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Transcriber's Office

Revenue Committee
February 02, 2017

[LB98 LB217]

The Committee on Revenue met at 1:30 p.m. on Thursday, February 2, 2017, in Room 1524 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB98 and LB217. Senators present: Jim Smith, Chairperson; Curt Friesen, Vice Chairperson; Lydia Brasch; Mike Groene; Brett Lindstrom; Tyson Larson; and Paul Schumacher. Senators absent: Burke Harr.

SENATOR SMITH: Good afternoon, everyone, and welcome to the Revenue Committee public hearing. My name is Jim Smith. I represent the 14th Legislative District in Sarpy County, and I serve as Chair of the committee. The committee will take up the bills in the order posted on the outside of the room. Our hearing today is your public part of the legislative process. This is your opportunity to express your position on the proposed legislation before us today. To best facilitate today's proceedings, I ask that you abide by the following procedures. First, please turn off cell phones and other electronic devices. As you prepare to testify if you would move to the front of the room so we could move into the main chair as soon as it becomes available. The order of testimony is introducer of the bill, proponents, opponents, neutral testifiers, and then closing remarks by the introducer. If you will be testifying, please complete the green form and hand it to the committee clerk when you come up to testify. If you have written testimony or exhibits for the committee and you would like to distribute those, please hand them to the page and we'll get those distributed. We will need 11 copies for all committee members and for staff. If you need assistance in making those copies, let us know, we're happy to help you. When you do testify, we ask that you both state and spell your name for the record so the transcribers can get that into the record correctly. We will use the light system. The light will be on for...the green light will be on for four minutes during your testimony. After four minutes, it will turn to an amber color and it will remain amber for one minute, and during that time we ask that you wrap up your testimony before the light turns to red. If you would like your position to be known but do not wish to testify, please sign the white form at the back of the room and it will be included in the official record. The microphone is not to project your voice so you will need to speak loudly for everyone to be able to hear you, that you want to hear you. And the microphone is for the transcribers, it's not to project your voice. Committee staff today: to my immediate right is legal counsel, Mary Jane Egr Edson; to my immediate left is research analyst, Kay Bergquist; and then to my left at the end of the table is committee clerk, Krissa Delka. We have a number of committee members. I'm going to let them introduce themselves. Senator Larson is absent, and then next, Senator Groene.

SENATOR GROENE: Senator Mike Groene, District 42, Lincoln County.

SENATOR LINDSTROM: Senator Brett Lindstrom, District 18, northwest Omaha.

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SENATOR FRIESEN: Curt Friesen, District 34, Hamilton, Merrick, Nance, and part of Hall County.

SENATOR BRASCH: Senator Lydia Brasch, District 16. I slowed down for...

SENATOR SMITH: Perfect timing.

SENATOR SCHUMACHER: Perfect. Senator Paul Schumacher, District 22, Columbus or Platte County and parts of Colfax and Stanton Counties.

SENATOR SMITH: And Senator Burke Harr will be joining us shortly. Our pages today, we have Alexi Richmond from Milwaukee, Wisconsin, and Sarah Wearne from Topeka, Kansas. Again remember that Senators may come and go during this committee hearing, so we appreciate your patience in allowing us to do that. They do have bills in other committees. And with that, we will begin our hearings today with the introduction of LB98 by Senator Friesen. It relates to extending certain levy authority for Natural Resources Districts. Welcome.

SENATOR FRIESEN: (Exhibits 1-3) Thank you, Chairman Smith and members of the Revenue Committee. My name is Curt Friesen, C-u-r-t F-r-i-e-s-e-n, and I represent District 34 and I appear before you today to introduce LB98. LB98 proposes to extend the maximum 3-cent levy authority for fully and overappropriated districts as determined by the Department of Natural Resources from fiscal year 2017-18 to fiscal year 2025-26. This levy can only be used to implement groundwater management activities and integrated management activities under the Nebraska Ground Water Management and Protection Act. Currently, 10 of the 23 districts are eligible to use the separate levy. Of the ten, seven are using it in fiscal year 2016-17. The average levy is 1.48-cents per hundred dollars of valuation in fiscal year 2016-17. The levy is primarily used in the Republican and Platte River Basins. The original authority was granted by the Legislature in 2006 when the integrated water management laws were passed and had sunset date of fiscal year 2011-12. The Legislature extended it in 2011 to fiscal year 2017-18. Individuals from some NRDs are here today to answer any technical questions you may have, and thank you for consideration, and I'll take any questions. [LB98]

