[LB318 LB319 LB320 LB321]

The Committee on Revenue met at 1:30 p.m. on Wednesday, February 9, 2011, in Room 1524 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB318, LB319, LB320, and LB321. Senators present: Abbie Cornett, Chairperson; Dennis Utter, Vice Chairperson; Greg Adams; Deb Fischer; Galen Hadley; LeRoy Louden; and Pete Pirsch. Senators absent: Dave Pankonin.

SENATOR CORNETT: Good afternoon. I'm Senator Abbie Cornett from Bellevue. To my left is Vice Chair Senator Dennis Utter from Hastings. To his left is Senator Deb Fischer from Valentine. Senator Greg Adams from York will be joining us. To my far right, Senator Pankonin is excused today. Senator Pete Pirsch is just joining us, from Omaha; Senator LeRoy Louden from Ellsworth; and Senator Galen Hadley from Kearney. The research analysts are Stephen Moore to my right and Bill Lock will be joining us later and he will be to my left. Committee clerk is Matt Rathje. The pages today 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 do come up to testify, please hand that form to the committee clerk. There are clipboards by the back doors for those wishing to...do not wish to testify but wish to indicate either their 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 the proponents, opponents and neutral. Only the introducer will be given 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 committee and staff; if you do not have ten copies, the pages will make copies for you. When you come up to testify please hand those to the pages. With that, we'll open the hearings. Senator Utter.

SENATOR UTTER: Thank you, Senator Cornett. First bill today is LB318 and Senator Cornett will open on that.

SENATOR CORNETT: Senator Utter, I apologize. I didn't brief you ahead of time. We're going...I'm going to open on all of the bills at one time because they're all basically the same issue. And then people coming up to testify can testify on all of them at the same time. It's a little bit more expedient that way.

SENATOR UTTER: I'd say that's the Chairman's prerogative, you just go right ahead. (Laugh)

SENATOR CORNETT: Well, I figured we'd want to be out of here at a reasonable hour tonight. Good afternoon, Vice Chairman Utter and members of the Revenue Committee. My name is Abbie Cornett, C-o-r-n-e-t-t. I represent the 45th Legislative District. I am here today as the introducer of four bills pertaining to the Homestead Property Tax Exemption Program. Each of the bills, LB318 through LB321, is a product of the LR542 budget cutting process as it pertains to the General Fund expenditures of the Department of Revenue which administers the Homestead Exemption Program. The estimated cost of the state aid program in the near future is expected to skyrocket due to Nebraska's aging or baby boomer population swelling applications for homestead exemptions and the cost of the Homestead Exemption Program. The four bills are designed to limit the growth of applicants to save the homestead program before it becomes unsustainable. I want to make sure the committee, the members that were not here through the LR542 process, understand that it is none of our intents to eliminate homestead. We do have to find a way to control the growth in the out-years, similar to what we're doing in education with TEEOSA, otherwise it is going to become unsustainable for the state in the out-years. LB318 changes the age of eligibility for the program which is currently age 65. The age of eligibility would be increased to 66 years of age for 2012 and 67 years of age for 2013 and thereafter. The projected General Fund savings attributed to LB318 is $466,000 for fiscal year 2012, and $973,000 for '13...for '13 and '14, and $1 million for '14 and '15. Now I know that AARP is bringing us an amendment to this bill that helps the people that are already receiving homestead exemption transition. So it will change the fiscal notes. We are not as concerned for the upcoming biennium as the out-years. We've already had to do a deficit appropriation for last year. And the growth of the program was larger than we foresaw for the upcoming biennium. LB319 caps the reimbursement to local tax jurisdictions under the Homestead Exemption Program at $75 million annually. It is estimated that LB319 will save the state General Fund $2.7 million for 2012 and '13, and $6 million, and that shows you an idea how quickly the program is growing, for 2013 and '14, and $10.3 million for '14 and '15. I spoke with the Tax Commissioner today about a problem that he saw with this. It's more targeted at the larger cities or counties that may turn in because we capped it and did not prorate it. So it would be, unfortunately, similar to the jail reimbursements--the first people that applied for it would get it. He recommended that we draft an amendment, which I have not had a chance to work on yet, where we prorate that throughout the year so every county would receive...be able to be eligible for part of that money. LB320 changes the household income limits for residential property taxpayers beginning with 2012 and requires the new household income limits to be indexed for inflation annually beginning in 2013. Yes, we would be lowering that limit, but we would be indexing for inflation moving forward. It is estimated that LB320 will save the state General Fund $10.5 million in FY...fiscal year 2012-13, and $11.1 million for...pardon me, $11.7 million for '13 and '14. LB312 (sic) changes the homestead assessed value limitation which compares the assessed value of the claimants homestead to the average assessed value of a single family residential property in the claimants county to residents to determine whether a claimant is eligible to receive homestead exemption. Also, LB312 (sic) redefines maximum value for the purpose of the Homestead

Exemption Program. Essentially, LB321 rolls back the valuation limitation and defines a maximum value to the levels that were used immediately before laws of 2006, which was LB968, Section 13 increased those levels. It is estimated that LB321 would save the state General Fund $6.8 million for fiscal year 2012, $7.1 million for fiscal years 2014, and $7.5 million for '14 and '15. Before I finish with this, I want the committee to know that we are working with AARP. And they have some good recommendations on how we can also look at the homestead program that may not be as onerous as a couple of the ones in here. This is a work in progress. This committee does need to find a way, though, with a combination of these bills or any suggestions, I'm more than willing to work with anyone on this, to limit the growth in the out-years. With that, I'd be happy to answer any questions from the committee. [LB318 LB319 LB320 LB321]

SENATOR UTTER: Thank you, Senator Cornett. Are there questions? Senator Hadley. [LB318 LB319 LB320 LB321]

SENATOR HADLEY: Senator Cornett, to your knowledge has the Governor included any of these recommendations in his budget request? [LB318 LB319 LB320 LB321]

