LINEHAN: [RECORDER MALFUNCTION] --Revenue Committee's public hearing. My name is Lou Ann Linehan. I'm from Elkhorn, Nebraska, and I represent Legislative District 39. I serve as Chair of the committee. The committee will take up bills in the order that are posted outside the hearing room. Our hearing today is for 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 your handouts. If you're unable to attend a public hearing and you would like your position stated for the record, you may submit your position and any comments using the legislative web-- website, by 12 p.m. the day prior to the hearing. Letters emailed to a senator or staff member are not part of the record-- permanent record. If you are unable to attend and testify at a public hearing due to a disability, you may use the Nebraska Legislature's website to submit written testimony in lieu of in-person testimony. To better facilitate today's proceedings, I ask that you do the-- you follow these procedures. Please turn off cell phones and other electronic devices. The order of testimony is introducer, proponents, opponents, neutral and 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. We need 11 copies for all committee members and staff. If you need additional copies, please ask the 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. Today, I'm going to limit testimony to 3 minutes and we'll use the light system. So you will have 2 minutes on green and one minute on yellow and then, you'll need to wrap up. If you're 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 to the microphones so our transcribers are able to hear your testimony clearly. Now I would like to introduce committee staff. To my immediate left is research analyst Charles Hamilton. And at the end of the table to my left is committee clerk Tomas Weekly. And then, I would like-- excuse me. Then I will have the committee members introduce themselves, beginning at my far right.

KAUTH: Kathleen Kauth, L.D. 31.

MURMAN: Senator David Murman from Glenvil, District 38, 8 counties in the southern part of the state.

von GILLERN: Brad von Gillern, Legislative District 4, in west Omaha and Elkhorn.

BRIESE: Good afternoon. Tom Briese, District 41.

ALBRECHT: Hi. Joni Albrecht, District 17, Wayne, Thurston, Dakota and a portion of Dixon County in northeast Nebraska. Welcome.

DUNGAN: George Dungan, District 26, northeast Lincoln.

LINEHAN: And our pages today, if they could please stand up, are Amelia, who's at UNL, studying political science, senior; and Kaitlyn, also at UNL, is a junior studying political science. 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. For our audience, the microscopes, microscopes in the room are not for amplification, but re-- for recording purposes only. Lastly, we use electronic devices to distribute information. 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 a critical part of our state government. Now, we will open the hearing. And I've spoken to Senator Erdman and he is going to open on all so we can move a little quicker, since they're all related. He's going to open on all, all the bills. And then when you testify, you'll need to fill out-- if you're going to come up, whichever bill you're going to testify on, you need to fill out a green sheet. And if you're testifying on all three-- three, four, three or four?

Three.

LINEHAN: Three. If you're testifying on all three, you need, need to fill out three green sheets. Oh, you did?

TOMAS WEEKLY: Yeah, I just merged it. I'm so sorry. I thought that was what you wanted.

LINEHAN: No, no. That's-- you're ahead of me. That is wonderful. Perfect. OK. Forget what I said. [LAUGHTER]. With that, we will start. Senator Erdman.

ERDMAN: Thank you, Senator Linehan. For the record, my name is Steve Erdman, S-t-e-v-e E-r-d-m-a-n, and I represent 47 counties-- I'm rep-- dis-- District 47, 9 counties in the Panhandle. So today, what I would like to do, I will introduce all three of those and then, those who come up and testify can share their opinion on all three, if they would like. So what we're doing today is-- LB79 is the one I'd like to concentrate on the most. And what LB79 is, is our attempt, those who have been working on the consumption tax for the last three years, it's our attempt to discover or try to develop the distribution model for when the taxes are collected, how they're going to be distributed. So we have several documents I'd like to pass out, but I want to make a few opening remarks before I do that. First of all, I want to, I want to say thank you for having the hearing on a Friday. That was best for a lot of people coming to testify, so thank you for that. And so what I'd like to start with is this: for those of you who are new and not been here before, back in, in '17, when I first came, I was disgusted at the end of the session and we started a petition drive to lower property tax by 30 percent. That petition drive failed and I don't know exactly why, but it failed. That really wasn't my intent to have that be the solution. It was to force the discussion about fixing our tax system. And then, we started a petition drive the next year to lower property tax by 35 percent. And then, that drug on for a couple of years. And then COVID broke out and our volunteers didn't feel comfortable going door-to-door during COVID, so that petition failed, as well. After that happened, a gentleman showed up in my office one day, his name was Rob Rohrbough, with the idea of a consumption tax. And I invited Senator Halloran and Senator McDonnell to join me for the presentation. It didn't take us long to figure out that this was the solution to our broken tax system. So when I was running for the Legislature in '16, it was my goal to fix our property tax issue. That has always been something that has been very regressive and difficult for agriculture in my district, in, in general. But as I begin to understand the regressiveness of income tax, I begin to see that Rob Rohrbough's situation or idea had a lot of merit, that we would fix the whole tax system and not just property tax. So going forward, we have introduced-- I have introduced a consumption tax for three years now. This would be the third time I've made the presentation in front of the committee. And so, the consumption tax has changed substantially this year from what it was last year. And LB or AM314 becomes the bill, because we've made significant changes. We finished-- last Sunday, we finished our 65th Zoom meeting that we had, trying to describe and discuss how to make this work for everybody in Nebraska. So we've been at this a long time. Senator Linehan has been working on income tax reform and tax reform ever since she's been there. She's worked hard at that. Senator Briese has tried to restrict spending by putting a cap on the spending. All of you that ran on the issue that you were going to cut taxes or you were going to fix our tax system have worked hard on that. I have as well. So there's not a time goes by, a day goes by, that I hardly don't think about consumption tax. So this presentation today, I've probably made six times in the last two months, when I wake up in the middle of the night. So it's not, it's not something that just came to me. But anyway, here's the situation that we find ourself in. Our state is one of the highest states in taxation, with all taxes are included. And so, to fix our, our system, we continue to give back in the form of a property tax credit or we do other things. We do TIF financing or we do the ImagiNE Act and we do all of these things because our taxes are too high. And so what happens with all those programs is the government predicts-- picks winners and losers. And so when you do the consumption tax, everybody gets to play on the same level playing field. So today we're going to walk through that, if, if I can. I'll hand out the information so that you can take a look at it. I think the most important document that you received, I emailed you an index of the bill. I emailed you an index. I brought another index with me today, so you can have that. But the bill-- the amendment is like 89 pages and it's difficult, as many bills as you guys have to read and understand, to find certain things in a bill. And Marc Berkowitz has put that together for us. And, and I think it's important that we-- that you have that index so that you can look and find things that you need to find. And I'll pass that out so you can take a look. There you go. All right. So let me start with, with these points and then, and then, when I finish on this one, then I'll open on those other two, if that's OK. All right. So the EPIC consumption tax establishes a taxpayer bill of rights. The EPIC option consumption tax repeals Nebraska's state income tax, both corporate and individual. It repeals property tax, personal and real and it also repeals the state sales tax. One of the things that I have fought, ever since I was a county commissioner, the inheritance tax, is the most regressive tax there is; it eliminates that tax as well. So LR6CA is a resolution, that's a constitutional amendment that will impose only a consumption tax or an excise tax on all goods and services sold or used for consumption. LR7CA is the one that exempts groceries. Earlier, as you may remember, those of you who've been here before, earlier, we had a prebate. And the prebate was difficult to understand. It was almost impossible to describe. And so, a year or two ago, Senator Holleran came and he said we need to eliminate the prebate. And so we have done that. What happened when we did that, we had to do a whole new dynamic study because we took out the prebate and the prebate was equivalent to about $1.9 million per every-- for all the individuals in the state, $1,000 a person. So what did the prebate removal do for us? It changed our consumption tax rate from 8.97 to 7.23. So it changed it about 20 percent. That was a significant reduction; 7.23 is lower than a lot of states' total sales tax. So remember, that would be the only tax you would pay, a 7.23, on those things that you consume. OK. So it's only on goods and services that you personally consume or use. It totally eliminates those taxes I just spoke about. There will be no business-to-business consumption tax. Example: you buy something for your business, a computer for your business if you're an accountant or you have a business, there's no consumption tax, because that's a business-to-business transaction. You buy a computer for your home, there will be a consumption tax. So there's no tax on business-to-business transactions. So as we move through this, I will hope to have answered some of your questions about that. But the tax, the consumption tax, will never be placed on investments. Investments are exempt from consumption tax. The consumption tax is a fair tax. Currently, there's about 60 percent of Nebraskans pay 100 percent of the taxes. Forty percent don't pay any taxes. Under the EPIC option tax, 100 percent of Nebraskans, of Nebraskans will make a contribution of some kind. Government entities and nonprofit organizations will be no longer exempt. Everybody will pay a consumption tax. Nonprofits, churches, governments, everybody will pay a consumption tax. The only people that don't pay a consumption tax are those people who manufacture or produce something. Governments don't produce anything. They are a service. So the Beacon Hill Institute did a study for us, a dynamic study. They did the first one with the consumption tax prebate included. And then, they did the second one, removing the prebate and that's when it came back at 7.23 percent. And I'm going to talk about some of the things in the, the dynamic study that I think we need to consider, because what we have done, what I have done in the past, I've focused a lot on the taxes we're going to remove and the advantage of doing that. And I've not spoken much about what is the economic advantage from having this happen. One of the things that Beacon Hill was not able to do, that I requested they do, is to figure out what savings the state will have by those agencies we'll no longer need. What will be the savings by not having the Revenue Department collect all the income tax that they currently do? What will be the savings when we no longer have to keep track of what land sells for or houses sell for at the assessor-- assessors at a county level. So they did not include all that, but I can tell you right now, it's millions of dollars that will be saved when we put the consumption tax in place. So the counties they're-- we-- what we've decided or what we've come up with is we have two forms of taxation distribution. And I'll, I'll give these out, if you could pass these out. And I think it's important that we look at these, because this is our idea of how we go about making the distribution. All right. I'll let you have-- take those and take a look. I want-- the first one I want to look at is the one that says county on the top. And I'll wait till you get those so that you can take a look at what I'm trying to explain. So what we've done, over the last year and a half, is we've tried to come up with a method, how the taxes will be collected and once it's collected, how it's going to be distributed. So you'll see at the top of the sheet, there's 93 counties in the state of Nebraska, as we all know. And the county board collects all the local units of government. Representatives will send their budgets to the county. Currently, all the budgets come to the county now and they send them on to the State Auditor for review. So the county budgets will be sent to the county. All of the local units of government, whether it's the, the fire department, the sheriff, all of those local units of government, then they will send that to the Board of Equalization Review Board. We set up a board-- a budget equalization review board, and some have asked, has this ever been done before? And I went back and looked. In 1966, before they-- the voters eliminated property tax for the state, there was a state equalization board back then. So this is not something new that we've never done before. We have, we have done this in the past. They will take those budgets, they will analyze those to see if they've met all the statutory requirements, in other words, the 2.5 percent spending lid or a 3.5 percent if a major, major majority of the board voted for that. And then they will send that on to the Governor. So what that-- what the committee will do is they'll review those budgets to make sure they fall within the parameters that are, that are scheduled for them. And then they will send that on to the Appropriations Committee. And the Appropriations Committee amends or approves the budget. And when I say amends, it depends on how much revenue the state has. There may be an opportunity for us to distribute more money if we have more money. So the Appropriations Committee gets the budget, then the budget will come to the floor for debate. All 49 senators get a chance to, to have-- weigh in on the budget. The Appropriations Committee then collects the-- sends the revenue to the, to the county. And there'll be three funds for the county: the trust fund, the county stabilization fund and the county rainy day fund. Those funds are set up to make sure that if a county has a, a disaster or something happens unforeseen, that they didn't know about, there will be an opportunity for them to get money from the rainy day fund to make up any shortfall they have gotten when their budget was passed. Then they-- the State Treasurer distributes-- currently there's $5.6 billion. This is the estimate of what will be collected in 2026 when we start. So $5.65 billion, the State Treasurer will send to the local treasurer-- to the county treasurer and then, they'll be distributed in those three categories on the right hand side, those black boxes: the county trust fund, the county stabilization fund and the county rainy day fund. So at the bottom, you see the arrow where the retail consumption tax is collected. It's collected by the, the retailer or whoever is the person that does the service or, or sells the good and send it in, very similar to what we do with the sales tax today. And the school funding method is going to be very similar. And that school funding method is the other sheet. And what I want to say about the school funding is we are going to remove-- eliminate the TEEOSA formula with, with this school funding. And so, what will happen in the school funding? The school boards will create their budget and what we have put in place, what our idea is, they, they will start with a 5-year budget plus 2 percent. Whatever their 5-year budget was, they add 2 percent to that. And then, the district will, will submit their budget to their regional representatives and we're going to talk about those in a minute. And they'll submit those to the regional representative and then they will-- just very similar to what we did for the counties. And so, the school trust fund, they'll be-- establish a school trust fund, an education stabilization fund and an education facilities growth fund. So basically, let me make a description of what that may happen. Every fifth grade class has certain things they require: a teacher and a classroom. So the basic cost of a fifth grade class will be the same all the way across the state. Then the difference will be: what is their special needs? What is their technology needs? What is their textbooks? What is the low-income students, English learner students? All of those will be an objective number that says if you have this many, you get this much money. So if your score, when they add up your score, no matter where your school is, if your score is a 50, you're going to get the same amount as every other school that scores a 50. And so it's a fair way to distribute money based on objective, not on subjective-- how we feel or who they are or where they're located. So that's, that's the idea of the distribution model on the county and the schools. I will, I will give you now, a map. I want to show you the map that we have put together. What we've decided, our, our idea is to have five regions. OK. And these five regions will be where these, these-- this board is located. It will be five members. One of them is going to be the, the secretary. And that person will have to be a, a CPA. And those five people, when we start out they're going to be appointed, but going forward after that, they'll be elected. And so, as you see these regions, we named these after forts. And so, the one in the west, by my, my property in 47 is Fort Robinson. And then we-- you can see all the rest of the forts-- there's Fort McPherson and it moves on down. Those are the five regions, so each one of them has 18 or 19 counties in it. And so those representatives will be enter-- will be representing eight-- 18 or 19 different counties and they'll collect those budgets and then, they will send those, as one budget, to the state for funding. And that-- that's the opportunity that we're going to have to do that. So that's kind of it. I, I had some other maps that I had put them together on where we rank on income tax. And I think, I think those things I will get to you later. But what I want to speak to now is the Beacon Hill study that we did. And I have, I have taken excerpts from that, if you could pass these out. I think there's enough there. And as I said earlier, we seldom-- I seldom ever spoke about what are the advantages, what are the economic advantages, to having a consumption tax, compared to the regressive income and property tax that we currently have. And following me, Dan PIlla will follow me to answer some of your questions about the regression of the income tax. Dan is a tax expert that has come from Minnesota to help us with this project. And did you have enough? Here. OK. He'll be following me. So when you get that, I want to-- I'll start at the top. The, the Beacon Hill study and I have a copy of that, the whole study, that you can take with you if you'd like, if you'd pass that out. But anyway, let's start on the front page at the top. This is Table 1, Table E-1. This is their estimate of population change that's going to happen the first year after the consumption tax goes into place. The population growth is going to be 1.9 percent. Let me, let me just state this. I read a report last month. The report was how many people have moved from other states to Nebraska. What it-- is it a net gain, people moving to Nebraska? And the answer was no. We have not gained one person from another state, greater than the people leaving. The reason our population grew was because of refugees that had been placed here or people from foreign countries that have moved here. But as far as us gaining population from another state, that has not happened and that's based on the IRS information that we've gotten. So the Beacon Hill study says the population growth will be 1.9 percent in '26, 2.3 percent in '30. The personal consumption gains 3.8 percent in '26 and 7.2 in '30. And the net employment-- here's an interesting number. The net employment will increase, the jobs will increase by 47,000 the first year and 58,000 in '30. The investment in billions-- this is personal investment in billions; 8.57 percent in '26 and 10.19 in30. So the real disposable income in billions? This is a significant number, ladies and gentlemen, $9.6 billion and 12.2. Now, the bottom number on this chart should get everybody's attention. The real domestic growth, domestic product, is $2.3, $23.5, $2.5 billion, the first year. That's as much domestic product as agriculture does. The second, the thirty-- in '30, it'll be $32 billion. And then, it describes it down there and explains what it says. But, but the the bottom bullet point-- I want to make a point on that one: state real-- this is adjust-- this is adjusted for inflation, gross domestic product would increase by $23.3 billion in '26 and $32.2 billion in '30. Those are significant numbers. Those are significant numbers. And why is that? Because we're not taxing productivity like we do with our current tax system. That's why that works. If you go to the second page, I thought it was important that we look and see because what we know is the way to get more revenue is to broaden the base from which you collect the taxes. And currently, we collect about-- we collect taxes, sales tax on $49 billion. And if you look at the chart, you get down to the bottom where it says net tax base the first year, that's $134 billion. So we're expanding the base, so we're going to collect taxes from, from $49 billion to $134 billion. That is why you can have a rate of 7.23 percent. It's because the base is broad and the rate is low. There is a point when you raise taxes that you stop getting more revenue. And there's a gentleman that is probably the most well known-- renowned economist in the nation, Art Laffer, has developed the Laffer curve. What does the Laffer Curve tell you? It tells you that as you raise taxes, at some point, you get to a place where you have no additional, no additional return in taxes and that's exactly what happened. So when you take your foot off of the throat of the productivity of the state, you can see what happens there. And at the bottom, it says a dynamic rate. Dynamic rate for, for '26 is going to be 7.23 and for '30, it's going to be 6.25. When Laffer was in my office two years ago, he said, whatever you do, whatever you do, don't put the, the rate in your, in your Constitution, because you're going to wish you could change it. And he said what he meant by that is lower. He said in California, when they passed Prop 13, he was the author for Prop 13 in California in the seventies. They were collecting property tax at 2.5 percent. Prop 13 lowered the rate to 1 percent. And they said all the schools are going to close, all the roads are going to go to pieces. We're not going to have any government. And he said at the end of two years, at 1 percent property tax compared to 2.5, they had more revenue than they had at 2.5 percent, because their economy exploded. They broadened the base. They had more to collect from and they had more tax revenue than they ever had at 2.5 percent. And they're still functioning under that same proposal today. So it's at 7.23 when we start out. And he said, it'll be at least 2.5 or 3 percent less in a short period of time. Now, the last document that I gave you, I wanted to pay particular attention to the very last sentence at the bottom of that page. This is very important, because I have heard people say this is regressive on low-income people. This is their conclusion. Consumers will also be exempt from paying the consumption tax on used goods, OK, which will further benefit low income taxpayers. That's amazing. So I have to ask you, who pays-- who buys more used things? People who have a lot of money or people who don't have much. I think it's probably those people that don't have much money probably buy more used things. So this is not regressive for low-income people. In fact, it's an advantage. And so, that is exactly what we're talking about when we talk about keeping, keeping the, the rate low, so that everybody makes a contribution. So that's basically what I wanted to tell you about how this is going to work and, and what is the advantages. And I would open it up for questions if you have some. But I have given you that distribution-- that index, so we can figure out where you're at in the, in the bill if you have a question, but that's our goal. And this is my goal. This is my priority bill. And what I'd like to do is get this to the floor so we can have a full discussion about how to implement this. And the reason I say that is because we are now in the process of circulating petitions to get this on the ballot. And I'll give this example. I told Senator Linehan this earlier. Last month, we had a meeting in Hastings, a town hall meeting. We had 100 people show up, right at 100 people. Most of those people had never heard of the EPIC option. None of them. There were very few that had. We give them an opportunity to sign the petition. And when we left that day, 47 people signed the petition. We've had people going to gun shows and collecting signatures and people are lined up to sign the petition. People are beginning to understand that there is an opportunity to fix our broken tax system. And when you have an opportunity for you to pay what you want to pay and when you want to pay it, that is, that is an advantage and people like that. So while you're here today, you'll hear from people who are suffering under our current system. And then you'll also hear from people that are opposed to this and those are the ones who collect the taxes. And so what has happened, for all these years, is those who collect and spend the taxes have the priority, because they tell you how much you're going to pay and when you're going to pay it. What I believe should happen is you should be in charge of how much money you make and you decide how much taxes you pay and when you pay them, by purchasing something. And so you'll hear them whine about local control. We're going to lose local control. While I agree with them, local control is very important, let me explain to you what I think local control is. Their definition is we can't tax the hell out of you without your permission. That's their local control idea. My local control idea is you, the taxpayer, should be in control. You can't get any more local than the individual. That's what local control is. It's not those people who spend the tax dollars, collect and spend the tax dollars. It's those people who pay the tax dollars. So our current system is focused on those who collect and spend and it should be charged to those who pay the taxes. And so with that, I'll try to answer any questions you may have.

