from establishing roots in

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Nebraska communities. LB20-- LB424 offers a decisive solution to our outrageous Nebraska property taxes. Thank you.

VON GILLERN: Thank you, Mr. Kagan. Any questions from the committee? I'll ask the same question I asked the senator, was about the index. You're suggesting the Midwest Urban CPI index, or CPI. Is that-- would that be-- I mean, in its name, it says "urban." Would that be reflective also of inflation in rural areas of Nebraska?

DOUG KAGAN: No, they're different. If you, if you look at the, the-- I can't remember which federal department it is, but it sectors out all CPIs, so for the Midwest, you would have something like Midwest Urban Index. Then, you'd have the Midwest Rural Index.

VON GILLERN: So, would we possibly need a different index based on the county or the jurisdiction across the state? Or if we have one index across the state, is that going to be a problem?

DOUG KAGAN: I'm not sure exactly how you'd do that, because Nebraska's urban and rural, so maybe you'd have to look at both of them.

VON GILLERN: That's what I-- exactly is my question.

DOUG KAGAN: Yeah, I, I think that would be--

VON GILLERN: OK. All right.

DOUG KAGAN: --the way to go.

VON GILLERN: We'll talk to Senator Andersen about it. Senator Jacobson.

JACOBSON: I guess I'm trying to figure out why we'd have a difference, a, a meaningful difference, whether you're in rural or urban.

DOUG KAGAN: I've never really looked closest-- closely at the indices, but they, they factor in different things for people who live in urban areas and people who live in rural areas. There's different itemizations there.

JACOBSON: I'm getting the sense that we're going to probably have Mr. Cannon testify at some point, and he'll probably have the answer for us on that.

DOUG KAGAN: Yes.

JACOBSON: Kind of more granularly. So, thank you.

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VON GILLERN: We always look forward to that. Thank you, Mr. Kagan.
Next proponent? Good afternoon.

ALAN SEYBERT: Good afternoon. Alan Seybert, A-l-a-n S-e-y-b-e-r-t. I'm a member of the Nebraska Taxpayers for Freedom. The process used by Nebraska's county assessors to value individual residential properties has not been fair and equitable. There continue to be inequalities in the taxable property values of property owners. The last few years, county assessors reported annual real estate market increases of around 6% to 8%. That was based on market analysis. However, property owners during those same years reported increases substantially higher, in some cases 20%, 30%, or even 40% or more. How can those extremes be reconciled? In Douglas County, the assessor groups properties into 19 market areas. There are over 177,000 taxable individual residential properties in Douglas County; that's an average of 9,300 parcels per market area. So, in order to get market increases that much lower than the extreme valuation increases for one property, you have to have a lot of properties that receive no valuation increase in every market area. That happens every year, and it's happening again this year. LB424 defines the allowable revenue growth and caps it at the lesser of the CPI or 3%. That's good overall, but it still leaves individual property owners exposed to the potential for extreme valuation increases. In addition, political subdivisions should not be relied on to be conscientious about setting levies. Douglas County is a prime example. In 2023, Douglas County's taxable value was expected to increase 9%. Later, that was revised to 12%. Douglas County cut their levy from .29559 to .29059. That's only a 1.7% levy reduction. After all was said and done, Douglas County was getting a 10.1% revenue increase, but the county board still hesitated to approve the levy reduction. My point is, don't rely on political subdivisions to play fair. For my last comment, assessors could lessen the effect of a 3% cap if it was applied to everyone, not just property selected for valuation increases.

VON GILLERN: Thank you for your comments. Questions from the committee members? Seeing none, thank you for being here.

ALAN SEYBERT: Thanks.

VON GILLERN: Next proponent. Are there any other proponents for LB424? Seeing none. First opponent testimony. Good afternoon.

JON CANNON: Chairman von Gillern, distinguished members of the Revenue Committee, my name is Jon Cannon, J-o-n C-a-n-n-o-n. I'm the executive director of the Nebraska Association of County Officials-- we'll call

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it NACO from here on out-- here to testify today in respectful opposition to LB424. I've had a brief conversation with Senator Andersen before the hearing. I appreciate exactly what he's trying to do. I, I, I think there's, there's-- the devil's always in the details, and, and on its face, this is a very simple bill. But when you apply a simple bill to a complex system, there's a whole bunch of stuff that kind of unspools from there. Oh, shoot. I was supposed to hand this out. Pardon me.

von GILLERN: First time?

JON CANNON: It always feels like it, every time I sit up here. I think there was a Foreigner song, wasn't there? Anyway, the, the-- what it comes down to is our, our, our equalization concerns, and, and I'll, I'll get to the math in just a moment. The Nebraska Constitution provides that taxes shall be levied by valuation uniformly and proportionately upon all real property and franchises. And, and what that requires-- it, it-- it's, it's equalization, is what we refer to it. Or, we also refer to as the uniformity clause. And what that means is that we have to have a uniform-- not just a uniform procedure for how we value properties, but also that there has to be a uniform rate of taxation for, for how-- value-- the valuation of properties. And what this committee has done and what the Legislature has done in the last couple of years, particularly with LB34, is a very, very remarkable job of severing the notion that just because valuations go up that taxes have to go up in lockstep. You know, certainly LB34 was a big lift, and, and we-- we've had the discussion about that, and I'll just-- I'll leave it at that. But LB34 does do a cap on the overall tax ask. What this bill does is it's going to have a, a cap on an individual parcel; it's, it's, it's focused purely on the parcel. And so, the example I handed out is admittedly a very, very simple example. I, I have a, a county where there's only one levying authority, and you've got two parcels that are in there. And-- oh, I did, did keep my copy. Good. You start off in year one with two-- those-- both parcels are valued at \$100,000, total value of \$200,000. The property tax ask is a total of \$2,000, and so your levy rate calculates to .01. Tax on each parcel will be \$1,000. You go to year two, and, and here-- here's-- this isn't going to be a surprise. Valuations change, the market will change depending on where you are in the county. And so, year two again, a million extreme example-- parcel number one has a value of \$150,000; parcel number two goes down to \$75,000, total value of \$225 grand. Your levy rate would recalculate to raise the same amount of money, the \$2,000. And this is just to raise the exact same amount of money as the prior year. You recalculate your levy rate, it's 0.00888 "repetant." Parcel one, by

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virtue of its, its valuation having gone up the way it has, their property tax that they will pay will be \$1,333. Parcel number two will pay \$666. And again, from that, you raise the same \$2,000. However, that violates the principle of this bill, which is no individual parcel can go up more than 3% in the tax that they pay. And so-- I go on, I'm out of time. I'm happy to take any questions.

von GILLERN: Go-- please finish the example.

JON CANNON: Sure. Thank you. So, parcel one going up 3% can only go up to \$1,030 as a property tax ask for parcel number one. The new levy rate for parcel number one-- because that's the one that, that had gone up most in value-- would be .0068666. You apply that to both parcels, you get a \$1,030 from parcel one, you get \$515 from parcel two. And so, that, that gives you a total property tax ask-- and it's not-- and, and it's-- all you can do is \$1,545. Again, this is admittedly an extreme example. I, I just-- but I took what you're looking at as, as far as the, the market's concerned. Every political subdivision will have to look at what parcel went up the most in valuation. What is-- and, and that parcel will get a 3% increase, we will have to recalc-- we will have to calculate the levy rate for that parcel and apply to every other parcel, which by definition is going to have a lower valuation increase or decrease in value. I mean, it-- it's a very quick race down to zero. Again, I don't think that's what we intended when, when this committee and, and, and the Legislature passed LB34; it was on the overall property tax ask. And understanding that as, as values rise and as values fall, the, the fair share that people pay is based on that for the property tax. And, and that's, that's basically the end of the example. Thank you for your indulgence.

von GILLERN: Thank you. Questions from the committee members? Senator Kauth.

