

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 14, 2019

LINEHAN: Welcome to Revenue Committee. My name is Lou Ann Linehan. I represent District 39, Elkhorn Nebraska. There is generally a script that I read that I think pretty much everybody here is familiar with, and it's missing, so I'm going to wing it. I think, if I read so many times I would understand it. I think you all kind of know the rules. We will have-- we will hear testimony in the order of the bills as they are posted. The testimony goes introducer, proponents, opponents, neutral, and closing remarks. Please put away your cell phones. If you're going to testify, come up closer, so it saves time if you're up closer. If you want to testify, you fill out a green form and hand it to the committee clerk when you come up to testify. If you have materials you would like to distribute to the committee, you need 11 copies. If you don't have 11 copies, the pages can help to make copies. I will introduce the pages in a minute. Yes. And then we will have-- I'll introduce the committee staff. We have Mary Jane Egr Edson right here who is legal counsel. And we have Kay Bergquist, who is our research analyst. And we have Grant Latimer, who is committee clerk. And the pages today, who are running around, we have Kylie Cappellano, is a senior at UNL in political science and TV broadcasting. And do we only have Kylie today? So we only have one page, so she is very busy. With that I would ask the senators to introduce themselves starting with Senator Kolterman.

KOLTERMAN: Mark Kolterman, District 24, Seward, York, and Polk Counties.

GROENE: 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, District 45, which is eastern Sarpy County, Bellevue, and Offutt.

BRIESE: Tom Briese, District 41.

LINEHAN: We'll use the light system today. It looks like we're going to have a light day, so it will be green for four minutes, yellow for a minute, and then red, please wrap up. We're holding the hearing for the public's benefit. We're very glad you joined us today. Please,

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when you testify, state and spell your name. If I'm forgetting something, you talk across, I remind you. But that's-- oh yeah, and you will see senators coming and going because they may have bills in other committees to introduce. So with that we'll start with LB410. Thank you very much, Senator Kolowski, for being here.

KOLOWSKI: Good afternoon, Chairman Linehan and members of the Revenue Committee. My name is Senator Rick Kolowski, R-i-c-k K-o-l-o-w-s-k-i, representing District 31, southwest Omaha. I'm here today to introduce LB410 to create a back-to-school sales tax holiday that would be nearly identical to the one Iowa has. LB410 exempts clothing with the sales price of \$100 or less per item, and footwear for the sales-- sales price of \$150 or less per item from sales and use taxes. This holiday starts on the first Friday of August and ends the following Saturday. It includes items that are ordered or on layaway as long as they are paid for in full within the eight days of the sales tax holiday. Iowa has had a sales tax holiday for back-to-school clothes for years. It has been successful in giving a tax break to families buying school clothes and has been successful for retailers who get more families into the store. We need to keep Nebraska's parents' retail dollars in Nebraska and give them a break on school clothes. The Department of Revenue alerted me to two concerns where this bill-- this bill language is in conflict with the Streamlined Sales and Use Tax Agreement adopted in 77-2712.05. I have AM622, excuse me, AM662 to offer the committee that takes care of the conflicting language. The amendment harmonizes the definition of clothing with the definition used in the Streamlined Sales and Use Tax Agreement. Thank you for your consideration. I'd be happy to answer any questions you may have.

LINEHAN: Thank you, Senator Kolowski. Are there questions from the committee? Seeing none, will you be here to wrap up?

KOLOWSKI: I will. Thank you.

LINEHAN: OK. Thank you. Are there proponents?

JIM OTTO: Senator Linehan, members of the committee, my name is Jim Otto, J-i-m O-t-t-o. I am president and registered lobbyist for the Nebraska Retail Federation. I am also a registered lobbyist for the Nebraska Restaurant Association, and I'm here today to testify in LB-- in favor of LB410 on behalf of both associations and to thank Senator Kolowski for introducing it. As the senator mentioned, the back-to-school sales tax holiday has-- well, it's very important and one thing that I want to bring to your attention it is actually become

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second only to Black Friday in many states. There are actually 16 states presently that do have a back-to-school sales tax holidays and that includes Iowa and Missouri. LB410 mirrors Iowa and Missouri sales tax holiday in items and the specific weekend in August. I also want to point out that the fiscal note only reflects sales tax loss. It does not reflect the sales tax gained. By that I mean, many sales of items that occur over the weekend, people fill their cart with items that are not exempt that are purchased on that same weekend. And to address that specifically, I've passed out a study that was done for the state of Florida and I just like to read two paragraphs on page two and page three, I marked them for you, if you flip to that. On page two, it says: contrary to conventional wisdom, a sales tax holiday resulted in higher tax collections and for the state of Florida this is taxable sales of items related to the 2010 sales tax holiday grew by \$115 million. This study was done in 2011. And the second paragraph I'd like to read it says the major retailers surveyed also indicated that the increase in sales were not just a time shift response by consumers; on average sales of all merchandise increased by 7.6 percent. So one thing that people usually believe is that people buy the same amount of stuff, but it's not true, when they're out shopping they buy more stuff and they're going to buy things that are not tax exempt. And so I understand the role of the Fiscal Office that they have to actually figure out how much sales tax is going to be lost on items that would have been purchased, but I don't think it's possible for them to figure in the other things that would occur because people buy more. So if we take-- if you believe this Florida study, this sales tax holiday would actually result in more tax income-- sales tax income to the state than occurs without it. So, and it is the correct balance, it identifies a low level of exempted items and the result will be a net benefit to Nebraska's retailers and to the coffers of the state of Nebraska. So with that I just would-- and previous-- I'd like to thank the committee for what it has done. You know, up until now we have given a 365 day-a-year sales tax holiday to out-of-state online sellers, and I want to thank the committee because you advanced the-- the legislation that will finally solve that. But once again, as you all know, retail is local brick and mortar retailers facing huge challenges. And in previous testimony, I've identified that retailers remit millions more in sales tax than they actually collect on a net basis due to the credit card field and the sales tax portion. So this is my job is to make sure you're aware of that and make sure of the plight that retailers face. And this would

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be a step towards compensating without costing the state money. So with that I'd be glad to try to answer questions.

LINEHAN: Thank you very much, Mr. Otto. Are there questions from the committee? Senator Briese.

BRIESE: Thank you, Chairman Linehan. Thank you for being here. Just for point of clarification, the following Saturday is the next day, correct?

JIM OTTO: Correct.

BRIESE: OK. When I see "following," I think a week later. It's a two-day period.

JIM OTTO: Yes.

BRIESE: Okay, thank you.

LINEHAN: Thank you, Senator Briese. Are there other questions from the committee? So Iowa has this.

JIM OTTO: Iowa and Missouri do. Yes, this would be exactly the same-- same date, same amount as Iowa and Missouri.

LINEHAN: So is there any-- we have any information on how many people-- because this is an expensive time when your kids get ready to go back to school. How many people in Omaha drive to Iowa?

JIM OTTO: Well, I don't have that information. I don't know if it's possible to actually figure, but it's-- I am told it's significant. But how I can quantify that I'm not sure.

LINEHAN: What-- it would be helpful, I think, if the committee could see that, because I do remember people saying that they're going to do that. I mean, not for a while, but--

JIM OTTO: Yeah. OK.

LINEHAN: And are you stuck on the \$150 for a pair shoes, sounds a little high. Is there-- is that because of the agreement, streamline agreement. So that's why we use those numbers. OK.

JIM OTTO: Yeah. Thank you to the legal counsel because I wasn't sure.

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LINEHAN: Other questions from the committee? Seeing none, thank you very much.

JIM OTTO: Thank you.

LINEHAN: Other proponents. Seeing none, any opponents?

TIFFANY FRIESEN MILONE: Good afternoon, Chairperson Linehan and members of the Revenue Committee. My name is Tiffany Friesen Milone, T-i-f-f-a-n-y F-r-i-e-s-e-n M-i-l-o-n-e, and I'm policy director of OpenSky Policy Institute. I'm here today to testify in opposition to LB410 because the benefits of such a sales tax holiday are poorly targeted without noticeable economic benefit. Further, it will result in lost revenue that will have to be made up from other areas of the state budget. While it is the intent of LB410 to help families as they buy clothing and school supplies to prepare for a new school year, such sales tax holidays are poorly targeted to those intended beneficiaries. The benefit of such a policy is available to all of those who make purchases be exempt items during the time period including those making purchases not associated with back-to-school preparations and out-of-state residents. Further research has shown that rather than stimulating new economic activity, sales tax holidays simply shift the timing of such sales that would have occurred anyway. In a study of the original sales-- clothing sales tax holiday implemented in 1996, the New York Department of Taxation and Finance found that the overall annual retail sales-- sales of clothing did not increase after implementation of the tax holiday. There was a brief increase during the time period of the holiday, but a decrease in the weeks prior and following. New York has since repealed the policy. Similarly, a 2017 studies-- study by researchers at the Federal Reserve found that tax holidays are associated with significant shifts in the timing of purchases by consumers and that the patterns are suggestive that consumers adjust their spending behavior noticeably to take advantage of the temporarily lower prices. Because the primary impact of sales tax holidays is a shift in the timing of purchases, the benefits of such a policy are more accessible to wealthy families who have greater financial flexibility than families living paycheck to paycheck and can more easily shift the timing of their purchases. If the primary objective is to provide tax relief for families who are struggling to meet their children's needs in preparation for the upcoming school year there are better ways to target the tax policy so as to achieve that aim. According to the Institute on Taxation and Economic Policy, a refundable low income sales tax credit or

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increasing the Earned Income Tax Credit would better target the impact of the sales tax on low and moderate income of Nebraskans. With that I'm happy to answer any questions.

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

GROENE: Did you do any study about how far that leakage, how many miles into the state that leakage is?

TIFFANY FRIESEN MILONE: We haven't looked at the crowd-- the--

GROENE: I mean, why would Lincoln people drive all the way to Council Bluffs for 7 percent cut?

TIFFANY FRIESEN MILONE: Yeah, I'm not sure.

GROENE: So this is about Omaha retailers and border retailers.

TIFFANY FRIESEN MILONE: Yeah. Yeah.

GROENE: I can't find it here, but this includes city sales tax too?

TIFFANY FRIESEN MILONE: I don't know off the top of my head.

GROENE: I'm not seeing a note on here that it would affect the city.

TIFFANY FRIESEN MILONE: I don't remember seeing anything on the city impact in the fiscal note. It had it split out by general-- like say state revenue and then to cities and counties-- or to counties. I can get back to you, 'cause I'm not sure off the top of my head.

GROENE: Well, maybe Senator Kolowski knows that. I don't see the League here, so I'm wondering if they're going to get their sales tax. Thank you.

LINEHAN: Thank you, Senator Groene. Other questions from the committee? Seeing none, thank you very much.

TIFFANY FRIESEN MILONE: Thank you.

LINEHAN: Other opponents? Are there any other opponents? Anyone wanting to testify in the neutral position? Senator Kolowski, would you like to close, please?

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KOLOWSKI: Thank you. Senator Groene, I don't know the answer to that myself, but I think, because their-- they zone in on just certain items for the back-to-school time. Not everything that is purchased falls under the savings of this particular situation. The other aspect, well let me back up just a second, as a high school principal for 15 years, you see kids come to school at the start of the school year with their finery. It's a typical situation where most families would have that opportunity to go shopping and get caught up for the year and with the styles and the colors and the clothes. When you're looking at slacks or you're looking at tennis shoes, it's not hard to spend 150 bucks on a pair of tennis shoes, as you can well imagine, or less, of course. And the variance on that does exist across the board. But that's an important part of the year, important part of the timing for the year to get the kids into their dressed up mode to at least get to school and-- and participate in that particular way. I think one of the-- one of the advantages of having this particular tax is when they're purchasing those school items, they purchase more, as it was said earlier than just the school items. You're out, you're shopping, you're filling up the cart, and you're doing the job that you're doing as far as the start of the school year with other items that the students may need for their success that particular year. So it's an extra from that perspective that does come into Iowa. We have the advantage in Omaha, compared to 50 miles away in Lincoln, that we just cross the river and we're there. And that advantage is greatly on the Omaha side as they have the opportunity to go to Iowa to-- to have that tax relief in this particular form. I'll stop there. I think it's a good plan. A number of states are doing it very successfully. I'm not sure what happened in New York or whatever took place there, but I think it's something that is an advantage to a family and it would be an advantage to us in Nebraska to do the same and keep some of those dollars on this side of the water. Thank you.

LINEHAN: Thank you very much. Are there questions from the committee? Have you got the fiscal note in front of you?

KOLOWSKI: Um-hum.

LINEHAN: So on the-- I find this just interesting, on the last paragraph on the-- page 2-- page 2.

KOLOWSKI: Exempt items?

LINEHAN: Yes. It's kind of the way they figured this out, based on the National Retail Federation survey, about 27 percent of parents who

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plan to start shopping at least two months before the beginning of school, which means approximately 73 percent of parents will conduct back-to-school shopping in August. Among those parents who conduct back-to-school shopping in August, the department assumes about 70 percent of families will conduct back-to-school shopping during the sales tax holiday. That number seems very high to me. Like, so 70 percent of people that are going to buy clothes would shop on those-- we're just talking about two days, right?

KOLOWSKI: Well, it's a week.

LINEHAN: Oh, it's a week. OK, that was--

KOLOWSKI: I'm sorry.

LINEHAN: It's a week. Or is it two days or a week?

CRAWFORD: A weekend?

KOLOWSKI: Saturday, Sunday.

JIM OTTO: Friday to Saturday.

CRAWFORD: Friday, Saturday.

_____ : Three days.

LINEHAN: I mean, it seems odd to me that everybody-- I mean, most people's lives are not that easy that you could just decide that those are the two-- anyway. It's interesting-- I'm not-- I think if I were you I'd question that if everybody would turn out on that particular day, which is driving the cost of the fiscal note up.

KOLOWSKI: May I respond to that?

LINEHAN: Sure.

KOLOWSKI: I think when you look at the vacation schedule of the working family and when they would take their break and they get a summer vacation time they go somewhere knowing that that-- that weekend is available to three days for the back-to-school time, it's not unusual to think that they would wait till that particular day to save on the slacks or pants or whatever they're getting, and shoes for those kids, compared to what-- whatever they would do on the previous weeks of summer leading up to. And in my family's case, in my dad's

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case, he had dates off usually in August. And that's right before school starting and-- and fits in very nicely with the flow of the summer and where a family might be in their budget and how they would handle that.

LINEHAN: OK. Thank you very much. Other questions from the committee? Thank you very much for bringing this.

KOLOWSKI: Thank you very much.

LINEHAN: Appreciate it.

KOLOWSKI: Pleasure. Thank you.

LINEHAN: We do have a letter-- couple of letters for the record: Trevor Chadwick from Brown Shoe Fit Company as a proponent; and Brandon Kauffman, City of Lincoln is an opponent. And there were none in the neutral. And with that we close the hearing on LB410 and we will open the hearing on LB315. Welcome, Senator Kolterman.

KOLTERMAN: Hey, how are you, Senator Linehan?

LINEHAN: I'm just fine.

KOLTERMAN: Senator Linehan and members of the Revenue Committee, my name is Mark Kolterman, M-a-r-k K-o-l-t-e-r-m-a-n, and I represent the 24th Legislative District. I'm here today to introduce LB315. LB315 is a bill I've introduced at the request of Nebraska State Bar Association. The bill incorporates two pieces of legislation that were introduced and approved by the Revenue Committee last session. The two bills introduced last session have been incorporated into LB315 were introduced by Senator Schumacher last session as LB881 and LB882. Both bills received no opposition testimony at the hearing and advanced from Revenue Committee, but failed to move on the floor for lack of a priority. Section 1 of LB315 seeks to clarify the life insurance proceeds paid by a trust-- or paid through a trust are not subject to inheritance tax. In practice, county attorneys across the state have been treating these payments as exempt for many years, for decades, in fact. Some concerns have been raised by attorneys over the last several years that this practice should be codified in statute to ensure that the law reflects reality of how these proceeds are handled. Section 2 of the bill clarifies provisions related to certain proceedings in the wake of legislation passed by the Legislature in 2015 and 2017. Following the passage of Senate-- Senator Schumacher's

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Medicaid recovery bills, LB72 from 2015, and LB268 from 2017. Nebraska Revised Statute Section 77-2018.02 provides that the notice of a termination of inheritance tax must be provided to the Department of Health and Human Services if the decedent is 55 years of age or older and reside in a medical institution. Section 2 of LB315 would make it clear that the notice to Department of Health and Human Services provided in subsection (6) is required only in an independent proceeding to determine inheritance tax in the absence of a probate proceeding. Both LB881 and LB882 had no opposition last year and advance to General File. I believe a representative of the bar associations is going to testify and answer any technical questions, but I would just say, having been in the insurance business for many, many years, life Insurance has never been taxed both on a federal-- the proceeds on a federal or a state basis; and all we're really seeking to do here is clarify that even though it might be in a trust, it still shouldn't be taxed. So with that I try to answer any questions you have.

