

Transcript Prepared by Clerk of the Legislature Transcribers Office  
Revenue Committee March 12, 2025

**von GILLERN:** Good afternoon, and welcome to the Revenue Committee. I'm Senator Brad von Gillern. I represent Legislative District 4 in west Omaha and Elkhorn. I serve as the chair of the committee. The committee will take up the 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 a bill, there are also yellow sign-in sheets back on 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 will finish with the 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'll have one minute remaining, and when 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. 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 [legislate-- at nebraskalegislature.gov](http://legislate--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 on the committee statement. I'll now have the committee members with us today introduce themselves, starting on my left.

**KAUTH:** Hi. Kathleen Kauth, LD31; the Millard area.

**MURMAN:** Dave Murman, District 38, from Glenvil. I represent eight counties along the southern border of the state.

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**IBACH:** Teresa Ibach, District 44; eight counties in southwest Nebraska.

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

**LAUREN NITTLER:** Hi, I'm Lauren. I'm from Aurora, Colorado. I'm in my second year at UNL, 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:** Thank you for your help today. With that, we'll begin today's hearings with LB582. Welcome, Senator Spivey.

**SPIVEY:** Thank you, Chair von Gillern, Vice Chair, who is not here, and members of the Revenue Committee, for the opportunity to speak today. I am Ashlei Spivey, A-s-h-l-e-i S-p-i-v-e-y, representing District 13 in northeast and northwest Omaha. I'm here today to introduce LB582, which raises the cash device tax from 5% to 15%. So, this is also provided in your synopsis, but the cash device definition as based on our statute now means any mechanical amusement device capable of awarding cash, anything redeemable for cash, gift cards, credit, or any other instruments which have a valuable [SIC] denominated by reference to an amount of currency, or anything redeemable for anything described in subdivision (c) of this subdivision, which is found in 685-- LB685, which was passed in the last session. And so, just kind of a history on cash devices. We as a state have gone through lots of iteration around what does the regulation look like, the definitions. And so, they were first made legal in Nebraska around 1997 in some sort of capacity. In 2007, it was estimated that there were just about 430 skilled game machines that counted towards what-- and how we define now as cash devices. In 2019, LB538 established career-- clear criteria to define and track cash devices. As a result of-- the, the Department of Revenue found that there were nearly 4,300 devices across the state in over 80 counties that weren't being regulated or tracked in the same way. We also had LR98, an interim study that was done to really, again, help us grapple with cash devices, [INAUDIBLE] machines, how does that relate to casinos, other things. And then, the last legislative session, 2024, this body passed LB685, which established a central server to track and implement a 5% tax on these devices which goes into effect July 2025. And so, based on estimates from the Fiscal Office here, there are about 5,500 cash devices in operation across our state; they can be found in

90 of the 93 counties, which means about 99% of Nebraska's-- Nebraskans live in counties that have these devices. This legislation that I am proposing builds on the regulation and oversight of what was done before by increasing the tax paid by the devices to be more in line with other similar taxes. The goal of this bill is to ensure that operators contribute equitably to the state's revenue, and puts additional tax revenue into property tax relief as well as public education. It also helps to address the growing problem that we are seeing around gambling in allocating funds for addiction assistance programs. This bill does not ban the devices or eliminate the industry at all, or it does not impose an excessive taxation. For comparison, in Arkansas, for cash devices, and with that definition that, that we have provided and that I am-- read earlier, they are taxing about 18%, which generates about \$56 million in revenue, roughly, to the state. And so, for LB582, I believe this bill is necessary because the number of cash devices in Nebraska has nearly doubled in three years-- again, almost at that 5,500 mark across 90 counties. Studies show that the rapid expansion of cash devices disproportionately impacts low-income communities, which correlates with increases in petty crime and gambling addiction. I know specifically in my district, District 13, you cannot go to a gas station, a "laundrymat," or a restaurant without seeing these, and so while I have a, a particular viewpoint around if these should exist or not, this bill is not addressing that. I'm not trying to say it should or should not be here, but I know as a, a district that has a higher percentage of low-income residents and where I see these devices that it is having impact around addiction and some other ripples and symptoms of that. So, by raising the tax rate to 15%, the devices are in line to fair taxation. And again, it can-- will contribute to education, property tax relief, and the addiction assistance programs. I have received feedback around this bill from small business owners that have this device, as well as-- and I did talk today to some of the folks that will be in opposition that are operating and, and are distributors, so I am listening to all sides of the conversation. But wanted to specifically lift up the-- some of the comments and feedback I've already received from small businesses. So, I'm a small business owner; my husband and I had a take-out burger restaurant that had a brick and mortar, and now we just operate food trailers, and we were actually approached-- we-- our business was located in District 13, so Senator McKinney's district, which, again, has higher of a lower-income population, and we declined not to have these tax [SIC] devices. As a small business owner, we experienced barriers around inflation, staffing-- like, all the things that people experience, and it was sold to us, again, as an opportunity to put more revenue into our business, which we did not agree with. And as a--

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someone that has worked in economic development the last decade, I think that there's other opportunities to invest in the success of small businesses. And so, I don't think the conversation around taxes and cash devices is mutually exclusive with small businesses surviving. There are programs that are in the preliminary report being cut that really support small businesses through DED; there's an opportunity to look at our current tax credits and how they're being utilized, but I just want to uplift that I believe in small businesses. Yes, I know that they go through a lot, and we are navigating a lot, and that conversation, again, is not mutually exclusive with cash devices and the tax. And so, again, I just want to make sure that I, I uplifted that. I also-- in that fiscal note, if you all have already looked at it, there was some implications to the counties because of timing, and just when this hearing was, I have not been able to have a conversation with the counties yet around the distribution and what does that look like, but that is on my list to follow up with them because, again, I don't want to negatively impact the revenue that, that goes to our partners at that political subdivision. And then, just also wanted to uplift the report that the Legislative Research Office did. And so, they-- again, as we've been grappling with this, they put together a 15-page report just around, like, what is the state around cash devices, what does that look like? And they also have on page 11, just for reference, other states and what they are taxing, and the potential impacts of revenue. They also talk about and uplift just, again, the larger conversation around if they should exist or not. And so, as I was putting this together, really leaned on the work that this body has been working on for a number of years around cash devices; the definition, regulation, oversight, as well as what taxation looks like. And so, with that, I thank you for your time and consideration, and hope you will support LB582 out of committee, and I'm happy to answer any questions that the committee has at this time.

**von GILLERN:** Thank you, Senator Spivey. Questions from the committee? Senator Kauth.

**KAUTH:** Thank you, Chair von Gillern. Senator Spivey, I'm looking at the fiscal note and the percentages that you're increasing and decreasing. So, you're increasing the General Fund from 2.5% up to 20%, but then you're decreasing the charitable gaming operations from 20% to 5%; you're completely wiping out the Nebraska Tourism Commission promotional fund from 10% to zero; you're reducing the percentage from pro-- for property tax from 40% to 17.5%; and you're reducing the cities and counties from 25% to 7.5%. And-- have you had conversations with all of those people?

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**SPIVEY:** Yes. So, it's actually the percentage is decreasing but not the amount, because we're raising the tax. And so, the, the decrease is not proportionate to a number amount because the tax is increasing to 15%. So, in the synopsis I provided as well as some of the information-- and so, when you look at the actual money that is still going to those entities, it's not a decrease, except for the counties which I mentioned in my intro I still need to follow up with.

**KAUTH:** What about the Tourism Commission? Because that goes from 10% to 0%.

**SPIVEY:** So, that actually-- it, it doesn't go from 0%. They are still allocated in my bill as written. And because of the-- again, the increase of tax, they are about just right for what they were getting under the 5%.

**KAUTH:** OK. All right. Thank you.

**SPIVEY:** Yeah. Thank you for that question. I appreciate it.

**von GILLERN:** Senator Sorrentino.

**SORRENTINO:** Thank you, Chairman von Gillern. Thank you, Senator. On the same page-- line item, the Education Future Fund, the 47% [INAUDIBLE]. Can you give me a thumbnail sketch exactly-- I'm not as familiar with that fund as I probably should be, being a, a freshman like yourself. Tell me about the Education Future Fund and what exactly is--

**SPIVEY:** Are you on page 1 of the fiscal note?

**SORRENTINO:** Yes. And it, it goes to 47.5--

**SPIVEY:** So, yeah, the-- so, Education Future Fund has different intentions. It can be used for some of the re-- teacher retention, it pays into some of our public education and, and what is assigned. So, there are specific uses for that fund. Usually, what you see is a transfer out of the General Fund that also goes into that fund to help cover the costs that come out.

**SORRENTINO:** So, it's not a stretch to say it's for public education?

**SPIVEY:** No.

**SORRENTINO:** OK.

**SPIVEY:** That's not a stretch, I would say.

**SORRENTINO:** Thank you.

**von GILLERN:** Other questions? Senator Ibach.

**IBACH:** Thank you very much, Mr. Chair. I feel like the committee in the past few years have worked really hard to help businesses be compliant; they set up the software so that reporting was consistent, et cetera. Is it too soon to raise the tax on those businesses, when they really haven't had time to really evaluate how much this is even going to net?

**SPIVEY:** I would say no. So, that is going to be a part of the opposition, which I talked to folks today about. Just-- they feel like because it goes into effect this July that they haven't had an opportunity. I did-- on the second page of this synopsis, we did some preliminary estimates from the numbers with Fiscal, and then what their kind of ranges of what they are paying in taxes. And so, I would say no, it's not too soon to try to look at how do we ensure that it's equitable tax across. But I know that that is a concern, and I absolutely listened to that today and heard their point of view. So, I appreciate you bringing that up as well.

**IBACH:** Great. Thank you very much. Thank you, Mr. Chair.

**von GILLERN:** Senator Murman.

**MURMAN:** Yes. When the tax goes up on these amusement devices from 5% to 15%, if I'm reading these charts right, you figure that they'll still be the same number of devices?

**SPIVEY:** Yeah--

**MURMAN:** It won't increase the number of devices?

**SPIVEY:** Yeah. So, again, as I talked to the opposition today, they feel like it's going to impact people having the devices, it's going to impact their businesses, that people are not going to want to purchase from, like, the retailer perspective and, and have housed, and so we just did some preliminary-- like, what does that dollar amount actually look like? And so, when you look at-- on that second page in that second table I put together, Senator Murman, it has, like, the potential tax impact to the industry. So, when you look at-- and we estimated, like, \$50,000 a year for that device is the kind of case study that we had. And so, under the current law, it's about \$47,500 because this is on their net revenue. And so, that 15% would be \$42,500, would be the adjustment. And so, again, we think that this is not an excessive tax, that it makes it a more equitable with, with

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other states are doing and where they're taxing. And again, as we think about hard decisions in front of us around revenue and what does that look like, this is not mutually-exclusive with small businesses being supporting and, and adding to our economy, but that this could be an opportunity to really bring some more revenue in and, and have that tax be more equitable. So again, I did hear feedback and concerns about, you know, what does that look like, will machines not be able to be bought or be placed anymore? And so, I did have that conversation today as well.

**MURMAN:** OK. Thank you.

**SPIVEY:** Thank you, Senator.

**von GILLERN:** Other questions? I think the committee members hit most of the questions I had, but you, you talked about the, the locations where a lot of these machines are located and-- maybe you didn't use this terminology, but implied that maybe it was taking advantage of certain situations, which I don't disagree with you on. The-- do you think that increasing the tax will reduce play?

**SPIVEY:** The, the tax does-- is not passed off to the player in that same way. The tax is going to be absorbed by the people that are getting the net revenue, which are going to be that retailer who split with the business where it's placed. And so, you know, again, I have a specific viewpoint, and I think we are aligned in that, Chair, that-- and from the study that came out, I do think it takes advantages of certain populations. You see where they are. I witnessed people sit there all day and play, ask for money, go back in-- you know, cash. And so, I, I think that is a separate conversation that I try to remove my perspective and, like, is-- what is an equitable tax rate? And so, I think less machines in areas would not be-- would, would not be an issue, and I think it would be beneficial to community betterment in general. I do not think the increased tax will stop people from playing, or that businesses will have these machines still available.

**von GILLERN:** Mm-hmm. OK. Thank you. They-- they're present everywhere, not in-- it-- just as much in, in my district, so.

**SPIVEY:** Yeah.

**von GILLERN:** Yeah. OK. Any other questions from the committee? Seeing none. And you'll stay to close?

**SPIVEY:** Unfortunately, I have a heavy schedule today with this last week--

**von GILLERN:** OK.

**SPIVEY:** --and so I will not be here. However, my legislative aide will be watching so we can make sure that we follow up with the right information from testimony today.

**von GILLERN:** We'll keep track of any hard questions and follow up with you later.

**SPIVEY:** Yes.

**von GILLERN:** All right. Thank you.

**SPIVEY:** Thank you, Chair. Thank you, committee.

**von GILLERN:** Invite up our first proponent. Good afternoon.

**DAVID GEIER:** Good afternoon.

**von GILLERN:** It's a low chair. It's low for everybody. Just a warning--

**DAVID GEIER:** It keeps the, keeps the people humble.

**von GILLERN:** There you go. There you go. You're welcome to open.

**DAVID GEIER:** Good afternoon, Chairman von Gillern, members of the Revenue Committee. I am David, D-a-v-i-d; Geier, G-e-i-e-r. I'm director of the Nebraska Gambler(s) Assistance Program. I'm testifying as a proponent on behalf of the Nebraska Commission on Problem Gambling. I gave you a handout that starts off after the colorful cover page there. Give you a little bit of background about our Gambler Assistance Program. The main purpose of our program is to provide counseling service to Nebraskans who have problems because of, let's say, uncontrolled gambling. As we find gambling increasing in prevalence and opportunity around the state, the number of problems increase, and therefore the number of people seeking our help is increasing. As you turn through the pages here, you'll see by about the third page showing gaming preferences trending toward computerized devices. The people who work in the field of addiction to gambling find that the computerized device is the most addictive form of gambling that hooks people and gets them into a lot of trouble. In our program, we gather information from clients when they come in seeking help. That includes a number of questions about their background, what they've been doing, and that's how we find out that about 60% of new clients-- and that's increasing-- are playing on devices like these. In our population, mechanical amusement devices attract just as many



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gamblers-- I call them gamblers-- as people in the slot machines and the casinos. You go on through there, you see a map that shows you where they are around the state now, and as you go farther, you'll see some of the information we have accumulated from the clients. Basically, what this shows you is that people who play on these mechanical amusement devices come up with the very same kinds of problems as the people who gamble at the casino slot machine. They're in debt. They have a lot of problems; very similar problems-- family problems, stress, and anxiety. They're frequent gamblers; frequency of gambling is one of the hallmarks, one of the high-risk factors for addiction to gambling. People in these games break the law to support their gambling habit, typically by stealing or selling drugs. They have emotional problems, financial problems, and relationship problems. In many ways, the same as the people in the casinos. Therefore, tax them the same.

**VON GILLERN:** Thank you for your testimony.

**DAVID GEIER:** That's all.

**VON GILLERN:** Are there any questions from the committee members?  
Senator Kauth.

**KAUTH:** Thank you, Chair von Gillern. Will this increased tax do anything to stop people from gambling, or to discourage them spending their money on gambling? Or is it just a way to scrape more money from them?

**DAVID GEIER:** Well, first of all, it doesn't scrape money from the players. It won't discourage them from playing at all.

**KAUTH:** OK.

**DAVID GEIER:** In fact, in the casino, the rate of tax is 20%. It doesn't discourage people from going to the casino and playing on the slot machine. The 20% tax affects the business that's operating the device. The player is not affected by the tax. They're oblivious to the tax.

**KAUTH:** Right. OK. Thank you very much.

**VON GILLERN:** Any other questions? Seeing none. Thank you for your testimony.

**DAVID GEIER:** Thank you.

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**von GILLERN:** Invite up the next proponent. Are there any other proponents that would like to speak? Seeing none. Invite up our first opponent. Good afternoon.

**MATTHEW PHILIPPSEN:** Good afternoon. My name is Matthew, M-a-t-t-h-e-w; Philippsen, P-h-i-l-i-p-p-s-e-n. And I'm here today to-- in opposition to LB582. I own a manufacturing company in Bellevue, Nebraska. We manufacture skill devices for Nebraska and for other states in the U.S., as well as amusement devices that we distribute nationwide. In 2018, we relocated our headquarters from Texas to Nebraska, and in 2023, once we had been working with the Legislature, with-- and other people in our coalition to start to, you know, make the rules more defined on the mechanical amusement devices, we felt confident enough to invest seven figures in a building and operation in Bellevue that had been vacant for over three years. And since then, we've already put in over a half a million dollars of renovation. OK? And all of that half a million dollars went to local Nebraska contractors. Now, at this point, we employ over 20 people at that location. All right? And we've been able to see our business grow. And you think about a success story that we, working with you and everybody else in this room, is-- introduced an industry that allowed for out-of-state investment and grow it naturally to now, where we, we do over six figures a year in sales tax on the devices that we sell to other people in this room. Now, that's a true success story in my book. OK? Many of you have met me before; some of the, obviously, freshman senators have not. But, you know, for the past two-and-a-half, three years, we've worked with you to define the way that, you know-- to really put something in place where now, OK, we made an agreement, there's a 5% tax, there's a central server; it goes into effect in July. Me, as a business owner, as a manufacturer, having to come up here every year, we make an agreement, now this year, we're going to switch it this way; next year we're going to-- this, this way. It doesn't give me confidence to continue to invest and grow my business. And other people are in the same boat. OK? I understand there's different small business owners here. So, what we'd like to see happen is that we start with the agreement that we had. That would allow me to continue to sell my product to other people here in the state, and then you look at where the revenue comes in once the central server gets into place going forward. And then, that gives us more confidence to continue to develop R&D and new devices that we'll be able to grow and sell into other states as well. So, with that, I'd just like to say that every time a bill like this comes up, we don't get-- we never get a phone call, we never get asked. You know, they don't answer our emails. OK? So, it's just-- well, you know what? I just feel like doing it this time. And

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for us, I mean, it's great to be able to sit here and tell you our side of the story, but now it's like, we put something in place; let's move forward with it and then reexamine it next year. So, thank you.

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

**MATTHEW PHILIPPSEN:** Thank you very much.

**von GILLERN:** Yes. Next opponent. Good afternoon.

**JOHN FOX:** My name is John Fox, J-o-h-n F-o-x. Thank you for the committee for hearing us today. Just briefly, in this-- Bankshot launched in late 2007, December of 2000-- in December of 2011, the Supreme Court ruled the Bankshot to not be gambling. Bankshot games are sold to coin machine companies, which then enter revenue-sharing agreements and service agreements with local businesses, veterans clubs, nonprofits, which then receive 50% or more of the proceeds. In 2019, the cash [INAUDIBLE] act was passed with the new regulation and, and tax scheme and occupation tax on, on devices, known as cash devices. You know, it talked about the consequences of legislation-- last year, LB685, in addition to a percentage tax, placed a burden on the coin machine industry and businesses alike, so much so that there is 727 less decal devices today than there were in 2024; there are 22% less distributors, and there are as many as 200 businesses that are no longer served by the cash devices. And the most burdensome part of that legislation is yet to come. For all these and other reasons, we've received assurit-- multiple assurances from members of the Legislature and elsewhere that we shouldn't be subjected to additional burden or taxation until the current-- is resolved and absorbed. And that's all I have.

**von GILLERN:** Thank you for your testimony. Are there any questions from the committee members? Seeing none. Thank you for being here today. Next opponent. If you're going to testify, please move up front. Speed things up a little bit. Thank you. Good afternoon.