KAUTH: Thank you, Chair von Gillern. So, Mr. Cannon, when you say it has to be a uniform rate and procedure, can you explain the difference between agricultural and residential?

JON CANNON: Sure.

KAUTH: Because we charge different rates for those, right?

JON CANNON: Yes, we do. And I'm glad you asked that. So, many, many years ago in the, in the '80s in Buffalo County, the Buffalo County-- the, the Kearney Convention Center said we know for a fact that you,

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you valued us perfectly well, 100% of our, of our actual value. We know for a fact that you're valuing agricultural land at 44% of its market value; we want to be equalized with those guys. And the Buffalo County Board said well, that's ridiculous. You know, you, you don't get to be equalized with ag. And they said "like fun we don't," and they took it all the way up to the Nebraska Supreme Court, the Nebraska Supreme Court said yeah, you have to equalize between the two. So, the Kearney Convention Center got a 44-- they got a valuation of 44% of their market value. And so, we said, well, that's not what we intended. And so, what we did was we wrote into the Constitution-- it took us two tries to get it right, but we wrote it into the Constitution that the class of agricultural land can-- it's a separate and distinct class of land for purposes of taxation, and it can be valued at any method that we have-- that, that we want. And oh, by the way, it does not have to be uniform or proportionate with other classes of land as long as it's uniform proportionate within the class of agricultural land.

KAUTH: Thank you very much.

JON CANNON: Yes, ma'am.

von GILLERN: Other questions? Senator Jacobson.

JACOBSON: I guess maybe the question earlier on CPI and how it may differ between rural and urban. Are you familiar with or feel like you're in a position to talk about that?

JON CANNON: Yes, sir. You know, and, and I don't have any numbers to back it up, necessarily. But I, I know that in, in your part of the state, in Lincoln County, the North Platte Telegraph ran a-- I, I thought it was a-- which was a, a, a great series of articles-- really talked about, you know, valuations in the western half of the state and taxes on the western half of the state, by and large, are-- they're, they're not the issue. They're not going up you know, by these exorbitant amounts that, that you see on-- exorbitant is the wrong term. I immediately regret saying that. By the, the higher amounts that you see in the eastern part of the state. And so, when you look at rural versus urban, there's, there's definitely a, a, a distinct difference as far as what the cost of, of conducting business is concerned, what you're paying your people and whatnot. However, there is also-- for rural Nebraska, there could be some higher costs that are, that are cause for buying gravel, buying hot mix asphalt, just because it takes longer to distribute out, out there. So, it-- it's going to be a fair mix, and figuring out what, what that

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distinction should be between "ural and rurban"-- rural and urban is, is going to be a-- that would be a lift above my pay grade.

JACOBSON: Well, I would probably submit that I probably disagree with that, I guess, premise that-- I would say to build a house in North Platte versus building a house in Lincoln and Omaha, it's going to be significantly more expensive to build in North Platte, simply because building materials are higher, you don't have-- we don't have the subs out there that you have in Lincoln and Omaha. That all contributes to higher cost to build. I think when you start looking at many of the other components, hospital's going to be recruiting talent at the hospital, they're going to pay the same amount in North Platte as they're going to pay in Lincoln. You know?

JON CANNON: Sure. And-- I'm sorry, go ahead.

JACOBSON: But I'm just-- I mean, I, I guess I was kind of of the understanding that there was some kind of a different inflation rate that had different components in it, or at least we were led to believe that. I-- do you-- is that the case, or do you see that as not the case?

JON CANNON: Well, and, and, and I'm glad you, you pointed-- made that distinction, sir, because I-- I apologize, I wasn't following you precisely. When it comes to the, the cost to the individual consumer, what, what they're paying for, as far as, you know, toasters and lunch pails and eggs, and-- eggs is-- might, might not be a good example, but, but the things-- the basic staples that people are paying for, CPIs, it, it, it will vary from locality to locality. And it will be more-- in many cases, it'll be more expensive in a place like North Platte than it is in Lincoln. However, from the, from the county's perspective-- and I don't want to speak for anybody else, but from the county's perspective, what we're buying is not toasters and eggs and, and flour and all those sorts of staples; we're buying squad cars and asphalt and, and those sorts of things. And that, and that's one-- actually, the reason that we came up with slice last year was because the cost of those durable goods that, that local political subdivisions require is going to be a different scale than CPI. And, and, and the measures probably aren't-- they, they don't mix very well.

JACOBSON: Well, to that-- to drilling down on that, I mean, for most of your counties, what percentage of their overhead or their costs are labor, salaries, benefits, insurance, all of those things?

JON CANNON: That is going to vary from county to county. We did a, a study of all the budgets for all 93 counties a couple of years ago, found a bunch of interesting things. And-- but basically, for those counties that have a population between 0 and 5,000 people-- which is about 40 counties across the state-- the things that they spend their money on, their budgetary priorities, are radically different from the five largest counties. And, and-- oh, by the way, it is the five largest counties, not the big three that we, we typically look at. For the five largest counties, they're really going to be spending more of their budgetary priorities on things like public safety; that takes up a, a larger proportion. You know, certainly the overhead for employees and, and the people that, that run the road graders and, and, and man the squad cars, that's going to be the-- a, a larger portion of the budget, too. Whereas in smaller counties-- and especially the smaller you get-- it's really the cost of durable goods, hot mix asphalt and gravel, and those sorts of things that-- that's really going to be the driver on their budget.

JACOBSON: OK. One last thing. I, I guess as it relates to-- I know Senator Kauth and I have had this conversation about why is ag valued differently. And I usually bring this up anytime this subject comes up, that when you look at agricultural land and horticulture-- but, but that's agricultural land, farms, ranches. Particularly in where we're at right now, farmland and ranchland has almost become a de facto currency. People are investing in it as a hard asset. And so, you're hearing these astronomically high costs for prices for farmland and ranchland that don't even come close to what could cash flow.

JON CANNON: Yep.

JACOBSON: And as a result, if we're going to be taxed on market value-- and right now it's roughly 70%, 75% of actual market value-- many would argue that's still double what it probably needs to be to put us on par with other classes of real estate. And again, I use the example that right now, if I go down to, to rural Nebraska and look at, at farmland, today in particular, you're probably paying 25% of your gross cash rent to real estate taxes. 25%. There's no other class of real estate even comes close to paying that kind of tax. So, it's something I'm always going to be reminding people when we look at messing with that 75%, that that is a-- it's, it's going to be a huge problem. And I don't know whether you're saying-- and of course, you get into rural Nebraska, some of the counties that you're representing, 90% of the, of the tax base is ag land, so.

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JON CANNON: You know-- and, and I'm, I'm glad you mentioned that, sir, because you're absolutely right. There are, there are a number of counties-- like, you know, off the top of my head, I think Franklin, Garfield, you know, a couple counties in your district where over 90% of the tax base comes from, from agricultural land. And so, you can-- and, and I, I recall that there had been a study done-- not a formal study that was published, but some people looked at the numbers and they said, you know, in certain counties in Nebraska, you can lower the rate for agricultural land down to 50% and it's not going to move the needle because those folks are paying the freight. You know, whereas oh, by the way, if, if you live-- if you own agricultural land in Douglas, Lancaster, Sarpy, Hall, or Buffalo Counties, you're getting a 20-- you are getting a 25% reduction on, on the taxes you would otherwise pay because there is-- it, it shifts over to commercial and residential enough, and there's enough of commercial and residential to absorb that kind of shift where it-- it's going to make an actual difference. If you're in a small county, though, 75%-- I mean, it could be 50, and, and it could be something lower than that. But I-- I, I don't want to get ahead of myself, but, but it's, it-- it's one of those things where just because of the fact that that's all there is, that's who's paying the freight.