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

GROENE: There's no-- I think you said they're already doing this, but they just want to make sure what they're doing is legal. So it's no fix.

KOLTERMAN: Yeah. There's never been-- it's never been in statute. But the reality is for years tax proceeds have been exempt.

GROENE: So attorneys, when they handle this, or probate attorneys, they've been just assuming that what they're doing is correct. But--

KOLTERMAN: Well that's-- well they've been following federal statute. But this-- this makes it very clear in state statute that we are--

GROENE: What they're already doing is correct.

KOLTERMAN: They're already doing it. We just don't want to get some egregious attorney that-- or judge or somebody like that that wants to interpret their own way because they're like short of funds. So we're going to make it very clear in statute that this is exempt.

LINEHAN: Thank you, Senator Groene. Any other questions from the committee? So it's not just income tax, but it's also inheritance tax?

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KOLTERMAN: It's it is-- it's primarily inheritance tax, correct.

LINEHAN: OK. So neither-- neither should be. OK. And they haven't historically, correct?

KOLTERMAN: To my knowledge I don't know if anybody that ever has. Again, we're just trying to clarify statute.

LINEHAN: OK. Thank you. Other questions? And you'll be here to close?

KOLTERMAN: I will be, with bells on.

LINEHAN: OK, wonderful. Proponents?

TIM HRUZA: Good afternoon, Chair Linehan, members of the Revenue Committee. My name is Tim Hruza; last name is spelled H-r-u-z-a, appearing today on behalf of the Nebraska State Bar Association. I want to first start by thanking Senator Kolterman for bringing LB315. As he so eloquently described, LB315 is a combination of two bills that were brought before this committee last year. Both received no opposition testimony; we don't expect any today. Both were advanced by the committee last year. I'll just-- I'm not going to belabor the point, Senator Kolterman's opening explains the intent of the two sections of the bill that have been combined together. To some of the questions asked with regard to Section 1, Section 1 would just simply clarify that life insurance proceeds paid to a trust will be treated the same way as life insurance proceeds actually paid directly to a beneficiary. So it is clear that they are exempt when paid directly to the beneficiary. If you name your children or your child specifically as the payee on the life insurance proceeds, it is exempt from inheritance tax under current law. All we're doing is clarifying that if you pay-- if it's paid to a trust that your children are the beneficiaries of, it's treated the same way. That in practice, that's the way it's been treated by county attorneys across this state who collect and handle inheritance tax matters and attorneys for decades. There's just been a number of questions that have been-- that have arisen over the years to make sure that we clarify since trusts are being used so much more regularly in estate planning that that clarification is made to Section 2 of the bill that deals with specific notices given to the Department of Health and Human Services in the wake of Senator Schumacher's Medicaid recovery bills that were passed-- two bills over a couple of years. Under that bill-- or those-- that combination of bills, notices are required to be given to the department. When you open a formal probate estate currently, the

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department is getting notice. If you are a potential recipient of Medicaid or if you've been in an institution, you're naming the department, they get a formal notice in the probate proceeding. The bill would clarify that those-- so you don't need a separate independent notice in that instance, they will get a formal notice in the probate proceeding. What the bill would clarify is that the separate independent notice only needs to be given when you have a non-probate asset that is transferred directly to a beneficiary outside of a formal probate proceeding. So we're still making sure that you require those notices, but basically it will keep attorneys and the department from getting duplicative notices when you have a formal probate proceeding that's already going in place. So clarifying language to streamline the process in the wake of that change that was made with Senator Schumacher's bills. I would be happy to answer any questions. I hope that provide some background. You'll note on the fiscal note, Senator Groene, there's-- this should not have any fiscal impact. Most-- most all county attorneys for decades have never sought to collect inheritance taxes on these. I believe that a representative of NACO is here and will testify as well. So--

LINEHAN: Thank you.

TIM HRUZA: Thank you.

LINEHAN: Are there questions from the committee? You mentioned Medicaid, I just want to-- [INAUDIBLE] I want to make sure, So, is the life insurance-- can the-- can Medicaid be part of it?

TIM HRUZA: So the life insurance-- the life insurance question in the bill would be separate from the Medicaid provisions. The Medicaid provisions just deal with the notices required in the inheritance tax proceeding. Both of them fall under the inheritance tax provisions which is why we combine them as two bills, but they kind of deal with two separate issues. One being the inheritance tax owed; the other being the notice is required when you open or when you have an independent inheritance tax proceeding. So as far as whether or not life insurance proceeds, technically I don't think so, because they're non-probate assets. So Medicaid would have the-- assuming you-- you had some sort of debt that you owed to Medicaid, or Medicaid recovery, I'm kind of shooting from the hip here, so take it for what it's worth. But assuming that you owed Medicaid some money, they would have the ability to come after your estate assets. Life insurance is treated as a non-probate asset. If it's payable directly to a beneficiary, it's not something that your estate ever had in its

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possession, it's not something that you as the individual receiving Medicaid benefits ever really were entitled to either, and so I don't think that Medicaid would be able to recover, under any circumstance, those life insurance proceeds that would be paid directly to your beneficiaries.

LINEHAN: OK. Thank you very much. Are there other questions from the committee? Thank you very much for being here.

TIM HRUZA: Thank you.

LINEHAN: Other proponents?

LARRY DIX: Good afternoon, Senator Linehan, members of the committee. My name is Larry Dix, L-a-r-r-y D-i-x. I'm executive director of the Nebraska Association of County Officials appearing today in support of LB315. Everything, really, has been said that needs to be said on that. We appreciate Senator Kolterman touching base with us before the session even started to bring forth this bill. It's always been our understanding that inheritance tax-- that life insurance does not apply to inheritance tax. But whenever there's an inheritance tax bill that gets up on the floor of the Legislature, I know there's a number of people who come out and say, OK, where's NACO at on this. So we want to make sure our name's just on the committee statement, possibly save debate down the road. And with that I'd be happy to answer any questions anybody has.

LINEHAN: Thank you for being here. Are there questions from the committee? Seeing none, thank you very much. Are there other proponents? Are there any opponents? Is anyone wanting to testify in the neutral position? Would you like to close, Senator Kolterman?

KOLTERMAN: I would. As you see, I think many of us were involved in Senator Schumacher's legislation as we tried to recapture funds from Medicaid. And again, this is just clarification about the notice from the life insurance perspective as it pertains to Medicaid, I've been involved in a lot of Medicaid spend downs over the years where you have to remove your assets from your estate. Typically they don't allow you to keep life insurance if you-- if you've had life insurance. They allow you to keep maybe up to-- I think the number is \$1,500. So most people that are on Medicaid don't have life insurance any longer. So that's not really the issue here; the real issue is we

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want to make sure that, you know, life insurance matter if it goes into a trust, it's still not taxed. That's the biggest issue.

LINEHAN: Thank you for that clarification.

KOLTERMAN: Yes.

LINEHAN: Are there other questions for Senator Kolterman? Seeing none, thank you very much. And we had no letters for the record, so that will close the hearing on LB315 and open the hearing on LB456. Welcome, Senator Lathrop.

LATHROP: Good afternoon.

LINEHAN: Good afternoon.

LATHROP: Chairperson Linehan and members of the Revenue Committee, my name is Steve Lathrop, L-a-t-h-r-o-p. I am the state senator from District 12 in Douglas County. I'm here today to introduce LB456. The goal of LB456 is to ensure that Nebraska remains open for business when it comes to renewable energy by providing the sales tax exemption for equipment used to generate and store renewable-- renewable power. Wind energy and other renewables are undeniably economic drivers in this state. Wind power generates significant tax revenue for local governments which helps offset property taxes. And the availability of renewable energy is a requirement for many national and international companies who are looking to come to Nebraska. Our wind energy potential is huge, ranking third in the nation. However, Nebraska lags its neighbors when it comes to removing barriers for renewable energy. I brought this bill for your consideration as members of this committee and the Legislature as a whole are working on a possible replacement for the Nebraska Advantage Act. Sales tax rebates included in the Advantage Act have proven effective in boosting wind energy investment in the state, but we believe Nebraska can do more. While I support including a similar component for renewable energy in any future incentive packages, I do feel that changes in LB456 really gets to the heart of what we're trying to do. I've also provided the committee with a copy of AM726. It's in a white copy form, but it's really a technical amendment to ensure this bill does what it's supposed to do. This additional change came to my attention as a result of the fiscal note which you will notice is surprisingly low. [LAUGHTER] There are people speaking after me who will go into more detail about the economic benefits of wind energy and can also answer more questions about the bill and how it will lead to more investment

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in our state. I got involved in the wind energy when I came into the Legislature back in 2007. It began with some of the technical challenges in dealing with the fact that we're a public power state. Once we got through some of those barriers, then it became trying to be competitive with other states that have good potential wind. That led to the inclusion of wind energy into the Advantage Act, and essentially it's in the form of rebates for much of what we're asking for today, which is simply to have it a standalone sales tax exemption. So I think it's already baked into our-- our tax cake, if you will.

LINEHAN: Thank you, Senator Lathrop.

LATHROP: Happy to answer any questions.

LINEHAN: Are there questions from the committee? You will stick around to close?

LATHROP: Yes.

LINEHAN: OK.

LATHROP: Thanks.

LINEHAN: There might be questions then.

LATHROP: Could be. Thanks.

LINEHAN: Thank you. Proponents?

RICHARD LOMBARDI: Good afternoon, Madam Chairman, members of the Revenue Committee. My name is Richard Lombardi, R-i-c-h-a-r-d L-o-m-b-a-r-d-i, I'm appearing today on behalf of an organization called Advanced Power Alliance, which are basically companies doing utility scale wind development, solar development, and storage development in the-- in the Great Plains states. The handout I've given you is-- there are several people that wanted to be here today, but because of a number of extenuating circumstances are unable to be. In the back of the packet is a letter from Darby Paxton. Darby is the director of the Holt County Economic Development department where there is extensive amount of development. You will find in his letter of the \$150 million of investment in his economy and the \$2 million of property tax payments that come in to support their public-- their public system. The next letter is from Josh Moenning. He has his hands full today, but he's been very active for a long time in renewable

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energy developments and particularly his city houses nationally renowned wind technician program at the Northeast Community College that for the first time many of their graduates are getting to stay in Nebraska and not leave Nebraska. But the economic development driver in his community, he tell you, that the construction and the sales tax revenue that has been "drived" up there has been dramatic because that's where a lot of the development is in the economic incentive they are. Finally, there's a letter from Apex Clean Energy, which is a major national renewable energy company speaking about a solar wind development in south central Nebraska that they're working-- that they're working on which is a \$600 million-- excuse me, a 600 megawatt project, easily a half a billion dollar investment in that particular area. And talks about the-- the-- the sales tax types of-- the treatment of-- of the issue that we're talking about today as an input in manufacturing in the surrounding states when they are looking at states how-- how that plays into it as part of their particular financials, so that-- he has some information about that and that's from the president of their company. They do some really extensive, great defense work too, anyhow, down at Fort Hood. But be that as it may, and then the front picture is just-- the-- since 2013, and Senator Lathrop and his colleagues putting the sales tax exemption in, we have seen an additional \$2.5 billion worth of investments. This tries to take a look at the amount of local-- local spending that has accrued from this because it's one of the rare times when we actually come before you and say that the fiscal note is too low. To try to get an idea of what the fiscal note might look like, we would go back to the Advantage Act reports for Broken Bow II and Steele Flats, each one of those was ballpark around \$6 million for the size of their particular-- their particular projects. There are a lot more projects in the pipeline, but they haven't-- they haven't sought their sales tax rebate quite yet. So those are around-- those two combined projects, 150 megawatts, 200 megawatts, that-- that's-- that's probably what you're looking at depending upon the size of projects. But we do have an idea of what the cost of this would be because of-- because of the-- the amount that have transpired. I don't think your red light is working.

GROENE: You don't have to talk.

LINEHAN: It is five minutes. Yeah, you don't have to talk.

RICHARD LOMBARDI: OK, that's fine. I'll stop there. Senator, obviously, there is an amendment that has come up to try to make what

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the intent is, which is the sales tax exemption, at this particular area. There are two areas in state statute that this is related to. One is that all fossil fuels, nuclear, those are all exempt from sales tax from a fuel standpoint. And almost every other input in manufacturing is an exempt item. And that's what we are attempting to do here, that this is-- as it-- is to look at those--those two areas. So there is-- there's-- there's a change there that makes it the bill accurately reflect what the intention of the bill is. But I will stop there.

LINEHAN: Thank you very much, Mr. Lombardi. Are there questions from the committee? Yes. OK, Senator Groene and then Senator Briese.

GROENE: Could you give me an example of this machinery you're talking about?

RICHARD LOMBARDI: A wind turbine is comprised of about 8,000 different-- different pieces of equipment that's manufactured. So it is everything from the tower to the Nacelle that's on top; all the components that are in what you would see from the-- from the base all the way up.

GROENE: So what's an average windmill, about \$2.5 million it was?

RICHARD LOMBARDI: It's-- it's growing because the size of them are growing. So that's-- you are absolutely correct. It's probably-- for each turbine, and we have some people here who probably be more recent, but I say you're probably in a safe ballpark there.

GROENE: So now they're paying sales tax on the \$2.5 million? Take the labor out of it.

RICHARD LOMBARDI: Well, well, you'll have-- with the-- with the bill that you pass with the-- there's a commonsense sales tax exemption in the Advantage Act, Tier 5.

GROENE: But they have to apply for that though.

RICHARD LOMBARDI: Right. Yes they have to. Yes.

GROENE: And they all do.

RICHARD LOMBARDI: Oh yeah.

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GROENE: So we've got all these projects, and what I hear they're coming here because of the federal and the wind we have, why-- why should we-- because we're going to be nice?

RICHARD LOMBARDI: Well, I think--

GROENE: They're coming here anyway.

RICHARD LOMBARDI: --you-- you have choices to make for-- on economic development. And I think that your predecessors believed that this was a trend that was happening, that we had a unique resource for, and that we were-- that this was an opportunity for investments in rural economic development. And I think that by-- if you take a look at the time-- point in time of removing-- having the sales tax exemption and a number of the other combinations that Senator Lathrop talked about, it has been a very successful in that it has attracted investment to the rural areas of the state.

GROENE: Well, we should make sure we can help Omaha and--

RICHARD LOMBARDI: Well, you know, actually--

GROENE: There are parts of a windmill [INAUDIBLE] either. This shouldn't just be for rural.

RICHARD LOMBARDI: Yeah. I think one of the beauties of this, Senator, is that-- that actually the people from the urban areas are actually paying for the development in the rural areas because most of these are power purchase agreements that are entered into with the public-- public power industry. So one of the real beneficiaries, in addition to the economic investment that happens in rural areas, is the fact that there are lower rates for Nebraska ratepayers that reside in the Omaha Public Power District, the Lincoln Electric System, and some of the NPPD and Broken Bow.

GROENE: How many jobs you're talking about? You're talking about when they come and it's high travel and [INAUDIBLE], like in Kansas, and the hotels have been full of windmill erection crews. When the windmills are put up, they're gone. And then there's one or two jobs left in the town to manage the windmills.

RICHARD LOMBARDI: I think there's a few more jobs than that. And all those jobs are fairly good paying jobs that are-- also have, I believe, health insurance on them. But you will see in this level where it talks about local spending the economy, now that is a

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combination in all fairness of the-- of the-- of the-- both the construction job that stimulates the economy, as well as the permanent jobs. There's a thousand new permanent jobs that have occurred over the last six or seven years in that-- that industry.

GROENE: Thank you.

ALBRECHT: Thank you, Senator Groene. Senator Briese, and then Senator Kolterman.

BRIESE: Thank you, Chairman Linehan. Thank you for your testimony. So what is your estimate of the fiscal note of the cost of the state here?