**JON CANNON:** Good afternoon, Chair 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 NACO, also known as the Nebraska Association of County Officials, here to testify today in opposition to LB582. I appreciate Senator Spivey bringing this, and, and she mentioned that, that we weren't able to connect on this, and, and that's probably more my fault. This was-- when we were looking at bills, this was something that probably escaped our attention, mostly because we did the rough

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math and said, well, it triples the tax and our allocation is almost a third, and so we thought it kind of leveled out. And then subsequently, when we actually were asked to reduce the fiscal note, we were like, eh, it might be a little bit more than that. So anyway, that's-- the, the fault is with me for not having spoken to Senator Spivey for-- before now. We're happy to work with her to get it to a point it-- it shouldn't be that much. Like I said, it, it triples the tax, and our allocation is just a little bit less than a third, and that should be a-- something that, that can be taken care of through an amendment if, if the committee chooses to do that. So, I'm happy to take any questions you may have.

**von GILLERN:** Thank you. Questions from the committee? If I ran the math right, you're about an eighth of a point difference. Does that sound right?

**JON CANNON:** Roughly. Yes, sir.

**von GILLERN:** OK. All right. Thank you.

**JON CANNON:** Great.

**von GILLERN:** Thank you, Mr. Cannon.

**JON CANNON:** Thank you.

**von GILLERN:** Next opponent. Any other opponents speaking on LB582? Good afternoon.

**RYAN KRUSE:** Thank you, committee. My name is Ryan Kruse, R-y-a-n K-r-u-s-e. I repre-- I'm first of all an opponent to LB582, and I represent Nebraska Technical Services, a large-- what has traditionally been referred to as a coin-op amusement industry which operates cash devices at this time. Really, the, the couple points that I-- that I'd want to make, and, and Senator Bach [SIC], I will thank you for bringing up the, the timing aspect, and the answer is it is too early for, for this type of tax. As John Fox mentioned, there are a lot of unseen impacts of the regulation yet to come from previous legislation. And those-- and the, the-- that impact is not just financial, in terms of what are the investments in technology, connectivity, but also the resources of your existing companies. Right? And most of the companies that you're dealing with, even though there are maybe some that are not local-- we happen to be one that is local, family-owned, and the impact that it will have on us in terms of staying compliant far exceeds the implication of the tax. The other thing that I would ask you, beg you, of sorts, is please be measured when considering these type of things.

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It has become somewhat obvious over the last couple of years that, you know, there's still a disconnect between what our industry is about and how it works and the decisions and the proposals that come up that can impact it, like LB582. We have to be able to combat geography, population distribution, the cost of equipment, staying on top of the technology, as I mentioned. Things that are not seen at a level, and above and beyond all of that, we split the money. All right? We split the money with the location. So, things like gray area games, I'll, I'll be honest with you, they're, they're out there. But the people representing our side of this bill are, are not those people. So, please consider that. This is not gray area stuff, and also, we're not casinos. We are not casinos, we don't split the money, we don't walk 50 feet to take care of a machine; we fill up a ga-- the vehicle with gas, we load up and we head out an hour or two. Those things cost money. So again, back to the, the timing question, now's not the time. It really isn't. And when you do decide, right, that these things maybe need to be taxed and regulated, implore us. Right? Bring us into the conversation, because there's a lot more to the story. I appreciate your time today. I'll be glad to answer any questions.

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

**RYAN KRUSE:** Thank you, committee.

**von GILLERN:** Next opponent.

**ANDY DOBEL:** Sorry, I only made nine. I thought I guessed right. I apologize.

**von GILLERN:** We'll ration. It's OK.

**ANDY DOBEL:** I guessed, and I guessed wrong.

**SORRENTINO:** Put, put it right here.

**von GILLERN:** Go ahead.

**ANDY DOBEL:** OK. My name is Andy Dobel, A-n-d-y D-o-b-e-l. I am the president of Greater American Distributing. We-- sorry. Small 15-second diversion. We are an actual distributor of games, not as the regulation states. We sell the games, we don't operate the games. The regulation has it a little upside-down; what we call operator-- operators are called distributors, what we call locations are called operators, so if I misspeak, I apologize. My biggest concern-- and I heard it again today; Ryan brought it up-- these aren't gray area games. They're

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legal, they've been certified by GLI, the independent lab designated by the state. The payout cannot be adjusted in any way, shape or form. So, any change to the tax is a direct tax on business, not on the consumer, unlike any other tax that could be passed. And these are not large, nameless, faceless corporations. Ryan wouldn't tell you this, but he runs the largest coin-op company in this state. They have the most skilled devices in this state. They employ 50 people. So, we're not talking about out-of-state problems, if you will. I, I, I agree with Ryan, and I, I don't understand why we're tripling a tax that hasn't yet been collected. Let's see what happens when we do it. On top of that, when these games were created, when they were passed, when their payouts were determined, the only fee to put these out outside of paying for it and paying sales tax on it was a \$150 stamp. Now, we pay a \$250 stamp-- "we." Sorry, I don't operate a game. They pay a \$250 stamp. The location's paying for a \$250 stamp. They're also paying as much as \$5,000 just for the right to have the games out on location, and we're going to have 5%, and cannot adjust the payout of the machines. On top of that, as you'll see in the handout, you can win every time. Literally every time. The manufacturer whose games I've sold the most of, you can win your bet plus 6% every time your money goes in with-- without exception. It's, it's not gambling. It doesn't make money like gambling, it-- sorry. Lastly-- I know I'm out of time-- the casinos didn't pay an ounce of sales tax on anything they bought. It was written into the regulation when they came into existence. Everything the coin operators purchase has sales tax on it, so if we're going to talk about taxing skill game operators the same as we tax casinos, I think we need to look at the entire basket, and not just one little piece of it. Thank you.

**VON GILLERN:** Thank you for your testimony. Any questions from the committee members? Senator Sorrentino.

**SORRENTINO:** Chairman von Gillern, thank you. My question is, did you have something else you wanted to get to? You looked like you had to rush at the end. Was there one other thing?

**ANDY DOBEL:** Sir, I always get a little nervous when I get up here, so I apologize.

**VON GILLERN:** You're good. You're fine.

**ANDY DOBEL:** The, the, the, the clarification on what a distributor, an operator, and a location is. So, I am not involved except that I sell these games. I do not operate a single one of them; I don't collect the money, I don't place them, my name does not on a list anywhere, if you

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will. I-- I'm here more as a representative of my customers, most of whom are single-employee or, like, two brothers or a husband and wife, and they're out there trying to manage 50 locations. And they can't afford to be here today because they don't take a day off, ever. So, that, that-- that's-- would be the only thing.

**SORRENTINO:** Thank you.

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

**ANDY DOBEL:** Thank you.

**von GILLERN:** Next opponent. Good afternoon.

**STACY LOSTROH:** Good afternoon, Chairman von Gillern, and members of the Revenue Committee. My name is Stacy Lostroh, S-t-a-c-y L-o-s-t-r-o-h, and I appear before you in opposition to LB582. I'm testifying today on behalf of Whitehead Oil Company and U-Stop Convenience Stores. I'm echoing a lot of the sentiments that have already been said within the other opposition. The games of skill industry worked in good faith with Senator Lowe and supported LB685; they came up with the new license fee structure, the reasonable 5% tax, and the central reporting system was agreed upon. Many distributors have already begun investing time and investing in the equipment necessary to comply with the server system. The reporting system has not gone into effect, as the tax is set to begin this July, and with this proposal, we are already tripling the tax without even seeing what the 5% tax brings. In addition, this skill game tax is not a pass-through, like, for our business, and so this is a direct income reduction for us. I appreciate your time, and I encourage you to oppose LB582.

**von GILLERN:** Thank you for your testimony.

**STACY LOSTROH:** Thank you.

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

**STACY LOSTROH:** Thank you.

**von GILLERN:** Any other opponents? Good afternoon.

**BRIAN HALAC:** Hi. My name is Brian Halac, B-r-i-a-n H-a-l-a-c. I didn't write anything down, so this is pretty well going to go "free-lib" because I wanted to hear what everybody else was going to say so I

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didn't reiterate. So, the taxes that are coming upon us, I-- it, it, it-- it's, it's horrible. I, I don't think most of the companies are going to last through this because-- I'm just going to put it this way: I'm a small operator; I, I fix pinballs and stuff on the side, so I own my job, I don't own, really, a business. I have a, a partner that helps me with the skill games, technically. When, when we collect-- and I'm just going to kind of go you through the numbers-- our whole 17, 17 machines earn roughly \$50,000. Not even that. So, that actually breaks down to about \$123 a day. That actually comes down to about \$7 to \$10 a day per machine. Out of that, you guys want to take 15% of that, which-- if it was even \$10, that's \$1.50. The IRS takes another 33%, and then the state revenue in itself, plus all the, the fees and all the crap that we got to do with service, gas, blah, blah, blah. There's nothing left. A lot of people don't think this is really going to affect, like, the, the consumer that comes up and actually plays the skill games. Yes, he-- he's not going to feel the tax burden at all. You guys are literally taking out of our pocket, because there's nothing we can do to up our ante. We have to split with the, the, the location; we have to do-- and, and pay out that way and still take the hit. So, if it continues to, to go like this, I-- there's a lot of mom and pop stores that are actually-- that need that a little bit of a boost that comes up. So, if we go away the, the \$1.3 million that our tax stamps bring in for the 5,100 games or whatever a year-- if that goes away, how are you going to compensate with that? Who, who-- what company is next? That's going to-- we're, we're, we're a legal business. This would be different, this would be-- this would be like going into a convenience shop and saying, "Hey, everybody has too much milk here, it's all over the place. Oh my God, people are drinking it all over the place." But we're going to tax it more. We're going to give you another tax stamp for it. We're a legal business. It'd be different if we're not going through the hoops that we're supposed to, but we're here more times than anything that-- I, I just don't get the-- why you guys keep on-- or, not you guys, just-- everyone keeps on changing the rules when we haven't even got to base play yet. I-- it's just-- it's going to break a lot of companies, and the mom and pop stores actually need this, the nonprofits. Without the VFWs-- without these things, there's a lot of VFWs are going to go. The bingos, they're just going to go because they can't afford it. They actually rely on this money, and without us here, where are they going to go? So, there's going to be a lot of people losing their jobs and stuff like that. The bigger companies, yeah, they might be able to handle it in different ways, but I doubt it. It's-- I don't know. Like I says, I'm with him. I get a little nervous when I get up here, but-- that's about all I have to say.



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**VON GILLERN:** You're doing great. Any questions? Senator Sorrentino.

**SORRENTINO:** Senator von Gillern, thank you. I won't make you nervous. I just have a question. I don't know if you were here earlier when we-- when Senator Spivey testified and opened on this bill that we were provided a fiscal note as to how much income this would generate by taking it from 5% to 15%. But from what I'm, I'm hearing from you is I should have some doubt about those numbers, because many of these games are going to fold going from 5% to 15%. So, maybe I shouldn't rely on these numbers?

**BRIAN HALAC:** No, you can't, because the, the numbers that she's getting from all of her data comes from other states. She's coming in with the, the population of an incredible numbers, that do incredible numbers, so that even at the 18 in Arkansas or the 35 in Chicago, those are-- and they make incredible numbers there because they've got a huge population. They have more population in, in one city than, than we do the whole state. So, the, the money is still-- I mean, don't get me wrong, it's still a huge burden. But for us here, yeah, \$10 a day a machine, at tops? What, what--

**SORRENTINO:** I appreciate the information. Thank you.

**BRIAN HALAC:** No problem. You bet.

**VON GILLERN:** Senator Kauth.

**KAUTH:** Thank you, Chair von Gillern. So, I want to ask you to reiterate what you said about-- we had-- you haven't even started paying the tax yet. The bill was passed last year, in '24, and it was deliberately scheduled to take place July of this year?

**BRIAN HALAC:** Yes.

**KAUTH:** So, you guys don't even know how the original bill is going to impact you, correct?

**BRIAN HALAC:** No, no, this is-- yeah, we have no idea how this is going to go in the first place.

**KAUTH:** And you're concerned that it, it will-- it's going to negatively impact you significantly anyway.

**BRIAN HALAC:** Yes.

**KAUTH:** OK.

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**BRIAN HALAC:** Yes. Yes, it's going to-- that's going to-- I think the first one is going to wipe out a lot.

**KAUTH:** OK.

**BRIAN HALAC:** Let alone the second.

**KAUTH:** With the first one, and not--

**BRIAN HALAC:** Yes.

**KAUTH:** --with this one.

**BRIAN HALAC:** You got it.

**KAUTH:** OK. Thank you.

**BRIAN HALAC:** You betcha. Thanks. Thanks for having me.

**von GILLERN:** Any other questions? Senator Murman. Don't go yet.

**KAUTH:** He's trying so hard to get away.

**MURMAN:** I'll relax your nerves. As an ex dairy farmer, you're not asking for a higher tax on milk, are you?

**BRIAN HALAC:** No, no. No thank you.

**von GILLERN:** All right, with that level of clarity, we'll excuse you now.

**BRIAN HALAC:** Thank you, sir. You guys have a good one.

**von GILLERN:** Thank you for your testimony. Any other opponents? Hop on up if you're going to, going to testify. Don't hesitate. Are you seeing how hard we are to talk to?

**SHIRLEY NIEMEYER:** Honorable Senators, Shirley Niemeyer, S-h-i-r-l-e-y N-i-e-m-e-y-e-r, and I oppose LB582 to change the provisions with the Mechanical Amusement Device Tax Act. This-- and for different reason. This bill appears to provide more of the cash device funds to the state in their General Fund, and takes away from the counties and the cities. It went from-- it went from 2 and-- or, 20% to the-- well, it went to 20% to the General Fund from 2.5%. And the remaining 7.5% went from 25% to the county treasurer to 7.5%, and one-half of the remaining 7.5% went-- which was at 25% shall be distributed to cities and villages. So, what this is doing is taking a-- more money away from the county

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and the villages and bringing it into the state. And I understand that we have, you know, economic problems, but you have another bill, or commit-- constitutional amendment that is going to be taken up in a little while that takes away the inheritance tax. So, if you look at these together and any other things that are happening in the bills, this money is less for the counties, more for the state; less for the cities, more for the state. So, for that reason, I think we have to consider the counties, and how are they going to pick up those funds? I think that's an important question. It's a little different slant on this bill, but-- you know, I agree with what they're saying, but I also feel that there's another component that needs to be addressed in this. Thank you.

**VON GILLERN:** Thank you. Any questions from the committee members?  
Senator Bostar.

**BOSTAR:** Thank you, Chair von Gillern. Thank you, ma'am, for being here. So, the loss to cities and counties, you know, once we get out of that first fiscal year, you're looking at about \$70,000. If-- so, the distribution-- I just want to understand you, where you're at. So, it goes from 25% to 7.5%, from a 5% tax to a 15% tax. If, let's say, cities and counties went to an 8.5%, would you feel differently about the bill? Instead of-- this bill brings it to 7.5%; if it went to 8.5%, would you have a different feeling about it?

**SHIRLEY NIEMEYER:** Well, I think-- and, and, you know, she brought up there, there may be more money coming in. But what I'm concerned about overall is the amount of the percentage going to counties.

**BOSTAR:** But if, if, if we went from 7.5% to 8.5% under a 15% rate, the counties would see a very small increase.

**SHIRLEY NIEMEYER:** That's right. That's right. And I don't know how much money this is.

**BOSTAR:** Sure.

**SHIRLEY NIEMEYER:** But I just saw that, and then I was looking at LR13CA, and together, you know, that's about 20%. So, some counties, small counties, you know, \$1,000 might make a huge difference in what they're doing and paying.

**BOSTAR:** I don't, I don't dis-- I don't disagree. I-- thank you very much.

**SHIRLEY NIEMEYER:** Thank you.

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**VON GILLERN:** Any other questions? Seeing none. Thank you for being here today. Any other opponent testimony for LB582? Seeing none. Is there anyone who would like to testify in a neutral position?

**JARVIS NETTLES:** I'm an oppo-- opponent. So, I don't know if I needed to wait for--

**VON GILLERN:** You're an opponent testimony?

**JARVIS NETTLES:** Yeah.

**BRIAN ROCKEY:** I can wait.

**VON GILLERN:** OK. All right. Thank you. We have one more opponent testimony. Are there any other testifiers on this bill, other than these two gentlemen? All right. Thank you.

**JARVIS NETTLES:** How are you guys doing?

**VON GILLERN:** Good, thank you.

**JARVIS NETTLES:** My name is Jarvis Nettles, that's J-a-r-v-i-s; Nettles, N-e-t-t-l-e-s. I live in District 10. I'm a proud graduate of Burke High School and a graduate of UNO. Go Mavs. I'm here to strongly oppose LB582. More importantly, I stand in support for the 30 small distributors and over 1,000 Nebraska businesses that rely on cash devices. A 15% increase would immediately hurt both cash device distributors and the business that hosts them. Small distributors who already operate in a highly competitive industry will bear the brunt of this burden, forcing many of them out. These businesses, as you heard, can't simply pass on the costs to their locations or the customers, meaning this bill would deal, deal a serious economic blow to local entrepreneurs. Consider this: 80% of Nebraska cash device distributors operate less-- fewer than 100 machines in the state that has 5,000 games. So, a majority of the people that operate these games-- we're not making a whole bunch of money here, so this bill would, would definitely hurt our bottom line. This is the reality. A majority of the smaller distributors-- if this happens, that means fewer small businesses, fewer jobs, and fewer opportunities for Nebraskans. The impact, the impact will be felt, felt through all the districts in the state. I know Spivey-- Ashlei Spivey spoke earlier that it had disproportionately affected District 11 and 13. That's north Omaha; there's 47 business locations there. But if you look in District 4, 26, 31, 39, 44, all you guys' districts, there's 166 locations. So no, we're not just picking a, a, a disadvantaged community to try to make these things work. We're trying to put them where they're successful

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and they help the businesses. We definitely contribute, contribute significantly through taxation and fees. I consider us giving 50% to 7(0)% of our revenue a floor tax to the business. That's off the top; they get 50% to 70% of our revenue. We pay sales taxes on expensive equipment. We pay \$250 per-device occupation tax. This year, which was new, we had to pay a \$100 per-device application fee. That was not only us, the distributor, but also the locations, so that's double-taxation. I, I have a, a bingo spot that's-- they're nonprofit. They got double taxed, basically. I don't think this is a fairness or economic growth; this burden-- this is burdening small businesses with un-- with an unpredictable tax environment, raising a tax that was just signed into law less than a year ago that hasn't been even fully implemented, creates instability, and discourages investment. You heard one of the manufacturers; they're debating on even staying here because they might have no one to sell to. But anyway. I'll end with this. I personally run a small distribution business; I have three locations, two in Omaha, it's the African Lounge; Blondo Bingo; and we have a gas station in Humboldt, Tennessee [SIC], a small, small location.

**VON GILLERN:** Can I get you to wrap up your comments?

**JARVIS NETTLES:** To wrap this up, I think this is going to hurt small businesses, the distributor, and the locations. I hope you guys vote no. Thank you for your time. If you have any questions, let me know.

**VON GILLERN:** Thank you. Senator Kauth.

**KAUTH:** Thank you, Chair von Gillern. So, the \$250 per cash device [INAUDIBLE] stamp tax, does that get paid yearly, or is that just when you [INAUDIBLE]?

**JARVIS NETTLES:** That gets paid yearly.

**KAUTH:** So, that's every year you're--

**JARVIS NETTLES:** Every year.

**KAUTH:** But the application fee, the \$100, that's just when you start.

**JARVIS NETTLES:** The application fee, they-- in, in the bill writing, I think they're going to try to change the, the years, but for right now, it's-- I see it as every year until that changes.

**KAUTH:** Oh.

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**JARVIS NETTLES:** They don't take away the application fee until I, I see that passed the law.

