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**LINEHAN:** Welcome to the Revenue Committee public hearing. My name is Lou Ann Linehan. I'm from Elkhorn. I represent Legislative District 39. I serve as Chair of this committee. For the safety of our committee members, staff, pages, and public, we ask those attending our hearings to abide by the following procedures. Due to social distancing requirements, seating in the hearing room is limited. We ask that you only enter the hearing room when it is necessary for you to attend the bill hearing in progress. The bills will be taken up in the order posted outside the hearing room. The list will be taken up-- excuse me. The list will be updated after each hearing to identify which bill is currently being heard. The committee will pause between each bill to allow time for the public to move in and out of the hearing room. We request that everyone utilize the identified entrance and exit doors to the hearing room. We request that you wear a face covering while in the hearing room. Testifiers may remove their face covering during testimony to assist committee members and tri-- transcribers in clearly hearing and understanding the testimony. Pages will sanitize the front table and chair between testifiers. Public hearings for which attendance reaches seating capacity or near capacity, the entrance door will be monitored by the Sergeant-at-Arms, who will allow people to enter the hearing room based upon seating availability. Persons waiting to enter our hearing room are asked to observe social distancing, wear a face covering while and waiting-- while waiting in the hallway or outside the building. The Legislature does not have the availability, due to the HVAC project, of an overflow hearing room for hearings which attract several testifiers and observers. For the hearings with large attendance, we request that only testifiers enter the hearing rooms. We ask that you please lim-- limit or eliminate handouts. The committee will take up the bills in the order posted. You-- our hearing today is your public part of the legislative process. This is your opportunity to express your position on the proposed legislation before us today. To better facilitate today's proceedings, I ask that you abide by the following procedures. Please turn off your cell phones. The order of testimony is the introducer, proponents, opponents, neutral, and closing remarks. If you will be testifying, please complete the green form and hand it to the page when you come up to testify. If you have written materials that you would like to distribute to the committee, please hand them to the page to distribute. We need 12 copies for all committee members and staff. If you need additional copies, please ask a page to make copies for you now. When you begin to testify, please state and spell both your last and first name for the record. Please be concise. It is my request that you limit your testimony to five minutes. We will use the light system, so you have four minutes on green and when it turns yellow, you need to wrap up. If it's red, I will ask you to stop. If there are a lot of people wishing to testify, we will use a three-minute testimony limit. Since there's nobody here-- if your remarks were reflected in the previous testimony or if you would like your position to be known but do not wish to testify, please sign the white form on the table outside the room by the entrance. It will be included-- included in the official record. Please speak directly into the microphone so our transcribers are able to hear your testimony clearly. I would like to introduce committee staff. To my immediate right is committee counsel Mary Jane Egr Edson. To my immediate left is research analyst Kay Bergquist. To the left at the end of the table is committee clerk Grant Latimer. And now I'd like the committee to introduce themselves, starting with--

**PAHLS:** Thank you, Chair. Rich Pahls, District 31, southwest Omaha.

**LINDSTROM:** Brett Lindstrom, District 18, northwest Omaha.

**FLOOD:** Mike Flood, District 19, Norfolk.

**BRIESE:** Tom Briese, District 41.

**ALBRECHT:** Joni Albrecht, District 17.

**LINEHAN:** Our pages this morning are Thomas and Turner. Both are at UNL and they're both studying political science. Please remember that senators may come and go during our hearing as they have bills to introduce another committees. Please refrain from applause or other indications or support or opposition. I would also like to remind our committee members to speak directly into the microphones. For our audience, the microphones in the room are not for amplification but for recording purposes only. Last, we are electronics-equipped committee. Information is provided electronically as well as in paper form; therefore, you may see committee members referencing information on their electronic devices. Be assured that your presence here today and your testimony are important to us and critical to state government. Good morning, Senator Lindstrom.

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**LINDSTROM:** Good morning.

**LINEHAN:** We will open the hearing on LB64.

**LINDSTROM:** Good morning, Chairwoman Linehan. 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. Today I'm introducing LB64. To give you a little history, this particular subject matter is something that I've-- since my first day in the Legislature, I've brought a bill pertaining to Social Security income and the way that we tax it. This bill is actually very similar to the one that I brought, I guess, now going seven years ago. And we've tried a sim-- a different version along the way because, as you can look at the fiscal note, it does-- it's rather large. In the-- in the first year, it's around $31 million; and then in the final year, in 2025, it gets up to $138 million of lost revenue. A couple of years ago, we took on this issue. This was about three or four years ago. At the time, we taxed Social Security income, for a joint filer, $58,000; for a single filer, $43,000. Like most of our tax brackets, it's indexed to the CPI. That was one thing that we did-- that we did do a few years ago. So it-- it is keeping it up with inflation as it pertains to the tax brackets. I will tell you that the vast majority of people that solely rely upon Social Security are exempt, so anybody-- and I-- I haven't seen what it's grown to, but let's call it $60,000 for a joint filer. Any-- anything below that is not paying tax on Soc-- Social Security income. For a single filer, I'm guessing it's around $46,000 now, and change, that is not paying. What this bill is getting at, and when we deal with anybody above that, is the AGI, adjusted gross income. So if you have an individual that is relying upon Social Security income and they have dividends and interests out of an investment account, I would consider those individuals in-- in the middle class. We talk a lot about our brain drain with younger individuals leaving the state. I would argue that we're not very tax friendly to our retirees. We have about 10,000 people in this country retiring every year, turning 65 and retiring, so this bill gets at that issue and it does phase it out. And I think we've-- we've done the phase-out. Actually, one of the-- one of the letters that is in opposition wasn't because we were doing this bill; it was because it wasn't quick enough. So if you're looking at the record and saying, why is this person opposed? We're just not doing it fast enough. So we did it over five years, 20 percent a clip, at 100 percent in 2025, which, again, would get up to a significant portion. However, when you look at the population in Nebraska and our demographics, we do have an aging demographic in the-- in the state. I would argue that those individuals are the ones that participate in-- in volunteerism at their local Rotary, Kiwanis, Elks Lodge, a-- a lot of those things that make a-- make a community what it is. And I get that some people aren't going to leave just because of the taxes. And, you know, weather obviously has something to do with it, and we've-- we've run through a lot of those-- these particular issues over the last, well, seven years that I've been here. But we are always in a competitive state when it comes to our tax policy, and Iowa phased theirs out back in 2013. And I do-- I do want to say that us taking on the-- the military retirement is a big deal as well. And I'm, again, 100 percent in favor of that. I think this is another component to that retiree portion that needs to happen. And then, of course, we talk about South Dakota, Wyoming not having an income tax. The other states, Kansas, Colorado, both have different tax brackets that are a little bit higher than what we do. So, again, it's about an overall tax policy as we change and moving forward to hopefully something big in the near future as we try to look at overhauling everything. This is just, again, one of those pieces of the puzzle that I think needs to be addressed to make us a more competitive state when it comes to our retirees. And, you know, a lot of retirees have more discretionary income to spend in-- in our economy. And if we give them the ability to do so, they're still-- you know, if we tax them out of the state, we're losing property tax, sales tax and the like, and-- and it's very easy for individuals to-- coming back from Florida to go to Florida and have 84-degree weather, even in a negative 20-degree environment here. So it's one thing that I think we can do as an overarching tax reform theme. And with that, I'd be happy to answer any questions with regards to the-- LB64.

**LINEHAN:** Thank you, Senator Lindstrom. Are there any questions? Senator Albrecht.

**ALBRECHT:** Thank you, Chairman-- Chairwoman Linehan, and thank you for bringing this bill. Tell me a little bit, when you first got started, in your first four years when you were bringing this, what kind of opposition did you have? Did you not-- were you not able to get it out of committee, or what was the history of this?

**LINDSTROM:** Yeah. So at the time that I brought it, it was-- Chairman Gloor was on the committee, and I remember seeing Chairman Gloor and I think-- what was his-- Schumacher was on-- Senator Schumacher was on there. It was just a different makeup. I remember Senator Gloor goes, do you know what-- what was it-- do you know marginal tax rates versus-- he-- he gave me some question. Well, you know, I learned a quick term down here, a quick thing that happens is death by fiscal note, and since day one, since that first introduction of the bill, yeah, that-- that was part of it. I remember what the fiscal note was. It was $109 million to phase it out at the time. Now it's 131.

**ALBRECHT:** Wow.

**LINDSTROM:** And so obviously you have some individuals that are accessing Social Security income, but that's the history. And so over the-- and I appreciate Senator Brewer, who has also come alongside and he'll have the next bill up, but there's been different versions along the way and that's what led me into-- well, Brewer has a bill that caps it at $95,000 on the top end. So we're really-- his bill is targeting at that middle-- middle class. So we do have options on discussion. The least I felt I could do-- again, going back to the bill that I proposed to index the brackets. That was something that I remember it was just-- it was a few million dollars of-- on the fiscal note, but at least it kept up with inflation. And so the idea behind it, and-- and even in this current environment where you have very low interest rates, where most people that are 65 and older are utilizing short-term fixed income to have their dividends and interest and the yields, are very low. So they're not keeping up with inflation, which on average is, over 75 years, about 3 percent, a little higher. And this is the idea behind that, is to make sure that purchasing power that retired individuals and what they're accessing doesn't get eaten away by inflation. And this is one of those things on the side of the-- the ledger, if you will, was one thing we could do as a state to allow our retirees to make their dollar go a little further.

**ALBRECHT:** And the Social Security on that lower tax bracket area, or you said 40--

**LINDSTROM:** Forty-three thousand for a single filer.

**ALBRECHT:** --43,000. Is that something that we made that decision here in the Legislature--

**LINDSTROM:** Well--

**ALBRECHT:** --or was that something that's always been around?

**LINDSTROM:** That-- that was around the time that I was here. I don't know the historical context to where the brackets came from, but at the time-- it's in statute. It says $58,000 and $43,000, so $58,000 for a joint filer, $43,000--

**ALBRECHT:** OK.

**LINDSTROM:** And then what we did was just attach the CPI to that so it just kept up with inflation.

**ALBRECHT:** Um-hum. Well, I just appreciate the history. I wanted to see where it started, so.

**LINDSTROM:** It's been a journey, but I figured, you know, it's one of those things. I understand that we have different priorities. But I do think, if the committee sees fit and wants to move forward with something, at least we had the discussion and can look at doing something like that. And it-- it-- and I would say military retirement was in the same spot that this bill was seven years ago. I-- I-- I didn't think we'd ever see that happen and that happened. So I-- I do want to continue this conversation. I know I only have one more year to do it.

**ALBRECHT:** That's right.

**LINDSTROM:** But I do think it's important to continue this conversation.

**ALBRECHT:** Very good. Thank you.

**LINEHAN:** Thank you, Senator Albrecht. Are there other questions from the committee? Senator Pahls.

**PAHLS:** Thank you, Chair. Would you give me the number of people who already are exempted?

**LINDSTROM:** I don't know the total population that is, but anybody-- and it's changed because we indexed it.

**PAHLS:** Right.

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**LINDSTROM:** So I'm going to-- under statute it's $58,000, joint filer, and $43,000, single filer. That has crept up because of inflation, so it's going to be more. Let's call it $61,000 for a joint filer and $45,000-46,000 for a single filer. If you are-- if your income, if your adjusted gross income is below those two numbers, you know, if it's joint filer or single filer, you are not going to pay tax on Social Security income.

**PAHLS:** OK.

**LINDSTROM:** And so if you're just relying upon Social Security income alone, you're probably not paying tax. But it's-- it's with the dividends and interest attached to that that gets you above that tax bracket where now you're paying.

**PAHLS:** Thank you.

**LINDSTROM:** You're paying on the portion above that-- above that rate. So you're not paying on all of it; you're paying on what's above the $43,000 or the $58,000.

**PAHLS:** So, because I-- I don't pay attention to it, so that my rate-- some of my Social Security is not taxed.

**LINDSTROM:** Some of it-- yeah, some of it is not taxed. And-- and I will say the-- the-- the staunchest supporters of this bill have typically been retired teachers, have been, you know, in support of it. AARP will be behind me, and they're-- they're-- been supportive. They've been supportive along the way.

**PAHLS:** Thank you.

**LINEHAN:** Thank you, Senator Pahls. OK, so I'm going to-- so if-- if you make-- if you're single, you make $46,000, then you don't pay on the Social Security. I mean, do-- once you go above $46,000, you pay on all of it?

**LINDSTROM:** No, you pay on-- it's the mark-- just the brack-- whatever is above it. So if your AGI, say, is--

**LINEHAN:** Let's say it's $100,000.

**LINDSTROM:** --$50,000.

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**LINEHAN:** Let's say it's $100,000. That's easier.

**LINDSTROM:** OK, $100,000. So you're just going to pay-- anything of your Social Security that's above the $46,000 you're going to pay on. But you're also-- you're-- say you have dividends and interest from your investment account. That's attached to your AGI and you're going to pay above that. And that, that would be your ordinary income tax rate, which when you retire it typically drops and you're more-- more likely going to be in the 23 percent tax bracket, thereabouts, versus 39 percent.

**LINEHAN:** So would you consider-- I mean, obviously the fiscal note does kill the bill, right?

**LINDSTROM:** Yeah, absolutely, yeah, um-hum.

**LINEHAN:** So-- but, since we've talked about this on the committee, little bites instead of big bites, have you ever had a fiscal note where they did 10 percent, then 20, then 40, then 50, go in 10 percent--

**LINDSTROM:** I'm sure I have. I can't remember that. This is seven different versions. I--

**LINEHAN:** But it would seem like--

**LINDSTROM:** Yeah.

**LINEHAN:** --if-- let's just say so 20 percent for '21-22 is $31-- or almost $32 million, so if it was 10 percent, it would be $16 million, right?

**LINDSTROM:** Yeah. And I think the reason I brought this bill as opposed to something different that I have in the past is that with-- with Senator Brewer bringing a different version of it, it gives us options to look at, OK, here's what happens if we get rid of all of it. In Senator Brewer's bill, it caps it at, I believe, $95,000. My intent is if-- if you have the ability to live in Florida, odds are, you're not solely relying upon Social Security income.

**LINEHAN:** Right.

**LINDSTROM:** So I would rather target the-- the kind of middle class, if you will, of individuals that have a little bit of a fixed income as a component of their adjusted gross income and Social Security. So if-- if we need to change the 20 percent to 10 percent or do some version of Senator Brewer's bill, I don't have any-- I mean, I don't care about the ownership in this bill as long as it gets done. So if it's Brewer's bill and we can tweak it and it-- and it makes it better, fantastic. But there-- there is a happy medium, I think, there. I just wanted to put the bill in to completely phase it out mainly to have the discussion and show the committee what it looks like if we do that.

**LINEHAN:** Because I-- I'm just going to ask this and more for the record than I think, if you do know, exactly, the answer, because I don't. These are the same people that we're exempting Social Security, they were-- are more than likely eligible for the homestead exemption, right?

**LINDSTROM:** They would be.

**LINEHAN:** So they're not paying property taxes and they're not paying taxes on their Social Security.

**LINDSTROM:** Yeah.

**LINEHAN:** OK, so-- and the people that we're targeting now are people who probably have some kind of retirement and IRA, some investments, so those are exactly the kind of people you want to keep in the state, if they have--

**LINDSTROM:** They're the individuals that are going to spend money on grandkids.

**LINEHAN:** And babysit, hopefully.

**LINDSTROM:** And baby-- [LAUGH] yeah, right, keep-- right, those are your built-in babysitters, as I know. I mean, it is--

**LINEHAN:** Yes, they're always there if you need them.

**LINDSTROM:** --it saves you a lot of money. Yeah.

**LINEHAN:** Yeah.

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**LINDSTROM:** So-- so it-- there's- there's more of-- it-- it's just not-- it's not just the money. It's-- it's the community involvement. It's the family, which, you know, the community in Nebraska is very strong and-- and there's a reason why. I know we see the charts where 22-year-olds leave. But I will tell you, a lot of my friends that had left to either go to college or work, they've come back to raise a family. And I think that is our sweet spot of what we want to cultivate in Nebraska. And if we're-- if we have a better tax code for those individuals and stay here-- there's a lot of elements to this bill that just aren't strictly dollars and cents, and that's-- that's-- I think it's important to be part of the overall discussion.

**LINEHAN:** Because this-- this group that we're targeting here, they are getting hit with ever-increasing property taxes, too, so it's not just taxing Social Security that's driving them out of the state; it's all the taxes.

**LINDSTROM:** It's-- it's all of it. It's all of it.

**LINEHAN:** Any other questions? Thank you very much.

**LINDSTROM:** Thank you.

**LINEHAN:** Are there proponents?

**JINA RAGLAND:** Good morning, Chairman Linehan and members of the Revenue Committee. I hope it's OK, before I get on the record with my name, I am actually testifying on both bills today in support, if that's fine. I'm more than happy to come back up for the second bill, but not to--

**LINEHAN:** No, we'll let you. I think it's--

**JINA RAGLAND:** --not to reread my testimony twice for you. Again, Chair Linehan and members of the Revenue Committee, my name is Jina Ragland, J-i-n-a R-a-g-l-a-n-d, here testifying today on behalf of AARP-Nebraska in support of LB64 and LB237. AARP-Nebraska represents the interests of Nebraskans aged 50 and older and their families. Key priorities of our organization include helping all Nebraskans achieve financial and health security. In particular, AARP strongly believes that all individuals have the right to be self-reliant and live with dignity in retirement. AARP is working hard to strengthen retirement security for all Americans by ensuring that workers and retirees have access to their hard-earned and hard-saved dollars. Nebraska is one of only 13 states that create-- currently taxes Social Security benefits. As you heard earlier, our state's existing thresholds are $8-- $58,000 or less for married couples filing jointly or $43,000 for single residents. This means that a taxpayer's Social Security benefits are not subject to state income tax when their income is at or below these amounts. If you recall, in 2014, the Nebraska Legislature started on a path towards exempting Social Security benefits from state income tax entirely. Back then, a factor that motivated our support for the bill was the recognition that the initial threshold-- thresholds for the taxation of Social Security took effect in-- effect in 1984, 30 years earlier, and had not been adjusted for inflation. The adjustments that were enacted in 2014, $58,000 and $43,000, made progress towards moving the threshold for state taxation of benefits closer to inflation-adjusted levels. LB64 achieves what the Legislature began in 2014 by exempting Social Security income under the five-year phased approach, and LB237, which would raise thresholds to $75,000 or less for married filing jointly or $60,000 for single residents, reflecting thresholds that most-- more closely represent today's inflation adjustment. We continuously hear from our members that, aside from being grossly unfair, these taxes on their Social Security benefits could go to several essential uses, like paying for ever-growing costs of prescription medications, food, and utility bills. In fact, in 2017, 29 percent of Nebraska residents stopped taking medication as prescribed due to cost. Many retirees tell us they're using their Social Security to help care for their own parents, their spouses, and more and more are taking on the financial challenge of raising or helping care for their grandchildren. They are also the-- they also feel that they have limited options for rejoining the workforce and virtually no time horizon to increase their savings. Moreover, older Nebraskans on fixed incomes clearly feel the effects of inflation more than the rest of us. Small annual Social Security cost -of-living raises, annual increases in Medicare and supplemental insurance fees, which often wipe out Social Security benefit increases, and a continuing decline in traditional pensions reduce retiree household income. These bills will afford them increased financial security throughout their retirement years, hopefully allowing them to care for their family and age in their own homes and communities, as so many of us would like to be able to do. Nebraskans age 50 are an asset, not a liability, because they create an economic impact much greater than their percentage of the population. As the percentage of state residents over 50 continues to grow, so will their economic impact on our econ--economy. According to the Longevity Economy report, which I've handed out to you today, state residents-- or a report prepared by AARP and The Economist, Nebraskans 50 and older generated 39 percent of the state's gross domestic product in 2018, totaling $50 billion. Moreover, the report found that state residents 50 and older made up just 34 percent of Nebraska's population in 2018 but supported 566,000 jobs across the state and generated $33 billion in wages and salary. Older Nebraskans also contributed $2.2 billion in unpaid caregiving in 2018 for spouses, parents, aunts, uncles, and Nebraska's children and grandchildren. We look forward to working with all of you to enact and implement policies like LB64 in 2007 that preserve and support their economic engine in our state and helps to ensure that older Nebraskans can live their retirement years with dignity and independence and afford them the ability to age in place as long as possible. One final note, and I just want to be on the record, of course, we do understand and we recognize the potential fiscal impact of the legislation. We know we're facing a much more difficult revenue situation with the effects of the pandemic. We do appreciate your consideration of these proposals and encourage the committee to continue to work to ensure increased financial security options are in place for older Nebraskans and their families. Thank you again to Senator Lindstrom, Senator Linehan for cosponsoring, Senator Brewer, Erdman. Halloran, and Lindstrom, for LB237, and of course those of you that have also cosigned onto the bill. We appreciate the opportunity to comment and I would be more than happy to-- to try and answer any questions that you have.

**LINEHAN:** Are there questions from the committee? Yes, Senator Pahls.

**PAHLS:** Thank you, Chair. You said 2014, that's the date-- or the year we set the rates?

**JINA RAGLAND:** Correct. So in-- in 2014, and I'm just going to refer to my notes--

**PAHLS:** Right, go ahead.

**JINA RAGLAND:** --Senator, if that's OK, back on my testimony. So, yes, the-- that-- in 2-- 2014 is when we started the path of starting that exemption process. Let me pull up-- yeah, and that's where we set--

and I think that answers Senator Albrecht's question, too, about setting the $58,000 and the $43,000.

**PAHLS:** OK. And we have not changed that since 2014?

**JINA RAGLAND:** Correct.

**PAHLS:** Well, logic tells me the first step we should do is to factor in inflation. Does that make sense?

**JINA RAGLAND:** Correct. And so the inflation factor bill did-- then did come back. That was LB738 in 2018, which is what Senator Lindstrom referred to--

**PAHLS:** Right.

**JINA RAGLAND:** --a little bit earlier, too, so we did set those inflation factors, but we're still sitting with the-- the brackets where they're at.

**PAHLS:** But I-- and I have not been here at that time. I was here earlier when you were talking about Social Security, many years ago. So by raising that level of-- for taxation, I mean, I would think that would be-- but that did not receive any support?

**JINA RAGLAND:** Well, and I think the-- the issue is, is because of the fiscal note. I know that we-- we keep coming back to that. I mean, I think in theory it makes sense and it's the right thing to do. It's just how do you-- how do you pay for it and where do you find the money to pay for that, to supplement that, I guess, is, I think, Senator Pahls, is really what the-- the obstacle is right now.

**PAHLS:** OK. And-- and-- and I don't know if the-- that fiscal note was that high just because we raise that level?

**JINA RAGLAND:** There's a lot of people. In Nebraska, there's 330,000 people on Social Security or that are draw-- or 345,725 Social Security beneficiaries. And so when you start taking away those kinds of things, obviously, that's when you start seeing the offset in the-- the fiscal note.

**PAHLS:** So you said that would be a sensible way of doing it, at least raising it, is that your perception?

**JINA RAGLAND:** Yeah, I mean, I think both bills presented, obviously, we-- we don't want any Social Security tax.

**PAHLS:** Obviously.

**JINA RAGLAND:** But obviously, if you could make some changes, again, with Senator Brewer's bill, with the $95,000 cap, obviously, you know, that's your higher income earners. I think Senator Lindstrom did a really good job in saying this is the middle-income classes that we're looking to target. You know, they don't qualify for homestead exemption or those lower nonexemption products, but they also don't have a lot of extra income to maybe, again, pay for prescriptions that maybe are so outlandish that it's coming out of their pocket as a copay or whatever else that might be. So middle-income earners, however you define that in the state, again, if you look at that economic impact study that I've handed out to you, those are the people that are contributing in massive ways and that-- you know, see that in that report. Every-- for every dollar that's spent, 56 percent of-- or 56 cents of that is from the 50-plus population that's putting it back into the economy, so.

**PAHLS:** All right. Thank you.

**JINA RAGLAND:** Yes.

**LINEHAN:** Thank you, Senator Pahls. Are there other questions from the committee? I have one, and it's not even-- it's very tangential, but I'm hoping maybe you know the answer. On the Medicare, do you know what income you have to start paying? They changed that. So at one time, you didn't pay for Medicare. You go on Medicare, but now, depending on your income, you have to start paying for Medicare. Do you know what that income is?

**JINA RAGLAND:** I-- I-- Senator Linehan, I cannot recall it. I will get back to you, but you're right. What happened a few years ago is people, for their Part B premiums, they now have to pay after a certain-- I think-- I believe it's up right at the thou-- $100,000, but I-- I don't want to-- please don't quote me on that.

**LINEHAN:** OK.

**JINA RAGLAND:** I will most certainly get back to you in a-- after that hearing. But, yes, they enacted that a few years ago, and really with that is a share of cost. Again, if your income is over a certain limit, then you should be paying part of the Part B premium

**LINEHAN:** Oh, it is on a sliding scale, isn't it?

**JINA RAGLAND:** Correct, yes.

**LINEHAN:** OK. Yeah, if you could get that, because it's-- if-- to look at the whole picture here, you've got one group that doesn't pay on Social Security, they don't pay for Medicare, and they don't pay property taxes.

**JINA RAGLAND:** Correct.

**LINEHAN:** Then you just go a little bit up and they have to pay property taxes, they pay on Social Security, and they go up a little bit more, they have to pay for Med-- so I would like to see, like, the whole picture.

**JINA RAGLAND:** Yes, I will get right back to you on that.

**LINEHAN:** OK, thank you.

**JINA RAGLAND:** I apologize I don't have the exact number.

**LINEHAN:** Other questions? Yes.

**PAHLS:** Chair, just to answer part of that, because I just got on Social Security, just-- I mean, I'm older than that, but I just got on it and my monthly premium for Medicare is $270 and then it's $160 for the supplement, you know, and I'm-- I'm sure it's-- it's based on salary, I'm sure.

**JINA RAGLAND:** Correct. So your Part B, you do pay a premium for a set amount and then anything above would-- again, with those incrementals in your income, you pay more for that. So Part A is generally free if you've worked and put in the-- the-- the ten quarters. But for Part B, everyone does pay a premium. And then if your income is over a certain set limit-- and I apologize again, I should know that, but I can't remember off the top-- you pay more on top of that Part B, so your premium increases. We do have people in the state who qualify for Part B assistance, so they do get their premium paid for Part B if-- and again, that's your very lower-income brack-- population.

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**LINEHAN:** Yeah. So if you can get it, that-- that would be hugely helpful.

**JINA RAGLAND:** Yep, I'd be happy to provide that.

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

***JASON HAYES:** Good morning, Senator Linehan and members of the Revenue Committee. For the record, I am Jason Hayes, Director of Government Relations for the Nebraska State Education Association. NSEA supports LB64 and thanks Senator Lindstrom for introducing the bill. Social Security and pension income are intended to allow elderly and disabled citizens to retire with dignity and to keep them out of poverty. These funds should not be used as a source of revenue for the state. LB64 seeks to change provisions related to Social Security benefits and federal adjusted gross income (AGI). Beginning Jan. 1, 2021, federal adjusted gross income would be reduced by a percentage of the Social Security benefits received. Nebraska allows single filers with $43,000 or less in AGI ($58,000 if married filing jointly) to subtract their Social Security income. If their income is over that threshold, the state follows the federal treatment. Thirty-seven states and the District of Columbia either have no income tax or do not include Social Security benefits in their calculation for taxable income. The NSEA, on behalf of our 28,000 members across the state, asks you to advance this bill to General File for consideration by the full body. Thank you.

