

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 20, 2026
Rough Draft

von GILLERN: All right. It is 1.31. We're one minute late. So welcome to the Revenue Committee. I'm Senator Brad von Gillern from Elkhorn, representing the 4th Legislative District, and I serve as the chair of the committee. The committee will take up bills in the order posted. This public hearing is your opportunity to be a part of the legislative process and to express your position on the proposed legislation before us. If you're planning to testify today, please fill out one of the green testifier sheets that are on the table at the back of the room. Be sure to print clearly and fill it out completely. When it's your turn to come forward to testify, give the testifier sheet to the page or to the committee clerk. If you do not wish to testify but would like to indicate your position on 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'll 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 a closing statement by the introducer, if they wish to give one. We'll be using a three-minute light system for all testifiers. When you begin your testimony, the light on the table will be green. When the yellow light comes on, you'll have one minute remaining, and the red light indicates you need to wrap up your final thought and stop. Questions from the committee may follow. Also, committee members may come and go during the hearing. This has nothing to do with the importance of the bills being heard. It's just a part of the process, as senators may have bills to introduce in other committees. 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, no matter what phenomenal things we might say from this side of the desk. Such behavior may be cause for you to be asked to leave the hearing. Finally, committee procedures for all committees state that written position comments on a bill to be included in the record must be submitted by 8 a.m. the day of the hearing. The only acceptable method of submission is via the Legislature's website at nebraskalegislature.gov. Written position letters will be included in the official hearing record, but only those testifying in person before the committee will be included in the committee statement. I'll now have the committee members with us today introduce themselves, starting on my left.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 20, 2026
Rough Draft

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

JACOBSON: Mike Jacobson, District 42, Lincoln County, and 4 counties north, and most of Perkins County.

DUNGAN: I'm George Dungan, LD 26, Northeast Lincoln.

IBACH: Teresa Ibach, District 44, 8 counties in southwest Nebraska.

von GILLERN: Also assisting the committee today to my right is our legal counsel, Sovidia Tran, to my left is legal counsel Charles Hamilton, and our far left is committee clerk, Linda Schmidt. I'll ask the pages for today to stand and introduce themselves.

ELIAS REIMAN: Elias Reiman, junior at UNL, studying psychology, the pre-law track.

JESSICA CARROLL: Jessica Carroll, senior political science student at UNL.

von GILLERN: All right. With that, we'll open up our Revenue hearing for the day with LB849 [SIC]. Welcome, Senator Conrad.

CONRAD: Thank you, Chair. Good afternoon, members. My name is Danielle Conrad. It's D-a-n-i-e-l-l-e, Conrad, C-o-n-r-a-d. I represent north Lincoln in the Legislature. I'm here to introduce LB872. LB872 eliminates the income tax reduction for extraordinary dividends and certain capital gains. As this committee may know, the special capital gains election was created in 1987 as part of the overall financial incentive package with LB775. At that time, the exemption was intended to encourage highly compensated officers and employees to remain in or relocate to Nebraska, and to protect business owners from paying tax on the increased value of their company's stock when the business was sold. So if you look, I want to draw the committee's attention to the fiscal note. You can see that in the-- in tax year 2023, for example, this provision impacted about 800 filers. So to put that in context, assuming we have, you know, roughly about a million filers in Nebraska, we're talking about, about 1/10 of 1% of filers in Nebraska. And when you look at who this is primarily benefiting, 91% of those that are utilizing this deduction, this preferential tax treatment, have incomes of over a million dollars a year. So this isn't just talking about the upper 1 per-- 5% or 10% or 1%, this is talking about the upper 1/10 of 1% that are reaping a significant preferential tax benefit, to the tune of over \$20 million and growing. So when I

brought this forward-- and to be clear, I've brought this measure before, in my prior, prior term in the Legislature. And I first learned about it when I became a member of the Legislature and was learning more about our tax code. And at that time, then-Governor Heineman had put forward a very comprehensive proposal in regards to reforming the tax code, And my feeling when that measure was brought forward remains the same today. If we're going to have a comprehensive discussion about taxes, I think we should talk about everybody's taxes, and that includes the top 1/10 of 1% that have really, a, a, a significant financial windfall because of this preferential tax treatment. The last piece I will leave you with is this. Since the time that this tax gift was negotiated, we've also seen significant changes in our tax policy, from LB775 to Nebraska Imagine in LB312, and since then, with significant reductions in individual and corporate income tax very recently. So I think that has to be part of the conversation. Now our high income earners, now our corporations are receiving significant tax benefits due to the lowered income tax, and I think perhaps this, this vestige should not remain kind of an outlier in regards to that discussion. So I wanted to, to lift that up in that regard. So happy to answer questions, but I know we have a huge budget deficit, putting another \$20 million on the table could go a long way for more property tax reform. That's why Senator Briese brought measures touching this component in the past. It could pay for child care, the sunset bill. It could pay for school meals. It could pay for a host of different things. \$20 million dollars could really, really go a long way. The last piece I will just let you know, too, is when you look at the data and analysis, the people who primarily benefit from this tax deduction, not only are they the most wealthy folks in Nebraska, but they're primarily urban Nebraskans. They're wealthy, urban Nebraskans that are receiving a huge financial benefit in our tax code on top of already favorable treatment in our tax code. So happy to answer questions.

