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Revenue Committee
January 19, 2011

[LB134 LB210 LB211]

The Committee on Revenue met at 1:30 p.m. on Wednesday, January 19, 2011, at 1:30 p.m. in Room 1524 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB134, LB210, and LB211. Senators present: Abbie Cornett, Chairperson; Dennis Utter, Vice Chairperson; Greg Adams; Deb Fischer; LeRoy Loudon; Dave Pankonin; and Pete Pirsch. Senators absent: Galen Hadley.

SENATOR CORNETT: Good afternoon. I'm Senator Abbie Cornett from Bellevue. To my left is our Vice Chair, Senator Dennis Utter, from Hastings. To his left is Senator Deb Fischer from Valentine; Senator Greg Adams from York. On my far right is Senator Pankonin from Louisville, Senator Pirsch from Omaha; Senator LeRoy Loudon should be joining us shortly from Ellsworth; and Senator Hadley is excused today, will not be joining us. The pages are Marilyn Buresh and Amara Meyer. Before we begin the hearings today, I'd please advise everyone to turn your cell phones to either the off or vibrate position. Sign-in sheets for testifiers are on the tables by both doors and need to be completed by everyone wishing to testify. If you are testifying on more than one bill, you need to submit a form for each bill. Please print and complete the form prior to coming up to testify. When you come up to testify, please hand the form to the committee clerk. There are also clipboards in the back of the room to sign if you do not wish to testify but would like to indicate either your support or opposition to a bill. These sheets will be included in the official record. We will follow the agenda posted on the door. The introducer or a representative will present the bill, followed by proponents, opponents, and neutral. Only the introducer will have the opportunity for closing remarks. As you begin your testimony, please state and spell your name for the record. If you have handouts, please bring ten copies for the committee and staff. If you only have the original, we will make copies. Give the handouts to the pages to circulate to the committee. With that, Senator Utter. []

SENATOR UTTER: First bill this afternoon we're going to hear is LB134. Senator Cornett is going to introduce that bill. And as soon as you're ready, Senator Cornett, the floor is yours. [LB134]

SENATOR CORNETT: Thank you very much, Senator Utter, and good afternoon, members of the Revenue Committee. I am Abbie Cornett, C-o-r-n-e-t-t, representing Legislative District 45. I'm appearing here today as the introducer of LB134, which is an annual bill designed to update referencings in all Nebraska statutes to the most recent version of the federal Internal Revenue Code, except as provided by Article VIII, Section 1B of the Nebraska Constitution, which states "When an income tax is adopted by the Legislature, the Legislature may adopt an income tax law based upon the laws of the United States." (2) The statute sections listed in Section 1 of the bill that govern Nebraska's income tax and the statute sections listed in Section 1 of the bill that govern Nebraska's business tax incentive programs. For purposes of LB134, the most recent

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version of the Internal Revenue Code would be the version in existence on the effective date of the bill, which contains the emergency clause. April 6, 2010, is the applicable date under the current statute so Nebraska statutes need to be updated to coordinate with the changes made by Congress to the Internal Revenue Code since that date. Thank you for your valuable time and consideration of LB134. [LB134]

SENATOR UTTER: Are there questions for Senator Cornett? I believe you're getting away scot-free. [LB134]

SENATOR CORNETT: I usually do on this one. [LB134]

SENATOR UTTER: Are there any testifiers here that wish to testify in favor of this bill? Any in opposition? Any in a neutral capacity? Senator Cornett, you're free to close. She waives closing and we'll proceed on to the next bill which is LB210. Senator Cornett, we await your opening. [LB134]