SENATOR CORNETT: He did not include them in the budget request. But at the same time, he has not said to me that he is opposed to them. [LB318 LB319 LB320 LB321]

SENATOR HADLEY: Okay. I just wondered whether by either enacting them or not enacting them we were impacting his formal budget? [LB318 LB319 LB320 LB321]

SENATOR CORNETT: No, we are not impacting the Governor's budget. Part of the issue is a lot of this deals with past the next biennium and the growth past that, because that's where we really start seeing it explode. [LB318 LB319 LB320 LB321]

SENATOR UTTER: Other questions? Thank you, Senator Cornett. [LB318 LB319 LB320 LB321]

SENATOR CORNETT: You're welcome. Thank you. [LB318 LB319 LB320 LB321]

SENATOR UTTER: (Exhibit 1) Before we call the first witness for this...the first proponent on this bill, I will just mention that the Department of Revenue has submitted a letter in a neutral capacity with regard to LB319. And I think all of you have a copy of that. And with that, why, I will ask for the first proponent. No proponents? Then, I guess, we move to opponents. How many are here to testify today as opposing this legislation? And how many are going to testify in a neutral capacity? Thank you. Mr. Intermill, welcome to Revenue today. [LB318 LB319 LB320 LB321]

MARK INTERMILL: (Exhibits 2-4) Thank you. And we are splitting up duties on testimony today. Mr. Courtney, from AARP will be addressing LB318. And I'll be...I'll do

LB319, LB320 and LB321 all at once here. We do have some ideas that we...first of all, we agree that we need to address the sustainability of the program. We recognize that that's something that we're on the wave of a demographic change and we need to address that. [LB318 LB319 LB320 LB321]

SENATOR UTTER: Excuse me, Mr. Intermill. Do you want to... [LB318 LB319 LB320 LB321]

MARK INTERMILL: I just remembered that I forgot to do that. My name is Mark Intermill, M-a-r-k I-n-t-e-r-m-i-l-l, representing AARP. [LB318 LB319 LB320 LB321]

SENATOR UTTER: And you might spell that for us if you will please. [LB318 LB319 LB320 LB321]

MARK INTERMILL: A-A-R-P. (Laugh) [LB318 LB319 LB320 LB321]

SENATOR UTTER: No, no, Intermill. [LB318 LB319 LB320 LB321]

MARK INTERMILL: Oh, I-n-t-e-r-m-i-l-l. [LB318 LB319 LB320 LB321]

SENATOR UTTER: I would help you with that, but I thought maybe you could handle that. [LB318 LB319 LB320 LB321]

MARK INTERMILL: Thank you. LB319, we do have some concerns about that bill. And if I get my paper straight here, the thing that we have found in the homestead exemption has a remarkably strong correlation between residential property taxes paid in the state and the amount of homestead spending. LB319 wouldn't necessarily address that. So I think we see a problem there that we would set a cap of how much the state would pay that wouldn't necessarily address the total amount of homestead exemptions that would need to be provided, essentially shifting the cost to local government. So we don't see that...while it may address the state's liability, it doesn't necessarily address the overall sustainability of the program. So we will...we oppose LB319 on that basis. LB320 we also oppose. Again, we recognize that there's a demographic imperative. LB320 addresses the income scales for the homestead exemption. But what we see the...that by changing the income scales we essentially are reducing the numbers of people, some of whom would have fairly low incomes, who would be eligible for the homestead exemption and they wouldn't be able to utilize the program. This is something that again we see...we would like to make sure that those individuals who have the least amount of income are able to use the benefits of the homestead exemption. That's the intent as we see it of the program. We want to make sure that it's there for those individuals. We also recognize, and I understand that this isn't part of the current budget shortfall issue, but I have been looking at the different budget recommendations and trying to identify those things that might affect me personally and I haven't found any. But I am seeing things that are addressing people who are of more limited means and addressing services that are directed to people who have lower incomes. So that's one of the things that we just also mention. And this committee is the one that would probably come up with issues that would affect me and I'm willing to accept those. So that's something that we also wanted to mention with regards to LB320. LB321 is an issue, as Senator Cornett mentioned, was most recently changed. The original bill was LB1171 which became...was merged into LB968. And this was something that AARP advocated for back in 2006. And the reason that we did this, that we advocated for this was because we were seeing some inequities in the application of the Homestead Exemption Program on the basis...county to county basis. And I've included, in the attachment to LB321 testimony, a list of the counties, the average value of single-family residential property, the maximum exemptions, the maximum value that are eligible. And what we were seeing was that in counties that were at the high end of the scale in terms of average residential value and those at the low end of the scale that they were doing...people in those counties were doing better than those who were in the middle. And so as you look at the counties and what the average residential value is, it's those counties in the $50,000 to $70,000 area, that range were the ones that we saw where a person in that county would be less likely to get a full exemption. I think for 100 percent exemption...qualifying for 100 percent exemption doesn't mean that you get 100 percent of your property tax relief as a result of the homestead exemption. And how those differences, how those different values interplay, and that those midrange value counties were the ones that seemed to be at a disadvantage. So that bill that was changed in 2006 corrected that and it has worked. We see a more equitable distribution of the homestead exemption benefits among counties. And we would recommend that we not go back to that situation where we weren't as equitable. So those are just the basics of our positions on LB319, LB320 and LB321. And I'd be happy to answer questions. [LB318 LB319 LB320 LB321]

SENATOR UTTER: Thank you, Mark. Questions for Mr. Intermill? Senator Pirsch. [LB318 LB319 LB320 LB321]

SENATOR PIRSCH: Just wanted to have, your understanding the homestead exemptions have been in effect how long, if you know? [LB318 LB319 LB320 LB321]

MARK INTERMILL: Longer than I can recall so. [LB318 LB319 LB320 LB321]

SENATOR PIRSCH: And your understanding of the policy reason underlying its creation is? [LB318 LB319 LB320 LB321]