LINEHAN: Thank you, Senator Erdman. Are there any questions from the committee? Senator Bostar.

BOSTAR: Thank you, Chair Linehan. And thank you, Senator Erdman. As always, the amount of work you put into this is humbling. And I-- honestly, I appreciate a lot of the, the work you've done in this bill to address a lot of the previous concerns that have been raised. And so thank you for that. There's obviously a lot to go through here. My question, though, is it's my understanding that a consumption tax system was introduced on the federal level, in Congress. Do you have any familiarity with what that looked like and, and how federal legislation would-- that, that could be similar or maybe not-- and again, I'm not that familiar-- would interact here, with this?

ERDMAN: Can I, can I make a suggestion that perhaps--.

BOSTAR: Absolutely.

ERDMAN: --when, when Dan Pilla comes to the table, he may be able to answer that question for you. He's, he's an expert in the tax situation. That's, that's a very good question, though.

BOSTAR: Thank you.

ERDMAN: So maybe I can elaborate a little bit. I had the question about has any other state tried this? Has any other state done this? The answer is not exactly. But when I asked that question to Art Laffer, here was his answer: he said, those states that have no income tax is the closest thing to what you could have if you do the consumption tax. And those states that don't have income tax, guess what's happening there? They're gaining population. All of those states that don't have income tax are gaining population. And so, that would be indication, to me, that maybe we need to do that. If we want some people to move here, we got to fix our tax system. And so, that's the issue that we face, is that our tax system is out of balance and we need to fix that. So the income taxes is really a problem, so-- but that's a great question.

BOSTAR: Thank you, Senator.

LINEHAN: Thank you, Senator Bostar. Are there other questions from the committee? Senator von Gillern. .

von GILLERN: Yeah. Senator Erdman, thank you. And again, I want to echo what Senator Bostar had said. You obviously put lots of time and effort and blood, sweat and tears into this and thank you for addressing issues with, with our tax system, which many people clearly feel needs, needs to be fixed. One of the things that, that jumps out to me is that there's no prohibition on local or county governments from, from implementing their own consumption tax. Is that, is that the case? Did I read that incorrectly or and how do you feel about that [INAUDIBLE]?

ERDMAN: No. You are correct. There's no prohibition. They can do that, as well.

von GILLERN: OK.

ERDMAN: But it's a vote of the people. And as they do a current sales tax in a city or a community, they can do it now. They could be-- it'll be very similar to that, but the people have an opportunity to vote on it.

von GILLERN: So is, is there a risk of us slowly working our way back into a system similar to what we have today, with layers upon layers of local taxes and state taxes that, that add up to close to where we are today?

ERDMAN: You know, I, I can't answer whether we'll get back to that. But what I can tell you is that they will have to have a vote of the people to do that and people are becoming more aware of the taxes they're paying and they're getting more involved in their government. And they're going to-- starting to go to these budget hearings. So I would hope that they would understand that, as it goes forward. But you know, I had a question in Hastings about is there anything that you're scared of that's going to happen, that could happen? Any, any dangers you see? And my answer was I hadn't given that any thought. But what I, what I have thought about, a lot, is what if we continue with the current system? What is the ramifications of that? And I think we can all come to a conclusion that those aren't good. And so we will have change. It's change and people are afraid of change, I understand that. And, you know, some of the people that are opposed to my bill may be opposed because they're concerned about change. I understand how that works. Some of the people may be opposed to the bill because of who introduced it. I understand that, as well. But the point is-- here's the point. The point is I came here to represent the people that elected me and the people of the state of Nebraska to fix their broken system. Right. And I made that promise in '16 that I would do that. So it's like one time I went fishing, I went into the bait shop and there was a, there was a refrigerator there that had nightcrawlers. And it said, these nightcrawlers are guaranteed to catch fish or die trying. [LAUGHTER]. And I thought, that's the kind of nightcrawlers I want to buy. OK. So, so I said that to say this. I came here to fix this system and I'm going to try until it kills me, until I get this done. You will hear from people today that have lost their homes, that have to pay exorbitant amount of taxes so they can't afford to pay. But we don't care about those people. We care about government. That's the problem. Government has always been first, we need to put the people first. And so, whatever we need to do to get this done, is what we need to do. But there's danger there. I'm not saying there's not, but there's more danger keeping what we have.

von GILLERN: Thank you.

LINEHAN: Thank you, Senator von Gillern. Thank you, Senator Erdman. Are there other questions from the committee? Seeing none, we'll see you at close.

ERDMAN: OK. Do you want me to do those other two?

LINEHAN: Pardon?

ERDMAN: Do you want me to open on these other two?

LINEHAN: I don't mind if you're, if you testifiers don't mind.

Speaker 8: It'll be, be quick.

LINEHAN: OK.

ERDMAN: OK. Let's do LR6CA first.

LINEHAN: OK.

ERDMAN: Do I need to restate and spell my name?

LINEHAN: No.

ERDMAN: OK.

LINEHAN: Right? He doesn't have to do that. No.

ERDMAN: All right. Very simple, straightforward. OK? L62-- or excuse me-- CA62A [SIC - LR6CA] is-- the following will be on the ballot. Notwithstanding any provisions of this Constitution, beginning January 1, 2026, no government entity in the state of Nebraska may impose taxes other than a retail, retail consumption tax and an excise tax. And let me briefly describe why we have included excise taxes. We have several taxes that I didn't know. We can't figure out how to handle those. And those are excise taxes, the gas tax, right, the fuel tax, tax on alcohol, tax on tobacco, the premium tax for insurance is an excise tax. So what we're saying is those excise taxes will, will continue to be in place. Excise taxes are not regressive like income tax is. So that's what CA6 does, LR6CA, it eliminates-- it prevents the government from collecting anything but a consumption tax. All right. And then LR7CA, all it does is remove-- it authorizes the state to collect retail consumption tax and excise tax on all goods and services and the Legislature authorize subdivisions of the same, that-- shall no exemption-- such tax except [SIC] items-- grocery, grocery items purchased for off-premises consumption. So it eliminates groceries from being under the excise-- other consumption tax. That's all those two amendments do. What I had done, the reason I have prioritized LR-- excuse me, LB79, I only have one priority. And had I prioritized one of these CAs and one made it to the floor and the other one didn't, it would be very difficult for voters if they got to vote on one and not the other. So in that light, I did-- I have made a priority of LB79 for the sake of you get it to the floor and have a full discussion about how the distribution will work. So those are the, those are the two constitutional amendments.

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

ERDMAN: Can I leave this stuff here?

LINEHAN: Yeah. OK. We'll go proponents. First proponent.

DAN PILLA: Thank you, Senator Linehan. My name is Dan Pilla, and I am testifying on behalf of all three bills as a proponent. And the staff is circulating my testimony. I want to take advantage of my time to read my testimony and then I'll be happy to answer any questions, including yours, Senator, about the Fair Tax that's in Congress right now. My name is Daniel J. Pilla, that's P for Poppa, i-l-l-a. I'm a tax litigator, admitted to practice before the United States Tax Court and the Internal Revenue Service. I've been in practice for more than test-- for more than 40 years. I've testified before the United States Congress, in the Minnesota Senate and state Legislature, several times, regarding tax policy. I was a consultant to the National Commission on Restructuring the IRS, which was impaneled in 1997, as a result of the Senate Finance Committee hearings on IRS abuse, at which I also testified, in the 1990s. I wrote the book, How to Fire the IRS, which was released in 1993, which started the national debate on whether to abolish the federal income tax and moved to a national retail sales tax. And I also wrote the research paper, which I would like to circulate to the members here, called the Ten Principles of Federal Tax Policy. But we could strike the word "federal" and put "state" in there, as well. These are ten principles of tax policy in general. The ten principles, I document the factors that must be present to support a sound tax system. Personal and corporate income taxes fail in all ten of these areas. They fail to meet the essential elements of a sound tax system in every way. In my testimony here, I'm going to adjust-- address just three of the ten components: simplicity, fairness and efficiency. Number one, Nebraska's income tax system is tied to the federal income tax, as you all know. The U.S. Tax Code now consists of more than 4 million words that were changed more than 6,000 times, just since, just since 2001 alone. All right. This means that all of this mess flows directly to Nebraskans because of the link between the two systems. The bills before the Legislature right now would change this. It severs the link between it's free-- it severs the link and frees Nebraskans from the complexity that is forced upon them. And even the Nebraska state income tax has been changed more than 25 times, just since it was instituted in 1968. Income tax systems are widely perceived to be unfair because they are unfair, but a retail sales tax, a consumption tax, falls on all income levels in proportion to their income and is, and is remarkably more fair. Number three, governments have a responsibility to collect taxes in the least invasive manner. What we have now is an income tax that is most invasive. Nebraska's income tax is collected by, by almost 1.1 million different collection points. That's the number of business and individual tax returns that are filed. Contrast that with your consumption tax that's in place now, there's fewer than 100,000 consumption tax returns that are filed with the state-- sales tax returns that are filed [INAUDIBLE] with the state. So we're reducing the compliance costs tremendously, to businesses and individuals and we're also reducing administrative costs tremendously. The consumption tax is free of all these flaws and it's the only system that meets all ten principles that are-- that constitute a sound tax policy. And I believe that this committee has to very, very carefully consider adopting the proposals that are before you now. Thank you. And I am happy to answer any questions, Senator Bostar, starting with yours, if you'd like.

LINEHAN: Thank you, sir. Senator Bostar.

BOSTAR: Thank you, Chair Linehan. Thank you, Mr. Pilla, for being here. And I, I appreciate your document you distributed. Would you please elaborate on the federal-- the FairTax consumption tax that's introduced, just briefly, on sort of what that looks like and maybe how it's-- it could be similar or different from what's before us and also, imagining a scenario where both this and that came to fruition, what, what sort of interaction would they have?