***DeLORIS TONACK:** On behalf of the Nebraska State Education Association-Retired, a membership of just under 6000, I urge support for LB64. I would like to thank Senator Lindstrom for introducing LB64, a bill to gradually phase out state taxation on Social Security benefits. A guiding principle is that retirement incomes are intended to keep our elderly and disabled citizens out of poverty. They are not intended to be sources of revenue for the state. The Federal taxation of Social Security began in 1984 following passage of a set of Amendments in 1983 which were signed into law by President Reagan. The federal government taxes up to 85% of your benefits, depending on your income. Under the federal tax code, the taxable portion of Social Security income depends on two factors: a taxpayer's filing status and the size of his "combined income" (adjusted gross income + nontaxable interest + half of Social Security benefits). Some retirees are surprised to learn that Social Security is taxable. State taxation of these benefits varies among different states and has evolved over the years. What are other states doing? Most states exempt Social Security from state taxes. Nebraska is often listed as one of the "retiree unfriendly states" by virtue of taxation, and often Nebraska is at the top of those lists. A Kiplinger report states, "The 36.5 million people who are at risk of double taxation live in the 13 states that currently tax Social Security benefits." This list includes Colorado, Connecticut, Kansas, Minnesota, Missouri, Montana, Nebraska, New Mexico, North Dakota, Rhode Island, Utah, Vermont and West Virginia. However the list is about to be reduced to 12 states. West Virginia is phasing out state taxation of Social Security benefits, which will be eliminated for 2022. I hope Nebraska can reduce this list by one more state. All of you know taxation is complex and varied. There are many differences among these 13 states which do tax Social Security benefits. Connecticut, Kansas, Missouri, North Dakota and Rhode Island all have higher levels of married and single AGI amounts below which state taxation is not applied to Social Security benefits. Nebraska's levels were recently increased to $58,000 joint filing and $43,000 single. Many of those states have set amounts closer to $100,00 and $85,000. Several of these 13 states exclude a portion of other retirement income such as those from state, federal or military sources from state taxation. These states include Colorado, Connecticut, Montana and Missouri. A few of these states allow some sort of state deduction from the Federal taxes of Social Security benefits before calculating the state taxes. Nebraska and Utah tax Social Security benefits in the same way as the federal government. Another point to be made comes from looking at the term "Social Security." That security is being threatened by health care costs. Social Security only increased by a 1.3% COLA this year, but health costs rose by an average of 3.6%. For most retirees, the health care cost increase will claim a significant slice of their Social Security cost-of-living adjustment. It works out to nearly 20% of the average retired worker's COLA of $20 a month next year. Workers at the top of the wage distribution have seen faster increases in wages and compensation than workers in the middle and at the bottom of the distribution. Growing wage inequality reduces the Social Security tax base, because it increases the proportion of wages above the taxable earnings ceiling. Phasing out state taxation on these benefits is a conservative approach. Removing them will assist retirees' security and make Nebraska just a bit more retiree-friendly.

*Indicates written testimony submitted prior to the public hearing per our COVID-19 response protocol

**LINEHAN:** Are there any opponents?

***RENEE FRY:** Good afternoon, Chairperson Linehan and members of the Revenue Committee. My name is Renee Fry and I'm the executive director at OpenSky Policy Institute. We're here to testify in opposition to both LB64 and LB237 for two main reasons: first, most Social Security income is already untaxed in the state; and, second, changing demographics would make any level of exemption on Social Security or pension income unsustainable over time. While we agree that ensuring seniors aren't overtaxed is a laudable goal and we appreciate the intent of the bill, we'd like to emphasize that most Social Security income is already untaxed by the state of Nebraska. As a result of legislation passed in 2014, Nebraskans with adjusted gross incomes less than $58,000 married filing jointly and $43,000 for all other returns pay no state income tax on their Social Security income. As of January 1, 2020, these amounts are adjusted for inflation and so will increase annually going forward. In 2018, income tax was paid on only 27.5% of Social Security benefits provided to Nebraskans with incomes less than $75,000, according to Department of Revenue data. The 2013 Tax Modernization Committee report found the same, saying "many states that have exempted retirement income have been and will continue to pull back from this exemption due to demographic changes in their populations. Demographic analysis indicates that the growing population of retired taxpayers and their exempt retirement income will put increasingly difficult pressure on state budgets to maintain such exemptions." The demographic shift at issue here is projected to be dramatic and so both LB64 and LB237 will become more costly in the future. According to data prepared by the UNO Center for Public Affairs Research for the Legislative Planning Committee, Nebraskans aged 65 and older are projected to increase by over 90% from 2010 to 2050, while the group of 18-64 year olds only grows by 12%. As a result, the ratio of those over the age of 65 to those aged 18 to 64 will double over the following decades. Consequently, the revenue loss from exempting all or some Social Security income from taxation will grow significantly at the same time the number of seniors is growing relative to the number of Nebraskans in the workforce supporting them. That means that, in order to provide the exemption now, we shift the weight of the tax onto future working Nebraskans to avoid cuts to vital services provided by the state, including those important to seniors, such as health care. Finally, the assertion is often made that exempting Social Security or other types of pensions is necessary to recruit new residents or keep people from leaving the state; however, academic research fails to find any such correlation between migration and taxes. A June 2012 paper published in the National Tax Journal found that state-to-state movement among the elderly was stable from 1970 to 2000 despite changes in state tax laws favoring the elderly. In other words, the study found that "state tax policies towards the elderly have changed substantially while elderly migration patterns have not." Other factors influence retirement decisions, including affordability, access to health care and crime rates - all of which Nebraska scores high in, leading Bankrate to name it the best place to retire in 2019. Of the roughly 570,000 adults aged 65 and older who relocated to a new state in 2018, most cited proximity to family, cost of living, health care and climate as the main factors influencing their decisions. Out of concern for fiscal impact now and into the future, we oppose LB64 and LB237.

**LINEHAN:** Letters for the record, we have proponents Jason Hayes, NSEA; DeLoris Tonack, NSEA-Retired; opponents Renee Fry, OpenSky Institute. That's written testimony that was delivered this morning, and I'm sorry I said that wrong. And letters for the record, we had eight proponents and two opponents and no one was neutral. And as you said, one of the opponents was actually wasn't fast enough.

**LINDSTROM:** Was quasi-in favor.

**LINEHAN:** Yeah.

**LINDSTROM:** Thank you, Chairwoman Linehan I'll-- I'll just be brief. I wanted to clarify, because the history is always important. And I remember now why they were so mad at me when I came in and did this. So LB987 was passed in 2014 and that put the brackets in place of the $58,000 filing jointly, $43,000 single filer. When I introduce my bill, it was 2015 and they had just done this bill. And so I remember coming in and saying, well, we're just going to eliminate it. They didn't think that was too- they weren't a big fan of that. Now I remember why they were so mad. So we did a version of it. What-- what LB738 did, which was my priority bill back in 2018 and it did pass, was to index it to inflation. So currently those brackets, the $58,000 and the $43,000 are indexed and for the last three years have been increasing based on the CPI. So in statute it says $58,000/$43,000. It's higher now because of that bill, just so-- but that's-- that's the, I guess, the history of why-- why we're here, so I just wanted to clarify that, so with that--

**LINEHAN:** Thank you. Thank you. Are there other questions for Senator Lindstrom? Seeing none, that brings our closing on LB64 to a close and we will move to LB237. Senator Brewer.

**BREWER:** Good morning and thank you, Chairman Linehan. And good afternoon, fellow Senators of the Revenue Committee. I'm Senator Tom Brewer. For the record, T-o-m B-r-e-w-e-r, and I represent the 13 counties of the 43rd Legislative District in western Nebraska. I am here to introduce LB237. Now, as I was listening to the discussion with Senator Lindstrom, I started crossing through a good share of my speech here. And I will go ahead and-- and read through most of it just so that my LA doesn't become hysteric, but understand that the answer may lie somewhere in a Frankenstein version of-- of these two bills. Now what we may have to do is figure out which one gets closest to the mark and then how we can tweak that to help those that need it without putting such a financial burden on your ability in this committee to manage the resources for the state of Nebraska, because ultimately that's the burden you have. And-- and it's easy to be the good idea fairy and-- and come up with ideas that sound good and play well with the public. But if they don't understand how difficult it is to-- to shift things around and be realistic about what can and can't be done, I think we do a disservice, especially this committee, because you ulti-- ultimately end up taking the heat on decisions that are made or not made. So if you-- if you look at the two bills, first off, I need to give Senator Lindstrom credit. The original, and-- and I've kind of used his design for several years now to try and bring in something that would-- would get traction and be something we can work through. So the-- the concept and the bill is a lot of his work. We're just kind of shifting it around a little bit to try and-- and actually, I-- I did not know that he had written his bill or I probably would have simply tried to give him input because there are little similarities. But let's-- let's talk a little about the differences here. When we were talking about LB237, couples filing jointly, making less than $75,000, that's the-- the target group, and then single filing of $60,000, and then that steps up to $95,000. Anything above $95,000, there's no relief. And again, I've Xed through Tony's speech, but that's fine because there's-- there's enough that I've learned from listening to Senator Lindstrom's to understand that there's no reason to, you know, to try and jam something in that--

that probably has to be tweaked in some way. Let me just throw some things out here and why this bill came about in the first place. As I travel around-- and keep in mind, I'm representing a lot of very small towns in western Nebraska, so when you go and have an event, you have a lot of-- of little old ladies that come and they get very passionate, as they should, about the fact that I'm boxed into this corner, you know, I had some different jobs through my lifetime, but a lot of my life was spent being a mom, or in some cases a mom and a grandma. And they're living on Social Security. Now depending on how much you pay in during the-- the time that you are employed, you're going to be somewhere between $1,000 and $2,000 that you receive in Social Security. That's not a lot to live on. And if it's a couple, you know, now-- now they're looking at-- at maybe-- take the high end, $2,000: $24,000; two of them, $48,000. That's what you're going to have to make all of your ends meet and-- and pay bills-- not a lot. And as the things that are-- that are out of their control change, whether it be the cost of food or the cost of property tax or whatever it is, the amount that you receive in increase in Social Security are pretty miniscule. I don't know what that percent is, but it's very little and it's-- it doesn't compare. So you're constantly in this-- this void where you're losing, losing each year to where there's just less to make the world go around. There's not a lot we can offer to those folks that are in this situation except possibly something here. Now maybe we need to take those numbers and we need to change them. Maybe-- maybe it should be $50,000 for a couple and $40,000 for an individual. I don't know what that-- that ideal number is so that we help those that need it. But that was the idea behind the bill, so that everybody understands up-front. And I think if you were to take the average income from my district, it's going to be less than many other districts, just the nature of the location. But they-- they have less requirements than someone, say, in Lincoln or Omaha as far as everything from-- from parking to trash to you name it. But still, we offer them very little in relief for the taxes that they pay, and the concept behind the bill was to do that. So with that said, it's stepped in over five years, so I'm not trying to do it all at once. And as it is, again, $75,000 or below, you would have relief at 100 percent when it's completely phased in. If we need to talk about an amendment to change those numbers, I'm willing to do that, too, but I think we need to at least have the discussion about how we could offer those that are really in need of some relief from their Social

Security taxation. With that said, I'll be happy to take any questions.

**LINEHAN:** Thank you, Senator Brewer. Are there questions from the committee? You must have convinced everybody. I don't see any questions.

**BREWER:** I had to try.

**LINEHAN:** Thank you.

**BREWER:** All right.

**LINEHAN:** This is helpful, to have these two things laid out so we can see the differences. Thank you.

**BREWER:** And I'll stick around for closing.

**LINEHAN:** I think you might have one proponent. It looks like you have one proponent. Do you want to stay and close or-- you're welcome to stay and close.

**BREWER:** I will stay and close.

**LINEHAN:** OK. Proponents?

**JINA RAGLAND:** Senator Linehan and members of the Revenue Committee, my name, again, is Jina Ragland, J-i-n-a R-a-g-l-a-n-d, here testifying in support of LB237 on behalf of AARP-Nebraska. As mentioned on LB64, we're here with the same testimony, so I'm not going to reread that to you or re-- restate that to you. Again, fully in support and like both the bills and certainly, again, address-- addressing the middle income people in Nebraska, those 50-plus, the 65 and older for the Social Security. I did look up quick for you, the Medicare Part B, in re-- to answer your question. The 2020 standard Part B premium, so everybody starts off at a standard premium; it's $148.50 a month, and then those adjusted-- income-related monthly adjustment amounts, so different categories. So for individuals making between $88,000 and $111,000, their premium is $207.90. And there's also a joint column, so those making $176,000 to $276,000 under the joint, so that's $207.90; then those making $111,000 to $138,000 individually and $222,000 to $276,000 joint pay $297,000-- or $297 a month. And then we have the $138,000 to $165,000 group in the individual, $276,000 to $333,000, will pay $386.10. And then we have $165,000 to $500,000 in the individual category, and the joint is $330,000 to $750,000, will pay $475.20 a month premium.

**LINEHAN:** OK. Can-- can you just email it to us?

**JINA RAGLAND:** Yep. I'd be happy to do that, happy.

**LINEHAN:** Yeah, it would be-- because something's off kilter here so I need-- we'll have a deeper dive because, like Senator Pahls, I actually pay in. Mine's like $400 and I don't make $200,000 a year, so I don't--

**JINA RAGLAND:** Well, and it may be because if-- if you're filing joint, there-- there's more to the story, I guess, then--

**LINEHAN:** Yeah, it's--

**JINA RAGLAND:** --that's just the basics of the chart, but that adjusted income--

**LINEHAN:** Probably need to get Senator Clements, who is an accountant, to figure it out for us.

**JINA RAGLAND:** Yeah, I'll-- I'll send you that, Senator Linehan. But just-- I just wanted to come back because I did check that out. So with that, I'd be happy to answer any other additional questions.

**LINEHAN:** No, and I do appreciate very much that you found it.

**JINA RAGLAND:** Sure.

**LINEHAN:** OK. Other questions? Seeing none, thank you very much.

**JINA RAGLAND:** Yes.

***JASON HAYES:** Good morning, Senator Linehan and members of the Revenue Committee. For the record, I am Jason Hayes, Director of Government Relations for the Nebraska State Education Association. NSEA supports LB237 and thanks Senator Brewer for introducing the bill. Social Security and pension income are intended to allow our elderly and disabled citizens to retire with dignity and to keep them out of poverty. These funds should not be used as a source of revenue for the state. LB237 seeks to change provisions related to Social Security benefits and federal adjusted gross income (AGI). Beginning in Tax Year 2022, federal adjusted gross income would be reduced by a percentage of the Social Security benefits received in the federal adjusted gross income. This is separated by filing status and adjusted gross income bracket. Nebraska allows single filers with $43,000 or less in AGI ($58,000 if married filing jointly) to subtract their Social Security income. If their income is over that threshold, the state follows the federal treatment. Thirty-seven states and the District of Columbia either have no income tax or do not include Social Security benefits in their calculation for taxable income. The NSEA, on behalf of our 28,000 members across the state, asks you to advance this bill to General File for consideration by the full body. Thank you.

***RENEE FRY:** Good afternoon, Chairperson Linehan and members of the Revenue Committee. My name is Renee Fry and I'm the executive director at OpenSky Policy Institute. We're here to testify in opposition to both LB64 and LB237 for two main reasons: first, most Social Security income is already untaxed in the state; and, second, changing demographics would make any level of exemption on Social Security or pension income unsustainable over time. While we agree that ensuring seniors aren't overtaxed is a laudable goal and we appreciate the intent of the bill, we'd like to emphasize that most Social Security income is already untaxed by the state of Nebraska. As a result of legislation passed in 2014, Nebraskans with adjusted gross incomes less than $58,000 married filing jointly and $43,000 for all other returns pay no state income tax on their Social Security income. As of January 1, 2020, these amounts are adjusted for inflation and so will increase annually going forward. In 2018, income tax was paid on only 27.5% of Social Security benefits provided to Nebraskans with incomes less than $75,000, according to Department of Revenue data. The 2013 Tax Modernization Committee report found the same, saying "many states that have exempted retirement income have been and will continue to pull back from this exemption due to demographic changes in their populations. Demographic analysis indicates that the growing population of retired taxpayers and their exempt retirement income will put increasingly difficult pressure on state budgets to maintain such exemptions." The demographic shift at issue here is projected to be dramatic and so both LB64 and LB237 will become more costly in the future. According to data prepared by the UNO Center for Public

Affairs Research for the Legislative Planning Committee, Nebraskans aged 65 and older are projected to increase by over 90% from 2010 to 2050, while the group of 18-64 year olds only grows by 12%. As a result, the ratio of those over the age of 65 to those aged 18 to 64 will double over the following decades. Consequently, the revenue loss from exempting all or some Social Security income from taxation will grow significantly at the same time the number of seniors is growing relative to the number of Nebraskans in the workforce supporting them. That means that, in order to provide the exemption now, we shift the weight of the tax onto future working Nebraskans to avoid cuts to vital services provided by the state, including those important to seniors, such as health care. Finally, the assertion is often made that exempting Social Security or other types of pensions is necessary to recruit new residents or keep people from leaving the state; however, academic research fails to find any such correlation between migration and taxes. A June 2012 paper published in the National Tax Journal found that state-to-state movement among the elderly was stable from 1970 to 2000 despite changes in state tax laws favoring the elderly. In other words, the study found that "state tax policies towards the elderly have changed substantially while elderly migration patterns have not." Other factors influence retirement decisions, including affordability, access to health care and crime rates - all of which Nebraska scores high in, leading Bankrate to name it the best place to retire in 2019. Of the roughly 570,000 adults aged 65 and older who relocated to a new state in 2018, most cited proximity to family, cost of living, health care and climate as the main factors influencing their decisions. Out of concern for fiscal impact now and into the future, we oppose LB64 and LB237.

**LINEHAN:** Senator Brewer.

**BREWER:** You seemed very confident there wasn't anyone else gonna come.

**LINEHAN:** Well, I think we can all thank AARP that we don't have a hearing room full of people.

**BREWER:** That's true.

**LINEHAN:** Yes.

**BREWER:** I had one of those yesterday. All right, again, I think the issue of ownership, I don't-- I really don't think that Senator

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Lindstrom cares, I care. It's just figuring out if there is the possibility of finding some way to, you know, to-- to shape things so that we can give some relief to those that are in a position where they really don't have many opportunities for increase in what they're going to receive in the way of income through whatever channels. And we're going to continue to tax them at whatever rate we have to, whether it be property or otherwise. And so that's, again, that's where we're at here and I thank Senator Lindstrom for giving me the idea in the first place to do this.

**LINEHAN:** So thank you. We did have written testimony dropped off this morning by Jason-- proponent Jason Hayes, NSEA; opponents, Renee Fry, OpenSky Institute. Letters for the record, we had nine proponents, one opponent, and no one in the neutral position. So do we have any questions? Seeing none, thank you very much, appreciate it--

**BREWER:** Thank you.

**LINEHAN:** --which will bring LB237 to a close. Oh, it's my bill. Oh do I have-- [LAUGH] OK. I had no idea.

**LINDSTROM:** We will now open the hearing on LB410.

**LINEHAN:** Good morning, Vice Chairman Lindstrom and members of the Revenue Committee. My name is Lou Ann Linehan, L-o-u A-n-n L-i-n-e-h-a-n. I'm here to introduce LB410. Under the federal Tax Cuts and Jobs Act of 2017, taxpayers who itemized their deductions on their federal return are limited to a total deduction of $10,000 for state and local taxes. The amount is for taxpayers who are-- this amount is for taxpayers who are married and filing jointly. For all other taxpayers, the cap is $5,000. This limitation is then carried over to the Nebraska return. As a result, Nebraska taxpayers are not allowed to deduct the amount of property taxes actually paid. This is form over substance. The Department of Revenue requires taxpayers to use the amount from Line 17 of the federal Schedule A. Line 17 only includes the capped amount of state and local taxes. LB410 would allow taxpayers who itemize federally to claim the full amount of itemized deductions reported on the federal return before any limitation on their Nebraska income taxes. This is really a fairness issue to me. So in Elkhorn, the all-in levy is $2.40. The average house-- and these are houses that are 50 years old, people have lived there for 50 years-- is going to be at least $250,000, and they cannot deduct their property taxes from their state income taxes. So I don't know if the Biden administration is going to go back and repeal this because New York and California didn't like it. But I would like-- and I even looked at the fiscal note. When I talked-- when I-- this is-- I inherited this like three days into being Chairman of the Revenue Committee and I was told it's only-- I don't know how many taxpayers-- 30,000. I'm like, yeah, but 15,000 of them live in my neighborhood. So it's just-- it is-- and I'm willing to like say they can't, you know, maybe take it for individual from $5,000 to $8,000 or some amount, but to not let them deduct it at all, or most of it, because if they work, I mean you got a $12,000-- $10,000 to $12,0000 property tax bill and you can deduct it.

**LINDSTROM:** All right, any questions from the committee? Seeing none, thank you.

**LINEHAN:** Thank you.

***BOB HALLSTROM:** Chairman Linehan, members of the Revenue Committee, my name is Bob Hallstrom and I am submitting this testimony as registered lobbyist for the National Federation of Independent Business (NFIB) to express our support for LB410. LB410 would allow taxpayers who itemize on their federal tax returns to claim the full amount of itemized deductions reported on the federal return, prior to any limitations, including the full amount of property taxes paid on their Nebraska income tax return. The cap on income tax deductions for state and local taxes, the so-called "SALT cap," adopted as part of the Tax Cuts and Jobs Act in 2017, continues to be a contentious issue at the federal level. While the SALT cap may ultimately be repealed by Congress, Nebraska should not delay and should adopt LB410 to reduce the negative affect of the SALT cap on Nebraska taxpayers. In light of Nebraska's heavy reliance on property taxes, the SALT cap has had a particularly adverse impact in increasing the income tax liability of many taxpayers. LB410 would serve to reduce taxpayer's exposure to the adverse effects of the SALT cap. For the foregoing reasons, I would encourage the committee to advance LB410 to the floor of the Legislature for further consideration.

**LINDSTROM:** Any proponents? We did have one written testimony as a proponent from Bob Hallstrom, National Federation of Independent and Nebraska Bankers Association.

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***RENEE FRY:** Good morning, Chairperson Linehan and members of the Revenue Committee. My name is Renee Fry and I'm the executive director at OpenSky Policy Institute. We're here today in opposition to LB410, as it would create a new state-level tax write-off for a small subset of wealthy Nebraskans affected by a $10,000 cap placed on the amount of state and local taxes (SALT) they can deduct at the federal level that would cost the state $15 to $20 million in revenues annually. Prior to the Tax Cuts and Jobs Act of 2017 (TCJA), taxpayers could deduct unlimited amounts of SALT, including state and local income, real estate and property taxes, from their federal taxable income. The TCJA imposed the cap as a way of broadening the tax base and offsetting other tax cuts included in the legislation that largely benefitted high-income taxpayers, such as a reduction in the federal corporate income tax. LB410 would create a workaround to the cap by allowing those Nebraskans who paid more than $10,000 in SALT to deduct whatever couldn't be deducted at the federal level from their taxable income at the state level. This would, however, predominantly benefit very wealthy Nebraskans. At the federal level, taxpayers can reduce their taxable income by choosing to take either the standard deduction - $24,800 for couples married filing jointly - or to itemize their deductions, which includes reducing their taxable income by SALT paid. That means only those taxpayers with itemized deductions in excess of $24,800 would benefit from a workaround to the cap. Both the Tax Foundation and the Institute on Taxation and Economic Policy (ITEP) agree that the cap largely impacts only the wealthiest of taxpayers. In 2019, the Tax Foundation estimated that eliminating the cap wouldn't impact those in the bottom two income quintiles - the lowest-income 20% - and have only a negligible effect on those in the third and fourth quintiles, as those taxpayers would benefit from an increase in the standard deduction also set out in the TCJA. ITEP also looked at the potential state-level impact of a SALT cap repeal and found that, in Nebraska, almost 70% of the benefits would flow to the wealthiest 1% of households. The taxpayers who would benefit from a repeal also are the ones most likely to benefit from a workaround as proposed in LB410. Finally, I'd like to point out a potential complication involving the tax form. A similar workaround had been included in LB1090, passed in 2018, but the tax form doesn't reflect the intent of that bill. Instead of starting the calculation with all itemized deductions, it starts the calculation with allowable itemized deductions, which can be no more than $10,000. The taxpayer then subtracts all state income taxes. As a result, a taxpayer with $8,000 in each property and income taxes would only be able to deduct $2,000 in property taxes. LB410 would allow taxpayers to first deduct the amount deducted at the federal level before adding back any SALT they couldn't deduct; however, it uses substantially similar language to LB1090 and so may also face issues with the form. Because a $22 million tax cut for the wealthy will threaten funding for those services most in need right now, like health care, unemployment insurance and nutritional support programs, we oppose LB410 and would urge the committee not to advance it. Thank you for your time and I'm happy to answer any questions.

**LINDSTROM:** Now to opponents: We had one opponent and written testimony-- with written testimony, Renee Fry OpenSky Policy. Any neutral testifiers? Seeing none, we did have letters for the record: two proponents, zero opponents and zero neutral. And with that, Senator Linehan waives closing. That'll end the hearing on LB410.

**LINEHAN:** [RECORDER MALFUNCTION] do the COVID stuff, and then by the time I get done, the other senators will probably be here if they're not in other hearings. Welcome to Revenue Committee public hearing. My name is Lou Ann Linehan. I'm from Elkhorn and represent Legislative District 39. I serve as Chair of this committee. Due to social distancing requirements, seating in the hearing room is limited. We ask that you will only enter the hearing room when it is necessary for you to-- for you to attend the bill hearing in progress. The bills we'll take up in order-- will-- the bills will be taken up in order posted outside the hearing room. The list will be updated after each hearing to identify which bills is curr-- bills are currently being heard. The committee will pause between each bill to allow time for the public to move in and out of the hearing room. We re-- we request that everyone utilize the identified entrance and exit doors to the hearing room. We request that you wear a face covering while in the hearing room. Testifiers may remove their face covering during testimony to assist committee members and tra-- and transcribers in clearly hearing and understanding the testimony. Pages will sanitize the front table and chair between testifiers. Public hearings for which attendance reaches seating capacity or near capacity, the entrance door will be monitored by the Sergeant-at-Arms, who will allow people to enter the hearing room based upon seating availability. Persons waiting to enter our hearing room or asked to observe social distancing and wear a face covering while waiting in the hallway or outside the building. The Legislature does not have the availability, due to HVAC project, of an overflow hearing room for hearings which attract several testifiers and observers. For hearings with a large attendance, we request only testifiers enter the hearing room. We ask that you please limit or eliminate handouts. The committee will take up the bills in the order posted. Our hearing today. Is your public part of the legislative process. This is your opportunity to express your position on the proposed legislation before us today. To better facilitate today's proceedings, I ask that you abide by the following procedures. Please turn off your cell phones. The order of the testimony is introducer, proponents, opponents, neutral, and closing remarks. If you will be testifying, please complete the green form and hand it to the page when you come up to testify. If you have written materials that you would like to distribute to the committee, please hand them to the page to distribute. We need 12 copies for all the committee members and staff. If you need additional copies, please ask a page to make copies for you now. When you begin to testify, please state and spell both your last and first name for the record. Please be concise. It is my request that you limit your testimony. I'm going to go four minutes, so you have three minutes on green and then one minute on yellow; and then if it gets to red, I need you to stop or I'll have to ask you to. If there are a lot of people wishing to testify, we will use-- we already covered that. If your remarks are reflected in previous testimony or if you would like your position to be known but do not wish to testify, please sign the white form on the table outside the room by the entrance. It will be included in the official record. Please speak directly into the microphone so our transcribers are able to hear your testimony clearly. Now I'd like to introduce committee staff. To my immediate right is committee counsel Mary Jane Egr Edson, and to my immediate left is research analyst Kay Bergquist. To my left-- left, at the end of the table, is committee clerk Grant Latimer. And now I'd like the senators to introduce themselves, starting with Senator Pahls.

**PAHLS:** Thank you, Chair. Rich Pahls, District 31, southwest Omaha.

**BOSTAR:** Eliot Bostar, District 29, south-central Lincoln.

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

**LINDSTROM:** Brett Lindstrom, District 18, northwest Omaha.

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**FLOOD:** Mike Flood, District 19, Madison and just a part of Stanton County.

