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Revenue Committee
January 31, 2013

[LB5 LB75 LB176 LB227]

The Committee on Revenue met at 1:30 p.m. on Thursday, January 31, 2013, in Room 1524 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB5, LB75, LB176, and LB227. Senators present: Galen Hadley, Chairperson; Paul Schumacher, Vice Chairperson; Tom Hansen; Burke Harr; Beau McCoy; Pete Pirsch; and Kate Sullivan. Senators absent: Charlie Janssen.

SENATOR HADLEY: My name is Senator Galen Hadley. I'm from Kearney. Welcome to the Revenue Committee. We appreciate your being here today. To my left is Senator Schumacher from Columbus; to his left will be Senator Pirsch from Omaha; and to his left is Senator Sullivan from Cedar Rapids. And this is Senator Pirsch here. On my far right is Senator Burke Harr who will be coming; Senator Janssen is excused today; and to his left is Senator McCoy, who is, I think, introducing a bill; and to his left is Senator Hansen from North Platte. Our committee counsel is Mary Jane Egr Edson, to my right; and Bill Lock is our research analyst. Matt Rathje, to my far left, is our committee clerk. Our pages are Evan Schmeits from Columbus and Nathan Funk from Norfolk. I'd appreciate it if you'd turn off cell phones or put on vibrate while in the hearing room. The sign-in sheets for testifiers are on the tables by both doors. You really do need to have these, and it really...they look like this. We appreciate your having them filled out before you come up. The LB is not pounds, and the LR, it isn't left or right. That's the numbers. We appreciate your having those filled out. When you come up to testify, hand your testifier sheets to the committee clerk. There are also clipboards in the back of the room to sign if you do not wish to testify but you would like to indicate your support or opposition to a bill. These sheets will be included in the official record. We will follow the agenda posted at the door. The introducer or 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, state your name and spell it for the record, please. 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 page to circulate to the committee. I have...trying to run the committee without the light system. I would hope that you would keep your comments to the point and on the topic. And also, it is certainly okay to say, I agree with the last testifier in their comments. That is very acceptable to do that. If you do start to wander a little or get off track a little, please don't be offended if I say, maybe it's time to wrap it up, okay? But we're going to try not to use the light system, to give you a chance to give your...what you would like because do want to hear from you. With that, we're going to start with LB5. Senator Krist, we appreciate your coming to the Revenue Committee, and we'll turn it over to you. [LB5]

SENATOR KRIST: (Exhibit 1) Thanks for the invitation. Good afternoon, Senator Hadley and members of the Revenue Committee. For the record, my name is Bob Krist. That's B-o-b K-r-i-s-t, and I represent the 10th Legislative District in northwest Omaha, along

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with the north-central portion of Douglas County, which includes the city of Bennington. I appear before you today in introduction and support of LB5. LB5 exempts, if it were passed, Social Security benefits, military retirement pay, and civil retirement pay from income tax, beginning with the 2013 tax year. As a veteran of the United States Air Force and my support, all the...and I support all the branches of the military in the goal to see Nebraska keep from retired veterans living...keep retired veterans living here instead of seeing them move out of our state. I had the honor of being 1 of about 15 of my classmates that retired at the same year from Offutt, that I know of and in their inner circle, to elect to stay here in the state of Nebraska, 1 out of 15. I can tell you from personal experience and, should you ask me, I can provide affidavits or testimonies from the other 14. One of them though I'd like to reference in my opening remarks. He was a Nebraska citizen, born and raised here. He went to the ROTC program and graduated from the University of Nebraska at Lincoln. He went on to serve for 25 years, retired as an O-6--26 years, sorry--O-6, that's full-bird colonel. In his last few years he was actually the professor of aerospace studies at the University at Lincoln. That means he ran the ROTC detachment, turning out young men and women to be Air Force officers. Sadly, when it came to his retirement point, he was offered a job by one of the major contractors in the local area, and he was offered a job here or in Colorado. He wanted to stay here. He would have been one of those folks, like me, who was born and raised in the state of Nebraska and wanted to stay here. Financially, it became imperative for him to make the opposite decision. Now what happened in that situation and what would happen if I would have made that same decision? You wouldn't get to serve with me on the Legislature, which there's a positive and negative to that. But exempting my \$45,000 military retirement pay or keeping me here in the state would have meant that you would have lost the \$100,000-plus income that I currently enjoy in the local area. And that six-figure income, as a retiree, is not uncommon to retired officers or retired senior enlisted. We have an incredible brain trust that is in the military. Some of those technical skills at Offutt Air Force Base, just as an example, and in our garden reserve all across the state represents state-of-the-art training. That brain trust needs to stay here. That's really what this is all about. Exempting retirement pay means that a person who, when they retire from the military, is averaging somewhere in the neighborhood of 40-45 years old will not retire. They will go on to a second job, a second income, and they will stay here in the state if we offer this. There will be many that follow me, I hope, that will speak in favor of the point of military retirement or exempting the military retirement and how that will keep the brain trust here. You're going to hear four bills today that do the same thing. I would hope that you entertain the inclusion for me in 100 percent exempting, as well as civil service, as well as Social Security. I'll say one thing about the Social Security that, I think, needs to be said. It is almost a foregone conclusion that people who are on Social Security are not going to start a 401K or a savings account for the most part. That Social Security payment is going to go, if we exempt it, back into the local economy. Those folks need that income for survival, and I believe that's the strongest case that can be made for the Social Security exemption. I've distributed to you a copy of the Lincoln Journal Star article.

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And, not that I want to see my name in print, but I would have you look at the last page, which is telling. It tells you what states around the United States have either totally exempted or exempted in portion. The Governor has made quite a point of saying that we need to make ourselves attractive to folks who stay in the state and for people to come here. We are in the minority, it is for sure. One thing I would say in closing: The Governor addressed, as I did, a group of veterans who came here on Veteran Lobby Day. He expressed this exemption, in particular, as one of his top priorities. Military and Social Security he addressed specifically. I think that, no matter how we get to this point, Chair and members of this committee, we need to get there this year or in this session to say that we start the strategic planning on reforming our tax and revenue system in the state of Nebraska. And finally, Senator Hadley is tired of hearing me say it because I sit next to him and, every time I say it, he shakes his head at me. But I've said it over a dozen times on the floor on the mike: It's time we stop changing the revenue and taxation program in this state one bill at a time. We need to develop a strategic plan, long range, that revamps what we are doing today to become more competitive across the United States and across the world, and we need to do it one item or one specific subject at a time within that strategic plan. And I think that's the difference between changing it one bill at a time and developing the overall strategic plan. With that, I would close and entertain any questions. And, Chair, I'd like to reserve the right to stay around for closing, if I could? [LB5]

SENATOR HADLEY: Okay, no problem. Senator Pirsch. [LB5]

SENATOR PIRSCH: Well, I hate to start off with, kind of, maybe, a tangential point to your bill. But to your last statements there, which, you know, I agree with strongly, which is you're saying, don't go about, you know, economic development, creating a tax structure piecemeal, and they should...you should have a guiding, uniform, comprehensive type of plan for...you know, that...in which all these bills that come, year by year, kind of fits into. How would you do that, since you mentioned it? Do you have a comprehensive...how would you develop one comprehensive game plan for the state? [LB5]

SENATOR KRIST: I would develop a set of strategic goals and objectives. The strategic goal and objective would be within the four, five, or six or seven years of the strategic plan to eliminate all income tax from the state of Nebraska. I would look at how to fund that, not just looking at changing the tax burden from one side to the other, but in reforming the tax policy so that we can address funding these issues as they come forward. A good example of that is you're given a revenue forecast. There is money available to put into common goals and projects. I think Senator Fischer coined the phrase in the last few years: When money starts to flow again, I will warn you, don't start spending it like drunken sailors. My strategic plan would say, here are the things that need to be done, one of those is to retain, potentially, retired military here in the state of Nebraska. How do I do that? I try to make the state of Nebraska as attractive as I can

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and, one piece at a time, one item at a time, I get there. Strategic plans are based upon long-range commitments to those common goals and objectives. And if I'm here long enough, one of my strategic plans is actually to be on this committee, to be part of that process. So I hope that answers your question. [LB5]

SENATOR PIRSCH: Thank you. [LB5]

SENATOR HADLEY: Are there further questions for Senator Krist? Senator Harr. [LB5]

SENATOR HARR: Thank you, Senator Hadley. Senator Krist, the fiscal note on this is \$2.26 million. It has it for 2013 but not 2014. Is there... '15. Is there a reason why that exists? [LB5]

SENATOR KRIST: I would ask the folks, on the fiscal note, what the inference is, and their... what their... I really haven't... I didn't get a good answer, so I can't answer that, Senator. I believe that it's probably the injection or projection of the same amount of people versus the attraction of other folks staying in the state on this one, but I don't know the answer to that. [LB5]

SENATOR HARR: Okay, so this \$2.26 (million), does that take into account... for instance, you receive military pension and a private pension... or, excuse me, in private... you pay personal tax on your job. [LB5]

SENATOR KRIST: Right. [LB5]

SENATOR HARR: Let's just say it's \$12,000. [LB5]

SENATOR KRIST: Okay. [LB5]

SENATOR HARR: Obviously, that's way too low for what you do, but that's for another day. [LB5]

SENATOR KRIST: (Laugh) Okay. [LB5]

SENATOR HARR: Does that include the... does this \$2.26 (million) take into account that you're paying income tax on the \$12,000? [LB5]

SENATOR KRIST: That was my question, and I assume it doesn't, because it doesn't make sense if it does. [LB5]

SENATOR HARR: Okay. [LB5]

SENATOR KRIST: There's no... if I could just make one editorial comment on fiscal

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notes. Often they will tell us what something will cost but not factor in what other income or what other benefit there is to doing what we do. [LB5]

SENATOR HARR: And that's because the way we do fiscal notes is static instead of dynamic, correct? [LB5]

SENATOR KRIST: Right, right. [LB5]

SENATOR HARR: Okay, thank you very much. [LB5]

SENATOR HADLEY: Senator Harr, I'm confused of what...what numbers were you quoting? The fiscal note I have shows \$141 million... [LB5]

SENATOR HARR: Am I looking at the wrong bill? [LB5]

SENATOR HADLEY: ...and \$104 million. [LB5]

SENATOR HARR: Oh. I'm looking at the wrong bill is why. [LB5]

SENATOR KRIST: Yeah, I didn't want to quibble about the amount. (Laugh) But there still is a question in my mind. [LB5]

SENATOR HARR: Thank you. That is why you are the Chair and I'm on the far right. [LB5]

SENATOR HADLEY: Well, I just didn't...I...the numbers you were coming up with I'm sure Senator Krist would like to have those numbers on the fiscal note. [LB5]

SENATOR HARR: I'd skipped to the wrong page. Never mind. [LB5]

SENATOR HADLEY: But... [LB5]

SENATOR KRIST: Nevermind. (Laugh) [LB5]

SENATOR HARR: What was that? Wasn't that the Roseannadanna who always said, nevermind? So... [LB5]

SENATOR HADLEY: Nevermind. Senator Krist, I just have a couple of quick questions. You didn't...you rolled both military and Social Security into the same bill. [LB5]

SENATOR KRIST: Yes, sir. [LB5]

SENATOR HADLEY: Was there a tax policy reason to roll those both into the same bill?

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[LB5]

SENATOR KRIST: I tried to find an objective area, first of all, that would touch as many people as I possibly could--that would be Social Security--and then to touch those folks that I believe have a financial or fiscal offset if we retain that brain trust or we retain those folks inside. I saw that as the first step in an area that would pay dividends for the state and, that being Social Security funds, I would assume, would be put back into the revenue system because they would be spent rather than saved or diverted in another way. And the military side of it was obviously retaining the brain trust. That's the reason I put them together. [LB5]

SENATOR HADLEY: The second question I have, and I asked this question yesterday on...when we were dealing with Social Security. It's a consistency problem. The federal government does not exempt military pensions from income tax. Is that a correct statement? [LB5]

SENATOR KRIST: That's correct. [LB5]

SENATOR HADLEY: Why would the federal government not exempt a military retiree's pension and a state want to? What's the fiscal reason that a state would do it and the federal government decides not to? [LB5]

SENATOR KRIST: There's a couple folks behind me, I think, that will speak to the issue. [LB5]

SENATOR HADLEY: Okay. [LB5]

SENATOR KRIST: I think that, yeah, I'd let the discussion go. [LB5]

SENATOR HADLEY: Okay. [LB5]

SENATOR KRIST: And I'll pick it up in my closing if no one touches on it. [LB5]

SENATOR HADLEY: Senator Hansen. [LB5]

SENATOR HANSEN: I have a short question, more like a comment, I guess. You said we need long-range fiscal policy for revenue. We do, we did in 1967, and we've had \$5 billion exempted over the years. And a lot of them, at least, since I've been here, for six years, have come to the floor with the threat that, if I don't get an exemption, we're going to pull our company out of the state. And now we're hearing that, too, with the discussions and the prediscussions on LB405 and LB406. So we're getting those, you know, we're going to go elsewhere and do business, and I don't know how you're going to get around that. But this...there's no question here. Sorry, Senator Krist. Military

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exemptions are something entirely different. Whether you spent 4 years or 40 years in the military, that should be exempted. [LB5]

SENATOR KRIST: Thank you. [LB5]

SENATOR HANSEN: Yeah. [LB5]

SENATOR KRIST: Could I comment on your first... [LB5]

SENATOR HANSEN: Yeah. [LB5]

SENATOR KRIST: ...that wasn't a question? I had this discussion with the local folks or the towns and cities around the Omaha area, and here's an interesting segue for your comment. Some of those cities have grown, attracted Cabela's, attracted people to come in, and businesses, under the threat of if you don't give us what we want we're not going to go away--but it's happened anyway--while others have succumbed to the TIF suggestion that if you don't give me money to do this, I'm not going to come. I think we need to have the resolve, Senator Hansen, to say, you know what, this is the best thing for the 1.8 million people in the state, and maybe there's an offset here, or maybe it's not as big as you'd like to see. So I hate to say call the bluff, but I think we need to have the resolve just to make a statement. Thank you, sir. [LB5]

SENATOR HANSEN: Thank you. [LB5]

SENATOR HADLEY: Further questions? Thank you, Senator Krist. [LB5]

SENATOR KRIST: Thank you. [LB5]

SENATOR HADLEY: Okay, we will now go to the proponents, the first proponent. [LB5]

DAN DONOVAN: (Exhibit 2) Good afternoon, Senators. My name is Dan Donovan, and I am representing the Military Officers Association of America, the Heartland of America Chapter. It is the only chapter in Nebraska, and our current membership across the state is 289 members. That was as of this week. I have been a 30-year resident of Nebraska. The Air Force brought me here in 1982, and I retired from the Air Force at Offutt in 1988. I then worked two careers, or I worked for two great Omaha companies, one, First Data Corporation, and then for 12 years I worked for TD Ameritrade. Since 2007, I've become a volunteer counselor at SCORE which, as probably you all know, it means Service Corps of Retired Executives. I became the chairman of the Omaha SCORE in 2009. I did that for two years. And in 2011 I became president of our Military Officers Association chapter. Over my 30 years of Nebraska residency, I continue to be impressed with the state's high work ethic and its high quality of life. Still, I've seen many classmates, coworkers, friends leave for the more tax-friendly states. Every

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retirement publication that gives advice, and including mine, emphasizes the importance of understanding the tax information for a specific state. Interestingly, my publication, our organization's publication notes that a large percentage of individuals transitioning from the military to the civilian world would prefer to stay in their current location. Number one, they have their familiarity with the area and they feel established. In preparing for this committee meeting, I reviewed some prepared testimony from a Revenue Committee meeting in February 2005, and it was exactly the same situation that Senator Krist mentioned about the retired colonel who left to go to Colorado despite his desire to remain in the state. I believe that the real beneficiary for...of LB5 and the other three proposed bills would be the added economic value to the state. In my five years as a SCORE counselor, I have worked with several military veterans. They are generally, as noted by Senator Krist, technologically savvy, they know how to work with others, they know how to get things done. By losing these veterans to other states, Nebraska also loses the talents of their spouses and, possibly, their sons and their daughters. Some 15 months ago I counseled two young men who I thought had an excellent business idea. They had sufficient funding to get the thing rolling and, most importantly, they had the passion to make their business a success. Eight months later, the local chamber of commerce had a ribbon cutting. I was invited and I met their fathers. Both were retired military who made the decision to remain in Nebraska. I believe they had imbued their sons with their military and their Nebraska values. So far, the two young men, the two entrepreneurs, have hired five employees in a very short period of time. This is economic growth, creating jobs. Another example occurred seven or eight months ago. I received a call from a Chick-fil-A representative to let me know they were looking for retired officers for one or both of their two new restaurants in the Sarpy County area. The caller explained they like to hire former military because of their excellent managerial skills and work ethic. Other companies, such as Union Pacific, also like the military, and they maintain a work force that is between 20 and 25 percent veteran. To sum up, I believe LB5 will foster economic growth in Nebraska. I have personally hired and have observed military and veterans becoming effective employees in two different civilian corporations. Likewise, in my capacity as a volunteer SCORE counselor, I have seen the entrepreneurial spirit and passion in these veterans. By passing this bill, Nebraska will retain these valuable workers, promote economic growth, and maintain our high quality of life. I encourage passage of this bill as well as the other three bills, although this is our preferred. And that concludes my formal presentation, sir. [LB5]

SENATOR HADLEY: Thank you, Colonel. Senator Pirsch. [LB5]

SENATOR PIRSCH: Thanks. And, first of all, just to check a question that was previously put by our Chairman here. [LB5]

DAN DONOVAN: Sure. [LB5]

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SENATOR PIRSCH: With respect to the fact that the U.S. government taxes this and why would it be different for the states, is that because...is there a competition among states that are going on in a way that doesn't occur on the federal level? Either people are not going to leave to Mexico or to some... [LB5]

DAN DONOVAN: Yeah, Senator Pirsch, it is. And the numbers...and I don't have the numbers memorized because almost every state...all the states around Nebraska, as you know, do provide some or all exemption of military pay. But the reason why you'd want to do it in Nebraska...and Nebraska is one of five states that doesn't exempt any part of military pay, so you're at a distinct disadvantage right there. [LB5]

SENATOR PIRSCH: Well, and I appreciate that. With respect to Colorado, what's there? Because you had mentioned that and Senator Krist did too. [LB5]

DAN DONOVAN: I believe it's \$24,000. It's very similar to the bill that...Senator Janssen's that we'll be introducing. [LB5]

SENATOR PIRSCH: Okay. And you have a lot...you have good perspective because, obviously, these are your friends and colleagues that you work with. But I'm trying to get a flavor for what are the most compelling...there's many reasons why an individual may leave the state, and this bill was kind of put forward in the name of economic development and retaining those very skilled individuals here in the state. Do you...obviously it is a factor, no doubt about it, our...the tax structure. Is it, in your opinion, the most compelling factor that they look at? Or is it, other than that, weather? Family in different states? Other possible explanations for the exodus? [LB5]