JACOBSON: All right. Thank you.

JON CANNON: Yes, sir.

von GILLERN: Thank you. Seeing no other questions, thank you, Mr. Cannon.

JON CANNON: Thank you very much.

von GILLERN: Next opponent. Good afternoon.

LYNN REX: Good afternoon. Senator von Gillern, members of the committee, my name is Lynn Rex, L-y-n-n R-e-x, representing the League of Nebraska Municipalities. We respectfully are here opposing this measure today, and as I indicated to the senator ahead of time, we're happy to work with him and his staff and, of course, this committee, as you proceed to look at any cap on municipalities, counties, and other political subdivisions. With that, I'm going to take a little bit of a different approach, since Jon covered the constitutional issues and some of the other issues and questions that you've raised. Just wanted to underscore the fact that LB34-- which is now embodied in Chapter 13, Article 34-- is not repealed by this. So, this would be a cap on top of a cap. Last week, you had LB575 introduced by Senator

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Hallstrom; that too did not repeal the LB34 cap embodied in, in basically article-- well, I, I guess Chapter 34. And so, what we're trying to address here is how, how can we go forward and have one cap? We already have levy limits; we know those are not going away. For municipalities-- actually, for all political subdivisions, those were set for the last time, was-- which was in 1996 with passage of LB1114 for municipalities; those took effect in 1998. And so, every-- as we've talked before, every second class city and village in the state of Nebraska was already over \$1.05 per \$100 of valuation. And within two years, they had to go down to \$0.45 plus five. That helps explain dramatically why over half of the municipalities-- of the 528 cities and villages in the state of Nebraska-- are already up against their maximum levy limit, and half of those can't even raise the funds that you would now allow them to spend under Chapter 13, Article 5, which is the lid on restricted funds. Due to passage of LB34 and the cap now, which is embodied in, in state law, that will take effect July 1, 2025 on municipalities and counties, but the lid on restricted funds on Chapter 13, Article 5 stays in effect for all other political subdivisions except schools. And what's important here is the distinction between the caps on municipalities and counties-- which are property tax caps-- when juxtaposed against the lid on restricted funds, which includes everything that comes into that. So, in any event, our major plea with this committee is, we're happy to work with you, we want to work with you to basically, number one, do a cleanup of the LB34 cap, do some technical things that need to occur there. And certainly, on behalf of our members, we would certainly want to have one cap if there's-- if there is to be a cap, which we are reconciled to the fact there will be. So, in addition to a levy limit, one cap; not a cap on a cap on a cap. Our larger municipalities certainly have the sophistication to walk through all of that; our smaller entities, frankly, really don't. In our smaller villages, this-- the municipal clerk goes in maybe once a week, picks up [INAUDIBLE] processes mail, is there for the monthly village board meeting, gets paid almost nothing. Some of them actually get paid nothing. They're doing it out of civic responsibility. So, with that, we just-- we'll just indicate to you we're happy to work with the-- this committee. This is unworkable on its face, but we appreciate the effort, we understand what the intent is. And again, hoping to have more conversation with you next week when LB42-- or, LB242 is introduced by Senator Riepe and considered by this committee.

von GILLERN: Thank you. Questions from the committee? Senator Jacobson.

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JACOBSON: I just, just a couple questions I, I, I continue to-- we, we get this back and forth all the time, and, and Senator Andersen's not wrong. I mean, at some point we've got to find a different solution here. I mean, it-- it's, it's, it's-- when you look at where we're doing-- where we're going in terms of property taxes in particular. I'm still a believer that some are concerned about tax shifts; I can tell you doing nothing is a tax shift. It's moving more and more to property taxes, because that's the only thing that's, that's left for a political subdivision to go after. I do see that, that-- among your members, I don't know how many are doing local option sales tax. I assume a high percentage?

LYNN REX: The last count was 268, but that has not added in-- which I need to do, which is the additional-- I think there's an additional seven that had a successful election in November. I think three or four of those, it was increasing the rate, and maybe three that were brand new. But we will get you an updated list of that.

JACOBSON: And how many of those are maxed out at one-and-a-half? Or, are close to that?

LYNN REX: Many of them.

JACOBSON: OK, I'm just-- but there's some that--

LYNN REX: Oh, I'm sorry. You mean maxed out on sales tax, Senator?

JACOBSON: Right. On what they can charge for local option sales tax.

LYNN REX: For local option sales tax, the maximum amount is a maximum 2%, and there are all kinds of requirements to get from one-and-a-half to two.

JACOBSON: Right.

LYNN REX: But their rates can be 0.5%, 1%, 1.5%, 1.75%, or 2%. Everything requires a vote of the people, and you're required to do what you said on the ballot question in terms of how you use that money.

JACOBSON: But for municipalities, if they were all to max out at the 2%, they could be able to use that revenue to lower their property tax ask.

LYNN REX: With a vote of the people, yes

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JACOBSON: Yes. Yes.

LYNN REX: But as you know, certainly in North Platte,--

JACOBSON: Yeah.

LYNN REX: --many of these-- many of the local option sales tax dollars-- I would say probably most of them now are committed to a number of things. First and foremost, property tax relief; secondly, LB840 plans, which is a way in which municipalities can assist the private sector-- again, with another vote of the people-- for an LB840 plan, for a local economic development plan, to do the kinds of things that they think they need to do. Which is why during COVID, some of the municipalities with LB840 plans used their funds to help offset daycare costs and do some other things. Cities without an LB840 plan that's voter-approved-- by the way, as an exception to the constitutional prohibition against lending the credit of state-- they were not able to do that. So, what we're looking at here is just basically making sure that when you look at the LB34 caps, those are on property taxes, in contrast with the lid on restricted funds in Chapter 13, Article 5. That's on everything. And so, what our plea with you today is, we're happy to work with this committee, we want to work with you in terms of, number one, how to make some technical corrections to the LB34 cap to reflect your intent, and then also modify whatever needs to happen here so that we end of-- at the end of the day, municipalities and counties in particular, what have-- and I think this is true for all subdivisions-- one cap. We all have levy limits, and those--

von GILLERN: Thank you.

LYNN REX: --that's what we're looking at.

von GILLERN: Thank you. Any other questions? All right. Seeing none.

LYNN REX: Thank you.

von GILLERN: Thank you, Ms. Rex. Next opponent.