**BRIESE:** Tom Briese, District 41.

**LINEHAN:** Our pages for today are-- we-- right over here we have Jason, who's at UNL studying political science and history. We have Reid who's at UNL studying ag-econ. Please remember that senators may come and go during our hearing as they may have bills to introduce in other committees. Please refrain from applause or other indications of support or opposition. I would also like to remind our committee members to speak directly into the microphones. For our audience, the microphones in the room are not for amplification, but for recording purposes only. Last, we are an electronics-equipped committee. Information is provided electronically as well as in paper form. Therefore, you may see committee members referencing information on their electronic devices. Be assured that your presence here today and your testimony are important to us and critical to our state government. With that, we will open the hearing on LB299. Welcome, Senator McDonnell.

**McDONNELL:** Thank you, Chairperson Linehan and members of the Revenue Committee. I am Mike McDonnell, M-i-k-e M-c-D-o-n-n-e-l-l. I represent Legislative District 5, south Omaha. I'm here to introduce LB299 today, which proposes to adopt a firefighter cancer benefit, whereas firefighters, both career and volunteer, would be eligible for cancer insurance benefits. Over the last several years, it has been shown that cancer among firefighters has increased significantly. When a firefighter must respond to an interior fire, there are often carcinogens burning in that fire. These toxic substances come from the burning of everyday products that are engulfed in flames. While the effectiveness of firefighting training has improved and cancer awareness as well as prevention techniques have been highlighted, there is still a higher rate of cancer among firefighters. Cancer is the leading line-of-duty death among firefighters today. Research conducted by the National Institute of Occupational Safety and Health found that firefighters have a 14 percent increased risk of dying from cancer as compared to general population. These firefighters, both paid and volunteer, are taking extreme risks on a daily basis while putting their lives on the line for the citizens they serve. The insurance benefits proposed in LB299 are the same type of benefits, which have recently been extended to firefighters in Georgia and New

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York. The provisions of LB299 remove the potential for likely litigation in the Workers' Compensation Court, in which firefighters are faced with the burden of proof to prove the firefighter's cancer was caused by the occupation. This all-- also eliminates the cost, time, and delay associated with satisfying the burden of proof. In fact, as others today will testify to, the prohibitive cost of insurance premiums and placing similar coverage in workers' compensation makes it financially impossible for cities, villages, and fire districts to afford it. I have introduced LB299 in an effort to provide a more financial feasible option for this type of cancer insurance coverage. To be eligible for cancer insurance benefits, firefighters would have to meet the following two criteria. First, pass a physical examination with-- which fails to reveal any evidence of cancer and two, serve at least 12 consecutive months as a firefighter at any station within the state of Nebraska. The benefits would include four different levels of coverage. One, for a diagnosis of a severe cancer, a firefighter would receive $25,000. For a diagnosis of less severe cancer, a firefighter would be paid $6,250. If a firefighter suffered total disability for six months, a firefighter would be paid $1,500 each month for a maximum of 36 consecutive months. And four, there is also a death benefit of $50,000 payable to the beneficiaries of a firefighter or the estate of a firefighter if no beneficiary has been identified. Finally, Section 11 of this bill states that funds received by a firefighter as insurance payments for cancer benefits would not be subject to a Nebraska income tax. There are testifiers here today who will provide additional insight and personal experiences for this committee's consideration as it relates to the need for this legislation. Darren Garrean will share the experience of Nick Howe, a firefighter who successfully won his battle with cancer. Also here to testify is, is Pat Moore of Dakota City, Micheal Dwyer of Arlington, Kenny Krause of Fairbury, and Joel Cerny of Schuyler/Linwood. I'm here to answer any of your questions and I will be here also for closing.

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

**McDONNELL:** Thank you.

**LINEHAN:** So proponent. Good afternoon.

**DARREN GARREAN:** Chairwoman Linehan, members of the committee, thank you for your time and opportunity to speak. My name is Darren Garrean, D-a-r-r-e-n, last name is Garrean, G-a-r-r-e-a-n, and I am president of the Nebraska Professional Firefighters who represent approximately 1,400 members from Scottsbluff to South Sioux City, Beatrice and in between. I'm here to tell a story about Nicholas Howe. Nick Howe is a firefighter at Eppley who has survived cancer. He wanted to be here personally to tell his story, but he is having twins right now. It's an opportunity for him that he wasn't expecting to have just a few years ago, so-- he has some, some-- a couple of statistical pieces of data that he wants to point out. Firefighters have a 9 percent higher risk of being diagnosed with cancer and a 14 percent higher risk of dying from cancer than the general U.S. population. That's according to NIOSH and NFPA. Since 2002, 65 percent of firefighters on the International Association of Firefighters' Fallen Firefighter Memorial Wall of Honor have died from cancer. Cancer is now the top cause of firefighter line-of-duty deaths. And again, this is, this is reading on behalf of, of Nick Howe. My name is Nick Howe. I'm a firefighter and I've been in such a capacity for the last 16 years, six of those as a career firefighter and I'm married now to my wife, Rachel. Together, we have a two-year-old daughter, Julia. Four years ago, at the age of 31, I was diagnosed with an aggressive, life-threatening type of Non-Hodgkin's lymphoma. This type of lymphoma is a very common and accounts for 22 percent of all lymphoma cases each year. The journey was not easy. Upon being diagnosed with stage III Non-Hodgkin's, Non-Hodgkin's lymphoma, I endured two years of treatments ranging from chemotherapy, immunotherapy, and endogenous stem cell transplants, and more chemotherapy, the various medical trials that I kept failing until reaching a full remission after receiving groundbreaking treatment called CAR T-cell therapy. Living life as a firefighter with cancer-- when I was diagnosed with cancer, one of my first of many fears was losing my career being a firefighter. As firefighters, we are witness to those effects of cancer that they have on patients and we respond to-- and with that exposure, we have a greater understanding probably than that of the general population of what potentially could expect when faced with cancer diagnosis ourselves. In the time of my initial diagnosis, I didn't know what was going on or what I was going to do. I remember asking my nurse if and when I would lose my hair. Her response was if you do not lose your hair in 17 to 22 days after my first treatment, then I probably wasn't going to lose my hair at all. The reason behind

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that question was to see if I would be able to hide my diagnosis from those I worked with. I didn't want my abilities as a firefighter doubted. I especially feared losing my job. Losing my job would mean losing my lifeline. And by my lifeline, I'm referring to my health insurance and I needed my health insurance coverage to fight the disease effectively. A cancer diagnosis leaves you, your family, and your close friends fearing your survival and then you add the stress of the financial burden a cancer diagnosis places on, on your life. Simply put, life still moves forward and responsibilities in that life do not stop the moment you are diagnosed with cancer. Then you have the stress of how your body changes with every passing treatment and you receive the fight to maintain your physical ability to do your job as a firefighter. Your life, your life you once knew is quickly becoming unrecognizable. I would lose my hair in two weeks after my first treatment and be forced to tell my fellow firefighters that I have cancer. The support would be second to none and due to that support, I would, after two years of battling cancer, return to full duty as a firefighter and I, I have remained in that capacity since. I have read LB299 several times now and with every read, I can't help but relive my experience of firefighting-- battling cancer. I want to express some of the positive impacts this bill will have on Nebraska firefighters. It will help with travel expenses. It will help relieve financial burdens when you are on medical leave from work. It will help with some hospital bills. It will help assist household services and responsibilities, for example, snow care-- or snow removal and lawn care. But most importantly, it softens the blow of this horrible situation you find yourself in and helps you find confidence that you need to fight for your own survival. I hope I've been able to give you a brief look into the challenges this disease continues to place on Nebraska firefighters and value the bill this provides. We as firefighters do not like to ask for help, but that doesn't mean we don't need it. The reality is we do. We ask for your help. Thank you for your time and your-- this testimony today. And that was from Nicholas Howe. It's a compelling story. He is working. He said he's actually watching his twins being born today, so that's, that's kind of exciting. He didn't think he was going to be there again.

**LINEHAN:** Thank you.

**DARREN GARREAN:** I'd like, I'd like to thank Senator Brewer and Machaela Cavanaugh for cosponsoring this bill.

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**LINEHAN:** Thank you very much. Are there questions from the committee? Seeing none, thank you very much for being here. Next proponent. Good afternoon.

**MICHEAL DWYER:** Good afternoon. Good afternoon, Chairman Linehan and members of the Revenue Committee-- excuse me-- my name is Micheal Dwyer, M-i-c-h-e-a-l D-w-y-e-r, and I'm here today to testify in support of LB229. I'm testifying on behalf of the Nebraska State Volunteer Firefighters Association and would again thank-- like to thank Senator McDonnell for introducing LB299. The good news and the bad news is that I am here today to be your eye candy. I would like to put a face on the debate about the state of Nebraska's support for volunteer fire and EMS providers, particularly in the face of a cancer diagnosis. I was a 37-year veteran of the Arlington Fire Department and during those years, responded to over 2,300 calls and served in every position except chief. My goal, my dream was always to semi-retire and leave the work of protecting the 2,000-plus people in our district and the countless others that we serve on our two state highways and through mutual aid agreements, to leave that to the younger generation and occasionally make a call and visit the fire hall to tell the stories and encourage the young men and women in the honor and the responsibility that's inherent in fire service. That dream and my life's work ended last winter when I was diagnosed with follicular lymphoma. After my first round of chemotherapy, it was clear I needed everything I had to fight a different battle and could no longer effectively serve the cause that I dedicated most of my life to. This morning, before coming here to testify, I received my ninth round of chemo, which, thank God, is going very, very well. I truly understand that the state of Nebraska and this committee can't give blank checks to everyone. I get that. As a taxpayer, I support that. But as you "exec" on this bill and when, not if, but when it gets to the floor, I'm asking you to remember my face and to tell your colleagues and the others here today and the over 11,000 men and women who volunteer to protect your state that you'll say we appreciate your service. We appreciate that you risk your lives to protect ours. We appreciate the hell that you go through. We really appreciate the millions and millions and millions of dollars that you save the state of Nebraska. And if you get cancer, we want you to know if you get cancer that we know is a result of your volunteer firefighter service, that we will have your back. Public safety is one of the few truly essential functions of government. The framework of volunteer fire and

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EMS agencies that protect the people, the land, the communities, the highways, the state parks, and over 70 percent of Nebraska is precarious. Nothing happens without men and women and those are-- those who are willing to risk their lives for others for nothing continues to decline, while call volumes continue to increase. LB299 won't solve that, but it will provide a safety net when one of the critical pieces of that framework falls. Thank you and I would appreciate your support for LB299. I would be happy to answer any questions.

**LINEHAN:** Thank you, Mr. Dwyer. Are there questions from the committee? Seeing none, thank you very much for being here, appreciate it. Good luck.

**KENNY KRAUSE:** Good afternoon, Madam Chairperson and committee. My name is Kenny Krause, K-e-n-n-y K-r-a-u-s-e. I'm here today representing Fairbury Rural Fire Department and the Nebraska State Fire Chiefs Association, of which I am currently serving as president. I'm here in support of LB299. I'd like to briefly share with you my own experience with firefighter cancer, which fortunately had the best of outcomes. I didn't understand how real this was until it happened to me. I was born and raised in Fairbury, Nebraska. I joined the Fairbury Volunteer Fire Department in 1994. I found a passion. It was a job that I never knew I would love. I have to-- loved the last 28 years of firefighting and continue to do so. Professionally, now I'm a truck driver, which requires me to maintain a DOT health card. During my DOT physical in January 2014, a melanoma was discovered on the left side of my neck. I was fortunate in the fact the doctor doing my exam was very serious about me having the spot of my neck removed and tested. She made it very clear that it needed to be taken care of immediately. I followed her instructions, went to my family physician who was fairly certain that it was nothing, but said we should have a biopsy anyway. To our surprise, the biopsy came back stage III melanoma. Referred to a surgeon in Lincoln, I came up for outpatient surgery to have it removed. Prior to surgery, radioactive dye was introduced to my lymph nodes to see if any of the lymph nodes were involved and thankfully none were. That was an exorbitant amount of fear while waiting for those results. At this time, I'd made no connection between the fire service and the melanoma. In May of 2015, I was asked to speak at a fire school seminar on the impact of firefighter LOD in our department. We lost a firefighter en route to the fire station to get a truck of August 2014. I decided to be ahead of schedule, sat in the back of the classroom while the presenter ahead of me was speaking. He was speaking about firefighter cancer and what this firefighter was describing fit my case to a "T." I could hardly believe what I was hearing. What made this melanoma so unique was the way it presented on my body. It could be described as an ink pen mark drawn in the crease of my neck. It was not noticeable most of the time, only when I turned my neck would the crease open up that it could be seen. That's what made it unique to firefighting. That is where all the soot and carcinogens find a resting spot on your body. The pores of your body open up from the heat and sweat, allowing carcinogens to enter your skin. Again, thanks to early detection, that's where my cancer story ends. For others, it would only be the beginning. Because of this, we've implemented many changes at Fairbury Rural, including, including a hood swap program with firefighters who wear their Nomex hoods only one time and then they get turned to be washed in our extractor and replaced with a new one. We also decontaminate personal equipment on scene and have purchased an extractor for washing our turnout gear. If you would please refer to the cancer statistical data that was submitted, I'd like to highlight a few of those statistics, but please take time to look through the rest of it yourself. The state of Nebraska has 471 fire departments with 17,218 firefighters; 14,091 are paid, 308 paid on call, and 15,419 are unpaid. Firefighters have from three to five more times the products that are-- urine after a fire, which-- compared to before the fire. Based on the studies of firefighter cancer in 2006, 20 types of cancer-- excuse me-- the risk for ten types of cancer were significantly increased and the risk for other ten types were increased, although not to the same extent. Considering the average salary of a volunteer firefighter in the U.S.A. is $45,403, that's 8.5 percent of Americans do not have any type of health insurance. That would approximate to 1,265 volunteers who didn't have health insurance in Nebraska. I see I've used my time.

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

**ALBRECHT:** Can I ask him to finish?

**LINEHAN:** Well, it--

**ALBRECHT:** [INAUDIBLE] OK.

**LINEHAN:** If you have a specific question--

**ALBRECHT:** --because it's meaningful to me because it talks about the number that are on here with the volunteers in the fire--

**LINEHAN:** Yeah, go ahead.

**KENNY KRAUSE:** Is that OK?

**ALBRECHT:** Only 41 percent---

**LINEHAN:** Yes, go ahead.

**ALBRECHT:** All right.

**KENNY KRAUSE:** Only 41 percent of Americans have any type of emergency fund, which means that of the 17,218 firefighters in Nebraska, only 3,961 would be able to survive through six months of cancer treatments. And of those 3,961, 1,265 would not have health insurance to cover those treatments. In closing, I support LB229 and I thank you very much for your time.

**LINEHAN:** Thank you.

**KENNY KRAUSE:** Thank you, Senator Albrecht.

**ALBRECHT:** Thank you.

**LINEHAN:** Is there-- are there other questions from the committee? Seeing none, thank you very much for being here, appreciate it. Next proponent. Thank you.

**JOEL CERNY:** Good afternoon, Senator Linehan, Revenue Committee. The Lavender Ribbon Report I bought I emailed to all of you late last night, but I didn't have some of yours-- email address for the lawyer and the clerk, so I brought--

**LINEHAN:** That's OK.

**JOEL CERNY:** --copies for them.

**LINEHAN:** That's all right. Thank you very much.

**JOEL CERNY:** Again, I'm Joel Cerny. I'm the fire chief at Linwood, Nebraska. I always say Linwood is where, where the pavement ends, then you're at Linwood--

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**LINEHAN:** Spell your name.

**JOEL CERNY:** --very small--

**LINEHAN:** You need to spell your name.

**JOEL CERNY:** Cerny, C-e-r-n-y.

**LINEHAN:** Thank you.

**JOEL CERNY:** Excuse me.

**LINEHAN:** That's OK.

**JOEL CERNY:** So going a little different route, talking about the cancer, again, 14 percent, but there are certain cancers that are even much higher. I wanted to let you know, you know, why haven't we heard about cancer in the fire service previous, like 20 years ago? Just remember that the things that are causing cancers are in the new construction homes. You know, when all of our homes were brick and wood only, they burned totally different, so-- and of course, the contents in the house, much more urethane, plastics, and stuff in the houses nowadays, so that's why the cancer has grown in the fire service. One of the things I do, I also sit on the National Fire Council, as one of Nebraska's representatives, and I sit on the health safety training committee where we developed the-- with the VCOS group, the Lavender Ribbon Report, to try to prevent the cancer in the fire service. Even in my small department, we brought an extractor to clean our gear. We actually spent almost one-third of our annual budget to buy that extractor. So it's something that I take very seriously as far as trying to prevent fire and I want you guys all know that we are trying to do what we can to prevent it, but we do need help with our firefighters that do come down with cancer. So the issue-- here to wish you to support LB299.

**LINEHAN:** Thank you, Mr. Cerny, appreciate it.

**JOEL CERNY:** All right.

**LINEHAN:** Are there questions from the committee? Where did you say you were from?

**JOEL CERNY:** Linwood, Nebraska.

**LINEHAN:** Thank you--

**JOEL CERNY:** All right.

**LINEHAN:** --for being here today, appreciate it. Next proponent.

**PATRICK MOORE:** Good afternoon.

**LINEHAN:** Good afternoon.

**PATRICK MOORE:** My name is Patrick Moore, P-a-t-r-i-c-k M-o-o-r-e. I'm the first assistant fire chief Dakota-Covington Rural Fire District. I'm also the president of the Nebraska Volunteer Firemen's Association. We can't do anything for the firefighters who lost their lives to cancer in the past. That's not what LB299 is about. I'm totally in support of it. What this bill is going to do is help us to protect the new firefighters coming online. We have to protect them because we will have volunteer firefighters for the rest of our lives because in the state of Nebraska, it is so crucial that you have those people in those places. As these other gentlemen have testified, we can't afford, in our communities, to put a paycheck in everybody's pocket that is a volunteer. I walked into the first fire station in February 28, 1980. That's where I started. I have loved every moment of it. I've had some bad times and I've had some good times, but what I have seen is the changes in how we perceive and how we attack a fire. In 1980, the fire truck would pull up to the front of the house, two great, big old guys with gray hair like myself then-- I had hair with color then-- would jump off the truck, grab the hose, kick the front door in go inside. The more smoke they had and the more soot they had on them, well that was the tough guy. That was the John Wayne of the fire service. Those days are gone. We have to be more proactive in what we do. What I see with this bill, it's going to help us do that. We need to get that firefighter checked out before he walks into my building, whereas I just walked in and went to work. We need to make sure that that person is clear, clean, and healthy. And along and about two years after that, I would like to see if this bill would maybe even attach that that firefighter needs to go back and get checked yet again because we have to protect the new ones. The old ones we can't do anything for. We could talk about it and we could reminisce, but we can't fix them. I'm at that age-- I'm 71 years old and I'm-- enjoyed my life as a firefighter. As I said, I wouldn't trade it for anything, but I'm here to ask you to help me to protect the new ones coming online. We need to do that. Firefighting has progressed so much in the last few years that the technology is just amazing. We can't hardly keep up. Some of the older gentleman in my state, they can't keep up. They fell to the wayside. I don't plan on falling to the wayside. I know Joni knows me personally. I don't give up that easily because I've had some tough times with the fire service. You know, I've been knocked off a roof a couple of times and shot at, got stabbed in the leg once by a real bad attitude patient, you know, because we do fire rescue also. I got COVID in June, was in the hospital. I was in the ambulance ride and everything, but I came back, went back to work in July. That is a volunteer. Volunteers don't give up. They have their hearts pure and harder than any person who is out there. So we need your help with LB299. Please help protect these people. You pass that because you got to understand who a volunteer comes from-- a community. It's not lawyers-- nothing personal. It's not engineers, designers. It's not doctors and it's things of this nature. You know, you don't have those great big fancy people that live in a million-dollar home. They don't volunteer. He's the guy that works in the lumber yard. It's the guy that works in the grain elevator. It's the kid that works in the grocery store or the gas station mechanic that fixes your car when you drive in. He's the guy that drops everything, runs over, and jumps in the fire truck and goes to put out the fire. He's the guy that has the wife, the three children, lives in a very modest home, and has a car payment, a house payment, utilities, and everything else. When he gets this-- if happens to him and unfortunately, it does and I don't like seeing it happen-- I would like to see us-- that he has some sort of help. If you cut that gentleman's paycheck out, his whole life is over.

**LINEHAN:** OK.

**PATRICK MOORE:** It's done.

**LINEHAN:** Thank you.

**PATRICK MOORE:** All righty, please help with this.

**LINEHAN:** Joni might have a question for you.

**PATRICK MOORE:** All right.

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**LINEHAN:** Are there questions for the committee? Joni-- I mean, Senator Albrecht, I'm sorry.

**ALBRECHT:** That's OK.

**PATRICK MOORE:** I know I didn't-- I wasn't prepared to stay, but just from here.

**ALBRECHT:** But, you know, I appreciate everything you said-- sorry-- and maybe I better not go there.

**LINEHAN:** It's OK. Thank you, Senator Albrecht.

**PATRICK MOORE:** We're good friends. I [INAUDIBLE].

**LINEHAN:** I think she's having a hard time coming with-- it's fine. Anybody else have any questions? I think what Senator Albrecht wanted to say, she appreciates your service very, very much, sir.

**PATRICK MOORE:** Thank you very much.

**ALBRECHT:** I do.

**LINEHAN:** You're welcome.

**ALBRECHT:** [INAUDIBLE]

**LINEHAN:** Next proponent.

**JERRY STILMOCK:** Madam Chair, members of the committee, my name is Jerry Stilmock, J-e-r-r-y S-t-i-l-m-o-c-k, testifying in support of LB299, in support of my clients-- on behalf of my clients, Nebraska State Volunteer Firefighters, Nebraska Fire Chiefs Association. I can't, I can't beat-- I cannot add to what the preceding gentlemen have said so I'm going to give you a couple of different-- real quick items. Seven states have already passed legislation like this. The emotional part, the want part, the desire part, but I want to share with you the, the money part. The money part goes like this. For those seven states that have passed this legislation, they have recognized and the league of municipalities in those relative states have recognized that if a firefighter has-- in the Workers' Compensation Court, the way things work right now without LB299, I have to prove that the cancer was ob-- contacted [SIC] during my service. Those of you that have wrestled with the issue of how do you, how do you prove that are exactly what is happening in those other states right now. That's what's happening-- that's what would happen-- have-- need to happen in Nebraska. That volunteer, if a volunteer was stricken, if a career firefighter was stricken with cancer, they'd have to walk into court with a lawyer and prove that the cancer was contacted [SIC], was caused by their employment service as a firefighter, OK? Imagine that burden of proof. Those states that have said I want to trade, I-- we want a presumption, a prima facie case, a presumption that cancer came from that service as a volunteer or as a career person. We're going to give you that as you walk in-- statutorily into the Worker's Compensation Court. Nebraska does not have that, OK? So those states that have a presumption in the Workers' Compensation Court, those premiums are sky high for, for workers' compensation for those firefighters, sky-high premiums for that presumption that would be tacked on. These seven that have passed it have recognized that the, the cost-- about $150 to $200 a person annually to have this insurance package. The cancer insurance package that Senator McDonnell, McDonnell has introduced in LB299 is, is at-- that much less; $100-- about $100-- $150 to $200 compared to those states that have given a presumption of, of cancer being contacted [SIC] while in the fire service. So it truly is an issue of, of money. If the presumption is in place, then the insurance companies are going to say OK, premiums are going up. So the trade-off by these seven, I just wanted to bring that to the, the committee's attention that there is a, there's a big and significant trade-off. Thanks to Senator McDonnell for bringing the legislation and I'd be happy to try to answer any questions, Senators.

**LINEHAN:** Thank you, Mr. Stilmock. Are there questions from the committee? OK, I have one. I'm not quite sure-- I don't-- and I'm looking at the fiscal note. I don't know how this works, like, sounds like an Appropriations bill.

**JERRY STILMOCK:** The-- I, I, I think the Senator and I wrestled frankly with-- I mean, the reason why you're hearing it, right? I mean, can I answer that?

**LINEHAN:** Yes, that's-- I would love that.

**JERRY STILMOCK:** It is because of the, the other states that our research saw-- had a statement in their, their legislation that had passed that said these benefits that are insurance benefits shall not be taxed at the state level and so that clause is in LB299. These benefits, should LB299 pass, would not be taxed by the state of Nebraska.

**LINEHAN:** OK. So the benefits package is probably in Appropriations. This is just here so we don't tax the benefits.

**JERRY STILMOCK:** Yes.

**LINEHAN:** OK, that's helpful.

**JERRY STILMOCK:** Yeah, but, but-- I mean, there is no companion bill in Appropriations. This, this is it, this is it.

**LINEHAN:** Oh, so we have-- we're-- OK.

**JERRY STILMOCK:** You're hearing it because of that, that clause--

**LINEHAN:** Well, isn't it--

**JERRY STILMOCK:** --in there.

**LINEHAN:** Well, that's-- OK, so who's going to pay for the insurance-- who's going to pay the benefits?

**JERRY STILMOCK:** Cities, village, fire protection districts.

**LINEHAN:** Oh.

**JERRY STILMOCK:** The lady who's going to follow me in a little bit.

**LINEHAN:** OK, I got it. All right, does anybody else have any questions?

**JERRY STILMOCK:** Thank you for the question. That helped, I, I believe. Thank you.

**LINEHAN:** Yes, that helps. No other questions. Thank you very much.

**JERRY STILMOCK:** OK. Thank you, Senators.

**LINEHAN:** Other proponents? Any other proponents? Are there any opponents?

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**LYNN REX:** Senator Linehan, members of the committee, my name is Lynn Rex, L-y-n-n R-e-x, representing the League of Nebraska Municipalities. And first of all, I just want to start by saying we're here today opposing LB299, but not because we don't appreciate the volunteers. What they do I would never have the courage to do so we absolutely appreciate what they do. And I would encourage committee counsel because I know that she will be doing this in any event, both of them, but to look at 48-115, which requires municipalities, we look at workers' compensation, the municipalities' required to do. The League of Nebraska Municipalities, through our League Association Risk Management, actually provides coverage for over 1,800 volunteer firefighters across the state. There are all kinds of provisions that come into play under Chapter 48-155 [SIC]. In addition 35-108 talks about the requirement of a municipality to purchase policy group life term insurance to age 65. And perhaps Jerry Stilmock and I need to have a conversation because 35-1001 provides the prima facie evidence of death or disability as a result of cancer and talks about firefighters, paramedics, who's a member of a paid fire department of a municipality or a rural or suburban fire district-- protection district. That being said, there are some practical things that come into play here. And first of all, if money was no object for the state or local governments, we'd be saying, you know, do everything you can do for the volunteers. The reality is money does have a play into this, and that's a balancing test this committee and others will have to make. Because when you look at the implications of this, for example, and Jerry and others have gone through some of this, turning to page 3 of the bill, a lump-sum benefit of $25,000. By the way, this bill is modeled almost verbatim of the New York statutes. Those apply, though, only to volunteers, but still mirrors those. So a lump-sum benefit on line 4 of $25,000 based on certain conditions; line 19, $6,250 based on a lesser type of cancer. Having lost so many members of cancer myself in my family, I can appreciate what they're saying today. However, there's always a cost that comes into play. Line 29, a monthly benefit of $1,500, and that goes on for 36 monthly payments. Now, it's not just that you build one on top of the other. I'm just suggesting to you that that's how this works with the $50,000 additional payment and, God forbid, to the beneficiary of a firefighter's estate. I do not know how the language operates on page 4, lines 25-27. Firefighters will "be ineligible for benefits under the Firefighter Cancer Benefits Act if he or she is already provided paid firefighter cancer benefits pursuant to section 35-1001." Well, that's a statute that gives the prima facie evidence of cancer due to death-- that-- death and disability. So I don't know how-- how you if you start getting benefits and then all of a sudden you're now under workers' comp, I don't know how all that would work, how the presumption fits in, because we do have a prima facie case in the state of Nebraska. In addition, if you note on page 5, line 14, this goes on for their eligibility is for 60 months after they stop being a firefighter. And again, whether you're paid or volunteer, a municipality doesn't control-- the city or village does not control what you do in your personal time. They don't control whether you smoke. They don't control whether you drink. They don't control any of those elements. Turning to the last page of this bill, page 14, it talks about the-- basically the-- the federal adjusted gross income. And just to underscore that, the fiscal note itself and I don't know, I'm-- on one of the pages it outlines page 3, how they came up with these numbers. But 180 firefighters are estimated to use it. In FY '22-23 $153,000 would be the state's loss, but it's in the millions for municipalities in paying this and others. So, again, it's a balancing test. I have complete admiration for what they do here today. It's the--

**LINEHAN:** Thank you, Ms. Rex.

**LYNN REX:** Otherwise, I'm happy to answer any questions you might have.

**LINEHAN:** Senator Flood.

**FLOOD:** Thank you, Ms. Rex. I am trying to-- so this would be a policy that the cities would buy under this, or is this-- would this be city fund? You know, let's say you're Valparaiso, Nebraska.