SENATOR CORNETT: Thank you, Vice Chairman Utter and members of the Revenue Committee. Again, I'm Abbie Cornett, C-o-r-n-e-t-t, representing the 45th Legislative District. I've introduced LB210 on behalf of the Department of Revenue. LB210 is the department's annual omnibus tax administration and enforcements bill. Many of the bill's provisions are technical in nature and a representative of the Department of Revenue is here today to testify about the bill and to answer any questions you may have about it. I will tell you about the main points of the bill. It changes the due dates for sales and use tax returns from the 25th to the 20th of the month following the prior reporting period and also provides that the due date for paying the waste reduction and recycling fee for new tires will be the 25th of the month following the prior reporting period. It eliminates unnecessary requirements for the extraneous reporting requirements of the Property Tax Administrator, including exempting the Property Tax Administrator from having to meet certain education requirements applicable to members of the Tax Equalization and Review Commission who are attorneys at law. It requires county assessors to electronically report information to the Property Tax Administrator, including reporting data on the assessed valuation and other features of the property tax assessment process. And it requires the Property Tax Administrator to collect and analyze data for intracounty comparisons for political subdivisions besides school districts. It grants additional time for the department to send a notice of demand to collect or pay taxes owed by a corporation to a responsible corporate officer when the corporate tax liability is the subject of federal bankruptcy proceedings. It extends the length of time a common or contract carrier sales tax exemption sales tax certificate expires to five years from three under the current law. It places the State Athletic Commissioner under the general supervision of the administrator of Charitable Gaming Division of the Department of Revenue. Finally, it eliminates the Greenbelt Advisory Committee. Thank you for your time and consideration on this matter. And there will be members of the Department of Revenue and the Property Tax Administrator here to explain why they feel these

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provisions are needed. [LB210]

SENATOR UTTER: Are there questions for Senator Cornett? Seeing none, we will hear from the first proponent. [LB210]

KIM CONROY: (Exhibit 1) Chairman Cornett and members of the Revenue Committee, my name is Kim Conroy, C-o-n-r-o-y, with the Nebraska Department of Revenue. I would like to welcome our two newest senators to the Revenue Committee, Senator Fischer and Senator Pankonin, welcome and we look forward to working with you on issues as they come up. Also here with me today is Ruth Sorensen, our Property Tax Administrator; Jim Bogatz. [LB210]

JIM BOGATZ: I'm hiding over here. [LB210]

KIM CONROY: Oh, you're over here now. He is the manager of our tax policy section. And Garner Girthoffer back here, who is our legislative liaison. You probably would deal with several of them during the session. Tax Commissioner Doug Ewald expresses his regrets at not being able to attend today. His father is having surgery this afternoon. I appear before you today as a proponent of LB210. The summary of LB210, as Senator Cornett mentioned, eliminates unnecessary requirements for the Property Tax Administrator; eliminates a reporting requirement of the Property Tax Administrator; requires counties to electronically file certain information with the Property Tax Administrator. It eliminates the Greenbelt Advisory Committee; places the State Athletic Commissioner under the general supervision of the Charitable Gaming Division of the department; allows the department to avoid issuing unnecessary assessments against corporate officers; and changes the due date for sales tax returns. We also want to simplify requirements for common carriers. The first part of the bill I would like to discuss with you deals with the Property Tax Administrator qualifications. It is in Section 4 on pages 5 and 6 of LB210. This proposal eliminates the requirement that the Property Tax Administrator attend a specific assessment seminar each year. Currently, the Property Tax Administrator is annually required to attend a seminar class of at least two days' duration that pertains to the management law, civil or administrative procedure, or other knowledge or skill necessary for performing the duties of the office and this has to be sponsored by a recognized assessment or appraisal organization in each of these different areas: utility and railroad appraisal; appraisal of complex industrial properties; appraisal of other hard to assess properties; and mass appraisal of residential or agricultural appraisal, or assessment administration. The requirement is costly to the department at approximately a \$5,000 annual cost and overly prescriptive. The next section of the bill I would like to discuss with you eliminates a reporting requirement for the Property Tax Administrator. This is in Section 3 of the bill on page 5. This proposal eliminates reporting requirements of the Property Tax Administrator relating to sales of educational lands. Currently, the Property Tax Administrator must provide the Board of Educational Lands and Funds information on the assessed value

