LINEHAN: Good afternoon. Thank you for being here. Welcome to the Revenue Committee. My name is Lou Ann Linehan. I'm from Elkhorn, Nebraska, and I represent District 39, and I serve as Chair of this committee. The committee will take up bills in the order posted. Our hearing today is your public part of the legislative process. This is your opportunity to express your position on proposed legislation before us today. If you are unable to attend the public hearing and would like your position stated for the record, you must submit your written testimony by 5:00 p.m. the day prior to the hearing. Letters received after the cutoff will not be read into the record. It's better to facilitate today's proceedings, I ask that you abide by the following procedures. Please turn off cell phones and other electronic devices move to the chairs in front of the room if you're ready to testify. The order of testimony is introducer, proponents, opponents, and neutral, and then the introducer's closing remark. If you will be testifying, please complete the green form and hand to the committee clerk when you come up to testify. If you have written materials that you would like to distribute to the committee, please hand them to the page to distribute. I'll be introducing both pages and the clerks in a second. We will need 11 copies for all committee members and staff. If you need additional copies, please ask the page to make the copies for you. When you begin to testify, please state and spell your name for the record. That's first and last night. I'm sure many of you have done this before. Please be concise. It is my request that you limit the testimony to five minutes. If necessary, we'll use the light system. So it's green for four minutes, then it's yellow for a minute, which is your signal to wrap-up, and then red means you need to be finished. If there are a lot of people wishing to testify, I don't think we have that so we'll go with five minutes. Please speak directly into the microphone that our trans-- transcribers are able to hear your testimony clearly. I'd like to introduce my committee staff. To my immediate right is legal counsel Mary Jane Egr Edson and to my immediate left is Kay Bergquist and at the end of the left table is committee clerk Grant Latimer. And then I would like the senators to introduce themselves, starting at my far right.

KOLTERMAN: Thank you. My name is Mark Kolterman. I'm from District 24, which is Seward, York, and Polk Counties.

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

LINDSTROM: Brett Lindstrom, District 18: northwest Omaha.

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

McCOLLISTER: John McCollister, District 20: central Omaha.

CRAWFORD: Good afternoon. Senator Sue Crawford from District 45, which is eastern Sarpy County, Bellevue, and Offutt.

BRIESE: Tom Briese, District 41.

LINEHAN: Our pages for today are Brigita, she's from Hudson, South Dakota. So a sophomore at UNL, excuse me, UNL majoring in agriculture education. Want to stand up so they can see who you are? And also Veronica, who is a senior UNL, from Chadron, Nebraska, and she's a political science major. Please remember that senators may come and go during our hearing as they have bills to introduce. As a matter of fact, Senator Kolterman's going to have to leave here and come back if he can because he's got two bills in other committees. Refrain from applause or other indications of support or opposition. We'd also like to remind our committee members to speak directly into the microphones. Also for our audience, the microphones in the room are not for amplification but for recording purposes. Lastly, we are an electronics-equipped committee and information is provided electronically as well as in paper form. Therefore, you may see committee members referencing information on their devices. Be assured that your presence here today and your testimony are important and it is critical to our state government. So thank you for being here. Our first bill is LB5 by Senator Carol Blood. Welcome, Senator.

BLOOD: Thank you, Chairman Linehan. So good afternoon to the Revenue Committee and to Chairperson Linehan. My name is Senator Carol Blood, that is spelled C-a-r-o-l B-l-o-o-d, and I represent District 3, which is western Bellevue and southeastern Papillion, Nebraska. And today I bring you LB5, which involves a beginning farmers tax credit for veterans. LB5 aims to help both the farming community and Nebraska veterans. The bill does this by seeking to expand the existing Beginning Farmer trucks-- Tax Credit by adding a 1 percent incentive for property and landowners who rent agricultural property or assets to qualified beginning farmer who had served in the armed services. Applications under the existing tax credit program will not be approved after December 31, 2022. So it's no secret that I'm a strong advocate for our military. Offutt Air Force Base is literally in my backyard and Senator Crawford's backyard. What you may not realize is that I also am a strong advocate for the state's farmers and ranchers.

That's why I'm so glad I've been able to serve on the Legislature's Ag Committee. I saw how these populations could benefit each other, and that is why I'm bringing LB5 here today. As many as many of you know, the Beginning Farmer Tax Credit was enacted in law in 1999. It was created to address the concern of Nebraska's aging population of ranchers and farmers and who would be their successors. The current Beginning Farmer Tax Credit Act provides a state income credit each year to landlords when they rent land or ag assets to eligible and approved farmers who are just starting out. Currently, these property owners receive a 10 percent credit at the cash rent each year for three years, or they can receive a 15 percent credit for the value of the sharecrop rent or cow calf share rent each year for three years. The lease must be for a minimum of three years and beginning farmers must have farmed for less than 10 of the last 15 years. A seven-member board of directors reviews all applications, and approvals are based on the guidelines provided in the act. As you may remember, two years ago the regulations were simplified, and also the succession plan was clarified. The net worth requirement was also decreased to $175,000 from $200,000, which surprisingly did not impact the number of eligible applicants. Depressed commodity prices have affected farmers and ranchers' bottom line and net worth. Yet, there is still a 28 percent increase in applications last year over the previous year. All in all, 1,644 beginning farmers, excuse me, and over 2,000 property owners have benefited from this program already. In a 2015 survey of program participants it revealed that 85 percent continue to rent or were able to purchase the same property. So not only are beginning farmers and landowners benefiting, but so is Nebraska, by retaining qualified farmers and ensuring a smooth transition for land ownership. Since 2001, again, 1,644 beginning farmers have participated in the program, working with 2,040 property owners paying $90 million in rent. A qualified beginning farmer is also eligible for a separate personal property tax exemption where personal property used in production agriculture or horticulture valued up to $100,000 may be exempted from Nebraska personal property taxes and the exemption may be received each year for three consecutive years. The act currently does not include an extra incentive to sell or rent to beginning farmers who are veterans in Nebraska. So, as stated, this proposed revision would increase the tax credit for property owners to 11 percent and 16 percent respectively if the property is rented to a qualified beginning veteran farmer. Farming and ranching is a lifestyle occupation. It's an occupation that requires passion and discipline and a sense of service, just like military service. These similarities position our veterans to transfer excellence in their military work to excellence in farming and ranching. Recent data show that 45 percent of armed service members are from rural America. And if you review the U.S. Census, Census Bureau demographics on veterans, you'll note that 24.1 percent of veterans live in rural areas across our nation. So let's face it, there are many veterans returning to rural America and they just want to simply go home. Let's make this transition easier for them. Of the 2.5 million veterans who have returned from service in Iraq and Afghanistan, nearly one-half of those lived in rural communities. However, while opportunities may exist for these veterans of working age to enter the work force through agriculture and farming, the Department of Labor reports that 20 percent of young veterans are unemployed. By incentivizing landowners to pursue veteran tenants, we can help that statistic go down. Here are the staggering facts with respect to our nation's farmers. According to USDA now, it is estimated that half of all farmland in the United States will change ownership for the next 25 years. This will present a significant opportunity for new veteran farmers and ranchers to gain access to land by partnering with landowners as they look to transition ownership. According to the USDA, more than half of all cropland in the United States is rented and one quarter of rangeland is rented. So if you look at 80 percent of the rented farmland owned by nonoperator landlords, 38 percent are retired farmers. The Beginning Farmer Tax Credit has helped bring together retiring and beginning farmers, while countering the trend of farm consolidation and the aging of Nebraska's farmer population. And LB5 will only further promote this process. The reporting information available shows us the success of the Beginning Farmers Tax Credit, and the fact that between 2007 and 2012 Nebraska experienced a 5 percent increase in the number of farms in the state. During those same years, there was a 10 percent increase in the number of new farmers in Nebraska. As of 2012, the average age of Nebraska farmer was 55.7, and that makes the state's farmer population the youngest in the nation. To expand the tax credit means that we can expand upon an already successful program and provide one more tool to support these farmers, while also helping our nation's veterans. Farm bills at the federal level have recognized veterans as a distinct class of beginning farmers, creating a number of loans, outreach assistance, and training programs specifically available to vets interested in working the land. Organizations such as AgrAbility are available to help those veterans with disabilities who need to address hurdles that may make it harder to farm by providing accessible equipment and training. I want to be sure with, I want to be sure that you are aware of some of the other resource sources that are available for these potential farmers. There is the Farmer Veteran Coalition, which is a national program dedicated to helping mobilize veterans to increase their awareness of agriculture and help them break into that industry. The USDA also has a Web site for new farmer veterans that includes programming and resources, and it just makes sense that we also support our service members at the state level as well. So since many veterans are looking for ways to provide for themselves and their families and address the physical, mental, and emotional scars of war, beginning farmers is yet another organization trying to help them find a new calling. The Veterans Urban, Urban Farming Project is dedicated to two goals: enabling female and male veterans with the ability to derive the full range of financial benefits from self-sufficiency; and to overcome the emotional, mental, and physical scars of war while trans, transitioning back to civilian life. And they have a long list of organizations offering tools that veterans can use in tandem to ensure their ongoing success. Many service men and women are struggling with mental health issues after their tours abroad. This epidemic is claiming the lives of more veterans than the most recent, than more veterans in the most recent wars themselves. In fact, 22 veterans a day are committing suicide. With a growing need for effective mental health services, many veterans are turning to alternative forms of green treatment in outdoor settings. Ecotherapy has proven very successful and as an ideal treatment for veterans struggling with post-traumatic stress. Ecotherapy is an umbrella term to encompass many outdoor approaches, one that include farming, ranching, and horticultural activities. Clinical professionals in the mental health field have been combining the healing powers about therapy and nature, and have found it to be a positive and beneficial tool for better mental health. The need for more effective mental health treatments in our communities is an issue military members and veterans face. Many especially from rural communities. They find the outdoor recreational modality to be one that is recognizable and comforting. Challenging themselves physically and mentally and striving to attain a goal is familiar to most with a military background. Many of the programs I have discussed, and a long list of others, provide strong funding revenues that, when partnered with programs such as a Veteran Farmer Tax Credit, greatly increases the potential for a veteran farmer's success. It's much like planting a seed on a farm. You plant the seed, you nourish that seed, and it pays you back tenfold because you did the work that it needed to make it grow. We can plant the seed, meaning a small investment, and when that seed flourishes, flourishes, we're going to get it back tenfold. We are paid back by keeping one more parcel of land useful, and the owners of that land in Nebraska are receiving an average $250 per acre for those who cash rent. We are paid back by producing more of the food that feeds the world. We are paid back by helping a veteran feed and provide for himself and his family. And for those suffering from PTSD or other combat-related disabilities, we are providing a way for them to re-enter our communities while providing a safe and healing environment. That, my friends, is a powerful mission in itself. It's very important to point out that this is one exemption that has measurable metrics. We know that this particular program has been successful and we are able to show proof. That is not always true of corporate welfare and the two should not be compared. In 2017, for every dollar in tax credits paid to property owners, $8.72 was paid in rent by beginning farmers. And so I ask you to please consider all of these things when you discuss the bill in executive session. And it is my hope that you will vote it out of committee and onto the floor for a full debate. Let's do this for our Nebraska veterans who didn't think twice when it came to serve our nation, and now it's time for us to serve our veterans. I appreciate your time today and I will stay for my closing and stay for any questions you may have.

LINEHAN: Thank you. Are there any questions from the committee? Senator Groene.

GROENE: You didn't hand-- I would appreciate getting a copy of your opening statements. But you said something about 1,600 and some beginning farmers. What was that number?

BLOOD: I will look at that number here. I made sure I had those numbers in your, in my opening since you're on this committee. Since 2001, 1,644 beginning farmers have participated in the program? Is that the number you're looking for?

GROENE: Is that new? Because the fiscal note says there are 210 applications last year.

BLOOD: But we're talking about the entire time that the program's been--

GROENE: New, new ones, not--

BLOOD: Right.

GROENE: --many in addition of the years of how many.

BLOOD: Right. This is, this is since 2001, 1,644. And I believe we have some people here that can speak better on the numbers than I too.

GROENE: All right, thank you.

LINEHAN: Anyone else? Yes, Senator McCollister.

McCOLLISTER: Thank you, Senator Blood. Was this bill introduced in the last biennium?

BLOOD: It was, and it did not get voted out of committee, unfortunately.

McCOLLISTER: I see. And it comes with a five-year sunset, is that correct?

BLOOD: 2022 is when it would end.

McCOLLISTER: I see. And does the begin, the beginning farmer provision also have a sunset?

BLOOD: It does, yes.

McCOLLISTER: OK. Thank you very much.

BLOOD: Thank you for asking.

LINEHAN: Any other questions? Yes.

CRAWFORD: Thank you, Chairwoman. And thank you, Senator Blood. I was curious what the rationale was for 1 percent. I mean, was that based on looking at programs and other areas, or what was that based on?

BLOOD: Purely extra incentive. I don't want to use this expression, but it's the only one that comes to mind. You know, we don't want to sell the farm. You know, we, we, we wanted to make it so it was reasonable within the state budget but yet provided extra incentive. And we feel that sometimes, especially when it pertains to veterans, just giving a little extra lift to things can make a difference. And through our research it was found that even a small increase was an increase that would be noted.

CRAWFORD: OK, thank you.

LINEHAN: Anyone else? Thank you.

BLOOD: Thank you.

LINEHAN: First, we'll have the proponents of the bill, if there are proponents. If there are other proponents or opponents, if you move forward, it just goes a little quicker.

JORDAN RASMUSSEN: Good afternoon, Chairman, Chairwoman Linehan and members of the committee. My name is Jordan Rasmussen, J-o-r-d-a-n R-a-s-m-u-s-s-e-n, and I'm a policy manager with the Center for Rural Affairs. Before I go into the details of my testimony, I'd like to take a moment to thank Senator Blood for introducing this legislation. She has been a tireless advocate for our state's veterans, and we're really grateful that her efforts extend into the rural areas as well. And she's been able to see and draw at that value that we see in veterans coming into farming. When the Center for Rural Affairs helped introduce the beginning veterans, Beginning Farmer Tax Credit, the original tax credit, nearly 20 years ago, it was with the purpose of helping mitigate the aging of our state's farmer population, to address the trends of farm consolidation, and to help those looking to get started in farming and gain access to land and agricultural assets. That's a real challenge, as a started-- as someone starting out in farming. The Beginning Veteran Farmer Tax Credit, LB5, seeks to further this purpose by drawing an additional population into farming: our military veterans. Farming and ranching provides employment and entrepreneurial opportunities in which veterans returning to rural areas can translate the training and skills they acquired during their military service to a second vocation. Returning veterans interested in farming provide rural Nebraska communities with opportunities for population growth. However, as I mentioned before, entering into farming can prove challenging for a beginning veteran farmer, including the acquisition or rental of land and property needed for beginning farming. Under the current statute, the Beginning Farmer Tax Credit administered by the Nebraska Department of Agriculture under the next gen program title, provides a state income tax credit asset, to asset owners each year for three years when they rent land to agricultural, of agricultural assets to an eligible and approved beginning Farmer. As Senator Blood mentioned, these, these programs have reached more than 1,600 beginning farmers over the last 20 years. We acknowledge that LB5 is being introduced amongst some recommendations from the Performance Audit Committee to better align practice with statute, as well as a number of other bills that have been introduced to modify the existing program and/or sunset the bill early before that 2022 date. But, and so we acknowledge those flaws.

But as was mentioned, the Performance Audit Committee also has demonstrated the value of the program and meeting those, those pieces that were put in place and those goals that were put in place almost 20 years, 20 years ago. For example, in 2011, from 2011 to 2017, the average acreage rented was 247 acres. For those who are looking to get starting in a row crop operation, that's a manageable, that's a manageable amount for both cost and as well as taking care of the labor. Moreover, the Audit Committee report notes that, despite concerns about the program being designed for simply family members to rent to a son or a daughter coming back to farm, it found that only 18 percent of those participants between the years 2007 and 2017 were related. And also, in addition to that, when they do rent to a family member, a succession plan is required, which is a very important tool as we look at efforts to, to, to stop-- or to stop consolidation and things of that nature. So the beginning, Beginning Farmer Tax Credit is one of the few proactive measures in which the state can help bring needed farmers into our farming. We should expand this reach to those who have served our country in military service. We believe the state can do more for our veteran beginning farmers. The Beginning Farmer Tax Credit would afford and expand upon the opportunities to farm or ranch for Nebraska veterans. By increasing the existing Beginning Farmer Tax Credit by a nominal 1 percent, the Legislature has the opportunity to not only continue to grow the state's agricultural community but also demonstrate the gratitude which we all have for those who have so valiantly served our nation. We ask that you vote LB5 from committee. Thank you for your time, and welcome any questions you may have.

LINEHAN: Thank you. Are there questions from the committee? Senator Friesen.

FRIESEN: Thank you, Chairwoman Linehan. You know, when the program was first started, it did not include relatives of family members, that kind of thing. Do you know what the participation rate was of the budget impact at that time?

JORDAN RASMUSSEN: I don't know that the numbers that I have break that down as to what that increase. I know that there was a significant-- see, so those changes were made in 2009 and into the, or in 2008. In 2009, there was a 33 percent increase in the number of participants that were applying. I don't know if all of those were people that were relatives, but I'm sure that it opened the door to some people that, that previously hadn't looked at the program.

FRIESEN: I think the budget impact was extremely low, and the reason they opened it up to family members was because no one was participating.

JORDAN RASMUSSEN: Yes.

FRIESEN: So when you said now that-- did you say that currently 18 percent of the applicants are related--

JORDAN RASMUSSEN: So since--

FRIESEN: --or not related?

JORDAN RASMUSSEN: So since that, that provision was put in place, that it will open, open the act to those that are related. There's only been 18 percent of those participants over that entire 10-year span that are related.

FRIESEN: OK. What would you say is a viable-sized farm?

JORDAN RASMUSSEN: So from my perspective of being, being a farm wife myself, I would say to be able to-- for it to be your sole occupation, probably a thousand acres.

FRIESEN: I tend to agree with that statement. So for a beginning farmer to start farming, the odds of starting are slim and none, unless you have a relative or someone who is willing to look out for a new, young, starting farmer. And I guess as a, as a farmer myself and looking for that next generation to start, I mean, we don't have a hardware store owner who can transition into the-- his kids. There's no program for that. I guess I feel it's my responsibility to do that. It's my responsibility. I've not been a strong supporter of the program. Not to say that there aren't maybe some good aspects to it. But when I, when I look at this and there is absolutely no budget impact to speak of, it tells me that the participation rate is going to be very small. So I look at the size of farms these days and the struggle that it's going to be for anybody to get started. So I guess I'm more interested a little bit if we could dig deeper into those numbers, because I think the, the number of people that are related is a lot higher than that 18 percent. But especially currently. Maybe in the past it wasn't, but those numbers don't sound right to me but.

JORDAN RASMUSSEN: That was, that was pulled directly from the Performance Audit Committee's report. That's where that figure came from. So, yes, we'd be glad to go back and look at those numbers as well.

FRIESEN: Thank you.

JORDAN RASMUSSEN: Yes.

LINEHAN: Senator Groene.

GROENE: Thank you, Ms. Chairman. On the Performance Audit numbers, I deal directly with large farmers. Those large farmers also rent. So you have a son coming back and he goes to the landlord and says, gosh, I can't afford any more rent, but I can take it from Joe across the way. Because if I, my son rents it and I no longer rent it, you can get this tax credit. It's a tool advantage, it's dog eat dog out there in rental and ag. It's hardcore business. So you've got a son who's coming back to farm anyway, and you get an advantage over your neighbor on the rent because I own a piece of property you'd rented in the past. That probably was not in those, that 18 percent.

JORDAN RASMUSSEN: Yes. Yes.

GROENE: So.

JORDAN RASMUSSEN: We--

GROENE: But anyway, that's-- I look at this as a tool. One farmer using it as an advantage. And it gives nothing to the young farmer, it gives it to the landowner. The young farmers still got to try to pay that rent. He gets no advantage except that he, the renter, free market, he's going to get an advantage and maybe the landowner might lower the rent to one individual because he's going to gain 10 percent or 11 percent. So I'm with Senator Friesen, I don't see how it actually helps somebody who's never farmed, wants to come home and farm. It helps him that much.

JORDAN RASMUSSEN: I do want to flag that there is a $100,000 personal property tax exemption that comes to the beginning farmer. So there is a benefit to the beginning farmer.