SENATOR SMITH: Thank you, Senator Friesen for your opening on LB98. Do we have questions from the committee? Senator Groene. [LB98]

SENATOR GROENE: How many districts now have the \$10 occupation tax for these type of purposes that they did not use to have? [LB98]

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SENATOR FRIESEN: Those, they...I don't know how many have that but those are kind of a separate issue, and compared to what this was authorized for. [LB98]

SENATOR GROENE: No, it's for conservation and the same purpose. [LB98]

SENATOR FRIESEN: Right. They had to qualify for those also, but this was given to them as a levy on groundwater that would go across the district. Those are levied to the irrigators only or to the acres. So this has a general levy across the population, is strictly to work on these management issues for the benefit of the district. [LB98]

SENATOR GROENE: The extension is, how long were the last ones? [LB98]

SENATOR FRIESEN: I don't know how many years it was, '11-12 to '17-18. [LB98]

SENATOR GROENE: Well, it's six years and now we're doing nine years? No...yeah. We're doing eight years. All right. And are they all the same? [LB98]

SENATOR FRIESEN: All the same as of what? [LB98]

SENATOR GROENE: Exemptions. [LB98]

SENATOR FRIESEN: They all have access to 3 cents. [LB98]

SENATOR GROENE: Three cents, but their base levy is the same? [LB98]

SENATOR FRIESEN: Yes, their base levy is 4.5 cents, they have a lid. [LB98]

SENATOR GROENE: Four and a half cents. I thought they could go 7 cents, there's another exception. [LB98]

SENATOR FRIESEN: No, there's another one cent that they can access for different...Groundwater Protection Act, the water quality. [LB98]

SENATOR GROENE: Do you know if any of them are maxed out at eight and a half? [LB98]

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SENATOR FRIESEN: No, no there are no NRDs maxed out at the four and a half even. There's some that are close and like I said, for the average for the 3 cents was 1.48. [LB98]

SENATOR GROENE: Thank you, Senator Friesen. [LB98]

SENATOR SMITH: Additional questions for Senator Friesen? Senator Schumacher. [LB98]

SENATOR SCHUMACHER: Thank you, Chairman Smith. Thank you, Senator Friesen for bringing the bill. Why are we doing this in chunks? Why did we anticipate that there would be an ending date for this permission needed and why are we just putting it off another day? If it's a permanent need, I don't understand what's the justification for extending the time? [LB98]

SENATOR FRIESEN: Well, there's still work to be done, but I think the initial decision behind LB962 is that eventually you would get your uses and the flows that you had to return. There were some NRDs who had to go from overappropriated back to full. There were some NRDs who had to make up some water use losses between the time the bill was enacted and when we first started talking about it. So there were a lot of different targets that they had to meet, but it's conceivably possible that you could eventually hit those targets and then maybe you wouldn't need the funding any more. It just depends on how you go about meeting those flows. And I think some of the NRD managers could answer that question better, but in general terms, that's my take on it. When I was on LB962, this story was given to them knowing that they had...each of the NRDs out there, there were some that were overappropriated and had to come back to fully appropriated. and so others then, and there was another target level that had to be met. But, so it could range differently and eventually you could say that technically there's a possibility that they could meet those requirements of water and no longer need the funding, but they're not there yet. [LB98]

SENATOR SCHUMACHER: Some of them must be there because they've got zero on this. [LB98]

SENATOR FRIESEN: Some of them have never accessed it. They decided they didn't need it, but they have authority to use it, but have not used it. [LB98]

