

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 24, 2022

LINEHAN: [RECORDER MALFUNCTION] even though we're not all here because-- you want to text our teammates and see where they are? Good afternoon. Welcome to the Revenue Committee public hearing. My name is Lou Ann Linehan. I'm from Elkhorn, Nebraska, and represent the 39th Legislative District. I serve as Chair of this committee. The committee will take up bills in the order posted outside the hearing room. The list will be updated after each hearing to identify which bill is currently being heard. 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. We do ask that you limit handouts. This is, this is important because it's a change from last year. If you are unable to attend a public hearing and would like your position stated for the record, you must submit your position and any comments using the Legislature's online database by 12:00 p.m. the day prior to the hearing. Letters emailed to a senator or staff member will not be part of the permanent record. You must use the online database in order to become part of the permanent record. To better facilitate today's proceedings, I ask that you abide by the following procedures. Please turn off your cell phones and other electronic devices. The order of testimony is introducer, proponent, opponent, and neutral and then closing remarks. If you will be testifying, please complete the green form and hand it to the committee clerk when you come up to testify. If you have written materials that you would like to distribute to the committee, please hand them to the page to distribute and I will introduce them in a moment. We need 11 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 first and last name for the record. Please be concise. It's my request that you limit your testimony to five minutes. If necessary-- well, we always use a light system. So we'll use a light system so you have four minutes on green and then it comes yellow, and then you need to wrap up before it turns red. If there are a lot of people wishing to test-- well, we're going to skip that part. If your remarks were reflected in previous testimony or you would like your position to be known but do not wish to testify, please sign the white form at the back of the room and it will be included in the official record. Please speak directly into the microphone so our transcribers are able to hear your testimony. First, I'd like to introduce committee staff. To my immediate right is legal counsel Mary Jane Egr Edson. To my immediate left is research analyst Kay Bergquist. And to my left at the end of the table is Grant Latimer, who is committee clerk. And now we'll have the senators who are here introduce themselves starting with--

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

BRIESE: Tom Briese, District 41.

LINEHAN: Today, Thursday, our pages are-- thank you, ladies-- Kennedy, who's at UNL studying political science; and Ritsa, who is at UNL studying political science and economics. Please remember that some 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. For our audience, the microphones in the room are not for amplification but for recording purposes only. Lastly, we use electronic devices to distribute information. Therefore, you may see committee members reference information on their electronic devices. Please be assured that your presence here today and your, and your testimony are important to us and critical to our state government. I think we need to wait for another member, right, before we can start. Have we heard anything from--

MARY JANE EGR EDSON: Senator Lindstrom will not be here for the hearings.

LINEHAN: There we go.

MARY JANE EGR EDSON: He'll be here for Exec.

LINEHAN: There we go. Thank you, thank you, thank you.

MARY JANE EGR EDSON: Senator Albrecht's got [INAUDIBLE].

LINEHAN: That's right there. All right.

MARY JANE EGR EDSON: [INAUDIBLE]

LINEHAN: Senator Friesen, would you like to introduce yourself?

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

LINEHAN: I think, like, we know everybody in the room. It must be almost hearing is supposed to be over, almost over. OK. Do you want to go ahead and start? OK. So our first hearing is-- oh, wait a minute--

MARY JANE EGR EDSON: LB687.

LINEHAN: LB687-- thank you-- by Senator Blood and Senator Blood's introducing another bill, so her staff will.

BRIANNA FULL: She's actually over the way in her closing remarks for LR150-- LR159, sorry. Good afternoon, Chairman Linehan and members of the Revenue Committee. My name is Brianna Full, B-r-i-a-n-n-a F-u-l-l. Today, Senator Blood is bringing forward LB687 because she believes in expanding the concept of a circuit breaker tax bill into our tool belt to combat the effect of high property taxes. It's a smart way to move toward relief for our most needy Nebraskan citizens. Previously, similar bills have been brought to this committee that aim to do the same thing I am proposing--or she is proposing. It's time to finally move the needle forward on this legislation and deliver Nebraskans the help they most desperately need to the demographic it helps the most. The intent of this bill is to create a new mechanism for delivering tax credits to individuals whose property taxes are too high in, in relation to their annual income. This concept is called the circuit breaker because the income tax credits are triggered once property taxes reach a certain percentage of a person's income. Similar to how the electrical circuit breakers are triggered when electricity surges. It properly addresses the tension between rising property taxes and stagnating incomes. This bill creates a residential refund income tax credit and a separate agricultural refund income tax credit. The overall amount for the residential circuit breaker would be capped at \$126 million, and the agricultural circuit breaker would be capped at \$74 million for both the years of 2023 and 2024. If the total amount of tax credits calculated under this section for all applications received in any such year exceeds these limits, the department shall certify tax credits in proportionate percentages based upon the ratio of the number of tax credits requested in each application to the total amount of tax credits requested in all applications so that the limitation in this subsection is not exceeded. The bill's residential relief would go to taxpayers with adjusted gross income of less than \$100,000 who rent or own their primary residence in Nebraska. For homeowners, the credit calculation is based on the property taxes paid on the value of their home. For renters, the circuit breaker assumes that 20 percent of their rent goes towards the landlord's property taxes. As income increases, the circuit breaker credit calculation assumes that taxpayers can afford to spend more of their income on property taxes. Qualified taxpayers would receive refundable income tax credits equal to the amount of their property taxes that exceed the set percentage of income up to the maximum amount of credit. The agricultural land circuit breaker in LB687 would be available to individuals who own agricultural land or horticultural land that is part of a farming operation that has a federal AGI of less than 30-- \$350,000. The tax credit would be calculated based upon the amount by which the agricultural property taxes paid exceed 7 percent of farm

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income. Currently, 18 states use this strategy to, to provide tax relief that reduces property taxes, and have seen great success with targeting, targeting the relief to the folks who need it the most. Those with high property tax bills relative to their income. I'd like to quickly touch on the fact that this bill sunsets after two years. The idea behind sunseting it is that our finances are in decent shape now, but we don't know how they'll be in the future. If this bill is enacted after two years, it is determined to fulfill its promise of reducing our lowest income residents' property tax burden. Then the Legislature at that time will have the option to extend it. I did not want to obligate the body to a costly program at a time when such uncertain-- uncertainty exists in our fiscal situation. Senator Blood believes that there will be folks testifying in support of this bill who can give you a more detailed analysis and example of how the circuit breaker credits could be applied to someone's income taxes. But if you still have questions at the end, she would be happy to answer. Just kidding, because she's not here. Please consider advancing this bill so the Legislature can continue to support low-income Nebraskans in their struggles with high property taxes. We still have opportunities to find vehicles for our bills, but we actually have to get them voted out for that to happen. Thank you.

LINEHAN: So do you think she'll be here to close?

BRIANNA FULL: She might be. Yes.

LINEHAN: OK.

BRIANNA FULL: Yes.

LINEHAN: Thank you very much. Appreciate it. First proponent.

TIFFANY FRIESEN MILONE: Good afternoon, Chairperson Linehan, members of the Revenue Committee. My name is Tiffany Friesen Milone, T-i-f-f-a-n-y F-r-i-e-s-e-n M-i-l-o-n-e. I'm editorial director at OpenSky Policy Institute. We're here today to testify in support of LB687 because property tax circuit breakers are an effective way to provide targeted tax reductions to those whose property taxes are high in relation to their incomes. As shown in the handout, the residential circuit breaker is available to taxpayers who rent or own their primary residence in Nebraska and have adjusted gross incomes less than \$100,000 if they are married filing jointly, or \$50,000 for all other types of filers. For homeowners, the credit calculation is based on their property taxes paid on their home value up to 200 percent of the county average assessed value for a single family home. For

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renters, the credit calculation assumes a portion of the rent, 20 percent in this case is passed on to the property taxes paid by the property owner. Just as with our current homestead exemption, which is a type of circuit breaker, as income increases, LB687 circuit breaker credit calculation assumes taxpayers can afford to put a greater percentage of that income towards property taxes. For a taxpayer who meets the income criteria, the amount of the refundable tax credit in LB687 is equal to their property taxes paid minus a set percentage of their income as determined by the bill's marginal rates up to a maximum credit amount. The ag circuit breaker and LB687 is available to individuals who own agriculture-- agricultural or horticultural land that has been used as part of a farming operation that has less than \$350,000 in federal AGI. The income tax credit would be calculated based on the amount by which the ag property taxes paid exceed 7 percent of farm income. There would be one credit per farming operation. The handout provides examples to demonstrate both the residential and ag circuit breakers. For a residential couple, you first sum the marginal rates that align with their income to determine what portion of their income may go towards their property taxes. Then you subtract this total from the amount of property taxes they actually paid. This difference is the amount of credit that they're eligible for. If that credit exceeds the maximum credit amount for their income level, then they'll receive the capped credit amount instead. For an ag couple, ag couple, you simply subtract 7 percent of their federal AGI from their ag property taxes paid to figure out the income tax credit they're eligible for. With both the residential and ag circuit breakers, if the income tax credits-- credit amounts requested by all applicants exceed the total amount of credits available for the respective circuit breaker, then each applicant's credit will be reduced proportionately. The use of circuit breakers is a means to offset property taxes has garnered support across the country, where 18 states had similar programs as of, as of 2019, and in Nebraska, where they have been mentioned as a possible solution to Nebraska's property tax challenges in both the Tax Modernization Committee final recommendations in 2013 and a December 2014 Revenue Committee report on property taxes. As the state looks at ways to address the financial burden of property taxes on those least able to afford them, LB687 provides targeted property tax reductions to those who need it most. Thanks for your time and I'm happy to try to answer any questions.