DAN DONOVAN: I believe it is a compelling reason for...because, like Senator Krist, everybody that I worked with when I was still on active duty has left the state. Very few have remained here. But, you know, on the other hand, I... [LB5]

SENATOR PIRSCH: Can I ask you where they go? Are they in Florida? [LB5]

DAN DONOVAN: Oh. [LB5]

SENATOR PIRSCH: Better weather? Texas? [LB5]

DAN DONOVAN: You have them going to Texas is a particularly strong state. Florida is another, but primarily Texas... [LB5]

SENATOR PIRSCH: And is that... [LB5]

DAN DONOVAN: ...and Colorado, sir. [LB5]

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SENATOR PIRSCH: Yeah. Is it...do...in your opinion, which I'm asking for, is that due to the weather, or is that due to, really, the tax climate or some other factors? [LB5]

DAN DONOVAN: Well, you know, the tax climate is the main one. I think the weather is another factor. But you've got to balance that out, and everybody has to make the decision for themselves. The quality of life is high here. I have granddaughters who come back every year or two to do things such as the Children's Museum in Omaha, the Henry Doorly Zoo. I mean, those are wonderful events. And plus, then for older people you have the sports, Rosenblatt, the stadium out in Sarpy County. You know, there's a lot to do here. You can balance that out to some extent, but I think the overwhelming desire is the fact that other states are willing to exempt a good part of that military exemption or all of it. And so that's why most people leave. [LB5]

SENATOR PIRSCH: Okay, thank you. [LB5]

DAN DONOVAN: Yes, sir. [LB5]

SENATOR HADLEY: Senator Harr. [LB5]

SENATOR HARR: Thank you, Mr. Chairman, and thank you for coming, Mr. Donovan. I appreciate it. I guess I have a couple questions. What percentage of your...what percentage of military do you think leave because of the tax climate? [LB5]

DAN DONOVAN: And it's strictly a guess. I mean, I've been coming to these Revenue Committee hearings--I did miss last year--for five years. I would say it's probably close to 75 or 80 percent, but that's just a guess. [LB5]

SENATOR HARR: Of those who leave, leave because of the tax? Or 75 percent of people, when they're done serving, leave the state? [LB5]

DAN DONOVAN: Yes. [LB5]

SENATOR HARR: Okay. [LB5]

DAN DONOVAN: But again, that's a... [LB5]

SENATOR HARR: I guess my question is, could we then look at a state that doesn't have income tax or tax on military pension, say Texas, and see what percentage stay versus Nebraska? And do you think they're...I mean, so you say you can't tell. I think we can do some research on this and we can start looking at states that do tax the pensions and those that don't, and I think we can start to draw...we talked about...I talked about this yesterday. I don't know if you heard it. But I think we need to start...there should be a consistency then, I think, because there are a certain amount

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that leave. We all know that. You get a free move, and people move for various reasons. But if the reason is...and it's a leading indicator, I think, that will start to rise to the top. I think it would be important for us to make a decision, to have that kind of data to help us make that type of decision. And do you have access to that type of information? [LB5]

DAN DONOVAN: No, sir. [LB5]

SENATOR HARR: Or do you know who would? [LB5]

DAN DONOVAN: And I believe there are some restrictions, and we've tried to get information such as that. There are restrictions in privacy and things like that where the government doesn't give us that, will not give us that information. [LB5]

SENATOR HARR: And we don't need to know who the individuals are; we just need to know generally. I mean, we can get...it would seem that would make sense. And then, when we...so that's my first question. And then my second is...I mean, I look at, you know, some of these states, and the cost of living in some of these other states are a lot higher than Nebraska. When you look at these reports, do they take into account the cost of living of where you want to move? Or do they just look at the tax structure? [LB5]

DAN DONOVAN: The very... [LB5]

SENATOR HARR: For instance, Denver is a lot more expensive to live in Denver than it is in Omaha, Nebraska. [LB5]

DAN DONOVAN: Yes, sir. But I think that the very first thing people look at when they go to leave the service, they're looking at that tax structure. That's right up front, you know. [LB5]

SENATOR HARR: Um-hum. [LB5]

DAN DONOVAN: And it's probably not...although it may be higher, it's not that much higher. Denver is a high-cost place to live. [LB5]

SENATOR HARR: Um-hum. [LB5]

DAN DONOVAN: But you could live out in the suburbs and commute more, so I don't think that's an issue. [LB5]

SENATOR HARR: Okay, well, I can just tell you, in the suburbs houses are a heck of a lot more expensive than they are here in Nebraska, especially if you own in a suburb of Omaha. I mean, if that's your ultimate goal is to save money and you don't worry about

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driving, a house in a suburb of Omaha is a lot less than a house in a suburb of Denver. [LB5]

DAN DONOVAN: Sir, you would not believe the house I lived in when I was stationed at the Pentagon for five years. And the commuting costs in time. [LB5]

SENATOR HARR: Is it...yeah. [LB5]

DAN DONOVAN: I mean, I know there is an imbalance. [LB5]

SENATOR HARR: Yeah, yeah, okay. Well, thank you very much again for coming down here, and thank you for your service to our country. [LB5]

DAN DONOVAN: Thank you very much, sir. [LB5]

SENATOR HADLEY: Further questions for the colonel? I have, I guess, and I touched on this yesterday. One of the things I tried to do is to find some data because most of the stuff we get is anecdotal, you know--my friend move to Colorado, my friend moved to Council Bluffs. [LB5]

DAN DONOVAN: Yes, sir, it is. [LB5]

SENATOR HADLEY: And I found that, actually, a firm tried to do a survey, and they partnered with USAA--which I'm sure you've heard of, right?--and Military.com, the largest military and veterans membership. And they looked at factors such as affordability, unemployment rate, prevalence of military skill, related jobs, number of veteran-owned businesses--didn't stop there--number of federal government jobs, volume of DOD contracts, number of small businesses, proximity of military installations, amenities, presence of VA hospitals, military pension taxation, presence of colleges and universities, sales tax, climate, and tax rate. And I'll read you the top ten cities that they said military people retire in: Oklahoma City, Oklahoma; Norfolk, Virginia; Richmond, Virginia; Austin, Texas; San Antonio, Texas; Madison, Wisconsin; Philadelphia, Pennsylvania; Raleigh, North Carolina; Omaha, Nebraska; and Manchester, New Hampshire. Omaha was the ninth-highest-rated city in their survey when you took everything in...according to their survey data, as the best places to retire for a military person. [LB5]

DAN DONOVAN: And, Senator, I have to agree with you. I mean, I've already listed a couple of the reasons why, when my granddaughters come, it's a great place to visit. There's good sports always going on. And it...I saw the article in USAA Magazine that referred to this. And the issue is, if you have a good enough job, you're willing to pay the tax, if you do have...but what happens is, when the retired military person has a civilian job, a good job, maybe with a government contractor, when he retires from that job, do

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you think he's going to stay in the state? Or do you think he might move across the river into Iowa or down into Missouri? [LB5]

SENATOR HADLEY: I understand. [LB5]

DAN DONOVAN: That's... [LB5]

SENATOR HADLEY: What's interesting though... [LB5]

DAN DONOVAN: And I didn't mean to make that a question, sir, I apologize. [LB5]

SENATOR HADLEY: No, no. But I guess I also know that the state of Nebraska has the second-lowest unemployment rate in the nation. So if I'm a military retiree and I'm trying to find a job, do I go to a place that has a 12 or 15 percent unemployment rate? Or do I stay in Nebraska that has a 3.8 percent for myself, my spouse, my children? So isn't that a reasonable factor in finding a job? [LB5]

DAN DONOVAN: I think that's a very fair question, sir, yes. And I have no idea what the unemployment is in Philadelphia or...I'm sure it's much higher. But I know that Austin is, you know, probably one of the most popular places to live. I have visited down there. It's a wonderful place to live. [LB5]

SENATOR HADLEY: Um-hum. Thank you. Thank you, Colonel. We very much appreciate your testimony. [LB5]

DAN DONOVAN: Thank you, sir. [LB5]

SENATOR HADLEY: Next proponent. [LB5]

CHRIS FERDICO: Pardon me. Honorable Senators, my name is Chris Ferdico. I am an entrepreneur, a lawyer. [LB5]

SENATOR HADLEY: Would you spell your name, please, sir? [LB5]

CHRIS FERDICO: Sure. It's F-e-r-d-i-c-o. [LB5]

SENATOR HADLEY: Okay, thank you. [LB5]

CHRIS FERDICO: Officially, I'm here on behalf of the Nebraska National Guard Officer Association and the Nebraska National Guard Enlisted Association. I'm an entrepreneur, a lawyer, and a soldier. I've just completed my 20th year of service. What I am not, however, is a freeloader, and I'm not here to ask for special courtesy or favor merely because myself and my brethren have served our country honorably for the

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amount of time we have and that we've served in harm's way. In the reality of today's environment, responsible government cannot afford to provide entitlement just for the sake of generosity and, regardless of how well-intentioned, subsidy for the sake of subsidy has been a contributing cause of the increasing number of cities and states that are going bankrupt. Yesterday the news announced that Stockton, California, which...now earned the honor of being the largest city in America to officially declare bankruptcy. Instead, what we need are fiscal policies that create and stretch wealth because individual and collective wealth creates revenue. I support these bills that exempt military and other retirement benefits from state income taxes because they will not...they will increase and not decrease state revenue over the long term. And I think this is true for three primary reasons, and some of them have been touched on. And I'd like to address some of the questions that have been asked, and I'll try to preempt those as we go. But first and foremost, retirees are consumers. Their days of saving are over. They will now exhaust their nest egg on goods and services. But how much they spend and how quickly they spend it is absolutely directly related to how far they believe they can stretch their savings. They will only spend if they have the confidence that their savings, that the current value of their dollar is worth what they're going to need it to be worth. By exempting retirement streams of income from taxation, we encourage spending. Economics 101 teaches us that spending is better for government revenue because the more each dollar is passed, the more times the government gets to earn revenue off of it. So as the dollar moves from consumer to consumer, from business to business to business, our government, both state and federal, gets to multiply the impact of that taxation. While keeping dollars out of circulation by placing them in savings may be good for the individual, it's bad for state revenue, and that's what we're trying to avoid. I think the second reason that we want to...I think the second reason in favor of these bills is that, more often than not, and as has been discussed, military retirees retire in their 40s and 50s. They are not done on the productive side of life as...and they have much to give back on the production equation, as they do on the consumer equation. And, like was earlier mentioned, we're talking about spouses and families that come with them, so we have yet another multiplier effect. And what we have to remember about how the military works, and especially having been on active duty and having served on active duty, is when you're on active duty, you get to pick whatever state you want to be your residence, okay? And the USAA study doesn't take this into account and...because I, at my age, what I am looking at is where...what state can I pick off that...check off that's going to cost me less money out of pocket, that I'm not going to have to pay a state income tax to, that I'm not going to have to register my...you know, that's going to be cheapest to register my cars. They are all financial decisions and, as we grow closer to retirement, now we begin to look at that in the grander scheme--how is my behavior going to be impacted by the tax policies of the state? And tax policy absolutely impacts and is one of the factors in personal decisions in this. Is weather a factor? Sure. I think we'd all love to spend...anybody who has been to Hawaii would...you know, has said, man, I could live here. But there are lots of good reasons not to, and the cost of living is one of them. Now with regard to the other end of

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that, and that's the brain trust, you know, we talk about how important it is to keep our college graduates, and I think that is important. But the brain trust requires balance and, by attracting those retirees to come to the state or stay to the state, we are balancing off that brain trust, those with...who are highly educated, who are flexible, who have significant experience, and have a lot of training and education and talent and skills that can offset the youth that have the education but not the experience. And if I'm a corporation that's looking for a new place to open a business and I need both the working class and a strong set of leadership, Nebraska's got a great reputation for having strong, strong work ethic. But we also need to be able to say, hey, listen, we have the leadership and the management skills to be able to run the other half of that ship. I think the third reason that these bills should be supported is because, at the end of the day, they work. And it's easy to say, hey, here's the scoring on this. But I think, before we take those numbers of the \$140 million or a gazillion or whatever the scoring is, I think, before we do, we have to dig down into what those numbers really mean because it's important to look at this dynamically. If we...every bill has a cost, and what I think we need to do is also look at what's it costing us not to take this. You know, there has been a cost over the years. And if we're saying, well, gosh, this is, you know, in an undynamic state, looks like it's going to cost us \$140 million, it may have...we may have already lost significantly more than that by not taking action sooner. And that's my concern. These bills work, and the trend among states is growing towards these types of exemptions. And it isn't merely those states that have large military populations, and the reason for that is they make money in the long run. Now the truth is these are the rules and these are becoming the rules and not the exception. But what I'm concerned about in...for Nebraska is that we're getting near to the point where we're going to be behind the power curve. You don't want to be behind the power curve when it comes to fiscal policy because then it's harder to catch up. It's harder for that good policy to make the state money and to pay for itself in the shorter term rather than the longer term. Right now, all of our neighbors have some form of exemption. And for us to assume that that is not a factor, that, at the end of the day, if push comes to shove, won't send somebody to Missouri or Kansas or Colorado, then I think we're fooling ourselves a little bit. And that's what I'm concerned about. I love Nebraska. I want to stay in Nebraska. But at the end of the day, if, as we're dealing with the multitude of fiscal challenges we have at the national level and the amount of money we're all going to have to contribute and our children are going to have to contribute to solve these problems in the long term, if the 1, 2, or 3 percent at the state level isn't going to influence my position, I'm here to tell you that it is because I may not have a choice. And that's what I'm afraid of, and that's why I think this fiscal policy is smart and it will be beneficial to the state overall. Subject to your questions. [LB5]

SENATOR HADLEY: Are there questions? Senator Harr. [LB5]

SENATOR HARR: Thank you, Senator Hadley. You were talking about how 40- and 50-year-olds who are retired from the military are still active, will probably pursue a

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second career, and we'll get taxes off of them. In Omaha we have a heated debate because we have Omaha fire and police officers who are 40 to 50 years old,... [LB5]

CHRIS FERDICO: Um-hum. [LB5]

SENATOR HARR: ...and the question is, are they too young to retire? And I'm not going to answer...ask that question. But my question is, why do you deserve a tax break and they don't? Or do you think they do? [LB5]

CHRIS FERDICO: You know, I think, with regard to...the answer is, in my opinion, that the pensions we're talking about are completely different. The fact of the matter is many of the government pension programs that are out there are extremely generous, and I think you have to take each one at its face. Some of them are going to be better than others, and the...while military pensions are not...I'm not going to say they're not generous. Based on some of the other public pensions that are out there, they're extremely responsible because we're not earning a dollar for a dollar, we're not earning, you know, our guaranteed salaries for life, per se. The other thing that we bring to the table in the military is we carry our own healthcare with us, okay? So as we get older, we're...our...the military population, their healthcare needs are being met by the federal government. And so that's not an additional cost that's going to be met...that's going to be burdened by the state. So I think when you're looking at state employees who aren't going to have the portability of insurance, I think that's one cost that you have to consider in the factor as to whether each particular pension, in the long run, makes sense. Now I'm not familiar with what their pension programs are, and there may be very, very good reasons to include them. There may also be distinct differences in them that are important enough to be able to say, we can't offset the costs of giving you this benefit the way we can offset those costs against a military retiree. [LB5]

SENATOR HARR: Well, I guess what I would say to that response is there was a lot in there but, at the end of the day, it didn't really answer my question as far as what differentiates between a fire department pension and...so let's say I'm a firefighter in the military, and I'm a firefighter for Omaha Public...or for Omaha Fire Department. [LB5]

CHRIS FERDICO: Okay. [LB5]

SENATOR HARR: Why should one firefighter get a pension that is taxed and the other get a pension that is not taxed? [LB5]

CHRIS FERDICO: Okay, I think that the short answer to that question...and I apologize for not addressing it more directly. I understand what you're...the point you're trying to make. The short answer to the question is that the city of Omaha is already funding that firefighter pension, okay? [LB5]

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SENATOR HARR: Um-hum. [LB5]

CHRIS FERDICO: There is an out...there is a cost to that. When you attract a military pensioner into Nebraska, the state of Nebraska is not paying that pension, okay? The federal government is paying that pension. In addition, the federal government is paying that insurance, okay? So when you exempt this income, if you exempt the Omaha firefighter income, that Omaha firefighter is double-dipping from the state. A federal pension is not double-dipping from the state or the city or the locality. [LB5]

SENATOR HARR: Well, I might disagree with you there because, at the end of the day, you're double-dipping. The government is the government. And so, if you have an Omaha firefighter, they're not double-dipping out of the state because they're still paying tax. I mean, they're not double-dipping any more than a federal one is because the state isn't paying any of that pension. It's the city of Omaha is, is paying for half of it, and it's paid through contributions that they pay half, the city pays the other half. Similar to the federal, there is no money to the state being used, so there's...no state money pays for either one of those two pensions. [LB5]

CHRIS FERDICO: Okay, well, then perhaps the argument...if they can make the same argument about the numbers that they can bring into the state, because what we're talking about is not only not losing the military. What we're talking about is we're talking about gaining retirees. We're talking about adding to the population and adding growth, and that's what these nonmilitary states have been able to accomplish by having these policies. You know, the information is out there, and I'm...I'll be the first to admit I'm not an expert on the data, but I've seen it. Attached with the article that was sent to...that was given to you...I happened to read that article on-line last night, and there was another link in the on-line version. And the link was: Is Nebraska scaring away retirees? And it indicated that, overall, from an entire policy standpoint, we are the tenth most-expensive state for retirees. And that type of, you know, global policy, that type of position, if we stay there, we're going to be at a competitive disadvantage as a state. [LB5]

SENATOR HARR: So your argument, as far as the fire department, is that because they don't attract as many, you're better than they are, is that correct? [LB5]

CHRIS FERDICO: No, I'm not making a judgment as to whose...again, this is not about whose service is more important. This is not about... [LB5]

SENATOR HARR: Not...no, that's...and maybe I wasn't clear. It's not that whose service is better. You're saying we get a bigger bang on your buck by not taxing you because you might be able to draw people from the outside, whereas, the Omaha Fire Department cannot. [LB5]

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CHRIS FERDICO: I'm not saying they can't. I'm not saying that they ought not be included because I haven't looked at that issue. [LB5]

SENATOR HARR: Okay. [LB5]

CHRIS FERDICO: What I'm saying is this bill, I believe, if the numbers are looked at fairly, if the data is analyzed outside of the vacuum that it may have been provided to you,... [LB5]

SENATOR HARR: Okay. [LB5]

CHRIS FERDICO: ...that it will pay for itself if...and, at the very least and more than likely, have a significant positive impact to the underlying revenue of the state, and that's what I'm about. [LB5]