RICHARD LOMBARDI: Depending upon what assumption you make as to the future the-- the-- the future growth of the-- of the industry. As some people would suggest that, well, the wind is the only energy resource who will not have any type of tax subsidy after 2020. Everybody else will have a subsidy, but they won't have it. So there's some people predicting and suggesting that, well, there's not going to be any more development after that because we'd all retract tax credit. Well frankly, the production tax credit has been so effective in driving down the costs that even after that, renewables will be competitive. And the major competitiveness about renewables is that it's a fixed cost resource that you actually know what it's going to cost in the future and that's why I think that a number of people in the state want to embrace this because this is-- is really trending in the future, it's trending all around the other states, it's trending around globally. But I would use kind of a rule of thumb of the-- of what we've seen with both the Steele Flat and the Broken Bow project. I'm blanking on the exact amount of capacity, but both of those are coming in around 5, \$6 million and these are a one-time, you know, it's-- under existing law, we're treating it like an input with the sales tax exemption-- but with a sales tax rebate, excuse me, so that's kind of my--

BRIESE: So if we're predicting, how much-- how much per year are we talking about for the next several years? Five or six million a year, is that the testimony?

RICHARD LOMBARDI: Well, right-- right now, the-- under the existing law, the sales tax rebate will cover most of the projects that are-- that are already producing right now. So the speculation comes as to, well, what projects are going to happen after that. One of the things

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that we're seeing in our office as a trend setter is there's-- there is a real uptick in solar, and there's a real uptick in storage. And we think-- and in my trade association, believes that when you put that together-- when you put together the storage with renewables, game over. This is-- this is the trend. I mean, this is the choice the Legislature has. This is a tide that's rising. And everybody in this-- you know, and I-- you know, we're just saying that this is input. And it only comes into concern as if-- the benefits that travel to this-- travel both rural and urban, it seems to me.

BRIESE: So it sounds like the fiscal note could be rising and rising as you describe it here.

RICHARD LOMBARDI: Yes, it could. Yes, it could.

BRIESE: OK. Very good. And your testimony, in the letters I see here, you know, talk about the fairness of treating both industries the same, the generality is about the benefits of renewables. But the sales tax exemption we're talking about here, is that really going to create additional investment in these industries in Nebraska that we-- that we can be assured of?

RICHARD LOMBARDI: I think the only thing they're-- you kind of asked this question before and I thought about it, I think that what-- what was-- what was recognized back in 2013 by your predecessors is that we are competing when it comes to renewable energy in a regional, national marketplace and we take a look at what other states are doing around us. And it became clear that-- that one of the standard practices was that they were being treated like-- like other-- other manufacturers in other states and they-- that they were regarded as an input so that they weren't paying on-- they were paying on their final product, but not the components that make up that product. And it's because-- well, anyhow.

BRIESE: OK.

RICHARD LOMBARDI: I'm sorry.

BRIESE: Thank you for your testimony.

RICHARD LOMBARDI: Oh, sure.

LINEHAN: Thank you, Senator Briese. Senator Kolterman.

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KOLTERMAN: Thank you. Thank you for coming.

RICHARD LOMBARDI: Thank you, Senator.

KOLTERMAN: Isn't-- I think you touched on this briefly, but as I see it, this is going to help wind a little bit right now, contrary to what a few people on this committee might not like. But the reality also is, we're seeing a real huge uptick in geothermal, solar, and biomass. Is that not correct?

RICHARD LOMBARDI: It's phenomenal.

KOLTERMAN: And biomass is something we're just starting to see, and I just can't see enough of that. I think that's-- that's maybe coming in the future. Is that an accurate statement?

RICHARD LOMBARDI: Yeah, I think you-- you've hit it. This is-- this-- this is-- is trending all over. And it's really a situation where the tide is rising and we get to have a choice as to-- as to whether this is the-- this is something we want to kind of encourage. I don't think it makes it or breaks it, Senator. But I do think that it's part of overall-- when I take a look at everything the Legislature has done, there's a lot of components in it and it has certainly made us an attractive environment for investment. And I think that-- the proof is really in the pudding here. I mean when you take a look what was started in 2013 and the promises that were made, I think we're being kept and it's been helpful and that's why it's-- I wanted to feature the folks that are on the ground and how helpful it's been to them.

KOLTERMAN: We had a question that you can't-- can't argue with, is we're getting nameplate capacity taxes, we're getting real property taxes, we're getting rents for our farm families and that will do nothing but help our economy long term, help property tax relief. Is that not correct?

RICHARD LOMBARDI: I believe so, Senator. I oftentimes point to Broken Bow as a great community to look to, because you really see the visibility of what those land lease payments do that-- I mean you can track nameplate, you can track-- you can track real, but that other stimulation of the economy is-- is very, very significant. And that's why I think Darby up in Holt County is-- has been really-- he's witnessed that.

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KOLTERMAN: In many regards, and maybe this is the wrong kind of analogy, but, you know, we have pipelines all over this state and nobody wanted it, but I can tell you what, Seward County is happy we've got pipelines because it-- the pumping stations increase capacity for the local REAs, and the property taxes that they pay are nothing to sneeze at. So I appreciate you bringing this with Senator Lathrop.

RICHARD LOMBARDI: Thank you.

KOLTERMAN: Hopefully we can keep this thing moving.

RICHARD LOMBARDI: Thank you, Senator.

LINEHAN: Thank you, Senator Kolterman. Senator Briese-- Senator Crawford.

CRAWFORD: Thank you, Madam Chair. And thank you, Mr. Lombardi. I just want to clarify, I think what I understand is that the tax exemptions here are the same exact ones that are currently in the Advantage Act. Is that true?

RICHARD LOMBARDI: No, they're not.

CRAWFORD: No, they're not, OK.

RICHARD LOMBARDI: They're not. Yeah. The distinction-- the distinction here is that the-- under the existing Advantage Act that they are investments in renewable above \$20 million.

CRAWFORD: OK.

RICHARD LOMBARDI: And so what-- and actually, I think, we were-- when we were dealing with this in 2013, we said, well, really, the cleanest way to do it would be a sales tax exemption; decided not to at that time. But the-- the Advantage Act is narrower.

CRAWFORD: OK.

RICHARD LOMBARDI: Both this one and Imagine are narrower than what this-- this would be an exemption, this would be trying to treat it like other inputs--

CRAWFORD: Great. Thank you.

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RICHARD LOMBARDI: --in manufacturing.

LINEHAN: Thank you, Senator Crawford. Senator Groene.

GROENE: Have you made a comparison-- if we just put property taxes on windmills like we do the pipeline, wouldn't we get a lot more tax dollars than this nameplate? I think it would be-- the way I figured it, if it's \$2.5 billion, which Senator McCollister mentioned in his bill, and if he had two mills, that's-- what is that-- 40 million, 50 million.

RICHARD LOMBARDI: Yeah.

GROENE: I think I read somewhere that all we get for nameplate is about 8.8 million.

RICHARD LOMBARDI: Yeah, nameplate-- nameplate capacity is-- was an interesting development in that-- who's trying to accomplish two things is that-- it's really personal property tax, that's what it really was. But with personal property tax, what the problem was, two things were-- this was a win-win situation and how we got the nameplate capacity. And nameplate capacity tax was-- was calculated at the time and came up with the 3,511 megawatt nameplate capacity. But what happens is that if you're a private company, then you'd depreciate that out, that's a personal property tax. So that means that, yeah, the local community gets it, but it's all gone within a certain time frame. So what-- what was advantageous is that now nameplate capacity tax plays-- pays every year same amount year after year. So that provides consistency in that. Frankly, the attractiveness from-- from the companies involved is that you can finance it as an operational expense so that you don't have to go into debt to [INAUDIBLE]. So it is attractive for the companies to go to a nameplate capacity tax, as well as the fact that the entire model for much of the industry has since-- there's not a-- there's not a wind project in the states that's on its own property and that it really is-- so that-- that-- that that was helpful to the community that they were operating it into. So that's why-- that's kind of the brief history of why that came across.

GROENE: Well, let me tell you about my county. We're energy, we're coal.

RICHARD LOMBARDI: Yes, you are.

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GROENE: We lost more than a thousand jobs, a thousand population, and well made up for your thousand jobs that you claim statewide. So, I'm not a big fan of wind.

RICHARD LOMBARDI: Senator, as most people know, I represent a lot of labor unions, and we're very conscious of that. But I think that-- that the numbers I've seen, the amount of jobs that can come from this industry with the rich resources we have, we'll be able to handle that transmission-- transformation, because there clearly is a transformation that's going on. I think we'd have to [INAUDIBLE] that how do we do that? And fortunately, we have programs like Northeast Community College which are training folks in areas in a lot of other areas. But I don't lessen your observation with the kind displacement of jobs.

LINEHAN: Thank you, Senator Groene. Other questions from the committee? I just want to clarify something you touched on just now in your answer, which I appreciate. So on real property tax paid, those windmills or solar panels they're depreciated out over a number of years, right?

RICHARD LOMBARDI: And don't-- basically the nameplate capacity tax will apply to both-- you had a bill about this-- about-- for both solar. So that's-- that's kind of the personal property side of it, but the real property: land, buildings, that are others, that will-- that will-- that's-- that's-- that's-- that's a property tax and that's not-- that's not depreciated out.

LINEHAN: But the windmills are.

RICHARD LOMBARDI: The-- not-- well, maybe in their tax, but in the state, the way they're treated is with the nameplate capacity tax that they are required to pay the same amount every year.

LINEHAN: OK. So on your chart, the chart you handed out.

RICHARD LOMBARDI: Sure.

LINEHAN: Go to Flatwater.

RICHARD LOMBARDI: Yeah.

LINEHAN: OK. Spending the-- it says real property taxes paid. What's that paid on?

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RICHARD LOMBARDI: That's-- that's paid on roads; that's paid on office space, service buildings. But the--

LINEHAN: So the windmills and solar panels themselves don't pay property tax-- you don't pay property taxes on--

RICHARD LOMBARDI: You pay nameplate capacity tax.

LINEHAN: OK.

RICHARD LOMBARDI: And the-- and then the-- the ancillary things that serve it from the buildings and the roads, those-- those are-- those would fall under your real property tax payments. So you're paying-- you're actually paying, I mean that-- that-- basic-- nameplate capacity tax is just the old personal property tax, and it's distributed the same way. So there's the-- the distribution to-- to local political subdivisions are distributed the same way.

LINEHAN: [INAUDIBLE] on the nameplate.

RICHARD LOMBARDI: On nameplate and on the real, yes.

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

RICHARD LOMBARDI: Thank you.

LINEHAN: Other proponents?

DAVID BRACHT: Chairman Linehan, members of the Revenue Committee, thank you for allowing me to speak today. My name is David Bracht, for the record that spelled D-a-v-i-d, last name spelled B as in boy, r-a-c-h-t. I'm a registered lobbyist representing today NextEra Energy Resources. I'm also here on behalf of the Nebraska State Chamber and the Greater Omaha Chamber of Commerce. In brief, we are supporting LB456 today for two main reasons. First, it supports our rural communities, supports them in the way of revenue to landowners and broadens and increases the tax base in the rural communities and it add jobs. Moreover, I would add to that that it broadly helps the economic development within the state. Most recently, what we've seen in the last couple of years with the Facebook development of the data centers, which came because of our fundamentally strong wind resources. I've spent most of my 30-plus years in business in agriculture and rural development in one form or fashion, starting out as an ag lender and then working in a variety of projects in a variety

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of different roles. Early on, that what was represented in-- in livestock and other types of value-added agriculture. For the last 20 years, it has been heavily in ethanol; one of the real success stories for our state. And in the last 10 years, I've been very involved in the wind-- the development of wind projects in the state. Part of that development, as some of you know, is I had the pleasure and opportunity to serve as the director of energy for the state, as well, and had a great deal of exposure to the opportunities we have in the state with that. I think those three areas, that is agriculture and its value added, ethanol, and then our wind and solar renewable energy resources, are similar in a number of different ways. First, they rely on our natural resources. Nebraska is a natural resource state. That's that is how we fund and-- and maintain our economy. We're blessed with-- with bountiful land, abundant water, and sun; and, yes, gusty winds. And I can testify to that having just driven in from-- from Omaha. Not only is that a very good natural resource, it is a very-- we are very competitive in that. And that's the second way that we are very similar, wind and solar, to the other kind of natural resources such as our ag. Just as we're second-- first in cattle feeding, second in ethanol production, Nebraska is recognized as the third in total wind potential, unfortunately well below that and actually developed, but third in total wind potential among all the states in the country. But even more so, we have among the best, if not in most years, the very best wind. That is, it could grow-- it blows more consistently and blows stronger and it blows more often than in surrounding states. The third area where it is similar to both agriculture, and I would say, the ethanol industry, being very familiar with it, is they are very competitive industries-- very competitive industries. In Nebraska, just in those industries, our wind and solar developments have to compete with those states near us. Certainly, Iowa is one of the largest-- is the largest wind state in the country. Kansas has very competitive wind to ours, and in fact, if I would have said five years ago the tagline was: who is going to be the next Iowa? Is it going to be Kansas or is it going to be Nebraska? Sadly, it's turned into Kansas. In the period of time where we've added our 1,400, now 1,800 megawatts, Kansas went from being less than us to now, I think, approaching two and a half to nearly three times. So it is because of this challenge for us to remain competitive, it's important that this bill is important, because it allows us to offer the same kind of, we're not looking for an incentive, just fair treatment compared to what's available in other states, and frankly, what's compared to other manufacturing businesses. Other purchases of equipment, manufacturing equipment in the state is not subject to sales tax. And

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that's the treatment that's called for in this bill. So with that, in light of the light and your time, I will close and be open to any questions.

LINEHAN: Thank you very much. Senator Kolterman.

KOLTERMAN: Thank you, Senator Linehan. Thank you for being here today, Mr. Bracht. Can you tell me, you've worked in this industry now for 10 years, at least the wind and solar, I hear all the time these companies are going to come irregardless of whether we have incentives or we have these programs. Is that a true statement?

DAVID BRACHT: I don't even have to speculate on that. As I pointed out with-- with Kansas is-- is that state-- because of, and admittedly, and here I will give credit to you and your predecessors; in Kansas, they did focus on incentives, but those have all drawn away. And this has been a very close-- now it is a very close industry and that sales tax exemption becomes something that's critical. Now the state is also reflected that, as Mr. Lombardi pointed out, it is included in our Advantage Act, at least in-- and I would say that the majority of the wind projects, certainly the wind projects you hear and think about, are of the scale that they would be in the Advantage Act. And of the larger solar projects, those are likely to be in the Advantage Act, and so they would already be under the Nebraska Advantage Act and-- and its successor, should the body pass that, the Imagine Act, it would already be exempt or subject to eligible for those credits. So we need to be that competitive, otherwise we lose ground to states like Kansas; certainly Wyoming and South Dakota are aggressively in the wind industry as well. And because of the way our electric generation grid is-- is operated, all of those produce power into the Southwest Power Pool. It doesn't matter to that wind developer from his overall marketplace as to where those wind projects would be. Now it does matter to the corporate buyers such as Facebook and other data centers. The reason that Facebook data center is in Omaha and not in, say, outside of Kansas City is because of our wind resources. They like to be closer to that market. But if we don't have the competitive basis or have additional disadvantages, then we're going to lose that business.

KOLTERMAN: So-- so is our capacity getting to the point where we can attract more companies looking for green energy?

DAVID BRACHT: I-- I-- the answer to that is very definitely true. I know that it's been mentioned at least in one of the questions talking

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about the federal production tax credits and as was noted, those have declined. I would say that, however, faster than that decline has been the increase in efficiencies and-- and because of that, our strong wind becomes even more valuable. It's kind of like having a better corn hybrid on good-- where do I want to put that? I want to put that on my best land so it can perform. I think these new technologies are going to be in the same way, they would like to be in Nebraska so they can perform on that.

KOLTERMAN: And is it a factor, I've heard this, Facebook is purposing all the power for the data center directly from the windmills that are being developed for OPPD?

DAVID BRACHT: So-- so what OPPD did, and it was really something that was noted within broadly the national industry, is created a new green energy tariff that allowed Facebook to kind of directly get compensa-- kind of tie for its energy. Now electrons are electrons, they go on-- they go on the grid and they kind of go where they are. That's why those companies like to be close to where the projects are. The simple answer to your question is generally yes, but, of course, OPPD is going to continue to do the things it's always done is to make sure that powers to the Facebook project all the time.

KOLTERMAN: Thank you.

LINEHAN: Thank you, Senator Kolterman. Senator Groene.

GROENE: So Facebook isn't willing to just shut down when the wind isn't blowing? If they're that dedicated to wind, they still want my coal plant in Sutherland?

DAVID BRACHT: Coal or-- increasingly, Senator Groene, is actually natural gas. What we've seen across the country is--

GROENE: I'm talking about Sutherland, Nebraska.

DAVID BRACHT: Yeah, and I understand about that. But, so again, within-- within the broader grid and the way SPP works is what's the cheapest source of energy. And-- and today--

GROENE: I am-- fine. You answered my question. Two years ago when I helped defeat the incentive Senator Norquist is for the state one said they never build windmills. They built a lot of windmills since then in Nebraska.