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

JACOBSON: Have a question.

CONRAD: Yes.

von GILLERN: Senator Jacobson.

JACOBSON: I, I, I guess-- I, I appreciate what you're trying to identify and I understand it, limited number of people. But one of the

things or trends that I've watched is I can generally determine if there's some large corporate entity, or corporation that's privately held, or a limited number of owners, they-- you figure out when they're going to sell because that's two years before they relocate and establish residency in Florida. Then they sell their business, avoid taxes altogether in Nebraska, and then permanently reside in Florida. And I think about the tax revenue we've lost because we've forced these high-income owners, people that would benefit from this tax deduction, that say, I can go to Florida and I don't have to pay any of this. So I'll just move before I sell my business. I, I've got a neighbor that lives up the street-- he lives up the street just shy of 180 days a year, and the other 181 or 182 days, he lives in Florida. And his home in Florida was free, when you consider the tax savings that he had. And so, I, I, I understand what you're saying, and I, and I-- but I-- my concern is how do we keep people from leaving the state to avoid the tax and then not paying any tax from that point forward? Any thoughts on that?

CONRAD: Yes, thank you, Senator Jacobson, for the question, and I think your analysis gets right to the heart of the matter. I think that was the policy underpinning, wherein this component of our tax code was negotiated as part of LB775 and then reaffirmed in later negotiations around taxation issues, maybe in 2007. I, I might have that number wrong, when the-- when ImagiNE-- that's not the right year. But it has been subsequently reaffirmed. But it was to address that very issue, in terms of retention and mobility, particularly for high-income earners. So a, a couple of things. We do have a pretty significant body of work that's been strengthened in recent years, as we look at some of our sister states who've adopted so-called millionaires or billionaires' taxes, additional taxation on very, very high income earners, either through legislation or ballot initiative. And so that recent experience actually shows that in those states, we aren't seeing that kind of out migration for top earners as was once anticipated. Now, that's not exactly an apples to apples. We're talking about a really specific small piece here versus an overall millionaires or billionaires taxes. But that's one piece that I think we can look at. The data shows that it doesn't really happen as much as we think it might, even if we know of anecdotal experiences. And I think the other thing that's perhaps interesting about this particular component is it is-- it's not an ongoing tax treatment, right? It is that singular application upon the, the, the relevant point of sale there, which in some ways, I think, perhaps vitiates against the, the migration factor. But I, I take your point to heart, and I think that

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 20, 2026
Rough Draft

was the exact policy underpinning on first establishing and then reaffirming the bill.

JACOBSON: But you'd agree, though, that, that when they move out of state to avoid this tax, they rarely move back.

CONRAD: Perhaps? I don't, I don't know. I mean, we've had this on the books since 1987, so we'd have to, we'd have to go back and, and, and see, I guess. I mean, I think it was, it was offered as a sweetener as part of a corporate, economic development, and incentive and corporate welfare package to provide additional preferential tax treatment to high-income earning-- earners and executives. I, I think that typically the migration fears are overblown and I also think, you know, when you're looking at what's at stake in this particular slice, people who have been part of a successful business in Nebraska did-- were able to be a part of that because of their own innovation and hard work and entrepreneurship, but they also were able to build that business with abundant natural resources, Nebraskans' strong work ethic, our great public schools, an awesome public safety network. And, you know, that's the give and take in taxes overall, right? We want to ensure that everybody pays a fair share to reap societal benefits that benefit us all. So I, I don't-- perhaps some high mo-- high-income earners would evade taxes by moving. I think you probably lose more through proximity to grandchildren and, and the weather, and that probably bears out in some of the research, too.

von GILLERN: Senator Sorrentino.

SORRENTINO: Thank you, Chairman von Gillern. Thank you for bringing the bill. An objective and maybe a subjective point.

CONRAD: Sure.

SORRENTINO: I was-- sorry, but I was on the fringes of LB775.

CONRAD: Good. OK. Good

SORRENTINO: Believe it or not.

CONRAD: Yeah.