**LYNN REX:** OK.

**FLOOD:** And you have a volunteer that contracts cancer and it's linked back to his fire service or her fire service. How do you envision, if this were passed, how would it work for like the village of Valparaiso?

**LYNN REX:** The short answer is, I don't know. And I'm not trying to be sarcastic here. I really don't know. Certainly, I-- I have a call in to my colleague in New York and some of the other states-- I think Jerry said there are seven states, but the one that I'm most familiar with is New York-- to see how they funded it, if it is through a policy. LARM, for example, the League Association's Risk Management, we provide policies for workers' comp. They're required to do that under Chapter 35, and we do. I don't know, Senator, if a city would just do a set aside on this or you wait until it happens. But to that end, it is really important that if you're serious about advancing this bill, please consider giving us an exemption outside the lid and the levy authority to pay for it. Again, and I'm sure you're sick of me saying it because I'm sick of saying it myself. I'm sure you're sick of hearing it. I'm sick of saying it, which is basically 529 cities and villages in the state of Nebraska, half of them are up against their maximum levy limit and half of them cannot even spend or pay or spend down the 2.5 percent over the prior year. So I don't know how they would do it is the short answer.

**FLOOD:** What-- what would be the death benefit for a rural, for a city volunteer firefighter, for instance? Is that up-- is that something each city has their own policy on or is there and is there any kind of expectation if a volunteer is to give their life in the line of service? Is there a death benefit?

**LYNN REX:** There are death benefits and there's a requirement that we pay for those obviously, as well we should.

**FLOOD:** Is it set by statute or is it up to their insurance?

**LYNN REX:** No, it's statutorily now. I don't know and I can't speak for Omaha.

**FLOOD:** Do you know what it is?

**LYNN REX:** No, I don't know how, like Lincoln and Omaha do it, if they're self-insured totally. Other municipalities would have coverage for that.

**FLOOD:** Do you know what the death benefit is?

**LYNN REX:** I don't.

**FLOOD:** Is it set by statute, though, like it's actually?

**LYNN REX:** I should. I mean, under this bill, it's a $50,000 death benefit. I just don't know how that interfaces with all the other requirements of the group term life to each--.35-108. And you know, I can do some research on that--

**FLOOD:** Oh, no.

**LYNN REX:** --and get back to you. I just don't know.

**FLOOD:** I'm just trying to understand what we have now and then. I guess my last question would be workers' compensation. Every city in the state has worker's compensation coverage for any paid or volunteer firefighter, right?

**LYNN REX:** Yes. And for example, like in Norfolk, they're under Chapter 16. They have certain requirements that they have to do. In terms of for a volunteer, then you're looking at a Chapter 35 provision.

**FLOOD:** And why is that different? I mean, how is it different, I should ask?

**LYNN REX:** Well, the difference, for example, on a workers' comp, for example, if you have an injury, Senator,--

**FLOOD:** Yeah.

**LYNN REX:** --is that the question? OK. So, for example, if you were, let's assume that you are a teacher and you're also a volunteer firefighter.

**FLOOD:** Right.

**LYNN REX:** Then that is based on your work, depending upon what the injury is, there's a-- the Workers' Comp Court has-- ties into certain things and it's based on what you would lose as a teacher, for example,

**FLOOD:** Oh, versus a career firefighter.

**LYNN REX:** OK, because-- no, I'm not saying a career firefighter. I'm talking about a volunteer.

**FLOOD:** Yeah, yeah.

**LYNN REX:** OK.

**FLOOD:** That's how you-- that's why they would have different rules.

**LYNN REX:** That's a volunteer, because-- and in fact, I talked to an individual on Workers' Comp Court today about this very issue and how this would all interface. And I can honestly say I don't at this time know the answer to that. But I'm happy to work with this committee and others on that effort. In contrast, if you're a Norfork paid firefighter, that's a different deal. I mean, because they've got

**FLOOD:** It's in the line of your work.

**LYNN REX:** It's in line, well, yes. And of course, when we're talking injuries and workers' comp, the statutes and if you look in the workers' comp statutes

**FLOOD:** Do the--

**LYNN REX:** --in 35 dash, I'm sorry.

**FLOOD:** Does the Workers' Compensation Court, in your opinion, this would be a question for the firefighters here, do they treat volunteers fairly? I'm sure they would say yes, but I mean, do.

**LYNN REX:** Well, I sure-- I've never heard that they don't. But for example, 48-115, this is workers' comp, defines volunteer firefighters, walks through their coverage and what they're entitled to. They have to be confirmed by a city council. And there's a recommendation of the chief. There's a process to go through. But I'm just saying--

**FLOOD:** Volunteers have to be confirmed by the city council?

**LYNN REX:** Yes. I mean, what it says here and I'm reading in paren--

**FLOOD:** Sorry.

**LYNN REX:** (3) Members of such volunteer fire department, before they are entitled to benefits under the Nebraska Workers' Compensation statute, and I'm reading in 48-115, shall be recommended by the chief of the fire department or some person authorized to act for such chief for membership therein to the board of directors of the rural or suburban fire protection district or nonprofit corporation, because some are organized that way, mayor and city commission, mayor and council, the chair and board of trustees, as may be, and upon confirmation shall be deemed employees of such entity. So, for example, you're heading to the fire, you're injured at the fire, you're coming home. That doesn't mean a week later, if it's an injury that's not related to what happened. I mean, obviously, your workers' comp is only when it's-- when you're in the line of doing service on behalf as a firefighter.

**FLOOD:** You're afraid about the distinction between directly connected to the response versus.

**LYNN REX:** I think that's-- that's well settled. I think it's well settled in terms of when you're-- when a volunteer firefighter is covered and when they're not under workers' compensation statutes. Obviously, if you're a paid fire--

**FLOOD:** 9/11 has changed a lot of the discussion on that. I mean--

**LYNN REX:** I'm sorry.

**FLOOD:** The 9/11 tragedy--

**LYNN REX:** That's true.

**FLOOD:** --has changed some of that conversation.

**LYNN REX:** That is true.

**FLOOD:** Thank you very much.

**LYNN REX:** That is true.

**LINEHAN:** Thank you, Senator Flood. Are there other questions? Senator Pahls.

**PAHLS:** Thank you, Chair. What I'm curious on workmen's comp, if I'm the firefighter, I have to prove that the injury was on the job. Is that how that works?

**LYNN REX:** OK. So in the Workers' Compensation Court and again I reference 48-115, how you go about showing that the injury was related to the fire service. So, for example, the typical ones with the League Association Risk Management would be something like this. You know, heaven forbid, but you fall off a roof, so you're working a fire and you fall off a roof or you're trying to pull a hose and you have a back injury, a shoulder injury, but you can tie it directly to that.

**PAHLS:** OK, but if-- do I have to prove that I have cancer, that I get it on the job?

**LYNN REX:** OK, you're talking specifically cancer?

**PAHLS:** Yeah, I'm just talking cancer now. Do I-- would I have to prove that to the courts that I received my whatever I did, the fire caused the cancer? I'd have to prove that?

**LYNN REX:** OK. So a prima facie case means that if you can show the following things, then in fact there's a presumption that it's there. So 35-1001, death or disability as a result of cancer, death or disability as a result of a certain disease is prima facie evidence. And it walks through basically it's pretty lengthy statute here. So I don't want to just read it all into the record. But for a firefighter or firefighter-paramedic who's a member of a paid fire department of a municipality or rural or suburban fire protection district in the state, including municipality having a home rule charter or municipal authority created pursuant to home rule charter that has its own paid fire department, who suffers death or disability as a result of cancer, including but not limited to, goes through the various types of cancer or other injuries relating to cancer, which demonstrates that (a) such firefighter or firefighter-paramedic successfully passed a physical exam upon entry into such service or subsequent to such entry, which examination failed to reveal any evidence of cancer, (b) such firefighter or firefighter-paramedic was-- was exposed to a known carcinogen and it goes through the type of carcinogens.

**PAHLS:** Well, what I'm trying--

**LYNN REX:** And (c), I'm sorry.

**PAHLS:** OK, let's say that I've taken--

**LYNN REX:** You have to-- you have to meet the qualifications.

**PAHLS:** OK.

**LYNN REX:** In other words, it can't be there-- it can't be for other reasons. It has to be tied to the fire service--

**PAHLS:** OK. But let's say--

**LYNN REX:** --to have a rebuttable presumption.

**PAHLS:** OK, OK. But let's-- I'm using what you're trying-- I think you're trying to tell me. I'd have to prove that I got because I was a firefighter. If I did have cancer, I'd have to prove it.

**LYNN REX:** Well, you're given-- if you can show that you meet this, then it is assumed, that's what a prima facie case basically is, if you meet the elements of this, then it says the following shall be a prima facie evidence of such death or disability resulted from injuries, accident or other cause while in the line of duty for the purposes of, yeah. So in other words, you have to show (a), (b), and (c) under 35-1001.

**PAHLS:** So I just cannot take my physical, I'm healthy, I've been a firefighter for a couple of years. I end up having lung cancer. I'd have to still prove I got it from my work as a firefighter.

**LYNN REX:** You'd have to show that you meet these conditions, Senator.

**PAHLS:** OK.

**LYNN REX:** And again, I'm not purporting to be an expert in this. I defer to committee counsel and we're happy to work with-- with you folks. But we tried to work through the quagmire of how this would actually interface with this. I mean, again, I still don't-- and maybe Senator McDonnell can because I know he's a very bright guy, so I'm sure he can explain this. The attorneys with whom I had discussions about it on page 4, lines 25-27, how does this happen when-- how do you-- how does this work? A firefighter should be ineligible for benefits under the act that is in LB299 if he or she is already provided paid firefighter benefits pursuant to Section 35-1001. So obviously if you're, if you're already getting paid those benefits, then understand this wouldn't apply to you. By the same token, what if you start getting benefits under this and then decide, oh my goodness, I need to-- I need to go to Chapter 35? I don't know how all that works, but there's probably an easy answer. I'm just not bright enough to figure it out.

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**PAHLS:** Thank you.

**LINEHAN:** Thank you. Senator Pahls. Are there other questions from the committee? OK, nobody asked you for a fiscal out on this? Nobody asked the cities or the-- anybody for a fis-- because I've been sitting here--

**LYNN REX:** Not me. I-- no, no.

**LINEHAN:** Since we started going how, what are we doing here? And it's odd to me that-- OK, maybe there's a reason that-- because you can't even tell us to Senator Flood's questioning, we don't have any idea what it would cost. You said millions. I know, but we don't have any--

**LYNN REX:** OK. So this is based on an individual who you know really well, Senator Flood, who's now a city attorney in Hastings, Nebraska. So basically, based on this page, I'm looking at page 3 of the fiscal note, and again, I have no-- OK.

**LINEHAN:** OK, I got it. I got it. We, but there's-- did

**LYNN REX:** What it would cost--

**LINEHAN:** Are you surprised that you weren't asked for a fiscal note, that somebody didn't ask the city--

**LYNN REX:** No, because the municipal-- I mean, the League is not asked for a fiscal-- fiscal note. There are times that municipalities are and it could be that they, to be blunt, in deference to Fiscal, they may have asked and our cities just didn't know how to assess it--

**LINEHAN:** OK.

**LYNN REX:** --because we don't really know how to assess it. All I can show you is--

**LINEHAN:** Wait a minute, wait a minute.

**LYNN REX:** --to --to have a loss of $153,000--

**LINEHAN:** Lincoln did. Lincoln did. The fiscal impact of the bill would result in added insurance coverage for the city of Lincoln, but no numbers. OK, all right. Are there any other questions?

**LYNN REX:** To get to $153,000 loss, which is on page 3, the loss of state funds to basically based on the computation from folks much smarter than I would be, the local government payout to get to that point is $2,236,000 approximately.

**LINEHAN:** But that's spread all over the state.

**LYNN REX:** That's true. That is true.

**LINEHAN:** Right. So if that-- then that's--

**LYNN REX:** That's based on what is said here to be 180 firefighters. So if you assume that this is accurate, based on the fiscal note, I have no reason to believe it isn't. I just don't have personal knowledge of it. It says the department estimates roughly 180 firefighters will utilize the tax deduction. The $50,000 in death benefit is assumed to be a life insurance policy, which is generally not taxable, assuming and it projects losses here on page 3. But my point is, if this is something, too, just in closing, Senator, that you and the committee seriously want us to consider and do, because most of these departments I mean, we're very fortunate to have fantastic volunteers all across the state. They also have trouble getting, attracting people and retaining them. So this is a big deal. And if you're going to do something like this, it's going to be extremely important to be able to let people pay for it. And I'm just suggesting to you, your villages, your cities of the second class, they are out there struggling. And unless there's an exemption for the lid and the levy, they don't have a place to go to get this.

**LINEHAN:** Got it. OK, thank you. Any other questions? Thank you very much for being here.

**LYNN REX:** Thank you very much. And appreciate again the great service of the folks behind me.

**LINEHAN:** Do we have any other opponents? We did have-- there was no written testimony submitted this morning and letters, we had two proponents, no opponents, and no one in neutral.

**McDONNELL:** Thank you, Chairperson Linehan. I'm going to try to untangle this a little bit. Senator Pahls, your question has to do with workers' comp. It has to do with-- the presumption is based on pensions, OK, and the, the idea that we have 95 percent of the people that we're talking about are a volunteer in the state of Nebraska. Now let's, let's take a look at what we're, what we're really talking about. You have a dangerous job and you're trying to make it safer. So you look at that and you say, well, OK, we can, we can look at better equipment. We can look at better technology, better training, but it's still going to be a dangerous job. There is still going to be one out of every four firefighters, sometime in their career, wheeled into an emergency room and some will never come out. That is a fact. Everything we're talking about in this bill today, and I know it's going to get-- really taking the long way around the barn today here, but we're talking about after the fact. We're talking about-- you know, when you start talking about those numbers in that fiscal note, those, those are people. They're projecting that's how many people that are serving us in the state of Nebraska that will take advantage of these benefits. And I don't think these benefits are even close to enough. I really don't. I'm bringing you the bare minimum here. It costs $14.50 approximately per month per firefighter. Now remember, you're going to set a budget. You're going to pay for equipment. You're going to pay for fuel. You're going to pay for that facility, again, training. There's a lot of money being spent here and well, it should be, but 95 percent of the people aren't even asking to be compensated that are serving. And here-- you know, you always negotiate from a point of strength or weakness. I am definitely negotiating from a point of weakness because if we don't do a thing as the state, every one of these people that have served will continue to serve. None of them will say you know what? Since the state can't even-- actually not even the state, since our community can't even put in the budget $14.50 per month for basically our service, not one of them will say I'm going to quit because of that. That's just a slap in the face. That, that really is. I, I don't, I don't know how to put down in paper their-- and, and put, put a dollar amount to their sacrifice, to their commitment, to what they've done. And earlier yes, Senator Albrecht was emotional. Her father served and served and sacrificed and sacrificed as a firefighter and she knows what it's like. They're not doing this for themselves. They're doing this to help their community. And again, 95 percent of them aren't even being compensated. But if I stood here today and had a bill and said this piece of equipment, this personal protective piece of equipment can help save people's lives, firefighters lives while they're actually trying to serve the citizens, I believe we would actually have the, the communities find the, the funds for this, but we're not. This

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isn't going to save anyone's life. This is after the fact where they have been diagnosed with cancer and now they have to go home and deal with it and they have to deal with it with their families and they're going to suffer and some are not going to recover. That's why we have a $50,000 death benefit. OK, so we just-- OK, gave them $50,000 for their sacrifice. Better than nothing, but again, as I stated earlier, this isn't enough. This isn't what we should be doing. We should be doing more. And I don't, I don't doubt that-- the testimony based on the communities and, and where they're at right now with their budgets, but again, they can budget this in just like they do with fuel and equipment and training; $14.50 approximately per month. That's what they're asking for and they never want to use it. They never want to be diagnosed with cancer, but they know because of their service and because of their sacrifice, they are 14 percent more likely to have cancer. I'm going to-- I'm asking you to move this, this forward. I believe it's important and I believe if we don't, it is a slap to everyone of these people's-- in their face based on their service to, to our state.

**LINEHAN:** Thank you.

**McDONNELL:** But again, if you don't, Senators, they'll still keep serving. None of them will back off. They'll answer the next bell. They will make the ultimate sacrifice.

**LINEHAN:** Thank you, Senator McDonnell. Are there any questions from the committee? So you're saying it is-- you, you do know how to-- your-- the plan is they would buy insurance for everybody?

**McDONNELL:** Yes, this is based on the premium, approximately $14.50 per, per firefighter per month on the premium and you've seen the benefits-- to sell the benefits we broke down.

**LINEHAN:** So this would cover-- would it cover Omaha and Lincoln firefighters too?

**McDONNELL:** And, and talking about that, the idea of why we had the, the language in there about double-dipping, no, if you're a, if you're a volunteer-- and again, most of your paid have already taken care of this--

**LINEHAN:** OK, that's what I wanted--

**McDONNELL:** --through collective bargaining. We're, we're-- again, we're back to 95 percent of the firefighters in the state are not paid.

**LINEHAN:** Right.

**McDONNELL:** But yeah, the idea that if someone actually has the benefit-- because there's a number of firefighters that are paid and then in their smaller communities, they volunteer. So if they've already received the benefit from potentially the paid department, they're not going to double-dip and get the benefit then from the-- their community they're serving as a volunteer.

**LINEHAN:** So could you-- I'm sorry, does anybody else have a question? Oh, Senator Albrecht.

**ALBRECHT:** I do have a question. So, so all the paid guys already have this coverage, correct?

**McDONNELL:** I'm not, I'm not saying all of them have it, but, but I--

**ALBRECHT:** But, but right now, can they elect to get it through their cities?

**McDONNELL:** I, I believe-- and I can get you the stats-- I believe most paid have some kind of coverage.

**ALBRECHT:** OK so paid pretty much have it and, and I'm not going to go into-- most cities and counties have 100 percent paid coverage on most things, so what we're talking about is paying for these volunteers, correct?

**McDONNELL:** The, the local community would have to budget for their volunteer firefighters.

**ALBRECHT:** And let me ask you this. Would you say that most of the cities and counties in the state pay 100 percent of their insurance for their employees anyway? And my point to that is I think we've heard quite a bit of that-- and maybe you don't know, Senator McDonnell, but if they have 100 percent coverage for all of their employees that aren't even a volunteer saving lives and property, I can't imagine that if these policies are $14, that it's going to be an issue. So you're here asking the Revenue Department to not tax them on the amount that they are being provided, that insurance for a year?

**McDONNELL:** Yes, I would like the, the-- if we could pass this legislation, for the, the communities to budget for the insurance for the firefighters and for us then not to tax it, going back to the fiscal note.

**ALBRECHT:** OK, and there was one other thought I wrote down. So, like, the $250 [SIC] that we give volunteers that you know, that are on the roster, would they have to qualify in any other way that-- if you, if you spent two years or 15 years or 35 years--

**McDONNELL:** Each, each firefighter would have to have a exam to show that they're cancer free.

**ALBRECHT:** Exam every year?

**McDONNELL:** No, then they would--

**ALBRECHT:** Every-- OK, sorry, I wasn't here--

**McDONNELL:** --then they, then they would have to serve for 12 months--

**ALBRECHT:** OK.

**McDONNELL:** --and then they would be eligible for this benefit.

**ALBRECHT:** OK, thank you. I wasn't here. I apologize for that, so--

**LINEHAN:** Thank you, Senator Albrecht. Are there any other questions? Senator Flood.

**FLOOD:** Just a simple one. There are some rural fire departments where because of your service, you never get off. You're still a member of the fire department. OK, so let's say you're actually 80 and you haven't answered a call in 15 years. We aren't-- we wouldn't expect them to be enrolled in the city's plan. This would be for people that actually respond to fires and go into the structure, right?

**McDONNELL:** Yeah, we put a six-month separation.

**FLOOD:** OK.

**McDONNELL:** After six months, then no, they would no longer be eligible.

**FLOOD:** Because a lot of times, I think you've got some members that are actively on the city's fire roll that are no longer really active, but it's just a-- kind of honorary recognition of their service.

**McDONNELL:** Yeah, there would be a six-month separation up to that point, then they would no longer be eligible.

**FLOOD:** OK.

**LINEHAN:** Thank you, Senator Flood. Any other questions? So would you-- just a couple of things here. Would you work on getting this-- some kind of fiscal note on what you just said, the 147 and how many it would affect and so we know what we're actually dealing with? And if you would work with Ms. Rex, that would be helpful. And then the other thing, accord-- just to Senator Flood's point, a little more-- like bullet points about where it starts, where it ends. So if we do "exec" on it, we've got an understanding.

**McDONNELL:** Yes, I will, I will work with everyone and anyone to make sure you get all the information you need.

**LINEHAN:** Thank you very much. OK, and we already did that, so with that, LB-- the hearing on LB299 comes to a close.

**McDONNELL:** Thank you.

**LINEHAN:** Thank you, Senator McDonnell. Good afternoon, Senator Lindstrom.

**LINDSTROM:** Good afternoon-- oh, I'm sorry.

**LINEHAN:** We will now open the hearing on LB347.

**LINDSTROM:** Good afternoon, Madam Chair and members of the Revenue 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. Today I'm introducing LB347, a bill to change provisions relating to an income tax deduction for dividends received from certain corporations. This deals with an issue related to the federal Tax Cuts and Jobs Act that passed in late 2017. One of the changes in the federal act was designed to encourage

U.S. companies to bring foreign-earned income back to the United States. The act did not-- the act did this by providing a reduced rate of tax for income earned by these controlled foreign operations. This income is sometimes referred to as GILTI, better known as global intangible low-taxed income. This income is included in the federal gross income of U.S. corporations, and a portion is allowed to be deducted before taxable income. This income is then taxed at 15.5 percent rather than the 21 percent of corporate-- at the corporate rate. Foreign-derived intangible income is taxed at 8 percent. Historically, the majority of states, including Nebraska, have not taxed foreign-earned income. To the extent foreign-earned income has brought back to the-- has been brought back to the United States, it was treated as a foreign dividend by the states and deducted off of state tax return. The Nebraska Department of Revenue issued a General Information Letter on December 10, 2019, stating that since a portion of the gross income, minus the federal deduction allowed, is included in taxable income, it then must be reported on the Nebraska return. The department's position is that income is not treated as a for-- foreign dividend under the federal act. Therefore, no deduction is allowed on the Nebraska return. This issue only gets more complicated for U.S. corporations that file returns in multiple states. Then you get into what's known as the apportionment rule for each state. The Department of Revenue has tried to provide some relief to corporations through Nebraska's apportionment rules, but unfortunately, foreign income-- foreign-earned income is still taxed. Nebraska is an outlier in this area in that most states either exclude this income completely or only tax a very small portion. LB347 would clarify that since Nebraska did not tax this type of income before the federal act, and since there has been no change to the Nebraska law, this income would be fully deductible for Nebraska purposes. There will be several testifiers following my introduction, but I'd be happy to entertain any questions that you may have at this time. Thank you.

**LINEHAN:** Thank you, Senator Lindstrom. Are there questions? Senator Flood.

**FLOOD:** Senator Lindstrom, there's a $107 million fiscal note on your bill.

**LINDSTROM:** That's low. I was expect-- I was expecting higher. No, just kidding.

*Indicates written testimony submitted prior to the public hearing per our COVID-19 response protocol

**FLOOD:** That is-- that is the highest we've seen on any bill.

**LINDSTROM:** Well, So-- my Social Security bill is a little bit higher, so.

**FLOOD:** So is that money that we hadn't been getting that we are now going to get--

**LINDSTROM:** This is-- so--

**FLOOD:** --that we're not going to get now [INAUDIBLE]

**LINDSTROM:** It-- that-- that big spike deals with the retroactive portion of this, the-- as it stands moving forward. So this is under the Jobs Act of 2017. That portion is it would be a retroactive-- moving forward, if we were to just eliminate the GILTI portion, it would be $11 million a year moving forward, I believe, from looking at the fiscal note.

**FLOOD:** So this is money that we've already received--

**LINDSTROM:** Yeah.

**FLOOD:** --that $107 million.

**LINDSTROM:** Yeah, and it dates back to a time when I was still on this committee but a few years back with LB1090. We originally did it for individual, but we didn't take the next step on the corporate. Senator Linehan brought the bill, LB1203, last year. This is basically the same bill moving forward. It's just-- I wouldn't consider it a clean up, but I guess I'll call it a cleanup in the sense that we took care of one side of it; we just didn't take care of the corporate side of it, and that's why the-- you see the spike in--

**FLOOD:** And at a minimum, if we were to push this forward, going back and recapturing the $107 million is--

**LINDSTROM:** That's [INAUDIBLE]

**FLOOD:** --you'd probably be agreeable, I imagine.

**LINDSTROM:** Yes, that's right. Yeah.

**FLOOD:** Yeah. Thank you. Congratulations.

**LINDSTROM:** Thank you, I think.

**LINEHAN:** Other questions from the committee? Thank you--

**LINDSTROM:** Thank you.

**LINEHAN:** --Senator Lindstrom. Proponents for LB347?

**STACY WATSON:** Good afternoon, Chairwoman Linehan and the committee. My name is Stacy Watson. S-t-a-c-y W-a-t-s-o-n. I'm here on behalf of the Greater Omaha Chamber and the Nebraska Chamber in favor of LB347. As Senator Lindstrom mentioned, this bill is based on the Tax Cut and Jobs Act when it created two types of income, the GILTI income and 965 income. Historically, more than 30 years, Nebraska has not taxed this income, and the feds didn't actually expect states that had never taxed this income to be taxing this income as well. A change like this creates huge uncertainty for businesses and creates an unfriendly business environment when we allow the Department of Revenue to legislate a change in the law without any actual Nebraska Statute changes. I think it's important to review that little bit of legislative history. As Senator Lindstrom mentioned, you guys previously cleaned up the individual side of the TCJ Act to make sure that we didn't harm any individuals in Nebraska just because feds passed-- passed a law, and I think on the corporate side we want to do the same thing. So the federal government passed a law and our Department of Revenue decided that they were going to take it upon themselves to write a General Information Letter and now a revenue ruling to change the way Nebraska has taxed this business income forever. And so I think that, like we did with the individual side, we need to go back and do on the corporate side and clean that up and clarify, in my mind, that we never meant to tax this income, nor do we want to tax it going forward. So a little bit more legis-- legislative history which I think is really important. And I hate to get into the weeds, but I think it's hugely important here. In 1984, the Nebraska Supreme Court in the Kellogg's case said, hey, if you're going to tax foreign income, that's great, but you have to bring it all into our apportionment factor. So in Nebraska, we apportion on sales only. So the top factors, part of the factors, are Nebraska sales. The bottom part is currently just, you know, all the sales in the state, so numerator, denominator. I'm an accountant. I don't actually like math, but I know we all did fractions in third and fourth grade, so if I have 10 percent of my sales into Nebraska now and it's just based on the sales here, if I decide I'm going to bring in all my foreign sales, right? That denominator grows hugely. It doesn't make my numerator grow that much. So now you're actually probably going to get less revenue than you did before. And so after the 1984 court case with Kellogg's, the Legislature said, wait, we don't want to worry about what's happening with their foreign income, we don't want them to create a huge denominator with no reflection of that in the numerator and lose revenue, so we're just going to decide not to tax that portion of the revenue. And so that's why after the 1984 case, the Legislature actually decided they would not tax this revenue. And so that's been the history of Nebraska since then. And part of changing that, I never like to say that people are going to move out of the state. No one's going to move out of the state, but they can make sure that numerator doesn't grow by making decisions about this income outside of Nebraska. So they-- they can just move their headquarters out, their decision makers out. Their denominator will still grow; that numerator will not grow and Nebraska will continue to receive less money than they did before this change, which, again, was by the Department of Revenue, not by the legislative body. So I-- if there's any questions, I hate to get into the weeds about apportionment, but I think it's really important when it comes to this type of case.

