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Revenue Committee
January 24, 2014

[LB675 CONFIRMATION]

The Committee on Revenue met at 1:30 p.m. on Friday, January 24, 2014, in Room 1524 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB675 and gubernatorial appointments. Senators present: Galen Hadley, Chairperson; Paul Schumacher, Vice Chairperson; Tom Hansen; Charlie Janssen; Beau McCoy; Pete Pirsch; and Kate Sullivan. Senators absent: Burke Harr.

SENATOR HADLEY: Good afternoon. My name is Galen Hadley. I represent the 37th District, Kearney and Buffalo County. I am lucky enough to be Chairperson of the Revenue Committee. To my left is Senator Schumacher from Columbus; next to him is Senator Pirsch from Omaha; and we'll be joined by Senator Sullivan from Cedar Rapids. Furthest around is Senator Burke Harr from Omaha; next would be Charlie Janssen from Fremont; Senator McCoy from Omaha; and Senator Hansen from North Platte. Please do not be disturbed if senators aren't here. They're introducing bills in other committees so people may have to get up, come, and go as we do that. Our committee clerk (sic--legal counsel) is Mary Jane Egr Edson to my right; Bill Lock is our research analyst. And to our far left is our committee clerk, Krissa Delka. Our pages: Drew is here from Broken Bow. Thank you for your help, Drew. Please turn off cell phones or put them on vibrate while in the hearing room. Sign-in sheets for testifiers are on the tables by both doors and need to be completed by everyone wishing to testify. If you are testifying on more than one bill, you need to submit a form for each bill. Please print and complete the form prior to coming up to testify. When you come back...and when you come up to testify, hand your testifier sheet to the committee clerk. There are also clipboards in the back of the room to sign if you do not wish to testify but would like to indicate your support or opposition to a bill. These sheets will be included in the official record. We will follow the agenda posted on the door. The introducer or 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. If you have handouts, please bring ten copies for the committee and staff. If you only have the original we will make copies. Please give the handouts to the page to circulate to the committee. Thank you for being here. We will go with the agenda. And, Commissioner Salmon, you're first up. This is a, I guess, an appointment, right?

NANCY SALMON: Yes, that's correct. [CONFIRMATION]

SENATOR HADLEY: Thank you for coming. [CONFIRMATION]

NANCY SALMON: Thank you. Good afternoon, Senator Hadley,... [CONFIRMATION]

SENATOR HADLEY: We'll start... [CONFIRMATION]

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NANCY SALMON: ...members of the Revenue Committee. Today I'm here to ask for your confirmation to continue to serve on the Tax Equalization and Review Commission. I began as the first... [CONFIRMATION]

SENATOR HADLEY: Would you give your name and spell it? [CONFIRMATION]

NANCY SALMON: I'm sorry. You can't tell I'm nervous, can you, at all? [CONFIRMATION]

SENATOR HADLEY: (Laugh) Oh, no. Oh, this is not a committee to be nervous. [CONFIRMATION]

NANCY SALMON: Oh, okay. [CONFIRMATION]

SENATOR HADLEY: I mean we're pretty laid back in here. [CONFIRMATION]

NANCY SALMON: My name is Nancy Salmon, spelled S-a-l-m-o-n. I always tell everybody it's just like the fish, salmon. [CONFIRMATION]

SENATOR HADLEY: Okay. [CONFIRMATION]

NANCY SALMON: So it's easy to remember my name that way. And I've been on the commission since 2007. I was first appointed to fill a position for Susan Lore. And then I officially started a six-year term in 2008 and the Governor now has asked me if I would serve again for another six years. I think you have all of my background information in front of you, and I know you have a busy agenda today, so I don't want to bother you with that. But if you have any questions at all, I'd be more than happy to answer them and just ask that you would consider my appointment and confirm it, please. [CONFIRMATION]

SENATOR HADLEY: Are there questions for Ms. Salmon? [CONFIRMATION]

NANCY SALMON: Anybody have...? [CONFIRMATION]

SENATOR HADLEY: I guess I have one. [CONFIRMATION]

NANCY SALMON: Okay. [CONFIRMATION]

SENATOR HADLEY: You know, we made some changes in TERC,... [CONFIRMATION]

NANCY SALMON: Yes, you did. [CONFIRMATION]

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SENATOR HADLEY: ...the Legislature, over the last two, three, four years.
[CONFIRMATION]

NANCY SALMON: Two thousand eleven we reorganized the commission, yes.
[CONFIRMATION]

SENATOR HADLEY: Two thousand eleven, reorganized it. Would you just take maybe a couple minutes and give us your views on how that's working. [CONFIRMATION]

NANCY SALMON: Actually, I think that the single-commissioner hearings are going very well. We've been able to schedule about twice as many hearings as we could before. We've had a little problem with some of our orders getting out. Each commissioner is sort of on their own to write orders and so that's been just a little bit of a problem that we've been trying to work out. But once...other than that, I think we're doing...the single-commissioner hearings are going very well. Out of however many we've done, we're only getting about 5 percent that have actually asked to have a rehearing. That's something they can do. If they're not happy, they can come in front of the whole commission for no charge. So I think it's working very well in that respect and we've had a lot of positive from both the counties and the taxpayers. [CONFIRMATION]

SENATOR HADLEY: Good, as I think it's important. Taxes are important and it's always very important, obviously, to do what we can to help because a lot of people feel very intimidated going before TERC and... [CONFIRMATION]

NANCY SALMON: I agree and I think that's what's helped with the single commissioner. And I don't know if everybody knows, but any property that's valued under \$1 million can come before just one commissioner. It's not recorded. And we sit down, kind of like this, and just let the county and the taxpayer visit. And I think that they've been very receptive to it; it's been a great change. [CONFIRMATION]

SENATOR HADLEY: Good. Thank you, Ms. Salmon. Senator Schumacher.
[CONFIRMATION]

SENATOR SCHUMACHER: Thank you, Senator Hadley. Thank you for coming before us today. Just kind of curious when the assessors, when they peg a valuation using their mass-appraisal techniques, is that system working pretty good? [CONFIRMATION]

NANCY SALMON: I think the assessors are doing a great job. It's a big task and I think we all need to think...and here I've been a little...I've been an assessor so I've been in those shoes so I kind of know. But I think that with the limited budgets that they sometimes have, and think about how many parcels they have to put values on, I think they're doing a very good job. I think they could use maybe some more education sometimes, but other than that I think they do a good job. [CONFIRMATION]

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SENATOR SCHUMACHER: Do you find that there's much need on their part or in the testimony that you hear that they would need to have fully credentialed appraisers or is the staffing that they've been using adequate? [CONFIRMATION]

NANCY SALMON: That's a difficult question to answer. I, as a county assessor, took it upon myself to get my appraiser's license. I thought it was important that the more education you had, the more experience you had, the better job you could do. So I'm probably one that pushes more for education. I don't know that you need to have licensed appraisers. I don't think the budgets in the counties could afford to pay some of the...because I don't know what...I think a lot of appraisers make more than, like, mass-appraisal people do. But I definitely think they need to have education, yes, very important. [CONFIRMATION]

SENATOR SCHUMACHER: What county were you out of? [CONFIRMATION]

NANCY SALMON: I was Hamilton County. [CONFIRMATION]

SENATOR SCHUMACHER: Hamilton, okay. [CONFIRMATION]

NANCY SALMON: Do you where Aurora... [CONFIRMATION]

SENATOR SCHUMACHER: Right. [CONFIRMATION]

NANCY SALMON: Aurora. [CONFIRMATION]

SENATOR SCHUMACHER: Okay. [CONFIRMATION]

NANCY SALMON: Um-hum. I was the county assessor from 1991 until 2007 when I came to TERC, and then I served as the deputy from 1984 until...it might have been 1983. So I was around county government for several years. [CONFIRMATION]

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

NANCY SALMON: You're welcome. [CONFIRMATION]

SENATOR HADLEY: Senator Pirsch, did you... [CONFIRMATION]

SENATOR PIRSCH: Can you speak to, you know...Chairman Hadley talked about a change in the structure that was implemented three years ago. [CONFIRMATION]

NANCY SALMON: Yes. [CONFIRMATION]

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SENATOR PIRSCH: Can you speak to the duration of time that it takes now for an appealing taxpayer to, on average, get through the system, to get their answer through TERC appeal? [CONFIRMATION]

NANCY SALMON: To get a hearing scheduled, we'll start with that. [CONFIRMATION]

SENATOR PIRSCH: Yeah. [CONFIRMATION]