JASON BUCKINGHAM: Good afternoon, Chairperson von Gillern, and members of the Revenue Committee. My name is Jason Buckingham, J-a-s-o-n B-u-c-k-i-n-g-h-a-m, and I am the superintendent for the Ralston Public Schools. I testify today on behalf of the Ralston Public Schools and the Greater Nebraska Schools Association, and I appreciate the opportunity to appear before you to speak in opposition to LB424. The bill as presented has the admirable quality of attempting to limit

property tax bills for our patrons by creation of the allowable growth percentage, defined as the lesser of 3% or in-- or the increase in consumer price index. While on its surface the proposal seems attractive to-- in limiting the increase in property tax bills from one year to the next, it presents a very significant problem in the area of state aid calculations for school districts. As you are aware, the state aid formula, or TEEOSA, factors in the ability of school districts to raise some of their funds locally to support operations. This calculation is based on valuations and a number known as the Local Effort Rate, or LER. Currently, that's set at \$1 per \$100 of valuation. Historically, the LER has been adjusted up or down depending on the state's ability to fund the formula. Currently, there is no language in LB424 that changes any of the state aid formula. This becomes a significant issue in the calculation of state aid when property valuations go up at a greater rate than the proposed allowable growth percentage. The formula would continue to run based on current valuations, and ultimately, would lead to a reduction in state aid for many school districts. Passage of this-- passage of this bill without a companion change to the TEEOSA formula would leave school districts with-- would make-- school districts could potentially receive less money through state aid, and they'd be unable to recover the lost state funds through local property taxes. Though the proposed property-- the proposed cap on property tax bills would be effective in limiting property tax growth, it fails to address the issues in the formula, which would unfairly penalize school districts who depend on state aid to adequately fund their budget. Another concern we have for LB424 is the criteria for setting the allowable growth percentage. Currently, the parameters suggest the lesser of CPI or increase of 3%. Over the course of the last 20 years, the CPI has increased less than 3% 14 times. In three instances, the CPI growth was less than 1%. This is problematic for school districts, as the cost of personnel, utilities, insurance, and other benefits all increase from year to year, and generally at a rate of 3% or more. As an important side note, most school districts operate somewhere in the range of 75% to 85% of their budget being devoted the cost of personnel. Thus, reductions in funding of schools could directly impact the ability of school districts to retain their current levels of staffing. As a result of the issues concerned, we ask that LB424 be held in committee until such time as those issues can be addressed. Thank you for your time and your continued commitment to the people who stay in Nebraska. I'll try and answer any questions you have at this time.

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von GILLERN: Thank you. Questions from the committee? Seeing none. Thanks for being here today. Next opponent. Good afternoon.

GARY KUBICEK: Good afternoon, Chairman von Gillern, and members of the Revenue Committee. My name is Gary Kubicek, G-a-r-y K-u-b-i-c-e-k, and I serve on the Norris Board of Education, and I'm a member of the NASB Legislation Committee. I'm here today representing both Norris and NASB to speak in opposition of LB424. LB424 aims to limit increases in property tax bills, adding additional caps to public schools that would threaten our ability to fund everyday operations such as staff, infrastructure, emergency response, and all other expenses. These are especially important considerations for a growing district like Norris. Looking back two years, the current mechanisms since the passage of LB243 have worked. You don't have to take my word for it; you can take Governor Pillen's. From his November 8 press release on the 2020-- 2024 school property tax collection report, he states "caps are working to slow the growth of school property taxes. It is estimated that in 2024 growth will be 2.7%, the smallest percentage increase since 2018." This legislation placed a spending limitation on local school districts and their boards of a 3% growth cap with some exceptions, while also allowing for local control. Placing additional limits on growth would impact-- impede a board's ability to meet the needs of their district and community, which is what I was elected to do. At Norris, we operate as a fiscally responsible board, no matter the environment, focusing annually on a number of items as we develop a budget. As an example, during our last budgeting process, we addressed our levy and were able to lower it \$0.06, and reduced our tax asking by \$40,000, all with the end goal of providing a quality education and welcoming culture for our students, parents, and staff. We were able to do these things in the environment that we work in today. This bill takes an overly-restrictive approach that could do more harm than good. Instead of additional caps, policymakers should allow locally elected boards to make the decisions they were elected to make, and stand accountable to the taxpayers for those decisions. Thank you for allowing me to testify. Are there any questions?

von GILLERN: Thank you for being here. Questions from the committee? Seeing none. Thanks again.

GARY KUBICEK: Thank you.

von GILLERN: Next opponent. Good afternoon.

DEAN EDSON: Good afternoon, Senator von Gillern, and members of the Revenue Committee. My name is Dean Edson, D-e-a-n E-d-s-o-n, and I'm

presenting testimony in opposition to LB424 on behalf of the Nebraska Association of Resource Districts. I want to make-- state up front, we're not opposed to property tax reform; we're very concerned about the heavy reliance on property taxes to fund schools and other political subdivisions. We want to work with you on a lot of these issues but LB424 does not, does not work for us. The new proposal restriction not only hampers our efforts to protect natural resources, but it also sends a signal to never reduce taxes. I've attached a graph for NRD valuation changes in tax collections over the last ten years. Three times in the last ten years, we had a tax levy increase close to the valuation increase; in other years, the rates were below the valuation increases. What I can't tell you is what the range of valuation increases to get to the average, because we don't get that information. Let's pick fiscal year '18-'19 as an example. Valuations went up 1.7% statewide and average levy collections went down 3% for the NRDs. If there were parcels that went up 10%, but all the average parcels were 1.7%, our average decreased levy of 3% will still end, end up as a tax increase on certain parcels, but not for most. The NRDs budget's a little different than other political subdivisions; we're closer to a zero-based budget, as we build flood control projects, develop water augmentation programs, develop cost share for specific projects. When these projects are completed and paid, the tax collections go back down. That's why you see the pattern at levy rate does not correlate with the valuation increases. Local boards want the ability to lower rates when we don't need the taxes, and we want the ability to raise them in the years that we do need them. What this bill would do to the NRDs is make sure that they take the maximum amount every year, which is the wrong setting for us. The NRDs work with local citizens to develop these workable solutions to complex issues. As we navigate these complexities of water management, we ask the Legislature to consider the ongoing commitment to keep Nebraska number one in water managing-- management efficiencies. The, the current and evolving demands "nessitate" a thoughtful and collaborative approach to these spending tools. We'll work with you on this, but LB424 does not meet those requirements. Thank you, and I'll try to answer any questions you might have.

von GILLERN: Thank you. Are there any questions from the committee members? Seeing none. Thank you for your testimony.

DEAN EDSON: Thank you.

von GILLERN: Any other opponents? Seeing none. Is there anyone who'd like to testify in a neutral capacity? Seeing none. Senator Andersen,

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would you like to close? And as you come forward, we had 39 proponent letters, 9 opponent, and zero neutral online comments. And no ADA.

ANDERSEN: Thank you, Chairman von Gillern. I'd like to-- before close, I'd like to make a couple of comments to-- in response to some of the testifiers. Mr., Mr. Cannon talked about the evaluations and the impact with LB424, and I just want to add that when LB424-- what it really does, it, it doesn't look at what the valuation is. When it looks at the tax increase, it looks at the increase from last year, maximum of 3% this year. So, it really kind of severs the valuation. It's not weighing impact; it maxes out at 3%. And that's the beauty of making it predictable, right? So, if the first year your taxes were \$10,000, you know next year it's going to be \$10,300. And then 5 years from now, it's \$11,254 at the worst case. And that's really the whole point, is it makes it predictable for businesses and for people, and it's not dependent on the opinion of whoever is doing the valuation. And that's one of the-- I think the-- one of the huge challenges we've had. I am a simple man, and that's why, that's why the bill is only two pages. One of the questions was about TEEOSA and the impact, and I think that TEEOSA is a very complex equation, as we all know. But I think if you provide stability in the-- that cap of the increase in tax, it will do nothing but provide stability for TEEOSA. I think it will smooth a lot of things out. You won't have the big gyrations pro and con. With that being said, Chairman von Gillern, thank you for your time, and the members of Revenue Committee. We're punishing people for simply owning a home. The out-of-control valuations are causing much higher property taxes and insurance rates. As senators, we all have heard from our constituents in person and on the phone how they're being taxed out of their homes. Virtually every person I spoke to in my district told me how they were being driven out of their home by continually increasing property taxes. We have to stop the bleeding. LB424 may be a radical departure from the current approach, but it is precisely this sort of bold change that Nebraskans have been demanding. We need to stop punishing people for owning a home. Hard caps in other states are providing a roadmap we should follow. LB424 offers a proven path forward that protects families from unmanageable taxes-- tax increases. LB424 is an approach rooted in sound fiscal responsibility. It simply caps property tax increase to the lower of the current rate of inflation or 3%. This will enable a predictable property tax future for homeowners and small business people that they can work with. It will provide long-term stability for our communities. Members of Revenue Committee, we cannot wait any longer. Nebraska homeowners demand we fix runaway property tax hikes. I urge this committee to vote LB424 out of committee so the entire body may

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debate this serious legislation, ultimately enacting a solution that the people of Nebraska only want-- what-- or, not only want, but desperately need. I thank you for your time and consideration, and I'll answer any final questions.

von GILLERN: Thank you. Questions from the committee? Seeing none. Thank you, Senator Andersen.