SORRENTINO: Working with McGrath-- I wasn't with them, but McGrath North Law Firm. And it did foster a lot of business growth, which was good. But back then, the thing we were wrestling with is we had a progressive tax rate in Nebraska of 2.0, 3.15, 5.0, and 5.9. So our

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 20, 2026
Rough Draft

individual tax rates were higher, which kind of fueled part of that. And, and I know it's different now. We'll be down to 3.99 next year. But one of the kind of subjective points that I think maybe people forget, is that privileged tax, tax treatment kept a lot of these folks in Nebraska, and a lot of them have gone on to become extremely generous to charitable organizations and foundations in Nebraska. That-- it's not really a question, just a comment.

CONRAD: No. That's a, that's a great point. And, and thank you for sharing that experience, Senator. It does not surprise me that you are a part of or at least closely adjacent to those discussions. And I'm glad that we have that expertise and experience on the committee and in this conversation. And I think you're absolutely right in terms of philanthropic benefit and generosity, which is undeniable and very exciting in our state. But I also take to heart the point that you made and that I tried to make, perhaps less elegantly in my opening, that this was negotiated when we had a much more progressive tax structure. So my point is since that has shifted and changed and moved away in many aspects, from that progressive structure, this component should perhaps be re-examined.

SORRENTINO: Fair.

von GILLERN: Couple, just a--

CONRAD: Sure.

von GILLERN: --question. I'll try and make a question--

CONRAD: That's fine.

von GILLERN: --out of a comment. The peop-- the, the piece of this I'm most familiar with is the 77-2715.08, which is the five-shareholder exclusion. And, and certainly, you know-- and I have seen that in businesses that I've been adjacent to or, or friends that I have known that have operated businesses, I've seen them use that tool to, to get ownership of the business into employees' hands that never would have had--

CONRAD: Yeah.

von GILLERN: --stock ownership otherwise. They used it as a-- you, you could call it a retention tool, a golden handcuffs tool. At the end of the day, it was, it was, it was a variable compensation tool that was used to retain great people. And it, and it, and it dispersed

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 20, 2026
Rough Draft

ownership to a, to a degree, in, in-- and quite often, to blue collar workers.

CONRAD: Yes.

von GILLERN: The, the, the-- again, coming out of my industry, the way I saw this used most recent-- or most effectively was to retain long-term people, and that was everybody from executive down to blue collar. So, so there are some provisions of this that I'm certain that you would embrace, and, and maybe we're not-- maybe we're consid-- maybe the ba-- the baby's getting thrown out with the bathwater a little bit, here.

CONRAD: No, that's a, a very good point, Senator. Thank you for sharing that expertise. And if you look, for example, at the online comment that was submitted by the OpenSky Policy Institute, they also lift up a potential third way, as we reapply a new lens to this question. Other states that have had a similar component in their tax code, perhaps rather than a full repeal or abolition, have looked at guardrails, have looked at reform, rather than repeal. So there is some experience, at least according to their analysis, in our sister states that maybe could help to strike a better balance for those kinds of instances, so that we can encourage that kind of entrepreneurship.

von GILLERN: OK. Very good. Thank you. Appreciate your comments. Are you able to stay to close?

CONRAD: Thank you. Yes.

von GILLERN: OK. All right. Great. We'll invite up our first proponent. Are there any proponents? And I misspoke earlier. This is LB872. Seeing no proponents, are there any opponents? Good afternoon. Welcome back.

STACY WATSON: Good afternoon. At least the weather's better today.

von GILLERN: You [INAUDIBLE] made the drive yesterday, or so I assume?

STACY WATSON: I did. Yeah. It was great. OK. Good afternoon, Chairman von Gillern and the members of the Revenue Committee. My name is Stacy Watson, S-t-a-c-y W-a-t-s-o-n. I'm a CPA with Lutz. I'm here today on behalf of the Nebraska Society of Certified Public Accountants, the Nebraska Chamber of Commerce and Industry, the Greater Omaha Chamber and the Lincoln Chamber in opposition to LB872. This would eliminate