MARK INTERMILL: To provide those individuals who are...do not have adequate income to pay their property taxes to provide assistance in making those payments so that they don't lose their homes. [LB318 LB319 LB320 LB321]

SENATOR PIRSCH: So it's tied to income, right? [LB318 LB319 LB320 LB321]

MARK INTERMILL: Um-hum. [LB318 LB319 LB320 LB321]

SENATOR PIRSCH: And has...this type of a measure has been employed in other states, homestead exemptions, right? [LB318 LB319 LB320 LB321]

MARK INTERMILL: Um-hum. [LB318 LB319 LB320 LB321]

SENATOR PIRSCH: Do other states have an approach, and I wonder what your view of this would be too, not income but overall assets? Is that ever a screen in certain jurisdictions? [LB318 LB319 LB320 LB321]

MARK INTERMILL: I can...the state that I'm most familiar with is Kansas. And I used to help do homestead exemptions in Kansas and they did not. I haven't seen any states...we get a report from AARP that outline different tax relief program, property tax relief programs. I'll take a look at that and see if there are any that address assets. I think one of the proposals that we will be bringing, that Mr. Courtney will bring forth, addresses that maybe indirectly. But... [LB318 LB319 LB320 LB321]

SENATOR PIRSCH: Yeah. And, of course, the reason, as you've just mentioned, you realize that the growth in this homestead because of the demographics is growing exponentially. And so this committee may be tasked with looking at what's the most fair way to make sure that the goal started is now done. And I'd be interested, when you do that, you know, if you reach a conclusion that there are some who are in the position clearly to limit their income though they have assets that are quite significant and that ordinarily the state wouldn't have a worry or concern about. So that's one angle that I've been trying to...interested in, in the past. So I appreciate your testimony here today. And we'll talk further. [LB318 LB319 LB320 LB321]

MARK INTERMILL: Sure. Great. [LB318 LB319 LB320 LB321]

SENATOR UTTER: Senator Hadley. [LB318 LB319 LB320 LB321]

SENATOR HADLEY: Senator, thank you. Mr. Intermill, I think just...I would like to reemphasize we're facing the same problem that the federal government is facing in the Medicare area. And that's made the news a lot. And the biggest difference is we can't print money. And so I hope people understand that this is not being done as a punitive measure or such as that, but it's just that we're...it's a nationwide problem and it happens to impact some of the programs we have. And we have to balance the budget as best we can. [LB318 LB319 LB320 LB321]

MARK INTERMILL: And I appreciate that. And we share...we wanted to make sure that the Homestead Exemption Program is sustainable. We want to make sure that it's there for people in the future. So we recognize the task at hand. I should also mention that in my statement on LB320 we did mention...and that relates to changing the income scales that if we are able to implement a couple of the things that we're recommending, and if we later find that those aren't adequate to assure sustainability, that we would be interested or willing to look at income scales. But that we want to make sure that we provide as much protection to those at the lowest end of the income scale as possible. So that's really, and I guess in answer to Senator Pirsch's question, we want to make sure that those individuals who truly aren't able to pay their property taxes receive the best protection possible. [LB318 LB319 LB320 LB321]

SENATOR HADLEY: I would...I think everybody on the committee would wholeheartedly agree with that, that we must certainly protect those people who are...they basically...they can't...they find it impossible to pay the property taxes. [LB318 LB319 LB320 LB321]

MARK INTERMILL: Um-hum, yes. [LB318 LB319 LB320 LB321]

SENATOR UTTER: Further questions? Hearing none, thank you. [LB318 LB319 LB320 LB321]

MARK INTERMILL: Thank you. [LB318 LB319 LB320 LB321]

SENATOR UTTER: Next opponent. [LB318 LB319 LB320 LB321]

GREGORY HOLLOWAY: Senators, my name is Gregory R. Holloway, H-o-l-l-o-w-a-y, from the big city of Bee, Nebraska, Senator Adams' district. I'm here today to speak to oppose this pending legislation for this many, many reasons as the fact that the homestead exemption, I believe, I'm not sure how long it's been around, but when it first was initiated there was no income guidelines at all. And they've been kind of slowly figuring out that things do have to be equitable for everybody around. And I agree that we are in a budget shortfall within the state and we need to find ways to sustain all the programs within this great state. But then again, the people that have fought and served for this country so we do have the ability to have a homestead exemption are the ones that are going to be affected. Myself, I'm 64 years old. I served in Vietnam at the very old age of 21 in 1968. As a matter of fact, right now in January I was home on leave waiting to go to Vietnam. I am 100 percent service connected. So some of these programs won't affect me a lot. But my disabled veterans that are not fully 100 percent with the raise in the income guidelines and the reduction of the amounts that they can claim on their homes and increasing the age limits I don't know if anybody has done any demographic studies on how many are going to be affected within these age limits that are going to be raised from 66 to 67 years old. Are we going to save any money by raising those ages and impact on the persons of that age that are on fixed incomes?

And we are not getting the COLA raises. Our income is fast and steady, especially if you're on service-connected disability and Social Security disability. We have no ways of increasing our income as some of the other members of the community. So it definitely impacts our pocketbooks. Three dollars and eighteen cents a gallon gasoline, milk is going up, and believe it or not at 64 years old I still like to drink milk. I don't drink much beer though. That's why I'm here today, looking after the veterans of the state, not only just the disabled American veterans which are my constituents, as I am the state department commander for the Disabled American Veterans, but all veterans that reside and possibly might want to reside in this state. A lot of us that are 100 percent can go to other states and live a lot cheaper. And I have a friend of mine that is moving to Arizona for that fact. And when you get up in those ages they want to leave. And trust me, even though we look to the youth of our state to keep our state vibrant, we still need us old guys to carry the load. And that's why I'm here today to ask you to consider other ways of funding the state of Nebraska other than the backs...upon the backs of all veterans and all our people of age that need to be looked after. Thank you. I'll...ask any questions if you have. [LB318 LB319 LB320 LB321]