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

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BRIESE: Thank you, Chairwoman Linehan. Thank you for your testimony here today. Who developed this formula? Did OpenSky?

TIFFANY FRIESEN MILONE: This was, I think, modeled after Senator Bolz's bill. She had LB420 in 2019.

BRIESE: This is very similar to her's.

TIFFANY FRIESEN MILONE: It's very similar. There are a couple of differences.

BRIESE: OK.

TIFFANY FRIESEN MILONE: Yeah.

BRIESE: Thank you.

TIFFANY FRIESEN MILONE: Um-hum.

LINEHAN: Any other questions from the committee? So do you have the fiscal note?

TIFFANY FRIESEN MILONE: I did print it out. Yes. Somewhere in my pile.

LINEHAN: So according to the fiscal note, it's-- there's no pay for, right?

TIFFANY FRIESEN MILONE: Correct. Yeah. Yeah. I think the intent was the-- back when this was drafted, there was a surplus expected. And so I think the intent was to use that. If I had my druthers, we would use the property tax credit program.

LINEHAN: Oh. [LAUGHTER] I'm assuming you didn't run that by the committee.

TIFFANY FRIESEN MILONE: I, I did not--

LINEHAN: I just assume that.

TIFFANY FRIESEN MILONE: I did not get my druthers.

LINEHAN: OK. OK, then. Any other questions? No, that helps a lot. OK, thank you for being here. Other proponents?

TRACIE MCPHERSON: Thank you. Good afternoon, my name is Tracie McPherson. I'm the public affairs and advocacy director for Habitat for Humanity of Omaha. And today I'm here on behalf of the

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organization and the 538 Habitat homeowners with active mortgages with our organization. Habitat Omaha fully supports LB687. For the past several years through the experience of our homeowners, we've witnessed a steep increase in home valuations, which is a good thing when it comes to wealth building, but it can also be detrimental to a family on a fixed income. As you already know, that increase in home valuation also leads to higher property taxes, which increases the monthly mortgage payment for that particular home. Habitat Omaha has witnessed north Omaha homes that were valued at \$51,000 in 2017 that are now valued at \$113,000. Now while this is still considered an affordable home and a big win for the homeowner, that win is making life more difficult for a lot of people. People like Lawanda, a current homeowner in north Omaha on a fixed income, she has a disability and her husband is retired. Not so long ago, their mortgage payment was \$350. Today, it's more than \$600 a month. Again, that's considered a very affordable mortgage, but it's extremely tough for Lawanda and her husband with that-- with a mortgage that has almost doubled. They have fallen behind in payments and are working very hard to get caught up. Salvador is another Habitat homeowner who works in the construction field. His wife is currently a stay-at-home mom. Just a few years ago, their mortgage payment was \$675 a month. Now their monthly payment is more than \$1,000. The increase stems again from a much higher property valuation, which means more property taxes added to that monthly mortgage payment. To help navigate that additional \$400 a month, Salvador has taken on a part-time job with DoorDash delivering food in the evenings and on the weekends. When these homeowners sign their mortgage papers, they didn't purchase a house beyond their means. Both were very thoughtful and careful to purchase a home that not only fit their lifestyle, but also their budget. Neither homeowner has refinanced or cashed in on the equity from their homes to purchase other things. Both are responsible homeowners. While these are just two homeowners I've mentioned today, know that there are thousands of families in the same situation. In fact, we'll get hundreds of calls from the community asking what they can do. We'll share information on how to protest your property valuation. My husband and I personally, we do it every year. We'll do one-on-one coaching with homeowners and look for funding to help pay the difference in taxes so that the mortgage payments can remain the same. It's really tough when the value of your house is outpacing your income. With the current housing shortage and the rising cost of goods, Nebraska's property taxes is one more thing that's robbing families of the good life. You can help correct that and make LB687 a reality. Thank you. I did provide some supporting documents. I just took 50 of our houses just to show you how they were assessed in '20

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and '21 and what the total difference is. And I also included some of Habitat's work just so that you could see the scope of work and the different lanes that we're in. Thank you very much.

LINEHAN: Thank you very much. Let me see if I have a question.

TRACIE MCPHERSON: Yeah.

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

BRIESE: Thank you, Chairwoman Linehan. Thank you for your testimony here today.

TRACIE MCPHERSON: Sure.

BRIESE: You gave the example of someone whose house payment went up from \$675 a month to \$1,000 a month.

TRACIE MCPHERSON: Yes.

BRIESE: Do you know what portion of that \$1,000 a month is property tax?

TRACIE MCPHERSON: No, but I'm happy to send you an email.

BRIESE: Would you?

TRACIE MCPHERSON: Yep, I can do that.

BRIESE: Appreciate it. Thank you.

TRACIE MCPHERSON: Yeah.

LINEHAN: Senator Pahls.

PAHLS: Thank you, Chair. I'm just curious, is Habitat for Humanity-- do, do they rehab houses?

TRACIE MCPHERSON: We do.

PAHLS: So most these houses have been rehabbed for this price?

TRACIE MCPHERSON: I wouldn't say these are all rehabs. I'll say some of these are new construction. So these are not all rehabs, and we're kind of a victim of our own success. We go into a blighted neighborhood, houses aren't valued very much, right? We start building

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homes in that neighborhood. All of a sudden, that neighborhood, the houses increase, which is what we want. We want families to be able to do some wealth building to pull themselves out of poverty, to have something to pass to the next generation. But it's really tough when it comes to those property taxes and the increase in that mortgage payment.

LINEHAN: So it's not just-- I'm sorry. Were you done? I'm sorry.

PAHLS: Oh, I just-- sitting on the council, I could see a lot of the houses that were brought forth, maybe, maybe not from this organization, is there a Holy, Holy Ghost?

TRACIE McPHERSON: Holy Name.

PAHLS: Holy Name?

TRACIE McPHERSON: Um-hum.

PAHLS: And I saw most of their new houses were 200 some thousand dollars, that surprised me.

TRACIE McPHERSON: Affordable homes-- let me tell you this, Senator Pahls, no for-profit developer is developing affordable housing right now--

PAHLS: Yeah.

TRACIE McPHERSON: --because of the gap financing. They can't do it affordably.

PAHLS: OK.

TRACIE McPHERSON: We can do it because we can fundraise. We don't worry about the gap. But for, for Nebraska families who would like to get into that first starter home, it's getting to be impossible because they just don't exist anymore.

PAHLS: OK. Thank you.

TRACIE McPHERSON: Yeah, we had 3,000 calls in two days for our program. Phone lines crashed four times. That tells you the need and the desire to be a homeowner.

LINEHAN: Which is good.

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TRACIE McPHERSON: It is good. We want people to wealth build. But we don't want their success to be to their detriment and they're not able to afford that house.

PAHLS: I'm fine.

LINEHAN: Thank you, Senator Pahls. Senator Friesen.

FRIESEN: Thank our, Chair Linehan. So I am curious, I see your-- the valuation increases that you've seen, and I-- that is a big issue. But we always are being told here that just because valuations go up, taxes don't need to go up they can lower the levy. So did taxes increase or just the valuation?

TRACIE McPHERSON: Taxes increased.

FRIESEN: Could you show the tax increase, please?

TRACIE McPHERSON: I can. Yes.

FRIESEN: Because I think it would be an interesting number to have to see once what the taxes actually went up.

TRACIE McPHERSON: And I probably could have dug a little deeper in this data and brought it, but it was thick and I thought I don't think they want all that,--

FRIESEN: Yeah.

TRACIE McPHERSON: --but I can send it to you.

FRIESEN: So I mean, that's what we talk about a lot here. It's the check you have to write, and it does make it unaffordable for people to own a house.

TRACIE McPHERSON: Yes it does.

FRIESEN: You never really own it. You keep paying for it. We need to fund our schools more.

TRACIE McPHERSON: You get it.

FRIESEN: Thank you.

TRACIE McPHERSON: Yeah. Thank you. Any other questions?

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LINEHAN: Well, I do have a question, but-- I have not met you before, but I've heard a lot about you and you do great work. So I just want to understand, so this-- these aren't, like, all new homes, this is just what they were assessed in 2020 and then what happened in 2021?

TRACIE McPHERSON: Yes.

