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Revenue Committee
October 06, 2009

[LR97 LR161 LR166]

The Committee on Revenue met at 1:30 p.m. on Tuesday, October 6, 2009, at the Bloomfield City Community Center in Bloomfield, Nebraska, for the purpose of conducting a public hearing on LR161, LR166, and LR97. Senators present: Abbie Cornett, Chairperson; Merton "Cap" Dierks, Vice Chairperson; Greg Adams; Galen Hadley; LeRoy Louden; Dennis Utter; Norman Wallman; and Tom White.

SENATOR CORNETT: The senators today do not have a microphone, but there will be a microphone up by the testifier table. So if anyone is having difficulty hearing, please let me know. Before we begin today, I'd like to introduce the senators and the committee staff that are present. Immediately to my left is Senator "Cap" Dierks from Ewing, Vice Chair of the committee; Senator Adams, Greg Adams, from York; Senator Galen Hadley from Kearney. On the opposite end is Senator Utter from Hastings; Senator LeRoy Louden from Ellsworth; and Senator Tom White from Omaha. And then today we also have Senator Pahls from Omaha, introducer of one of the interim studies and...

SENATOR WALLMAN: Senator Wallman.

SENATOR CORNETT: Senator Wallman. I could only think of your first name, Norm, sorry. Senator Norm. (Laughter) Senator Wallman. Before we begin today, I would like to...

SENATOR WALLMAN: Who are you?

SENATOR CORNETT: I'm sorry, I'm Senator Cornett from Bellevue. Before we begin today, I would like to introduce the mayor of Bloomfield, Jim Cripe. He would like a moment to say a few words.

JIM CRIFE: I wanted to thank you, senators, for coming to Bloomfield, we do appreciate

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it. Thank you very much. And I certainly would like to welcome everyone else that has shown up. Just like to say thank you for showing up and I'll be on my way. I've got other meetings I have to go to. But we do appreciate all of you coming to Bloomfield. Thank you.

SENATOR CORNETT: With that, I'm going to go over a few of the rules for today's hearing. First of all, I'd like to introduce the committee staff legal counsel, Shannon Anderson, who was trying to make a break for it; (laughter) research analyst Bill Lock; and committee clerk Erma James. Today's hearing is an interim study on resolutions LR161, LR167, and LR97 regarding sales tax exemptions. They were introduced to give the Revenue Committee members the opportunity to research and gather information on the subject. Copies of these resolutions are available at the door. If you are planning on testifying today, the sign-in sheets are on the table by the door and they need to be completed prior to testifying. They're right over on that table. Please print and complete the form prior to coming up and testifying. When you do come up to testify, please hand the testifier sheet to the committee clerk, Erma. The introducers of the resolutions will have the opportunity to give opening remarks, followed by anyone wishing to testify. You may speak on any or all of the resolutions. As you begin your testimony, please state and spell your full name for the record. If you have handouts, please give them to the committee clerk for distribution. If you do not wish to testify but would like your name entered into the official record as being present for the hearing, there are clipboards also at the table. Please turn your cell phone to off or vibrate and put pagers also on vibrate. With that, we will open today's hearings. I'm going to change the order of the agenda. Senator Pahls has a meeting in another city that he has to attend. So we will be hearing Senator Pahls's interim resolution, LR97. [LR97]

SENATOR PAHLS: Thank you, Senator Cornett and members. Appreciate it. This is like good old days because a long, long time ago when I taught at Wayne State, I came here to Bloomfield on a regular basis to teach classes. And one of the classes was in the area of science and we dealt with wind energy, which I think is fairly important right

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now for this community, and I hope that the wind is good also today. The resolution that I have before this committee...I guess I should say, my name is Rich Pahls, P-a-h-l-s. I represent District 31 in Omaha, Nebraska. The resolution that is before the committee today is basically what I'm trying to do is to open up the eyes of the citizens of the state of Nebraska to see the potential for us to be able to brag about we have no income tax, we have no property tax if we would take a look at sales tax exemptions. And the reason why I'm saying that is we exempt over \$3 billion...I'm speaking in large numbers now, we exempt over \$3 billion in state sales tax. We collect less than that in income tax and in property tax. So if we would take a look at the different exemptions, that would allow us to be creative. And what I've done over this last couple of months, I have been to a number of communities and spoken to small groups and I think I have piqued their interest. I have sent information to every newspaper, every mayor, every county commissioner in the state of Nebraska. And I know some of them have been in contact with some of the senators. I think if we can have everybody be more aware of the potential of taking a look at our taxes, basically our tax policy as a whole, but I'm basically looking solely right now at sales tax exemptions because I think we would be amazed at the power of these exemptions. Now if you read the newspaper, you'll hear many people say that these sales tax exemptions really are good for the state of Nebraska. One on one, every one of them probably are. But when you start in '67 and you're in the year 2008 and you have had over 88 bills and in some of these bills there have been three or four bills within those bills, you can see where the small amount has increased to a significant dollar today. So basically this last session what I tried to do is have a sunset on these so that we could speak on each one of them on a routine, regular basis. That did not meet with much favor on the floor because I think I sort of surprised people about it. What I'm trying to do is to make the Revenue Committee, which they are taking a look at this, to see that I am proposing a serious look at sales tax exemptions. Now I realize this would be a major change and it would not happen in a short session. I think meetings like we have today, we are having today, or you are having today, if we had these throughout the state of Nebraska, I think we could be surprised. Just to be honest with you right now, I could make one phone call to an

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individual in Auburn, Nebraska, told me he could have a room full of people because he had read the information that I sent out to him. I've been on the radio--Norfolk, Nebraska, Grand Island, Nebraska. And what I find is really interesting is when I'm off the air, the persons say, isn't this really...could this really happen? They are amazed. They don't say that on the air. So basically what I'm doing, it seems like I'm almost doing a commercial, am I not? (Laugh) My (inaudible) today is just to let people know that this is out there. And I'm not going to talk much longer on this other than saying I appreciate you giving me the opportunity, Senator, to come forth. [LR97]

SENATOR CORNETT: You are very welcome, Senator Pahls. Questions from the committee? Senator Dierks. [LR97]

SENATOR DIERKS: Rich, I know you've gone to a considerable amount of research and have listened in some places. The items of sales tax exemptions that we've done, how many are there of those? How many total of those exemptions are there? [LR97]

SENATOR PAHLS: I can't give you the exact number because on each one of those, let's say for example if you would take agriculture, there are number of them below that in business. I do have those, you know, by individual but I don't have the exact number. I could give that to you. I mean, I probably have it some where because I have been collecting that data. [LR97]

SENATOR DIERKS: So if we were to eliminate all those sales tax exemptions, how much money would that raise? [LR97]

SENATOR PAHLS: Right now and, again, we're speaking in big terms, if we would eliminate every one of them, that would be \$3 billion. And that basically is what our yearly budget is in the state of Nebraska, so that is a large amount of money if you would eliminate everything. Now that would be...that would affect nonprofit, business, agriculture, that would affect lots of groups. [LR97]

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SENATOR DIERKS: So what kind of an affect would that have on the income tax, for instance? [LR97]

SENATOR PAHLS: Well, if we would chose to say we want to eliminate income tax, we could because income tax we collect \$2 billion a year. Property tax we collect \$2.5 billion. Keep in mind we exempt, \$3 billion, so we can make any kind of arrangement in there as we chose. If we wanted to do away with income tax or property tax, we could play with those numbers. The meeting that we were at a couple of days ago the people were afraid that if we do away with that, we would then in a few years start having these exemptions again, so we would have to be very careful on that. [LR97]

SENATOR DIERKS: Well, we have a situation where we pay for our needs, and the problem is that needs continue to grow. So the needs continue to grow and we have to continue to find more taxes. And I'm talking about in the property tax thing right now. And so how would you structure it so that the needs would grow as fast as they do? [LR97]

SENATOR PAHLS: Well, we do know that the needs will continue to grow. But the sad thing about it is every time we have a tax exemption, we take money away from the General Fund which we did this last year by a couple of bills representing on individuals that I'm looking at. So we're taking money out of General Fund every year we pass another exemption. So we are actually causing ourselves some heartache in the future. (Laugh) [LR97]

SENATOR DIERKS: Thank you. [LR97]

SENATOR HADLEY: Senator Cornett. [LR97]

SENATOR CORNETT: Senator Hadley. [LR97]

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SENATOR HADLEY: Senator Pahls, just a couple of quick questions. From, you know, courses I took a long time ago, they talk about the sales tax being probably the most regressive of any tax that we have because it hits the poor harder than it hits the wealthy. By getting away with all exemptions aren't we really making it harder for the poorer people in Nebraska? In essence, will they be paying more share of taxes than they are right now? [LR97]

SENATOR PAHLS: Well, the one key thing that people talk about happens to be food because they...most of it...well, we do not pay for most of the food that we...unless you go to a restaurant or a vending machine. There are ways to give back to those people who are in need. Remember, we changed the food in '87. So we had these exemptions going around for a number of years before we exempted food, and we did find a way to pay that back. So there are mechanisms because other states do that. We could find a mechanism. I have talked to certain people who are more expert at this issue, and they said that this is doable. You provide us the idea and we can follow through on that is what I've been told. [LR97]

SENATOR HADLEY: Okay. And the second question I have, you talk about the 88 bills that have been introduced on sales tax and the exemptions, are the exemptions that have occurred since, when, '67... [LR97]

SENATOR PAHLS: Right. [LR97]

SENATOR HADLEY: Have they been exemptions that are different from the policies that were enacted in '67 or are they consistent with the policies? And I take, for example, if we have an exemption now that deals with healthcare. Well, healthcare has been exempted all along. So I guess the question I have, are these...are we breaking...do we have new tax policy when we're making exemptions or are they just a continuation of the original policy? [LR97]

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SENATOR PAHLS: Some of them are a continuation, but you must keep in mind it was the power of the people at that time who started those original exemptions. So you've already laid out some...that land for those people, because they were smart early in the game to get these things exempted. And we have changed some of our laws, and one was in '92 which had a major impact on agriculture because that came out of the Syracuse study. There were some rationales given why we need to do some changes, and some of those were enacted, some of them were not. And I'm asking, we need to maybe take a look at all of them. It may be hard to say everything will go away, but if you just nickel and dime it, it's not going to make a bit of difference. If you just take one or two of them away, it's just not going to matter in the long run. [LR97]

SENATOR HADLEY: I guess my point would be that rather than looking at specific exemption, rather we look at the policy or the tax theory of why...you know, for example, why do we exempt items that are a part of the manufacturing process? And maybe we should look at that as a tax policy rather than looking at a particular item that happens to be exempted because it's part of a...does that make sense that we need to look at the policy behind it rather than trying to look at thousands of items that might be exempted. And I... [LR97]

SENATOR PAHLS: And let me react to that. If we would do that, I agree with you. We ought to take a look at policy. But here's a scary part, this past several months ago, the Supreme Court ruled on one of our statutes about machine parts. And they said that our statute was so loosely written that they could interpret that if you brought some parts in and you built the machine here, that that would fall within the law. Well, that's the scary part of that. That could open the door right now for an additional \$10 million for exemptions for farm equipment that hasn't been in the past. So right, looking at policy, possibly tightening up on some of our statutes would be or could be the answer. [LR97]

SENATOR CORNETT: Senator Adams. [LR97]

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SENATOR ADAMS: If I may, Senator Pahls, I'd like to follow up a little bit further on Senator Hadley. I've thought to myself that if we were going to reign in some of these exemptions, I'm not convinced that we can wipe the slate clean. But maybe there is a way of creating a rational basis for those exemptions that we do grant. For instance, if we grant an exemption on sales tax for food, not restaurant food but the bulk food, we could, if we wanted, rationalize that because sales tax is regressive, our tax policy is here that we don't want to put extra burden on low-income people to eat or maybe get medical services. So my question is this, have you thought about if we were going to come up with a rational basis for these exemptions, what they might be? I know you've kind of talked in broader terms of doing away with them all, but if you wanted to talk in terms of, okay, here's a category: If it's regressive and it's food or it's medicine, maybe that becomes on this category or that, have you given that any thought? [LR97]

SENATOR PAHLS: Right. I have. But the reason why you're hearing me talk in broad terms right now is basically to wake people up to the power of these exemptions. And the ones that continue to come each year, I agree with you we just can't say, just check this off and, you know, let everybody live. We do need to have sound policy or a rationale other than saying the state of Kansas does it, the state of Iowa does it. Because it's really interesting. I've used that argument in the past. Well, they do it in these other states in the couple of bills that I have presented, and I remember somebody standing up and saying, why do we care about the other states? And then all of a sudden when it comes time for that senator to support his or her legislation, well, they do that in Iowa. And, see, I even tried to use that same argument on sales tax holiday because we're losing a lot to Council Bluffs. And, of course, people say that's really a fraud, but we were losing, it's been proven. That's your second biggest day. So the cities were arguing that they were losing money. So then I came around and tried a different way. Let's let the business allow to give sales tax breaks if they chose. I couldn't get that through. That's an optional thing. So you see the resistance. So whatever we have, this group up here and the rest of us are going to have to

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have...decide, you know, wiping everything out probably will be very hard to do. But we will have to come to an agreement on what are the parameters of... [LR97]

SENATOR ADAMS: But you haven't given consideration to what's... [LR97]

SENATOR PAHLS: Yes, I have. [LR97]

SENATOR ADAMS: Okay. [LR97]

SENATOR PAHLS: That probably is a little further down the trail. [LR97]

SENATOR ADAMS: All right. [LR97]

SENATOR CORNETT: Senator Louden. [LR97]

SENATOR LOUDEN: Yeah. Well, thank you, Rich, because, you know, we've been discussing this between you and I for quite a while. By doing this with the sales tax, you would intend to replace real estate property tax or personal property tax also or both or which one? [LR97]

SENATOR PAHLS: Well, we would look at the amount of money. If we're just going to take a small piece, you could do very...you know, it would be hard to make any major change. But if you'd make a big slice of the pie, you could do the real estate because that's an issue that we had talked about. Because that's like we collect \$2.5 billion of that a year in property...well, I should say property tax. We could do that if we chose, but we'd have to make major changes. This could not be just a little pretweak because if you tweak a little bit, there's no money to give back. My intent is not to say we have more money to spend. My intent is to find a way to reduce taxes. There are some...in fact, the mayor of Omaha, he wants to have access so he can have more money to draw from. That's not my goal. [LR97]

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SENATOR LOUDEN: Okay. He wants to broaden the sales tax base. [LR97]

SENATOR PAHLS: And the exemptions also, so that he or any mayor would have more access to money. And I understand their plight, I'm not arguing for that. [LR97]

SENATOR LOUDEN: Okay. Well, I was wondering because most of the people that I've talked to, very few complain about sales tax in the part of the country I come from, but they all complain about property tax. So actually there's not much of a way unless you overhaul the whole system that you're going have any affect on property taxes. [LR97]

SENATOR PAHLS: To make a significant impact, it cannot be a little bit. It's got to be a major take a look at and it would be a shake up of the way we do things. But wouldn't it be nice in the state of Nebraska to say, no property tax, no income tax? [LR97]

SENATOR LOUDEN: Now you can say in the state of Nebraska, state of Nebraska doesn't levy a property a tax. I mean, that's your local, so. (Laugh) [LR97]

SENATOR PAHLS: Right. I hear you. [LR97]

SENATOR LOUDEN: And South Dakota does levy a small property tax to pay their school system,... [LR97]

SENATOR PAHLS: Right. [LR97]

SENATOR LOUDEN: ...there's a small property tax levy. So that part and that's the reason I'm wondering really this isn't property tax relief proposal unless you rebuild the whole system. [LR97]

SENATOR PAHLS: Significant changes have to be made so we have significant dollars

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to move around. [LR97]

SENATOR LOUDEN: And then you would have a sales tax base of revenue for every county, city, fire district, cemetery district, because they're the ones that rely on a property tax now. If you went whole hog, I guess you want to say as you had mentioned, that would be correct. [LR97]

SENATOR PAHLS: Right. And this is one thing that was pointed out when we were at North Platte. Somebody said that he bought something in Scheels. They asked him what his zip code was so they knew how to get that money back if need be. See, so there are ways out there right now because if you're buying a major thing and they ask you for your zip code, that lets them know where you live. So that money could be redirected if that was a choice. [LR97]

SENATOR LOUDEN: In other words then you would think that that particular sales would have to go back to the area you live or something, something like our income tax does now on our school district. You know, when you file your income tax, you put what school district you're from and the state is supposed to send that money back out to your district. That's what you would have in mind? [LR97]

SENATOR PAHLS: Yeah. You know we could find a way if we would so choose to do that. [LR97]

SENATOR LOUDEN: Yeah. My next question would be is what would some of these places like Arthur County or some of those like that that probably don't have that much sales, how would they ever get enough money to operate unless some of the sales tax money generated in the metropolitan areas was moved to these rural areas to help them operate their county or city or school or whatever they was...or fire district or something like that? [LR97]

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SENATOR PAHLS: Well, right now the three to four counties support the state on sales tax. [LR97]

SENATOR LOUDEN: On the sales tax revenue that goes out, but they're not the ones that are supporting the counties out there. I mean, Omaha doesn't have a thing to do with the money to support Sheridan County or Knox County or anything like that, is that...right now, this is all local support. [LR97]

SENATOR PAHLS: But the sales tax, it's generated, it doesn't all stay in basically Douglas, Sarpy, and Lancaster County. Those are the three major counties. There are a couple others also. [LR97]

SENATOR LOUDEN: And that goes into the General Fund and whatever the state of Nebraska uses it for in the other places, and a lot of that's health and healthcare and all that sort of stuff that then Medicaid and that sort of thing. Okay. Thank you, Senator Pahls. [LR97]

SENATOR PAHLS: Senator. [LR97]

SENATOR CORNETT: Senator White. [LR97]

SENATOR WHITE: Senator Pahls, if we do, for example, use sales tax receipts and get rid of property tax, would you then say local school districts should lose control? I mean, the way Nebraska has been set up forever has been local school districts raise their own money, they decide what property levies should be spent, how it should be spent. If, in fact, you take that source of funding that they have control over, you move it to the state, are you necessarily going to take away from little school districts a decision of how much money they get and how they spend it? You may say, no, at first but over time, power usually follows the money, doesn't it? [LR97]

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SENATOR PAHLS: Yeah. I can't argue. That's one of the reasons why we'd have to really be very careful on how we would send the money back and the amount of control we have. Right now with the state aid formula where the state is taking more and more control over the schools simply because of...and it's hard to argue against that if you're giving money back but you don't have some input into that. Yes, you do have...yes. [LR97]

SENATOR WHITE: Thank you, Senator. [LR97]

SENATOR CORNETT: Senator Utter. [LR97]

SENATOR UTTER: Thank you, Senator Cornett. Senator Pahls, thanks for...this has created a lot of discussion and I think you're to be commended for the...any idea that brings forth constructive discussion over how Nebraska can improve its overall tax picture. Work with me just for a moment, and if a lot of the exemptions in sales tax have been created by the so-called border bleed issue, there's been other issues for other reasons for other exemptions. Assuming that you would be on the right track here and that let's just assume, for example, that we exempted medical services and let's assume that we didn't exempt food but gave some type of a tax credit back that would be based on income and size of family and whatever the other parameters might be, what...and that we didn't do anything with income tax and the property tax, what would the sales tax level be roughly, what type of a sales tax would we have to have to provide the funds that the sales tax is doing now? [LR97]