GROENE: In a different statute.

JORDAN RASMUSSEN: Yes, that's, that's how that is currently set up.

GROENE: That's in, in tax, against his income taxes.

JORDAN RASMUSSEN: Correct.

GROENE: Because the state can't exempt property tax.

JORDAN RASMUSSEN: Yes, yes, I'm sorry. Sorry, if I misspoke there. So and I agree. We have had similar concerns about, you know, who is it that's coming back to-- is this, is this program being targeted at those that are really, you know, they don't have a relative that they can come back to or somebody that can, you know, even, you know, provide them with the equipment that they need to get started in farming? I also, I mean, within the, within the program there is also the, the board that oversees some of those things. And so I think what has come from the Performance Audit Committee, some of those recommendations, I think they are taking a closer look at how they, how the decisions that they make as to who, who is going to receive these benefits.

LINEHAN: Any other questions? Senator McCollister.

McCOLLISTER: Yeah. Thank you, Chairwoman. How many beginning farmers, veteran farmers are there? Because based on what I'm seeing here, there's 212 farmers, veterans that chose to take advantage of the program. What percentage is that, if you know?

JORDAN RASMUSSEN: I don't know. I wish, I wish we did have a number on how many veterans are in farming. We, we, I mean, obviously there is an older generation that, that is very well-established and kind of not forgotten but they're, they're transitioning. We see that as an opportunity though that that brings that relationship together. So I'm sorry, I'm not exactly sure what data point you're pointing to so.

McCOLLISTER: Well, it's on the chart.

JORDAN RASMUSSEN: Oh, OK.

McCOLLISTER: On your second page, I think.

JORDAN RASMUSSEN: OK.

McCOLLISTER: And it goes to the number, number of beginning farmers paying rent.

JORDAN RASMUSSEN: Yes.

McCOLLISTER: And I'm just curious to know how many farmers are paying rent, if you know. Beginning farmers.

JORDAN RASMUSSEN: The number of--

McCOLLISTER: How did you come up with the numbers?

JORDAN RASMUSSEN: Those are numbers-- this is, this is directly from the report from the NextGen program that they are reporting out on.

McCOLLISTER: I see. Let's go to that last, the next to last line as, as well. Average rent paid per beginning farmer. It really hasn't changed much at all since 19-- or 2013. Is that a correct statistic?

JORDAN RASMUSSEN: Reflecting on rents that I have seen personally, I would say yes, though it probably has held pretty steady. There's only so much that, so much that you can push the rents up, even though property taxes have go, have been going up. I think there's, there's, there's a threshold where you can't continue to ask more and more for that rent and actually get that rent. So, yeah, I think that's, I think that's probably reflective there. Obviously there's been some changes, but--

McCOLLISTER: Particularly with commodity prices as they are.

JORDAN RASMUSSEN: Absolutely.

McCOLLISTER: Thank you very much.

JORDAN RASMUSSEN: Thanks.

LINEHAN: Other questions? OK. Thank you, Jordan.

JORDAN RASMUSSEN: Thank you.

MARIEL BARRERAS: My name is Mariel Barreras, M-a-r-i-e-l B-a-r-r-e-r-a-s. My husband, I'm going to read a letter from him and then I'll address my remarks at the end. My husband is an active duty army soldier stationed out of state. Lieutenant colonel, 19 years. So I'll read his letter first. We farm up in Washington County. "Dear members of the Revenue Committee and Senator Linehan. First I would like to thank you, as a currently-serving member of the United States Army and farmer, for presenting legislation to assist veterans in building on a dream of farming. For many veterans, that dream begins with time spent on a farm during childhood or an opportunity presented to them during their time in service to our nation. For me, that dream started while spending summers on my grandparents' ranch in northeastern Arizona and has flourished with my wife and I wanting to provide quality food products to our children. The opportunity to farm and to grow Barreras family farm has come with many of the same traits needed to excel in military service: Initiative, creativity, organization, and a dedication to quality in every task completed. Our growth and knowledge comes directly through the assistance of programs and initiatives like the one presented with the Beginning Farmer Tax Credit for veterans, the Center for Rural Affairs annual Veteran Farmer Conference, USDA programs, and other programs built around fostering veteran and farmer networking. The path to become a farmer often comes with many challenges, of which the biggest is access to land. The Beginning Farmer Tax Credit for veterans is a step in the right direction for many veterans to fulfill their dream of becoming a farmer and leveraging those valuable traits honed over years of service, protecting our nation, and now striving to feed our nation with the same passion and determination. I am proud to see Nebraska leaning forward in support of our veterans. Respectively, Anthony Barreras, lieutenant colonel, United States Army." As his wife and being married to the army for 19 years, farming is everything. That integrity, honor, duty, loyalty, respect, and that is how we are transitioning in the next year out of military service into farming. I loved your question on the size of the farm, because we only have just over 60 acres. And by next year, we will completely support our family from his retirement without my standard of living changing. So, so it can be done on under 70 acres. So I'm open to any questions you might have.

LINEHAN: Thank you. Thank you. Do we have any questions? Yes, Senator Groene.

GROENE: Thank you, Chairman. What do you raise, vegetables?

MARIEL BARRERAS: We do a variety. We do raw goat’s milk, we do eggs. We sell them to five grocery stores and we're expanding into two more. We are classified as a small farm. We are not at the median standard for the number of animals. We don't plan to ever go up into the median level. We also do poultry, turkeys, agritourism. The, in 2015, Nebraska Legislature recognized agritourism, and so we do that. We partner with Omaha Children's Museum and other organizations in the area to--

GROENE: So you buy all your feed then?

MARIEL BARRERAS: We do buy all our feed, yes. And we're expanding into alfalfa this year. Yes. We are looking to lease more land.

GROENE: Sounds like you get calluses.

MARIEL BARRERAS: Excuse me?

GROENE: Sounds like you got calluses.

MARIEL BARRERAS: Well, and especially since my husband and I have chosen to live without each other for two years, duty assignment. And so my children and I are running the farm, and he comes home as often as he can. But that is a step in the right direction so that we can fiscally have the farm--

GROENE: Do you own the farm or--

MARIEL BARRERAS: --without debt. We own the farm, and we're looking for more land to lease to expand our operation.

GROENE: So you have never used this program?

MARIEL BARRERAS: We have not used this. We support other veterans that are looking to get into the program. Unfortunately, not everybody plans out their business or is given the opportunities to plan out their business like we have. So, like I was saying, we've planned out and we've chosen to live apart temporarily to successfully manage that plan. Others are forced to retire and then say, oh, I want to farm or are-- been given the resources.

GROENE: But--

MARIEL BARRERAS: So what we're doing now is our, my husband and I are informing and motivating and mentoring before they get out of the military.

GROENE: But you wouldn't qualify for this if you rented land because you're existing farmer.

MARIEL BARRERAS: We are an existing farmer, but we are also under the 10 years. We've only been operating for four, so we still do qualify as beginning farmers.

GROENE: If you go out and find some land to rent.

MARIEL BARRERAS: Yes.

GROENE: Thank you.

LINEHAN: Other questions? Yes, Senator Friesen.

FRIESEN: Thank you. Were you here testifying last year?

MARIEL BARRERAS: Yes, sir, I was.

FRIESEN: I remember that. You know, I appreciate your service and the sacrifice you've made. I wish more people could say that they could do that on 70 acres. It's unusual, and I think you are an unusual couple that's willing to work hard and do things. When you look at the program overall, I mean, what are the things-- I mean, you obviously now have purchased some land. Last time I think you were looking for ground or looking for a place to land. In the struggle that you've had to get started though, this bill here doesn't go near far enough to help someone to start farming. And it's--

MARIEL BARRERAS: Not if you're, not if you're, not if you're looking at only row crops if you're looking at row crops, yes, that is not significant. However, there's two parcels of property near our place that are another 70 acres and another under 100 acres, and we're looking to lease those or one of those. Even, even having the ability to lease that small section would help with our alfalfa or, you know, pasture, because we do everything pasture-raised cattle and whatnot. And we could convert that, depending on the contract. So it would still help as long as you got out of the row crop-only agricultural mentality, which--

FRIESEN: That's a good thing.

MARIEL BARRERAS: It is. Well, I mean, we've been blessed with being all over the United States, and seeing how operations in so many other different states work in agriculture. And the ones that diversify are the ones that are-- and I wish I had numbers-- but that we've seen, are more successful as a city or state. So we're hoping to bring a little bit more diversification to the ag industry. And it's worked.

FRIESEN: I agree. I think there's room for that, and I applaud you for giving it a try. It's not an easy life. So thank you.

MARIEL BARRERAS: It's adventurous, like the military.

LINEHAN: Other questions? Thank you very much for being here.

MARIEL BARRERAS: Thank you.

LINEHAN: I appreciate it.

RON TODD-MEYER: Chairwoman Linehan and members of the Revenue Committee, thank you for this opportunity to testify on this bill. My name is Ron Todd-Meyer, R-o-n T-o-d-d-M-e-y-e-r, and I'm here in support of LB5. I am a member of a steering committee of the newly-formed Nebraska Food Council. I'm also a retired farmer from south-central Nebraska, and currently live on an acreage near Lincoln. I am also a Marine Corps veteran who served in Vietnam 50 years ago. I am here to advocate for this legislation because we need to get more people engaged and growing locally-produced food. Rural communities are aging, with the average age of farmers now in their upper-60s. We must begin to give opportunities and develop markets so that young veterans who have a desire to farm can transition and replace those of us that are reaching retirement age. With the effects that climate change will have, we also need to relocalize our food system, and young veterans can help achieve this goal. I was fortunate to live at a time and a place where I could farm when I returned from the war, 50 years ago. I did not realize at the time, but being able to grow food and work with livestock and animals on land that my family had was good therapy after the destructive effects of war. Many of my fellow veterans did not have that chance, and have suffered with debilitating consequences that war can inflict on our psyche. I ask you to support this legislation that will encourage and enhance the efforts to transition veterans to become creators of a better future for themselves, rural communities, and Nebraska agriculture. Thank you.

LINEHAN: Thank you. Do we have questions? Thank you for your service. Did you serve in '68?

RON TODD-MEYER: Pardon?

LINEHAN: In '68? Were you in Vietnam in '68?

RON TODD-MEYER: I was in Vietnam in 1967.

LINEHAN: Thank you for your service, sir. Thank you.

JOHN HANSEN: Good afternoon, members of the Revenue Committee, Chairman Linehan. For the record, my name is John Hansen, J-o-h-n, Hansen, H-a-n-s-e-n. I am the president of Nebraska Farmers Union, which is our state's second-oldest and second-largest general farm organization. We thank Senator Blood for bringing this bill forward again. We testified in favor of it last time. We testified in favor of creating the Beginning Farmer Program in the first place, and we testified and helped develop Beginning Farmer programs going all the way back in my, my turn to the early '80s. So the question of how it is that we go about the business of trying to help farmers get started in agriculture is not unrelated to the business of how it is we go about the business of trying to keep farmers that are already in business in business. So they're in a financial position to be able to help transition their farm and their resources to the next generation when the time comes. There is nothing about low commodity prices that, that tend to undermine the financial viability of an existing farm operation that is the least bit helpful in helping transition to a new financial entity trying to get started. So any and all hands on deck or programs that are available, while not being the be-all, end-all, are better than nothing. And that's been our judgment. If we had our druthers, we would do a lot of other things than we're doing, but there's not an appetite for doing that. And so we live with what we have. We work with the Farmer Veteran Coalition, we work with Michael O'Gorman who helped create it. We, we, as National Farmers Union, are a part of the Farmer Veteran Coalition. And so we have been working with those folks since the beginning. Some of the organizations that help work with that organization include the Farm Bureau, the Farmers Union, Farm Credit, AgrAbility, and those are the kind of the main players. We have a disproportionate number of folks in agriculture who served in in the, in the military. We have folks who come home and want to help, want to come back and do what they can to, to get some involvement in agriculture. They work on ranches, they work on farms, they work in dairies, they do different kinds of things. And there is a growing number of folks who are very much interested in finding smaller, value-added, differentiated kinds of production, where they're getting more direct involvement with consumers. They're doing more direct marketing, they're trying to get more higher value. They do the cash flow as anyone does and says, we can't go out and borrow, borrow enough money to get to a thousand acres with three-dollar corn. That will not cash flow. And so the, the beginning farmers that we're working with increasingly in our organization are folks that are looking for something smaller, something different, something that has a different kind of revenue stream than is the norm. And so they're willing to do more work, they're willing to spend more time growing vegetables, they're willing to do more kinds of specialty crops production. There was one of the young veterans that was featured from York. Danny-- I can't remember his last name-- that was doing it with free-range poultry and eggs, and developing a delivery system. Those are the kinds of things. So these kinds of programs are helpful for those smaller producers, especially. And so for me, the question is should this, the benefits of the Beginning Farmer Program, be extended to veterans? That's really kind of the nub of the question, because we're not going to substantially change the Beginning Farmer Program. And to our view, there is a lot of good reasons why we would do that. And I can't think of a compelling reason why we would not. So we are in support of Senator Blood's LB5, and would encourage the committee to give it favorable consideration. I'd be glad to answer any questions in the off chance I was able to do so.

LINEHAN: Thank you, Mr. Hansen. Do we have any questions the committee? Senator Groene.

GROENE: Chairman. John, do you really think there's a farmer out there, a landowner out there, he's renting it out, gonna rent his ground, and a neighbor, two neighbors come and rent and they bid it up. Then one of them says, I've got a son that's gonna rent it and you'll get this tax break, right. Do you think really if somebody came from far away and said, I'm a veteran and a neighbor kid, that he's gonna make a difference of 1 percent? From 10 to 11, who's he going to rent it to? Because you're-- the thing I see here is somebody creates a competition between the young farmer who isn't the veteran and the one that is, and you're talking 1 percent. I don't see how this motivates anybody. The only difference is if the young farmer who wants to rent it happens to be a veteran already, the, the landowner is going to get 1 more percent deduction. This thing costs us $556,000. And everything that's diverted from our state revenues causes a lack of ability to give property taxes to everybody. What would you say to that?

JOHN HANSEN: I would say we'll talk to you later. We, we have proposals to deal with that and bills to support that get at that. And, you know, going to, going to motivation. Some folks, when it comes time to make that decision, who are you going to rent your ground to, if they're a veteran, if they have members of their family that are veterans and they're, they have that, that affinity, that belief, and they're looking for an opportunity to, you know, help a veteran get started. Is it helpful? A little. And, you know, at the end of the day if folks want to help beginning farmers, landlords have to be willing to find and, and rent to beginning farmers. And that's what I said last time on this bill, is that, is that at the end of the day, if you really care about the next generation, instead of just maximizing your short-term revenue by renting it to the largest farmer in the county, then you've got to look for those young folks that are willing to do this and get started. And, you know, that's, that's a value judgment. And that's the way I do it. I could rent my ground for a lot more money, and I don't because I'm still-- I'm getting nephew started farming. And we don't use this program because, well, frankly, I give him a big enough discount he doesn't need it.

LINEHAN: Thank you. More questions? Senator Friesen.

FRIESEN: Thank you. Would you support changing the bill so that it reads only to unrelated parties?

JOHN HANSEN: I think-- I'm not sure, but I think you asked me this question last time. And I think the answer this time is no. And the reason is that if you've got a member of your family, and it's not a kid, it's a nephew, it's a niece, it's a cousin, there's, there's no reason not to extend this program to them because of that that I can think of really.

FRIESEN: OK.

JOHN HANSEN: I think it's, I think it's just a little bit helpful. In my case, there's, there's seven. There's I have six brothers and sisters. We all have kids. There's only one out of that whole parcel of family that wants to farm, and it's not my kid, it's my brother's kid. And so it goes. Finding anybody that wants to come back and farm is, especially in this economic environment, is a tough go. Thank you.

LINEHAN: Other questions? Thank you, John. Any more proponents? Are there any opponents? Is anybody willing to, wanting to testify in a neutral position? You can go ahead.

SARAH CURRY: Good afternoon. My name is Sarah Curry, S-a-r-a-h C-u-r-r-y, and I'm the policy director with the Platte Institute. I'm here to speak to you on a neutral capacity on the proposed Beginning Farmer Tax Credit Act. Not really specifically about how it would affect beginning farmers, but more generally on how the Legislature would address property tax reform this year and how this might play into it. Our goal is to encourage lawmakers like yourselves to consider how to properly structure Nebraska, Nebraska's tax code to reduce the demand for tax expenditures, as well as to limit and prioritize the use of tax expenditures. It's far easier to adopt credits, deductions, and exemptions that appear small than it is to enact broad-based tax reforms. Past Revenue Committees have been much more inclined to use these policies, which target specific groups or sectors of the economy. However, while tax expenditures often lower the costs for targeted groups, in this case veteran farmers, the costs of these tax breaks is then borne by other non-favored groups, which will bear a correspondingly higher tax burden. Of course all states will fall short of an economically-ideal tax code in some way. Many tax expenditures are popular, despite the fact they contribute to higher tax rates that taxpayers also dislike. In general, our advice on tax expenditures would be the same as regulatory red tape or job licensing. Members of the Legislature should be reviewing these policies, which the Department of Revenue includes in its tax expenditure report, in working towards a system with fewer barriers for everyone. This includes farmers and veterans. Many governments now require a slimming down of regulatory codes where several ineffective regulations are repealed as new regulations are adopted. It would benefit the state in the long-term to adopt a similar attitude to tax expenditures. By eliminating inefficient tax expenditures where possible, the savings can be used to make more improvements to the overall tax code. We make the assumption that along the way some tax expenditures are going to be adopted for one reason or another. And under those circumstances, it's even more important to prioritize and discard some expenditures if the committee believes a new one is very valuable for the state to have. The best way to determine if a tax expenditure truly adds value is to consider their economic public policy rationale. If we find that this tax credit for the beginning farmers helps the economy or finds an efficiency for some other existing government program, then it will be a positive addition to our tax code. We at the Platte Institute don't have any specific data or knowledge of the impact of this tax credit in other states and how it would react or what the result would be, so I can't answer that for the committee. But there are many aspects of tax expenditures that deserve a longer discussion and this very well might be one of them. We just want to encourage the committee to work towards making a tax system less of an economic consideration, and try to help broaden it and make it better for everybody. Thank you.

LINEHAN: Any questions? Senator Groene.

GROENE: Thank you, Chairman. I just want to thank you for coming back to your roots, the Platte Institute, get away from that Keynesian idea that we, the government has to come up with a program to effect social behavior. Thank you.

SARAH CURRY: Thank you.

GROENE: Platte Institute, I helped start. Thank you.

LINEHAN: Other questions or comments? Thank you very much.

SARAH CURRY: All right, thank you.

LINEHAN: Letters for the record. So on LB5, we had proponents: Dr. Daniel Ullman, Nebraska Psychological Association; Dean Kenkel of Omaha; Colonel Dan Donovan, Heartland of America Chapter of Military Officers Association of America; And Daniel Hromas, Grand Island. We had none in opposition and none in neutral. Senator Blood, did you want to wrap up? Is she here? So she's waiving. So that closes hearing on LB5, and we are now ready to open the hearing on LB50. Or did we move these around? LB69. Hi, Senator Matt Hansen. Go ahead.

M. HANSEN: Thank you.

LINEHAN: Thank you.

M. HANSEN: Thank you, and good afternoon, Chairwoman Linehan and members of the Revenue Committee. My name is Matt Hansen, M-a-t-t H-a-n-s-e-n, and I represent District 26 in northeast Lincoln. I'm before you today to introduce LB69. This bill would provide an annual $300 tax credit to caregivers who are providing care for a person who is physically or mentally unable to care for themselves, who lives with them in their own home. My intent with this modest support is to help caregivers supporting family members who would otherwise need to move into a long-term care facility or receive some other significant assistance. This would be, there, there would be two companion tax credits. First, there would be a nonrefundable tax credit of $300, which would be available to any taxpayer whose income is between 200 and 400 percent of the federal poverty level who provides care to an individual during at least 6 months of the year. For those taxpayers earning less than 200 percent of the poverty level, that $300 credit would be a refundable credit. And just for reference, 400 percent of the poverty level this year is just under $50,000 and 200 percent is just under $25,000. In order to receive the credit they would need to be caring for someone who is physically or mentally incapable of caring for themselves, who, who has an income of less than 200 percent of the federal poverty level themselves. This bill also provides tax relief, but it also provides and helps to keep people in their homes. I believe that this is an important issue facing our state and an opportunity for wise fiscal investment. We have seen and heard time and time again when dealing with long-term care that keeping people in their homes is both the preferred option for the individual, while also being the cheapest option for all those involved. This bill would help thousands of Nebraska families do just that. There will be testifiers behind me who will be able to provide personal insight into providing the long-term care of a loved one. But I'd be happy to answer any questions you may have now. Otherwise, I'd ask you to advance LB69 out of committee. With that, I'll close my opening. And thank you very much.