LINEHAN: And part of--

TRACIE McPHERSON: And some of them are renovating homes, not all of them are new construction, some of them are renovated.

LINEHAN: And, and part of when you said-- so Douglas County, right?

TRACIE McPHERSON: Um-hum.

LINEHAN: So the county board raised their levy. I think everybody else pretty much left their levy the same, but that would be helpful information to have.

TRACIE McPHERSON: OK, got it.

LINEHAN: I have another idea, but it's in the weeds. OK, any other questions?

TRACIE McPHERSON: OK.

LINEHAN: Do you do whole neighborhoods, like-- not-- that's too broad of question.

TRACIE McPHERSON: No, it's not. We do.

LINEHAN: Do you do, like, the block?

TRACIE McPHERSON: We have a focus area, and the last few years we've been in what's known as the Kountze Park neighborhood in Omaha.

LINEHAN: OK, where is that?

TRACIE McPHERSON: We have probably-- it's probably-- these cross streets get me, it's right off of 24th Street.

LINEHAN: OK.

TRACIE McPHERSON: Probably-- I'm going to say maybe Ohio, stretches down to, I can't think of where, where that-- but that gives you an idea.

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LINEHAN: OK.

TRACIE McPHERSON: I say around the 24th and Ohio area.

LINEHAN: So--

TRACIE McPHERSON: Probably 24th and east, I should say and east.

LINEHAN: East. OK.

TRACIE McPHERSON: Yeah, east.

LINEHAN: OK.

TRACIE McPHERSON: We've been in that area probably for the last four years. We did what we called [INAUDIBLE] blocks on probably three or four of those blocks and a lot of infill. So that area does look completely different than it did probably eight years ago.

LINEHAN: So it's not just the house itself, the whole neighborhood's going up.

TRACIE McPHERSON: The whole neighborhood's going up.

LINEHAN: Yeah.

TRACIE McPHERSON: Right.

LINEHAN: OK.

TRACIE McPHERSON: Right.

LINEHAN: That's help explain. Thank you very much for being here.

TRACIE McPHERSON: Thank you.

LINEHAN: Any other questions? Thank you very much.

TRACIE McPHERSON: OK. Thank you.

LINEHAN: Greatly appreciated. Any other proponents? Any opponents? Yes. Hi, how are you?

JON CANNON: Good afternoon, Chairwoman Linehan, distinguished members of the Revenue Committee. My name is Jon Cannon, J-o-n C-a-n-n-o-n. I'm the executive director of the Nebraska Association of County Officials, also known as NACO, here to testify today in respectful

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opposition to LB687. First, we'd like to thank Senator Blood for bringing this legislation. We think that anytime we're able to have a discussion about the guts of how the property tax works, it's always going to be a good thing, especially in a public forum like this. That said, you know, I, I think certainly everyone on the committee can appreciate the notion that tax policy should be simple, and this is a, a level of complexity that, that is probably going to make things a little more difficult for our taxpayers and our citizenry. I can tell you that this would require a lot of information that would need to go from the counties to the Department of Revenue in order to implement this properly. And I can say that with a couple of programs we recently did, LB2 and LB1107, which we think were great programs from a policy standpoint. It required hundreds of hours of, of programming from the part-- on the part of the counties. Again, I'll just reiterate tax policy should be simple for the citizen. This is probably not as simple as it could be. One thing that occurs to us is that it's no accident that this hearing is taking place the same day that we're going to be talking about some homestead bills. This does look a lot like the homestead exemption. We already have a program in place. It seems like it would be a lot simpler to graft onto an existing program that we already have, as opposed to creating something entirely new and funding it from a different source. And so with that, I'd be happy to take any questions you may have.

LINEHAN: Thank you, Mr. Cannon. Are there questions from the committee? Why don't we just TIF these neighborhoods? I'm serious.

JON CANNON: I don't have-- it's a great question, ma'am, I, I don't have an answer for that.

LINEHAN: They'd pay the taxes that they owed when they bought the house and 15 years later, they'd have to come up-- I'm just throwing out an idea. Anyway. Yes.

FRIESEN: So I, I think I understand it does make it more difficult. But when we're talking a homestead exemption, I mean, you're talking about doing this for ag land for-- I don't know if it touches commercial properties or if it's just residential. How do you make this work on some of those other properties?

JON CANNON: Yeah, I'd probably have to give it a lot more thought to, to have a truly intelligent response, but that's never stopped me before. I, I think that what you would have to do is you'd have to have, you'd have to have some sort of application program that, that we already have through the homestead exemption. You'd have to have

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qualifications much like we do, do for homestead. And then we have to determine those, those basic minimum thresholds, much like we already do for homestead. And so I, I think that with the same funding source and the same mechanism in place, we could do it. It's just a matter of, you know, where those levers go and, and how we adjust them to make sure that, that we're funding the program and, and having the effect that, that this committee wants it to.

FRIESEN: So then it works the same way under the homestead exemption, you have a cap on how much can be used there. Is there a limit?

JON CANNON: Yeah, there is a limit depending on which category you're in.

FRIESEN: OK.

JON CANNON: And so some cate-- some categories it's 125 percent of the single-- of the average assessed value of single family residential, some, some goes up to 200 percent.

FRIESEN: OK. Thank you.

JON CANNON: Yes, sir.

LINEHAN: The income is capped and the value of the property, both in the homestead, right?

JON CANNON: Yes, ma'am, that's correct.

LINEHAN: If you're retired, over 65 or dis-- is it just over 65 or disabled and over 65?

JON CANNON: Anyone over age-- so we have-- there are, there are three primary categories for homestead: over age 65, totally disabled persons, and disabled veterans.

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

JON CANNON: Thank you, ma'am.

LINEHAN: Other opponents? Anyone wanting to testify in the neutral position? OK, this is a little awkward. Senator Blood is not back so--

BRIANNA FULL: No, she won't be able to close. Sorry.

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LINEHAN: That's OK. All right, letters for the record. We had two proponents, no opponents, and one-- and no one in the neutral. Excuse me. And that will close the hearing on LB687. And we'll open the hearing on LB1020. Senator Brewer. Oh, wait a minute, somebody-- we had her name on the--

KAY BERGQUIST: Tracie McPherson.

LINEHAN: I forgot Tracie to have you spell your name, but we have the green sheet. We're OK, we're OK, got it.

TRACIE MCPHERSON: We're good?

LINEHAN: Yeah, sorry.

TRACIE MCPHERSON: Thank you.

LINEHAN: Thank you.

BREWER: All right. You guys need to count your blessings that this room looks like this because there are some that look much different right now. [LAUGHTER] I just came from one of those.

LINEHAN: Was that Judiciary or Appropriations?

BREWER: Government.

LINEHAN: Oh.

BREWER: Thanking Ben Hansen. I'll give you the details later.

LINEHAN: OK.

BREWER: All right. Thank you, Chairman Linehan, and good afternoon, fellow senators of the Revenue Committee. I am Senator Tom Brewer. For the record, that is T-o-m B-r-e-w-e-r, and I represent 11 counties of the 43rd Legislative District of central and western Nebraska. I'm here today to introduce LB1020. This is, as all bills are, this is a simple bill. We are looking to change the Homestead Exemption Act to remove the burden of refileing for the homestead exemption every year. LB1020 adds the subsection, 77-3512, that a owner who has been approved for homestead exemption is not required to file the exemption in following years as long as the owner continues to own the homestead and his disability status stays at 100 percent disabled. Having to remember to refile every year for the homestead exemption places a large burden on the veterans, especially those who are 100 percent

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disabled, in order to be granted this homestead exemption. Removing this burden of refileing every year of disabil-- of your disability status as a unnecessary burden. And I'm asking you to consider LB1020 and glad to take any questions.

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

FRIESEN: Thank you, Chair Linehan. So if-- let's say you're two, three years down the road and all of a sudden the person that qualifies for this either passes away or moves, does somebody notify the county then that situation has changed? Because the house may not sell, maybe the kids move in there, who notifies someone so that they can make a change to its exempt status?

BREWER: You know, Senator Friesen, that's a very good question. We may have to-- do we have anybody with the county government here? We may have to run-- oh yeah, I did, I saw him. He was here. Jon Cannon is it? We have to run that by them. I'm not sure how that process works. That's--

FRIESEN: OK. Thank you.

BREWER: I feel unprepared. You asked me a hard question and I don't have an answer.

LINEHAN: It's the end of the day. Any other questions? Right now, they have to do it every year, right?

BREWER: Yes.

LINEHAN: And are they notified by mail or are they just supposed to remember? Which might be another question for the county.

BREWER: Well, again, I'm not in that category, so I'm not positive, but I don't know that there's a notification process, but maybe that's county by county.

LINEHAN: OK. All right. I don't see any other ques-- I don't see any other questions, so thank you, Senator Brewer.

BREWER: I'm going to go ahead and stick around for close because it's much quieter here.

LINEHAN: OK. Do we have proponents? Good afternoon.