SENATOR HARR: Okay, and I appreciate that. And I guess I just...I always get a little leery when we talk about tax policy and, when we do it, we merely talk about cost benefit because if we analyze our tax system in a cost-benefit manner, it would make sense for us to create a tax structure to kick out, i.e., you don't have a high school diploma, we're going to charge you a higher tax because you're a liability on our society. Then, if you have a high school or a...if you have a college degree, you pay a lesser tax because we have a cost benefit, so we want to attract more college degree recipients. We don't want high school dropouts. We don't want students; they're a liability. We don't want the infirm; they're a liability. So part of living in a society is we can't always create a tax benefit. I mean, there are always going to be liabilities in our state, and so I always get...and it's not a criticism of you, but...or your argument, because I do think it has to make sense. But I think we have to be a little careful when the sole basis of why we want to do something is a cost-benefit analysis because there are people that, no matter what, they're never going to come out ahead and we, as a society, have a duty to look out for those individuals, so. [LB5]

CHRIS FERDICO: May I respond? [LB5]

SENATOR HARR: Yes. [LB5]

CHRIS FERDICO: And I don't disagree with that. I would disagree from a...myself, as somebody who is trying to turn a small manufacturing business into a big manufacturing business here in the state of Nebraska. [LB5]

SENATOR HARR: Um-hum. [LB5]

CHRIS FERDICO: I would disagree that, hey, I want to kick out the kid with the high school education or the high school diploma because I need that kid. I need that kid and

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I need the Ph.D. in engineering. I need them both. From a business standpoint, I'm looking at how do I effectively grow my business, and that includes more inclusion. That includes growing my total pool of workers. And what I'm talking about is growing the total pool of taxable people and...because, at the end of the day, Walmart hasn't made a zillion dollars by getting the most profit out of each product. They've made a zillion dollars by selling more product at lower margins, okay? And we can...and essentially, this policy is the...it's the Walmart model, okay? Yes, we're taking away the income tax portion of it, but we're...the whole goal of this is to increase the total taxable pool, thus, being a win-win. It's a win for the citizen because they get to keep some more and stretch some of their internal value; and it's a win for the government because they get to keep those dollars rotating and getting the multiplier effect off of those dollars. That's what I'm in favor of when we talk about tax policy. [LB5]

SENATOR HARR: And that's built on an assumption that people stay and leave merely based on taxes, which is contrary to our fiscal note, which shows that this costs over \$100 million. [LB5]

CHRIS FERDICO: Well, and again, I guess... [LB5]

SENATOR HARR: And so that's a balancing act that we have to make, yeah. [LB5]

CHRIS FERDICO: Right. The fiscal note, again, we...I think it's important to understand what that fiscal note is really telling us. I don't believe that that's the information you really have in front of you. [LB5]

SENATOR HARR: It's the only information we have at this time though. There isn't any other data analysis that shows us, number one, people come or go solely based on taxes; and it doesn't show, okay, those who do stay, they produce X amount to make up the difference of this \$140 million. And that, again, we go back to this cost-benefit analysis and everyone keeps saying, cost benefit, cost benefit, but then no one ever gives us the cost benefit to show the benefit. They just say, I've got a buddy. [LB5]

CHRIS FERDICO: Um-hum. [LB5]

SENATOR HARR: And so if that's the basis of our argument and that's the basis of your argument that, by having this, more military people will come, I've got to have something, number one, that shows me you'll come, that you'll stay and, when you're here, that you're going to produce more to make it worthwhile for me to say, as a policymaker, I'm going to give you a benefit that I don't give to any, any other pension, doesn't matter who you are, you deserve something special. And for me to...I mean, I need something more to make that argument, so. [LB5]

CHRIS FERDICO: I understand, and that's fair, and that's fair. And it's my

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understanding that the National Guard Association or somebody that, in the past, when we've supported this bill, that there was some research done by Dr. Goss from Creighton University that supported the information. And so I will bring back to my membership and say, hey, listen, we need to get that information to you because that's absolutely fair. [LB5]

SENATOR HARR: Perfect. [LB5]

CHRIS FERDICO: If I'm wrong in all of my data, then I personally couldn't support it. But I don't believe I'm wrong. [LB5]

SENATOR HADLEY: Okay, thank you. [LB5]

SENATOR HARR: And that's what we need is the data, so I appreciate that. Thank you very much. [LB5]

CHRIS FERDICO: Thank you. [LB5]

SENATOR HADLEY: Mr. Ferdico, thank you so much. [LB5]

CHRIS FERDICO: Thank you. [LB5]

SENATOR HADLEY: Are there any other proponents? [LB5]

ROGER REA: (Exhibit 3) Good afternoon again, Senator Hadley and members of the committee. For the record, I am Roger Rea, R-o-g-e-r R-e-a. I live in Omaha. I'm the president of NSEA-Retired, an organization of approximately 5,000 retired school employees. As I stated yesterday, NSEA-Retired is an affiliate of the Nebraska State Education Association. Yesterday I testified on three bills that provide some form of tax relief for retirees in Nebraska. I will not repeat my testimony from yesterday, but I wanted to add to it a bit today on LB5. The key point I want to emphasize today is that retirees represent a valuable economic resource for the state. Not only do they receive Social Security and pension income, they also receive Medicare payments which have an additional impact on the state economy. In 2009, almost \$4 billion was paid to Nebraska recipients of Social Security. And during the same year, healthcare providers received \$2.35 billion in payments for healthcare provided to Medicare beneficiaries. Each year, an average retiree receives about \$13,000 in Social Security benefits and \$8,500 in Medicare payments, and that money, while modest, flows into the local communities where the retirees live. When retirees move to other states, Nebraska loses the economic impact of their Social Security and Medicare benefits, in addition to the economic benefit of any other retirement or investment income they may have. Were it not for Social Security and Medicare payments, the Nebraska rural healthcare framework would not be nearly so well-off as it is now. Remember, retirees spend the

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bulk of their money in the communities where they live. The economic benefit of their retirement income flows into every community in the state. Yesterday I provided you with some data. I'm not going to refer to that specific data, but I'm going to refer to the results of that data today, giving how much public pension income is paid by the six Nebraska defined benefit retirement plans into each county in the state on a monthly basis. There are more than 24,000 retirees from those defined benefit plans living in the state. On an annual basis they receive and spend more than \$472 million in pension income in the communities where they live. And you'll note, from the materials I provided yesterday, that retirees live in every county and every community in the state. In addition, there are more than 13,000 federal retirees in the state with a total federal pension income of more than \$300 million per year. There are more than 300,000 recipients of Social Security income in Nebraska, bringing in more than \$4 billion into the state each year, and more than 277,000 Medicare beneficiaries in the state, bringing in an additional \$2.4 billion each year. These payments represent new money to the state. It's income that would be lost forever if the retirees leave the state. If an active worker quits and moves to another state, the job the worker held remains in Nebraska and will be filled by another Nebraskan. The net effect is that the money associated with that job stays in Nebraska, despite the fact that the worker moved to another state. When a retiree leaves the state, the retirement income that he or she received goes to the new state and is not replaced by having another retiree move back into Nebraska. Losing retirees for the state means lost economic impact for the state, and that impact is immediate and lasts forever. Alabama actively recruits retirees to live in the state. Officials there estimate that it takes roughly \$4,000 in Social Security benefits to create one new job in the state. By contrast, Alabama also estimates that it takes almost \$66,000 in agricultural spending to create one job and almost \$92,000 in manufacturing industry spending to create one job. According to a study of the National Institute on Retirement Security, each dollar of retiree income in Nebraska produces a \$1.32 additional economic activity in the state. Retirees represent a huge, new source of economic activity for the state but only if the state acts to encourage retirees to live here to stay and acts to encourage prospective retirees in other states to move to Nebraska when they retire. More than \$7 billion is added directly to the Nebraska economy each year by retirees. I know of no other source of economic development that brings this kind of money into every community in the state, and the economic activity is brought without fouling the water or air, without requiring significant additions to the infrastructure of the state. You have a number of bills under consideration that will make Nebraska more attractive for retirees. Given the economic activity that can be generated by attracting and retaining retirees, I encourage you to sift through these bills, including LB5, find details that would encourage retirees to stay in Nebraska or relocate to Nebraska when they do retire, and combine the attractive features of as many of the bills as you think the state can afford, to be considered by the entire Unicameral. As you heard yesterday from David Drozd, almost one-fourth of the Nebraska population, about 472,000 people, are baby boomers, aged 45 to 64. They will be making decisions on where to locate when they retire during the next decade or so. If Nebraska loses a

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significant fraction of this population, we'll also likely lose one of our representatives in the U.S. Congress, going from three U.S. Congressmen down to two. The time to act to retain...to attract retirees is now. The time to give retirees tax breaks that they would enjoy if they moved to any of the surrounding six states is now. The time to make Nebraska more retiree friendly is now. The beneficiaries of this action will be all the citizens of Nebraska, not just the retirees who have a few more dollars to spend and generate more economic activity. But it's also the citizens who own the stores where they spend their money, the medical providers who collect payments for medical services that they require, and the communities where they live and volunteer their talents to help continue to promote the good life in Nebraska. Be happy to respond to your questions. [LB5]

SENATOR HADLEY: Are there any questions for Mr. Rea? Seeing none, thank you, Mr. Rea. [LB5]

ROGER REA: Thank you. [LB5]

SENATOR HADLEY: Any further proponents? [LB5]

JOHN JENSEN: (Exhibit 4) I'm John Jensen from Omaha, Senator Hadley and members of the committee. I'm not going to repeat what I said yesterday. What's being handed out is my homework that I did last night after I saw Joe Dejka from the Omaha World-Herald leave here. I understand there was an article in the paper with this first one. It's the first thing that popped up when I put in a search on Google for "Nebraska" and "retiree." It was Kiplinger, and it was...shows that we're one of the ten least-tax-friendly states for retirees. On the back of that sheet, here's the rest of what I saw on that first page in the Google search: Lack of retiree tax breaks a black eye for Nebraska; Taxes by State; Finding a Retirement-Friendly State; Nebraska Retirement--Taxes; and blah, blah, blah. Every one of them basically says that we are a high-tax state, not friendly to Nebraska. The next to the last one, the Platte Institute, this is a different one. But they, I believe, have the position that taxes on Social Security income should be zero in Nebraska because they see it as an economic driver for the state also. The last two sheets in your handout is from About.com, and it provides, I thought, some interesting information. It's not only on who exempts Social Security, but also there's a whole section, that starts at the bottom of the first page, on exemption of military pensions. And then on the second it shows which states exempt some of the...or, excuse me, all of the military pension and some and so on like that, state taxes on government pensions, state taxes on private pensions. And then look at the last one here. It says: The Unfriendly States for...Nebraska...four states: Minnesota, Nebraska Rhode Island, and Vermont. Now anyone who says, we're going to retire and let's think about where we're going to go to retire, they are going to go to Google. Look at what they're going to find when they look at Nebraska. This does give Nebraska a black eye. We do need to address this situation. And before I ask if there's any questions, I do

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want to correct a couple of things that might have been incorrectly said. County/state employees, school employees and, I believe, the State Patrol, in Nebraska, when they retire, they have no postretirement health benefit at all. They pay 100 percent of their healthcare. That's what I did when I retired in Omaha, 100 percent of the premium, and that was extremely expensive. That's not true for military employees. We're also not double-dippers. I do want to point out that pension income, when it's prefunded, as it is in Nebraska, that the investment earnings pays about 75 percent of the entire cost of the program. The state and the employee...not the state but the school district and the employee--and take the case of teachers--make up the other 25 percent. With that, if there's any questions, I just wanted to correct some things and show you that here's what I saw with Google in 30 seconds. [LB5]

SENATOR HADLEY: Questions for Mr. Jensen? Senator Harr. [LB5]

SENATOR HARR: Just quickly. And I'm...I was that kid that read while the teacher was talking. So I am looking--and thank you for coming back--at the Kiplinger report, and it has us listed as the top in the least-tax-friendly states for retirees. But the last sentence on the page says: The most significant tax threat to most retirees is property tax because it is based on the value of your home and bears no direct relation to your income. We in Nebraska have a homestead exemption, is that correct? [LB5]

JOHN JENSEN: On, what, property tax? [LB5]

SENATOR HARR: For homes, yes. [LB5]

JOHN JENSEN: There is some exemptions for low-income elderly. [LB5]

SENATOR HARR: Okay, but it seems as though... [LB5]

JOHN JENSEN: There is...that's the homestead exemption act. [LB5]

SENATOR HARR: Yeah. [LB5]

JOHN JENSEN: My income is high enough that I don't even...I don't come close to that. [LB5]

SENATOR HARR: But if I were to believe Kiplinger, I would probably want to look at property tax first instead of Social Security because it says right here that is the most significant tax threat, rather than taxing or nontaxing of pensions. [LB5]

JOHN JENSEN: If you own your home, yes. [LB5]

SENATOR HARR: Yeah, well, or if I believe Kiplinger, so all right. Thank you. [LB5]

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JOHN JENSEN: Can I add just one more thing before I say goodbye? [LB5]

SENATOR HARR: Yes, please. [LB5]

JOHN JENSEN: Senator Pirsch several times brought up Colorado. And, yes, Colorado has an interesting way of attacking this problem. Once you hit the age of 65...at age 60, I believe, the exemption is \$20,000 of any kind of income that's retirement income--pension income, doesn't matter what it is, Social Security--and at age 65 it goes up to \$24,000. That affects everyone, including the fire and police. [LB5]

SENATOR HARR: Um-hum. [LB5]

JOHN JENSEN: It includes 401K, IRA, and stuff like that. It's simply Colorado saying, we don't want to lose our retirees. [LB5]

SENATOR HARR: Thank you. [LB5]

SENATOR HADLEY: Mr. Jensen, just a question that I had yesterday. Would you say AARP is a pretty reputable organization that deals with retired people? [LB5]

JOHN JENSEN: Yeah, they sent me a membership card when I was 50, yep. [LB5]

SENATOR HADLEY: And I had made the comment yesterday, AARP rated Omaha third best of any major metropolitan city in the United States as an affordable place to retire for retirees, third best. AARP, the number-one retirement organization in the United States, ranked Omaha as the third best of large metropolitan areas to retire, and affordable, and their definition of affordable was disposable income of \$100 a day, \$36,500. So, you know, you can give this data, but the number-one organization says Omaha is number three. I just read that the USAA and the Military.com said Omaha was number nine of the best for military retirees. So we have people saying, anecdotally, my friends are leaving to go someplace else, they're going someplace else. And we have two surveys, but I think...is Military.com, is that a reputable...USAA, is that a reputable organization? Is AARP a reputable organization--I think they probably are--that has given some data, not just saying, my brother-in-law left to move to Colorado and so Nebraska's tax structure is bad? So I would echo what Senator Harr says. If you can bring data to us that says the surrounding states, the last ten years they've had increases in the number of retirees from the military, and Nebraska has lost retirees... [LB5]

JOHN JENSEN: My...I... [LB5]

SENATOR HADLEY: If you can bring us something like that because when we do, for

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example, our Advantage Act where we try to get businesses to come to Nebraska, we give them tax benefits. You mentioned...I think there was a mention of manufacturing. We give tax breaks, but we give them very stringent things that they have to prove to us, that this...you know, that they really do it. So that's all I'd put out is that it would be nice to have data where you say to us, look at the states around us, and Iowa has had twice as many military retirees come to their state than we have. [LB5]

JOHN JENSEN: I can't speak about the military. But David Drozd yesterday, I thought, had data that shows, like, Nebraskans moving to South Dakota. [LB5]

SENATOR HADLEY: He did. But what he didn't do is that he couldn't tell us that the income tax was the reason they were doing that. I think his statement was he could not tell us that that was the reason that they were leaving the state. There's data, but is it because of the climate? Is it because their children live in another state? I think I'm right that that's what he said. [LB5]

JOHN JENSEN: Other studies from other states, like Nevada, they've done studies like this, and they have also looked at weather. They looked at is it family, what...all the different things. And in Nevada's case they specifically came to the conclusion--this was actually Clark County that they did the study for--that it was taxes. That's the main reason. Now later on that study showed that, yes, they move back. So we had retirees moving to Nevada when they're young retirees, healthy retirees, and relatively well-to-do retirees. Then they come back later on, I think, because they need to be close to family so the family can take care of them. I really think that's why they come back, in the case of Nevada, because maybe they've lost all their money by that time. (Laughter) [LB5]

SENATOR HADLEY: Thank you, Mr. Jensen. [LB5]

JOHN JENSEN: Uh-huh, thanks. [LB5]

SENATOR HADLEY: I appreciate your coming...making the trip down here again, you and Mr. Rea. Are there any other proponents? Are there opponents? Neutral? Senator Krist, if you'd like to close. [LB5]

SENATOR KRIST: I would. The data exists, and I'll take it as a challenge. These aren't anecdotal. Of the 30 people that walked out of my exiting interview at Offutt Air Force Base, the number-one reason that I heard from retired officers were primarily that they could have the same job and move someplace else. Now I will say that many of them haven't seen the nirvana that they thought they were going to be into because if you weigh out the cost of living in Dallas, Texas, where it's tax-free, the utilities are higher, the weather is a little better, they make their decision initially though, Senator, on the factors that are top of the chart. One of them is, what am I going to pay that state in

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taxes? What you heard a few minutes ago was that a person who enters the military, no matter where they enter the military, chooses the state that they want to be a resident of during the 20 years plus that they are going to be on active duty. Mine was Florida, and legally I can do that. I could do that. I paid zero tax in state taxes for 20 years. We made the decision, based upon family, in staying here in the state of Nebraska and the fact that I grew up here. That's not the same decision that others have made. I owe you information on that data, and it's not anecdotal. To answer your question, Senator Harr, retired versus retired versus retired. I mean, if you retire from the military between the ages of 40 and 45, you're not going to retire. You're going to start over again. When you retire, for the most part, statistically, from being a fireman or a policeman or something else, are you going to engage in another full-time job? I think you and I both know that that's true. They do engage in another profession, but not necessarily in another for the time period involved with a retirement from the military at that age, and I owe you data on that as well. The other part that I think has been made many times is, why federal and not state? Well, while I'm on active duty as a soldier, I have hostile fire pay. The federal government exempts hostile fire and taxes during the time you are on active duty. And it's Congress that decided, if we're going to extend these tax breaks to a person while they're on active duty, when they're retired and they are no longer in harm's way and fire, they will be taxed because, the follow-on to that is, they provide a medical benefit, long term, for us. So even though the retirement pay may be not even compared to a firefighter....a firefighter, by the way, to your question, who is on active duty or in our Guard or Reserve, is being paid as an enlisted person for the most part, and I would guess that they're being paid right at a rate of about one-half of their counterpart in the civilian sector, close, and I owe you that data as well. But when they retire they're given a factor of how much they earned during their high tenure, in some cases, as you know. That's not the case with a military retirement guy. If he retires as a sergeant, he's going to get a sergeant's pay for the rest of his life, which is not comparable in the long term. Now the flip side of that, that you heard, was, are there benefits being paid long term? And in some cases no. In some cases those benefits, medical or otherwise, do not consider. And finally, to Senator Pirsch, and I think it's along the same question base, again, why federal? How do I make that jump to saying that the state needs to? The state competes with the state. The federal government competes with Mexico, and there aren't very many people who have served their country for 20 years plus who are going to--I'll use the word defect, but I mean that in a humorous way--that are going to leave the country while there are people that will go from state to state. But my challenge for all of you will be to give you some supporting data because it won't be just LB5 you're making a decision on. It will be the others that follow me in the same vein or it will be in the Governor's plan to exempt income tax, and I certainly want to represent this particular income tax as favorably as a military/civil service/Social Security. [LB5]