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 20, 2026
Rough Draft

the income tax reduction currently available for extraordinary dividends and certain capital gains, effective January 1 of 2026. While this provision applies to a limited number of taxpayers, it does play an important role in the Nebraska business climate and economic competitiveness. These reductions most often come into play during major business events such as the sale of a closely held business company, generational transfers, ownership restructuring, or other significant capital transactions. In many cases, these events represent decades of investment, job creation, and risks undertaken here in Nebraska. Eliminating this income reduction would increase the tax costs of these transaction. This matters. When business owners are making decisions about succession, relocation, or the next phase of investment, the state's tax policy is one of the factors they consider. LB872 would prompt some Nebraska taxpayers to reconsider their residency. When the sales in-- of an entity is contemplated, planning often begins years in advance. In order to avoid tax on the capital gains, a taxpayer could simply move to a more favorable state. When state policies fail to prioritize economic opportunities, residents often look to alternatives. States such as Missouri, which currently excludes 100% of all capital gains, Texas, Florida, and South Dakota, which impose no individual income tax, have cultivated regulations, taxpayer-friendly environments, removing this provision without a broader structural reform, risks replace-- placing our state at a competitive disadvantage, as-- by the way, if I'm really good at my job, your fiscal note ends up being zero, right? So no offense, but I try to work really hard at that. If LB872 is entac-- enacted, Nebraska risks losing one of its most valuable assets: our people. Migration of business owners and investors would not only reduce the state's tax base, but also impact communities, schools, and local economies. The entrepreneurs and investors who remain in Nebraska after a sale often start new businesses, help grow public-private partnerships, and continue reinvesting in our state. Policies that encourage them to leave undermine that long-term, economic cycle. This is particularly relevant for family-owned businesses and closely-held-- held businesses which are the backbones of our economy. Just so you know, from my own client-based perspective, we don't have the millionaires. It may look like it when they get this gain, right, because it shows up on her tax return in that one year and I think it probably pops up their income. So I'm curious about some of the stats, because it does look bigger in the year that they sell, but we want these people to stay here. We recognize the Legislature's responsibility to review tax expenditures and evaluate revenue needs. However, targeted eliminations of long-standing provisions without

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 20, 2026
Rough Draft

comprehensive competitiveness analysis can have unintended economic consequences, so we encourage you not to advance LB872. If you have any questions, I'm happy to answer them.

VON GILLERN: Thank you. I'm going to, I'm going to ask you a question, and then I have to exit, and I'll hand over to Senator Jacobson. Real quick, for, for many individuals that I've had experiences with, this, this is another form of a 401(k). This is a-- this is retirement. If, if-- for our friends in agriculture, this like you're putting your, your money into land or your, your revenue-producing asset, and then at the end of-- when you retire, you cash it out, and then all of a sudden you've got to pay this huge capital gains tax on it. So it's, it's a management issue for-- many times, people who may not be even \$100,000-- six-figure earners, that, that have a, a savings account that they have allowed to accumulate through this ownership. Has that, has that been your experience?

STACY WATSON: Yeah. Correct. We have a lot of small business owners, who literally aren't in a large corporation getting their 401(k) match and filling that up year after year after year, but they've built a significant business. And they have, you know, outside companies come in to invest in that business, sell that stock, and that truly becomes their retirement fund. That's why I was interested in their statis-- statistic about how much they're earning when they use this. Because the year, you know, you sell your business, clearly, your income goes up, as it should, and we hope it goes into the million-dollar range, right, or more. But I was just kind of curious about that statistics-- what's-- you know, what does their tax return look like, you know, the years before that and the years they invested in this business and had losses, and, you know, grew their own staff, and other economics of scale. So, I was just curious about that statistic.

JACOBSON: Senator Sorrentino.

SORRENTINO: Thank you, Vice Chair. Personal experience-- and full disclosure, your company was our accountants, but we had 43 people who I'm sure most of them were earning \$50,000 to \$60,000 who, when we sold the firm, were able to take advantage of this. And these were not wealthy people, but that one-year aberration by having this exemption was very helpful to them.

STACY WATSON: Yeah. That actually ends up to be a lot of the cases. The employees end up getting stock because they've been guaranteed this, kind of staying long-term at the company. And so, it has been a

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 20, 2026
Rough Draft

real-- it's a sweet deal when you watch that happen, right? When you watch-- all these people worked hard at this company, whether it's been for 10 years or 30 years, they all of a sudden get money they can retire on.

SORRENTINO: And the only downside of that is they retire with this big year, and then their Medicaid costs them a fortune for the next two years after that, but that's the downside.

STACY WATSON: Yeah, I was going to say health insurance is a whole different discussion, but yes it does.

SORRENTINO: Yeah. All right. Thank you.

JACOBSON: Other questions from the committee? Seeing none, thank you for your testimony.

STACY WATSON: Thanks. Have a great day.

JACOBSON: Other opponents? Any other opponent testimony? Anyone wishing to speak in a neutral capacity? All right, seeing none, I think Senator-- did--

DUNGAN: She waived.

JACOBSON: She, she waived, waived her close. All right. Well, I was going to say Senator von Gillern was really nervous when he has to leave and turn it over to me, so I was just kind of concerned.

KAUTH: Are we execing?

JACOBSON: Yeah, we'll go ahead and exec. All right, there were 3 proponent letters, 2 opponent letters, zero neutral testifiers, and no online. So with that, that concludes our hearing on LB872. And we're going to move on to open the hearing for LB849. And I would--

DUNGAN: He's on his way right now.

JACOBSON: Senator Cavanaugh, John Cavanaugh. And since he's got the next 3 bills, we're not going to skip over him. We're going to wait for him. I guess Ms., Ms. Watson is done talking to us.