**KAUTH:** Thank you very much.

**von GILLERN:** Senator Bostar.

**BOSTAR:** Thank you, Chair. Thank you, sir, for being here. How many machines do you operate?

**JARVIS NETTLES:** We have 16 total machines.

**BOSTAR:** 16. We heard testimony-- I'm, I'm presuming you've heard as well about how just the existing 5% tax that is yet to be fully implemented would, in all likelihood, cause some to go out of business just with that. Is that a fear that you have with the 5%?

**JARVIS NETTLES:** Any time you're going to increase taxes, and not knowing what, you know, every year how things are going to go, yes, I get very worried about a, a tax increase. I understand everyone wants to pay their, their fair share, which I think we do without the 5%. But I, but I get it. It's something that we, we willing to see if we can weather that storm, if that's something that works for us, but I'm, I'm not going in feeling good about it because, like I said, any-- anything that takes money out of either small businesses' pocket is going to hurt us, ultimately. We can't pass it on.

**BOSTAR:** OK. Thank you.

**von GILLERN:** Senator Sorrentino.

**SORRENTINO:** Thank you, Chairman von Gillern. As a novice on the-- what does a skill game cost? Maybe they're all different, but generally.

**JARVIS NETTLES:** They can cost-- they can cost within \$5,000 to \$12,000.

**SORRENTINO:** And you're making \$10 a day per machine?

**JARVIS NETTLES:** And, and that's just-- that's, that's just, that's just the game. Stuff breaks. Monitors. You have bill acceptors that takes the money. Those breaks. [INAUDIBLE]

**SORRENTINO:** So, let's just say it's \$10,000 for it, and you make \$10-- now, I'm sort of an accountant, but the, the payback period on this machine is 100 years.

**JARVIS NETTLES:** It takes forever.

**SORRENTINO:** Why do people do this?

**JARVIS NETTLES:** Because they want to be entrepreneurs. It's actually a device that's legal that you can go and do a legal business as a framework.

**SORRENTINO:** The \$10,000, you could put it in a CD and make 2%. I mean--

**JARVIS NETTLES:** Yeah, but some people don't know about CDs, but they know-- hey, I've seen this pinball for 30 years, and-- you know, it's just-- I get what you're saying, but everyone doesn't have that type of, of mindset.

**SORRENTINO:** I, I understand the entrepreneurship. That's great. I am one too, but this seems like a hard way to make a living.

**JARVIS NETTLES:** It, it-- it's hard work, but it's, it's, it's work that you appreciate because you can see the direct impact when you're helping at Blondo Bingo put up flat screens in their bingo hall and, and, and upgrades that they can do. So, you, you see the direct impact.

**SORRENTINO:** All right.

**JARVIS NETTLES:** We don't have to ask for a handout. We, we, we give it to the small business as a reward.

**SORRENTINO:** I love the hard work part of that. I'm just trying to figure out the investment side. Thank you.

**JARVIS NETTLES:** Thank you.

**von GILLERN:** Hang on. I can't let this go without challenging the math. I'm sorry.

**JARVIS NETTLES:** OK.

**von GILLERN:** How do we buy a big screen TV if we're making \$10 a day at a bingo hall?

**JARVIS NETTLES:** I'm, I'm not talking about we did this one year; we've been at Blondo Bingo for five years. So, I've went through three managers.

**von GILLERN:** OK.

**JARVIS NETTLES:** This didn't happen overnight. This is saving--

**von GILLERN:** OK.

**JARVIS NETTLES:** --working, adding more game. When we first started that Blondo Bingo, it wasn't the full amount of games, it was one game.

**von GILLERN:** I understand. You were--

**JARVIS NETTLES:** But after so many years, it builds up.

**von GILLERN:** You were not the individ-- I don't believe you said \$10 a day. I think somebody else said that.

**JARVIS NETTLES:** I think a lot of this math, in Spivey's-- a lot of this math is wrong, but that's neither here or there.

**von GILLERN:** But I'm, I'm, I'm clearly challenging the math on the profitability, or questioning the math. I'll, I'll frame, frame that--

**JARVIS NETTLES:** Put it this way, I, I don't think you, you--

**von GILLERN:** We'll play Jeopardy!, I'll put it in form of a question.

**JARVIS NETTLES:** Yeah.

**von GILLERN:** Yeah.

**JARVIS NETTLES:** No, I, I, I-- like I said, it-- this, this stuff takes time. It-- we've, we've been doing this for-- since 2020. And we didn't just have flat screens overnight. It took five years.

**von GILLERN:** How many, how many machines did you say are in the metro area? You, you were giving district-by-district.

**JARVIS NETTLES:** In, in north Omaha. I don't have the whole Omaha, but in north Omaha, District 11 and 13, which is Terrell and Ashlei's district, there's 47 business locations. You figure each location can, can have four games. Doesn't mean that they have them, but they can have four games a location.

**von GILLERN:** OK.

**JARVIS NETTLES:** Minimum. Depending on the square footage, and how--

**von GILLERN:** And you believe they're only making \$10 a day on each one of those machines?



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**JARVIS NETTLES:** I, I couldn't tell you, because every location's not the same.

**von GILLERN:** OK.

**JARVIS NETTLES:** Bingo doesn't make the same as the gas station, and the, and the African Lounge, we're not making any money there; we're negative.

**von GILLERN:** OK.

**JARVIS NETTLES:** So.

**von GILLERN:** And you were beginning to, to-- I'm so-- I cut you off earlier because we were out of time. You said you had three locations. What, what were those again?

**JARVIS NETTLES:** It was Blondo Bingo, and-- this is the two in Omaha-- and the African Cocktail Lounge. It used to be the Mai Thai on 72nd Street in Omaha. And then we also have a gas station in Humboldt, Nebraska.

**von GILLERN:** OK. OK, that was third one that I missed out on.

**JARVIS NETTLES:** Yeah.

**von GILLERN:** All right. OK. Senator Sorrentino wants to do more math.

**SORRENTINO:** I'll, I'll take skill games for \$10. All right. I'm try-- so, you have three locations.

**JARVIS NETTLES:** Yes.

**SORRENTINO:** This isn't like a franchise-- you get a certain geographical area where you-- I could come right next door to you and have all skill games I want.

**JARVIS NETTLES:** Yeah, this is straight-up competition, and this is just not people from Nebraska; these are people from out of state that have way more money than me and my partner.

**SORRENTINO:** That's my next question. Are there huge entrepreneurs that are coming into our state and taking it away from--

**JARVIS NETTLES:** Yes. Yes, they are. And, and I don't think there's anything wrong with competition. I think competition benefits, benefits the locations. Because it's not-- but I think if you start taxing us, a

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lot of that competition is going to go away, and it might just be a few people, and then some of the rules might change. That's my fear.

**SORRENTINO:** But I thought some of this can be shared with nonprofits, et cetera. Those people coming from out of states, they're not benefiting Nebraska nonprofits, are they?

**JARVIS NETTLES:** They're benefiting them as far as they get a share of the revenue, but their half of the money doesn't necessarily stay in the state if they go back to wherever they're from.

**SORRENTINO:** Thank you.

**von GILLERN:** OK. Seeing no other questions. Go Burke Bulldogs!

**JARVIS NETTLES:** Let's go.

**von GILLERN:** There you go. I don't remember seeing you in homeroom, though.

**JARVIS NETTLES:** I graduated in '96. I don't know where you were [INAUDIBLE].

**KAUTH:** Say it.

**SORRENTINO:** Senator von Gillern, what year did you graduate?

**von GILLERN:** I got a couple of decades on you. Yeah, yeah. Are there any other opponents? No other opponents. All right. And now, we'll have our neutral testimony on LB582.

**BRIAN ROCKEY:** Good afternoon, Chairman von Gillern, and members of the Revenue Committee. For the record, my name is Brian Rockey, B-r-i-a-n R-o-c-k-e-y, and I serve as the director of the Nebraska Lottery and Charitable Gaming Division of the Department of Revenue. I'm here to testify in a neutral capacity on LB582, which, as you know, adjusts the distribution of tax collected through our regulatory efforts regarding mechanical amusement device, cash devices. Currently, devices require a \$250 annual fee; that's up from a \$35 fee, which was-- for years, didn't distinguish those devices from pinball machines, et cetera. Those pinball machines, for example, still pay a \$35 annual fee. Distributors pay \$100 per device up to \$5,000; manufacturers are subject to an annual fee of \$5,000. The current tax of 5% on the net operating revenue-- which is after prizes-- is apportioned in various ways, including 20% for the division to use on the central reporting system, which is required under LB685, passed last year. That system

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will be ready for operational testing in April, and the licensee community will be required to be connected by July 18 of this year. The tax rate takes effect on July 1, and tax payments then will be made quarterly. We estimate that each device holds \$30 per day in net operating revenue, or \$10,950 over the course of the year. There are currently 5,271 cash devices active at 1,561 locations across the state; there are 45 distributors registered at this time. The annual cost to the division for the central system will be at least \$1 million. The current 5% share-- tax share would provide the division approximately \$650,000, based on a population of 6,000 devices. The adjusted rate under LB582 would provide the division with approximately \$490,000. To go a little bit further, net operating revenue on 6,000 devices is \$65,700,000. A 15% tax at that rate would be \$9,855,000 under LB582. 20% share to the division there would be 1.975-- 1.971 million, according to LB685; a 5% share for the division under LB582 would be \$492,750. Quickly, one more thing. Your current tax, same net operating revenue, a 5% tax would be \$3.285 million under LB80-- LB280-- LB685 from last year, and 20% for the division would be \$657,000, per LB685. I'd be happy to answer questions. There are some things that I would be willing-- you know, happy to take up to, to clarify for you if you would like.

**von GILLERN:** Thank you very much. Are there any questions about all those numbers presented, Senator Sorrentino? Any questions from the committee? This is very helpful. The-- I'm, I'm curious-- can you, can you help me understand the-- how you arrived at the estimate on net operating revenue on the machines, the daily and annual revenue?

**BRIAN ROCKEY:** Absolutely. That is anecdotal information, real-time information that we have gathered through our enforcement efforts over the last few years based on funds that we've taken from seized devices, and from conversations with some of the distributors and operators around the state that have voluntarily shared information with us. We believe that \$30 to be low, and we've not been told openly that we're wrong in, in believing that it's low. A little bit of anecdotal information, too, in conversations with our counterparts in Georgia; their daily hold on those devices is \$80 to \$120. They started out in the, in the \$20 to \$30 range as well, and that-- they've been at it for probably 12 years. Every jurisdiction is different, and not every jurisdiction has a, has a regulatory framework at this time. And by jurisdiction, I mean states.

**von GILLERN:** Very good. Any questions from the committee? Seeing none. Thank you for being here.

**BRIAN ROCKEY:** Thank you.

**von GILLERN:** Appreciate your testimony. Any other neutral testimony? Seeing none. Senator Spivey waived closing. Before we close the hearing on LB582, we had 9 proponent letters, 22 opponent letters, and 1 neutral letter received on file, and no ADA testimony. So, that'll close our hearing on LB582, and we will open our hearing on LR13CA. Senator Hallstrom. No, you may not. Thank you. Feel free to approach us at-- after the hearing. Thank you. Senator Hallstrom, you're welcome to open.

**HALLSTROM:** Thank you. Chairman von Gillern, members of the Revenue Committee, my name is Bob Hallstrom, B-o-b H-a-l-l-s-t-r-o-m. I represent Legislative District 1, and appear before you today to introduce LR13CA. LR13CA takes the question as to whether the Nebraska-- whether Nebraska counties should be allowed to levy an inheritance tax to a vote of the people. Our colleague Senator Clements has worked diligently during his time in the Legislature to reduce the burden to Nebraskans who are subject to the inheritance tax, and I commend him for that work. LB468, which you heard earlier this session, would increase the exemption level for all classes of beneficiaries to \$100,000, and reduce the tax rate to 1% for all classes of beneficiaries, at a cost of approximately \$33 million, if we are to provide full replacement revenue for the counties. I have been supportive of that approach, as well as bringing you the alternative, which is to place a constitutional amendment on the ballot for the voters to make the decision for the outright elimination or repeal of the inheritance tax. Tax experts from both the Tax Foundation and the American Legislative Exchange Council have advised us that one of the biggest factors hindering Nebraska's tax competitiveness is that we are just one of five states that continue to impose the inheritance tax. As of January this year, our neighbor in Iowa phased out their inheritance tax, leaving us as the only Midwestern state with the tax on its books; the other four states are Kentucky, Maryland, New Jersey, and Pennsylvania. Of the four [SIC] states which continue to impose an inheritance tax, only Nebraska collects the tax at the local level. From June 30, 2023 to July 1, 2024, over 9,700 beneficiaries paid just over \$84 million inheritance taxes to Nebraska counties. Except for larger counties, the inheritance tax is not a stable and reliable source of revenue, and it typically provides just 1% to 3% of a county's overall revenues. Not only is the tax itself a burden, but there are also other added costs to consider. There are costs associated with court proceedings for those hoping to eliminate the imposition of tax liability on their loved ones. Tax avoidance strategies in estate planning also come with a price tag. The

inheritance tax affects peoples of-- people across all income levels and socioeconomic classes. I believe it is wrong for the government to levy this additional tax on property where annual property taxes have already been levied, and annual property taxes will continue to be levied. Additionally, inheritance tax is paid on investments like annuities, IRAs, bank accounts; this means the county is levying taxes on items for which income tax has already been paid. We are trying to grow Nebraska and keep citizens here, but because of this tax, they may choose to move to another state to avoid placing the tax burden on their loved ones after passing. I think we can all agree that Nebraska families and business owners must make their budgets work, often in the face of increasing costs on things like utilities, insurance, and groceries, and while it may require tough decisions they'd rather not have to make, they find a way to do so; our counties should find a way to follow suit. Before I close-- and I certainly would, would respectfully request that this bill be-- or, this bill be advanced-- proposed constitutional amendment be advanced to the floor of the Legislature-- it is my preference for this session, even though I'm asking for the bill-- the proposed constitutional amendment to be advanced to General File-- to give Senator Clements' bill an opportunity. I think he has prioritized that bill, so hopefully something can be, be worked out. And I know there are some members, perhaps even of this committee, that think full elimination is the way to go, and I appreciate that. There are others who think full replacement revenue is the way to go, and I certainly am supportive of that to the extent that we can find revenue. I'd also note for the record that I reviewed the, the opponent testimony that was submitted online. There were 24 county representatives-- or, 16 of the 24 opponent letters were county representatives, and I think virtually all of them said that they could favor elimination outright of the inheritance tax as long as we provide for replacement revenue. And I believe that would take \$84 million, which may not be doable in, in one bite. But I think that's the end objective that we should hopefully all have our eye on, on the ball for. I'd be happy to address any questions.

**VON GILLERN:** Thank you, Senator Hallstrom. Questions from the committee members? Senator Murman?

**MURMAN:** Thank you for bringing this amend-- constitutional amendment. Do you have any information on how much inheritance tax revenue is lost from people moving out of the state?

**HALLSTROM:** I, I don't have those figures, Senator. The-- some of the folks that are most interested in this may, and they may very well

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follow behind me, and if they have that information, hopefully they'll remember your question. Or, if they don't have it, they, they can perhaps obtain that information. It might be a little bit difficult to--

**MURMAN:** Yeah.

**HALLSTROM:** --to obtain specific figures, but to, to the extent we can, we'll certainly try.

**MURMAN:** Yeah, just, just, just some idea would be great. Yeah. Thank you.

**von GILLERN:** Any other questions? Are you able to stay to closed-- close?

**HALLSTROM:** Yes, I will.

**von GILLERN:** All right. Thank you.

**HALLSTROM:** Thank you.

**von GILLERN:** We'll invite up our first proponent. Good afternoon.

**DOUG KAGAN:** Good afternoon. Doug Kagan, D-o-u-g K-a-g-a-n, representing Nebraska Taxpayers for Freedom. Inheritance taxes subject people to double taxation. Taxes already paid on earnings and assets again taxed when pays-- passed along to beneficiaries. In markets where real estate prices historically have increased greatly, the recent spikes have pushed even modest family finances into inheritance tax liability zones, leaving families unprepared for the financial burden, therefore leading to planning complexities for beneficiaries and costing them complex planning requirements that necessitate professional guidance to navigate liabilities effectively. For rural Nebraska, as the value of farm assets-- including livestock, machinery, and cropland-- rise annually, more farming and ranch operations risk exceeding the inheritance tax exemption. That puts the next generation at risk of liquidating assets or selling off land to pay their tax liability. It would seem more astute to allow family farms and ranches to keep this money so that they can invest in their operations and rural communities. Local taxing authorities that oppose ending this tax actually are losing revenue besides inheritance tax, because savvy senior citizens are moving themselves and their wealth to other states. When higher-income individuals leave states with high inheritance taxes, their state of origin loses not only prospective inheritance tax revenue, but also years of revenue from other estates that the state

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might have collected during their lifetimes. The Congressional Joint Economic Committee estimated that perhaps as many as 28% of family businesses are sold or discontinued when state inheritance taxes induce individuals to relocate for tax purposes. Noted economist John Bakiya and Joel Slemrod calculated that if the typical wealthy retiree who would otherwise be subject to state inheritance taxes leaves the state five years prior to death, state revenue losses could total as much as 1.73 times as great as the tax revenues that might have been collected from that personal estate. This effort to repeal the inheritance tax has gone on for years, and we would appreciate if you would please advance this constitutional amendment so that the people of Nebraska can vote on it. Thank you.

**von GILLERN:** Thank you, Mr. Kagan. Questions from the committee? Seeing none. Thanks for being here today.

**DOUG KAGAN:** OK.

**von GILLERN:** Next proponent. Good afternoon.

**SUSAN GUMM:** Mr. Chairman and members of the Revenue Committee, my name is Susan Gumm, S-u-s-a-n G-u-m-m, and I'm from Omaha. I am here today in support of eliminating the inheritance tax. There is strong support for the elimination of our outdated inheritance tax. This kind of taxation is fundamentally unfair. Counties cannot depend on the unpredictable revenue the inheritance tax provides, as it varies greatly from year to year. Nebraska is a high-tax state, and repealing the inheritance tax would be a good start in addressing our "unstys"--unsustainable, high tax burden. Nebraskans who struggle to pay their ever-increasing property taxes and support their families deserve not only lower taxes, but fewer taxes. If our high tax burden isn't dealt with, we could see entrepreneurs, skilled workers, and businesses gravitate to low-tax states. Nebraska is not a tax-friendly state for retirees thanks to unpopular taxes like the inheritance tax. Eliminating the inheritance tax would make Nebraskans-- Nebraska a more competitive state, and more attractive to families and businesses. I have personally been impacted by the Nebraska inheritance tax. I was executor of my uncle's estate and one of his 16 beneficiaries. As executor, I wrote a \$112,000 check to the Douglas County Treasurer; I have no idea if the inheritance revenue went to a county slush fund, or what it was used for. An inheritance tax is an additi-- added issue for grieving families who deserve everything their family member worked hard for. For many families, it adds an extra financial burden doing an-- during an already emotional time. LR13CA gives Nebraska citizens an opportunity to eliminate the inheritance tax. Let voters decide.

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Repealing the inheritance tax should not be about raising property taxes or cuts in services to replace the lost revenue. Raising taxes is not the answer to governments overspending. Ending the inheritance tax is an opportunity for counties to promote fiscal responsibility by reassessing their budgets, trimming excesses and non-essentials, and eliminating or privatizing inefficient, unaffordable programs. Government must stop spending more than taxpayers can afford. Nebraskans are taxed enough already. We need lower taxes, elimination of waste, and reduced spending at all levels of government. The inheritance tax needs to be eliminated. I urge you to support LR13CA. Thank you.

**von GILLERN:** Thank you. Any questions from the committee members? Seeing none. Thanks for being here. Next proponent. Good afternoon.