NANCY SALMON: We are...first of all, when you talk about filing an appeal with TERC, if you're going to file an appeal for 2013, which is the year we've just finished, TERC doesn't even get the appeals until around August 26; and then when you get into the bigger counties, like Douglas and Lancaster, September 10. Obviously, the staff takes awhile until we get all of that into the database. We send out notices so that the counties realize they have an appeal to the county attorneys. So...and we also give 30- to 60- to even 90-day notices for them to have a hearing. So I would say now anybody that's qualified for a single-commissioner hearing for 2012, we've completed those hearings. And anyone from 2013 we should have almost everybody's that lives outstate done because we do go outstate and do hearings, like in North Platte and Norfolk and...I do several in Aurora to save the taxpayers driving clear to Lincoln and I've got a place there. They don't charge the state anything to let us do hearings. So any...I would think that for single-commissioner hearings we're within a year. Now you get into the bigger ones that take your millions of dollar values, we are just now starting to schedule the 2000...we're trying to finish up the 2012. We haven't scheduled any '13s yet. [CONFIRMATION]

SENATOR PIRSCH: You're talking about bigger-dollar ones? [CONFIRMATION]

NANCY SALMON: I'm talking about bigger dollar, like most of your commercials. [CONFIRMATION]

SENATOR PIRSCH: But...yeah. But for just the average residential property,... [CONFIRMATION]

NANCY SALMON: For the average taxpayer, within a year. I would...I...we're really working on trying to not keep our appeals more than a year. [CONFIRMATION]

SENATOR PIRSCH: A year from the time of appeal to getting the hearing? [CONFIRMATION]

NANCY SALMON: Yes, yes. [CONFIRMATION]

SENATOR PIRSCH: And has the time come down from where it was back in the old... [CONFIRMATION]

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NANCY SALMON: I think so, and simply because on the smaller ones with single commissioners we can do six or eight of those in a day, one commissioner, where before you could only do like one or two commercials a day. [CONFIRMATION]

SENATOR PIRSCH: Okay,... [CONFIRMATION]

NANCY SALMON: So I think it's getting better. [CONFIRMATION]

SENATOR PIRSCH: Thank you. [CONFIRMATION]

NANCY SALMON: You're welcome. [CONFIRMATION]

SENATOR HADLEY: Any other questions for Ms...? [CONFIRMATION]

NANCY SALMON: Any other questions? [CONFIRMATION]

SENATOR HADLEY: Thank you, Ms. Salmon. [CONFIRMATION]

NANCY SALMON: Okay. You're welcome. [CONFIRMATION]

SENATOR HADLEY: Thank you. [CONFIRMATION]

NANCY SALMON: Thank you. [CONFIRMATION]

SENATOR HADLEY: Next, proponents. Welcome, Commissioner. [CONFIRMATION]

ROB HOTZ: (Exhibits 1 and 2) Thank you. Chairman Hadley and members of the Revenue Committee, my name is Rob Hotz. I'm one of the commissioners with Tax Equalization Review Commission. I'm currently the chairman of the commission. Commissioner Salmon was the chairman in the last two years just ending in July. I've handed out to you, in response to some of the questions you've had... [CONFIRMATION]

SENATOR HADLEY: Mr. Hotz, would you spell your name for us? [CONFIRMATION]

ROB HOTZ: H-o-t-z. I've handed out to you a couple of handouts that are graphs that might give you just a little bit more perspective on some of the questions that have been asked. The first is the bar graph with the blue lines. It shows...going back to 2000, the commission started getting appeals in about 1996, and back to 2000 this graph would go. The commission was handling only about 800 and some appeals. When we were reorganized in 2011, the average for about five years, the five-year average was about 1,500 to 1,600. In the last two years, at the same time that we implemented

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single-commissioner proceedings, we got a huge increase in the volume of appeals as well, about a 40 percent increase. So we went from about 1,600 or 1,700 to 2,200-2,300. We've been able to maintain course doing the single-commissioner proceedings and we think that they can be...you get the right people, you get the right, you know, you get the right attitude, work ethic, etcetera, we think that three commissioners over there can do this with single-commissioner proceedings for a lot of the appeals. The statutory cutoff is property value of \$1 million or less. If you've got a \$1 million or less in valuation, we seriously consider doing that as a single-commissioner proceeding. Now either party can ask and request a panel proceeding, but when we do those we only do it with two commissioners. We're trying to utilize the resources as efficiently as we can. Since 2000 to 2014 our budget hasn't increased much at all, if any, and we have three commissioners rather than four. We think we're doing things more efficiently and we're doing about two or three times more appeals per year. So we...hopefully that's a little bit better bang for the buck than the history of the commission in the past. The other chart I gave you just breaks it down by the class of property, the type of property, whether it's commercial, residential, agricultural, personal property, etcetera, and gives you a breakdown all the way back to 2000. You get jumps here and there, you know. There's a change in statute or there's something going on in a particular county, the way a certain type of property is being valued, you get jumps from time to time where you're going to see a bunch of special-value cases or you're going to see a bunch of residential cases in a particular county. But all in all you can see the lines, how they travel in terms of our workload. I strongly support Commissioner Salmon continuing on with the commission. She really, truly, has been the workhorse of the commission for a number of years. She holds on her shoulders the lion's share of the single-commissioner proceedings and she approaches it just the way you'd want her to approach it. You would want to be in that room even though, you know, a lot of times you don't feel comfortable, you don't know what to say or do. She treats it the way she treated it, I think, when she was a county assessor for ten-plus years. You sit down, you have a conversation, and you figure out what needs to be done and is this right or does it need to be fixed or changed, and we get a decent result. So I'm...very strongly encourage you to allow her to continue on and serve the way she has. And she's very eager and has a lot of energy and I'd love to see that continue. [CONFIRMATION]

SENATOR HADLEY: Are there questions for Mr. Hotz? Seeing none, thank you, Commissioner. [CONFIRMATION]

ROB HOTZ: Thank you. [CONFIRMATION]

SENATOR HADLEY: We appreciate it. Other proponents. Opponents. Those in the neutral. With that we will close the appointment hearing for Commissioner Salmon and open LB675. Senator Chambers, we're happy to have you before the Revenue Committee and you're more than happy to open on your bill. [LB675]

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SENATOR CHAMBERS: (Exhibit 3) Oh, thank you, Mr. Chairman. I am Ernie Chambers. I represent the 11th Legislative District in Omaha. And nothing could make me as delighted as being before you this afternoon on this very auspicious occasion. I listen to what goes on around me, even when I'm not a part of it. And I noticed that the person who is to be considered for confirmation, isn't it kind of appropriate that I'm going to be talking about taxing churches that your first activity would be captioned with a word that has a religious connotation, which is "confirmation." Some of you all who don't attend church may not be aware of that. But she spelled her name, the lady who was here, and said it's Salmon, pronounced Saman (phonetically) or however pronounced. But when the one who supported her came, he invoked the equine. He said she's the workhorse. He invoked the feline by saying she pulls the lion's share. But he didn't give any reference to the salmon which swims upstream and has to surmount all those currents flowing the opposite direction, plus escape grizzly bears. Now what we're going to talk about here today is something that I think should have been discussed and acted on long ago. These are to be handed out and... [LB675]

SENATOR HADLEY: Would the page pick those up and hand those? [LB675]

SENATOR CHAMBERS: And I appreciate your doing that. Some people think I'm going to take a great long time to do what I'm going to do, but I promise you it's not going to be overly long. The World-Herald did an editorial not on my bill, but it was dated January...I believe this is the 10th of this year, and it's talking about the tax cut debate. And some interesting language is in it which does bear on what I'm talking about. Local spending on schools, roads, law enforcement, and fire protection drives property taxes. And there are other things which property taxes will pay. I believe everybody should pay their fair share, including religious operations. They have a tremendous amount of property. When it comes to just the number of churches, it's close to 3,000. I'm going to get into the record what I really want there so I will go through my statement of intent so it's clear why I'm here. The purpose of LB675 is to help the state gain more revenue rather than less by taking away churches' property tax exemptions. The state is not in the property taxing business, that's local, but the state puts provisions into the statute that will govern the collection of taxes and who shall pay them. If you have a pot and you have people sitting around it and everybody is to throw something into that pot so that there's the appropriate amount of whatever it is you're putting in there, if you have some deadbeats also sitting around but you must have a certain amount in that pot, when some do not put their part in, others have to put more than what their share ought to be. And I just want to even out all of this paying of property taxes. How will the state gain if the churches and their property would be taxed? There would be less that the state has to pay in terms right away of aid to local governments. And the less you have to pay out to somebody else, the more you have available for the things that are directly the responsibility of the state. The Governor and candidates for Governor have said that everything should be on the table when we're talking about the taxation. If taxes were paid on the many churches and cathedrals and temples in every city in this state,