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GREG HOLLOWAY: Good afternoon. I am Greg Holloway, G-r-e-g H-o-l-l-o-w-a-y, and I'm here to represent the Nebraska Veterans Council, which is the nine recognized veterans organizations and all the members that are part of those organizations. And we do feel that this bill should be looked at and taken care of and enacted because it is an undue burden on-- unnecessary burden on many of the veterans. The homestead exemption, I followed the homestead exemption for many, many years and I keep a pretty close eye on it because it wants to change every year, so we need to be vigilant on it to start with. And I was part of the-- with through Senator Pirsch when we enacted the bill to get rid of the income guidelines and the valuation on the homes. That was a bill that I asked Senator Pirsch to introduce, and we passed it. So they got rid of those income guidelines, which was one of the burdens and opened up homestead exemption to a lot more. Senator Craighead's bill to assist these "unremarried" spouses after they, they remarry at the age of 57 was another good bill for the homestead exemption. So there's a lot of different ways for homestead exemption to work. As a county veterans service officer for Lancaster County back in the '90s, '90s, I did a lot of homestead exemption applications every year, so it-- it's, it's a burden on the county veterans service office and the veterans service officers-- officers. Seward County, they don't have-- I don't have to do it. I do an application every year, but I don't have to prove it with a homestead exemption letter every year, and we didn't have that at one time. They developed that homestead exemption letter to make it a lot easier for the counties by just having the U.S. Department of Veterans Affairs state that the recipient was at 100 percent. Now you asked the question about what happens when a veteran dies. Well, all the counties actually know about it to start with especially in a smaller county. Seward County does for sure because when I put my application in this year, I didn't put my phone number down. So the county assessor called me up and said, I want to make sure there's a right phone number so I can put it in for you. But it's a simple thing like a phone number could delay the homestead exemption. And once you lose your homestead exemption for a year, it's a nightmare to get it all back because you got to go through a pretty good process. I think this should be taken care of and it's simple and I don't see where there should be too much of a cost because my county assessor said we got that information right in our computers. When we get it, we put it so we don't have to check every year. They just still have to do that application every year. I think we should just get rid of it--

LINEHAN: OK.

GREG HOLLOWAY: --personally--

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LINEHAN: All right. Thank you.

GREG HOLLOWAY: --and make life easier for everybody. And I think the cost, the cost of the larger counties should be reduced because of the manpower. They have to go through all those homestead exemptions. Smaller counties, it's little easier. They know everybody, so. But I, I know a lot about homestead exemption so if you have any questions that you want to shoot at me, I'll sure answer it.

LINEHAN: OK, thank you very much.

GREG HOLLOWAY: All right.

LINEHAN: Appreciate you being here. Senator Briese.

BRIESE: Thank you, Senator Linehan. And thank you for your testimony. If you are subject to 100 percent disability, service-connected disability, is there ever a change in your disability rating?

GREG HOLLOWAY: It can, all depends on-- there, there are certain--

BRIESE: Can-- it can happen?

GREG HOLLOWAY: --types of 100 percent of service-connected disability. There's individual unemployability. So if you meet the-- stay under the guidelines of substantial gainful employment, you're still eligible for 100 percent. But if you are deemed employable but the individual unemployability to-- ability to get that is getting harder and harder and harder every year because you have to be service connected at 70 percent, rated at, at least one service-connected disability and then be able to combine to-- well, let's say 60 percent more just to reach the 100 percent. Because VA math is not math,--

BRIESE: OK.

GREG HOLLOWAY: --it's, it's a foreign language.

BRIESE: But the statute refers to 100 percent service-connected disability and that can change.

GREG HOLLOWAY: Yeah, it can change.

BRIESE: OK.

GREG HOLLOWAY: Yes, it can, but it very seldom does. But once you--

BRIESE: Very, very seldom.

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GREG HOLLOWAY: --once you read that, it's pretty much the same. And now once you reach 100 percent, what's called permanent and total, permanent total disability, is that there's no future exams, which I'm permanent and total, and I've been permanent total for many, many years. So there's no future exams, and that's not going to change unless I die.

BRIESE: OK. OK, thank you.

GREG HOLLOWAY: Yeah. I'm going to be around for a while for you guys.

BRIESE: Good.

LINEHAN: Thank you, Senator Briese. That is good. Any other questions from the committee? Seeing none, thank you very much for being here.

GREG HOLLOWAY: All right. Thank you.

LINEHAN: Appreciate it. Next proponent. Are there any opponents? Anyone wanting to testify in the neutral position?

JON CANNON: Good afternoon.

LINEHAN: Good afternoon.

JON CANNON: Chairwoman Linehan, distinguished members of the Revenue Committee, my name is Jon Cannon, J-o-n C-a-n-n-o-n. I'm the executive director of the Nebraska Association of County Officials, you may have heard of us referred to from time to time as NACO, here to testify today in respect of neutrality on LB1020. We would like to thank Senator Brewer, certainly the most dangerous man in the room right now and the Legislature at large. So we certainly don't want to do anything that is in direct opposition to anything he might bring before you. Certainly, we appreciate our veterans. We've got a number of them that serve on the NACO board. And when we were discussing this as a board and when we were taking positions, you know, there was a, a notion that, well, you know, it's, it's only an annual application isn't that much of a burden. But certainly there are a number of, of folks and a number of voices on the NACO board that said, we really should be neutral for this. Certainly, this committee and the Legislature can implement any policy regarding what the application period should be that they like. For whatever reason, we have determined that an annual application for a number of different exemptions is appropriate, so we have annual exemptions for everyone else in the homestead exemption category. And so, for instance category one, people that are over age 65, someone that's 80-years-old

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and has lived there for a long, long time and is probably slowing down a little bit, we're still going to require them to apply on an annual basis. For charities and educational institutions and for, let's see, charitable, charitable and education, religious institutions. We require an annual application for them to receive an exemption as well. That's something we've developed through policy on over the years, we-- and the Supreme Court has said that these exemptions that we grant through the constitution are not self-executing, that they require some action on behalf of the person that's applying for them. And again, you can have a five-year period, you can have a ten-year period if you so desire. But just remember that we have one-year application periods as the standard for every other person that receives an exemption in the state. And with that, I'd be happy to take any questions you may have. Actually, I'll, I'll, I'll preempt the one that, that you've already asked, sir, and, and that was if they receive any notice. There is a statutorily required notice that goes to prior year homestead exemption applicants on or before April 1 of each year that is found in Nebraska Revised Statutes, Section 77-3513. With that, I'm happy to take any questions.

LINEHAN: Senator Friesen.

FRIESEN: Thank you, Chair Linehan. So you're, you're saying that if the occupancy of the house changes even if-- let's say the, the owner decides to move into a nursing home, one of the grandkids moves into the house. How do you know that, that home is no longer exempt?

JON CANNON: So the Department of Revenue has promulgated regulations to handle that very situation. If someone moves into a nursing home and they have an intent to return to the home, it is still eligible for a homestead exemption. There are certain things they have to do, like maintain the furnishings and, and events and, and intent to, to move back to the home. There's a, there's a third thing in the regulation I've quite forgotten and I apologize, but that is, that is one way that, that particular situation is handled. Over the years, I've heard a number of, of different people give various rules of thumb that if, if they've been in the nursing home for more than X number of years, it's not likely that they're returning. But that's never been something that as a rule of thumb, we've, we've said we want to put that in black and white.

FRIESEN: So again, if, if somebody does go to the nursing home, rents out the house with the intent of returning someday, that home is still tax exempt.

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JON CANNON: Yes, sir, it would be eligible for homestead exemption.

FRIESEN: OK.

JON CANNON: Yes, sir.

FRIESEN: Thank you.

JON CANNON: Yes, sir.

LINEHAN: Thank you, Senator Friesen. Other questions from the committee? I think I heard the counsel whisper something and I'm going to ask you a question. But they would still have to apply even if they're in the nursing home, right now, they have to apply every year.

JON CANNON: Yes, ma'am.

LINEHAN: So does the questionnaire ask if they're living in the home?

JON CANNON: That-- I believe that is one of the questions on, on the application.

LINEHAN: OK, so they would have to say I'm applying-- I've never met a person, and I'm sure there are some that moved out of their house and said they weren't coming back.

JON CANNON: I agree with you wholeheartedly, ma'am.

LINEHAN: So is there-- but there's no-- like, they could be there five years and they still say they're going to move, move back.

JON CANNON: Not-- as, as far as I know, there's nothing that's been put in black and white. Over the years, you've, you've heard people that have talked about, well, you know, after five years, they're not coming back or after X number of years. Any time that, that there was-- it was suggested that we have that as part of the regulation through the regulatory process, that routinely got shot right down placing that, that limitation on that.

LINEHAN: Because there would be that one person.

JON CANNON: Yes, ma'am, there always is.

LINEHAN: Yeah. Any other questions from the committee? Seeing none, thank you very much for being here.

JON CANNON: Thank you very much.

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LINEHAN: Are there any others wanting to testify in the neutral position? Seeing none, on LB1020, we had two proponent letters, no opponents, and no neutral. Senator Brewer, would you like to close?