**JIM SMITH:** Good afternoon. Chairman von Gillern and members of the Revenue Committee, my name is Jim Smith, J-i-m S-m-i-t-h, and I serve as the chief strategy officer for the Platte Institute. I am submitting this testimony on behalf of-- on behalf of the Platte Institute and in support of LR13CA as introduced by Senator Hallstrom. Senator Hallstrom was very thorough in his laying out the case for LR13CA, and, and to be clear of the options on the table, the Platte Institute prefers this action to remedy the inheritance tax problem. The Platte Institute's polling on this issue consistently shows a strong bias for eliminating the inheritance tax. Nearly 80% of Nebraskans want this tax gone, and it's not just about the dollars and the cents, but also about fairness. The inheritance tax impacts farmers, small businesses, and working-class families striving to build generational wealth. Moreover, the inheritance tax-- moreover, the inheritance a family member or friend leaves behind is often their last act of love and gratitude. So, whether we call this an inheritance tax, a death tax, or even a gratitude tax, this form of taxation is an outdated policy that no longer fits with the modern economic landscape, and that certainly no longer fits with Nebraska's values. To simply reduce the inheritance tax rate while leaving its structure in place falls short of addressing the problem that Nebraska is one of only five states to have such a tax, and the only such state west of the Mississippi. With so many options for retiree-- for retirees and the workforce, the inheritance tax is one of several factors that taxpayers have used, and will continue to use, to decide whether to remain or become a resident of our state. We also reject the notion that replacing inheritance tax revenues for local governments must fall squarely on the shoulders of the state. While death is a certainty, the location and time of death is not. Therefore, it makes no sense for any local government to have ever depended on inheritance tax revenues for its critical government



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services, or, for that matter, to now expect replacement of such revenues by the state. Senators, we believe that passage of LR13CA will allow Nebraskans to express their opinions on this outdated policy and ask you to advance this legislation to the floor for full debate. If, at the end of the day, our polling is wrong and voters decide to keep the inheritance tax, then at least their voices were heard. Thank you for your time.

**VON GILLERN:** Thank you for your testimony. Questions? Senator Sorrentino.

**SORRENTINO:** Thank you, Chairman von Gillern. Thank you, Mr. Smith. I assume you would probably agree that overall tax environment is a critical aspect of a company deciding to stay or to relocate to Nebraska. And if that is the case, what would the elimination through an initiative or voting, whatever it might be-- what would that do for the state of Nebraska's overall appearance as a, as a better state to do business in? Something? Nothing? A little bit?

**JIM SMITH:** I think it will move the mark. As Senator Hallstrom mentioned, the Tax Foundation and the American Legislative Exchange Council both do comparisons of states, and the inheritance tax alone is an all-- on and off switch so that it does impact the way we rank against competitor states. So, people that are looking to remain here, move to another state, or even come into our state, they will look at those types of comparisons, and they do make decisions around them. To what extent is hard to say, but it is a factor nonetheless, in particular in the region.

**SORRENTINO:** I know that North Dakota, South Dakota, Wyoming, anyway, even lower income taxes than-- but we're heading to 3.99; we're not there yet. Missouri, Kansas. Do you know it? I because I don't. Do they have inheritance taxes in those surrounding states?

**JIM SMITH:** No. As, as Senator Hallstrom mentioned, there are five states. We're the only one west of the Mississippi. The others are New Jersey, Pennsylvania, Maryland and Kentucky.

**SORRENTINO:** So, to the extent that businesses either stay here or relocate here, there is a positive influence on the tax environment as a whole in Nebraska. Maybe not inheritance tax, but other types of taxes; revenues, income tax, that sort of thing.

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**JIM SMITH:** Absolutely. Growth through job location and holding our residents and our businesses in our state, that impacts positively the revenues in our state.

**SORRENTINO:** In your opinion on whether we [INAUDIBLE] this through a constitutional amendment or through a legislative bill-- preference?

**JIM SMITH:** Well, I think the sooner we can do this, the better. It is difficult for this body-- even my time in the Legislature, I know that this came up frequently and it was hard to get it passed. Putting it into the hands of the voters and letting them make the decision is really the-- an easy solution for this body, I believe, and I believe the voters will make the right decision.

**SORRENTINO:** Thank you.

**von GILLERN:** Other questions? Senator Smith, I know yesterday you were, you were having conversations with others. And to Senator Sorrentino's comments about how this would impact Nebraska, I know there are rankings that, that are done on different states and their preference for, for doing business. What would this do to Nebraska's rankings?

**JIM SMITH:** Well, that's a, that's a dynamic model, as we know. But the measures that this body took, this committee took a couple of years ago in moving towards reducing the income tax, for example, it-- I believe that's going to move Nebraska by two, two to probably five points in terms of being more competitive on the ranking of the 50 states. Now, other states are also making those types of changes so that maybe our-- if everything was else, else was static, you know, we would certainly gain there. But other states are waking up to this as well, and they're making their own decisions to make themselves competitive. The inheritance tax, I cannot tell you with certainty how many points that would move us on the dial, but I will tell you, it will make an impact.

**von GILLERN:** Very good. Other questions? Seeing none. Thank you for being here this afternoon.

**JIM SMITH:** Thank you.

**von GILLERN:** Next proponent. Good afternoon.

**PIERCE CARPENTER:** Hello. I didn't do a lot of prep work for this, but I think I have something to say that's important, I think, if you'll let me speak, Chairman. My name is Pierce Carpenter, P-i-e-r-c-e C-a-r-p-e-n-t-e-r. I have two points to make, and then a follow-up comment. My first point is the inheritance tax creates an incentive to

spend. If the amount of money in an estate gets big enough for the inheritance tax impacts, it-- there's an incentive to go spend that money, which is wasteful, and it does not typically provide for more investment, which is more jobs and more business here in Nebraska. That's my first point. My second point is it puts a risk for family-owned businesses. Most notably, if you have a-- like, a farm, and you have acreages way out west, it's what, \$8,000 an acre? But if you have a farm close to Omaha, it's, you know, \$30,000, \$50,000 an acre. And then when you die, there's no way to recover those costs because the-- most of the value in the land is the potential. So, that all adds in, and when you pay that 1%, I mean, that can drive you out of the business because you don't have much income. That would force people to sell their assets and not be able to pass them on to the next generation. I'm getting kind of lost here, but-- OK, the last point that I wanted to make is, you know, I-- I'm a-- and maybe I'm a bit confused, but when you have an estate tax, it's my understanding that's over the entire estate, but when you have an inheritance tax, it's only over the portion that the person gets. And I'm not, I'm not sure if that's a correct way to interpret it, but the bill tends to address the inheritance tax, but still allow somebody to come through later and put an estate tax on the whole thing, which would result in an identical situation and a semantical way of getting around what is being proposed, as I understand it. So, that is a modification you might want to make. Those are my comments. Any questions?

**VON GILLERN:** Very good. Thank you. Questions from the committee? Seeing none. Thanks for being here.

**PIERCE CARPENTER:** Thank you.

**VON GILLERN:** Next proponent. Are there any other proponents for LR13CA? Seeing none. We'll invite up our first opponent testimony. Good afternoon.

**JON CANNON:** Good afternoon, 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 NACO, also known as the Nebraska Association of County Officials, here to testify today in respectful opposition to LB-- LR13CA. Had plenty of conversation with Senator Hallstrom about this bill, and he's certainly been gracious with his time and his, and his rationale for wanting to bring the bill. And I think he and I agree that the preferred means of advancing would be on LB468. And so, you know, and I'll-- and, and-- I will therefore incorporate my testimony from LB468 by reference not to deluge the committee with, with facts and figures; you've, you've already heard that before. But I, I, I

think the thing that we take away from the conversation we had on LB468 is that the issue is much more complex than just eliminating a tax, as the Legislature found out last year when we were working on LB1067. In the abstract, the voters are all for getting rid of any tax. We've done our own surveys; when you poll voters and you say "Are you interested in getting the inheritance tax?" They say, "Sure." When you ask them if they want to get rid of the property tax, they say, "Why not?" You say "Do you want to get rid of the income tax?" They're-- they say "Go for it." And that's, that's all well and good, but when you start explaining what these taxes are used for and how, how counties use the inheritance tax, all of a sudden the, the perspective begins to shift. And so, our surveys, which we passed out to you before, they show that when you, when you ask the public if you got rid of the inheritance tax, and then, but your property taxes were going to go up, would you be in favor of it? And 80-- 75% to 80% of Nebraskans said "No." We asked the further question if you got rid of the, of the inheritance tax, your property taxes remain the same, and the services you receive from your county were going to be cut, would you be in favor of that? 75% of Nebraskans said, "No, don't do it." So, our polling has shown that, that 80% go the other way, frankly. The committee has sifted through these arguments and the data, a luxury the average voter does not get. In our opinion, having it done-- having this taken care of legislatively is the way to go. Certainly, you can educate the, the, the voters on any particular issue that's, that's a little bit of a lift. We trust that a, that a committee such as the Revenue Committee or the full Legislature, they have the facts and data to make those decisions. And so, we prefer, again, to go with LB468 with a durable, locally-sourced replacement revenue, which is what we've been talking about for the last year. We believe that's the, the better policy, and we'd urge you to advance LB468. And with that, I'm happy to take any questions you may have.

**von GILLERN:** Thank you, Mr. Cannon. Any questions from the committee members? Seeing none. Thank you for being here.

**JON CANNON:** Thank you very much. Have a great day.

**von GILLERN:** Thank you. Next opponent.

**WADE SLUKA:** Good afternoon, Chair von Gillern, and members of the Revenue Committee. Thank you for hearing my testimony today. My name is Wade Sluka, W-a-d-e S-l-u-k-a. I serve on the Fillmore County Board of Supervisors, and I'm here on behalf of the Fillmore County Board. To start, here are a few things we've used our inheritance tax fund over the past five years, basically from 2019 to 2024. Reduce property taxes

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by transfer to the general fund and a total of \$1.96 million. Updated our security equipment for all of our buildings around the county, that was \$133,000. We have spent over \$80,000 in programs and equipment for dispatch and 9-1-1 services. We had to replace our HVAC system on our courthouse and our east office building, which-- that was a fun project, totaling \$568,000. We were also able to purchase a new vehicle for our VSO, Veterans Service Department, and this vehicle is used to transport our veterans for medical appointments, so. I can go on and on in more detail if you'd want me to, but at the end of the day, Fillmore County has spent a grand total of \$3,362,356 that has been used from our inheritance tax fund and was not requested from our property taxes. The Fillmore County Clerk, Amy Nelson, has sent in testimony that is-- all those numbers broken down for you, and you can read those at your convenience. I have spoken to a number of my constituents about this bill-- and just for the record, I am in rural Fillmore County between Milligan and Geneva, so the only thing I see when I wake up in the morning is cornfields, and I am in line to hopefully inherit some ground someday. So, I just want to clarify, I don't want to pay an inheritance tax as well. But after speaking to some of my constituents about the bill and explaining to them the ramifications of this bill, the overwhelming agreement is to leave inheritance tax alone, because it will just end up raising our property tax. The simple truth is to this bill, it may be an unintended consequence, but it is still a consequence. Without this revenue source, property taxes go up, or services will be cut. And this is not just a random threat by a county board member, threatening "ahh, we're going to raise property tax." That's not what I'm doing; it's just simply the truth. I know that in Fillmore County, we work very hard to be very good stewards of the tax dollars that we have at our disposal. At that, I thank you for your time, and I'll be glad to answer any questions.

**VON GILLERN:** Thank you for your testimony. Senator Kauth.

**KAUTH:** Thank you, Chair von Gillern. Have you guys looked at-- first of all, thanks for being here. I think your waking up sounds great. I'd love to look at nothing but corn fields. If you guys--

**WADE SLUKA:** Some days are better than others.

**KAUTH:** Have you looked at anything that you might cut? As you-- as you're hearing these conversations, do you guys have conversations about, OK, let's prioritize what we're actually spending our money on and start thinking about what, what programs, what projects we, we would actually cut?

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**WADE SLUKA:** That's a great question. We really struggle with that, because the first thing you talk about is, well, your biggest budget item is the roads department. I think most rural counties would agree that that is their lighter-- largest line-item. Where do you start cutting? \$400,000 motor grader? We have 13 or 14 of them. You have to upgrade, you can't run 20-year-old equipment. So, a new motor grader every year, that's \$400,000. And I've been on the board now-- this is the start of my ninth year I've been on Fillmore County Board; a motor grader has gone up \$100,000 in my time. Fuel has gone up, and I know when COVID-- that was kind of a weird year, but fuel went up \$2. Well, how do you budget for, you know, that, and then how long was it going to last? So, that was our first item, was the roads department. Then, he's-- nobody wants their roads closed. We just-- we're looking at a bridge, it's actually a mile south of my house. I don't personally use the road a whole lot, but it is used by numerous farmers in my area, and it's going to-- we have an estimate as of yesterday, it will cost us \$170,000 to replace the box culvert. And that is going under half the size of what our engineers truly want us to do, because that would cost closer to \$500,000. So, with those kind of costs always increasing, it's hard to know where you can cut. Nobody wants to cut veterans services, nobody wants to cut senior services. I, I wish I knew where the right answer was on where we could cut. Like I said, we try our best. I don't-- I speak for Fillmore County, but I think I can speak for any county board member across the state. When it comes to budget time, we are-- my favorite part of budget time is pulling the red pen out and saying, I don't think you need that chair this year. But the problem is, you can't just start crossing everything out. And I think if any of the board members from Fillmore County were here, they would attest to my favorite part is that red pen, so.

**KAUTH:** Can I ask a follow-up question?

**WADE SLUKA:** Yes, please.

**KAUTH:** Did you say that you get a new road grader each year?

**WADE SLUKA:** We try to. And--

**KAUTH:** They don't last more than a year?

**WADE SLUKA:** No, they do, but that is for rotation. So, if we own 13 motor graders, basically, by the time it's ran a cycle, it's ran 13 years.

**KAUTH:** OK.

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**WADE SLUKA:** At that point, we have anywhere from a range of 12,000 to 15,000 hours on the machine, so that machine is now gone from about a \$400,000 new piece of equipment, and is usually valued when we sell them-- on auction time, we usually range from about \$50,000 to \$75,000.

**KAUTH:** OK.

**WADE SLUKA:** And so, I mean, that helps with the upfront cost, but you know-- you know how it is to trade in a vehicle.

**KAUTH:** Thank you very much.

**WADE SLUKA:** Yes.

**von GILLERN:** Senator Sorrentino.

**SORRENTINO:** Thank you, Chairman von Gillern. So, if I were a resident of Fillmore County, when I buy a residence there, I pay a 2.5% doc stamp fee, right? Which goes to the county. As long as I own that house, I pay property taxes to the county, which-- 2.5%, 3%, whatever it may be.

**WADE SLUKA:** Yeah.

**SORRENTINO:** And when I die, I want to leave that house to somebody; they pay inheritance to the county.

**WADE SLUKA:** Mm-hmm.

**SORRENTINO:** So, there's three-- and I'm sure there's other, but those are three sources of revenue to the county, and I know those testifying in-- against this bill are concerned about their revenue. But if you had to choose to cut off one of those fingers, wouldn't it be this one? It's the lowest one. It's the least painful.

**WADE SLUKA:** I don't disagree with that. No. I-- this would be the one I would like to get rid of, but I believe there are better ways around it. I believe, as Mr. Cannon said, LB468 has the-- I think it has better steps towards-- in the right direction, as opposed to just completely cutting it off right away. I feel that there are just better options out there, and-- I'm trying to think of how I want to word this-- that revenue--

**SORRENTINO:** Don't be shy.

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**WADE SLUKA:** Yeah. Oh, trust me, this is coupled-- I've been here a couple times. I'm not near as shy as I was a few years ago. But this is just-- to me is too abrupt, because how do you-- we use those dollars in that inheritance tax to not levy property tax. Plain and simple. Without cutting services, you have to raise property tax. I-- and I-- if you guys have a great idea or have the million-dollar question, the answer to that question is where do we start cutting services? When does the state start cutting services on their end? And when do we start have-- when do we not have to worry about all these mandates that the state sends down our way? Because a lot of our expenses are out of our hand, too.

**SORRENTINO:** Thank you.

**von GILLERN:** Senator Kauth.

**KAUTH:** Just one more question. So, to that end, can you come up with a list of the mandates the state sends? Because we're always interested in what are we asking you to do that either is not necessary, overly burdensome, duplicative, and is an unfunded mandate. So, please let us know what those are so that we can try to figure out [INAUDIBLE]

**WADE SLUKA:** Absolutely. I can work with my county clerk and we can put together something on that.

**KAUTH:** Thank you very much.

**WADE SLUKA:** Yes. Thank you.

**von GILLERN:** Just as an encouragement, I think if you talk to Mr. Cannon, he's done a lot of work on that already, so he can probably provide some-- he can give you a cheat--

**WADE SLUKA:** He's a better speaker than I am, too, so.

**von GILLERN:** He can give you a cheat sheet to, to help you out answering the questions, so.

**WADE SLUKA:** I can just let him take my spot, and we'll be in good shape.

**von GILLERN:** Yeah. OK. Thank you. Senator Ibach.

**IBACH:** Thank you very much, Mr. Chair. I just have one quick question. How do you and your board predict and prioritize what you're going to use inheritance for?



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**WADE SLUKA:** So, since I've been on the board, we essentially-- well, in the last five years, we've taken the price of a motor grader, and that has come from our inheritance tax. So, we just automatically assume it's going to be roughly \$400,000, \$370,000. So, we, we know that's going to be a transfer over. And that is just one less item we have to prior-- take from the property tax ask.

**IBACH:** So, how do you predict your income from inheritance tax?

**WADE SLUKA:** There's really no way to predict what that number is going to be, but you can look at the five-year average or the ten-year average, and you can come up with a general idea. But the same with how do you predict your budget for fuel? You don't know what it's going to do. If we get a bad winter, fuel-- diesel price could go up a dollar, and we could be \$30,000 short in our fuel budget. You know, it's-- you can look at that on both sides as well.

**IBACH:** OK. Thank you very much.

**WADE SLUKA:** Thank you.

**IBACH:** Thank you, Mr. Chair.

**von GILLERN:** Seeing no other questions, thank you for being here.

**WADE SLUKA:** Thank you very much for your time.

**von GILLERN:** Next opponent. Good afternoon.

**LORI PIRSCH:** Good afternoon, Chairman von Gillern, members of the Revenue Committee. My name is Lori Pirsch, L-o-r-i; last name is P-i-r-s-c-h. I am here today, not in my personal capacity, but representing Douglas County, to testify about LR13CA. The inheritance tax is one of a few sources of revenue for the counties. Counties use this revenue to provide essential services for citizens, including services mandated by the state Legislature. Over the past five years, Douglas County has collected an average of approximately \$20.7 million annually in inheritance tax revenue. In comparison, Douglas County spends approximately \$367 million annually in property tax revenue. Property taxes affect nearly all Douglas County residents, while only about 0.25% of the population of Douglas County is impacted by the inheritance tax, so that's about a quarter of 1%. Abolishing the inheritance tax would cause Douglas County to lose significant revenue which it has depended upon for decades; this change would negatively impact the county budget and its residents. Counties in Nebraska such as Douglas County depend on property taxes for essential services.

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Unlike state and municipal governments, counties cannot generally impose sales tax, income, wheel, or restaurant taxes. Additionally, several state programs that funded county-mandated expenses have been discontinued. Douglas County's inheritance tax revenue is allocated for various services for residents, including community mental health, about \$5 million; general assistance, \$1.6 million; veterans services \$600,000; state institutions, \$500,000; public safety debt service, \$3 million, just to name a few. So, reducing funding for these services would impact the county's populations who depend on these resources. This bill proposes an amendment to the state constitution to prohibit counties from collecting inheritance tax. If this-- if LR13CA were to pass, Douglas County would be forced to make up the reduced revenue through property taxes. Eliminating the inherit-- inheritance tax would require the Douglas County Board to raise property tax levy [SIC] by about 8.9%, and levy increase of 2.6 cents to maintain the current level of services provided. So, in summary, the inheritance tax affects far fewer than 1% of Douglas County residents; its elimination would lead to either property tax increases and/or service reductions, particularly harming those most need in-- within Douglas County. So, a lot of similar testimony from L-- from LB468, I think. As Jon had referenced, between the two, the LB468 would probably be more advantageous to the county, obviously, with the replacement revenue.