SENATOR HADLEY: Thank you, Senator Krist. Are there... [LB5]

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SENATOR KRIST: Thank you very much. [LB5]

SENATOR HADLEY: I see no questions. Thank you. That will close the hearing on LB5. LB75, Senator Janssen had to attend a funeral today, so he'll not be here. But Chris Keetle, his legislative assistant, will introduce his bill. This is done quite often in the Legislature, where the legislative assistant presents the bill. And we will spare Mr. Keetle any questions. We will ask them with Senator Janssen later or anybody else who comes up afterwards. Mr. Keetle. [LB5]

CHRIS KEETLE: Thank you very much. Chairman Hadley, members of the committee, for the record my name is Chris Keetle, C-h-r-i-s K-e-e-t-l-e, and I'm Senator Janssen's legislative aide. Again, he sends his regrets for not being able to be here today. He's attending the funeral of a close friend and high school classmate. Recognizing that situation, I will be extremely brief. LB75 would provide state income tax relief for military retirees. Specifically, LB75 would exempt up to \$48,000 for married couples filing jointly, per year, if both spouses are receiving military retirement benefits, and \$24,000 per year for any other tax return. Senator Janssen introduced LB75 to recognize Nebraska's veterans for their service and retain them when they retire from the military. For all the reasons you heard from testifiers yesterday and today on this concept, Senator Janssen looks forward to the committee's future deliberations on this and other retirement income tax relief proposals introduced this session. Thank you. [LB75]

SENATOR HADLEY: Okay, thank you, Mr. Keetle. Are there proponents? Opponents? Neutral? I assume...neutral? Okay. Welcome, Mr. Rea. [LB75]

ROGER REA: We're going to become on a first-name basis here before these hearings are over. (Laughter) For the record, I'm Roger Rea, R-o-g-e-r R-e-a, and I'm president of NSEA-Retired. I'm coming here as a neutral testifier for this particular bill for one reason: I think the bill does not have a broad enough scope but does have a very interesting feature, and that is that it provides a blanket number of dollars for exclusion. If you applied that concept for all retirement incomes, I think you'd have a great bill. Whether it's \$24,000 or \$48,000 or some other number, I think that concept has a great deal of merit because it doesn't require you to distinguish who is more valuable as a retiree, who's better to get an exemption. It says, if you're retired, you get a certain amount. I'll conclude my remarks. [LB75]

SENATOR HADLEY: Thank you. Questions for Mr. Rea? Seeing none, thank you, Mr. Rea. Any other neutral? With that, we will close LB75. I assume, Mr. Keetle, you're not going to...you'll waive closing? Okay. Senator Smith, please come forward for LB176. [LB75]

SENATOR SMITH: Good afternoon, Senator Hadley and members of the Revenue Committee. For the record, my name is Jim Smith, J-i-m S-m-i-t-h, and I represent the

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14th Legislative District in Sarpy County. And I'm here today to introduce LB176. I will be very brief today, as I know this committee has heard several other bills regarding the exemption of military retirement benefits from state income tax. In fact, I'm not aware of any proponents that are here today to speak on behalf of this bill that will be following me, nor have I asked any supporters to testify today, so as not to take up any more of your time than is necessary. Though some sort of military retirement exemption is introduced nearly every year, I think the fact that so many such bills have been introduced this session alone should be a signal to this Legislature that it's time to move forward with this policy in some regard. As much as I respect military personnel and the sacrifices they've made for our country, this, to me, is a simple issue of economics. Nebraska ranks...and you've heard these statistics already. Nebraska does rank as one of the least-tax-friendly states for retirees in general, and it is imperative that we keep our retired citizens in the state. And it's a fact that retired men and women manage business, they create jobs in the state, and they spend money. Personally, my own business has benefitted from hiring military retirees, and they're...they make fantastic employees. And many of them go on to have their own businesses. But those that are employed within these businesses, my own concern is that they will leave the state. We're fortunate in our business that they've married Nebraska spouses and it kind of holds them here but, nonetheless, I think it's important to retain this type of talent in our state. According to the U.S. Small Business Administration Office of Advocacy, there are nearly 16,000 veteran-owned firms in Nebraska that report receipts totaling more than \$7 billion annually. However, compare that to national figures where there are over 2 million veteran-owned firms employing more than 5 million people and contributing more than \$1 trillion to the national economy. We can attract more of those businesses by adopting a tax policy that welcomes retired military, or we can continue to be a retirement-unfriendly state and watch those individuals move elsewhere. LB176 phases in...and this is a bit different in my bill than you've heard in other bills. It phases in the military retirement exemption over ten years. Beginning in year 2014, 10 percent of these benefits would not be subject to the state income tax. The exemption amount would grow by 10 percent each year until 2023, when 100 percent of the retirement benefits would be exempt. I believe this is a more reasonable and pragmatic approach and allows us the time to adjust our annual budget accordingly. And I do believe, also, it sends the right message. And while this policy appears as a loss of revenue on our fiscal note, there would be an overall economic gain to the state if more military personnel chose Nebraska as a place to retire and we were not totally dependent upon them marrying a Nebraska spouse. With that, I will conclude my testimony and urge this committee to give serious consideration to these bills that are before you today. I'll be happy to answer any questions you may have. [LB176]

SENATOR HADLEY: All right, are there questions for Senator Smith? Senator Schumacher. [LB176]

SENATOR SCHUMACHER: Thank you, Senator Hadley. Senator Smith, am I given to

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understand your testimony that it's worth a couple thousand dollars a year to keep the spouse happy? (Laughter) [LB176]

SENATOR SMITH: We know that's true. (Laughter) [LB176]

SENATOR SCHUMACHER: Thank you, Senator Smith. [LB176]

SENATOR HADLEY: Senator Harr. [LB176]

SENATOR HARR: Thank you, Mr. Chairman. Senator Smith, you say you've hired employees from several branches of the government...or from the military. [LB176]

SENATOR SMITH: Well, actually, yes, we're fortunate to have someone representing at least every branch of military in our business. [LB176]

SENATOR HARR: Which branch is the best? [LB176]

SENATOR HANSEN: (Laugh) Careful. [LB176]

SENATOR HADLEY: Semper fi. (Laughter) Sorry. [LB176]

SENATOR HARR: You don't have to answer that if you don't want to. [LB176]

SENATOR SMITH: Which one do you like best, Senator Harr? (Laughter) [LB176]

SENATOR HARR: Thank you for bringing this. [LB176]

SENATOR SMITH: They make... [LB176]

SENATOR HARR: No, it is an interesting...I do like the way you phase it in. [LB176]

SENATOR HADLEY: Senator Smith, maybe you can answer this, and I meant to ask it earlier. Does anybody have a number of approximately how many military retirees there are in the state of Nebraska at any point in time? [LB176]

SENATOR SMITH: I'm certain we can... [LB176]

SENATOR HADLEY: I see some of you may come up, maybe will come up, and give us the number. [LB176]

SENATOR SMITH: I'm certain we can lay our hands on that information. [LB176]

SENATOR HADLEY: Okay. [LB176]

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SENATOR _____: I can (inaudible). [LB176]

SENATOR HADLEY: Thank you, Senator Smith. Are you going to be here for closing?
[LB176]

SENATOR SMITH: I'll stay, yes, if there's... [LB176]

SENATOR HADLEY: Okay, okay. [LB176]

SENATOR SMITH: Thank you. [LB176]

SENATOR HADLEY: Further proponents. Those in opposition. Neutral. [LB176]

ROGER REA: Good evening again--afternoon, I guess. It's not quite evening yet. I'm Roger Rea, R-o-g-e-r R-e-a, and I am president of NSEA-Retired. This bill provides another, I think, good avenue for you to consider, and that's phasing things in. I think ten years is perhaps a bit too long, but (inaudible). It does the phase-in business and I think that's another valuable tool. You've got a lot of bills before you. I think you can pick and choose from those things to try to get the techniques that you need to get a single bill that will come out with the best possible tax relief. With that, I conclude my remarks.
[LB176]

SENATOR HADLEY: Okay, questions for Mr. Rea? Thank you, Mr. Rea. Any other in the neutral? Senator Smith, would you like to...waives closing. Thank you. That ends LB176. And, Senator Kinter, LB227. Senator Kintner, thank you for coming in. [LB176]

SENATOR KINTNER: Yeah, we got off...tried to do some appropriating over there, you know, got called right back. [LB227]

SENATOR HADLEY: We got going quickly. Well, if you would be so kind as to introduce LB227? [LB227]

SENATOR KINTNER: (Exhibits 5 and 6) Yes. Bill Kintner, B-i-l-l K-i-n-t-n-e-r. Mr. Chairman, members of the committee, thank you for having me here today. In LB227 I propose a three-year phaseout of the state taxation of overtime and benefits for taxable year 2014. Nebraskans would be taxed on two-thirds of their total retirement income for taxable year 2015. Nebraskans would be taxed only one-third of their total retirement income. And for all years beginning on January 1, 2016, and beyond, there would be no state income taxation of retirement income. I defined retirement income to include a public or private pension retirement pay. This would include but not be limited to income received as Social Security benefits, military pay, defined benefits, defined contribution plans, deferred compensation plans, 401K plans, annuities, individual retirement

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accounts, employer-provided pension plans, plans maintained or contributed to by self-employed persons. In other words, it's any recognized IRS retirement income. The purposes of this significant tax policy change are to stem the tide of retirees leaving the state of Nebraska and makes our state's income tax policy on retirement pay competitive with the states around us. This is an issue that I've heard, over and over again, as I have the opportunity to meet the residents of District 2. As a matter of fact, I was flat-out shocked when about every third or fourth house I went to told me, I'm looking at leaving, I'm planning on leaving, I'm definitely leaving, or, I'm going to stay because my kids or my grandkids are here, but if they ever leave I'm leaving. Now that absolutely shocked me. And as I was getting later in the campaign I'm thinking, I've got to take some of the senators down around with me, let them hear what I'm hearing. It would absolutely shock them. I structured the bill as a three-year phaseout due to the fiscal impact, obviously, of losing the current tax receipts they would have in our state budget. Obviously, as a member of the Appropriations Committee, I'm going to work hard to make sure that the kind of tax relief that is contained in my bill will be fiscally sound. I really believe that our state needs to address this issue as a priority to retain so many vibrant residents who, in our mobile society, are electing to leave, even for surrounding states. And I'm hear...I heard, just anecdotally, but Missouri, Iowa, Kansas, and this...I'm down knocking on a door in Nebraska City and the guy goes, come in here, come in here. I run in there. There's an ad from the state of Kentucky saying, come down and live in our state, tax free. You may qualify. They're...they know we're suckers. We've got suckers right here and they're advertising on our TV stations, saying, come, live in our state. That shocked the heck out of me. I know yesterday this committee received testimony from David Drozd from the Center for Public Affairs Research at UNO. I'm going to just hit a couple highlights that I want to kind of incorporate into what I'm doing here. He said, the baby boom generation represents a relatively large share of Nebraska's population--but I'm right on the tail end of it; I'm the tail end of the baby boom, last couple years--that, as people approach and reach retirement age, they tend to leave the state. So people my age and older are starting to plan to take care of their needs in retirement. The net out-migration...when I say net migration, out-migration, I mean people who are...more people leaving than coming in. So the net out-migration turns negative for those between 55 and 59. It accelerates for those aged 60 to 64. It turns most negative for those aged 65 to 69. There's also a net out-migration of Nebraskans aged 70 to 74 during the past decade. This should alarm every member of this committee because if baby boomers continue to age, Nebraska will have a large segment of their population age into the years which are apt to move away from our state, creating a potential for a large, net out-migration of our baby boomers over the...not just the next few years, but over the next 10 to 15 years. That same testimony from yesterday said, based on his analysis, that Nebraska would...could lose a net 10,000 people during the next decade who are at or near retirement age, and that was going back ten years and looking at the numbers. If you just looked at this last year's numbers--they extrapolate out for ten years--25,000 people are going to leave. By the way, he sent that to me last night. That was not in the

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testimony, so I just threw that in because I had that information. Since we pointed it out yesterday, I know you guys heard testimony, you talked about it, that retirees do not pay taxes until they reach \$25,000 for singles or \$32,000 for couples. It can be assumed that the more affluent singles are migrating out of the state because they are the ones most affected by our uncompetitive tax structure and tax policies. So if you're making \$25,000, you're not getting a lot of retirement income. You might be working a part-time job. If you're making above \$25,000 and you're single, you know, that income is only taxed at 2.56 percent in our state. You know, that doesn't have a big effect. You probably have homestead exemption, so it's not hurting you too much. So the people that David Drozd is talking about are people that are getting hammered. They've got their nest egg, you know, they're making \$80 (thousand) or \$90,000 year and the spouse might be making \$50 (thousand) or \$60,000. They've got their nest egg and they're making that kind of money and they go, jeez, this nest egg would go a lot further, we could live a lot more comfortable if we were in Missouri, if we're in Kansas, we were in somewhere else. It's not always warm weather. People, at least where I was knocking on their doors, were looking at just close-by. They like the Midwest. They like the change of season. They like snow. They like summer. They weren't looking for beaches. Some people were, but most people wanted to stay in this area, and they'd stay in our state if we were little bit friendlier on the tax policies. So let's just say...and I'm kind of a numbers guy; I like to try to quantify things; maybe I'm not a good numbers guy, but I like numbers. So let's just say that 10,000 people stayed, the 10,000 that David Drozd said, conservatively, would leave. Each one of those people spent an average of \$45,000 per year. That's not the average person. That's the upper people, people who are going to stay...or the people that wouldn't stay that would stay if we changed our taxes. This equates to \$450 million per year at the end of...\$450 million per year if they stayed instead of leaving our state. Now I don't know what the multiplier effect are...is, but we all know that if they stay in the state and they're buying new tires and they're buying food and they're buying all the stuff you normally buy, there's going to be a multiplier effect. They'll be buying goods and services. Those people are going to be making them. Someone's going to be selling them. There's going to be more jobs. They're going to be paying taxes. There's a multiplier effect. I don't know what it is, but we know it's something. And then, of course, you get the sales tax revenue, the...if we still have an income tax at that point, an income tax revenue and, of course, the property tax. We have very high property tax. People say, you know, if the...if my income wasn't taxed, I could handle the property tax a lot better, I hate it, but I could handle it. But the double whammy of both of them drives people out, and the easiest one to deal with is the income tax on retirement income. I am asking this committee to be bold, to make Nebraska competitive with our neighbor states by phasing out our tax on retirement income. You know what, I'm going to take questions. Thank you. Appreciate it. [LB227]

SENATOR HADLEY: Okay, are there questions for Senator Kintner? Senator Schumacher. [LB227]

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SENATOR SCHUMACHER: Thank you, Senator Hadley. Thank you for introducing this, Senator Kintner. I'm going to ask you a question that I asked folks yesterday. There's a farmer, and he sells his grain, makes a little money, works 30 years, gets up at 6:00 in the morning, bed late, takes that money to pay down the mortgage on his farm, okay, and with the idea that when he's retired and can slow down a bit he's going to rent out the farm, and that rent payment is going to be his retirement income. Does he have to pay tax on that under your proposal? [LB227]

SENATOR KINTNER: Yes, and I would say he got bad tax planning advice. He should have put it in a tax retirement instrument that had favorable tax treatment. So whoever was his advisor gave him some bad advice to do that. [LB227]

SENATOR SCHUMACHER: He shouldn't have bought a farm? [LB227]

SENATOR KINTNER: No, he should have put more money away into something that the IRS recognizes as a retirement instrument. [LB227]

SENATOR SCHUMACHER: But he didn't have that much. [LB227]

SENATOR SULLIVAN: He didn't have that much. [LB227]

SENATOR KINTNER: He did not do that. [LB227]

SENATOR SCHUMACHER: Yeah, but he didn't have that much. He just had enough to pay down his mortgage. He didn't have any leftover. Now...but take that theme a little bit. You know, he should have known that we were going to change the rules and treat him unequally. Now the same way, these folks who got a deduction or didn't have to pay on the income they'd put into these pension plans or their employers put in for them, one or the other, so they didn't have to pay taxes on the money going into the pension plan, and now they don't have to take out...pay on the money coming out of the pension plan? How...I mean, we're changing the rules so they don't have to pay on the money coming out either. [LB227]

SENATOR KINTNER: Yeah, it's called being competitive with the states around us. We don't set the rules. We operate in an environment that we're given, and we're given that the other states around us are doing that. Just last week the governor of Kansas said he'd like to get rid of his income tax too. They've thrown down the gauntlet. We're behind in the race. We're losing right now. I'm not saying it's an environment that we all like. We'd like a fair environment where everyone had the same taxes that we had. But we don't have that luxury. We've got to compete with what's around us, and so I'm looking at that. I'm looking at the competition that we face, and this is my answer to that. [LB227]

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SENATOR SCHUMACHER: You know, dad used to say, when I made an argument like that about everybody else is doing it, if everybody else jumped off a bridge, would you do it too? And at some point, there's no free lunch. Who is going to make up for the shortage? [LB227]

SENATOR KINTNER: Would you like me to answer that? [LB227]

SENATOR SCHUMACHER: Yeah. [LB227]

SENATOR KINTNER: Okay, yeah. Well, obviously we had a fiscal report which, as Senator Burke (Harr) earlier said, is a static report or a static analysis of what's going to happen. I'm asking you to look at a more dynamic analysis. If people stay here and they spend, we're going to have a lot more economic activity in our state. We're about economic activity. When we have economic activity, we all benefit. I'm not saying it's going to make up 100 percent of this money that's going away, but we can make some room for tax relief. We've done it the last few years in our state budget. I want to continue to do that, but I also...if you notice, this doesn't start right away. I pushed it back. I want to give the multipliers that we see as people stay here and people...maybe even some people may even move back into our state if we do this. So I want to make sure it's got time to happen before we have to see the hit coming out of our budget. [LB227]

SENATOR SCHUMACHER: You said you're a numbers guy. Do you have figures on net migration to Iowa from Nebraska? [LB227]

SENATOR KINTNER: Net migration out of Nebraska? [LB227]

SENATOR SCHUMACHER: To Iowa. How many people are we losing, picking up and moving the 900 feet across? [LB227]

SENATOR KINTNER: Now all... [LB227]

SENATOR SCHUMACHER: That would be an interesting number, wouldn't it? [LB227]

SENATOR KINTNER: All...might be, yeah. You know what, I'd like to have that number. But the only thing we have is how many are leaving each state, and I did provide that for you. We actually...we had the numbers from all the states around. So every state that touches us, I think, except...well, I think they're all in there. I think all the states that touch us I have in some statistics there. They're not easy to read. They're complicated. But if you look at the...you've got to put the two together, and you might want to do this after I leave and you have a little bit of time. You put the two sheets together, follow them all the way down, it'll tell you how many people are leaving each state. [LB227]