LINEHAN: Do we have questions? No questions, OK. You'll stay for--

M. HANSEN: I plan to, but I am on-deck in Judiciary.

LINEHAN: OK.

M. HANSEN: So I might have to duck out.

LINEHAN: All right, thank you.

M. HANSEN: Thank you.

LINEHAN: Proponents?

SUZAN DeCAMP: Good afternoon. Chair Linehan and members of the Revenue Committee, my name is Suzan DeCamp, that's S-u-z-a-n D-e-C-a-m-p. I'm here today as a volunteer representing AARP Nebraska in support of LB69, a bill that would provide income tax credits for qualifying caregivers. AARP is a nonprofit nonpartisan organization that works across Nebraska to strengthen communities and advocates for the issues that matter most to families, such as caregiving, healthcare, employment, income security, retirement planning, affordable utilities, and protection from financial abuse. There are an estimated 200,000 Nebraskans who are informal caregivers. These informal caregivers provide assistance without compensation to a family member, neighbor, or friend who has a disability. LB69 would provide a targeted subset of these Nebraska caregivers with more money. Specifically, the bill would provide a tax credit to caregivers caring for a person with a disability who resides in the home of the caregiver. The bill contains eligibility criteria that would target the benefits of the bill to caregivers who have limited incomes and who are caring for a disabled person who would likely be eligible for Medicaid if admitted to a nursing home. There are costs associated with being a caregiver. There are the immediate expenses of supplies, home modifications, transportation to medical appointments, and special equipment. And for workers who leave paid employment to be a caregiver, there are lost wages and lost opportunities to contribute to a retirement plan. AARP issued a report in 2016 that reviewed the out-of-pocket costs incurred by family caregivers. The results showed that 7 in 10, or 68 percent, of family caregivers reported having to use their own money to help provide care for their loved one. The report looked at the financial burden of caregivers who lived with the person receiving care. For these live-in caregivers, the average out-of-pocket cost of care was $8,616 annually, which amounted to 29 percent of the average income for that group. The state has a financial interest in the efforts of family caregivers. Every day that a person who needs long-term care can live at home, rather than be admitted to a nursing home, is a day that the Medicaid spend down process is delayed. The most recent 2018 Genworth report on cost of care in Nebraska found that the median annual cost for a semi-private room in a nursing facility was $82,855. And from the 2016 AARP out-of-pocket costs report that I noted above, we can infer that the average annual income for households where there is a care recipient living with a caregiver is less than $30,000. Using those two figures, if the care recipient were to be put in a nursing home facility, it would only be a very short time before they became eligible for Medicaid. Caregivers have saved and continue to save the state of Nebraska millions of dollars while bearing some financial risk, taking on increasingly complex tasks, and having to balance their caregiving and work responsibilities. Caregiving can be very stressful, leading to mental, physical, and financial hardships on the caregiver. It costs the Nebraska taxpayers roughly $70 a day to cover the costs of Medicaid nursing facility care. So every day that you provide care that allows your family member to live at home and not in a nursing facility, you are saving the state of Nebraska $70. That's $490 per week, $2,100 per month, or $25,550 per year. Part of our message today and throughout this legislative session is to remind senators to consider the needs of low-income seniors as you develop public policy. Roughly 7.2 percent of our aging population, or 20,000-plus people age 65 and older, are living in poverty in our great state. These are people who are struggling to make ends meet. But in many cases, they are also providing care for a person with a disability but allows that person to continue to live at home. Enacting this bill would provide these caregivers with a benefit that they often need most, which is more money in their pockets. As always, being fiscally responsible with the state's funding and budget is an AARP priority. We fully recognize and understand the current status of the state's budget shortfalls and we recognize that funding is tight. It is, however, important to recognize that family caregivers in our state provide vital supports and services, and are providing millions of dollars in uncompensated care, saving the state of Nebraska. We would like to thank Senator Hansen for once again introducing this bill and for his commitment to Nebraska caregivers. Thank you also to the committee for the opportunity to provide our comments on the bill. We ask that you please consider supporting LB69 and the caregivers providing uncompensated care to all ages and populations across the state. I'd be happy to answer any questions if there are any.

LINEHAN: Are there any questions from the committee? Senator Briese.

BRIESE: Thank you, Chairman Linehan. And thank you for being here presenting this. The $300 credit, do you know where that number was arrived from, or how that number was arrived at?

SUZAN DeCAMP: I do not.

BRIESE: OK. In your opinion, would $300 move the needle on what we're trying to accomplish here?

SUZAN DeCAMP: There's been a lot of discussion on that, $300 may not seem like a lot of money. But to some of these people who are living in poverty, it could make a difference. I mean, it could pay a couple of months heating bills. It could, you know, put food on the table. And it's a small step. You know, we have always been in support of caregivers in Nebraska, and so we're willing to accept any baby steps that, that can be made towards helping provide them some compensation.

BRIESE: Sure. And I appreciate that. It seems like the goal here is perhaps to incentivize folks to stay home and not, or help them stay home, anyway, and not have to go to a nursing home. And those decisions obviously are not made lightly. And I question whether $25 bucks a month is enough to impact that decision.

SUZAN DeCAMP: Again, it's a small amount, but I guess to some it may make a difference.

BRIESE: Very good, thank you.

SUZAN DeCAMP: Thank you.

LINEHAN: Are there any other questions from the committee?

SUZAN DeCAMP: Sorry.

LINEHAN: I don't see any, so thank you very much for being here. I appreciate it.

SUZAN DeCAMP: Thank you.

TERRY STREETMAN: OK.

LINEHAN: Thank you.

TERRY STREETMAN: Hi, my name is Terry Streetman, that's T-e-r-r-y S-t-r-e-e-t-m-a-n. I want to thank the Chair and the members of the committee for having us here to speak on behalf of this. I'm honored to speak in support of LB69. And on behalf of the Nebraskans who are currently living with Alzheimer's or another dementia, and those who provide them care. Every day, Nebraskans all across our state provide basic care for loved ones living with Alzheimer's or another dementia. They provide assistance with everyday tasks ranging from managing finances and coordinating doctor's visits, to basic functions like dressing, bathing, eating, and using the restroom. They come from all races, religions, and levels of the economic ladder. Approximately 25 percent of dementia caregivers are what is known as the "Sandwich Generation," meaning that they care not only for an aging parent but also a child under the age of 18. They provide this care because family is a core Nebraskan value. In 2018, in Nebraska, 82,000 caregivers provided more than $1.18 billion worth of uncompensated care to the 34,000 Nebraskans over the age of 65 living with Alzheimer's. These contributions significantly reduce the potential strain on our overburdened healthcare and nursing systems, playing an important role in ensuring their long-term stability. For families providing care at home, expenses can mount quickly. In 2018, the median cost for a nonmedical home health aide in Nebraska was $150 per day. In 2016, dementia caregivers reported spending more than $10,000 per year out of pocket on expenses for their loved one for items such as food or adult diapers. Because of these expenses, nearly half of care contributors said they had to spend money out of their savings or retirement funds, 13 percent had to raise money by selling personal belongings such as a car or a home. Nearly a third reported eating less due to caregiving-related costs. Compounding these expenses caregiving, caregiving often has an impact on a caregiver's employment and income, 57 percent of caregivers nationwide say they had to go in late, leave early, or take time off of work because of caregiving responsibilities. More than one in six had to leave work entirely either to become a caregiver or because of the increase in the burden of their caregiving duties. Alzheimer's care contributors lose over $15,000 in annual income as a result of reducing or quitting work to meet the demands of caregiving. These burdens can be especially hard for caregivers who are low-income. Beyond these financial burdens, caregiving takes a toll on caregiver health. Nationwide, 35 percent of dementia caregivers report that their health has gotten worse due to caregiving responsibilities, and the physical and emotional impact of caregiving on Alzheimer's and other dementia caregivers resulted in an estimated $11.4 billion in increased caregiver health costs in 2017. In the grand scheme of things, as was mentioned, $300 is not much. But to these caregivers, it can make a tremendous difference. It represents a couple of more days of assistance from a home health care aide that costs $150 per day or a few extra nutritious meals for a caregiver struggling to make ends meet. I would urge the members of this committee with that information in mind to please advance this bill and provide some relief that is desperately needed by Nebraska caregivers. I'd be happy to answer any questions.

LINEHAN: Does anybody have questions? I have one. I'm trying to go through the numbers here. So $300 credit, how many people-- I guess I just could divide. Do you have any idea of how many people that would affect, that would get the $300 credit?

TERRY STREETMAN: I've done some looking to see, based on the income qualifications. I don't have a solid answer for you on that in terms of how many would qualify based on income and-

LINEHAN: It's probably in the fiscal note and I just didn't.

TERRY STREETMAN: Yeah.

LINEHAN: OK. All right, other questions? Yes, Senator Groene.

GROENE: I'm trying to figure this out also.

TERRY STREETMAN: Sure.

GROENE: So if your income is less than 200 percent of the, and you're a caregiver, how do you get help then? Is there a program already in place?

TERRY STREETMAN: For questions about the, the sort of mechanics of the tax credit, I would probably defer to the senator in terms of how those work. I'm not entirely sure in terms of that.

GROENE: Because it's between 200 and 400 percent. What about if you don't make 200 or less than that? I'm trying to figure out how those folks are helped. And you talk about the, the help for the person who needs the caregiving, but this help is for the caregiver, not the person.

TERRY STREETMAN: So looking at the needs that we see from caregivers, there are benefits for both. The caregivers are able to have a little bit more money in place for their own food and their own needs and their own healthcare costs. A lot of health-- a lot of caregivers we've seen in our research-- and in the copies that I've asked to the committee, references are in there with links to our, our reports-- but many caregivers, because of the cost of caregiving, have reported taking less care of their own health and skipping doctor's appointments. So having an extra $300 would cover a few co-pays or could help caregiver health in that way. In addition to potential ways that could help the--

GROENE: So Warren Buffet needs a caregiver and he pays them $20,000, that caregiver gets a $300 credit?

TERRY STREETMAN: So this is for family caregivers or folks who live in the home, I believe it's at least 60 percent of the year. So this is not for outside caregivers being paid to come in that would then receive the credit in my understanding.

GROENE: Thank you.

LINEHAN: Other questions? OK, thank you very much.

TERRY STREETMAN: Thank you very much.

LINEHAN: Are there are other proponents?

PAULA McDONALD: Dear members of the Revenue Committee and the Chairman, thank you for having me today. My name's Paula McDonald, M-c-D-o-n-a-l-d. I, I am a member of District 18 in Omaha, Nebraska. I am Aaron McDonald's paternal grandmother, and I am a proponent for the LB69. I'm one of his respite and daycare providers. I'm a retired special education teacher from OPS with a master's plus 30. I volunteer at Madonna and sometimes substitute at Madonna in Omaha. I used to get over $65,000, now I get $9.18 so just a little humor there. Anyways, I use the money to buy soft toys and behavior books and sensory motor equipment. And I'm going to be 69 this year so I don't know how much more I'll be doing it, but I know that that extra $300 would be a help to whoever would be taking care of Aaron. Aaron is covered through a loophole right now. He's an 8-year-old boy with a 2-year-old ability. He's constantly on the move. Curious, getting into his environment. He's autistic-like. He had seizures at birth, 250 to 300 a day and a functional hemispherectomy at six weeks and six pounds, causing him to have an inability to wait for responses in his environment. His partial vision, tunnel vision from the surgeries and the meds. He gets hurt easily, he's unbalanced, he can lash out. Part of his frontal lobe was removed to stop the seizures. He has a high need for sensory motor input and puts everything in his mouth. He needs constant attention, an iPad for speaking, behavior interventions for his safety, and others. He's on total language at the school. He really probably should have died at 2 years but-- the seizures were going to kill him. His parents are very smart, they both have master's degrees. And so they sought help to achieve to get life for him. But it is life at a price. People are afraid of him when he screams. He's very loud, he's very strong. He knows what he wants and can lead you to it, but he can't tell you. I don't need the tax credits per se, but Aaron's family, a family of four who operates just above the poverty level, do need it. Both his parents, Dan and Brianne, have master's degrees, one in business the other in IT. They are unable to move away to find full-time jobs because of Aaron. They need to have the support of their families. Both Aaron's parents have part-time jobs at this point. Both are veterans and get their medical insurance from VA, and both served in Iraq. Dan and Brianne's family will lose the Aged and Adult and Children with Disabilities medical waiver. I just spoke to his case manager Amy Edwards today-- through a loophole that was put in January, 2019. Aaron is not in a nursing home, he is not tube fed, he does not need to be turned over, he's not an adult. Aaron is, however, constantly on the move. It can be an exhaust, it can be exhausting to care for him and his safety. He doesn't sleep well. His parents have to sleep with him. He throws things, he eats inedible items, he requires a car seat that is escape-proof, and he has a key that they have to lock him in. He is unsteady on his feet and, as a result, last week at the Y, required stitches. Amy Edwards, Aaron's case manager, told Dan and Brianne they would be losing this respite benefit in August of 2019 because of a loophole that was created by their own department. Aaron is covered because he is currently treated the same as adult, but now he will lose it because he will be treated as a child. Even autism was scrapped in the waiver. So, yes, vote for LB69, the law that Arc is supporting, but also get rid of the loophole the waiver created so that Aaron and other children like him and his family can have a better life. I mean, we love Aaron and we're glad that he's with us, but he's very fragile and very "mobily" fragile. So thank you today for giving me the chance to speak for Aaron and his family.

LINEHAN: Do we have any questions? OK, thank you very much for being here. Appreciate it. Other proponents? Are there any opponents? OK. Again, if you could move forward, it helps that I can see you.

EDISON McDONALD: Hi. Edison McDonald, E-d-i-s-o-n M-c-D-o-n-a-l-d, with the Arc of Nebraska. I'm the executive director for the Arc of Nebraska. We advocate for people with intellectual and developmental disabilities. We have 1,500 members or so covering the state, and we strongly support LB69. It's an excellent opportunity to help support the people who take care of and support people who are in dire need. We frequently receive calls from members who are frustrated because of the low pay and high expenses of supporting an individual with a disability, whether it is extra doctor's visits, supportive equipment, or care when they are unavailable, there is a significant burden. These caretakers are kind supportive people who make a world of difference for the people who need help. The daily extra trips; thoughts of activities down to even minutia, such as thinking about having to find a different dentist who's able to work with your child well enough; extra spending on dietary requirements, equipment; they're all overwhelming to caretakers. According to the AARP, the value of services provided by informal caregivers nationwide was $470 billion. This monumental economic impact cannot be underestimated. In comparison to this powerful service, they're seeing only a fiscal note here of, what, $58,000? Which I think is pretty negligible. According to a 2011 Gallup Healthways Well-Being Index, caregivers spend an average of 13 days each month on tasks such as shopping, food preparation, housekeeping, laundry, transportation, and giving medication; 6 days per month on feeding, dressing, grooming, walking, bathing, and assistance toileting; and 13 hours per month researching care services or information on disease, coordinating physician visits, or managing financial matters. Again, I would urge you to support this bill. I think it really ensures that our members and people who are in very difficult situations are able to help to care for their families and for the people that they're trying to support. I think, to Senator Briese's comment, $300 isn't going to be significant enough to really go and encourage someone to change their direction as to whether they would stay at home or not. This is just something to go and provide a little bit of support. And that may be, you know, extra groceries, that may be helping them to find that supportive equipment that they need, that may be things such as ensuring even gas. I know a lot of the folks that we work with, the extra trips that parents have to go and take are huge. The extra trips across town, going and finding, you know, a different doctor, different providers. All these little things add up significantly. So I'd urge you to support LB69. Thanks for your time.

LINEHAN: Thank you very much, Mr. McDonald for being here. I just want to-- it's hard to read these fiscal notes because they're really small, but the cost this $5,800,000 so. Did anybody have questions? OK, any more proponents? Any opponents? Anyone wanting to testify in a neutral position?

SARAH CURRY: Hello again. Sarah Curry, S-a-r-a-h C-u-r-r-y, with the Platte Institute. To respect your time, I'm not going to state the same facts that I stated earlier. I do just want to share with the committee the reason why we're in the neutral capacity is because we understand the intent of the tax credit, but we don't know the details to know if this is actually creating an efficiency in government or if it's just creating another tax expenditure which will make other tax reforms or other priorities in government more difficult. The federal tax reforms that happened last year, there was a change and now the

IRS does allow family caregivers to claim anyone as a dependent, which is a change from before. So now if you are a single person caring for a family member, or it doesn't even have to be a family member, it can be any person, they can now claim as head of household and they will receive a higher standard deduction. I'm not saying that's a reason not to support this tax credit, I'm just letting you know that there will be some overlap with the new federal tax law. We haven't fully looked into that impact, but I would encourage you to do that before making a final decision.

LINEHAN: Any questions the committee? Thank you, Sarah.

SARAH CURRY: Thanks.

LINEHAN: Any other wanting to testify in neutral capacity? Do I read these in before he wraps up his first? Yes, closing.

M. HANSEN: Yes. For my closing, I appreciate all the stakeholders and supporters who came up and testified their stories. I think it shows kind of the real need of some of the people who are kind of falling through the gaps in terms of caregivers and are being put in a very tough spot financially due to that commitment to their family. And those are the people who I am trying to extend some help to. Two things that came up that I want to address specifically with numbers. Senator Groene, you mentioned a Warren Buffett example. I do, I will point out there is a, there is a limit on both the caregiver's income and the recipient of care’s income. And so there's both those things to take into account. Because we did encounter, envision a scenario in which the person who's receiving care is able to financially contribute to the household, and that's not who we're intending here. And then Senator Briese to your comment of $300, $300 for somewhat-- it was just an arbitrary number we picked. We kind of, with discussion with stakeholders, tried to pick the largest number that seemed meaningful but at the same time would not create a-- would limit the overall expenditures, especially in the initial implementation of this. This was, working on this issue in another bill, but I was working with somebody who specializes in homelessness. And he said the average, the average bill that's the quote that breaks the camel's back, the bill that you can't pay that forces you into homelessness, is usually in the $300 to $400 range. Oh, that's car repairs, utility bill, doctor's bills. When you, when you see somebody has to go to a homeless shelter, it's usually a bill that big, too. So in the scheme of things, talking about income for a lot of families, it's maybe a nice benefit. But for some families, it is kind of the amount that's kind of going to determine their next future. So with that, I would be happy to work with the committee and encourage your support.

LINEHAN: Does anybody have questions? I have one. Anybody else? This is uncompensated care, right? They're not getting paid to do this. I thought it was uncompensated.

M. HANSEN: Yeah, that would be my intent. If we need to tighten up language, this is, this is for people who, yeah, are uncompensated care. You're taking care of a parent, a sibling, a cousin.

LINEHAN: Or a friend.

M. HANSEN: Yes.

LINEHAN: But they're not getting paid by the person they're taking care of. Or did I miss something here?

M. HANSEN: Yeah, that, that would be my intent. The reason we had a cap on the first income was not necessarily that they're paying, you know? You're not, your parents aren't paying you to take care of them, but if they have an income that's helping offset some of the household expenses, we recognize that's occasionally an instance.

LINEHAN: OK, thank you. Other questions? Thank you very much for being here.

M. HANSEN: Thank you. Thank you members.

LINEHAN: Letters for the record on LB69. Proponents: Kelly Keller, National Association of Social Workers, Nebraska Chapter. Opponents: none. Neutral: none. With that, the hearing on LB69 closes and we're going to LB50, Senator Vargas. Welcome, Senator Vargas.