SENATOR SCHUMACHER: Okay. Thank you. [LB98]

SENATOR SMITH: Other questions for Senator Friesen? I see none, thank you, Senator Friesen. We now move to proponents, those wishing to testify in support of LB98, proponents. Welcome. [LB98]

LYNDON VOGT: (Exhibits 4-7) Thank you, Senator Smith and members of the Revenue Committee. I'm Lyndon Vogt, that's L-y-n-d-o-n V-o-g-t. I'm the manager of the Central Platte Natural Resources District and I'm testifying today on behalf of the Nebraska Association of Resources Districts and the Central Platte Natural Resources District in support of LB98. I'd like to provide a little background on the levy authority. There was a task force created by the Legislature in the early 2000's to improve water management laws that could manage both surface water and groundwater uses conjunctively by river basin. At that time, there were issues with Kansas over the Republican River Compact and Nebraska was entering into an agreement with Colorado, Wyoming, and the U.S. Fish and Wildlife Service to protect the Platte River for endangered species. In 2004, this task force developed what became LB962, which established the framework for NRDs and the Department of Natural Resources to work together to manage both sources of water. As a result of LB962, the Platte Basin, upstream of Elm Creek, was designated as overappropriated. There were also recommendations from the task force about funding which included state sources of revenue and the 3-cent levy authority for NRDs. However, the state sources of revenue did not come right away. So for several years, the NRDs and the irrigation districts funded a lot of the studies to implement the programs on our own. The state did provide some funding to be a partner in the studies. However, there were no funds for projects that were needed to implement for water efficiency alternatives. Eventually, the state provided some funds for districts that are fully or overappropriated and those included a match requirement from the NRDs. One of these funds included a request that the Department of Natural Resources receive bonus points from an environmental trust application to help pay for projects. This has a 40 percent match requirement by the NRDs. The joint funding effort paid for many projects that helped each district reach their goals of the first increment. As a side note, Governor Ricketts is recommending an extension of the Nebraska Environmental Trust grant applications for another three years in his current budget proposal. I have attached an information sheet about the projects and programs implemented by the districts that are using the 3 cents right now to address the different situations and the different needs in each district. I'm not going to go over that. Once a district is designated as fully or overappropriated, an integrated management plan has to be developed jointly with the Nebraska Department of Natural Resources and effected stakeholders to manage the local water resources. In addition, a basin plan is developed to coordinate efforts with all of the districts in the basin as well. For the Platte River, a Platte River Basin Management Plan was developed jointly with the Department of Natural Resources and five NRDs in the overappropriated area of the Platte. The basin plan, which was finalized in 2009, included the first increment goals of returning the basin to 1997 levels of water use by 2019. The targets are an acre-feet of water to the river, not irrigated acres. To protect the local economy it is in the state's best interest to retire uses that have the highest depletion impacts, which would be surface water and groundwater with the highest depletion percentages or nearest the stream. The following chart shows how much is required by each district in the first increment. So you can see in the chart the acre feet that are required by each NRD in the first increment proposal. I've provided a summary of each district that has the current

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authority to use the levy. This includes the five districts listed above for the overappropriated area of the Platte and the projects that they have implemented to help accomplish these goals. The attached also includes the activities in the Republican Basin and parts of the Upper Big Blue where the levy authority is being used. At this time, we do not know what the fully appropriated number is for the Platte Basin or each NRD in the overappropriated area. We also do not know what the obligation will be for the next increment, other than there will be more water reductions, off-sets or retiming of flows required in the second ten-year increment. The second increment will also be necessary in order to meet the goals and objectives of the Upper Platte basin-wide plan and to reduce the difference between current and fully appropriated levels of development. Each of the Upper Platte Basin NRDs have individual integrated management plans that were adopted in 2009, that must be consistent with the Upper Platte basin-wide plan. The five NRDs in the Upper Platte Basin and the Nebraska Department of Natural Resources are working on the second increment of the Basin-Wide Water Management Plan. The second increment goal number will be established by the stakeholders for the Basin-Wide Integrated Management Plan. This group includes users in the basin, the NRDs, the Department of Natural Resources and members of the general public. This group is already meeting on a bi-monthly basis. What will be needed is the funding authority to continue for NRDs to finish out the first increment and begin the second increment. The districts have met the goals of the first increment but have also on-going annual operation maintenance cost associated with those projects. Therefore, we encourage advancement of LB98 to General File. Thank you. I do have two other letters of testimony. Would this be the proper time to introduce them? I'm not going to read them, of course, I just have one from the Twin Platte Natural Resources District and one from the Upper Niobrara White Natural Resources District. [LB98]