BREWER: Sure. All right. I'm going to have to introduce Jon Cannon to my daughter. She notified me after her sophomore year that no one had asked her out for homecoming or prom for her freshman or sophomore year because her father had killed people [LAUGHTER], so I--

LINEHAN: [INAUDIBLE]

BREWER: --she eventually did get a date, just for the record, but I don't think that's fair to me that put in this category. All right. The, the questions I thought were really good and I'm going to be followed by Senator Sanders and I think her bill mirrors this, except what she does is says four years. And that might be a reasonable answer because there may need to be some type of a check on the disability and on the status of the home, you know, whether, whether that person has-- still occupying the home. So I think those were-- they're very good questions and my thanks to the folks that had the right answer for you. So I will, I guess, take any questions. But just-- I thought I should share with you that I knew that that's what hers was and that was the basic difference in them. And I think you're going to have to have maybe some type of a check and hers might be the, the best compromise of those. So anyway, any questions?

LINEHAN: Questions from the committee? It seems like you've answered all of them. Thank you very much.

BREWER: Really hoping I would get caught here for a little longer. But I guess I'll head back.

LINEHAN: Go back to your other buddies, yes. And that closes the hearing on LB1020, and we will open the hearing on LB1080. Senator Sanders.

SANDERS: It's a busy day out in that hallway.

LINEHAN: Good afternoon.

SANDERS: Good afternoon, Chairman Linehan, committee members. For the record, my name is Rita Sanders, R-i-t-a S-a-n-d-e-r-s, and I represent District 45, which includes the Bellevue, Offutt community. LB1080 represents a modest change to our homestead exemption laws that will make a big impact for, for veterans who are permanently and totally disabled. As determined by the Department of Veterans Affairs,

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a permanent and total disability rating occurs when the disability is reasonably certain to continue throughout the life of the veteran. This includes injuries that result in permanent loss or loss of both hands, both feet, one hand, one foot, or the sight in both eyes, veterans with total and permanent disability are not likely to improve, unlike other categories of disability recognized by the Department of Veterans Affairs, VA workers' compensation or other areas. The status of these permanent and total disabled veterans is not reviewed and does not change without very rare circumstances. You just heard a testimony regarding LB1020 introduced by Senator Brewer, which also addresses the homestead exemption for veterans. I'd like to clarify some key differences between LB1020 and LB1080. As amended, LB1020 provides a lifetime exemption for all 100 percent service-connected disabled veterans. LB1080 provides a five-year exemption for 100 percent permanent total disabled veterans. In short, this bill, LB1080, contemplates a shorter time frame and a smaller group of veterans who suffer from most debilitating and disabilities whose disability status most unlikely to change. LB1080 also amended-- also improves the current enforcement mechanism in state statute, for instance, of fraud. While I believe instances of fraud will be extremely rare, especially given the population we are dealing with, our veterans. However, it is important that these mechanisms are robust and functions well as we consider expanding the number of years that a veteran will receive the homestead exemption without reapplication. LB1080 provides a more veteran-focused process for veterans whose disabilities make it difficult for them to refile for the homestead exemption each year, and whose disability is extremely unlikely to improve over time. Under LB1080, veterans who are totally and permanently disabled will apply for a homestead exemption every five years rather than yearly. The proposed process coincides with current practices in Sarpy County Assessor's Office, requiring that veterans submit a summary of benefits every five years to confirm their disability status. LB1080, as amended, is a result of numerous conversations the Sarpy County Board of Commissioners have had with the county assessor, county veterans services, and other interested parties. Given the large population of veterans in Sarpy and Douglas Counties, we expect the biggest impact will be realized in these two counties. Sarpy County estimates that 1,000 veterans or 10 percent homestead exemption recipients would be impacted by the bill in Sarpy County alone. AM2039, the 20 percent penalty and interest rates from the bill to align the bill more closely with current enforcement mechanisms for those who unlawfully claim a homestead exemption. While we expect that instances of fraud are going to be very rare, current law provides that someone who unlawfully claims a homestead exemption

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is subject to any or all the following charges: charged with a Class II misdemeanor, two-year ban from receiving the homestead exemption, lien on the property for the amount not paid by reason of unlawful improper allowance of homestead exemption, and an additional penalty equal to the amount of taxes lawfully due but claimed for exemption. AM2039 also clarifies that situations, situations in which these enforcement mechanism would apply for permanently and totally disabled veterans, transfer of property, death or veteran charge in rating. Once more, AM2039 adds new language to ensure the liens collected are returned to the State Treasurer. This is one of my favorite changes that the amendment makes, as it ensures that the state is reimbursed when an incident of homestead exemption claim fraud occurs. Currently, counties are reimbursed for homestead exemption granted within their county. However, the county assessor later learns that the individual unlawfully and improperly received the homestead exemption and collects the amount owed via a lien, which in the equal amount of taxes lawfully due during the applicable exemption period. The county is essentially paid twice, once by reimbursement by the state and once by the lien on the property of the owner. We correct this flaw under AM 2039, the lien collected returns to the state via the State Treasurer, while the penalty is returned by the county to reimburse the county for the costs associated with collecting the penalty and lien. Finally, AM2039 include several procedural changes that were brought to my attention after conversation with the Sarpy County Assessor's Office, including what happens if a permanently and totally disabled veteran dies during the five-year period. It also includes an appeal process for the revocation of the homestead exemption because we are contemplating a longer homestead exemption period, we need more details regarding how the process would work, which is what the amendment addresses. To be clear, LB1080 does not expand the eligibility for a homestead exemption program and has no fiscal impact on the result. Rather, LB1080 ensures the veterans with significant and profound disabilities whose condition is not likely to improve have an easier and more veteran friendly process to apply and receive homestead exemption. Thank you for your time and I'm happy to answer any questions you may have.

LINEHAN: Thank you, Senator Sanders. Are there questions? Senator Bostar.

BOSTAR: Thank you, Chair Linehan. Thank you, Senator Sanders. Can you talk a little bit about how much sort of fraud there is in the system now and how that's generally taking place?

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SANDERS: I have Commissioner Angi Burmeister to follow me. She works directly with Sarpy County and could probably address that for you clearer.

BOSTAR: Excellent. Thank you very much.

SANDERS: Thank you.

LINEHAN: Thank you, Senator Bostar. Are there other questions from the committee? The penalties seem kind of stiff. I'm just asking that because I could see a case where they don't know, like, you're living with dad and then you finally have to take dad to home, but they have to re-- so I'm just thinking, I'm not--

SANDERS: They currently do that once a year, which is difficult. So the families usually know there's a process to follow once a year. This just makes it easier for the family instead every five years.

LINEHAN: So that's-- I guess my question is if we go to every five years, it could be a chance where they could be doing something wrong for three years and not really realize they're doing something wrong.

SANDERS: Possibly why there's a harsh mechanism in place so it's understood.

LINEHAN: I know, but if they don't-- anyway. Is there--

SANDERS: That's something probably those following me could explain.

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

SANDERS: Thank you.

LINEHAN: Appreciate it. Proponents. Thank you.

ANGI BURMEISTER: Good afternoon, Chairwoman Linehan, members of the Revenue Committee. Thank you for giving me the opportunity to come talk a little bit about LB1080. For the record, my name is Angi Burmeister, it's A-n-g-i B-u-r-m-e-i-s-t-e-r. I'm a Sarpy County Commissioner. I'm here on behalf of the Sarpy County Board in support of LB1080. The board asked that this bill be presented to make a change to the homestead application requirements for this specific group of veterans. It came to us through a Bellevue veteran named Jason who reached out to us as a board talking about the, the problems he had with annual filing requirements, quite honestly. Jason is an

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army veteran in his forties, he's permanent and totally disabled as a result of a service-related injury. Jason was a machine gunner. His job when he was deployed to Iraq several times was to look ahead of the troops to search for IEDs and flush out the ambushes. He was in several explosions. The final one that caused his service-related injury was an explosion of an IED that, that was a direct hit to him. As a result of that injury, he suffered a traumatic brain injury and is permanent and totally disabled today. He's young for a veteran with this type of injury, and he is married with seven kids, so he talked a little bit about the difficulty of annual filing requirements in his situation. Currently, his wife is his caregiver, and he talked about, you know, that just the problems of adding that element to what they have to do on an annual basis. With this particular type of injury-- in the, in the military, the designation of 100 percent permanent and total disability is different than 100 percent disability, so it's somewhat confusing. When they're permanent and total, it's a, it's a federal designation in the military that doesn't change. That means that a doctor has made a determination for them that their condition is such that they're not going to recover. They're not-- the percentage of the disability isn't going to change. There could be some minimal times that that would happen, but it-- but it's really rare. Other types of disabilities that might be 100 percent happen both in the military and in like workers' comp court, places like that, where somebody might have a significant injury and they may be 100 percent disabled for a period of time, then they have a surgery or rehabilitation or physical therapy, and they recover over time. So that designation goes up and down frequently, which is hard to track, quite honestly, on a longer period of time. That's why in this bill, we carved out the specific designation of permanent and total so that it followed the federal regulation designation that the military uses and made a separate area in the bill so that the assessor would-- assessors would be able to identify which people those were that had that specific designation. Those people are not required to recertify their designation every year because it doesn't change. So for them, it's a burden to do something annually because in the military they don't do annual refiling of things because they've been designated as permanent. We worked closely with the assessors, we talked with both Sarpy County and Douglas County Assessor to try to craft something here that wasn't going to be a big pain, quite honestly, for the assessor's office. Because this area of homestead exemptions, it has a lot of detail and the way it works in their system is really detailed. So we didn't want to create something that was going to cause a lot of, a lot of problems for them in figuring the way things work there. So we worked with them and with a lot of the internal workings in the