VARGAS: Thank you very much, Chairwoman Linehan. Good afternoon, Chairwoman Linehan and members of the committee. My name is Tony Vargas, T-o-n-y V-a-r-g-a-s, very proud to represent District 7 communities of downtown and south Omaha. I'd like to talk about LB50, which is a bill that makes adjustments to state income tax brackets, which I'm sure everybody is on pins and needles to talk about. LB50 changes to the current tax brackets are as follows: LB50 would expand the current third bracket, applying a lower tax rate to more income. It starts the fourth bracket and a higher income level. It adds a new fifth bracket at 7.84 percent for taxpayers who are married filing jointly starting at $200,000, $150,000 for head of household filers, and $100,000 for all other filers. It adds an additional 1 percent tax to income in excess of $1 million and it adds an additional 2 percent on income in excess of $2 million. Now, as you've likely seen, the fiscal note for LB50 shows that these adjustments are estimated to generate $478,646 million in revenue over the next five years from FY '19-'20 to FY '23-'24. Now I'm in a unique position as senator of District 7 and it's because I represent a district that is extremely diverse. I represent both the lowest and highest income earners in the state in Nebraska. I understand the real impact this will have for people with incomes all across the spectrum. Now I'm in my third year on the Appropriations Committee. In the last budget biennium we experienced serious revenue shortfalls. And we continue to experience revenue volatility with reports from the Budget Office showing a downturn in revenue as recently as last month. In addition, the last two years I have served as Vice Chair of the Legislative Planning Committee. For nearly the last decade, this committee has worked in partnership with the University in Nebraska, the Legislative Fiscal office to identify long-term trends so that our Legislature can plan for our future. I'm going to pass out the committee reports for your reference. This report from the last interim, for those of you that want to take a look at it, just provides some overarching trends that we've identified and recommendations for us to move forward. Now the long and short of it is, which is likely not surprising to you, our population is getting older. Our population is becoming more urban and we need to figure out how to provide services in the most cost-effective and responsible way to all who need them. And currently into the decades into our future. Now given my role in both these committees, I want to make this point very clear. The Legislature needs to work together to find a way for us to raise some revenue. We've made rounds and rounds of cuts. I've sat in the room with my eight other colleagues and they're waiting for me right now. We've made rounds and rounds of cuts to the detriment of students, educators, working families, seniors, and many more segments of our population. Our rainy day fund has been reduced by half and we're constitutionally unable to take on debt, which means we must build up our cash reserves and restore and prepare to expand services. That is one of the recommendations from the Legislative Planning Committee. Now without raising revenue, children and seniors will continue to face cuts to services they rely on again. Life-saving health services will be cut again. Programs that protect the safety of our water and our roads will be cut again. The university and state college budgets will be cut again to the detriment of the students who are already struggling to find a way to pay for school. Now that revenue that would be generated from LB50 would not completely fill the budget gap, it's an important first step for us to take together. This is certainly not the time to make drastic changes to state taxes that would cause further revenue shortfalls and an even more dire budget situation. A modest increase on our state's top earners is the most fair and equitable way to get the revenue we need and provide the services and programs that Nebraskans rely on. I'm here today with you on addressing the biggest issue our state is facing and I am very open to discussing your ideas for adjustments and changes to this bill, and to have an open and honest conversation about how we can best move our state forward. With that, I want to thank you and welcome any questions.

LINEHAN: Any questions from the committee? Senator Groene.

GROENE: Thank you, Chairman. I just want to ask you a hypothetical question. Do you think if this was part of the 427 petitions that some millionaires in Omaha would have thought twice about funding Medicaid expansion? The campaign?

VARGAS: I couldn't tell you. It's a good hypothetical.

GROENE: Thank you.

LINEHAN: Any other questions? OK, I have a couple. Do you have any idea of the number, like in number of people that this would affect? How many people in Nebraska would we be raising taxes on?

VARGAS: I can get you those numbers. What I can tell you is, and this is a report that came out from the Omaha World-Herald, there was a study that looked at the 500 richest Nebraskans that earned about, it's about $2.2 million in gross revenue in 2014. And in 2016, this group of individuals paid an effective tax rate about 3.5 percent.

LINEHAN: Okay.

VARGAS: So we have some numbers in terms of what the general amount of impact but not the number of people that would be impacted by this.

LINEHAN: In that number of 500 that was in a story in the World-Herald, there's a rather wide range of incomes.

VARGAS: Yes.

LINEHAN: One being on the very, very outer edge that skews those numbers quite frankly. According to one of the 500 people I talked to that's in that group. So I would like to see that too.

VARGAS: Yeah, we could do that.

LINEHAN: Those 500 because we all know there, there are billionaires in Nebraska.

VARGAS: There are.

LINEHAN: But only two or three.

VARGAS: Yes.

LINEHAN: And they would skew that number quite drastically I think. And then the other breakdown, I asked the Revenue Department how much the million dollar-- what you call it, the excise or additional tax would bring in and they said $35 million. So the, the 1 percent on the $1 million and the 2 percent of $2 million, does that sound right to you? That would generate $35 million?

VARGAS: I'd have to double-check. I know the full impact of the fiscal note for the entire bill is about $480 million over the course of five years so.

LINEHAN: Yeah, but just on an annual basis.

VARGAS: Yeah.

LINEHAN: It's, I think this was annual.

VARGAS: Yes.

LINEHAN: So on an annual basis for 2019-'20, $100 million of that is coming from people making less than $1 million dollars but over $100,000.

VARGAS: Yeah. I'll double-check to verify. But if the Department of Revenue came up with that number, it's a good number, a good reference.

LINEHAN: OK, that-- so just, I think the committee, at least I would, committee would enjoy, would appreciate seeing exactly who we're taxing here and the income levels that actually generate the most revenue, which I think is less than $1 million. Any other questions? Yes, Senator McCollister.

McCOLLISTER: Yeah. Thank you, Madam Chair. Doesn't LB50 run counter to what's occurring around the country in most states, particularly the states surrounding Nebraska?

VARGAS: I wouldn't say it runs counter to what's happening across the country. I know that there are states, Minnesota is an example. They passed the millionaire's tax in 2014. Since that time, they've seen some of the biggest economic boon that we've seen in this, in this area. They've added about, over those two years, 2014 to '16 about 200,000 jobs. In the states that we saw some level of either restructuring or decrease in income taxes, we saw the opposite. Kansas is one example of that.

McCOLLISTER: Thank you.

LINEHAN: Any other questions? Thank you. And you're going to stay for a wrap-up or are you gonna--

VARGAS: I'm absolutely gonna stay for wrap-up.

LINEHAN: Okay. Proponents. Hi.

RENEE FRY: Hi. Good afternoon, Chairman Linehan. Am I OK to go?

LINEHAN: Yes, you-- well. Yes, go ahead.

RENEE FRY: OK. Good afternoon, members of the Revenue Committee. My name is Renee Fry, R-e-n-e-e F-r-y, and I'm the executive director of OpenSky Policy Institute, and I'm here in support of LB50. LB50 lowers taxes on middle-income Nebraskans while raising revenue that could be used to reduce property taxes to laudable goals. And it does so by raising taxes on high-income earners at a time when they are already getting state and federal tax cuts due to the TCJA and LB1090 from last session. So it's likely that the impact of the tax increases in LB50 won't even be noticed by those high-income earners. So let me just take a minute and talk about LB1090 from last session. If you look at our Nebraska taxpayers that I've handed out to you, you can see that most of them will get a tax cut from LB10-- LB50 but our highest income Nebraskans will have a tax increase. But Darren [PHONETIC] and Stephanie [PHONETIC], as you see on there, they're also getting a state tax cut to their 2018 Nebraska income taxes of about $3,700. This is because LB1090 from last session eliminated Nebraska's additional tax, which canceled the benefit of the lower income tax brackets for high-income earners. This is a cut of about $1,700. LB1090 also eliminated the Pease provision, which phased out the use of itemized deductions for high-income households. This will change the cut-- this will cut Darren and Stephanie's state taxes by about $2,000 in 2018. So LB1090 from last year cut their income taxes by about $3,700, which would offset some of the tax increase from LB50. Given that projections are that about 27 percent of the TCJA will benefit the wealthiest 1 percent on the whole, even with LB50 high-income earners are likely to come out ahead on state and local income taxes. I would note that Bill would also, on our taxpayers, would also be giving a state tax cut due to LB1090 but we didn't calculate that. And also I want to note on our real taxpayers these are 2017 taxes because it's their actual taxes paid. So once we have their 2018 tax returns we'll be able to update, update those and those will reflect the tax cuts that Darren and Stephanie and Bill received from LB1090 last session. Furthermore, LB50 should fix the regressivity of Nebraska's income tax at the highest end. According to the Department of Revenue statistics of income in 2016, the top 500 returns in Nebraska only paid an effective tax rate of 3.53 percent compared to the top 10 percent of taxpayers that paid an effective income tax rate of 4.81 percent. It's also regularly noted that the relatively low income level at which our current top personal income tax rate begins, LB50 would address that by expanding the third tax bracket, applying the lower 5.01 percent tax rate to more income and increasing the income level at which that fourth tax bracket kicks in. So currently, 6.84 percent top rate is taxed on income at income above $74,340 for married filing jointly after factoring in the standard deduction. Under LB50, that 6.84 percent will kick in on income above $88,500 for married filing jointly. The 7.84 percent tax rate will tax income over $213,500, which is almost four times the median household income in Nebraska. Contrary to popular political belief, the public overwhelmingly supports raising taxes on high-income earners. So Senator Groene, to your point, I'm not sure that that actually would have been a negative if it had been paired with Medicaid expansion. A poll that we had done last year found that 78 percent of Nebraskans support raising taxes on people making over $1 million dollars and 72 percent support raising income taxes on people making more than $500,000 per year. There was also a recent Hill-HarrisX survey conducted on January 12 and 13 that found that 59 percent of registered voters across the nation supported increasing the highest federal tax bracket to 70 percent. We'd also like to point out that there's no conclusive or overwhelming evidence that raising taxes on wealthy Nebraskans would cause them to flee the state in droves or would hurt our economy. A study from Young and Varner from 2016 looked at IRS data from all 50 states over the course of 13 years and they found that millionaire tax fight is occurring but only at the margins of statistical and socioeconomic significance. Millionaires they find move at a lower rate than the population as a whole and little more than 2 percent of the elites' migration patterns can be explained by tax hikes. Young and Varner hypothesize that millionaires are unlikely to move due to state tax changes because they have high rates of other factors that reduce mobility. They're more likely to be married, have kids at home, and own a business. So in closing, we support LB50 because it cuts taxes for middle-income Nebraskans and raises additional revenue that would give the Legislature the opportunity to make additional investments in priorities such as property tax relief. With that, I'd be happy to answer any questions.

LINEHAN: Senator Lindstrom.

LINDSTROM: Did I beat you to the punch? Thank you, Chairwoman Linehan. Does this not disproportionately hurt small business owners who are fine as individuals? So the ones that are taking the risk, that might show that their revenue is a million-plus but are hiring those individuals, putting their capital at risk. Does that disproportionately hurt small business that make up the majority of people that--

RENEE FRY: The majority of small businesses are making significantly less in revenue. I don't remember the number off the top of my head, I have it back in the office. But it's actually significantly less than what you would think. So they're not, they're actually going to get a tax increase or a tax-- excuse me, they're going to get a tax cut under the bill. The majority of small business owners will get a tax cut.

LINDSTROM: Based on the revenue that is between under the $1 million. You're talking about a gap--

RENEE FRY: But again, when you look when you look at the average or where the majority of small businesses, how much income they're making, and again I can get this too and have it to you. Maybe I can even get it fast enough to share with Senator Vargas to present at the end. But the vast majority of small business owners are making significantly less incomes than where this would kick in and be a tax increase.

LINDSTROM: OK. And I think, as Senator Groene brought up, in comparison to the states around us, would this, this not put us at one of the highest individual tax rates?

RENEE FRY: Yeah, for a very high income earners it, it would for those highest, yeah.

LINDSTROM: OK.

LINEHAN: Other Questions? Did you have more, Senator Lindstrom?

LINDSTROM: No, no.

LINEHAN: Senator Friesen.

FRIESEN: Thank you. Would you agree with the statement that 99.9 percent of the people would support a tax increase on somebody else? [LAUGHTER]

RENEE FRY: I think-- but, you know, I've heard that before. I think there is a real feeling, I mean, income inequality in the country is a real thing and I think there is a feeling. And when you look at the effective tax rates too, I mean, our income tax is a progressive tax until you get to the top and then it actually declines. So I actually think that it's not so much about taxing someone else but making sure that people have the ability to pay are paying, paying taxes, right.

FRIESEN: When you survey people I just had to add that. But--

RENEE FRY: Yeah.

FRIESEN: I mean, I've said in the past I would, I would much rather pay an income tax than a high property tax because it's based more on your ability to pay.

RENEE FRY: Right.

FRIESEN: And I think by breaking out the brackets, I mean, this does do a lot of what some of the people, and especially Warren Buffett has always said we don't tax him enough, so maybe we should jack that up a little higher. But I think-- what percent of the taxpayers in Nebraska would be paying 80 percent of the taxes? Is it the top 15 percent?

RENEE FRY: I would have to look and get back to you on that. I don't know that off the top of my head.

FRIESEN: Just curious. OK, thank you.

LINEHAN: Senator McCollister.

McCOLLISTER: Thank you, Madam Chair. Ms. Fry, the $37,500 rate that we have on the bottom for the highest tax rate, isn't that unusually low among the states that you're familiar with? Certainly around Nebraska?

RENEE FRY: Yeah. You know, I don't-- I haven't looked closely at the brackets in other states. I mean, there's a lot of focus on rates and we like to focus on the effective tax rate. And the effective tax rate is actually significantly lower. And it is, the effective tax rate, is very progressive again until you get to those top 500 it is going up. So it is working in a progressive fashion. So I think the only thing, I think that there are components. I mean, I'm not sure that the bill as drafted would get out of committee, right, but I think that there are component, components of the bill that are really worth looking at. And one may be a bracket expansion. And I just would remind you that it's that $37,000. It's only the income over that that's taxed at that that higher rate. So I would just flag that for you. And again, I think one of the things that we need to keep in mind and why I mentioned it and was really the crux of my testimony was in that bill, LB1090 from last year, that was really intended to stop this windfall, right? It actually produced a tax cut for higher-income earners. And I'm not sure that anyone on the Revenue Committee was acutely aware that that was really the going to be the impact. And so this bill would reverse, would reverse that. And again, if you're thinking about amendments to the bill, that may be something to keep in mind is that in that bill, and I don't know how much revenue it would it is, and I think that would be a really interesting question to find out, but the elimination of Pease and the additional tax, how much revenue is that going to reduce for the state. And is that something that should be rectified in some fashion.

McCOLLISTER: That might be a good exercise. And that $37,700, I think Nebraska's an outlier in the fact that it so, so low before you hit that, it were at the point where you hit that next bracket.

RENEE FRY: Yeah, we can look into that. I haven't, I don't know off the top of my head. But it would be something pretty easy to follow up on.

McCOLLISTER: Thanks for your testimony.

LINEHAN: Other questions from the committee.

RENEE FRY: Can I just respond, I thought of some, something else for Senator Lindstrom and his question about the tax rates. If I can just follow up really quick.

LINEHAN: Senator Lindstrom would you--

LINDSTROM: Entertain? Sure.

RENEE FRY: Thank you. This, this would put us at a higher tax rate compared to surrounding states. I think the question is that we always get concerned about is what that effective tax rate is and our effective tax rates are significantly lower than our marginal tax rates. And we were just having a conversation about it, would it would be helpful if we knew what the effective tax rates were in other states. But it is significantly lower than our tax rates are. And that's something just to keep in mind.

LINEHAN: Any other questions? Senator Groene.

GROENE: Thank you, Chairman. Chairman Senator Lindstrom. Not Lindstrom, it's been a long day. Anyway, Linehan. I understand what you mean by effective tax rate. It's only after you hit $100,000 you pay the--

RENEE FRY: The effective tax rate, so the marginal rate is that 6.84 percent and the effective tax rate is when you actually look at how much tax you're paying on that income. So the wealthiest 500 are paying 3.5 percent, not that 6.84 percent.

GROENE: I don't understand how you come to that.

RENEE FRY: The Department of Revenue has statistics of income on their on their Web site. I'm happy to-- it's coming from the Nebraska Department of Revenue. I'm happy to send you the link to that.

GROENE: I understand.

LINEHAN: Can we just ask for a definition of effective tax rate?

RENEE FRY: Yeah, so the effective tax rate. When you look at your amount and the amount of income that you have, in fact I think it might be, we might have it footnoted on here. But it's the, it's the percent of your income that you actually pay. And so on here we have the effective tax rate. So if you look at Darren and Stephanie, their total effective tax rates. So if you look at their income compared to how much they pay in taxes, they pay 7.73 percent of their income in Nebraska taxes. And that's income, sales, property, and motor vehicle.

GROENE: So you're throwing in motor, all of those.

RENEE FRY: All of those.

GROENE: Not just income.

RENEE FRY: Right.

GROENE: That's different.

RENEE FRY: That's that 7.73 percent. Now their state income tax, they are paying 6.82 percent of their income in state income taxes. And so that's the amount that they pay, which is different than their rate.

GROENE: You were throwing in all the taxes.

RENEE FRY: Yeah.

GROENE: That adds to my comment.

RENEE FRY: That's why you were getting more than your 6.84, that's OK.

GROENE: My comment about, I was talking about the three or four millionaires that funded the campaign for 427. If we made, made it clear that they were going to pay for their good works instead of the middle class, I don't know if they would have funded it.

RENEE FRY: I have no way of knowing.

LINEHAN: Yes, Senator Friesen.

FRIESEN: Thank you. I'm looking through your, the sheet here. Could you just go a little bit further on what sets Bill apart from everybody else, because his effective tax rate is 32 percent.

RENEE FRY: Senator Friesen wants me to answer this question for a very specific purpose because his property taxes are very high, aren't they?

FRIESEN: You said he was a small farmer. Just curious, your definition of a small farm.

RENEE FRY: He is a-- he is a farmer.

FRIESEN: OK. And that's strictly because of the high property taxes.

RENEE FRY: Yes. Yeah, if you see his property taxes, he pays $193,000 in property taxes.

FRIESEN: Okay.

LINEHAN: Is that on here?

RENEE FRY: Yeah, it's at the bottom.

McCOLLISTER: I see it, yeah.

LINEHAN: Okay, I'm sorry. Wait. Senator Friesen, did you have more?

FRIESEN: No, I'm done. Thank you.

LINEHAN: Senator McCollister.

McCOLLISTER: Ms. Fry, we talked about effective and marginal tax rates. Couldn't that effective tax rate for various classes of income earners be affected by other statutes like the Sub-S or the LLC provisions which could lower the effective tax rates for some of those high-income earners, correct?

RENEE FRY: Yeah, absolutely. It is, it is going to be affecting probably most of them. Most of those 500 for sure. If you look at the statistics of income, which we'll be talking about when your bill comes up. But if you look at the information Department of Revenue puts out, that S-Corp policy exclusion largely benefits those at the very, very top. So that is going to be--

McCOLLISTER: It's a good thing somebody submitted a bill to that effect.

RENEE FRY: Yes, it is good. It is good.

LINEHAN: Any other questions from the committee? OK, I just want to make sure I understand this.

RENEE FRY: Sure.

LINEHAN: It's becoming clear to me.

RENEE FRY: Yep.

LINEHAN: So every Nebraskan has a different effective tax rate.

RENEE FRY: Yes.

LINEHAN: So the only way we really know what the effective tax rate is on every Nebraskan is if we have, what, how many taxpayers we have in Nebraska, including sales tax. You'd have to have a million different people to look at this.

RENEE FRY: Close.

LINEHAN: So the effective tax rate on this sheet doesn't really-- it's not about their income taxes. Which is what this bill is about.

RENEE FRY: Income taxes are on here. If you look at the sheet.

LINEHAN: I know, but it's not-- but the effective rate is not their income tax rate, which the bill is about income taxes.

RENEE FRY: Sure. We have those calculated. We can get those to you.

LINEHAN: OK, that would be helpful. So and also that I'm sure the Department of Revenue can help us and the Fiscal Office.

RENEE FRY: But it's not changing any of the effective tax rates significantly. It's pretty minor.

LINEHAN: No, but the bill is on income taxes.

RENEE FRY: Right.

LINEHAN: So could you do-- I would like, I don't care, Tom and Mary. What happens to the 200-- because you jump here from $1 million to $765,000. And then you drop clear down to $108,000.

RENEE FRY: $141,000.

