

January 19, 1989

LB 94, 247, 570, 576, 683-808

as yet, please contact Joanne immediately. If you don't have the bill that you are expecting, please contact the Bill Drafters Office immediately. Mr. Clerk.

CLERK: Mr. President, for the record, I have received a reference report referring LBs 496-599 including resolutions 8-12, all of which are constitutional amendments.

Mr. President, your Committee on Banking, Commerce and Insurance to whom we referred LB 94 instructs me to report the same back to the Legislature with the recommendation that it be advanced to General File with amendments attached. (See pages 320-21 of the Legislative Journal.)

Mr. President, I have hearing notices from the Judiciary Committee signed by Senator Chizek as Chair, and a second hearing notice from Judiciary as well as a third hearing notice from Judiciary, all signed by Senator Chizek.

Mr. President, new bills. (Read LBs 683-726 by title for the first time. See pages 321-30 of the Legislative Journal.)

Mr. President, a request to add names, Senator Korshoj to LB 570, Senator Smith to LB 576, Senator Baack to 570 and Senator Barrett to LB 247.

SPEAKER BARRETT: Stand at ease.

EASE

SPEAKER BARRETT: More bills, Mr. Clerk.

ASSISTANT CLERK: Thank you, Mr. President. (Read LBs 727-776 by title for the first time. See pages 331-42 of the Legislative Journal.)

EASE

SPEAKER BARRETT: More bill introductions.

ASSISTANT CLERK: Thank you, Mr. President. (Read LBs 777-808 by title for the first time. See pages 343-50 of the Legislative Journal.)

CLERK: Mr. President, I have reports. Your Committee on

February 6, 1989

LB 70, 155, 177, 195, 198, 209, 238
254, 338, 357A, 773
LR 25

CLERK: 5 ayes, 23 nays, Mr. President, on the motion to indefinitely postpone.

PRESIDENT: The motion fails. Do you have anything for the record, Mr. Clerk?

CLERK: I do, Mr. President. Notice of hearings from the Agriculture Committee. That's signed by Senator Rod Johnson as Chair.

New A bill, LB 357A, by Senator Nelson. (Read by title for the first time. See page 605 of the Legislative Journal.)

Enrollment and Review reports LB 195, LB 198, and LB 209 to Select File with E & R amendments attached on each. Those are signed by Senator Lindsay. (See page 606 of the Legislative Journal.)

Transportation Committee would offer LB 155 to General File with amendments. That's signed by Senator Lamb. (See page 608 of the Legislative Journal.)

LR 25, Mr. President, is offered by the Appropriations Committee. (Read brief description of the resolution. See pages 607-08 of the Legislative Journal.) That will be laid over.

I have amendments to be printed to LB 70 from Senator Hall; Senator Moore to LB 177; Senator Coordsen to LB 238, and Senator Baack to LB 254. That's all that I have, Mr. President. (See pages 609-10 of the Legislative Journal.)

PRESIDENT: Senator Dennis Byars, would you step to your microphone and say something about adjourning tomorrow, February 7th, until nine o'clock, but wait just a minute, the Clerk has something.

CLERK: Excuse me, Senator. Mr. President, I have amendments to be printed to LB 773. That's offered by Senator Korshoj.

PRESIDENT: Are you ready to adjourn now? Now, Senator Byars.

SENATOR BYARS: I would move that we adjourn this body until nine o'clock on February the 7th, 1989.

February 13, 1989

LB 43, 80, 82, 106, 113, 158A, 166
171, 172, 194, 197, 200, 260, 263
296, 321, 322, 332, 340, 353, 433
481, 717, 729, 731, 772, 773, 804
LR 15

SPEAKER BARRETT: Shall LB 263 be advanced? Those in favor say aye. Opposed no. Ayes have it, carried, the bill is advanced. For the record, Mr. Clerk, on the President's desk.

CLERK: Mr. President, your Committee on Revenue, whose Chair is Senator Hall, to whom was referred LB 260, instructs me to report the same back to the Legislature with the recommendation it be advanced to General File with amendments; LB 332, General File with amendments; LB 729, General File with amendments; LB 197, indefinitely postponed; LB 433, indefinitely postponed; LB 481, indefinitely postponed; LB 717, indefinitely postponed; LB 731, indefinitely postponed; LB 804, indefinitely postponed; and LR 15CA, indefinitely postponed. Those signed by Senator Hall as Chair. (See pages 724-26 of the Legislative Journal.)