SENATOR UTTER: Thank you, Mr. Holloway. Are there questions for Mr. Holloway? Hearing none, thank you very much for your testimony. [LB318 LB319 LB320 LB321]

GREGORY HOLLOWAY: Thank you for your time, Senators. And keep in touch. [LB318 LB319 LB320 LB321]

SENATOR UTTER: Further opponents? Seeing none, we will take testimony in a neutral capacity. [LB318 LB319 LB320 LB321]

MIKE GOODWILLIE: (Exhibit 5) Good morning, Senator Utter, members of the committee. My name is Mike Goodwillie, G-o-o-d-w-i-l-l-i-e. I am a deputy Douglas County Assessor and I am going to testify on all of the bills. I spoke with Senator Cornett. There are two of these that we're neutral on and two of these that we oppose. So I want to be up-front and try and avoid the accusation that we're using neutral testimony as sort of a wolf in sheep's clothing for opposition. Let me just start down the list. And let me start off by prefacing this with Douglas County, in the last three years, has had between about 9,500 and 10,000 homesteaders. In the most recent certificate of taxes levied that we provide to the state of Nebraska I think the tax loss that was reimbursed represented about $19.5 million. So in short, we process more of these than anybody else. And it impacts more taxes than anybody else. And I must be candid. We really like the program because in a county our size, yes, there are plenty of applicants that would have a great deal of difficulty remaining in their homes if they weren't getting this kind of help. You know, all that said, and the other reason we like it is because it's one of the few things that we assessors do that everybody likes it when we do it. (Laugh) But that's neither here nor there. Let me start with the different bills. On LB318 we are testifying in a neutral capacity and the reason we are is because this is probably a more palatable idea than a couple of the others because no one, in my understanding of the bill, and I haven't seen the AARP amendment, but my understanding of the intent, from what I've heard today and from what I've seen on the bill is that nobody who's currently in homestead would be thrown out by virtue of their advancing age. I mean that's the...that's what is intended. And I think that probably is a more gentle way to do it than any one that could be suggested otherwise. You know, it's...obviously, if we had a perfect world we wouldn't be changing the program at all. But we do get that the demographics are changing. Anecdotally, we sent out more homestead applications to potential people that would be in the program this year than any other year. What happens is we send applications out to those currently in the program and to anybody else that calls and says, we think we may be eligible, we'd like an application. And we are sending out this month somewhere in the neighborhood of 16,000 applications. I don't have the figure with me of what it was last year but this year is more. And so I would guess that, yes, that trend is going to continue. And I suppose it is not an unreasonable option to say if people are taking better care of themselves, and living better and living longer and are healthier longer, that 67 may be a better place to be than 65. That seems to be the direction that Social Security is going. And if you're going to change the program, I guess I would say that's probably more palatable than a couple of the other options on the table. Let me move to LB319. And we oppose LB319 in its current form for two reasons. One is, obviously, it's going to create issues in terms of what happens when the number of approved homestead claims exceeds the funding. So you've got $80 million worth of claims and a $75 million cap, what happens? Well, because LB319 does not adjust any of the eligibility requirement, what it means is that those who apply and who fit the age or they fit disabled or disabled veterans or what have you, and their income is in line, and their home value is in line, they're still entitled to qualify, only it's not going to be reimbursed. And near as I can tell what that means is all those political subdivisions that tax real property in that jurisdiction in which the homesteader lives, they're going to end up eating their share of that tax loss. And in light of some of the other budget cutting measures proposed in terms of aid to political subdivisions or political schools, or to schools rather, this would seem to me to be yet another instance where the local political subdivisions would have to dig deep and make it up. It would probably vary by county what the bite would be, but nonetheless it would be an unreimbursed expense that the political subdivisions are no longer able to cover with tax dollars. The other issue that we have with it is the way it's currently written in terms of how the tax commissioner will decide what claims are going to be reimbursed. What it says is based on the dates upon which claims for exemption were approved on a first-come, first-served basis. What I'm not clear about is what it means when you say the dates upon which claims for exemption were approved. I can think of three things that it might mean. I'm not sure which one it is. It might mean the first time someone was approved for homestead. That was the spin the World-Herald put on it in its article. So if, for example, not to pick on anybody, but if Senator Adams has been on homestead for five years, and I'm a first time applicant, does that mean his claim gets reimbursed and mine does not? I might be in worse financial straits than Senator Utter (sic), so there would be an inequity in that regard; if it means when the claim is first approved by the local county assessor then I think you have fights, you know, it would be a race among the 93 counties to see who could approve claims faster. And I don't know if there's any inherent advantage or disadvantage to small counties versus big. But what I can tell you is, I know Douglas and Lancaster both have some taxpayers or some homestead applicants who need to avail themselves of the July 1 to July 20 grace period that a county board can grant for somebody that's not been late before. Those claims would still be awaiting county approval while another county's claims may have been approved. So you could have the situation where some counties are fully reimbursed, some counties are not. And the third way you could construe it is, does approval...date of approval, does that mean the date that the Department of Revenue finally approves the applications after reviewing for income and any other reasons that they're able to review. And so would counties be at the mercy of which stack of homestead applications the Department of Revenue picks up first? We really...obviously, capping it is going to create some sort of unreimbursed homestead tax loss and so we oppose it for that reason. But we also oppose it because, quite frankly, we're not sure how it would be implemented. LB320, let me take these out of order, LB320 versus LB321. We are testifying in a neutral capacity on LB321. That's the one that changes...oh, I'm sorry, is it LB320 or LB321 that's...okay, LB320 is income, LB321 is value. Yes, we are testifying in a neutral capacity on LB321. And the reason we are is because if you view the public policy in favor of having a homestead exemption at all is to assist those low-income seniors or moderate-income seniors stay in their home, quite frankly, if you look at the numbers in our county at least I think we have people in the program that don't strike me as low- or moderate-income seniors. In Douglas County the average single-family residential value is $143,000. So if you are over 65 that 200 percent threshold to be eligible to be in the program, actually it's a little more than $143,000. So let's round it and to be eligible, 200 percent of the average in Douglas County is $287,000. Quite frankly, that strikes me as a lot of value in your home to be eligible for a program that's supposed to benefit low- or moderate-income seniors. Similarly, if your are 100 percent exempt that's $143,000. And, you know, whether that's high or not, that strikes me as a pretty nice home. That may be somebody for whom the wolf is not at the door. So, you know, if you are going to tinker with the homestead program and the eligibility for it and actually veterans who are not...who do not have their homes contributed to by the VA, their valuation eligibility amounts are higher--225 percent and 120 percent is the maximum exemption. And so that pushes that eligibility amount north of the $300,000 mark. And the exemption is somewhere in the neighborhood of $170,000; if you are going to tinker with this program my thought would be to try and tailor that to folks that really do need the program. And I think Senator Pirsch asked kind of a question about means testing or at least I think that's what you were getting at when you were talking to Mr. Intermill. Quite frankly, this is a clientele that struggles with the forms. They're not really complicated forms, but using my own, I have some relatives that are in the program, not naming any names. But with each increasing year they become less...they become a little more helpless, a little less able to negotiate the forms. And they struggle with the ones we have now. I think if you decide to do a more complicated means test and ask about assets and bank accounts and stocks and things like that I think they would really struggle with that. And I think as a surrogate for means testing the valuation of somebody's home is probably as well as you're going to do. And so I guess I would say if I had a preference, if you had to do any of these things, yeah, looking hard at the valuation amounts for eligibility and exemption is probably the way to go and still keep within the spirit of what the program is meant to do. Now let me turn to LB320. We are in opposition to that bill; if you look at the amounts in the bill that's a little bit deceiving and it's not anybody's fault. The department...those amounts that are being eliminated were adopted a number of years ago. And the department has adjusted the amounts every year for inflation. And so currently if you look at the amounts in LB320 for income they basically, in each category, are about $3,000 less than the amount that the Department of Revenue has told us will be in place for each element for 2011 applications. The impact of this...well, let me...I did a little chart for my own benefit with story problems too. And if I can find it, I'll be happy to provide it to the clerk to make copies. I think that's the drill, if you would please. Currently, if you are...I'll just take one group--if you are married and over 65, you are 100 percent eligible based on income, if your total household income is less than $29,500.99. As your income climbs in increments of about $1,500, your percentage of relief declines to 85 percent, 70 percent, 50 percent or 55 percent, excuse me, 40 percent, 25 percent, until you completely pass out of the program with a joint income of $37,401. Quite frankly, based on what we see, I'm not sure those are particularly lavish amounts; $37,401 sounds pretty good until you consider that, you know, we do tax Social Security benefits and other kinds of pension benefits. And I called Mr. Intermill the other day to touch base on this. And I was looking for something demographic, you know, what was the typical senior's expenses. And the answer he gave me was kind of interesting. And I thought about it all the way down here today. He said, we don't really have a typical senior anymore. And I know there are articles in the World-Herald periodically about grandparents, you know, who are raising grandkids because the parents are no longer around. I think you'd be hard-pressed to support yourself and raising grandkids on an income of $37,401 or less. And so I don't think these amounts are lavish by any means. What the bill would do is you would be in that same bracket, instead of being 100 percent eligible at $29,500, that would be reduced to $26,190. And you would completely pass out of the program with a joint income of $33,211. As a practical matter, in the handout you're going to get, I ran through several scenarios. Basically, to make a long story short, there are people who are 100 percent exempt now who would be only about 55 percent exempt if the new bill goes into place. There are people who are 40 percent and 25 percent exempt now that would be completely ineligible with the new income limits. And I think there are some people that might be in the 55 percent group that could be completely out. So if I were to characterize LB320, what it means is you run through the bracket faster before you no longer qualify. And I think that's perhaps a less palatable option than LB321 because we're in an era of $3 a gallon gasoline and $3 a gallon milk. And, you know, those income limits, at least anecdotally, don't seem to be lavish by any means based on kind of what our applicants tell us. And with that, I guess, I'm done. Neutral on LB318 and LB321, opposed to LB319 and LB320. And I would be happy to entertain any questions that you happen to have. [LB318 LB319 LB320 LB321]