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

**FRIESEN:** Thank you, Chairwoman Linehan. So we've-- I know we've talked about this numerous times and--

**STACY WATSON:** We love this topic.

**FRIESEN:** --for the benefit of others and to refresh my memory, I mean, how much of this amount would you-- we just talked about the potential of that lawsuit to try and collect that. We've already collected some, obviously.

**STACY WATSON:** Right.

**FRIESEN:** And so there's the potential-- you know, I think at the time you said there would be a lawsuit filed. So how many of these dollars would be subject to a lawsuit?

**STACY WATSON:** Right. So I find it interesting, the fiscal note. So originally when companies filed their tax returns, they did it the way the Department of Revenue told them to do it, OK, which in every company's mind, in my mind, was wrong. OK, so what the Department of Revenue said is you have to bring that in in one big kind of chunk as net income. You don't get to take your apportionment factor and make it bigger than this. Right? But that's really the rule. So they filed their returns based on the Department of Revenue's position, because you don't want to be penalized by filing a return against that position. Since then, I know a number of those companies have actually went in and filed refunds, which I'm sure is not reflected in your fiscal note. And as far as I know, the Department of Revenue has actually given them the money back versus going through a lawsuit, because I believe the Department of Revenue realizes that the 1984 Kellogg's case, due to the apportionment factor, is currently the correct law. They can't change a Supreme Court case without any change in statute, and so they've actually started refunding some of those monies, so I'm-- would be curious to know if they've included that in their fiscal note or not because the previous fiscal note, Senator Friesen, if you remember, and I'm sure that's why Senator Lindstrom was expecting it, was much bigger than this. So I don't know why they had a change of heart and brought it down, but my mess-- my guess is because companies are filing refunds, they've had to pay some, and I wonder, you know, if that will continue to be the case.

**FRIESEN:** If I remember correctly, some companies just filed and paid the tax.

**STACY WATSON:** Um-hum.

**FRIESEN:** Some filed under protest, maybe didn't pay the tax.

**STACY WATSON:** Yeah.

**FRIESEN:** So it was kind of a mix of all of the above. So let's just separate that out and-- and, yeah, our fiscal note may be-- may be off. And so what probably interests most people in the community is this going forward, the part that is supposedly legal--

**STACY WATSON:** Yep.

**FRIESEN:** --that we could keep taxing, and some-- some states tax it at a small percentage, not 100 percent.

**STACY WATSON:** Yeah, 5 percent, maybe up to 50 percent.

**FRIESEN:** But those are the numbers that I think we're more interested in, everybody, because obviously the lawsuit will determine that and the Department of Revenue will take care of it. It's not up to us to--

**STACY WATSON:** Right.

**FRIESEN:** --fix that, so to speak. So if-- going forward, and the way I understand it is a company-- and I'll use John Deere. You could use Cargill or anybody. So as they earn money overseas, they used to be taxed at 39 percent.

**STACY WATSON:** Yeah.

**FRIESEN:** And so now, when they brought this money back and that was incentive for them to bring it back, they were taxed at what rate?

**STACY WATSON:** When they bring it back now?

**FRIESEN:** Yeah.

**STACY WATSON:** Fifteen and a half.

**FRIESEN:** Fifteen and a half? And so there was a huge tax break for them on-- on the federal level.

**STACY WATSON:** Absolutely, because we wanted the money. Yep.

**FRIESEN:** And so going forward, you know, obviously the federal government has talked about, I think, changing some of that, too, so nothing is forever, right? What-- going forward, what is-- are these-- the amounts that are listed in the fiscal note, you know, around $11 million dollars, would that be going forward if we're following the law?

**STACY WATSON:** If we're using a-- yeah, no one gave me any kind of purview into how they calculated their fiscal note. But for the-- our handful of clients that do this, first of all, the whole goal of growing a company now, I mean, the world makes us go overseas, right?

I mean, there's so much more revenue overseas than there is currently here in the United States, right? All of my clients, even small clients, when I started at Lutz 20 years ago, they kind of giggled that I did international tax. Now it's a lot larger part of my jobs because our clients are going overseas. Right? So I'm curious to see how they calculated their fiscal note, because what's happening then to my clients, if we include their foreign income in our apportionment factor, our denominator is going to grow exponentially. Right? And imagine if someone starts selling their-- their trinkets to China and it goes over really well. That grows the bottom number. Those aren't Nebraska sales. That does not grow my top-line revenue. So if my apportionment factor to Nebraska before my foreign sales increase was 10 percent and all I'm doing is growing the bottom number, I mean, is the top number going to go down to 2 percent or 1 percent? We're still breaking up the same amount of the pie; I'm just giving you way less of it now because I've grown my foreign market, right? And I've actually taken that money back to the United States, which is what the federal government wanted, but now I'm just giving the state of Nebraska way less because you're making me include those in my numbers.

**FRIESEN:** So the-- to break it down simply, John Deere again, they do so-and-so many dollars of business in Nebraska.

**STACY WATSON:** Yep, they do 10 percent, let's say.

**FRIESEN:** And so if all of a sudden their business in China just quadruples--

**STACY WATSON:** Yep.

**FRIESEN:** --they start earning a lot more money, the percentage of their U.S. business in Nebraska, instead of stay the same--

**STACY WATSON:** Goes to about 2 percent instead of 10.

**FRIESEN:** --it's going to-- that's what gets apportioned back to Nebraska. If they would for some reason quit doing business in Nebraska, we'd get zero.

**STACY WATSON:** Right, if they decided not to sell any more tractors inside the state of Nebraska, you would get zero. But that bottom number could have grown by $200 million. You're not getting any more money; you're actually going to get less, so.

**FRIESEN:** So there's a lot of companies that do business overseas and bring money over and don't do any business in Nebraska--

**STACY WATSON:** Yep.

**FRIESEN:** --and we're not going to touch any of that--

**STACY WATSON:** Nope.

**FRIESEN:** --because none of it gets apportioned back to Nebraska.

**STACY WATSON:** Correct, so-- and I think that's what the senators got, you know, when they did this after the 1984 case is they really don't want to worry about-- we call it just factor dilution. They don't want to worry about bringing less money into the state because your denominator went up and your numerator went down. Even if your numerator stayed the same, right? Your denominator goes up, you're getting less money.

**FRIESEN:** Thank you.

**LINEHAN:** Thank you, Senator Friesen. Are there other questions from the committee? Am I right? We-- we don't tax-- you get-- we don't-- if you make income in Texas, we don't tax.

**STACY WATSON:** No, we don't tax that either. So, I mean, we've-- I mean, if you look at it, we actually know foreign income isn't-- and it's anything outside Nebraska borders. I mean, you could define that as another state. But, yes, we don't tax income from Texas, we don't tax income from Colorado, we don't tax income from Iowa, so why would we tax income from China?

**LINEHAN:** OK, on the reverse, just for all of our knowledge, if I live in Texas but I make money in Nebraska, whether that's rents or whatever, that is paid--

**STACY WATSON:** That is taxed. It's-- it's what's earned here.

**LINEHAN:** --in Nebraska because I made the money in Nebraska.

**STACY WATSON:** Yeah. Because you received a benefit from our state, we tax you, which makes sense.

**LINEHAN:** Right. OK, any other questions? Thank you very much.

**STACY WATSON:** Yep. Have a fabulous day.

**LINEHAN:** Other proponents of LB374.

**PATRICK REYNOLDS:** Good afternoon, Madam Chair, members of the committee. My name is Patrick Reynolds, P-a-t-r-i-c-k, Reynolds, R-e-y-n-o-l-d-s, and I'm here on-- today on behalf of the Council on State Taxation, better known by our acronym, COST. We are a nonprofit trade industry group, and our members consist of over 500 of the largest multijurisdictional businesses in the U.S. And our mission is to preserve and to promote the equitable and nondiscriminatory taxation of those businesses. So in other words, we're not one of the organizations that says no tax. We're an organization that says we want fair and equitable taxation. And in the interest of full disclosure, last fall, when we didn't know if this bill was going to come up again for consideration, we filed suit in Lancaster County District Court on the 965 deemed repatriation piece of this, the-- the guidance from the Department of Revenue seeking to-- for that guidance to be declared invalid because it runs contrary to the statute and what the Legislature has told the department to do before. So you have my written comments. But I-- I got to say, with respect to that legislation, we fully realize that this is the proper venue to have the issue resolved as opposed to in court and in a piecemeal fashion. This is-- this is the venue in which this issue should be resolved. And if it is resolved, we are more than happy to dismiss the suit in Lancaster County District Court. Now you have my written comments, but there are kind of two things that I wanted to make sure that I covered today in-- in my verbal testimony, and that's, one, to echo the comments of the previous witness, and-- and that is do not operate under the delusion that there is risk only if you pass the bill, risk to the revenue of the-- you-- of the state. There is risk to the revenue of this state if you do not pass this bill. And I don't have any insight as to how the-- the fiscal note was calculated, but that-- but that risk is the factor dilution the previous witness was talking about. The department has taken the position that-- that in terms of what they consider factor relief, that they will include net income in the denominator. But we do know that-- that under the Kellogg case and in applicable law, the amount that has to be included in the denominator is the sales, not the income. So the gross amount has to be included, not the net amount, which is a higher number, which, as the previous witness indicated, was a lower fraction and less money to the state. The other thing that I wanted to-- to drive home is the fact that one of the things that has never made sense to this, to me, is that we're talking about foreign income. And if that income is repatriated to the U.S. in the form of a dividend, there is no question, no controversy from the department that that amount is excluded. OK? It's just the deemed dividend and deemed repatriation to the U.S. that the department wants to administratively declare as not a deemed dividend and, therefore, included in the tax base. And to me, that's a policy rationale that I can never reconcile and-- and-- and it makes no sense at the end of the day. With that, I see my time is about up and I'm happy to take any questions.

**LINEHAN:** Thank you very much for being here, Mr. Reynolds. Are there questions from the committee? Senator Briese.

**BRIESE:** Thank you, Chairwoman Linehan. Thanks for your testimony here today. Did I understand earlier the department is issuing refunds as we speak relative to the Section 965 deemed--

**PATRICK REYNOLDS:** Repatriations?

**BRIESE:** Yes.

**PATRICK REYNOLDS:** So it is-- it-- it's my understanding-- I-- I don't have any firsthand knowledge of refunds being issued by the department. I have heard that several of our members have filed refund claims for that particular issue in the factor dilution.

**BRIESE:** OK.

**PATRICK REYNOLDS:** But I don't have any firsthand insight as to what those rev-- those amounts have been.

**BRIESE:** OK, maybe I misunderstood. But if they are recognizing those refund claims and acting on them, don't need part of this bill, maybe, as far a retroactive--

**PATRICK REYNOLDS:** Well, and-- and the issue then becomes one of consistency and predictability and transparency in that case. So as opposed to giving refunds in a one-off situation, I think the Legislature has the opportunity here to clarify that the same rules apply to everybody.

**BRIESE:** And can you give me an example what-- the GILTI income we're talking about here, what-- give me an example of that or how-- how does that calculate out?

**PATRICK REYNOLDS:** So so under the-- the Tax Cuts and Jobs Act, they were kind of two things that they-- they wanted to do with respect to foreign income. So they wanted to-- to try to encourage companies-- not encourage, require companies to repatriate a lot of that income back to the U.S. So prior to the TCJA, you could have foreign earnings and they would never be taxed until they were brought back into the U.S. OK? So Congress wanted to do two things with the TCJA. They wanted to (A) require a lot of that repatriation back to the U.S. in a one-time kind of catch-up play, and those are the Section 965 deemed repatriations. That was a one-time deal. And then the GILTI amounts, it's an acronym that stands for global intangible low-taxed income. It's-- it's a really great acronym, but it's not really accurate description because although it's global, it's not-- it's not necessarily restricted to intangible; it's not necessarily restricted to low-tax income. But the GILTI piece of the TCJA is kind of the ongoing year after year way that the U.S. government is going after and-- and they're-- they're grabbing that foreign income on an ongoing basis.

**BRIESE:** OK, thank you for that. So what is global intangible low-taxed income. An example of that would be?

**PATRICK REYNOLDS:** So it would be earnings in-- in foreign countries.

**BRIESE:** Any earnings, basically, across [INAUDIBLE]

**PATRICK REYNOLDS:** Any earn-- there's a whole big formula that they have to go through. But it would be, if you think about it as foreign-source income--

**BRIESE:** OK.

**PATRICK REYNOLDS:** --that's the way to think about it.

**BRIESE:** OK, encompasses a lot of any operation.

**PATRICK REYNOLDS:** Correct.

**BRIESE:** OK, thank you.

**LINEHAN:** Thank you, Senator Briese. Senator Friesen.

**FRIESEN:** Thank you, Chairwoman Linehan. So to clarify a little bit, the Tax Cuts and Jobs Act, it wasn't a-- a carrot to get them to bring their money back. They forced them to bring it back and taxed them at a really low rate.

**PATRICK REYNOLDS:** That is correct. And it depends on how you characterize it. Some would say the low-- low tax rate was the-- the carrot and-- and the stick was the 965 in the-- in the GILTI piece of it.

**FRIESEN:** But there wasn't a choice.

**PATRICK REYNOLDS:** Correct.

**FRIESEN:** So going forward now, there's not a choice either. Any income earned is come-- brought back here and taxed at a very low rate.

**PATRICK REYNOLDS:** It's-- it's-- it's taxed at the low rate, assuming that that rate stays low at the federal government, which is--

**FRIESEN:** OK. So your lawsuit, what-- what kind of dollars were you talking about in the lawsuit? What were you trying to, I guess, recover?

**PATRICK REYNOLDS:** So the lawsuit does not have a dollar amount attached to it. It's a declaratory judgment action. And-- and the-- the-- the relief that we're asking for in the lawsuit is to declare the General Information Letter to be invalid and contrary to state law.

**FRIESEN:** So there was no really amount that you were looking at?

**PATRICK REYNOLDS:** Correct, there's no amount at controversy.

**FRIESEN:** Do you-- did you do any analysis of what that might be?

**PATRICK REYNOLDS:** We did not.

**FRIESEN:** OK.

**PATRICK REYNOLDS:** And we can't do that without, you know, getting into the specifics of all of our members' finances--

**FRIESEN:** OK.

**PATRICK REYNOLDS:** --which we don't have insight to.

**FRIESEN:** OK, thank you.

**PATRICK REYNOLDS:** You're welcome.

**LINEHAN:** Thank you, Senator Freisen. Senator Flood.

**FLOOD:** So you did not-- these clients didn't have a choice whether to repatriate the money or not.

**PATRICK REYNOLDS:** That-- for-- correct.

**FLOOD:** They were going to re-- re-- repatriate it under the Congress's direction.

**PATRICK REYNOLDS:** Under the Tax Cuts and Jobs Act, correct.

**FLOOD:** OK, and-- and I think that is an important distinction because I was thinking this was a conscious choice that you were moving this foreign-source income over here. So then how are other states handling this issue? How many other states are with us that are so tightly coupled with the federal government?

**PATRICK REYNOLDS:** So I'm going to answer that in two ways, Senator. So first of all, with respect to the-- the GILTI piece going forward, not all states off-- impose an income tax, but of the states that do impose an income tax, the-- the vast majority of those states, representing over 80 percent of the population, so all of the big states either decouple from these GILTI provisions, either 100 percent or 95 percent. But-- but the--

**FLOOD:** How many states? I'm sorry, I didn't--

**PATRICK REYNOLDS:** Pardon me?

**FLOOD:** How many states, did you say?

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**PATRICK REYNOLDS:** So there is-- I-- I think that there are 26 states that either decouple fully or 90 percent from GILTI and another 20 states that remain coupled with that. But the 26 states that decouple-- in other words, they don't tax it-- represent over 80 percent of the population. But the second piece of the answer is that no state is doing what Nebraska is doing in terms of statutorily allowing a deduction for dividends and deemed dividends but then administratively saying that these 965 amounts and GILTI amounts do not constitute deemed dividends.

**FLOOD:** Thank you.

**LINEHAN:** He's not familiar with that.

**PATRICK REYNOLDS:** And I'm-- I'm not sure what you're looking at, Mary Jane, there, but there is a map in your materials that shows which states couple and which states decouple.

**LINEHAN:** Thank you. Are there other questions? I'm sorry, Senator Flood, was that--

**FLOOD:** No, I'm just looking at the map.

**LINEHAN:** Were there other questions from the committee? Senator Briese.

**BRIESE:** Thank you. But just to be clear, 20 states, you say, are still coupled to the feds on this issue and wouldn't allow this deduction?

**PATRICK REYNOLDS:** That is correct.

**BRIESE:** OK, great. Thank you.

**PATRICK REYNOLDS:** And-- but-- and those states represent less than 20 percent of the population.

**BRIESE:** OK, great.

**LINEHAN:** Any other questions? We have a hard time reading, some of us, when it's--

**PATRICK REYNOLDS:** That's all right.

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**LINEHAN:** But thank you for this. I don't see any other questions, so thank you for being here.

**PATRICK REYNOLDS:** All right. Thank you very much.

**LINEHAN:** Thank you. Other proponents? Do we have other proponents?

***DON BROWN:** Chair Linehan and members of the Revenue Committee. My name is Don Brown (D-O-N B-R-O-W-N). I am the Director of Government Relations for Cargill. We strongly support LB347, which confirms Nebraska's long-standing practice of allowing a 100% deduction for income from foreign subsidiaries, received or deemed to be received by foreign subsidiaries' U.S. parent company. This long-standing tax policy was this body's deliberate response to the Nebraska Supreme Court's Kellogg decision in 1984. As part of the 2017 federal tax reform, the Tax Cuts & Jobs Act (TCJA) added new federal provisions, requiring U.S. taxpayers to recognize certain foreign-earned income. Despite Nebraska's 36-year policy of excluding foreign-source income from your corporate tax base, the Nebraska Department of Revenue (NDOR) has taken the position that foreign income, now recognized for federal purposes, is subject to Nebraska tax. For clarity and certainty, for both taxpayers and the State, and to prevent a significant tax increase, this Legislature should enact LB347 and reconfirm the State's policy that foreign income is not taxable. Otherwise, Cargill and other companies face an uncertain interpretation of the current language and litigation to confirm the applicability of the Kellogg decision. About Cargill - Founded in 1865, Cargill's 160,000 employees across 70 countries work to achieve our purpose of nourishing the world in a safe, responsible, and sustainable way. Every day, we connect farmers with markets, customers with ingredients, and people and animals with the food they need to thrive. Cargill in Nebraska - We have deep ties to Nebraska communities with over 4,000 professionals employed in diverse businesses across the State: grain elevators (Albion, Carleton, Gibbon, Shelton, Holdrege, O'Neill, Ord); an animal feed plant (Fremont) and cooked meats plants (Columbus and is critically important to Cargill's foreign and domestic beef supply chain. Cargill's largest investment in the world is our 650-acre bioscience complex in Blair with 500 Cargill employees, 500 full-time contractors, and 500 professionals employed by our co-located partners: Corbion, NatureWorks, Evonik, Novozymes, and Avansya. Cargill supports a competitive and consistent tax policy - Cargill's success depends on investing locally and globally. That's why we support LB347. It clarifies the dividend deduction provision to ensure that changes to the federal TCJA do not unintentionally result in Nebraska taxing foreign income that it has long chosen not to tax. Like our foreign competitors, Cargill invests in grain elevators, crush facilities, food production plants, and port facilities. We compete to serve farmers, customers, and markets, and we pay local taxes, income taxes, export taxes, value-added tax, and other excise, sales, and use taxes. Many competitors are foreign multinationals organized in jurisdictions with both low income taxes and territorial tax systems, while Cargill pays U.S. Federal and State income taxes on foreign income and investments. We are at a competitive disadvantage with non-U.S. multinationals as we compete for investments. U.S. multinationals must depend on sufficient efficiencies and synergies to overcome this additional tax burden to succeed abroad. Extra state income taxes create an even more challenging environment for Cargill and other Nebraska companies. Impact of the 2017 Tax Cuts & Jobs Act - As a U.S. multinational with substantial operations outside the U.S., TCJA significantly Cargill. As the U.S. moved closer to a "territorial" tax system, the federal tax code retained some provisions that continue to tax foreign income. TCJA enacted new provisions that tax entirely new types of income earned outside the U.S. by a company's foreign subsidiaries. Nebraska tax code automatically conformed to the TCJA federal changes, absent the clarifying language of LB347, so a significant amount of foreign income, both previously earned and yet to be earned by our foreign operations, may be subject to Nebraska taxation. This results in a substantial tax increase for companies like Cargill. These new provisions are the deemed inclusion of past earnings under Section 965 and an annual deemed inclusion of a portion of our foreign earnings under Section 951A. Taxing foreign income is a departure from the long-standing Nebraska tax policy - Section 965 requires U.S. shareholders to pay a federal transition tax on their foreign corporations' untaxed earnings as if those earnings had been repatriated. The tax is based on the foreign corporation's post-1986 earnings that have not already been paid as a dividend back to a U.S. parent company. This is deemed foreign-earned income that Nebraska has never subjected to tax. Nebraska's current statute allows a 100% deduction for actual dividends that a foreign subsidiary pays to its U.S. parent. That result was all but compelled by the Kellogg decision in 1984. The only clarification necessary in LB347 is whether deemed income of a U.S. parent should be treated identically to actual amounts received by a U.S. parent. Without the clarification, Nebraska potentially has a system where actual dividend payments to a U.S. company are not taxed but deemed income is taxed. There is no tax policy justification for the NDOR to posit this disparate treatment that cannot be reconciled with the Kellogg decision. Our foreign subsidiaries typically reinvest their earnings in their operations and don't dividend earnings back to the U.S. Our worldwide operations require continuous investment in plants and equipment if we are to remain competitive. Imposing a tax on earnings because they are not sent back to the U.S. makes no economic or policy sense. Federal tax reform also created a second category of foreign income under new Section 951A - Global Intangible Low Tax Income (GILTI) that is now subject to U.S. federal tax. Even though the name suggests that it applies only to high return, low-taxed intangible income, it captures all income over the deemed rate of return. For federal purposes, both Sections 965 and 951A now offset the revenue lost from federal rate reductions by broadening the base and moving closer to a territorial tax system. Because Nebraska has not reduced its tax rates, Nebraska should not tax this income earned by foreign subsidiaries. Further, the Nebraska Legislature decided long ago to tax "on a waters' edge", and it should not now include this income earned by companies outside the waters' edge in Nebraska apportionable income. Taxing foreign income raises serious constitutional issues The Kellogg decision in 1984 recognized critical constitutional issues that will be raised again if Nebraska attempts to tax deemed income from foreign subsidiaries under sections 965 and 951A. Most glaring is Nebraska's use of current year domestic apportionment factors to tax foreign income. After the Kellogg decision, this Legislature chose to be a water's edge state, taxing companies based on their U.S. water's edge activity. It also decided to allow a deduction for the income earned by the foreign subsidiaries of U.S. parent companies. NDOR's attempt to now tax this income raises serious legal and policy issues and would almost certainly be challenged in court. LB347 clarifies the Legislature's long-standing policy choice and reverses NDOR's misguided interpretation that positions Nebraska as an extreme outlier of all other states. Thank you.

***JAMES ANDERSON:** Dear Chairperson Linehan and Members of the Revenue Committee: My name is James J-A-M-E-S Anderson A-N-D-E-R-S-O-N. 1 am a partner and the Regional Tax Director for BKD, LLP,a regional CPA firm with offices in 40 U.S. locations, including Lincoln and Omaha. On behalf of the Lincoln Chamber of Commerce, I ask for your support of LB347 which prevents unintended tax increases on Nebraska companies with global operations. These unintended tax increases are a result of the passage of the Tax Cuts and Jobs Act (TCJA) at the federal level in 2017, the passage of which was intended to reduce federal tax exposure for U.S. corporations, making them more competitive in a global economy. There are two relevant TCJA provisions that, absent LB347 passage, impose taxes on Nebraska-based companies, solely because of TCJA changes referenced above. GLOBAL INTANGIBLE LOW-TAXED INCOME (GILTI) Prior to TCJA, the United States generally taxed the operations of foreign affiliates of U.S. companies on a deferred basis, meaning no U.S. taxes were due until the foreign earnings were repatriated to the U.S. in the form of dividends. Nebraska law has followed this approach of not taxing foreign affiliate income for more than 30 years. With the passage of TCJA in 2017, the U.S. changed from a worldwide to a territorial system, meaning U.S. taxes would no longer be due on dividends repatriated from foreign affiliates. These changes were made in part to put taxation of U.S.-based companies on par with their global counterparts. In changing to the territorial system, Congress added a new category of income, Global Intangible Low-Taxed Income (GILTI) to ensure foreign affiliates of U.S. companies paid a minimum amount of tax. As the name GILTI implies, Congress worried that under a territorial system, U.S. companies could reduce their overall tax liabilities by shifting their profits to countries with low corporate tax rates, such as Bahamas, British Virgin Islands, and Cayman Islands. The GILTI provisions address this concern by requiring U.S. companies to pay a minimum rate of tax on GILTI. At the federal level, U.S. companies may reduce any GILTI tax burden with a foreign tax credit. If the foreign affiliate is subject to a reasonable rate of tax on its income, the practical impact of the new U.S. GILTI rules is no new net federal taxes will be due. Only in situations where the U.S. foreign affiliate is earning large amounts of income in very low-tax countries will additional federal taxes be due. Nearly all major U.S. trading partner countries have corporate tax rates that are high enough to prevent any additional U.S. tax liabilities associated with these new GILTI rules. To reiterate, for all the complexities and details surrounding calculating GILTI, most Nebraska companies with global business will not have a significant exposure to U.S. tax under the GILTI regime. The same cannot be said for these companies' tax liabilities in Nebraska. Most states have either decoupled entirely or in part from the federal GILTI provisions because of the unintended state tax consequences of these federal rules. Failure to pass LB347 subjects Nebraska companies with global operations to a substantial increase in Nebraska tax liability because of GILTI. The reason for this is the starting point for Nebraska's tax base is federal taxable income. Without LB347, the Nebraska tax base includes federal GILTI. As previously described, any federal tax impact of GILTI will likely be muted because of available foreign tax credits. Nebraska has no such foreign tax credit provision, meaning GILTI will be taxable to Nebraska companies, even if they experience no net federal tax on GILTI. This result would put Nebraska at odds with all our neighboring states and approximately 80% of all U.S. states currently imposing an income tax. LB347 proposes a very simple solution by excluding GILTI from the Nebraska tax base by defining GILTI as a dividend deemed to be received from a foreign corporation. DEEMED REPATRIATION AND TRANSITION TAX The transition to a territorial system of U.S. taxation created one potential significant windfall related to the amount of foreign earnings yet to be repatriated in the form of dividends to U.S. companies. To correct this, TCJA required computation of a deemed dividend and applied a federal tax, the transition tax, but at preferential tax rates. Calendar year taxpayers computed the deemed dividend on 2017 tax returns. Pre-TCJA, any dividends paid by a foreign corporation to the domestic parent were excluded from the Nebraska tax base. Unfortunately, the Nebraska Department of Revenue has interpreted state statutes as not allowing the TCJA deemed repatriation as excludable from the Nebraska tax base, resulting in significant tax increases for Nebraska companies. Nebraska law for more than 30 years has excluded foreign dividends from the Nebraska tax base. LB347 proposes a very simple solution by excluding deemed repatriation from the Nebraska tax base, by defining it as a dividend deemed to be received from a foreign corporation. CONCLUSION Nebraska has excluded foreign dividends (both paid and deemed) from taxation for more than 30 years, but now because of federal tax law changes Nebraska companies with foreign operations face significant income tax increases. LB347 ensures Nebraska companies with global business operations are not unintentionally subjected to new Nebraska taxes simply because of federal legislation. LB347 is not a tax cut. It merely restores over 30 years of history of excluding foreign dividends and deemed dividends from the Nebraska tax base. For these reasons, I encourage you to support advancing LB347 from committee for consideration by the full legislature. Doing so will prevent Nebraska companies from experiencing unintended tax increases, solely as the result of federal legislation that was intended to reduce the overall federal tax burden of U.S. companies.