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county to make sure that we were proposing something that would be easier to follow. Also, many of these veterans have guardian conservators or representative payees that they work with. The protections on the issue of the penalty, the penalty does seem hefty and it, and it follows an existing statute. We added a provision that allows the county board after review to waive the penalty in this particular bill so that they have an opportunity-- Senator Linehan, you mentioned, you know, that there could be reasons, we anticipated there could be reasons why a penalty wouldn't be appropriate. And so we've built that in here. There are a number of things that, you know, it seems like a small ask, I think, to ask somebody to file annually. But quite honestly, these people have spent their time doing things to protect our freedoms in a way that we cannot repay. So it's important, we think, to give them the benefit of something that's going to, going to make things easier for them. So it's our hope that you would pass this on and, and support this bill.

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

MATTHEW MacDONALD: Good afternoon.

LINEHAN: Good afternoon.

MATTHEW MacDONALD: Chairperson Linehan and members of the Revenue Committee, my name is Matthew MacDonald, M-a-t-t-h-e-w M-a-c-D-o-n-a-l-d, and I'm the director of the Sarpy County Veterans Service Office. I'm testifying today in support of LB1080 and I'm grateful to Senator Sanders and her continued support of Nebraska's military members, veterans and their families. The Sarpy County Veterans Service Office assists military veterans and their families when applying for federal, state, and county benefits. In this role, I frequently work with veterans who apply for the homestead exemption benefits, including veterans with permanent total disabilities like those mentioned in LB1080. The current process can be burdensome, particularly for veterans whose disabilities impact their physical mobility. I wanted to provide a few anonymous stories and background of our veterans service office that would prove beneficial for the changes that are implemented in LB1080. To give you some background, Sarpy County has a high veteran population, the second highest in the state. We serve in excess of 21,000 veterans and their family members. Last year for 2021, we had roughly 1,400 veterans and surviving spouse applicants file for the homestead exemption. This number includes a majority of veterans rated 100 percent permanent and total, but that

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number also includes a small percentage of veterans temporarily rated 100 percent, as well as surviving spouses of veterans who have passed, yet remain homestead eligible. Our office also has numerous veterans bring in their homestead application form 10-- 450-- excuse me, Form 458 to review and to turn into the assessor's office. I share this information with you not to help-- I share this information with you to help describe just how active and familiar the Sarpy County Veterans Service Office is regarding the homestead exemption process with our veteran population. Many of our homestead-eligible veterans are not only disabled but are also elderly, widowed, or have elderly spouses. Those veterans primarily rely on caregivers and family members for assistance with travel to and from appointments, filling out forms or applications, and navigating a world ever reliant on technology. Many of our processes aimed at easing the stresses with the homestead applications is technology-based. Those options include faxing, scanning, and emailing documents. However, I can tell you firsthand that many of our aging veterans have either little to no access to computers or email, or honestly have very little desire to do so, and they have earned that right. In addition, our veteran popu-- or our veterans typically have an overwhelming number of questions and anxiety about the homestead process, so introducing legislation that can ease the burden is most welcome. The homestead application process can be very confusing for many veterans. We receive countless calls and visits to our office to have the process explained to them, and often we have to turn veterans away because the application period has not yet begun. When the application process does start, typically in the first week of February, many veterans want to complete their application as early in this, in this period as possible. This is completely understandable, but can cause the veterans some stress. In the past couple of years, our veterans and spouses braved unfavorable, unfavorable weather conditions, cold temperatures, and a pandemic in the hopes of getting their applications completed in person for the coming year. But this places our veterans and families at risk. These individuals and families are already at risk, so taking steps to help alleviate those risks are important-- is important. LB1080 is a modest change to the homestead exemption program that would have a big impact for the veterans of Sarpy County and Nebraska at large. I encourage you to advance LB1080 to General File and I'm happy to answer any questions you may have.

LINEHAN: Thank you very much, sir, for being here. Are there questions from the committee? Any questions? Seeing none, thank you very much for being here. Appreciate it. Wait, just one.

MATTHEW MacDONALD: Sure.

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LINEHAN: Did you say that there are 1,400 in Sarpy County?

MATTHEW MacDONALD: Last-- yes, ma'am.

LINEHAN: OK.

MATTHEW MacDONALD: Last year was a special year, the assessor's office actually kept count of how many veterans and surviving spouses applied and it was roughly around 1,400.

LINEHAN: Thank you very much. Other proponents? Are there any other proponents? Are there any-- oops-- are there any opponents? Anyone wanting to testify in the neutral position? Good afternoon.

JON CANNON: Good afternoon, Chairwoman Linehan, distinguished members of the Revenue Committee. My name is Jon Cannon, J-o-n C-a-n-n-o-n. I'm the executive director of the Nebraska Association of County Officials, also known as NACO, here to testify today in a neutral position for LB1080. Thank you, Senator Sanders, for bringing this bill forward. As I mentioned in my prior testimony, having a discussion about the guts of how the homestead exemption and property tax works, they're, they're always great discussions for us to have. Certainly, NACO appreciates its veterans. We have a number of our board members that are veterans. And for my own part, both my parents are veterans as well. My mother has a 100 percent disability rating, so if she's watching, you know, Mom, I, I didn't forget you. And as I said in part of my prior testimony, the Legislature can implement any application standard it so desires. The Supreme Court has said that exemptions are not self-executing, so therefore if you decide that it's a one-year application period or a five-year application period or a ten-year application period or a three-week application period, it's, it's really up, up to the Legislature to determine that. The standard, however, that I will note for everyone else is one year and I, I will make one minor change to my prior testimony whereas for charitable, religious, educational, and cemetery organizations, there is a one year-- every year they have to submit something. And the way that our law is written currently, 77-202.03 provides that they apply and that exemption is good for a four-year period. But they have to file a statement of reaffirmation of exempt status every intervening year. So that's a distinction perhaps without merit, but something I, I felt should be-- was important enough to bring forward to the, the Revenue Committee. I understand the, the notion about this being a burden. Certainly, an application is a burden for someone that's over the age of 80-- or over age 65. The other exemption category we have for homestead is for someone that is permanently and totally disabled

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individuals. Certainly, it would be a burden for those persons as well. And so again, if we were going to have an application standard, certainly we would-- it would probably be appropriate for us to have a actual standard that applies to everyone in the program. You know, and, and for what, what I've heard so far in the testimony about, you know, we should do it every five years, I'm, I'm not so sure that it's going to be easier for someone to remember, gosh, did I apply in 2023 or did I apply in 2024 and so, therefore, has this been four or five years? I'm not sure about that. Because of the fact that we have that reapplication period for charitable, religious, educational, and cemetery organizations where they have an application year, then they have a full application year in those years that are divisible by four, perhaps that is a route we could go in that instead of saying it's going to be five years from your first application year, perhaps you could have something like, you know, you have your application year and then you have to have a full reapplication in those years that are divisible by five and then they'll do it in 2023 and then 2025, 2030, so and so forth. Be happy to take any questions you might have.

LINEHAN: Thank you very much. Questions from the committee? So you said the application and then every-- the next four years an affirmation. So they're reminded-- reminding they have to. And what would the affirmation look like?

JON CANNON: Well, what it, what it looks like for charitable, religious, educational, and cemetery organizations, it's, it's very similar to the application for exemption, but it-- there's-- it's a little bit more stripped down. There are just fewer things that they ask for.

LINEHAN: Like the county would fill out the blanks and they just have to sign it?

JON CANNON: I, I don't know the answer to that, ma'am.

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

JON CANNON: Thank you.

LINEHAN: Is there anyone else wanting to testify in the neutral position? Senator Sanders, would you like to close?

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SANDERS: Thank you, Chairman Linehan and committee members. I know it's been a long week already. So in closing, Senator Brewer and I have visited on our bills and may the best bill--

LINEHAN: Win.

SANDERS: --win. [LAUGHTER] However, a combination of the bills would work as well. I believe there should be a mechanism in place. The veterans do get a reminder that their exemption is due and application so there is a reminder for them to, to get the application in. It's important we have a mechanism. Even though the incidents of fraud have been very rare, it's always good to have that mechanism in place. And with that, any questions?