SENATOR PAHLS: If we would take a significant level away, it would have to be significant. Our sales tax, not at the city level but at the state level would be less than 2 cents. And these numbers are not just generated from me; these are numbers generated with help from the information given to us from the Department of Revenue. So everybody would pay less on sales tax. Now I'm not talking about the city taxes, but keep in mind if you would do away with my property tax, I'd gain something there. I

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mean, you know, you say lost my exemptions but I have to gain something. I have to gain either I lose my property taxes or I lose my income tax. So some of these people, it's not I'm going to just lose everything. You may...it may be awash for some people. [LR97]

SENATOR UTTER: Well, you may, would you agree that maybe the goal is not going to be get rid of all property taxes in their entirety or get rid of the income tax in its entirety, but you may be able to modify those tax levels as well as lower the overall tax level, sales tax level so that it isn't construed as burdensome. And then in the long run, we've got a total tax burden to Nebraska's citizens that would put us in a much better competitive position to grow our state with new economic development and those type of things as we look at the competitive environment that we're in with the rest of the states in the union. [LR97]

SENATOR PAHLS: I agree, and some people may argue because other states have those exemptions. I'm just saying if you're going to be bringing new people here and you're paying them a significant dollar and they know that their income tax will not be as high as it was, they'd be more willing to come also. And not only that, I'm just...because I know my time is...I'm taking more than you probably desire but, Senator Cornett, I can remember you have been in front of us, that veterans, to keep veterans who retired in the state of Nebraska here. An incentive would be not to, you know, give them the income tax rate. I think educators I think in the past they said, well, gee, if we can give educators an income tax rate, instead of making a select group they could open to all. I mean, because there have been bills saying that if you're in education you would get an income tax. Yes, Senator Cornett. [LR97]

SENATOR CORNETT: I wasn't going to ask you any question because I have a study also. But I just want to clarify something, that overall would you agree the burden, the tax burden would be the same, it would just be shifted or structured different? The same amount of money from taxes would be being collected in the end, it's just how that

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money was being collected and who it was being collected from? [LR97]

SENATOR PAHLS: Right. And I think it's... [LR97]

SENATOR CORNETT: And I understand the tax ratings and how we could improve.
[LR97]

SENATOR PAHLS: Yeah. Right, and it's hard to argue with that because it would be a shift. But would it be a fair shift? See, where...you know, there are fewer people getting the bigger bite of the apple, and I'm saying let's spread that apple out a little bit. Because if you have the same money and just spread it out... [LR97]

SENATOR CORNETT: No, I just wanted to clarify that it's not actually reducing the overall burden. If you're talking about... [LR97]

SENATOR PAHLS: Right. [LR97]

SENATOR CORNETT: ...not increasing the amount spent. The burden would be the same, it's just how that burden would be structured. [LR97]

SENATOR PAHLS: Right. [LR97]

SENATOR CORNETT: Any further questions from the committee? Seeing none, thank you, Senator Pahls. [LR97]

SENATOR PAHLS: Thank you. Thank you. Thank you. [LR97]

SENATOR CORNETT: I did forget to mention one thing in the opening. Due to the number of people that are here today, I am limiting testimony for each testifier, other than the introducer, to 5 minutes. When you have 1 minute left, I'll raise my hand up so

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you have a chance to wrap up. With that, I'll open the testifiers for Senator Pahls's interim study, proponents first. Are there proponents? I will close the proponents testimony and move to...were you a proponent, sir? [LR97]

RAYDER SWANSON: Yes, ma'am, I think so. I guess I'm somewhat confused. [LR97]

SENATOR CORNETT: I'm sorry. Anyone in favor of Senator Pahls's interim study. [LR97]

RAYDER SWANSON: Actually, I haven't filled out anything. [LR97]

SENATOR CORNETT: Well, why don't you come to the front, go ahead and state your name and spell it for the record and when you're done, grab a form and fill it out and hand it to the committee clerk. [LR97]

RAYDER SWANSON: Thank you. [LR97]

SENATOR CORNETT: May I see a show of hands from people that are here to speak in favor? [LR97]

RAYDER SWANSON: Excuse me. My name is Rayder Swanson, R-a-y-d-e-r, Swanson, S-w-a-n-s-o-n, Knox County Supervisor. I guess...this is one of my first times I've spoke before. But ironically, numerous people are here to talk about property tax, real estate property tax and the concerns that they have with them. So ironically I don't know that we all realize that they would be specifically speaking for each bill specifically. So it kind of takes us by surprise, but we'll stumble through it as best we can. [LR97]

SENATOR CORNETT: Let me clarify, when you come up to speak, if you chose to speak on this first bill you can say also that you're here as proponent for all of the bills and do not have to testify on all of them. Just fill out the testifier form, please. As a

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matter of fact, we would greatly appreciate it if you don't testify on all. (Laughter) [LR97]

RAYDER SWANSON: Thank you. That may un muddy the waters. Ironically, some of our people have things that they wanted to show about how the real estate tax is less than desirable for the equalization process and that may become kind of impossible for them to do. And ironically I hate that because they went to a lot of work to try to put things together. [LR97]

SENATOR CORNETT: And they are also welcome to submit that to the committee via my office and we will send it out to the committee members. [LR97]

RAYDER SWANSON: Great. Okay. Welcome to Knox County. Thank you for bringing the hearing process to the rural area. I'm for the studies to collect the information to see what sales or income tax based funding sources could do. The rural or agricultural sector is carrying an ever-increasing load of taxation. The agriculture valuations have increased because of high crop prices, low interest rates, and wealthy investors buying land. These high values should bring mill levies down, but it only fuels more spending to qualify for state aid dollars. The study needs to include ways for the state aid money to be a more stepped program to protect the taxpayer. Some taxpayers will see their taxes double next year due to the sales-based formula. There is little possibility their taxes will decrease in the near future unless we add a production base in the existing formula. The agriculture population has fallen to a level that cannot defend itself against taxation unless changes are made. Knox County assessor's office and her liaison have followed the state laws and guidelines to assess and determine the market areas. Thank you. So as you can obviously hear, I'm for all three studies. At the same time, I want to bring out some issues that we have with property tax, that it's a burden to the farmers. Equalization sometimes is kind of hard to explain and understand. And we do our best at the county level to try to make things work well, but ironically with every format and formula, there are times that things don't work out the way we'd like to see them. So with that, any questions or... [LR97]

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SENATOR CORNETT: Questions from the committee? Senator Louden. [LR97]

SENATOR LOUDEN: Yes. Well, thank you for your testimony today. And as a county commissioner, then, from Knox County, what amount of your ag land is...pays your whole tax amount? I mean, is there somewhere around about 60 percent of your ag land pays your revenue or someplace like that? Anyway that's the figures I have for Knox County. [LR97]

RAYDER SWANSON: Ag land pays for the school. [LR97]

SENATOR LOUDEN: Well, your schools run somewhere around 60 percent for your schools, 59 percent of you schools, and then your community colleges. [LR97]

RAYDER SWANSON: Yeah. [LR97]

SENATOR LOUDEN: Well, when you mention your state aid to education, you know, and if they spend a certain level of money or get a certain level, then they are eligible for state aid to education. [LR97]

RAYDER SWANSON: Right. [LR97]

SENATOR LOUDEN: At the present time, is the Knox County School District receiving state aid or... [LR97]

RAYDER SWANSON: We've got numerous school districts in Knox County, yes. And they all, I believe, try to achieve that 95 mill levy so that they can qualify for the state aid. And you all basically know that whenever they don't tax that much, then it goes down dollar for dollar. And so they try to achieve the spending limit that does that. [LR97]

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SENATOR LOUDEN: In other words, there's no incentive for conservation or conservatorship in the way this... [LR97]

RAYDER SWANSON: Right. Yup. [LR97]

SENATOR LOUDEN: Have you got any idea how that can be corrected? [LR97]

RAYDER SWANSON: No, not to any real format. But I do believe that there...if there were to be a step process that would lower the loss in the later mills, then at that point they wouldn't go for the high mills. You know, you maybe would get them down in the neighborhood of 85 or so. But I think it would have to be stepped gradually back. [LR97]

SENATOR LOUDEN: Should there be some sort of a system so that as they backed off from that 95 cents they would still receive a certain amount of state aid so they wouldn't be trying to always achieve that break mark? [LR97]

RAYDER SWANSON: The full level. [LR97]

SENATOR LOUDEN: The full level. Because the reason I know, I was on a school board for 30 years. And when that first came in and I said a bunch of us cowboys that was out in western Nebraska, we could figure out that if we spent enough we would get state aid. And when you have a bunch of superintendents with Ph.D.s, they sure would have figured it out quicker than we could. [LR97]

RAYDER SWANSON: (Laugh) Yeah, they're way ahead of us. [LR97]

SENATOR LOUDEN: And I've been here ever since trying to figure out how that can be adjusted. And that's the reason I'm wondering if you had any ideas on the matter. [LR97]

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RAYDER SWANSON: The way I would try to do it is to step it, you know, so that you would end up decreasing the revenue coming from the state less and less, you know, so that you didn't end up having the 95 mill cut off. But ironically I know that whole state aid formula is something harder to understand because I know they were even fighting with it up until here just the last couple of months, you know. [LR97]

SENATOR LOUDEN: It isn't hard to understand. What's hard to understand is some of your metropolitan areas usually get state aid and your rural areas don't get state aid. I mean, that's all you have to understand. [LR97]

RAYDER SWANSON: (Laugh) Okay. [LR97]

SENATOR LOUDEN: Thank you. [LR97]

SENATOR WHITE: Think you're from the rural area. (Laughter) [LR97]

SENATOR LOUDEN: Well, what is it, Douglas County down there with their \$35 billion valuation, you know, get oodles of state aid, and Arthur County with their \$100 million valuation doesn't receive much. Anyway, that's how the system has been for the last few years. Thank you for your testimony. [LR97]

RAYDER SWANSON: Thank you very much and appreciate you people coming out to the rural area again, so. And have a good day. Thank you. [LR97]

SENATOR CORNETT: You are very welcome. [LR97]

SENATOR UTTER: Before you leave... [LR97]

SENATOR CORNETT: I believe there were other questions. [LR97]

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RAYDER SWANSON: Oh, sorry, sorry. [LR97]

SENATOR CORNETT: That's okay, that's okay. [LR97]

SENATOR UTTER: (Inaudible) not going to let you off this easy. (Laughter) I know this was a lot of fun today, but we don't want to let you off this easy. [LR97]

RAYDER SWANSON: I appreciate that. [LR97]

SENATOR UTTER: So is it your...do you believe that the trying to achieve the 95 percent formula is leading to wasteful spending on the part of school districts so that they can qualify for more state aid or for state aid? Is that your testimony? [LR97]

RAYDER SWANSON: Let's not call it wasteful (laugh) but let's call it that they're utilizing it for things that sometimes they could have gotten by without--buy a new bus, buy things that ordinarily you would have foregone if you didn't have a valid use of that money. [LR97]

SENATOR UTTER: You did that very smoothly. (Laughter) [LR97]

RAYDER SWANSON: I appreciate that. Thank you. [LR97]

SENATOR CORNETT: Any further questions from the committee? [LR97]

RAYDER SWANSON: Thank you again. I appreciate it. [LR97]

SENATOR CORNETT: You are welcome. Could I have the next person in favor of Senator Pahls's bill? [LR97]

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MELVIN H. BARGER: (Exhibit 1) First of all, I'm not a politician; that's your job. (Laughter) I've got some handouts here for you to hand them out. You probably already know what South Dakota is doing, but here's some handouts of what they (inaudible) Yankton paper (inaudible). And my name is Melvin Barger. I've got a farm about 14 miles... [LR97]

SENATOR CORNETT: Could you spell your name just so we have it, the transcribers have that? [LR97]

MELVIN H. BARGER: M-e-l-v-i-n B-a-r-g-e-r. [LR97]

SENATOR CORNETT: Thank you very much. [LR97]

MELVIN H. BARGER: You bet. And I'm here more or less to beg for property tax relief is my...I haven't got the answer to it. So land valuation went up 69 percent last year for me; in one parcel it was up 105 percent. The personal income was up 63 percent property tax. We go over to the county assessor in Knox County and she says there's nothing she can do. We went to the supervisor, they say there's nothing they can do. All the answers are with you guys, is that true? [LR97]

SENATOR WHITE: I would say no because they set your levy rates. It's local school districts and counties. The state gets no money from property tax. We don't set your rates. [LR97]

MELVIN H. BARGER: But you set the formula whereby they have to abide by. [LR97]

SENATOR CORNETT: Okay. Sir, let me just explain. We do not answer questions at this point. Do your testimony and then we will ask you questions. And, yes, we...you know, one of us will address that issue at the time. Okay. But this part is just do your testimony and then we'll go from there. [LR97]

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MELVIN H. BARGER: Okay. [LR97]

SENATOR CORNETT: All right. [LR97]

MELVIN H. BARGER: And it isn't going to take very long. (Laugh) I think valuation should be based on productivity rather than sales of land value. Investors are coming into our area up there and paying out outrageous prices. The average farmer cannot compete with these people. According to the article in the Yankton paper, there are currently 43 other states using some form of productivity for valuation. That's all I got to say. [LR97]

SENATOR CORNETT: Okay. Now with that, I think Senator White was going to answer that for you. [LR97]

SENATOR WHITE: What you describe is a real problem. And let me tell everyone here what the economic squeeze our small towns are in. And I grew up outside of Columbus. A lot of my friends from high school are farmers. Any time the revenue comes from ranching or farming exceeds the amount you can pay for land and support a family, we're putting the squeeze on our people in the towns. Okay. We've got an economic problem. People who engage in other economic activities in other states, they see our land as cheap. They don't live on it. They're not committed to our communities but they want to buy it. That does a couple of things: It drives your taxes up way too high, and it chases our young people off the land because they can't get into farming or ranching and make it pay. They can't get enough for their product to pay the bank and the interest to support a family. So our small towns are dying. We're getting fewer and fewer people. We're getting more out-of-state people owning land, and we're caught in a squeeze. And we started to try to solve that problem back when we used to tax ag land at 100 percent. We're now down to 75 percent and it's getting worse. It's not getting better; it's getting worse. So one of the problems I've always tried to talk to folks about is

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I think we're doing the wrong thing. You say it should be on the productivity of land. I agree, but I would personally try and change it to skew it more that the tax benefits go if you live on the land, work on the land, and live in the communities. And if we're going to give relief, just owning land isn't how it should go because you can't compete with Ted Turner. We give him tax breaks, he gets it too. He's still going to outbid you for that land. He's still going chase young people out of the rural areas. And we need to rethink it completely so that a man or a woman that wants to farm or ranch can still have the hope of buying land, working hard, paying it off, and passing it onto your family. But as long as the price of land is getting out bid for what you can get out of your product--whether it's beans, corn, cattle, pigs, I don't care--we can't fix that unless we rethink entirely how we look at how we taxed and what's happening to our rural communities. And just dropping the rates won't do it. You'll still get outbid for that land, the values will still get driven up. [LR97]

SENATOR CORNETT: Any other questions? Seeing none, thank you. Next proponent. [LR97]

GEORGE PICK: George Pick, Hartington, Nebraska. I want to thank you all for coming here to rural Nebraska being as we're a border county. I'm going to give some resumes. By the way, the five minutes is I'm going to testify on all three, I'll probably get 15 minutes. Okay? [LR97]

SENATOR CORNETT: That is your option, sir. [LR97]

GEORGE PICK: I'm going to run over some things here and I've got some of them you probably think are off the wall, that people aren't willing to talk about, but I'm going to bring them up. I recall the sales and income tax was put in by Governor Dwight Burney of Hartington. His intent was to lower property tax; it never happened. And what I'd like to know, if we're going to...I'd like to see all exemptions done away with on sales tax, but then what are we going to set the levy at? Two percent? Well, I think we'd do the

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same thing. And a lot of the cities, just 1 percent throws the towns and villages at .5 percent or whatever it would take. I think Nebraska legislators, they created some huge monsters. I don't know who introduced the homestead exemption but it's a disaster. And we took the tax off food, so there's a lot of people paying little or nothing. They may pay for the tax on gas in their car, but that's it. And I've done the research. I've went through these overrides to check who's voting on them. It's the people who got the homestead exemption and it's the people that are employed by the districts that are going for the override. So the minority is paying the bill. And I noticed you were listening to some of these sales tax exemptions. I've got some questions here, but I appreciate your answer that your research probably give me the answer. If I buy a pivot and I pay the tax on that pivot immediately when I buy it, the sales tax goes to the state. I think I'm correct on that. If I put it on personal property schedule, it goes to the local government. Right? And another thing I got a problem with, what about the dish Network? I see all the deals in Omaha about the dish Network, but I noticed on mine it's about a \$3.50 tax, but they don't tell me who's getting that tax revenue. There's a lot of money here when you figure that all the dishes in the state of Nebraska, something is wrong here. And we better take a look at that. We better take another look at some of these towers on these telephone deals that are going up all over. I think there's a lot to be learned here and we're in an area...but the homestead exemption, what I got in trouble with it is this isn't even on net worth. Think about this. There's millionaires getting a homestead exemption. This is a disaster area. It should be abolished. I'm 78 years old and I'm not going to apologize for it, but I've never taken a homestead exemption. And there's people...and to me, if you own a home, pay your tax like the rest of us. We've created this monster of too few paying for the many. And it's out there. And when we took the tax off food, I'd like to remind you, the state of South Dakota had it on the ballot four years ago when they got solidly defeated. Because they knew if they took it off food, that you're going to get a state income tax, and it was soundly defeated. Okay. And to me, if you're going to take the sales tax, how are you going to reduce the property taxes? Now the property tax, to me...we've heard about the valuations and that. Now I do have an assessor's certificate and I've worked in that office, so I know what goes on. To me, I have nothing against

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sales, but let's leave the neighbors alone. That's the bottom line right there. If somebody wants to pay a price for land like that, fine, go ahead, but don't raise the neighbors and that's what's been going on. It's wrong. I checked in Cedar County; some land sold for an auction at \$5,500 an acre, another parcel sold for \$4,500 an acre. Further inspection showed that both of these were land transfers where the federal government...it's either you buy something equal to or better than, you don't pay the tax. And that is totally wrong. So, again, like I say, go ahead, take the sales, but leave the neighbors alone. Simple. Now another thing I've got a problem with is the assessor's office. Why doesn't Nebraska have a uniform depreciation schedule? Why not? Simple. I've looked in the new homes in our area, \$300,000, \$400,000; they're getting 10, 15, some as high as 20 percent the first year. A 65-year-old home, 85-year-old home gets a 65 percent depreciation. There's something wrong with this picture? Why isn't there a uniform depreciation schedule for the state of Nebraska where there's a... [LR97]

SENATOR CORNETT: I'm sorry, are you saying depreciation? [LR97]

GEORGE PICK: Pardon me? [LR97]

SENATOR CORNETT: Are you saying depreciation or appreciation? [LR97]

GEORGE PICK: Physical depreciation is what I'm talking about. You know how to read the cards, there you are. And it tells me right away. Somebody that's got a \$300,000 home just for fast figures getting \$30,000 off the first crack. Somebody that's living in an 85-year-old home is getting the 65 percent depreciation which isn't even a half a point or a point per year. And if you go ahead, a simple farm does 1 percent for one year, 5 percent of five years, 10 percent, ten years. What's wrong with that? Now here comes the question then. I get a valuation increase on my... [LR97]

SENATOR CORNETT: You have 1 minute left. [LR97]