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of educational lands, information the board already has and rarely uses. The proposal simply eliminates this requirement and saves the department this unnecessary duty. Electronic reporting of sales files in Section 5 of the bill, pages 6-9, this proposal requires county assessors and other taxing officials to electronically file assessment data with the Property Tax Administrator. Currently, there are only six counties that do not report this information electronically, which is creating extra data entry requirement for the Property Assessment Division. This requirement will not impose additional burdens on these six counties. We also propose to eliminate the Greenbelt Advisory Committee. This is in Section 17 of the bill, on page 29. This proposal would eliminate the Greenbelt Advisory Committee. In 2001, the Greenbelt Advisory Committee was established to assist and advise the Property Tax Administrator in developing uniform and proportionate special valuation of agricultural land and horticultural land. Over the last several years, the committee has not provided any recommendations to the Tax Commissioner or the Property Tax Administrator relating to special valuation as required by law. In 2009, the committee themselves acknowledged that they serve only a limited purpose under current law. Now the State Athletic Commission, Section 11, pages 26-27, this proposal places the State Athletic Commissioner under the general supervision of the administrator of the Charitable Gaming Division of the Nebraska Department of Revenue. By drawing on the extensive knowledge and regulatory and licensing experience of the Charitable Gaming Division, the division will improve the operation and effectiveness of the Athletic Commission. Now moving into some of the more general revenue sections of the bill. On corporate officers, Section 6, and this is on pages 9-11, this proposal allows the Department of Revenue to avoid issuing assessments against the corporate officer in cases where a corporation is making payments under bankruptcy proceedings. Under current law, the department only has three years to issue an assessment against a responsible corporate officer for a corporation's tax liability. Under a bankruptcy proceeding today, the corporation could be adequately paying its tax liabilities through a confirmed payment plan, but that might extend beyond that three-year statute of limitations. In order to preserve the department's claim and the claim of the state against the responsible corporate officer, the department must issue an assessment for situations when the corporation's payment plan does not satisfy the corporation's tax liability before this three-year period expires. This proposal would avoid this situation. The sales tax due date is contained in several sections: Sections 1, 2, 8, 9, 10, 12, and 13. As Senator Cornett said, this proposal changes the due date for sales tax returns by five days, from the 25th to the 20th of each month following the prior recording period. The proposal allows the department to better forecast the sales tax receipts, making revenue estimates more accurate. In addition, the proposal will result in an annual interest of \$180,000 for the state. The sales tax exemption renewal for common carriers is in Section 7, on pages 11-12. This proposal extends the sales tax application renewal for common and contract carrier sales tax exemption from three to five years, which allows the department to redirect resources to improve enforcement actions. Currently, the department utilizes a significant amount of resources in verifying sales tax exemption renewals for common

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and contract carriers even though most of the renewals are approved again. By simply delaying the renewal process, the department can address the underlying concerns with establishing a permanent extension, while also saving staff that may be utilized elsewhere. This concludes my formal remarks today. I would be happy to answer any questions that you might have. [LB210]

SENATOR UTTER: Thank you, Ms. Conroy, appreciate your testimony. Questions? [LB210]

SENATOR ADAMS: Can I refer back to the sale on educational lands? Now if I understood you correctly, all we're really doing is changing a reporting requirement. [LB210]

KIM CONROY: Yes, Senator. We are acting more, it's just the middle person in-between the transaction. The information is readily available to the Board of Educational Lands via the county assessors, either them directly or their Web sites. [LB210]

SENATOR ADAMS: Okay, thank you. [LB210]

SENATOR UTTER: Senator Pankonin. [LB210]

SENATOR PANKONIN: Thank you, Senator Utter. I am curious a little more about the sales tax due date being changed from the 25th to the 20th, and I'm just glancing at the bill. It says the reporting period depends upon the amounts due. I'm sure it's in here, but can you summarize the amounts due and kind of what the change is? [LB210]

KIM CONROY: Right. [LB210]

SENATOR PANKONIN: Being a retailer all my life, that 25th was kind of one of those dates that were fixed in your mind and it is for retailers in general, large and small. It's a big change. [LB210]

KIM CONROY: Yes. Thank you, Senator. We realize that. The difference in terms of the amounts is whether you're a monthly, a quarterly, or an annual filer. And those depend on how much you're collecting every year. [LB210]

SENATOR PANKONIN: Sure. So if you're a monthly, it's just...but it is going to move everybody... [LB210]