SENATOR SMITH: Very good. [LB98]

LYNDON VOGT: I will give them to the clerk. [LB98]

SENATOR SMITH: Thank you. Senator Groene. [LB98]

SENATOR GROENE: Thank you, Chairman. I don't have the facts in front of me but there was then when Senator Christensen was here, he passed that bill. He got the bill passed where they had a property tax levy in there for this very purpose for the Platte River Basin...I mean the Republican River Basin and I believe it was ruled unconstitutional and they could not levy that tax on everyone in the county because it did not pertain to everybody in the county, it pertained to the irrigated acres. What makes this one any different? Everything you said was about irrigation and groundwater use. Why is the person in town paying this and why is the dryland farmer paying it? [LB98]

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LYNDON VOGT: The NRDs are responsible for offsetting municipal growth as well. The 25 million acre-feet of municipal growth in our first increment is required to be offset by the NRDs. So there is a benefit to the municipalities funding for us to putting water back to the river and accomplishing offsets from municipalities. It's not only irrigated ag that we're working... [LB98]

SENATOR GROENE: What about the dryland farmer? [LB98]

LYNDON VOGT: The dryland farmer is not having effect on the river. [LB98]

SENATOR GROENE: That's what I mean. Why is he paying this tax then? [LB98]

LYNDON VOGT: Well, I think it's a benefit to probably all of our taxpayers and all of ag producers to preserve our tax base that we have and irrigated acres are a tremendous part of that tax base, so taking them out of the production would affect that. [LB98]

SENATOR GROENE: That isn't what this tax is about taking things out of production. It's about taxing somebody. There's conservation methods also, isn't there? [LB98]

LYNDON VOGT: There is conservation methods. There's...I think if you look through the handout that I included, there's many different projects that are part of this. I don't think any district has said this is the one project that we're going to proceed with. I think you'll see a lot of them, some are drying up acres, some are partnering with surface water projects, some are going to our limiting what a person can pump to put water back to the river, so there are many different projects associated with it. [LB98]

SENATOR GROENE: Thank you, sir. [LB98]

SENATOR SMITH: Senator Schumacher. [LB98]

SENATOR SCHUMACHER: Thank you, Chairman Smith. A couple questions. If you had to, could you get by with a 8 percent cut in this levy? [LB98]

LYNDON VOGT: An 8 percent cut in the levy? [LB98]

SENATOR SCHUMACHER: Instead of 3, 2.75. [LB98]

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LYNDON VOGT: You know, I can only speak for my own district there and to be quite honest with you, in the Central Platte NRD we have over a million irrigated acres and we have this very strong tax base. So 3 cents brings in quite a bit of money to my district. In a smaller district, an 8 percent cut could be a pretty substantial cut, where a penny in their district might only bring in a couple hundred or three hundred and fifty thousand dollars. So an 8 percent cut would have quite a bit of difference on each district based on their total valuations. [LB98]

SENATOR SCHUMACHER: You're only using a cent and a half now? [LB98]

LYNDON VOGT: I am only using a cent and a half. So the answer to your question is, could I...yes, I could, but I don't want to speak for the other nine NRDs that have the authority to use this levy as well. [LB98]

SENATOR SCHUMACHER: What if you had to cut your budget in order to absorb an 8 percent cut? Could you do her? [LB98]