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perhaps the state's assistance to local governments and schools would be diminished considerably, leaving more in state coffers for other purposes. Religious people say they want to carry out the directives of Jesus who said, render unto Caesar what is Caesar's, when he was asked whether taxes should be paid to Caesar. In short, pay your taxes. Now I'm a part of the Legislature and every morning that the Legislature meets there are prayers. Religion is brought into the Legislature. I think at least once a week the flag salute is uttered, and they bring God into that. So this is a God-fearing Legislature. And I'm sure that those who send you all here share that feeling. So what I'm talking about is not strange to anybody. This bill simply carries out what Jesus wanted to see his followers do, and they certainly want to see the scriptures fulfilled. As quoted the Lincoln Journal Star January 9, 2014, "Every day that someone offers a prayer in the Legislature it should signal another vote for LB675. This should be one of the easiest bills to pass that I've offered in the Legislature." Jesus knew about and understood taxes because his disciple Matthew heeded Jesus' call to leave his place at the tax gatherers' booth and follow him. And I believe in giving citations. That will be found at Matthew 9:9. Matthew, there was a man named Matthew sitting at the receipt of customs. Jesus told him, follow me, and he left his place at the seat of customs and followed. All things considered, I expect my legislative colleagues to say regarding this bill, let thy will be done; to which I can intone, amen. Now the document that I had handed out to you goes to my habit and my practice of preventing sources and substantiation for what it is that I present. Since this is a bill that relates to religious institutions but not religion as such, the source for most people of the mainstream religions in this state would be the King James Bible so that's my source. And it says one principle that I'm going to use, let every word be established in the mouth of two or three witnesses. And I'm going to see that that premise, since I invoked it, follows what it says. Number one, in the mouth of two or three witnesses, every word may be established. That's found at Matthew 19:16. The second witness, Paul: In the mouth of two or three witnesses shall every word be established, Second Corinthians 13:1. When these people came to Jesus to raise the issue of taxpaying, they use the word tribute. So I want two witnesses to tell us what that word means, and I know you all know. Anybody who is familiar with the scriptures will know tribute is defined as a tax. And the first witness to that is The New Strong's Dictionary of Bible Words 1996. The second defines it as a duty or a tax. And that second witness is the American Heritage Dictionary, College Edition 1982. Now I need two witnesses to confirm what I'm saying about Jesus telling his followers, pay your taxes. Let me tell you why I only gave one witness as to Matthew sitting at the receipt of customs and leaving to follow Jesus. Since he was the witness testifying to his own conduct, there needed no corroboration. But we've got it with reference to everything else. Matthew 22:17-22 says: Tell us therefore what thinkest thou. Is it lawful to give tribute unto Caesar or not? But Jesus perceived their wickedness and said, why tempt ye me, you hypocrites? They thought because he was a church fellow, religious fellow, he was going to do like the others of his day and say, don't pay taxes, don't have anything to do with the secular government, your interest is in a kingdom not of this world, don't pay taxes, don't go to the army,

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don't do anything. Jesus was shrewd himself. He said, show me the tribute money; and they brought unto him a penny. And he sayeth unto them: Whose is this image and superscription? They say unto him, Caesar's. Then sayeth he unto them: render therefore unto Caesar the things that are Caesar's and unto God the things that are God's. When they had heard these words, they marveled and left him and went their way. He laid down the law for his followers: Pay your taxes. When you look at that statement, there are two propositions here. One is that you pay your taxes by rendering "to Caesar what is Caesar's," and the second, "and unto God what is God's." If you're going to follow that which God directs, you will pay your taxes. You will honor the government. There are other verses that say governments were instituted by God and all such, but I'm not going into that because when I look around the Legislature, I wonder whether that's completely true or not, or applicable. Witness number two: Luke, who was a physician. So when you have some of these religions which will say don't allow medication to be administered to children, even if they have cancer, if they have encephalitis, if they have hepatitis, if they have any organic disease, don't involve a doctor. And I think Jesus knew how people would be. He got a tax collector to show you, you pay your taxes. He got a physician to show that doctors serve a purpose. And when you have these crazy people running around here saying that children should be denied medical treatment, then they certainly don't know anything about Jesus' activities and what he indicated by his conduct. But Luke 20:21-26, And they asked him saying, Master, we know that thou sayest and teachest rightly, neither acceptest thou the person of any but teaches the way of God truly, is it lawful for us to give tribute unto Caesar or not? But he perceived their craftiness and said unto them, Why tempt ye me? Show me a penny. Whose image and superscription hath it? They answered and said, Caesar's. And in the mouth of two or three witnesses let every word be established, the second, and he said unto them, Render therefore unto Caesar the things which be Caesar's and unto God the things which be God's. And they could not take hold of his words before the people and they marveled at his answer and held their peace. Whenever people are a part of a society, they should be good citizens. They should carry their weight. They should bear their part of the load. They should not try to find ways, being crafty and wicked, to not do what they ought to do in terms of being a good citizen. These churches and religions get deeply involved in politics just like everybody else. They have business operations like everybody else. They build houses; they build condominiums; they maintain parallel education systems; medical facilities, all the way up to hospitals. And they don't want to pay taxes. But the streets that surround their property, the streets when it snows and are plowed and salted and "chemicaled" if that's necessary, the streetlights that come on...by the way, mountain lions are crepuscular--"Professor" can say the word--crepuscular. And it has nothing to do with what they eat; it just means that they are creatures of the twilight, they are active when the twilight comes. So mountain lions share something with streetlights which also come on around twilight. Taxes help pay for those streetlights. Oftentimes, they're right near, in front of, and around churches and what they have. And if those streetlights are not functioning, I'm sure that those religious people will not say to God, Thine is the

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kingdom and the power, therefore, send some power down and turn these lights on. No. They'll say to OPPD if they're in Omaha: Thine is the power; come turn these streetlights on; oh, we don't pay any taxes, we shouldn't have to, but we want the benefits of taxes; come out here and turn these streetlights on. And if there happened to be chuckholes or potholes in front of their property they'll notify the city: We want those chuckholes and potholes filled. And there is something interesting too. Both of those terms apply to the beef industry. How many of you have heard of pot roast? How many of you have heard of chuck? So there we are again. All of those things coming together, this is what you call a confluence, things coming together for a good purpose--police, fire protection. I don't begrudge these church people coming here and bending our ear. The Catholic Conference has lobbyists who come. But if you're going to get in the game, get in it like everybody else and follow the rules. But they manage to get the rules makers to exclude them out. And although they want to sometimes clamor louder, more insistently than any other group in opposition to a political position or advocating a political position but they don't want to pay taxes. They should pay taxes. And this bill simply says, do what others do. You are to be a city set upon a hill. You are to let your light so shine that men may see your good works and glorify your Father which is in heaven. You should be an example as I am an example. But they don't want to do that. They don't want to be the city set upon a hill if they have to pay taxes. But if they don't have to pay taxes they'll erect huge temples, cathedrals, churches, synagogues, and I think that they should pay their fair share. And that's my presentation and I'll answer any questions that you would like to put to me. [LB675]

SENATOR HADLEY: Thank you, Senator Chambers. Are there questions for Senator Chambers? Senator McCoy. [LB675]

SENATOR McCOY: Thank you, Senator Hadley. Senator Chambers, should that then mean that charitable and educational institutions should also be paying property taxes? [LB675]

SENATOR CHAMBERS: No, they shouldn't. [LB675]

SENATOR McCOY: Why is that? [LB675]

SENATOR CHAMBERS: They're in a different category. If they come in here lobbying and doing those things, then they can lose their tax-exempt status. But it doesn't apply to churches. [LB675]

SENATOR McCOY: We have them categorized in statute in the...as fulfilling a public purpose, do we not? [LB675]

SENATOR CHAMBERS: Churches don't fulfill a public purpose. Even the statute that refers to them says, for their benefit, if you read the statute. [LB675]

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SENATOR McCOY: Well, I'd actually...I am reading the statute. [LB675]

SENATOR CHAMBERS: And doesn't it say... [LB675]

SENATOR McCOY: I'd direct your attention to... [LB675]

SENATOR CHAMBERS: Doesn't it say that... [LB675]

SENATOR McCOY: ...page 2 in your legislation, Senator Chambers. [LB675]

SENATOR CHAMBERS: Doesn't it say the churches, the religious, for their benefit? [LB675]