KIM CONROY: It will move everybody then to the 20th and the same...the quarterly, it will be at the same month, but it will just be on the 20th instead of the 25th. [LB210]

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SENATOR PANKONIN: And obviously that's going to benefit the state. You're getting your cash flow that sooner. [LB210]

KIM CONROY: Yes. We're getting the cash flow sooner and with the electronic filing that the committee has so graciously been extending to us in terms of doing more of that, we've seen across the nation that with electronic filing, electronic payment, in general, companies are better able to accumulate the information during the month. I think we have the majority of states, 31 states now have a filing deadline on the 20th of the month. [LB210]

SENATOR PANKONIN: Well, I'll just warn you...it's a good thing my wife's not here. She does that report. She would probably not be very happy. But that's a big change and I think people need to realize that. [LB210]

KIM CONROY: Yes. [LB210]

SENATOR UTTER: Senator Louden. [LB210]

SENATOR LOUDEN: Yes, thank you, Senator Utter. Well, Commissioner Conroy, I wanted to go back to this. I think it's Section 6 where you have six counties that don't file electronically. Do you know who those six counties are? [LB210]

KIM CONROY: Yes, I do. [LB210]

SENATOR LOUDEN: And I'm wondering if...somebody has got to put up some money in order to file electronically, and I didn't know if these counties were where they could possibly do it. [LB210]

KIM CONROY: As of January 2011, Senator Louden, the six counties were Knox and Dixon in the northeastern corner of the state; Seward and then Furnas and Hayes in the southwest corner along with Deuel. [LB210]

SENATOR LOUDEN: Okay. And have you contacted these counties? Are they able to come up with the money to set up so they do and all that? [LB210]

KIM CONROY: I believe we have. I'm going to let Ruth Sorensen answer your specific question on that. [LB210]

SENATOR LOUDEN: Okay. [LB210]

KIM CONROY: Do they have any extra duties? (inaudible) No. From what we can tell, we're not seeing that there's an extra burden put on them to file electronically this information. It's creating work for us in terms of doing data entry that we're not having to

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do for any of the other counties. [LB210]

SENATOR LOUDEN: Okay. Well, I see Larry Dix back there. Maybe he'll be able to clarify that for me. [LB210]

KIM CONROY: And we can certainly get back to you on that. [LB210]

SENATOR LOUDEN: Okay, I appreciate that. Thank you. [LB210]

SENATOR UTTER: Other questions? Ms. Conroy, the \$180,000 in annual interest, what kind of a rate are you using to calculate that interest? [LB210]

KIM CONROY: I don't know what the interest rate is that (inaudible) is using. [LB210]

SENATOR UTTER: Today it would be very minimal I would think. [LB210]

KIM CONROY: It would be very minimal. I don't know what the exact interest rate is though. [LB210]

SENATOR UTTER: Probably not the \$180,000 today. [LB210]

KIM CONROY: I think it is at the interest rate that the state is investing money at today. I do not know what that interest rate is. [LB210]

SENATOR UTTER: Senator Pankonin. [LB210]

SENATOR PANKONIN: Thank you, Senator Utter. Just to follow up on that, if this bill is passed, I mean it would be effective later in the year to start 2012 on this sales tax change. When would that potentially take place, moving from the 25th to the 20th? [LB210]

KIM CONROY: The effective date for those sections, I think it is on...I think it's on their effective date. I'd have to get back to you on the exact date. [LB210]

SENATOR PANKONIN: Sure. [LB210]

KIM CONROY: I don't think it's till later in the year. [LB210]

SENATOR PANKONIN: The follow-up comment or question is, I mean that...I mean that's just in your mind. The 25th is the day you got to have your sales tax in. [LB210]

KIM CONROY: Right. [LB210]

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SENATOR PANKONIN: Obviously, you work on it maybe ahead of time and there is quite a bit of work to be done. So I would assume that the department would...there would be a rollout and people would know and whatever. I mean that's a...I think about every little business in this state that does sales tax, this is a big deal. [LB210]