DAN PILLA: Well, first of all, the FairTax is a federal proposal, so it, by itself, standing alone, would not impact Nebraska's income tax system. If the federal government adopted to-- chose to adopt the FairTax in replace of the corporate and personal income tax, which is what it proposes-- corporate and personal income tax and, and if it does that, you're still going to be stuck with your income tax and administering that. You just won't be piggybacked with the federal tax system any longer. Now, as far as what it does is, as I said, eliminates the personal and corporate income tax and it adopts a so-called prebate. And as Senator Erdman said, the prebate is very complicated and difficult to explain. Very simply, the prebate allows people to apply to the federal government for a refund of taxes on an ongoing basis, a monthly basis, to provide revenue from the federal FISC to cover what you might call subsistence-level or poverty-level spending. So it attempts to provide money to low-income people to fund the, the federal sales tax on, on, on essential items like food and clothing. That's what it does. I think-- I personally, my personal opinion is that's a bad idea. I think what we have to do is spread the base as widely as possible. All right. You, you need to understand, Senators, that you don't raise revenue by raising rates. You raise revenue by spreading the base. The base has to be spread out as far as it possibly can. And that will keep rates low and it'll keep revenue high. It eliminates the disincentives then, for tax evasion. High rates incentivize tax evasion. High rates incentivize, incentivize lack of production, particularly when we're talking about income taxes. In fact, there's a dual disincentive with income taxes. We can get into that. But the bottom line is, when you spread that base as widely as you possibly can, the rates stay as low as possible and that is what leads to increased revenue.

BOSTAR: You said, just real quick and I know that there's a lot of people here who would like to share their perspective with us and I want to respect their time and not ask too many questions. You mentioned that you, you think that the prebate's a bad idea. I know, historically, with the legislation that Senator Erdman has brought, there had been a prebate component. And, and I understand what you were saying about spreading the base and lowering the rates. Can you, just briefly, why is a prebate a bad idea?

DAN PILLA: Well, I believe, Senator, that everybody has to have skin in the game. We've got a situation in the United States right now where the base is shrinking. A smaller and smaller segment of the population is asked to pay a greater share of the taxes that are paid. We've all heard the expression that says rich people pay no taxes. We've all heard that, right. That is demonstrably and fundamentally false. In the United States of America today, at the federal level, the rich people are paying all the taxes. The top 1 percent of income earners pay 40 percent of all, pay 40 percent of all the taxes paid and the top 70 percent are paying 50 percent of all the taxes paid. The bottom income earners or the bottom 50 percent of income earners are only paying 3 percent. All right. So what that means is we've got a shrinking share of the population that's paying all the bills. We've got a growing segment of the population that is voting for benefits from the government that they never have to pay for. This segment of the population has no skin in the game, Senator. They have no vested interest in keeping the costs of government down. As long as you've got a growing share of the population voting for benefits that they never have to pay for, there will never be enough money in any kind of economic model that will satisfy that demand. We have to have a situation where people have skin in the game so they have interest in keeping the costs of government down. That's why I think the prebate's a bad idea. Now, that said, Senator, I also believe that the consumption tax is a nonregressive tax that does not hit low income people harder than it hits high income people. And that's something we can talk about further. Madam Chairman, if you wish.

von GILLERN: Thank you, Mr. Pilla, and thank you for being here today.

DAN PILLA: My pleasure.

LINEHAN: Thank you.Thank you, Senator Bostar. Senator Kauth.

KAUTH: Thank you, Chair Linehan. So Senator Erdman had said that this has not really been done anywhere else. The states that have zero income tax are the closest. Can you tell me why haven't they gone through with a consumption tax or what has been hold-up with other states to not implement this?

DAN PILLA: Yeah. That's a good question. And I think the answer is they, they, they haven't gone to it because they didn't need to. All right. Let's understand that the income tax is the experiment. The consumption taxes are not the experiment. Consumption taxes funded government for 150 years before we started introducing income taxes. The federal income tax was first introduced into the federal government, at the national level, in 1913, with the, with the Sixteenth Amendment. That was the first time the-- well, it wasn't the first time, it was the second time. But the first one was a Civil War tax. It didn't last long. We don't need a history lesson. Bottom line is, bottom line is it's the income tax that's the new idea and it's the failed experiment. These states that don't have an income tax never adopted one in the first place. And so, what we've got is a situation with those eight states that are out there with no income taxes. Alaska, state of Washington, Tennessee, South Dakota, Wyoming, Texas, Florida. I think that's the seven right there. Those states, their economies, in all situations, perform better than the states with an, with an income tax. And in situations where we're in a recession, those economies suffer less than states with an income tax. So when your state revenue is tied to income taxes and a combination of income taxes and real estate taxes, when your economy gets hit hard, that revenue drops. On the other hand, consumption taxes stay constant because people always have to consume. And if-- even if the savings rate goes up under a sales tax plan, which the models show that it does, people tend to save more money under sales tax plan. But even that savings is done for purposes of funding later consumption, right. People save for short-term purposes, they save, they save for medium-term purposes, they say for long-term purposes. Short term, I'm going to save for my vacation in Florida. Medium-term, I'm going to save for a house. Long-term, I'm going to save for retirement. But all three of those savings models end the same way and that is with what? Consumption. They spend the money at the end of the day. And this is why a broad based-consumption tax is far more stable than an income tax and, and, and real estate taxes and tends to stabilize revenue and, and as I said, is less, is less dynamic in bad times and more favorable in good times. I, I hope that answers your question.

LINEHAN: Thank you, Senator Kauth. Are there other questions from the committee? Senator Murman.

MURMAN: Thank you and thank you for coming to Nebraska to testify. We're used to, in Nebraska, for so long, the three-legged stool: the income tax, sales tax and property taxes. I look at the consumption tax as being more like standing on a tree trunk, so very, very-- even more sturdy than a three-legged stool or two-legged stool. You know, you talked about several states have been-- eliminated the income tax, so that makes-- that's an improvement. You haven't talked much about eliminating property taxes. And that's been a big issue in Nebraska for a long time. Could you expand on that a little bit?

DAN PILLA: Well, the problem with property taxes, if you'll excuse the expression, in my opinion, is theft. I mean, you end up paying, you end up paying taxes on property that you've already bought and you never truly own the property. You're always subject to government control over that property, at some level. As far as, far as the three-legged stool is concerned, yeah, that's a common objection. We got that with the state of Minnesota, when I did my, my study with the state of Minnesota. Well, we need to have taxes coming from different directions, so we've got more stability. But the fact of the matter is those other two systems, real estate taxes and income taxes, are far more susceptible to, to, to negative economic consequences than the, than the sales tax is. And so you're right. It might be a, a single-legged stool, but it's not a leg, it's a stump that's solid, that's rock solid. And, and the, and the numbers, the numbers support that. The states that have an income tax-- the states that have a sales tax as their primary means of funding state revenue, do far better in negative economic climates than states with an income tax. And they do far better, way better in, in positive economic circumstances than states with an income tax. It is-- it's the way to go, Senator. There's no doubt in my mind about it.

MURMAN: Thank you.

DAN PILLA: Thank you.

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

ALBRECHT: Thank you, Chair Linehan. OK. I did have a chance to take a look at this, Senator Erdman did and handed out to all of us on the floor. And the three things that kind of stuck in my head were number one, four and ten. The first one is simplicity, the fourth one is the stability and last, on number 10, was the constitutionality. So I know it's a lot to ask, but I just-- but these are the things that concern me most. This is, this is a big change.

DAN PILLA: Sure.

ALBRECHT: So when it comes to-- it sounds very simple that all we have to do is pay on what we buy. And when it comes to stability, you know, when we have the highs and lows in the markets, how is it going to be? How are we going to survive? And knowing that other states don't and haven't taken this on, why not? But more importantly, the constitutionality of it all. So without sitting here for 30 minutes and talking about all of it, could you like, just give me a--

DAN PILLA: Sure. Yeah. I'm happy to. As far as simplicity is concerned, our tax code, federal tax code, which is visited upon Nebraska because you're piggyback system, right, everything that happens at the federal level trickles down whether you like it or not. Our tax code right now consists of more than 4 million words that were changed more than 6,000 times, just since 2001 alone. That doesn't even count the changes that were made with the COVID provisions in the CARES Act in 2020 and all the various amendments that went through 2020, 2021 and 2022. Just for example, the Paycheck Protection Loan program that was, that was created by the CARES Act, went through three different amendments in, in just a year and a half, since the CARES Act. All right. The employee retention credit, four different amendments it went through, just since the CARES Act when it was established. All right. There is nothing simple about the federal income tax code. And just to show you how, how this complexity has grown over the years, in the year 2000, we had a tax code that was estimated at 1.3 million words. Now we're north of 4 million words and that's after 20 years of tax simplification. God forbid what it would look like if they deliberately attended-- intended to make the tax code complicated. This complexity is out of control. The National Taxpayer Advocate has written a report for Congress, under the direction of the IRS Restructuring Act, every year since 1998. She is responsible to deliver to Congress a report that identifies the 20 most serious problems that taxpayers face in complying with the Internal Revenue Code. Number one on her list every single year for 15 consecutive years, Senator, was complexity, tax law complexity. And every single year, the National Taxpayer Advocate would make specific recommendations to the IRS and Congress about simplifying the code-- do this, do this, do this. And Congress did exactly, none of them. Finally, in the late part of the first decade of the 2000s and I forget what year it would have been-- actually it would have been later than that. It would have been, it would have been the mid, you know, call it 2015, somewhere in there. I don't have the number off the top of my head. But she finally abandoned even putting tax law complexity on the list of the most serious problems, because she said we're wasting our breath. We say this everything-- every single year that Congress needs to change the law, fix the law, simplify the law and they will not do it. And, friends, we have an opportunity here to simplify this law for taxpayers. All right. We are in a situation where we've got, roughly, 25 percent of the people in America and I'm sure those numbers filter down to Nebraska, as well, that have some kind of problem with the Internal Revenue Service, some kind of tax problem. They have money they owe they can't pay. They've got some kind of lean or levy that they're dealing with. They're going through an audit. They have an appeal that they're struggling with. The Internal Revenue Service mails out 100 million notices a year to taxpayers about this problem or that problem. There's 100 and roughly, roughly 170 million tax returns, individual tax returns filed every year; 37 million penalties issued against individuals and businesses. Friends, one-third of all taxpayers are hit with some kind of a penalty. Is this because they're tax cheaters? In 1992, we're talking 30 years ago now, before the tax code ballooned to 4 million words, former IRS Commissioner Shirley Peterson made the statement to Congress at that period of time. She said, and I quote, much of what we call noncompliance with the tax code is not noncompliance at all. It's misunderstanding. People don't know what they're supposed to do because the law is so complex. In, in 2016, and I believe this was probably the last year that the Taxpayer Advocate did any analysis of the complexity issue as far as, as far as one of the 20 most serious problems, she said the tax code is hideously complex and presents daunting tasks in-- to the Internal Revenue Service for administration and for taxpayers to compliant--if-- for taxpayers, in terms of compliance.

ALBRECHT: OK. Can I just, just ask you a quick question? So if I'm looking for simplicity and the EPIC tax is passed in the state of Nebraska and we get to do our state-- I mean, we're just going to have to-- the EPIC tax would only conform to what we would need for-- on our state income tax. But how would the IRS, on the federal side-- I mean, the EPIC tax would only have to do with the state.

DAN PILLA: Yeah, you're exactly right. The EPIC tax applies only to the state.

ALBRECHT: So that's your-- your simplicity is what did you buy? And that's all you have to write down?

DAN PILLA: That's it. That's it. And, and you don't have to write anything down. Senator. This is the beauty, this is the beauty of a consumption tax. As far as simplicity is concerned, there isn't anything more simple than this model. I go to the store, I buy $100 worth of goods and services. The tax is seven-- call it 7 percent for-- make the math simple. I pay an extra $7 on top of that and my obligation is over with as a taxpayer. And so far as the state is concerned, I don't file a tax return. I don't make and keep records. I don't have to deal with notices. I don't face wage levies, bank levies, property seizures or tax liens. I don't have to do with any of that stuff. Now, the truth of the matter is, to be perfectly candid and honest, businesses do have to deal with that. They do have to keep the records and they have to make the reports, but they're doing it already. We already have a sales tax in this state. We're not asking these merchants to do more than they're already doing. So they're already dealing with this compliance issue. It's not greatening the burden for them. It's lessening the burden, because these merchants now, to the extent that they have employees, they don't have to do any wage withholding from these employees. They don't have to file forms with the state reporting wage income. They don't have to file forms with the state reporting all these various payments that they make. They don't have to keep records of their income and expenses. Well, of course, they have to do that for purposes of the IRS, but they're not subject to any state income tax audits. This model is remarkably simpler than what we have right now.

ALBRECHT: OK. So stability was number-- the next one I asked about.

DAN PILLA: Yeah. Now we, we address--

LINEHAN: We're going to have to keep it a little short.

ALBRECHT: That's what-- I'm just--

LINEHAN: I'm not talking to you.

ALBRECHT: I'm just-- I get it. I get it. So, so again, Nebraska. No one else is doing this. We don't know-- we haven't seen how-- I mean, stability is what everybody's going to look for--

DAN PILLA: Right.

ALBRECHT: --whether you're a business or whether you're personal, whether you farm, whether you-- you're in a corporation, whatever.

DAN PILLA: Well, as I said, it's not accurate to say nobody else is doing this. Remember, the income tax is the experiment--

ALBRECHT: Correct.

DAN PILLA: --in my opinion, the failed experiment, because most of the states of the Union did not adopt an income tax until the 1960s. And this state did not adopt its income tax until 1968. The income tax is the experiment. The model that works is the excise tax model. That's what the founders adopted, that's what they leaned on and that's what this country, country operated on for more than 100 years. Now, as far as stability is concerned, what I talk about in the, in the ten principles paper, is stability from the standpoint of the changing tax law. All right. I've already addressed the economic stability with the Senator's question over here, and this Senator's remarks about the three-legged stool. We've addressed that context in the terms of economic stability. But there's another stability that we have to address, that I address in the paper and that's the stable law itself. All right. The law changes on a constant basis as I said, 5,900 tax code changes, just since 2001 alone. In Minnesota, our state sales tax was adopted in 1963. In this state, your state sales tax was adopted in 1968. You can count on one hand the number of times that these state sales tax laws were changed, compared to the income tax laws. As I said, as I said, your state income tax has changed 25 times since the time it was adopted in 19, in 1968. That's twice a year, friends. And that doesn't even include what you have to do because of the tax law changes that trickle down from Washington. Right. So when I talk in terms of stability, I'm talking about the ability of citizens to plan their lives, knowing that what the tax law is today, the tax law will be tomorrow. We have a fundamental right as citizens, Senator, to know what the law is going to require of us. We have a fundamental right as citizens to know how to comply with that law and to be able to do so in a simple and quick and efficient and economic manner. And we cannot do that under the unstable system that we have now. The Internal Revenue Code right now, maybe you know this, maybe you don't, the Internal Revenue Code right now has 71 different provisions that will expire in 2005-- in 2025. Seventy-one different code provisions will expire. There are dozens of code provisions that are temporary, expiring, phase-ins, phase-outs. All of these things introduce instability into the system to the point where the American citizen, who thinks he might know what the law is today, has no way to know what the law is tomorrow. And consequently, they cannot comply with it.

ALBRECHT: OK, good. Thank you. Constitutionality. So the taxes must be imposed solely to fund clearly defined constitutional function.

DAN PILLA: That's exactly right. At the fed-- yes.

ALBRECHT: Go ahead.