LINEHAN: Okay, $141,000. So what goes on with the $200,000, two professionals married to each other? What happens to their effective or just their income tax rate? What happens to $300,000, $400,000, $500,000, $600,000?

RENEE FRY: Yeah. So they would go up. So it kicks in on, what did I say, $200--

LINEHAN: $100,000 on a single person.

RENEE FRY: Yeah, but you don't see the 7.84 percent doesn't kick in until $200--

LINEHAN: For Mary.

RENEE FRY: For Mary, oh, $213,500.

LINEHAN: So to a lawyer and a doctor, maybe even a lawyer and a school teacher. So which most people, I mean, I'm just trying-- I think we're missing quite a few people here from your charts. The married professionals are not represented on this chart, right?

RENEE FRY: Oh, I, I don't think I would agree with that. I think George and Peggy and then you've got, I mean, the average-- remember that average household income in Nebraska is about $56,000.

LINEHAN: Right, but I'm talking about married professionals.

RENEE FRY: Right. So I guess my point is--

LINEHAN: So I'd just like, if we're gonna have a chart that represents effective income taxes, it just be nice to see married professionals both making, you know, a doctor and a lawyer.

RENEE FRY: Yeah.

LINEHAN: The people in the $200,000, $300,000, $400,000 range.

RENEE FRY: Right. And that's going to be your--

LINEHAN: The vast majority of the money comes from.

RENEE FRY: --top 10 percent. Yeah, top 10 percent of Nebraskans. I mean, that's--

LINEHAN: Right. So to Senator Friesen, the other thing that would be interesting, again, we can get this from Revenue and fiscal.

RENEE FRY: I do have the effective tax rates here for income, if you want them.

LINEHAN: The effective tax rate. I'm interested, I'm interested in income taxes.

RENEE FRY: Yeah.

LINEHAN: I think Senator Friesen asked this question, what is the percentage of Nebraskans that pay 80 percent of the income taxes? Not the effective taxes but 80 percent--

RENEE FRY: I don't know that off the top of my head.

LINEHAN: OK, but could you get it?

RENEE FRY: Sure.

LINEHAN: OK. I think that would be good and then, you know, the percentage of that pay 90 percent.

RENEE FRY: Yeah, and I can, I have the effective tax rates on income specifically, if you'd like them. I have that in front of me. So Darren and Stephanie, their effective tax rate would go from 6.82 to 7.67.

LINEHAN: OK, but Darren Stephanie are over $1 million dollars. I'm looking for more of the under $1 million. The people that are missing off here.

RENEE FRY: So George and Peggy?

LINEHAN: George and Peggy are $141,000. So what's their effective, their income tax?

RENEE FRY: So their, their effective tax rate is 5.27 and it goes down to 5.04.

LINEHAN: On the income taxes?

RENEE FRY: So it's a drop.

LINEHAN: OK. All right, other questions. Yes, Senator Groene.

GROENE: When you get those numbers that Senator Linehan asked for would you-- at what income too. That percentage is 80 percent.

RENEE FRY: What where that income--

GROENE: Where's the cutoff that that income is too.

RENEE FRY: Yeah. And so there's, so, when we do it, when we have a distributional analysis done, the Institute on Taxation and Economic Policy does that. And they have an estimate at where income levels kick in. The Department of Revenue statistics of income, they don't break it down after I think it's $500,000, so above that amount you're gonna have to get that from the Department of Revenue. We don't-- that information isn't public.

GROENE: My assumption is when you hit 80 percent it probably isn't $500,000. It's probably goes to an income of $250,000 or $200,000. I mean, above.

RENEE FRY: Can you rephrase your question for me?

GROENE: Senator Linehan asked you how many taxpayers pay 80 percent of the taxes. Of that number of taxpayers, what is the bottom income level of those people? Is it $250,000 if it's-- if we got 900,000 taxpayers and 45,000 of them or 120,000 pay 80 percent of the taxes. What is the floor of their income of the last person in that 80 percent, is it $120,000 or $150,000?

RENEE FRY: Yeah, I'll see if that's on the statistics of income. If it's on the Department of Revenue's Web site.

GROENE: I hope that makes sense.

RENEE FRY: Yeah, it does for income. So there's, if we just want to look at income we can look at that on the Department of Revenue's Web site. Now it won't be perfect because they do have categories so it may it may be more a little more than 80 percent or a little under. Now if you want to look at tax code altogether and total taxes paid then I'm going to have to use--

GROENE: Just income.

RENEE FRY: OK, yeah.

GROENE: This bill address income.

RENEE FRY: That's accessible.

LINEHAN: OK. Other questions? Yes, Senator Crawford.

CRAWFORD: Thank you, Chairwoman and thank you for providing these, these figures. Now you said you had the income, effective income tax rate for these different folks.

RENEE FRY: Yes.

CRAWFORD: I Just wanted to clarify. So you said George and Peggy, who are at $141,000 of income.

RENEE FRY: Yes.

CRAWFORD: Their effective tax rate in this before LB50 is 5.2 percent.

RENEE FRY: 5.27. You said George and Peggy, right?

CRAWFORD: And so they and their effective tax rate after LB50 goes down to 5.04?

RENEE FRY: Yep, that's right.

CRAWFORD: And the dynamic there that pushes that down is what the bill specifically?

RENEE FRY: It's because it's expanding that third bracket.

CRAWFORD: OK. So they hit it, the bracket. They hit the fourth bracket. They hit the third bracket instead of the fourth bracket?

RENEE FRY: They're hit-- yes, right.

CRAWFORD: Thank you. And could you, since we, since the property tax is so much, is such an impact on Bill.

RENEE FRY: Right.

CRAWFORD: Do you have Bill's numbers so we could see what that looks like for income tax only?

RENEE FRY: Yep. So his current effective tax rate is 6.82 percent and it goes down to-- it goes up to 7.56 percent.

CRAWFORD: Thank you, I appreciate that, Ms. Fry.

LINEHAN: I'm sorry, it's just any other questions?

RENEE FRY: And again, I can send this I can send this to you and have you distribute it to the committee, if you'd like.

LINEHAN: That would be very nice, thank you. When does the fourth bracket kick in?

RENEE FRY: Fourth bracket kicks in at-- so well, 6.84 percent kicks in at $74,340 for married filing jointly and then 7.84 kicks in at $213,500. On income above that amount, again, so it's only the income above that amount.

LINEHAN: Right. I got that. So, so that's why George and Peggy's are dropping because you push that 6.84 up higher?

RENEE FRY: Right.

LINEHAN: OK. All right. Thank you.

RENEE FRY: So more of their income is taxed at 5.01, yeah.

LINEHAN: Other questions? OK, thank you very much.

RENEE FRY: Thank you.

LINEHAN: Other proponents? I'm sorry.

JOEY ADLER: That's OK. Good afternoon.

LINEHAN: Very sorry.

JOEY ADLER: No, that's totally OK. Good afternoon, Chairwoman Linehan, Linehan and members of the Revenue Committee. My name is Joey Adler, J-o-e-y A-d-l-e-r, and I appear today in support of the LB50 on behalf of the Holland Children's Movement, a nonpartisan not-for-profit organization that strives to fulfill its vision for Nebraska to become the national beacon in economic security and opportunity for all children and families. We'd like to express our thanks to Senator Vargas for introducing LB50 and to share with you what we think that-- share with you that we think that this forward-thinking proposal provides a direct and positive response to the voices of Nebraskans. According to the Holland Children's Institute's Nebraska voters outlook public opinion research survey that was conducted last September, an overwhelming majority of Nebraskans, 78 percent, believe that the state's economic focus has helped the wealthiest Nebraskans and 76 percent believe the economic policy of the state has been focused on helping big corporations. At the same time, 58 percent of Nebraskans favor raising revenue by increasing some taxes to balance the budget and allow for an increased investment to support the middle class. Additionally, only 37 percent of Nebraskans believe the wealthiest Nebraskans are paying their fair share or more in taxes. LB50 is a clear example of investing in the middle class and Nebraska's economy. As the research continues to make clear, there is an obvious disconnect that exists between the economic realities of Nebraska families and where they feel their government is focused. We believe this needs to change and we urge you to advance LB50 to General File. Thank you, and I would answer any questions that you have.

LINEHAN: Thank you. Do we have any questions? Guess not. You did a good job.

JOEY ADLER: Thank you very much.

LINEHAN: Thank you. Other proponents? I guess not. Opponents?

COBY MACH: Good afternoon, Madam Chairman, members of committee. My name is Coby Mach, C-o-b-y M-a-c-h, I'm appearing on behalf of the Lincoln Independent Business Association. We're here to oppose LB50 today. As you know or may know, many small businesses could be severely impacted by higher income taxes because they file and pay their taxes under the individual income tax plan. The same is often true for farmers across the state, including farmer partnerships and farm companies. Today I would like to quote Paul Zoz. Paul Zoz is the CEO of Bizco Technologies, which is a Lincoln company. He recently moved from Lincoln to Florida to take advantage of a better tax environment, including no personal income tax. He said, and I quote: Years ago, when Nebraska-- when Nebraska enacted the state income tax, the state and the country were in a different place and time. Today we live in a new world where many people can work from anywhere virtually, long-distance phone calling is nonexistent. Fellow employees and customers are a video phone call away. This change in our environment allows for a leveling of the competitive landscape between states at a rate that we have never experienced before.

People, particularly the young and capable entrepreneurs and executives that we so badly need to keep in this state, now have a broad choice of where to locate, work, and raise their families. End quote. Paul Zoz still owns Bizco Technologies here in Lincoln up at 84th and O Street. But all of his expansion is now happening where he lives in Florida. He is an entrepreneur at heart. He's recently started a new company, that company has formed and now located in Florida. LB50 will not improve the outlook for businesses, LB50 will not improve the outlook for farmers, and LB50 in our opinion is not good for our state. I'd be happy to try and answer any questions you have.

LINEHAN: Thank you. Yes, Senator Briese.

BRIESE: Thank you, Chairman Linehan. Thank you for being here, Mr. Mach, and I have one question for you. How do we define a small business? Income threshold or well, what would the parameters be here?

COBY MACH: Well, in Lincoln, 80 percent, approximately 80 percent of the businesses in Lincoln have 20 employees or fewer. That's, that's probably about where I would, I would classify small business. But, you know, if you talk to business owners and entrepreneurs that have 100 employees, they feel that they're still a small company or growing so it is hard to define.

BRIESE: You categorized by a number of employees or volume or business, not necessarily by income or profits?

COBY MACH: Well when 80 percent of our, our businesses in Lincoln are under 20 employees, I would say that that probably is a benchmark anyway.

BRIESE: OK, thank you.

COBY MACH: You're welcome.

LINEHAN: Other questions from the committee? Yes, Senator Crawford.

CRAWFORD: Thank you, Chairwoman. And thank you, Mr. Mach. So would you say that several of those small businesses though would probably be in the range of $80,000 in income? I mean, is that what you might expect in terms of a small-- what you're thinking when you talk about a small business?

COBY MACH: Sure. You know, and that's very hard to define. And we as a membership organization we've got 1,300 and some members, mostly in Lincoln. We don't ask what are your annual revenues?

CRAWFORD: Sure.

COBY MACH: And so I just don't have a good handle on that.

CRAWFORD: And I just raised that number because that just happens to be a range that actually is helped by LB50, those who were in the $80,000 range are people who would actually get a tax cut from LB50, which is, you know, I think a somewhat successful small business person might be in that range.

COBY MACH: Absolutely. And if we can figure out how to give them a tax cut without raising taxes on others then let's, let's work toward that avenue.

CRAWFORD: Thanks.

COBY MACH: Thank you.

LINEHAN: Other questions? I have. Did you have-- I'm sorry. Did you? Another question. Usually in small businesses they're not just looking for an income because of their labor. It's part of the return on their investment they have invested in that small business, is it not?

COBY MACH: Well, absolutely. And just because you are, are very profitable in one year does not mean you will be very profitable in the next year. Much the same as farmers.

LINEHAN: Thank you very much for being here.

COBY MACH: Thank you.

LINEHAN: Other opponents. Anyone in the neutral capacity? Are you an opponent? Okay.

SARAH CURRY: Do you want me to wait or go ahead?

LINEHAN: No, you can go ahead.

SARAH CURRY: All right. Sarah Curry with the Platte Institute, S-a-r-a-h C-u-r-r-y. I'm here to testify in opposition to this bill. This bill creates another tax bracket for those earning over $100,000, as well as a millionaire's tax. Currently the only states that levy a tax higher on incomes of $1 million are California, New York, and the District of Columbia. Senator Lindstrom, this will answer your questions that you had earlier. Under the current tax code, Nebraska is the 16th highest in the nation. And under this bill it would move to the fifth highest in the nation. So it would only follow California, Hawaii, Oregon, and Minnesota. And on the back I have in the end notes a list of all of the states and their tax rates that would be higher than Nebraska. Or are higher than Nebraska today. While this bill's intent is to target the wealthiest in our state, the unintended consequences is that it will also put additional pressure on small businesses in Nebraska that file through the individual income tax. Over the last 30 years we've seen significant growth in sole proprietorships, S corporations, limited liability corporations, and partnerships. These noncorporate firms often are referred to as pass-through entities because the firm's profits are passed directly through to the owners and taxed on the owners' individual tax return. If this tax policy were enacted we would be imposing a significantly higher tax rate on our small local businesses, which are the backbone of the state's economy and many of our communities. In addition to the impact on small business, according to research by the Tax Foundation a millionaire's tax is poor policy because it's a near-- narrow, high tax, high-rate tax on a highly mobile group of people who earn less in bad economic times. Enacting such a tax makes state tax revenue more volatile and unpredictable. And I have two examples of when that happened. During the Great Recession we saw many states jump to higher tax rates, that's when the millionaire's tax became very popular, and Maryland decided to do that. They enacted a millionaire's tax of only 6.25 percent, that is lower than Nebraska's current highest bracket. And they saw many, many high-income earners leave the state and their tax revenues didn't actually increase because of that. Oregon did the same thing when they instituted a higher tax rate in high-income earners. And according to the Oregon State Treasury, one-third less revenue than projected was collected and 10,000 high-income earners left the state. IRS records show that since 1992 a net total of over $3.5 billion in adjusted gross income has left Nebraska, the majority of which has found its way to states such as Texas, Florida, Arizona, Colorado, and Missouri, which all levy lower top personal income tax rates or none at all. If Nebraska increases its top marginal income tax rate we will see even more money and residents flee to lower state-- lower-tax states just as Maryland and Oregon. It's very clear from tax policy that people vote with their feet. When high-income earners flee to these lower tax states it puts more pressure on the middle class families to pay for even more of state government. We've seen what could happen in other states and if Nebraska decides to pass LB50, along with the risks that come along with adopting the fifth-highest income tax in the country. The research and evidence from other states is clear that this is bad tax policy and not the right decision for Nebraska. I encourage you to vote in opposition to this bill and I'm happy to take any questions.

LINEHAN: Questions from the committee. Seeing none-- oh sorry, Senator Friesen.

FRIESEN: Thank you. It's too bad you don't have Bill and all these people here. But when I looked at Bill's effective tax rate at 32 percent and the next highest one is around 13.9, I'm concerned that we have a group of people that are overtaxed but they can't move their money with their feet because they're stuck here because of property taxes. So if we have this issue, how do we get the revenue to fix the problems that we have in our tax code?

SARAH CURRY: And I'm not looking at your sheet, so what specific--

FRIESEN: You're at a disadvantage.

SARAH CURRY: Yes. I don't think that imposing a high income tax bracket and income tax is the right way to go about it. A lot of times we've seen states, and I'm going back to the middle of the 2000s before the recession, and when they went through that we saw states take incremental changes to their tax codes. Many of them broadened their sales tax base, they eliminated exemptions. The income tax was really the last tax that you see a lot of states jump to just because it does have that sticker shock appeal. Maryland and Oregon decided to take a different approach and they paid the consequences for that. So I don't disagree that there are some taxes in Nebraska that do need reforming. I don't think that imposing a millionaire's tax is the appropriate course of action if we want to reduce our barriers to economic growth and continue the positives that we do have in Nebraska.

FRIESEN: Okay, thank you.

LINEHAN: Yes, Senator Briese.

BRIESE: Thank you, Chairman Linehan. Thank you for being here. Somewhere in here you reference the book How Money Walks and how $3.5 billion has left Nebraska to some of these lower-tax states. And so is there a proven causal relationship for that migration relative to our tax policy from us versus other, those other states? Or are we left to speculate on that?

SARAH CURRY: The How Money Walks data is just that, it's just data. And it's saying that this much money has moved to those other states. The interpretation is that more times than not people are leaving higher-tax states for lower-tax states and so we draw that conclusion. We haven't surveyed, of course, all the people have left Nebraska since 1992. So people move for different reasons but it's been a nationwide consensus from data being collected over the last couple of decades that people vote with their feet and they tend to move to lower-tax climates, which is why we see Florida and Texas doing very well. Even though Wyoming has a horrible winter like what we have, there's a significant amount of wealthy people in Jackson Hole putting their money there and we believe that's to take advantage of their lower tax rates.

BRIESE: But there's also many other reasons people move.

SARAH CURRY: Of course, yes.

BRIESE: Better jobs, climate, recreation.

SARAH CURRY: I actually chose to move from a lower-tax state here so I could work for the Platte Institute. So I go against the argument, but yeah, everybody moves for different reasons.

BRIESE: Sure. Okay, thank you.

LINEHAN: Any other questions?

SARAH CURRY: One other thing I just want to point out. On the list it does have Iowa still at its 8.98 percent and that's because I did it as of today and their tax cut on their top rate hasn't gone into effect yet. That will be this year but it hasn't happened yet.

LINEHAN: But how much will it be?

SARAH CURRY: I can't remember. I think it drops to 8 flat.

LINEHAN: OK.

SARAH CURRY: So it's still in that it's still above us but it's not 8.9 percent at the end of this year. But right now it's still is.

McCOLLISTER: Question.

LINEHAN: Yes, I'm sorry.

McCOLLISTER: How many tax brackets does Iowa have?

SARAH CURRY: More than us. I'm trying. I could grab my phone because I have this cool little app that will tell me. But I can't remember. I want to say eight, but I could be wrong. I can't remember exactly.

McCOLLISTER: And their very highest rate is at what percent?

SARAH CURRY: 8.98 percent. And they have a relatively low threshold like we do. So I believe that 8.98 percent kicks in at around $66,000.

McCOLLISTER: So Iowa has an out-migration?

SARAH CURRY: They do, yep. There's people that actually they're snowbirds. They go to Texas, that's where they live, and then they come to Iowa to get away from the heat of Texas. But yeah. So they are reforming that. Governor Reynolds passed that law last year, and it hasn't gone into effect but they're working on that. Yes, sir. But yeah, if you go to How Money Walks, you can click on the state of Iowa and you can see where their money is going as well. They're not a net income state. They're a net export state for revenues.

McCOLLISTER: And those statistics are coming from ALEC?

SARAH CURRY: No. Those statistics come from the IRS. Travis Brown took it upon himself to analyze all that data and he has a Web site, and just type it in How Money Walks, and all the data comes directly from the IRS Web site.

McCOLLISTER: Thanks for your testimony.

SARAH CURRY: You're welcome.

LINEHAN: Yes, Senator Lindstrom.

LINDSTROM: Popped into my head. Thank you, Chairwoman Linehan. I think I saw a week ago or two weeks ago, Utah, there was an article talking about their economy and how it's booming. Would you happen to know what their income tax rates are off the top of your head?

SARAH CURRY: I don't know them off the top of my head, I'm sorry.

LINDSTROM: Does it get a flat rate?

SARAH CURRY: Yeah. It is a flat rate state. Not to plug but Tax Foundation has this cool little app you can put on your phone and you just scroll to income tax rates and it has all 50 right there. And they update it all the time.

LINDSTROM: I think the Heritage Foundation I believe puts out their-- is it Rich States, Poor States?

SARAH CURRY: That's ALEC that puts that out.

LINDSTROM: ALEC, OK.

SARAH CURRY: They put out Rich States, Poor States.

LINDSTROM: And usually Utah ranks number one--

SARAH CURRY: Rather high.

LINDSTROM: --or number two.

SARAH CURRY: Yes.

LINDSTROM: Do you see the trend in small business in particular, say software or businesses that are mobile, are they relocating to other states such as Texas or Florida or to other states that have no income tax? Are you seeing a trend in that or have you followed any of that?