KIM CONROY: Yes. Senator Pankonin, we realize there would be extensive education outreach with that in terms of publications the department puts out on our Web site. We have educators across the state that are getting ready to do their spring training. The other benefit that we have with our new NebFile system that you can...and hopefully your wife has been able to use that electronic filing system--we will have notification via that. We also have a new feature on our Web site where you can sign up to get automatic e-mails from us whenever we add information to the Web site. So we're trying right now a lot of different ways to get information out. But we know it would be...we know the last time that the due date, you know, was changed and I know from working in other states that it is a big change. But we would be doing any of the education that we need to, to let people know of that due date change. And we're going to be flexible with them in that regards. [LB210]

_____ : October 1. [LB210]

KIM CONROY: The effective date of that is October 1. Thank you. [LB210]

SENATOR UTTER: Senator Fischer. [LB210]

SENATOR FISCHER: Thank you, Senator Utter. Thank you for being here. I have a question on the fiscal note, and it was triggered by a comment you just made. As I look at the revenue that your...that's on the fiscal note, it's \$180,000; expenditures of \$37,000. And as I'm going through it, I'm not picking up quickly here what those expenditures are for. But you just said to Senator Pankonin that there's going to be a lot of outreach, a lot of training for these retailers. Is that what's included in the \$37,000 or has that even been factored in on this yet? [LB210]

KIM CONROY: Senator Fischer, thank you for the question. We do this training anyway. We would just shift focus on what the training was to really focus on this change. So it's not that we're going to be doing more, we just would change focus as to what it would be. And then your question on the fiscal note, the \$37,000, there's a \$42,000 programming cost for us to change the due date from the 25th to the 20th. That's offset by the \$5,000 for the property tax training that we won't be doing. That's what you see the \$37,000 for. [LB210]

SENATOR FISCHER: Okay. I appreciate you clearing that up. Thank you. [LB210]

SENATOR UTTER: Other questions for Ms. Conroy? If not, thank you for your

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testimony. [LB210]

KIM CONROY: Thank you. [LB210]

SENATOR UTTER: Next proponent. Are there any further proponents? If not, are there opponents? Is there anybody that would like to testify in a neutral capacity? Welcome to Revenue, Mr. Dix. [LB210]

LARRY DIX: Good afternoon, Senator Utter and members of the Revenue Committee. I appear today truly in a neutral capacity, and I really just want to call out one specific item, one specific page. And if we'll look at page 8, and this is just a request that when we went through and looked at the bill, if you go through that on page 8, line 24 there's the word "process." And when we were trying to define that, since this does go through and in essence make every county submit this information electronically, which I would tell you from NACO's position we support having electronic filing because we think there is an efficiency to be gained so I want to make sure everybody is clear on that. When we say the assessment process, when we look at that, the assessment process could be pretty big, pretty broad when you talk about the assessment process. It could be...when I read this it says, "other features of the property assessment process." That could be all kinds of data. There's really no definitive of what we're trying to get at. And I think earlier we heard testimony that we're really trying to get assessment values in a sales file. And so we would be happy to work through the defining process and try to limit that scope because we do have a couple of counties that I would tell you that are not on the list of six that do not have what's called a computer-assisted mass appraisal software. Those two counties are Loup and Wheeler. Now those two counties today are meeting the requirement from the Property Tax Administrator because they can go on the Internet and submit their sales file and data. But our concern is if we look at process, that could get so large that now, of course, we have a couple of counties that just simply do not have that information. Of the other counties, I would tell you that Deuel, Hayes, and Furnas are in the process of...in different stages of the process of implementing software so they can submit that information electronically. Deuel, we know that software is being installed, as is in Furnas. Hayes County simply wants to look at their GIS, their mapping software, prior to putting in the software that will allow them to submit electronically. It's my belief, certainly, that Dixon and Seward County probably with the software that they have, have the capability of doing that today. So I'm just here to ask for the committee to allow us to work with the Property Tax Administrator to define the word "process" in this bill. [LB210]

SENATOR UTTER: Larry, I know you're kind of new to this whole idea of testifying before committees... [LB210]

LARRY DIX: You're right. [LB210]