DAN PILLA: At the, at the, at the federal level, there are only three narrow issues for which taxes can be imposed. Article I, Section 8 of the Constitution lays out three provisions. Number one, to provide for the debts of the nation; number two, to provide for the national defense; and number three, to provide for the general welfare. Now, the term general welfare has been, has been expanded beyond, beyond recognition. All right. At the time of the founding of the United States, the term welfare would have meant well-being. It would have been interpreted to mean well-being. And the word general applies as it is-- as it does today, to everybody, everybody's well-being. So, in other words, Congress could pass or impose a tax that would benefit everybody, as opposed to one group of citizens or another. What we have right now, under the illegitimate general welfare clause that was adopted by the Supreme Court in 1937, in the case of Helvering v. Davis, where the Supreme Court said then that the general welfare clause means anything Congress wants it to mean. That's what opened the door to transfer payments. Seventy percent of the, of the federal government revenue is-- constitutes transfer payments, taking money from this person and giving it to that person. And however high-minded that might be and however noble these, these safety-- social nets may be, Congress doesn't have the legal authority to do it. Now, states have legal authority beyond what Congress has. And your state Constitution needs to be referenced to determine what the legitimate functions of the state spending are, insofar as those things are concerned. But one of the reasons our tax system is out of control is because of this demand for revenue that's created by this, this illegitimized definition of general welfare, Senator.

ALBRECHT: You know what? I really appreciate you coming in. I wonder, do you know a gal by the name of Lynn Rex? Lynn Rex?

DAN PILLA: I don't think so, no.

ALBRECHT: I'll tell you, you guys are amazing at what you can put in your mind and, and put on paper and-- yeah. Anyway, but thank you so much for all the information. [INAUDIBLE]--

DAN PILLA: My pleasure.

ALBRECHT: --looking it over and trying to figure this out.

DAN PILLA: Thank you. Thank you. I appreciate it.

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

DAN PILLA: I've got 14 questions, Senator. Do you mind if I answer my own questions? [LAUGHTER].

LINEHAN: If there were only two people behind you, that might-- but I got a feeling there's a lot more.

DAN PILLA: Thank you for your attention, everybody. I appreciate it.

ALBRECHT: Thank you very much.

LINEHAN: Next proponents. Don't be shy, guys. Jump right up. And if you're going to testify, move to the front, please, because it saves a lot of time.

CRAIG BOLZ: My name is Craig Bolz, B-o-l-z. I'm from Palmyra, Nebraska. A lot of things had already been said. I got my speech whether you want to believe them or not. The first thing I want to lead off with is change. Everybody's scared of change. Well, the simple fact of the matter is, is we're in serious trouble in this state and it needs to be changed. This bill is historical. You people, the 49 senators, have a chance to change something that's going to be historical in the state of Nebraska. Some of the things that's going to really work with this is the elimination of the corporate income tax. People are so dumb, they don't realize that they pay all the corporate income tax. So what is the point of corporate income tax? This all started-- the reason we're here is about 25 years ago, when the legislatures [SIC], the senators, capped the spending at 105. They didn't cap the growth at 2 percent. We wouldn't be here having this if they'd have capped the growth or the valuation of property at 2 percent. We wouldn't have a problem. But they didn't do it. I've always said, were the senators that dumb or that smart? I say they were that smart. They wanted a loophole. They wanted an out. That's always been a thorn in my side. The only problem that this bill is going to create is we ain't going to have enough labor force. This state is going to explode so large with manufacturing, we are going to run out of labor. I'm a farmer. I cash rent all of my ground. I want to cash rent all my ground. A few years ago, I testified at that time we were paying over $100,000 to schools, because we pay everybody's school taxes. We pay every acre-- every acre I farm, I pay, I pay it through cash rent. Now we're at $200,000 that we're paying. I'm 69 years old. This ain't no fun. Another problem that this is going to create is, if we can get this to the ballot, it'll pass 65/35, just like the gambling bill did. They whined and the goody-two-shoes got up and they said, oh, this is bad. This is bad. And now it's the most wonderful thing in the world and this is going to be the same thing. It's going to pass 65/35 if we get it to the ballot. And I-- and I'm not going to stick around because I got to go home and go to work. But I guarantee you the educational system is going to be lined up all the way out the door opposing this, because their blank check is going to be taken away from you. Thank you.

LINEHAN: Thank you very much.

CRAIG BOLZ: Thank you very much. Any questions?

LINEHAN: Any questions from the committee?

CRAIG BOLZ: Thank you very much.

LINEHAN: Thank you very much for being here. Next proponent.

ALBRECHT: Oops.

LINEHAN: Good afternoon.

ROB ROHRBOUGH: Good afternoon. I'm Rob Rohrbough, the last name is R-o-h-r-b as in boy, o-u-g-h. The first name is Rob, R-o-b, as in Robert. I live at 8515 South 105th Street, La Vista, Nebraska, 68128. Over the decades, whether it was the shock of seeing how little take-home pay I got from my first paycheck or whether it was realizing that I paid more annually in taxes on my house when I sold it than the annual mortgage when I bought it, I realized, realized I did not own my house or my income. The government, federal or state, took what it wanted and gave me the leftovers. This is a sad realization for a citizen of a country that was founded on property rights. Over the past few years, I have led the EPIC tax reform effort. I have met more people who have struggled with their real estate taxes. Fortunate retirees have left Nebraska for states that have no income tax or lower property taxes. The unlucky ones have been forced out of their homes and into apartments and a few very unlucky ones have lost their home when they missed paying their taxes for three years. Everyone understands the fact that our real estate taxes are too high. But if we eliminate property taxes altogether, won't foreign and corporate agricultural enterprises come in and buy up Nebraska land, when they see the attraction of no taxes? I believe it will be more difficult for them because land value and prices will rise. They have easy pickings now, because resident farmers and ranchers, when they struggle, have no choice but to sell to make ends meet. The real question is about the best form of taxes. No one should have to wonder how much of their income they get to keep nor should they wonder about being able to keep their own home when they retire. The people who suffer from confiscatory taxes are those of modest means. Those are the people who testify tearfully when their valuations go up and they realize that they will have to sell their home of 35 years to retire. We propose a grocery and no other exemptions. If we exempt more than half the potential tax base as the current sales tax does, our critics will be correct. We will be well into double digit-- a double digit rate to raise enough revenue. According to the Beacon Hill Institute's dynamic model, eliminating those exemptions yields a rate of less than 7.25 percent to entirely replace the revenue. Our legislation calls for an initial rate of 7.5 percent, giving us more than a quarter of a percent buffer. In fact, with the positive economic effects, the model projects a decline of rate needed down to almost 6.5 percent by 2030. With property tax-- property rights, pardon me, restored, businesses will flock to Nebraska, bringing jobs as well as more people, lowering the burden for everyone. This bill is nothing short of a wholesale reversal of the economic losses to other states we Nebraskans have suffered for decades. Thank you.

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

ROB ROHRBOUGH: You're welcome.

MICHAEL MEYER: Hello.

LINEHAN: Hello.

MICHAEL MEYER: My name is Michael Meyer from Kearney, Nebraska. Michael, common spelling, M-e-y-e-r. And I want to approach this from a nonpartisan thought process. Our world is upside down on fire. And for the last few years, we've had one side in charge. And we have stuff like presidents having their tax released to the public. Corruption is rampant. This takes that off the board and the pendulum swings. The people who are in charge right now are going to be the minority in the future. And the way we're going, we could be Venezuela. We're headed for banana republic status. And I would dearly love to see our taxes, not part of the corruption. Thank you.

LINEHAN: Thank you very much, sir. Were there-- wait a minute. Questions? None. Thank you very much. Good afternoon.

BRENDA BICKFORD: Hi, guys. Hey. Asking me to talk about taxes in 3 minutes is like asking 747 to land on a three-foot runway, but I'm going to give it a whirl. All right. OK. Brenda Bickford, B-r-e-n-d-a B-i-c-k-f-o-r-d. So our-- as we all know, our entire Nebraska tax system is broken. I'm going to focus on the property taxes and specifically, on the protest process and what a disgrace it is to the state of Nebraska and how disrespectful it is and a slap in the face to the property owners. I would like you to first look at the first exhibit there. It's Exhibit 1, A, B, and C. All three of these came in the same envelope and they came in 2022. Basically, it was saying, if you already have a protest going, it's not going to affect your 2022 taxes. If you don't like your '22-- I'm mean, '22 valuation, you're going to have to protest that also. Why did I get three of them? Because at that time, I had three protests going-- 2019, 2020 and '21. I was waiting for three hearings for three years. How can I prepare my '22 protest when I don't even know what the determination is in 2019, 20-- in 2019, '20 and '21? I ultimately did get a combination hearing for '19 and '20, which if I have time, I would love to tell you a couple of things that happened in that. But for the sake of time, I'm just going to circle back around to that if I can. Exhibit 2: it is a notice of hearing. If you notice, the, the hearing is in a couple of weeks, March 21 of 2023. But look what the hearing is. It's my, it's my protest for nine-- for 2021. I am just getting the notice of hearing. I haven't had the hearing yet. It is coming up in a couple of weeks. If you go to exhibit three. Sorry, I'm going fast because I know-- I'm waiting for that light to go. Exhibit 3: this is what I got in an envelope with one of my notices of hearings. It's a flow chart of how the single commissioner hearing process works. When you need a flow chart to tell a taxpayer how just one portion of the tax system works, we have a broken system. I want you to go to Exhibit 4 now. Exhibit 4: During this whole time, I've been protesting my taxes year after year after year, I've asked one question. I wanted a simple mathematical formula that they could give me of how they went from last year's valuation to this year's valuation. I wanted a simple mathematical formula-- add five, divide by six or carry three. They could never give me that. I was pulled into the Assessor's Office one time and he promised me he would give me that. He never did. I sent him a letter. We went back and forth with six different letters. I highlighted-- this was the final letter and I figured, I'm not going to get anywhere. I want you to look at some of the things that he put in this letter. One of the things that he put in the letter on there, there are no simple descriptions--

LINEHAN: Wait. I'm sorry.

BRENDA BICKFORD: --of the multiple regression.

LINEHAN: I was watching you-- listening so intently, I didn't see your light. So I will ask you, can you just explain this letter?

BRENDA BICKFORD: Yes, I will.

LINEHAN: And then we'll see if there's other questions.

BRENDA BICKFORD: So, yeah. Thank you. I appreciate that, Senator. So what I did was when I asked him, when I was sent to his office, I asked him for this formula. He promised me he would give it to me. I never did receive it. So I sent him a letter and it went back and forth six different times. And this was the final letter. And I finally figured, I'm not going to get anywhere. And what I've highlighted on there are some of the comments that he gave me in the letter. And that’s all I wanted, was the formula. The first one says there is no simple description of the multiple regression analysis, the replacement costs-- and you can read the rest of the line. The next one says there is no simple explanation of professionally accepted mass appraisal techniques, uniform standards or professional appraisal practices. Basically, he's telling me he doesn't know and there isn't an answer. And then if you look at the very bottom line, he says, the last paragraph says, if I want the answer, I can go to the website or you can request that we create a custom data query per your specifications. Such requests are billed at $60 per hour for the research, setup and generation of the data query. This is what we go through as property owners in Nebraska, when is all we want to do is say that our valuation is too high. And I would love to tell you a couple of things that happened at that hearing, if you would like to, when I went to the 2019 and 2021 hearing.

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

BRENDA BICKFORD: Can I tell you about the hearing?

LINEHAN: Let me ask-- well, wait. And be honest, how many people are going to testify? Somebody count. One, two, three, four, five, six, seven. eight, twenty. OK. You can, you can have another minute, another minute.

BRENDA BICKFORD: OK. So when I first went-- when I, when I first went into the hearing, when I very first went into the hearing, what I was provided with was this. This is what I was handed by the county attorney, that the county attorney and the assessor was going to use as their evidence against me to prove that my valuation was not too high. This was what I was given.

LINEHAN: But you weren't given it until you got to the hearing?

BRENDA BICKFORD: Right. Well, I think we had-- you know, you had to give those beforehand, also. But then, they handed those when we got there.

LINEHAN: OK.

BRENDA BICKFORD: But I'm saying this is what they use against you at a hearing. Then the other thing that happened, is the county attorney came up to me and he asked me a series of questions, things like, do you have a degree in statistics? Do you have-- have you had a job where is all you've done is worked in statistics? Do you have a degree in algebra? Do you have a job that is all you've done has worked in algebra? Do you have a degree in analytics? Do you have a job-- basically, what the county attorney was doing, he was, he was insinuating that if I did not have either a degree or work in specifically, in those areas, I was not qualified to analyze my evaluation and properly protest my valuation. He was trying to degrade me and my intelligence. Personally, it was none of his business. We were at the hearing to discuss my valuation, not to determine my IQ. Now, one thing happened that he was not expecting. He had an expert, his little expert witness that worked at the Assessor's Office, that he used several times to ask questions of how things were done at the

Assessor's Office. I turned around and asked him the exact same questions and he answered no to every single one of them. But it was OK for his witness not to have any of those qualifications, but he wanted to make it clear that I didn't. I appreciate the extra time, Senators. Thank you so much for listening.

LINEHAN: Thank you. Thank you very much.

ALBRECHT: Can I just ask a quick question? Sorry.

LINEHAN: OK, quick.

ALBRECHT: Just quick. Why are you going to their attorney? Why didn't you go to TERC?

BRENDA BICKFORD: That was in TERC.

ALBRECHT: That is TERC?

BRENDA BICKFORD: That was the, that was at the multi-commissioner, that multi-commissioner hearing. That was TERC.

LINEHAN: Clarification. Can I?

ALBRECHT: Yes, please.

LINEHAN: That was the county's attorney, not TERC's attorney. The county, the county--

BRENDA BICKFORD: Yes, the county attorney comes with the assessor--

LINEHAN: Right. Yes.

BRENDA BICKFORD: --at the TERC Comm-- [INAUDIBLE].

LINEHAN: Because they're--it's as if you're in a court and they--

BRENDA BICKFORD: Yeah.

LINEHAN: --bring their attorney. Yes. OK. OK. Go ahead.

ALBRECHT: So was there--

BRENDA BICKFORD: I lost. [LAUGHTER].

ALBRECHT: --three years in a row.

BRENDA BICKFORD: Huh?

ALBRECHT: You're, you're waiting for the second one.

BRENDA BICKFORD: Oh, the 2020 I haven't even had yet. That's coming up in a couple of weeks. I think I'm just going to-- yeah.

ALBRECHT: That's why you're probably the one that gets the most signatures for these--

BRENDA BICKFORD: That's why I'm out there fighting for EPIC option every single day. You got it.

ALBRECHT: Thank you.

LINEHAN: Thank you.

BRENDA BICKFORD: Thanks, guys. Still appreciate the extra time.

LINEHAN: Thank you. Thank you, Senator Albrecht. Next proponent.

TOMAS WEEKLY: Make sure you hand me your green sheet before you sit down and start to testify. OK?

AMBER PARKER: Amber Parker, A-m-b-e-r P-a-r-k-e-r. I first want to start out with the solutions that Senator Erdman brought forward. And that is the-- recognizing that in the current tax system here in the state of Nebraska, 40 percent do not pay any taxes. We are, right now, in an inflation across this nation. Families are having a hard time putting food on their table and now the question is, are they going to lose their homes? Nebraska has many plantation owners and many serfs. And sadly, the way the current tax law is on our property taxes, that's exactly the present-day situation we are in. When you vote no and tell us you have a right to continue to charge us to pay rent on our property, even for someone who has mortgage paid off, you are saying you are OK to be a plantation owner. The Nebraska government. Take note. And what does this mean? You take away homes? What next, CPS come in and take away children from their families? I want to bring attention to Arizona. There was a oversight in elections joint committee. This information was shared by Jacqui Berger [SIC]. I apologize if I'm not saying her name right. She shared, investigated the laundering of drug cartel moneys through single-home purchases and states. I encourage people that have lost your home, see who purchased your land. And I'm being serious. Was it CCP? Was it any government-- someone in governing authority position here in the state of Nebraska?