Urban Affairs Committee, whose Chair is Senator Hartnett, reports LB 772 and LB 773 as indefinitely postponed, both signed by Senator Hartnett. Your Enrolling Clerk did present to the Governor, as of ten forty-five, bills read on Final Reading, Mr. President. (Re. LB 43, LB 80, LB 82, LB 106, LB 113, LB 166, LB 171, LB 172, LB 194, LB 200, LB 296, LB 321, LB 322, and LB 353.)

Senator Warner has amendments to be printed to LB 340; and Senator Labedz to LB 158A. Mr. President, that's all that I have. (See pages 727-28 of the Legislative Journal.)

SPEAKER BARRETT: Thank you, sir. Senator Robak, please.

SENATOR ROBAK: Mr. President, I move we adjourn until tomorrow at nine o'clock.

SPEAKER BARRETT: You've heard the motion to adjourn until tomorrow morning at nine o'clock. All in favor say aye. Opposed no. Ayes have it, motion carried, we are adjourned.

Proofed by:

Sandy Ryan
Sandy Ryan

vehicle here which we may be able to use notwithstanding all the very...the many problems with the bill and I think we ought to do it. But I would suggest that if the Governor is right, and I think she probably is, that we could go back to the \$6,800 exemption on the homes, on the homesteads, then we are still faced with the problem of a cap, and I'm not sure how you handle that. You have to handle that later on as you see fit. I will certainly support the one-year proposal. And again I recognize there has been a lot of work on the bill. My principal concern is this, that we seem to lack any stability in the tax structure in the State of Nebraska. One person after another has told me that notwithstanding certain inequities the principal concern they have and the principal objection they have to our actions is the fact that we enact a bill one year into law, which provides a certain kind of tax, then we come back and change it the next year. It makes it impossible for anyone, businessman,...

SPEAKER BARRETT: One minute.

SENATOR SCHMIT: ...homeowner, working man, to plan their program. We ought to try to provide some stability, I don't know if that's ever possible or not. But certainly some of the proposals we have here today, some of the proposals that are on this floor substantially repeal LB 773. I have an amendment drafted myself which recouples us to the federal program, certainly I believe that would give some degree of continuity and stability to the program. I was amazed in visiting with a number of friends of mine, day after April 15th, to find that each of us had been called upon to make a substantial contribution to the state government again and that that contribution was a major portion of the initial contribution paid to the federal government. Didn't think that was the way it was supposed to work, but that was the way it came out. So I would suggest that...

SPEAKER BARRETT: Time.

SENATOR SCHMIT: ...by the time we see the reports for income for April that we will see another substantial burst in income this year. I think we ought to take a really good look at what we are doing to the tax structure to the State of Nebraska. And maybe LB 84 isn't a good solution, but it might return to the people a small portion of the money which we've taken away from them, either directly, indirectly, either intentionally or

SPEAKER BARRETT: Motion fails.

CLERK: Mr. President, the next motion I have is by Senator Schmit. Senator Schmit would move to return the bill for specific amendment. Senator Schmit's amendment is on page 2417.

SPEAKER BARRETT: Senator Schmit.

SENATOR SCHMIT: Mr. President and members, I've discussed this amendment several times briefly and I recognize the futility of what I'm about to attempt, but that does not mean that I should not place in the record things which I believe are important. The amendment which I am proposing here is not really my amendment. The amendment was discussed by the four gentlemen who have worked long and hard on this bill and, for a variety of reasons, some of them good and some of them, I guess, practical, it was rejected. But the reason I want to discuss it is because I believe it is a much more fair amendment and I will tell you why. The amendment, as I have proposed, provides for a 20 percent credit of your property tax on...to be credited against your income tax. Actually, the fiscal impact of that would be somewhere between 125 and 150 million. So if, by some fluke, someone thought this was a desirable procedure, we'd have to cut that 20 percent to 10 percent, but I didn't know that until I copied Senator Hall's amendment and then worked out the fiscal note. The reason that I believe this is a preferable amendment is the one which I stated this afternoon. You just rejected the Warner amendment which would return 57.6 million dollars to the taxpayer directly and leave some money in the bank. Under this proposal of returning 98.1 million to the taxpayer, you actually only will transfer permanently to that taxpayer a portion of that 98 million. Since we all know that the property taxes are a direct deduction against your federal income tax, if you pay a thousand dollars property taxes, you deduct that from your federal income tax and you can calculate what percentage of that amount that we return will then be actually yours to keep, somewhere between fifteen and thirty-two or three percent. Let's just take a conservative average of 20 percent, which means that you really are only going to return to the taxpayer about 78 million dollars out of the 98, not that much more, in a way, than what Senator Warner proposed. Now the other question is this, who paid the tax? Under LB 773, a bill which may or may not have been responsible, I choose to believe it was responsible for a portion of the increased tax collections, we