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SENATOR UTTER: ...but will you kind of spell your name for the record and... [LB210]

LARRY DIX: Senator Utter, I am so new to this it's almost like Are You Smarter Than a Fifth Grader? and I would have to hold up my hand. I'm new to the process, but I'm not smarter than a fifth grader. For the record, my name is Larry Dix. I'm executive director of the Nebraska Association of County Officials. Larry is spelled L-a-r-r-y, D-i-x. [LB210]

SENATOR UTTER: Thank you. Any questions for Larry? Senator Louden. [LB210]

SENATOR LOUDEN: Yeah, thank you, Senator Utter. Larry, then you don't see any problem with having all the counties because they shall electronically report it. You don't have any problem with any of the counties being able to do that and finance that? [LB210]

LARRY DIX: You know, I think...and I've been in front of this committee before and, you know, at some point in time we've got to move towards efficiency and for the most part, you know, while I will admit as much as anybody else I do not like mandates, but I think in order to work together and the fact that we have 90-plus counties already doing it and a couple of those counties on the list that have the capability of doing it, I think we really need to try to make this step to make it happen. And I got to have everybody understand these counties are hurting financially just like the state is hurting financially. So there are some hardships, but I think if we can define, narrow down exactly what they need as far as information, I think we can get the counties to submit that information. [LB210]

SENATOR LOUDEN: Is this a big ticket item for them to have to do that or what are we talking about, \$100,000, \$5,000 or \$2,500 or what? [LB210]

LARRY DIX: It just depends. You know, there are different companies out there that provide that software and some of them do them in different fashion. Some of them would say there's an up-front cost. Other ones would say you can use our software. It's just a monthly fee to do that. And so it will vary depending on what they want to do. And a majority of the folks that are providing software to the counties actually structure their pricing according to size so that the smaller the county, of course, the smaller the cost. But it...and that I don't really think makes too much difference because it's all relative. I mean, the smaller the county, the smaller the ability that they have to pay. [LB210]

SENATOR LOUDEN: Okay. Thank you. [LB210]

SENATOR UTTER: Other questions? If not, thank you, Larry, for your testimony. Is there anyone else that would wish to testify in a neutral capacity? Hearing none, why, we'll move on to the next bill. Senator Cornett. [LB210]

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SENATOR CORNETT: Thank you, Vice Chair Utter. The next bill I'm going to take a little bit of time with because we have new members on the committee and some members that have not dealt in the past with what's called streamlined sales tax and use tax. I'm going to give you a little bit of history very quickly. The streamlined sales and use tax agreement, hereafter referred to as SSUTA, is a multistate effort to simplify state sales tax administration in an effort to convince Congress to grant states the authority to require remote sellers to collect sales tax on an out-of-state purchase made by their citizens. Before I go any further, let me put that in simple language--sales on the Internet. If you are a member of the compact, we collect it. If you're not, they don't. And we have had numerous accounts of how we are being...our main store businesses or main street businesses are kind of being bled dry by the Internet. We are a member of this commission, and I have attended meetings and came back from Indianapolis this year. Nebraska began participating in 1999. We became a full member in 2005. Currently, 24 member states...there are 24 member states, including Nebraska. The revenue collected October of 2005 to September of 2010 totaled \$688 million. Nebraska's total for that period was \$42.7 million. Since April 2010, Nebraska collected approximately \$1 million a month from retailers registered with the governing board. LB211 represents the state's annual streamlined sales and use tax agreement conforming legislation. To be a member of this, you have to conform with the rules. These changes are being introduced to address several concerns raised during the most recent meeting of the streamlined sales tax governing board which I attended in October of last year. These included the annual update for references to streamlined sales and use tax agreement in the Nebraska Revenue Act, the replacing of several terms in the revenue act to match existing streamlined sales and use tax definitions, and updates to several sourcing provisions in accordance with SSUTA. LB211's update to the SSUTA is similar to our annual Internal Revenue Code update, which we discussed earlier in this hearing in LB134. LB211 contains cleanup language to replace several terms to match the SSUTA's definition. Specifically, LB211 replaces the terms "meals and food products" with "prepared foods and food and food ingredients" with an exemption provided to certain government, school, and nonprofit organizations. Nebraska Revised Statute 77-2704.24 had previously been amended to define prepared and food and food ingredients. LB211 does not change how or what items are taxed under this section. It just changes the language. LB211 updates to several sourcing provisions in accordance with the SSUTA. Sourcing is a simple way of identifying where something should be taxed. For example, if you buy something at Home Depot in Lincoln, you pay Lincoln sales tax. The SSUTA provides rules on how sellers can determine where something should be sourced or where that tax should be collected from. LB211 amends several statutes to address changes in sourcing of lease and rental payments for motor vehicles to conform with the provisions of the SSUTA. The majority of states impose sales tax on leased vehicles based on the monthly rental payments. The amendment simply requires dealers to apply the state and local sales tax rate to the lease based on the primary property location associated with the lease payment. In effect, rates change as the customer moves within the state. The rate