Was there anything, because in Arizona-- I'm going to continue reading: racketeering liens, bribery of public officials, tax evasion, bankrupt fraud, officer breaking Fourth Amendment-- findings also showed phantom attorneys registered with the state bar. Active judges had accepted bribes in Arizona, findings show-- found bribes to public officials, connections to elections, 2020 election-cycle election fraud, pressure-- even on child custody, I believe it was. I'd have to look at that. Also, as well, there were nine deeds of trust, I believe, to Governor Hobbs, pointing out that drug cartels are working together with politicians to manipulate elections, as well as members of the state legislature, judges, mayor of Mesa, five members of Mesa City Council, Council-- excuse me-- Mesa, Mesa City Council. This is in Arizona. What is happening in Nebraska?

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

AMBER PARKER: I wasn't done. My yellow light didn't go, but. OK. That's OK.

LINEHAN: OK. I'm sorry. Go ahead.

AMBER PARKER: OK. I was just going to say the truth of the matter is we are slaves. You guys are our owners. We can never own our property in the state of Nebraska, even if our mortgage is paid off. And it-- with the real estate market and the way it is, if you were in a real estate market where people are-- having a hard time, they don't even want to pay because they can't be in a contingency, they can't afford it, the interest rates. That means that even if your mortgage is paid off, the state of Nebraska, the plantation owners, can put a lean against your property and you can lose everything of your equity, if your equity was your house. And you could end up poor, even though you had a 100 percent paid, free mortgage. No payment.

LINEHAN: Thank you. Thank you. Thank you very much for being here. Are there any questions? Seeing none, thank you.

TOMAS WEEKLY: Please make sure you're the only one getting up before you hand me [INAUDIBLE].

LINEHAN: Well, I asked them to hurry, so.

TOMAS WEEKLY: I'm sorry.

LINEHAN: That's OK.

PAUL VON BEHREN: I'm sorry.

LINEHAN: That's OK.

PAUL VON BEHREN: Paul Von Behren, last name V-o-n, second word, B-e-h-r-e-n. After all these smart people, you need a simple thinker. Just a couple of questions for you. I think-- just think for a minute. What would happen to prices in Nebraska, if Nebraska's businesses no longer had to pay property, income or sales taxes? What if it applied to an Omaha business owner competing against a merchant in Iowa?

LINEHAN: The light screwed up. OK. We'll start over. Go.

PAUL VON BEHREN: You scared me. OK.

LINEHAN: OK. You don't have to spell your name. I got that.

PAUL VON BEHREN: I understand.

LINEHAN: OK.

PAUL VON BEHREN: And secondly, what would happen in Nebraska's, Nebraska's economy if every household had approximately $3,000 more to spend annually, which would be the net savings of this program? What would happen to new car sales if buyers only pay a-- paid a tax once when they purchased, instead of the 14 years following that purchase? What would happen to Nebraska's farms and ranches and their rents if they-- which are, of course, one-quarter of our ag economy-- if the property taxes weren't up to three times as high as some of the surrounding states? And what would happen to the farm and ranch families if, when the owner died, they could hang on to their land, land instead of losing it to inheritance taxes? It's simply real. We've, over the last five years, we've spent approximately $200,000. We've spent nearly $50,000 in repeated economic analyses of this program, about $150,000 promoting experts, that kind of thing and I can't tell you how many thousands of hours and thousands of other ancillary dollars of our own money.

LINEHAN: OK, everybody. If you're in here, you can't be visiting, OK, because I can hear you. OK. Go ahead. I'm sorry.

PAUL VON BEHREN: OK.

LINEHAN: I'm sorry.

PAUL VON BEHREN: My point is, this is not a knee jerk. This is not some idea that we woke up with one morning and said, hey, this is great. I think Senator Erdman mentioned the 60-plus Zoom calls we've done. Plus, that doesn't count all the conference calls that we spent time on a couple of years before that. This is not a knee jerk. Let me give you an example how this, how this plays out, out and one of the reasons that this really needs to be done. About two years ago, Fremont Public Schools came to Fremont and said, hey, give us $120 million in bonds and it will not affect your property taxes, while they were retiring previous bonds and were wanting to renew the current, so it didn't. The following year, turned around and levied the highest tax increase they have levy-- levied in the last 10 years. The average Fremont-- Fremonter is going to lose about 3 percent of their net income, due to that one tax increase alone. You're going to hear a lot about local control. Local control is the argument of the people who tax. What we're trying to give you is the argument-- or local control for the people who are taxed. Plain and simple. The, the Fremont Public Schools-- and I-- and I'm embarrassed because in the 2020 census we were listed as the poorest city in Nebraska of our size. One-eighth of our people live in poverty and yet, they-- $120 million, followed by the largest tax increase in 10 years? That is simply pure government greed in the name of local control. So as you listen to local control, I'm asking one thing. Who's local control are we really concerned with?

LINEHAN: Thank you very--

PAUL VON BEHREN: This is an issue of taxpayer control.

LINEHAN: Thank you.

PAUL VON BEHREN: Thank you so much.

LINEHAN: Wait. Are there any question? Wait. Wait. Are there any questions from the committee? Because I have one, actually.

PAUL VON BEHREN: I'm not that interesting. Please.

LINEHAN: So what did their tax rate-- I mean, what was the levy? It went from what to what?

PAUL VON BEHREN: I'm-- I can't give you the exact numbers right now.

LINEHAN: OK.

PAUL VON BEHREN: I'm sorry.

LINEHAN: That's fine.

PAUL VON BEHREN: We just did the research back on-- and it was the highest it has been in the last 10 years.

LINEHAN: OK.

PAUL VON BEHREN: Yeah. Yeah.

LINEHAN: All right. Thank you very much.

PAUL VON BEHREN: Thank you.

LINEHAN: Appreciate you being here. Good afternoon.

ROBBIE ADAMS: Hi. My name is Robbie Adams. R-o-b-b-i-e, Adams, A-d-a-m-s. I'm from Papillion. I support all the EPIC option bills and amendments because I'm opposed to double taxation like the state inheritance tax or better stated, the death tax. This money was already taxed as income for someone else. It is terribly evil to tax it twice. It means, for many people, that they will lose a business or farm passed on to them in the family because they can't pay the double tax. Nebraska is in the top four states for taxation. With our low population, does that make any sense at all? We are losing both young people and seniors due to our tax rates and property taxes. For seniors, there is the great fear, as has been expressed, that a, a home we supposedly own could be lost, as property taxes increase so high we could lose the ability to pay them on fixed incomes. So many border states have lower tax rates than Nebraska, not to mention the state income-tax free states like Alaska, Florida, Nevada, New Hampshire, South Dakota, Tennessee, Texas, Washington and Wyoming. My husband and I have checked into retiring to other states and have scoped them out and met with realtors. We've done our research and we were close to moving when I learned about the possibility of the EPIC tax option. My husband now works remotely, as a permanent choice, after COVID and we could go anywhere to live. If EPIC is passed, we would stay here. We live in Papillion and already paid a sales tax of 7 percent. So the 7.23 percent, now, with a drop to 6.52 percent in 2026, would only help us as we move toward a fixed income. All my children are younger adults who struggle with no pay increase, yet ever-escalating tax rates. The EPIC tax would lower their annual tax burden and give them dollars they do not have today, to spend on their children's upbringing and their needs in their families. This spending will move throughout Nebraska's economy, to help our farmers and businesses to be stronger and more stable. The greatest benefit to us, our kids and all of Nebraska will be in how the EPIC tax truly makes our incomes spending under our own control. If we have an emergency, we can simply cut our spending or become more thrifty and buy second-hand goods. I'm going to love not paying taxes on used vehicles. Best of all, it is fair for all Nebraskans with ways to economize with those-- for those with lesser means. As my husband and I retire in the next few years, we will be people with lesser means on a fixed income. Please pass all the measures for the EPIC option and make Nebraska a competitive state in the midwest and a model for the nation. Thank you.

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

JOSEPHINE LITWINOWICZ: My name is Josephine Litwinowicz, J-o-s-e--h-i-n-e

LINEHAN: Can you-- I think he's going to try and help you move closer. Is that OK?

JOSEPHINE LITWINOWICZ: We should have a little longer.

LINEHAN: There you go. There you go. Thank you.

JOSEPHINE LITWINOWICZ: J-o-s-e-p-h-i-n-e L-i-t-w-i-n-o-w-i-c-z. And I, I have to say, I feel strongly about this. I would say I put proponent. You know, I under-- I, I get it. You know, I just wish-- I guess I'm speaking on all three because I, I-- because of my lower back. But I would just ask-- you know, I think the flat tax or, you know, sales tax is a-- I, I don't know about that because, you know, I-- you know, I pay taxes. You know, I made more than some, in the past and I never complained about it. I'm just-- I own that. It's OK. But I always was concerned how it was spent. We, we need to pay some taxes just, just to keep this afloat. You know, infrastructure, infrastructure, so we, we don't end up with some kind of feudal-like system, where we have, you know, some well-doing people and then those that get punished because they, they take too much wood from the forest, you know. And so, I just wish people would think, you know. Now I'm on disability and, you know, that, that sales-- just the excise or sales tax, that-- that's going to, that's going to affect me a lot. And I don't pay income taxes, but I wouldn't mind. I can't afford to-- and I don’t have to. But anyway, I just-- I with-- and, and I think everybody is right, in this room, so I don't know what the heck to think. But I was in the area and I feel strongly about it and just-- you know, if you, if you can think about that. Thanks, everybody.

LINEHAN: Thank you very much. Good afternoon.

DOUG KAGAN: Good afternoon. Doug Kagan, D-o-u-g K-a-g-a-n, representing Nebraska Taxpayers for Freedom, in support of LR6CA. We support this resolution in principle, but would like to see it somewhat amended. We do endorse a shift from reliance on state income taxes and local property taxes to consumption taxes. I think a lot of people think there's only one kind of consumption tax, but actually there's several, including sales, use, excise, nuisance and sin taxes and user fees and charges. Several states have passed or introduced these taxes and found that this new tax structure accrues sufficient revenues to adequately fund both state and local governments. As consumption taxes phase in, income tax brackets would lower in stages and property tax levies would decrease, likewise. Abolishing, eventually, our state income and corporate income taxes would place a pay increase in each paycheck, offering employees incentive to increase productivity and businesses incentive to increase in investment. Consumption taxation mostly removes tax on business investment by allowing businesses to expense their investments in capital. They can deduct the entire cost of an asset from their taxable income at the time of purchase. Everyone pays taxes with a consumption tax, so the tax base is much larger. The more you use or buy and the higher the price, the more you pay. Illegal aliens, who now remit much of their income out of the U.S. also would pay this tax. Consumption taxation avoids double taxation and penalties on savings because the saver not taxed on the amount saved, but taxed only on future consumption, thus saving, thus saving more of one's income. More money for retirement and vacations. Taxpayers would no longer dread impending tax payment deadlines. Eliminating taxes on interest, dividends and capital gains would boost our economy from every income level. Individual investment encouraged because profits on the sale of stock or other assets is taxed only if spent or not reinvested. Empirical data, we found, show that consumption taxes could increase the size of the Nebraska economy by only-- by about 15 percent over 10 years. This impressive growth largely would derive from investment now suppressed under our current tax system. Such tax is sufficient and simple for state revenue departments to implement; compliance and administrative costs minimized. It eliminates loopholes in the many exceptions and complexities in our current tax system. Many citizens do not realize that before the levying of income taxes, consumption taxes provided the main source of federal revenue and in some states, also. The tax is easily collected. LR6CA presents a splendid opportunity for legislators to reform our outdated and confiscatory state tax system. Thank you.

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

KAUTH: Thank you, Sen-- Chair Linehan. So you, in your statement, you say your organization does not support EPIC, but you do support some consumption taxes. Can you tell me where the issue is with the EPIC?

DOUG KAGAN: Well, reading the revised first version, we-- again, we have a problem with local, local governments even allowing the vote of the people to increase the tax. If you look at levy overrides and bond issues, a lot of them pass through simple majorities of, of the tax authority and also, a simple majority of the voters. So we're concerned that the consumption tax, if you set it at 7.5 percent, but then ask-- add local. If you're county or city, you could end up with like 13 or 14 percent. I think I left a white paper in your office that detailed some of this, so I don't want to take up a lot of time. But there also could be a confusion between what constitutes a used good and service and a new good and service. Also, taxing nonprofits-- you know, nonprofits are that way because they don't want to pay taxes, but there's other ways to tax them, like with PILOTs, payments in lieu of taxes, instead of levying a, a consumption tax on them.

KAUTH: Thank you.

LINEHAN: Thank you, Senator Kauth. Are there any other questions? Seeing none, thank you very much for being here. Next proponent.

LEE TODD: I'm going to have some handouts. [INAUDIBLE]. There should be some extra ones, too.

LINEHAN: Good afternoon.

LEE TODD: My name is Lee Todd. I'm a real estate investor. I play one full time. I also teach investment classes, particularly in real estate. I like to work with young people in particular, because I think it's a great way to generate stable income. The only thing that I don't do is I don't play real estate investing on TV. So Senator Kauth just left. The answer to her question is the other states don't have a Senator Erdman to bring such a bill before them. So that's the reason it's coming to the state of Nebraska. I do mean that in some sincerity. I've been visiting this issue for 30 years and sometimes, I think, oh my gosh, I'm that old. But yes, I am, I guess. One of the things I would like you to look at and I'm going to be very brief on this, Doug Kagan and I, we had a discussion last night. And when any-- anybody says, well, I don't have a, have a issue with the EPIC, my thought is, in my excitement, to say, well, what, what-- what's the problem? And one of the things that Doug Kagan had brought up is this one, on new home sales, his thought was that they would decrease. You will see a hand out. I'm not going to go into a lot of detail, but your recuperation time after you pay the sales tax and you factor out the value of the land-- I've got the math here and Doug said I convinced him of it, in fact, EPIC tax, because of it, new home sales will increase dramatically in the state of Nebraska. Your recuperation time and never have to pay property taxes again, 1.41 years. That's this page right here. OK. The math is there. My information to contact is on the bottom of the page if you want to talk to me about that. Now, this page, it has a lot of stuff on it. I'm not going to go into the details. I'm just going to say this page backs up this page. So if you can find the page, it's got the little green squares and the little yellow squares. This, I thought, really epitomizes what's going on and has been going on in the state of Nebraska. As a real estate investor, if you look at the columns on the right hand side, I don't own my house for how many months out of the year? 2.39 months out of the year, someone else owns them, i.e. the county government. The property taxes in a batch of properties that I have in Lincoln, Nebraska-- could you-- somehow [INAUDIBLE] if you could just turn that off for me-- $17,871 on a group of five properties. And those five properties are on that page. A similar basket in Missouri, my property taxes are, same valuations roughly, within $100,000, $5,058 bucks. And the amount of money that I have to pay to the state of Missouri is one month's worth of the revenues. If we would take that scenario and apply it to the state of Nebraska, do what Missouri does, my property taxes for that same batch of properties would be $6,291 and I would have 0.84 months only, of taxes that I have to give to the county and the rest I could keep to do other things and invest in other properties. This thing would just be a gangbuster population draw, investment draw, all the way across the board. And I noticed, Senator Linehan, I hope you have the ability to look at this. I'm really excited because, last year, I know you were against it. Senator Bostar, I really feel some positive vibes coming from this place as well. I think we've got a great chance to get this through committee and out on the floor and debate and pass this thing with an overwhelming margin. Thank you for your time.

LINEHAN: Thank you.

LEE TODD: You're welcome.