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KOLTERMAN: It was four years ago.

GROENE: Four years ago? I'm getting old. But anyway, at that time Germany had started to decommission wind farms because they found that anything over 40 percent was-- was detrimental to the grid. And at that time, Southwest Power Pool was pushing 50 percent. And we put in a lot more windmills then. So what are you going to do when-- when the wind don't blow and all of a sudden we have a grid failure?

DAVID BRACHT: So the-- there's a longer discussion on that that we probably don't have time here. I might, respectfully, suggest that some of the numbers aren't quite-- quite the way that is. I don't believe that SPP is not yet today at a 50 percent capacity. Four or five years ago, this is somewhat of a speculative number, but based on a foggy memory would have been in the 20 percent area then. More broadly and again without getting all the way into it--

GROENE: There was one day-- there was one day that spring they hit 46 percent.

DAVID BRACHT: As a peak-- as a peak. The more broadly though, comparing what's going on in Europe, there's a variety of things going there. One of the things that doesn't get talked about is Germany shut down almost all of its nuclear power plants, and those kinds of things; plus, they are much smaller market. If you're familiar-- you lay Europe over the top of the United States, SPP is bigger than Europe. So that-- that is one of the issues.

GROENE: And the other factor, you said sadly, I don't think it's sadly, we haven't kept up with Kansas. I travel Kansas, and they put those windmills up, and about five years later all of a sudden people say what did we do to ourselves? We've ruined our vistas. We live within windmills. And I think the people in Nebraska, rural Nebraska, hear the testimony from the people in Iowa and Kansas, what did they do to themselves. And they're fighting it at the zoning boards, at the counties. It's not because of incentives. The people are wising up. We're fighting it. Thank you.

LINEHAN: Thank you, Senator Groene. Are there other questions from the committee? So we are-- so part of, you know, Wyoming, Texas, they've always had revenues because they have an energy source that they tax that other people buy. So is there a day in the future that Nebraska

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is going to have an energy source where we can tax other people that buy it from Nebraska?

DAVID BRACHT: Well, I think that-- that the nameplate capacity tax is doing that. It's a-- it's a property tax. I don't know and haven't heard of and I'm sure I haven't even thought enough to even speculate about how some sort of severance tax would work in wind, but I think--

LINEHAN: Well, it seems like if we're going to be number two or three in the nation for producing it, we should probably be looking at that, right?

DAVID BRACHT: And-- and I agree with that. And again, that's where I would look back at my experience broadly in rural development. We in the state of Nebraska have a continuing concentration of population, you know, realistically in three counties. And the question is, how do we take advantage of our natural resources that are elsewhere abundant in the state to support those services? And the nameplate capacity tax was an attempt to do that, spread over the 20 years, helps in that property tax. I believe, and there will be some others that come up, I think there's three counties right now that get approximately 10 percent of their property tax from the wind projects that are in their area. And in that respect, again, it becomes much like the other areas of value-added ag and other natural resources that we've seen develop to help support those local communities. In the end, the only true-- and I know this is a topic that you talk about often, and it's a personal opinion, but I think it makes sense to me, the only true property tax relief comes from new property. And this is a form of new property.

LINEHAN: I have some empathy, too, for not only people like in committee, but in the Legislature, that they're not-- they're not the most attractive things that we've ever done to the landscape in Nebraska. So should the Legislature, working with someone, should we have a grand plan. If we're going to do this, should there be some kind of grand plan that say we-- that there are certain vistas in the state that we all-- and everybody loves their own land, but precious areas like the Sandhills, Niobrara River, other areas that I'm sure I'm forgetting to mention right now, should we have a plan to protect them?

DAVID BRACHT: Here's what I would tell you, and-- and again this is something I learned back in my days working on-- on-- in agriculture, value added, like hog farms and cattle feedlots. This is a state that

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very tightly holds onto its local control. And while I would agree that with Senator Groene, and certainly some of the areas that you've pointed out, that do really have a different perspective at it. We can also go into counties that have really seen the value of-- of the wind projects. And so my overall view is impart one from a practical standpoint coming to a consensus or anything even remotely a consensus as to what the grand plan is-- is a challenge. On-- on top of that, we really value our local control and relying on our counties to come with those-- making those decisions.

LINEHAN: When you think of the state of Nebraska is-- don't know if you call it subsidized, but incentivizing these projects with state revenue, that they might have something to say about it?

DAVID BRACHT: So, in the-- maybe in the form of a question, I guess, will there be the same sort of grand plan with any kind of manufacturing operation, because manufacturing equipment is subject to sales tax exemption. Is there going to be--

LINEHAN: They don't quite have the same effect on the landscape as a windmill or hundreds of windmills spread all across the state, when you get a drive up and down I-80.

DAVID BRACHT: And certainly that's a view that's held by many. I could find some folks not very far from here that have similar concerns about different kinds of livestock and things like that. So that's-- I-- again, I think my point would be is that based on my experience, and really starting out with my work in agriculture, coming to a consensus, particularly one from Lincoln, sometimes is difficult.

LINEHAN: Senator Kolterman. Thank you very much, sir. Senator Kolterman.

KOLTERMAN: Thank you, Senator Linehan. What kind of-- the people that stay behind after they build the towers, what kind of wage do-- I know they're training them at Southeast Community College and Northeast Community College.

DAVID BRACHT: Sure.

KOLTERMAN: They've got separate programs dealing strictly with alternative energy type of projects. What kind of wage do those folks get coming out of the chute?

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DAVID BRACHT: So I'll give as an example, not an Next Era project, but another project I was involved in and continue to be involved in in northeast Nebraska. So that project which would be altogether today about 500 megawatts has, I believe, 18 service staff that are there. And those are jobs, well first of all, they're a young man's job, because I'm not up for climbing up and down those towers, an young man and woman's job, to be clear, because there is a fair amount of that. And if you go to a city like Neligh, which has that service center, I believe, again, I think it's between 16 and 18 people. There's a great story, I wish I could remember their name right now. A couple, husband and wife couple, high school sweethearts, got married there, ended up having to move to Omaha because they couldn't really get the job that they wanted. And now I believe the one is the office manager and the other one is kind of head of their tech and I'm going to guess both of those jobs are well above \$50,000.

KOLTERMAN: And also what kind of property taxes, like where you're seeing-- in these counties where we have seen some solar and we've seen wind, what kind of property tax are those companies paying in those counties? Are they-- or are they on the higher end of the property taxpayers?

DAVID BRACHT: Well, certainly, if you take into account the nameplate capacity tax and then, you know, there is a portion of it that's also real estate-- real property tax that comes in. I'm not sure if that's answering your question. I mean that kind of goes to what we have talked about earlier.

KOLTERMAN: Thank you.

LINEHAN: Thank you, Senator Kolterman. Senator Groene.

GROENE: When ag land goes up, the taxes go up. How long is this nameplate been the same amount of money? The time we raised that, put an inflationary factor in it that it goes up? Maybe we put it-- if we tie it to the average farmland valuation following up that we tie a multiplier to the nameplate tax. Because inflationary, it's way behind where we started ten years ago.

DAVID BRACHT: You know, I can't really address that because-- because right now I'm not trying even trying to think. I don't believe it has an inflation factor in it, but you know, .

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GROENE: You're very happy to pay it and you brag about how you helped out the property tax, you would want to keep up with inflation wouldn't the industry?

DAVID BRACHT: I think broadly the wind industry and the solar industry, because we are seeing those-- that develop too, like every business that I've worked with, and I'm kind of a business guy, that's who I represent, they want to be good neighbors because they've got their employees there and so they're going to work with whatever that is. But I think in the same sense, they're going to look for-- to be sure that they're-- they're getting a fair treatment and not being singled out.

GROENE: Thank you.

LINEHAN: Thank you, Senator Groene. Senator Kolterman.

KOLTERMAN: I just got to ask this question. In a statement earlier, it was said that when the wind quits blowing in Nebraska, you think that will ever happen? [LAUGHTER]

DAVID BRACHT: I was just going to ask you the same thing.

GROENE: Happens a lot of days.

KOLTERMAN: Thank you.

LINEHAN: Thank you, Senator Kolterman.

DAVID BRACHT: To the point, well--

LINEHAN: I'm sorry.

DAVID BRACHT: So an interesting factoid just for-- to leave you with is I'd seen something that had shown that there is at least some wind produced 85 percent of the time. The average capacity factor is about half. And so that's the way that-- that consistency of wind is measured, which is essentially saying if it's a 100 megawatt farm facility, over the course of a year it would produce 500-- it would produce 50 megawatts times the 8,760 hours there are in a year. But at least some portion of it is producing 85 percent of the time.

LINEHAN: Thank you, Senator Groene. Senator Lindstrom.

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LINDSTROM: Thank you, Madam Chair. And thank you for being here. I kind of want to go back in time a little bit of my first year down-- first years down here; sat on Natural Resources, my three-day committee. This issue came up a lot, particularly dealing with, under the Obama administration, we had to come up with a template or plan, an energy plan. I forget the time line, you can probably refresh me on this, I believe it was Senator Smith's bill, at the time it was my priority bill. And we've seen OPPD take their portfolio from, I think it's around 33 percent going towards 50 percent, in renewable energy. Obviously, that's led us to get things like Facebook and those economic development issues. Could you just remind me of that plan. Do we have that plan moving forward under that bill four years ago, five years. Where are we going on that?

DAVID BRACHT: So, so the short answer is not in the complete vision that it was pictured at the time. And part of that is that consensus issue that one would come to. Particularly, you're right, that at the time the Obama administration had just introduced the Clean Power Plan which was then going on for some, you know, there was about a two-and-some-year development on that. And so, those two kind of got tied up together. I know that the energy office, soon to be part of, I think, the-- as part of the Department of Energy and Environment, assuming that the [LB]302 gets passed, will continue to work on that. Because I think that what's really critical, and it goes back to that point I was saying on consensus, even among the questions I can detect that there is a broad variety of views as to where different energy sources can fit in the mix. And so really the case is to identify and understand where, you know, what the facts are of what we need and then allow-- and oftentimes from my perspective, private industry does a pretty good job of figuring out where the best place for that to fit is.

LINDSTROM: OK. So-- so not-- not totally a consensus on where-- onto original statement. OK.

LINEHAN: Thank you, Senator Lindstrom. Senator Groene.

GROENE: This is not a bad question. Why aren't you already covered in statute? In 77-2701.47(g) says: machinery or equipment for use in manufacturing produced steam or electricity.

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DAVID BRACHT: I can't say specifically why, but I know that we spent about four or five years trying to get it in-- in the Advantage Act. And so I'm assuming--

GROENE: So why aren't you already covered then?

DAVID BRACHT: And I don't know what the legal analysis is that comes up with that.

GROENE: Also through a related issue that-- in that same section it says: that chemical catalysts and solutions that are essential to the manufacturing process. To what I've heard about the ethanol business I heard the other night. Why aren't you already covered?

DAVID BRACHT: Well, I think that comes down to some revenue. So the question, I think, what you're asking is, today enzymes that are used by the ethanol industry are subject to sales tax, it's a fairly big expense. And I think that is based on a ruling within the Revenue Department and in one that some, at least in the industry, might dispute.

GROENE: Well, it says chemical catalyst. Isn't that what enzyme is?

DAVID BRACHT: An enzyme isn't a chemical, technically. Technically it's a protein. And I think that was one of the things that they said--

GROENE: Catalysts, it's a catalyst.

DAVID BRACHT: But not a chemical.

LINEHAN: OK. Thank you, Senator Groene. Senator Kolterman.

KOLTERMAN: Thank you. I was just sitting here thinking, you've done a lot of work over the years and you probably been to Europe to look at their technologies. They're doing a lot in the area of biomass. Do you-- do you see biomass and storage coming faster in Nebraska or around the country?

DAVID BRACHT: Certainly around the country. And I think ultimately, because again, it's one of these competitive advantage and technically biomass actually is broad enough to include anaerobic digestion. So I really believe that-- and have worked on projects in the past, the economics and the technology is not quite there, but that creation of bio gas particularly from animal waste or other ag waste has an

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opportunity to be that on-demand energy source. So when the wind isn't blowing or the sun's not going, or your battery is going low, you can flip on the switch and run that.

KOLTERMAN: And with those bio digester, you can use a lot of different products-- waste products from wood to animal waste.

DAVID BRACHT: That's-- that is true.

KOLTERMAN: Is that correct?

DAVID BRACHT: That's correct.

KOLTERMAN: Thank you.

LINEHAN: Thank you, Senator Kolterman. Other questions from the committee? That was very helpful, thank you very much for being here, appreciate it.

DAVID BRACHT: Appreciate the opportunity.

LINEHAN: Other proponents?

JOHN HANSEN: Madam Chairman, members of the Revenue Committee, good afternoon. For the record my name is John Hansen, J-o-h-n, Hansen, H-a-n-s-e-n. I'm the president of Nebraska Farmers Union. We think that LB456 strikes a good bargain for the state, based on our state's natural resources and the competitive nature of the wind industry and where we're at relative to the state of development. We think that this would be helpful. If you're putting together a project and you're working on the pro forma, you would rather have the sales tax exemption than you would to have a certain amount of uncertainty relative to going through and applying for these kinds of refunds based on availability, acceptance, all of those kinds of things. So we're-- we have comparable wind with Kansas. We have pretty much comparable wind with South Dakota. We have a lot better wind resources than Iowa. Iowa has done a better job of two things: one is helping incent their industry into being geographically closer to Chicago and big sources of energy and being in a different power purchase system. They're able to get more of their product to market and they're one of their largest players, of course owned by a person we all know in Omaha, are pretty much vertically integrated. They-- they have their own development, they have their own transmission, they have their own sales. They're kind of a cradle to grave system. And so, they abuse those advantages substantially. And so every time that we put wind

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turbines in rural communities, we know that we have new tax base. We know that we have new good paying jobs, and these jobs pay in the \$50,000 to \$60,000 range plus benefits in rural communities. My home community, you can pretty much count on one hand the folks in town that make over 50,000 bucks. There just aren't very many of those kinds of jobs. And so when you have young people moving into town with those kinds of jobs, yeah, it makes a lot of difference in-- in small rural communities. The additional income for farmers is a substantial improvement. The way I think about it is that each one of those wind turbines represents a part-time job. And so right now, given farm prices, almost we have historically averaged about 88 percent of net farm family earned income coming from off-farm jobs. So when you think about low commodity prices, that number gets even higher. So if you can have an extra part-time job or two, it makes a lot of difference to folks who are on the margins. And so, it's not a get-rich-quick scheme, but it is helpful. And you're putting economic benefit where it's needed. And we are putting less carbon in the air, that is for sure. And we know that as we go forward, that we have choices to make over what kind of future we want. And so having-- having the benefit of come from the ethanol world, my organization started advocating for-- it could see the advantages, the potential, and the benefits to both the farm economy and our society as a whole of ethanol in the 40s. So we take the long view. So we've been involved in the development of the Nebraska Ethanol Board. We've been involved in the development of wind and solar. And sort of like our state motto says: Nebraska is not for everyone. Wind is not for every community, but that's a decision that local communities get to make. Thank you very much. And I'll be glad to answer any questions if I could.

LINEHAN: Thank you, Mr. Hansen. Are there questions from the committee? Senator Groene.

GROENE: Since individuals have personally profiting from these leases and has a windmill on his property and his neighbor doesn't have one, should we find some way and maybe Senator Erdman value added way to-- how to tax and we put a value on that that there's a lot more income from that piece of ground than it would be if it was a crop that they pay more property taxes?

JOHN HANSEN: Well, I-- I think that the solution that makes the most sense is the one that we've pursued which is to form landowner associations and structure contracts in a fashion that works to the advantages of non-participating neighbors. But whether they had the

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good sense to do that or not and get them benefits from-- from helping spread more of the economic benefits of the project itself over a larger footprint that whether they did that or not, that if you're in one of those communities, you are going to be paying lower property taxes because you do have new tax base and everyone, whether they got a wind turbine or not, are going to get the benefits of that and they're going to get the benefits of having a more viable community because there is going to be more economic activity downtown than there used to be.

GROENE: Thank you.

LINEHAN: Thank you, Senator Groene. Are there other questions from the committee? Seeing none, thank you very much for being here.

JOHN HANSEN: Thank you very much.

LINEHAN: Other proponents?