SENATOR UTTER: Thank you, Mr. Goodwillie. Are there questions? Senator Hadley. [LB318 LB319 LB320 LB321]

SENATOR HADLEY: Senator, thank you. Mr. Goodwillie, I am looking at the fiscal note that we get on all the bills. And LB319, you know, I think it's an interesting fiscal note because it really shows why we have a concern. It estimates the reduced General Fund expenditures by the following, which means that if we don't enact it, that's what we lose in General...or it costs us $2,700, $3,300, $3.3 million up to $4.2 million. So you can see the exponential climb of the homestead exemption. I think that really shows to me the problem we got, because if you carried that out ten years you could have just a huge amount if it continues to climb the way it is. And in just basically about four years it increases $16 million a year that the state has to produce. So I hope people can see why we're concerned about this. [LB318 LB319 LB320 LB321]

MIKE GOODWILLIE: Senator Hadley, I understand perfectly well. I have not had a chance to see the fiscal note. I have no doubt that what you're telling me is absolutely true. And I don't envy any of you deciding which of the bills, if any, to pass out. What I am saying is that simply if there is a choice, if the change in age or the change in eligibility amounts will forestall that sort of, you know, pass the tax loss along to the political subdivisions, that would be preferable to us. [LB318 LB319 LB320 LB321]

SENATOR HADLEY: Just another question. Basically, the homestead exemption does not cost the counties any money. Is that correct, because basically the state is reimbursing... [LB318 LB319 LB320 LB321]