SARAH CURRY: I'm not seeing where they're going. I am seeing a trend of the tech companies leaving California because they are so taxed and so regulated, and going to-- it's hard not to be in a lower tax state than California. But I don't know if they're specifically going to Texas or Florida but I--

LINDSTROM: And those companies typically have high-wage earners and pay significantly above the median income.

SARAH CURRY: That's correct. Yes, sir.

LINDSTROM: Thank you.

LINEHAN: Yes, Senator Groene.

GROENE: Thank you, Chairman. The top rate sort of meaningless if you, it depends where it starts. I mean if you start at $20 million and California is $13.3 it's very few people. What I'm always curious about is that working person, that working family, and their income. Between the two of them $100,000, it hits a lot of people like railroad workers, teachers get married to a-- $100,000. Has anybody done what the effective rate? I mean, just on income taxes, not sales taxes is on that family's income?

SARAH CURRY: We have not looked into the effective rate. We're sticking to what the rate is in the statue.

GROENE: Because I'm a little worried about those folks wanting to live here. They make enough to be mobile. They don't want to work at the railroad, they want to work the railroad in Texas because they don't pay the 7 percent. Those are the ones we're missing. And those are the ones I'm worried about losing. Buffett wants to move away and his daughter, I wouldn't care at all. But, but I'm worried about that we can't hire young professionals or young blue collar workers who don't want to live here. They don't mean government, they use very little of it. They're self-sufficient. And they are very mobile. I would love to see that. If you ever do a study.

SARAH CURRY: Yes, sir. If we do a study I'll definitely share it with you. We haven't done one at this time.

GROENE: Because this tells me nothing. I don't know. I don't care if California is 13.3, that might start at $3 million on the top rate.

SARAH CURRY: So the reason why I did that was just to show you what the top rates were and if Nebraska enacted this where they would be for sticker shock purposes.

GROENE: Thank you.

LINEHAN: Other questions? Thank you very much.

SARAH CURRY: Thanks.

RON SEDLACEK: Good afternoon.

LINEHAN: Good afternoon.

RON SEDLACEK: Madam Chair, members of the Revenue Committee, for the record, my name is Ron Sedlacek, R-o-n S-e-d-l-a-c-e-k, and I'm here on behalf of the Nebraska Chamber of Commerce. And have also been asked and have signed in for the Greater Omaha Chamber of Commerce, as well as the Nebraska Bankers Association, all in opposition to LB50. Been trying to redesign and reconstruct my testimony a bit so as to respect the committee's time not be terribly repetitive. You already talked about Nebraska being a high income tax state. We've already talked about how we compare in regard to our top rate, in the nation right now we're at the 16th highest rate in the U.S. We have the highest nominal rate of all states surrounding, surrounding us except for Iowa of course, South Dakota, Wyoming are zero tax, income tax states. Iowa, from what I understand, their nominal rate will be lowered to I believe 8.53 percent, and that's on income of over $73,710. I think that's where it's going to be. And but you have to keep in mind that that high rate is mitigated by the fact that Iowa has a unique situation in which their tax code allows a deduction for federal taxes paid, and so that really makes a difference when it comes to what the real rate is as compared to other states. So possibly we could have a higher effective rate even than Iowa at this point. Keeping that in mind. So in the past couple of legislative sessions we've had these bills which we, we refer to them as "super brackets." And our concern is of course not only the individual tax rate and being competitive and being a work force issue, but also the fact that about 90 percent or more now of Nebraska businesses are path-- are organized as pass-through entities. That's already been talked about. But we believe that imposing "super brackets" would likely produce several negative economic effects and we don't believe it's good tax policy. It's narrow, high-rate tax on highly mobile people often people are building a successful business or creating jobs including much-needed technology entrepreneurs. That was mentioned also by example in previous testimony. These business owners more often than not will operate through a pass-through entity and could be more likely to move their businesses and jobs and avoid our state. We also know that those who can afford to can be mobile. Some tax periods achieve high income status only once in a lifetime or their business or farms' lifetime. They cash in and they've had 40 years of hard work and equity in building that business and expecting your retirement income and then achieve that status in one year gets taxed. Now, if you're in that situation, you may find it a little bit easier to move before you cash in and avoid that particular penalty;

one or two percent, even more above a higher rate. Now, it was also mentioned the experiences in other states such as Oregon and Maryland, I'd add to that New York and New Jersey. They, they attempted "super brackets" and they allowed them to expire. And they found that they were relying on a fluctuating tax with a smaller and, later, more shrinking tax base. And it was really an unreliable source of income. It was temporary and fluid, and the number of millionaires obviously or higher income fluctuates depending upon the business cycle. So rather than increasing taxes on the most productive income Nebraskans, our focus we believe should be making Nebraska more attractive to businesses and workers. Our tax policy, policy should focus on bringing in enough state revenue to cover the costs of necessary functions of government in at least the economically-- in the least economically distorting way possible. And income taxes are among the most disruptive factors affecting economic growth. Lowering income taxes removes a burden from businesses and individuals, encourages capital flow into the state, and bolsters job creation. Now, over the medium and long-term "super brackets" do negatively impact location decisions. People expanding old businesses or creating new ones will incorporate the higher cost of doing business into their decision making and steered clear of the state. Site selectors and economic development professionals know that business location decisions of highly mobile entrepreneurs are sensitive to state income tax rates, particularly in the interstate context. And they're always looking at these rates or analyzing the impact and certainly sharing the results with companies that are looking to either invest in our state or in other states. And so that decision makers are also looking at their own pocketbooks. What's it going to mean for us if we move to Nebraska? So we do believe that income tax rates can certainly affect migration and our economic policy. With that, I'll close my testimony and be happy to answer any questions.

LINEHAN: Thank you. Do we have any questions from the committee? Senator Briese.

BRIESE: Thank you, Chairman Linehan. Thank you, Mr. Sedlacek, for being here. "Super brackets", I'm a little confused by that. Is that the 1 and 2 percent rate on the millionaire and multimillionaire in this bill?

RON SEDLACEK: Knowing bracket--

BRIESE: What are you referring to?

RON SEDLACEK: When it, when we refer to the "super bracket," we're saying bracket of above the status quo today. Above today's status quo.

LINEHAN: Other questions from the committee? OK.

RON SEDLACEK: Thank you.

LINEHAN: Thank you very much for being here. Do we have any other opponents? Do we have anybody testifying or wanting to testify in a neutral position? OK. Then letters for LB50 proponents. Oh, I'm sorry. Close first, Senator Vargas. I get confused.

VARGAS: Trying to deprive me of my closing.

LINEHAN: Nope, no.

VARGAS: I'm just kidding. I'm kidding. Okay, great. So I wanted an answer a couple different questions. A couple of things that did come up. One of them was Senator Lindstrom, you had a question about small businesses. So nationally about 86 percent of small businesses make less than about $50,000. The average small business has about $27,400 in taxable income. Just as a reaction to how is this really affecting small businesses, I wanted to make sure I gave you those numbers. A couple of things I want address, so I'll address those actually second and I'm going to highlight a couple of things from my testimony. So a couple things to highlight. Revenue: This is going to generate $478 million in revenue over the next five years. That is a projection, that's what we see in the fiscal note. There are a lot of different reasons as to why that's the case but we're looking at high income tax earners. I want to remind everybody, OK, this is, this is the thing that I think is the hardest. Remind everybody that from all of the people that we represent, the average household income in Nebraska is at $57,000. The overwhelming majority of people are not being impacted by this. The people that are going to be impacted by this are the people that have already earned a certain amount. And we're in some dire straits. And I know you know that, so I'm not telling you anything new. We need to replenish our cash reserves. I think that's a recommendation that we saw from many different people. It's also important if we want to be able to sustain economic development over the long term beyond when we're here. We are going to be term limited. So there's going to be people coming in here thinking that we have this cash reserve that's funding small and medium sized projects and it's meant to fund growth in our state, long-term, large, big-budget items. And with our state's population aging and becoming increasingly urban, we have to make some plans for the future. Because again, because of term limits, because of the changing nature of our demographics we need to be more nimble and think more long-term. We don't think that way, we're gonna put ourselves in a very dangerous situation. Now, a majority of Nebraskans and Americans support increasing income taxes on the very top earners. I have tremendous respect for the people that came in opposition that they're-- I consider some of them colleagues and friends and, you know, we align in a lot of different things. However, the one thing is true that survey after survey, survey people shows us that people are in support of raising income taxes on high-income earners, especially on millionaires. Now I don't take this lightly. This is not a very routine scenario we're in. We're in a scenario where we really have to think a little more nimbly. I think that's why we are seeing some of the different bills that have been dropped this year. I think we saw that from the bills dropped last year. These are very unusual circumstances. But these polls, and the one poll that Ms. Fry mentioned that conducted in 2018 shows a broad and intense support. Nearly 8 in 10 or 70 percent are in support of an income tax increase for people making more than $1 million per year. Again, $57,000 our average household income and we're talking about raising income on those that are making $1 million per year. A national poll conducted just last week shows wide support, 59 percent, for raising income taxes to 70 percent, including 62 percent of women, 55 percent of men, and 56 percent of rural voters that were in support of raising taxes on high-income earners, specifically millionaires. Now, as public servants, our work is informed by public opinion. If you need the cover, if you need the public opinion, if you need the information, the overwhelming majority of individuals are saying that this is something that they support. Not in isolation only. I think when we ask people generally in our constituencies, do you want higher taxes? I think for the majority they tend to say no. But if you asked them, would you want to continue to support the services, the programs, the sustainability, the economic development in our state? And if they have to make a judgment on whether or not we're cutting these things that we need to then support and build and invest in versus raising taxes, in the polls that I did-- well not in the polls, in the 10,000 doors we knocked in my district that represent downtown and south Omaha, calls, and the last two years, people overwhelmingly have been saying that they don't want to sacrifice those services. I just want to make that clear because I think this is not only something that we should be having a discussion about but should be a reality on whatever we come out of this committee with. It is politically feasible, it is responsible for our committee to then think about other ways that we can increase revenue. I know one of the articles, which and I'll make sure to hand this out so you have this from over the-- would you pass this out? This is just an article I referenced earlier that was in the World-Herald that just gives a little bit more color to this issue. And the one thing that really stood out to me is the highest number of income tax earners, I think it was the 500 top income tax earners had about-- yeah, 500 had about the same effective rate as upper middle class individuals. This is the way it generally works but there's a way for us to change it, which is why I'm bringing this forward. I want to address a couple of different other items here. And so I'm going to talk about this article here. Don't go away. Thank you very much. This is an article from CityLab. This is what I love about the closing part because then we get to address some different things. Again, everything that we say here's our opinion and perspective. So I'm going to give you a different opinion. There's different opinions about mobility, that somehow millionaires leave simply because it, because of the tax situation in a state. That that's one of the only-- and Senator Briese did bring this up and I want to, I want to come back to it. It's not the only thing that people take into account. When we talk about mobility, and so this is an article from CityLab that references a study that was recently done. So if you look on page two of this, you're going to see a new study published in The American Psychological Review by Cristobal Young and Charles Varner of Stanford from looking at data from the U.S. Treasury Department. In collaboration with these two people from the U.S. Treasury Department, they looked at detailed IRS data from 1999 to 2011, which again coincides with, with some of the downturns we've seen. Strikingly, they find that millionaires move at a lower rate than the population as a whole. It is not that simple that millionaires just leave because of one specific piece of information having to do with income tax. I think with this actual study, and you should read more of it, that persistent millionaires, which I think are the ones that we would really care about, the people that make millions of dollars every year, year after year, and are sustaining in our communities, they make more decisions on wanting to stay in their community rather than leave. They've already developed so many different things in their communities: friends, family, their business investments that it's more of a reason to then not leave. So the data is actually showing us the opposite. Persistent millionaires don't leave their communities. And especially no more than the average American. And what we also still see, and I know this is numbers, I know people we make references to New York or California but we still see heavily highly concentrated millionaires and billionaires living in high-tax states. I don't think it's easy to plan a broad brush black and white that simply people live in these arenas, in these states because of their tax scenario. There are different other factors, quite quality of life, that we should be looking at and other different scenarios in regards to tax scenarios. So I want to make that very clear, and I hope you look at this. I know there are some, some states like Florida that have a different tax scenario, where they're not taxing anything in terms of income. And I think those are a little bit of outliers unless we are talking about not having any income tax. I think what we see is there are people that will migrate millionaires to some of these states. But one of the reasons is because it has no income tax. When you look at comparing states to other ones that have relatively lower income tax versus high income tax, people still tend to stay in high income tax states. It's what we see too in Colorado, we still see that in California, we still see that in Minnesota. The data is showing us that it's not as easy to say that our most mobile individuals that are high-income earners that are millionaires leave because we change income tax brackets. So I just want that to be really clear because if one of the reasons that you're considering not supporting some-- this bill or the idea of the bill is because of mobility, I want to make sure you have the opposite view and opposite data to support that that's not a reason why people are leaving, that people don't quote unquote vote or leave with their feet. Last thing I'm just gonna say is-- oh, and I also provided some of the information about small businesses. I'm very supportive of finding avenues for small businesses. And if this was the only thing that is going to somehow encourage small businesses to, to leave, which I don't think is the case, then I'd welcome that conversation. But I think what we saw from the data is small business is a very, very broad definition and we need to look a little bit more deeper at what a real small businesses is in our state. And generally, based on those numbers, they won't be impacted by this. Last thing I'm just going to say to you, I ask you, I know this is something that you're already talking about so I'm just saying this for the general audience and people behind me. We have to make some sort of concessions. We are not going to be here in eight years. All of us, not any of us. We have a growing Medicaid population in our state, we have a growing elderly population in our state. We have a growing underserved population, free and reduced lunch program population in our state. The services that come along with these, these individuals that need services not to then increase them even just to keep up with the rate of population growth is growing so much that if we don't start to prepare for it we're basically pushing and kicking the can down to future Legislatures to then not think about reasonable ways to grow revenue. I'd love for us to think about it the next 5 to 10 years how we can grow revenue, not every two years, responsibly. They have to include many different aspects and pieces to the puzzle. I know, and I've had different conversations with many of you that that is something that we have to have a conversation about. The, the opportunity we have as we have a new Revenue Committee with a new Chairwoman. And I know we're thinking about different ways to then find a solution to this problem. The solution will not be just one thing. This is not the panacea to it, but it is a part of it. And if we want to responsibly move forward, we need to figure out how do we provide some meaningful property tax relief. How do we make sure that when we are increasing income taxes that it's not impacting the majority of the population, which this clearly is not. There's a small subset that this is going to affect. That we're also looking at not hurting small businesses in the population. We have to find many different ways to do this. But I'm asking you and imploring you to reasonably consider this is part of a solution to a larger problem we have because if we don't look at this and we compare ourselves to other states and only view it as a binary yes or no, we're gonna miss out on an opportunity to be responsibly thinking about revenue growth for our state. With that, I want to thank you. I want to answer any outstanding questions you may have.

LINEHAN: Does anybody in the committee have-- Senator Lindstrom.

LINDSTROM: Thank you, Senator Linehan. Thank you, Senator Vargas. You mentioned a couple stats. Could-- do you have those again?

VARGAS: Yeah, 86 percent of small businesses make less than $50,000.

LINDSTROM: That's country, or the state?

VARGAS: Yeah, nationally. And the average small business has $27,000 approximately in taxable income.

LINDSTROM: And do you know if that percentage is their sole source of income or is that a side, you know, side project?

VARGAS: I'll have to check, but I don't want to misspeak. So I'll check.

LINDSTROM: And, you know, if I just hypothetically speaking, if I am a millionaire, own-- I'm in that bracket, would not be in my best interest and since I probably could afford it, to have two homes. Maybe one in Nebraska to stay in my community and another home in Florida and live there six months and one day out of the year and I'll take advantage of the taxes? If I can afford it. I mean, I think an individual would be foolish to not do that if they can afford to do that. The other thing that comes up is if am a small business owner and have equity in that business and I'm going to liquidate, and we do have a provision in the state I know another couple of bills will come up to take advantage of a one-time sales exemption are on the table. Again, if I was a business owner I'd be foolish to liquidate my shares in my holding in this state and pay that tax. I would move to a different state and liquidate it. Just throwing it out there.

VARGAS: Yeah.

LINDSTROM: I know it's gonna come up.

VARGAS: Yeah. Your hypothetical, it's very hard to say. Obviously not every single individual that fits that profile leaves or gets another home in Florida. That's, that's for certain. We don't have that data point. If that was the case, we'd have a bigger problem on our hands. But again, as Florida as being an outlier in this, unless we're trying to consider moving to then having no taxable income then, you know, we're not competing-- we need to figure out what we're competing with, who are really competing with. And so the data showing that having no income tax versus just some differences in income tax, they're vastly different. But I still talk with people on both sides that obviously, you know, don't want to, don't want to have income tax increase and some businesses that are OK with it. I don't think it's a broad stroke of just yes or no. I'd run into that. And it might be different for every different constituency but we don't have people leaving even though we have our property taxes as high, at least in my, my district people aren't leaving. But there are issues we have to deal with in regards to this because it's part of a larger problem. The only thing I want to make sure is this is part of a solution, not the solution. Right? So.

LINDSTROM: And I agree with you on that, this is not the end-all be-all to our overall tax policy discussion. I'm just not so sure it's the best course of action, and obviously we can agree to disagree on that.

LINEHAN: Thank you, Senator Lindstrom. Senator Groene.

GROENE: Thank you, Chairman. First time I heard this was from Senator McCollister when he presented his bill in here a year or two ago. But I looked it up, but I keep hearing you saying 70, 80 percent of the people want to tax, think the rich don't pay enough. Well they don't-- they're not rich. I think it's OK for the rich to be taxed but the quote was "Don't tax me, don't tax thee, tax the guy behind the tree." That's easily said. And then to sit there and claim that all these folks want all these benefits but they want the guy behind the tree to pay for them is what the biggest, one of the biggest-- our Founding Fathers warned us about. When they find out, the masses, they can tax their neighbors pocketbook, we're in trouble. So when I hear that kind of statistic, that scares me. That don't motivate me. So thank you, Senator Vargas.

VARGAS: No, and just a reaction to that, I don't disagree with you. I think what we're here to do, or at least on my end I'm trying to implore you, and what you are all here to do in the Revenue Committee is we find that same issue with property taxes. It is very difficult for people to understand what the impact of property tax, high-end property taxes feels like. And so it's easy to then just continue with the status quo because of that. I think we're also find that in this people might say, however, again this is not binary. There are things that we need to do. But when we're looking at the larger scheme of the state, our average household income is $57,000, so we're still talking about who is really being impacted by this. Majority of people will not be impacted by this. In fact, probably gonna be more positively impacted because we're gonna be able to then shore up more of our long-term reserves and then be able to then provide some flexibility for the things we do need to then support in the long-term, which could be property tax, could be schools, could be higher education. But I hear you on that Senator Groene.

LINEHAN: Any other questions? I have a couple. So on this World-Herald article that you passed out, is this effective tax rate? Is that what they're talking about in this article? Because I don't, I don't even know if that's an economic term, effective tax rate, in the way it's been described today in this hearing. It is? So of these 500 top income earners, Senator Lindstrom asked you a question about if they had a home, it would be interesting to me of these five hundred of how many already own homes in Florida, Arizona, Texas, or Wyoming. I just, I think this is very, very dangerous. If the effective-- what did you say the median income was, $57,000?

VARGAS: $57,000, and that's based on the census. I think you and I on the Legislative Planning Committee saw a lower amount.

LINEHAN: Right. So a lot of those families depend on the benefits you're talking about, whether it be CHIP or public education, right? But the families above that-- I just think we're running a dangerous course here. Maybe this isn't a question but, do you have any concern that if you, when you say that we have to raise more money to take care of 50 percent of the population that the 50 percent the population paying the bill might be nervous about sticking around town?

VARGAS: Well, let me clarify. One, we're not saying 50 percent the population. That's just a very safe number. If our average household income is $57,000 and we're talking about increasing taxes, income taxes for people that make upwards of $200,000, we're really talking about a smaller percent.

LINEHAN: $100,000.

VARGAS: $100,000 that-- well, $200,000 on married.

LINEHAN: But $100,000.

VARGAS: Yeah, sorry. Married filing jointly starting at $200,000 is what I meant. But yes, $100,000 for all other filers. But we're talking about a smaller population than 50 percent just by virtue of looking at those numbers.