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SENATOR SCHUMACHER: But how many people leaving...how many people are heading the other direction? [LB227]

SENATOR KINTNER: That's net migration. Those numbers are net migration, so that subtracts out the ones coming in. [LB227]

SENATOR SCHUMACHER: These numbers are net migration? [LB227]

SENATOR KINTNER: Yeah, yes. [LB227]

SENATOR SCHUMACHER: Is that what you're saying? [LB227]

SENATOR KINTNER: Yes, they are. [LB227]

SENATOR SCHUMACHER: And they're net migrating to Iowa? [LB227]

SENATOR KINTNER: It doesn't say. They just...they're just going out, so it doesn't say where they're going to. And it gives you the age groups that they're net migrating also. [LB227]

SENATOR SCHUMACHER: That TV station in Nebraska City, that didn't happen to be out of Missouri, was it? [LB227]

SENATOR KINTNER: I didn't ask the guy. I just...he just invited me and I ran in. I just caught the last half of it. I don't know. [LB227]

SENATOR SCHUMACHER: But the inference was that they were targeting Nebraska. But maybe Kentucky just has a big advertising budget and you get more bang for your buck to target Kansas City. You're saying (inaudible). [LB227]

SENATOR KINTNER: No, no, they...no, no, no, no. It was, come, live in our state, you may qualify to live here, tax free, if you retire. [LB227]

SENATOR SCHUMACHER: Right, but that was to anybody who was listening. [LB227]

SENATOR KINTNER: Yes. [LB227]

SENATOR SCHUMACHER: So if that TV antenna was in Kansas City, they were talking to Kansas City. Their ad agency might have ran the same ad in Los Angeles. [LB227]

SENATOR KINTNER: Well, I didn't think to check that. I ran in and saw half of it. I

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assumed it was on a Nebraska City TV station. Maybe he's got satellite TVs, watching from California. I don't know. [LB227]

SENATOR SCHUMACHER: Or satellite, yeah. [LB227]

SENATOR KINTNER: Could be, could be. [LB227]

SENATOR SCHUMACHER: Thank you, Senator. [LB227]

SENATOR KINTNER: Okay. [LB227]

SENATOR HADLEY: Senator Kintner, I'd like to follow up on Senator Schumacher. I guess, from a tax policy standpoint, it does bother me that people can put money in. There's a difference between income that you never pay taxes on, you know, federal securities, municipal bonds, those kinds of things, where the government, whether it's state or federal, says, you don't have to pay tax, versus where we've said, we will allow you to defer the taxes until...and earn income on a deferred basis. And now we want to say, oh, okay, now you can take it out, and we're not going to charge you taxes again when you take it out. Is that an equitable way for those people who have the ability to do this when other people do not have the ability to do this? [LB227]

SENATOR KINTNER: Mr. Chairman, great question, great question. You know what, is it equitable? Is it...you know what, I'm going to let you guys judge that. I don't know. All I know is, if we want to keep up with the Joneses, that's what we're going to have to do. It's the same thing. We want Fidelity to come here and they set up in Sarpy County. We want them to come here, boy, we've got to give them some stuff. We give them credits. We give them abatements. We give infrastructure improvements. It stinks, but, jeez, do you want them or not? I mean, it's not fair, but that's what the other states are doing. And if we want Fidelity to come and set up their operation here, their computer center, that's what we've got to do, and it's the same thing here. [LB227]

SENATOR HADLEY: So I guess my question is--and I don't know--are you saying it's fairly common for states to allow tax-deferred income that was deferred being put into retirement accounts then to be taken out on a no-tax basis also? Is that a common...when these states are not charging on some of the other parts of their pensions and such as that, are they allowing that to happen, that the person basically never pays taxes on that amount that they put away? [LB227]

SENATOR KINTNER: Yeah. If you'll remember, I think we've seen statistics here that there's only five states that tax 100 percent military and five states that tax 100 percent Social Security, and we're in both of those groups. We're one of the five states to do both of those. So most of the states exempt some of it, based on income, or they exempt all of it. It's different. One time, I don't know how many years ago, some state

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got smart--wow, if we don't tax retirement income, everyone will move here. And then another state did and another state did and another state, and we're like the last state and we're finally saying, well, maybe we better do it too. And that's why I'm here today, sir. [LB227]

SENATOR HADLEY: Thank you. Are there other questions for Senator Kintner? [LB227]

SENATOR HANSEN: Senator Sullivan. [LB227]

SENATOR HADLEY: Senator Sullivan. [LB227]

SENATOR SULLIVAN: Thank you, Senator Hadley. Thank you, Senator Kintner. How long have you lived here? [LB227]

SENATOR KINTNER: Four-and-a-half years. [LB227]

SENATOR SULLIVAN: Okay, where did you move from? [LB227]

SENATOR KINTNER: Cincinnati, Ohio. [LB227]

SENATOR SULLIVAN: So what's the tax climate there? [LB227]

SENATOR KINTNER: Very near what our tax climate is here, almost the exact...property taxes are as oppressive there as they are here. I don't think I...I changed, now the taxes will...jeez, holy cow. So it's very close. We're both high-tax states, both Ohio and Nebraska. [LB227]

SENATOR SULLIVAN: Okay, thank you. [LB227]

SENATOR HADLEY: Thank you. [LB227]

SENATOR KINTNER: But I came here because I married a wonderful woman, and I wasn't looking at taxes. I wasn't looking to maximize my tax. I was looking to maximize the rest of my life. That's how I got here and, boy, am I glad I came. [LB227]

SENATOR SULLIVAN: (Laugh) Well, and your point is that perhaps taxes are not the sole determiner of why a person moves in or out of a state. [LB227]

SENATOR KINTNER: Well, you know, remember, I said when I was knocking on doors I had people tell me, boy, I'd like to get out of here if I could, but, boy, those grandkids are right down the street, I can't leave but, boy, if my son and daughter ever get transferred away, I'm out of here. So I heard that a lot. So if they were staying, they

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were staying because of family or, you know, they're close there to the rest of their relatives or there's some external factor that overweighs taxes. But if you don't have those things anchoring you here, you start looking financials, and that's where we lose. That's what I want to do something about. [LB227]

SENATOR HADLEY: Thank you. Senator Schumacher, you had another question. [LB227]

SENATOR SCHUMACHER: Yeah, just--thank you, Senator Hadley--one follow-up question with it. Say, instead of us saying, oh, you're getting rid of your income tax, we'll get rid of our income tax, why don't we just beat them to the punch and get rid of our sales tax and our property tax? And then they have to say, oh, my gosh, everybody is moving to Nebraska because they've got no sales tax and property tax. [LB227]

SENATOR HANSEN: (Inaudible) senior (inaudible). [LB227]

SENATOR SCHUMACHER: I mean, why aren't we picking on those (inaudible)? [LB227]

SENATOR KINTNER: Well, I...you want me to introduce that next year? Or I can...no. You know, I... [LB227]

SENATOR SCHUMACHER: Maybe we can just do all three this year. [LB227]

SENATOR KINTNER: You know, I...well, at some point, the arms race is going to stop because we can't afford any more arms. So when I...you know, at some point, you're right, you've got to stop. I don't know if we...we haven't hit that yet. But at some point people are going to say, we can't cut any more taxes because we have to have roads and schools and things. So at some point you have to say, we can't do any more. [LB227]

SENATOR SCHUMACHER: Well, what if tomorrow we read in the newspaper that Iowa gets rid of sales tax or Kansas is getting rid of sales tax? How do we know when enough is enough? [LB227]

SENATOR KINTNER: Well, I trust that they're going to have to have schools and they're going to have to have roads and they're going to have to pay their Medicaid. And Obamacare is starting to hit now, so they're going to have to pay for that too. So I...you know, I'm...you know, I would say, well, good luck over there, guys. [LB227]

SENATOR SCHUMACHER: What if we've already hit that point? What if we've already hit that point? And when you start eroding your tax base, all of a sudden you're put in a bad political position of having to either cut your services or looking like a fool and put a

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tax back into effect that you just took out of. I mean, what...we've been down this road of trying to give away things and reduce taxes. And what happens if we've already stepped over the brink? [LB227]

SENATOR KINTNER: Well, the only thing I would do is I would look at the states around us and I would say, well, are they able to function? The states that we're trying to compete with, do they function? Does Kansas have roads? Do they have schools? Do they have things that, you know...is it a pretty good life there? I would say, yeah. So they...then we haven't hit...they haven't hit the point yet. So based upon what I see around us--I'm just giving it the eyeball test; I'm looking at what's around us--we have...you know, they're able to function without these...some of the taxes that we have that make us uncompetitive. So I think that we could do that too. [LB227]

SENATOR SCHUMACHER: But there's... [LB227]

SENATOR KINTNER: Now there's...that...it's not apples to apples. I understand we have a little different situation, different population. We have a different economic base. I mean, there's...it's not apples to apples. But I think we need to be closer. Well, we need to be more competitive. We might not be competitive, apple for apple, orange for orange, but we need to be a little closer than we are, and we're not close enough yet. We're losing right now. [LB227]

SENATOR SCHUMACHER: The...Kansas, there's some literature out there that they're getting ready to have a tummy ache. South Dakota, there's literature out that we've got a lot of things, services that mean things to people in this state, that they already have cut out. Those are the kind of things that, at some point, trying to outdo the other guy, you end up cutting too deep. And we've been pretty conservative here. [LB227]

SENATOR KINTNER: Senator Schumacher, I...that's a point well-taken, and I trust this committee to look at everything and make the right decision. We've done it before; we can do it again. [LB227]

SENATOR SCHUMACHER: Thank you. [LB227]

SENATOR HADLEY: Thank you, Senator Kintner. [LB227]

SENATOR KINTNER: Okay. [LB227]

SENATOR HADLEY: Are there... [LB227]

SENATOR KINTNER: I'll stick around until the end. [LB227]

SENATOR HADLEY: Okay. [LB227]

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SENATOR KINTNER: Okay. [LB227]

SENATOR HADLEY: Proponents for LB227. [LB227]

ROGER REA: Good afternoon, Senator Hadley and members of the committee. I'm Roger Rea, R-o-g-e-r R-e-a. I'm president of NSEA-Retired, and this is the last time I'll be at this table, at least today. This bill has a number of interesting aspects. It has two, and I think there are the three ingredients you're going to need to have in order to get a bill that will satisfy the needs of all the citizens. It has an inclusive broad base. Including all the retirement incomes, I think, are appropriate. And it has a phase in. What it doesn't have is a cap. If you had all three of those things, I think you could have a bill that you could actually get behind to start to move forward on. Senator Hadley, you've mentioned several times about how high Nebraska ranks and how high Omaha ranks as an attractive retiree place. If that were the case, if people chose to come into Nebraska simply because of a high ranking, we would be number one in the nation in terms of population, and we're not. Here's what we do know. Nebraska has gained population in every decennial Census in the last 100 years, with one exception. And the only exception, when they lost population, was in the Dust Bowl years of the 1930s. They've gained population every year, every decennial Census, but they've gained at half the rate of the rest of the nation. We're gaining, but we're not gaining as fast as the rest of the nation. The fastest-growing state in population in this region is South Dakota, and South Dakota, as you know, has no income tax. The question that you raise is, how do you know if people are moving out of Nebraska because of tax? I'm not sure we have a cause and effect relationship. But we do know that people are not coming here as rapidly as they're going to South Dakota. One of the definitions of insanity that I've read in the past I thought applies here quite well. The definition of insanity is to keep doing the same things you've always done and expecting the results to be different. If you expect retirees to stay here, if you expect retirees to come here, doing what you've done in the past is not going to get it because that doesn't change anything about...for the retirees' perspective. We need to change the retirees' perspective. I think this bill has a number of ingredients. I think the other bills that you've looked at also have key ingredients. I think you can blend all these bills together into one single bill that would have the three components that I mentioned--be as inclusive as possible for retiree income, phase it in, and put a cap on it. I think you'd have a bill that you could get behind. With that, I'd answer any questions that you might have. [LB227]

SENATOR HADLEY: I haven't had a chance to look at it. But Senator Kintner gave us a population graph and, actually, South Dakota was the only one of our neighboring states that had a decline in population, minus 153. [LB227]

ROGER REA: That was last year. I'm talking about the decennial Census, every ten years...ten-year Census, from 2000 to 2010. They were the fastest growing that...

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[LB227]

SENATOR HADLEY: I don't know what he has here, but it... [LB227]

ROGER REA: They were the fastest growing state in the region for that decade.
[LB227]

SENATOR HADLEY: Yeah. Thank you. Senator McCoy. [LB227]

SENATOR McCOY: Thank you, Chairman Hadley. And thank you, Mr. Rea, for being here today and also yesterday. I'm just curious as to...when you say you're the president of NSEA-Retired, that's quite a network of retired school employees and educators across the state. What is your process, if you don't mind outlining it, when you come and testify? I know you came in several different positions today and yesterday at some of these pieces of legislation. Do you have a legislative committee that reviews these? Or how do you go about, with your members, determining which of these bills that you are neutral or...? [LB227]

ROGER REA: Our board of directors has established a framework for the bills that we support for the tax relief, and I then make the judgment whether or not the bills fall within that framework. They've established a framework, and I try to decide whether or not the bills fall within that framework. They have not taken positions on each of the bills. [LB227]

SENATOR McCOY: I see. Thank you. [LB227]

SENATOR HADLEY: Senator Harr, did you have a question? [LB227]

SENATOR HARR: Thank you. Thank you, Mr. Rea. Nice to see you. [LB227]

ROGER REA: Um-hum. [LB227]

SENATOR HARR: Hopefully we'll see you around again. You talk about population growth and a couple things I would bring forward is that, if you looked at the last 100 years, I bet you the largest population growth is California. [LB227]

ROGER REA: Right. [LB227]

SENATOR HARR: And I don't think any of us want the economic situation that California has. I think they are very envious of what we have and the argument is because we look to the long term and we plan for the long term, and the short-term solutions, while they're often sexy, they don't always work, long term. And that's what we, somewhat, I feel, have here, in that you have...at some point we've got to tax. And if

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we're not taxing them coming in and we're not taxing that income going out, where does that tax fall? And then the question becomes this is capital that is not being taxed, so then that tax burden falls on the laborer. And, as a society, labor is the direct result of your, well, work--as I think it was Lincoln had some quote about this--and capital is the result of your labor. But I think, as a society, we want to put our emphasis more on helping those who are laboring instead of those who are...money is earning them money. I mean, if we're going to give a tax break somewhere, I'd give it to the working man over the retired...over the person living off their capital. And I guess I would ask, what is your response to that? [LB227]

ROGER REA: I don't know a lot of retirees who are wealthy, who are living off their capital, like Warren Buffett, you mean, or a lot like that. I don't. What I do know is that when retirees spend their money, they spend it in retail establishments where they have to pay sales tax, and they spend it every time they get a purchase that's a sales tax. It generates money for the state. And, you know, if you give them \$1,000 in income for the retirement income, they're going to spend that \$1,000 on goods and services, most of which have sales tax attached to them. So you're generating tax by their economic activity. [LB227]

SENATOR HARR: But you can make that same argument for the individual who makes less than \$20,000, that they're going to spend every penny they make as well, so. [LB227]

ROGER REA: True. [LB227]

SENATOR HARR: And that's labor. So I kind of have a problem giving the store away to...I mean, I understand what 401Ks are, IRAs, annuities, and it's based on your long-term savings. But it's also your money earning you money and it's, in many cases, gone in tax free. And I think, at some point, if we're going to live in a society, we've got to pay for that society, and we've got to find a way to collect that money so we can pay for the society we live in, so we can pay for the teachers that we have, the roads that we have, the exorbitant salary that we pay our state senators, so. [LB227]

ROGER REA: (Laugh) The \$12,000? [LB227]

SENATOR HARR: Yeah, I mean, it's obviously exorbitant. We went two to one to reject it, so higher rates. [LB227]

ROGER REA: I... [LB227]

SENATOR HARR: But I think at some point we have to find a way to pay for government. [LB227]

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ROGER REA: Are you saying that sales tax is not a revenue generator for the state? [LB227]

SENATOR HARR: Oh, no, I'm not saying it's not. I agree that it is. But what I'm saying is it doesn't seem fair that we tax someone's labor, which is their own work that they have done with their own two hands, then, vice versa, down the road, we don't tax the money their money makes them, which has nothing to do with anything that they have done. I think they both need to be taxed, in my personal opinion, because... [LB227]

ROGER REA: I'm not...I think that's when you set up caps, say, okay, we'll not tax this amount. And up to that amount you don't tax it; after that amount you do. [LB227]

SENATOR HARR: Well, that's fair, and that's the comment you made. [LB227]

ROGER REA: Yes. [LB227]

SENATOR HARR: Okay, thank you very much. I appreciate it. [LB227]

ROGER REA: Sure. [LB227]

SENATOR HARR: Good to see you. [LB227]

SENATOR HADLEY: Senator Schumacher. [LB227]

SENATOR SCHUMACHER: Thank you, Senator Hadley. Thank you for your testimony over the last couple days here. About 30 years ago it was not outside of the scope of the planners in those days to say, you know, when this baby boom generation starts hitting retirement, we're going to have a problem, we're not going to be able make this thing cash flow, how are we going to fund it? One of the theories that was out there was we're going to fund it with an excise tax on withdrawals from retirement accounts. Not only do you pay the tax, normal income tax, but you pay an extra tax because, after all, you had the benefit of not paying taxes on the money when it went in. And for your fellow baby boomers, who didn't happen to be fortunate to work for an employer that took care of them, they had to pay us money on everything they had. So it's only right and only fair that, when you take money out of retirement fund, that you pay that extra tax in order to fund those fellow baby boomers who weren't so fortunate. That theory is out there, been out there a long time. Does it bother you at all that this trend of trying to get rid of the state income taxes, in not only Nebraska but in this war to the bottom in many states, is really opening the door for the federal government to impose the excise withdrawal tax? [LB227]

ROGER REA: I don't think the...we're not talking about federal tax here. We're talking about state tax. [LB227]

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SENATOR SCHUMACHER: No, but now the that the state has vacated,... [LB227]

ROGER REA: And the withdrawals from your retirement income at the federal level are always taxed. [LB227]

SENATOR SCHUMACHER: An extra...but right now we're vacating...the states, if this idea goes forward, are vacating an entire tax base. [LB227]

ROGER REA: As most other states have done. [LB227]

SENATOR SCHUMACHER: All right, let's assume that it goes there. Who is out there with a tremendous need for money to balance a budget, or imagine that they're going to balance a budget, in order to take care of this glut of baby boomers who doesn't have anything saved? Who's out there? The federal government. And when we vacate that tax base, it makes it that much easier for the feds to say, okay, we're going to raise taxes on income, and those baby boomers who were lucky enough to put money into those kitties are not only going to pay income tax taken out, but they're going to pay a little extra kicker to help fund their brothers and sisters. Does that bother you at all that that theory is there? [LB227]