know that the middle income taxpayer paid a large portion of the money which was collected, I should say over-collected or inadvertently collected, or not...or unintentionally collected. In any event, that taxpayer contributed heavily to the amount of money which we have today in the coffers. The beneficiary of LB 775, the commercial industrials generally, who, under this bill, will get 16.5 million dollars, those individuals, for the most part, received preferential treatment under LB 773 and received the benefits and will continue to receive the benefits of 775. This Legislature enacted those laws and I have no quarrel whatsoever with those companies, individuals who took advantage of those loans. We did that and we have no complaint. But I'm just telling you from a standpoint of equity that the middle income taxpayer contributed substantially a greater proportion of the increased tax collections than did the upper income taxpayer, and yet the middle income taxpayer is not going to receive, in my opinion and I believe by other standards, a substantially greater portion in return. Under my proposal, there would be a cap of \$1,000 and that is constitutional because it is a cap on the income tax credit. So that the...where here you could...a large business of \$1,200,000 would get under state a...under LB 84 would get \$2,664 back; under my proposal that business would get only \$1,000 back. But that business also, remember, in many instances will enjoy the benefits of a reduced tax under 773 and will enjoy the benefits of 775. Most important of all I believe is the fact that under this proposal you are transferring \$20 million back to the federal government. I do not think that that is reasonable, do not think that is the best solution. I do not think that's an equitable solution. I do not think the taxpayers will believe it is equitable. Most of all, when we struggle and slave and really try diligently to find the money necessary to take care of the responsibilities that are justly ours, we casually shrug off the fact that we're going to send 20 million dollars of this money back to the federal government, and I will not support LB 84. I know that there are those who say, well, this is a one-year solution; it's best we could do. It is a one-year solution. But we have not done anything, ladies and gentlemen, to correct the mechanism by which the additional tax was collected. There have been those who have said that the increase in revenue, I believe way back long time ago in the days of Mr. Leuenberger, he called the increase in revenue a blister on the budget. Ladies and gentlemen, the blister has become a callous, and the callous has become a built-in lump. Unless we make some changes in that tax system, those revenues

will continue to come in barring economic recession which, of course, we have no...over which we have no control. But we have not made any adjustments here. Just this last month the tax collections have considerably...have exceeded by considerable amount the projections. We would expect those to continue. We hope they will continue. We do not know what will happen there. In closing, I want to make these points. Number one, we are collecting a hundred million dollars, roughly, to return to the residential owner approximately 38 million dollars and to the farmer approximately 28 million dollars, of which they will then pay respectively about 8 million dollars to the federal government leaving them with about 30 million dollars, and the farmer will pay about 6 million dollars to the federal government leaving him with about 22 million dollars. We are reimbursing the corporate entities which enjoyed the benefits of reduced taxes under LB 773 and we are also rewarding the corporate entities who enjoy the benefits of LB 775, I believe in a manner which is not consistent with equity in taxation. We are then locking in for this year an expenditure about of about a hundred million dollars and we are telling the schools that we can't, perhaps, support 18 million dollars. The Appropriations Committee will have to tell you what happens to the Reserve Fund and how they stand there. But we will spend an anguished five days wondering what to do and where to find the additional money during a period of probably unprecedented prosperity insofar as I can recall on this floor in regard to income. It would seem to me, and, again, I don't want to sound critical because I know that the introducers of this bill have really tried and they worked diligently with the Governor and others, but it just seems to me that the 20 million dollars that goes to the federal government is unjustified. It seems to me that the amount of money that goes to the individuals who did not pay the increased cost is not justifiable. It seems to me that the amount of money that is going to those entities which enjoy the benefits of LB 775 is not justifiable.

