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FLOOR DEBATE

March 22, 2006 LB 808

sale of ag land, but a sale to save tax dollars. I believe the amendment is necessary to make it less attractive to buy ag land and then not use it for ag purposes, but instead to simply use it to avoid capital gains tax. The land is not purchased for its agricultural capability but is purchased for the tax incentive of a 1031 tax-deferred sale. The amendment is intended to reduce the increased valuation that occurs in our state when rural property is bought at inflated prices. I believe it would help to slow the rate of increase in valuation, and therefore help with the property tax problems in Nebraska. Also with the 1031 tax-deferred sales at the present time, usually young people or anyone that wants to start out into the farming or ranching business has to go against large capital investors that have purchased this land and have inflated the price of the surrounding farmland. I think you probably notice it more close to Omaha and Lincoln areas where people will sell land inside the city for great profits on some of their homes and then can move out into the country and buy farm ground. In the western end of the state we have a lot of trouble with people coming in from Colorado and California where they were selling land by the foot, and they come out there and buy it by the ten-acre plots in western Nebraska for about the same dollars. It has inflated the price of land so that I have not known of any young people that have started into the farming or ranching business in the last few years because of the inflated price of these 1031 tax-deferred sales. The federal government are the ones that brought this 1031 deferred sales around about 15 years ago or so. Up until then I think we had another part we could call a tax-type savings where...investment tax credit, it was called...so that if you bought property you could deduct some of the cost of the valuation of the buildings and stuff on there against your income tax. That worked quite well for people starting into the business, but when they came out with the 1031 tax-deferred sales, that brought in a whole new operation of real estate people that were looking for high-dollar sales that were coming out of the Front Range of Colorado. With that, I would like to see some discussion on this amendment and, if so, I would like to see if this amendment could be attached to LB 808. Thank you, Mr. President.

SENATOR CUDABACK: Thank you, Senator Louden. For the record,