[BREAK]

JACOBSON: Senator Cavanaugh, you're welcome to open.

J. CAVANAUGH: Thank you, Vice Chair Jacobson and members of the Revenue Committee. I'm 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 LB849, which would exempt over-the-counter drugs for sales and use tax. At a time when basic household costs continue to rise, I believe it's important that the government shouldn't make those costs higher. I've consistently supported efforts to exempt basic household items from sales tax, including the addition of diapers to the list of exempted items and opposing tax-- attempts to tax groceries. Prescription drugs are already exempted from sales tax and I think it's only logical that over-the-counter drugs, which are often recommended by physicians, should be exempted as well. I do recognize that my position is probably a minority here, and that many of you aren't looking to add new tax exemptions. But I do think, as we consider tax policy as a whole and guarding against the possibility that sales taxes may be increased in the future, I want to make sure that basic household items like food and healthcare items are not further taxed. I want to thank the committee for your time and I'm happy to answer any questions.

JACOBSON: All right. Thank you. Questions for the Senator? All right, seeing none, thank you for your open. And I'll ask if there are any proponents for LB849. Anyone wishing to speak as a proponent? Anyone wishing to speak as an opponent? Seeing none, any neutral testifiers on LB849? Do you wish to close? Waiving close, and you're-- I will go ahead and come back to the next bill. And we had 8 proponent letters, 7 opponent letters, and zero neutral testifiers, and zero ADA. With that, we're going to move on to LB930. Senator Cavanaugh, you're, you're up again.

J. CAVANAUGH: All right. Thank you. I'm-- it's all me all the rest of the day, so. Thank you, Vice Chair Jacobson and once again, 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 LB-- oops. That's 933. Sorry. It said LB930 on the outside-- here to introduce LB930, which would exempt annual retirement benefits of up to \$100,000 from state income tax for law enforcement and firefighters who have served at least 20 years and reached 60 years of age. This bill could be an important tool for recruitment and retention of police and firefighters throughout the state and encourage them to stay in Nebraska after retirement. Our police and fire fighters put their lives on the line every day to protect and serve our communities. This would be a small but important way to recognize

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 20, 2026
Rough Draft

that, that sacrifice. The deduction would be available to retired law enforcement or firefighters who have served at least 20 years and have reached the age of 60. This language mirrors language in statute from Senator Bostar's bill-- which provided a deduction for retired firefighters and law enforcement officers' health insurance-- a few years ago. I'm share-- oh, I just got a letter. Sorry. I'm sharing with the committee a letter here, from Gary Bruns, from-- the president of the Nebraska Professional Firefighters Association, who regrets he can't be here today to testify personally because he's on duty today. LB930 recognizes the importance of sacrifice that law enforcement and firefighters make every day. And I want to thank the committee for your time, and I'm happy to answer any questions.

JACOBSON: Any questions? Yes, Senator Dungan.

DUNGAN: Thank you, Vice Chair Jacobson. Thank you for being here. Senator Cavanaugh, I know that we have exempted Social Security benefits in the past, and that was something that I've heard a lot at the doors. What's the interplay between this pension and what we've done in the past, with regards to other retirement benefits exempted?

J. CAVANAUGH: Yeah. So I actually had the opportunity to talk to a couple Lincoln firefighters last night, and they pointed out to me that they are not in the Social Security retirement system, and the same goes for the Omaha firefighters and Omaha police officers. And so, when we did give a tax exemption for Social Security, those folks, at least, didn't receive that, that tax decrease. So I, I think-- appreciate the question. It is another reason why this, this bill, I think, need-- makes sense.

DUNGAN: Thank you. Thank you for being here.

JACOBSON: Other questions? Seeing none, thank you for the open. And I would call for the first proponent of LB930 to step forward. How are you?

LUCAS BOLTON: Doing good. Thank you, sir. Good afternoon, Vice Chair Jacobson and members of the Revenue Committee. My name is Lucas Bolton, L-U-C-A-S B-O-L-T-O N. I'm a criminal investigator with the Nebraska State Patrol, where I've served for nearly 10 years. Today, I'm here on behalf of the State Troopers Association of Nebraska to testify in support of LB930. I'd like to thank Senator Cavanaugh for introducing this legislation. It addresses a concern that has been raised by many of our troopers. LB930 is a straightforward, practical