VANESSA SILKE: Good afternoon, Chairwoman Linehan and members of the committee. Thank you very much for your time this afternoon. My name is Vanessa Silke, it's spelled V-a-n-e-s-s-a S-i-l-k-e. I'm an attorney with Baird Holm and we represent BHE Renewables. I'm going to echo much-- I'm not going to repeat most of the testimony that we've heard today because we agree with the prior testifiers. I'm also here on behalf of my colleague, David Levy and our client, who are tied up in other hearing rooms, in other parts of the state right now. So if you have any detailed questions, I'm happy to get that information for you if I'm unable to answer your questions this afternoon. In light of a couple of questions that were raised of other testifiers, I just want to emphasize a couple of key points. Senator Kolterman you'd asked a couple of times what is the combination of property tax paid by project owners in Nebraska for renewable energy projects? The simple answer is roughly \$8 million per year comes into the state of Nebraska. That's a combination of the nameplate capacity tax and the property taxes that were described by other testifiers before me. The other question that Senator Groene you've asked a couple of different times to testifiers is how does this benefit-- how would this sales tax exemption benefit people in Nebraska? One, the primary benefit is for ratepayers. The sales tax exemption would create a lower cost to project owners that develop these projects. That lower cost means that they have more flexibility to negotiate a lower rate in their power purchase agreements with public power districts here in Nebraska, that guarantees a lower rate for ratepayers. That's an important key

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benefit that the committee should absolutely consider in looking at why you should advance the sales tax exemption. The last key point that I wanted to highlight, Chairwoman Linehan, you had asked about the grand plan for electricity development in the state in Nebraska. We have a couple of different vehicles for that right now, but local control is the centerpiece of that development here in Nebraska. I want to highlight though, you asked how this might impact that. This sales tax exemption would only apply where a project is actually moving forward, where the landowners and the local community decided to move forward with a project. It doesn't exempt anyone out or override that local policy. So I want to emphasize those things. And then, of course, answer any questions that you might have on the bill.

LINEHAN: Thank you. Senator Kolterman.

KOLTERMAN: Thank you, Senator Linehan. Ms. Silke, thank you, because I look at this power of Nebraska wind, this one-- this page right here.

VANESSA SILKE: Yep.

KOLTERMAN: So I was telling Senator Groene, out in the hall, that we have one windmill in Seward County. And I see we're not-- \$5,981 property tax for that one windmill? Or nameplate tax? Would that be accurate?

VANESSA SILKE: You know, I'd have to get more information for you on that to clarify exactly how much and what that attaches to.

KOLTERMAN: I know we only have one, and the city gets all the power off of it.

VANESSA SILKE: Yeah. I think you actually have more than that in Seward County. But I'll find out for sure what this number.

KOLTERMAN: I would know if we did.

VANESSA SILKE: OK. Yeah, I would think you would. I will find out more information and get back to you.

KOLTERMAN: Thank you.

LINEHAN: Thank you, Senator Kolterman. Senator Groene.

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GROENE: So if that one windmill was at \$2.5 million, and we got a property tax on it, that would be \$50,000 of taxes instead of just \$5,900.

VANESSA SILKE: It would depend on the nameplate capacity tax, and then the--

GROENE: No, I'm talking about if we-- if we change the law and said, well, you guys can pay property taxes on it instead of nameplate, which I've heard so many of them-- proponents say they want to be good taxpayers and good community members.

VANESSA SILKE: Yeah.

GROENE: So they wouldn't mind paying higher property tax to support the schools.

VANESSA SILKE: Yeah. And I, like the other testifiers explained, the way that was negotiated here years ago to avoid an increased-- higher-- a spike in property tax that drops off over time--

GROENE: [INAUDIBLE] range 10-year life of one--

VANESSA SILKE: Yeah.

GROENE: --and depreciated it down and-- and our total property taxes before they replaced it, put a new head on it, and raised the value again, I think we'd be way ahead two mills of real property tax. Thank you.

LINEHAN: Thank you, Senator Groene. Senator Briese.

BRIESE: Thank you, Chairman Linehan. Thank you for your testimony here today. Did you indicate earlier that higher infrastructure costs for these folks could be passed on to ratepayers then?

VANESSA SILKE: No, I'm saying if you have a sales tax exemption, that will lower their overall cost for these projects which would give them more wiggle room. The higher the cost of the project you-- you have to have a margin when you negotiate your PPAs. That's what you're driving towards in that price. And the lower cost of the project, the lower that PPA price.

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BRIESE: Okay. But that suggests to me, if lower cost yield lower rates and higher cost probably yield higher rates, in other words, passed along, would that be a fair statement anyway?

VANESSA SILKE: Depending on the project and who it is, that's typically how these projects unfold.

BRIESE: OK. OK. And if those rates-- or if those additional costs can be passed on to the consumers, that suggests to me that higher costs for these folks does not disincentivize expansion and investment in our-- in our state, would that be fair--

VANESSA SILKE: As prior testifiers pointed out, we have competition from other states and we have an excellent resource here. I don't think in the economic crisis that we have and the property tax burden that we want to alleviate that we want to fall behind in that competitive advantage. This would create and maintain that advantage that's in the statutes right now on that policy that we see in the Advantage Act and guarantee that going forward this would be an option for developers to choose to invest in Nebraska.

BRIESE: OK. Thank you.

LINEHAN: Thank you, Senator Briese. Senator Kolterman.

KOLTERMAN: Thank you, Senator Linehan. Is it an accurate statement to say most of the power from wind farms or solar farms or-- like in Seward we have one, that's negotiating the power agreement with the city of Seward. But like OPPD where they put them on a-- the power isn't that some of its dedicated specifically for like Facebook and anything else would probably go to the Southwest Power Pool or any excess?

VANESSA SILKE: Most-- and it depends on the project. And we have other folks that could get into the weeds on this for those types of agreements, but depending on where the project is located and who the off taker is, that will-- and then transmission burden for how that electricity will actually move from the project. Those things all weigh on where-- who actually uses the electricity that is generated.

KOLTERMAN: But we have-- correct me if I'm wrong, we have statutes that says you can only produce so much power in your purchase power agreements above a certain level has to go to the pocket of local public power district or the power pool, doesn't it?

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VANESSA SILKE: I think what you're referring to are the wholesale power purchase agreements that most rural public power districts in Nebraska have with a generator like NPPD. They negotiate those long-term contracts, and many of them, this was a point of dispute in recent Supreme Court cases here in Nebraska, but for those that have a certain wholesale power purchase agreements, they have a percentage of their total load that they can go buy on the market. They can develop or buy into one of these renewable energy projects, up to a certain percentage.

KOLTERMAN: But if you put up a windmill, you just can't go out and sell it to whoever you want.

VANESSA SILKE: No. And in Nebraska, by statute, I think the statutes are referring to are-- our developers cannot sell at retail electricity, those-- that's the prohibition.

KOLTERMAN: That was the point I was trying to get at is.

VANESSA SILKE: Yep.

KOLTERMAN: That's still there then?

VANESSA SILKE: Yes.

LINEHAN: Thank you, Senator Kolterman. Other questions from the committee? So, I think what I heard you say, Ms. Silke, is that there is a grand plan, but if you add it to local control, there's no plan.

VANESSA SILKE: I think I might have misspoken or just--

LINEHAN: Well, you didn't say that exactly. But--

VANESSA SILKE: Yeah.

LINEHAN: You basically said--

VANESSA SILKE: Their efforts--

LINEHAN: There's a conflict between a grand plan and local control.

VANESSA SILKE: Yeah. And I agree with Mr. Bracht's commentary that it's important to analyze this at a state level because this is such a great resource for the state of Nebraska. But where we actually site projects and who decides whether or not a project goes forward is definitely a function of local control. And we see that repeatedly,

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you see that right here on this map, there are some areas of the state where locally people wanted these projects and they were able to move forward. We wouldn't want a statewide plan to prevent that local decision-making process to happen.

LINEHAN: OK, well I'm going to have to ask Senator Lindstrom who was here to ask what the-- evidently this was the subject before on some-- whether we had kind of statewide [INAUDIBLE].

VANESSA SILKE: I think-- the one thing that I was thinking of when I heard that question, there's a bill pending right now, LB731, it's a cleanup bill, it's pretty minor, but it revises a bill that was passed a few years ago that put into statute that energy would be a component of local comprehensive plans, that might be part of the package you're referring to, I know there's few bills here a few years ago, but that would say by statute that we need to evaluate where sources of energy come from and how we're going to develop that at the local level. That's an example of something that would be a statewide policy, but it still puts it on local folks to make that determination for themselves.

LINEHAN: All right. Are there-- do the local-- Custer County, did they provide incentives for the development of power there?

VANESSA SILKE: I don't know that answer to that question.

LINEHAN: Do you know if any of these local communities provided incentives?

VANESSA SILKE: I don't have the answer for that. I'd have to get it for you.

LINEHAN: OK. Thank you much. Other questions? Thank you very much.

VANESSA SILKE: Thank you.

LINEHAN: Other proponents? Any opponents? Anyone wanting to testify in the neutral position? Senator Lathrop, would you like to close? Let me tell you letters before you close, [INAUDIBLE]. Letters for the record, proponents: Josh Moenning, New Power Nebraska; Darby Paxton, Polk County Economic Development. Opponents: none. Neutral: Sarah Curry, Platte Institute.

LATHROP: So first of all, I want to thank those people who came here and for otherwise offered their support for this bill. As you all

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know, I served in this body for eight years. And in the first eight years that I served here, I have to tell you that the theme that I heard from my rural colleagues was this: we're losing our kids. We're losing our kids-- our-- our small towns are getting smaller, our kids are moving to the cities. And we would hear that come up when we talked about school consolidation, when we talked about consolidating court districts. At one time we talked about having regional courts, and it was, you can't do that because we're losing our kids. You do that and our towns are going to die. And now that I've been back two months, however many days we are into this session, I'm hearing my rural colleagues talk about, it's all about property taxes. I haven't even heard that-- I haven't even heard that my town is dying. You know. And now we have a bill-- now we have a bill in front of you-- we have an opportunity to continue something that is providing something to those people who are worried about their kids that are leaving small towns and parts of greater Nebraska, and those people who are worried about property taxes. This is it. This-- this is such a win-win I struggle when I hear opposition to it. Because you-- you have one of these projects come in and each one of those landowners are now going to get a check every year for that wind tower that sits on their property. They don't have to fertilize it. They don't have to water it. It doesn't depend on commodity prices. They're going to get a check. And that's money they can spend in town. The people who erect that are going to bring jobs in. Senator Groene seen them fill up the motels down in Kansas when they do this. They're spending money with local diners. They're spending money with local merchants. They're spending money at the local hardware store, or other-- cement providers, people who are providing the resources to erect these towers and then they leave behind good paying jobs. I remember one time somebody told me a story about how when-- when they did the project up in Petersburg, they saw some-- a young couple on the street in downtown Petersburg again, and they said-- these things are restoring some of our smaller communities. So what this bill offers us is an opportunity to stay in the game. It is a competitive game. Sometimes the difference between sales tax incentives and no sales tax incentives can be the difference between taking a project and putting it in Nebraska or putting it in Kansas or Texas. That's-- that's why we're doing this. And when we do it, we create jobs that come in. The merchant's benefit. The landowner benefits. And then we leave behind probably 19, 20 jobs, and they're paying, not \$50,000, but closer to 60 or 70. And we now have schools that are teaching people how to do this, so these kids can stay in the communities they grew up in or come back home and work on these jobs. I think it's a total win-win.

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We're already doing this in the Advantage Act. I'd ask you to pass this bill or bring it to the floor and let's pass it and continue the incentives and allow Nebraska to remain competitive in the wind industry with all the benefits that are available to the rural folks, and frankly, we benefit in-- in the city when places like-- or outfits like Facebook and Google come in and say we like it because it's a wind energy friendly state.

LINEHAN: Thank you, Senator Lathrop. Are there questions from the committee? OK, let's go with Senator Groene and then Senator Friesen.

GROENE: I'm just gonna disagree with you, a lot. We don't have any economic development in chasing wind, they're coming out of the weeds coming and trying to find farmers, having seminars out there trying to get farmers put up wind farms. We don't have to compete for them. They're coming and they're not worried about their sales tax and they're not worried-- they're worried about the federal credit, so I hear it all the time.

LINEHAN: Thank you, Senator.

LATHROP: Thank you, Senator.

LINEHAN: Thank you, Senator Groene. Senator Friesen.

FRIESEN: Thank you, Chairman Linehan. So I, I missed your opening and I maybe missed something important, but why does it have zero fiscal note? [Laughter]

LATHROP: Oh, because there's an amendment. Apparently the way it was done-- the way the bill was originally drafted, it wouldn't have included these wind projects. And the amendment, it's a-- it's a simple-- couple-- like a one-sentence line in the previous-- paragraph previous to what we're amending that-- that covers or-- or brings-- brings it in to the bill and will result in a different fiscal note.

FRIESEN: Do you have any idea what that might be?

LATHROP: No, but I-- but I would offer this, Senator Friesen, that I don't know that it's going to be much different than what we're paying for these projects through the Advantage Act currently because that's a rebate of the sales tax.

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FRIESEN: So are you with the Advantage Act expiring is that the idea behind this?

LATHROP: The idea behind this is-- is that what's happening to the Advantage Act, it is expiring-- it is expiring and this is an opportunity or an effort to preserve the sales tax exemption, qualities of the Advantage Act by just making them direct benefits.

FRIESEN: I know there's some places starting putting in some storage batteries and is that what the purpose is to cover that too in here?

LATHROP: Hopefully. So that's one of those things, and I'm not the world's-- I'm not the expert in the room even on the issue of storage, but storage is one of those things that they are-- there are more and more improvements in the technology. And I think they have these things that look like railroad train cars that store enormous amounts of electricity, and that's another area where I think the technology is going to catch up with this renewable energy, the solar and the wind and allow us to generate more than we need at a given time and store some of it and then put it on the grid when the-- when the wind isn't blowing--

FRIESEN: OK.

LATHROP: Or the sun isn't shining.

FRIESEN: I mean I-- I get it creates a few jobs, not near as many, I think, as what we'd like out there, but we can't handle the big numbers of jobs. But it creates some jobs. It does bring some economic development. But the majority of it goes back to the urban areas where you create the big jobs with Facebook and Google, which is-- which is really great, because otherwise they say they wouldn't have come, but--

LATHROP: Well, it-- but of course it does a couple of things. Your landowners are getting an annual check and then you're getting some property tax relief at the same time.

FRIESEN: It adds up to something, but it is-- sometimes-- the research I've done in the past, if you start to follow what's happened in the renewable energy industry, the electricity costs are going up, the higher your renewable requirements, the higher your costs of electricity. So it is driving up the cost of electricity, not down,

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which is what everybody expected. So it'll be interesting to see what happens to the cost down the road. Thank you.

LATHROP: Sure. Yeah. My pleasure.

LINEHAN: Thank you, Senator. Friesen. Senator Groene.

GROENE: Senator, you were here, you said eight years ago. I still can't figure out in existing statute what the difference is in (g) on the bottom of page 2 which says: machinery equipment for use in manufacture produce steam-- or electricity; and your new section it says: machinery or equipment for use in the production of electricity. Why isn't it already--

LATHROP: I think that's a great question. And I'm betting legal counsel probably knows the answer, but I don't.

GROENE: I just wondered if you remember--

LATHROP: No, I know we didn't do it because it was already there. Right?

GROENE: Thank you.

LATHROP: Sure.

LINEHAN: Thank you, Senator Groene. Other questions from the committee? I'm going to ask one last one because I'll feel guilty if I don't. Do you have any windmills in Douglas or Sarpy County?

LATHROP: I'm not sure that I have seen one in Douglas or Sarpy County; I've seen them across the river over in Pott County.

LINEHAN: Well, they got lots of them over there.

LATHROP: Yeah.

LINEHAN: Do you think there's a reason we don't have any in Douglas or Sarpy County?

LATHROP: I think probably because, you know, the wind would have to blow through the buildings and the skyscrapers and--

LINEHAN: Not out where I am.

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LATHROP: --and the houses and every other thing.

LINEHAN: Why--

LATHROP: I think the wind blows more out where these guys live than it does in Douglas--

LINEHAN: I don't think more than it blows between the Platte and Elkhorn River in western Douglas County.

LATHROP: Well if you want, I can send them your way and we can put a bunch of them in Elkhorn.

LINEHAN: It just strikes as, you know, they don't have any of them up there. Thank you.

LATHROP: All right. Thanks.

LINEHAN: Other questions? Thank you very much.

LATHROP: Appreciate it.

LINEHAN: So we read the letters for the record. So that concludes LB456. Thank you very much. And we're down to one hearing.

CRAWFORD: Two.

LINEHAN: No wonder. [LAUGHTER] OK, now we will move to LB349. Good afternoon, Senator Friesen.