LINEHAN: Any questions? This isn't prioritized or do you have a priority? OK. Are we still going to have consent calendar?

MARY JANE EGR EDSON: No.

LINEHAN: No. OK. All right. Thank you very much.

SANDERS: Thank you very much.

LINEHAN: Oh, excuse me.

GRANT LATIMER: There were none.

LINEHAN: There were none, so I didn't screw up. OK, that brings the hearing on LB1080 to a close and we will open on me, right?

MARY JANE EGR EDSON: Yeah.

LINEHAN: LB995. Senator Friesen, you want to--

MARY JANE EGR EDSON: Senator Friesen, you want to run the hearing?

FRIESEN: OK, we'll open the hearing on LB995. Welcome, Chair Linehan.

LINEHAN: I'm doing this just so Jon Cannon has a-- has to earn his living today. Vice Chair Lindstrom-- Vice Chair-- Friesen and fellow members of the Revenue Committee, for the record, my name is Lou Ann Linehan, spelled L-o-u A-n-n L-i-n-e-h-a-n, and I represent District 39. Today, I'm introducing LB995. The current homestead exemption program is a property tax relief program for six categories of homeowners persons over age 65, veterans totally disabled by nonser-- by a nonservice connected accident or illness, qualified disabled individuals, qualified totally disabled veterans and their surviving

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spouses, veterans whose home was substantially contributed to by the Department of Veterans Affairs and their surviving spouses, or individuals who have a developmental disability. There are income limits and, and homestead value requirements for persons over age 65, veterans totally disabled by nonservice connected accident or illness, qualified disabled individuals and individuals who have a developmental disability. The income limits are on a sliding scale. There are no income limits and homestead value requirements for qualified totally disabled veterans and their surviving spouses and veterans whose home was substantially contributed to by the Department of Veterans Affairs and the surviving spouses. The state reimburses the counties and other government districts for the-- excuse me-- the state reimburses counties and other governmental subdivisions for the reduction in tax revenue as a result of the approved homestead exemptions. LB995 caps the amount of homestead exemption the state will reimburse at \$100 million. If the total amount of the homestead exemption certified from all the counties exceeds \$100 million, the Tax Commission will proportionately reduced the amount that will be reimbursed to each county. The county shall proportionally reduce the amount of homestead exemption paid to each taxing agency within the county if the statewide amount of the homestead exemption exceeds \$100 million. So we wrote this first two or three years ago, and now I think we're at \$120 million in the budget. So the reason I brought it two or three years ago was because this is like exploding. And my thought process was it's a great program, we all love it, maybe we could get some of the "rebill" to help pay for it.

FRIESEN: Thank you, Senator Linehan. Any questions from the committee? Seeing none, anyone wish to testify in favor of LB995. Seeing none, anyone wish to testify in opposition to LB995?

JON CANNON: Senator Friesen, distinguished members of the Revenue Committee, good afternoon. Thank you for allowing me to be here. My name is Jon Cannon, J-o-n C-a-n-n-o-n. I'm the executive director of the Nebraska Association of County Officials, also known as NACO, here to testify today in opposition to LB995. And I've already done the thing that I, I keep forgetting to do and that's hand out my paperwork. After lugging all that around all day, I certainly want to get rid of it somewhere. You know, certainly, again, we, we appreciate the conversations that we're having about homestead and how we get into the guts of it. And this really does, I think, does get us into the, the absolute guts of, of how the homestead exemption works. Senator Linehan has, has a great point as far as the costs of the program and how we pay for this program. Certainly, we like the homestead exemption program because, frankly, it's the only time that,

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that taxpayers are happy to go into the assessor's office. I've given you two documents. One of them is the calendar that we have for homestead exemption, and that is provided by the Department of Revenue. I downloaded it off their website. And you'll notice that if, if you go through there are a number of key dates that, that you proposed, the only one that I, I really want to really focus on, however, is when we certify our homestead exemption and when we have to certify a tax loss and that is November 30. So that, as you know, comes after we have certified values to political subdivisions. It's after we've budgeted against those values. So we've set our levies and after the levies have been approved, the levies have to be approved October 15. And so counties and other political subdivisions have to levy on the whole value of whatever property is being granted an exemption and we don't know what that exemption will be, nor what the tax loss will be until November 30 when we certify that tax loss to the Tax Commissioner. And so the other document I've given you is a spreadsheet which goes through what the tax loss would be and this would be a tax loss in the sense that it's not being reimbursed. It would-- it, it wouldn't just be a tax loss that we can make up. It would be a tax loss that would be a hole in the budget because, like I said, we are levying against that whole value expecting that there's going to be that reimbursement that comes our way. And so what I-- and I know the print is very small. I apologize for that. What I have before you are, are the property taxes levied and a whole amount per county, the homestead reimbursement that was sent to each county for distribution to all the political subdivisions. You don't have the spreadsheet? It should be in the back. Oof, that's a relief.

FRIESEN: You should have sent a magnifying glass.

JON CANNON: I, I should have. I'd, I'd be happy to send the actual doc-- the actual spreadsheet in an electronic form, it's a lot easier to read on my computer. When, when it printed out this morning, I was, I was a little disappointed. The homestead reimbursement is, is the certified reimbursement that is sent to each and every county across the state. For kicks, I just put in what the percent of the total levy is so we would a number to work, work with. I put in the fourth column, I put in a hypothetical tax loss. If that was \$107 million, say, you can-- and, and the spreadsheet that I have, you can put in a different number and it will show you how everything moves around. And then that gives you a hypothetical exemption percentage. And the way the bill is written, that's what we would be using to reduce the amount of reimbursement for each county. And so scenario one, and, and very "inartfully" titled the political subdivision, takes the hit. The reimbursement you can see that would go down and then you would see

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what the total shortfall for all political subdivisions within that county would be. You know, and so when, when you look at, say, Boone County, and you say, well, it's, it's only \$12,000 shortfall, but you know, if, if you're the county and that's about \$2,000, that's, that's probably a good stretch of road that doesn't get graveled that, that particular year. For the schools, obviously, that's going to be a lot more. So the second scenario I have is, well, OK, what if, what if we have the taxpayer that takes the hit? I don't think that's what anyone wants, and NACO is not suggesting that by any stretch of the imagination. But if you did say-- I've given you an example and it relies on a lot of assumptions. So I've taken the average assessed value for single family residential. I've taken the average property tax rate within each county. Multiplied that to come up with an average property tax for each of those counties. And if that burden were shifted over to the homestead exemption applicant for a 100 percent applicant-- homestead exemption applicant, that next column says what they would now pay. And again, we are not suggesting that by any stretch of the imagination, that's not the direction that we want to go and I'm putting there-- putting it there for illustrative purposes. In the third scenario, is that something that we simply cannot do. And I've run out of time, so I'll, I'll stop there.

FRIESEN: OK, thank you. Are there any questions from the committee? Seeing no other questions, I mean, I can-- so the amount you're talking about here now the applicant, that's hypothetically pays more than what they originally would have had to pay if we do this.

JON CANNON: That's correct, sir. It, it would-- it, it relies on an assumption that, you know, given the average assessed value that, that someone has that average is, is, is in that house that has the exact average assessed value for single family residential. And assuming that they're paying the average tax rate within the county, here's what the average property tax bill would be and this would be for the person that receives a 100 percent exemption. They would have to pay this much more if that were shifted over to the taxpayer. And again, we do not want to go there. It's just an illustration.

FRIESEN: So in your, in your process, though, when this all happens, can it be shifted to the other property taxpayers or is it just-- are you going to compensate for this when you budget?

JON CANNON: We, we would have no way of-- under the bill as written, there would be no way for us to compensate for it because the bill, as written, describes only the reimbursement and then that reimbursement goes down, goes down a commensurate amount. And again, that leaves a

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hole in the budget because we have already levied against that full value. If we were to include a mechanism that allowed us to in some way either anticipate or, or make some sort of preliminary determination as to the amount of tax loss that we were going to have and therefore we would be able to levy against a lower amount that is what scenario three would contemplate. But that would be-- there probably would be a lot of wholesale changes to the, the white copy version of, of LB995 that we would have to go through to, to make it so that instead of a tax loss that we're working against, we'd be working against the loss in value.

FRIESEN: OK. Thank you. Any other questions from the committee?
Senator Briese.

BRIESE: Thank you, Chairman Friesen. Thanks for your testimony. You gave the Boone County example, so what we're talking about here is five one hundredths of one percent. Would that be a rough estimate of the amount we're talking about?

JON CANNON: As far as the--

BRIESE: The loss to the county from this.

JON CANNON: Twelve thousand dollars out of a, a total county levy of-- or I'm sorry, total property taxes levied of \$23 million. That would be correct. Yes, sir.

BRIESE: Thank you. And there would be-- and you are concerned about how to anticipate this and how to account for it. Well, right here, you've already estimated, it'd be a \$12,000 loss, so you could just factor that into your budget and levy accordingly. Couldn't you?