***RICH OTTO:** My name is Rich Otto. I am a registered lobbyist for the Nebraska Retail Federation and the Nebraska Restaurant Association. I am testifying on behalf of both associations in support of LB347. A positive and competitive business climate needs certainty. This bill assures that certainty by keeping Nebraska competitive and not changing the rules in the middle of the game with a revenue department ruling. No other states tax 100 percent of this type of income. Under the department's ruling, that is what would happen in Nebraska. We ask that the legislature clarify the State's position to maintain a positive and competitive business climate. We urge you to move LB347 to General File.

**LINEHAN:** Are there opponents? Are there any opponents?

***RENEE FRY:** Good afternoon, Chairperson Linehan and members of the Revenue Committee. My name is Renee Fry and I'm the executive director at OpenSky Policy Institute. We're here today to testify in opposition to LB347 because we support the underlying federal measures as a way to broaden the tax base, and we're concerned about the significant fiscal impact applying these changes retroactively will have. The federal Tax Cuts and Jobs Act changed the corporate tax rate, and switched the corporate tax base from worldwide to territorial, meaning that instead of the base being the worldwide income of U.S. corporate taxpayers, some of that foreign income is now potentially tax exempt. The goal of these changes was to keep corporations from shifting profits abroad to avoid paying U.S. taxes. Nebraska's tax code is highly coupled to federal law and automatically conformed to these changes, effectively broadening Nebraska's corporate tax base. The Department of Revenue issued guidance in late 2019 instructing corporations to include these types of income in their apportionable income, but some companies were already doing so. Because these profits were included as taxable income on some 2018, 2019 and 2020 returns, a change in the law saying

they didn't need to be means the state would face refunds for which it has not budgeted. This influx of corporate income tax revenue also has been included in the forecast for the biennium and so retroactively decoupling could force a downward revision of an unknown magnitude, putting pressure on the budget and possibly resulting in cuts to vital services. To the extent this policy is in large part responsible for the corporate income tax revenue boost the state has experienced lately, retroactively decoupling could erase much of the surplus that the legislature is relying on to fund a number of priorities. Because of these risks, we would encourage the Committee to either leave the policy as it exists today, or consider amending the bill to apply only to tax years 2021 onward.

**LINEHAN:** Are there any wishing to testify in the neutral position? OK, we did have written testimony submitted this morning. Proponents: Don Brown, Cargill; James Anderson, Lincoln Chamber of Commerce, BKD LLP; Rich Otto, Nebraska Retail Federation , Nebraska Restaurant Association. Opponents: Renee Fry, OpenSky Policy Institute. Letters for the record, we had-- and that's where I think Mr. Reynolds came in as a letter for the record, proponent, and then four other proponents; there were no opponents; and one in neutral position. Would you like to close?

**LINDSTROM:** I'll try my best.

**LINEHAN:** OK.

**LINDSTROM:** I appreciate the proponents. I know it's a complicated issue and, I'll be honest, I'm still trying to wrap my head around it a little bit. I just know that Nebraska is definitely an outlier. And that map, I think, clear-- as clear as it can be, lays it out pretty well. I mean, we are definitely an outlier amongst all the states, even the ones that are decoupled from it. There are many of the states that still don't tax the same-- amount that we're taxing. And so I-- I remember this issue coming up even before 2016 and even before the Jobs Act, with our corporate rate at 35 percent, and there was often talks of the multi-trillions of dollars over-- overseas that could be repatriated back here. And so this was that attempt and-- and this has been going on forever. You know, there's a lot of things that we disagree on-- with the Department of Revenue on. This would be one of those where their interpretation has-- has changed over the last 30 years. And so if we're going to remain, again, competitive, I think this is an important bill to-- to look at pushing forward. So I'll leave it there. If there's any questions, I'll be happy to get those answers for you from some of the proponents and others. So with that, I'll close on my bill.

**LINEHAN:** I do have a que-- anybody else have a question? Would you work with the committee staff and figure out what's going on? Are we now-- like are they refunding it? I mean, so that's-- we need to chase that to ground.

**LINDSTROM:** Yeah, we'll-- we'll get it nailed down.

**LINEHAN:** OK, thank you very much--

**LINDSTROM:** Thank you.

**LINEHAN:** --for being here. That brings the hearing on LB347 to a close and we will open on LB625, Senator Vargas. Good afternoon, Senator Vargas.

**VARGAS:** Good afternoon, Chairwoman Linehan, members of the committee, Senator Friesen.

**LINEHAN:** He'll listen. They'll listen. I'll gavel.

**VARGAS:** No, I'm just kidding.

**LINEHAN:** Yeah.

**VARGAS:** I just think it's funny. Thank you very much. For the record, my name is Tony Vargas, T-o-n-y V-a-r-g-a-s. I represent District 7, the communities of downtown and south Omaha here in the Nebraska Legislature. You're getting a one pager on LB625. I'm going go into some detail here. LB625 a 4 percent surtax on taxable income over $1 million for married filing jointly and head-of-household filers on an income over $500,000 for all other filers. The fiscal note on this bill estimates that this will raise around $90 million annually, which would be directed to the Early Childhood Education Endowment Cash Fund. All right, deep breaths, everyone. This cash fund is currently managed by Sixpence, which is a public-private partnership at both the state and local levels. For those of you who don't know too much about Sixpence, it-- it is a effective program. The individuals that govern this are appointed by the Governor. Sixpence administers grants to early childhood providers that include home-based providers, center-based services, and school childcare partnerships all over the state. Now before we dive into the financial aspects of this bill, I want to touch briefly on why I believe this funding is necessary. About this time last year, the Buffett Early Childhood Institute published a report by the Nebraska Early Childhood Workforce Commission, which spent three years researching and understanding the landscape of early childhood education in Nebraska. The report is a wealth of information, and I want to touch on just a few points found within it right now. Despite everything that we know about the importance of early childhood education, the impact that it has on a child's educational future, their success in life and the successes of our communities and economies, we do not have-- we do not have public policies that prioritize or value these workers and we also lack sufficient childcare resources for families. I-- I can tell you that from experience with two kids that are going to be right now costing an astronomical amount of funds to be able to make ends meet here. Seventy-five percent of Nebraska children under the age of six live in homes where all adults in their family work outside the home, but 11 percent of our counties have no licensed childcare facilities. Eighty-four percent of our counties lack sufficient childcare slots to meet the current needs of families. Additionally, a quarter of our early childhood workers live below the poverty line and rely on some form of public assistance, and the business model for providers is incredibly volatile. It's dependent on enrollment, available workforce, which I just told you the workforce also depends on a set of salaries, which many are in poverty. It also depends on a wide array of public and private funding sources. Now the most obvious answer here is that we as parents should be paying providers more. so employee turnover decreases and things stabilize, but the vast majority of families can't afford to pay more than we are paying right now. I myself will be paying close to two mortgage payments to cover for both of my children right now in early education. So the question is, what do we do? This leads us to the reason I introduced this bill. Right now, Nebraska does not provide the level of investment needed to reap the benefits of high-quality early care and education for all Nebraska children. Currently, the total amount spent for early childhood education in Nebraska is around $460 million. Seventeen percent of that is from state funding, 20 percent of that is from federal funding, 2 percent of that is from philanthropy, so the private sector, and the remaining 52 percent is paid directly by families. The rule of thumb for investment in this area is that the state investment should be 75 cents of 1 percent of the state GDP. Now the math works out to be about a total investment needed-- now this is according to the Workforce Commission report, total investment needed of $912 million. The difference between the current level of funding that I just described, what is actually needed, is about $450 million, meaning we are only funding about 50 percent of early childhood right now. The case for greater state investment is clear. The question is whether or not we have the will to do it. We know that for every dollar spent on high-quality early care and education, we are yielded back on average a $4 return over time. That number increases substantially to $13 return for our most vulnerable children. And I don't have to tell you, for those of you that care very deeply about education, when we see achievement gaps and educational gaps and gaps in our education when people reach higher education and how far behind they may be and retention numbers in our first, second, third year in post-secondary education, it is a return on our investment. LB625 would make a huge dent in this gap for funding our early childhood education and care. It would also allow us to maximize available federal matching funds to begin to fill in the remaining gaps. Now, as you've seen in the fiscal note, it is estimated that the 4 percent surtax on our highest earners will generate close to $100 million annually. This part's probably the most important part for the public, for anybody listening. The surtax would impact one quarter of 1 percent of taxable income in our state, one quarter of 1 percent of taxable income in our state. This would impact a very small percentage, very small percentage of individuals across our state, but it would have an enormous impact on our economic future and the overwhelming majority of Nebraskans. There will be more on this from another testifier behind me. And I think it's important to note that this type of tax on the wealthiest among us, especially when the revenue is targeted to early childhood education, is very popular among Nebraskans across the state. There's been polling on this done very recently that shows that this is a very popular thing. I'd say that to you because we deal with what our constituents are OK with and what they support or what they're against. This is an area where we have seen that it is-- I don't like using the word "popular," but that there is inherent support for this type of taxing or surtax structure that is going to ben-- a larger-- benefit a larger majority of individuals. I don't have to tell you. I know you've dealt with workforce. We've talked about workforce issues many, many times. But the early childhood education and care space is an area where we can be putting in a lot of support now that will pay dividends on closing the gaps we're seeing in workforce right now. That 50,000, or 40,000 to 50,000 of high-wage jobs that currently exist that are not currently filled because we don't have the workforce to meet it? These achievement gaps start extremely early, extremely early, and for those individuals that are working parents that are making tradeoffs to make sure that they can provide the best possible education that's at a very early age to their children, they're making tradeoffs, and when they are making tradeoffs, that means that we are hurting our workforce. So with that, I would be happy to answer questions. There will be people behind me that can answer other questions, but I wanted to give you that opportunity and I appreciate your time.

**LINEHAN:** Thank you, Senator Vargas. Are there questions from the committee? Could you just go through those numbers at the top of your testimony again? This $460 million is what we're now--

**VARGAS:** Four-hundred sixty million is what we currently fund that is spent on our early childhood education in Nebraska.

**LINEHAN:** When you say "we," so that's who?

**VARGAS:** That's-- that's the collect-- that's-- what I like to say is this is all funding, so this is both taxpayer at the federal level, state level, and philanthropy and private investment.

**LINEHAN:** OK, so I caught that 52 percent is families.

**VARGAS:** Um-hum, yep.

**LINEHAN:** I think you said 2 percent was which?

**VARGAS:** Two percent is the private sector philanthropy.

**LINEHAN:** OK, and what was the state?

**VARGAS:** The state is 17 percent from state funding.

**LINEHAN:** And the other federal is?

**VARGAS:** Twenty percent.

**LINEHAN:** So does this include early childcares at public schools?

**VARGAS:** Yes.

**LINEHAN:** Does that include property taxes, not just state funding to the schools; does it include property taxes?

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**VARGAS:** This-- to my knowledge, and I'll make sure, this includes-- this includes property taxes.

**LINEHAN:** OK, because when I looked at the Nebraska statistics thing that the Office of Legislative Re-- I don't think they did include--

**VARGAS:** OK, well, we'll check that.

**LINEHAN:** So I think you need to chase that down. I'm sorry. Anybody else, questions?

**FLOOD:** I have a quick one.

**LINEHAN:** OK.

**FLOOD:** Sso for-- for income earners that make over a million, their income over $500,000, their income tax would go from essentially 6.84 to 10.84 percent.

**VARGAS:** Correct.

**FLOOD:** Do you have any concerns about that making us less competitive for folks that want to come to the state of Nebraska and start their business that happen to be very high-wage?

**VARGAS:** That is a question I've asked myself for several years now. Now-- so in the past-- this is before you-- you came back to us in the Legislature. We're happy to have you back, Senator Flood. I've introduced a bill to increase-- to create new income tax bracket at these higher-- at these higher levels. I've never put it to a specific purpose. This has come about recent. It's why I introduced this bill. And when we did the research, there's one thing that's true. Individuals do make decisions with where they live when there are, I think, extremes. People make decisions on where they live, where there is states that have no income tax. There are individuals that make decisions on where they live when they have very little to no property taxes. So these-- these things are true. But when we looked at whether or not there was increases or decreases, even in percentages like this, in states, didn't influence the percent of-- of individuals that made over a million or $500,000, where they lived or where they moved.

**FLOOD:** The 4 percent extra tax didn't?

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**VARGAS:** Yeah, it did not. In places where we've seen some sort of a millionaire's tax in place, there wasn't a outward migration, a statistically significant outward migration from these states who have implemented this sort of implement-- you know, this sort of tax in place, so.

**FLOOD:** Thank you.

**LINEHAN:** Thank you, Senator Flood. Other questions from the committee? Senator Friesen.

**FRIESEN:** Who would you say benefits the most from this bill?

**VARGAS:** Ninety-nine percent of individuals in the state of Nebraska. I'll- I will say this. I consider this to be-- we talk a lot about retaining 18- to like 40-year-olds, OK, because that is our-- that is our current and sort of future workforce, our longer workforce. We have a larger percentage of individuals over the age of 65 and growing. Right? And that is-- that is a significant-- we're going to have to make sure to support that population. I would say 18- to 40-year- olds, working families are the ones that are going to be really benefiting from this because they're the ones making the tradeoffs of whether or not they even have access to early ed programs in certain counties, like I mentioned, or even if they can afford it. And unfortunately, if you can imagine, the kind of tradeoffs you're making are I have to either work more to be able to pay for quality early ed or I have to take on a second job, these types of tradeoffs, or I-- I don't work, which also really I think hurts us in the long run. So we need to make sure that we're thinking about this larger percentage of people, 18- to 40- year-olds that are making significant tradeoffs.

**FRIESEN:** I mean, I-- I-- when I listened to you earlier, I-- I-- I kind of agree with you 99 percent of us benefit from better education.

**VARGAS:** They do.

**FRIESEN:** So why are we expecting, what, 0.25 percent to pay for it?

**VARGAS:** That--

**FRIESEN:** Why aren't we asking businesses to step up? Why aren't we asking everybody to step up because it benefits us all? If--

**VARGAS:** I like what you're saying and I support it.

**FRIESEN:** Just--

**VARGAS:** This bill wouldn't fully fund the current need. The 50 percent that we're talking about represents more than $400 million. This is really funding $90 million of it, which still pre-- pre-- presents a gap. The Workforce Commission report showed that there is a significant amount of funding that we're going to need to provide in public-private partnerships, so philanthropy and individuals--

**FRIESEN:** Is it-- is it--

**VARGAS:** --so this isn't funding the entire need.

**FRIESEN:** Is--

**VARGAS:** This is funding a portion of it.

**FRIESEN:** Is it always the state's requirement that it has to fund it on--

**VARGAS:** I think that's-- that's left up to policy maker. My opinion is it's on all of our responsibilities. No different from the decisions we're making to invest in incentivizing companies to be here and stay here, it's also on our benefit to make sure that we're educating and providing benefits to individuals--

**FRIESEN:** So we-- we have--

**VARGAS:** --that will make it easier.

**FRIESEN:** --we have families who make the-- the conscious choice of one spouse staying home. Now they can do that maybe because one has a good job, but they make that conscious choice to stay home with that child, yet maybe if they're making a lot of money, they're-- you're taxing them to help pay for this. You know, again, everybody's got a different belief on how early childcare should be done. Some will say that, you know, they should-- those kids should be home; others would say a good day care, a certified day care; others take whatever they can get. So it's a wide range of what we offer as options.

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**VARGAS:** There are-- I have to-- a deep breath for this one. For the working families that are making these choices, it-- it may not seem like as much of a choice. And part of it is because at-- high-quality early ed or even quality early ed options that exist are very costly. So when somebody is making a tradeoff, it's a choice-- it's not-- it's less of a choice. It's more of a necessity if you can't afford the options that are available and people are making a choice to not work. The majority-- I think we have about 80 percent of the state of Nebraska makes less than $90,000 right now. That's-- I'm "ballparking" it right now, based off of the most census and American Community Survey numbers. But most individuals are making these tradeoffs, and that is a difficult decision to make on whether or not you can even afford the early education options or even have access to that in your community. So that's the reason why I think it is the solution to the problem is-- that's not fully funded by this because that's not the solution here. Part of it is funded by this. We're going to have to rely on philanthropy and more federal funding and all those things we need to put in place, but--

**FRIESEN:** OK, thank you.

**LINEHAN:** Thank you, Senator Friesen. Are there other questions from the committee? Thank you. I have a couple just-- so $912 million, so what-- what do they--what's that per child? If that's what it's going to cost to do it right, how much is that per child, are we talking?

**VARGAS:** Can't tell you off the top of my head, but I can get you the report.

**LINEHAN:** Do we know how many children the population of under-- well, four-year-olds, most four-year-olds, there's a preschool available, many of them public schools, private schools. So is this for children three and under?

**VARGAS:** This is-- in my understanding is this is to meet the needs of all of our early education, so technically five and under.

**LINEHAN:** OK, that-- that's I think we need to have some-- because millions become very confusing to people because it's hard for them to-- you know, a million, a billion, but I think we need some breakdown here of what-- what we're thinking good, quality early education costs per child. People understand that number, so I think

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it would be helpful to have that. And then back to something Senator Flood said, I think if we were 10.84 percent on our highest bracket, let's just say 11 percent, I think there's like-- I don't think there's-- well, there's no states in the Midwest, I don't think, that high. I mean, where would we be ranking in statewide if we went up that high on our highest income earners? Do you know, would there be five states higher than us or two or--

**VARGAS:** I can find out. We would be highly ranked. I-- I mean, I think we would be high. That's not a-- I'm not going to hide the ball here. We are. But in terms of our current-- meeting our current early ed needs, we also rank very low.

**LINEHAN:** Is there any other state that-- that funds early childhood? I mean, I-- I get that early childhood is very, very important. I'm just trying to be realistic here. Is there any other state that funds like all children under five years old?

**VARGAS:** There are states that provide universal pre-K. There are communities that provide that, and there are communities that also have an additional tax similar to this.

**LINEHAN:** So if there are states that do this, could you get for the committee how they pay for it?

**VARGAS:** Yeah, and so there's a lot of different ways. So I-- I will be honest with you. There are a lot of different ways that individual states pay for this. Some of them do this in--

**LINEHAN:** But what--

**VARGAS:** --in like

**LINEHAN:** Part of the conversation here, and I mean-- and because I know you have this, I have--

**VARGAS:** Um-hum.

**LINEHAN:** --grandchildren in this situation, this number is-- the state's not paying for it. Half of it's getting paid for the-- by the parents.

**VARGAS:** Currently.

**LINEHAN:** Fifty-two percent, right?

**VARGAS:** Yeah.

**LINEHAN:** So-- and then we know there are-- there are people, and rightfully so and it's a great program, that qualify for free day care. So I'm just like, how-- how, if-- the cost per child, I think we really have to look at that because if it's $12,000 a year now per child, at least for little ones, what's this number? Is it like $15,000? And-- and to Senator Friesen's point, what are you going to do about the mom that decides she's going to stay home because she's going to have maybe three babies in five years or six years, whatever? And clearly, at that point, you have to be making a lot of money to make it worthwhile going to work, plus just being able to get out of the house is a challenge. So what-- what do you do for those parents that decide to forego any income and mom stays home?

**VARGAS:** They would stay home. This is not fully funding every single individual. This is moving up--

**LINEHAN:** But you do see kind of a fairness factor there. You've got-- or maybe not. I don't know. I think that's what Senator Friesen was trying to say. There's a fairness factor here. You tax people that aren't getting any benefit. You know, one of the things about public education that's great, even if you don't decide to go, you can go and everybody pays for it, so.

**VARGAS:** Yes, but for the record, which I still think is helpful, we're talking about a quarter of 1 percent of people that are being taxed and this is going to benefit the remaining 99-plus percent.

**LINEHAN:** If they stay here, if they stay here. If we have one of the highest-- I mean-

**VARGAS:** Fair, fair.

**LINEHAN:** I think you're in New York territory here, and New York has been losing people for a decade. People do move at a certain point. When I can live almost in any other of the 49 states for less than I'm paying taxes than the state I'm in here, they will move.

**VARGAS:** And-- and I'm-- I hear you, Chairwoman. I will share with you the data that references mobility of millionaires, because I think it's helpful. I've referenced it in the past in the-- I ref--

**LINEHAN:** You're not talking about millionaires; you're talking about people that make that.

**VARGAS:** Make over--

**LINEHAN:** Yes.

**VARGAS:** --the taxable income over a million or $500,000, yes.

**LINEHAN:** Great, OK.

**VARGAS:** And, you know, the last thing I'll say here is I will provide you with the Workforce Commission report. It is extremely eye opening when you're seeing the wages that are associated with the people working in this space. And when these individuals working in this space have wages that are putting them on public assistance and the margins are very, very small, you wonder how it even sustains itself? It's because it's sustained right now by-- it's very volatile. And I think we saw that amidst the pandemic when we saw a lot of early education suffered. If it wasn't for some CARES Act money that came in and supported individ-- we-- we would have been in a far, far, very, very dangerous place. When people don't have early education and they're working, it is a really significant tradeoff that we're making and it does end-- end up hurting businesses and our economy in the long run. I'll make sure to get you copies of the Workforce Commission report-- it's eye opening-- and some of that report on the millionaires--

**LINEHAN:** Thank you.

**VARGAS:** -- or billionaire.

**LINEHAN:** Senator Flood.

**FLOOD:** And I'll be brief. There are several of us that I-- and more than you may imagine, that really see the value in early childhood education. What does it say that-- you know, I've heard good things about Sixpence, and I see you've got the Nebraska Family Collaborative in there-- Children and Families Collaborative. In this case, under your bill, we're giving a lot of money to nonprofits. Why is, in your opinion, the Department of Education not the primary agency that would oversee something like this? That is-- that had to be kind of-- somewhat frustrating because that's a hiccup in your bill to have to go to a nonprofit, not that there's anything wrong with them. I-- I respect what they do. But if this is public money, it should stay in a public agency to be distributed, I would think.

**VARGAS:** I'm happy to work on that with you. My intention is, for those that have experienced with Sixpence--

**FLOOD:** Oh, yeah.

**VARGAS:** --the govern-- the governance-- and, I mean, I know you do. And for others that have or have not, the Governor has-- has the governance of this and is appointing the officials to oversee it. It has been successful and a return on investment and because it has--

**FLOOD:** Is Sixpence a political subdivision?

**VARGAS:** Not a political subdivision, appointed individuals for a governance structure.

**FLOOD:** OK, I need to learn more about it.

**VARGAS:** Yeah, it's a public-private partnership. It currently has some private funds moving into it, which is a little bit to your answer. Private funds are supporting Sixpence, but it also supports public funds. We've been providing some state--

**FLOOD:** But it's not in any way sanctioned or under the authority of the Department of Education.

**VARGAS:** No.

**FLOOD:** OK, thank you.

**LINEHAN:** Any other questions from the committee? Thank you very much. I do greatly appreciate your passion for this and I do know it's important. Are there proponents?

**RENEE FRY:** Good afternoon, Chairwoman Linehan, members of the Revenue Committee. My name's Renee Fry, R-e-n-e-e F-r-y. I'm the executive director of OpenSky Policy Institute. I'm here in support of LB625 because we believe funding early childhood is vital to support the growth and economic well-being of Nebraska. LB625 would fund early childhood through an income tax on the very highest earners in Nebraska. As you heard from Senator Vargas, it would impact the top 0.24 percent of Nebraskans. And as the most recent tax burden study from the Department of Revenue shows, the richest 10 percent of Nebraskans pay an effective rate of less than 5 percent and the wealthiest 500 families paid an effective tax rate of only 3.53 percent in 2016. Furthermore, those business owners and investors that are paying for the tax increase under this bill will benefit from expanded early childhood education. The U.S. Chamber of Commerce Foundation notes the importance of early childhood programs as parents must often leave the workforce to care for young children due to the high cost of early childhood education. Furthermore, they find that businesses lose $3 billion in revenue annually due to employee absenteeism as a result of childcare breakdowns. Early childhood investments grow state economies in several ways. Each dollar of spending generates as much as $1.88 in economic activity through the output of early childhood providers alone, while supporting other business bottom lines by increasing worker productivity. Turnover and absenteeism due to insufficient early childhood programs cost businesses $1,150 per working parent every year, but providing access to early childhood education decreased employee absences by 20 to 30 percent and reduced turnover by 37 to 60 percent. Such programs are also proven to increase the workforce rates of women with young children and allow working parents to increase their earnings. A large body of research shows that early childhood programs can have spillover effects that benefit taxpayers by addressing children's problems early in life rather than later. Early childhood reduces the need for remedial programs and criminal justice spending. They can also strengthen parents' job stability and wages. Children who attend high-quality preschool programs are less likely to need special education, to be arrested, or to require social services. On average, they are healthier, earn higher incomes, and pay more in taxes later in life. Bolstering early childhood education in Nebraska will help the state both immediately and long into the future. We would also like to point out that there is no conclusive evidence that raising taxes on wealthy Nebraskans would cause them to flee the state in droves or that it would hurt our state's economy. A study from Young and Varner in 2016 looked at IRS data from all 50 states over the course of 13 years. They find that millionaire tax flight is occurring, but only at the margins of statistical and socioeconomic significance. Millionaires that-- they find, move at a lower rate than the population as a whole, and little more than 2 percent of the elites' migration patterns can be explained by tax hikes. Young and Varner hypothesize that millionaires are unlikely to move due to state tax changes because they have high rates of factors that reduce mobility. Millionaires are more likely than the general population to be married, have kids at home, and to own a business. Finally, as Senator Vargas indicated, this type of tax does have popular support according to recent polling that we had done. A December 2020 poll found that Nebraskans support raising taxes on high income earners, particularly when the new revenue is dedicated to education. Respondents were in favor of raising income taxes on high income earners if the money were to be used for public education, with 63 percent in support of such an idea. Out of the respondents that believed that taxes are too high in Nebraska, 57 percent of them would still support such a proposal. Thank you for your consideration. I'd be happy to answer any questions.

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

**PAHLS:** Thank you, Chair. Just a little bit off subject here, has your organization investigated brain research, where the-- the power of a young child's brain? I mean, have you done any-- any checking into that where--

**RENEE FRY:** Not anything like that. I mean, we've looked ex-- there is extensive research on the benefit of early childhood and how those early childhood programs do reduce all sorts of problems and help not only the beneficiaries but also the community.

**PAHLS:** Well, that's when the brain is developing.

**RENEE FRY:** Yes.

**PAHLS:** Yeah. That's the part I see.

**RENEE FRY:** Right.

**PAHLS:** You gave us a lot of good data. I appreciate that. I don't know if that's going to get us anywhere. I mean, we-- we keep throwing data at us and we accept it. We feel it. You know, that sounds good. We know children do need to be educated. I don't know how-- how we move off it, off the-- the dead center to do what we think that we should do. It's money involved.