SPEAKER BARRETT: One minute.

SENATOR SCHMIT: I think that when you talk about property tax relief, you talk in terms of something which is justifiable, something which is equitable, something which is sustainable. We have, in my estimation, none of those three attributes in this bill. I do not expect the bill to receive enough votes to be returned, but I think it's important that this record is established because the time will come again when we would have

been more than adequate discussion on the property tax issue that we've had this year. But the point I want to raise is that, according to our rules, we have a situation where our bills that we pass with appropriations should be passed by the 80th day. As far as I'm concerned, we're behind schedule. We should be moving on bills that are priorities; bills that do establish the parameters that we want to become involved with, and I think property tax relief is one major priority that all others should follow after.

SPEAKER BARRETT: Senator Wesely.

SENATOR WESELY: Thank you, Mr. Speaker and members. Just a couple of minutes. Then I'm going to give Senator Scofield the rest of my time. We've talked about this as a tax relief bill. It's really a revenue reduction bill. It's a one-time effort to try and reduce revenues and the way we're choosing to reduce them is through what we call property tax relief. But, as Senator Chambers and myself and others have pointed out, how much relief will really be seen by the typical homeowner or taxpayer in the state? And we've talked also, as Senator Lamb says, this is not a spending bill. In my estimation, it is very arguable that this is as much a spending bill as state aid to education or a service bill or any other item that we look at that we consider spending bills, because what you're doing is you're taking money from income and sales taxpayers of this state, mostly those who are middle income individuals with the higher taxes that came out of LB 773, and the money comes into the coffers. We're turning around and we're deciding to spend that money down by giving it back to property tax owners, and those are not always the same people. You're taking money from renters, for instance, that pay sales and income tax and that money goes into our coffers and they don't see the money go back in property tax relief. You're spending money to reduce the taxes of property owners. You're spending money to take that step. Now I think it's just as arguable that this is as much a spending measure as something else to those renters and those other people that won't see the kind of relief that we're talking about under this piece of legislation; that you're taking from some and giving them to others. It's a redistribution of the money, the revenue, the resources. And so the question is, is that the best way to go? Is that the best route that we can take? And I argue it isn't. There are better ideas; other alternatives. And so I would just want to say, again, that Senator Chambers is right. We ought not to suspend

SENATOR LANDIS: Would the Chair (inaudible) interesting problem with the rules. Would you interpret the rules? The body having previously suspended the rules and taken up the vote and have moved as a body, is it in order for the Chair to entertain a motion to so bracket a bill that's been given that kind of treatment by the floor? I don't know, but I think it's fair for the Chair to rule on that question.

SPEAKER BARRETT: Thank you, and you do bring up a very interesting point. The Chair is of the opinion that it is not necessarily inconsistent with the suspension motion earlier that did prevail on LB 84. It would be possible to do the same thing, then on LB 739. I would rule the motion to be in order. And the issue before the body is then the motion to bracket the bill until LB 739 has been read. That is the issue before the body. Who would care to discuss the motion? Senator Warner, would you open? Now, at this point, I'm removing light again and then please reissue the lights as you care to speak. Senator Warner.

SENATOR WARNER: Thank you, Mr. President. The issue that I hear being discussed is the return of some tax collections to taxpayers. The concept in LB 84 I suppose in a sense is an income redistribution, but it would seem to me that the provisions of LB 739, which return 48.2 million over the biennium, is more directly related in part to the funds being returned to those who contributed to the surplus because of the structure of LB 773, and that ought to be the first priority for returning funds. I have a suspicion and we certainly all have been involved in discussions that, well, LB 739 wouldn't have to pass, and I would repeat the same thing I suggested earlier. The combination of removing or reducing, rather, the deduction of property tax to some people together with the inability to deduct the state income tax if they do not itemize, which is the substantial number of people, I have a suspicion that there's going to be a great many people who net very little if not a negative figure, and they are going to be a whole...they're not going to be the high income people. They're the ones that do itemize. They're the ones that do have, most likely, substantial property holdings in a home, if nothing else. And it would seem to me that the first priority of the availability of \$98 million of taxed revenue then ought to go to those income tax people as I have a suspicion there are several who would like to continue that tax, not put in place deduction or the decrease, and I think that's the wrong public policy. We had