LINEHAN: No clapping, guys. I'll, I'll have to remove you. Any questions from the committee? Seeing none, thank you very much.

LEE TODD: Thank you. Appreciate the time.

LINEHAN: You bet.

DENNIS SCHLEIS: Welcome.

LINEHAN: Good afternoon.

DENNIS SCHLEIS: My name is Dennis Schleis, it's spelled D-e-n-n-i-s, last name is S-c-h-l-e-i-s. I live in Omaha, Nebraska. My wife and I are both retired now, so we don't pay much income tax, but we do pay a lot of property tax on our house. We don't have much control over our property taxes, which seems to just go up and up, higher than the inflation rate. Alt the local governments seem to be just trying their-- to grow their budgets with higher and higher property taxes. Our savings dwindle each year. However, my wife and I are very frugal. We don't buy much other than necessities and we buy no luxuries and we take no vacations. Therefore, I believe that the consumption tax would benefit our lifestyles as retirees. Changing to this system would allow us to stretch out our savings for a longer time and help ease our fears and I mean fears, that our money might run out before we are gone from this earth. Thank you.

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

STEVE DAVIES: Good afternoon, Senator Linehan and Senators on the committee. My name is Steve Davies, S-t-e-v-e D-a-v-i-e-s, and I testify in favor of these proposals. Our tax system is broken. Nebraska ranks among the worst in tax ratings. Beyond the statistics, the personal burdens are causing many young citizens and retired Nebraskans to leave the state. The property tax has been an exceptional burden for our farming industry and recently, homeowners have felt the blunt. For a decade or more, attempts have been made to address the problems with Band-Aids and credits, but the problems of the system persist. It's time to totally restructure our taxes and make Nebraska a place of desire, rather than a place to leave. The EPIC tax option does this. It eliminates all current taxes except excise, like gasoline tax and replaces it with the affordable consumption tax. With no tax on food and used items, it allows those with limited incomes the ability to better manage their finances. Also, it will eliminate current hidden economies and avoid taxation. If you buy something new, you become a participating taxpayer, evening responsibility and the burden. In addition, many entities that are currently exempt will widen the base. In tax exempt organizations, many of them do not actually purchase a lot of things. Much of their income goes to salaries, which would not be taxed. My wife's aunt was born in Nebraska and an ardent Cornhusker. After she and her husband moved around the country for employment for many years, she greatly looked forward to retiring back home in the good life. She did so. But the taxes and only because of the taxes, she has established residency in another state. This story is replicated by the thousands. I admit that as a farm and property owner, I would see a very significant reduction in my tax burden, but I'm a proponent for the good of Nebraska and its citizens. I, I personally promise that if this idea comes to fruition, I would lower my commercial rents. Taxing districts will be very unfavorable to this idea. But I argue that many of them abrogated their integrity when valuations went up and they did not adjust their [INAUDIBLE]. Thank you.

LINEHAN: Thank you very much, sir. Are there any questions from the committee? Seeing none, thank you very much for being here. Appreciate it. Good afternoon.

JEDIDIAH DAVIS: Good afternoon. My name's Jedidiah Davis, last name D-a-v-i-s, first name, tongue twister here, J-e-d-i-d-i-a-h. I consider it an honor to be here this afternoon and to represent in favor of the EPIC option. And this is an opportunity to incentivize business growth in Nebraska, which, of course, translates to jobs, increased population, which increases the circulation and translates to increased revenue for the state. I'd like to reference the so-called cigarette tax and I found it interesting. It's been long understood that taxing cigarettes and nicotine helps to reduce the use of cigarettes. And just the other day, Senator Hughes proposed a bill that would impose taxes on electronic nicotine systems. Kids call it vaping. She stated that the use of electronic nicotine systems has exploded amongst teens and young adults, reversing decades of progress of reducing general nicotine use. She drew attention to the fact that increasing the tax on cigarettes in the past, has helped reduce the use of cigarettes. And I kind of want to camp out on that concept of increasing the tax reduces the use. It's obviously a simple concept. Right now, Nebraska businesses are paying an exorbitant amount of tax to stay in business in Nebraska. Nebraska has huge benefits of being very centralized in the U.S. Are interstate systems, are railroads, it's very appealing to business. So it's already well understood that increasing the tax reduces the use. That's obvious. So it should come as no surprise that increased costs and increased tax, compared to other state options, this incentivizes businesses to look elsewhere to grow their business. So let's not overlook the fact that taxing reduces how many businesses will grow here. This brings us to the decision, do we continue to incentivize businesses to look elsewhere because of our current tax structure or we have the option, the EPIC option, to incentivize and stabilize businesses, U.S. wide and worldwide, to grow their businesses here, which would increase jobs, increase population, increase circulation and increase state revenue. Thank you.

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

JEDIDIAH DAVIS: Thank you.

LINEHAN: Seeing none, thank you very much. Good afternoon.

PATRICK PETERSON: Good afternoon, Senators. Patrick Peterson, P-a-t-r-i-c-k P-e-t-e-r-s-o-n, and I am testifying on behalf of the Nebraska Freedom Coalition, which represents thousands of patriotic Nebraskans across this state. I come before you today in support of LB79 and I am very grateful to Senator Erdman for bringing this forth. It's no secret that Nebraska has a tax problem. A few anecdotes. The Legislature's own website explicitly states, in overall tax burden, Nebraska has become a high-tax state. And you can find that under state and local overall tax burden rankings. Taxfoundation.org ranked Nebraska 35th overall in their 2022 State Business Tax Climate Index. Even the Platte Institute cites Nebraska as having the highest tax burden among every peer state. Just a year ago, their senior policy adviser said, and I quote, going forward, lawmakers should focus on controlling the total tax burden and restructuring the way taxes are collected in Nebraska. Reforms that result in lower taxes and a more efficient tax code will create a win for political leaders and the taxpayers in the state. And that's all fine and well, but, you know, to get down to brass tacks, I'm not here for political leaders to get a win. This is about some actual relevant and meaningful change for the citizens of this state, your constituents. And this is a topic that truly affects everybody. The average effective property tax rate in Nebraska is around 1.6 percent, which ranks among the 10 most burdensome states in the country when it comes to real estate taxes. And in the largest counties, rates can sometimes exceed 2 percent. Disingenuous and insincere reasons for why young people leave this state are often pontificated about in these halls. But do you want to look at an actual reason as to why people are leaving the state? Here you go. What in the Sam Hill are we doing? It has simply gotten out of hand. The Governor and Legislature have consistently failed to address three root issues: one, total out of control state spending and state bureaucracy; two, a myriad of local, city and county taxing bodies that pile on property and sales tax; and three, fee structures extorted by utilities at the local, county and city level, which always masquerade themselves and avoid being called taxes. It goes much deeper than that still. It's as if most around here mire themselves in bureaucracy to get out of actually passing anything. I've lived in this state for six years and follow politics pretty closely. Every campaign season, it's a promise to deliver on lowering taxes. Frankly, as you can tell by the others who have shown up here today, people are sick and tired of the broken campaign promises. After how many years of promising to deliver tax relief do we finally just get to call them out for what they really are? Lies. Lies for a stump speech. In the wise words of Coach Belichick, do your job. If that means you have to work a little harder or a little later to finally figure this out, then so be it. The rest of working America is having to work a lot harder right now, too.

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

DON CAIN: Good afternoon, Chairman. Chairman and Senators, my name is Don Cain, C-a-i-n, veterinarian director for the Independent Cattlemen of Nebraska and possibly, the only producer who appeared to testify today. We are the voice of the mother cow and so are our families, as caretakers. Let me tell you about my family. I'm fifth generation. The living third generation had a birthday on Monday and he and I talked about what I was going to do today. The fourth generation has called me twice during this hearing, because he's concerned about a cow that's down in a corn field and needs taken care of. I'm here, the fifth generation. The sixth generation is currently getting corn to feed to our cattle, and hopefully, the seventh generation is taking a nap. We have skin in the game, Senators, and we need a change. Personally, I've listened to people in their struggles with their-- the test-- the system and I-- and TERC. It took me nine years to get clear-- to get finalization of our 2012 tax problem. We're at 10 years on 2013 and counting. We have no record of when we're going to be able to have TERC and a decision on 2014 or 2015 or 2016 or 2017 or 2018 or 2019 or 2020 or 2021, '22 and probably, '23. This system is not broken. It's a disaster. The system is constipated. The system can't get anything through it. And we need a change. Our group is looking for the, the EPIC consumption tax to be that leading motion. And we would like it not to be a, a, a politicized deal with preferences. We, we would like to see this count-- this committee get it out of committee and through and on to the floor so that we could, we could work with it, not on a partisan basis, but on a salvage basis for the state of Nebraska. Our expenses consist of cost of production, cost of replacements and cost of existence. And property tax is our cost of existence. During my process, I lost a property and it was due to a county clerical error. I lost that property and I had to go through and get it corrected to retrieve that property back. The system is a disaster and it needs changed. Please step forward and help us. Thank you.

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

PEGGY HOFFMANN: Good afternoon. Good afternoon. Peggy Hoffmann, P-e-g-g-y H-o-f-f-m-a-n-n. I'm from Norfolk, Nebraska. What I've noticed, I was at a hearing on Wednesday and I'm here again today and it seems the people closest to us who are elected don't hear the will of the people who hired them. We have an issue in our city, where we voted against a tax increase that was going to last maybe ten years, to fund our city's streets, our police station, our public park, and perhaps, an indoor aquatic center. And we-- I'm not a citizen in the city of Norfolk, but I live outside of the city. And it was a resounding 2-1 vote against that tax increase. And it was simple because people are, are suffering from inflation and they, they don't have jobs that pay for someone to go to work and maybe, their wife to stay home with their children. And so they have, now, come back to us between November and now, March and they're asking to rank-- asking us to rank those items that we want done in the city. We already gave them our, our opinion, by the way that we voted. So I guess what I'm saying is it, it seems like the only way for us to take control back of our-- of what we pay because they keep coming at us with property taxes and local taxes and inflation is eating our incomes, is for us to decide how much tax we want to pay by how much we're going to consume. It's a simple thing. I think our tax structure now has made our elected officials arrogant. That's my word. I listened to the employees from the clerk's offices talk on Wednesday. They're members of NACO, Nebraska Association of County Governments or-- [RECORDER MALFUNCTION] And I have never heard such arrogance. We have a superintendent at our school who has worked with our mayor to make sure that that public park got funded. They used education dollars to fund that public park and we had no say.

LINEHAN: Thank you very much.

PEGGY HOFFMANN: Thank you.

LINEHAN: OK. How do they use public education dollars if-- was the park close to the school? Does the school own the park?

PEGGY HOFFMANN: No, no. They said their way to save money was to give the city money so they didn't have to make their own park for-- I don't know how many home softball games they have, the girls, not the boys, they have a different field, but $400,000 was an awful lot of money. And we have to hire teachers, maintain our school buildings, repair our school buildings, finish paying for the ones that they've upgraded. I don't-- you know, if the citizens didn't think we had enough money to upgrade the park and do all the other things that should be done, I don't know why they thought using our property taxes was a wise use of our money. Now I don't live in the city limits, so I couldn't vote on that tax but I do live outside of the city--

LINEHAN: Are you in the school district?

PEGGY HOFFMANN: Yes, I am in the school district, so I really didn't get a say. I had six board members and five of them were present and they all voted to pay that. Last year, they paid $100,000 to upgrade that park to ADA compliance, the school.

LINEHAN: OK. Is it a, is it a park that is for, you know, parks are-- is it a ballpark? Is that what it mostly is, a ballpark?

PEGGY HOFFMANN: Yeah, it's-- this was the softball area that they were upgrading.

LINEHAN: And it's a city softball?

PEGGY HOFFMANN: Right.

LINEHAN: OK.

PEGGY HOFFMANN: Well, it's, it's city and there are some high school games played there but only by the girls.

LINEHAN: OK, got it. OK, any other questions from the committee? Seeing none, thank you very much.

PEGGY HOFFMANN: Thank you.

LINEHAN: Good afternoon.

MELVIN HOFFMANN: Good afternoon, Senators. My name is Melvin Hoffmann, M-e-l-v-i-n H-o-f-f-m-a-n-n. And I've just got a few pointers that I want to point out. I'm in favor of the EPIC Option. All of it. And back in the '60s when I was a young man, that's been a lot of years ago, but I elected to join the military to protect our freedoms and our values. And I spent 30 years in the military to do that. Well, when it was getting closer to getting out, I was finding out that I wasn't fighting for our citizens' values, I was fighting for our government values. They were telling us what to do, not us telling them. You know, so it's just-- it kind of rubbed me wrong when everything started going backwards. And we've just got to start taking control of our, our own lives and our own businesses. But I don't know that's-- and I think everybody here has read the constitution or knows what's in it. I am going to assume that. Well, there's three articles in the constitution, correct? Actually, our Founding Fathers made that mistake. There are four articles in that constitution. What are the first three words in the constitution? "We the People." That should be Article I, Article II should be the executive, Article III, the judici-- or the Congress, and IV should be judicial. So I think everything is all backwards from what the Founding Fathers intended it to do. So that is why I am traveling the state to get signatures to put it on the ballot for '24. If the Unicameral won't do anything, we're going to do it by signatures. That's all I got. Thank you.

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

MELVIN HOFFMANN: Thank you.

LINEHAN: Appreciate it. Next proponent. Do we have any more proponents? Good afternoon.

STEVE JESSEN: Good afternoon.

LINEHAN: She can get it, the green sheet.

STEVE JESSEN: Oh, I'm sorry.

LINEHAN: That's all right.

STEVE JESSEN: I apologize.

LINEHAN: You're fine. You're fine.

STEVE JESSEN: OK. My name is Steve Jessen, S-t-e-v-e J-e-s-s-e-n, and I wasn't sure what I was going to say. I wanted to listen to what everybody else had to say today. But-- so I am part of the EPIC Option team that has put together this proposal and helped implement this thing. And we are currently doing a petition drive-- statewide petition drive. And I would just want to-- figured I'd give you a little bit of input that we're hearing as we're out gathering these petitions, because we're going to the-- all kinds of events in the state from one end of the state to the other. And I will tell you that people are motivated to have tax reform in this state. And you are going to see this no matter whether we deal with it now or whether we wait until we get a petition drive. I guarantee you we will have this on the ballot in 2024. People do not have any faith in our Legislature. The, the excuses are they ain't going to come back, our money ain't going to come back from the state level. This is what kind of trust our elected officials in our local communities are using against our-- there-- that money is going to come to Lincoln and never come back to us to fix our roads. These are the things that they're saying, our-- you know, this fear, uncertainty, and doubt that gets put out there by these people. And, and these are our taxing agencies and this is what they're doing to our people. One of the-- when we sit to collect petitions, you talk to them and you say, how do you like your property tax? And you say this is the way to fix it, where do I sign, or the other comment I get is that Legis-- they'll never do nothing down there in Lincoln or it'll all end up in Lincoln or Omaha. This EPIC tax-- this EPIC Option gives everybody equal grounds. The whole state, everybody will be on equal grounds 100 percent. Nobody will have any more advantage over one individual group than the other and that's the way I see it.

LINEHAN: Thank you. Wait a minute. Any questions from the committee? Where are you from, sir?

STEVE JESSEN: I'm from Norfolk, and I know a little bit about that buying thing too. So there is that.

LINEHAN: Yeah. Yeah. I'll check into that. Thank you.

STEVE JESSEN: I should say robbery in the park. Property tax dollars through our school system is just a crime.

LINEHAN: Good afternoon.