**VON GILLERN:** Thank you for your testimony. Senator Kauth.

**KAUTH:** Thank you, Chair von Gillern. So, Ms. Pirsch. So, Douglas County had the youth mental-- or a youth detention center that was built a year-and-a-half ago, has never been used. And how much are you paying every month to keep the lights on and to keep it from falling apart?

**LORI PIRSCH:** It is several thousand. That was built before my--

**KAUTH:** I heard it was \$20,000 a month.

**LORI PIRSCH:** Yeah, that sounds about right. That was before I-- before my time. But yeah.

**KAUTH:** Which, which-- and, and you know, that's not to apportion blame, but it's to say there are clearly things, especially in Douglas County--

**LORI PIRSCH:** Yes.

**KAUTH:** --that I think can be looked at, as far as cutting spending. I think you have much more, much more that you're spending money on.

**LORI PIRSCH:** Absolutely.

**KAUTH:** And that's one of those wasteful projects that I, I start to get a little nervous--

**LORI PIRSCH:** I agree. I agree that-- it's-- having it sitting there empty is, is not favorable to anyone. I think they're looking at potential uses for that to, you know, if, if it's not going to be the right size for, for our youth population, how else could that building be utilized? Because yes, it's right now an expense that is--

**KAUTH:** Wasteful.

**LORI PIRSCH:** --draining. Yes. And I, I took over a year-and-a-half ago as finance director. We have a-- our ERP system is 21 years old. We need a new system, stuff that would handle finance and accounting, budgeting, H.R. The piece I'm interested is budgeting, because I have a little-- I-- it's a very-- it's a huge budget, right? For a county Douglas' size. I would like to be able to get into the weeds a lot more, and then-- than our current system allows me to, so I think once we get this new system in, there'll be better visibility that I can kind of get into, you know, all the departments and look for the cuts. You know, I'm certainly fiscally conservative in that regard, and I think, you know, most Nebraskans are. So, if we can find areas to cut and eliminate anything wasteful, that would certainly be, you know, one of the first priorities.

**KAUTH:** Thank you very much. And congratulations on your new--

**LORI PIRSCH:** Oh, thanks.

**KAUTH:** --new venture.

**LORI PIRSCH:** My first foray into-- I was, like, corporate, so it's, it's-- very different world.

**von GILLERN:** We know. [LAUGHTER] Senator Sorrentino.

**SORRENTINO:** Thank you, Chairman von Gillern. Yeah, I appreciate that last comment. Accountant to accountant, I have a question.

**LORI PIRSCH:** Yes.

**SORRENTINO:** I've talked to county commissioners in these smaller counties-- we'll use Fillmore, that was just a recent one-- and the amount of money that they get is extremely unpredictable.

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**LORI PIRSCH:** Mm-hmm.

**SORRENTINO:** They could have a windfall because one particular rancher, farmer died. In Douglas County, where there's a little bit of spreading the wealth, do you actually budget for inheritance tax every year? Or is it just considered a windfall that's "what do we do with it?"

**LORI PIRSCH:** We, we budget for it. I budget on the conservative end; I look at, like, the last five years, what we would have, you know, on average brought in. But law of large numbers says that there will be some amount there that we can count on.

**SORRENTINO:** So, it is something built into the county budget?

**LORI PIRSCH:** It is.

**SORRENTINO:** Unlike maybe some other counties.

**LORI PIRSCH:** It is.

**SORRENTINO:** Thank you.

**von GILLERN:** Other questions? Seeing none. Thank you for being here today.

**LORI PIRSCH:** Thanks.

**von GILLERN:** Next opponent. Good afternoon.

**BILL TIELKE:** Good afternoon. Members of the Revenue Committee, my name is Bill Tielke, B-i-l-l T-i-e-l-k-e. I'm in my 22nd year as a Holt County supervisor. I serve on the board of the Nebraska Association of County Officials and the National Association of County Officials. I'm here to speak in opposition to LR13CA. LR13CA would be a proposal to amend the Nebraska Constitution on the, the 2026 ballot to prohibit the state or the political subdivisions of the state from levying any inheritance tax. While this seems to fix the issue by putting it in the hands of the voters, it runs against all ideals of small-r republicanism by having a complex tax policy decision made by a broad electorate who may not have the time to devote to study of this issue. When I speak to my constituents about the inheritance tax, they are willing to eliminate it in its abstract, however, when I describe to them how the tax is used, the portion of the population it affects, very few people will pay the inheritance tax in the future of their lifetime. But everybody pays property tax, and what the effects of the elimination would be on the property tax they pay, they serve-- and the

services they receive, or both, they-- and almost all of them change their tune, particularly when it relates to roads, public safety, and other essential services provided by our counties. I look at this proposal as being very similar to the EPIC consumption tax, which has been proposed in the past several years. It seems very simple; people can get behind the idea of getting rid of property and income taxes. Once you start working through all of it and look at the practices, however, their opinions start to shift. I know this committee had an opportunity to discuss the EPIC consumption tax in the past, and it appears that you or your representatives in the Legislature decided it's better to leave it go-- to leave this issue off the ballot and take up the difficult policies of how to address property tax yourself, knowing that there are rarely any home runs hit in the process. You have taken several meaningful steps-- singles and doubles-- however in the past few years, and you should be congratulated for it. In the same way, you have a more thoughtful, policy-oriented approach in front of you in the form of LB468. I would urge the committee to advance that bill rather than LR13CA. Thank you for your services to the citizens of Nebraska, and I'm happy to take any questions.

**von GILLERN:** Thank you. Questions from the committee? I just want to hit on something that you said. I mean, all of our favorite tax is a tax that somebody else is-- somebody else pays. Right?

**BILL TIELKE:** Correct.

**von GILLERN:** And, and as you mentioned in your comments, everybody pays property taxes; not that many people pay an inheritance tax.

**BILL TIELKE:** Correct.

**von GILLERN:** But if you're paying in the inheritance tax, it matters to you. Correct?

**BILL TIELKE:** I might disagree.

**von GILLERN:** OK.

**BILL TIELKE:** Here-- here's an example. Say I was the Class I, the first cit-- the one of the family, and-- being as you mentioned that you were a dairy farmer, say if I was your son and you had a-- I was going to inherit a, a quarter in Holt County, an irrigated quarter, just some ground just sold for \$7,000 an acre-- that would be \$1.12 million a quarter-- I would pay \$11,200 for an irrigated quarter. I would take that every day. I don't think there's a banker that would not loan me the money if I knew I was going to inherit an irrigated quarter of

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ground for \$11,200. Or, I'm a rancher also; put in the 3,000 is \$4,800 a quarter. I don't, I don't see a problem in that. And yet, every single person pays-- if, if you eliminate the inheritance tax, which us and our counties and Wade's county and some other counties that are here-- if you eliminate that, it's got to come from somewhere else, and--

**VON GILLERN:** I fully understand that, and I fully understand the, the re-- you know, I think everyone who has testified in opposition would say "I'm fine making the inheritance tax go away as long as you can make up the money somewhere else." The, the issue is-- the issue is how do we-- how do we cover the expenses? How do we cover the lost revenue? It's-- I don't-- though I don't sense that there's any love for the inheritance tax; it's the, it's the need for the revenue.

**BILL TIELKE:** It's-- you know, and, and I would rather set and, and visit across the desk with each and every one of you, because I can answer additional to what Wade on the questions that were asked. And, and all this, you know, it, it all comes back to the services. When we-- you know, one of the, the, the hardest part about being an elected official is to disappoint the constituents one way or another, whether they think it's too high of taxes-- and you guys all know that-- is when you have to look them in the eyes and disappoint them. And people do not-- when, when they talk about the values that are-- or the amount of what they pay for equipment and their, and their cost to, to get products to town, and then they have to drive on terrible roads, so-- but counties, we're very, very-- we want to take care of the people; we want take care of the roads to get the commodities there; we want to take care of, you know, the sheriff's department, the law enforcement and stuff. And so, we, we take it very serious.

**VON GILLERN:** I, I, I, I hear that, and you're-- not contesting that one bit, so.

**BILL TIELKE:** I know you aren't.

**VON GILLERN:** I, I-- I'd just ask you to consider whether the isolated-- the, the relatively low number of individuals that are funding those, those elements of your budget rather than more broadly-based. And, and again, it's-- we are 100% aligned in the services that you provide and the need for those services, and I thank you for your service to your county. So, thank you.

**BILL TIELKE:** Thank you.

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**VON GILLERN:** Thank you for testimony.

**BILL TIELKE:** You bet.

**VON GILLERN:** Senator Ibach has a question.

**BILL TIELKE:** OK. OK.

**IBACH:** Sorry. Just a kind of a follow-up question. Did you say that you were on a national association of--

**BILL TIELKE:** Yes.

**IBACH:** Can you explain to us, maybe, in lieu of inheritance taxes how other states compensate their, their counties?

**BILL TIELKE:** I, I can't, and the reason I can't is I just was appointed to the board about what, three months ago.

**IBACH:** You're new here.

**BILL TIELKE:** Three months ago. So I'm, I'm very, very new, but I get to carry the title.

**IBACH:** I'm new here, too, so.

**BILL TIELKE:** I guess the-- I'm, I'm a freshman.

**IBACH:** I understand that very much. And just a follow-up question. What I hear from a lot of my constituents that are not county commissioners are "I've paid property taxes my whole life, and now I have to pay an inheritance tax, too." How do you respond to tho-- that question?

**BILL TIELKE:** Well, the, the person that's, that's receiving the inheritance tax in most cases have not paid the property tax on it; it's been their, their dads and their grandparents, and stuff like that.

**IBACH:** Yes. Yeah.

**BILL TIELKE:** So, it is not-- it, it would be the first time that they would pay a property tax on something they'd inherit. And so-- but they-- how, how I, I easily can explain-- because it is such a low number. You know, in Holt County, you know, last year, you know, we had, we had roughly 85 people that played-- paid the Class I out of 10,500 people. So, it's a very low number that actually pay inheritance tax. But yet, in our county, it generated \$835,000.

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**IBACH:** OK.

**BILL TIELKE:** And so, it is, it is important. But as, as I said, those people that are saying they paid it both ways, they did not; their grandparents did or their, their parents did, but they did not.

**IBACH:** OK. Thank you. Thank you, Mr. Chair.

**von GILLERN:** Senator Murman.

**MURMAN:** I'm guessing Wisconsin does not have a, an inheritance tax, and probably has lower property taxes. Do you know how they do it?

**BILL TIELKE:** Yes, they do. Do I know how they do it?

**MURMAN:** Yeah.

**BILL TIELKE:** I don't how much time you guys want to [INAUDIBLE]

**MURMAN:** I'm just going by your coat. It-- just, just, just a short answer is fine.

**BILL TIELKE:** Well, a, a short answer-- I, I had this very discussion when I was the president of the Nebraska Association of County Officials. With Wisconsin, Missouri representatives, and Iowa. How they do it? Wisconsin's 5.7 million people paying tax; we got 1.8. We need, we need 4, 4 million more people in Nebraska to help pay our taxes, and ours would be lower, sir.

**MURMAN:** I thought maybe it was the dairy farmers in Wisconsin.

**BILL TIELKE:** I, I grew up on a dairy. I'm a, I'm an ex dairy farmer's son, so. Thank you very much.

**MURMAN:** You too. Thanks.

**von GILLERN:** Any-- you guys can catch up later.

**BILL TIELKE:** Yeah, absolutely.

**von GILLERN:** Thank you for your testimony. Appreciate you being here.

**BILL TIELKE:** Thank you.

**von GILLERN:** Next opponent.



**CHRISTA YOAKUM:** Good afternoon, Senator von Gillern and committee. I-- my name is Christa Yoakum, that's C-h-r-i-s-t-a Y-o-a-k-u-m, and I'm appearing before the committee in my capacity as the vice chair of the Lancaster County Board of Commissioners, and I'm here to testify on behalf of the board in opposition to LR13CA, as you might have guessed by the other commissioners in the room. Lancaster County is committed to maintaining responsible property tax levels. With sustained inflationary pressures that are dramatically increasing costs across the board, we continually are challenged to balance our budget. And as you know, property taxes are our primary source of revenue to meet the needs of our citizens. At the same time, Lancaster County has demonstrated a commitment to keeping property taxes within statutory limits, and this committee has done incredible work to provide significant property tax relief. Alternative sources of revenue like the inheritance tax are important because they allow us to best meet the increased demand for core governmental services in our growing community without increasing property taxes. In Lancaster County, we budget an estimated \$7.8 million per year for inheritance tax revenue, similar to what you've heard by others based on an average, and we utilize these funds 100% for property tax relief each year. With our valuation, \$0.01 in levy authority brings in approximately \$4.2 million, therefore replacing that budgeted revenue with no replacement revenue stream would require a 1.8-cent levy increase in local property taxes just to retain an equal amount of budgeted funding for critical public safety and infrastructure needs. We applaud the Legislature's leadership in reducing the tax burden on our citizens, and we also appreciate today's opportunity to discuss the continued vitality of the inheritance tax. Lancaster County supports reforming or even repealing the inheritance tax, so long as our property tax payers are not burdened by the absence of a reliable and sustainable property tax relief mechanism. However, repealing the inheritance tax through a constitutional amendment that does not also thoughtfully enshrine a reliable replacement revenue stream would have a disastrous effect on our county's property tax payers, and it would undermine the successful work wrought by this Legislature to reduce property tax over the last several legislative sessions. Over the last few years, the Legislature has adopted wise and reasoned legislation that has modernized inheritance tax rates and exemptions to the great benefit of the inheritance tax payers, while also retaining the inheritance tax as a critical, important tool in the fight against property taxes at the county level. This committee is presented with a similar opportunity to create multiple of advantageous policy outcomes, and therefore we urge this committee to advance LR13CA only with an amendment setting forth a reliable replacement revenue stream that ensures Lancaster County can

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continue to provide significant property tax relief to our constituents. Thank you for the opportunity to testify and for your service to our great state, and I would be happy to answer any questions.

**VON GILLERN:** Thank you for your testimony. Questions from the committee members? Senator Sorrentino.

**SORRENTINO:** Thank you, Chairman von Gillern. This is a, a quick question. Whether it's Lancaster County or Douglas County, or Fillmore, whatever it is. If I were privy to the calculation of your tax levy, it would be all the costs that come up with the total needs for the county, and there would be a negative line minus inheritance taxes equals the net amount. And then, I calculate the tax levy from there. This is-- I, I hear it over and over; I just want to make sure. I've never done that. There's a negative line after the total cost, and that truly does reduce the tax levy. I heard that a lot of times. Just tell me, yep, I heard that right.

**CHRISTA YOAKUM:** I guess I'm not exactly understanding the question, because I've not seen it written out in exactly that way. We estimate-- when we estimate our revenue, what we estimate we're going to be getting from property tax, we also estimate in-- what'd I say, 7-- \$4.2 million. No, I'm sorry, \$7.8 million is our average for the last few years. We put that right into what we anticipate our budget to be for the foll-- upcoming year.

**SORRENTINO:** So, that's baked into the formula, and that's how the levy is slightly lower than it would be [INAUDIBLE]--

**CHRISTA YOAKUM:** Exactly. Exactly. Yeah, exactly.

**SORRENTINO:** Thank you.

**CHRISTA YOAKUM:** I also wanted to mention, if I may, when you talked about docs-- the doc stamp tax previously. It does not go to counties now; that is in the proposal of LB468, but now it goes for housing and behavioral health regions to use that to house indigent people who also have mental health issues.

**SORRENTINO:** I thought the doc stamp, part of it went to--

**CHRISTA YOAKUM:** Yes, part of it.

**SORRENTINO:** --affordable housing, but not all of it.

**CHRISTA YOAKUM:** Part of it, part of it. You're correct.

**SORRENTINO:** Right. Thank you.

**von GILLERN:** Any other questions? Seeing none. Thank you for your testimony.

**CHRISTA YOAKUM:** Thank you.

**von GILLERN:** Next opponent. Good afternoon.

**REBECCA FIRESTONE:** Good afternoon. This chair is low. All right. Good afternoon, Chairman von Gillern, members of the Revenue Committee. I'm Dr. Rebecca Firestone, R-e-b-e-c-c-a F-i-r-e-s-t-o-n-e, executive director of OpenSky Policy Institute. We're here today to testify in opposition to LR13CA for many of the reasons that have been discussed previously, as it would place the state and its counties at risk by eliminating a significant revenue source. And given the state's current fiscal situation, this is not something the state can afford to do. The inheritance tax is certainly a discussion of ample-- topic of ample discussion here. OpenSky generally does not have major conceptual concerns with the inheritance tax from our policy perspective that Nebraska's tax code should be based on principles of adequacy, vertical and horizontal equity. However, in this testimony, I'm focusing on the fiscal implications of this proposal, and here's the bottom line. In 2024, the inheritance tax raised almost \$94 million for Nebraska's counties. These funds were used, as you've heard, for important county services such as infrastructure, criminal justice, and public safety, and LR13CA would eliminate this source of revenue with no replacement. It's likely that without dollar-for-dollar revenue replacement, counties will rely more heavily on property taxes to make up this loss, and in some instances, could potentially cut services. This body and this committee have worked very significantly on reducing local property taxes, so this proposal could jeopardize the state's ability to continue to advance those goals. Earlier this year, you heard testimony on another bill, LB468, that would lower the inheritance tax and replace lost funds. However, it doesn't fully replace funding for all counties as introduced, nor would it generate new General Fund revenues to replace the loss, and instead, it simply shifted some General Fund revenues around. We opposed that bill for that reason; shifting state funds to counties at a time when the General Fund is already strained and faces a \$289 million shortfall is not fiscally prudent. And it's from this angle that we oppose LR13CA. This proposal is not sustainable, and will further erode the state's ability to ensure it is set up for fiscal success in the future, and simply

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requiring counties to find a way to make up for the loss of funding could result in risks that would undermine other goals around reducing property taxes in the state. Thank you for your time, and I'm happy to take any questions.

**von GILLERN:** Thank you. Questions from the committee? Seeing none. Thank you for being here this afternoon.

**REBECCA FIRESTONE:** Thank you.

**von GILLERN:** Next opponent.

**RANDY OBERMIER:** Thank you, senators, Chair von Gillern. Thank you for the opportunity to testify today. My name is Randy Obermier, R-a-n-d-y O-b-e-r-m-i-e-r. I apologize ahead of time for the redundancy, but large or small counties across the state, our story is a lot the same. I am here today to-- in opposition to LR13CA, and to give you a brief glimpse of your county's story. We are close to starting our budget process for the '25-'26 year, and-- budget year. As most of you know, or should know, we look at what's going to take to offer the services that our county's residents not only need but have come to expect; services like law enforcement, corrections, road department, 9-1-1 call center, and many more. Over the past couple of years, those services cost our county's property tax payers around \$8 million. That number would be more, if not offset by revenue we do collect, and one of those revenue sources is inheritance tax. To date this budget year, we have collected roughly \$500,000. I'm not here whining as one of our constituents posted on our wonderful Facebook post; I'm here to tell you it's a source of revenue that over the last year funded, as you've already heard, a motor grader for our county was \$375,000; it is also going to put \$400,000 into broadband expansion that will start this spring, a project that, that is going; area on aging [SIC] received \$69,438; reappraisal fund, \$75,444; some of the nonprofits that we support, CASA, at the rate of \$42,000; Blue Valley, \$16,000; Hope Crisis, \$13,000; York County Development is \$76,000; SEND, \$7,449; and library-- which is our local library-- at \$17,500. I bring these nonprofits up because it's not mandatory, but the value they bring to our county far exceeds the cost of the fund. I feel it is money well spent. Counties collectively receive \$90 million annually through this tax. If it is lowered or goes completely away, as LR13CA would do, counties no doubt have a hard decision to make. We will deal with the hand we are given. I will close by saying that since this conversation has come to the forefront over the last couple of years, I have had the opportunity to discuss and tell the story. And let's face it, nobody likes any taxes, but everybody expects services. And given the choice

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of a service going away or putting additional pressure on property taxes, almost always, they will ask that the inheritance tax stay in place. With that, I will close. Thank you for your time. Any questions I may be able to ask-- answer.