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GEORGE PICK: On the first five. (Laughter) You'd do that to me, wouldn't you? Okay. But the point is here, I don't think it's fair at all. People living in the older homes are paying for the people that got the new ones. Something is wrong here, fellows. Whether it's a silo, whether it's a hog consignment, or a home, let's get a standard depreciation schedule. Let's all seduce something else. That assessor should have to initial that and put the year on it that it's built. They're not doing it. Why? Nobody wants to take the blame. You want artists to put the signature on his work; he's proud of it. But assessors, nobody wants to take the credit. Where am I at here? You interrupted me. (Laugh) Another thing, with the inheritance tax, I've got trouble with that. County commissioners use that as their little pot of gold. They borrow from it every year and never pay it back. And today, it's over \$50,000 in our county here coming in, so. And then they still got in their budget the reserve way up there, so that's something that needs to be looked at. Here's another thing that I don't think is right. Why do judges get to appoint the court attorneys? Why don't the county boards? They pay the bill. Why not the county board make the decision? Who decides who needs a court-appointed attorney? That's another thing that needs looking into. I know in our county, we had a situation there where the county ended up paying all kinds of medical bills and the people were illegal immigrants and hired, of all people, by Nebraska Public Power District. To me, there needs to be a statute or whoever hires these should be responsible for the legal fees and the medical bills. Let's get it off the taxpayers, not fair at all. [LR97]

SENATOR WHITE: I introduced that statute two years in a row, can't get it out of committee. [LR97]

GEORGE PICK: Well, you got my sympathy because there's too many things that the Legislature get reruns every year and I can name them for you. Maybe we should take a look at something that's never been out on the floor. Now I got some things that I'd really like to... [LR97]

SENATOR CORNETT: Sir, time on this one. (Laugh) We'll see you twice more. [LR97]

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GEORGE PICK: Somebody want to yield their time, I'll finish up. (Laughter) I've got plenty more, okay? [LR97]

SENATOR CORNETT: We'll be here. [LR97]

SENATOR LOUDEN: Do we get to question him on this one? [LR97]

SENATOR CORNETT: Let's save it to the next one. Sir, sir, on the next one, stick around so we have time to ask you questions, but we'll catch you on the next round. All right. [LR97]

GEORGE PICK: No problem. [LR97]

SENATOR CORNETT: May we see the next proponent, please? Come on up. We're being pretty informal today, so just come on up. [LR97]

LARRY SILHACEK: Senators, thank you for coming to this meeting. My name is Larry Silhacek, L-a-r-r-y S-i-l-h-a-c-e-k. This gentleman that just spoke before me, there's something...a couple of things that I wanted to comment on. One was the sales tax. What gripes me a little bit...not a little, does gripe me is when a piece of new farm machinery is bought, tax is paid on it. A farmer has a sale, tax is paid on it again. And the same thing happens with a car, they get taxed over and over. So I think that needs to be looked at. When he had talked about property taxes, this gripes me also. Probably ten years ago, I bought a farm about \$400 an acre. About three years later, a farm very close to me across the road bought almost \$900 an acre. When I get my next tax statement, my value goes up and I haven't done anything different. So what I would like to see be done is somewhere along the line that I pay \$400 an acre for that land, it should stay at that level until I resell it. If the other person wants to pay \$900 an acre, okay, tax them at that. That would be my suggestion. This is something similar to what

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is being done in California on land. And (inaudible) I keep talking to people on this. We need something like that to keep my land from going up. I don't want to sell it. Now when I sell it, if somebody wants to be fool enough to pay me \$1,500 an acre, okay. I'll take the money and pay my taxes and go on and he can pay the taxes at that value. Amen. [LR97]

SENATOR CORNETT: All I'm going to say is this is the first time I've ever heard anyone say they wanted to be like California. (Laughter) [LR97]

LARRY SILHACEK: Well, there's a lot of things to California I don't want to be like. That's one thing I would say I like about, I hear about...I'd talked to an elderly gentleman once, and he said he has some land out in California; I think he said 40 acres. He said the taxes have not gone up and he's owned it for a great number of years. [LR97]

SENATOR CORNETT: I was going to say, I've been looking at some of the taxes and how they structure them in Oregon for ag land, and it's very interesting. It depends...it's semi-income based, semi-use base, but it's an interesting structure. [LR97]

LARRY SILHACEK: Yeah. I don't have all the answers here. I just... [LR97]

SENATOR CORNETT: Questions from the committee? Senator Louden. [LR97]

SENATOR LOUDEN: Yes, when you talk about paying sales tax on your machinery, now you can either pay sales tax on some of that machinery like if you're buying short line stuff and that would go to the state, but if you put it on your depreciation schedule, then you pay personal property tax on it. Then that money goes to the county and raises your local valuation that much. So in my area, I always tell people that when you buy something you want to decide whether you want the money to go to the state or you want the money to go to the county. [LR97]

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LARRY SILHACEK: Yeah. Um-hum. [LR97]

SENATOR LOUDEN: Now if you're buying bigger equipment, you have no choice. If you buy a tractor or something, it's got to be depreciated out. [LR97]

LARRY SILHACEK: That's right. [LR97]

SENATOR LOUDEN: But when you...say you go to a farm sale, that's depreciated out in seven years and every time that changes hands, it'll go back onto somebody's depreciation schedule. [LR97]

LARRY SILHACEK: Right. [LR97]

SENATOR LOUDEN: Yeah. And, of course, I guess maybe that isn't right, but the same way if you have cattle, you're not in the brand area here. But every time a cow changes hands, you're going to pay a brand inspection and a checkoff on her no matter how many times she's rotated through it. It isn't a one-time deal. [LR97]

LARRY SILHACEK: Um-hum. [LR97]

SENATOR LOUDEN: So it's something similar and I don't know if there's any better way to do it, but that's kind of the way the system has worked. [LR97]

LARRY SILHACEK: Well, you've listened to my concern. [LR97]

SENATOR LOUDEN: Yeah. I hear you. [LR97]

LARRY SILHACEK: Appreciate that. [LR97]

SENATOR CORNETT: Further questions from the committee? Seeing none, thank you

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very much. [LR97]

LARRY SILHACEK: California, here I come. (Laughter) [LR97]

SENATOR CORNETT (Inaudible) If you pay taxes, I'm sure they'd like to see you. (Laughter) Next person in favor, next proponent. [LR97]

LINDA WUEBBEN: My name is Linda Wuebben, L-i-n-d-a W-u-e-b-b-e-n. I wanted to talk a little bit about Mr. Pick's suggestion about...he had some land in Cedar County that is along the Missouri River. And a couple of the senators heard me talk about this at the ICON convention this weekend. It was vowed by the conservation fund and now the U.S. Parks wants to buy it from them. But my problem is the land was sold for \$5,000 an acre, which increased the value of all the neighboring farms, also made it hard. Takes out more land out of production and makes...the farmers are meeting with not only urban sprawl, but now we're competing with, you know, the federal government trying to reclaim the land along the Missouri, which I know they would like to do for conservation. But this is a big concern in the farming area and it increases our land value. You know, I have a son that's 29 years old. All he wants to do is farm. He's been to college. There's no way he's going to be able to do that because we just don't make enough money for him to take the farm over. He can't afford to buy the machinery from us. What's going to happen to agriculture? What's going to happen to the face of agriculture? Most...I think the average age of a farmer today is 57 across Nebraska. How can we change that? [LR97]

SENATOR CORNETT: Questions from the committee? Senator Dierks. [LR97]

SENATOR DIERKS: Linda, I'm a little bit familiar with the situation you're talking about. I just wondered, what business are the people in there buying the property? [LR97]

LINDA WUEBBEN: The people...they want to use it for conservation like for endangered

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species and for...you know, they want to reclaim that land that's along the river so they can...you know, for endangered species, that's what it is, I think. [LR97]

SENATOR DIERKS: Some of it's irrigated, right? [LR97]

LINDA WUEBBEN: Yeah. There's three pivots on it. [LR97]

SENATOR DIERKS: And then will they continue to farm that or will they... [LR97]

LINDA WUEBBEN: No. I don't think so. Maybe for a couple of years until they get their...you know, they want to plant some areas for the birds to, you know, nest in. Maybe eventually it will be open for hunting. I'm not sure. But, you know, it was good farm ground. It was said that it was taken out of production. There is so much land in Cedar County now that's being turned over from pasture that's been, you know, since God created the earth it's been in pasture and they're turning it over because they want to raise more corn. And it was sad that that ground was taken out of production because it was good ground where some of the ground shouldn't be taken out. [LR97]

SENATOR DIERKS: So have you had discussion with the county assessor? Do you know what they're going to do as far as valuation is concerned? [LR97]

LINDA WUEBBEN: Well, I talked to him. He said that he had been told that if the ground is used by the parks services and is open to the public for recreation or hunting, then there will be...not any payment in kind payment to the county. It'll take \$55,000 off the tax rolls. So there won't be any payment in kind from the government. And because they figure the tourist attraction that it will bring will bring that money back into the county. [LR97]

SENATOR DIERKS: So there's no unmoved tracts as available as that? [LR97]

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LINDA WUEBBEN: No. You know, they hadn't had all of the classifications. [LR97]

SENATOR DIERKS: But what will the assessor do with the neighboring land? [LR97]

LINDA WUEBBEN: He told me that it would be increased according to that value. Because I had...you know, I said to him, he said, well, that increase won't show until next year's valuation comes out. So I know that was his intention. [LR97]

SENATOR DIERKS: It would appear that the TERC were not handling it the best (laugh). [LR97]

SENATOR CORNETT: I think we're having a look at the TERC board. [LR97]

SENATOR DIERKS: Thanks, Linda. [LR97]

LINDA WUEBBEN: Thank you. Any other questions? [LR97]

SENATOR CORNETT: Senator Louden. [LR97]

SENATOR LOUDEN: Yes, do you know if they're calling that park land or wildlife management area? [LR97]

LINDA WUEBBEN: I don't know if they've decided yet. [LR97]

SENATOR LOUDEN: Okay. Well, it will make a difference because if it's a wildlife management area, they have to... [LR97]

LINDA WUEBBEN: Then there should be a payment in kind. [LR97]

SENATOR LOUDEN: ...they'll pay in lieu of tax. The other thing is, as far as that

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valuation is concerned, and I've had problems with this over the years and I think it's something the Legislature probably needs to address, but there are 12 guidelines in statute on what land should be used. They call it a comparable sales analysis guidelines. And those guidelines have been overlooked. In fact, when Cathy Lang was Property Tax Administrator, she did away with nearly all of them. And some of that is that if someone buys that land that's within a mile of where they already own land can't be used for comparable sales. Also if it's being used to go back to a city or county or entity can't be used. So those guidelines probably is something that Revenue Committee needs to look at someplace in there to see what is going on, whether those guidelines should be revised or pointed out on some of this with their comparable sales. And with that, it would be up to the...you people to...is it going to go to the Nebraska Game and Parks or is it going to federal? [LR97]

LINDA WUEBBEN: I think it's federal. [LR97]

SENATOR LOUDEN: I'd be whoever is head of that to find out what they're going to do with that land and how they intend to handle it and whether or not the county assessor agrees to it. But it...yeah, we have that...Dawes County out in Nebraska have a lot of that going on. That one year they bought over 5,000 acres up there in Dawes County and it made people uptight just a little bit because they were taking that off the tax rolls. [LR97]

LINDA WUEBBEN: Yeah. Makes a difference. [LR97]

SENATOR LOUDEN: Okay. Thank you. [LR97]

LINDA WUEBBEN: And, Senator White, I like your idea where you get credit for living on the farm and working the land. [LR97]

SENATOR WHITE: Something we've been working at. The problem were facing with

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tax, everyone knows, it's a backbreaker. It's really breaking the back of 90 percent of the state. And unless we can figure it out or we can continue to own the land inside, people living here and committed to the community and working the land, we're in for a world of hurt. [LR97]

LINDA WUEBBEN: I agree. [LR97]

SENATOR HADLEY: What happens at 4:00 today? I noticed your T-shirt. [LR97]

LINDA WUEBBEN: At 4:00 today, we have a big game. We better be done by them. (Laughter) [LR97]

SENATOR HADLEY: I thought that was a hint to people out there. [LR97]

SENATOR CORNETT: Next proponent? Is there anyone else here to testify for LR97? Okay. Since we're moving a little bit slow, could we have everyone that's still left to testify move up to the first couple of rows so I can see how many people we have to testify? Ma'am, are you going to testify? [LR97]

SCOTT EISENHAUER: Name is Scott Eisenhauer. I farm about 12 miles northwest of here. [LR97]

SENATOR CORNETT: Scott, I'm sorry, could you just spell that for the transcribers? [LR97]

SCOTT EISENHAUER: Okay. S-c-o-t-t E-i-s-e-n-h-a-u-e-r. Had to kind of change my thing. I talked to Rayder and he was wanting me to kind of give you some insight on what's going to happen in Knox County on our property tax valuation that I see we're more going on the bill. So I guess I wanted to say that I am in favor of it, mostly on the course that it would be the first step to alleviate some property tax pressure. You know,

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I think that kind of is a resounding what's going on here today. This year in Knox County, we've had valuations go up anywhere from 30 to 100 percent. We've even had 130 percent increase in valuation. I have neighbors that rent their pasture out and their property tax is over half of what they receive in rent. And when I was at the protest in Center, the supervisors posed a question to me. They wanted to know, you know, what my suggestion was and where do we go from here? And I guess the best suggestion we've had has been the production base for...to base a valuation off of. Since we've had the meeting in Center, I researched the suggestion of production-based and it seems to me like that is the most accurate fair way to base our valuations. Every parcel of land for the last 30 years has had a production record kept on it. We have yields going back 30 years on every parcel of land. And that's more of a fact. I mean, we know what the number is. If we go off of our hypothetical sales on property tax, it's a hypothetical number. I actually have land that is valued higher than some of the best land in Knox County and it's not even close. I mean, it's probably worth less than half. So I just pretty much want to thank you guys for coming up here and listening to us today. And that's all I have. [LR97]

SENATOR CORNETT: Senator White. [LR97]

SENATOR WHITE: Scott, thank you for coming here. Let me tell you one thing that concerns me about going the sales tax route. Right now, a lot of our land is owned by people never been in the state. Okay. [LR97]

SCOTT EISENHAUER: Um-hum. [LR97]

SENATOR WHITE: And we tax them, and they buy our land, and we tax them, and they pay the taxes. And a lot of the folks that live here, they pay for the inputs, they pay for the equipment, you know, they do it on shares. [LR97]

SCOTT EISENHAUER: Yeah. [LR97]

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SENATOR WHITE: What concerns me is we're going to move a lot of that burden from owning that land, which some people say is as much as 40 percent of our ag land now is owned by people who don't have any ties to Nebraska. Okay. Well, move from them the taxes to the guy that's trying to support a church and a family and a school that he's going to have to pay the income tax or sales tax on the seed corn, on the fertilizer, on all the equipment, on everything that he buys. And then he's going to...when he sells it, they're going to get taxed on the backside. So it's going to really hit the operator a lot harder than the guy just owning the land. [LR97]

SCOTT EISENHAUER: Um-hum. [LR97]

SENATOR WHITE: Do you really think that's the best way to go or if we could be a little more creative and figure out where we get a guy who's going to buy the land, he gets some credit maybe on income tax and some other stuff. So what we're doing is encouraging all the people to own our own land and stay here. [LR97]

SCOTT EISENHAUER: Um-hum. I like the idea of a little bit more creative. I guess where I was coming with production was just to base our number for property tax. [LR97]

SENATOR WHITE: I like production because it ties you closer to what you're making off the land. [LR97]

SCOTT EISENHAUER: And what it's actually producing. [LR97]

SENATOR WHITE: The worst part of property taxes are you could have lost everything and still owe a big tax bill at the end of the year. It doesn't have anything to do with each other and it squeezes guys unfairly. The problem I've got is how do we do it because what I want to do is keep Nebraskans in Nebraska, that's what I really care about,

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where they can make a living here. [LR97]

SCOTT EISENHAUER: I guess, you know, why I'm for it, it's making a move towards that. You know, we're not sitting right at... [LR97]

SENATOR WHITE: Yeah. It's a little more responsible. [LR97]

SCOTT EISENHAUER: Yes. [LR97]

SENATOR WHITE: Okay. Thank you. [LR97]

SENATOR CORNETT: Senator Wallman, of course. [LR97]

SENATOR WALLMAN: Yeah. Thanks for coming. I'm also in ag, so property...I live next to Kansas, and so that's where my district is. So they have a production-based system done by the University of Kansas and it comes out of Kansas State, I think. And so I've been talking to their courthouse and everything. And do you think...have you looked at their plan? [LR97]

SCOTT EISENHAUER: I've looked at South Dakota's. [LR97]

SENATOR WALLMAN: See, and their ag land values went down this year because cattle went down, you know, crops went down. So they reduced their ag land values. And my area's pasture land went up 55 percent. So farmers are unhappy. I'm unhappy. (Laughter) [LR97]

SCOTT EISENHAUER: Yep. [LR97]

SENATOR WALLMAN: Thank you. [LR97]

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SENATOR CORNETT: Senator Wallman. [LR97]

SENATOR WALLMAN: I'm fine. Thank you. [LR97]

SENATOR DIERKS: Scott, There's something we haven't touched on yet today, and that is if we were being paid well for what we produce, we probably wouldn't even be here to complain about the taxes. How many of us in here even pay income tax? I just wonder how soon we're going to realize we need to get to the antitrust laws in this nation and make sure that we're not being had by some of our corporate citizens. The price of seed corn, the price we're receiving for the fat cattle we sell, fat cattle sellers I'm telling you, we're losing right at \$300 per head right now. We just can't go on living that way. So we've got some big work to do. I think we have to depend on the antitrust laws in our nation to bring these people to their senses and make it possible for us to survive. I was involved with a bill we had through the Revenue Committee back probably in 1992, maybe the early, late nineties. That was one that Senator Coordsen had. And this was one we could pick on Bill Lock for his memories of that because he was on his staff at the time. And it was one that judges property based on its production capacity rather than on its sale value. And we took that around the state, had a model made up, we took it around the state and showed it to people, and most of them ended up not liking it. I guess it depends on how you structure it, but I still think that you're right. I think that production capacity should have something to do with the way you have to pay taxes. It's a fair way. [LR97]

SCOTT EISENHAUER: Um-hum. [LR97]

SENATOR DIERKS: It's a difficult way to figure, but I think it's a fair way. Thanks for coming, Scott. [LR97]

SCOTT EISENHAUER: And I think if you put parameters on it, you know, if you had a maximum and a minimum, you know, that way you'd know what you were getting. It

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would just be a fair way to tax and more concrete, you know, so we aren't...even amongst us in the county aren't arguing what stuff should be worth. [LR97]

SENATOR DIERKS: Thank you. [LR97]

SENATOR CORNETT: Thank you very much. Next proponent. [LR97]