high on my list as well. I've been trying to figure out a way to make it fit. I don't know that it fits right now. I think it fits even less when you factor in LB 739, which is a reduction of the income tax, and I think that is a higher priority. And I realize that some of you do not think so and that's fine. We can differ on that. But I don't believe there is anybody on the floor that would say that some of the increase in revenues that we have had that we are enjoying right now are a result of an increase in our income tax. Advertent/inadvertent, known/unknown, regardless, I don't believe there is anybody on the floor that thinks that none of the revenues that we have were a result of the LB 773 passage. So if you do agree with that and say, yes, a large part or some part of our revenues that we are enjoying right now are a result of raising the income tax to our citizens when we pass 773, then I think it's very difficult to subscribe to the argument that we shouldn't look at giving that kind of relief back first. Senator Chambers has alluded to it, Senator Warner has, and several of you on the floor have during the debates on LB 739. It seems to make sense that that has at least as high a priority as property tax relief, because that's where it came from. And it's longer lasting. As Senator Warner pointed out, you pass LB 739, you're looking at \$23 million, \$24 million relief back to the income taxpayer, that person that brought the money in that we enjoy right now to begin with and it's this year and it's next year and it's the following two years, and over the four years you're looking at \$100 million. Now, it seems at the very least we should look at these two bills in concert and say both of these...

SPEAKER BARRETT: One minute.

SENATOR HANNIBAL: ..bills will produce relief to the taxpayers of Nebraska, some short-term, some long-term, some more than others, but I believe my first priority is to put the money back in the hands of those who brought it to us in the beginning and not make the shift, and yet still try to find some way of addressing this property tax problem. I would like to see the property tax bill down a little bit so we can make it fit. I've supported that. I'm in a quandary as to whether I will support LB 84. I do not want to vote for LB 84 tonight. I would like to hold off, keep it in its order, certainly have it read at the same time or very close to LB 739. I would prefer that we would adjourn. I recognize that Senator Hall has not put a suspension motion up. Understand that this bill...

Senator Morrissey and, Senator Morrissey, I agree with you. I wish that there would be a way that we would actually find out the true information on LB 775. I would really want to know, was it helpful, was it not helpful, was the Governor, you know, should the Governor be a heroine because of what was done; should she not be; should those that oppose 775, were they absolutely right? I would like to know the answer to the question about what really was the benefit of 775. The point I'm trying to make is through a hearing that we had in the Government Committee last year, and it was a rather extensive hearing, I don't believe, members of the body, you're ever going to know that. I really don't believe you'll ever know that. Example would be, when 775, LB 773 was passed, I was not in the body. I did not vote on the measure. I suspect if I would have been in the body I would have voted in favor of the measure. I don't know, those are unknowns. But I do know at that particular time the economy in the Midwest and the agriculture community, before that time, was in a deep, deep recession, some would call it a depression, if you look at the economic indicators over a four-month period, and at that point the recession began an upswing, as all cycles do in the economic sector. We were due for an upswing. Was that upswing because of 775? I don't know. Was that upswing because the economy was simply ready to do that on its own? I don't know. The reporting information we get from 775, will that tell us the true story? Will we ever really know if a company was going to provide new jobs anyway, but took advantage of 775 at the same time, or did they use 775 tax benefits in order to create the new jobs? We'll never know, members of the body. Senator Wesely's bill will simply give us 49 different people will give a booklet for expanded information of subjective information that you can come to whatever conclusion you want, and you can use that for whatever agenda you have. And that is all this bill is going to do. It will not give you any better information. It will not solidify the issues so we have a clear understanding. It will simply be a vehicle to be able to make whatever points we want to make for whatever agenda we have. I don't think that's important at this point. I don't think it's going to be advantageous for the body to do it, and I don't think it will help the state in any way whatsoever as well. And I hope the body goes along and votes to indefinitely postpone 431. And I'd like to have a call of the house and a roll call vote.

PRESIDENT: All right, the question is, shall the house go under