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changes accordingly. Under current law, the rate does not change. LB211 also changes how direct mail is sourced by distinguishing between two types of direct mail--advertising and promotional material and other direct mail--and changing the default source location or other direct mail. Currently, all direct mail is sourced to the delivery address, the location at which the direct mail is delivered to. In cases where the purchaser does not provide a summary of delivery address or an exemption certificate, the delivery is sourced to the seller's address. The proposal would change the default location for other direct mail to the purchaser's address. Advertising and promotional material would continue to default to the seller's address, the shipping point. Note: It is important to note that the default is only used when the purchaser does not provide the seller with a summary of delivery location or exemption certificate stating the purchaser will self-report the use tax based on the delivery locations. With that, I will be happy to try and answer any questions. It is a fairly in-depth or maybe not complicated, but it's like the Internal Revenue Code. There...it's a little complicated. [LB211]

SENATOR UTTER: Thank you, Senator Cornett. Any questions of Senator Cornett? [LB211]

SENATOR CORNETT: Well, we'll move on. [LB211]

SENATOR UTTER: Well, I think you got off scot-free without any difficult questions, Senator Cornett. Is there proponents, folks that would like to testify in favor of LB211? Are there opponents? Anyone wanting to testify opposed to LB211? Anybody that would like to testify in a neutral capacity? [LB211]

JIM CUNNINGHAM: Senator Utter, thank you. I'm new enough that I learned a lesson from Larry Dix. For the record, my name is Jim Cunningham, and that's spelled C-u-n-n-i-n-g-h-a-m, and I appear in my capacity as executive director of the Nebraska Catholic Conference, representing the mutual interests and concerns of the archdiocese of Omaha and the dioceses of Lincoln and Grand Island. I want to express gratitude to Senator Cornett for her explanation. When I saw that there were some changes in sections that do relate to schools and churches and organizations that provide assistance to the elderly and disabled and SSI recipients, I was a little concerned if I understood correctly what was happening. I posed the question both to staff of this committee and also to staff of the Department of Revenue, and the explanation was thorough that there is no intent or purpose in this bill to change anything of public policy, but rather to use more appropriate terminology that is consistent with the streamlined sales tax agreement. And as Senator Cornett stated, there is nothing here that alters in any way what is taxed or how it is taxed, and I appreciate the clarification of that. Thank you very much. [LB211]

SENATOR UTTER: Thank you, Mr. Cunningham. Are there any questions of Mr. Cunningham? Seeing none, thanks. [LB211]

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JIM CUNNINGHAM: Thank you. [LB211]

SENATOR UTTER: Other testifiers? Senator Cornett, you're free to close. [LB211]

SENATOR CORNETT: Only for the record two points: One, these changes bring us into compliance with the compact. If we wish to remain in and continue receiving the revenues, we need to make these changes. But with that, I forgot to offer an amendment and I will be passing that out to the committee afterwards that changes some language that needed to be corrected. [LB211]

SENATOR UTTER: Thank you. Senator Cornett, I will allow you to close the hearing. [LB211]

SENATOR CORNETT: Oh, go right ahead. [LB211]

SENATOR UTTER: The hearing is closed. Thank you all for coming. [LB211]