**RENEE FRY:** Right.

**PAHLS:** People say they want this, but then we don't follow through. I don't think we value education as high as, let's say, for example, as Japan. So, I mean, let's be a little philosophical here. But I-- I-- the information you tossed out at us, same way with the senator, it's good, probably accurate. I don't know, but I'm assuming you guys investigate it, but how's that going to move the ball? You think that's going to make us take a look at this bill really seriously because we look at the money? Are we going-- are we going to do that, you think? I'm just curious.

**RENEE FRY:** I mean, that's up to you, right?

**PAHLS:** Yes.

**RENEE FRY:** And we think it's really a critical issue. We think it's really important and it will pay dividends. You heard Senator Vargas talked about some of the return on investment numbers. Timothy Bartik has done extensive research looking at labor, different labor policies, and actually finds early childhood is one of the best investments a state can make. And part of the challenge, I think, that you're mentioning and what he finds is that there is, you know, a short-term political cost, right? It costs more money, but the long-term benefits to the state are profound. And so that's part of the challenge, especially when you are term limited. And so you have that every eight years. And so I think the Legislature is just going to have to decide, is this a priority for our state or not and, if it is, how are we going to fund it? And this is one way to provide a significant amount of funding to it. You could also adjust it. You could bring the income levels down and reduce the rate, if you don't want a rate that's as high, to get there. But this will pay dividends for our state in the long run. And, you know, we have workforce issues and-- and this will-- again, it won't just help the people who are actually receiving that early childcare; it will benefit all of the businesses because it will improve the quality of our workforce. And so we think it's a really important policy and we would support looking at different ways to fund it. We think that this is a smart way to fund it and one that the public supports.

**PAHLS:** OK, so you think this is a good idea?

**RENEE FRY:** Yes.

**PAHLS:** And you keep talking about businesses and that kind of stuff. Does the Chamber of Commerce support something like this then?

**RENEE FRY:** My guess is that they don't want to see the income tax rate increased, but they will benefit from it. Now I don't know that for certain, one way or the other, but businesses absolutely will benefit. And we know that there's a lot of business support for early childhood and it always comes down to how you fund it. But they will benefit from it.

**PAHLS:** OK. Do you-- do you think we spend a fair amount on our public schools? I mean, we could always spend more, but are we at least making an attempt there?

**RENEE FRY:** In terms of the state obligation?

**PAHLS:** Yes.

**RENEE FRY:** So-- so this is part of the challenge. We are-- we're second most reliant on property taxes in the country in terms of how we fund our public K-12 schools here. Part of our concern then, our TEEOSA formula has to work overtime in equalizing resources between districts. Right? And so-- and that is an inherent challenge, which is why we're constantly looking at property taxes, how do we do-- reduce property taxes and how do we do that in a way that doesn't hurt our K-12 education system. When you look at total funding, we don't rank-- we're in the top half. We're not in-- we're not in the top ten, but we're somewhere in the top half. So our total funding isn't bad, but we are very heavily reliant on property taxes, which can create inequities in our system where you have-- you can have schools that have higher property values that actually can provide better education to their students. And the other thing about our TEEOSA formula that I would mention, when it comes to pre-K, for example, we only fund-- we only reimburse schools in the TEEOSA Formula 0.6 per student, So a regular student, a K-12 student counts point-- counts at 1 and a pre-K student counts at 0.6, so we're also not recog-- fully recognizing the cost of that early childhood in our TEEOSA formula. We think that's another area that should be looked at, and I think Senator Day may have a bill that would address that.

**PAHLS:** It's-- it's ironic. We know the younger the child, your results-- but again, you say we-- we don't fund that because to the same extent we do [INAUDIBLE] so.

**RENEE FRY:** Right.

**LINEHAN:** Thank you, Senator Pahls. Are there other questions?

**PAHLS:** Oh, I-- I wasn't finished.

**LINEHAN:** Oh, you're not done? I'm sorry.

**PAHLS:** No. I'm done.

**LINEHAN:** OK. Are there other questions from the committee? Thank you. Going back to something, Senator Pahls, how long has OpenSky been-- when did you start? You were here when I got here. That's four years. So when did you--

**RENEE FRY:** Yeah, so we-- this will be our tenth year this year in the fall.

**LINEHAN:** So you were here in 2011, 2010?

**RENEE FRY:** Our first session was 2012.

**LINEHAN:** 2012. So when you-- when OpenSky started, how much did the state provide for early childhood?

**RENEE FRY:** Oh, I don't-- I don't know the answer to that [INAUDIBLE]

**LINEHAN:** Wasn't it 2012 or 2014 when we changed the constitution that property taxes could be used to pay for early childhood?

**RENEE FRY:** I don't know the answer to that. We didn't start working on education finance until a few years into our existence, so we weren't working--

**LINEHAN:** You didn't work on on early childhood when you first got here, when it was first-- OpenSky--

**RENEE FRY:** When we-- our very first session, we weighed in on one bill. There were--

**LINEHAN:** OK.

**RENEE FRY:** There were two of us, so, no, I didn't.

**LINEHAN:** So I-- I think, and I would-- maybe you could help do the research or we can get Research Office to do it, but it's-- whatever Senator Vargas said here, 17 percent of $460 million, and I'm not sure that includes property taxes, that's $78,200,000. And what I've looked at is in 2010, we weren't hardly providing anything, so we have made some progress, I think.

**RENEE FRY:** An-- and I'm not familiar with the statistics that he used in that regard. Those didn't come from us. But I'd be happy to talk with Senator Vargas and find out the resources-- or the resource he used for that and look into it.

**LINEHAN:** OK. The other thing you said, and I really, sincerely would like to see what's going on, so you said early childhood reduces the need for special ed. So special ed, in my mind, is like disability, speech, so what is-- because we have some-- it's alarming, some of the numbers of children that are in special ed and it-- not alarming because we shouldn't pay for it, but alarming because it's-- you don't want that many children needing special ed. So what statistics do you have that you could share with us that's like, this child was in special ed, therefore, they don't need it? What's going on there? How is that working?

**RENEE FRY:** So I can cite-- I mean, we are citing national research that's been done in this regard, looking into high-quality early childhood programs. I'd be happy to--

**LINEHAN:** Do you have actual numbers that say these kids-- I mean, I would like to see the--

**RENEE FRY:** Sure.

**LINEHAN:** --actual numbers, the data sets--

**RENEE FRY:** OK.

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**LINEHAN:** --of how--

**RENEE FRY:** And that-- and this isn't Nebraska-specific, of course. This is-- this is national academic research that has been looking at high-quality early childhood programs around the country.

**LINEHAN:** But-- but the data--

**RENEE FRY:** Yeah, sure.

**LINEHAN:** OK. All right. Any other questions? Thank you very much.

**RENEE FRY:** Thank you.

***JASON HAYES:** Good afternoon, Chairwoman Linehan and members of the Revenue Committee. My name is Jason Hayes and I am here on behalf of the 28,000 members of the Nebraska State Education Association to testify in support of LB625 and the long-term commitment to funding early childhood education it would provide. Research has long recognized both the extensive academic and social benefits of quality, school-based early childhood education. However, to be fully implemented we must find a long-term, stable and dedicated source of revenue. Legislative Bill 625 uses the existing Early Childhood Education Endowment Cash fund to provide consistent funding by adding a 4 percent surtax on high-income earners making more than $500,000 as an individual, or $1 million as a family. I urge you to advance LB625 and support the advancement of quality early childhood education throughout Nebraska.

**LINEHAN:** Other proponents? Are there any opponents?

**DALLAS JONES:** Good afternoon. My name is Dallas Jones, D-a-l-l-a-s J-o-n-e-s. I'm the policy and research coordinator for the Lincoln Independent Business Association. LIBA represents over 1,000 businesses primarily located in Lincoln and Lancaster County, and a significant part of our mission is to communicate the concerns of the business community to elected and appointed officials at all levels of government. So, Chairman-- or Chairwoman Linehan and members of the Revenue Committee, thank you for your time and for your service to Nebraska. I'm here to testify in opposition to LB625. So LIBA has long been a champion of supporting economic policies that seek to generally lower taxes for everyone. This is because when you give consumers more of their own money to spend, this increases the amount of consensual purchases which helps build the economy. LB625 seeks to impose a 4 percent surtax on the amount of taxable income in excess of $1 million for joint filers, or on the amount of taxable income in excess of $500,000 for all of the joint filers. We believe that this tax is narrow-minded and would do considerable damage to Nebraska's economy. First, it is misguided to assume that government thinks it can do a better job at spending one's income than consumers can. We have existing public services that agreeably benefit all of society. But when you continue to expand that thinking to include all services, that's how we lead to a high-tax state: 2 percent here, 4 percent here, and as time continues, these incremental-- incremental increases add up to the point where government begins to penalize workers and business owners for trying to make more money. Second, additional tax increases, including in LB625, will have detrimental eff-- effects on Nebraska's economy. LB625's fiscal note shows an approximate relevant-- revenue increase of over $87 million by next year. During a time when the federal government, state governments, and local governments are doing everything they can to increase money supply and liquidity, why would Nebraska act opposite and offset emergency fiscal policy? Nebraskans on all income levels are facing the effects of this pandemic and other natural disasters. Let Nebraskans have access to more of their own money so we don't lose out on a potential of $87 million that would have otherwise been invested across the state. LIBA is in opposition of LB625 be-- not because we don't believe in the program this bill would help fund but because we disagree with the merits on how it would be funded. And I'd also like to take this time to answer a couple of questions from previous testimony showing that the real highest income marginal tax rate would be essentially 10.84 percent. That would place Nebraska third and ranked above all other states. California would be first at 13; Hawaii would be second at 11; Nebraska would be third at 10.84. And in addition, the proceeds to this would all go towards the Nebraska Early Childhood Education Endowment Fund. And I would also like to make sure that this is in the record, that according to the Nebraska Edu-- Education Council, the Department of Education already provides-- already provided $40 million from the Permanent School Fund to this fund, and they've also raised approximately $20 million privately, so this fund has around $60 million in it and this would increase it by-- by next year, by more than-- almost $90 million. So with that, I'll be happy to take any questions on LIBA's opposition to LB625.

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**LINEHAN:** Thank you very much, Mr. Jones. Are there questions? It's-- it's $40 million a year, is it not?

**DALLAS JONES:** Yes, yeah.

**LINEHAN:** Yes, from the endowment, from the--

**DALLAS JONES:** Yes.

**LINEHAN:** --schools and lands funds. OK, seeing no other questions, thank you. Oh, I'm sorry, Senator Briese. I'm sorry.

**BRIESE:** Thank you. Thanks for your testimony here today. But I-- but I assume that LIBA does recognize the importance of early childhood-- access to early childhood programs and probably supports increased and enhanced access to such programs.

**DALLAS JONES:** Absolutely.

**BRIESE:** OK.

**DALLAS JONES:** We-- we support, you know, programs such as this, but we're just in disagreement with the merits of how the funds are raised for it.

**BRIESE:** Sure. Thank you.

**DALLAS JONES:** Yep.

**LINEHAN:** Other questions? Seeing none, thank you very much for being here.

**DALLAS JONES:** Thank you.

**LINEHAN:** Thank you.

**SARAH CURRY:** Good afternoon. My name is Sarah Curry, S-a-r-a-h C-u-r-r-y, and I'm the policy director for the Platte Institute. We are in opposition to LB625 because the surtax effectively creates a fifth individual income tax bracket. With this change, Nebraska's top individual income tax rate would be higher than New York State, which is currently at 8.82 percent and has also seen a-- a net of more than half a million residents outmigrate over the past decade. While Nebraska's first four individual income tax brackets are adjusted annually for inflation, as written, the amount at which this surcharge is applied will not be adjusted. It is also important to recognize that many of our businesses are subject to the individual income tax rate passed through businesses' organizations where the owner passes on profits through their individual income tax returns, such as LLCs, S corporations, sole proprietorships, and partnerships. Nebraska pass-through-- pass-through businesses employ 58.5 percent of the private sector in Nebraska. This means not only does this tax make Nebraska more uncompetitive with a higher income tax liability, but also this tax is a disincentive for job creation. Essentially, this surtax will be a direct tax on business activity needed for economic growth in Nebraska. And as you all know, tax policy cannot be viewed in a vacuum. In November 2020, Colorado voters adopted a permanent reduction of their flat individual corporate income tax rates. Arkansas also enacted an income tax reduction which will start in tax year '21, and we cannot forget that Iowa will see a significant drop in their income tax rates if the state hits its revenue targets, which it's currently on schedule to trigger. In addition, as of February 1, more than 40 governors had released their budgets. Of those governors, 14 proposed tax cuts. The Mississippi and West Virginia governors have unveiled plans to eliminate their income tax completely, while bills have been introduced to reduce business taxes in Colorado, Montana, Alabama and New Hampshire. The goal of tax modernization in Nebraska is to make our tax code simpler and more attractive for business to promote economic growth. LB625 does neither. The justifiable concern about early childhood education should not be answered by simply hiking income tax rates and making Nebraska's tax code even less competitive. Overall, we see LB625 as a bill with good intent. Unfortunately, the consequence of creating an income surtax could be-- could be to reduce economic growth needed to support all the educational programs in Nebraska. Thank you.

**LINEHAN:** Thank you, Ms. Curry. Are there questions from the committee? Senator Pahls.

**PAHLS:** Thank you, Chair. I know the hazards of-- of the tax that we're talking about. But since you represent the Platte Institute, I'm trying to figure out, because it's who does a lot of research, have you researched early childhood education or brain research?

**SARAH CURRY:** No, we have not.

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**PAHLS:** Which really surprises me because that would be a good answer to, I think, a lot of our issues. If we really understood the power of early childhood education and if we understood how the brain operates at a primary child's level, I think we'd probably find more support from the business world.

**SARAH CURRY:** If I might suggest, that's a great question to ask the University of Nebraska Medical Center lobbyist, because that is a neuroscience area of research and my focus is in public policy and business and I'm not familiar with that literature to provide that.

**PAHLS:** Yeha. Yeah. My intent is not to-- I'm just curious about it.

**SARAH CURRY:** Right, just saying they would have that information available.

**PAHLS:** OK. OK, thank you.

**SARAH CURRY:** You're welcome.

**LINEHAN:** Thank you, Senator Pahls? Other questions from-- anybody else like to-- Seeing none, thank you very much--

**SARAH CURRY:** Thank you.

**LINEHAN:** --Ms. Curry, for being here. Other opponents? Any other opponents? Anyone wanting to-- are you opponent?

**MEGAN KALLINA:** Opponent.

**LINEHAN:** OK.

**MEGAN KALLINA:** Good afternoon. Senator Linehan, Chairpeople, my name is Megan Kallina, M-e-g-a-n K-a-l-l-i-n-a, and I am that mom. What are the root causes of this bill? I stand in opposition to this bill. I do not believe adding standardized early education in zero- to three-year-old is a solution. You see an issue and seek to step out and solve the effect, but not the cause. Performance is not what matters. In this age group, it is adding value, safety, and a place for their growth, and as an individual member of a family first before they are contributing member of society. This position and responsibility are mine and many other family members like that-- like me that want the best. I own this position. I want this position. It is my position that gives them the safe place. Do not hire out my position but invest in me, invest in my family, invest in the family and not the curriculum. We cannot widen home plate with the intent that we look successful on the graph, but not-- but lose what is really meant-- what it really means to be successful in life. I'm an American, a veteran, a Nebraskan, a daughter, a sister, a wife and a mother. I represent the party that wants a seat at this table. I represent the working-class family unit. I do not make a million dollars. I represent the thriving family unit. I've been given this great responsibility to raise my children well and I want my family to prosper. Do I want great education for my children? Who doesn't? I breastfed my daughter, who could not take a bottle-- or who would not take a bottle until she was two and gave her immunities to sicknesses unsurpassed by science. I taught her about her body when she was learning where her fingers, toes, and nose were. We had the patience to potty train her in a way that worked for her. Will you do that? I had to teach-- I get to teach her gender and how she is fearfully and wonderfully made. I have the responsibility to-- re-- excuse me-- responsibility to inspire her to fulfill her God-given purpose in life. Will you do the same? My son didn't talk till he was three, but today he reads far above his first-grade level. Would you have held him to a timing or let him grow in his perfect timing? Who creates the standards? My husband and I teach right from wrong in our family. A moral compass starts from our family home, not a school. Is it hard? Yes. Is it worth it? A hundred times, yes. Is it tiring? Yes, but worth it. I grew patience, persistence, and a love I never yet possessed because I was part of the process and I'm a better person for it today. I do not need a babysitter. I need a me to step up to the plate and take ownership. My name is on the title of my family, not the state of Nebraska. There is a reason children all around the world are not enrolled in school settings at young ages. They are not ready for the tons of-- they are not ready and there are tons of studies that prove it. Motor skills, cognitive agility, emotional-- I went through these with the Air Force. We need to stop creating wards of the state and start creating leaders in the home who take responsibility raising young men and women of character. This bill seeks to create a culture that needs government. I seek to create a culture that needs a Nebraskan with a strong family values, unwavering in leadership and character, that will change their worlds. Abraham Lincoln said the philosophy of the schoolroom in one generation will be the philosophy of government in the next. What philosophy are you going to teach them? Are they the ones that I value? This is my position as a parent. Do not hire it out.

**LINEHAN:** Thank you for being here. Are there questions from the committee? Senator Friesen.

**FRIESEN:** Not really a question, just thank you for coming in.

**MEGAN KALLINA:** My biggest honor. I represent the party that wasn't polled.

**LINEHAN:** May-- I have a question.

**MEGAN KALLINA:** Yes, ma'am.

**LINEHAN:** So you're a veteran.

**MEGAN KALLINA:** Yes, ma'am.

**LINEHAN:** You say you're a veteran?

**MEGAN KALLINA:** Yes.

**LINEHAN:** Which branch?

**MEGAN KALLINA:** United States Air Force. My husband and I both serve. I am seven years out to come home and raise our children.

**LINEHAN:** Is your husband still in the Air Force?

**MEGAN KALLINA:** Yes.

**LINEHAN:** Thank you and him for your service.

**MEGAN KALLINA:** Thank you.

***BOB HALLSTROM:** Chairman Linehan, members of the Revenue Committee, my name is Bob Hallstrom and I submit this testimony as registered lobbyist for the National Federation of Independent Business (NFIB) in opposition to LB625. LB625 would impose a 4 percent surtax on taxable income of more than $1 million for individuals whose filing status is married filing jointly or head of household. The small business owner members of NFIB have expressed their support for reductions in individual income tax rates. LB625, by contrast, provides for a significant tax increase on higher-income earners. While providing funding for Nebraska's early childhood education needs is certainly a worthy undertaking, the measure would serve to make Nebraska less competitive with our surrounding states and would inhibit our efforts to grow Nebraska by adversely impacting our ability to retain and attract businesses that will expand employment in the state of Nebraska. For these reasons, NFIB would respectfully request that the committee indefinitely postpone LB625.

**LINEHAN:** Are there any other opponents? Are there any ones wishing to testify in the neutral position? We did have letters for the record. We had proponents, Jason Hayes, NSEA; opponents, Bob Hallstrom, National Federation of Independent Business and the Nebraska Bankers Association. Senator Vargas.

**VARGAS:** Thank you very much, Chair Linehan and members of the Revenue Committee. A couple of things I wanted to make sure to clarify here. The $40 million a year that was referenced, that is incorrect. Sixpence does not get $40 million a year. In 2006, when it was first created, it got an initial investment from the state and private sector of $60 million, and that's for the endowment. That money is invested by the investment council and that supports the fund, so it's not every year. I've mentioned that this is-- it is helpful that we have the business community. I appreciate those that have testified in opposition; it helps round out the conversation that we have. It's an important perspective.The perspective we don't have is we don't obviously have a lobbyist for all families. I do appreciate having a member of the public here. It does really mean something to me. So I appreciate you testifying, even though it was in opposition. This report, the Why the Early Child Workforce Matters, 68 percent overwhelmingly supported early care and education but made it clear that this early care and education is not available or affordable for families in this state. Nebraskans made it very clear that very few families, 15 percent of families, are satisfied with the quality of early care and education programs in the city or area where they live. Two-thirds of Nebraskans said the state should make early care and education a higher priority than it is today. In terms of public support, there is public support. In terms of the workforce, in 2016-- it's when we have the most recent data-- the median wage in our state for early-- and it will change, hopefully, with some other legislation. The median wage in our state for early childhood professionals teaching in community-based settings is $18,000 a year;

$18,000 a year, below the federal poverty line-- level line for a family of three. This industry is on the backs of individuals making below the poverty line. Now salaries get higher as you get more education, obviously, within our public school system, or even in kindergarten. But early childhood professionals do not consistently receive these types of wages or workforce is not being invested in, and they don't receive retirement benefits, usually, or even paid maternity leave or health benefits. It is why this industry needs more support; and the early ed space in particular, this is why this investment should be made. Now I'm not completely set, as many-- I've worked with many of you on different bills, on this exact number or the exact percent. The point of the matter is we should be investing more in the early ed space. We're all not going to be here by the time we see and reap some of these long-term benefits. The question is whether or not we're going to invest more in this, no different from the investments we've made in workforce development or in some of the tax incentives for retaining good jobs or-- or incentivizing people to come here. This is also in that line, even though it may not seem like it. I do appreciate a lot of them saying, and I-- I clarified this, Senator Briese, that they care about early ed. That sounds great, but where's the funding going to come from? Because as I really currently share, even the funding currently coming from the 52 percent of families is funding a space where people are working for pennies to educate and take care of kids, and that is not a sustainable model. And so I appreciate you, I will get you I'm referencing this Workforce Matters report. It is comprehensive. It is really good to read. I guess, to Senator Pahls's point, I don't think you need more statistics necessarily to support you. I think we just need a level of, I guess, some consensus, not-- not 100 percent, 50 plus 1, to say we are going to try to do something. And if we start small, I'm fine with that. But we have to start somewhere on this, even though it might be not the initial intent that you're looking for. But the public does support this. And thank you very much, and I'm happy to answer any additional questions.

**LINEHAN:** Are there questions from the committee? Senator Albrecht.

**ALBRECHT:** Thank you, Chairwoman Linehan. And thank you for bringing this bill. Can you tell me how many actual child-- early childhood schools are open in Nebraska, and are they all affiliated with a community or a school?

**VARGAS:** I don't have those numbers off the top of my head, but I can find out for you.

**ALBRECHT:** But-- and I-- I might be wrong here, but if-- if the philanthropists decided to throw some money at this to hopefully get it up and going, and-- and when that time kind of runs out and they run out of money, who's-- who is going to support it? Is it just going to be us, the state?

**VARGAS:** That's why this workforce report is, I think, very valuable. The solution isn't that the state bears the-- the majority of funding equal access to early ed; it should be a myriad, sort of a mixture of state, federal, and private dollars. It should be. It's why this is at least designed that way.

**ALBRECHT:** And let me ask you this. Is this the program that, when the CARES Act funding came out and the children were sent home, did we still fund those teachers that were-- or the workers that were at these early childhood institution-- institutes or whatever you want to call them? Sorry about that. I don't know the wording. But isn't it true that we paid them to stay on board while we were not-- while the children were not in school? I believe-- isn't that right, the early childhood, that we're connected to the schools? Are any of them--

**VARGAS:** I can't speak to that--

**ALBRECHT:** Yeah.

**VARGAS:** --because CARES Act funding might have been infused-- I mean, the CARES Act funding has been infused in different states. I'm not sure if that was the case because it-- keep-- keep in mind, the Sixpence program doesn't fund or support every single early ed program across the state. It's a small portion right now.

**ALBRECHT:** So that's what I'm wondering. How many actual-- how many of these do we have? How many early childhood schools? Are they all in the big metro areas? And these surveys that you're talking about, are they just in the big metro areas? Because I can't see these things working throughout greater Nebraska, that--

**VARGAS:** That-- that is

**ALBRECHT:** --there are that many. I know I have one in my-- my area.

**VARGAS:** That's--

**ALBRECHT:** I have one. I have the very first one. But how many others are there?

**VARGAS:** We can get you the numbers. And again, a lot of this will be easier to see when you receive the report. But the one thing that I can see-- say is greater Nebraska has an access problem. There's an access of-- of providers, and early ed providers in particular-- that is very clear in greater Nebraska.

**ALBRECHT:** Thank you.

**VARGAS:** Thank you.

**LINEHAN:** Thank you. Senator Albrecht. Are there other questions from the committee? I read the letters-- I mean the written testimony that was submitted this morning, but I failed to say we had no proponents in letters submitted for the record, 39 opponents, and one neutral. So with that, unless there's other questions, LB625 is-- comes to a close. Thanks, Senator Vargas--

**VARGAS:** Thank you very much.

**LINEHAN:** --very much for being here. Senator Lindstrom, you take over.

**LINDSTROM:** We'll now open the hearing on LB680, introduced by Chairwoman Linehan.

**LINEHAN:** Good afternoon, Vice Chairman Lindstrom and the Revenue Committee. My name is Lou Ann Linehan, L-o-u A-n-n L-i-n-e-h-a-n, and I'm here to introduce LB680. Before I read my opening here, I-- I just wanted to admit I know this appears like another Band-Aid and I-- I-- I'm tired of putting Band-Aids on the monster, too, but I do think, as much as this may sound weird, this is a-- this is a step toward a flatter, simpler, comprehensive tax reform, which would move us away from the need for incentive packages that everybody knows we have to have but nobody seems to love. So that's part of my purpose here. Nebraska's corporate income tax has two brackets. The first $100,000 of taxable income is taxed at 5.58 percent. All taxable income in excess of $100,000 is taxed at 7.81 percent. However, businesses that are formed as pass-through entities, such as subchapter S corporations, partnerships, limited liability companies, do not pay corporate income tax. They distribute income to their partners or shareholders, who pay individual income tax on their distributions. The top individual rate is 6.84 percent. Very few businesses today are traditional corporations. Most businesses are now formed as pass-through entities-- saves you one percent when you're starting. Why would you pay more in taxes? It is only fair that traditional corporations pay the same rate as owners of pass-through. LB680 would reduce the top corporate income tax rate to 6.84 percent, therefore, creating parity between businesses regardless of their legal form. I'd be happy to answer any questions. And I will-- I looked at the fiscal note and, for once, I was like, I think this is about right. The other problem with corporate income taxes and depending on it, it goes down when we're-- have a bad economy. So when we depend so much on corporate, that's where we get really rocky. And I should have-- I'll get you a handout because movies we all know. So in 2019, we had $497 million-- $497.9 million in corporate income taxes. I hope this is right, M.J., because I went over the lunch hour, because I thought you were too crazed to bother, so I looked it up on the Department of Revenue site. In 2018, it was $345.9 million, so $140 million difference. That doesn't go well when we're trying to figure we're going to have increases. In 2017, it was 302; 2016, 246.8; but then in 2015, it was 330.5. It jumps all over. It's not-- it isn't easy for the Fiscal Office or when-- I don't know-- what year did we get here? I got here, Senator Briese. We came-- see, this is what one of our problems were. Before we got here, in 2015, which is the money they would have had on the floor that year, corporate income tax was $330 million. In the year we got here, the money that came to the floor was $246 million, so there's $100 million of our deficit the year we got here. So this is just-- it's not-- we're-- it's unfair, I think, to tax corporates, but S corporations, we have a lot of S corporations that most Nebraskans probably think are corporations that aren't corporations. They're S corporations. But one of our probably most important business clients in the state, Union Pacific Railroad, they've been here forever. They're a corporation. So why would we tax them at a higher rate than we do some of our other, you know, great prizes that I'm happy to have in the state. But I don't understand why we tax UP more than others. So with that, I'll take questions.

**LINDSTROM:** Thank you. Any questions from the committee? Seeing none, thank you. We'll have our first proponent. Good afternoon.

