



**Hundredth Legislature - First Session - 2007**  
**Committee Statement**  
**LR 5CA**

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**Hearing Date:** January 23, 2007  
**Committee On:** Urban Affairs

**Introducer(s):** (Friend)

**Title:** Constitutional amendment to authorize use of revenue bonds to develop property for use by nonprofit enterprises

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**Roll Call Vote – Final Committee Action:**

- X Advanced to General File
  - Advanced to General File with Amendments
  - Indefinitely Postponed
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**Vote Results:**

|   |                     |                                                           |
|---|---------------------|-----------------------------------------------------------|
| 6 | Yes                 | Senator Friend, Cornett, Janssen, Lathrop, McGill, Rogert |
| 0 | No                  |                                                           |
| 0 | Present, not voting |                                                           |
| 1 | Absent              | Senator White                                             |

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**Proponents:**

Senator Mike Friend  
James F. Nissen  
Robert J. Hallstrom

**Representing:**

Introducer  
Wells Fargo Bank  
NE Bankers Assoc.

**Opponents:**

None

**Representing:**

**Neutral:**

None

**Representing:**

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**Summary of purpose and/or changes:** This amendment is substantially identical in form and substance to Amendment Number 1 as it appeared on the ballot in November 2006 with a single exception: on page 3, in lines 1 and 2, a new phrase is added referring to the bonds issued pursuant to the act and the governmental subdivision issuing the bonds: "...and such governmental subdivision shall have no authority to impose taxes for the payment of such bonds."

This proposed constitutional amendment attempts to mirror current language in Article XIII, Sec. 2 (dealing with economic development authority) to permit the Legislature to authorize any county, city or village to acquire, own, develop and lease real and personal property suitable for use by nonprofit enterprises as determined by law and to issue revenue bonds for the purpose of defraying the costs of such

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acquisition, financing and development. Such bonds would not be a general obligation of the governmental subdivision and would be taxable (or exempt from taxation) to the same extent as private property similarly held and used would be during the period of any lease. The activities of the political subdivision exercised under this subsection would be deemed for a public purpose, but the subdivision could not acquire the property by condemnation. The principal and interest on the bonds issued may be secured by a pledge of the lease and any revenue derived from it.

There is an express prohibition against the exercise of the new authority on behalf of property to be used primarily for “sectarian instruction or study” or as a “place for devotional activities or religious worship...” The prohibition is tied to the use of the property and not the organization owning or leasing the property.

The proposed change would serve to allow Nebraska charitable organizations (exempt under Sec. 501(c)(3) of the Internal Revenue Code) to participate in the federal tax benefits derivable from the inclusion of their projects within the definition of those eligible for industrial development bonds. Because of existing restrictions in the Internal Revenue Code, it is desirable to provide an option for local financing for such organizations. The IRS code disallows a portion of a financial institution's deduction for interest paid, to the extent the financial institution holds tax-exempt obligations acquired after August 7, 1986. An exception permits issuers (cities and villages in this instance) of less than \$10 million per year of revenue bonds to designate certain tax exempt obligations (including 501(c)(3) bonds qualified as provided in this act) as qualified tax-exempt obligations. Because such obligations have a wider potential market, they bear generally lower interest rates than comparable obligations that are not qualified. This proposed amendment would allow non-profit borrowers to benefit from this circumstance, reducing their costs of borrowing and permitting them to take advantage of these federal tax provisions.

**Explanation of amendments, if any:** None.

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**Senator Mike Friend, Chairperson**