EVELYN BECKMANN: My name is Evelyn Beckmann, E-v-e-l-y-n B-e-c-k-m-a-n-n. I'm a farm wife. I have lived all my life in Knox County, and I've always been a farm wife. The reason I'm here is I went down to the assessor's office and I got my...because I got my tax papers. And we had bought some land about six years ago like for \$500 an acre. And when I looked at that land, there was a tract on it that was assessed at \$1,800-and-some an acre. There was a tract that we gave \$500 an acre for that was assessed at like \$1,200-something an acre. Another tract was assessed at like \$1,400 an acre. And so I said to these people, this is a tremendous increase in valuation. That's like, you know, tripled it. And they said, well, we can't do anything about it. The land around you is selling for that much, and so we have to raise your valuation that much. So I realized what this was going to do to my taxes in the coming year. And we were a family farm. My son farms with us and we had a grandson that wanted to farm, and so we brought this extra land so we could work him into our operation. We needed the extra land. If we were going to be able to let him farm, and this is what we wanted to do. And so when I got...I saw that and I said, well, surely land right around me isn't selling for that much. And they said, well, in this part of the Central Township it is or down by Wausa it is. Well, they have better land. You know when you buy land for \$500 an acre, this is poor land and we realized it was poor land, has creeks running through it. The pasture land, according to their valuation when they did their soil testing, tests out at like 4 g. Four g pasture land is the poorest that you can get. And pasture land...we have a good pasture on one tract the we can put our cattle in. We put them in in May, and they run there until pasture season. But with 4 g pasture land, you have to handle that very differently. You put your cattle in there, and when they have the grass ate, take them

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back out and you let that pasture rest. So you have a lot of extra work with this pasture. And so for it to be valued at that high of a figure just because the guy over here's land is selling for that much, that doesn't make sense to me. I just...it doesn't figure it out. And when I talked to the assessor about it, she simply said the state tells me to do this. They set the price that we have to set your valuation at the same level as the land that is selling around you. And I can show you, she said, where this land up here sold for so much, that land down there sold for so much, so that's how we set the valuation. I didn't think it was fair. And I realize that all our cattle prices...well, we all know we're in an economic slump. I don't have to tell you that. Everybody knows it. But for land to keep escalating at these prices and we're being taxed at that, we're going to need some help. I'm glad to see that you people are looking at that. I'm glad to see that somebody has talked about a sales tax and maybe that will take some of the burden off this real estate tax for us farmers because, you know, we're going to need the help. And I guess that's what I needed to say. [LR97]

SENATOR CORNETT: Senator White. [LR97]

SENATOR WHITE: Well, I'm glad you're getting another generation into ag. Too many of them are leaving. How we do it, ma'am, could actually make it worse if we're not careful because a lot of the land in the state, there's fellows who, I don't know, they're bankers in New York and they buy ranches and farms here. Now they don't...they drive those rates up. We've got to figure out a way so we can make it possible for you and your family farm to stay in the family for the next 100 years. So we'll be working at that. [LR97]

EVELYN BECKMANN: Thanks. I'd like to see that happen. Thank you. [LR97]

SENATOR CORNETT: Just a point, the land is supposed to be based on comparable land, so. [LR97]

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SENATOR WHITE: If they're comparing poor pasture land... [LR97]

SENATOR CORNETT: Pasture land to good pasture land, you can't... [LR97]

SENATOR WHITE: ...or good irrigated land, you can't compare the two. It's apples and oranges. So you might have a chat with your assessor. [LR97]

SENATOR CORNETT: Senator Louden. [LR97]

SENATOR LOUDEN: Yes, I live up in the Sandhills. I'm quite familiar with 4 g pasture land, (laughter) have a lot of it. Is there other...did she tell you if she compared that 4 g land with other 4 g land that sold at that price or did she talk about different plots someplace that were sold? [LR97]

EVELYN BECKMANN: Well, not really. She did say that there was some land in the next townships that had sold for \$900-and-some an acre. And, of course, this pasture land is grouped with the rest of it. But like for... [LR97]

SENATOR LOUDEN: Yeah. Did some of that land, I mean, did that sell to somebody that was going to use it to run cattle on it or something like that? Or was that sold to someone that was going to probably build some housing or something like that on there? [LR97]

EVELYN BECKMANN: And I'm not real sure about that. And I didn't research that. [LR97]

SENATOR LOUDEN: Okay. Because what I'm wondering, we're getting these areas where people are buying these for recreational purposes, and I've been saying all along we need another classification besides your 4 g pasture. You need some kind of either rural residential or rural recreational or something in there to offset that so that when

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those people pay these huge dollars for some of this land and don't intend to work it as you would if you were running cattle or livestock on it, and this is what I'm wondering. And really the assessor has a lot to say on how that should be valued. She's probably correct if she's got the classification of land, then it should probably have to have a comparable sales analysis. But there again is when I get back to the 12 guidelines that are in statute and they're not using those; they haven't used those for 20 years probably, at least 10 years. They've done away with those comparable sales that are used. So, yes, this has to be looked into because there's probably, what, less than .1 percent of the land sold in Knox County, and then they're using all of that valuation on that little piece of ground to raise the valuations on the whole county. And, you're right, it isn't fair the way it's done. [LR97]

EVELYN BECKMANN: And so, like I say, the land that we had bought, you know, and we realized that we were getting that kind of land when we bought it, but we didn't realize that it was going to triple in value. And it's not producing anymore than we did when we bought it. And that's...it just doesn't...it seems like there should be a different way of valuing this land. [LR97]

SENATOR CORNETT: Further questions from the committee? Seeing none, thank you very much, ma'am. [LR97]

EVELYN BECKMANN: Thank you. [LR97]

SENATOR CORNETT: Further proponents, people in favor of LR97? Anyone? Okay. With that, we will move to opponents. [LR97]

DAVID NABITY: Good afternoon, senators. Thank you so much for allowing me to be here. I'm David Nabity, and I represent an organization called the Omaha Alliance for the Private Sector and the Nebraska Alliance for the Private Sector. And our organization has been doing quite a bit of study on Nebraska and how Nebraska ranks

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towards other states as far as being competitive. And our vision has always been we don't need to be the cheapest state in the country to live in. We just need to be competitive. And for years we were ranked in the top ten worst states in America to start a business or to live in. And, you know, in my business, I'm in financial business, I've seen scores of retirees do the math. And move to Texas, Florida, Tennessee, Nevada, change their residencies to South Dakota, Wyoming, and places as such to escape the taxes of Nebraska. So our goal is to and assist you at providing whatever intelligence and information we can to have Nebraska become one of the top 10 lowest tax states in America or at least hit the top 15 and kind of make that our end game. Now in listening to the testimony today, I think it's obvious that we have a problem with property taxes the way it's assessed, the difference between recreational landowners versus people that are actually farming the land. And I would encourage your organization to work very hard to study just how property taxes are being assessed and what needs to be designed to make it fair and logical. Like you say, Ted Turner can come in and drive the prices to insane levels and everybody else has to eat higher property taxes. And there ought to be a way to distinguish between who is a family-run, family-owned enterprise and who is a doctor from Omaha who decided to buy some extra ground to hunt on. I think that's very, very important. With regard to Mr. Pahls's bill, when that first came out, it really puzzled me because there is no state in America that has done what he has suggested. None. And every state in America that has a low tax ranking does have property taxes. So if you sold land in Nebraska and you 1035 exchanged it to Texas or Florida, you're going to pay a high property tax there like you do here. It's almost impossible to get away from property taxes. The reason that no other states do what Mr. Pahls has suggested is because property taxes finance local governments. And the citizens of a local area are supposed to have control of what's going on over local governments. And I would say to the citizens of Nebraska that if the property taxes are getting insane, it's time for the citizens to rise up and performance audits and performance reviews of everything that's going on in the local governments and ask the questions. If we could start over and hit the reset button and redesign how we're delivering government on a local level and try to make it the most efficiently run system

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that we can, how would we do it? And that includes looking at some sacred cows like public education and asking the question, is there ways to get rid of ways duplication and inefficiencies in public education? I think that's the starting point with regard to property taxes. In my opinion and the opinion of our group, there's a couple of simple things that Nebraska could do that would change our ranking over night nationally. And if we move to being top 15, top 10 lowest tax states in America, the economic activity that will occur in Nebraska I think will be astounding, especially since we're a more financially stable state than a lot of other states. And I know that the sales tax numbers are starting to look worse and worse and worse. And I would content that what I'm going to suggest to you today is the reason why you might want to embrace some of these ideas. The first thing is, is to take the income tax and drop it to a flat income tax of 3.5 percent. I've talked with the Revenue Department at the state. At 3.55 percent, you'll collect all the same amount of money that you're collecting today. Now what's the advantage of doing that? Number one, the incentive for retirees to move to other low-tax states will drop. We've had a problem with getting military retirees to stay in Nebraska because they're being taxed on their pensions at high rates and they can get tax-free status in other states. If you drop it to 3.5 percent for here on their military pension, their military contractor job they have in the private sector, they'll also pay 3.5 percent. And when you blend them together, it offsets them pretty nicely and it'll make us more attractive at keeping and drawing more people to the area. The third thing is there are a number of employees, especially illegal aliens, that put 12 exemptions on their withholding forms and they pay no tax in Nebraska. If you have a 3.5 percent flat tax, you'll pick them up. I don't know what the astounding ramifications of that might be, but we might be surprised to see that we collect quite a bit more than we normally do. If you look at national organizations that rank states, what they like in the tax codes is they like tax codes that are simple, that are stable, that are neutral where everybody is treated the same. There isn't one classification or group that gets any better deal than anybody else. They like tax codes that are transparent and they like tax codes that promote growth. At a 3.5 percent flat tax, you accomplish all of those goals. Now with regard to sales tax, if you expanded sales tax in some areas and reduced taxes in other areas, I'd

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think it would be a great idea. And a way to blend what Mr. Pahls is trying to accomplish with getting rid of property taxes would be to go ahead and examine the sales tax system and see if there is some ridiculous exemptions that don't need to be there and try and find about \$170 million. I think that's the number. And if you can find \$170 million, you could eliminate the motor vehicle tax. So think about all of these people that are in the room and those all across the state. One of the most frustrating experiences is walking into the county treasurer's office and writing that annual check to license their vehicle. And you guys know here in the north, there's plenty of people that come up with excuses to license their vehicles in South Dakota. And the bottom line is you could extend the sales tax on food or some items on food or you could look at some ridiculous exemptions in sales tax and eliminate the motor vehicle tax. If you institute a flat income tax of 3.5 percent and you eliminate the motor vehicle tax, Nebraska will move darn close to being in the top ten lowest tax states in America and we'll have about the same cash flow system that you have today. Now one other thing that I would like to encourage you to do is look at tourism. And if you look at any of the states that are considered low tax, they have vibrant tourism economies. And we've done very little in Nebraska to promote and grow tourism. We got 16 million cars that go up and down Interstate 80. We've got family farms that are looking at ways to develop secondary sources of income. And I would encourage you to look at ways to develop incentives to give developers the ability to capture sales tax generated on bare ground when they develop a new project to finance bonds to support tourism projects all across the state. In addition to that, I'd like to see an incentive for landowners. Let's say, for example, somebody here decides to build a hunting lodge and they spend a half a million dollars. The day after it closes and they get it done, the county assessor is going to be out there asking for higher property taxes on the half a million dollar expansion before they've rented a room or even determine whether they're going to be profitable. And one of the thoughts is, is to allow TIF financing to go into tourism projects where you could use the property tax that is assessed off the land to pay down the debt associated with the tourism expansion project on the land. And that would be used in an effort to get people off the major interstates into the rural areas. And, you know, the big issue is getting

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outsiders to come to Nebraska and spend money. That's the goal. That's how South Dakota does it, that's how Florida does it, in many respects that's how Texas does it, that's definitely how Nevada does it. So the more that we can do to create tourism activity the better it will look and it will help solve some of the problems that you're facing right now. [LR97]

SENATOR CORNETT: Thank you, Mr. Nabity. Questions from the committee? [LR97]

SENATOR WHITE: I have a question. [LR97]

SENATOR CORNETT: Senator White. [LR97]

SENATOR WHITE: Mr. Nabity, I'm interested in your views of how the states that are heavily reliant on sales taxes are doing right now. As I look at them, I think most of them are at or near bankruptcy. They're laying off huge proportions of teachers. They're cutting central services. California, for example, can barely put any firefighters in the field to deal with those wildfires. Don't we become much more subject to the economy going up and down and long-term planning in government gets more difficult? [LR97]

DAVID NABITY: Yeah. Tom, great question, great question, and what you just said is exactly why you ought to take Rich Pahls's bill and say no, for that reason, for what you just said, that's the reason. Now if you talk about California, you're talking about a state government that is so fat and so bloated and so unwilling to reform and modernize that they've got huge problems. But let's talk about Florida, for an example, because Florida, if you took income tax, motor vehicle tax, and property tax and added them together, and you personally move to Florida, your overall tax cost for those three taxes would be 60...would be 40 percent of what it is here, so your taxes drop 60 percent by moving to Florida. Well, if they start having some problems of being able to cash flow because of the economy, if they raise taxes just a little, just a smidge to cash flow, they are still way lower tax than we are by a long shot. So that's the first point. The second point is what

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I'm suggesting here gets past what you're talking about, because if you have a flat income tax, that's stable. You won't have the ups and downs. If you have the local citizens going to their local governments and demanding performance audits and performance reviews and demanding a redesign of how they're managing their local governments to create efficiencies and fairness, that is stable because the property tax line of it is stable. The part that I'm talking about with the sales tax incentives says this. You have a bare piece of ground. There's no sales tax being created on that bare piece of ground at all. You get a...you get a developer to come in and create a Wisconsin Dells or a Silver Dollar City or something like that in Nebraska and all of a sudden, voila, you have a new project. That new project creates new sales tax that didn't exist before. What we're talking about is harvesting a piece of that sales tax to help finance the bonds. So the addition that I'm talking about will create new property tax, new payroll, new economic activity in the communities that allow it, and will...the state will say good-bye to the sales tax for a certain period of time to assist the developer for bringing that kind of project to the state. [LR97]

SENATOR WHITE: Thank you, David. I appreciate that. And let's talk about a hard subject, especially here, and this is the right place to talk about it. In Lincoln they whisper, if we really want to reduce property taxes get rid of schools, combine school districts, and get rid of counties. Is that what you're advocating? [LR97]

DAVID NABITY: I think that...I think efficiencies can be had at the local level without upsetting the citizens' ability to have access to government services, but I think it's...I think... [LR97]

SENATOR WHITE: Well, do you mean fewer counties? We have 93 counties. [LR97]

DAVID NABITY: I haven't examined whether that makes sense, but here's what I would say to the people in the room. I would put everything on the table. If I was sitting in this room and I was sick of property tax, I'd ask the questions, do we need to pay what we're

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paying for property taxes to finance our schools the way we do? If the Catholic schools can educate a kid at \$4,000-\$5,000 a year, and the public schools are spending \$12,000-\$14,000-\$16,000 a year, maybe something is broke with the system. [LR97]

SENATOR WHITE: Well, David, let's be fair here. I have two kids that went through parochial school. I did too. All right? We in parochial schools, in my school, it's a good school where my kids went, Saint Cecilia's, when we had children who had hearing problems, who had attention deficit disorder, who were in wheelchairs, who had other very expensive conditions that needed...still had a right to be educated,... [LR97]

DAVID NABITY: Uh-huh. [LR97]

SENATOR WHITE: ...we sent them away because we couldn't do it. [LR97]

DAVID NABITY: Sure. [LR97]

SENATOR WHITE: You're comparing apples and oranges. That's not fair. We ask the public schools to do things the private schools don't have to do. [LR97]

DAVID NABITY: No question. Does that mean it needs to be triple the cost? Does it need to be double the cost? I think the citizens in this room should have the right to have an answer to that question. [LR97]

SENATOR CORNETT: Dave, the other day when we met we discussed some of your ideas, and one of the questions that I proposed to you is if you are proposing to get rid of the motor vehicle tax, and I had checked into this. All that money goes to the Department of Roads. That doesn't go into the General Fund. You couldn't lower the income tax rate on it. I mean you could eliminate the sales tax but then that brings up the question, how are you going to fund roads? [LR97]

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DAVID NABITY: Well, again, if you expand the sales tax... [LR97]

SENATOR CORNETT: I mean let's face it, our gas tax has already been a major issue. [LR97]

DAVID NABITY: Yeah. If you expand the sales tax and that creates X... [LR97]

SENATOR CORNETT: But you said only increase it by \$170 million... [LR97]

DAVID NABITY: I think \$170 million is the number, isn't it? [LR97]

SENATOR CORNETT: ...would bring your...would bring the income tax down to a 3.5. But that wouldn't include... [LR97]

DAVID NABITY: No. Income tax is 3...the income tax is completely separate. [LR97]

SENATOR CORNETT: Is 3.5, so get rid of... [LR97]

DAVID NABITY: It has nothing to do with sales tax. [LR97]

SENATOR CORNETT: We need \$170 million to get rid of the vehicle tax. [LR97]

DAVID NABITY: The motor vehicle tax, right. [LR97]

SENATOR CORNETT: So then you'd put the \$170 million into roads? [LR97]

DAVID NABITY: Sure. I mean that would be a decision that you all should make. The point is how do we look? What does our national reputation look like and what are we doing to position Nebraska in such a way that we are a real attractive spot for economic activity and growth? If you make...if you eliminate the motor vehicle tax and you flat tax

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the income tax, we'll go to top 15, probably top 10 lowest tax states in America according to the national organizations that rank...rate states. If that happens, you're going to see so much economic growth, it will be astounding, especially since we're in the central part of the state. So the way to get rid of the motor vehicle tax was maybe to go through what we've done with sales tax here, and maybe there are some ridiculous exemptions that need to be looked at. I don't know that. That would be something that you could study. Let's assume there aren't. If you expanded the sales tax on something like food and eliminated the motor vehicle tax, it would get the job done. Now some will say, well, jeez, you know, if you start taxing food, isn't that going to hurt the poor more than the motor vehicle tax? And I'll bet you in most circumstances, if you look at it, when you pay the motor vehicle tax you got to write one check a year and it's a big number. And if you have more than one car in your driveway, it can be astoundingly hard for people to pay that motor vehicle tax. If you have a sales tax on food and you pay a little bit of tax every year as you go to the grocery store, it is not as tough of a hit. And I think probably in most families, and I might have this wrong, but you probably pay more in motor vehicle tax than what you probably would pay on a sales tax on the food that you buy. [LR97]

SENATOR WHITE: You don't have a 16-year-old boy in your house, do you? (Laughter) [LR97]

DAVID NABITY: I have three teenagers right now: 14, 16, and 18. I've had seven kids, so... [LR97]

SENATOR CORNETT: Okay. Senator Louden first, and then Senator Hadley. [LR97]

SENATOR LOUDEN: Yeah, this is interesting. When you say motor vehicle tax, since I'm on Transportation Committee and we've been having some hearings on there, what are you talking about on the motor vehicle tax? Are you talking about the state's share... [LR97]

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DAVID NABITY: Yes. [LR97]

SENATOR LOUDEN: ...or the county's share? [LR97]

DAVID NABITY: State share. [LR97]

SENATOR LOUDEN: Do you know how much the state share is? [LR97]

DAVID NABITY: Well, I think it's the highest percentage, isn't it? [LR97]

SENATOR LOUDEN: It's \$15 per vehicle, and there's \$5.50 per vehicle and that goes to EMTs and... [LR97]

SENATOR CORNETT: Uh-huh. [LR97]

DAVID NABITY: Okay, then what's the big percentage then? That goes to the... [LR97]

SENATOR CORNETT: It goes to the county. [LR97]

SENATOR LOUDEN: That's county. [LR97]

SENATOR CORNETT: County. [LR97]

SENATOR LOUDEN: That's your county, city and levy. If you live in Omaha, you pay a wheel tax. If you live in Lincoln, you pay a wheel tax. That is the valuation... [LR97]

DAVID NABITY: Then how does that go to the Department of Roads? [LR97]

SENATOR LOUDEN: It doesn't. [LR97]

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SENATOR CORNETT: The \$15. The \$15 does. [LR97]