MERLYN BARTELS: Good afternoon, Senator. My name is Merlyn Bartels, M-e-r-l-y-n B-a-r-t-e-l-s. I'm here to support the EPIC tax and all of the other couple things that go with it here. I think this should be a priority bill as Senator Erdman has put in place already. We need to change things. My property tax, personal and occupation taxes add up to about $40 per acre. I have some irrigation grounds, some dryland and some grassland. So on the grassland that we're getting $40 an acre rent for, I'm just about breaking even or going in the hole by the time I do any maintenance on that. And I understand that's the same situation out in the Sandhills that people are renting for about what the taxes are or they're getting rent to just cover the taxes and a little bit more, so. So we got something wrong here. When I buy an item, I would just as soon pay that tax right up front as proposed with this consumption tax because then it's done with. Right now, when we buy a piece of farm equipment, we pay personal property tax on that for about seven years. And I've been told that, well, you want to pay this personal property tax because it comes back to your county or to your local area. But with this consumption tax, to my best understanding, it'll come to Lincoln, but then it will go back to your local areas. So I think that's a win-win right there, so. Also in the last five years, my property tax has probably just about doubled. And I farm and own ground in Franklin County, which is right down on the Kansas border. We know people that live across the border and they tell me that their property tax is probably a third of what ours is. So I urge you to have-- move this out of committee and get it to the floor so it can be debated. Thank you.

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

MERLYN BARTELS: Thank you.

RICH RILEY: Hello, Senators. I'm Rich Riley from Norfolk, Nebraska, and I'm a small business owner. I'm a family man, kind of have two different scenarios that I want to bring up about all this. One of them is in my own personal business, it's a family business. My family is involved in it. And looking at the future, it's how do you hand that business down to your family? Because I'm not going to be around forever and how can they keep it on and keep it, keep it functioning? One the inheritance tax, if I pass away, is, is going to kill them. They won't be able to, be able to afford it, the property taxes--

LINEHAN: Oh, I'm sorry. Spell your name quick.

RICH RILEY: Rich, R-i-c-h, R-i-l-e-y.

LINEHAN: Yeah, I think he didn't. He didn't.

RICH RILEY: OK.

LINEHAN: I'm sorry.

RICH RILEY: Anyhow, the property taxes on the business itself, on the business properties, I have two of them in Nebraska that are outrageous and Iowa is another story. But the other scenario is, is my son-in-law and his wife, they-- they're farmers and his family eventually, you know, they're going to want to pass it down to him. And, you know, how is he going to be able to afford the property taxes to keep that family farm operating? There again, how, how can they buy more and grow their family business? They have, you know, four kids of their own that they would like to have involved in that business. You know, I have-- anyway, that's-- it's just-- it's to me, this is a no-brainer. This is, this is something that I know as a business owner, it would give me more money to my bottom line, which will allow me to invest back in the people that work with me to make my business successful and give more opportunities, whether it be raises or new equipment, you know, I would invest more into my business. It would make it so much easier, but that's all I got to say.

LINEHAN: Thank you--

RICH RILEY: Thank you.

LINEHAN: --very much. Are there any questions from the committee? Oh, Senator Kauth.

KAUTH: Thank you, Chairman. What, what are your businesses?

RICH RILEY: I own restaurants.

KAUTH: OK.

RICH RILEY: Culver's restaurants.

KAUTH: Thank you.

LINEHAN: OK. We're not going to do that today, we're hungry.

RICH RILEY: Everyone perked up.

LINEHAN: Oh, OK. Any other questions? Thank you very much--

RICH RILEY: You bet.

LINEHAN: --for being here, sir. Good afternoon.

GREG EPP: Yes, my name is Greg Epp, G-r-e-g, last name Epp, E-p-p. I'm from Giltner and I just-- I want to thank you for considering this option of EPIC tax. I am in favor of it. You know, it's, it's somewhat discouraging for me when I pay my real estate taxes and I realize that I'm paying it on-- mostly on unrealized gains. And I can't think of anything else that I pay taxes on that's, that's based on unrealized gains. You know, I, I own my property outright and yet I don't feel like I own my property because I have to rent it then from, from the county. And then if I, if I consider that if I to prove it if I don't pay those real estate taxes, I won't eventually own that property. I-- you know, I also own rental properties and I, you know, I, I want to be a compassionate landlord. And I had a renter that was retired and I lowered his rent and-- because I wanted him to be able to stay. Right? I was compassionate about it. And yet my real estate taxes continued to raise every year. And I, I, I, I finally went to the county and I said can we work together on this? You know, it was probably a stupid thought that I thought I could get the county to help me. But, you know, they said, no, our hands are tied because, you know, the law requires us to do this. And, OK, so I, I guess I get it. But I had to raise the rent on that, that elderly person and they had to leave. They had to leave Grand Island because they couldn't afford the rent there. And, and I, I don't know, I guess I, I just feel like the system is broken and we need a fix for it and I'm, I'm, I'm definitely in favor of this EPIC tax and I, I think it's going to bring equality back to this whole system. So that's my thoughts.

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

KEVIN MAAS: Good afternoon.

LINEHAN: Good afternoon.

KEVIN MAAS: My name's Kevin Maas, K-e-v-i-n M-a-a-s. I've been having fun watching the clock over there. It's like basketball and the shot clock. Is he going to make it? Is he going to make it? Section 6, paragraph (1) of LB79 reads, "The citizens of Nebraska are entitled to a fair and just tax system, one which favors neither the poor nor the rich, neither rural dwellers nor urban dwellers, neither business owners nor laborers, and that is no respecter of race, religion, creed, or sex." Our current, our current tax system asks how much money do you make? How much money do you have? What do you do with your money? Where is your money? How much land do you have? What do you do with your land? And how big is your house? Who lives in your house? What else do you own? Do you own a second home? Any rentals, a boat? Anything we can tax? How many employees do you have? What do you produce? What is your profit? What is each employee paid? Where do, where do your employees live? What color are you? What is your purpose? What do you believe? What is your gender? Are you single? Are you married? Are you retired? Are you a student? Are you young or old? You get the point, I guess. Nebraskans are separated out, placed in categories and subgroups, then taxed on their answers and then these groups have to vie with each other for favor here. This robs Nebraskans of their dignity. I'm not here to seek any kind of tax relief. I'm just here to seek restoration of, of the dignity of every Nebraskan. I believe LB79 deserves to be sent to General File and thank you.

LINEHAN: Thank you very much, sir. Wait, are there any questions from the committee? Thank you.

KEVIN MAAS: Thank you.

LINEHAN: Good afternoon.

KAMI RILEY: Hi. My name's Kami Riley, K-a-m-i R-i-l-e-y. I wasn't going to do this, but it occurred to me as I was sitting out there and heard a few things, I just want to tell you a little bit about our grandchildren. We have ten grandchildren, and in two weeks we're taking the six boys, ages 8 through 12, to Texas for a two-day seminar. It's called American Family Journey, and it's going to talk about history and they're going to get to hands-on touch pieces of history, you know, that are in museums. And my husband and I are trying to do what we can to help our grandkids know the truth about history, the law, how things work. Right now, I think you guys probably realize that government officials really don't have a good reputation, not pointing to any of you individually, as a whole.

LINEHAN: [INAUDIBLE]

KAMI RILEY: You know, when our kids look back, you know, when we look back, we have certain people, you know, that maybe we look at and they're recorded fondly in the history books or they're not. It just occurred to me that you guys have a chance to start to change things around and make what you do be something good again instead of having the next generation grow up and go, yeah, they did this to us. They're the reason that we're in such sad shape. You guys can change all that so be the heroes and I support LB79. Thank you.

LINEHAN: Thank you. Any questions? Thank you. Any other proponents? OK. Are there any other proponents? Please come forward. We got a whole-- empty spots up here. Proponents. Good afternoon.

ROY ZACH: Good afternoon. My name is Roy Zach, R-o-y Z-a-c-h. I wasn't really planning on testifying, but something came to my mind. Some years back, my parents got their tax, tax assessment from Platte County on, on their three 80s. And I'm one of those 80s, we just could not figure out why the tax assessment just kept getting bigger and bigger. After maybe six or seven years, we finally figured out they had misclassified part of that property. That 80-acre parcel had 30 acres of grassland prairie on it, native grass on the prairie. It was accidentally attributed as dryland crop ground, which carries a higher assessed value. So unknowingly, for about six or seven years, my parents were paying extra taxes because of an error that was presumably made by the assessor at the courthouse. Oh, that money never did come back. I mean, you just don't get the money back from an error made at a courthouse so that's really the main thing I wanted to say is if we pass the consumption tax, we reduce the possibility that errors can be made by a very complex tax system. So anything we can do to simplify that system would help us out greatly. Thank you.

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

BOSTAR: Thank you, Chair Linehan. Thank you, sir, for being here. I'm sorry that that happened. Why wasn't anything able to be done to rectify that situation? I mean, I'm assuming you attempted to have the county go back and refund what would have been owed to you because of the mistake.

ROY ZACH: I guess we just never sought to pursue protesting it, I guess.

BOSTAR: Well, I--

ROY ZACH: We probably should have come to think of it but we didn't want to go through the process.

BOSTAR: You may still be able to and I would encourage you to do so. If, if there was a genuine mistake which led to your family having to overpay, I hope you'll get that money back.

ROY ZACH: That would be nice but they are since passed away so it might be a little more difficult now. I don't know. We'll see.

BOSTAR: Well, thank you.

ROY ZACH: OK.

LINEHAN: Thank you, Senator Bostar. Thank you very much for being here. Appreciate it.

ROY ZACH: Thank you.

LINEHAN: You're welcome. Are there any other proponents? Are there any proponents? OK. Opponents? Good afternoon.

BRYAN SLONE: Good afternoon, Chair Linehan and members of the Revenue Committee. My name is Bryan Slone, B-r-y-a-n S-l-o-n-e. I'm the president of the Nebraska Chamber of Commerce and Industry. I'm also testifying on behalf of the, the Greater Omaha Chamber and the Lincoln Chamber in opposition. Let me first stipulate, I think everybody in the room will agree that Nebraska's income and property tax burdens have been a problem for a long time. Everybody in the room wants to reduce the income tax and property tax burdens in, in Nebraska and the only question is, is how? And, and so my testimony today is really is the EPIC tax the right way to reduce property tax and income tax burdens or is there, is there a better way on the table? The EPIC tax, I think is, suffers in, in three major respects. One, it's very regressive. And so while it's billed as a fair tax, the fact is that if, if you have a lower income and you basically spend all your income because you make a-- your income isn't sufficient to, to save and create large investments, you're paying 7.5 percent on essentially everything you make. On the other hand, if you're wealthy and you put money away in investments or you have consumption in other states because you travel or have second homes, you only pay on your consumption in Nebraska. And so it affects lower income. It's, it's a very regressive tax. It taxes lower incomes at a much more larger portion of their income. This will affect particularly young people and older people on, on limited budgets. From an administrative complexity standpoint, couple just issues. It's a complex tax actually to administer. One, it, it means it will no longer piggyback with the income tax system, the federal income tax system, which is a complex system in its own right. But the-- by piggybacking with the income tax system, we don't have a lot of state income tax audits. We don't have state auditors running around the state. In this instance, the Department of Revenue would have to create an audit function independent from the federal system. And if anybody's been through a Nebraska sales tax audit, you'll understand that those are painful recordkeeping occupations. It would require the state revenue authorities to keep detailed transaction data or at least audit detailed transaction data on people's personal expenditures, from soup to nuts. Two, it's not clear that Medicare or Medicaid would pay this tax. Third, the other issue is, is it's not clear that there's enough money in this tax to actually pay the current state and local obligations. Right now, we have a 5.5 percent sales tax that raises $2.5 million. The hypothesis is that a 7.5 percent tax by including services would then raise $10 to $11 billion, about four times as much. My sense is and our sense all along has been that because it wouldn't raise enough revenue if the first thing would have to happen is that the tax would have to be raised to double digits. At that point, we believe that most of our businesses would be uncompetitive with Kansas, Iowa, Missouri, South Dakota, and then we would lose a great portion of our economy. And so for the same reasons that we've oppose this before, not because we're not-- we're opposed to reducing property taxes compared to the Governor's proposals, which would be much more substantial and much more permanent, we would find those much more preferable this year. I'd be happy to answer any questions.

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

DUNGAN: Thank you, Chair Linehan. And thank you for your testimony. I don't know if you got to hear all of the proponent testimony, but there's been--

BRYAN SLONE: Quite a bit of it.

DUNGAN: --OK-- there's been a general assertion that if we adopt this kind of tax plan, the benefits will essentially attract enough people that we're actually going to grow our tax base in such a way that we're going to offset some of the lost revenue. Do you share that optimism or do you have concerns about that as well?

BRYAN SLONE: Yeah, so I, I actually believe the opposite. I believe this, this tax base would, would actually detract the, the people we want-- most want to attract, which is young families. I always say-- that I've said many times in front of this committee, I'm not the future of this economy. I'm the future of some rest home in Scottsbluff very shortly. It's the 18- to 34-year-olds. And take an 18-to 34-year-old family moving to Nebraska with limited income, suddenly their entire income is subject to a 7.5 percent expense. Everything they buy has a tax on it from telecommunications to cable to, to tangible goods to any services they buy. Compared to other states, they would simply take their consumption elsewhere. And the fundamental rule of taxation is whatever you tax are going to get less of. And that was actually in some of the proponents' testimony and I agree. If you tax consumption only at a high rate of tax, you're going to get less consumption, which means your downtown stores and businesses are going to move other places as well as the people who consume that-- those materials. I'm not saying that some consumption tax, some sales tax or some consumption tax shouldn't be part of an overall plan, but when you solely go to that and if you were to get the double digit rates, people, new car dealers would-- simply in Omaha, you'd buy your cars in Iowa, and in South Sioux, you'd buy it in North Sioux. Because if you could save 7.5 or 11 percent on your car, you would do so.

DUNGAN: Thank you.

LINEHAN: Thank you, Senator Dungan. Any other questions from the committee? Seeing none, thank you much for being here.

BRYAN SLONE: Thank you very much.

LINEHAN: Appreciate it. Next opponent.

von GILLERN: Good afternoon.

SHIRLEY NIEMEYER: Hello. Respectfully, Senators, I'm Shirley Niemeyer, S-h-i-r-l-e-y N-i-e-m-e-y-e-r. I am part owner of a farm and some businesses and we own a house. My concern is have we done enough research? And it sounds like the senators have done a lot of work on this over the years and I applaud that. And I do believe we need to reduce property taxes. I just don't know myself, I'm not an expert, whether this is the best way or do we reduce the property taxes down quite a bit? I, I don't know that. I would like to see an expansive study done, but evidently you have done some studies. Comparing all the bills that are before the Legislature, what does it end up impacting? What do they all impact? So I also want to point out online purchases. Now my understanding is sometimes you pay taxes on online and come back to Nebraska, but sometimes you don't. So because so many people are going to online, how does that impact your tax structure? I don't know that answer. And I would say overall, after I show you these charts, I'm not sure that this can help lower middle income rise up to have some wealth. I think it does help the wealthy because they still have money to invest, to do other things, so I'm just not sure of that. OK, what you're looking at, if everybody has it, is a map of Nebraska and the average weekly wages. And you can look up the counties you represent. The lightest color, you see Sioux, Dawes, Sheridan Garden, Deuel, Grant, Hooker, Arthur, Loup, Garfield, Sherman, Knox, Boyd, Keya Paha, Frontier, and so on. Average weekly wages average are about $800 or lower, OK, that's an average. So some of them may be down at $500 a week or $300 a week. So take a look at that. And when you talked about transferring moneys that is in the county, but then turned around and said for schools that everybody would get the same amount, so looking at this map, it appears there's more money in eastern Nebraska and that would be transferred to western Nebraska. I'm OK with that. I just think we have to know that I'm OK with that because I want every child to have a great education. I also don't know how we're going to support schools, education, roads, cities, medical, police, hospitals, fire departments. I don't know that. But I do want to call your attention to the next two, because I want to point out that they are charts. And if you imagine a pie chart, this is a comparison of annual household spending by the high income 20 percent and the low. And you can see where is the low income going to be able to get the money to pay the extra tax because you're going to have to take it away from education, apparel, food--

von GILLERN: Ms. Niemeyer, could I ask you wrap up--

SHIRLEY NIEMEYER: Sorry.

von GILLERN: --your testimony, please. Thank you.