ROGER REA: Do you think that might...I don't think that's a likely scenario to do that. If the federal government were to say, okay, you're getting a break at the state level, we'll give you an extra nick at the federal level, does that mean that the federal level is going to give the money back to the states? [LB227]

SENATOR SCHUMACHER: No. [LB227]

ROGER REA: I don't think they will. [LB227]

SENATOR SCHUMACHER: They're going to take care of your brother baby boomer. [LB227]

ROGER REA: I don't think that scenario is going to happen. I just don't believe that's a likely scenario. [LB227]

SENATOR SCHUMACHER: It'll be interesting. [LB227]

SENATOR HADLEY: But it has happened because they tax Social Security now and they taxed veterans' retirements, right? So they are... [LB227]

ROGER REA: But keep in mind that the tax on Social Security is not used to fatten the federal ledger. It's used... [LB227]

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SENATOR HADLEY: But it is... [LB227]

ROGER REA: No, it's... [LB227]

SENATOR HADLEY: It is a tax, right? [LB227]

ROGER REA: It's a tax to shore up the trust fund for Social Security fund. [LB227]

SENATOR HADLEY: But people pay it. [LB227]

ROGER REA: All the money that goes from the federal level on the tax and Social Security goes to the Social Security trust fund, which helps to pay the benefits for people who are getting Social Security. [LB227]

SENATOR HADLEY: But I guess my only point is, when I fill out my tax return, they consider...what they do with it is what they do. But I pay a tax on Social Security, and a lot of states do not charge it. Is that a fair statement, that a lot of states do not tax Social Security? [LB227]

ROGER REA: Sure, true. But the federal... [LB227]

SENATOR HADLEY: And a lot of states exempt... [LB227]

ROGER REA: The federal government uses the money they get from the tax on Social Security to help the...to fund Social Security. [LB227]

SENATOR HADLEY: But what would be the difference from them doing the same thing that Senator Schumacher just said and using it to fund Social Security? [LB227]

ROGER REA: What benefit are the federal government paying to the retirees in the states that would need to be funded, other than Social Security? [LB227]

SENATOR HADLEY: No, I'm, you know, just adding on. Well, I'm just saying that we have talk that the federal government does have different rules. [LB227]

ROGER REA: They do. [LB227]

SENATOR HADLEY: They...and so I hadn't thought about it, but I might be a little worried, if there's a vacuum, that they may come in. I...that's just something somebody else down the line is going to worry about, Mr. Rea, so I... [LB227]

ROGER REA: I don't think that's likely, but... [LB227]

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SENATOR HADLEY: Okay, thank you. [LB227]

ROGER REA: ...at least not in my lifetime. [LB227]

SENATOR HADLEY: Thank you, you and Mr. Jensen, for coming down and spending time with us. We appreciate hearing your input, and we always value that very much. [LB227]

ROGER REA: Thank you. [LB227]

SENATOR HADLEY: Any other neutral? Well, here...Mr. Jensen, as I speak. [LB227]

JOHN JENSEN: Thank you, Mr. Chairman. I'm John Jensen, J-o-h-n J-e-n-s-e-n. I enjoyed speaking so much with you I decided to do it one last time. (Laughter) I wanted to respond to Senator Hadley's point about the money that we put into the pension not being taxed and then, when we take it out, it's not being taxed. Well, currently it is. The proposal would maybe do away with some of that. But why was it done in the first place? So that the money you put in is not taxed. With IRA, 401K, it's tax-deferred, okay? Why was that done? It's to urge people to save for retirement. It's to say, we should have a pension for retirement, we should have something for retirement. And this is a tax policy to...for a social justice purpose so that we don't have poor people when they retire. And Social Security is one vehicle for that. It's the social justice insurance to prevent older people from falling into poverty. And that's exactly where we were, prior to Social Security. It's also a tax policy on should you tax it when they take it out. And if you do things that say to working folks...you know, which is exactly happening right now with working folks is that they don't save for retirement, then federal government and state government surely will have a huge problem in the future because you're going to have millions of elderly who are in poverty and they cannot get out because they didn't save anything. They have no pension plan; they save nothing. You know, the percentage is astounding. And so, yes, when the baby boomers who don't have anything retire, the state of Nebraska will end up paying for a lot of their care. That's not going to be true for me. You're not going to pick up my care. I'll take care of myself. Should the state of Nebraska only tax the working man? Of course not. But I also know that the state of Nebraska has huge subsidies for this group, this group, these corporations. They're all over the place. I looked at the proposal of Senator McCoy and where the state exemptions are right now for all the Social Security. That was very valuable for me to see where the subsidies are. And some of them I can exactly see why the subsidy is there. And for some of them I can say, why was that subsidy ever given in the first place? LB775, I think it is. All the exemptions that the state of Nebraska gave to keep people...keep companies from leaving, is that...I mean, I can't find information on...is that working? [LB227]

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SENATOR HADLEY: Well, I think you can go to their Web site, sir. It's laid out. In fact, we had hearings two years ago because they sunsetted LB775, and we had hearings. And you can go to the DED and Department of Revenue and they show exactly, each year, the results of that. [LB227]

JOHN JENSEN: Then that's fine. I guess my point is there's all kinds of subsidies. One of our arguments that I have heard from many people that have spoken in favor of these bills is that it does help the economy. It isn't a loss of all that income. And, no, the fiscal notes never say how much will come back in. They don't do that. I don't think they are able to calculate that and, besides, the Legislature doesn't ask them to calculate that. Someone calculated it on LB775 because that's how it was sold in the first place, that it's going to be good for the economy because we keep the corporations here. And if, indeed, it is, that's great. Maybe we should also look at all the exemptions from the federal taxes that affect our taxes because they're tied together. Why should a corporation save money by going to the Cayman Islands? Why are we saying we should not go after that money? There's lot of places that you can look that doesn't go after the working person, but look at the...and this would involve, yes, a full tax study that hasn't been done in the state of Nebraska in I don't know how many years, and maybe that should be done. [LB227]

SENATOR HADLEY: Just, I guess, more of a quick comment, and this is...earlier I made the comment. With LB775 we just don't say, well, we think companies will come to Nebraska and have more employees. We say, if you're going to come to Nebraska and we're going to give you a break, here are the standards you have to meet. We send our auditors out and say, how many net new jobs did you bring in? How much did you spend in sales tax? How much did you pay in income tax? And what I have heard the last two days has been, primarily, my neighbor is moving to Colorado because we tax Social Security, or, my friend from the military is moving to Iowa because...I guess what I'd like to see is some data or to set up some parameters that say, if we do it for five years and we can't prove that we've increased the number of retirees in Nebraska, we do away with it then. Does that make sense that we set up measurable goals? [LB227]

JOHN JENSEN: Well, the goal is to keep retirees who retire in Nebraska from leaving. [LB227]

SENATOR HADLEY: Then how will we know whether we do or not? How do we know...and that it was the income tax that made the difference? [LB227]

JOHN JENSEN: That's an excellent question, and I'm sure there could be something set up, going forward, that would do that. And... [LB227]

SENATOR HADLEY: And I'm just saying that in general because we're kind of ending,... [LB227]

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JOHN JENSEN: Let me... [LB227]

SENATOR HADLEY: ...what, seven, eight bills that we've heard on this. And it has been kind of a common theme of, kind of, intuitively, we think people are leaving Nebraska because of income tax. So... [LB227]

JOHN JENSEN: Remember the states that have done studies and go after retirees. Kentucky was one state. Did I hear that? [LB227]

SENATOR HADLEY: Yeah, I think... [LB227]

JOHN JENSEN: And there's other states that do that. They advertise in magazines for the elderly. [LB227]

SENATOR HADLEY: Okay, and we have states that have 15 percent unemployment now. Should we do the same practices as they do when we have 3.8 percent? I'm just saying, if you go to other states that...should we follow the practices that might have led them...Stockton, California is now bankrupt. Should we look there to see what they're doing? I think it's just what Senator Schumacher was saying. Do we have to set out Nebraska as what we want Nebraska to be and not let Kansas and North Dakota or South Dakota determine what Nebraska is going to be? [LB227]

JOHN JENSEN: The state of North Carolina and the state of Alabama, and I'm pretty sure there's others in there, they are literally putting together retirement communities and then advertising it. And it's strictly for retirees. Of course, then they have the infrastructure that brings in jobs of...to serve this group of citizens. They know it's economically good for that area in that state, and that's why they're doing it. [LB227]

SENATOR HADLEY: What do they have in common also? They have pretty good climates, don't they? You know, the two states you just mentioned... [LB227]

JOHN JENSEN: Yes. North Carolina, if you're anywhere near the coast...I hate humidity. I would never move to North Carolina. [LB227]

SENATOR HADLEY: Well, Mr. Jensen, I appreciate...Senator Schumacher. I appreciate your coming in. [LB227]

SENATOR SCHUMACHER: I think your comments raise something that maybe we can look at from a higher level. You mentioned something that scares...should scare all of us, and that is the huge number of baby boomers that don't have anything saved and are going to be relying on the system for support. That's a scary number. Maybe they just didn't save; maybe they weren't fortunate enough to have an employer that had a

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pension plan or program for them; maybe they just worked as a waitress in a restaurant all their lives and tried to make ends meet. They're there and they're real, and they're going to be there for the next 25 or 30 years, and they're going to be drawing down on the system. Now... [LB227]

JOHN JENSEN: Senator Tom Harkin has a...I mean, he's retiring now in two years. But he has a proposal out there to not decrease Social Security but to increase it and to come up with a defined benefit-type of plan for all private employees. [LB227]

SENATOR SCHUMACHER: Okay, well, that's...I mean, that may be something in the future. [LB227]

JOHN JENSEN: And... [LB227]

SENATOR SCHUMACHER: But we've still got those people now. [LB227]

JOHN JENSEN: Yep. [LB227]

SENATOR SCHUMACHER: Who is going to pick up the tab for those people that are in that predicament? Where is the social justice that the tab should be picked up at? Do we look to the kids who are 35 years old, raising their families, paying in 15 percent, one way or the other, on their Social Security and knowing almost for dead certain they're not going to get a penny out of that system and it's going to be gone eventually? Should we zap them for it? Should we...where are we...do we want to take the upper-income brackets on the wealthy, whatever that is, and jack that up to 50 percent in order to pay for it? Where are we going to get the money, assuming that the federal printing press runs out of ink one of these days? Would it be fair, either as a state or national policy, for us to say, baby boomers, you pay for each other, and those of you who are making more than \$50,000 a year or some magic number in pension income, you're going to pay an excise tax to take care of the people who are less fortunate? Would that be fair? [LB227]

JOHN JENSEN: I can't answer that. [LB227]

SENATOR SCHUMACHER: Well, I mean, it... [LB227]

JOHN JENSEN: I mean, that...I said, maybe,... [LB227]

SENATOR SCHUMACHER: If we don't charge them, who should we charge? [LB227]

JOHN JENSEN: Don't let corporations send money over to the Cayman Islands. That's one. Don't let them offshore. [LB227]

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SENATOR SCHUMACHER: So raise...force them to bring... [LB227]

JOHN JENSEN: That's a tax dodge for them. [LB227]

SENATOR SCHUMACHER: You talk about getting in a competitive mess. Right now our corporate tax rates are among the highest or maybe are the highest of any country, way up high. Those businesses, international businesses, are not bringing their money into this...into the country because it's cheaper to park it offshore. And that's the same kind of problem we're facing. But internally, somebody has got to pick up the bill. Nobody can force those corporations to bring that money back here unless we lower our corporate tax rate. So who is going to...who is the rightful party in this country to pay the bill for those babysitter--the babysitters, yeah--baby boomers who have nothing? Is not the best person is a retiree who has more than \$50,000 a year in income? Should not they have an excise tax imposed? [LB227]

JOHN JENSEN: I do not believe that you should tax extra retirees to pay for baby boomers that didn't save anything for retirement. That's a societal problem. You're either going to take care of those folks or you're going to put them out in the street, and I don't think our society would ever let that happen. I really never...I...it won't happen. [LB227]

SENATOR SCHUMACHER: Well, we...our problem is we've got to figure out who is going to pick up the tab. Who is the rightful, socially just party to pick up the tab, the younger generation struggling or the older generating drawing income out of a retirement account and making more than \$50,000 a year? [LB227]

JOHN JENSEN: Again, I can't answer the question because I'm not a tax expert. On the other hand, I've seen studies that show that middle-income earners in America, their wages are stagnant, and the rich Americans that...the top 1 percent, their share of income and wealth is going out of sight, way, way up, and everyone else--middle income, me; I don't know what you do, sir, but you--we're falling behind. [LB227]

SENATOR SCHUMACHER: So should we say, in Nebraska, if you make more than \$100,000 a year, instead of paying 6.8, or whatever it is, percent you should pay 12 percent? Or maybe that figure is a quarter of a million. Should we go after that 1 percent? Is that how we solve our problem here? And if we get into a competitive fight with the next state because, well, they don't do that, then should the federal government do that? [LB227]

JOHN JENSEN: I can't answer that. [LB227]

SENATOR SCHUMACHER: Okay, thank you. [LB227]

SENATOR HADLEY: Okay, thank you. [LB227]

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JOHN JENSEN: It's above my pay grade. [LB227]

SENATOR SCHUMACHER: They're questions that are above all our pay grades, unfortunately. [LB227]

SENATOR HADLEY: Thank you. Any...I think we're in the neutral right now. Is there anyone else in the neutral? Are we...did you want to testify? [LB227]

MARY JANE EGR EDSON: Opposition. You didn't do opponents. [LB227]

SENATOR HADLEY: Oh, didn't I do opponents? [LB227]

MARY JANE EGR EDSON: You were at proponents. [LB227]

BRADLEY STEVENS: No, I apologize. I thought we were still in proponent. [LB227]

SENATOR HADLEY: Oh. [LB227]

BRADLEY STEVENS: I'll be very brief (inaudible). [LB227]

SENATOR HADLEY: No, I probably was. I thought... [LB227]

BRADLEY STEVENS: No, I apologize. [LB227]

SENATOR HADLEY: Okay, yeah, I'm... [LB227]

BRADLEY STEVENS: It's been a long day. I understand. [LB227]

SENATOR HADLEY: And I...we've had an interesting two days. (Laughter) I'm sorry. Now we're on opponents. Am I right, Counsel? [LB227]

MARY JANE EGR EDSON: Correct. [LB227]

SENATOR HADLEY: Good. Okay, then. [LB227]

BRADLEY STEVENS: Well, I'll be a proponent... [LB227]

SENATOR HADLEY: Yeah, when you're as old as I am, sometimes, these opponents and proponents just go whipping by you, so. [LB227]

BRADLEY STEVENS: I'm not touching that with a ten-foot pole. (Laughter) [LB227]

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SENATOR HADLEY: Okay. (Laugh) [LB227]

BRADLEY STEVENS: (Exhibit 7) Chairman Hadley, members of the committee, my name is Brad Stevens, B-r-a-d S-t-e-v-e-n-s. I represent the Nebraska chapter of Americans for Prosperity and I'll be brief. I know you've had a long 24 hours discussing this topic and, frankly, I believe that you've had no less than six senators introduce legislation dealing with this topic in general, the tax climate on retirees in the state of Nebraska, because, frankly, there's widespread support for reducing the tax burden on retirees in the state of Nebraska. And I believe there's widespread support in this body for reducing that tax burden. You have my written statement in front of you. Frankly, we support all of the bills that you've heard today and yesterday. Any one of those bills is a step in the right direction, in our opinion. Any one of those bills is an improvement upon the status quo for, again, improving the tax climate in Nebraska and reducing that burden on seniors who live in this state. We support LB227 because we believe it would cast the widest net, it provides the greatest good for the greatest amount of retirees who would benefit, and our state would benefit from the lowered tax burden on them. So for those reasons we stand supportive of this bill, happy to answer any questions you may have. [LB227]

SENATOR HADLEY: Okay. Questions? Senator Schumacher. [LB227]

SENATOR SCHUMACHER: Thank you, Senator Hadley. Who should we zing to pick up the tab? [LB227]

BRADLEY STEVENS: Oh, my answer to that, Senator, would be we need to lower the tab. The tab is too big. Government spending at local, state, and federal levels is always increasing, where I think a lot of Americans and Nebraskans support lowering that tab, decreasing spending. And specifically, I think you could look towards retirement benefits, instead of an excise tax or other taxes that hit high-income earners. I'd rather cap benefits for those high-income earners to lower that tab. I think we have to look at spending as a part of that equation on how we pay for things. [LB227]

SENATOR SCHUMACHER: Do you have any specifics? [LB227]

BRADLEY STEVENS: One specific that I just mentioned: I believe that we can look at harder caps on the benefits for high-income earners. We don't have that right now for Social Security, for instance. [LB227]

SENATOR SCHUMACHER: At what point would you cut somebody off from Social Security? [LB227]

BRADLEY STEVENS: That's a great question. I'd have to research that and get back to you. But that's one example of, again, lowering the tab is the way that I would...I think it

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needs to be a part of the equation, sir. [LB227]

SENATOR SCHUMACHER: Okay, thank you. [LB227]

SENATOR HADLEY: Senator Harr. [LB227]

SENATOR HARR: Thank you, Mr. Chairman. You know, we have a Governor who is very good. And he quite often will say...when someone wants to spend more money, he'll say, well, yeah, but, you know, you decide, do you want to do that or do you want to give money to education? And it's somewhat of a Sophie's Choice, as we talked about yesterday. But the facts are what they are, and this is the...how it's phrased for us. Do we want to do this or fund education? I guess my question is, do you want these bills or do you want to fund education? [LB227]

BRADLEY STEVENS: I believe Senator Hadley and yourself and others on this committee have asked this question. Give us the hard data, in terms of would reducing the tax burden create all these benefits that everyone is talking about, in terms of people staying here, people actually moving to Nebraska, growing our economy in that way, the people that are buying goods and services in this state and paying other taxes, which will increase the revenue for the state and local government. I would say, Senator Hadley, that the Advantage Act and other tax benefit acts that we have--and, Senator Harr--speak to that point. We have specific exemptions right now or specific tax benefits right now which have worked. They have created jobs. They have created economic development. So in my estimation, how I look at that is we've seen that. When we reduce the tax burden, we reform the tax climate, that does have repercussions for growing our economy, creating jobs, greater economic opportunity in Nebraska, so then we can afford things like education. [LB227]

SENATOR HARR: But that's not the world we live in because for two days we've sat here and said, repeatedly, as you say, show me the money, to use a famous phrase. And not one person, including yourself, has come in and showed us the money. And so it's kind of...I mean, look, if "ifs" and buts were candies and nuts, you know, every day would be Christmas. I would love to cut every tax. Don't tax you, don't tax me, tax the man behind the tree. I can throw a million more things at you, puns. But the problem is, at some point, the rubber hits the road--there's another one--and we have to decide what we're going to do. And so is it your contention that we should lower taxes? Is it your contention that we should reform our tax code? Is it...because we can't afford all this. I think we're all in the reality that we can't afford all this. But the question is, how would you recommend we prioritize our tax code and our tax spending? [LB227]