LINEHAN: Which is, which is smaller? It's smaller below 57 or above 57?

VARGAS: Now I'm saying as this is going to impact a smaller group, less than 50 percent. We'll figure out the exact number of people that this will impact. That's one of the follow up questions from, from the beginning. But it is not going to impact the overwhelming majority of our state. Just so you know. So your question slash reaction, you want to restate your question?

LINEHAN: No, that's OK. Yeah. That's fine. If you get those numbers I think it will be-- we'll work on it too with the Department of Revenue and Fiscal Office on, you know, exactly what we're, what we're trying to generate here in Revenue versus the number of people that we're trying to generate from.

VARGAS: Yeah.

LINEHAN: And there are people who have moved. I mean, I know. When you can live in other states and pay half the income, half or no income taxes and half the property taxes. And Senator Groene made this point earlier about his constituents, isn't the millionaires that can afford to live wherever they want. But it's the people on fixed income, around $70,000, $80,000, to have to worry if they have an investment income that bumps them up over $100,000. So they have to pay the highest property tax here or very high property taxes here just to stay in the house they've already paid for. And then they're also going to get hit with high income tax. They can't afford to live here. I think that was Senator Groene's point.

VARGAS: Yes. So just as a reaction to that, I still believe-- so I'm not just refuting any of these examples. I still think that the data is showing us that people are not moving because of higher income tax rates generally. That's not what the data is telling us.

LINEHAN: Must be a very small group of people that are.

VARGAS: No. That means there can be people that are. I don't want to refute that that's a real example. That's clearly valid. I respect Senator Groene too much to not think that's valid, but generally that's why I'm trying to bring some larger data sets that show that that's not happening.

LINEHAN: Have you looked at the data set that the Platte Institute brought up? Where you just put your-- you look up, pull up at states and see how many people have left versus income taxes?

VARGAS: So I'll have to look at that. But I know that at least with the Tax Foundation, is that correct?

SARAH CURRY: No, that one's How Money Walks.

VARGAS: That's How Money Walks?

LINEHAN: You can't do that. You can't do that.

VARGAS: OK.

LINEHAN: You can't.

VARGAS: OK. All right.

LINEHAN: We would just have a free-for-all.

VARGAS: I'll take a look at that. But one of the reasons why we went with this study is because it was done by some people that worked with the Department of Treasury and it was an academic study rather than a study done by an entity that is either somewhat connected or not connected and wanted to do something that was academic in nature. And so that's the reason. So I don't know--

LINEHAN: But I don't think any of them were economists, were they? That did this study?

VARGAS: Yeah.

LINEHAN: Were they economists?

VARGAS: Yeah, you can look at the Department of Sociology.

LINEHAN: OK, anybody else? Senator Crawford.

CRAWFORD: Thank you, Chairwoman. And thank you, Senator Vargas. So just when we're talking about the couple that Senator Groene was worried about, the $100,000 couple, I don't know if you still have-- the impact of LB50 on a couple that makes $100,000. Do you know what that impact would be? I don't know if you--

VARGAS: From the question that you asked Renee, that same question?

CRAWFORD: No, we, we didn't look at the $100,000 couple in that question. In her example that would be Mike and Rebecca. The $100,000 couples, I believe the effective income tax rate actually goes down on your bill?

VARGAS: Yeah. That's what, that's what I heard from that, from that sheet, yes.

CRAWFORD: For a $100,000 couple.

VARGAS: Yeah.

CRAWFORD: Right.

VARGAS: Yeah.

CRAWFORD: So just to try to get slices of what this looks like for different people.

VARGAS: Yes.

CRAWFORD: That couple that you might be concerned about, the professional, two married professionals at about $100,000, would actually see a tax cut with this bill.

VARGAS: Correct. Yes.

CRAWFORD: Thank you.

LINEHAN: Any other questions? I'm sorry. Thank you very much, Senator Vargas.

VARGAS: Thank you, members of the Revenue Committee. Thank you, Chairwoman Linehan.

LINEHAN: Thank you. So now I do these, right? Proponents of LB50 were Susan, Susan Martin, Nebraska State AFL-CIO. Opponents: Bruce Boyer, Lincoln Chamber of Commerce; and Robert Hallstrom, National Federation of Independent Business. No one was neutral. Thank you. That become the close hearing on LB50 and begin hearing on LB88 which is our last one. LB84, so have two more. Senator Wayne. Thank you, Senator Wayne. Yes, I'm sorry. Go ahead.

WAYNE: Thank you. It's like one of those awkward moments that you sit down before they tell you to sit down. It's kind of weird. My name is Justin Wayne, J-u-s-t-i-n W-a-y-n-e, and I represent District 13, which is north Omaha and northeast Douglas County. First, I want to thank the Madam Chairwoman for allowing the best to go last. We will have a great conversation.

LINEHAN: I think there's one behind you.

WAYNE: I'm next too.

LINEHAN: Good.

WAYNE: LB84 is a simple bill, and based on surrounding states around us, that would allow businesses to hire ex-felons to, to claim an income tax deduction, deduction. This is not a radical public policy.

Many states, including conservative states such as Texas, Iowa-- who they sometimes goes back and forth-- and Louisiana all provide incentives like this one I'm proposing here for their local employers. The object, the objectives of this bill are pretty clear we want to make sure that we establish a foundation to help people when they leave prison or jails to help find better jobs and to help get them stable in their work force, in the work force. This also allow lower rates of recidiam [SIC] with this bill, and most of my colleagues up here know that felon recidivism is a big issue for my short career in this Legislature and I continue to work on it. And I feel this is one of the easiest strategies that we can employ as we talk about providing jobs to people and helping employers at the same time. The language in this bill mirrors the ex-felon credit program in Missouri and Iowa. LB84 reduces the tax liability of employers up to 65 percent of the wages paid during the first 12 months of employment, not to exceed $20,000 per employee. The fiscal note on this bill is just over $2 million. It is not too high a price tag, especially if we're talking about lowering our recidivism rate and providing a stable life for those who are leaving incarceration. Right now, there are currently 23,000 ex-felons who reside in our state. This will provide them with a benefit and another chance at having a stable life. We have recently-- we, we have to get, sorry, we have to get recently-released felons back to work, integrated into our society. Study after study shows when they have a steady work force or work, work, a steady job-- we'll just go that way-- and are engaged in the community, their recidivism drops roughly 50 percent. This bill incentivizes employers to bring ex-felons into the fold, which would help them get them out of prison. It also solves some of our work force development issues, especially in the trades. If we can help businesses who are looking for people, give them some type of tax credit, then some of the issues such as transportation, reality if they're on post-supervise, conviction release, supervised release, there's time. They still have to go to their PO officer, essentially, those days. It helps this worker or this employee overcome some of those obstacles when working with recently-released ex-felons or recently-released felons. So we're just trying to figure a market rate solution, and we're figuring out all the credits that are out here. We feel this is a very important one and a great tool, important tool to solve some of our recidivism problem and help establish a better work force. I had a longer opening, but the last hearing went a little longer, so I'm trying to help this body our by keeping it short.

LINEHAN: Any questions for Senator Wayne? Senator McCollister.

McCOLLISTER: Yeah, thank you, Chairwoman. Senator Wayne, just looking at the unemployment rate of Nebraska, 2.8, and in this statistic on the back of the fiscal note that only 73 percent of all ex-felons actually have jobs in Nebraska. Do you think this will have any impact at all?

WAYNE: Yes, it will. They may have jobs but it may not be some of the skilled trade jobs or higher-end jobs. Because of some of the obstacles when working with felons, we're allowing employers to have a tax credit up to $20,000 to help them figure out ways to overcome those obstacles. It's a real problem from an employer's perspective and those numbers regarding employment rates, there are pockets of area where-- not just unemployment rates, but let's just say there are pockets of areas, at least in my district in north Omaha and South Omaha that have high employment rates of 30 percent. So I can't make a statewide comparison because that's not my reality in north Omaha.

McCOLLISTER: I really salute the objective, you know, when it cost $35,000 to put someone in our penitentiary, we sure don't want them going back. And anything we can do to keep them away from prison again is a good thing. But I just wonder if this is, this is going to move the needle.

WAYNE: I think when we come to-- so here's the reality, 95 percent or more of the people in prison are convicted of a felony are released back out into the public sector. And we need to make sure that we provide programming and abilities for employers to make sure that they don't get back and their recidivism rates dropped. And this is one tool, and I'm open to reducing the 20 percent to lower fiscal note from this committee. I'm open to any ideas. But it does work in Iowa, in places where employers, especially in their meatpacking plants and some other places where their employers are really engaged in tapping that market. And I want to call it a market because they are out here and they want to work. And the reality is, is our post-supervised release is actually an incentive for employers to hire people. We just don't promote it as that. And hopefully this will help them understand this is an incentive for those who are on post-supervised release. And the reason why I say it's an incentive is because many of them have curfew, many of them still have drug test for that entire period of 18 months. So they're getting additional benefits when they hire, especially newly-released prisoners.

LINEHAN: Thank you. Other questions. Yes, Senator Groene.

GROENE: Did you read your fiscal note?

WAYNE: Yes, I did.

GROENE: I find that hard to believe that there's only 23,000 felons in the state of Nebraska. When I went door to door, and how many people said they couldn't vote because they're a felon. I think half of them live in my district. But that seems awful low. Because if you look at how many people come out of prison every year and you take it back four years, there's a lot more than 23,000.

WAYNE: I wouldn't disagree with you. Those are typically the numbers we see when we're talking about voting. And so, yeah, I think it's higher.

GROENE: When we looked at your voting bills, there's more than 23,000 isn't it?

WAYNE: No, believe it or not. But I, but what was, what they fail to account for when counting felons is people who move here from somewhere else. People who maybe got a federal felony and they're not a part of our state system. So I think, I believe there's more, but you won't know that unless you're law enforcement or they tell you, because we're not including a felony conviction from Colorado or a federal one.

GROENE: So a, a real question here. So if somebody works for a year, felon does at one place and he gets fired or laid off, he can go to another place and he's still a felon. That new business can deduct him a year later?

WAYNE: The way it's currently written, I believe so. And that's the area that we probably have to address some of the loopholes. That's one of the bad things about being first in the hearing, early hearings is you don't drop your amendment ahead of time. So I am going to work with the committee, and we've been talking about some other issues. Not really issues, but how to make sure that-- because we were even talking about lowering the fiscal note. I mean, we're talking different things. Yeah.

GROENE: I know some companies would hire, would hire felons as cement workers, you know that. They wouldn't need 65 percent.

WAYNE: Right. This was truly, truly based off of the Iowa and Missouri law, and that's where the numbers came from.

LINEHAN: Senator McCollister.

McCOLLISTER: So once a felon always a felon?

WAYNE: Yes.

McCOLLISTER: So--

WAYNE: Well, unless you get a, in Nebraska, unless you get a pardon from the [INAUDIBLE] or the Governor.

McCOLLISTER: So that would be a good way to lower the fiscal note is to give a certain limitation, a number of years the person with the felony could be, could receive the credit or the employer could receive the credit.

WAYNE: Correct. This was more of a, we weren't-- when we were drafting this, we weren't looking at it from the felon side, we were looking at it from the employer side. How do we connect people who want to work with employers who need people?

LINEHAN: Other questions? I have one, and maybe it's, I'm just-- what's the average age of somebody coming out of prison for the first time? I mean, let's say these are the ones we're trying to reach, right? So they don't go back. The average age of a felon coming out of prison?

WAYNE: Twenty-four to 30.

LINEHAN: That's what I thought. So 24 to 30 years old. Any other questions? Thank you very much. Do we have any proponents? Any opponents? OK. Oh, did you say proponent or opponent? Proponent, I'm sorry. Again, if anybody else is going to testify, if you move closer, it's very helpful. Hi.

DUSTIN ANTONELLO: Hi. Good afternoon, my name is Dustin Antonello, D-u-s-t-i-n A-n-t-o-n-e-l-l-o, and I'm with the Lincoln Independent Business Association. The Lincoln Independent Business Association supports LB84. This bill will incentivize employee, employers to give people that have committed felonies a second chance. One of the major reasons convicted felons end up back in prison is because they have a difficult time finding employment once they are released. A study by the Manhattan Institute found that statewide rates of recidivism ranged from about 31 percent to 70 percent, while the rates of those placed in jobs shortly after their release ranged from 3.3 percent to 8 percent. Prison crowding is a major concern in Nebraska. According to the Nebraska Department of Corrections, Nebraska's prisons are at 162 percent of its design capacity. The Governor's budget requests $48 million for two new high-security units at the Lincoln Correctional Center to help with overcrowding. It's time for us to try some new and innovative ideas to reduce the emergency overcrowding situation. Making it easier for felons to find jobs upon their release is one of these ideas. Please support LB84.

LINEHAN: Thank you very much, Dustin. Do we have questions? Senator Friesen.

FRIESEN: Thank you. So I'm, I'm curious. We have the unemployment rate is probably what you would call full employment, we have 55,000 job openings in the state. Why would we incentivize an employer to hire somebody that can work?

DUSTIN ANTONELLO: Well, we hear all the time from, from our members that they have problems, they have difficulties finding employees and, you know, there's a major lack of skilled labor here. But if, if you could, if you provide an incentive to an employer to take a chance on someone who's a felon and provide them with the necessary training, to get someone to take a chance on one of these lower-skilled jobs then I think it would go a long way in filling that gap that we currently have.

FRIESEN: But if I'm an employer and I truly need workers, why wouldn't I give the felon a chance without the incentive.

DUSTIN ANTONELLO: Well--

FRIESEN: It's going to improve my business. If I truly, truly need an employee to further my business, why would I not look at a felon?

DUSTIN ANTONELLO: Well, I think there's, unfortunately, there's still a stigma attached, especially when you're going through applications and, and you see someone checks that box that they, they are a felon. That there is, there's a risk in hiring them. And, you know, there's a chance, there's a decent chance that it may not work out. But by providing this tax incentive, it gives the employer I think the opportunity to think twice and reconsider. They may find that just because someone's a felon doesn't mean that they don't have the ability to contribute to society once they're out. And a lot of times you can find that from bringing someone in for an interview. But a lot, right now, I think a lot of people see that on their applications, or businesses could just discard them and not bring them in for an interview.

FRIESEN: So would it help more than just to remove the box?

DUSTIN ANTONELLO: I mean, I think it's important to give businesses that transparency for sure. I think they have the right to know the backgrounds of the people that they're, that they're thinking about hiring. But so I don't, I don't agree with removing the box altogether. But I think if this incentivizes more businesses to bring them in for an interview and, you know, see if they can trust them going forward, then I think that's a good idea.

FRIESEN: Thank you.

LINEHAN: Other questions? Thank you very much for being here.

DUSTIN ANTONELLO: Thank you.

LINEHAN: Are there other proponents? Are there any opponents? Anybody wanting to testify in neutral? Senator Wayne, would you like to close?

WAYNE: Senator Friesen, I would be more than happy to redo this entire tax credit if you want to help me get ban the box across the floor. So I just wanted to put that on the record. No, but in all seriousness, this is just a simple bill. We can work with the committee on amendments to tighten up some of the language. I think it's important we provide this opportunity, not only for employers but for the employee. And so it's a joint relationship and an investment in our people. So I really appreciate it.

LINEHAN: Anybody have questions? I just have one quick one. Senator Wayne, is there a sunset in this?

WAYNE: No. I didn't want to have the Friesen, Groene fight on the floor on sunset.

LINEHAN: OK, we're getting punchy. Anything else?

GROENE: I just like sunrises, he likes sunsets.

LINEHAN: OK, any other questions? I wasn't even thinking about--

McCOLLISTER: Neither one will be here in five years.

LINEHAN: OK, thank you very much, Senator Wayne. Read letters for the record. Proponents: Kayla-- sorry, I may not say this right-- Allmendinger, National Association of Social Workers, Nebraska Chapter; and Zachary Cheek, Omaha, Nebraska are proponents. Both of those are proponents. Opponents: none. Neutral: none. So with that, we close the hearing on LB84 and open the hearing on LB88, Senator Wayne.

WAYNE: Thank you. Good afternoon, Chairwoman Linehan and members of the Revenue. My name is Senator Justin Wayne, J-u-s-t-i-n W-a-y-n-e, and I represent the Legislative District number 13, which is north Omaha and northeast Douglas County. This bill is pretty straightforward, but I do need to take a little bit of time to put this into historical perspective. LB88 will provide homeowners with a $5,000 income tax credit if they purchase a home in a designated, in an area that has been designated as extremely blighted by a municipality. But before we go into the context of the bill, it's important to understand, especially today in this committee, the story of economics, politics, and laws that, and the injustices of early America through the 19th and 20th century into how we got here today. When the emanci-- emanci-- Emancipation Proclamation was signed in 1863, our black community nationwide owned a total of 5 percent-- 0.5 percent of the total wealth of the United States. That's not surprising considering pretty much all blacks were slaves, whether you lived in the northern states or southern states. This number, again, is not surprising, but what's more staggering to me is 150 years later that number has barely budged, with blacks still owning roughly 1 percent of our, of the wealth in the United States. When Martin Luther King stood on the steps of Lincoln Memorial in 1963 and said: America has given the Negro people a bad check, a check that-- which has come to be marked with 'insufficient funds.' This bad check was in large part the constant faith and promotion in segregated banking and homeownership. I will not, for example, Booker T. Washington said: Owning a home and a bank account, that's what's going to lead to the black-- that's what's going to lead the black man to find his rights and his enjoyment of all of his rights. This is not the Banking Committee, so I won't go through the historical banking. But in the 1900s, the alphabet soup of new credit and banking agencies; the Homeowners Loan Corporation; Federal Home Loan Banks; and Federal National Mortgage Association, which is Fannie Mae now; and the

Federal Housing Authority used systematic discrimination to not allow homeownership in black areas, which now has become, at least in Omaha and many of the cities, the blighted areas. So I won't talk a lot about race when I talk, when I talk about that. But I need you to understand the historical context because before private banks punched, pumped more mortgage credit into the American suburbs, the Home Owners Loan Corporation faithfully mapped out where loans should be given. That is the map that's before you of Omaha. And they did so in a way where places they would lend to were the green areas, places they wouldn't touch were the red areas. If you look at where the red areas are in Omaha, Nebraska, which is our most poverty-riven areas, they haven't changed today. And that's because between 1934 through 1968 90.0-- 98 percent of FHA loans went to white Americans mostly in the suburbs. And if you think I'm making this up, the 1939 underwriting manual for FHA specifically said that they would not lend to company or areas that had a "changing racial composition." In 1941 memo, FHA unapo-- unapologetically explained that the rapid rise of Negro population has produced a problem in the maintenance of real estate values. A good norm, a good neighborhood was defined in this document: One who, one who continued to believe in segregated racial groups. If a neighborhood is to retain its stability, the FHA said in its manual, it is necessary that these properties continue to be occupied by the same social and racial classes. What that led to was many of the covenants that many of America saw from the '60s and deeds, covenants all the way through the '80s. Now transport us that today. Today, we are sitting here in very extreme poverty areas, areas that in Omaha, and there's actually a letter, an article in the Omaha World-Herald where, for the first time in the last 20 years, east Omaha has produced more residential housing than west Omaha. The issue is all the areas that were named in east Omaha were all apartments. See, for everyone else in the country and for generations, homeownership has been the fundamental means of accumulating wealth. It's not only provides security for your retirement, you have an investment that continues to grow. But from a business perspective, small businesses use to leverage their asset to help start and grow a business. Rather than focus on race, I focus on extremely blighted because, if you see that map, there are also areas that have nothing to do with race in Omaha, Nebraska, that are extremely blighted. And the only developments that are really going in those areas are apartments. If we want to create the American dream for many of our families, homeownership is essential to that. So what this bill does is provides that $5,000 income tax credit to the extremely blighted areas. What's interesting is about the fiscal note is we talked to them this morning and they were trying to redo it, because they misread, including the Department of Revenue misread, what our bill actually says. And they thought it applied to areas that met the extremely blighted area. And you can see those who meet it, all the dark red. But the actual language on my bill says: those that have been deemed extremely blighted. No city has deemed an extremely blighted area yet. They have extreme blighted, which is part of our huge TIFF conversation, but they don't have extremely blighted that was passed last year. So they're going to hopefully-- well, they said they were going to redo it in two ways. I can wait a couple of weeks, but I prefer the second way of we get this on the floor and one comes sooner. And you'll get an updated fiscal note. So there's that issue on the fiscal side that has been addressed by my office and we'll continue to do it. But what's interesting is Hastings, Scottsbluff, Kearney, Grand Island, Fremont, Thurston County, Lincoln, and Omaha all have areas that could qualify. Again, I believe homeownership is the key to building the American dream. And rather than continue to in urban areas build just apartments, particularly in urban extremely blighted areas, we need to create that wealth-building opportunity in those areas for family members. And that's what this bill is trying to address. And with that, I will answer any questions.