ANDERSEN: Thank you, Chairman and committee.

von GILLERN: That'll close our hearing on LB424. We'll open our hearing on LB131. OK. Good afternoon. Senator Sorrentino, you're welcome to open.

SORRENTINO: Thank you. Good afternoon, Chairman von Gillern, and members of the Revenue Committee. My name is Tony Sorrentino, T-o-n-y S-o-r-r-e-n-t-i-n-o. I represent Legislative District 39, which is Elkhorn and Waterloo in Douglas County. I bring to you today LB131. This bill has been introduced several times since 2018. In 2017, the Federal Tax Cut(s) and Jobs Act expanded 529 plans to allow families to invest in funds for K-12 tuition in addition to higher education expenses. As of 2024, California, Colorado, Illinois, Michigan, Minnesota, Nebraska and New York and Oregon do not allow K-12 529 plans. All of the other states do, and there is a map to that effect that you are just handed out. Wyoming actually does not have a 529 plan. LB131 seeks to remedy this by giving Nebraskans the full benefits of a law regarding the state-sponsored 529 educational plans, specifically discussing the Nebraska Educational Savings Trust, or commonly referred to as NEST. Currently, Nebraska law only provides favorable tax treatment for NEST accounts if they're used for qualified higher education expenses at public or private colleges, universities, community colleges, technical schools, and graduate programs. LB131 expands NEST 529 plans to include tax-free distributions of up to \$10,000 per year to pay for tuition in K-12 private/parochial schools. The primary benefit of the 529 plan is that any earnings from growth over time are tax-free if they are used to pay for qualified educational expenses. LB131 specifies expanding expenses for tuition to enroll in elementary and secondary education schools. You can find this in the bill on page 21, lines 13 to 16. Besides the wise financial decision to save in a NEST 529 plan, an advantage of these plans is the parents, grandparents, godparents, aunts, uncles, virtually anyone else who cares about a child may open a plan. This creates a great opportunity for people to invest in Nebraska and take care of loved ones. This is a pretty simple concept. LB131 allows Nebraskans the opportunity to save money for their

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children or grandchildren's education. The Nebraska NEST program, launched in 2000, has been very successful. Deputy State Treasurer for savings programs Rachel Biar, who will speak immediately after me, will discuss some of those specifics, but know that our younger generation of parents are saving and using savings account like this at a higher rate than any previous generation. This is true in Nebraska, when one sees the growth of our NEST program. LB131 allows everyday Nebraskans the opportunity to save their own money for their children's education, and to spend their money at the school they are most comfortable with and aligns with their family's beliefs. It returns the power to the hand-- to the hands of Nebraskans, and it takes less of that hard-earned money and allows them the opportunity to invest it in ways that directly and tangibly benefit their family and future of their children. The best strategy for financial success and educational success is to plan ahead. This bill does provide and empower the ability to save for Nebraskans to plan ahead. The intent of LB131 is to conform Nebraska to the federal changes regarding 529 plans. The federal changes allow for contributions to a plan to be used to pay tuition at an elementary or secondary school of choice. No doubt, we will hear arguments about this bill, such as how it will take away from public schools or disturb enrollment in public schools. LB131 does not hurt public schools. Period. Hard stop. This is about families making their choices with their money for their children. Our primary concern should be the inherent right of an individual to spend money-- their own money-- on the children they love. Ms. Biar's testimony will address the relatively small fiscal note, which actually is very likely, in my opinion, to be ultra-conservative. Nebraska-- and as a reminder, in case this isn't something you do every day, Nebraska residents can deduct up to \$10,000 per year from their Nebraska taxable income; the earnings grow tax-exempt, as long as the money is invested. Withdrawals are tax-free for education, and the maximum account balance in Nebraska is \$500,000. Thank you, and I'm happy to answer any questions you may have.

VON GILLERN: Thank you, Senator Sorrentino. Questions from the committee members? You said it, I just want to hear it one more time. If, if I put money into the account, I can't draw it out tax-free. The only thing that is tax-free is the earnings on those accounts, which typically occur over some long period of time.

SORRENTINO: That is absolutely correct.

VON GILLERN: Thank you. I just wanted clarity on that. Seeing no other questions, you'll stay to close, I'm certain.

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SORRENTINO: I will.

von GILLERN: Thank you. We'll invite up our first proponent.

SORRENTINO: I have nowhere else to go.

von GILLERN: Good afternoon.

RACHEL BIAR: Good afternoon. Chairman von Gillern and members of the Revenue Committee, I am Rachel Biar, spelled R-a-c-h-e-l B-i-a-r, and I am deputy state treasurer for savings programs. I am responsible for the overall administration of the NEST 529 education savings program. I do want to thank Senator Sorrentino for bringing this bill. From my perspective, I will be sharing with you some main highlights. You do have my full written testimony, which will provide much more detail, but I'm going to point out the main key points that we believe are very important and why this bill needs to pass. I have had the distinct honor of serving as director of the NEST program for more than 20 years now, and have heard from Nebraskans and multiple, multiple financial advisors over the years why we don't allow 529 withdrawals for elementary and post-- or, excuse me, elementary and secondary tuition payments as a qualified expense, especially since federal law has been passed since 2017 and we have allowed-- Section 529 allows various withdrawals for qualified expenses, and the Legislature has enacted each and every one of those over the years. The only provision we have yet to adopt is K-12. And, as Senator Sorrentino pointed out, we are in the minority in, in-- as of date. Also as Senator Sorrentino pointed, these funds can be used to pay for qualified education expenses at in-state, out-of-state schools; University of Nebraska, private school like Stanford. Also, a vocational school like Southeast Community College, and religious organization-based schools such as Creighton and Nebraska Wesleyan University. NEST has seen many successes over the years. We currently have \$7.26 billion in assets and more than 301,000 accounts. Of that 301,000 accounts, 103,000 of those are owned by Nebraska taxpayers. We have one of the highest in-state participation rates in the country at 21.52%. I also want to make a note, as it's important to note that 529 plans are for all income levels. They are for everyone. The Nebraska average account balance is \$19,724, and the national average is \$26,530. And I want you to keep in mind here that contributions can be as little as \$10, \$20; we have no minimums, they can be \$50. And that number of those average account balances does include market growth. So, when someone says these are only for the wealthy, that is not true because that is earnings over many years and contributions over many years. As we said, the-- Nebraska is in the minority of allowing

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federal withdrawals for a 529, and that directly affects our program, and here's why. 38% of our accounts are Nebraska account owners, with a majority of our account owners being at 62% outside of the state of Nebraska. So, there is much confusion when our Nebraska trust does not allow K-12 distributions, when we are indeed running a program that has account owners in all 50 states and the District of Columbia, and we are trying to separate the two between Nebraska residents and non-Nebraska residents. Regulatory requirements require us to disclose that K-12 is a non-qualified withdrawal, and we are losing NEST participants because of it. Everyone who does allow qualified withdrawals for elementary education and secondary education are going to other states. They-- when someone is evaluating which 529 plan to use, you can use any 5--

VON GILLERN: You need to draw attention to the-- to your time.