LYNDON VOGT: If my board told me I had to do that, yes, we would. [LB98]

SENATOR SCHUMACHER: Then why don't you? [LB98]

LYNDON VOGT: Well, I think, I have a 21-member board, I would guess 14 of them 21 are ag producers and I think we look pretty hard at our budget and our levy every year. I mean, it's not something my board takes lightly. We don't just set a levy because we think we're going to need that much money. We review our budget requests every year fairly closely, so. [LB98]

SENATOR SCHUMACHER: I'm just trying to get a perspective from local government versus state government where we're making some rather hefty cuts. We might have to make some rather hefty cuts and lower the tax burden. If local government can take a cut, then why not? [LB98]

LYNDON VOGT: Like I said, if we have to take a cut, we'll take a cut. I think that the NRDs' stance that we will work with the Legislature to absorb the cuts that are necessary to address the situation in the state. [LB98]

SENATOR SCHUMACHER: A little follow up on a comments you made that irrigated acres are a big part of our tax base or your tax base. Is that fairly accurate? [LB98]

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LYNDON VOGT: Yes, that's correct. [LB98]

SENATOR SCHUMACHER: Okay. If under our constitution the water is owned by the state, then why isn't all land taxed as dryland? [LB98]

LYNDON VOGT: I guess that's not a question I'm probably qualified to answer. I think our county assessors put a value on property based on sales. [LB98]

SENATOR SCHUMACHER: Well, if that's true, then shouldn't the increment between the dryland and irrigated land, that fee we really consider a water fee? [LB98]

LYNDON VOGT: I think when the property sells, it's definitely the value of the land. That the water is...I guess, you'd call it whatever you want, but it adds value to the property. That's the bottom line. [LB98]

SENATOR SCHUMACHER: Yeah, it brings a lot more if comes as free state property. [LB98]

LYNDON VOGT: Yes, it does. [LB98]

SENATOR SCHUMACHER: Thank you. [LB98]

SENATOR SMITH: Senator Schumacher always has some very challenging questions. (Laughter) [LB98]

LYNDON VOGT: If I can value the property, I can help you. [LB98]

SENATOR SMITH: Yes, it makes us think. So thank you, Mr. Vogt. Appreciate your testimony today. [LB98]

LYNDON VOGT: Thank you very much. [LB98]

SENATOR SMITH: We move on to next proponent of LB98. Now this is a real treat for us. Welcome. [LB98]

KEN SCHILZ: (Exhibits 8-9) Thank you, Chairman Smith and members of the Revenue Committee. For the record, my name is Ken Schilz. It's spelled K-e-n S-c-h-i-l-z, and I'm here

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representing the Nebraska Appropriated Basin Coalition in support of LB98. We'd like to thank Senator Friesen for introducing the bill. And I want to do a little bit of history here. When LB962 was passed, implementation demanded that we have funding to be able to do the work set out in the bill. One was to get the overappropriated districts back to the 1997 levels of usage. The reason for that is, is because the federal government and the relicensing project of Kingsley Dam, which basically was there to help make sure there was water available to cool Gerald Gentleman plant, was on the hot seat because of environmental problems on the Central Platte region. LB962 was put into place to help address those. LB962 called for, as we said before, getting back to 1997 levels and in doing that, it provided not only challenges to those districts that were found to be overappropriated and fully appropriated, but also opportunities to better manage their water moving forward. Now, of course, that's a work in progress. As we look today and Senator Schumacher, I think you asked, you know, why would you put an end to this? Well, a lot of times we put an end to things to see if they're actually working the way that we expected them to, and in this case, in this scenario, overall, if you take it all in totality, it has worked to do the things that we needed to do for the state, especially on the Platte River and the Platte River Recovery Program. We're under the first increment of that right now. That lasts until 2019. The second increment will start up then. We do not know what the second increment will have in store for us because that hasn't been negotiated yet with the federal government and the other two states that are partners with Nebraska. So, we're just now getting started thinking about that one. So, as we look at this fund and we see what it has been able to do in the management of conjunctive use and things like that, it really has been a game changer and that's why we're here today asking you to extend that sunset again, and to keep an eye on it to make sure that it's being spent and used in the fashion that actually does what it's supposed to do. And in the end, what it's supposed to do is put water back in the river to make sure that the river system is healthy all the way through the state. And that means that the well fields that provide Lincoln and Omaha their water are also...have more certainty than they have today. So I think that when you look at the totality of what these dollars are being used for, it really does help to benefit everybody across the state and everybody within their district. So, we would greatly like to see this sunset extended. Thank you very much and I'd answer any questions if I can. [LB98]