**SARAH CURRY:** Thank you. My name is Sarah Curry, S-a-r-a-h C-u-r-r-y, and I'm the policy director for the Platte Institute. We support LB680 because it follows the general principles of sound tax policy. Specifically, LB680 follows neutrality because it creates parity between the top corporate and personal income tax rates. Taxes should neither encourage nor discourage personal or business decisions. And the way the tax code is currently, there is a disincentive for businesses who file through the corporate income tax. Right now, Nebraska ranks 31st nationwide on the State Business Tax Climate Index for corporate income. We are sure this reform will help improve our ranking on that index if enacted because our rate is one of the highest west of the Missouri River. This high rate gives us a regional disadvantage as well. South Dakota and Wyoming do not levy a corporate income tax. Our other neighbors, Missouri and Colorado, have some of the nation's lowest. Empirical research has determined that a state's ability to attract, retain, and encourage business activity is considerably affected by its structure of taxation. Subsequent research found that tax increases significantly impede economic growth and that business taxes have a negative impact on startups. Another consensus among academics is that taxes negatively affect employment levels, with corporate income taxes having the most significant negative impact. There are 44 states that levy a corporate income tax, yet only Nebraska and 13 others have a graduated rate system. Thirty states have a single-rate corporate tax system. The reason for this is because there is no meaningful ability-to-pay concept in the corporate taxation like there is with personal income tax. Opponents to this tax believe the corporate tax adds a measure of progressivity to an otherwise regressive tax system. However, graduated corporate tax rates are inequitable because the size of a corporation bears no relation to the income level of its owners. Many studies by both practitioners and academics have found that the tax falls primarily on workers in the form of lower wages and consumers in the form of higher prices. This is why the Platte Institute would like to see LB680 go a step further. Nebraska should replace the graduated rate progressive system with a flat tax rate, ideally set at 5 percent, to become more competitive within the region. Moving to a single rate system minimizes the incentive for firms to engage in economically wasteful tax planning to mitigate the damage of higher marginal tax rates. Given that corporate income tax revenue only accounted for $423 million, or 7.6 percent of the state's total tax revenue in 2019, I think moving to a flat rate of 5 percent would not alter the state's revenue in a significant way, yet it would create a more competitive tax code with more economic growth. In closing, reducing our corporate income tax rate is necessary to stay relevant in a nationwide scene. Florida, Georgia, Indiana, Mississippi, Missouri, and New Jersey all lowered their corporate income tax rates during 2020. In 2021, we have already seen rate reductions in Arkansas, Colorado, Indiana, Iowa, and Mississippi, with more expected as legislative sessions continue. Nebraska needs LB680 because if we do nothing, we will be left behind and our state's economy will pay the price. Thank you.

**LINDSTROM:** Thank you. Any questions? Senator Pahls.

**PAHLS:** Thank you, Vice Chair. OK, I'm reading this thing. When you say 5 percent, is that what you're telling me is the rate that you are suggesting?

**SARAH CURRY:** In a perfect world, yes, we would like to see a flat 5 percent.

**PAHLS:** Well, let's make it perfect.

**SARAH CURRY:** If you read--

**PAHLS:** Why-- why-- why do we-- I just heard we don't want to piecemeal it. Let's make it 5 percent. So in other words, I would probably put a minimum on to make it 5, then I would be in a perfect world. I'm serious.

**SARAH CURRY:** So in our legislative guide we outline what our ideal tax code would be, and it would be a flat 5 percent for both personal and corporate. And this is a tax policy that was followed by North Carolina in 2013 when they did their tax reform. They put in place revenue triggers and now they currently have the lowest corporate income tax in the nation at 2.5 percent. So it-- it does set us up for a good path to have lower and more competitive tax rates. And the reason why we chose 5 percent as a starting point is because that would make us more competitive with Missouri and Colorado since they're in that 4 percent range.

**PAHLS:** So in other words, our surrounding state, we'd be--

**SARAH CURRY:** We'd still be higher than Missouri and Colorado, but we'd be much closer than we are today and--

**PAHLS:** Would it be higher than South Dakota?

**SARAH CURRY:** Well, yeah, because they--

**PAHLS:** Oh, oh, OK.

**SARAH CURRY:** --they don't do anything.

**PAHLS:** Thank you. I'm-- I'm just asking.

**SARAH CURRY:** But we also thought coming in lower than 5 percent would just not be realistic for a first-time cut. We felt that 5 percent was a realistic--

**PAHLS:** OK. And you have researched this?

**SARAH CURRY:** I have, yes, from a-- from a nationwide policy and competitiveness standpoint, and I have-- the impact to our General Fund I have not because I don't have the numbers to do that accurately.

**PAHLS:** Well, then it seems like, if not here, then on-- if this doesn't make it to the floor, somebody put in an amendment of 5 percent, at least give it an attempt.

**SARAH CURRY:** We would support that.

**PAHLS:** OK, thank you.

**LINDSTROM:** Any other questions? Senator Friesen.

**FRIESEN:** Thank you, Vice Chair Lindstrom. So I've in the past supported corporate tax rate down to zero. Corporate tax, you're kind of double taxed. You're either paying it out in wages or dividends or whatever else, so when you tax it-- is that kind of a fair assessment?

**SARAH CURRY:** That is, yes, sir.

**FRIESEN:** So if-- you-- you mentioned there, there's no meaningful ability-to-pay concept. Could you talk a little more about that?

**SARAH CURRY:** So in the personal income tax world, the reason why there's a graduated system is because we believe people that have higher incomes have more ability to pay. So if I make $80,000 a year,

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I have a higher ability to pay taxes that if I make $10,000 a year, and that's why I graduated rates are there, to make tax systems more progressive, to offset with other taxes. In the corporate world, it doesn't work that way. So like Senator Linehan said in her opening, taxing Union Pacific more does not mean that their employees make more than Burlington Railroad. It-- we just tax the corporation more. So what that means is the corporation pays their employees less or their services have to go up in cost because they have to-- they're passing on that tax cost. And so that ability to pay doesn't make sense in the corporate world because of the way they're structured, and that's why 30 states have a flat-rate corporate tax, where in the personal income tax world it makes a little bit more sense to have a graduated rate if you want that progressivity in your tax code.

**FRIESEN:** So you just made a good argument for getting rid of the property tax, right?

**SARAH CURRY:** I did?

**FRIESEN:** It's not on the ability to pay?

**SARAH CURRY:** Oh. [LAUGHTER]

**FRIESEN:** So, again, I mean, I-- I-- I agree with the concept because a corporation, they just always pass their costs along, whatever they are; the higher you tax them, the more they'll pass along to the customer. And then they are taxed twice, so-- but when I've talk to CEOs that have-- that I've had a chance to visit with in my five year-- six years here, seven, when I ask them what attracted them to Nebraska, what brought them here, why-- why did they do things, taxes rarely, if ever, came up. But what they would say, if they did tax, is they want a stable tax policy. They'll build it into their business model. So is that true though? I mean, if-- are there other factors? When we're talking about businesses coming here or staying here, would taxes-- or would this tax be a reason versus-- I mean, I've heard of, you know, workforce availability, education. Go down a long list in taxes, we're always way down at the bottom. And then the comment was, we want a stable tax policy.

**SARAH CURRY:** So I'm not going to say that taxes are the magic pill, right, that makes everybody leave, you know, sell their homes and move to Nebraska, because that's not what's going to do it. But I-- taxes do play a role in that. I think a really good example to show about tax stabilization is New Jersey. So they raise the tax, they lower the tax, they raise the tax, they lower the tax, they put on an extra tax, and so businesses have no idea what to expect from year to year. I think the benefit of Nebraska, while we have a relatively high-tax state, it's-- it's a stable high-tax state, right? Like people aren't saying, oh, this income tax rates going to jump 3 percent next year, or the sales tax or this or that, so they can plan and they can forecast. And I can tell you, working in like a finance industry, forecasting is what you have to do, especially when you're paying out dividends to shareholders or you are, you know, publicly traded. And so that's very important to them. So if Nebraska does tax reform, I think it's very important that we either have a forward-looking plan with revenue triggers, like what Iowa did, so that they can plan accordingly and see the writing on the wall, or we just have to stick it to a specific rate and just stay there. And then if we're going to change it, we go to another rate, and that way, we have that stability. And I don't know what the dollar amounts are, but I do know that the state engages in some business tax incentives, and so I'm just guessing, if you were to lower the corporate income tax rate or drop it to a flat 5, we wouldn't have to spend as much in this corporate business incentives because the tax rate wouldn't be as high. And again, I don't know the specifics. Obviously, every incentive program is structured differently. But there could possibly be a revenue offset there because we're lowering that tax liability and that's what the incentives are created to do. That's to make it a sweeter deal coming to Nebraska because we're negating those tax liabilities.

**FRIESEN:** So we could offset some of our incentive costs by doing something like this.

**SARAH CURRY:** I would anticipate that you could. I don't-- again, every incentive programs is structured totally differently, but some are a refund of part of the corporate income tax. And so if you lower that corporate income tax, obviously, the refund of that tax will be less. And so that will be a savings to the state or-- not a savings, but, you know, less expenditure. And then you could offset the tax that way.

**FRIESEN:** I've-- I've found a perfect way of taking advantage of the lower rate, too: You just never make over $100,000.

**PAHLS:** Yeah, just stop, right?

**FRIESEN:** Thank you.

**SARAH CURRY:** Yeah. Thanks.

**LINDSTROM:** There's kind of a way to do that. Any other questions from the committee? I have couple of questions. I-- I do, if I remember right-- because we've had bills in the past that dealt with parity or we have had bills that took the corporate tax rate to zero or we've had the individual tax rate to, I believe, years ago, 4.99 or 5. If-- and maybe you could correct me, but if I remember right, if we took the corporate tax rate to zero, it was around $300 million total, whereas if the individual tax rate was dropped, a tenth is about $30 million per tenth that we were to drop it, if I remember the math right. With the feds changing some of their tax provisions, and this kind of ties into some of the bills we've heard earlier today, from 35 percent to 21 percent, have-- have-- have you-- has the Platte Institute done a look to see if companies-- and I know there's different tax benefits with being a pass-through versus a C corp. Have there been many transitions between the two? Have you seen some individual pass-through entities switch to C corp because of some of the tax changes over the last couple of years or does that just--

**SARAH CURRY:** Not really. That doesn't really happen.

**LINDSTROM:** OK.

**SARAH CURRY:** Well, you know, if you're a law firm and you're a partnership, that's kind of just how you're structured. And so even if you make $20 million as a partnership, the-- the benefit to incorporation is really to issue stock so that you can gain more in equities. And for that business model, it-- it doesn't fit there. The same thing with like dentists and veterinarians and a lot of personal care services, even if their revenues are comparable to a corporation, their business models are not benefited by issuing bonds or issuing debt and changing that business structure that comes with corp-- incorporating. So I would say, no, there's not a lot of switching back and forth. You might take a sole proprietorship into a partnership, but you're not going to take a partnership into a C corp.

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**LINDSTROM:** OK. OK, curious if there's anything there. Any other questions? Seeing none, thank you.

**SARAH CURRY:** Thank you.

**LINDSTROM:** Any other proponents? I see-- good afternoon.

**BRYAN SLONE:** Good afternoon, Chairman Lindstrom and Chair Linehan and the rest of the Revenue Committee. Thank you for holding the hearing today. My name is Bryan Slone, B-r-y-a-n S-l-o-n-e, and I'm the president of the Nebraska Chamber of Commerce and Industry. I'm here to testify on behalf of the State Chamber, the great Omaha-- Greater Omaha Chamber, and the Lincoln Chamber in support of LB680, an important bill to harmonize the individual and corporate income tax rates. A great deal of attention is appropriately paid to fixing our increasingly high property tax and income tax rates within Nebraska. But the untold story is that the largest increases in tax revenues and tax burdens in recent years have occurred in the corporate income tax area. From 2009 to 2020, individual income and property taxes grew approximately five to six times faster than our population growth. But at the same time, corporate income taxes grew over 16 time-- 16 times as fast as our population growth. High corporate taxes are-- are more difficult in some ways because there's a public perception that corporate tax burdens affect somebody else, some amorphous entity out there, and are not borne by individual Nebraskans. The truth is, the cost of higher corporate taxes is generally borne by one of three groups: shareholders which are-- ultimately at some point are in-- either individuals or are retirement plans-- about 33 percent of public company stocks is owned by retirement plans-- or workers in the form of lower wages or consumers who ultimately pay higher prices. High corporate tax rates, and we have some of the higher corporate tax rates in the region, simply move investment and jobs away from Nebraska into other states, as well as chill businesses from coming to Nebraska and expanding operations in Nebraska. In a post-pandemic world. As we seek to rebuild our economy job base, both urban and rural, lowering corporate income tax rates is essential to be competitive in our region. But just as important, from a fairness standpoint, the de-- deviation between our individual and corporate tax rates creates fundamental unfairness in our state tax system. It results in situations where similar taxpayers operating in the same industry with the same taxable income can pay different rates of taxes. For our farm families that operate in corporate form, and there are some farms out there that still operate in corporate form, they pay a different rate than those who operate in an LLC or a partnership. The same is true for bankers. The same is true for small businesses. The same is true for any business. High corporate income taxes are counterproductive to economic growth, and the passage of LB680 is important as we come out of this post-pandemic era. So we would urge you to pass LB680 and support LB680, and I'm happy to answer any questions.

**LINDSTROM:** Thank you, Mr. Slone. Any questions from the committee? Senator Flood.

**FLOOD:** Thank you, Senator Lindstrom. Thank you, Mr. Slone. You mentioned banks, which are most likely C corps.

**BRYAN SLONE:** There are some LLCs.

**FLOOD:** Really? So how did-- and this may be-- this is tapping on your prior experience. Do they pay the Nebraska financial institution tax? And is that a credit against their state corporate income tax?

**BRYAN SLONE:** The banks and insurance companies do have a different tax regime and-- and so-- and I am not an expert in that tax regime, so I-- I did not plan there. But you are correct. There are premium taxes in the case of insurance and the bank taxes, and-- and I assume that they do get a credit, but I don't know that for sure.

**FLOOD:** Right. They wouldn't pay that tax on top of this tax.

**BRYAN SLONE:** Right. But in terms of regular operations not subject to those taxes, the income taxes would be different.

**FLOOD:** OK. And this wouldn't have any bearing on that if there's a credit. I mean, to your point, though--

**BRYAN SLONE:** Yeah.

**FLOOD:** --insurance and banking would be set aside from all these other--

**BRYAN SLONE:** Yes.

**FLOOD:** --C corps out there.

**BRYAN SLONE:** Yes, and it-- it's true of every industry in the-- in the-- in the state. To what ex-- to-- to the extent they pay Nebraska state income taxes, there's a fundamental difference in the cost of doing business by being a corporation LLC, even though they compete against each other straight up and have the same operations and the same activities.

**FLOOD:** Thank you.

**LINDSTROM:** Any other questions from the committee? Senator Pahls.

**PAHLS:** Thank you. As you heard the discussion earlier, Platte is recommending 5 percent to be in a perfect world. I mean, are you-- would-- would that be, in your eyes, a perfect world?

**BRYAN SLONE:** Two things I would say about that, Senator. One, I-- I agree with Chair Linehan that this is sort of a threshold, table-stakes step for Nebraska as the first step in-- in any tax modernization. As I've testified before to this committee, I have a fairly long history of-- of tax policy and-- and generally favor flatter taxes and-- as we go along. The truth, as I've also testified before this committee, is that we-- in the context of states and not the federal government, we're in a competition with our neighboring states and, indeed, states across the country. And so you have to layer on that analysis. Do we remain competitive with the states around us? And-- and so then you-- the devil is in the details in terms of understanding, when we say a flat tax, what's the base that-- that we take that flat tax against? And as we-- as we look at those-- those opportunities, and I think we should as we look at tax modernization, we-- we absolutely have to take a look not only at-- at what we would put into our own code, but how that compares to our neighboring states, because states, unlike the federal government, there is a lot of mobility from one state to another.

**PAHLS:** But to me, she indicated that this would make us more competitive with our neighboring states, the 5 percent.

**BRYAN SLONE:** It would-- it would-- clearly, a 5 percent flat tax would probably make us more competitive than-- than the rates that we have at the corporate level right now. But depending on how you define the income that you took that rate against, it might be more competitive or less competitive.

**PAHLS:** I understand. And I'm just-- I'm just-- I'm amazed at how all these taxes are so related. With a company, and I'll just-- Union-- Union Pacific, would they want this corporate tax lowered? Would that be good for them?

**BRYAN SLONE:** I would say that every corporate entity out there in every industry. I would be-- I'd be shocked to see one that didn't support this because they're competing against other members of their industry that are paying clearly, at a statutory rate, a substantially lower tax rate.

**PAHLS:** And-- and the interesting thing, we want-- and-- and I understand that, but then I started making an analysis. If we lower ag property, you know, the tax, you know what that does to Union Pacific? That shoots their property tax up.

**BRYAN SLONE:** It does.

**PAHLS:** It's really interesting how, you know, how one-- sort of the ying-yang about all this. So they would actually-- probably would be not totally supportive lowering ag land, I would assume.

**BRYAN SLONE:** I'll-- I'll let the Union Pacific representative answer that question, Senator.

**PAHLS:** Well, I-- yeah, OK. OK. I just-- I'm just saying this is-- all this criss-crossing, all these things.

**BRYAN SLONE:** No, and I-- and-- and you're right, Senator. The-- the taxes are related, but-- but taxes and-- and-- and the system you put in place has a-- has a very substantial effect on-- on the economy, on not only the attraction of business but the expansion of businesses within the state. And so having a-- most of the businesses even that are local businesses within Nebraska have an option to expand their businesses here or in a neighboring state. And when neighboring states have much lower corporate rates than we have here, that's an added incentive not to expand here in Nebraska. So this is-- as-- as we look at tax modernization, I-- again, I agree with Chairwoman Linehan. This is absolutely one of the first things that we should do at a minimum is-- is equalize the individual and-- and corporate tax rates. But if this can be done independently this year, that's even better because it-- it-- it is an uncompetitive situation that exists right now and

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it's not compared to individual income tax changes, as someone remarked earlier, nearly as expensive to-- to correct and-- and modify.

**PAHLS:** Thank you.

**LINDSTROM:** Thank you. Any other questions? Seeing none, thank you.

**BRYAN SLONE:** Thank you.

**LINDSTROM:** Any other proponents? Good afternoon.

**DALLAS JONES:** Good afternoon again. My name is Dallas Jones, D-a-l-l-a-s J-o-n-e-s, the policy and research coordinator for the Lincoln Independent Business Association. Vice Chair Lindstrom, members of the Revenue Committee, thank you again for your time today. So as mentioned in my previous testimony, LIBA has long been a champion of supporting economic policies that seek to generally lower taxes for everyone, and LB680 follows along that same path where it seeks to lower the top corporate income tax rate of 7.81 percent, which ranks 18th in the highest nationally, to match the top individual income tax rate of 6.84 percent, which would put us at the 39th highest top income-- top corporate income tax rate nationally. So this bill would bring fairness to Nebraska's tax structure and it would continue to make Nebraska a business-friendly state. So first, as previously explained, businesses that are formed as pass-through entities do not pay corporate income taxes or do not pay the-- the individual-- or, excuse me, do not pay corporate income tax. But LB680 would level the playing field and create a tax structure that is easier to understand and fair for all types of businesses. Second, LB680 would build on previous work done by the Legislature and the Governor to make Nebraska the best place in the country to do business. Pre-- previous efforts to make Nebraska business friendly include extensive deregulation, beneficial tax credits, and access to well-educated workforces. LB680 would further entice businesses to come to Nebraska and offer capital investments and many more good-paying jobs. LIBA is in support of LB680 because of the fairness it would bring to Nebraska's tax structure and that it will make Nebraska a more business friendly state. With that, I would urge the Revenue Committee to pass LB680 out of committee and I would be happy to take any questions.

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**LINDSTROM:** Thank you, Mr. Jones. Any questions from the committee? Seeing none, thank you for your testimony.

**DALLAS JONES:** Thank you.

***BOB HALLSTROM:** Chairman Linehan, members of the Revenue Committee, my name is Bob Hallstrom and I submit this testimony as registered lobbyist for the National Federation of Independent Business (NFIB) in support of LB680. LB680 would reduce the top corporate income tax rate from 7.81 percent to 6.84 percent. This action is significant because it would serve to provide the same maximum income tax rate for individuals and corporations, creating parity between taxpayers, regardless of the legal form in which they choose to operate. A good percentage of small businesses are formed as pass-through entities, such as Subchapter S Corporations, Partnerships and Limited Liability Companies which do not pay corporate income tax. Rather, the individual shareholders, partners or members of these entities pay income tax on company earnings at the individual income tax rates. The disparity between the top corporate income tax rate (7.81 percent) and the top individual income tax rate (6.84 percent) provides a disincentive for those businesses wishing to operate as a traditional C Corporation. Creating parity between businesses regardless of the legal form under which they choose to operate makes good sense and NFIB would encourage the Committee to advance LB680 to the floor of the Legislature for further consideration.

**LINDSTROM:** Any other proponents? Seeing none, we will have opponents. Good afternoon.

**RENEE FRY:** Good afternoon, Senator Lindstrom, members of the Revenue Committee. My name is Renee Fry, R-e-n-e-e F-r-y. I'm the executive director of OpenSky Policy Institute. Cutting the top corporate income tax rate, which is levied on income over $100,000, will benefit a small number of mostly out-of-state residents, while further straining General Fund revenues in the coming years, forcing cuts to services that are vitally important to attracting and retaining a workforce in Nebraska. The Department of Revenue's business income tax data helps to illustrate who would benefit from LB680. In 2017, the most recent year for which data is available, only 8.25 percent of C corps who filed returns in Nebraska had a taxable income greater than $100,000. Furthermore, the companies with taxable income of over $100,000 paid an average effective tax rate of 6.12 percent, substantially lower than their marginal tax rate. Some corporate dividends are also being received by nonresidents, meaning that cutting Nebraska's corporate income tax would cause the state to forgo revenue to-- from out of state. In 2017, nearly 20,000 C corporations filed in Nebraska, yet only 9,333 had a Nebraska business address. Modeling done by the Institute on Taxation and Economic Policy projects that 82 percent of the tax reduction would be enjoyed by non-Nebraska residents, while only 17 percent of the benefit would go to people in the state. While some claim-- excuse me. LB680 also deviates from prior legislative study recommendations. The Legislature's 2013 Tax Modernization Committee report suggested that any consideration of a rate reduction should be coupled with eliminating a significant number of base-narrowing deductions and credits. Moreover, the report recommended that the first corporate tax bracket be expanded to $250,000 of taxable income at the rate of 5.58 percent, and with the top rate of 7.81 percent applied to the excess over $250,000 and coupling that with recapturing the benefit of the lower rate for those corporations with more than $5 million in net taxable income. I also just want to speak to the parity discussion. We don't have parity of corporate taxes at the federal level. C corporations pay 21 percent. Pass-through income is taxed at up to 37 percent. Businesses primarily organize based upon the benefits of the federal taxation, and there are pros and cons of the different struct-- structures. Senator-- or not "Senator," excuse me. Professor Adam Thimmesch, who is a tax expert at UNL Law School, he spoke at a presentation we had a couple of years ago, and he talked through the different systems and how C corps are different from path-- pass-throughs and just said that they're just different. So to compare them in terms of parity, you're just comparing apples to oranges. So with that, I'd be happy to answer any questions.

**LINDSTROM:** Thank you. Any questions from the committee? Senator Pahls.

**PAHLS:** Thank you, Vice Chair. Last time, I said you gave so much information that I had a hard time assimilating it. Did you give us your-- your notes?

**RENEE FRY:** No, but I'd be happy to send those, Senator.

**PAHLS:** I would like to see it because there's some things-- because I want to make some comparison, you know, so if I could have yours to--

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**RENEE FRY:** Yes, absolutely. I deleted a lot of it and added some stuff, so--

**PAHLS:** OK. Thank you.

**RENEE FRY:** --I can try to mirror it to what I actually said.

**PAHLS:** OK. Thank you.

**RENEE FRY:** Sure.

**LINDSTROM:** Thank you. Any other questions? Seeing none, thank you.

**RENEE FRY:** Thank you.

**LINDSTROM:** Next opponent. Good afternoon.

**JOHN HANSEN:** Mr. Vice Chairman, members of the committee, for the record, my name is John Hansen, J-o-h-n, Hansen, H-a-n-s-e-n. I suspect that I'm the testifier that you've been looking for all afternoon, which is the last one, finally. So I would make several points, and for-- for those that have not been on the Revenue Committee quite as long as others, you know, this forum, this committee is-- is a vehicle in which we sort of compete for the hearts and minds and-- and the philosophies and the taxing policies of the state, both in the committee and the Legislature and the public at-large. And so my organization, as we look at tax policy, you look at, you know, the characteristics of the tax, you know, you look at how stable it is, you look at how fair it is, and fair comes down to based on the ability to pay, and so you-- we have had long-standing policy discussions within my organization. So as we look at the three primary sources of revenue, and we look at income, we look at property, and we look at sales, the-- the one that is the most regressive based on the ability to pay is property taxes because it's the most stable on-- so that's the upside. It's stable. But on the downside, you're paying property taxes, whether you make any money or whether you lose money. And so, yeah, it's stable. That's-- that's an advantage from a taxing revenue standpoint. But from a fairness standpoint, it gets to the top of the charts. So then sales, depending on how broad the base is and how-- what you-- what it is that you actually tax and how high the rate is, is more or less progressive. And so for some-- some folks who have to buy those items, can't pass any costs on, if you load altogether too much in the system, sales can be regressive, although it is still a good way to tap into the economic stream. So it's a good source of revenue but needs to be loaded a proper-- appropriately. So when you look at income, the old saw kind of rules the day, which is, at the end of the day, if you're making money, you can afford to pay it. And so my father and I used to have this discussion, and he went to great lengths to avoid paying income taxes. And some of the very worst business decisions we ever made was based on his ability to try to justify a way to come up with a-- something that we could buy so that we didn't have to pay income taxes when, in fact, we'd have been way further ahead if we just bought-- we paid the income taxes. And so if you are making money, you can afford to pay the income tax, and that's both at an individual and a corporate level. So we are biased and we are in support philosophically of corporate income taxes and-- and personal income taxes as a part of an overall mix. And so the tax problem that we have the most, that's the most severe in our state is, of course, property taxes. So I look at the fiscal statement and I go, well, you could-- you know, when I look at the amount of money that's on the table here, that could fund a fair amount of property tax relief, and so for that reason we are opposed to this bill. I'd be glad to answer any questions if you have any.

**LINDSTROM:** Thank you. Any questions from the committee? Seeing none, thank you.

**JOHN HANSEN:** Thank you very much.

**LINDSTROM:** Any other opponents? Seeing none, any neutral testifiers? Seeing none, we did have written testimony: as a proponent, Bob Hallstrom, National Federation of Independent and Nebraska Bankers Association. We had letters for the record, none proponents, one opponent, and no neutral letters for the record on LB680. With that, we would welcome back Senator Linehan.

**LINEHAN:** Thank you for being here so late, and it was a long day. You know, if I had one wish, it would be that all Nebraskans-- we could keep people from fighting about which tax. But I can tell you as a committee, if we're going to get anything done, we have to help everybody. And if there was one lesson that was driven into the rest that were on this committee, and I'm sure you that have been here before, you don't go to the floor and just going to do one thing for one group with exclusion of all the other groups. That won't work. So if we're going to do anything this year, even if they're not huge, gigantic things, we need to spread things around. So this is one way I think we could spread something. This has been ever since I got here, parity, we're too high. I'm not going to go down the rabbit hole too far here. But if you follow one of the testifiers, like these-- these tax breaks go to people that don't live here. So what does that mean, that we don't want any corporations here? Because corporations have shareholders all over the country. So, I mean, I think we want corporations in Nebraska. So anyway, we'll all see each other tomorrow morning, all you-- no questions, right? Please.

**LINDSTROM:** Any questions? See--

**PAHLS:** No, I have--

**LINDSTROM:** Seeing none--

**LINEHAN:** Thank you very much.

**LINDSTROM:** --thank you. That'll end the hearing on LB680.