**VON GILLERN:** Questions from the committee? Senator Kauth?

**KAUTH:** Thank you, Chair von Gillern. What is the SEND fund?

**RANDY OBERMIER:** Southeast Nebraska Development.

**KAUTH:** Thank you.

**VON GILLERN:** Senator Moser-- or, Murman. Sorry. I do that all the time.

**MURMAN:** I'll take that as a compliment. You said \$500,000 you've collected from inheritance tax so far this, this year--

**RANDY OBERMIER:** To date. Yes, sir.

**MURMAN:** So, how far through the budget year are you? I'm just trying to figure out how much [INAUDIBLE]

**RANDY OBERMIER:** Our budget year ends at the end of June, so we're--

**MURMAN:** OK, so you're [INAUDIBLE]

**RANDY OBERMIER:** --you know, just a few months left, yes.

**MURMAN:** Yeah. OK. So, \$700,000 or so. Is that pretty average for an inheritance tax?

**RANDY OBERMIER:** We, we budget as a revenue into \$500,000 a year.

**MURMAN:** OK.

**RANDY OBERMIER:** It has averaged roughly-- I can get that figure for you, but roughly \$700,000 over the last several years.

**MURMAN:** OK. So, you're at-- just a little above average this year, but--

**RANDY OBERMIER:** A little bit.

**MURMAN:** --you can figure out--

**RANDY OBERMIER:** Depending on what's, what's to come, yes.

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**MURMAN:** Do you, do you know pretty close what, what you can expect every year, then? It's [INAUDIBLE]

**RANDY OBERMIER:** It seems to be fairly steady.

**MURMAN:** Thank you.

**von GILLERN:** Any other questions? Seeing none. Thank you for your testimony.

**RANDY OBERMIER:** Thank you.

**von GILLERN:** Next opponent. Are there any other opponents? Seeing none. Anyone who'd like to testify in the neutral position? Welcome back.

**SHIRLEY NIEMEYER:** Thank you. Shirley Niemeyer, S-h-i-r-l-e-y N-i-e-m-e-y-e-r. Honorable Senators, I'm here as myself. I'm not representing any-- anybody except somebody that lives in a county. I oppose LR13CA, the constitutional amendment. Tax inheritance [SIC] provides about \$93 million a year in revenue to the state's county, or about 10% of the counties' budget, the revenue issues for bridges, roads, and other essential services, and some use it for social services and so on. Inheritance tax were adjusted in terms of the percentage paid for inherited [SIC] tax downward in 2023 because of LB310. Nebraska imposes a one-- now imposes a 1% inheritance tax on children, parents, and siblings for an inheritance exceeding \$100,000; more distant relatives and non-relatives pay a higher percentage. The amount of exemption was raised from \$40,000 to \$100,000 for close relatives; for more distant relatives, the percentage tax rate went down from 13% to 11%, and the exemption went from \$15,000 to \$40,000. I think we need to evaluate those recent changes first before changing or eliminating them. What did LB310 do in terms of affecting the county? What's been its impact? Do people feel differently now about paying inheritance tax because it's a, it's a lower rate for them? You know, if-- and, and those of you who are lawyers can correct this, but if an owner wants to give property at an inheritance later, they could gift money to pay the tax eventually. In other words, ahead of time, to close relatives, they could pay tax-- they could pay part of the taxes that are expected in the future. Gifts of up to \$17,000 are allowed per person, so I could gift my nieces and nephews \$17,000, so that would help them pay the tax on the inheritance, if I understand the legalities of that. And I think there are other ways that people share their property and, and different ways that end up not having so much being paid for an inheritance tank [SIC]. And I thank you very much for your-- letting us to testify.

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

**MURMAN:** Just a quick question, I'm sorry. I didn't hear what county you were from.

**SHIRLEY NIEMEYER:** I'm from Saunders County.

**MURMAN:** OK. Thank you.

**SHIRLEY NIEMEYER:** Yes, and I did talk to a county commissioner, and he's very concerned about what they would have to do if they lose this revenue.

**MURMAN:** Thanks. Thank you.

**SHIRLEY NIEMEYER:** Thank you.

**VON GILLERN:** Thank you. Thank you for your testimony. Seeing no other questions, thank you.

**SHIRLEY NIEMEYER:** Thank you.

**VON GILLERN:** Any other neutral testimony? Seeing none. That will close our hearing. Senator Hallstrom, as you come forward to close, we had 46 proponent letters, 19 opponent letters, zero neutral, and zero ADA testimony. Senator Hallstrom.

**HALLSTROM:** Thank you, Senator von Gillern. Just in response to-- I think it was your question about the, the rankings. I was at a, at a luncheon yesterday with Mr. Jonathan Williams, who's one of the authors of the "Rich States, Poor States" document that former Senator Smith referenced, and I believe he indicated that we would move from the low 30s to the high teens, and I suspect that is because we would move from tied for 50th in, in essence to tied for first in the inheritance tax by doing away with it completely, as, as most of our brethren and sistren have done. So, I, I think just a couple of things. I wouldn't take exception to the suggestion that if you ask someone straight up would you like to do away with this tax or the other tax, including the inheritance tax, that, that their answer would be yes. As you suggested, it's-- the, the fair tax is the one that somebody else pays. But I'd also take-- I would take exception with the alternatives that were posed, I think, by the county officials. To me, it's not simply a question of if we do away with the inheritance tax, would you feel the same if we raised property taxes or if your services were cut? I don't think there's an absolute corollary between the two. And I appreciate

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Senator Kauth's questions on "Where can you cut?" We're, we're hearing a lot of debate and discussion on the federal level about wasteful spending, and I'm assuming that we've, we've got some at the, at the county level as well that we ought to roll up our sleeves and take a look at, and take out that red pen that, that the-- I think it was the Fillmore County commissioner was talking about. And Senator Kauth, based on your question, there's certainly a future down the road for you as a county commissioner, and we'd welcome, we'd welcome that for you to take out your, your red pen. And I think, you know, Henry Ford one time said, if you always do what you always did, you'll always get what you always got. And I think there's a, there's a, a movement to do things differently than we've always done it at the county level, and if some of those things can be done-- again, as I started out, I certainly am more than welcome to-- or, more than willing to look at Senator Clements' proposal and try to do this incrementally; if we can't afford \$84 million in one fell swoop, the 33 that he's got on the table to go as far as LB468 is certainly a good first step, but my interest is in ultimately getting to the, the complete elimination. If we have to look at replacement revenues, I'm certainly open to that, but again, I think just to keep everyone's feet to the fire, I don't think all of the counties were unanimous in coming in and supporting LB468. NACO did, but not every county did. And so, they're not singing from the same hymnal, and I think we have to keep people's feet to the fire, and by moving this proposed constitutional amendment out to General File, we have until the next general election to make those, those changes, or make that adoption. So, putting that out there is going to give everybody the, the notion that this committee and the Legislature are serious about ultimately moving to the complete elimination of the inheritance tax, and I, I hope we can move forward in that-- on that basis. And I do, I do want to say for the record, I appreciate-- brought people together again in opposition to one of my bills, and I appreciated all of the opponents coming up to me prior to this hearing and letting me know that they would be coming in this afternoon to oppose, so. Thank you.

**VON GILLERN:** Thank you. Questions from the committee members? Seeing none. Thank you, Senator Hallstrom.

**HALLSTROM:** Thank you, Senator.

**VON GILLERN:** That'll close our hearing on LR13CA, and we will open on LB566. All right. Senator Quick, you're welcome to open on LB566.

**QUICK:** All right. Thank you, Chairman von Gillern, and members of the Revenue Committee. It's good to be here this afternoon. My name is Dan



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Quick, D-a-n Q-u-i-c-k, and I represent District 35. And I'm here today to introduce LB566. LB566 is removing the sunset on housing incentive-- on a housing incentive program that was passed in 2019. This incentive program provides homeowners with a \$5,000 income tax credit if they purchase a home in an area that has, has been designated as extremely blighted by a muni-- municipality. Homeowners-- home ownership has been the fundamental means of accumulating-- accumulating wealth. It's not only providing an investment that continues to grow, but also, by purchasing and living in a home, you can build a community around. In extremely blighted areas, you can change the community for the better. Historically, the only developments that were going on in these areas are apartments. This program has helped shift away from renting a home-- renting, renting to home ownership in extremely blighted areas, and people behind me can talk further about that. If we can continue to create the American dream for families in Nebraska, homeownership is essential. If, if passed, LB566 will continue to provide that \$5,000 income tax credit to extremely blighted areas in our state. Scottsbluff, North Platte, Kearney, Lincoln, and Omaha all, all have areas that could, could, could qualify. I'm passing out a map that shows areas that could qualify for extremely bli-- extremely blighted areas in local municipalities, and you-- if the local municipality chooses to use that tool. I believe home ownership-- home ownership is the key to building America-- the American dream, and rather than continue build only-- building only apartments, particularly in extremely blighted areas, we need to continue to create that wealth-building opportunity in those areas for families. Thank you for your consideration, and I'm happy to answer any questions you might have.

**VON GILLERN:** Thank you. Questions from the committee? Senator Kauth.

**KAUTH:** Thank you, Chair von Gillern. OK, so I have a few questions. Hi. How long has this been in place? So, sunset next year, but how long has it actually been in place?

**QUICK:** Yeah, I think it was 20-- was it 2019, it was passed?

**KAUTH:** OK, so-- and then, do you know how much has been claimed so far? How many homes have actually been purchased?

**QUICK:** I don't know. I know somebody behind me might be able to answer that, but, but I'm thinking by looking at maybe the fiscal note that that-- maybe that would indicate maybe they'll-- I don't know if it's indicating from the past, but any-- indicating going to the future of how many people might utilize that program.

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**KAUTH:** And then-- what happens if-- so, we have TIF development that declares an area extremely blighted that they're going to have extreme development there. Does this qualify, if they buy a house in there?

**QUICK:** They have to buy it, and then they have to-- they would have to, like, remodel it, you know. So, they would build-- they would fix that house, that house up themselves, and then live in that home, too.

**KAUTH:** Is there a requirement for it to be remodeled? Or-- do they have standards?

**QUICK:** Well, I--

**KAUTH:** Or could they just buy a really bad house and stay there?

**QUICK:** I think they would want to, because most of these homes are not in the con-- really have the greatest condition.

**KAUTH:** OK.

**QUICK:** But it's not a home that they can flip; this is a home that they actually have to, you know, redevelop. Because you're going to want that, that home, whether it's-- maybe it's been on the-- I don't know if these were the same homes that would go on the tax-- or, people who've--

**KAUTH:** The, the foreclosure sales?

**QUICK:** Foreclosures and, and things like that. I know there's also some of the problem properties that maybe they were-- they could-- it could be a-- maybe a vacant property that's just sitting there, and they could maybe purchase that property, and then they could go in and revitalize that home, and then make the whole neighborhood better. Because a lot of times it takes down a whole neighborhood.

**KAUTH:** Do they have-- is there a time frame that they have to remain the owner-occupant? So, to collect that \$5,000, is it-- they collect it and then they can sell it? Or do they have to be there for a certain number of years?

**QUICK:** I should know that, but I don't know the-- maybe they can answer that behind me.

**KAUTH:** That's OK. That's OK. OK, thank you.

**von GILLERN:** Other questions? Senator Bostar.

**BOSTAR:** Thank you, Chair. Thank you, Senator. Are there-- I mean, I'm-- I looked-- I'm looking at the map of Lincoln, but-- in general, we don't, we don't have, like, a lot of housing stock available for purchase, so, so I guess if this, if this legislation were to sunset-- not your bill, but the, the bill that your bill's addressing-- would we then start to see a lot of housing availability in these areas because people are currently buying them because of the tax credit? I'm, I'm just trying to-- right now, I look around, and in Lincoln we don't-- and for the most part from what I've seen across the state, we don't have a lot of houses available. So, it's creating an incentive for people to buy houses when it seems like people are buying houses-- if we don't do this, would people stop buying houses in these areas?

**QUICK:** Well, I think what you're seeing, though, is that not many people want to live in maybe a blighted area. So, it's probably going to be a certain-- maybe a person who comes maybe from more a poverty level--

**BOSTAR:** Sure.

**QUICK:** --and maybe someone who's actually renting and hasn't ever had the opportunity, or maybe could afford to buy a home. So, I think this gives them that opportunity where you, you have your people-- and, you know, whether they-- if they're in poverty and they get a better job, maybe they can buy a home in a different area. You know, I don't think this is going to be competing with the rest of the market, is what I'm trying to say, I guess.

**BOSTAR:** Is this, is this-- is the program currently-- I mean, is it working? Are we seeing-- between, you know, from 2018-- because this-- I-- we heard it passed in 2019, was created-- between 2018 and now, have we seen a real shift in that kind of investment that you're talking about, where folks are-- maybe a, maybe a different kind of purchaser or investor is buying homes in these areas that wasn't previously? Do we have some efficacy to put around this?

**QUICK:** Well, I can talk a little bit about, you know-- of course I had my land bank bill here several years ago.

**BOSTAR:** [INAUDIBLE].

**QUICK:** And those dealt with a lot of the vacant, abandoned problem properties in communities. Now, I don't know if all these would fit into that, because some of those homes-- some of the homebuilders, they didn't-- they couldn't really-- it wasn't a home they wanted to flip.

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You know? I mean, it would take too much investment, whether they had to knock it down and start over, or-- the kind of investment that they would have to make in that home to redevelop it for sale and make a profit on it because they aren't in probably the type of neighborhoods that you're going to-- this may be a neighborhood that maybe, you know, maybe it's 100,000 or less, or 100,000 or just a little over 100,000. You know, with the way real estate has gone, maybe even in the blighted areas, homes are worth more. But, but still, a vacant home or abandoned home that's sitting there, that's not helping the community, and this would be an advantage for that neighborhood, even. Just to have someone be able to buy that home, so. And maybe people behind me can answer that--

**BOSTAR:** Sure.

**QUICK:** --that question better, that you had.

**BOSTAR:** Yeah. Thank you.

**von GILLERN:** Senator Kauth.

**KAUTH:** Thank you, Chair von Gillern. Would you consider extending the sunset clause rather than just getting rid of it completely, so that we could check it again in five years?

**QUICK:** Yeah, I'm sure that we'd probably were willing to do that. I--

**KAUTH:** OK. Thank you.

**von GILLERN:** Thank you. Other questions? I'm looking through the maps, I-- interesting, I don't see the area that you represent in here. Does Grand Island have blighted areas in there?

**QUICK:** I know they have blighted areas. I don't know why they're not on the map, because I know, even when I had my land bank bill, we, we had blighted areas in Grand Island, and--

**von GILLERN:** Digging through here, I'm not finding it. So, I'm trying to find it for us.

**QUICK:** And I wonder if-- I didn't even look to see on those map if Lexington was on it, because, you know, at one time, they had a lot of blighted areas as well. So, there's rural parts of Nebraska that could also-- could be helped in that area, so.

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**VON GILLERN:** OK. Thank you. Any other questions? Seeing no other questions. Will you stay to close?

**QUICK:** Yep.

**VON GILLERN:** Thank you. I have to leave for another commitment, and I'm going to hand the chair over to Senator Bostar. Good luck.

**KORBY GILBERTSON:** Jeez. Good afternoon, committee members. For the record, my name is Korby Gilbertson; it's K-o-r-b-y G-i-l-b-e-r-t-s-o-n. I'm appearing today as a registered lobbyist on behalf of the Nebraska Realtors Association, the Nebraska State Home Builders Association, the Home Builders Association of Lincoln and Metro Omaha Builders Association, Omaha Coalition, and we also represent Habitat for Humanity in Omaha. They have some-- someone else is going to testify on their behalf today, but I wanted to thank Senator Quick for working with us, for-- and introducing this legislation. To try to answer a few questions, these have to be owner-occupied homes; they have to be in an extremely blighted area. Around ten homes sell a year; you'll see that the fiscal note's estimated at \$44 million-- or \$44 million-- \$44,000. So that means they'd-- they expect another eight or so houses to be sold in the next year. By 2029, the estimate would be \$116,000. But back to-- it has to be an owner occupied house; if the person decides to buy it and then flip it, they have to pay back the \$5,000. So, this is not just a handout for people that want to come in and flip houses. This is really intended to try to build neighborhoods and recapture some of the neighborhood qualities. And then also, it helps increase property tax revenue because generally, the homes get improved, and then the values go up. So, with that, I'd be happy to answer any other questions.

**BOSTAR:** Thank you, Miss Gilbertson. Questions from the committee?  
Senator Murman.

**MURMAN:** You said if somebody buys one, flips it, they have to pay it back? And with it-- if they flip it, within how many years [INAUDIBLE]

**KORBY GILBERTSON:** So, if they don't stay in the house as an owner-occupied home for more than five years, it's the-- that \$5,000 is recaptured. It has to be turned back over.

**MURMAN:** OK, five years.

**KORBY GILBERTSON:** So, if they decide-- if they go in and want to flip a home, that-- they don't get the credit.

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**MURMAN:** Thank you.

**KORBY GILBERTSON:** Yep.

**BOSTAR:** Thank you, Senator. Additional questions? How is the-- how is it recaptured?

**KORBY GILBERTSON:** Department-- let me see.

**BOSTAR:** I mean, who-- who's sort of watching for that?

**KORBY GILBERTSON:** My guess is the Department of Revenue are-- they would have to watch who sells-- how the house sells. And I'm not sure-- I don't think any has ever had to be recaptured.

**BOSTAR:** Sure.

**KORBY GILBERTSON:** So.

**BOSTAR:** I-- you know-- and, and my questions of Senator Quick is do you have any-- has this been deemed to be effective? I mean, I-- part of my thought is it's just-- it-- it's almost like is, is a \$5,000 nonrefundable tax credit enough to create the kind of incentive to drive, you know, this, this sort of level of redevelopment that I think we're all looking for in these areas?

**KORBY GILBERTSON:** Right.

**BOSTAR:** Is it working?

**KORBY GILBERTSON:** It's-- well, I think it's worked. I mean, if you look at-- is ten houses a good, good deal? You know, I know that originally, when we were first discussing this, the Omaha Land Bank was very interested in it because they wanted to try to help rejuvenate parts of Omaha. So, you know, in my opinion, and I think in Habitat's and the Realtors' opinion, if we can get ten homes with owner-occupied people to go into areas that people probably might not otherwise be looking at; if this is an incentive that helps ten people and it's only costing \$5,000, not a bad deal.

**BOSTAR:** Sure. That begs two--

**KORBY GILBERTSON:** But I-- we would always welcome additional funding.

**BOSTAR:** Well, I mean, I guess I have two, two sort of responses that-- one would be, I'd be interested in knowing what happens to those ten homes. Right? I mean, they're just-- ten people buying the home and

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being able to take advantage of a tax credit, and then the home sort of staying in the condition it's in, that's, that's not necessarily what we're looking for.