MIKE GOODWILLIE: Yes. [LB318 LB319 LB320 LB321]

SENATOR HADLEY: ...the county. [LB318 LB319 LB320 LB321]

MIKE GOODWILLIE: Yes. Well, I mean, obviously we're eating our own administrative costs. But... [LB318 LB319 LB320 LB321]

SENATOR HADLEY: Sure, but you're not losing... [LB318 LB319 LB320 LB321]

MIKE GOODWILLIE: ...but, no. What happens is, we certify the amount of homestead tax loss to the state and the state provides money back and that gets distributed among the different political subdivisions. So that's right. [LB318 LB319 LB320 LB321]

SENATOR HADLEY: Okay, thank you. [LB318 LB319 LB320 LB321]

SENATOR UTTER: Other questions for Mr. Goodwillie? Seeing none, thank you very much for your testimony. [LB318 LB319 LB320 LB321]

MIKE GOODWILLIE: Thank you, Senator and members of the committee. [LB318 LB319 LB320 LB321]

SENATOR UTTER: Further neutral testimony. Good afternoon. [LB318 LB319 LB320 LB321]

ROBERT COURTNEY: (Exhibit 6) Good afternoon, Senator. Good afternoon, Senator Utter and members of the Revenue Committee. My name is Robert Courtney, C-o-u-r-t-n-e-y, and I live in Crete, Nebraska. I volunteer for Saline County Elder Care where I, personally, complete between 75 and 100 homestead applications every year. So I see a lot of the things that we're talking about here today up close and personal. I also volunteer for Aging Partners in Lincoln and represent Saline County on their Areawide Advisory Council. Today I'm representing AARP where I'm a Volunteer Statewide Coordinator for Advocacy and a registered lobbyist. AARP strongly supports the Homestead Exemption Program. It is the one bright spot in Nebraska retirees taxation system that is otherwise very bleak. The program provides property tax relief for individuals who are over 65 years of age, or handicapped at any age, and have limited ability to pay. We are reluctant to support any change that will limit their access to the program. But we also recognize that the sustainability of the homestead exemption is an important public policy goal. One of the four bills that the committee will hear today, LB318, is the one, the only one, which would not result in loss of the benefit for someone who is currently receiving a homestead exemption. So it is a bill that would be the least likely to terminate eligibility for someone who is depending on the program to make ends meet. AARP will not oppose LB318 if it is amended to extend the implementation date for moving the eligibility age from age 66 to 67 to a later date. Currently, a person becomes eligible on January 1 of the year after they celebrate their 65th birthday. All persons born in 1945 would meet the age eligibility guidelines for the homestead exemption in 2011. Under the current terms of LB318, a person born in 1946 would not be eligible until 2014. Let me explain that to you just a little bit; if I turn 65 this year some time during the year I would not be eligible next year under the age of 66 because I turn 66 some time during that year. And again, on the following year, I would not be eligible because I turned 67 sometime during the year and am not 67 on the first day of January. So it would take until 2014 for me to be eligible for my first homestead exemption. As we looked at LB318 we recognized that there is a case to be made for aligning the eligibility age with the Social Security full-benefit retirement age. Individuals born in 1943 through 1954 will be eligible for full Social Security benefits at the age of 66. Persons born in 1955 will be eligible for full benefits at the age of 66 years and two months. As we discussed the option of linking the homestead exemption eligibility age with the full-benefit age, Department of Revenue staff made it clear that this incremental approach would be administratively unworkable. So we're proposing that the eligibility age be moved to 67 in the year that the full retirement age moves beyond 66--which will be in 2021. As we have discussed LB318, LB319, LB320 and LB321 with our members, we found a consensus that the program should be maintained for those persons who cannot afford to pay their property taxes. With that in mind, we would offer another suggestion for improving the sustainability of the program and still meet the goal of directing its benefit to those who need it most. We have attached a copy of the Form 458, Schedule I. This is the form used to determine if a person meets the income eligibility guidelines of the program. An applicant includes both taxable and nontaxable Social Security--that's on line 2, your railroad retirement--that's on line 3, and interest and dividend income--lines 6 and 7 to determine income eligibility for the program. But only the taxable portion of pensions and annuities--line 4 or IRA distributions--line 5--are considered. Eligibility for the program should be based on the ability to pay property taxes. All sources should be considered in the determination of eligibility for the program. So we believe that we've already got a precedent set where we're taxing Social Security, both taxable and nontaxable, total amount of Social Security. So we believe that in lieu of doing the other, LB319, LB320, LB321, we would recommend that you look at taxing the full amount of the pensions. I'm a retired federal employee so I have civil service retirement. A portion of my retirement pay is not taxable income. That's because I paid tax on it originally when I deposited it into my account. So there's a portion of it that's set on a scale that is not taxable. But this is still dollars in my pocket. That money that I draw would still be available for me to pay my property taxes. So we feel that those dollars also should be considered as income based for the homestead exemption when you come up with the income amounts. I believe that's the same way that you could talk about your Roth IRAs. That is money that you set aside and you don't have to pay tax on it when you file your federal income tax return. But again, that's income that, when you start to draw your Roth IRA out, would be available for you to pay for your property taxes. We feel this should be considered as money available and also be taxed for the homestead exemption. To summarize, we're not opposed to a change in the eligibility age of moving to 66 in 2012 and 67 in 2021. We'd also not be opposed to including all receipts from pensions, annuities, IRA distributions and not simply the taxable portion of these sources. That's all I have, senators; if there's questions, I'd be glad to try to answer them. [LB318 LB319 LB320 LB321]

SENATOR UTTER: Thank you, Mr. Courtney. Questions? Senator Hadley. [LB318 LB319 LB320 LB321]

SENATOR HADLEY: Senator, I'm sorry to ask a question. But, Mr. Courtney, I think...I appreciate your testimony because you work with the people who are dealing with this every day. [LB318 LB319 LB320 LB321]