BRADLEY STEVENS: Prioritize it in a way that is equitable and fair for the greatest amount of Nebraskans when...this is... [LB227]

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SENATOR HARR: I think that reminds me of the old WKRP line--firm, yet flexible, but, most important, fair to every American taxpayer. I mean, that's good, I love it, and, whenever possible, I throw that out. But I need... [LB227]

BRADLEY STEVENS: Um-hum. [LB227]

SENATOR HARR: What I'd love to see are some more specifics. You guys have a great amount of resources, and I know you're a smart group. We know that. What we need are numbers. And what we need...and when you come back, and I'm sure you'll be back, what I'm asking for is...we only have access to static. [LB227]

BRADLEY STEVENS: Yes, sir. [LB227]

SENATOR HARR: You have greater...ironically, private has more access to the numbers. And I encourage you, when you come back...and I encourage you to come back. But what I want is something that's dynamic, that's not, hey, this is going to be great, we will have more people here. I want you to say, we will have more people here and let me show you the model we used, and this model is, and describe that model, describe who made it, describe why it works, why it doesn't work, and then say, and based on this model and this modeling, I can tell you this policy, whatever this tax policy is that you're advocating, is the greatest thing ever since SPAM, and it's going to make your economy great and you guys are going to be humming along better than you are right now. And, quite frankly, we're doing pretty good. I'm not complaining about where we are economically. As a state, you know, low cost of living, low interest, low unemployment, it doesn't get...I mean, we had an advisor from Visa come here to Nebraska and talk about, you guys are killing it, you are beating every statistic there is. And so I get a little worried playing with statistics and playing with the numbers too much when we're doing great. Now we could always do better. And that's what I'm encouraging you to do is to come back and say, you can do better and here's how, and then have data analysis and modeling to show me how and why we can do better. [LB227]

BRADLEY STEVENS: Absolutely. [LB227]

SENATOR HARR: So I guess that was more of a statement than a question. And I do look forward to you coming back, and I do look forward to seeing some of these numbers, so. [LB227]

BRADLEY STEVENS: Well, I appreciate that, Senator Harr. [LB227]

SENATOR HARR: Thank you. [LB227]

SENATOR SCHUMACHER: Senator Sullivan, did you have a question? [LB227]

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SENATOR SULLIVAN: Thank you. In your, I guess, hope and anticipation of seeing some of these tax benefits take effect...and you also said the goal would have to be to cut government spending. [LB227]

BRADLEY STEVENS: Yes, ma'am. [LB227]

SENATOR SULLIVAN: Can you be a little more specific about that? [LB227]

BRADLEY STEVENS: I guess I'd go back to, again, in this example of...because we've talked...obviously, when you're broaching this subject of retirees, when you look at the spending equation side of the equation, you're going to be looking at what are those benefits--Social Security, Medicare, Medicaid, so on, and so forth--and right now we would be very supportive of proposals...and I understand most of this is at the federal level. But we believe, on the spending side of the equation, there aren't enough caps, frankly, on high-income earners who are getting government benefits. And then did these programs...and previous testifiers have said this, that these programs will just be a social safety net. We have no problem with a social safety net but, too often, individuals of high-earning capacity are getting government benefits that are supposed to go to those who would need the social safety net. So we need to have...this is a conversation, again, that we need to have it here at the state level. But also, it's that federal partner that, I believe, often...because we have not focused on the spending side of that equation--we've seen that, unfortunately, in our recent history--that I do not believe the state of Nebraska or the other 49 states have a fair partner at the federal level when it comes to attacking spending. [LB227]

SENATOR SULLIVAN: Well, be that as it may. But can you be more specific in terms of how we could curb state spending? [LB227]

BRADLEY STEVENS: Absolutely. One of the things in the written testimony is Nebraska, according to the Kaiser Foundation, which is a nonpartisan national think tank, says we spend \$3 billion every year for health benefits for retired persons in the state of Nebraska. I think...and this might go to your question, Senator Harr, not completely, not holistically, but this is one of the proposals I think makes sense. Instead of giving individuals in the state of Nebraska benefits, like Social Security and so on, and then taxing those benefits to fund federal...or state programs that pay for this \$3 billion or help pay for this \$3 billion expense, giving that money to the individuals, in terms of letting them have 100 percent of that Social Security benefit, so that they can make those choices as to what are the healthcare needs that I have and what is the doctor I want to go to or whatever healthcare regimen that I want to be...prescribe to, that they have disposable money or greater disposable money so they can make those choices on their own. And I, frankly, believe, and I'll try to get the data that backs this up, sir...that I firmly believe that when individuals are empowered to make choices, they

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make better choices than the government programs we provide and prescribe for them. So they're... [LB227]

SENATOR SULLIVAN: Even though over half the people in this country don't have any savings? [LB227]

BRADLEY STEVENS: That is another problem that we have to address. I think, in this national economic recession, you have seen that the average American has increased their savings. It's not enough. We need to do more. But in our relatively recent history, Americans are doing a better job at savings. Nebraskans, specifically, are doing a much better job, in terms of...I've seen recent reports that say we have the lowest mortgage rate and monthly mortgage in the nation. So that shows that we're economical. We make prudent decisions in the state of Nebraska. But we can always do better. [LB227]

SENATOR SULLIVAN: Thank you. [LB227]

SENATOR HADLEY: Any other questions? [LB227]

SENATOR SCHUMACHER: I've got a follow-up question. [LB227]

SENATOR HADLEY: Senator Schumacher. [LB227]

SENATOR SCHUMACHER: I mean, we might be getting warm on something here because what you just said was, well, you know, maybe the people in the upper-income categories who have gotten...shouldn't be given so much benefit from these tax-deferred retirement plans and Social Security, maybe there should be a cutoff point. But, you know, those darn federal government, we can't get them to do it. Okay, well, should we consider imposing an excise tax, a little extra tax, on Social...well, not...let's forget...you can forget about Social Security...on tax-deferred retirement income, on people making more of that than X amount per year, in order to help fund these? I mean, that would have the same effect, in Nebraska at least, to have a little extra tax on that tax-deferred income in order to help fund the mess we're in. [LB227]

BRADLEY STEVENS: Sure. And we are in a mess. I absolutely agree with you in that we are in a mess. What I have a hard problem with, Senator, is this phrase, and you hear it all the time: just a little bit more. You hear it from local governments who say, we're just going to propose a small property tax increase or a small occupation tax because we need just a little bit more to deal with, you know, our mess because of bonding or, you know, increase in government salaries or healthcare expenses, whatever. You hear it up at the...you know, we're hearing it right now at the state level. At the federal level, we just had payroll tax increase because we need just a little bit more because of the mess that we're in. But when you add all that together, the average Nebraskan and the average retiree, who is spending more than they're making,

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who...the average retirees had...that really are in financial hard straits. And you're always asking for a little bit more. I'm not saying that you are right now, Senator. I'm just saying that you always hear this message from government, from local, state, and federal, you need just a little bit more to cover the mess that we're in. Now that just...that hits their bottom line. And we're talking specifically, maybe, an excise tax. I would have to get the hard numbers on this. But based on the Kiplinger report that I saw, most states, they have a greater tax climate for retirees than Nebraska does. And I know your...you've heard this ad nauseum, and you're tired of it. But I believe that does impact when folks make that decision where I'm going to live, where I'm going to invest. It does impact whether they choose to stay in Nebraska or not. And we need to get you those hard numbers. I've heard that from the last two hours of sitting in this committee, and I understand that. [LB227]

SENATOR SCHUMACHER: So in order to know if I have the competition between states, should we do it at a federal level? If they're well enough and they've got...they're really sitting pretty darn good and they've really got this tax-deferred retirement plan and their brother baby boomers or sister baby boomers are really having a hard time, should we, as a federal government, tax a little extra, more on those retirement benefits? [LB227]

BRADLEY STEVENS: Well, I guess I would refer back to what I said earlier. If I had my way with the federal government, we'd deal with the spending issue. And we'd get towards, if we're going to talk about caps, caps on benefits so that we're not including people of means in our social safety net. [LB227]

SENATOR SCHUMACHER: But this kind of has the same effect. We're capping the benefit...whether you cap their benefit and you don't pay them Social Security or whatever or you assess their income stream a little more, bottom line, to them, is about the same. [LB227]

BRADLEY STEVENS: It does go down to, I guess, your fundamental view of government and where we are in our country today and the state of things today on whether the government needs more revenue or needs to cut spending. Our group falls highly on the we-need-to-cut-spending portion. So if we're going to talk about, you know, hypotheticals of what we could do with our federal funding partners with these retirement programs or benefit programs, I would propose we need to cut spending. [LB227]

SENATOR SCHUMACHER: Thank you. [LB227]

BRADLEY STEVENS: Thank you, sir. [LB227]

SENATOR HADLEY: Thank you, Mr. Stevens. [LB227]

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BRADLEY STEVENS: Thank you, Mr. Chair. [LB227]

SENATOR HADLEY: Further proponents. [LB227]

PATRICK GERHART: (Exhibit 8) Chairman Hadley, committee members, my name is Patrick Gerhart. That's P-a-t-r-i-c-k G-e-r-h-a-r-t. I am currently the policy outreach director for the Platte Institute, a Nebraska-based, nonpartisan, free-enterprise think tank dedicated to improving quality of life for all Nebraskans by advancing sensible solutions to economic policy issues. I'm here today to support LB227, which would exclude retirement benefits from the state income taxation and to describe benefits of doing so. Nebraska is challenged not only with our younger people leaving the state over the past few decades but also our retirees. This challenge will be compounded by the baby boomer generation reaching retirement age. A low cost of living, decent economy, and proximity to families can no longer be relied upon to keep our retirees here for the long term. Most states that levy a personal income tax also exclude retirement benefits, at least in part. This protects the income of taxpayers who are no longer in the work force and attracts retirees to either come to or stay in the state. With this legislation, Nebraska is at a disadvantage when it comes to keeping its retiring citizens in the state, and many others are starting to take notice, as we have heard today/yesterday, with reports such as Kiplinger and so on. Nebraska is currently one of only five states that do not offer any type of tax breaks for retirees. That means Nebraska is one of a handful of states who fully tax retirees on state and local pensions, federal civil service pensions, military pensions, and private pensions. Taxing military benefits puts Nebraska at a disadvantage. We are only one of five states in the nation that fully tax income off our retired veterans. Veterans who retire from places such as Offutt have, basically, 40 other states as choices for them to go and retire to after they are done with their service. The most, probably, erroneous tax we have here is a Social Security tax. Again, we're only one of five states that fully tax these benefits. Social Security was designed for it to be a safety net for the elderly, disabled, and disadvantaged. With Iowa starting to phase out their Social Security taxes benefits in 2012 and Missouri starting in 2014, Nebraska will be one of the only...will be the lone state in this region still taxing it. The income is also being double taxed, one for the payroll taxes for when they were employed and a second time when they start to pull from those accounts during retirement in the state of Nebraska. LB227 will not only allow current Nebraskans to retire with more income security, but the bill may also attract new retirees, as we've heard throughout the day. Potential new businesses who review tax climates when relocating or expanding will now give Nebraska a better rating. Overall, this legislation makes Nebraska a more competitive state, and the Platte Institute advocates for its passage, so. [LB227]

SENATOR HADLEY: Have you heard of the Milken Institute? [LB227]

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PATRICK GERHART: Yes. [LB227]

SENATOR HADLEY: Have you read the report on retirement? [LB227]

PATRICK GERHART: I've read one of their reports. I can't remember which one exactly. [LB227]

SENATOR HADLEY: Do you know where Omaha, Nebraska, came in on their list of cities? [LB227]

PATRICK GERHART: Pretty high. [LB227]

SENATOR HADLEY: So isn't that kind of contradictory to your statement that we're doing a terrible job here? [LB227]

PATRICK GERHART: Well, I also say we also have a decent economy. There's a lot of different variables into their reports. If we are doing such a great job, as somebody stated earlier, why are we still losing retirees? I mean, there are many different areas. [LB227]

SENATOR HADLEY: So you have data... [LB227]

PATRICK GERHART: And I believe that this is one of the areas that we can improve upon to keep...get even more retirees and to keep them. [LB227]

SENATOR HADLEY: Okay, do you have data that we're losing retirees because of our tax? [LB227]

PATRICK GERHART: It's one of the main...it's one of the reasons we're losing retirees. [LB227]

SENATOR HADLEY: Do you have data? Studies? [LB227]

PATRICK GERHART: Studies? [LB227]

SENATOR HADLEY: Not just anecdotal. [LB227]

PATRICK GERHART: I'm glad you asked, sir. As many of you know, the Platte Institute, we put out lots of studies a year, and I know...I think all of you guys get them. We will be forthcoming with... [LB227]

SENATOR HADLEY: Okay. [LB227]

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PATRICK GERHART: ...with numbers on this issue... [LB227]

SENATOR HADLEY: All right, well, we would like that. [LB227]

PATRICK GERHART: ...in the upcoming year, yeah. [LB227]

SENATOR HADLEY: But I... [LB227]

PATRICK GERHART: No, we are currently working on it right now. [LB227]

SENATOR HADLEY: ...just all end up topping the hundred largest cities, number three, as a best place to retire in the United States. [LB227]

PATRICK GERHART: Um-hum, because there are some great things. There are some great issues...great things to have to come to retire for. [LB227]

SENATOR HADLEY: And how do you pay for those, a lot of those things? How do you pay for a great school system? [LB227]

PATRICK GERHART: How do we pay for them? [LB227]

SENATOR HADLEY: Safety--how do you pay for a good police force? [LB227]

PATRICK GERHART: Well, if you pass this bill,... [LB227]

SENATOR HADLEY: Who pays for it? [LB227]

PATRICK GERHART: You pass this bill, you get the taxes off retirees, thus, more retirees stay in the state and more retirees come in. So what do you need...now when you retire, what do you need? There's a couple different things. One is entertainment. More people here to retire, you'll have more entertainment. More entertainment means more businesses. Not only more businesses, but what else do you need when you retire? Now I'm 31 years old. I don't use it a whole lot but, as you get older, you definitely need more healthcare. So the healthcare industry will be another business in the state of Nebraska that will also benefit from having more retirees stay here and move into the state, so. [LB227]

SENATOR HADLEY: Any other questions? Senator Schumacher. [LB227]

SENATOR SCHUMACHER: Thank you, Senator Hadley. Thank you for your testimony. [LB227]

PATRICK GERHART: Um-hum. [LB227]

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SENATOR SCHUMACHER: You seemed to indicate that we tax Social Security income. Right now we do not tax any Social Security income, any other income for folks, joint, to husband and wife making less than \$32,000 a year. [LB227]

PATRICK GERHART: Um-hum. [LB227]

SENATOR SCHUMACHER: What would you suggest that figure be? [LB227]

PATRICK GERHART: Right off the top of my head, I could not come up with anything for you. But I can guarantee you it probably will be in the report that we're going to be coming up with. [LB227]

SENATOR SCHUMACHER: How much? [LB227]

PATRICK GERHART: I do not have a number for you right now, off the top of my head, sir. [LB227]

SENATOR SCHUMACHER: Well, \$32,000 a year,... [LB227]

PATRICK GERHART: Um-hum, um-hum. [LB227]

SENATOR SCHUMACHER: ...that's right, almost, at \$3,000 a month exempted,... [LB227]

PATRICK GERHART: Um-hum. [LB227]

SENATOR SCHUMACHER: ...not a penny of Social Security taxed, if that's your income. [LB227]

PATRICK GERHART: Um-hum, um-hum. [LB227]

SENATOR SCHUMACHER: That seems pretty generous, doesn't it? [LB227]

PATRICK GERHART: Yeah. [LB227]

SENATOR SCHUMACHER: And if we just do what some of these advocate, who do we give the bill to? You know, the young people aren't here today because they're out working to support their families. [LB227]

PATRICK GERHART: Um-hum, um-hum. [LB227]

SENATOR SCHUMACHER: Do we give them the bill? [LB227]

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PATRICK GERHART: Well, I mean, as was stated before, you not only get new income from the businesses that come in to take care of the retirees, but as, you know, many have stated before, we also probably will need to tighten in other areas, areas of wasteful spending in government. [LB227]

SENATOR SCHUMACHER: You know, you're making some gigantic assumptions... [LB227]

PATRICK GERHART: Um-hum. [LB227]

SENATOR SCHUMACHER: ...that we get...do away with any taxation above \$32,000... [LB227]

PATRICK GERHART: Um-hum. [LB227]

SENATOR SCHUMACHER: ...on some of these retirement types of incomes, and we will have this migration into the state of old folks,... [LB227]

PATRICK GERHART: Um-hum. [LB227]

SENATOR SCHUMACHER: ...half of which we've heard--at least half of which, maybe more--don't have any money except what they get off of Social Security. So we're going to invite these old folks all into the state, but...and you assume that this large injection is going to come. [LB227]

PATRICK GERHART: Um-hum. [LB227]

SENATOR SCHUMACHER: Where is the data? [LB227]

PATRICK GERHART: Um-hum. [LB227]

SENATOR SCHUMACHER: Are we talking 50 people? Five thousand people? [LB227]

PATRICK GERHART: Um-hum. [LB227]

SENATOR SCHUMACHER: Five-hundred thousand people? Where is the data that says that, by gosh,... [LB227]

PATRICK GERHART: Um-hum. [LB227]

SENATOR SCHUMACHER: ...there is somebody sitting in Oklahoma that says,... [LB227]

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PATRICK GERHART: Um-hum. [LB227]

SENATOR SCHUMACHER: ...the minute Nebraska gets rid of their tax on something above \$32,000, I'm moving, I'm heading to Omaha. [LB227]

PATRICK GERHART: Um-hum, um-hum. [LB227]

SENATOR SCHUMACHER: Where's the data? [LB227]

PATRICK GERHART: Well, this bill wouldn't be the end-all, cure-all for this problem, but I think it would be a good start. [LB227]

SENATOR SCHUMACHER: What else do we need to do in order to get them to move here? [LB227]

PATRICK GERHART: In order to get them to move here? [LB227]

SENATOR SCHUMACHER: Yeah. [LB227]

PATRICK GERHART: Well, there's...I know there's a tax... [LB227]

SENATOR SCHUMACHER: What other benefits do we get so we're ahead of the pack this time, so Kansas, tomorrow, is saying, gosh, Nebraska is throwing in this perk, we've got to do it too? What other things? [LB227]

PATRICK GERHART: Well, and it's not so much on keeping up with the Joneses. As was mentioned earlier, you know, just because one state does, it doesn't mean another state has to. However, you go to these border towns in Nebraska--South Sioux City, Omaha, and whatnot--and you see a lot of people from those areas going across to the other states because their tax climate is better. I think this is a first step in a bigger role of how Nebraska can improve its tax climate. [LB227]

SENATOR SCHUMACHER: How come Omaha is still bigger than Council Bluffs, as Senator Hadley pointed out yesterday? [LB227]

PATRICK GERHART: Still bigger than... [LB227]

SENATOR SCHUMACHER: One would think they'd just be heading over there for something other than the casinos and they'd be staying. [LB227]

PATRICK GERHART: Well, luckily, I think we have a good group of Omahans who love being in Nebraska and would like to see it grow, other than moving over, across to Iowa.