**KORBY GILBERTSON:** And I can see if I can find that data for you.

**BOSTAR:** Yeah.

**KORBY GILBERTSON:** I'll, I'll ask and see if they have data on the specific houses. Because it's not really-- it's not managed by anyone other than the Department of Revenue.

**BOSTAR:** Yeah.

**KORBY GILBERTSON:** So, I'll-- but I'll see if maybe the land bank or someone has any-- and people behind me might know, too.

**BOSTAR:** Look, I mean, I'm, I'm not arguing here. I-- it is-- it's a very-- if this, if this level of incentive for what we're talking about is effective, it's a good deal. And, and to some extent, there should be a conversation around what could, what could happen with more. The other question is because it's a nonrefundable tax credit-- is that-- am I remembering that correctly? Is there-- are we, are we leaving potential investment on the table by not having it be a refundable tax credit?

**KAUTH:** Stop giving away our [INAUDIBLE]

**BOSTAR:** I'm sorry.

**KORBY GILBERTSON:** Yeah. Hey, I, I think nonrefundable was, was what was agreed to when the bill originally passed. Obviously, if it would be refundable, that would be great. If you-- then you could target maybe lower-income folks that wouldn't have the income tax to bring on--

**BOSTAR:** Well, especially if you're going to develop and do some of that revitalization, there's other tax credits you can get where you may end up in a situation where you're-- you have other sources of satisfying existing tax liability, that the incentive is sort of being lost.

**KORBY GILBERTSON:** Right. Right.

**BOSTAR:** OK, well-- sorry. Thank you very much.

**KORBY GILBERTSON:** No. Good question.

**BOSTAR:** Oh, I'm sorry. Senator Ibach.

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**IBACH:** Sorry. Can I just ask a couple questions? Thank you, Senator Bostar. I've been looking through the bill a little bit, and maybe you can just help me diagnose a little bit. Can you tell me if rural communities are classified as blighted?

**KORBY GILBERTSON:** So, rural communities as a whole are not. So, blighted and substandard is something that that, that community would have to determine.

**IBACH:** OK.

**KORBY GILBERTSON:** So, they would have to make a determination. Generally, it's done by projects. Some-- there was a law-- a bill passed a couple of years ago, I believe, that would allow larger areas to be determined, and then individual projects could be done within that area.

**IBACH:** So, like, a county, and then designate--

**KORBY GILBERTSON:** Or a city area.

**IBACH:** OK. And then designate within that.

**KORBY GILBERTSON:** Right.

**IBACH:** And then, I'm looking at the qualifications; who qualifies--

**KORBY GILBERTSON:** Right.

**IBACH:** --for that, for that credit.

**KORBY GILBERTSON:** Mm-hmm.

**IBACH:** And some of these seem a little bit odd to me. Not really, but I-- I'm learning a lot. Is there any way to open up any of that statute and include others? Or a-- I mean, has there been any discussion on are we being-- are we being too narrow in who qualifies?

**KORBY GILBERTSON:** I think-- right. I think it was intentionally narrow when it was passed, to see if it, if it would help incentivize some people to buy homes, so I think that's why we're coming back now, saying it seems to be working a little bit.

**IBACH:** OK.



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**KORBY GILBERTSON:** Obviously, with Senator Bostar's question, if it's a refundable tax credit, that might make a difference; if you could expand who would be eligible, that would probably, as well.

**IBACH:** OK, great.

**KORBY GILBERTSON:** Yup.

**IBACH:** Thank you.

**KORBY GILBERTSON:** Uh-huh.

**IBACH:** Thank you, Senator Bostar.

**BOSTAR:** Additional questions from the committee? Seeing none. Thank you.

**KORBY GILBERTSON:** Thank you.

**BOSTAR:** Next proponent. Welcome.

**KEN MAR:** Hello. My name is Ken Mar, K-e-n M-a-r, and I'm the area director for Habitat for Humanity of Omaha, so I can help with a few of the questions in regards to-- in regards to LB566. Just to lead off, this will go off in a lot, a lot of different ways as far as-- as far as our families, and really since, since I'm with Habitat, this is really Habitat-centric as far as what and how we help our families. So, in many cases-- let's say all the cases-- the tax, the tax credit works, OK? So, in some of the numbers, we started a subdivision; total within the next three years, we'll would have built over 225 homes. So, the first 67 were actually started last year, and we'll finish number 67 this year and we'll move into the second edition. So, the first edition was a total of 67 and then next year, we'll start on the next 145 or so homes that, that get going. What drives, what drives extremely blighted versus blighted is really a-- it's a play on TIF. So, a normal TIF finance structure runs for 15 years. So, after 15 years, the TIF loan is repaid through the recovery of tax dollars, and the thing collapses on itself, and we move on, and the tax goes back to the city versus going back to pay the loan. With extremely blighted tax, it's a-- actually stretches through a 20-year term, so you pick up an additional five years in order to use those infrastructure dollars to rehab or renovate, or rebuild infrastructure all the way up to, you know, the approaches of, of the, the-- of the neighborhood itself. So, none of the, the TIF dollars are actually used to build the home; it's really based on public and-- public improvements is what we use TIF on, so. As far as some of the numbers, 67 families of 5,000; we're talking

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about total, total tax drivers of about \$335,000 a year on an annual basis, and then, you know, the remaining homes where the second edition we'll come-- we'll approach about \$1,000,060 as far as recovery dollars. So, in general, when we talk about it, our families fall within the realm of 60% to 80% of AMI, so if AMI for a family of four is \$110,000, we're talking, you know, families that make between \$65,000 to \$85,000 a year. Who are we talking about? We're talking about teachers; my daughter's a fifth grade teacher, she makes \$52,000 a year; she qualifies. When we talk about families, it's, it's the people that are shift workers; it's our teachers, like I discussed before; it's the hospitality; it's the food service in, in the hospitals; it's plumbers; it's basically any walk of life that you see that make between \$15 and \$29 an hour that, that we, that we are out there to help with affordable housing.

**BOSTAR:** All right. Thank you very much.

**KEN MAR:** Yes.

**BOSTAR:** Questions from the committee? Senator Murman.

**MURMAN:** Yes. Thanks for testifying. I'm, I'm just trying to figure out the-- the numbers don't seem to add up. You said-- I thought you said 67 families took advantage of it--

**KEN MAR:** With--

**MURMAN:** --or you helped?

**KEN MAR:** With our families, they-- if they file for the tax credit, they file on their own. We know that 67 families will qualify because we've built and sold those homes to those families to recap-- to capture the, the \$5,000 tax credit. If they've taken it, that's, you know, something that Revenue will have to pick up through the tax and, and report it that way. We know from our end that we've shared, we've shared through education that there's a credit available, and that by the end of this year, 67 families will be in their homes. OK?

**MURMAN:** OK. Yeah, from the fiscal note projections--

**KEN MAR:** Mm-hmm.

**MURMAN:** --they don't project near that high.

**KEN MAR:** OK. All right. So, hopefully that-- hopefully they'll-- a good accountant will capture that for them. So.

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**MURMAN:** Yeah, they-- well, maybe I made a mistake. Maybe they do project about that. Because I guess they're projecting \$90,000 the second year, that's--

**KEN MAR:** OK.

**MURMAN:** --that's-- would be 67 times \$5,000.

**KEN MAR:** Yeah, OK. OK.

**MURMAN:** My mistake. Sorry.

**KEN MAR:** Yeah. One thing, one thing that you discussed as far as what happens when the family flips it, remember when families buy a Habitat home, they, they buy it from us knowing that our appraised values will approach what normal market rates are. If you're in the Omaha, the five-county area that we serve, it could range anywhere from an average closing cost within every home that, that is sold. Average sales run between \$300,000 to \$350,000; in, in Sarpy County, it's even more than that, so. It's those pieces where a family really isn't in the position to sell if they do, where-- regardless of, of, you know, if they're going to make any money on it, if there's going to be an equity play on it. Habitat has a equity-sharing model in which if, if the family needs to sell, they'll sell it; Habitat always has first right of refusal, and we'll buy it back at whatever appraised value is, and that's kind of the protector. When you think about a person that's going to come in, take that five grand and then all of a sudden, hey, I'm going to-- I'm going to make five grand off of it, and really don't, because with our down payment assistance programs and the affordability-- because a family that makes \$15 to \$29 an hour can afford about \$180,000 to \$210,000 in mortgage. When a house is appraised at \$290,000 with down payment assistance, it's really hard to-- it's really hard to make any, you know, equity play on it knowing that, knowing that that's in, in force, so.

**MURMAN:** Yeah. That-- I guess-- yeah, they don't-- the fiscal note doesn't figure quite that high because you're just--

**KEN MAR:** Right.

**MURMAN:** --the Omaha area, right?

**KEN MAR:** Right. Right.

**MURMAN:** And this is the whole state.

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**KEN MAR:** But as, as you'll hear from a colleague of mine in Grand Island, this could play in effect in Grand Island as well, because there are, there are-- sift through city planning, there are both extremely blighted and blighted areas. So, if there's a play where they can write a TIF and start building affordable housing, which is a statewide issue, that would probably be probably the first bit--

**MURMAN:** Yeah. Sounds good.

**KEN MAR:** --they're going towards. Yeah.

**MURMAN:** Thank you.

**KEN MAR:** So, yeah.

**BOSTAR:** Thank you. Additional questions? Seeing none. Thank you very much.

**KEN MAR:** Thank you.

**BOSTAR:** Additional proponents. Welcome.

**LINDSEY JURGENS:** Good afternoon, Senator Bostar and Revenue Committee. My name is Lindsey Jurgens, L-i-n-d-s-e-y J-u-r-g-e-n-s. I serve as the executive director of Grand Island Area Habitat for Humanity, and I really appreciate your time in allowing me to testify this afternoon in support of LB566, because it presents a critical opportunity to invest in Nebraska communities and expand access to home ownership. While the Grand Island Area Habitat does not currently have a project in an area designated as extremely blighted, we know firsthand that many neighborhoods in our city, along with rural communities in Nebraska, have gone without meaningful investment for decades. LB566 can potentially change that by encouraging developers to take a chance in these areas by using tax increment financing to spur revitalization. And it will come as no news that we have a housing crisis, so anything we can do to support that is something we are all about. At this time, the proposed \$5,000 income tax credit could be a game changer for hard-working families. Mr. Mar gave some great example of those hard working families. I mean, our community members, the people who keep things moving, those are the folks we are talking about. And it makes home ownership more attainable by empowering them to invest in their own futures. At Habitat for Humanity, we've seen how strategic investment can transform blighted properties into thriving neighborhoods. Habitat Omaha's success in revitalizing communities inspires us, and we hope to replicate that impact here in Grand Island. Habitat Omaha has proven that LB566 is working, and we look forward to

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expanding this opportunity in areas in-- well, in and around Grand Island as well. By supporting this bill, you can help ensure that hard-working Nebraskans have the opportunity to purchase homes in areas that are in dire need of investment, and we would urge you to pass LB566 to continue providing tax incentives to hard-working Nebraskans and help the much-needed revitalization to all communities throughout Nebraska. I'd also like to thank Senator Quick for introducing this important bill, and to each of you for your time and consideration. Thank you.

**BOSTAR:** Thank you. Questions? Seeing none. Thank you so much.

**LINDSEY JURGENS:** Thank you.

**BOSTAR:** Proponents.

**CAROL BODEEN:** Looks like I might be bringing up the rear. Good afternoon, Senator Bostar, members of the Revenue Committee. My name is Carol Bodeen, C-a-r-o-l B-o-d-e-e-n. I'm the director of policy and outreach for the Nebraska Housing Developers Association. We are a membership organization with over 70 members from across Nebraska. Our mission is to champion affordable housing. Today, I am testifying in support of LB566. Our organization was formed in 1996 out of a need to raise awareness and to be a voice for those who are working in our state to address lack of affordable housing and the ability of communities to maintain and develop viable and stable economies. The original legislation passed back in 2019 was prior to my time with NHDA, so I've appreciated learning a little bit more about the extremely blighted designation and the communities which have been able to use it to the benefit of economic development and affordable housing. I also want to make note that since this designation, the application process for the Nebraska Affordable Housing Trust Fund has given priority to projects which take place in these areas. The \$5,000 tax credit for homebuyers in these extremely blighted areas has also been of great benefit. Homes for sale in these areas-- and those would be homes that were-- are not being developed with organizations such as Habitat, but they can be-- another aspect of this bill is that those targets-- those homes can become targets for out-of-state cash investors, and this nonrefundable tax credit has contributed to buyers with the intention of living, living in those homes as their primary residence, being more able to compete and make these purchases also. So, that's another benefit of this program. Owner-occupied residences lead to more stability for these neighborhoods and contribute to pride of ownership and wealth-building. We urge you to pass LB566 to eliminate the sunset date for this valuable tax credit which

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incentivizes investment in these neighborhoods. Thank you for your consideration, and I'd be happy to answer any questions.

**BOSTAR:** Thank you, Ms. Bodeen. Questions from the committee? Seeing none. Thank you.

**CAROL BODEEN:** Letting me off easy. Thank you.

**BOSTAR:** Additional proponents. Any opponents? Neutral? There were 5 proponent letters, 2 opponent letters. Senator Quick, welcome back.

**QUICK:** Thank you, Vice Chair Bostar, and members of the committee. I'll try to find out some more information about the extremely blighted. You know, especially for-- I know Grand Island, from my understanding, is close to having some areas, but I know there are some-- I would say if you're going to a neighborhood, it might have several houses that would be livable, and, and probably people are, are-- it-- it's OK. But then you go to another-- you might have a home within that location, and so that area wouldn't match being extremely blighted, so. It's probably more of a location where there's maybe three or four homes in that neighborhood that are-- that would make that-- have that area qualify for extremely blighted. I think they talked about, too, that you-- the income levels to meet that, for that income tax credit too, are, are-- which show that it's people who are, are working families, maybe close to living in poverty, just bordering on that area. And then, I think that-- also, that qualification of living there five years is an, is an important thing, too, but-- I think this would be an area that would help-- areas-- I know it's-- from the conversations that it's helped in Omaha, and we're hoping that it could help in Grand Island at some point, and some of the other communities, so. And I do know from my previous time in the Legislature, when we talked about places like Lexington-- I know there was some areas there where-- New, New Holland plant had been there, and when they closed and left, there were a lot of vacant homes left behind when all those employees left to go to another community to work, so. With that, I'll leave it there and, and thank you.

**BOSTAR:** Thank you, Senator Quick. Questions from the committee? Thank you very much. Closes the hearing on LB566, and we will proceed to LB152. Senator John Cavanaugh. Welcome.

**J. CAVANAUGH:** Thank you, Senator Bostar, and members of the Revenue Committee. My name is Senator John Cavanaugh, J-o-h-n C-a-v-a-n-a-u-g-h, and I represent the 9th Legislative District in midtown Omaha. I'm here to introduce LB152, which would create a

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universal homestead exemption on the first \$100,000 of taxable value on an owner-occupied home. Article VIII, Section 2 of the Nebraska Constitution enables the Legislature to exempt a portion of the value of any residence actually occupied as a homestead from property taxes. Nebraska currently utilizes homestead exemptions based on age, income, disability, and veteran status. LB152 would not diminish those homestead exemptions in any way, but add a baseline exemption for every owner-occupied home in the state. I brought this bill last year during the special session as LB22. As I was going door-to-door during the last year's campaign, a number of my constituents expressed their support for this targeted approach to property tax relief. I recognize that the fiscal note on this bill means that this is-- this conversation will probably be a nonstarter for the Legislature at this time when we are facing a revenue shortfall, but I brought LB152 to continue a dialogue on what I believe is the most equitable and fair form of property tax relief for homeowners. LB152 is aspirational in the goal of exempting the first \$100,000 of value, but the Legislature could choose to exempt a lower amount as well. I thank you for your time and consideration. I'm happy to take any questions. And just so you know, I've heard that I, I win; I got the highest fiscal note of the year.

**KAUTH:** Did you really?

**BOSTAR:** Thank you. Senator Cavanaugh. Questions? Senator Kauth.

**KAUTH:** Thank you-- temporary Chair?

**BOSTAR:** "Acting" is fine.

**KAUTH:** Acting Chair Bostar. So, I like the mechanism for this; I think it does make a lot of sense. And I, and I think you said it; this is for only owner-occupied, and it's single family, so we're not talking rental building-- apartment buildings. Can we do that with, with how we are able to do our property taxes?

**J. CAVANAUGH:** You mean can we do it for multi-family?

**KAUTH:** Well, maybe-- no, no, no. Because agriculture, commercial, and residential-- does this change the value? Or is that, is that problem avoided by doing it as a homestead exemption?

**J. CAVANAUGH:** Oh OK, I got your question. So, it-- what would-- the, the actual effectuate, like, how you would do it, is somebody would have to file a form with the county treasurer and say "I live in this home, and it's my primary home," which is already a form you have to do

if you are under one of the current forms of homestead exemption. So, if you are over age 65 and your income meets the income threshold, you have to file that form. So, every person that is owner-occupied would have to fill out that form, but-- yeah. So we, we don't have to create a separate class, which-- I think Senator Brandt brought a constitutional amendment that-- during the special session that maybe would have required that creation of a separate class. And actually, how I came to this idea was in the special session talking to Senator Brandt; we were both going to bring that idea, and he said, "Well, I'm bringing that idea," and I said "great." And I thought-- I was-- while I was reading the Constitution to figure out how to do that, I came up with this idea, and so that's why I brought it. But yeah, so it's-- the mechanism would essentially be everybody who lives in their home, so, you and I are probably good examples. I'm not going to assume how you-- where-- if you own your own home and you live in it, but I'm guessing. You would have to fill out a form and then file it with the, the treasurer. And then, the first-- then when they collect your property taxes, they would just not collect-- they would bill you for whatever your home's value is minus \$100,000 in assessed value. So, in, in Omaha-- my part of Omaha-- with OPS, our levy is currently \$2 and 3.38 cents, or something like that, and so it would be \$2,033.85 is what I would be-- in, in OPS part of Omaha would be saving. But again, that cost \$884 million statewide. I think that's an overestimation, but I'll take the credit for the highest fiscal note.

**KAUTH:** And one more question. Would they have to file that form every year? Or was it-- because there were-- when we talked about the homestead exemption in one of the bills last year, it was a problem for some people to-- like seniors, especially, go every year and file it. Is that built into this?

**J. CAVANAUGH:** I think that would be required.

**KAUTH:** OK.

**J. CAVANAUGH:** Currently, the bill doesn't-- we didn't get really into the weeds of the mechanism because--

**KAUTH:** OK.

**J. CAVANAUGH:** I, I do think that we'll have to sarv-- solve the financing part of it, but-- and I think the mechanism is solvable. But at-- as it is right now, I think you would have to file it every year.

**KAUTH:** Thank you.



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**BOSTAR:** Thank you. Senator Murman.

**MURMAN:** Yes. Thanks for bringing the bill. I have-- I did-- maybe make the fiscal note a little higher.

**J. CAVANAUGH:** All right.

**MURMAN:** It-- it'd be little-- there'd be a disparity in rural districts-- school districts especially, because-- well, say the average home in town, probably \$200,000. Be close, probably, so you'd be exempting about half the residential. So, it'd increase the property tax support that, that farmers in general would have to pay-- and ranchers, for the school.

**J. CAVANAUGH:** Well, I-- and so, I guess there's sort of two parts of that question. One is, we've talked about ways to make it less by adjusting-- you can adjust both the value, so we could say instead of \$100,000, we can say that \$20,000 or \$40,000, but we can also say "\$100,000, up to 50%," so if somebody's house is \$150,000, we would only exempt \$75,000. But in, in terms of the shifting the burden, it would still shift the burden to the state and not to the locality. So, in a, a town-- like in your district, we'll say-- is Clay Center in your district?