ROBERT COURTNEY: Yes, sir. [LB318 LB319 LB320 LB321]

SENATOR HADLEY: Do you find many people that are, and I hate to use the term, trying to game the system in any way in the homestead exemption or do you find most of them are very legitimate cases? [LB318 LB319 LB320 LB321]

ROBERT COURTNEY: I'll tell you, it's...I don't believe there's very many people, if any, that try to game them. Those folks that I honestly see in Saline County deserve every nickel of it. They really work hard and some of them are living on $6,000 a year. And if we take that...I've got a neighbor, for instance, who had to retire early because of his health, he couldn't work anymore. So he's drawing a reduced rate of Social Security. He lives on about $1,700 a month. And I'll tell you, right now he's not able to feed himself well. He ends up using the money out of the Elder Care Food Basket Program. We help him every way we can; if this gentlemen doesn't get his homestead exemption or something is really reduced on his homestead exemption he's going to have to go out of his home. He just can't afford to live there. So we're talking less than $20,000 a year. And it's just about impossible with your insurance premiums, your Medicare and everything to be able to do that. And I think he's a good example of what's there. I do see people that do get some money from Roth IRAs, it comes under 1099, that is not taxable. And so by law we can...we don't include that as taxable income. And I believe those folks would absolutely be able to do that. But all they're doing is following the intent of the law. So I don't think that's gaming it. I think they're just... [LB318 LB319 LB320 LB321]

SENATOR HADLEY: No, I didn't mean gaming it in almost a bad sense, but you know loopholes or things that we can improve the system because it is an income-based system... [LB318 LB319 LB320 LB321]

ROBERT COURTNEY: Yes, sir. [LB318 LB319 LB320 LB321]

SENATOR HADLEY: ...versus we've never gone to--an asset, looking at assets also. [LB318 LB319 LB320 LB321]

ROBERT COURTNEY: I realize that. I think it would be very difficult. It would have to be self-reported assets. [LB318 LB319 LB320 LB321]

SENATOR HADLEY: Um-hum. [LB318 LB319 LB320 LB321]

ROBERT COURTNEY: And I think that would be very difficult for anyone to audit. Where our proposal is to add on the nontaxable portion of these income...these pieces of income, and those are all reportable on the 1099 or easily auditable by the Department of Revenue. That was one of the things that they...that Revenue really wanted to know--were we going to be able to audit to make sure these were correct.

[LB318 LB319 LB320 LB321]

SENATOR HADLEY: Thank you. Thank you, Senator Utter. [LB318 LB319 LB320 LB321]

ROBERT COURTNEY: Yes, sir. [LB318 LB319 LB320 LB321]

SENATOR UTTER: Other questions? Seeing none, thank you very much for your testimony, Mr. Courtney. [LB318 LB319 LB320 LB321]

ROBERT COURTNEY: Thank you, Senator. [LB318 LB319 LB320 LB321]

SENATOR UTTER: Next neutral testifier. Welcome. [LB318 LB319 LB320 LB321]

MARILYN HLADKY: Thank you. Good afternoon, Senator Utter and members of the Revenue Committee. Thank you for the opportunity this afternoon to be here to testify on these bills. My name is Marilyn Hladky, M-a-r-i-l-y-n H-l-a-d-k-y. I am the Seward County Assessor and have been so since 1995. I'm here today testifying in the neutral position on LB318, LB320 and LB321 on behalf of NACO, the Nebraska Association of County Officials. Mr. Goodwillie has said a lot of things that I was going to say, so I won't repeat it. But NACO certainly understands the Legislature's difficult funding issues that they have before them this year. And we realize that our concerns with LB318, LB320 and LB321, especially LB318, would be delaying the year when people could sign up for homestead exemption. As the gentleman before me said, you know, people would have to wait longer to sign up for homestead exemption. LB320 we're also neutral on. It looks like, when I did some calculation, it's about an 11 percent reduction on the qualifying income. And our concern would be how this change would effect the elderly, the disabled and the veterans who depend on the homestead exemption to be able to stay in their homes. And our concern would be that many who qualified in the past may not get any relief under the Homestead Act if that was to be changed, creating a financial hardship. Thinking maybe instead of 11 percent if there could possibly be a different, you know, lesser percent, even though you're still reducing it, maybe not the 11. On LB321 is value, there could be some that as they reach the age to apply could not because of the value of their property, creating a hardship on these individuals. And many of our applicants have lived in their homes their entire lives. And when they bought their homes they were valued at a fraction of what they are today, just because over the years that's how the valuation of properties have gone up. LB319, I would like to testify in opposition to. And I guess I would be...when I look at it also as an assessor, I think it would be more helpful if some more definitions were on how this bill would work. And I'm sure you maybe have had a lot of input on it already. But when this bill limits the amount that the state would allocate for homestead exemption to $75 million and then if the reimbursement need is over that it goes on a first-come, first-approved basis on the dates the claims were approved. I read that and my thought was, whose and what approval date would that be. You know, the county assessors approve the exemption based on owner occupancy. And then after that we send then into the Department of Revenue to determine approval based on income. You know, some assessors they send all of their forms in after the filing deadline of June 30, others send them in weekly or monthly, so there would also be that issue of different times that assessors would send them in. And I can't speak, you know, to what everybody does on that issue. The last date that assessors have to send them into the Department of Revenue is August 1. Sometimes we have applicants that have to wait for help from family members to come in and assist them in filing the forms. Maybe that family member lives out of town, so they can't get their forms in as soon as maybe some of the other ones. And I guess my other question was, like, is the approval date the date or the year they first applied? And then what happens if someone had a homestead exemption for ten years and then lost it one year probably because of income and then the following year qualifies again? How would they fit into this scenario? And I do know that the Department of Revenue audits back to three years on homestead exemptions. And as a result of that throughout those years the assessors will get letters from them saying, well, we're changing the exemption on this applicant, maybe they were 100 percent and now they've audited them and maybe they're only 55 percent. I've seen where some applicants have had no homestead exemption come back and get 100 percent. And there's just various changes and assessors will then do taxless corrections to amend those changes that the Department of Revenue has given us. So we've...I would not know how that would be handled under this bill also. And could one who didn't get their exemption, based on the first-come, first-served basis, now get one to replace the one that maybe lost their exemption because of the audit process? And then another question would be like, what happens if, for example, Seward County's reimbursement is maybe $600,000 and the state says Seward County can only get $500,000, well who makes up the difference? Is it the county and other political subdivisions? And I would say that the rest of the homestead exemption laws would say that those applicants who have met all qualifications, requirements are entitled to their homestead exemption. And so just a lot of thoughts as I've looked at this bill, even though it's a short bill, these things have gone through my head about how would we do this, how would we do that. And I know I sat here and even listened back at my desk for hearings on other bills and one thing that I heard was, well, a lot of people come to either testify in opposition or support of bills but people don't always necessarily give some solution. So after thinking about this bill, I'm sure maybe I'm not the only one that's thought about this concept. But I would like to see the...eliminate that first-come, first-served basis language in the bill. Instead let's say the required amount next year that the assessor certifying is maybe $79 million, which is $4 million over the $75 that would be allocated. And I picked that number because that's close to 5 percent. So I would think that everyone who qualifies should go ahead and receive their homestead exemption but at a reduced amount. So let's say somebody qualified under the guidelines that are set in the other bills for 100 percent, because of the money that the state has to allocate, the 5 percent difference, that 100 percent would go to 95 percent.