FRIESEN: Chairman Linehan, members the Revenue Committee, my name is Curt Friesen, C-u-r-t F-r-i-e-s-e-n; represent District 34 and appear today to present LB349. Current law provides that for the rental or lease of automobiles, trucks, trailers, semitrailers, truck tractors, as defined in the Motor Vehicle Registration Act, the tax shall be collected by the lessor on the rental or lease price. You'll note that even our current statute did not specify the method by which a vehicle is rented. For some reason, companies and individuals who rent vehicles via a peer-to-peer network have decided that this does not apply to them. LB349 simply clarifies our law and a policy of taxing the service of renting a vehicle by specifying that if there is a peer-to-peer rental of a vehicle made through a digital platform or other digital medium, the tax will be collected on the rental price by the party facilitating the rental. Opponents will tell you that this isn't an actual rental but a car sharing situation. Unfortunately,

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even if they refer to it as a rental on their website-- they refer to it as a rental on their website apps and their advertisements. Car sharing is a practice of sharing a car for regular traveling, especially for commuting. Peer-to-peer car rental is a process whereby existing car owners make their vehicles a bit available to others to rent. And you will hear that collecting sales tax under LB349 constitutes a double taxation for vehicle owners. This is misleading and simply not true. And when an individual purchase a vehicle for personal use, they pay a sales tax on that vehicle. If that vehicle is being purchased by a company as a-- purchased by a company as an input or part of a fleet of vehicles and only used as rental, sales tax for purchases are not collected on the sale of a vehicle until it is sold for private use being used for that business. Secondly, the sales tax required and collected under Nebraska law that LB349 refers to as the tax on the service of renting a vehicle, not the sale of a vehicle. Furthermore, it is not a tax paid for by the vehicle owner, it is paid by the rent-- party renting the vehicle. LB349 ensures that Nebraska is collecting sales tax revenue from the service of renting a vehicle, regardless of who's providing the service requiring the facilitator to collect and remit the tax in the best way to accomplish this because they already-- the party-- they are already the party collecting the rental fees. So, thank you for your time. I'd be glad to answer any questions.

LINEHAN: Thank you, Senator Friesen. Are there questions by the committee? Senator Kolterman.

KOLTERMAN: Thank you, Senator Linehan. So, Senator Friesen, if I-- I might have a misunderstanding of how this works. If I fly to Minnesota and I rent a car, I pay taxes on that car rental, typically, don't I?

FRIESEN: Yes. You pay a sales tax.

KOLTERMAN: Or vice versa, if I fly from Minnesota to Nebraska, it's the same way.

FRIESEN: I would assume it's each tax-- state tax.

KOLTERMAN: And then there's other kinds of taxes that are put on that like road tax or whatever.

FRIESEN: Yeah, each state may be different.

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KOLTERMAN: Yeah. So, what's-- what's the other kind of vehicles are we talking about? Somebody just has-- like I'd own a personal-- I'd own a Mercedes and I wanted to rent that to somebody?

FRIESEN: Yes. This is a peer-to-peer rental. So if I had a fancy Corvette and I really couldn't afford it and I didn't drive it all that much, there's an app now where you can go in your phone and-- and somebody could rent my vehicle. So you could drive a 'Vet for a day. It's got a price listed. Insurance is then covered by either you or-- there's-- insurance things are all spelled out. It's a lot like the Uber and Lyft apps when they came out. This is the same thing basically, only you're renting the vehicle from another personal individual that owns a car or pickup. For instance, you want to go and get some furniture from the furniture store, but you didn't have a pickup. You go in the app, you can find a pickup, you rent the pickup for an hour or two hours, go pick up your stuff, take the pickup back.

KOLTERMAN: I'm curious, is there is-- is there a lot of this going on in our state at the present time?

FRIESEN: It's just kind of starting up. It's been working already on the coasts, I think, and then it slowly works its way to the middle. So trying to be a little proactive before it gets active here and keep our tax policy modernized.

KOLTERMAN: Thank you.

LINEHAN: Thank you, Senator Kolterman. Senator Lindstrom.

LINDSTROM: Thank you, Madam Chair. Thank you, Senator Friesen. Thinking back to the list that I think Senator Briese had handed out, just all the exemptions in the state and kind of going through, if I remember right, limousines, taxis, rideshare, which would be Uber, Lyft, those are not-- those are exempt right now. Is there a reason why this would be under this category without going with those other three?

FRIESEN: Well because of the-- it's just a different type of operation. But again, I think there's-- there's a move on to, if we talk about tax policy, of taxing those services too.

LINDSTROM: So just add to the discussion?

FRIESEN: It could. Yes.

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LINEHAN: Thank you, Senator Lindstrom. Senator Groene.

GROENE: So it's only those done through a digital platform, so my neighbor-- I rent my neighbor's truck, I don't pay?

FRIESEN: Yeah, it's-- it's the digital platform will collect the tax.

GROENE: So the individual doesn't have to.

FRIESEN: You know, I-- I don't know too many people who rent a vehicle to their neighbor or something-- somebody they know; usually they just let people use it and you walk away. This is for-- through the app a rental to a stranger you don't know. And so there's insurance issues. They've got them all addressed and I think someone behind me will testify more to that effect is the insurance-- a lot like the Uber, Lyft fight; whose insurance is in play when somebody is driving your vehicle, things like that. So it's a little more complicated than just you renting it to your neighbor for 10 bucks in cash or whatever.

LINEHAN: Thank you, Senator Groene. Senator Kolterman.

KOLTERMAN: So Airbnb has a digital platform, it's a national organization. I assume this is operating the same way. They collect-- they collect the taxes, they hold the taxes, then they send a check, that check to homeowners.

FRIESEN: Yeah, I would-- yeah I would compare this to any kind of third-party marketplace facilitator. It's an app.

KOLTERMAN: OK. Thank you.

LINEHAN: Thanks, Senator Kolterman. Other questions from the committee? Seeing none, thank you very much. Proponents?

WALT RADCLIFFE: Chairman Linehan and members of the Revenue Committee, my name is Walter Radcliffe, W-a-l-t-e-r R-a-d-c-l-i-f-f-e. I'm appearing here today before you as registered lobbyists on behalf of Enterprise Holdings. Frankly, I'm here to tell you a little bit about what Enterprise does in Nebraska and introduce the next witness who will be able to answer, I think, a lot of the more technical questions that you might have. We've represented Enterprise for a number of years, and, frankly, I asked him to give us some-- give me some-- some economic data. I was surprised they contribute over \$60 million in annual economic impact in the state of Nebraska. They paid a little over \$57 million in state and local taxes. They purchased over two,

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two and a half, three million dollars from local suppliers. They contribute to local charities. And donations from Enterprise holding foundations to local charities has been over a million, two hundred seventy five thousand dollars. So a very good corporate citizen. And I know most of us think of them as a-- as a rental car, rental vehicle agency, which, in fact, is what they are. But this bill, you know, what something that struck me this year with so many bills that this committee has had, you're having a hard time staying ahead of technology, or keeping up with technology, because technology is offered so many different ways to-- to enter into financial transactions. And some of those, quite frankly, just are not covered in Nebraska's law. And, therefore, escape-- escape, or certainly aren't taxed. This is perhaps one of those situations in that this bill does one thing and one thing only. It's a simple bill and it clarifies what party should collect and remit the taxes when a rental is done through a peer-to-peer platform. That's all this bill does, nothing more. It doesn't change existing tax language. It just simply clarifies who pays. And with that, Madam Chair, I would like to introduce Ryan Thistlethwaite, who is a controller regionally with Enterprise and let him testify. But if you have some questions that I can't answer I'll pass them on to Ryan, so.

LINEHAN: Thank you very much, Mr. Radcliffe. Are there questions from the committee? So just for clarification, the platform is responsible for collecting the tax and submitting it.

WALT RADCLIFFE: That's correct.

LINEHAN: So is the platform doing this in other states already?

WALT RADCLIFFE: I'll let Ryan answer that.

LINEHAN: OK. All right.

WALT RADCLIFFE: OK.

LINEHAN: Thank you.

WALT RADCLIFFE: Thank you.

LINEHAN: Good afternoon.

RYAN THISTLETHWAITE: Good afternoon. Thank you very much for allowing me to speak today. My name is Ryan Thistlethwaite T-h-i-s-t-l-e-t-h-w-a-i-t-e. As Walt referenced before, I am a

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controller for Enterprise Holdings. We operate more than one brand. We do have Enterprise Rent-A-Car, National Car Rental, and Alamo Rental Car as well. In addition to that, we also operate to what we consider sharing operations as well. We have Enterprise Car Share and Commute with Enterprise. Both of those services we operate in multiple states. And with those we do collect taxes, sales tax, just like a normal rental car or a typical rental car transaction, unless we are working with a specifically tax-exempt organizations like the Nebraska Department of Transportation. In other states we've worked with some broader legislation. In Nebraska, right now, we're just focusing on the tax implications. You know, just to identify that the facilitator of the rental transaction is responsible for collecting the tax. I think when you look at the peer-to-peer, and we talked about a little bit before, you know, who's actually renting the car and the owners of the car and asking them to be responsible for figuring out what taxes they're responsible for and what they-- which they have to actually pay and collect the taxes. I think it's a little unreasonable to ask an individual owner who might rent a car once or twice a year, even though some of these other companies might be running through some of these platforms as well, but we're kind of asking the platform that's responsible for facilitating the transaction to actually be the one that collects the taxes, as well, and remits those on behalf of the owners. But again, we're not, you know, to-- I gave some handouts, they were talking about some of the-- the double taxation issue that Senator Friesen mentioned before. You know, this isn't a tax on the-- on the owner it's-- on the owners themselves, this is a tax on the service in the transaction itself that is just like on a rental through Enterprise or National or Alamo that those are collected by the-- or imposed on the consumer-- the end consumer themselves, collected by the company that facilitates the transaction, and then remitted to the state, county, or city that has a tax imposed. You know, one of the-- I also have a handout there that kind of explains a little bit more of the peer-to-peer. I'm sure that's something that a lot of you haven't heard of before or haven't had a lot of experience with. But it's-- it's really just a facilitation of our own transaction. It's just like a-- what we-- what we call typical rent-a-car transaction. And if you'd refer to like a National Emerald Club or something that's a priority or loyalty membership club, it's done-- it almost looks the exact same way to the consumer. They go online, they book everything, they provide all their information upfront, their payment upfront, and then they-- they don't go to a rental counter, they bypass everything, go to a car, keys are in it, and they leave. You know, when you look at some of the peer-to-peer,

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it's pretty much the exact same transaction, what the consumer sees, it's just dependent on who owns the vehicle is the only difference. And when you look at the-- the peer-to-peer, the facilitator, the platform that is facilitated, they're the ones who are collecting from the customer and then paying the-- paying the owner a-- their portion-- or their fee for-- for the transaction. You know, there are-- there are a couple other things where, you know, with the double taxation, there are times where if we buy a car specifically-- or in the current tax code, there is provision where if we buy a car specifically to rent it as a primary use of that vehicle, we don't pay sales tax. And there's a provision if you-- and we would support that for any owner if they specifically buy a car just to-- just to-- I guess, purchases are just to rent the car as it's life. But the sales tax that's part of that is for the consumer portion of-- of owning that vehicle as they are the end consumer. You know, there is a secondary provision where, you know, you can choose to pay the sales tax on the vehicle or sales tax on the transactions, that's where one year longer leases only and not for what we consider rental transactions, which are generally 30 days or less. And even our contracts they're every 30 days unless it's a specific lease through our Enterprise leasing where you have a long-term agreement, which are probably a little more typical with dealerships and things like that where you're leasing a car for two, three years at a time. You won't pay the tax upfront, you'll-- or you can pay the tax upfront instead of paying on the transaction itself.

LINEHAN: Thank you. Are there questions from the committee? Seeing none, thank you very much.

RYAN THISTLETHWAITE: OK. Appreciate it. Thank you.

LINEHAN: Other proponents?

KORBY GILBERTSON: Chairman Linehan, members of the committee, for the record my name is Korby Gilbertson, spelled K-o-r-b-y G-i-l-b-e-r-t-s-o-n, appearing today as a registered lobbyist on behalf of the Nebraska League of Municipalities. I'm sorry, I have a cold, so hopefully you can understand me. What I have going around to you is page 25 out of the 32-page document that is the Turo terms of service that is given to the people that rent their vehicles through that platform. And if you look on page 25 near the bottom, it talks about the taxes that are due and it places the responsibility on the owner of that vehicle to find out what taxes are due and what airport fees, things like that. You do notice it does-- to answer your

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question, Senator Linehan, in Maryland they're-- they already do currently collect and remit those taxes to the state. And so that's in their own document. One thing that struck me is, I'm a lawyer and I read for a living, I can't imagine the typical car owner making it through a 32-page document, even understanding what half of this means, let alone knowing how to then contact someone to find out how to collect and remit the sales tax. But from the league of cities point of view on this legislation, you listen to fiscal impacts of the cities all the time and local municipalities and what they're getting and earning and taxes, I think you have a letter from the city of Lincoln somewhere in front of you, and it talks about, right now, sales taxes account for about 47 percent of their overall budget. And so when you look at every single different part that goes into that, we want to make sure that all of that is being taken in. And like Walt said, this-- and Senator Friesen, this is a tax specifically on a rental of a vehicle. Senator Lindstrom, you brought up why-- why is it like ridesharing. This isn't ridesharing. No one is in the car with you. You are take-- you are renting a vehicle. And they want to call it sharing. Well so I just looked up the definition of sharing in the dictionary and that's if you have a part or a portion or a larger amount which is divided among a number of people, or it's, you have a portion of something with another or others. When you rent, the definition is to pay someone for the use of something. Now they can call this sharing all they want, but it's a rental. The activity that goes on is the same. And if you look at our existing statute, it doesn't clarify right now whether or not this is done electronically or at the counter. So I would argue that it should be being paid right now. But because they-- and I'm one of the people that lived through the nightmare that was the Uber bill, and for a long time the argument was they shouldn't be taxed because they are just a platform. I think we've crossed that very much like we have with the Internet sales tax that just because Amazon is a platform that is facilitating the sales doesn't mean that they shouldn't have some responsibility for collecting the taxes, and they themselves admitted that and started doing it themselves last year. And then you have other legislation this year to further that policy. Ryan talked a little bit about the double taxation. I was given a copy of the amendment while I was in the hearing. So I apologize, I have it on my phone. The amendment from the opponents, as far as I can read, would change what this bill does, which is designate who collects and remits a sales tax into a tax on a transaction between the peer-to-peer car sharing platform and who is renting the vehicle. It also talks about if they pay the sales taxes on the vehicle, they could then not pay the sales taxes or the-- on

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the service of renting the vehicle. However, they changed the section that says that's only for leases of over a year and make it apply to them out of the box. So I haven't had time to read through this any closer than that, but from what I can tell, this would completely change and implement different taxes than we have right now in a completely different scheme of how the taxation works for the long term leases as well. So with that I'd be happy to try to answer any questions. Sorry. It's reading it to me. Okay.

LINEHAN: Thank you. Questions from the committee? Yes, Senator Lindstrom.

LINDSTROM: Thank you Madam Chair. I'm maybe going out of what would be talked about in this committee, going down memory lane today, I do remember Uber discussion on the side of the insurance discussion. And correct me if I'm right, because this is a few years ago, but it was a three-phase insurance app on when somebody got in the car app off.

KORBY GILBERTSON: Yes.

LINDSTROM: Am I right on that?

KORBY GILBERTSON: Um-hum.

LINDSTROM: And just so-- just for clarification on this, somebody does a rideshare, or not a rideshare, but a rental, the individual that would be renting then does the insurance goes on their insurance and--

KORBY GILBERTSON: That's listed in their terms of service who is-- who is responsible for what. And interestingly enough, a lot of their language about how-- who's responsible for what is straight out of every rental agreement I've ever seen. So the person who rents the vehicle, their insurance is primary. Then it goes into-- there's a lot of information which is things we saw back in the Uber bill, requires different modes of dispute resolution, where it will be handled, who does different things. It's very detailed; so everything is not simply laid out for the owners. And this legislation does nothing about that. In other states where there has been legislation, they have addressed the insurance issue, they have addressed safety issues which-- and other regulations that rental car companies are required to do. This bill, as Walt said, is simply addressing the collection of the sales tax on the service.

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LINDSTROM: I guess one follow up, just clarification, I can't remember what the act was for-- what the rideshare, and do you remember, was there a specific act that we call it, if-- but this particular legislation, not necessarily on the tax side, but just be able to operate, just sits under kind of that car rental language, right, would be equivalent to Enterprise, Hertz, all that.