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However, it would be nice to taper the people going over that are. [LB227]

SENATOR SCHUMACHER: Thank you for your testimony. [LB227]

SENATOR HADLEY: Thank you. Any other questions? Thank you. Further proponents? Am I doing this right, Counsel? Opponents? Yes. [LB227]

RENEE FRY: Hello. [LB227]

SENATOR HADLEY: Hello. [LB227]

RENEE FRY: (Exhibit 9) Thank you. Good afternoon, Senator Hadley and members of the Revenue Committee. My name is Renee Fry, R-e-n-e-e F-r-y, and I'm the executive director of OpenSky Policy Institute. I want to say, real quick, I have my phone here because I have some net migration numbers for you at the end, if you'd like to hear those. We are a data-driven, statewide, nonpartisan Nebraska organization focused on budget and tax policy. Our board members from OpenSky Policy Institute are made up of Republicans, Democrats, and Independents from across the state. I'm here today to testify in opposition to LB227. I'm testifying on LB227 as it was the most encompassing bill addressing retirement exemptions; however, we did submit a letter in opposition to the other bills as well. Our primary purpose for testifying is to challenge the assertion that exempting Social Security or other types of pensions are necessary to recruit the elderly or keep them from leaving the state. The research fails to find any such correlation between migration and taxes. We are also concerned about the significant revenue loss that would result from these bills and that these revenue reductions would have unintended consequences, such as resulting in further cuts to education and healthcare or a tax increase on property taxes. On average, just 1.7 percent of U.S. residents moved from one state to another, per year, between 2001 and 2010. And only about 30 percent of those born in the United States change their state of residence over the course of their entire lifetime. And when people do relocate, scholarly evidence shows that they do so primarily for new jobs, lower-cost housing, a better climate, or to be near family. Relative tax levels are, at most, a very insignificant part of the decision. In the National Tax Journal, June 2012 edition, a study by economists Conway and Rork analyzed whether interstate elderly migration, over time, was influenced by changes in state tax policies targeting the elderly. The paper, titled, "Do State Taxes Policies Drive Away the Elderly?" found that state-to-state movement among the elderly was quite stable from 1970 to 2000 despite changes in tax laws favoring the elderly. In other words, and this is a quote, state tax policies towards the elderly have changed substantially, while elderly migration patterns have not. They found that, again, quote, our results are overwhelming in their failure to reveal any consistent effect of state income tax breaks on elderly migration. They went on to point out that these policies have significant revenue consequences that will only grow as the population ages. Our results--again, this is a quote--as well as the consistently low rate of elderly interstate

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migration, should give pause to those who justify offering state tax breaks to the elderly as an effective way to attract and retain the elderly. While I wouldn't put too much stock in rankings, as has been pointed out several times, AARP lists Omaha in the annual top ten list of places for retirees to live, based on low housing costs, a stable economy, and an abundance of art and cultural activities in the metro area. This was mentioned, has been mentioned several times, likewise, also mentioned that Sperling's Best Places put Omaha in the top ten cities for military retirees to launch second careers. I'd also like to bring to your attention that most Social Security income is already exempt from income taxes. Overall, 59 percent of benefits are exempt. Nebraskans with incomes under \$75,000 pay tax on about one-fourth of Social Security income on average, and those earning less than \$30,000 pay tax on less than 4 percent of their benefits. And, as Senator Schumacher pointed out yesterday, not everyone has pensions; some retirees work part time. So should their salary be exempt? Dividend interest income, should that be exempt? It's a slippery slope when you start to carve out exemptions for one group over another. The revenue loss implications of any of these bills are significant and will impair our ability to invest in areas, such as healthcare, that are important to seniors. So before carving out any more exemptions for any individual group, I would urge you to take a step back and determine what, exactly, the problem is we're trying to solve for and whether, in fact, an exemption will solve it. These consequences don't take...or these changes, excuse me, don't take place in isolation, and the revenue lost may result in unintended consequences. A thorough review of our tax code is the best way to ensure we are modernizing it in a way to meet our goals and minimize our unintended consequences. And I'm going to be saying that a lot this session. So I would suggest and echo Senator Krist's comments that we do need to implement a strategic plan, and I would propose that the best vehicle to do that would be Senator Schumacher's LB613, before acting on the bills before you. So I would be happy to answer questions about migration or anything else. [LB227]

SENATOR HADLEY: Do we have questions? Senator Harr. [LB227]

SENATOR HARR: Thank you, Senator Hadley. In your testimony, in paragraph 4, you say, the research fails to find any such correlation between migration and taxes. [LB227]

RENEE FRY: Right. [LB227]

SENATOR HARR: Do you have where that is, what it is, the basis of that research? [LB227]

RENEE FRY: The research? [LB227]

SENATOR HARR: Yeah. That's a conclusionary statement. I just want to see the basis of that, if you have it. [LB227]

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RENEE FRY: Yeah, so this was an NIH grant that was... [LB227]

SENATOR HARR: It's a what? [LB227]

RENEE FRY: An NIH grant that was done by Conway and Rork, who looked extensively at that data. And so what I was quoting in here, all those quotations were from their study, from this NIH study. Am I answering the right question? [LB227]

SENATOR HARR: Okay. [LB227]

SENATOR HADLEY: I think that's in the fifth...one, two, three, four, five, six,... [LB227]

RENEE FRY: Is that what you're asking me? [LB227]

SENATOR HADLEY: ...seventh paragraph. [LB227]

SENATOR HARR: I think so. I'm just trying to figure out...we...it's our primary purpose. But you say there's no correlation or there...yeah, there's no correlation between migration and taxes. [LB227]

RENEE FRY: The research finds no correlation, so we have... [LB227]

SENATOR HARR: What's that? [LB227]

RENEE FRY: The research... [LB227]

SENATOR HARR: Do you have the basis for that...or the noncorrelation though? [LB227]

RENEE FRY: Right. [LB227]

SENATOR HARR: You say there is a study, and it's that study. [LB227]

RENEE FRY: There is a study, right, and I'm happy to... [LB227]

SENATOR HARR: That's my question. [LB227]

RENEE FRY: I have a study. [LB227]

SENATOR HARR: Excellent. [LB227]

RENEE FRY: I actually have here, too, that I'd be happy to leave with you, five different

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studies that looked at various tax issues related to migration, and none of them ever found a correlation. Some looked at millionaire migration. Some looked at...well, two of them looked at millionaire migration. One did a thorough overview. But the one that I have here was specifically looking at elderly migration patterns in relationship to tax burden, and they found absolutely no correlation. So what they found was that, over 30 years, the tax benefits for seniors had changed significantly. [LB227]

SENATOR HARR: Um-hum. [LB227]

RENEE FRY: But migration patterns stayed the same. So, in essence, seniors were moving to Florida because they moved there for warm weather, and that didn't change even though other states were implementing better migration...or better tax policies for seniors. [LB227]

SENATOR HARR: Okay, excellent. [LB227]

RENEE FRY: So does that answer your question? [LB227]

SENATOR HARR: Yep, that answered my question. I will go look at the study. Thank you very much. [LB227]

RENEE FRY: Yes, absolutely. [LB227]

SENATOR HADLEY: Thank you. That's great. Senator Pirsch. [LB227]

SENATOR PIRSCH: And I appreciate that. I would also like to have access to the Conway and Rork. You said that was a study that was funded by an NIH grant or...? [LB227]

RENEE FRY: It was an NIH grant, yes. [LB227]

SENATOR PIRSCH: Okay, and then you said you had five other studies who looked and saw the numbers (inaudible)... [LB227]

RENEE FRY: Yeah, I'd be happy to give you the footnotes on that too. [LB227]

SENATOR PIRSCH: Yeah. And during your research that led you to these five studies and the NIH study... [LB227]

RENEE FRY: Yeah. [LB227]

SENATOR PIRSCH: And thank you very much because this...you know, obviously, we...you know, empirical kinds of studies, I think, hold sway. But were there any other

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studies that you encountered as you were researching that went the other way that suggest that there wasn't? [LB227]

RENEE FRY: I couldn't find any academic studies that went the other way, no. [LB227]

SENATOR PIRSCH: I appreciate that. [LB227]

RENEE FRY: And there's certainly rankings that would suggest otherwise, like, Kiplinger is regularly mentioned, but that's not a study; that's not research. [LB227]

SENATOR PIRSCH: Um-hum. That's all the questions I have at this time. [LB227]

RENEE FRY: Okay. [LB227]

SENATOR HADLEY: Any further questions for Ms. Fry? Yes, Senator McCoy. [LB227]

SENATOR McCOY: Thank you, Chairman Hadley, and thank you, Ms. Fry, for being here. I just wanted to follow up to a question that Senator Pirsch just asked you. You'd mentioned you were looking for...you wanted to look at empirical data and scientific studies. In your testimony though you talk about AARP's rankings, correct? [LB227]

RENEE FRY: Right, yep, and what I... [LB227]

SENATOR McCOY: Is that...do you feel that...you mentioned you couldn't find any studies, but you mention AARP's. Is there a reason? Do you think that one is more valid than other rankings or...? [LB227]

RENEE FRY: No, no, no, no. And what I said in here was I said I wouldn't put too much stock in rankings, but I was trying to illustrate... [LB227]

SENATOR McCOY: But then you immediately went on to list AARP's study. [LB227]

RENEE FRY: Because, I think, to the point that the conversation that's been had here today, you know, you can find an anecdote, you can find a ranking to tell you anything you want. And this is contradictory to, you know, the anecdotes that Nebraska isn't senior friendly. But I, you know, the bulk of our testimony and the reason that I am here today is to talk about the empirical evidence. [LB227]

SENATOR McCOY: I appreciate that, and I think that's an important point, obviously. One question I would have for you on the AARP top ten best places for retirees to live. When you talk about based on a low housing cost, are property taxes figured into that? [LB227]

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RENEE FRY: I can't answer that. [LB227]

SENATOR McCOY: And, likewise, for...also, when you mentioned Sperling's Best Places put Omaha on the top ten cities for military retirees to launch second careers, do you know if property taxes were factored into that as well? [LB227]

RENEE FRY: I can't answer that, no. [LB227]

SENATOR McCOY: Okay. [LB227]

RENEE FRY: I did look at it. I don't remember. We did actually do...we have done quite a bit of research and have a lot of concerns about property taxes in Nebraska. [LB227]

SENATOR McCOY: Um-hum. The reason I asked that question--and I think it's relevant to the discussion not only today but also yesterday on all of these bills--I don't believe that all of these rankings and/or studies are always consistent in the factors that are all being looked at. [LB227]

RENEE FRY: Um-hum. [LB227]

SENATOR McCOY: So I think you can have widely disparate studies and rankings, it would appear, depending on what factors you're looking at. And I have a fair amount of confidence that part of the...I don't want to say confusion. But part of the difference in some of the rankings that we've heard bandied about in the last two days might all kind of coalesce around a certain set of factors. If we could look at things and say, based upon everything, whether it's income tax, sales tax, property taxes, and all that, my guess would be is that you would find some numbers that would jump out and say, wow, perhaps property taxes are a factor in military and other retirees that either choose to stay in Nebraska or move away. I think those would be important things to discover and I would ask that, not only to tag along with what Senator Harr and Senator Pirsch asked, I would like to see those other studies that you spoke of. And, in turn, I would like, as you work, as others do here in the state, to put together numbers that will...that are very helpful to all of us, that we perhaps look into, in particular, since you listed them in your written testimony, and to whether or not that AARP study or rankings report, and the Sperling one as well, included property taxes in those rankings. If you could get that information to not only myself, but there may be other senators who would desire that as well, I would request that, please. [LB227]

RENEE FRY: Sure. Yeah, I'd be happy to look into that. And I do want to reiterate, I really wouldn't put too much stock in rankings. I was trying to illustrate that, despite a philosophy that the tax burden for seniors is too high in Nebraska, you have these organizations that are either...represent elderly folks or military who are saying the contrary. But I really don't put stock in rankings. [LB227]

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SENATOR McCOY: I... [LB227]

RENEE FRY: The empirical data though, the... [LB227]

SENATOR McCOY: I appreciate that, Ms. Fry, but I would...hopefully you would agree with me in stating that you could come up with any sort of rankings. And I think it's phenomenal when Omaha or Nebraska ranks in the top rankings of anything, particularly, as Governor Heineman likes to talk about, when it comes to our University of Nebraska football team. I think any time we can rank in top rankings as a state or as any city across our state, that's a good thing. However, if those rankings don't take into account something as important as property taxes, well, then I would say that those rankings, perhaps, aren't as accurate as they possibly could be. [LB227]

RENEE FRY: Oh, I completely agree. I... [LB227]

SENATOR McCOY: And so I think it would be important, as we look at any of these rankings or academic studies, that we take into account that, while they are important, if they don't look at the tax burdens that Nebraskans pay and factor that in, then they may not, while they may be great, they may not be as accurate or as valid or as beneficial to what we on this committee look at and what Nebraskans care about as what they could or should be. I think that data is obtainable. And I would again ask that, if it's possible, that you would help us obtain that. [LB227]

RENEE FRY: Sure. [LB227]

SENATOR McCOY: I think that would be very helpful. [LB227]

RENEE FRY: Absolutely. [LB227]

SENATOR McCOY: Thank you. [LB227]

RENEE FRY: I just want to reiterate though that I wouldn't make any policy decision based on any ranking. I think it's good for bragging rights, but I would never make a policy decision. Now, on the other hand, this Conway and Rork empirical study specifically looked at the issue that's been talked about today. They looked specifically at exempting Social Security and the impact that that had on migration. And I think that should be considered as a good source of data as to whether there is a relationship between exempting that Social Security income and whether that will mean that seniors will actually stay here or not. And their finding was that it had no effect. You can do...you can change your exemptions, you can exempt more Social Security, you can exempt more retirement, and it's not going to impact whether your retirees stay or whether you recruit new retirees. So that's...and I think that's important to look at. I agree on the

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rankings that I wouldn't use those for a policy decision. [LB227]

SENATOR McCOY: I appreciate that. I just know that two of those rankings you used in your testimony, so I wanted to... [LB227]

RENEE FRY: And I regret it; I wish I could take it back. [LB227]

SENATOR McCOY: I wanted to bring that up so to make sure that, for purposes of the discussion, that any of us...and we can all agree to disagree on important policy decisions. But no one--and I'm certainly, by no means, saying that you are--no one cherry-picks rankings in order to favor one side or another of discussion because I don't think that's beneficial to anyone, and it isn't beneficial to our state. And I don't think that you're doing that. But I think that it's important, if we're going to look at rankings or empirical studies, that we make sure that they apply and the factors that are...that weigh in those reports and rankings are ones that fit our state. And I would suggest that the knowledge of whether or not...not only housing cost, but what does housing cost entail and is that property tax is a huge factor, I would suggest. [LB227]

RENEE FRY: I'm sure it is. [LB227]

SENATOR McCOY: And I believe that most retirees, not only here in Nebraska but across the United States, would say that's a big factor in where they probably choose to either live their retirement years, either stay or move. Thank you. [LB227]

RENEE FRY: Yeah, yes. [LB227]

SENATOR HADLEY: Ms. Fry, just a couple...I entirely agree with the concept of rankings because I brought some up. But if it works for the ones that show us good, can you say, also, the ones that rank us bad...you can't say that we should rely on those also, right, you know? [LB227]

RENEE FRY: No, no, no. I'm not saying we should. Yeah, I was just trying to illustrate... [LB227]

SENATOR HADLEY: You can't...yeah, right. [LB227]

RENEE FRY: Yeah. [LB227]

SENATOR HADLEY: The second thing, the paper is titled "Do State Tax Policies..." [LB227]

RENEE FRY: Um-hum. [LB227]

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SENATOR HADLEY: And I quote our Governor, the state of Nebraska is not involved in property taxes. If I've heard him say that once, I've heard him say that 100 times, right? He says that the local people, local taxing districts, handle property taxes. So if the title says, "Do State Tax Policies..." What does a state tax? Sales tax and income tax. That's the title of the paper. [LB227]

RENEE FRY: Um-hum. [LB227]

SENATOR HADLEY: So I'd like to read the paper. And I commend you for bringing it to us because we've had two days of, primarily, anecdotal evidence--I have friends leaving. So I'm going to be interested to read this. And I, as a former academic, I'll tell you, the National Tax Journal is a top-rated research, you know, evidentiary journal. So I would be very interested in reading what that has to say because I think that bears in our decision making. [LB227]

RENEE FRY: Um-hum. [LB227]

SENATOR HADLEY: So I thank you, and we...I will look forward to reading that. [LB227]

RENEE FRY: Absolutely, yeah. [LB227]

SENATOR HADLEY: Anything else? Thank you, Ms. Fry. [LB227]

RENEE FRY: Thanks. [LB227]

SENATOR HADLEY: Further proponents. [LB227]

MARY JANE EGR EDSON: No, opponents. [LB227]

SENATOR HADLEY: Opponents? Am I in...oh, jeez, I'm getting... [LB227]

SENATOR SULLIVAN: (Laugh) He's getting tired. [LB227]

SENATOR HADLEY: It's only Thursday also, right? I need a little thing that says, opponents, proponents. Opponents. Neutral. [LB227]

MARY JANE EGR EDSON: Senator Kintner. [LB227]

SENATOR HADLEY: Senator Kintner, would you like to close? [LB227]

SENATOR KINTNER: Yes, I would. [LB227]

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SENATOR HADLEY: Okay. [LB227]

SENATOR KINTNER: Yes, I would. Thank you for sitting through two days of this. You've got a very, very, very tough decision to make on where you want to go with this. I would encourage you to go back and read David Drozd's presentation. I think a couple of the questions I heard asked are in there. There are statistics. Those are great statistics. And, you know, I...that's the one guy that came in here and just gave us all statistics, didn't editorialize too much, and just said, here they are, it leads us to believe this. I thought that those were absolutely great. When we have two senators, three senators introduce a bill on the same thing, there is probably something there. When we have seven different bills introduced on the same subject, there's definitely something going on. Something needs to be done, and I ask this committee to look at everything you've seen. We'll try to do our job in Appropriations, and we'll let you know how much you've got to work with. And I...this is important for our state. This is very important for our state. This is important so we're competitive. We want to be a state open for business, and part of that business is people and having people live here. And I'm not going to go on any further, but I hope that everything you've all gotten here from the seven of us...I just wish you Godspeed when you look at, sit down, and try to address this problem. Thank you very much for allowing me to be here today. [LB227]

SENATOR HADLEY: Thank you. Any questions for Senator Kintner? Thank you, Senator Kintner. Was... [LB227]

SENATOR KINTNER: Oh, Senator Sullivan, I am a product of my wife's economic development program, because that made me come out here, so. (Laughter) [LB227]

SENATOR HADLEY: That's right. Thank you. Thank you. With that, I close the hearing for today. Thank you. [LB227]