LINEHAN: Questions for Senator Wayne? Yes, Senator McCollister.

McCOLLISTER: Yeah. Thank you, Senator Linehan. LB68 provides a nonrefundable income tax. Is it, most of these bills that I'm familiar with, you know, they provide a credit to the property tax. Is there a reason you chose income tax versus property tax? Honestly, I didn't want to get into an entire property tax debate. And if they're buying a home, their first home, they don't have property. So we're trying to figure out how do we go off of what they don't have, which is income tax. And so it's just their first homeowner buyer, but that's why we want to make it nonrefundable. Because we didn't want it to be a windfall for anybody either. We are trying to encourage people to buy a home, not use it as a way for the first year to generate income.

McCOLLISTER: Do you think you would get more bang for the buck if it were a property tax credit?

WAYNE: I think the amount would not be enough. If you put it against their own property tax credit for that year, we're talking about areas where the property value isn't that high in the first place because they're extremely blighted. And it's areas where, quite honestly, have been abandoned. So we're trying to make an immediate impact for them to fill it that, that time and encourage that, that growth in those extremely blighted areas.

McCOLLISTER: Thank you, Senator.

WAYNE: And I just wanted to designate, my bill specifically addresses Groene's issue around TIF. Why I think that's important is because I agree, I don't like the fact when a developer comes in and says, can you make this blighted and substandard so I can get TIF. This says it has to be already designated. So a developer can't do that. It has to be designated, and then they can come in. So I'm trying to avoid that by putting that in there. And if there's ways we can strengthen it, I'll be willing to work with them.

LINEHAN: Any other questions? Oh, I'm sorry. Senator Kolterman.

KOLTERMAN: Thank you, Senator Linehan. Senator, I see-- this is the map you're talking about, isn't it?

WAYNE: Correct.

KOLTERMAN: So when you're looking at the blighted areas of Omaha, it doesn't look like there's a huge area there. Not near as much as there is up in Thurston County as an example. Talk, talk a little bit about that, because I'm just curious how much this will, how much impact this would really have.

WAYNE: So the thought, when I initially got into this process was, we were going to use the regular substandard and blighted. Your typical community development law. But I didn't want it to be that broad, because Omaha specifically, I mean, we have TIF everywhere. And so last year we passed a bill, and this was a definition that we got into the bill on the TIF, on Stinner's TIF bill, where we, we narrowed a new subset for extreme blighted. So the thought was for Omaha, because of the historical context that I explained. But then when we got the map I saw all these other places and I said, I bet you they still need homeownership or development in their area. So we just left it as is. We didn't go the metropolitan route or anything like that.

KOLTERMAN: OK, I understand that then. And then explain this map to me.

WAYNE: So that's the red line map. So starting from 1934 forward, when FHA and all these organizations, GI Bill were lending out money for property to try to come up with an easy way to do property evaluation and tell banks where to loan from and what they would back. So they went literally state by state, city by city and carved out and created these maps, these maps all over the country. So red was designated if there was a non-- basically if they were black, brown, any minorities living in the area, particularly black and brown. They did allow some Asians areas to be a different color. But you were deemed red, red line, that's where it comes from, red lining, and--

KOLTERMAN: I'm familiar with that.

WAYNE: --banks wouldn't lend there. So that was Omaha's red-lining map when they did, when they drew it.

KOLTERMAN: So as I look, and it's very difficult to read this map, by the way. Just pointing that out.

WAYNE: Yeah, I have a large one in my room, I just couldn't find it on-line.

KOLTERMAN: When you look at this, as an example, up in the right-hand corner there's a four with a circle around it. Are all of those areas that have a circle, is that the red-lined area?

WAYNE: I don't have one, my map.

LINEHAN: Here. Excuse me, Senator Kolterman. I think part of the problem is the color is not very definite here, Senator Wayne.

KOLTERMAN: Yeah, I was trying to be a little nicer.

WAYNE: Yeah. This was the best version of the map, I mean, you take the picture off of my, underneath the glass in my office and print it out. So D, so that also the Ds are red, are the red areas; Cs are there yellow areas; Bs are what they were being blue, OK to lend to; and As were if you lend to it, you're really, you're doing the best. The ones and twos were just the different areas or portion or portions that the number of them. This was part of a study where I got the copy of the map from, and they were labeling each section across the city. That's a, the, the red, the reds are not a part, the numbers are not a part of the original map.

KOLTERMAN: So does, do you think that this to a certain extent hold true today?

WAYNE: Yes. If you were to look at this map, the only thing that's slightly different is B is a little smaller on the north, the north side going up to the Missouri and B is smaller going south, where you talk about segregation and credit-lending problems.

KOLTERMAN: OK. Thank you.

LINEHAN: Yes, Senator Groene.

GROENE: So reading through this, you have to live in it. You have to be somebody who lives there.

WAYNE: Yes. We're preventing developers from coming in to build rental houses.

GROENE: Bulldozing.

WAYNE: Yeah, I want homes.

GROENE: You don't want somebody renting.

WAYNE: Right.

GROENE: Getting $5,000 and then renting it as a tenement-type low-income place.

WAYNE: Correct.

GROENE: If you have the money I like it, because you're, you're incentivizing the buyer, not the developer.

WAYNE: And again, I would-- this is one of my more important bills. I would, not just to get it to the floor quickly so I can give you the updated fiscal note, but my understanding they're going to rewrite the fiscal note to extremely less and say, like, worst-case scenario, if every day-- if everybody adopted an extreme blighted area, this would be the cost which you currently see. But the way it's written, it has to be designated. And see, if nobody has designated anything, there can't be a fiscal note to it.

GROENE: So just asking the question. Can you, so you've got North Platte here, but only in yellow. So it doesn't help my north side. You've been there, you've seen it.

WAYNE: It helps some. But the issue is, and how it's written is it's poverty rate that is excess of 20 percent and unemployment rate at least 200 percent. So we, and that's the combined to be the extremely blighted. So we're trying to narrow-- what we're trying to do, Groene, is put the controls in that you, that you argued are on TIF. Because I agree with you. We're trying to figure out how to do homes in a responsible way that is small and it can't grow, it can't grow outside the city because you don't meet both definitions outside this area.

GROENE: Senator, I'd gladly work with you on a bill, a small project TIF. Has to be the homeowner who receipts, receives the TIF, not the contractor. That would do more good for blighted residential areas than anything else. But maybe next year.

WAYNE: And the surprise was Thurston County, I didn't realize the whole county was extremely blighted. I mean, when you ran the numbers and it came back, I was just surprised. So I can't account for that, but it is what.

GROENE: It's the reservation.

WAYNE: Right, I just, I can't account for-- but I'm saying I can't account for the vastness of it. It just it is what it is, where everybody else is pretty small designated.

LINEHAN: Other questions? Yes, Senator Briese.

BRIESE: Thank you, Chairman Linehan. Thank you, Justin, or Senator Wayne, for being here. This doesn't create a lien on the property, correct?

WAYNE: No, it does not.

BRIESE: Do you anticipate any difficulty in the recapture provision in the event they move out or sell it in five years?

WAYNE: I don't know the answer to that, and nobody has raised, the department didn't raise it to me. So I wasn't sure.

LINEHAN: Other questions?

WAYNE: I mean, they do that now. There's programs, federal programs now that are being built in Omaha. Holy Name is one of them who's done a lot of it. They have you have to live there for 10 years or there's a clawback provision so. I haven't heard any complaints about going after people or something like that so.

LINEHAN: Is, is-- everybody else? Is one of the reasons you want it, would it help with the down payments? Because I don't, I don't remember, but after the recession, they tightened the rules on down payments so you had to come up. It used to be you could have like 3 percent, now you have to have 10 percent. And so is that part of the reason it helps these people pull together, because they don't have inherited wealth, which is for all the reasons you said. So is it one of the reasons that this would help ensure that they've got a job and they can get this tax credit back that would help them make sure they can get the down payment?

WAYNE: Correct.

LINEHAN: Or it helps offset-- OK. Any other questions? OK. Proponents.

JERRY STANDERFORD: Well good afternoon, Chairwoman Linehan, members of the committee. My name is Jerry Standerford, J-e-r-r-y S-t-a-n-d-e-r-f-o-r-d. I'm a homebuilder in Omaha, I've been building homes in Omaha for over 40 years. I'm here also speaking today on behalf of the Metropolitan Omaha Builders Association and the Eastern Nebraska Development Corporation, which I'm a member of both organizations. I'm here to support this bill that Senator Wayne brought forth. Something else I do in Omaha, I sit on a, on a board that was created by the city. It's called the Property Owners Maintenance Board. We hear a lot of, all the cases for the landlords, the slumlords in Omaha. The property owners who rent properties up there come before us after they have a citation or numerous citations that they won't, but they won't repair. And we see a lot of them, and a lot of them from these extremely blighted areas. Homeownership is probably not very normal up there. I mean, I've often testified before the committees here, but usually it's to ask you not to impose more expensive codes and regulations on us for building. This is, this is really a perfect way to rehab, to get people into some of these houses. Every time I go before a committee, and in this last, last year, several times during the summer we had different hearings on how to handle some of this stuff. How to, about these particular areas. We're always asked, what tools can we provide? What kind to put in the tool box? What can you give us to put in here? Why won't you come to north Omaha, why don't you come here and build houses? Well, the reality is that probably affordable housing any longer, especially in single-family is, is outpriced in new construction. There is not, there is not a builder I know in Omaha that can build affordable, what we know as affordable housing and what used to be affordable housing in new construction. So here we are looking at these properties up here. I think it's an outstanding way to take some of these properties up there and get them back on the tax rolls. You know, we, Senator McCollister asked why not the property tax incentive, rather than the income tax incentive. I think that does a couple of different things. With the income tax incentive, one, that helps with a down payment. It also gives, you know, these houses, a lot of them are not really ready to move into. There's gonna be work that needs to be done. There's lumber that will have to be purchased, plumbing. All of those things that that $5,000 credit isn't just going out the window. That's immediate, they can get those, those houses repaired. They'll pay sales tax on the, on that, on those materials that go in there and get part of that back. You'll see a return, a part of that back, just in the, in the doc stamps when they transfer. And over time, it can only be a boost to that, to the neighborhood up there. It's something that doesn't add cost to the house, to that, to that buyer. You know, a lot of times we, we try and make it so that people can move into, into a new home. And because we've put so many regulations on, on that construction, that's, so it just pushes the price up. And here we are again without, without a way to move into, to move them into a house. I think the bill is very specific. I was glad to see Senator Wayne go back a little bit into the red line areas. I know that's a, that's been a thing that maybe many people never heard of, that FHA, Fannie Mae had an area or a specific target area that they wouldn't loan, that you couldn't make loans in. Today, we don't think about that, that happening. And I can attest that there are, there are still probably a few areas up there. I think most of the covenants have been changed as they-- in the last, since the '80s. But there's still, there were a lot of areas that was written right into the covenants that you were not going to, you couldn't sell those houses to black people. That's a thing of the past, and we're not going to rectify it by supporting LB88, but it did occur, and I think that his oversight and going into extremely blighted areas and making sure which areas you qualify for will be extreme, extremely effective. So for that, I did want to come down, tell you we do support something like this because everybody is scratching, trying to figure out how: One, how to provide affordable housing; two, how to take care of that mess in north Omaha. And, you know, I don't say that other than it is a mess. You know, we, we had the, yesterday the hearing went on forever about the landlords and their property. [INAUDIBLE] means the condition that is changing. But this is, this isn't taking it from a rental area to providing real neighborhoods for people again.

LINEHAN: Questions? Senator McCollister.

McCOLLISTER: Thank you very much, Senator Linehan. How long have you been a builder in Omaha?

JERRY STANDERFORD: Over 40 years.

McCOLLISTER: And how long have you served on the city of Omaha committee?

JERRY STANDERFORD: Well, the committee has only been-- I've been on, I think this might be my fifth year. That committee just came into existence about five years ago. Before that, I was on the Building Board of Review for about 10 years.

McCOLLISTER: I think we all can agree that the goals of this bill are good. Something we would like to see occur. Is there a better way, through your experience through, throughout the country of doing this, or is a credit against income tax the very best way?

JERRY STANDERFORD: Well, I think that it's the very best way that we, that we've seen, just because it does, it does go directly back to the person who's going to purchase this house and that money is going, is going to-- it's not like you're going to be able to buy the house and rent it to your brother in law. You can't buy it from your brother in law, say: I've got a deal for you. I've got 15 rental properties, and we're going to have to take care of it like this and provide some income.

McCOLLISTER: Given your experience in building, is it possible some of the homes that we would see could receive a credit are so far gone that it wouldn't be a, a good thing for either the buyer or, or for the state to incentivize?

JERRY STANDERFORD: Yeah, I think that's possible. But you have to remember that there's some pretty tough codes in Omaha, and we have a property maintenance code. And so if those houses are unfit, one, a lender is not going to lend any of these-- and they don't get to buy this house for $5,000 probably. They still have to go to the lender, and a lender is not going to approve the purchase of that house when they're going to do the inspections and they're going to come out to have to have determine, standard termite inspections something like. So I don't, I don't think that's a real fear going forward here.

McCOLLISTER: Good point, thank you.

LINEHAN: Other questions? Yes, Senator Briese.

BRIESE: Thank you. And thank you again for being here. Maybe following up on Senator McCollister's question. What would your response be if a naysayer suggested that, asked you does this subsidize or encourage new homeownership or does this prop up and subsidize existing homeowners? And that would lead into the question the senator asked, is there a better way to do it?

JERRY STANDERFORD: I would say that there won't be one new home purchased under this program. Because they all, because the cost the new construction, the cost of new construction in the blighted areas. I just can't see that there will be one new home. I think this is-- if that answers your question.

BRIESE: Well, I wasn't really referring to new homes, you know, existing structures. The current owners of existing structures, are we subsidizing them and propping up their values or are we enabling new owners to get in?

JERRY STANDERFORD: I think you're--

BRIESE: But is--

JERRY STANDERFORD: --enabling new owners to get in.

BRIESE: OK.

JERRY STANDERFORD: That's the major impact of this.

BRIESE: Thank you.

LINEHAN: Other questions? OK. Thank you very much for being here, sir.

JERRY STANDERFORD: Thank you for your time.

LINEHAN: Other proponents? Can I ask if there's anybody else waiting to testify? OK. Hi.

MATTHEW CAVANAUGH: Hi. Go ahead? All right. Chairwoman Linehan, members of the Revenue Committee, thank you for having me here today. My name is Matthew Cavanaugh, that's M-a-t-t-h-e-w C-a-v-a-n-a-u-g-h. I'm the executive director of the Nebraska Housing Developers Association. We are a statewide association comprising 80 organizations from across Nebraska. Our membership is diverse, including for-profit and nonprofit developers, local governments, housing authorities, bankers, investors, and economic development organizations. These disparate organizations are united in their support for our mission to champion affordable housing in Nebraska. I'm here to testify in support of LB88, a bill to provide an income tax credit for certain purchases of residences. We see two potential benefits in this legislation as it is proposed. First, it will incentivize homebuyers to look at the areas that have struggled to attract investment and have very low levels of homeownership. Second, it will provide a financial boost to those who already plan to purchase in these economically-distressed areas. This $5,000 tax credit is contingent upon the recipient owning and staying in that home for five years. That is money in the pocket of those homeowners. And when you put money in the pocket of low and moderate-income homeowners, that money often goes right back into their home. That home is the nest egg in their largest asset. According to a recent study by Deutsche Bank in 2016, over 30 percent of Americans had zero non-home wealth. That means no 401(k) or IRA, no day trading portfolio, or stocks and bonds, not even a CD. Their wealth is in their home, and holding onto that equity is often precarious. My organization provides down payment and closing cost assistance to income-qualifying families to purchase a home. That is $4,000 grant that helps families cover down payment and closing costs when they purchase a modest home. Take one of our recent recipients as someone who could benefit from a proposal outlined in LB88. This was a family of three who recently purchased a home for $72,200 in North Platte, Nebraska. Their combined annual income was $35,630.40. They received a mortgage for $69,360 with 5.25 percent interest rate. After principal interest, taxes, and insurance payments they owed $592.21 a month. With a gross income just under $3,000 a month, that is a manageable mortgage payment, and we are confident they'll be successful. But it could be tight. By my calculation, they would have paid $1,188 in state income tax last year. That's nearly two months mortgage payments. Having that money back would make a major difference in this family's life. LB88 would aid homeowners early in the home buying, home-owning process, when that assistance is most critical. Furthermore, it directs that aid to those areas where we have seen homeownership struggle to take root. But most of all, it is a strategic allocation of tax dollars. If we intend to use tax credits to direct investments, as we so often do, I can think of no safer return than to use that money to bridge the gap to help moderate-income Nebraskans secure the dream of homeownership. And I was just going to make a note that there is a question about whether you put a lien on the property, and so we work with a lot of grants that are funded from different sources, some of them are state aid. And we put liens on properties to recoup that at the sale. So I think that would be something that could be outlined in the management of the program that would be sustainable. So thank you, and I'm happy to answer any questions.

LINEHAN: Yes, Senator McCollister.

McCOLLISTER: Thank you, Senator Linehan. And thank you, Mr. Cavanaugh, for your testimony. How many homes did you help participate in, in buying and selling to families on Nebraska?

MATTHEW CAVANAUGH: For home, our down payment assistance program, we do about one a week. So we get, you'll do, we'll do 50 a year.

McCOLLISTER: Fifty a year? Throughout the entire state?

MATTHEW CAVANAUGH: Yep. Yeah, so I've tried to decide where to pick an example from. And I didn't have Senator Wayne's map, so I didn't know what area specifically would qualify. But we certainly could have picked some from Omaha, all the way to Scottsbluff.

McCOLLISTER: How do you pick the families to help?

MATTHEW CAVANAUGH: Typically, so with that program we work with our membership, and usually they are folks who come to one of our member organizations. They are often the community development organization in the community that, that does homebuyer training. So they'll be people who have gone through their homebuyer training program. We also partner directly with First National Bank of Omaha. So sometimes they are clients who are coming to, income-eligible clients who are just shopping for a mortgage through First National Bank. So it can come through either one of those avenues.

McCOLLISTER: So it's not a revolving fund? So you have to depend on contributors to provide the capital that you give to these families?

MATTHEW CAVANAUGH: So it's a grant that we receive through the Federal Home Loan Bank in Topeka.

McCOLLISTER: I see.

MATTHEW CAVANAUGH: For that particular program.

McCOLLISTER: OK, thank you very much.

LINEHAN: Other questions? OK. Thank you very much for being here.

MATTHEW CAVANAUGH: Thank you.

LINEHAN: Proponents? Opponents? Neutral?

McCOLLISTER: Platte really needs to take a position.

SARAH CURRY: Sarah Curry with the Platte Institute. Sarah Curry. Again, we're here in a neutral capacity not to weigh in on the individual merits of this tax expenditure, but really just to encourage you to prioritize the existing tax expenditures that are in the code, and any new tax expenditures that you do approve and how those will fit into the overall picture of our state. One way to best determine if a tax expenditure adds value is to consider its economic public policy rationale. We could not find any data on this specific one. But an example to kind of give you a guiding principle, if you will, is that sales tax exemptions for business inputs are widely recognized by economists on both sides of the aisle as being a, a good sales tax exemption. And so if this would fit in that same category, then we would encourage it. And if it doesn't, then we would oppose it. And thank you.

LINEHAN: Any questions. I guess not. Thank you very much. Senator Wayne, do you want to close? He waives. OK. We have one letter in support for LB88. It is Grant Daily of the NeighborWorks, NeighborWorks Lincoln, excuse me. And with that, I'll close the hearing and LB88. Thank you all very much for being here. You all stayed almost-- I'm sure he's coming back. Thank you for staying.