SENATOR McCOY: Well, I would direct you to page 2 of your bill which comes from 77-202 in statute. And starting in line 12 it talks about property of...that would be exempt in this regard and it defines...and it mentions public purpose. And then over in...on page 3, starting on line 6, defines what is public purpose. [LB675]

SENATOR CHAMBERS: But for one thing, you're in the section that deals with the property of the state and its governmental subdivisions. [LB675]

SENATOR McCOY: Um-hum. [LB675]

SENATOR CHAMBERS: So let's go to wherever you want to talk about the religion and the charities. [LB675]

SENATOR McCOY: Well, I mention that because public purpose in that regard is mentioned together. Then when you deal with the area of statute, on page 4, that you seek to change... [LB675]

SENATOR CHAMBERS: But just one thing if you don't mind. I don't see religious or religion mentioned on either page 2 or page 3. [LB675]

SENATOR McCOY: What I'm speaking of is... [LB675]

SENATOR CHAMBERS: This is existing language and I don't see it in here on the pages you mentioned. [LB675]

SENATOR McCOY: Well, it is put together with charitable on education, educational institutions as institutions that fulfill a public purpose. [LB675]

SENATOR CHAMBERS: But you're showing me...you directed me to state, its

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governmental subdivisions, and so forth. So you want to go away from that? [LB675]

SENATOR McCOY: Well, where I'm going, Senator, is, do educational institutions and charitable organizations fulfill a public purpose? [LB675]

SENATOR CHAMBERS: I don't think they fulfill the same purpose. An educational institution, unless it's a religious one, is open to the public, for everybody, and is interested in meeting the needs of the students. When it comes to the religion, if you read the areas, and I will find them, but they do these things. Okay, let's go to page 4. "Property owned," starting in line 14, "Property owned by educational, religious, charitable, or cemetery organizations, or any organization for the exclusive benefit of any such educational, religious, charitable, or cemetery organization." Now the educational activities are not exclusively for the benefit of the educational institution. They exist to benefit others. The charitable groups don't exist to benefit themselves exclusively. The religious benefit themselves exclusively. They advance their religion, they proselytize their religion, and you must belong to that religion to hold a position in it. And there are certain activities you cannot engage in, which are legal, and be a part of that religion. But it's not the same with these others, so there is a distinction between what religious organizations do and all of these others. [LB675]

SENATOR McCOY: Well, I appreciate you mentioning that, Senator Chambers, because I'm sure, as a student of the law that you are, you're familiar with the U.S. Supreme Court decision Walz v. Tax Commission of the City of New York from 1970 which actually dealt with this issue. [LB675]

SENATOR CHAMBERS: No, I'm not familiar with it. [LB675]

SENATOR McCOY: Well, I'd... [LB675]

SENATOR CHAMBERS: No. Improve my education. [LB675]

SENATOR McCOY: Well, it actually dealt with this very issue because the New York Constitution and in their statute granted property tax exemptions to religious organizations for religious properties and has virtually the same...had the same language in statute that we do--religious, educational, and charitable purposes--and is... [LB675]

SENATOR CHAMBERS: How is that relevant to what I'm doing? [LB675]

SENATOR McCOY: Well, it's very relevant. [LB675]

SENATOR CHAMBERS: You said "the statute." [LB675]

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SENATOR McCOY: Um-hum. [LB675]

SENATOR CHAMBERS: How do statutes come into being? How is a statute... [LB675]

SENATOR McCOY: Legislative bodies, which we are a part of. [LB675]

SENATOR CHAMBERS: And the Legislature can determine what is to be in that statute, isn't that right? [LB675]

SENATOR McCOY: That's correct. [LB675]

SENATOR CHAMBERS: And that's what I'm doing now. I'm saying there's something that is in the statute which I think ought not be there. [LB675]

SENATOR McCOY: Well, 44 years ago, the U.S. Supreme Court handed down a decision that dealt with this very issue that came up in the state of New York. That's why I bring up Walz v.... [LB675]

SENATOR CHAMBERS: Well, did the Supreme Court say that the legislature must grant religious institutions tax exemptions? [LB675]

SENATOR McCOY: I'll be happy to read from you what...from the decision what was said. [LB675]

SENATOR CHAMBERS: Well, let me tell you what I think. I don't believe the Supreme Court said that a legislature must give a tax exemption for the property of religious institutions. But read it to me because you said you've got it right there. [LB675]

SENATOR McCOY: In the Opinion it said that churches had enjoyed, quote, two centuries of uninterrupted freedom from taxation, and at both the federal and state levels the practice was, quote, deeply embedded in the fabric of our national life, unquote. [LB675]

SENATOR CHAMBERS: Where does it say that the state must grant religious property exemption from paying property taxes? That's not what that said. [LB675]

SENATOR McCOY: Well, the nature of the case was a taxpayer sued in New York saying that the very nature of a property tax exemption given to churches in New York meant... [LB675]

SENATOR CHAMBERS: You're not a... [LB675]

SENATOR McCOY: ...that he was contributing towards a religious organization. [LB675]

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SENATOR CHAMBERS: You're not a lawyer, are you? [LB675]

SENATOR McCOY: No, of course not. [LB675]

SENATOR CHAMBERS: Okay, so let me say something based on my legal training. But I don't need legal training for this. It's one thing for a court to talk about a tradition and it's another thing when you're talking about what a legislature may do without violating the constitution. What that case said--and I haven't even read it--from what you read to me, that you cannot get the court to set aside an exemption which the state has granted because if the state chooses to grant that exemption the state may do so and it does so by acting through its legislature. If that exemption is to be taken away, it will not be taken away by the court; it must be taken away by the same legislature that granted it. And you will not find anything in any constitution which dictates that the legislature must grant one of these exemptions because there must be a separation between church and state. And the U.S. Supreme Court is not going to dictate to a legislature what it must do. And you can reject what I'm saying. But you need to read cases more closely. And I will make you the offer that I did to Senator Carlson. If you can show me a Supreme Court decision anywhere where the majority of the judges ruled that a legislature must grant religious institutions exemption from paying sales taxes, I'll give you \$1,000 to do with what you want. [LB675]

SENATOR McCOY: That's not what we're talking about, Senator Chambers. We're talking about property taxes. [LB675]

SENATOR CHAMBERS: I said property taxes. [LB675]

SENATOR McCOY: Just now you said sales tax. [LB675]

SENATOR CHAMBERS: I said exemption from paying property tax. [LB675]

SENATOR McCOY: I understand. But just now you said sales tax. [LB675]

SENATOR CHAMBERS: Oh, well, I meant property tax. That's what we're discussing. [LB675]

SENATOR McCOY: Correct. [LB675]

SENATOR CHAMBERS: And the Legislature is the one that created the exemption. [LB675]

SENATOR McCOY: But in the Walz decision, Senator, the court found in a 7:1 decision that there was no nexus between what you're speaking of in the First Amendment and a

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property tax exemption on religious... [LB675]

SENATOR CHAMBERS: I'm not talking about the First Amendment. I brought that up to show you that the Supreme Court is not going to dictate to a legislature that it must grant exemption from paying property taxes. Those are legislative matters. The legislature put it in the statute. The legislature can take it out of the statute. And I can understand your position. I can understand how nervous you are about this. And you are running for Governor. But you ought to at least get things straight. And when you're going to educate me about the law, then I'm going to tell you that you're mistaken and you don't even understand the case that you read. [LB675]

SENATOR McCOY: Oh, I very much understand it, Senator Chambers. [LB675]

SENATOR CHAMBERS: Now I'm sure you can find some Catholic lawyers, take it to a Catholic lawyer and ask, does that case stand for the proposition that the Legislature must grant exemption to religious operations from paying property taxes... [LB675]

SENATOR McCOY: Well, that's not what we're speaking of today, Senator Chambers. [LB675]

SENATOR CHAMBERS: That's what I'm speaking of. [LB675]

SENATOR McCOY: We're not saying "must." [LB675]

SENATOR CHAMBERS: That's what my bill is. [LB675]

SENATOR McCOY: We're saying that we choose to. [LB675]

SENATOR CHAMBERS: That...what you're presenting I'm trying to tell you is irrelevant to this discussion. [LB675]

SENATOR McCOY: Well, I don't agree, Senator Chambers, and furthermore,... [LB675]

SENATOR CHAMBERS: Well, right, you disagree, and you can disagree. [LB675]

SENATOR McCOY: Furthermore, I'll...since you used some Bible verses, I'll read to you one that you didn't mention which I think, for your knowledge...Ezra 7:24. [LB675]

SENATOR CHAMBERS: What is your point? Why don't you just make your point? We can banter, but we ought to do it on the floor of the Legislature. [LB675]