RACHEL BIAR: Sorry. Pardon me.

VON GILLERN: Thank you. Maybe there'll be a good question. We'll see. Senator Kauth.

KAUTH: Thank you, Chair von Gillern. Would you like to complete that thought?

RACHEL BIAR: I would. Thank you. So, we have-- again, there's-- you can-- when you're evaluating which 529 plan to use, you can use any plan in the country. People are looking at if they can use it for K-12 withdrawals, and Nebraska does not let them do that. And so, in my 20 years of experience working on this program, I can point to many calls that I've said why we're not allowing it, and people are telling me that they're choosing-- particularly financial advisors, they're choosing other plans because they can. If possible, I would like to address the fiscal note, as Senator Sorrentino mentioned. And again, in my experience, I believe the estimates are inflated based on historical program data. It is possible that Nebraskans could contribute to a NEST account and-- with the intention of using it for K-12 distributions, but it is not reasonable to assume that all the account owners would do that with their, with their 529 account. If you look at their fiscal note, in my opinion, they are assuming-- Department of Revenue's assuming that we will open 10,000 new accounts, and all of those will contribute \$10,000. And in my expert opinion, that is not probable. For calendar year 2024, NEST had 9,692 new Nebraska resident accounts, and our trust as a whole had 17,239 new accounts across all four of our plans, so I would respectfully disagree with Department of Revenue's estimates, based on only 9.24%

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of Nebraska account owners contributed in 2024 at \$10,000. So, their assumptions would mean that, going forward, all new Nebraska accounts, if we continue to average around 10,000 new accounts, would be using their entire NEST account contributions for elementary and secondary tuition, which would certainly not be accurate based on plan data. So, I would argue also that Nebraska account owners who would potentially use K-12 withdrawals are already saving in NEST accounts. This would not be--

VON GILLERN: Thank you.

RACHEL BIAR: --new money, in most cases.

VON GILLERN: Thank you. So, are there any other--

KAUTH: So--

VON GILLERN: Did you have a follow-up question?

KAUTH: I, I have a follow-up. Something that you said about that, so are we actually-- OK. When you do a 529, you can only take a tax credit from-- if you live in the state, right? Because you're paying the state income tax. So, are people from Nebraska choosing to actually use NEST accounts from other states?

RACHEL BIAR: We do have Nebraska residents who have accounts with 529 plans in other states, yes we do.

KAUTH: So-- and they wouldn't get any sort of tax benefit from that whatsoever?

RACHEL BIAR: Correct.

KAUTH: So, they're choosing to do that and invest somewhere else--

RACHEL BIAR: Yes, Senator, that's correct.

KAUTH: --because we don't do-- maybe you don't know.

RACHEL BIAR: I mean, that could be one of the reasons, absolutely. I have spoken to individuals who have told me that they have a NEST account; they're going to keep their NEST account because they would be tax consequences to roll out of Nebraska's plan once you've taken the tax deduction in Nebraska. But they have told me that they are opening a secondary account in other states, especially for residents who live in Omaha, for example, and they have Iowa right across the

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river. And they might send their school to-- or their child to a school in, in Iowa.

KAUTH: And so, when people move to the state, is it-- would it be routine for them to transfer their 529 from the state they're moving to Nebraska, or start a new one so that they can get the Nebraska tax breaks, and that's not happening either?

RACHEL BIAR: We-- I would say to that answer, Senator, we have both of those things happening. So, we have-- same, same scenario, actually. I-- we encourage rollovers into Nebraska's plan if you move to Nebraska, so you can take advantage of that \$10,000 tax deduction. But I have also talked to people who will leave their funds in another state's plan. Even though they've moved to Nebraska, they might roll in part of their Nebraska plan-- or it-- part of their 529 account from another state into Nebraska's plan to get that tax deduction, but they're also leaving their previous state 529 plan in that state so that they can use that for distributions, because they're not getting tax benefit on the out-of-state accounts or plans.

KAUTH: Thank you very much.

RACHEL BIAR: You're welcome.

von GILLERN: Thank you. Any other questions? Senator Murman.

MURMAN: I think you might have covered it, but, but could you cover it more clearly? I think you said that investors in Nebraska would invest-- if they did have the opportunity to invest for K-12, they would invest in Nebraska. So, we'll get an increase in investments that way. And then also, the out-of-state, where they invest in a NEST plan out of state, we'll gain some business there. Do you think that's properly compensated for in the fiscal note?

RACHEL BIAR: I think that-- yes, Senator. And, and all those same points that you made, that more Nebraskans would invest more, yes, I believe that would be a possibility. I think that some of them are already investing, and they might not invest any more; it just gives them an opportunity to use that withdrawal. And then, I would say that, yes, for those states where it causes much confusion, where those individuals have-- they live in another state and they're using our Nebraska 529 plan, I would say that we would eliminate that confusion and those individuals would most likely contribute more. But that would have absolutely no impact on our fiscal note because they're not getting the Nebraska tax deduction.

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MURMAN: Yeah. Thank you.

von GILLERN: OK. Seeing no other questions. Thank you for being here today.

RACHEL BIAR: Thank you. And I do have a lot more data in my testimony, so I'd encourage you to read it if you'd like.

von GILLERN: Thank you.

RACHEL BIAR: Thank you very much.

von GILLERN: Next proponent.

TOM VENZOR: Good afternoon, Chairman von Gillern, members of the Revenue Committee. My name is Tom Venzor, T-o-m V-e-n-z-o-r. I'm the executive director of the Nebraska Catholic Conference. LB131 would conform Nebraska state law to federal law by allowing 529 savings accounts to be used for K-12 tuition expenses. Reason and Christian faith teaches that public authorities have the duty of ensuring the concrete conditions for the exercise of parents to direct their children's education. LB131 recognizes the need for state government to support parents as they engage in this sacred and fundamental responsibility. As you've heard already, you know, since the Tax Cuts and Jobs Act was passed in 2017, 40 states and D.C. have expanded their 529s to be used for K-12 tuition expenses, and here we are nearly a decade later, and we failed to update our laws to, to reflect that. There are currently 37,000 students across 174 nonpublic schools in our state. Kids from nearly every county attend a nonpublic school. Catholic schools account for around 27,000 of those students across 112 schools that are fully approved or accredited by the Nebraska Department of Education. These students and their families save Nebraska taxpayers over half a billion dollars each year by attending nonpublic schools across our state. Nonpublic education is vital to Nebraska's history, academic success, and the economy. LB131 provides a measure of support and honors the families who invest in 529s and choose our state's nonpublic schools. Having testified in support of previous iterations of this bill, we're aware that opponents will claim that this is a scheme for the wealthy. Interestingly, a 2022 survey on 529 accounts found that 74.4% of plan owners in the country fall into middle class families with household incomes of \$150,000 or less, while 17% have incomes of \$50,000 or less. So, families of all households-- or, family inc-- of all household incomes can and do use 529 plans. They've also argued that 529s will somehow hurt public schools, but it's unclear what evidence supports this proposition

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since we have 40 states utilizing this expansion, and this seems more of a misplaced argument that every dollar in the state coffers somehow belongs to public schools up-front. And if that were the case, the logical conclusion would be that you need to argue that the 529 program in and of itself is a problem. And I would also argue that sometimes, you hear the argument that this would lead to public funds somehow being used for private schools. But again, we have programs that provide for-- as you just heard earlier, you can already use your 529 plan at the college level for private colleges. We also have all sorts of state programs that assist state private colleges as well as early childhood education programs that are private as well. So again, those arguments aren't, you know, really consistent across the board when you see how the state invests its resources, so. I would just note that, you know, even small financial investments, even up to \$500, can be a big impact on families who are just trying to make ends meet and make tuition payments, so. That said, we encourage your advancement of this bill to General File, and I hope we can get it across the finish line.