SENATOR LOUDEN: The \$15 goes to Department of Roads and there's about... [LR97]

DAVID NABITY: Okay, then... [LR97]

SENATOR LOUDEN: ...there's about 2.2 million vehicles in Nebraska and they get \$15 apiece which is about, what, \$34 million is what comes out of motor vehicle tax for Nebraska. I always...I think Senator Fulton brought that forwards on the floor. He wanted to do away with the tax on motor vehicles and he brought out this piece of paper, something like that, that showed his taxes. So I said, well, Tony, let me show you the taxes on my mom's 1990 Oldsmobile, and it was \$20.50, see, because it was depreciated out. I said this is what I pay on my motor vehicle taxes in Sheridan County if you have a car that's 20 years old. And this is the kind of cars I usually drive, are 20 years old or so, so I don't...I don't pay that. (Laughter) I don't live in Lincoln so I don't pay wheel tax. But many people get that mixed up. They think when they go to the...and get their license plates that that money is state motor vehicle tax, and it isn't. They only get the one piece. Now the... [LR97]

DAVID NABITY: Is the total amount \$170 million? Is that pretty close? I mean I looked at it a year ago. I don't know if that's the same number. [LR97]

SENATOR LOUDEN: Well, it depends on the county. [LR97]

SENATOR CORNETT: What you're talking about, on the county. [LR97]

SENATOR LOUDEN: See that? Anything above \$20.50 is county... [LR97]

DAVID NABITY: Yeah. [LR97]

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SENATOR LOUDEN: ...or city or whoever. [LR97]

DAVID NABITY: Well, but it passes through the state, does it not, and come back to the county? [LR97]

SENATOR LOUDEN: No, I don't think so. [LR97]

SENATOR CORNETT: You pay at the...you license with your county, the department... [LR97]

SENATOR WHITE: And they remit to the state. [LR97]

SENATOR CORNETT: ...and they remit to the state. [LR97]

DAVID NABITY: Okay. [LR97]

SENATOR CORNETT: When you go in and license your vehicle, it's...are you in Douglas County? [LR97]

DAVID NABITY: No, I know that but... [LR97]

SENATOR CORNETT: Yeah, you make the check out to Douglas County and then the county remits the state's percentage to the state and they keep the rest. [LR97]

DAVID NABITY: Do you know how much is totally raised by the combined state and county? Do you know what the total raise is on an annual...on a (inaudible)? [LR97]

SENATOR LOUDEN: No, because that's county. That's a local issue. [LR97]

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SENATOR CORNETT: They don't report that. [LR97]

SENATOR LOUDEN: Because Sheridan County won't have the same amount as Douglas or any of those. I mean your different rates on your cars are different depending on your county. Your car will be valued at a certain price up until it's, what, seven years old, and then after that it's zero. I was asking, when you say a flat tax of 3.5 percent now are you talking about a tax on the percentage of...that you pay to the federal government, or are you talking a percentage on the gross tax? [LR97]

DAVID NABITY: Not on your...you would have a withholding of 3.5 percent but the tax that you actually would pay would be a function of what's your net taxable income after you did your tax returns. [LR97]

SENATOR LOUDEN: Okay. Because I was going to say at the present time now if you have people working for you and if you...if you deduct a flat 3 percent out of their gross wages, it usually pays the state tax. That's about where we are now on gross wages. [LR97]

DAVID NABITY: Yeah. [LR97]

SENATOR LOUDEN: But I think the way they figure it out, they figure it out off of what you pay for your... [LR97]

SENATOR CORNETT: Federal. [LR97]

SENATOR LOUDEN: ...for your federal income tax. [LR97]

DAVID NABITY: Yeah. [LR97]

SENATOR LOUDEN: But my help all the time I have coming through and that's what I

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do is a 3, flat 3 percent. [LR97]

DAVID NABITY: I mean the objective would be that anybody that has true taxable income would pay 3.5 percent flat tax to the state, you know, if somebody is itemizing and doing it that way. [LR97]

SENATOR LOUDEN: But that's about what you pay now... [LR97]

DAVID NABITY: Yeah. [LR97]

SENATOR LOUDEN: ...is 3 percent, if it's deducted out of your wages when you work for somebody. Is that correct? [LR97]

DAVID NABITY: Yeah, although if you put in 12 exemptions, you don't have any state withholding. [LR97]

SENATOR LOUDEN: Well, when you put in your exemptions, you have to file to get that back,... [LR97]

DAVID NABITY: Right. [LR97]

SENATOR LOUDEN: ...I guess, or you don't pay the taxes. [LR97]

SENATOR WHITE: Well, we changed that law last year. [LR97]

SENATOR CORNETT: Last year. [LR97]

SENATOR WHITE: You can no longer use multiple exemptions to avoid taxes for exactly the reason. That got changed. [LR97]

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DAVID NABITY: How many can you put on your tax return...or on your withholding? Four? Okay. [LR97]

SENATOR CORNETT: Senator Hadley and then Senator Adams. [LR97]

SENATOR HADLEY: Mr. Nabity, just a quick question. We had the state chamber out the other day and gave us a talk and I believe they told us we were in the top 10 nationally, the state, in overall business climate, taking all costs of doing business. Is that a number that you... [LR97]

DAVID NABITY: I've not seen that number. [LR97]

SENATOR HADLEY: And we also increased ten places in the tax climate over last year. [LR97]

DAVID NABITY: Yeah, that's right. [LR97]

SENATOR HADLEY: So aren't we moving in the right direction? [LR97]

DAVID NABITY: Absolutely. Absolutely. [LR97]

SENATOR HADLEY: And I believe Iowa went down to like 45th or 47th now in overall...and we see all these states that are having all kind of financial problems now and I worry that we keep, you know, we fiddle with the overall tax thing and we end up like a California or an Iowa or a Kansas where they're cutting, you know, teachers and... [LR97]

DAVID NABITY: Sure. Well, that's the beauty of what I'm talking about. Because if you go to a flat income tax, it follows the simple, stable, neutral, transparent system that these ranking agencies like, and it also promotes economic growth and you won't have

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the ups and downs like a lot of these other states do if you have a flat income tax, and it raises the same amount of money that you're raising today. [LR97]

SENATOR HADLEY: Oh, I just...it just seemed to me that I think we rank in the top 10, 9th or 10th in overall... [LR97]

DAVID NABITY: That's probably the... [LR97]

SENATOR HADLEY: ...business climate. [LR97]

SENATOR HADLEY: That's probably the tax incentives for businesses that want to come into an area and spend X amount of capital. [LR97]

SENATOR HADLEY: Well, I think part of it, you know, they use overall costs, like our power costs are very low, workers' compensation is low. You know, the overall costs of doing business in Nebraska is very favorable for business. [LR97]

DAVID NABITY: I'd like to do a little more research on the motor vehicle tax because I, you know, if there's a way to eliminate it by expanding sales tax, I'd like to see it happen. [LR97]

SENATOR DIERKS: Senator Adams, please. [LR97]

SENATOR ADAMS: Let me follow up a little bit more on what Senator Hadley was talking about, and it is...the chamber numbers were looking at total climate, liability and, you're right, the whole issue, and we've moved up. And there isn't any doubt but what we need to be as competitive as we can in the tax world too. And I don't know if you have an answer to this but this has always been a curiosity to me. I think South Dakota typically ranked pretty high, don't they, in terms of business climate? And let's... [LR97]

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DAVID NABITY: Yeah, they're always in the top 10. [LR97]

SENATOR ADAMS: Okay. Then here's my question and maybe you know the answer, given your involvement with your group and your research, and if you don't, just say so. I don't know. But here's South Dakota, ranking up here at the top in their tax environment and maybe other things, and the question I have is this. Are they seeing, because of that, an influx of economic development in that state and, if so, how does that compare to others? [LR97]

DAVID NABITY: I think you'd have to...all you'd have to do is look at Sioux Falls and look at all of the economic activity that's happened there and I think you'd have to conclude in the last 20 years the economic health of that state is dramatically different than the way it was. You know, they do a lot of things, like they've got... [LR97]

SENATOR ADAMS: Yeah, I see what you're saying in Sioux Falls. I'm just wondering that when you look at the whole state of South Dakota, you know, they're right up there at the top and how much gain have they seen in terms of economic development, aggregate development relative to, say, a Nebraska that ranks 15th or whatever. [LR97]

DAVID NABITY: I think...if you all went on a road trip and you studied that, I think it would be excellent. I mean, can you imagine being in the Panhandle of Nebraska and having Colorado at one border, which is the tax burden there is 40 percent lower than Nebraska, Wyoming's tax burden is two-thirds less than Nebraska, and then South Dakota to your north and try to keep the business marketplace inside the Panhandle of Nebraska healthy. I mean it's terrible. And if you go across the border into Colorado and you look at a lot of the small towns that are there, there's a lot more economic activity health going on there than there is in towns like Kimball and places like that, that border Colorado. So I do think that economic activity follows environments that are considered low tax, and we've got the ability to do it. We have a healthy state now. We could develop a simple stable, neutral, transparent tax code and be ranked as one of the top

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10 lowest tax states in America. Why not do it? If I don't have my numbers right on the motor vehicle tax, I'll concede that. I'd like to figure it out. The bottom line is, is I know if you do something with sales tax and you eliminate that motor vehicle tax and do the flat tax, you'll see Nebraska jump from 33, Galen, where is where I think we are now, to the top 15, top 10. [LR97]

SENATOR CORNETT: Further questions from the committee? [LR97]

SENATOR UTTER: I have one, Senator Cornett. [LR97]

SENATOR CORNETT: Senator Utter, go ahead. [LR97]

SENATOR UTTER: Actually, I have a couple of questions. Number one, you mentioned a proposed flat tax of 3.55 percent. What would be the proposal for business tax under the thoughts that you have, for the corporation tax? [LR97]

DAVID NABITY: I think it'd be...you know, I'd have to explore that. I'm not sure. [LR97]

SENATOR UTTER: Then the second thing, the second question I have is that you talked about the ridiculous exemptions that there exist under the sales tax. I'd just like to know what your...in your opinion, what are some of those ridiculous exemptions. [LR97]

DAVID NABITY: I would say if there are, address them. I don't know that there are a whole lot of ridiculous ones. As a matter of fact, I think one of the worst things you could do is eliminate all the sales tax-exemptions out there overnight without giving it some real serious consideration, because a lot of those exemptions are for input costs for business. And if you have a manufacturer here that builds chrome parts for Harley-Davidson and they have to pay sales tax on the chrome and the metals and the rubber parts and all that stuff that they bring in, and then they have to try to compete to be a provider for Harley-Davidson and they can go to another state that doesn't have to

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mark everything up by 7 percent, then you just kill manufacturing in this state. And the bottom line is, is sales tax should be paid once and it should be when the consumer buys the finished product. If you charge input costs, whether it's in agriculture, manufacturing, you name it, if you charge input costs there, guess what, the consumer pays the sales tax twice because the costs of whatever it is they're buying goes up by 7 percent and then they pay sales tax on it. So my point was if there are some ridiculous ones. I don't...I can't tell you that...I've got the big book, I've looked through it. I can honestly tell you that I don't know that I can make a lot of sense out of a lot of it. But it looks to me like most of those exemptions are protecting the manufacturing and the construction and the building and the shipping of the finished product so that we don't have our producers at a disadvantage to other states. [LR97]

SENATOR UTTER: Thank you. [LR97]

DAVID NABITY: Thank you. [LR97]

SENATOR CORNETT: Thank you very much. Sorry, I'm getting over a cold. [LR97]

DAVID NABITY: That's okay. Appreciate your time. [LR97]

SENATOR CORNETT: Next opponent. [LR97]

JESSICA KOLTERMAN: Thank you, Senator Cornett and members of the Revenue Committee. For the record, my name is Jessica Kolterman, K-o-l-t-e-r-m-a-n. I serve as the director of the PAC and state governmental relations for Nebraska Farm Bureau Federation. I also serve as one of their registered lobbyists. I come before you today on all three resolutions: LR97, LR161, and LR166. And we appreciate you taking the time to give us the opportunities to weigh in on this topic. Farm Bureau has always been interested in property tax relief. Property taxes, especially in regard to in their relationship to school funding, has been brought up as a top concern of our members

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for many years. They believe that agriculture carries much of the burden for paying the local taxes but does not derive any greater public benefit from the education of our children than the people who live in communities, for example. We certainly appreciate the many efforts that have been undertaken in recent years in an effort to reduce property taxes, and we encourage a continued discussion on property tax relief. That being said, I also would like to emphasize with the committee our concern of undertaking major tax reform at this time. Currently, the economic picture is not good, as you are aware, especially in agriculture. Ag income is down more than 30 percent from last year. The input costs are going up and many farmers and ranchers around the state are struggling, especially in the livestock industry. While the idea of reducing property taxes is extremely appealing to us, to attain that goal by removing sales tax exemptions, especially those that are associated with input costs in our agriculture sector, could cause significant harm to our industry. We see this being a tax shift and are concerned it would result in a tax increase for those who earn their income from farming and ranching. Each exemption was implemented for a legitimate reason. Using the exemption for animal life as an example, a single animal would likely be purchased and sold several times. Without the exemptions, the sale of a calf would be taxed when sold to a rancher; a rancher to a feedlot; a feedlot to a meat packer; and a meat packer to a grocery store; and then, if the exemption on food was removed, again when the food is sold to the consumer. The same product would be taxed repeatedly.

Additionally, almost all of agriculture's exemptions are inputs used in production of crops or raising livestock. Some of these would include the furnishing of water for irrigation, the purchase of agriculture chemicals, the purchase of electricity, diesel fuel, propane or gasoline when 50 percent or more of it is used in irrigation or farming, and the purchase of agricultural machinery and equipment. We believe it is perfectly rational tax policy to exempt inputs in production. We believe this keeps the state's number one industry competitive and avoids double taxation, as well as spurring economic growth. Farmers and ranchers are not able to pass these increased taxes along. The buck literally stops with them. They are the price takers. They do not set their own prices and any increases in taxes would come directly from their pocketbooks. We've also heard from

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our members about a great deal of concern recently that if we completely wiped out all property taxes, they would have less local control and things would all run through the state. In conclusion, please know we're willing to work with you on this issue. We certainly appreciate the efforts in lowering property taxes, but we want you to keep our concerns in mind as you look at these issues in the future. So with that, I'd be happy to answer any questions. [LR97]

SENATOR CORNETT: Senator Adams. [LR97]

SENATOR ADAMS: Jessica, I can certainly understand Farm Bureau's position. In terms of looking at the way we value land, I'm assuming Farm Bureau would be wide open to being part of that discussion, would you not? [LR97]

JESSICA KOLTERMAN: Yes, absolutely. [LR97]

SENATOR ADAMS: The status quo is probably not satisfactory. [LR97]

JESSICA KOLTERMAN: We have a lot of concerns about...from our members about land valuations right now. As an example, I was sharing with Senator Louden, my family had some land that recently sold. The land next to it sold for just exorbitant amounts and now my grandmother's land is going to be raised quite a bit in value, and that happens to our members all the time. We get calls about it quite frequently. So, yeah, there are concerns. I know that I believe someone from Farm Bureau was planning to testify out in Hyannis when you're there, so we certainly continue to work with you on that as well. [LR97]

SENATOR ADAMS: Okay. Thank you. [LR97]

SENATOR CORNETT: Thank you very much. [LR97]

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JESSICA KOLTERMAN: Uh-huh. [LR97]

SENATOR WALLMAN: Thank you, Chairman Cornett. Yeah, Jessica, thanks for coming. I'm a longtime bureau member myself and what really bothers me about valuation, not only about farmland but about livestock facilities. And there's some big hog operations in my area, you know. Even though they lose money, their valuations didn't go down, but the property, you know, they still got to pay those huge taxes while they're losing money. Is the bureau taking a position to help us out on that, you know, help livestock producers? [LR97]

JESSICA KOLTERMAN: Well, I know that there's...specifically in terms of what our position is, and I can't tell you off the top of my head, but I know it's something we're very concerned about we're certainly looking at it. Additionally, we're looking at ways to help livestock producers in finding new ways for them to grow their businesses in the state and seeing some of those regulations and so forth. So I'd be happy to visit with you specifically about some things following the hearing. [LR97]

SENATOR WALLMAN: Sure. Thank you. Thank you, Chairman. [LR97]

SENATOR CORNETT: Any other questions from the committee? Seeing none, thank you. [LR97]

JESSICA KOLTERMAN: All right. Thanks. [LR97]

SENATOR CORNETT: Next proponent...or opponent, pardon me. May I see a show of hands for the remaining opponents? [LR97]

DOUG CUNNINGHAM: (Exhibit 2) Good afternoon, Senator Cornett and members of the committee. I would like to thank you all for coming here. Many of the locals today have thanked you and it is amazing to see so many of you come to northeast Nebraska

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and specifically Bloomfield, so thank you. My name is Doug Cunningham, D-o-u-g C-u-n-n-i-n-g-h-a-m. I'm here as government relations director for Affiliated Foods Midwest and also testifying on behalf of the Nebraska Grocery Industry Association. And you do have some weighty issues before you. This issue of overburdensome property tax on farmers is...and ranchers is very, very big and we need to do something to get to the bottom of it. But I am here in opposition with one very small portion of the bill today and that is the opposition to eliminating the exemption on sales tax on food. So I have somewhat of a disagreement with my friend Mr. Nabity, but I don't believe we should eliminate that exemption. As you know, food is a basic necessity of life and taxing it is a very regressive form of taxation. As a percentage of income, lower income families pay much more than upper income families. Customers have only so much money to spend on food, and if the state and the local taxing entity takes 5.5 to 7 percent of their weekly grocery money, it will be very difficult for low-income wage earners to find that money elsewhere. Sales tax on food takes away the spending power of all consumers. While people in lower income tax brackets probably spend less money on food, they pay a bigger percentage of their income. Now let's assume that a family of four spends \$150 a week on groceries. That's 5.5 to 7 percent tax on that purchase. That equates to \$8.25 to \$10.50 per week. And I know Mr. Nabity said, you know, that's not probably hard to come up with, but for a low-income earner that is hard to come up with. And if you calculate that out that comes to \$429 to \$546 a year, literally eating into that family's disposable income. It's income they absolutely cannot afford to lose. In my opinion, this kind of taxation is antifamily. These people are not going to be able to find the money elsewhere. Now I know that we can say, well, we'll give them a tax credit. Well, usually that's going to come on their income tax return. If they spend the money in January on groceries, they're going to wait till March, April or May of the following year to get that money back. And you put yourself in the position of the low-income worker. Waiting that long to get \$500 back is a long, long time. You know, as times get tougher...and they are getting tougher. I hadn't heard it yet but Jessica told me the news in the paper today on the tax revenues. Times are getting tough. People don't have the money. Making a choice of buying gas or buying food, so they can buy