SENATOR McCOY: Well, Senator, you came before the Revenue Committee today. [LB675]

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SENATOR CHAMBERS: Well, if you don't mind taking the time,... [LB675]

SENATOR McCOY: And as a member of the Revenue Committee, I'm asking you questions about your legislation. [LB675]

SENATOR CHAMBERS: ...I don't mind taking all the time you want to take. So read it. [LB675]

SENATOR McCOY: Also we inform you that it shall not be lawful to impose tax, tribute, or custom on any of the priests, Levites, singers, gatekeepers, or servants of this house of God. [LB675]

SENATOR CHAMBERS: And that's what the Supreme Court said? [LB675]

SENATOR McCOY: No, I am reading to you a Bible verse as you read to us. Thank you, Senator. [LB675]

SENATOR CHAMBERS: You should have told us you were reading the Bible and not the Supreme Court. [LB675]

SENATOR McCOY: I said I'm reading Ezra 7:24. [LB675]

SENATOR CHAMBERS: What verse? What book and verse were you reading from? [LB675]

SENATOR McCOY: Ezra 7:24. [LB675]

SENATOR CHAMBERS: That's Old Testament. Jesus came to set aside the law and he said so. And he often said, they tell you of old times, such and such and such, but I tell you it's different now. He changed it. That's why it's called the New Testament. It's different. The old law has passed away. He said, I come to fulfill the law and now the law is what I say it is. The old law said: If a person is caught in adultery, he or she should be stoned. They brought a woman that they said was caught in the very act and they cited the law and said she should be stoned. And Jesus didn't deny what the Old Testament said. He didn't deny it. He said: Let he that is without sin among you cast the first stone. In other words, he was setting that barbarity aside. It no longer obtained. The Old Testament says: Remember the sabbath to keep it holy. You don't work on the sabbath; your servants don't work on the sabbath; your--and he used the word "ass"--but your animals don't work on the sabbath either. You don't even keep that yourself. So you pick and choose. And the Bible is like a Walmart. You go from shelf to shelf and you pick what you want and what you like and that's what you take and that's what people take out of this book. They even said: You shall not wear garments made

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of two different fabrics. You don't follow that. Look how you're dressed now--very tastefully, I might add. [LB675]

SENATOR McCOY: Thank you, Senator. [LB675]

SENATOR CHAMBERS: So if you're going to eat it, the book said, eat the whole roll. If you take away anything that is in the book, your name shall be taken from the book of life. If you add anything to what's in the book, added to you shall be the plagues discussed therein. You accept all that. I don't. But I mean if you're going to read it as something that binds you, then eat the whole roll as the book said you should, my young friend. [LB675]

SENATOR HADLEY: Thank you, Senator Chambers. Are there other...Senator Schumacher. [LB675]

SENATOR SCHUMACHER: Thank you, Senator Hadley. I can't resist. The relationship that has existed between the altar and the king dates back to... [LB675]

SENATOR CHAMBERS: Between the altar and the what? [LB675]

SENATOR SCHUMACHER: And the king, sovereign. [LB675]

SENATOR CHAMBERS: Oh, and the king, okay. [LB675]

SENATOR SCHUMACHER: ...dates--which is the state now these days--dates back to Charlemagne and this is a ripple effect of that era. If you can, Senator, can you trace through a little bit how decisions made in the era of Charlemagne now are reflected in how we treat our relationships with the churches? [LB675]

SENATOR CHAMBERS: No. I can't even spell "Charlemagne." How do you spell? C-h-r...C-h-a-r-l-a-m-a-g-n-g-n-e (sic), Char-la-mon-yay (phonetic)? [LB675]

SENATOR SCHUMACHER: Something like that. [LB675]

SENATOR CHAMBERS: Okay. But I wouldn't even profess to come here and say that I will trace anything, any issue, from way back then right up until now. [LB675]

SENATOR SCHUMACHER: Okay, but... [LB675]

SENATOR CHAMBERS: But if there's a point and you ask me about that, then I'll discuss the point that you'd make. [LB675]

SENATOR SCHUMACHER: I just have one other follow-up question. You talked about

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the salmon swimming upstream and the bears getting them in the beginning. [LB675]

SENATOR CHAMBERS: Say it again? [LB675]

SENATOR SCHUMACHER: In the beginning of your testimony you talked about the salmon swimming upstream... [LB675]

SENATOR CHAMBERS: Oh, yes. Yes. [LB675]

SENATOR SCHUMACHER: ...and the bears getting them. Do you mountain lions go after the salmon too? [LB675]

SENATOR CHAMBERS: That I really don't know, but they wouldn't be in the water trying to do it because they know their limitations. They're stalk-and-ambush carnivores or predators and they like trees for cover, and rocks. But cats are not adverse to water except they couldn't get their typical prey. But there was prey that could be considered opportunities and it was shallow water, then they would probably go for that. But if there is a mother lion, she teaches the kittens what appropriate prey is and she never teaches them that livestock or human beings are that prey. [LB675]

SENATOR SCHUMACHER: Thank you, Senator Chambers. [LB675]

SENATOR HADLEY: Senator Sullivan. [LB675]

SENATOR SULLIVAN: Thank you, Senator Hadley. Thank you, Senator Chambers. This may be brought out in testimony following your introduction, but do you know now that there are properties that are owned by religious institutions that...which they pay taxes on now? [LB675]

SENATOR CHAMBERS: Under certain circumstances, uh-huh. [LB675]

SENATOR SULLIVAN: Do you know which those are? [LB675]

SENATOR CHAMBERS: No. [LB675]

SENATOR SULLIVAN: Okay. [LB675]

SENATOR CHAMBERS: And here's why I say that. There have been churches that did not want to pay taxes and they take it to court to see whether or not this that they're doing with this property is closely enough aligned with the exclusively religious purpose to be exempted from paying taxes. Sometimes, yes; sometimes, no. I couldn't tell you in advance what a court might rule when one of those kind of issues comes up. But it's certainly clear that they're not talking about the sanctuary or a building where religious

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services are conducted. But here's also something that has been discovered: There are operations that label themselves churches and they collect a lot of money and they'll give something to the poor, they might have a prayer meeting or something, but they're really financial institutions masquerading as churches and sometimes they're exposed and they have to pay the consequences. A lot of times they're not. That's one of the best hustles in the world. [LB675]

SENATOR HADLEY: Further questions for...Senator Janssen. [LB675]

SENATOR JANSSEN: Thank you, Chairman Hadley. And I apologize, Senator Chambers. I wasn't here for your opening. I'm sure it was artfully done as usual. [LB675]

SENATOR CHAMBERS: Don't patronize me, but you're right. [LB675]

SENATOR JANSSEN: I had no choice. You told me you weren't feeling good today so I... [LB675]

SENATOR CHAMBERS: No...but...but what you've said is correct. It was artfully done. [LB675]

SENATOR JANSSEN: But I want to get to the heart of the bill... [LB675]

SENATOR CHAMBERS: Okay. [LB675]

SENATOR JANSSEN: ...on what it actually does. And I apologize. [LB675]

SENATOR CHAMBERS: It's all right. [LB675]

SENATOR JANSSEN: I've read...I read it quickly but not in depth. Would it take away the exemption from even the physical. Just say St. Patrick's Catholic Church, which I'm a member of, in Fremont, would it take exemption away from that physical structure, the land? Or would it go out to... [LB675]

SENATOR CHAMBERS: And the mansion. [LB675]

SENATOR JANSSEN: I know the Mormon churches around Nebraska have had considerable land ownership. [LB675]

SENATOR CHAMBERS: Um-hum. [LB675]

SENATOR JANSSEN: And you could...I'm asking for an education on this, which I'm sure you'll give me. Would they be exempt, the Mormon church per se, for farmland that they give back to or rent back to farmers out in the Panhandle or...? [LB675]

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SENATOR CHAMBERS: Well, they shouldn't be exempt in the first place on the basis of... [LB675]

SENATOR JANSSEN: But are they? Do you know if they are? I don't know. [LB675]

SENATOR CHAMBERS: And I'm not sure, but there are some places where the Mormons will choose to pay taxes on everything. I don't think that they...that that's a doctrinal requirement because others don't. But to avoid any argument or criticism they just pay taxes, even on the church. What I'm talking about are the types of property, first of all, which the law recognizes as real property and which the state recognizes for the purpose of taxing. So you look at that type of property and if it's held by a church then it's taxed. [LB675]

SENATOR JANSSEN: And you... [LB675]