SENATOR SMITH: Thank you. Senator Groene. [LB98]

SENATOR GROENE: Thank you, Chairman. You said everything that's done, explain to me what...are you talking about the Twin Platte, my district? [LB98]

KEN SCHILZ: The Twin Platte has used that fund extensively, yes. [LB98]

SENATOR GROENE: It's one that maxed out at 3 percent. [LB98]

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KEN SCHILZ: Yes. [LB98]

SENATOR GROENE: Conjunctive use, can you explain that? [LB98]

KEN SCHILZ: Sure, and I can tell you, one thing that we're working on, on the Western Irrigation Canal is, right now we have a dual-use system. We have both groundwater and surface water that we're using there. And what we're doing now is we're...one of the projects that this could be used for and we haven't got to that point yet, is being able to pay for the studies and everything that are necessary to find out how much water can and could be stored underneath the canal system itself to use that as a reservoir, and then be able to utilize that to store water, retime water back into the river when it's needed, either for species or some other function such as economic development or something down the road. [LB98]

SENATOR GROENE: So has the money been used for any brick and mortar or anything, or is it all just studies so far? [LB98]

KEN SCHILZ: I would guess that it has been used...when you say brick and mortar, I know in the Central Platte it's been used to help buy out canals and partner up on canal systems. [LB98]

SENATOR GROENE: Will this money be used to build that pipeline that will dump groundwater, mine the water in my district and pump it into the river? [LB98]

KEN SCHILZ: I don't know for sure, but I would guess that that would be something that would be available for you. [LB98]

SENATOR GROENE: So after all the studies, we've decided to pump and mine our water and dump it into a creek, right? [LB98]

KEN SCHILZ: Well, in the end, the water that's in...a lot of the water in Nebraska gets back to the creek, so to speak, anyway, just naturally. So, yes, we do that. [LB98]

SENATOR GROENE: Thanks. [LB98]

SENATOR SMITH: I see no further questions. Thank you, Mr. Schilz, for your testimony. Appreciate it. [LB98]

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KEN SCHILZ: Thank you very much. First time to testify on this side of the glass. (Laughter) [LB98]

SENATOR SMITH: (Exhibit 10) Well, congratulations, you did a fine job. All right, next proponent of LB98. Seeing no additional proponents, we do have a letter for the record from John Berge representing North Platte Natural Resources District. He did send a letter in, in support of LB98. Moving to opponents, those wishing to testify in opposition to LB98. Seeing none, anyone wishing to testify in a neutral capacity on LB98? Seeing none, Senator Friesen, you're welcome to close on LB98. [LB98]