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gas to go to work or buy food to feed the family, that's not a good...not a good choice. Now right now with the WIC program and the food stamp program on the federal level, we cannot charge tax on those items, so it's forbidden by law. So it would not put everybody on the same playing field in that case. Now there are a couple of other areas that I'd like to briefly go into. In the past when we've tried to raise money there's always been talk of a candy tax or a soda tax, and you have various reasons of why you want that or don't want that. But if you go by the streamlined sales tax definition, candy is defined as a preparation of sugar, honey, or other natural or artificial sweeteners in combination with chocolate, fruits, nuts or other ingredients or flavorings in the form of bars, drops or pieces. Candy does not include any preparations containing flour which require no refrigeration. Using this language, this would put things such as shredded coconut, chocolate chips, cherry chips, decorated cake sprinkles, almond bark, cake frosting with sprinkles on top, all into the category of taxation. Baking chocolate would be interesting because one brand of baking chocolate comes in a sheet while another brand comes in chunks. This language would tax the chunks but not the sheet, sheets. And then there's the Kit Kat bar, which everybody thinks is a candy bar--we've had this discussion before--but that Kit Kat bar (laughter), because it has flour in, would be exempt from tax law. And I have the opportunity, because of being government relations director, I see a lot of e-mails and things going on in other states and this year in Illinois, they changed their tax laws. And it is unbelievable the number of e-mails that were going back and forth between the Illinois Grocers Association and their members and trying to figure out, with the Department of Revenue, what is actually taxed and what isn't taxed. And the problem is, you put the stores at risk of being fined. Many times...many times the Department of Revenue can't tell you. They don't know. You're making...you're making guesses. But when you do find out you're wrong, you're fined. The definition of soft drinks are defined as nonalcoholic beverages that contain natural or artificial sweeteners. Soft drinks do not include beverages that contain milk or milk products, soy, rice or similar milk substitutes, or greater than 50 percent vegetable or fruit juice by volume. Now this definition pulls in many products. Welch's Grape Juice contains 20 percent juice when it's reconstituted properly, while a very similar-looking

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can of Tropical Passionfruit is 100 percent juice. The percentage of juices on canned drinks varies all across the board--one minute--anywhere from 10, 23, 40, to 100 percent. So the problem is, from a grocer's standpoint, now you can't find it on the can. It's in different print, different size, different places, and it's very difficult. There's about 15,000 to 30,000 items in a grocery store, 1,800 new product introductions every year. You have to completely update your scanning system, try to figure out what is taxable, what is not. But in rural Nebraska, the rural stores, many of them don't have scanning systems and then it's a matter of trying to train the clerks as far as, hey, what is taxable here, what isn't, and you run the risk of getting yourself in trouble with the Department of Revenue. Back in the days when I was there, do you remember the remark Senator Chambers commented that to some people a Snicker's bar is a snack, to others it may be a meal. So taxing specific products will not change behaviors, but it will place a burden on many of our fellow Nebraskans. And with that, thank you. [LR97]

SENATOR CORNETT: Questions from the committee? [LR97]

DOUG CUNNINGHAM: I talked quickly to try to get through. [LR97]

SENATOR CORNETT: I'm timing everybody now instead of trying to watch the clock. [LR97]

DOUG CUNNINGHAM: I thought there were some that maybe got more time than I did, but never...(laughter) [LR97]

SENATOR CORNETT: I was trying to be nice in the beginning. (Laugh) [LR97]

SENATOR DIERKS: Senator Cunningham, thanks for being here. [LR97]

DOUG CUNNINGHAM: Thank you. [LR97]

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SENATOR DIERKS: I'm sitting here watching two people that I saw in 1999 come before the Ag Committee and testify in opposition to country of origin labeling, Kathy Siefken and Doug Cunningham. [LR97]

DOUG CUNNINGHAM: Correct. [LR97]

SENATOR DIERKS: Isn't that something? [LR97]

DOUG CUNNINGHAM: That is. [LR97]

SENATOR DIERKS: Ten years ago we were doing the same...a little bit different topic. [LR97]

DOUG CUNNINGHAM: Why would you have to bring that up here? (Laughter) [LR97]

SENATOR DIERKS: Well, I just...I just couldn't...I couldn't not do it. I just thought, well, this is so familiar. I've just seen it happen before. [LR97]

DOUG CUNNINGHAM: And if you recall, my opposition to that bill at that time is through the grocery industry and there are some very major problems with that bill. But when I was in the Legislature, I did make the commitment, and I think you would agree that I stuck to that commitment, that anything that came before us as far as country of origin legislation I was going to support the farmer and the rancher. And I did that. [LR97]

SENATOR DIERKS: Yeah. No, that's true, and I appreciated that, Doug. I just wanted...I just had to mention that because it just occurred to me, I've been there and done that. It's only ten years ago. So... [LR97]

DOUG CUNNINGHAM: Yeah, time flies. [LR97]

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SENATOR DIERKS: ...thanks for coming in. [LR97]

DOUG CUNNINGHAM: Oh, and I would like to also say, Senator White, I did appreciate some of your comments. You had some interesting thoughts on property tax relief, so... [LR97]

SENATOR CORNETT: Senator Hadley. [LR97]

SENATOR HADLEY: Yes, Mr. Cunningham, you know it's interesting because I kind of vacillate on sales tax on foods because, you know, on one...one side of me says the family that's making \$250,000 a year has the ability to pay, we exempt their purchases of food. And I understand the family that's making \$40,000 and trying to make ends meet, it is a different thing. On the other hand, I do understand that one of our major cities is sitting in Omaha and you suddenly tax food in Omaha, the border bleed can be significant. [LR97]

DOUG CUNNINGHAM: Correct. [LR97]

SENATOR HADLEY: The other thing I'd like to say is I spent 20 years in South Dakota and we did see, in Vermillion, South Dakota, we did see a lot of border bleed because people would go from Vermillion to Iowa to buy food because of the difference in taxation. The last thing is people always talk about how great South Dakota is, and I'll put out one number. They're 49th in teacher salaries in the country, and the only thing that stops them from being 50th is Mississippi. So I just throw that out when we talk about climates and such as that. (Laughter) So thank you. [LR97]

SENATOR CORNETT: Senator Wallman. [LR97]

SENATOR WALLMAN: Thank you, Chairman Cornett. Yeah, thank you for coming. And

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a sales tax on food, a lot of my constituents are for a sales tax on food if they...you know, Kansas has it. And I don't know if we have border bleed or not. I see people from Nebraska in Kansas. You know, they go to their place to play games. (Laugh) But if you lowered that sales tax percentage, say like 2.5 percent on everything, have you done any figures on that? So the grocery stores, right now it's complicated. You know some things are taxed. These big box stores, it's pretty complicated in there. You know, our auditors have trouble auditing some of these firms, because I've asked them. So we've got it pretty complicated now. [LR97]

DOUG CUNNINGHAM: Uh-huh. I haven't actually done any studies myself, but I do have some information from the Tax Foundation that states that 36 other states do not tax food, 36 do not, 7 other states tax food at a lower rate, and then there are 7 states that have food as part of the regular sales tax plan. [LR97]

SENATOR CORNETT: Senator White. [LR97]

SENATOR WHITE: I would like the folks here to understand, border bleed is what happens when you live near a border and you shop in an adjoining state, and the bleed is what the tax guys in Lincoln say, is they're bleeding money to other states. And one of the real big problems, so you understand, for the whole statewide is take a map and look at the number of our cities that are big cities with a lot of people, a lot of buying economics that are near borders: Scottsbluff, Valentine, Sioux City, Blair, Omaha, Bellevue, you can go...Nebraska City. A big, big chunk of our population lives within 20 minutes of another state so that makes it a little complicated. [LR97]

SENATOR CORNETT: Further questions from the committee? Seeing none, thank you. Next opponent. Are there any other opponents for LR97? Is there anyone here to testify in a neutral capacity? Okay, that closes the hearing on LB97. Senator Dierks, you are recognized to introduce LR166. That's quite all right. [LR97]

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SENATOR DIERKS: Thank you, Senator Cornett. Members of the Revenue Committee, for the record, I am Senator Cap Dierks, that's spelled C-a-p D-i-e-r-k-s, representing the 40th Legislative District. I am here today to introduce LR166. LR166 was introduced as an interim study following my introduction of LB583 earlier this year. The one-liner description for LB583 is to change sales, property, and income tax provisions and education funding. As you may remember, only one brave individual, John K. Hansen of the Nebraska Farmers Union, spoke in favor of LB583 when it was heard by the Revenue Committee in February. For your information, ten opponents and two neutral testifiers also appeared before the committee. I've had the pleasure of representing Legislative District 40 for 19 years. During that time, the most common request I receive is to please provide real property tax relief. During those 19 years there have been attempts to help our residents reduce their property tax burdens. Unfortunately, the results are not permanent and property taxes continually rise, especially for rural Nebraskans. My goal for real property tax relief is to place a sales tax on all services except medical. There is no specific sales tax rate in the bill because I didn't have the numbers to see if we should keep the rate at 5.5 percent or see if it could be lowered. I included a tax on food, which is controversial but should be discussed by this committee. The bill included an income tax credit on the purchase of food and for qualifying low-income residents. The Department of Revenue must provide educational programs to inform the public of this tax credit. Also in the bill, and I think this is important, was an end to the local option sales tax. Personally, I think that was a big mistake when we let that happen in the first place. Increasing educational costs directly correlate with the yearly increases in property taxes. Therefore, there is a need to change the way in which community colleges and school districts receive their funding. My bill eliminated the general levy authority for community colleges and changed their funding source to General Funds. It also required school districts to come to the Legislature for General Funds instead of property taxes to pay for compensating employees, including salaries, retirement, health insurance, as well as to fund the school district's transportation costs. It is my hope that LR166...that with this study resolution the discussions will begin about shifting from property tax to sales tax. I am

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serious about finding a way to provide property tax relief and look forward to the testimony today. And with that, Madam Chairwoman, I thank the Revenue Committee members for traveling to Bloomfield and Legislative District 40. I will end my testimony and try to answer questions. [LR166]

SENATOR CORNETT: Thank you, Senator Dierks. Questions from...okay, we'll go with Senator Hadley first. [LR166]

SENATOR HADLEY: Senator Dierks, first of all, thank you for inviting us. It's been great to come to Bloomfield and have lunch in Ewing and, you know, everything else. Cap, you've been in the Legislature probably longer than anyone in the Legislature now. Is that pretty close, right? [LR166]

SENATOR DIERKS: You'd think I know better, wouldn't you? (Laughter) [LR166]

SENATOR HADLEY: Why haven't we been able to get significant property tax relief in the past? What, you know, I think, to me, the thing I hear in these hearings is that the big concern is in property taxes. Why haven't we been able? It's not a...property taxes aren't a new phenomenon. Is there something happening now that has brought them to the forefront and why haven't we...why didn't we solve this problem 20, 30, 10 years ago? [LR166]

SENATOR DIERKS: Well, we have tried. I guess we just didn't come up with 25 votes. You know, I think that the legislation that Senator Coordsen had in I think it was '99 or, well, probably in 2001 or '02 based property taxes on production capacity and that's they way everybody says is the fair way. And the people that do it in other states do it that way. But it is tough to change in this state. It is tough to change. [LR166]

SENATOR HADLEY: Where did the...just in a nutshell, Cap, what were a little bit the arguments against using the production method or why did it fail? [LR166]

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SENATOR DIERKS: I think that...I think it's complicated to get production capacity, accurate figures. I think it's complicated but it can be done. Other states, other states do it. Another thing is I think that...and I think that the property tax thing is not only a problem for rural Nebraska. I think it's a problem for our urban area too. But we notice it so much in rural Nebraska, when we're trying to make ends meet on our farms and ranches and all of a sudden the expenses are so bad we can't do it. Now here's...I was at a conference in Blaine County, Brewster, Nebraska. They asked me to come out there and visit with some people and I was not even in the Legislature at the time. And there were 75 people that showed up there and I think the population of the town is about 20 or maybe 30. It's a small town and we really doubled the population that day and they were from 17 counties. And the most common thing people told me was property taxes are killing us. One guy told me he had...he was paying \$9 an acre for his rangeland, his pasture land, and it took ten acres to run a cow, so he had a \$90 per cow property tax rate every year, and it was getting worse. Every year it got worse. So...and they're seeing no end to that. They're seeing, well, and here's my calves are bringing \$50 less this year than they did last year, and \$50 less last year than they did the year before that, and if I'm planting any corn at all, why, I'm spending all this money on fertilizer and seed corn that the costs go up every year. They're trying to see an end to...they're trying to find an end to the difficulties they're having making money. And I can go...I've got stories I can tell that are just amazing, but I know that there's a need for property tax relief. We know that we have needs and we can't change the needs. The needs are going to go up. But if we're going to make a change, we've got to do a tax shift, because we still have to have the money. We just have to get it someplace else. And so my projection is someplace else is sales tax. And I know that that's not popular either but I think we need to have this discussion. And the reason I introduced the resolution is for us just to do this--to talk about it. [LR166]

SENATOR HADLEY: Thank you, Cap. [LR166]

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SENATOR CORNETT: I'm sorry. Senator Wallman. [LR166]

SENATOR WALLMAN: Thank you, Chairman Cornett. Yeah, thanks for coming here, Cap. [LR166]

SENATOR DIERKS: You're welcome. [LR166]

SENATOR WALLMAN: I studied...I used to be treasurer of a school district and, you know, our superintendent would always say, well, the land values are going up, thank goodness, you know, we have more money to spend. And also thanks to Senator Adams here, with the cap, 95 cents, you always have the mill levy, 95 cents. So we weren't paid to conserve as such, you know? We wanted to spend. And we'll leave that alone. But as far as that goes, do you think sales tax, if we plugged that into school districts maybe to pay health insurance and retirement benefits with the state plan? I tried to get that through policy in the legislative hearings one time. That didn't go anywhere. [LR166]

SENATOR DIERKS: Well, you're talking about things that are in a constant state of flux or motion, really. I mean most of the time the motion is up. So if you do something that works today, how is that going to look in ten years? See, I can recall the days when we didn't have income tax or sales tax at all. It was a personal property tax. And the appraiser would come by...your assessor would come by your house and ask you how many diamond rings you had and how many refrigerators you had and we called it a perfect liar's tax because he didn't go around the house and look. (Laughter) But they did away with that and then we got into the sales and income tax, and it's been...it's been tough ever since. [LR166]

SENATOR WALLMAN: Well, your dog got taxed, remember? [LR166]

SENATOR DIERKS: Uh-huh. [LR166]

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SENATOR WALLMAN: Thank you, Chairman. Thank you, Cap. [LR166]

SENATOR CORNETT: Senator White. [LR166]

SENATOR WHITE: Cap, one of the things that I've long been concerned about is when we try to do tax relief across the board a lot of state tax money, either from sales tax or income tax from people who live here, ends up going out of the state. It's not just rural. I mean, for example, we did that tax rebate that we're going to do again this year and Kawasaki plant in Lancaster County, we're sending over \$30,000 to Tokyo, for one Wal-Mart in Lancaster County we're sending \$17,000 to Bentonville, Arkansas. Now the biggest gainers of that are actually big commercial property owners in my district in Douglas County. One of the things I've wanted to work with and wondered if you would think about it and other folks would think about it, what if we redefine what is a homestead? Because we can't discriminate, under the federal constitution, against a guy in Florida who owns a farm here and maybe a family farmer that's lived here for 100 years trying to make a living off of it. Guy in Florida, if he's practicing medicine or is a businessman or a lawyer, he doesn't care if that farm makes money. He just writes it off of his other income tax. And so he can afford whatever we do. But if we said, if you live on the land, and we expand what homestead is, we can give better treatment, I think constitutionally, to people who actually live on and try to make a living off the land as opposed to everybody. Do you think that's something, if we started targeting it, where we could get better relief for the people who live here and stop sending hard-earned money out of state, if that's something folks might be able to get behind up here? [LR166]

SENATOR DIERKS: Oh, I they probably would, Tom. And I guess one of the things that I have to keep cautioning people about is if it works today how will it...what will it look like in ten years? I mean, whenever we do these things, make those change in adjustments, what's it going to look like ten...are we going to wish in ten years we'd

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done something different? [LR166]

SENATOR WHITE: I know that we're up against the wall and some folks aren't going to make ten years if we don't do something. [LR166]

SENATOR DIERKS: Yeah. Yeah. [LR166]

SENATOR WHITE: So what I guess I'm proposing to you, and this is the thing I'm asking everybody to chew on, I don't like the idea of a guy goes down to the gas station, buys some food, fills his tank, paid income tax on that money here, made the money here, goes home, and then we package that up and send it to some guy who bought a ranch to go pheasant hunting on, drove this guy's property taxes up by paying more than that ranch can produce, and yet that guy gets the same level tax break as the guy whose income tax is paying for it. I mean if you're in Florida and you don't pay any income taxes here, we're just taking Nebraska money and shipping it to that guy in Florida, and he's bidding the land up beyond our people can afford to work it. [LR166]

SENATOR DIERKS: No, I know we have to work on that stuff and it's just...it's just... [LR166]

SENATOR WHITE: Okay. [LR166]

SENATOR DIERKS: ...part of the problem. I should tell you one other thing that came up a little bit ago, that if we take the property tax away from the school districts that they lose local control,... [LR166]

SENATOR WHITE: They will. [LR166]

SENATOR DIERKS: ...I contend that they've already lost local control. I mean we've put so many regulations and rules on those schools that...and the Legislature has done it.