And the next category that people would get for percentage on homestead exemptions is 80 percent, 85 excuse me, and then that could drop to 80 and so forth. And the bill could state that there could be an adjustment to the percentage qualified for based on the actual need and the $75 million that the state would allocate. I would think that would be an easy calculation each year for the state to do. This would be an across the board reduction that would be fair to everyone. And everyone who qualified to receive a homestead exemption would get a homestead exemption. It would just be at a reduced rate. And you know sitting as assessors, we're going to be the ones out there, if people don't get their homestead exemption, they're going to be in the office and they're going to say, I didn't get my homestead exemption, what am I going to do? And, you know, we're going to get the blame for it. And this, you know what I'm saying maybe give it to everybody at a reduced amount based on what's been reported. That would be much easier for us to be able to defend and to explain to those people out there. Again, NACO understands the tough financial decisions the Legislature will have to make this year. But we would like you to keep in mind these individuals who have no other resources and who depend on the homestead exemption to stay in their homes. And thank you for your time and consideration today. If you have any questions, don't make it too tough. (Laugh) [LB318 LB319 LB320 LB321]

SENATOR UTTER: Thank you, Marilyn, for your testimony, appreciate that. Questions? Senator Adams. [LB318 LB319 LB320 LB321]

SENATOR ADAMS: Thank you, Senator. Thank you for coming in, Marilyn. Marilyn, would you go back to LB321 for a moment for me. It's the bill that adjusts on value. And could you...I apologize for not understanding thoroughly what you were talking about. Could you run through that again what your thought pattern was on LB321. [LB318 LB319 LB320 LB321]

MARILYN HLADKY: On value? Well, you know I talked so fast and I had my testimony all mixed up because I had to do them all together. Let me think. [LB318 LB319 LB320 LB321]

SENATOR ADAMS: It was the...we were adjusting the values. [LB318 LB319 LB320 LB321]

MARILYN HLADKY: Oh, I said because people that have lived in their home their entire lives and when they bought or built their homes the values could have been a fraction of what they are today. I have some homes that was what we call the high-dollar homes. Probably back in the fifties, late fifties, sixties on the north edge of Seward, at the time those homes were built they were valued at $30,000. And if somebody is still living in that house today I probably have anywhere from $150,000 to $175,000 on that house. So those people have lived in those homes all their years. They've had them paid off for a lot of years, you know, and so it's possible that this would make them...and they're still on their limited income, this would be possible that now they would have to pay taxes and maybe not even be able to keep their home. Does that answer? [LB318 LB319 LB320 LB321]

SENATOR ADAMS: Yeah, I think it's closer. Thank you. [LB318 LB319 LB320 LB321]

SENATOR UTTER: Other questions? Senator Pirsch. [LB318 LB319 LB320 LB321]

SENATOR PIRSCH: Yes, I'm going to ask a question that's been relayed to me. The question is, could a claim be approved if the Department of Revenue did not approve it, even if the assessor approved it? [LB318 LB319 LB320 LB321]

MARILYN HLADKY: Well, let me kind of state it again. The assessor only really approves the person applying, the applicant is owner-occupant. So as the assessor I have to make sure that they own their home and live in it from January 1 through August 15 of that year and that they're also 65, under the current law, as of January 1. We get the income statements. We don't keep any of the income statements in our office. So we send the application in and income statement to the Department of Revenue. They in turn look at the income for the final approval. So if I have already approved that they have a homestead exemption based on our owner-occupancy, and the Department of Revenue says they meet the income guidelines, no, I cannot overturn that. But they could also tell me that the person that qualifies for based on income and in the interim has either passed away or has sold their house, because we have to turn those exemptions in by August 1 and they have to be owner-occupied through August 15. [LB318 LB319 LB320 LB321]

SENATOR PIRSCH: Thank you. [LB318 LB319 LB320 LB321]

SENATOR UTTER: Other questions? Seeing none, thank you very much for your testimony. [LB318 LB319 LB320 LB321]

MARILYN HLADKY: Thank you. [LB318 LB319 LB320 LB321]

SENATOR UTTER: Anyone else here to testify in a neutral capacity? Seeing none, it looks like that takes care of the testimony on the bills. Thank you all very much for coming. [LB318 LB319 LB320 LB321]