bill. From a trooper's perspective, this is more than a tax policy change, it's a career in-- incentive. One of the hardest parts of staffing is convincing talented people to commit for the long haul. Troopers are asked to work nights, weekends, holidays, and often in adverse conditions, and to do a job that carries real risk and stress. A benefit like this helps Nebraska say, in a concrete way, if you dedicate your career to serving this state, Nebraska will invest in you in return. LB930 also addresses a real issue we see across our workforce: troopers leaving after they retire. Troopers often look at neighboring states that offer better tax treatment of retirement income. When that happens, Nebraska loses more than people. We lose productive, productive community members, volunteers, mentors. Also we lose the economic activity that comes with retirees staying here, such as buying goods, paying property taxes, and staying engaged in their hometowns. Since this bill was introduced, I've had a handful of troopers tell me that they are planning to leave the state if the tax policies do not change. I also know of several troopers who have moved to neighboring states, purely due to the current tax policies. This bill helps Nebraska stay competitive and encourages retirees to keep Nebraska as their home. There are only two things I would ask that the committee consider addressing through an amendment. First, I would ask that you lower the qualifying age from 60 to 50. The reason is that troopers are eligible for retirement at age 50, and are not likely to stick around for 10 more years just to wait for the benefit to take effect. Perfectly fine with keeping the 20 years service requirement in place. It's fair and promotes longevity. The second thing, we would ask that the tax benefit be extended to surviving spouses, as they will continue to receive our retirement annuities after we are deceased. Both of these requests are intended to enhance the bill by removing barriers and reinforcing incentives that keep our retirees and their families in Nebraska, which we believe benefits everyone. In short, LB930 promotes long-term careers with the State Patrol and gives retirees a reason to stay and continue contributing to the Nebraska communities. For those reasons, the State Troopers Association respectfully urges you to advance LB930. I thank you for your time, and I'm happy to answer any questions you may have.

JACOBSON: Thank you. Questions? Yes, Senator Dungan.

DUNGAN: Thank you again, Vice Chair Jacobson. Thank you for being here today. I appreciate the suggestions at the end to try to make sure this covers everybody.

Yep.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 20, 2026
Rough Draft

Is 50 years of age the standard for retirement for other first responders, or is that just for State Troopers?

LUCAS BOLTON: So I, I believe that OPD is of a similar-- they might be actually a little bit earlier, depending on what tier they were hired in. I think they can fly out after 25 years of service. For, for State Troopers, yes, it's, it's the age of eligibility and I wouldn't say everybody leaves at that point, but it is a strong exit point, because at that point, most people have served between 25 and, you know, 28 years of service. The biggest thing there is just, like I said, I want to-- with the incentive to keep people around, because we want to keep the productive members of our society around and not have them leave to neighboring states. And I just think it'd be a great thing to move it down there, to keep and incentivize those people to stay.

DUNGAN: No, that makes--

LUCAS BOLTON: They're not going to wait until 60.

DUNGAN: Yeah, that makes a lot of sense. I know we've done a lot for recruitment, but I think retention sometimes gets lost in the wash there, so.

LUCAS BOLTON: And that's, that's kind of a focus. There was another bill-- actually, I testified earlier [INAUDIBLE] retention-- recruitment, we were kind of hitting a stalemate where we were getting about as many people coming in to our agency as are retiring. So I think we were down about 80 troopers 3 years ago. We're closer to 60 now. But the retention, if we can keep people longer, like-- and that's for the agency. But I guess this bill addresses more for the state needs it to be tax-- for the tax basis and such

DUNGAN: For sure. Thank you for bringing your expertise. Appreciate you being here.

LUCAS BOLTON: Thank you.

JACOBSON: Any other questions? If not, thank you for your testimony, and thank you for your service.

LUCAS BOLTON: Thank you.

JACOBSON: Anyone wishing to speak as a proponent on LB930?

Transcript Prepared by Clerk of the Legislature Transcribers Office

Revenue Committee February 20, 2026

Rough Draft

GARY YOUNG: Good afternoon, Senators. I'm Gary Young, G-A-R-Y, Y-O-U-N-G, Jr. Of the Crete Police Department, and I am here on behalf of the Police Officers Association of Nebraska and the Police Chiefs Association of Nebraska to support LB930. I'm going to speak on-- or speak to the smaller agencies that don't have a defined benefit. Most law enforcement officers in Nebraska do not receive a defined benefit package when they retire. It is for these smaller agencies that we are trying to have a voice here today. Many smaller departments can't match the salaries of larger departments There are fewer dollars being contributed to retirement packages when officers are simply trying to pay for the day-to-day expenses. While cities of the first class are mandated to contribute 9% and the officers 9%, that still leaves many smaller towns and villages who are not required to contribute significantly to an officer's retirement. This creates a situation where some of the officers remain on the job for economic reasons, maybe longer than they should, and should have retired. Lastly, many retired officers, especially from these smaller agencies, find other employment simply to assist with costs of living. Senator Cavanaugh's addition to the state statute would tremendously benefit those individuals who have given a significant portion of their lives, risking emotional and physical trauma in their service. Having this tax benefit such as-- having a tax benefit such as this would likely make the transition into retirement easier for many, rather than remaining on the job possibly, possibly longer than they should. It would certainly help them enjoy the good life. I would take any questions you might have for me.