**MURMAN:** Yeah, it's in my district.

**J. CAVANAUGH:** Yeah, so we'll say Clay Center. A house in Clay Center worth \$200,000 if their, their local levy is a \$1.50, we'll say, then the state would pay your county that \$1,400 or \$1,500, and then the-- just the homeowner would be exempted from that portion of the home value. So, it would still go to pay the local property taxes, and then the county would apportion that between your school district and your town and your fire district, and all the different entities that collect property taxes. So, it wouldn't-- it-- that's actually one of the great virtues of this is it doesn't act as a property tax shift in the way that, say, creating a separate class-- which the, the Senator Brandt-- and again, I advocated for this as well but, not to throw Senator Brandt under the table-- but that version where we would create a separate class of valuation like we did with ag, that would create a tax-- a property tax shift. This would be a tax shift to a different financing mechanism.

**MURMAN:** Yeah, I guess the--

**J. CAVANAUGH:** Somebody still has to pay it.

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**MURMAN:** Since it's being paid by the state, it--

**J. CAVANAUGH:** Yeah.

**MURMAN:** It shift away from property taxes, but, but it wouldn't-- it-- it'd still be made up by the state, so it wouldn't change the burden, I guess you could say.

**J. CAVANAUGH:** Right. And that's the virtue of this idea. But I-- and I think there are lots of ways we could fund this. I think the reason I brought the bill is to have the conversation. One, to say well, if we want to put this in place, we could set it at \$10,000 and exempt the first \$10,000, cutting the cost to \$84 million or something like that. And what we could do-- and I've had conversations about this-- is shift some of that LB1107 money we just shifted, and it could be more efficiently delivered, meaning \$10,000 in relief to a homeowner goes farther through this mechanism than it does through LB1107. And one of the reasons for that would be that it-- some people, like large out-of-state landowners who are not homeowners, would no longer get the tax credit. So, if we were choosing to say, stop giving a big tax credit to Ted Turner, we could-- rather than put the money through the LB1107 mechanism, we could put it through this. And then, that same dollar amount, whatever we put through LB1107, actually becomes more property tax relief to homeowners than it does under the current mechanism.

**MURMAN:** I still have to think about that some more, because I--

**J. CAVANAUGH:** I, I threw a lot at you there.

**MURMAN:** --in, in, in an unequalized district, it's-- the school's supported on-- well, up til last year, it was supported almost totally by property taxes.

**J. CAVANAUGH:** Yeah. And I don't think this affects the, the equalization formula. I don't think you'll hear anybody from a school district come in; I think OPS would be here if I was affecting the formula. It's more akin-- it'll, it'll affect everything in the same way that your current homestead exemption affects things. So, if you have any veteran homestead exemption in your district, or if you have any seniors who qualify for a homestead exemption, then that-- that's exactly how it would affect it. And my understanding of how that affects is everything gets calculated, and then they just look at that person, and rather than bill the homeowner for that, the county bills

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the state. But I think NACO will be here, and they can complain if I got that wrong.

**MURMAN:** OK. Thank you.

**BOSTAR:** Thank you. Senator Kauth?

**KAUTH:** Thank you, Acting Chair Bostar. So, would you continue the current homestead exemptions? So, for seniors, for veterans-- you would continue, so this would be layered on top of it? Or would this wipe out all of those others, and we'd go just to this one?

**J. CAVANAUGH:** That's a great question. I'm not intending to address those at all, and I did not get too detailed in it. I think part of the conversation would need to be, if somebody qualifies for one of those and they're at the 50% mark, do we give them their 50% for that, and then this would be another 50% on top of that, and then they get 100%? I have no-- I'm not intending to change what they get or to decrease what they get. I think it's a conversation of whether we would be intentionally layering this on top, or if we would just say you get up to whichever one's higher. And, as it's written right now, I think what it would do is layer it on top. So, that is-- and that's sort of a policy question, I think, if we want to give additional tax relief to folks who are getting homestead exemptions. But I made the bill as simple as possible in the current iteration. But I think you could change it to address that.

**KAUTH:** OK. Thank you.

**BOSTAR:** Thank you. Any additional questions? I'm assuming that there's like 50 people waiting in the hallway to come in and testify since you're giving away a billion dollars.

**J. CAVANAUGH:** \$884 million.

**BOSTAR:** Not for long. It goes up pretty fast.

**J. CAVANAUGH:** Well, I-- and you know, I would say my levy, when I brought this bill, was \$2.21, and it is now \$2 and 3.38 cents. So, some-- levies are going down, at least; my valuation, however, did change. Thank you.

**BOSTAR:** Thank you. First proponent. Welcome.

**KORBY GILBERTSON:** Good afternoon. Senator Bostar, members of the committee, for the record, my name is Korby Gilbertson; it's K-o-r-b-y

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G-i-l-b-e-r-t-s-o-n. I'm appearing today as a registered lobbyist on behalf of the Nebraska Realtors Association and the Nebraska State Home Builders Association in support of the concept of LB152. A few things to explain. We realize this is not going to happen, but we think that this should be a major part of the discussions going forward with property tax relief. When LB1107 was originally passed, the discussion centered around "What can we do for the owner-occupied houses?" And the idea was that the LB1107 credits would probably benefit Nebraska residents more because there might be out-of-state folks that don't actually file a Nebraska income tax return, and so it would help Nebraskans more. We obviously can't say you have to be a Nebraskan to get the credit because that would be unconstitutional, so the other cleanest way to do it would be through this type of format. And it, it obviously works across the board; it doesn't matter if you live in an agricultural community, it doesn't matter if you live in a big city; anyone who lives in an owner-occupied residence would get the credit. So, it has double benefits; it benefits Nebraskans, and then it also benefits owner-occupied properties. And that's, I think, what everyone wants to promote instead of having investor-owned properties, which we've seen a large growth of across the state. So again, we realize this bill is not going anywhere. When this issue came up during the, the interim-- and I was asked about it because we were having a discussion. Senator Bosn was-- or, Kauth was there. Why did I just call you that? Senator Kauth was there. There was a discussion about "What could we do?" And I mentioned this, and somebody said, well, what in the-- how would we fund it? And I said you could look at the existing dollars that we're spending on it, and say, scale this back to then ramp some of those up back to this instead of doing just a straight property tax credit; that would protect Nebraskans more, and still cost the same amount of money. But again, we hope that you have this as part of your discussions going forward on this issue, which we all know is not going to go away. I'll be happy to take any questions.

**BOSTAR:** Thank you, Ms. Gilbertson. Questions from the committee?  
Senator Murman.

**MURMAN:** Thank you for testifying. I-- you said it's, it's fair to rural, but I'd have to disagree. It's, it's not fair to landowners because I'm still saying the landowners, you know, provide most of the property taxes in rural Nebraska to the school or anywhere.

**KORBY GILBERTSON:** Right.

**MURMAN:** Any of the local governments-- units of government. So, the homeowner would be getting approximately 50% property tax break, but

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the landowner would-- might-- maybe be getting, I don't know, 10% or less.

**KORBY GILBERTSON:** Well, the benefit is that the Legislature has the power to value agricultural land differently than they do commercial and residential, and agricultural land already enjoys a lower rate of taxation. On top of that, the original property tax credit that goes on before the LB1107 credit is actually based on the full value of the property, not the value that's taxed. So, agricultural land already gets an extra benefit from that first tax credit. So, when you're looking at apples-to-apples, this bill just deals with homeownership, and it would provide property tax relief across the board to people who are living in owner-occupied houses. People that are landowners, obviously, are taxed differently, but that can be addressed through not-- through keeping those original cuts, not taking those back. But this provides, obviously, a clear benefit to homeowners that live in their homes.

**MURMAN:** Correct.

**KORBY GILBERTSON:** And I think that's the purpose of this. The agricultural land is a separate issue, and can be dealt with also.

**MURMAN:** Yeah, it would have to be dealt with even-- I shouldn't say even, but, but more favorably under this scenario.

**KORBY GILBERTSON:** If it-- I think there's a lot-- people can agree to disagree on that one.

**MURMAN:** Yeah. I, I mean, land's an, an input to the farm; you either have to buy the land or rent it, and--

**KORBY GILBERTSON:** Yep.

**MURMAN:** --to, to even do your business, so it's a little different than a home.

**KORBY GILBERTSON:** I-- yep. I own a little bit of land, and I rent it, and it barely pays my property taxes.

**MURMAN:** Right.

**KORBY GILBERTSON:** So, I understand.

**MURMAN:** OK. Thank you.

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**BOSTAR:** Thank you. Additional questions? Thank you, Ms. Gilbertson.

**KORBY GILBERTSON:** Great. Thank you.

**BOSTAR:** Additional proponents? Any opponents? Neutral? Welcome, Mr. Cannon.

**JON CANNON:** Thank you, Acting Chair Bostar, 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, also known as NACO. And to immediately correct something that Senator Cavanaugh said, we hardly have ever complained about anything. But certainly appreciate the-- I'm going to pay for that, aren't I? I, I-- I'd like to thank Senator Cavanaugh for bringing this. The, the homestead exemption is a-- it's a, it's a great program, and I've said it before, I'll say it again, it's the only time that people go into the assessor's office that they're actually happy to be there. The, the, the reason that we have the homestead exemption program originally, it was to provide targeted property tax relief for certain classes of, of homeowners. Originally, it was for those persons over age 65. You know, imagine, if you will, you've got someone, you know, like Gert [PHONETIC] and, and Bernie [PHONETIC], and then-- and they bought their house-- they scrimped and saved, they bought their house back in the '50s for the then princely sum of \$20,000. Paid off the mortgage, they put on-- you know, they, they make some improvements to the, the place, and now they're getting-- they're, they're in their 80s, I guess, and they're being taxed on a property that's worth about half a million bucks. And they're on a fixed income, and it seems like those-- that's the class of people that, when we originally enacted the homestead program, we didn't want to tax them out of their homes. And that's-- that was the original purpose of the program. We added on those, those persons that are totally disabled individuals, and then also disabled veterans as well as as other major classifications of persons receiving the homestead exemption. And again, that's, that's the target for property tax relief. However-- whoever, whoever your target is, that's a matter of policy for the committee and for the rel-- Legislature to decide, which is why we're neutral. I mean, you know, if, if you want to target different classes of homeowners, you certainly can through the homestead mechanism. So anyway, who the target is is a policy decision for, for the Legislature. One thing I will add, though, is that there are a couple of hidden benefits about the homestead exemption. You know, the first one is that through the reimbursement mechanism, that has the effect of holding the levy down. Ordinarily, for the most, most exemption programs, if you exempt a property, then that is no longer reported on the tax rolls; that

valuation isn't counted as far as the levy, and, and the, the levy goes up. Just a little bit, incrementally, for every property that's exempted. For the homestead, because we're, we're levying against the whole amount, that-- it actually has the effect of keeping the levy down because reimbursement kicks in, and, and that's, that's how the, you know, all the columns are, are made to align. One of the other not-so-hidden benefits, since Senator Cavanaugh made it very explicit in his opening, was the fact that this only goes to Nebraska residents. It has to be a property that is owned and occupied by the person that-- that's receiving the benefit. And so, other states do this, and so-- you know, there's always-- there are always questions when you say we want to target Nebraska residents specifically; we want to exclude Burlington Northern, or we want to exclude Ted Turner or Bill Gates, or whomever, you know, the, the villain du jour is, and there's always the question about whether or not that violates the Equal Protection Clause. However, multiple states have something similar to this; a, a homestead exemption program on the first however many hundred thousand dollars of value, and that's never been found to be a violation of the Equal Protection Clause. And so, that's one of the nice things that we like about it. You could-- I'm out of time. I'm happy to take any questions you may have.

**BOSTAR:** Thank you, Mr. Cannon. Questions from the committee? Senator "Dugan" [SIC].

**DUNGAN:** Thank you, Acting Vice Chair "Bosstar" [SIC]. I appreciate it. Thank you, Mr. Cannon, for being here. I apologize that I've missed some of this hearing. I was in court. I apologize. You mentioned, though, that there were other states that have implemented similar homestead exemptions. Are there other states that exempt the first \$100,000? Or do they use a different amount to the best of your knowledge?

**JON CANNON:** I'm, I'm not sure about which states those are. But one-- and, and it's a good point that you, you, you make, Senator, which is, you know, whether that first \$100,000 is, is the appropriate measure. \$100,000 of, of exemption on valuation in Box Butte County goes a lot further than \$100,000 being exempted in Lancaster or Douglas. So, what we've traditionally done with the homestead exemption is that we base it on a percentage of the average assessed value of single-family residential, which is certified every year that, that the county assessor is doing. You could do something similar. I mean, it wouldn't have to be 250%; it could be 25%. That's another that thing you could do to say we're going to exempt this percentage, and, and, by doing it that way, we, we know what all those numbers are. You could-- that--

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that's a way that you could also attack the fiscal note if you, if you so desired.

**DUNGAN:** And does the homestead exemption currently only go to owner-occupied?

**JON CANNON:** It has to.

**DUNGAN:** OK.

**JON CANNON:** Through the Constitution. Yes, sir.

**DUNGAN:** Thank you.

**JON CANNON:** Yes, sir.

**BOSTAR:** Thank you, Senator Dungan. Thank you, Mr. Cannon. Additional questions? I have one. So, let's imagine we did this. We, we, we put it in, but we-- the state didn't backfill it. And before you throw something at me-- but we let the county sort of recoup it through the levy, right? The, the equivalent total amount of money--

**JON CANNON:** Mm-hmm.

**BOSTAR:** --that they had lost. Wouldn't Nebraskans still come out ahead? Being-- like, out-of-state taxpayers, home-- landowner-- homeowners would end up-- it wouldn't net out to zero. Nebraska homeowners would still come out as beneficiaries of that.

**JON CANNON:** They, they would. There's, there's work that you would have to do on the, the mechanism to make it, to make it so it would work like that. Right now, how we do the homestead exemption is there's a certification of tax loss that goes from each county assessor and county treasurer to the Department of Revenue, and that's after the levies have already been set. And so, if, if you did it the way that we currently do the, the homestead exemption, it would, it would-- just, it would by definition create a hole in the budget.

**BOSTAR:** Yeah.

**JON CANNON:** However-- but if you did it at a different point in time, then yeah, you could do that. It would, it would make the levy-- you know, the levy would go up. So that, that hidden benefit of, of keeping the levy down would go away, but, but you could do it that way. Yes, sir.



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**BOSTAR:** So, if you timed it differently-- so sure, the levies would go up, but everyone's getting \$100,000 piped up into this off of their assessment. Yet, it's being paid for by a levy increase that's also being paid for by people that don't get that reduction. Then, Nebraska homeowners would see a net reduction in taxes paid, and non-Nebraska homeowners would see a net increase in taxes paid. It would be a way to legally shift tax liability from non-Nebraskan-- from, from Nebraskans to non-Nebraskans.

**JON CANNON:** I-- following your logic, sir, I, I, I believe that's correct. Yes, sir.

**BOSTAR:** Well, thank you very much. Any, any further questions? Seeing none. Thank you, Mr. Cannon.

**JON CANNON:** Thank you very much. Have a great day.

**BOSTAR:** Additional neutral testimony? Maybe the Redcoat wants to jump up here? All right. Senator Cavanaugh, there were 16 proponent letters, zero opponent, zero neutral.

**J. CAVANAUGH:** Seems like a consent calendar bill.

**KAUTH:** Please submit it to the Speaker.

**J. CAVANAUGH:** Speaker Priority, consent calendar. Thank you, Acting Chair "Brostar" [PHONETIC][SIC], and members of the Revenue Committee. So, to answer, I think Senator Dungan's question, it-- the Constitution allows us-- if, if a property is occupied by the owner of the property, then we can treat them differently than we can other-- for other property tax purposes. I think that there are lots of things-- and Senator Murman, I think you did hit on one of the problems with dealing with this. I, I like this bill because I think it's an elegant solution to the problem that we've all talked about when we talk about property taxes. We-- everybody, when we have these debates on the floor and in the Legislature, everybody talks about the little old lady constituent that is being priced out of their home, they don't qualify for the regular homestead exemption, we need to get property tax down to help them. This is directly targeted to the person that everybody has in their mind when they're talking about property taxes. It's not talking about the out-of-state businesses or, you know, large landowners. I, I admittedly have the least-rural district in the state, and so agricultural interests are not something that-- of interest to me, or not-- you know, not when I'm bringing this bill. But I do think, as Ms. Gilbertson pointed out, there are other levers that are being pulled to

aid landowners, agricultural landowners. I think you could pull those levers with this, this lever more; this gives us an option to-- of a lever to pull that doesn't cause the unintended consequences of, say, the constitutional amendment that was brought up during the special session. So, that's why I think this is an elegant solution to that. I think you could do a small and much scaled-back version of this with maybe a scaled-back change in valuation of ag property, and that, maybe, would net out for a, an equitable presentation for ag producers. Oh, and Senator Dungan, your question; I know off the top of my head Indiana has this, and they had set it at \$40,000. I don't think any state has it at \$100,000. I picked 100 because it's a nice round number, it's kind of easy to do the math on property taxes with 100-- centennial-level numbers-- and so, that's why I picked \$100,000, but it could easily be \$40,000; it could easily be 25% of value; it could easily be \$10,000. I think one of the things that would be in our interest would be to find a number that we can afford to do at this point, put it into statute, allow people to start to use it and become comfortable with it. And so, the next time we're talking about property taxes, we're not stuck in this cycle of how do we create an income tax credit that, you know, people can figure out how to claim and go through this whole process, and it just makes it so much cleaner and easier, more direct; people actually will see it on their, their statement. And so, I think the real question is how do we get it into statute to start working at some level, and then we can scale it up when we have more money. So. Happy to take any other questions.

**BOSTAR:** Thank you, Senator Cavanaugh. Questions from the committee? Senator Ibach.

**IBACH:** Thank you very much, Acting Chair. You kind of touched on what I was thinking, was-- well, actually, I think if you amended this on to LB81, it has legs. But if you-- that's a joke because we now know that LB81 is atrocious. I mean, it's very expensive. Anyway. But is there a phased-in-- a logical, phased-in process where we could, like you said, start somewhere, and then phase it in over a number of years, that makes it more attractive?

**J. CAVANAUGH:** If I were the only person deciding and didn't have to deal with kind of everybody else's interests, what I would probably do is figure out how much money is-- you know, we put in statute increasing the LB1107, whatever we're calling it now, tax credits. And I would probably freeze that, and then all of the money we were going to put over that, and start putting it into a fund that would fund this. So, just start diverting away from it and figure out what that number is at that point. So, not taking away any of the current

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property tax relief, but just not growing it through that mechanism, but growing it through this one.

**IBACH:** OK. And did you say there were other states that currently have a structure like this?

**J. CAVANAUGH:** I know Indiana does it.

**IBACH:** OK.

**J. CAVANAUGH:** I don't know which other states do it, but Indiana was the one that I kind of looked at when I was coming up with this idea. And I know there's this-- and that-- there are-- almost every state has some version of homestead exemption for different classes of people. Places-- Indiana is the only one that comes to mind immediately that has-- Illinois might have one too, that has-- but is a universal homestead exemption, so for owner-occupied. But Indiana's, I think, is \$40,000.

**IBACH:** OK. Thank you.

**J. CAVANAUGH:** But I can get the list for you all too, if you want to look at it.

**IBACH:** I, I, I think it's an interesting concept. Thank you very much.

**BOSTAR:** Thank you, Senator Ibach, Senator Cavanaugh. Additional questions from the committee? Seeing none. Thank you very much.

**J. CAVANAUGH:** All right. Thanks.

**BOSTAR:** That closes our hearings, and I think we'll probably put together our committee packages, if people want to hang back.

**DUNGAN:** Do it right, right now?

**BOSTAR:** Yeah, and then we'll just kick those out.

**DUNGAN:** Put together our main packages--