KORBY GILBERTSON: Yeah. If you look at the way that the-- you get on the Turo app and you click on a car you can reserve it right then, you can schedule for it to be delivered or where you're going to go pick it up. It's done very much like every time I rent a vehicle.

LINDSTROM: OK. Thanks for taking me down memory lane.

KORBY GILBERTSON: Yeah, I'm sorry.

LINDSTROM: I appreciate it.

LINEHAN: Thank you, Senator Lindstrom. Are there questions from the committee? Thank you very much for being here, Ms. Gilbertson.

KORBY GILBERTSON: Thank you.

LINEHAN: Other proponents?

JACK CHELOHA: Good afternoon, Chair Linehan, members of the Revenue Committee. My name is Jack Cheloha, that's J-a-c-k C-h-e-l-o-h-a. I'm the lobbyist for the city of Omaha and I want to testify in favor of LB349 this afternoon. The city of Omaha sees this as a bill of fairness and equity. If-- if an individual is going to rent their vehicle out, we think it should be treated in the same manner as other rental car companies are treated relative to the sales tax. I know that you've talked a little bit about the Uber and Lyft platforms in here relative to the bill, I might give you another one to think about that the Legislature just addressed this session, LB57, I believe, had to do with Airbnbs, and that's a similar platform where people rent out their individual personal property for-- for rent similar to a hotel. The city of Omaha took a position on that bill where after negotiating with the introducer provided that Airbnbs met the same requirements of hotel-motels on the taxes, we would actually support it. And so because we think Airbnb is similar to this, we think this bill would be fair and they should be treated likewise when it comes to these platform type rentals. I had never heard of Turo before this session. I'm just not familiar with it, but as Senator Friesen has

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brought you a bill to that only protect the state, it also protects local governments because we have a local option. So for those reasons we support LB349.

LINEHAN: Thank you very much for being here. Are there questions from the committee? Seeing none, thank you very much. Other proponents? Any proponents? How about opponents?

VANESSA SILKE: Good afternoon, Chairwoman Linehan, members of the committee, Senator Friesen, my name is Vanessa Silke, V-a-n-e-s-s-a S-i-l-k-e. I'm an attorney with Baird Holm; we represent Allstate Insurance Company. So right out the gate, I'd like to thank Senator Friesen for listening. We met with him a couple of times and have shared some comments in opposition to this bill. We greatly appreciate the time and effort he put into understanding All State's position. So right out of the gate, I want to highlight a couple of things in response to some issues that were raised in the introduction of the bill and in prior testimony. One, my presence here and All State's commitment to participating in this bill is their commitment to the state in making sure that they're operating their platform in compliance with Nebraska law. And then to identify where the law might be improved to clarify exactly when and if tax is due and what other factors the state may want to address in operating these platforms. So there was a question about insurance and policies, Allstate Insurance Company does have a peer-to-peer platform, it's called Drift. It's not operated here in Nebraska yet, but they certainly want to come here, they want to expand to other states. And that's why they're making this great effort to work with states to make sure that there's an appropriate regulatory controls in place, so that it's clear, it's easy, and it's simple for people to participate on these platforms that are operate by Allstate. Allstate, on their platform, they offer a \$1 million policy that's specific to that transaction; it's built into every transaction that they have on their site. So it's not up to the rental car-- the folks that are sharing their cars through this process to look at whether or not they need an additional policy or whether or not their insurance who is the primary coverage for that. They-- they offer that right out of the gate. They also offer roadside assistance and 24/7 customer service for folks. When we look at the example of renting your car on the side, or borrowing your car out-- lending it out to a neighbor in exchange for cash, they don't get roadside assistance, they don't get customer service, they don't have any help if something were to go wrong while you're out of town. I also want to emphasize why Allstate is pushing back on this idea of

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taxing these particular types of transactions. So we want to highlight that by the type of people who use and the circumstances that utilize these peer-to-peer car sharing platforms. Two main groups, and we highlighted this in our letter, are military folks. Military folks earn money on these platforms by sharing their cars while they are deployed out of Nebraska, and for folks that are temporarily assigned into Nebraska have good reason to use these sites. They're often less expensive, easier to access, and a lot different terms than you may see from standard rental car companies or from car dealerships. Doesn't always make sense and people aren't always in a position to go buy a new car, or lease one, while they're deployed into or out of Nebraska. We understand industry wide about 17 percent of peer-to-peer car sharing platform users are military service people or veterans. So when we talk about who actually pays the tax, I think it's important from a policy perspective, as this committee decides when and if a tax applies, that we think about who's actually paying that tax. We highlighted, of course, the folks who put their cars on this platform have almost entirely paid that-- I think there'd be very rare circumstance where someone has not already paid the sales tax on the purchase of that vehicle. I also want to highlight one other group of folks that would benefit from this platform, particularly in Nebraska, and that would be folks who live outside of-- outside of towns in an agricultural setting or in small towns where we don't have any established public transit. Those folks are going to have better opportunities to share cars, to borrow cars to get to and from work in a way that just simply isn't available in public transit. Again, those are the folks that would be paying the tax that is sought to be imposed here through that transaction. Allstate will collect and remit whatever is legally required of them, but I think it's important for this committee to absolutely consider who will be paying that bill. It also helps-- one part of the market that certainly hasn't developed yet, but an opportunity that would be provided by these platforms in an act setting would be the ability to share grain trucks, other major implements that are definitely not something that standard stock at Enterprise Rent-A-Car or other types of rental communities that would be another opportunity again for Nebraskans to make the best use of their property. So with that, the last piece-- the last piece that I want to highlight, Korby brought up the Uber bill from years ago and the great effort by folks in the Legislature to figure out how best to regulate ridesharing platforms. And we see a need here, and Allstate has participated that in other states rather than trying to piecemeal attach when a tax might be due or when not and get in the weeds there. It may make more sense to look at more comprehensive regulation to

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make sure that the good things that Allstate is doing on their platform that the state wants to see are happening across the board if that's a policy that you want to implement, so. With that, I've got a light.

LINEHAN: Thank you. Thank you very much. Are there questions from the committee? Seeing none, thank you very much.

VANESSA SILKE: Thank you.

DUSTY VAUGHAN: Good afternoon, Chairwoman Linehan and members of the Revenue Committee. For the record, my name is Dusty Vaughan, spelled D-u-s-t-y V as in Victor a-u-g-h-a-n, and I am a registered lobbyist appearing on behalf of Turo. Just a little background on Turo; what we do is create a car-sharing community where car owners can connect with travelers who can book those cars. Turo does not own, share, rent, or we sell any vehicles. In Nebraska we currently have over 300 Turo hosts and over 19,000 Nebraskans signed up for Turo. Turo hosts share their cars and average 11 days a month and earn an average of \$130 monthly in Nebraska. While we appreciate the discussions we've had with Senator Friesen about this issue, Turo respectfully opposes LB349 as drafted. Rental car companies are a special industry with special taxing rules, as we've discussed. To try to tie in peer-to-peer car sharing with those same rules is in comparison of-- it's a comparison of apples to oranges. As mentioned previously, rental car companies do collect sales tax on rental price of their vehicles. However, that collection exempts them from paying sales tax. And as we all know, that can be an exorbitant sum here in Nebraska. Sales tax on a \$35,000 vehicle registered in Lincoln is estimated to cost around \$2,450. A Turo host also pays the annual registration fee on the vehicle as we all do. That same vehicle's annual registration fee is around \$780 with a downward sliding scale as the vehicle ages. In comparison, while a rental car company does pay the annual registration fee upfront, under Section 77-4501, they are authorized to collect up to a 5.75 percent additional tax on the transaction price to recoup their costs on the registration fee. They are allowed to set that fee up to the maximum, an estimation of how much they will need to bring in to cover the cost of the registration on that vehicle. Any additional amount that is collected is remitted to the county. We are not arguing that rental car companies should not be getting these tax breaks. This data is obviously set those policies for a reason. But to argue that a peer-to-peer car sharing application should be paying the same fees is fundamentally flawed based on our current system. We are certainly

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willing to work with Senator Friesen and the committee to come up with a sound policy on how this new industry should be treated as a-- Ms. Silke just indicated. Ms Gilbertson did mention that Maryland is the only state that is currently collecting this tax, that is true. There's about 35 bills in different states, and Maryland is the only one that has passed something. Peer-to-peer car sharing industry is paying about 30 percent of the-- what rental car companies are paying in Maryland. With that I will take any questions that you may have. Thank you.

LINEHAN: Thank you very much. Senator Lindstrom.

LINDSTROM: Thank you, Madam Chair. And I apologize for-- I've never gotten on one of these apps before so is it-- does it operate just like Airbnb or VRBO where you get on the app, you can look at price point, how many days you have to rent the car; or is it more like an Uber-type thing where you can do Uber, Uber XL, Uber Black, how does that-- what's-- if I get on the app, what is that look like?

DUSTY VAUGHAN: Let's say it's more like-- I would say it's more like an Airbnb. If you-- if you go on the Turo website, you sign up, you put your, you know, your email address and verify that, you verify your phone number, you verify your license-- your driver's license, you need to put that in, and then Turo verifies for that. And then it will come up with a screen. If you're-- if you're looking to pick something up-- something up in Omaha, say, it will show you all of the vehicles that are-- are there. So if you drive like a Corvette and there's a Corvette available, that will come up with what-- whatever it would cost for how many days you want to rent it for. So, yeah, it's pretty similar to Airbnb.

LINDSTROM: OK. So you get something that's a hundred bucks a day up to, I don't know, a thousand bucks or something like that.

DUSTY VAUGHAN: Yeah, depending on the vehicle.

LINDSTROM: OK. And a lot-- do a lot of these owners of the vehicles, like these Airbnb, it's a vacation home that might be for them, but they rent it out when they're not there. Similar to that, so they might use this as a supplement to maybe make car payments.

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DUSTY VAUGHAN: Absolutely, absolutely. I think Turo estimates that about 75 percent of vehicle owners that participate in the Turo Web site use it for-- to pay for the car payment, student loans.

LINDSTROM: Thank you, Mr. Vaughan.

DUSTY VAUGHAN: Thank you.

LINEHAN: Thank you, Senator Lindstrom. Are there other questions?
Senator Briese.

BRIESE: Thank you, Chairman. Thank you for your testimony and being here. You indicated earlier you'd be happy to work for Senator Friesen in developing some sound policy relative to this arrangement. What would that sound policy be? No-- no sales tax to be collected at all on it?

DUSTY VAUGHAN: I don't want to say that, Senator Briese. I think what Turo is looking for is some-- some kind of fairness in a certain policy. Obviously, the car rental companies do have these tax exemptions, and we're not saying they shouldn't have them, but I don't know what that would look like as far as-- but I think Turo would definitely want to have that conversation what we're willing to do and-- and how to regulate this new fledgling industry.

BRIESE: What percent of the short-term car rental industry do these type of platforms represent, any idea?

DUSTY VAUGHAN: I think is a very small, infinitesimal portion at this point. I don't know the rental car companies' market share, but I have a graphic, and I share that with you, it's a very tiny, tiny portion. Right now, Turo's estimated sales in Nebraska about \$126,000. So when we talk about sales tax, that would be about a little less than \$10,000 that we'd be collecting. So it's not a very big measure.

BRIESE: Maybe you hit upon this with your discussion with Senator Lindstrom, if you did, I missed it, but how do your rates compare to say a typical car rental company?

DUSTY VAUGHAN: They typically are about 35 percent less than a car rental company.

BRIESE: Thirty-five percent less. OK. OK. Thank you.

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DUSTY VAUGHAN: Correct.

LINEHAN: Thank you, Senator Briese. Other questions from the committee? Senator Kolterman.

KOLTERMAN: Thank you. Thanks for being here today. When you-- when you own a personal vehicle and you insure it with State Farm, All State, Farmers Mutual of Nebraska, any number one of those companies, the personal auto coverage usually excludes car rental.

DUSTY VAUGHAN: Correct.

KOLTERMAN: So, if they don't-- if they don't purchase-- well first of all, does your insurance pick up as primary on-- on--

DUSTY VAUGHAN: Are you talking about the vehicle owner?

KOLTERMAN: No, I'm talking about your company that--

DUSTY VAUGHAN: Turo.

KOLTERMAN: --the platform you're going through. Turo or AllState or whoever it is.

DUSTY VAUGHAN: So, it depends on who you're talking about. If you're talking about the vehicle owner, yes, Turo would pick up any costs damage that aren't covered. So Turo's insurance would be primary. If you're talking about the vehicle driver, the person that's renting it, and I think Ms. Gilbertson addressed that a little bit, that driver's insurance would be primary. And you can elect to--

KOLTERMAN: Purchase insurance.

DUSTY VAUGHAN: Purchase insurance just like you would with a rental car company up to a million dollar policy that Turo contracts with Liberty Mutual on.

KOLTERMAN: So it's Liberty Mutual is--

DUSTY VAUGHAN: Yes.

KOLTERMAN: --the rental company. Can-- can-- how does your-- how do your rates compare to-- like if I were to go-- a car rental-- Budget car rental and rent a car and buy their insurance, are you competitive?

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DUSTY VAUGHAN: That I don't know, Senator. I do know with Turo-- I was just playing on the app yesterday, you know, if you rent a typical-- a typical vehicle, it'd be about-- it would add about \$10 a day to it, to the rental.

KOLTERMAN: Sounds pretty competitive. So if I decided I was going to go to New York City-- that's not a good example, I'm not going to drive to New York City, so I go to San Francisco and rent a car from Turo, we wanted Turo, and I buy the insurance, then they just drop it off wherever you're at or they meet you at the airport?

DUSTY VAUGHAN: So it's-- it's a lot like Uber in that regard where you communicate with the host, the vehicle host communicates with the vehicle renter where you're going to drop it off, where you're going to pick it up. So if you're renting my car, we'll agree that, you know, we're going to meet at the airport. I drop off the car to you and then I figure out how to get home. You take the car, rent as long as you agree to, and then bring it back to me wherever we agree to meet.

KOLTERMAN: OK, thank you.

LINEHAN: Thank you, Senator Kolterman. Senator Groene.

GROENE: So you have some parameters. You probably have to have collision insurance and no deductibles or whatever. If you're going to be listed on your site-- on that site, I guess you represent them.

DUSTY VAUGHAN: That I don't-- actually, I don't know that, Senator. I don't know if you are required to have insurance. I do know that Turo covers the car if there is an accident and the driver isn't covered for some reason, Turo will pick up the cost [INAUDIBLE] damages.

GROENE: And what is the advantage again, why don't I rent a car? Why don't I just rent one from Hertz? I thought you said \$10 more, but it's not, it's less.

DUSTY VAUGHAN: For insurance, yeah.

GROENE: But what the overall cost, it's negotiated?

DUSTY VAUGHAN: The overall cost is typically 35 percent less than a rental car company.

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GROENE: Thirty-five.

DUSTY VAUGHAN: Thirty-five percent less.

GROENE: So did you say in your opening-- or not in your opening, but your testimony, how many dollars does Turo do in the state of Nebraska?

DUSTY VAUGHAN: About \$126,000 they've done.

GROENE: So, and they've been operating--

DUSTY VAUGHAN: In Nebraska for a few years now.

GROENE: Gross amount?

DUSTY VAUGHAN: What's that?

GROENE: That's a gross amount?

DUSTY VAUGHAN: Yes.

GROENE: So really, if we charge you sales tax on that, you've got a lot of expenses against that rental then.

DUSTY VAUGHAN: Yes.

GROENE: I mean it's not really taxing the-- well, it's more than just taxing Hertz where they've got their business deductions, you guys are just doing a service.

DUSTY VAUGHAN: Correct.

GROENE: Yeah, all right, thank you.

LINEHAN: Thank you, Senator Groene. Other questions from the committee? In your-- maybe it wasn't your opening, but somebody said the average days that the owner of the car rents it out or let somebody use it and how much they make per month. Was that you?

DUSTY VAUGHAN: That was me, yes.

LINEHAN: What did you-- can you--

DUSTY VAUGHAN: I said the average Turo host rents out their car 11 days a month and averages just about \$130 in income over that month.

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LINEHAN: Just 11 days and you're only-- it's-- OK. Thank you. Senator Groene.

GROENE: So if I got a used car lot, can I list my cars on there and then you cover the insurance? I'm a used car dealer.

DUSTY VAUGHAN: Would Turo cover the insurance?

GROENE: Yeah.

DUSTY VAUGHAN: You know, I haven't presented that to them, Senator Groene, I don't know. I don't have the answer to that.

GROENE: You don't know if used car lots are using a service.

DUSTY VAUGHAN: Not that I know of. I do not believe in the used car service, I think it's just--

GROENE: Individuals.