JACOBSON: Questions from the committee? All right. Seeing none, again, thank you for your testimony, and thank you--

GARY YOUNG: Thank you.

JACOBSON: --also, for your service. Still on-- we're on proponents.

von GILLERN: Yep. Next proponent for LB930. Are there any other proponents? Seeing none, are there any opponents? Seeing none, anyone would like to testify in a neutral position? Seeing none, Senator Cavanaugh, would you like to close? As you come forward, we had 2 proponent letters, 6 opponent letters, and zero neutral.

J. CAVANAUGH: Thank you, Chairman. And thanks, Committee, for your attention. And I really appreciate Mr. Bolton and Mr. Young testifying here today. And I certainly would be very interested in incorporating Mr. Bolton's suggestions into the bill. Of course, want to make sure

Transcript Prepared by Clerk of the Legislature Transcribers Office

Revenue Committee February 20, 2026

Rough Draft

we're taking care of surviving spouses when they lose their spouse. And, you know, I don't know if I have much else to add to this. It does. Seemed like a reasonable thing, you know, the reason I brought this bill was I was talking to the Omaha Police Department, or Omaha Police Officers, and asking them how can we help, what can we be doing, give you tools we can give you to get to a full staffing level, and this was a suggestion that came out of that conversation. You know, they're just talking about how understaffed they are. I think there was a story just this last week about the very dangerously low staffing level that they're at currently and so. Just trying to give them more resources and tools so that they can be at a full staffing level. This is something that I think will help with that recruitment, retention, and of course, have that great effect of keeping those folks in our community after they have served their 20 years and retire in Omaha-- well, Nebraska, but I like Omaha. Is there any other-- any questions?

von GILLERN: Thank you. Questions from the committee? Forgive me, Senator Cavanaugh, for missing the-- most of the hearing. Quick question. The average-- do you know the average age of, of retirement of firefighters and police officers?

J. CAVANAUGH: So we set it at the age-- yeah, it was in Senator Bostar's bill. And so we're-- we heard from Mister--

von GILLERN: It's always 20 years of service, but--

J. CAVANAUGH: Yeah, 20 years of service.

von GILLERN: I'm just curious what the average age--

J. CAVANAUGH: And so, Mr. Bolton pointed out that at least with State Troopers, they're eligible to retire at 50, after 25 years of service. And so-- I mean, obviously willing to, to work on that. I don't know what the average age of retirement would be for Omaha police officers in particular--.

von GILLERN: OK.

J. CAVANAUGH: --is, you know, the one I'm familiar with, but I think there are folks who could retire earlier than they would be eligible under this bill, and just certainly willing to work on that.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 20, 2026
Rough Draft

von GILLERN: Got it. OK. Thank you. All right. Seeing no other questions, thank Senator Cavanaugh. That will close our hearing on LB930, and we'll open on LB932.

J. CAVANAUGH: Thank you.

von GILLERN: Welcome back, Senator Cavanaugh.

J. CAVANAUGH: Thank you, Chairman. Once again, Senator John Cavanaugh, J-o-h-n C-a-v-a-n-a-u-g-h, the 9th Legis-- I represent the 9th Legislative District in midtown Omaha. I'm here to introduce LB932, which would mirror recent changes in federal law to deduct a portion of tip and overtime income for purposes of state income tax. It's rare that you'll find me in agreement with President Trump, but. I think excluding overtime and tips from income tax is a good idea that actually supports working people, and the change in federal income tax to allow a deduction for overtime and tip income are welcome and should be made permanent. But more importantly for our purposes in Nebraska, they should be reflected in our state tax law. As you're aware, Nebraska income tax is coupled with federal income tax. Changes on federal level which affect federal adjusted gross income will affect Nebraska state income tax unless specifically excluded in statute. Because of the way in which the federal deductions for overtime and tip income was written, the deductions do not affect adjusted gross income, and thus, are not automatically adopted for state income taxes purposes. If Nebraska wants to also allow a deduction for overtime and tips to mirror federal law, we will have to pass a change in the statute to do so. LB932 mirrors the deductions in federal law up to \$12,500 in qualified overtime compensation for an individual, up to \$25,000 for a married couple, and up to 25,000 in qualified tip income. The amounts are deducted from adjusted gross income in addition to any standard deduction. The allowable amount is decreased as income increases, the same as it is in federal law. Qualified overtime compensation is calculated on the "and a half" portion of the time and a half. I understand that we're facing a budget crunch, and I think it's worth-- it's worthy of consideration as we look at the effects that recent changes in federal tax law have had on Nebraska tax law. I think we're very-- at the very least, we need to have a conversation about what changes in federal income tax Nebraska should prioritize to best serve the people of Nebraska. Thank you for your time, and I'd be happy to take any questions.