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How many...how many new books do you have to have in the library? What can be your percentage of new books in the library? [LR166]

SENATOR WHITE: Yes, sir. [LR166]

SENATOR DIERKS: Got to have, like, a third, a third, and a third, and they get over five years old they're obsolete. That's crazy. It's good for book stores but I think some of those old dictionaries have stuff in it we still ought to be looking at. (Laughter) [LR166]

SENATOR CORNETT: Senator Dierks, I don't have a question but I just wanted to thank you for helping us set up the meeting here. [LR166]

SENATOR DIERKS: Oh, you're very welcome. [LR166]

SENATOR CORNETT: And I had called Senator Dierks and said I'd like to have the hearing here and he pretty much helped us arrange this, so I appreciate that. [LR166]

SENATOR DIERKS: Well, it's just a pleasure. It's always nice to have the legislators come out to the district and let the citizens have the opportunity to see that we are real people. [LR166]

SENATOR CORNETT: I was just going to say I think this is the first time Revenue has ever been on the road. [LR166]

SENATOR DIERKS: No, it isn't. I remember one time when Tim Hall was the Chairman of the committee, he had a hearing in O'Neill, because I went up. And I'll tell you what he told me after the hearing. (Laughter) I'll tell you what he told me after the hearing. I saw him, I think at a football game. He says, Cap, he said, what a wonderful place you live in. He said, I see all those cattle and all that equipment and all that property; what a great place to get taxes. (Laughter) [LR166]

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SENATOR CORNETT: So I'm glad you let us come then. [LR166]

SENATOR DIERKS: Yeah. Am I done? [LR166]

SENATOR CORNETT: I believe so. [LR166]

SENATOR DIERKS: Okay. I'll waive closing so. [LR166]

SENATOR CORNETT: All right. Ladies and gentlemen, it's getting late in the day. We're going to hold it to five minutes, but I would like all the people that are in favor of Senator Dierks's bills to move forward to the first row so we don't have to have the time of me calling out opponents and proponents each time. We will take the testimony in favor of first, please. [LR166]

GEORGE PICK: Thank you, Madam Chairman. I'm going to be a little bit of generalities here because what I'm surprised, you had most of the testimony has been on high property taxes. I think we'd all have to agree on that. And I tried to give you some examples of places we could cut on the local level, which I don't know if it's going to do any good or not. I mentioned, the last time I was under the gun here, about court-appointed attorneys, who really determines who needs one and who doesn't have the resources. I've really got a problem with that, especially underage juveniles or so. Wouldn't the parents be responsible? I don't know. So...and another thing I want to hit on is Cedar County, we're losing a lot of land, as you've heard earlier, through Game and Parks, and I think there should be restoration in lieu of taxes regardless if it's federal or state. I think that's a given. I think I probably got misinterpreted on the homestead exemption. The reason I mention it, correct me if I'm wrong, but the sales and income tax reimburses the local counties for that homestead exemption and I don't think sales and income tax was intended that way. And like I have said earlier, that homestead exemption is a disaster area if you really look at it. I mean a young person

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trying to buy a home can't afford it, and here's somebody that's a millionaire, gets an exemption. I'm sorry, I don't agree with that. I think that's terrible. Okay, I'm going to take on a sacred cow here because, if I am correct, you have also asked in this legislation other sources of revenue. Am I correct? Possibility. Well, I'm going to take on education because I've served on a K-12 school board, both as chairman of the board and what have you. I've done the negotiations for the school district and I think a little misleading statement is when we come out what position teacher pay is. We have to look at the whole picture. What's the student-per-teacher ratio? That's a biggie. But I'm going to take on something here that I'm going to ask you to think about before you just think, oh no, never. I think what's wrong in education is today we have to determine what is education? Is it writing, reading, arithmetic, science, math? What is it? Or is it athletics? The problem we got today, why we've fallen behind Europeans and the Asians on education, is because we don't have the kids in the school. They're playing golf, they're out to track, they're out to softball or you name it. They're not in the classroom. So I'm going to take on the golden cow and why don't we have a law in Nebraska that only two sports during the school year, very simple--boys and girls basketball, football and volleyball? We've taken care of Title IX. All the rest is during the summer. It's during the summer because there's no reason at all. Look at what it's going to do to the substitute teachers' pay. It's going to be down to two-thirds because we're out of the classroom, we're out there with the athletics. How are we going to pay for this? School buses cost money and we got school activities associations today drawing up the schedules. Local people have nothing to say. Local rivalries are going by the wayside. To me, this should be funded by the private sector. Now what am I talking about? To me, this should be funded by the private sector. Now what am I talking about? Now what am I talking about? I'm talking about where is Nike, Adidas, Reebok, Converse, Spalding, Wilson, Rawlings, and etcetera? They have taken billions of dollars from our students and they have paid nothing, and it's the schools that are the farm system for the colleges and the professionals. How can we pay a tennis star, Ms. Williams, \$40 million for an endorsement, Nike? Tiger Woods gets more money. Why isn't this money required to go back to the schools? I've given you the vehicle. Are you

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going to have the backbone to do it? Put it in front of the whole Legislature that we're only going to have two of these sports during the school year. Now we're going to get it to discussion and we're going to get a wake-up call here and look at how it's going to benefit people because the kids are going to be in school. Think about it. It's a win-win situation. And I'm not against athletics because I played a lot when I was young and I was an official for many decades, so nobody is going to give me that bad news. But I think when you look at the summer schedule, take a look, the coaches, the bussing, why not hit this free enterprise system up? I think your research people should do a job: How much is Nebraska university getting from is it Adidas or Nike or whatever? A lot of these colleges are getting all kinds of money,... [LR166]

SENATOR CORNETT: One minute. [LR166]

GEORGE PICK: ...well, all of them, but let's make it right here to the school system. Why not? The property taxes are paying for it and is it really education or is it athletics? It's time to bite the bullet and let's have an open discussion about it. I'd love to see this in the Legislature, in front of the whole Legislature, and probably the only way you're going to get it there is by a committee doing the introduction of the bill. And my point is, even though you're probably not going to get the job done because you can bet all these people I mentioned are going to be there to protect their soil, but I think it needs to be done. I think it would be a great thing that could happen to education. Nebraska could take the lead. Okay, enough for that. Now we're going to go to property values and state aid to education. [LR166]

SENATOR CORNETT: Time. Next...do it on your next one. [LR166]

GEORGE PICK: I've got...Mr. Nabity is taking care of my time. (Laughter) [LR166]

SENATOR CORNETT: I have the old timer right here. (Laughter) [LR166]

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GEORGE PICK: (Laugh) Okay. [LR166]

SENATOR CORNETT: Questions from the committee? I was going to say I don't even think Mr. Naby is in the room. [LR166]

GEORGE PICK: Well, I'll try that again. So you're going to...I just wanted to...can I get a statement on the state aid to education which I don't agree with? [LR166]

SENATOR CORNETT: Very quickly. [LR166]

GEORGE PICK: It will be quickly. You know, I got asked many times, school vouchers you believe, and I said, no, because who is going to pay for them, because there's homeschooled children, what have you. But I think it's totally unfair that the equalization formula, that all the students in a district are not divided into that property value. You know, I'm living in an area where it's East Catholic, West Catholic, Holy Trinity, Cedar Catholic, none of them are divided in. We don't get...we get little or nothing in state aid and it's...I'm surprised somebody hasn't filed a lawsuit on discrimination because it clearly is discrimination on religious grounds. The point is they are students, they all belong counted into that valuation and divided into it. The money would come back to the public school, which in return would lower the value on the property. Okay, I will exit. [LR166]

SENATOR CORNETT: Thank you. Are there questions from the committee? Seeing none, thank you. [LR166]

GEORGE PICK: Think about that athletics versus education. [LR166]

KATIE MEYER: My name is Katie Meyer, K-a-t-i-e M-e-y-e-r. Thank you for coming and let me just say it's pretty intimidating to be up here because I'm sure I'm the youngest person in the room. (Laughter) I am here I guess on my own as a producer and I'm a

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board member for Independent Cattlemen of Nebraska, so I'm pretty new to all of this, I guess, listening and learning. So I just have some opinions, I guess. Hopefully, it's food for thought. Something was said about with a down economy people spend less money, which would affect if you remove the sales tax...or the tax-exemptions. With a down economy, it would decrease what the state would collect, but actually getting rid of the exemptions, especially on necessities, would be a solution. People, even poor people, are going to spend money on food and it's going to level out what people spend their money on. So they may be spending less but they're not going to be eating out, which is a taxed item right now. They're going to be spending the money in the grocery store. And they're not going to be going out and shopping for clothes. And so taxing food especially would level out what people are spending, like if they're not spending their money on the extras, they're still going to be spending money on food, which would still bring in a tax revenue. And the concern about food tax affecting poor people, they don't buy expensive foods. They buy the necessity. So in comparison, I just graduated college, Easy Mac is very popular, it's cheap, and it's still nutritious compared to...and I worked at a grocery store so for people that spend the money on the expensive cuts of meat or making foods that require a lot of groceries, I mean, that would be a difference too. And then the lower income people also most likely receive aid, such as food stamps or WIC. And then a comment on another person that testified the businesses who buy items to process in the industry and then sell again that are protected by the exemptions, commented that if the exemptions are removed they'd be taxed multiple times for the same item. And in agriculture, we already are affected by that but it's overlooked a lot. Like with the vehicles and tractors, every time it's sold, it's taxed again. It's not different than industry items being purchased and then reformatted and then sold again. Border bleed goes both ways. It was said earlier Kansas taxes food and so does South Dakota, so I, you know, they come here and so that's in our favor. So I just wanted to bring that out, that it goes both ways. I like Senator White's idea about living and working on the land, and something that I would want to find more out about is if that went in...was implemented, if there was a way to tax people, landowners, who weren't living and working on the land, which would be kind of a penalty which would

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influence people to want to live here and work their land. Another point, Senator Hadley questioned Senator Dierks about why property tax relief hasn't been assessed and fixed in the past and I believe that there have been proposals to lower taxes by increasing other areas but people in authoritative powers have the inclination that there's more tax revenue instead of relief and have increased their spending. Overall, I think this proposal would equal out the taxation among the people if you take away the exemptions and lower property taxes. And then to comment about the previous person who spoke, the sports in school thing, I played volleyball, basketball, track. I was involved in everything, literally everything, drove my parents nuts. I graduated with a 3.7 GPA and was 13th in my class. I was an honor student. and so I don't think that removing sports from a school is the answer. Any questions? [LR166]

SENATOR CORNETT: Questions? Senator Hadley. [LR166]

SENATOR HADLEY: One quick on, more of a comment, Katie. I just thought you said you were the youngest. Senator Utter and I just had our first legal adult beverage a couple days ago, so I...(laughter) yeah, I thought I'd just...whether you believe that or not. [LR166]

SENATOR CORNETT: Mind you, it was in a dry county. [LR166]

(MAN): Your first since when, huh? [LR166]

SENATOR CORNETT: Oh sorry. Anyway... [LR166]

SENATOR WHITE: You did a very nice job. [LR166]

SENATOR CORNETT: Yes. Senator Dierks. [LR166]

SENATOR DIERKS: And I haven't had mine yet. (Laughter) Thanks for coming, Katie.

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You did a great job. [LR166]

SENATOR HADLEY: Thank you. [LR166]

RAYDER SWANSON: Rayder Swanson back again, Rayder, R-a-y-d-e-r, Swanson, S-w-a-n-s-o-n. I just want to comment that...well, first of all, Senator Hadley, where are you getting that moonshine? (Laughter) Prior to this. [LR166]

SENATOR HADLEY: Well, yeah, I said legal, didn't I? [LR166]

RAYDER SWANSON: I want to again commend the committee for coming out and hearing all of our issues and problems. It's exemplary for you to do that and especially in an era and a time whenever we have dealt with some of the toughest problems that we've ever dealt with as a county board of supervisors and an equalization board. Senator Loudon, you brought up the fact that some of these things have been forgotten in the last 10 or 20 years as far as exemptions on some of these valuation increases. I hope that those could be maybe reincarnated. They would be of real value to control some of those property taxes, to roll them back, like say a farmer that is an adjacent landowner trying to protect his area of land and he's bidding against one of these outside characters coming in. We run our own values up, there's no question about it, just so that we can have it because it's going to be ours. You know, we might not get another chance at it in a future time. So if those could be exempted valuations, that would make a big difference. Same thing with a 1031. A lot of times...the like kind exchange. A lot of times, simply because you didn't check on the paper that it was in a like kind exchange or even a like kind exchange, you didn't even use the 1031 process, the thing still falls into a issue where, as commented by the tax committee, as a good sale, and it really shouldn't have been a good sale because it was not. The land situation that you're hearing about down in the Cedar County area is a conservation wetland reserve program. Federal NRCS is backing it. A lot of the promotion there is from the National Park Service. That money in some cases remains in the ownership of

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the landowner and actually I'm in the process of doing some of that myself. And in that, we'll still remain to pay taxes on it so it still stays in the tax, but now what they're talking about is a totally different animal. I believe that that will probably come completely off from the tax base and then we will be impacted at the point that, in our instance, it would be sold then to the Park Service or some other federal agency. Again, I want to compliment Cap Dierks, Ms. Cornett, everybody for everything that you've done to bring this to light and allow our people to talk about our issues and things like that. And again, I want to thank you very much for coming out to our area. [LR166]

SENATOR CORNETT: Please. [LR166]

SENATOR DIERKS: Rayder, would you just take a couple seconds to talk about what the effect has been taxation, property tax in Knox County, with regards to the windmill farms? [LR166]

RAYDER SWANSON: (Laugh) Unbelievable. I believe that our windmill valuation is \$220 million approximate...\$126 million. Our valuation of real estate whenever I came on the board, ten years ago, was just shy of \$500 million. So in one year, you influx \$226 million into a system. This year, prior to the windmills, I believe we were about \$770... [LR166]

(MAN): The final was \$992 million. [LR166]

RAYDER SWANSON: So \$992 million back to \$226 million out of it. Amazing. It went into one township, Peoria township. They're right out here just to the northwest of town. It's fund to take a drive out there because they're right along the county oil road. So our situation is, is we were, as a county board, capable of rolling back our taxes I believe about 6 mills, 5 mills. [LR166]

(MAN): Point 32 down to .27 something or .26 something. [LR166]

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RAYDER SWANSON: Yeah, somewhere in the vicinity there, and that...that was good for us. It has brought additional things to the community. I think anybody here in the town will testify to that. It's good. The windmills are generating a rental basis annually for the people. The only thing that I have a little bit of a reserve about, guys, is it's a five-year depreciation schedule, and by having that five-year depreciation schedule all of a sudden we've got this massive influx for five years and then it falls off the board. And it is a step down. If it were to be a 20-year depreciation, it would have amounted to a lot more money. I'm going to say maybe as much as a third or half again more. It amounted to quite a bit. So there's quite a savings to the windmill people. I don't know how it could be done any differently. I can see that if a person were to try to lengthen it out, you would still need to keep a lower level so that we'd keep the windmills coming. I think that they're going to have a real distinct value to our area into the future in the time to come. Yes, ma'am. [LR166]

SENATOR CORNETT: Let me just ask you a question. [LR166]

RAYDER SWANSON: Yeah. [LR166]

SENATOR CORNETT: The windmills have done quite a bit of good for the community, correct? [LR166]

RAYDER SWANSON: Yes. Yes. [LR166]

SENATOR CORNETT: They are receiving a sales tax-exemption, aren't they? [LR166]

RAYDER SWANSON: Oh, I would have no idea. [LR166]

SENATOR DIERKS: Yes. [LR166]

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RAYDER SWANSON: They are. Okay. [LR166]

SENATOR DIERKS: They qualified under the C-BED legislation. [LR166]

RAYDER SWANSON: Yeah, that could be. Yeah. [LR166]

SENATOR DIERKS: We thought it was somewhat questionable but they did, they are getting it. [LR166]

RAYDER SWANSON: Okay. [LR166]

SENATOR CORNETT: My only point in that is it brings us back to the issue that certain incentives... [LR166]

RAYDER SWANSON: Yeah. [LR166]

SENATOR CORNETT: ...sales tax incentives are good for producers, whether it's producers of wind energy or producers of cattle;... [LR166]

RAYDER SWANSON: Right, yeah. [LR166]

SENATOR CORNETT: ...that if you look at these bills with completely eliminating sales tax-exemption, we may not have some of the industry coming into the communities that we have. [LR166]

RAYDER SWANSON: True. Yes. [LR166]

SENATOR WHITE: Just a couple of things on the windmills, so you know. Cap Dierks has been a real warrior with that. [LR166]

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SENATOR CORNETT: Oh, without a doubt. [LR166]

SENATOR WHITE: And as the windmills have gotten bigger, they've reevaluated Nebraska. Cap and I were at a high-level summit this last week in Omaha of big business people. We now are number two or number three in the nation in the potential of windmill, wind energy production, could be as much as \$1.3 billion a year of energy produced here, most of that up in this country. We've got some national stuff, some national problems, but Senator Cornett is dead right. They wouldn't have built those windmills here if they hadn't had that sales tax. And I know the short depreciation is kind of painful, but that's one of the things we gave them,... [LR166]

RAYDER SWANSON: True. [LR166]

SENATOR WHITE: ...is so that they would make the investment in the first place. Working real hard to develop that and getting the system to shift to that, wind, out to Denver and out to Chicago, the big transmission line, that's the biggest thing. We get that done, that's one of the pieces that can help get our communities back. [LR166]

RAYDER SWANSON: Right, and that's greatly appreciated. I didn't mean anything negative by it but all I'm saying is that really throws quite a monkey wrench into the process. [LR166]

SENATOR WHITE: I know, but a good problem to have. You got it now. [LR166]

RAYDER SWANSON: Oh yeah, true, yeah, it's better to have too much than not enough, yeah. [LR166]

SENATOR CORNETT: And I was going to say my only point on it is when we're looking at exempting sales tax... [LR166]

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RAYDER SWANSON: Yeah. [LR166]

SENATOR CORNETT: ...or changing our sales tax-exemption, we have to look at what we're benefitting by that. [LR166]

RAYDER SWANSON: Right. Yes. But I think that would remain relatively neutral then because they were off the cost of...in other words, they had no cost of sales tax and then they would be... [LR166]

SENATOR WHITE: Like those towers they bought? [LR166]

SENATOR CORNETT: Towers. [LR166]

RAYDER SWANSON: Yeah. [LR166]

SENATOR WHITE: And those propellers... [LR166]

RAYDER SWANSON: Right. [LR166]

SENATOR WHITE: ...and all that? [LR166]

RAYDER SWANSON: Yeah. So...oh, they would come back on as a tax. I see, you would have to pay sales tax on those. Okay. [LR166]

SENATOR WHITE: We didn't tax that stuff... [LR166]

RAYDER SWANSON: I get the picture. [LR166]

SENATOR WHITE: ...when they bought it and put it up. [LR166]

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RAYDER SWANSON: Yeah. [LR166]

SENATOR CORNETT: And if you're talking about bring more industry in, then if we remove the exemption... [LR166]

RAYDER SWANSON: Yeah, uh-huh, it would be a stumbling block. [LR166]

SENATOR CORNETT: Yes. [LR166]

RAYDER SWANSON: Yeah, unless of course we were still cheaper than the surrounding states and we have the value of the wind... [LR166]

SENATOR CORNETT: Uh-huh. [LR166]

RAYDER SWANSON: ...and the transmission lines. NPPD or somebody might be the builder of that, that would be... [LR166]

SENATOR CORNETT: We're not cheaper. [LR166]

SENATOR WHITE: They don't have the money. [LR166]

RAYDER SWANSON: No. No, okay. [LR166]

SENATOR CORNETT: Senator Louden. [LR166]

RAYDER SWANSON: Yes. [LR166]

SENATOR LOUDEN: Yeah. Did...by doing this then did your school levy, did it drop?
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RAYDER SWANSON: I'm not sure. I'm not in the Bloomfield district. But I've got to believe that it probably did. No? It didn't, Joe? [LR166]

(MAN): No, because they just...just got their figures, I think, so they haven't set it yet. [LR166]

RAYDER SWANSON: Okay. Okay. Probably stayed pretty static then. [LR166]

SENATOR LOUDEN: Okay. Then will there be any intentions of lowering that levy then for your first...it's a graduated scale the first year, why, there will be a big increase in valuation, but it will drop off dramatically or in three or four years? I'm wondering if there will be any...if you'll see any significant difference in your property tax, is what I'm wanting to know. [LR166]

RAYDER SWANSON: You may. Ironically, I know of an instance where there might be, the township might be actually have increased their mill levy to the limit so that they can absorb as much money over the five-year period as they possibly could. [LR166]

SENATOR CORNETT: And...and...never mind. I was just saying you want it to come to the state for us to fix property taxes, but you have a district that did that? [LR166]

RAYDER SWANSON: Yeah. But still, I mean, that's not...that's an incremental thing. That's one issue. No, not coming to the state to fix something like that. The issue is, is major. The property tax issue is far more reaching than just a one township issue, yeah. But at the same time...it should really lower but at the same time there's...you know, when you see a value, sometimes you take advantage of it, Senator Louden. [LR166]

SENATOR CORNETT: So should we put in a mandatory requirement to lower when valuation goes up? [LR166]

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RAYDER SWANSON: Yeah. Yeah. I mean it...I mean that's something that you can't legislate out. It's not... [LR166]

SENATOR WHITE: One of the things... [LR166]

SENATOR CORNETT: Senator White. [LR166]

SENATOR WHITE: ...one of the things that I'd propose to control property tax is that any time the valuations across the taxing area go up, whether it's a school district or a county, that the mill levy automatically drops until there's a new hearing. In other words, you don't get any hidden tax increases. You can't go around saying, I never raised your property taxes, even if I know your land doubled and your bill doubled; I never raised them. So when we say this, a lot of times school board members and county officials start turning purple but what it would do is would require that if you got, in this case, 20 percent new basis all of a sudden, it automatically dropped the mill levy across the board in school and county 20 percent, so you'd raise the same money. And you'd have to have a hearing to take more money out of the system. Now as a county official, what do you think? [LR166]