VON GILLERN: Thank you for your testimony. Any questions? Seeing none. Thank you for being here.

TOM VENZOR: All right. Thank you.

VON GILLERN: Next proponent.

MATT LITT: Good afternoon.

VON GILLERN: Good afternoon.

MATT LITT: Chairman von Gillern and members of the Revenue Committee, my name is Matt Litt, M-a-t-t L-i-t-t. I'm the executive director of the Nebraska Coalition of Nonpublic Schools, otherwise known as NCNS. NCNS represents member nonpublic schools and nonpublic schools' central offices, such as the three Catholic diocese and the Nebraska District LCMS. Our mission is to expand education freedom and protect school autonomy in Nebraska. We support LB131 because it falls squarely in our commitment to assist all parents and students in their efforts to exercise a free choice among schools. We believe parents are the primary educators of their children, and we believe that every child deserves an education setting that meets their needs and kindles a love of learning and unleashes their potential. Many families across Nebraska find an educational home for their children in one of our many nonpublic schools, and these families make an investment in their children's education in the form of tuition on top of the taxes they

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pay to fund state and local spending on public education. Nonpublic schools do what they can to remove financial barriers to accessibility. These schools accomplish this through operational choices to minimize expenses, the generosity of benefactors, and other development efforts and investments by the local community or an associated church. All this is to say that families work hard for their kids to attend the school that best fits their needs, and nonpublic schools work hard to make themselves financially accessible. LB131 is one way state policymakers can support Nebraska's families' K-12 educational decisions. LB131 encourages investment in elementary and secondary stages of child's education, which is a prerequisite for post-secondary education of any kind. Expanding the NEST 529 benefits to elementary and secondary education tuition would be an expansion in the state's support for students, and allow parents, grandparents, or anyone else to support them through their education. As we now, it's time this-- excuse me. As we know, the federal Tax Cuts and Jobs Act of 2017 allowed for expansion of the plan, and we firmly believe it is time to utilize that for secondary and elementary education. Nebraska families support students across the state through their taxes, and we're asking that the Legislature supports families who also fund their own children's education. With that, I urge you to advance the bill, and thank you for your time and consideration.

von GILLERN: Thank you for your testimony. Any questions from the committee members? Seeing none. Thank you for being here.

MATT LITT: Thank you.

von GILLERN: Are there any other proponents?

JAY STEINACHER: Good afternoon, Mr. Chair, members of the committee. My name is Jay Steinacher, J-a-y S-t-e-i-n-a-c-h-e-r. I work at Union Bank, and started and managed the-- manage the 529 college savings division. Union Bank has been involved in the 529 industry since the year 2000. We serve as the current program manager of the Nebraska NEST 529 program, and served as the program manager when the Nebraska plan was launched in January of 2001. Nationally, 529 plans have \$500 billion in assets. With their tax advantages and benefits, they are seen as the preferred way to save for future educational expenses. Nebraska's 529 program, as Rachel alluded to, is over \$7 billion in size. Keeping the Nebraska program competitive and mainstream versus an outlier requires adapting and making changes as they are passed at the federal level. Withdrawals from 529 plans are predominantly used to pay for higher education, whether it's college, trade school, community college, or an apprenticeship program. In 2023-2024, the

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large majority of withdrawals were for students 18 and older, reflecting payments for college. Very, very few withdrawals are prior to the age of 18. We are in support of having and keeping a robust 529 program that is in sync with the federal rules. Staying competitively structured is important in providing Nebraska families the same benefits that they can receive by investing in an out-of-state 529. We appreciate the consideration in keeping the Nebraska program competitive and aligned with the majority of states across the country. Thank you. I'd be happy to answer, if there's any questions.

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

JAY STEINACHER: Thank you, Chairman.

von GILLERN: Next proponent. Good afternoon.

NICOLE FOX: Good afternoon, Chairman von Gillern, members of the Revenue Committee. Nicole Fox, N-i-c-o-l-e F-o-x, representing Platte Institute. Thank you for the opportunity to testify today in strong support of LB131. And thank you, Senator Sorrentino, for promoting education choice in Nebraska. The Platte Institute supports policies that remove barriers to economic opportunities. Policies that support the notion of choice when it comes to a child's education is one such policy. For the past several years, the Platte Institute has been committed to expanding education choice for one simple reason: every child deserves the opportunity to receive an education that best fits their needs, and every child deserves a chance to succeed. We feel it is important to empower families to make decisions about their children's education the same way they make decisions about every other aspect of their lives. LB131 proposes to conform Nebraska to federal changes passed in 2017 in the Tax Cuts and Jobs Act to allow for the expansion of 529 programs to include tuition at Nebraska elementary and secondary schools, with a limit of \$10,000 per beneficiary per taxable year. While not the \$50 million tax credit scholarship program signed by Governor Brad Little today in Idaho, or other types of education choice prog-- programs established by nearly every other state in the country, LB131 would help families save to pay for future education expenses. The Platte Institute supports this expansion, as it is a step in the right direction that will give families living in non-choice state like Nebraska more opportunity find-- to find the right fit for their children. We hope the Legislature will continue to work and eventually find ways to expand K-12 educational access and choice for families. And with that, I'm happy to take any questions.

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VON GILLERN: Thank you. Any questions from the committee? Seeing none. Thank you for your testimony. Are there any other proponents, LB131? Seeing none. Any opponents? Any opponent testimony? Good afternoon.

TIM ROYERS: Good afternoon, Chair von Gillern, members of the Revenue Committee. For the record, my name is Tim, T-i-m; Royers, R-o-y-e-r-s. I'm the president of the Nebraska State Education Association. I'm here on behalf of our members in opposition to LB30-- LB131. LB131 would expand 529 NEST plan eligibility to cover tuition expenses related to attending an elementary or secondary school. I'd be remiss if I did not point out our concerns that this would further impact the revenue of this state, but-- and in an amount that will continue to grow over time, however, those are not our primary objections to this bill. First, LB131 would only benefit families who choose to attend a private elementary or secondary school. While qualifying post-secondary expenses include things like computer technology, additional services for students with special needs, and even room and board, the only qualified elementary and secondary expense is tuition. The reality is that, for many families attending public schools, they have expenses that these accounts could potentially help defray. I can think of-- Senator Kauth had at least one kid who had a lot of show choir expenses in their time in high school. While I recognize that LB131 is an attempt to utilize expanded eligibility from the 2017 Tax Cuts and Jobs Act, these programs got their start at the state level first before becoming federal law. Such additional eligibility that we're proposing is, is covered from undue federal tax obligation by court precedent, namely Michigan v. United States. Additionally, not allowing public school attendees access to this plan would potentially put this bill in trouble with the established Nebraska court precedent. *Lenstrom v. Thone* in 1981 specifically highlighted the importance of making sure that programs can be used at any eligible institution, public or private. Second, while we wanted to highlight the parity concern, our main apprehension is that the expanded eligibility to cover private school tuition undermines the main benefit of a 529 plan: time. In my family, we have accounts for both of our daughters, and my wife and I have been putting money in since the, the, the day they were born. We have 18 years to build up money to pay for four years of education. Under this bill, a family would effectively have five years to build up money to pay for 13 years of education. Even if we are generous in our assumed return rates, a family would still need to contribute at least \$2,000 a month to cover the \$10,000 per year in tuition that this bill allows, and that doesn't take into account if you also intend to save for college tuition as well. So, because of that, unless you're already of means,

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this bill does not meaningfully reduce the financial obligations of private elementary or secondary tuition. So while I think the goals are certainly well intended, this would effectively just become another way for folks to access a deduction that they probably don't really need. For these reasons, I would urge you not to advance LB131. Thank you, and happy to answer any questions you may have.