SENATOR FRIESEN: Thank you, Chairman Smith. I'll try and address a couple of the questions that maybe didn't get answered to your satisfaction, but I mean as a farmer and irrigator, when I was on LB962 and we were talking water restrictions, and especially in the Republican Basin or in the Platte Basin, it didn't affect me as much but when you start to look at the water issues that are out there and the benefit it had to me and to my whole community, we realized that water is an extremely important issue that has to be preserved and protected. And so, most of the boards are made up of farmers that levy this tax and, you know, I have railed about property taxes forever, but I have never complained about my...what my NRD charges, or my county, because I've always felt that those property taxes were based commensurate on the services that I receive for them. So, I look at this as something that we choose to do to protect assets that help us. Now as far as if you want to value the land as dryland, I'm all on board. I'd be right there with you. (Laughter) And basically, but what we are doing is, you're not paying for the water because I would get taxed for irrigated land whether I irrigated or not. If I have a well drilled on that property and it has access to water, I will pay the irrigated land tax. That's been made very clear to us. I could put a well and a pivot down, not pump one single gallon of water, but I will pay irrigated land tax. So it's not based on water. I have availability to water, but so does everyone else. Groundwater is a share and share alike as long as you put it to a beneficial use, so. And when you talked about the 8 percent cut, you know there were times when I was on the Upper Big Blue Board, if we had to cut the budget because most of us farmers were feeling the pinch, we cut the budget. And to ask staff, I guess, if they're going to cut the budget that's not really fair because they do whatever they're told. If we tell them there's going to be an 8 percent cut, there was an 8 percent cut, and I didn't hear any whining from staff. They managed with what they had and there were programs that were cut back and when you had the money, we started them up again, whatever it took. But that's just part of when we looked at the resource we have, we realize it needs protection and I think the NRD system is still the best there is. So with that, I guess if you have any questions, I'd try to answer them. [LB98]

SENATOR SMITH: Any remaining questions for Senator Friesen? I see none, thank you, Senator Friesen. [LB98]

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SENATOR FRIESEN: Thank you. [LB98]

SENATOR SMITH: And that closes the hearing on LB98. We now move to LB217, to be introduced by Senator Harr, relates to changing provisions relating to the accrual of interest on denied and reduced homestead exemptions. Welcome. [LB98]

JAMISON WYATT: Chairman, I'll step in for Senator Harr this afternoon, if that's okay. He's in Judiciary hearing at the moment. [LB217]

SENATOR SMITH: Absolutely. Welcome. [LB217]

JAMISON WYATT: For the record, my name is Jamison Wyatt, that's J-a-m-i-s-o-n W-y-a-t-t, and I am the Legislative Aide to Senator Burke Harr of District 8 in central Omaha. I'm here to introduce LB217 today. This is a measure that Senator Harr...similar to a measure that Senator Harr introduced last year, LB797. I believe that you guys just kind of ran out of time and that's why no action was taken on that legislation last year. In essence, though, LB217 clarifies the process for determining when interest accrues when homestead exemption is rejected by the Tax Commissioner. Under existing law, a property owner whose homestead exemption is rejected by the Tax Commissioner is almost always delinquent in paying their property taxes, but they don't know about the rejection in time to make a timely payment. Homestead exemption applications are due by June 30 each year unless the county board elects to extend the deadline to July 20. The county assessor forwards them the Tax Commissioner by August 1 for an examination of the eligibility requirements. By statute the Tax Commissioner may take up to three years after December 31 of the year in which the exemption was claimed to take action. In the meantime, unpaid property taxes accrue interest at 14 percent from the date they become delinquent. LB217 would clearly set a deadline when interest begins to accrue so that interest is not accruing during the time that the property owner believed they had a homestead exemption. When a homestead exemption is rejected or reduced, the Tax Commissioner gives notice to the county assessor. The county assessor presents it to the county board for placement on the county's tax rolls. Depending on the timing of the notice and the county board meeting, more interest can accrue. LB217 would give the property owner 30 days after the county assessor receives approval from the county board to remove or reduce the exemption from the tax rolls to pay the taxes without accruing an interest penalty. I believe there will be a representative from NACO to testify after me and I'm sure they will be able to answer any questions you may have. [LB217]

SENATOR SMITH: Thank you, Mr. Wyatt. Do we have questions from the committee? I see none, thank you. [LB217]

JAMISON WYATT: Thank you. [LB217]

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SENATOR SMITH: We now to move to proponents of LB217, proponents. Welcome. [LB217]