DUSTY VAUGHAN: Yes.

GROENE: Thank you.

LINEHAN: Thank you, Senator Groene. Senator Kolterman.

KOLTERMAN: Thank you, Senator Linehan. When you rent a car from the big boys, you have to list every driver they charge specifically for each driver. Same way with you? So if my wife and I were going to go on a trip, we're both going to be drivers. So when you see a charge on both people?

DUSTY VAUGHAN: When you sign up for Turo, that's the person that is entering their driver's license. I believe that's the only person authorized to drive the vehicle. I don't know if there is an option where you can add a driver to it. I would have to check on that for you, Senator.

KOLTERMAN: OK, I'm just curious. I'm just trying to see how the two compare. I've done a lot of one, I've never done the other.

DUSTY VAUGHAN: Sure.

LINEHAN: Thank you, Senator Kolterman. Other questions from the committee? Seeing none, thank you, Mr. Vaughan, for being here.

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DUSTY VAUGHAN: Thank you.

LINEHAN: Other opponents? Anyone wanting to testify in the neutral position? Senator Friesen, would you like to close? I've got a couple of letters for the record. Proponents: Brandon Kauffman, the city of Lincoln; Sharon Faulkner, American Car Rental Association. Opponents: Jane McEnaney, TechNet; Rose Feliciano, Internet Association; Allstate Insurance Company; Leighton Yates, Auto Alliance. Neutral: none.

FRIESEN: Chairman Linehan, you know, the only thing I want to add, kind of, just remember that sales tax is always-- it's on the rental of the vehicle; it's passed through to the rentor and it's just charged by the third party app. Pretty simple bill, but it's an up and coming thing. Who knows how big it'll be some day.

LINEHAN: Other questions from the committee for Senator Friesen? Seeing none, thank you very much. That closes the hearing on LB349 and we will go to AM481. Senator Lindstrom. Hi. Sorry, sidebar, brought food; we're all appreciative.

LINDSTROM: Good afternoon, Madam Chair, members of the committee. My name is Brett Lindstrom, B-r-e-t-t L-i-n-d-s-t-r-o-m, representing District 18 in northwest Omaha. I'm here today to introduce AM481, which I'll talk about is actually AM701 to LB610. As we discussed during the public hearing on the green copy of the bill, LB610 intends to establish an incentive to Nebraska employers to create 529 college saving benefits for their employees and the kids of their employees. The green copy of the bill proposed that the incentive be in the form of an income tax credit. As you can see in the fiscal note, the Department of Revenue estimated a significant fiscal impact of implementing this incentive via an income tax credit. During the public hearing, the State Treasurer proposed to modify the mechanics of the incentive to function as a rebate. This amendment reflects that change under AM481 that will be AM701. Employers would apply to the State Treasurer's Office with an application detailing the amount of contributions given by the employer and the State Treasurer would reimburse the employer in the amount provided for in the bill. Since the Treasurer's Office already has the information necessary to effectuate this bill, the State Treasurer estimates no fiscal impact to his office and eliminates the fiscal note impact of the Department of Revenue. AM481, also AM701, also contains a provision which provides a college savings incentive for low income and middle class Nebraskans. That provision is similar to the legislation introduced by Senator Wishart. After further discussion with Senator Wishart, we

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have decided that the more appropriate process is for her provision to be added via floor amendment rather than through the committee amendment process. Accordingly, I am submitting for your consideration AM701 which strips out the low income incentive from the bill. Additionally, the amendment makes the bill operative on January 1, 2022, to ensure no fiscal impact for this biennium. Once operative, it is estimated that there will be a \$15,000 in annual expense for the cost of the program. I urge the adoption of AM701 and advance LB610 to the floor for debate. And just as a side note, there's four 529 bills out there. Senator Wayne has one; Senator La Grone has one; Senator Wishart has one; and I have one. Senator Wishart's provisions were heard in the Education Committee dealing with the poverty aspect of the 529 and how would we contribute to that. In talks with Senator Wishart, we felt that is a better approach to just be more specific and deal with the revenue aspect and then talk to senators as we move closer to the floor. I would like to point out that I-- this most likely will be my priority bill this session. And I just want, as we're kind of talking, I've heard a lot of rumors out there that this might be an end around on school choice and a way to supplement some of the K-12 education. I can assure you that none of those conversations have happened. And this is-- my bill is directly tied to the 529 to be used for second-- post-secondary education. So college, anything like that, so not to be used for K-12 education. So I just want to make that clear, because I've heard that come about in the last 24 hours. So with that I'd be happy to answer any questions that the committee may have.

LINEHAN: Thank you, Senator Lindstrom. Yes, Senator Crawford.

CRAWFORD: Thank you, Madam Chair. And thank you, Senator Lindstrom. So, you just said that you thought it would be a \$15,000 expense. I'm trying to understand where the Treasurer gets the money to provide this incentive, where that money comes from.

LINDSTROM: And Treasurer Murante will be right behind me to clarify a lot of that stuff. I think the \$15,000 was just to implement the program.

CRAWFORD: OK. Just to implementation, so I did-- so I didn't know what the expense is or where the money comes from.

LINDSTROM: So the difference is the credit versus the rebate.

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CRAWFORD: Right.

LINDSTROM: In this-- this is-- yeah-- that's what LB-- oh, I'm sorry, what AM701 does. AM701 removes the Wishart portion-- Senator Wishart portion, and then just sticks to the mechanism.

CRAWFORD: Right.

LINDSTROM: Yep.

CRAWFORD: So, I guess I'll ask him when he testifies where the money comes from.

LINDSTROM: Yeah, right. Sure.

LINEHAN: Other questions? Senator Briese. Excuse me. Thank you, Senator Crawford. Senator Briese.

BRIESE: Thank you, Chairman Linehan. So when is-- when is the operative day, or when does this start? Is that why the fiscal note is different, or-- this one doesn't have a fiscal note.

LINDSTROM: It doesn't because of the way that it's handled because of the rebate versus the credit. The implementation date is not for this biennium, it's for January 1, 2022.

BRIESE: OK. So it has no impact on this next biennium budget whatsoever.

LINDSTROM: No. No.

BRIESE: OK. Thank you.

LINEHAN: Thank you, Senator Friesen. Other questions from the committee? Seeing none, thank you; and you'll stay to close?

LINDSTROM: Sure.

LINEHAN: Thank you. Proponents.

MURANTE: Good afternoon, Chairwoman Linehan, members of the Revenue Committee. My name is John Murante, J-o-h-n M-u-r-a-n-t-e, and I am the Nebraska State Treasurer, here today in support of AM701 to LB610. Senator Linehan, excuse me, Senator Lindstrom, I think, ably laid out how the process would work. To answer your question, Senator Crawford, the bill creates cash fund, basically, at the end of every year, the

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Treasurer's Office would perform an analysis of the number of employer contributions which qualified under this act; would transfer the appropriate amount from the General Fund into that cash fund to be distributed back out to employers in the amount set forth in the bill. We believe that although it will be no fiscal impact in terms of our offices of implementation of it, the total amount of rebates, once the act becomes operative, would be in about \$15,000 range. We've contacted, at this point, every state who has implemented some sort of-- takes state tax incentive for employers to contribute 529 benefits to their employees. That seems to be a rather conservative estimate of the number, once the bill becomes operative. Although there are more states contemplating this, the first state that it was, was about 10 years ago, I believe that was the state of Illinois. Two states just became operative January 1 of this year, and more states are pursuing this as a-- as a policy measure. So that is how we envision having done this. In-- in particular, before I close, I want to thank, in particular Senator Lindstrom, Senator Wishart for their very hard work on this subject matter. I want to thank Tax Commissioner, Tony Fulton, who has provided a tremendous amount of insight on, not just this bill, but all of the college savings bills, on the best way to-- to craft those going forward. And, of course, this committee for-- for hearing so much of our college savings package for this year. So, be happy to answer any questions that you may have.

LINEHAN: Thank you, Treasurer Murante. Yes, Senator Crawford.

CRAWFORD: Thank you Madam Chair, and thank you, Treasurer Murante. So, I believe what I heard you say is that the implementation costs are minimal and \$15,000 is what you expect to have to pay out in these credits.

MURANTE: Correct.

CRAWFORD: Because \$15,000 doesn't sound like very much.

MURANTE: It does not. And that's really one of the reasons why the-- the-- the package has-- or the incentive has started, kind of, catching fire across the country is that it's not a huge state investment. California-- excuse me, Colorado was-- implemented theirs on the first of this year. They estimated it would be \$25,000 expense in their fiscal note; although it's too early to tell what the actual fiscal impact is. The state of Wisconsin, actually their wording, and I have their fiscal note right here, they actually thought that the

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costs could be absorbed by their treasurer's office, although their treasurer's office operates on general funds and ours pretty much does not, with the exception of the Child Support Division, so that's a little bit of an apples and oranges comparison. But they thought the fiscal impact was expected to be minimal. And that's quoting their fiscal analysis. I could go through the rest of the states, but that's pretty much how the states have-- that's been their experience when implementing this-- this policy.

CRAWFORD: So each-- each year we'll take this from the General Fund, and it doesn't-- it would not have a fiscal note because it doesn't start until after the two years that are in our fiscal notes now.

MURANTE: Correct. And the rationale I was giving to that was even though the costs might be minimal, a dollar is too exorbitant under the present fiscal condition. So this fiscal biennium was probably not the best time to start it.

CRAWFORD: So will this be part of your annual appropriation discussion with Appropriations Committee then?

MURANTE: So it's certain-- it's not an appropriation to our office. This would not be any discretionary funds that the Treasurer's Office would be able to utilize. It is earmarked for a specific purpose. Other programs that operate like-- like this in the-- so to speak, and these are rough analogies because there isn't really a comparable 529 benefit out there, would be Ralston Arena financing that money, flows through the Treasurer's Office out of the state and into Ralston Arena to help them pay their bills. It doesn't-- it comes-- comes through a cash fund that our office handles, but it doesn't-- it's not like it opens up money for our office to spend. We're just the custodians as the money goes from point A to point B.

CRAWFORD: OK. So, this will be General Funds, there is not necessarily a cap, it's just however successful a program is.

MURANTE: Yes. Well, there's a cap per employee. Yes.

CRAWFORD: Cap per employee. Thank you.

LINEHAN: Thank you, Senator Crawford. Senator Friesen.

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FRIESEN: Thank you, Chairman Linehan. So, these 529 funds, you're starting a college scholarship thing, but they can go anywhere in the country to college right? It's not limited to--

MURANTE: Correct.

FRIESEN: --using it here. OK. So, you say it's a matching dollar, so to speak, so what does the employee, he gets-- when he contributes, what is his tax advantages, what does he get? Just a deduction off his gross income so he doesn't have to pay taxes.

MURANTE: And in addition, the investment income grows tax free.

FRIESEN: OK. And so the employer, right now, can't an employer make matching contributions currently at all?

MURANTE: Yes.

FRIESEN: So he would get, basically, the same type of deduction or a tax savings as the other.

MURANTE: No, not under-- under this bill the only-- the only.

FRIESEN: Under current law.

MURANTE: Under current law, the only one who can claim-- the only individual who can claim the income tax deduction is the participant who puts in money into the five-- the account owner has to be the one who-- to claim-- to claim the tax deduction. If one person gives money to another account owner's 529, they cannot claim the tax deduction.

FRIESEN: OK. So now we're allowing the employer to put money into the account and now he gets 25 percent credit.

MURANTE: The only thing I would modify to what you said is, they're already allowed to. So you're not changing the allow; whether it's permissible to do it, there is-- it's permitted to. This is--

FRIESEN: OK. Permissible right now.

MURANTE: But now they're getting 25 percent up to \$2,000 per employee to incentivize them to create that incentive because no employers in Nebraska currently do it.

FRIESEN: OK. Thank you.

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LINEHAN: Thank you, Senator Friesen. Do you have a question? Other questions? Now, I'm confused. Is it a deduction for the employee or a credit?

MURANTE: So under the way the amendment is drafted, it functions basically as a rebate where we would make an analysis at the end of every year of the number of qualifying employer contributions to their employees. And basically we would write them a check at the end of the year out of the cash fund that's created in this bill. So it functions as a rebate.

LINEHAN: So they don't get a deduction, they don't get a credit, you just get a rebate.

MURANTE: Correct.

LINEHAN: How much is the rebate?

MURANTE: It would be 25 percent of what the employer contributed to their employees' 529 account, up to \$2,000 per employee.

LINEHAN: OK. Other questions? And then the other big change is now the employer can put into the same account. The child can just have one account. Every contributor doesn't have to have an account for the child. Right? Isn't that one of the bills?

MURANTE: Yeah. That's the-- that's Senator La Grone's bill.

LINEHAN: Not this bill, but that's the goal, right?

MURANTE: Yes.

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

MURANTE: Thank you, much appreciate it.

LINEHAN: Are there other proponents? Are there other-- OK, I guess we go to opponents. Are there any opponents? Is there anyone wanting to testify in a neutral position? Would you like close, Senator Lindstrom?

LINDSTROM: Not much more to add. I think Treasurer Murante covered most of it. Again, this is an important bill, I think, for growing-- or just to be invested in the youth of our state and making sure those

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kids have the opportunity to go onto higher education. So I have nothing more to add that Treasurer Murante didn't, but I'll answer any final questions.

LINEHAN: Questions from the committee? I'm just, because I heard some of the same concerns you've heard in the last 24, 48 hours that the 529 plans, all five of them that have been introduced-- I'm sorry. OK. All of them have been introduced are all about college savings, right?

LINDSTROM: All of them. You can only use these dollars for college.

LINEHAN: College, not any K-12.

LINDSTROM: Zero.

LINEHAN: Just college.

LINDSTROM: Right.

LINEHAN: OK. Thank you very much. Any questions? Yes, Senator Friesen.

FRIESEN: One last question, I guess. So, clarify in my mind, an employer now could give up to \$2,000?

LINDSTROM: They could get a rebate of up to \$2,000.

FRIESEN: A rebate of up to \$2,000.

LINDSTROM: Odds are, that's not going to happen under this fiscal note.

FRIESEN: Yeah. [INAUDIBLE.]

LINDSTROM: I mean, you need, as an employee, you're going to have to contribute whatever amount, say it's 50 bucks, then the employer would do a one-for-one [INAUDIBLE].

FRIESEN: So, if I'm working for a company and I've got a college savings account for my kid, I put in \$5,000. Company puts in \$5,000?

LINDSTROM: Couldn't do five; you could do 25 percent up to \$2,000.

FRIESEN: That's what the rebate is.

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LINDSTROM: Yeah, I guess, in the 529 you can put in-- there's no cap on the 529. No, you can add as much as you want to.

FRIESEN: I mean, if I had a really good job, and I'm thinking of a good company, I put in \$5,000. The employer puts in \$5,000, I got \$10,000 there. He gets a check for 25 percent of \$5,000.

LINDSTROM: Yeah. Yep, 25 percent, up to \$2,000.

FRIESEN: OK. With a \$2,000 cap.

LINDSTROM: Cap. Yes, the \$2,000 would be a cap.

FRIESEN: Per employee.

LINDSTROM: Per employee.

FRIESEN: OK, got it. I think I've it got clear. Thank you.

LINEHAN: Thank you, Senator Friesen. Any other questions from the committee? Senator Kolterman.

KOLTERMAN: Under the regular 529s though nowadays, can't you use that for K-12 as well?

LINDSTROM: No, not in this state.

KOLTERMAN: OK. I was going to say some states.

LINDSTROM: Some states do allow it. Yeah. But we don't here. And really, you know, going back to that argument, the nice thing about a 529 plan is just the time value of money, right? So if you-- if you give yourself, call it 17, 18 years before the child goes to college, now you might not start that when they're born, but you might, the ability to grow tax free over that time or without capital gains for the purposes of use it for qualified room and board, books. that type of thing, you want to give yourself that amount of time. So if you're going to use it for-- I just think the likelihood-- and a lot of other states, even if you could, wouldn't be used for K-12 education; you'd use it for college anyway just because that helps [INAUDIBLE] development.

KOLTERMAN: So, do they-- so the same rules as, like if you take it out and it's not being used, you'd still pay income tax on it, plus a penalty.

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LINDSTROM: Plus a penalty, yes.

KOLTERMAN: Yeah, OK.

LINEHAN: Thank you, Senator Kolterman. Other questions from the committee? Seeing none, thank you very much.

LINDSTROM: Thank you for letting me do another hearing. I appreciate that.

LINEHAN: Thank you. All right. That brings-- oh wait, do we have letters? We have no letters. So that brings our hearing on AM481 to a close.