JON CANNON: Well, I've, I've, I've estimated this because I'm, I'm using actuals from 2020, sir. Whereas if, if we were doing-- going through the tax calendar, we will know what our value is. We will know-- and, and we have to, to levy against that value. There's, there's no other mechanism that we're allowed to use. We have to levy against that value and that levy has to equal whatever the budgetary need is through the levy.

BRIESE: You can't pad your budget accordingly?

JON CANNON: I, I, I really don't want to answer yes to that question, sir. I, I, I don't think we can.

BRIESE: OK.

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JON CANNON: And I certainly don't think that would be a, a best practice for us to undertake that sort of anticipatory budget padding.

BRIESE: OK. Thank you.

JON CANNON: Yes, sir.

FRIESEN: Thank you, Senator Briese. Any other questions from the committee? So what you're saying is the process is set up. Technically, you can create depreciation funds or whatever else, but everything is based on those values and the idea you're going to be reimbursed. And so when you're not reimbursed, that's what you're calling your shortfall.

JON CANNON: Yeah, it, it would. Yes, sir, it would create a, a hole in the budget and so we would be levying, anticipating whatever that, that budgetary need is for the property tax levy. And we would not make that property tax levy.

FRIESEN: Is the homestead exemption, the number of claims across the county, are they fairly similar percentage wise?

JON CANNON: Actually, no. And I've got this arrayed for you. It's that, that fourth column where it says percent of total, you'll see some are pretty low. Adams County, it's 2.7 percent. I think the-- our, our number one winner actually surprised me. I thought I was going to be Sarpy County and ended up being Scotts Bluff County. Sarpy County was a, a close second. So Scotts Bluff County, it's, let's see, 3.82 percent of, of the total levy comes from homestead exemption reimbursement. And in Sarpy, it was 3.2 percent of the, the total levy is made up through the homestead reimbursement.

FRIESEN: OK. Thank you.

JON CANNON: Yes, sir. Thank you.

FRIESEN: Seeing no other questions, thank you for your testimony.

JON CANNON: Thank you very much.

FRIESEN: Any others wish to testify in opposition?

TIFFANY FRIESEN MILONE: Good afternoon, Senator Friesen, members of the Revenue Committee. My name is Tiffany Friesen Milone, T-i-f-f-a-n-y F-r-i-e-s-e-n M-i-l-o-n-e, and I'm editorial director at OpenSky Policy Institute. We're here to testify in opposition to LB995

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because the homestead exemption is an effective and efficient way to target property tax relief to those who need it most and the cap would prevent it from functioning as intended. The homestead exemption is a type of circuit breaker, as I said before. In the context of property taxes, this term describes programs providing benefits directly to taxpayers, with benefits increasing as claimants' incomes decline. Just as an electrical circuit breaker stops the flow of current to protect a circuit from overloading a property tax circuit breaker is designed to stop property taxes from exceeding a homeowner's ability to pay protecting them from property tax overload. Residential property taxes are also regressive, with the lowest income Nebraskans paying five point three percent of their income in property taxes, while the top 20 percent pay around three percent. This is because home values are much higher as a share of income for low-income families than for the wealthy. Because property taxes are based on home value rather than income, they're disconnected from ability to pay considerations in a way income taxes are not. Our homestead exemption is structured in a way that offsets this regressivity for seniors and people with disabilities. In 2020, the homestead exemption was claimed by around 45,000 homeowners providing an average benefit of around \$2,000. Because these types of exemptions can be so targeted, they have the potential to be much less expensive than across the board breaks like the property tax credit program benefiting only those for whom property taxes are the most burdensome. Because a cap would limit the benefits of this program to low-income seniors and those with disabilities to an increasing degree over time, we oppose LB995 and would encourage the committee not to advance it. Thank you.

FRIESEN: Thank you, Ms. Friesen Milone. Any questions from the committee? So would the, would the homeowner, though, they wouldn't see a change, they would still receive the exemption, wouldn't they or are they-- the county just takes a shortfall?

TIFFANY FRIESEN MILONE: Well, again-- I mean, as written, I, I don't think that we took into account kind of the mechanism behind it. So we looked at it from the point of view that the taxpayers would be taking the hit.

FRIESEN: OK, so the other taxpayers who don't qualify for a homestead exemption would be picking up that load?

TIFFANY FRIESEN MILONE: Yeah.

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FRIESEN: OK, thank you. Seeing no other questions, thank you for your testimony.

TIFFANY FRIESEN MILONE: Yeah.

FRIESEN: Any others that wish to testify in opposition?

LYNN REX: Senator Friesen, members of the committee, my name is Lynn Rex, L-y-n-n R-e-x, representing the League of Nebraska Municipalities. We do appreciate Senator Linehan bringing this bill forward. As Jon Cannon has said earlier today, having a discussion like this, I think, is always helpful to discuss what the implications are and how the system works and sometimes how it doesn't. But that being said, I just want to underscore his testimony that this creates a hole that we can't fill because we have to levy it. It's all being levied when the county gives us a certification to municipalities on August 20, everything proceeds from that date forward based on that. So in any event, we respectfully oppose the bill for that reason. And if I'm reading the fiscal note correctly, you'll note that the estimated reduction in General Fund expenditures for you and this is, again, reading from the fiscal note in FY '22-23 would be \$21.3 million. In FY '23-24, \$27.375 million. In FY '24-25, \$33,733,000. In FY '25-26, \$40,420,000. What that really means is that's being transferred to local governments to pick up. And so if we were having a bill here today to add that money to reduce property taxes, we'd be here supporting that bill. And that's why we're here today opposing the bill for that reason. But again, we respectfully oppose it. Really appreciate all the work this committee has done on property tax reduction. With that, I'm happy to answer any questions that you might have.

FRIESEN: Thank you, Miss Rex. Any questions from the committee? Senator Bostar.

BOSTAR: Thank you, Senator Friesen. Thank you, Miss Rex. So on the fiscal note, it's-- when they have that four fiscal year projection, the Department of Revenue estimates the impact of General Fund expenditures, it's-- I mean, it, it effectively doubles over the course of four years. How?

LYNN REX: I can't-- I don't know how the projection was put together, Senator.

BOSTAR: Does that, does that seem right? I mean, yeah, I, I know you didn't certainly put this together. Does that seem right to you?

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LYNN REX: Gosh, I can't question it. I don't, I don't know.

BOSTAR: Yeah, fair enough.

LYNN REX: I don't know the basis on which it was done, but those numbers aren't surprising to me, either. But that being said, you'll notice that the first line says: LB995 amends Section 77-3523 to limit the amount of funds available to be reimbursed to local governments by a state with that \$100 million dollar cap. And so if you look at what the estimated reduction is in the state's General Fund, you can see how dramatic that is. And all I'm saying is we would be fighting and scrapping to get that kind of money as additional property tax relief. And that's why we're here today in strong opposition to the bill, but respectfully opposing it.

BOSTAR: Thank you.

FRIESEN: Any other questions? Thank you, Senator Bostar. Any other questions from the committee? Seeing none, thank you for your testimony.

LYNN REX: Thanks. And again, thanks to your entire committee for all the work you've done and, and all the leadership on property tax relief. We do appreciate it. Thank you.

FRIESEN: Any others who wish testify in opposition of LB995? Seeing none, anyone wish to testify in neutral capacity? We have zero proponents, zero-- two opponents, and no neutral in written testimony provided. And with that, Senator Linehan, you may close.

LINEHAN: I'll be real quick. So my first statement is a question, \$40 million is how much of all the property taxes we collect in the state? Is it 1 percent?

BRIESE: No, 520 is 1 percent, maybe.

LINEHAN: So it's-- I mean, the whole idea that they couldn't possibly cover this is when it's spread clear across the state, I don't quite buy. Mechanisms can be worked at. On the-- but Senator Bostar, to your question, this is the problem. Like, it is doubling every year we're here. Like, when I got here, it went over \$100 million, then it was 105, now it's like 110, and it's going to be 120. So I don't-- and then to OpenSky's point, somebody else has to pick up the tab. Yeah, well, we are picking up the tab and it's the same taxpayers, whether we have them raise the levy on their home or whether we take income tax and sales tax. I mean, somebody who can pick up the tab. So-- and

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there's not like-- it's always the taxpayer. I think probably what I suggest here, and we can Exec and you can tell me, I think we need to do a study over the summer and figure out where we're going with this. And this is-- this has been happening with basically 2 or 3 percent inflation. So if we're going to have 7 percent inflation or 8 percent inflation, it's going to quickly, like, get way out of control. So I don't know if that means we need to figure out another way to pay for it or at least get some help with the subdivisions and also look at what are the limits. I'm sure that nobody's going to want to change them, but I think we need to look at it. So that's all.

FRIESEN: Thank you, Senator Linehan. Any questions from the committee? Seeing none, thank you, Senator Linehan. And with that, we'll close the hearing on LB995.

LINEHAN: Thank you.