TOM PLACZEK: (Exhibit 1) Welcome, Chairman Smith and members of the Revenue Committee. My name is Tom Placzek, T-o-m P-l-a-c-z-e-k. I am the Platte County Assessor and I'm representing the Nebraska Association of Assessors, and also representative to NACO. LB217 was brought last year before this committee and I don't believe it got out of committee, but in my...the way I look at this bill, this is a fairness bill. This is a situation that through no fault of a taxpayer, is penalized for not knowing they didn't qualify. What happens as a previous testifier had said is, once we receive the information we send it to the Department of Revenue. They have up to two years to decide if they qualified on an income basis. We know they...locally, we know whether they qualified on an age basis and we know if they qualified on a valuation basis. We may be able to estimate whether they qualify or not at that time based on the information that they gave us. Now, you have to remember, these are...they're 65 and older, the great majority of them. Some of them are in their '80s, '90s. They get confused by a lot of this stuff. They may have forgotten some information. So in good conscience they gave us all the information we had and we took what they gave us and sent it in and we said, well, it looks like, based on what you've given me, that you qualify for 100 percent or 70 percent or whatever it may be. But we always tell them, I said now this will get reviewed by the Department of Revenue. Okay, fine and dandy. In October, it hasn't been reviewed yet by the department, so it gets...they get their homestead based on what was given to them and as the department takes...again like testifier said, come up to three years to look this over and then all of a sudden they discover, oh, Mr. and Mrs. Jones, you didn't qualify for 2015. They get a letter from the department. They have 30 days to appeal. They...now they don't qualify. The department sends us a letter and then we have to write a tax correction. Now, what that means is, for 2015, now, if they, let's say it went from...the worst-case scenario, they weren't paying any...they were 100 percent qualified, now they've paid nothing...I mean, pay everything at zero percent and that has happened. All of a sudden they're looking at a \$2,000, \$2,500, \$3,000 tax bill. Once it's approved by the county Board of Equalization, I take it over to the treasurer's office and immediately they send a notice of taxes to this person and they have assign a 14 percent penalty on top of it. Now these people had no idea they didn't qualify. So, you know, to all of a sudden penalize them for something they didn't even know, I just don't think it's fair. This bill gives them 30 days from that notice to come up with the tax that they owed, pay it, and then there's no penalty involved. I just don't think it's fair for the counties to assign interest on a situation where the taxpayer is just totally unaware of this. And quite honestly, from a county standpoint, we're losing money on the deal because we're getting the penalties and yet we're still for it because this is truly a taxpayer fairness bill. And is it...a lot of people know, but probably in the course of a year I would bet we probably generate 20, 30 of these a year in Platte County, maybe more. I'm just estimating. So you're talking about maybe \$500 apiece. I mean, that's a lot of money that people shouldn't be...plus they have to come up with the tax to begin with and an extra \$500. So it's really not fair. I don't know any assessors that would be as against this. I don't know any treasurers that's against

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this. They just see it as fair. And with that, I think I will conclude and let...answer any questions that may come up. [LB217]

SENATOR SMITH: Thank you, Mr. Placzek. Questions from the committee? I see none, thank you. [LB217]

TOM PLACZEK: Thank you very much. [LB217]

SENATOR SMITH: Next proponent for LB217. Welcome. [LB217]

BETH BAZYN FERRELL: Thank you. Chairman Smith, members of the committee, for the record, my name is Beth, B-e-t-h, Bazyn, B-a-z-y-n, Ferrell, F-e-r-r-e-l-l. I'm with the Nebraska Association of County Officials in support of LB217. I'd just like to echo Mr. Placzek's comments. We really see this as a fairness bill. This would help those people who thought they had a homestead exemption and then find out later that they didn't and have to pay interest on that. So it would be a matter of fairness to those people. I'd be happy to try to answer questions. Oh, and I'd like to thank Senator Harr for introducing the bill on our behalf as well. [LB217]

SENATOR SMITH: Questions from the committee? Seeing none, thank you for your testimony. Next proponent of LB217. Opponents of LB217. Anyone wishing to testify in a neutral capacity on LB217? Seeing none, closing is waived on LB217. That ends the hearing on LB217 and that ends our hearings for the day. Thank you. [LB217]