VON GILLERN: Any questions from the committee? Seeing none. Thank you for your testimony.

TIM ROYERS: Thank you. Have a good afternoon.

VON GILLERN: Other opponent testimony. Good afternoon.

CONNIE KNOCHE: Good afternoon, Chair von Gillern, and members of the Revenue Committee. My name is Connie Knoche, C-o-n-n-i-e K-n-o-c-h-e, and I'm a senior fellow at OpenSky Policy Institute. We're here in opposition to LB131 for several reasons, including concerns about the cost to the state and the creation of a new tax benefit to subsidize private K-12 education. While federal law allows state 529 plans to be used for private K-12 tuition, LB131 goes a step further by also creating a new state-level tax deduction for private K-12 education tuition. 529 education savings plans were created to encourage long-term savings for higher education. LB131 will turn NEST into a pass-through entity so that families with children in private schools can use these accounts in-- to receive an immediate tax deduction for their private school tuition. For example, under LB131, a taxpayer could put in \$10,000 to their child's NEST account and then immediately withdraw that same amount for private K-12 tuition, as there is no requirement that the funds remain in the 529 account for any length of time. In this way, the savings plan is not being utilized to generate long-term saving benefits for beneficiaries as was originally intended, but instead as an immediate tax deduction to the taxpayer. According to an article in Forbes, the shortened holding time for deposits that would be impacted from allowing 529 plans to be used for private K-12 tuition may also create a number of other issues, including increased administrative costs for the plan administrator and making it harder for the state to predict tax revenues. The state is also experiencing a significant budget shortfall and has structural "deficits" projected for the next two years. Another new tax deduction would further narrow our state's income tax base, and make it more difficult to raise the revenue needed to fund other priorities like workforce development, health care, and other public schools. As a result, we oppose LB131, and

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would urge the committee not to advance it. Thank you for your time, and I'm happy to answer any questions.

VON GILLERN: Thank you. Any questions? I, I think we'll get a little bit more clarity. I, I believe your comment about the immediate tax deduction is completely incorrect, but we'll get some more clarity on that.

CONNIE KNOCHE: OK.

VON GILLERN: The, the question I ask Senator Sorrentino when he was up here earlier is the only tax deduction is on the growth on the earnings over time, and making a deposit in and making withdrawal out is not tax deductible, so.

CONNIE KNOCHE: OK.

VON GILLERN: Thank you for your testimony. Next opponent? Good afternoon.

DANIEL RUSSELL: Afternoon. Thank you, Chair von Gillern, and members of the Revenue Committee. My name is Daniel Russell, D-a-n-i-e-l R-u-s-s-e-l-l, and I'm a deputy director of Stand for Schools, a nonprofit dedicated to advancing public education in Nebraska. Stand for Schools is here today in opposition to LB131 because these programs in other states almost exclusively benefit families who can already send, send their children to private school for the simple reason that you need money to save money to take advantage of the tax benefits. It's reflected in statistics about who currently uses the college savings plan that this bill would change. In 2022, 84%, or 16,500 of the 19,610 filers taking advantage of the plan had household income over \$100,000, with 42% of filers having a household income over \$200,000. Filers with household incomes over \$100,000 took advantage of over \$77 million in tax adjustments, or 90% of the total tax benefits that year. Filers with household incomes over \$200,000 used \$50 million of those adjustments, or just under 59% of total tax benefits. Proponents say this bill would simply bring state statutes in line with federal provisions that expand the scope of 529 plans to K-12 private education, however, state level tax credits up to \$10,000 a year for the use of these accounts have nothing to do with federal tax reform and would cost Nebraskans. The next point I'm making, I think Senator von Gillern was asking about previously; it is my understanding that contributions qualify you for a tax deduction, but I'm happy to double-check that and then get back to the committee.

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von GILLERN: Thank you.

DANIEL RUSSELL: So, for those reasons, we oppose LB131, and I would be happy to answer any questions.

von GILLERN: Questions from the committee? I'm just-- I'm looking at your testimony, and looking at-- and it's interesting, we can-- statistics are always dangerous. Your statistics relate to the number of filers. I'm looking at the testimony from Nebraska Catholic Conference which was read into the record that talks about the number 529 accounts, said 74.4% of plan owners in the country fall into middle-class families with household incomes of \$150,000 or less. So, we have a interesting statistical battle going on here.

DANIEL RUSSELL: And I could talk to Mr. Venzor about that, and then get back to you, Senator von Gillern.

von GILLERN: That'd be great. Thank you. Any other questions? Seeing none. Thank you for your testimony. Any other opposing testimony? Seeing none. Is there anyone who'd like to testify in a neutral position? Seeing none. Senator Sorrentino, would you like to close? And as you come forward, we had 2 proponent letters, 60 opponent, zero neutral, and no ADA comments. Senator Sorrentino.

SORRENTINO: Thank you, Chairman von Gillern. Thank you, committee. I will address the question that's alive and well at the moment. There is a situation where one could put money into the account, take it out in the same taxable year, and get that deduction. Ms. Biar and I were talking about this. I think her word-- exact words were extremely rare, and it happens in the case of an adult learner who might go back to school in their 30s or 40s using their own money because they can only take it out for the beneficiaries. If they're also the beneficiary, they can put it in on Monday and let it process and take it out a week later. That is certainly not the intent nor the everyday use ever, but I guess technically that could happen in certain situations.

von GILLERN: Thank you.

SORRENTINO: As senators, we're often tasked with trying to find something on the floor that should be done to help everyday Nebraskans. And in this bill, I think we have that. This is good for students; it's good for parents, grandparents; it's good for the state to the extent that-- and the standpoint we can grow the size of the NEST fund, that reduces the overall cost of administration. It was

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earlier testified it's a seven-- roughly \$17 billion of the \$42 billion investible assets. That makes it 16% of the overall of investable assets. This is a big deal. You know, we were elected with-- in mind to keep our fiscal house in order, but also to do the right thing for Nebraskans. And I think this bill is right, and it's also ripe, given the time that we're living in. Thank you.

VON GILLERN: Thank you. Questions from the committee? I, I want to address a comment, and then you can-- if you find a question in here that you can respond to, that would be great. Mr. Royers' comment about you only have 5 years to invest for 13 years of education. I've been investing on behalf of every one of my grandkids since they were born. Now, if we use that for, for primary education, elementary education, his comment holds true. But my understanding of 529 plans is you can also pull from different-- as long as they're related, you can pull from different accounts.

SORRENTINO: Yeah.

VON GILLERN: So, if I have a child that's older that's not taking advantage of that-- we have several grandkids that are in private education, several that are in public education, and you can move the money between those accounts without penalty, is my understanding. So,--

SORRENTINO: And that's--

VON GILLERN: You do have a longer runway than 5 years to, to earn for 13 years, is my understanding.

SORRENTINO: And you do. And I would add to that, I know several people who've had children that went on to universities, for instance, that got full scholarships, and then they have other children that didn't, or they went to a military academy where they're not paid. So, it's very rare that the money goes to waste, per se. Typically, the runway is more than 5 years, but I might add, the cost of private education since I was funding it for my-- is a lot more. It's not easy to just pay it out of your pocket. So, sometimes you do need these funds a little bit earlier than planned. Thank you for the question.

VON GILLERN: Thank you. Seeing no other questions. Thank you for your testimony. That will close the hearing on LB131; it'll close our Revenue hearings for the day.

SORRENTINO: Thank you.