SENATOR CHAMBERS: And here's something else. When we had a bill this morning it was for the purpose of removing the sales tax--and I recognize that's not property tax, but to show how my colleagues feel--from replacement parts and whatever else on farm equipment. But we don't say that the same applies to automobiles or every other kind of motorized vehicle or activity. What the Supreme Court has recognized, the U.S. Supreme Court and even the state Supreme Court, is that the Legislature is allowed to classify objects and other things for the purpose of enacting laws that will apply to everybody in that class. If the classification is legitimate, then everybody in that class has to be treated the same way. But you cannot take two items which are really the same and make one a class for treatment a certain way and the others not. That is considered special legislation and it's struck down. I said all that just to indicate that even in the realm of taxing things besides property, which the state doesn't, there are classifications made. Some things are taxed, others not, even though if you looked at the essence of them they're the same. There may not be that much difference between the engine that drives a tractor and the engine that drives a car essentially. So we all are familiar with different types of entities that are subject to one kind of tax. [LB675]

SENATOR JANSSEN: Right. Well, we could look at my home in Fremont as taxed at a certain rate and farmland is valued much differently... [LB675]

SENATOR CHAMBERS: Right. [LB675]

SENATOR JANSSEN: ...which you've mentioned. Is there...back to your bill. Would...are you amenable, I mean...and I understand the bill, but are you amenable...is it...say my church in Fremont, the... [LB675]

SENATOR CHAMBERS: Um-hum. [LB675]

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SENATOR JANSSEN: Would you be amenable to the actual structure itself would be exempt but the, I don't know...and I don't know of this to be true or not, I'm just using this as an example,... [LB675]

SENATOR CHAMBERS: I understand. [LB675]

SENATOR JANSSEN: ...the 50 acres they own next to it that is farm ground that may or may not be exempt, bought up...maybe bought up by Midland University, that's also exempt, that would be taken back or...I'm not totally... [LB675]

SENATOR CHAMBERS: If we're... [LB675]

SENATOR JANSSEN: Or you're doing all or nothing or are you doing...? [LB675]

SENATOR CHAMBERS: No, not all or nothing. And I could not right now tell you where a line is drawn between what would be considered closely enough associated. Let's take the law the way it is now where you have these religious exemptions. I couldn't tell you the line that a court would draw which would say some ancillary activity of a church or religious organization would be closely enough associated with that, that is considered religious for the purpose of exemption. And that's why lawsuits are brought: to get the court to draw the line. And it's not going to be drawn with precision so that you say, it was drawn this way in this particular case, it'll be drawn that way in every case. The court on issues like that will say, it has been done on a case-by-case basis, it is fact specific, and what looks the same may not be the same when legal analysis is applied to it. So that's why I'm not trying to parse words and do the work of a court now. I'm saying that whatever is exempted now under the rubric of religious or religion, whatever form of the word may be used, as a noun or as an adjective, is what will no longer be exempted. [LB675]

SENATOR JANSSEN: All right. Thank you, Senator Chambers. And the only thing I'd like to say is I did have some words with Senator Hadley today about scheduling a Senator Chambers bill on a Friday afternoon knowing that it would go a long time, but... [LB675]

SENATOR CHAMBERS: I thought I was going to hear you say you're glad I brought it and you're going to support it, but I wouldn't...that would be too much. [LB675]

SENATOR HADLEY: Any other questions for Senator Chambers? Seeing none, thank you, Senator Chambers. Are you going to stay for closing? [LB675]

SENATOR CHAMBERS: I wouldn't miss. [LB675]

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SENATOR HADLEY: Okay. We will first start with proponents. Welcome. [LB675]

JUSTIN EVERTSON: I have handouts too. [LB675]

SENATOR HADLEY: Okay. And if you would start by giving us your name and spelling it for us? [LB675]

JUSTIN EVERTSON: (Exhibit 4) You bet. Justin Evertson, E-v-e-r-t-s-o-n, and I'm here...thank you, everybody, for letting us speak today on this matter. I represent a group called the Secular Coalition for Nebraska. It's kind of a new group. We're only about a year out. But we testified last year in relationship to some of the issues related to church and state and we're back here again this year trying to be a watchdog group for that. And so what I handed out kind of explains that. I apologize for the small font but I didn't print them right. So the second page at the bottom would explain more about the Secular Coalition for Nebraska. And I will keep this...yeah, I can send you a better copy or we can blow it up. I'll keep this real brief. But our group, we represent...believe it or not, there's 200,000 to 300,000 Nebraskans now who identify themselves as not religious or nonbelievers. And we try to represent that group that would look at this and say, yeah, this looks to us like a clear violation of the church and state Bill of Rights effort with our own national constitution but also the state constitution. So that's kind of it in a nutshell for us. We think it's time to have this debate, have this discussion. We don't think there's probably a big chance that this would pass but we most definitely do support what Senator Chambers is trying to do here. And we think it's most important that we start thinking about some of these details, especially about maybe you pick off pieces that deserve to be taxed. I did list about seven or eight different bullet items that I pulled off the Web, and these are not mine, these are not our group, but they were just items that were a pro argument for this kind of a thing. And you can read those at your leisure. I'm not going to go through those. But I will leave you with this one quote. I thought this was pretty salient: The divorce between church and state should be absolute. It ought to be so absolute that no church property anywhere in any state or in any nation...or in the nation should be exempt from equal taxation for if you exempt the property of any church organization, to that extent you impose a tax upon the whole community. And that was actually President James A. Garfield. So thank you for your time. [LB675]

SENATOR HADLEY: Are there any questions for Mr. Evertson? Thank you. Further proponents. Opponents. [LB675]

JIM CUNNINGHAM: (Exhibit 5) Senator Hadley and members of the committee, good afternoon. For your record my name is Jim Cunningham, and that's spelled C-u-n-n-i-n-g-h-a-m. I'm the executive director of the Nebraska Catholic Conference which is opposed to LB675 and urges that it be indefinitely postponed for the following reasons. LB675 would terminate a constitutionally authorized public policy that has

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been sound and effective for many decades; by my unconfirmed research, more than a century. Moreover, such a policy is common throughout the states. In terminating this policy, this bill would shatter a public trust pursuant to which, in recognition of, and respect for the many ways that nonprofit religious organizations use their property to serve the common good and advance the personal and social betterment of individuals, families, and communities. They are relieved of the financial burdens of property taxation. There is no compelling or sufficient reason to terminate this traditional exemption which is so firmly grounded in meeting human needs and serving the common good. Churches are not just ongoing associations of faith and spirituality. They are anchors, a beneficial and stabilizing influence in community life of all sorts. Through their commitment to and facilitation of worship, prayer, faith study, and fellowship, they help their members find meaning in life, including the importance of relationships. Perhaps even more importantly and significantly, churches are reservoirs and resources of hope, hope not just for the future, but hope in the face of so many new and ongoing challenges and struggles; hope that overcomes despair, bitterness, and resentment. These are incalculable values with respect to personal lives, family, and societal relationships and the common good. Churches are sources of ministry and mission which are carried into the broader community, by no means excluding poverty-stricken and economically disadvantaged neighborhoods. The charitable works facilitated and encouraged by churches, which are of great benefit to the community at large, are the result, the fruit of worship and prayer together. The notion of compelling a separation of charity from faith and worship, which would be caused by LB675, is ill conceived. Churches are voluntary associations of individuals and families who already pay individually...pay taxes individually and as households. They associate and assemble not to evade taxes but to worship and pray, study the tenets of their faith, enrich their spirituality, and engage in mission and ministry. They should not be taxed again for the time, effort, interest, and money they contribute to the facilitation of these collective activities. Churches are nonprofit. They do not make money. Their predominant source of income from which they have to...would have to pay property taxes should LB675 be enacted is the freewill contributions of their members. Many churches, especially in older neighborhoods, low-income neighborhoods, and rural communities would be greatly and unjustly burdened by the added demands of property taxes on already tight budgets. What's more, the power to tax is in the long run the power to control or suppress. Such tax burdens could be deemed to suppress the freedom to exercise religion freely, as well as the opportunity and ability to render unto God what is God's--by the way, the second part of Jesus' instruction in the tribute episode. Finally, there is a legitimate concern that subjecting religiously used property of religious organizations to the property tax mechanism involving assessment and valuation in particular would excessively entangle government in the internal and administrative affairs of religious organizations. In conclusion, there are numerous well-established reasons why this longstanding policy in Nebraska, that which makes property that is both owned by nonprofit religious organizations and used for religious purposes eligible for tax exemption, it should not be terminated. Again, we urge the committee not to