RAYDER SWANSON: Well, I wouldn't have a problem with it. It would be answerable to people. And by bringing those people in, you know, a lot of times the hearing process now goes unchecked. People really turn their head to it. They just think it's another passive thing that they can't do anything about. There are issues in townships, though, that they will ask them to come to the community hearing and they will check whether they can do their override. They virtually start from zero every year. And then you will get a group of people that will vote no. All of a sudden, you've got no budget to work with the next year. You've got to bring the people in then, in an actual vote, to get an override to get it so that you can even budget as a township. That's the issue that goes on there. A 20 percent problem, I don't think that would be...I mean we'd throw it in too. [LR166]

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SENATOR WHITE: Well, in your county, you would have cut your mill levy by whatever the percentage increase in your land. [LR166]

RAYDER SWANSON: Thirty, yeah. [LR166]

SENATOR WHITE: There would have been no...I used to call them stealth tax increases. [LR166]

RAYDER SWANSON: Right. And in our case, I believe we'd come out pretty close to have lowered about 20 percent. [LR166]

SENATOR WHITE: So you guys did it the responsible way. [LR166]

RAYDER SWANSON: Yeah, uh-huh. [LR166]

SENATOR WHITE: Okay. [LR166]

RAYDER SWANSON: But we are one of the lucky counties. Yeah. [LR166]

SENATOR WHITE: Yes, sir. [LR166]

SENATOR CORNETT: Senator Utter. [LR166]

SENATOR UTTER: Mr. Swanson, thank you for coming today and for your candor in your testimony. I just have a question. We've bantered around a lot of ideas today and probably got to do some more before we're done here today. But talk to me about the importance of township government and what they really contribute and is that a governmental...I want to know whether that's a government unit that is viable and whether it is a...something that is important or not. [LR166]

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RAYDER SWANSON: You know, well, I'm sure that they have their values. You're working at a township level basis. You know, you've got three people that are running it. We've had cases where a township wouldn't actually represent itself so we'd have another township absorb that township. It's actually in my district and they do okay. They work with their people. There's constant turmoil in some of them. You know, it just...you never know which one it's going to be next. I think that they have their place. And there are, as you probably know, there are numerous township forms of government that are trying to turn into a commissionership. By doing that, you would take away any of the animosity, or is it my problem as a county board to oversee them or is it their problem to take care of without me looking over their shoulder. You know, any of the liabilities and stuff then, you know, would fall upon the county board rather than on the township. You know, I really don't know how to address it correctly because it's just something that, you know, has been here, you know, for a long period of time. I believe we were set up originally as a commissionership but we went to a township form long, long ago and there's a formality of a way to go back, evidently, so...and I think that, you know, that's a possibility at some point, whenever the townships have problems and stuff, that they may do. We divide our highway use dollars with them so that they actually have revenue to work with other than their county taxes, you know, their valuations. So we try to help them as much as we can. We build all of their roads and their big bridge...or all of their...not all their roads, we build all of their bridges and their big culverts, too, so we try to help them as much as we can. [LR166]

SENATOR UTTER: One other thing, Mr. Swanson. This is one of my...this is my first trip, I think, to Bloomfield, and I've got to say you folks in northeast Nebraska have got really beautiful country up here. [LR166]

RAYDER SWANSON: Thank you. [LR166]

SENATOR UTTER: The only concern I have is that I came to Ewing and had lunch with

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Cap, and I know you've known him for a long time,... [LR166]

RAYDER SWANSON: Yeah. [LR166]

SENATOR UTTER: ...and if it happens to be dark when we get back to Ewing tonight, can I depend on him to point my car toward Hastings? [LR166]

RAYDER SWANSON: Well, (laughter) you know I've always thought that the easiest and the best form of economic development was to not put signs up for them to leave (laughter) and you keep them locked in. So I think Cap will kind of head you the right way. [LR166]

SENATOR CORNETT: I was going to say, I came through South Dakota. That's not good. (Laugh) [LR166]

RAYDER SWANSON: That's not good, no, but you see how they live, the poor devils, you know. (Laughter) [LR166]

SENATOR CORNETT: Yeah, it's terrible over there. [LR166]

RAYDER SWANSON: I thank you. [LR166]

SENATOR CORNETT: Any other questions? Seeing none, thank you very much. [LR166]

RAYDER SWANSON: I appreciate it again, for you folks. Thank you, Cap. [LR166]

SENATOR CORNETT: Next proponent? Are there any further proponents? [LR166]

FREDERICK PINKELMAN: I am Frederick Pinkelman, F-r-e-d-e-r-i-c-k

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P-i-n-k-e-l-m-a-n. And I want to first of all thank you, folks, for coming up here to northeast Nebraska. It's quite a privilege to have you here and listen to what we have to present. I have been a lifelong family farmer and commissioner, county commissioner now for the last nearly 11 years, but my heart is still out on a farm. And, Senator White, I love some of the things you mentioned. And of course, Senator Dierks, you've been my champion for as long as I've known you. One thing that hasn't been brought up...one thing I would say, too, I'm not one for a lot of words so this won't be long. One thing that hasn't been brought up here and has troubled me for years, we tax real estate, we tax personal property, but liquid assets are not taxed. I can have \$100,000 in land and I pay tax every year, and I can have \$100,000 laying in the bank and I don't pay any tax, and that always troubles me. But that's something that I don't know if we can address that or why it hasn't been addressed. I think way back when I believe that liquid assets were taxed, I believe. In line with something you said, Senator White, and I'm just putting in a plug here for what we had in Initiative 300, we've got this problem with the outside interests coming into the state and buying farmland and that is a real problem. If we take off all of our real estate tax then they get a free ride, and you've pointed that out well. The other thought that I had was I believe it was a Mr. Dobrovony (phonetic) a bunch of years ago from out in your neck of the woods somewhere talked about a transaction tax and possibly that would be something to think about again. And I don't know the particulars of that so I'm just throwing it out for whatever it's worth. And are there any questions? [LR166]

SENATOR CORNETT: Thank you very much. Senator Dierks. [LR166]

SENATOR DIERKS: Thanks for coming, Frederick. Now you mention the transaction tax, I actually introduced that piece of legislation once, too, and it did include a tax on intangibles. It was one of the arguing points that we talked about then, how are you going to find this stuff out, you know, I mean. But it did include that tax. [LR166]

FREDERICK PINKELMAN: Okay. [LR166]

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SENATOR CORNETT: Senator White. [LR166]

SENATOR WHITE: One thing, just so you know, normally you'd pay some income tax on interest (inaudible) investment. If you invest in OPPD bonds, school bonds, municipal bonds, you don't pay any income tax either. So it is quite possible, you are quite correct, sir, to have huge amounts of money and liquid capital invested and you don't pay income tax or any property tax on it. [LR166]

SENATOR CORNETT: Senator Louden. [LR166]

SENATOR LOUDEN: Yes. Yeah, at that time we called it intangible property tax, I think, and if you remember when we used to have to go to the county assessor and we'd bring our stuff in and we would be assessed. We'd be assessed on our cattle, our machinery and everything, and I think they did away with that, I suppose in, oh, maybe in the early sixties or some time like that, and somewhere along in there, why, the intangible tax went off, too, mostly because they...at that time they felt that people were taking their money elsewhere. They would go invest it in banks in Denver or something like that and, consequently, there wasn't any way to do it. So I think that all went by the wayside because just the honest people were the ones paying the taxes on it. And I don't know if there's a good way yet to follow through on that unless you had some type of, what do you call them, 1080s forms or whatever that you have to file. Since then, we've had those types of forms and perhaps they could be used to track that investment down that you have nowadays, and that has never probably been brought up since then on that. But there can be a way. Whether that will be a new tax or a tax shift or what it is or whether you have to file that tax, will you get to offset it from something else? If you pay that tax, will it be a deductible tax on your other tax? So there would be different questions that would have to come up on that. [LR166]

FREDERICK PINKELMAN: Yeah, I understand. [LR166]

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SENATOR CORNETT: Thank you very much, sir. [LR166]

SENATOR WHITE: Thank you, sir. [LR166]

FREDERICK PINKELMAN: Thank you. [LR166]

SENATOR CORNETT: Next proponent? Are there any further proponents? We will move to opponents. [LR166]

DAVID NABITY: David Nabity, Omaha, Nebraska, part of the Nebraska Alliance for the Private Sector. I had the opportunity to call the Nebraska Department of Revenue and get some clarity on this whole motor vehicle tax thing. And unlike the IRS, I got my answers quick, which was nice. It's a great department. But it is about \$180 million that comes from the motor vehicle tax. The lion's share...there's seven different things that are collected when you license your car. The lion's share, the biggest portion of the tax, is the motor vehicle tax: 60 percent goes to the schools, 40 percent goes to the cities and the counties. It does go to the state first. It passes through the state and then back to the counties. So, you know, the whole point of bringing this up is that this is one of the taxes that drives people out of the state and it's one of the taxes that you hear rating agencies argue about being one of the negatives as far as being in a state. So what I would encourage you to do, since shifting the way you tax people is what this whole meeting is about and is what Rich Pahls is trying to bring up, you know, I just want you to think about if you go to a flat income tax and then you change the sales tax system to eliminate the motor vehicle tax, I think it will put us in the top 10. Whether that means you take the sales tax rate from 5.5 percent and move it to 6 and you eliminate the motor vehicle tax or whether you find an exemption somewhere that shouldn't be there or whether you expand what you're tacking with sales tax, that's up to you smart guys to figure out and come up with what would be best. But all we need to do is find \$180 million and we can eliminate the motor vehicle tax. That along with a flat income tax I

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think will transform our national reputation as far as how we tax citizens in Nebraska. Thank you very much. [LR166]

SENATOR CORNETT: Mr. Nabity, just a moment. Any questions from anyone? Okay, thank you. Next opponent. Are there any further opponents? Is there anyone here to testify in a neutral capacity? That will close the hearing on LR166. And, Senator Dierks, you're recognized to... [LR166]

SENATOR DIERKS: Okay. We'll begin with the introduction to LR161, Senator Abbie Cornett. Whenever you're ready, Abbie. [LR161]

SENATOR CORNETT: Thank you, sir. Good afternoon, members of the committee. My name is Senator Abbie Cornett, A-b-b-i-e C-o-r-n-e-t-t. I represent Bellevue. Last year we heard quite a bit of testimony in the Revenue Committee and on the floor in regards to what the state of Nebraska exempts and doesn't exempt in regards to sales tax. Senator Pahls, I'm sure as you all remember, drove home numerous times on the floor of the Legislature on just about every bill that came out of the Revenue Committee last year the point that we were...how much money we were exempting on sales tax, and I promised Senator Pahls on the floor and in the committee that I would look at sales tax, not just what he was proposing or what Senator Dierks was proposing but more to take the 30,000-foot approach--look at how we were taxing in the state of Nebraska, how we compared to other states in regards to exemptions, and then to look at basically the mixture of how we tax in the state. Nebraska was pretty much set up on a three-prong system of taxation, as I am sure that all of you are aware of, and was originally divided equally in thirds, basically, or the premise was to be divided between income, sales, and property tax. Senator Pahls and the data had brought out, and the data shows that, yes, we do exempt about \$3 billion in taxation, our sales tax. But as former Senator Cunningham mentioned, when you're looking at food as one of the things that we should look at taxing, we would only be one of eight states, if we did, that did tax food fully at the same rate that they taxed other items. The committee staff has been working

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on researching other states across the country to find out where we rank in regards to sales tax-exemptions and we will be providing the committee with the findings of this hearing and that data shortly. It is not completely drafted yet. We have a rough draft, but I wanted to include today's hearings. With that, I will open the...I will close and open myself up for questions on this matter. [LR161]

SENATOR DIERKS: Questions for Senator Cornett? Looks like you did well, Abbie. (Laughter) [LR161]

SENATOR CORNETT: It looks like it's late in the day and everyone wants to go home. [LR161]

SENATOR DIERKS: I suppose. Is there someone who would like to testify in support of the LR161? Support? Support for LR161? Anyone? [LR161]

RAYDER SWANSON: Yeah, I'll do it, Abbie. [LR161]

SENATOR CORNETT: (Laughter) Oh, go right ahead. Thank you. I was hoping everybody who just testified on the first two were done. [LR161]

RAYDER SWANSON: No, I...Rayder Swanson, R-a-y-d-e-r, Swanson, S-w-a-n-s-o-n. This one definitely needs to be, I think, commented on and I think it just (inaudible) the value of seeing where the sales tax is coming from and where it's going to. And that's really all I've got to say. It has a good positive approach, I think, the study. Thank you. [LR161]

SENATOR DIERKS: Thanks, Rayder. Anybody have questions for Rayder? [LR161]

RAYDER SWANSON: Thank you. [LR161]

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SENATOR DIERKS: I guess you did well. Any more testimony in support? Gus. [LR161]

GEORGE PICK: This will be less than five minutes. [LR161]

SENATOR CORNETT: (Laugh) Well, he's got the clock now. Oh, it looks like Senator Hadley does. [LR161]

GEORGE PICK: The only question I have probably on the sales tax is a few questions I've got which I don't understand and I don't know, hope the Revenue Committee does. Who does research on the taxes paid on leased equipment, whether it be pivots, whether it be combines or whatever? How is this followed up, and who is in charge of following it up? [LR161]

SENATOR WHITE: Department of Revenue. [LR161]

SENATOR DIERKS: That is part of the Department of Revenue. I can't tell you who the staff are. [LR161]

GEORGE PICK: You know, I'd like to be able to go to the Treasurer's Office and find out how much do we take in on leased, you know, pivots as an example. [LR161]

SENATOR WHITE: You would direct that question to the Nebraska Department of Revenue. I'm sure Shannon or Bill could give you the right person to make your inquiry to. [LR161]

GEORGE PICK: I guess what I'm trying to find out is are these being paid. It's like the fellow that owns them, you know, you know he's paying them, but... [LR161]

SENATOR WHITE: Again, they can obviously let you know, sir. I can't answer it but we can get that to you. [LR161]

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SENATOR DIERKS: I think I can almost place you a bet...make you a bet that if the Department of Revenue knows where there's some taxes, they know and they're getting them, so. [LR161]

GEORGE PICK: Well, I've tried to give you some suggestions here how to cut costs and, you know,... [LR161]

SENATOR DIERKS: They try to tax veterinarians for trimming toenails, so... [LR161]

GEORGE PICK: Yeah, and I've tried to give you some views of something that's been on the books for ages, which I don't agree with. It goes back to the property tax again. Why don't litigants have to pay for their jury trials? Why should the taxpayers pay for them? That should have been taken care of long ago that litigants do it. [LR161]

SENATOR DIERKS: Senator White. [LR161]

SENATOR WHITE: It's a federal constitutional requirement, sir, that the courts be open to everybody whether they have money or not. [LR161]

GEORGE PICK: Yeah, but what I mean... [LR161]

SENATOR WHITE: So your ability to pay, it's beyond our control. I don't need to argue with you. You asked a question. It's because the federal constitution says, rich and poor, you have a right to walk in front of a judge and have them hear your complaint. [LR161]

GEORGE PICK: I figured it would probably be the insurance companies that were battling it because it seems to me... [LR161]

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SENATOR HADLEY: Senator White, you can change that when you get to Washington.
[LR161]

SENATOR WHITE: Yeah, no. (Laughter) [LR161]

GEORGE PICK: It's kind of sad that the taxpayers pay for the jury trials and all these people know it. Okay. Well, I want to appreciate this because I do appreciate you people coming up here to northeast, especially because we're a border county. I mean Knox, Cedar, Dixon, we're all border counties and some of the comments here about like especially food tax, you know, South Dakota has got it on and a lot of people over there, the Wal-Marts and the Hy-Vees, are 24-hours a day, and the people that are employed over there, they're paying it over there. And good luck. Thanks for coming.
[LR161]

SENATOR WHITE: Thank you, sir. [LR161]

SENATOR DIERKS: Thanks for coming, Gus. You've been very diligent about appearing today. That's good. Anyone else in...are we still in support or are we in opposition? [LR161]

SENATOR CORNETT: Support, I think. [LR161]

SENATOR WHITE: Support. [LR161]

SENATOR DIERKS: Support. Anyone else in support? Well, let's go to opposition. Is there anyone that wants to testify in opposition to Senator Cornett's resolution? Opposition? How about neutral? Anybody know what neutral is? (Laughter) (See also Exhibits _____.) [LR161]

SENATOR HADLEY: That's what we're in now. (Laughter) [LR161]

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SENATOR WHITE: We're stuck in neutral. [LR161]

SENATOR DIERKS: Well, with that, would you like to close on your resolution, Abbie?
[LR161]

SENATOR CORNETT: No, I (inaudible). [LR161]

SENATOR HADLEY: Senator Dierks. [LR161]

SENATOR DIERKS: Yes. [LR161]

SENATOR HADLEY: I just...I would like to echo what the rest of the committee has already said. We do appreciate coming up here and I drove up from Kearney this morning to Ewing, and Ewing over. It really...I thought to myself as I drove over, it really is beautiful to see the fields and the corn and the cows and everything, so it was a nice trip. And I do appreciate your generosity in inviting... [LR161]

SENATOR DIERKS: Before we go, I'd like to take advantage of a little...a moment here. Senator Hadley is a former administrator at Kearney State College, Kearney State university... [LR161]

SENATOR HADLEY: University of Nebraska at Kearney. [LR161]

SENATOR DIERKS: Yeah, right. And (inaudible) the knowledge with upper...and his wife is dean of students? [LR161]

SENATOR HADLEY: Education. [LR161]

SENATOR DIERKS: Education. Senator Adams is the Chairman of the Education

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Committee and he took over a monumental job. He took over for where Senator Ron Raikes had been the Chair. He's also a former educator from York, Nebraska. I can't brag about Abbie enough, but she belonged to the police force in Omaha. Is it Omaha or Bellevue? [LR161]

SENATOR CORNETT: Omaha. [LR161]

SENATOR DIERKS: Omaha. And her husband I think still does. Is that right? [LR161]

SENATOR CORNETT: He's crime lab, yes. [LR161]

SENATOR DIERKS: Yeah. And Senator White is a candidate for Congress in the 2nd Congressional District in Omaha, and he's been a member of the Legislature for three years, going on four. Who have we got left on there? Senator Loudon is a rancher from Ellsworth, Nebraska. He was on the...he was Chairman of the Natural Resources Committee for several years and he is now on the Revenue Committee. And I have to tell you, I can't say enough good thing about the current state of our Revenue Committee. We have an outstanding group of people here, people that think well and speak well, and I'm just very impressed. And Senator Utter, I have to tell you about Senator Utter. He's got a dog and they named him Putter. [LR161]

SENATOR WHITE: Putter Utter? (Laughter) [LR161]

SENATOR DIERKS: Putter Utter, yeah. (Laughter) [LR161]

SENATOR CORNETT: Okay. Senator Flood's dog is named Flash. [LR161]

SENATOR WHITE: Flash Flood, yeah, that's right. [LR161]

SENATOR DIERKS: Senator Utter is a retired bank official from Hastings. And these

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people all have a great deal of experience. They bring a great level of wealth to our committee and our hearings. I've been very impressed. I've been on the Revenue Committee for maybe six years I guess, three before I left the Legislature the first time and then three again since I've been back, and this is without a doubt one of the finest groups of people I've worked with. I'm very impressed with them. Well, thank you all for hosting us and we'll try to get back here again sometime. And keep in touch. Let us know what you think, write to us, e-mail us. We depend on you folks for how we behave. Thank you very much. [LR161]

SENATOR CORNETT: One quick thing on closing, if anyone would like a copy of anything that...transcripts today or would like any further information on the resolutions, please feel free to contact my staff. [LR161]