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

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 20, 2026
Rough Draft

MURMAN: I have one. Can you explain on the fiscal note why the, the amount is quite a bit higher for next year, and then it goes down quite a bit, and then it slowly comes back up?

J. CAVANAUGH: Yeah, I had the same question. It's because that's before the step down in the-- the next step down in the tax bracket happens.

Oh, OK.

So once it steps down, then the amount that you-- that people are saving will go down for a bit, at least.

MURMAN: Makes total sense.

J. CAVANAUGH: Yeah.

von GILLERN: That's the first time I've heard that about a fiscal note. Thank you. Not to get too mired into, into tax policy, and maybe the CPA on the committee can help after-- we can talk about this. But, but Nebraska income tax is based-- primarily based off of AGI, which now that this is a federal policy, aren't we double-dipping a little bit?

SORRENTINO: Kind of.

von GILLERN: OK. All right. Senator Cavanaugh.

J. CAVANAUGH: So, so I don't get the virtue of asking Senator Sorrentino a question. My understanding is that this does not-- the, the federal change on-- specifically on tax on tips and overtime does not change adjusted gross income, so that's why it would not be reflected in Nebraska law.

von GILLERN: OK. All right. OK. All right.

J. CAVANAUGH: That's why we needed this change.

von GILLERN: We can get more clarity on that at another time, so. OK. Thank you. Seeing no other questions, we'll invite up our first proponent.

LUCAS BOLTON: Hello, again. Good afternoon, Chairperson von Gillern and members of the Revenue Committee. Again, my name is Lucas Bolton, L-u-c-a-s B-o-l-t-o-n. I'm still with the State Patrol and I'm still,

still here on behalf of the State Troopers Association of Nebraska, to testify in support of LB932. First-- again, I want to thank Senator Cavanaugh for introducing this legislation. LB932 is straightforward and it would be a meaningful benefit to troopers across the state. This bill addresses a reality everyone in public safety understands: overtime isn't optional. It's how we keep Nebraska covered. Troopers typically earn overtime because the job demands it. Often, that means being held over at the end of a shift, making DUI arrests, or responding to serious crashes, or handling other critical incidents. For investigators, overtime frequently comes from major cases like death investigations and serious assaults. Other common sources are targeted enforcement and public safety grants, covering things like speeding, DUI enforcement, underage drinking, and sex offender compliance. For many troopers, overtime has become routine, not because we're chasing bigger paychecks, but because the work has to get done and it doesn't always happen during regular business hours. Every hour of the overtime that is earned while-- every hour of that overtime is earned while directly making Nebraska safer. LB932 helps troopers keep more of what they earn in those moments. It recognizes the sacrifice that comes with being held late, missing family time, rearranging childcare, and being called out in the middle of the night because something serious just happened. This bill simply provides a fair tax adjustment so that troopers-- so when troopers step up, more of that earned overtime stays in their pockets. For that reason, the State Troopers Association respectfully urges you to advance LB932. I thank you for your time, and I'd be happy to answer any questions.

von GILLERN: Thank you. Any questions from the committee? Seeing none, Mr. Bolton, thank you for being here.

LUCAS BOLTON: Thank you.

von GILLERN: Any other proponents for LB932? Seeing none, are there any opponents? Seeing none, are there any neutral testifiers? Seeing none, Senator Cavanaugh, there were 9 proponent letters, 1 opponent letter, and zero neutral online comments. You're welcome to close.

J. CAVANAUGH: Well, don't really have anything else to add. I appreciate Mr. Bolton being here again, and, and addressing the concerns that the troopers have-- and yeah. I would, I would-- just to, I guess, reiterate my opening, that the way that the HR 1 was drafted, folks get an income tax deduction on their federal income for overtime and tipped wage, but the way it's drafted does not then be inco-- is not, not incorporated into Nebraska's income taxes, so just

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 20, 2026
Rough Draft

trying to make sure that we are matching so that it does get incorporated into Nebraska.

von GILLERN: Very good. Thanks for the clarity. Senator Dungan.

DUNGAN: Thank you, Chair von Gillern. Senator Cavanaugh, the only online opposition is a scathing letter from OpenSky. Did you have a chance to review that?

J. CAVANAUGH: You know, just briefly.

DUNGAN: I was just curious if you wanted to respond to that, given that's the only opposition you had.

J. CAVANAUGH: Well, I-- you know, I appreciate OpenSky, and it's-- always appreciate when I can bring something forward that folks I've worked with so many times before, have-- can come in in opposition to.

DUNGAN: All right. Thank you.

von GILLERN: Any other questions? Seeing none, Senator Cavanaugh, thank you. That will close our hearing on LB932, and it will close our Revenue hearing for the day. Hope you have a good weekend.