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support LB675. It won't uphold the common good. It should be indefinitely postponed. Thank you for your attention and consideration. [LB675]

SENATOR HADLEY: Are there questions for Mr. Cunningham? Senator Sullivan. [LB675]

SENATOR SULLIVAN: Thank you, Senator Hadley. Thank you, Mr. Cunningham. Could you clarify then that in the case of the Catholic church, is there property that the church owns that is not used for religious purposes that you pay taxes on? [LB675]

JIM CUNNINGHAM: Those are local decisions and I assume that those local decisions have been made and carried out. And if the property does not qualify because it's not being used for religious purpose, it would not qualify for an exemption. I suspect and can be pretty assured in saying that there are properties that our church owns in which they don't even file an application for exemption because of the condition on religious use. And as Senator Chambers so well stated, there are processes, legal processes, that if the use is in question it can be denied, the exemption can be denied, in which case the property owner has an opportunity to use a legal process to find an answer to the question. [LB675]

SENATOR HADLEY: Further questions for Mr. Cunningham? Seeing none, thank you, Mr. Cunningham. [LB675]

JIM CUNNINGHAM: Thank you very much. [LB675]

SENATOR HADLEY: Further opponents. Seeing none, are there any in the neutral? Senator Chambers, would you wish to close? [LB675]

SENATOR CHAMBERS: Thank you, Mr. Chair, members of the committee. "Brother" Cunningham and I often wind up dealing with the same bills. Sometimes we're on the same side; sometimes we're on different sides. And he's entitled to make an error every now and then and I don't hold it against him. But here's what I've got to say since he represents the Catholic church as a church: It has been such a haven throughout the world on such a gigantic scale that the United Nations are calling the Vatican to account for the child sexual abuse that has gone on in the Catholic church all over the world where not just deacons, not just priests, not just bishops, not just archbishops, but cardinals and even popes were cognizant of what was going on and were complicit in the protecting of these pedophile priests preying on children, the moving of these pedophiles from one diocese to another without warning the people. And just the other day thousands of pages of information on this subject were released. It has become so endemic worldwide that certain orders of priests feel the necessity to disavow what has happened, to condemn it, to say that they're going to take steps to make sure it doesn't happen among them, and that's because of the public outcry. These things have gone

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on for decades. What about the money that they have? I realize the Vatican is in Rome. But the Vatican was shown to be laundering money for criminals. And you know who found that out? Not me, but the comptroller of Italy. And some people in the church tried to say that once the money comes to the church...it's because they knew they were getting money from racketeers not just in Italy and where the Vatican is but in this country too. And in New Orleans one of the bishops had said, once the money comes to the church it's purified. They knew the source of it. They knew where it came from. So for people to sit up here or anyplace else and try to pretend that these churches are so good is misleading. There are members of the Catholic church who have organized groups all over the country of victims of pedophile priests. There are people who are adults now who are suffering the trauma of having been victimized by a priest, then their parents told them, even though they knew it had happened, don't say anything. And there were parents who said they didn't say anything because it was made clear to them that they would be ostracized, they would be shunned. So I'm not one who because somebody wears a Roman collar will say he's something more than a man. He's worse than the mafia, than La Cosa Nostra, because they didn't tolerate child abuse by their members. If they found a member engaging in that, there wasn't even anything for the priest to do. You called the undertaker. They iced him. They had standards higher than those of the church. So don't tell me how much great good has been and is being done. When Joseph Ratzinger was the cardinal in Germany and he became Benedict XVI, he had the largest-scale child sex abuse scandal in Europe and wouldn't do anything about it. And this is documented. They had an order in the Vatican where they trained priests for ministry in America, and some of these guys went through it all. Then when the disclosures of how much pedophilia was going on, some of these men were in their 40s, they went on television, they went before investigating committees and pointed out how they were sexually abused while they were participating in that ministry. And there are some people so locked up in that church they feel a requirement to justify and protect that wrongful conduct. If my brother did it, I'd turn him in. These children were assaulted, rectums torn, internal organs, and these are things that I read about from some of the reports of what happened to these children. But there are people who won't read this material. They don't deserve exemption from paying property tax on the basis of all the good that they're doing. There are people who do bad things. And I didn't bring these things up until Mr. Cunningham wanted to tell how much good is being done. There was a priest in my community. His last name was Coloran (phonetic). He was at St. Benedict. And by the way, the schools, Catholic schools, were segregated in Omaha when I was growing up. I didn't go to them. But there was Sacred Heart on Binney Street, St. Benedict on Burdette Street, and children of black Catholics went to St. Benedict. They couldn't go to Sacred Heart. But then when the community changed and there are nothing but black people there, now black people go to Sacred Heart. I saw these things. This bill is warranted. Everybody should pay their fair share. And as for the money, I have seen documents where there are multiple life insurance policies taken out on various priests and the money will go either to Creighton in some instances, to Boys Town in others, but that's money. They do have ways of making money and it's

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not freewill offerings where people just come up and I'll give a dollar, I'll give three dollars. They have huge amounts of money. They spend...I'm talking about formally, the church, not Catholics as people. They spend large amounts of money supporting various causes of a political nature. Let them do it. Let them do anything they want to do. But let them pay the taxes. But like everything else when it comes to the Bible, whatever is convenient to them, they'll put that on the parishioners. But when it says, render unto Caesar what is Caesar's, they say that doesn't apply and you're not in a position to interpret the scriptures, we tell you what they mean. Let's say that a person from the Mormon church had come up here. I'd be talking about them on the basis of what they said up here. I didn't single out any one religion. But I'll tell you one thing, and I know this from the time I was growing up. But let me finish telling you about Coloran (phonetic). He put this little club together for the children in the community and Creighton had a swimming pool and he'd take these kids up there to swim and he'd go underwater and he'd grope the girls. And the girls thought it was something because the priest is doing...the father is doing this. And I found out about it. Nuns invited me to give a talk to them at Creighton. I gave a lot of talks during the '60s. I even went way up to Assumption out there in the eastern part of the country, a Catholic school. They paid me some money to come and talk and paid my way. When I talked to those nuns I described what this guy was doing, and this was before the scandals broke. And they were just looking at each other and nobody said anything. But the next thing I knew, father was gone. He had been transferred out to Wyoming (snaps) just like that. So people, before they tell me what I don't know, they need to realize that in our community white people would do things that they wouldn't do around others, but other people know that they do it. But that's not even what I'm talking about in terms of this bill. I'm talking about being a good citizen. Pay your way. If Mr. Cunningham would come up here and tell me that they got the money to build that big St. John's Cathedral on Creighton's campus through freewill offerings, I'd tell him he needs to either get off his medication or get on his medication. And we who are people of the world know good and well that you don't build those huge cathedrals with freewill offerings. There are large amounts of money, the stained glass. When I was at Creighton I used to talk to the priests and I didn't even go to class. I didn't attend classes. But I never flunked an exam, never flunked a course at Creighton. Didn't even buy textbooks because I read a lot. And these priests would talk to me and you might think I'm lying but I'm going to tell you what happened. And I'll tell you the man's name now because he's...well, I won't give his name because...but anyway, he...his name was Flanagan (phonetic), not the one at Boys Town. And they talked to me because they saw me as a heathen because I wasn't a Catholic. And I used to ridicule them for saying that the Catholic church is the only righteous church, and they taught that at Creighton. The only way you can get to heaven is through the mother church, the Catholic church. So we'd be up in the stacks of the library because that's where I spent a lot of time. And he said, Ernie, I want to talk to you. And I didn't call him "Father" because when I was growing up I read the Bible a lot because I didn't believe the people in the church I attended were representing it. And the Bible said, call no man father for you have one Father who is in heaven. But

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Catholics, you know, they do what they want to do, and all of them do. But he said, you know what, I can think of nothing that I'd like to do more than get married and have a family. I said, well, man why don't you do it, you're grown, you can do anything you want to do. He said, I have been doing what I'm doing now so long I wouldn't even know how to treat a woman and I wouldn't know how to rear a family. Religion, that...a man is just a man. I said, nobody knows that, you learn it, you're just late, but if that's what you want to do, do it, nothing is wrong with it. But he didn't. It's tragic when somebody has to go outside of his church to talk to somebody whom that church would say is a heathen and going to hell to talk about things that are really deep inside of him because I didn't judge him and I didn't tell on him. It didn't make any difference. But I felt sorry for him. And there were other priests up there who couldn't talk to a female student without putting his hands on her, and I talked to the priest about it. I'd say, you don't...you're not supposed to be doing that and if you do it again I'm going to go tell whoever the president of the school was at that time. But I had a class in English and there was a priest named Paul Smith. And we got along very well. He called me "Ernst." He didn't care if I slept in his class. He didn't care if I didn't come to class because if I was sleeping or pretending to be sleeping and he woke me up, I could answer any question he asked because I read a lot. I read more than what was in the textbook. But here's where he offended me. They'd had this prayer but I chose to go to Creighton. So they say, Come, Holy Ghost, now replenish the hearts of the faithful and kindle in them a gem-like flame, and on and on. He said, because there were three women sitting in the front row: If these three coeds will cross their legs and close the doorway to hell, we'll begin our class. And I walked out. That's what I saw. But I didn't come here talking any of that. I'm talking about the existing law and why it should be changed. And if you have any questions or condemnations... [LB675]

SENATOR HADLEY: Senator Chambers, can I...I'd like to ask you a question, maybe a couple questions. [LB675]

SENATOR CHAMBERS: Oh. All right. [LB675]

SENATOR HADLEY: We were on page 4, basically line 14, and we lined out "religious" one...two times, but we left in "educational, charitable, or cemetery organizations." [LB675]

SENATOR CHAMBERS: Yes. [LB675]

SENATOR HADLEY: And I'm sure you've...you talk about this but I'm having a problem of grasping why we would pick out "religious" out of that group to cross out. Could you elaborate on that? [LB675]

SENATOR CHAMBERS: Yes. [LB675]

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SENATOR HADLEY: What is the difference between educational, religious, charitable, or a cemetery organization? [LB675]

SENATOR CHAMBERS: First of all, the educational is thrown out for everybody and they are not saying you have to come to this school to get an education. You're not going to be banned or barred from this educational institution. It is secular, meaning it deals with the things of this world and equips you to live in this world. If a charitable institution calls itself that but it's too closely allied to religion, then they would come under this, too, and they could not longer receive. It's all religion. I'm looking at the classifications and the one that I think is most amenable to paying the taxes is the category of the churches. And all you need to do is drive around and look at the kind of property they have, the ostentatious displays of wealth, and they can afford it, so let them pay the taxes. They're the only ones who...well, I won't say that because that's not what you asked me. But that's why I selected this group. And many years ago I brought a bill to take away the exemption. And obviously it didn't succeed because I'm here again today. [LB675]

SENATOR HADLEY: Senator Chambers, the second question, if I'm correct here, you're basing part of your reasoning on the Bible. [LB675]

SENATOR CHAMBERS: Not mine, that's to counteract their arguments when they say,... [LB675]

SENATOR HADLEY: Okay. [LB675]

SENATOR CHAMBERS: ...well, Jesus doesn't require us to pay taxes and we shouldn't because we're religious. [LB675]

SENATOR HADLEY: I did want to make that clear because as a legislative body we do not go by the Bible as our... [LB675]

SENATOR CHAMBERS: You can say that again. [LB675]

SENATOR HADLEY: ...our way of... [LB675]

SENATOR CHAMBERS: Right. [LB675]

SENATOR HADLEY: ...developing laws and statutes, correct? [LB675]

SENATOR CHAMBERS: Right. [LB675]

SENATOR HADLEY: Is that a fair statement? [LB675]

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SENATOR CHAMBERS: It is, and I was disappointed that more of the religious people were not here. But that was for them because you all may not be familiar with the scriptures and they might say certain things which needed to be counteracted. So I wanted to spike that, nip it in the bud, and show that he had a tax collector and he told him to pay taxes but they're saying, we don't want to pay taxes and we shouldn't have to. So I don't want them telling me anything that Jesus said. [LB675]

SENATOR HADLEY: My last question, Senator, is that I actually did some reading back on the history of tax exemptions in the churches and one of the arguments I found, it went back to like 300 A.D., to Constantine. How should precedence enter into our decisions of enacting statutes? If, what is it, 2014, and this has been a precedent since the year 300, how should that play into our...? [LB675]

SENATOR CHAMBERS: The errors of yesterday should not become the orthodoxies of today. Each generation reevaluates what the reality is about them. And things are changed. Nothing is sanctified in my mind simply because it's been around a long time. And there are some Supreme Court decisions which had been here from--I'm using the term advisedly--time and memorial, but the Roberts Court is starting to reverse those decisions. And throughout the legal system there were things other than just those specific areas of that case because of the ripple effect that were dependent upon the decisions made in this particular area. When that main case, the linchpin case, was reversed, then all the other law that had been built up around it was gone. It no longer exists. And that's the only reason the courts themselves say that they will honor precedent: for the sake of predictability, stability, and so people will know what the rules of the game are. And it doesn't mean they will never reverse or that they shouldn't. But I'm just telling you how they will take cases that have been in being for a long time and reverse them. So longevity doesn't make something right when it was wrong at the time it was put in place. I don't know how long people thought the earth was flat. But there was...I think it was Bacon who said, it is a poor explorer who because when he's on the water he sees no land, thinks there is no land. In other words, there are ideas that people develop based on the narrowness of the knowledge that they have, and those things may get incorporated into the customs of a country and even into the law until somebody comes along and points out that this is not the way it should be, just like saying that interracial couples shouldn't be able to marry until a white guy in Virginia married a black woman and they had to leave the state because it was a crime, and that was the famous Loving case. So those things have been around a long time and I don't think many people are eager about touching anything that pertains to religion. They don't want the aggravation. [LB675]

SENATOR HADLEY: Senator McCoy. [LB675]

SENATOR McCOY: Thank you, Senator Hadley. Did I hear you correct, Senator Chambers? In your opening you said that we are a God-fearing Legislature. [LB675]

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SENATOR CHAMBERS: I was being sarcastic. [LB675]

SENATOR McCOY: Well, I take you seriously at that. I think we are and I think that's because we are a God-fearing state and a God-fearing nation, one that's valued religious organizations and churches from the very beginning. It's a foundation of our country, it's a foundation of our state, one I'm proud of and one I think very many Nebraskans are proud of, and that goes for our mosques, our synagogues, our churches, and all faiths. And the situations that you described earlier are because we're human and we aren't perfect. No one is, least of all any church or any religious organization. [LB675]

SENATOR CHAMBERS: But you don't talk like that when... [LB675]

SENATOR McCOY: But the great good that has been done by our churches... [LB675]

SENATOR CHAMBERS: You don't talk like that when we're talking about the death penalty. You don't say, these people are just human. But when it gets close to home then we excuse things by saying we're just human. [LB675]

SENATOR McCOY: Well, I value... [LB675]

SENATOR CHAMBERS: And I agree with you though. [LB675]

SENATOR McCOY: I value our Christian heritage and that our nation is has been founded upon biblical principles and... [LB675]

SENATOR CHAMBERS: That's your privilege. [LB675]

SENATOR McCOY: Well, it's a fact. But you can agree or disagree of whether or not you appreciate that or not but it's a fact that it's the case. So thank you for bringing this legislation to us today so that we can discuss this. [LB675]

SENATOR CHAMBERS: And all I say is when a person tells me that this is the standard by which he lives, then I judge him by that standard. And if he deviates from it, then it's on him. And Jesus knew that was happening. He said, why do you call me Lord, Lord, and you don't do what I say? And it's for the foundation of this state. They could not even get into the union because they denied the right to vote to people. And they were told that, until you get that straightened out and you put into your organic law or your constitution that the right of franchise will be extended to everybody without regard to race, you can't get into the union. So they called the Legislature together and they straightened that out. And if you read from some of the volumes, they don't put it, for some reason, into the statute books now, but in the early statute books in the one that

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dealt with the constitution they put the U.S. Constitution, the Nebraska Constitution, the Declaration of Independence, all of the documents that went into this state becoming a state. And maybe somebody saw it and they got embarrassed and said, we don't need to put this in there. But Nebraska couldn't even get into the constitution because of its...I meant into the union because of their racial discrimination. But when a person is telling me his or her personal beliefs I don't even argue them. But when those beliefs are put into action and they hurt other people, then that's when I get into it. And that's what I'm doing now. [LB675]

SENATOR HADLEY: Thank you, Senator Chambers. [LB675]

SENATOR CHAMBERS: Okay. [LB675]

SENATOR HADLEY: I see no other questions. That will close the hearing. Thank you, Senator Chambers. I see Senator Ashford here so he's probably chomping at the bit for you to get to Judiciary. (Laugh) [LB675]

SENATOR CHAMBERS: Is he here? Oh, I didn't...you should have told me sooner. Thank you. [LB675]

SENATOR HADLEY: Thank you, Senator Chambers. With that I will close the public session. We will go into Executive Session so I would ask the gallery to please leave. [LB675]