SHIRLEY NIEMEYER: Sorry. Yeah, and so-- and you can look at the next one. And I appreciate the work you do. And this is a hard topic and I appreciate the experts in the room here. You know more than I do.

von GILLERN: Thank you. Any questions from the committee? Seeing none, thank you for your testimony today.

SHIRLEY NIEMEYER: Thank you.

von GILLERN: The next opponent.

LOY TODD: Good afternoon, Senator, members of the committee. My name is Loy Todd. That's L-o-y T-o-d-d. I'm the president of the Nebraska New Car and Truck Dealers Association testifying in opposition to this legislation. I will try to be very brief and stay in my lane, pun intended. A couple of things really troubles us about this legislation, and we testified against it previously so it comes as no surprise. But, you know, I represent the new car dealers in the state of Nebraska, and they sell new inventory. They are franchised by a manufacturer. They are required to sell certain amounts of, of new cars and new trucks in order to keep their franchise in very competitive business. They've invested hundreds of millions of dollars in, in buildings and people. They pay huge property taxes also. We are very concerned. When I looked through that legislation, one of the things that I, I was so surprised with is I found inventory tax. Back in 1972, we finally got rid of the inventory tax. I want to tell you something about inventory tax and that-- what, what it talks about is the inventory left on hand on December 31 of, of any given year. That's going to be taxed at 7.5 percent. That just raises the price of everything on a dealer's lot. And the interesting thing about inventory tax, it's a property tax. So what we're going to do here apparently is create a new property tax so we can get rid of property tax. And so it's very troubling and I hope it gets a good hard look at. And the other thing is you get a credit for that tax if you can prove that, that eventually the product was charged consumption tax. Well, unfortunately, we have no way to track that, that tax is paid at the courthouse later. And, and we have-- there are privacy laws. We can't just go find out what somebody did. And if that, and if that product goes out of the state of Nebraska or is, is not subject to the tax, we don't have any way of knowing that. It's collected someplace else. And then even, even more troubling, or maybe equally, is border bleed. Because I'm going to tell you, South Dakota is a tax haven for these products and there's, there's already plenty of border bleeding. Nebraska has the fourth highest motor vehicle taxes in the country.

And tax avoidance is what people are going to do. It's a natural tendency. Everybody, the proponents say the same thing. The people are going to avoid it. And so why would you buy a new car and pay 7.5 percent plus whatever the local taxes might be on that when you can buy a used car and pay nothing? And so that's what's going to happen. The shift is going to go there. It's going to be extreme. And you can-- and I can give you an example of how bad that's going to be. And one of the handouts I, I gave you shows that you can go, you can-- anybody can just go, you don't have to go to South Dakota, you just have to mail it in or a dealer in South Dakota will, will, will actually process the title and registration for you. Out of time.

von GILLERN: Thank you for your testimony. Any questions from the committee? Seeing none, Mr. Todd, thank you for being here.

LOY TODD: Thank you.

von GILLERN: Next opponent. I'm going to remind people to please silence your cell phones. Thank you. Good afternoon.

JON CANNON: I'll make sure. Oh, we're good.

von GILLERN: Wasn't speaking to you specifically.

JON CANNON: Vice Chair von Gillern, distinguished members of the Revenue committee, my name is Jon Cannon, J-o-n C-a-n-n-o-n. I am the executive director of NACO, here to testify in opposition to Senator Erdman's LB79. And I need to be clear it is to LB79 only, not to the underlying constitutional amendments, LR6CA or LR7CA. I certainly appreciate the time that Senator Erdman has spent on this bill. He's put a lot of his heart and soul into it. He certainly should be commended for his tenacity and he's certainly-- in, in over the interim, he asked for our input on a couple of different occasions. Unfortunately, I was unable to attend either of those, got the spinning wheel of, of death for the Zoom room I, I got put into one of those times. I'll go into our opposition briefly. The Constitution of Nebraska, Article VIII, Section 1 says: The necessary revenue of the state and its governmental subdivisions shall be raised by taxation in such manner as the Legislature shall direct. I think a word that often gets overlooked when we talk about Article VIII, Section 1, is the necessary revenue. And so I know that there's the question as to whether or not this raises that necessary revenue. I'll let other people that are a lot smarter than me debate it. I've looked at the dynamic study. I've seen the policy brief by OpenSky and ITEP. I think that obviously reasonable minds differ. I certainly would want-- I, I would expect that the Revenue committee would want to study this at greater length with its own experts and make sure that the math adds up, because this is a big, big jump that we would be undertaking, I think, without proper study by this committee that leads to some, certainly some danger. Our primary concern about this bill is about distribution. While we appreciate that we get to submit how these are distributed on behalf of all the political subdivisions, we've only ever collected for them in the past. I know that when I've been visiting with Senator Erdman over the interim he said, well, you know what, what gives the counties a board, he said send all the money to us, we'll distribute it, and we'll send the remainder to the state. And, you know, maybe my tongue was only a little bit in cheek on that. I, I guess, frankly, from my perspective, it's who is going to be the, the "stuckee", right, who's going to be receiving funds and who is not. From our perspective, any time that we send things to the state-- and, and stop me if you've heard this one before, our constituents certainly tell our elected officials, we send all of our money down to Lincoln and we don't receive the same value back in return. We're going to be doing that on steroids under something like this. We're going to send it all to Lincoln. We going to have a, a review board of some sort that's constituted how it's set up in the bill and it's going to be determining how it could spread out across the state. And in those situations, my suspicion is that there are going to be some winners and there are going to be some losers as they're so frequently is. It seems to me that you could distribute on-- based on a tool that we already have available to us, and that is on valuation. And I, and I know that there's been the conversation that people don't like going to the assessor's office. I'll tell you what, if their community is going to be receiving funds from the state based on a distribution that's based on valuation, the assessor is going to be the most popular office in the courthouse. I've heard the line about putting the focus on the taxpayer for three years now, and I, I certainly agree with that. I don't disagree with that at all, in fact. However, we are a Dillon's Rule state, which means that counties are creatures of the state. We, we only have you-- I'm out of time. Sorry.

von GILLERN: Thank you for your testimony.

JON CANNON: Thank you, sir.

von GILLERN: Questions from the committee? Yes, Senator Dungan.

DUNGAN: Thank you, Vice Chair von Gillern. And thank you, Mr. Cannon. I don't want to get too far away from what you were testifying about, but one of the other components of this that I'm curious about, just how it functions, is the educational component. Does NACO have any opinions or thoughts about sort of the, the structure and the way that funds are going to be distributed under this proposal as it comes to education?

JON CANNON: I, I might have my own personal opinion, Senator, and if I release that then John Spatz is waiting for me outside the door of this hearing room.

DUNGAN: So no official NACO position on that?

JON CANNON: No, sir.

DUNGAN: OK. And one other-- the question I had is just looking at the flow chart, it does appear, and based on Senator Erdman's representations and I'm new to this committee, obviously, so I was not here before, that this provides a lot more local control and we're talking about it going to the county trust fund, the county stabilization fund, and the county rainy day fund. That seems to kind of fly in the face of what you're talking about with regards to the state being the one that takes all the money and distributes it back out. Can you kind of square those two things and, and, I guess,--

JON CANNON: Sure.

DUNGAN: --articulate your concern maybe a little bit more?

JON CANNON: Sure. The primary component is that the consumption tax is going to be-- that's something that's going to be collected by the Tax Commissioner. It's going to be-- I think it's remitted to the State Treasurer and you have to have the Appropriations Committee along with the Governor and the, the, the state budget that's proposed that's going to appropriate those funds to-- and, and I could have, I could have read this incorrectly, that's certainly a possibility-- but to the BERB, the Budget Equalization Review Board. I, I guess the concern is there is nothing that says here's an automatic, you know, that, that the, the Appropriations Committee shall remit every last penny that's requested through the budgetary process to the BERB. There's an appropriation that's made. So ultimate control resides with the state and, and then it trickles on down to the remaining subdivisions. I don't have the benefit of the flowchart that you have in front of you so I'd-- I'll apologize for not being able to speak more conversantly with that.

DUNGAN: And I think, I think you're right that the BERB, the B-E-R-B, does come up first before, before that so that's kind of what I'm trying to make sure I understand fully but I appreciate that.

JON CANNON: Yes, sir. Thank you.

LINEHAN: Senator Bostar.

BOSTAR: Thank you, Chair Linehan. Thank you, Mr. Cannon, for being here.

JON CANNON: Thank you, sir.

BOSTAR: I apologize for asking about something that is-- and I apologize for the Chair-- unrelated to essentially the bill at hand. We had a, a gentleman testify about clerical, clerical errors resulting in undeserved taxation being collected and is-- can you talk to me about what provisions are available for recourse for something like that and, and if those are an adequate law, should we be motivated to look at that?

JON CANNON: Sure.

BOSTAR: But at least we can try to do some good here.

JON CANNON: Yes, sir. So in Nebraska Revised Statute Section 77-1775 has a provision for refunds due to a clerical error. You can ask for that refund with, I believe, it's within two years of the date that the tax was paid. So that is certainly an avenue that we have available to taxpayers if they've been wrong because of a clerical error.

BOSTAR: What happens if the error wasn't discovered until after two years later?

JON CANNON: You know that-- I, I don't know the answer to that. I'll, I'll try to get an answer to you, sir.

BOSTAR: Please do. Thank you.

JON CANNON: Yes, sir.

LINEHAN: Thank you, Senator Bostar. Senator Kauth.

KAUTH: Thank you, Chair Linehan. Mr. Cannon, can you explain Dillon's Rule in 30 seconds or less?

JON CANNON: Asking me to explain it in 30 seconds or less? Dillon's Rule, essentially, it's, it's a case that went all the way up to the, the U.S. Supreme Court. I want to say it was, it was Dillon v. State of Illinois, or, or something like that, and, and essentially what that case held was-- in certain instances, unless you've devolved home rule authority to the counties, the counties are purely creatures of the state and they have no authority, they have no powers outside of what the state has explicitly granted them, either through its constitution or its statutes.

KAUTH: Perfect. Thank you.

JON CANNON: I think that was under 30 seconds.

KAUTH: That was-- wow, that was fast. Thank you.

LINEHAN: It's very-- OK, I, I-- you just said the law says if it's discovered within two years, they can ask for a refund. So if that's what the law says. So there's doesn't seem to be that there would be much confusion about if it's more than two years, you're out of luck.

JON CANNON: And it, and it's two years from the date the tax is due so it builds in a little-- I, I believe--

LINEHAN: [INAUDIBLE]

JON CANNON: --I, I don't know if it's-- well, I, I, I don't know. I'd like to research it further before I give a blanket statement.

LINEHAN: That would be something that I wouldn't wait a lot of days on researching.

JON CANNON: Yes, ma'am.

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

JON CANNON: Thank you, ma'am.

JIM TIMM: Good afternoon,--

LINEHAN: Good afternoon.

JIM TIMM: --Chairwoman Linehan, members of the Revenue Committee. For the record, my name is Jim Timm. That does rhyme, J-i-m T-i-m-m. I'm president and executive Director of the Nebraska Broadcasters Association. We represent the interests of Nebraska's free over the air, local radio, and TV stations, which are licensed by the Federal Communications Commission to serve their respective communities. Our membership happens to include 28 different companies here in Nebraska that operate over 140 commercial radio and television stations and we firmly oppose LB79 and LR6CA and LR7CA. Advertising revenue is the largest and, in most cases, the only source of income for TV and radio stations to stay in business. A tax on advertising would reduce station income as advertisers would hold their ad budgets flat to account for the tax. As a result, in the loss of station jobs making it even more challenging to serve our local communities as the FCC requires us to do. Advertising is the engine that fuels our economy. It propels the sale of goods and services. But the opposite is also true. Less advertising would ultimately lead to less state sales tax being collected. Nebraska Broadcasters share borders with ad-tax free states: Iowa, South Dakota, Kansas, Colorado, Wyoming, and Missouri. And in fact, could lose an unfair share of ad dollars to their cross-border rivals. National companies would either stop or reduce ad spending in Nebraska. An ad tax also raises significant First Amendment concerns. Some people define insanity is doing the same thing over and over, expecting a different result. So please look at Arizona, Florida, and Iowa; all three states tried taxing advertising and found the results disastrous. Arizona repealed it within the same year; Iowa and Florida had to call costly special legislative sessions and repealed their ad-tax laws within 30 days and six months, respectively. In closing, we urge you to not allow these proposals to advance. Thank you.

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

JIM TIMM: Thank you.

REBECCA FIRESTONE: Good afternoon, Chairwoman Linehan and members of the Revenue Committee. I'm Rebecca Firestone, R-e-b-e-c-c-a F-i-r-e-s-t-o-n-e. I'm executive director of OpenSky Policy Institute. We're here today in opposition to LB79, LR6CA, and LR7CA because our analysis shows this proposal would require a much higher rate to be revenue neutral than is proposed, it has several conflicts with federal law as to where can be taxed by the state, and we have some concerns about how it affects nonprofits and charitable giving in the state. OpenSky conducted an analysis of LB79 with the Institute on Taxation and Economic Policy to determine a revenue neutral tax rate using the taxable base as defined in the bill. Our analysis found a rate of 22.1 percent, which is nearly three times as high as the rate proposed. We attribute this difference largely to the derived taxable base as outlined in the proposal. Our estimates for the taxable base stand at $52 billion, which is about half of the base assumed in LB79. Using personal consumption expenditure data and with a review of the bill itself, we adjusted in Nebraska's PCE, Personal Consumption Expenditure, to reflect what would be taxed and what wouldn't under this proposal. We added items like nonresident spending in the state and new residential structures and we removed items such as the predefined exclusions and anything federal law prohibits the state from taxing and we made an adjustment for tax avoidance and evasion. We use a static modeling approach, although other efforts have certainly talked about a dynamic modeling approach. We felt that this approach would be transparent and required us to make fewer assumptions than some of those other modeling approaches. We see items in the proposal that would be subject to consumption tax in Nebraska, but can't be taxed by the state because they're prohibited by the federal government. For example, the proposal includes Internet services and airfare, but no state can tax these under federal law. The bill also taxes purchases of goods and services by the federal government, but the federal government largely prohibits the state from doing this. Further, the bill would heavily affect low- and middle-income Nebraskans. So, for example, Nebraskans who earn less than $24,000 annually spend about 4.3 percent of their earnings on general sales taxes. Folks between $104,000 to $204,000 spend about 1.7 percent of their earnings in sales taxes, and the exemption on used goods wouldn't necessarily address this concern with the bill. Finally, we're concerned about the bill's impact on Nebraska's nonprofit sector, which wouldn't be exempt from, from tax under this proposal. So nonprofits and other entities that rely on charitable donations would see their expenses go up and they would likely see fewer donations because the tax benefit for charitable giving would be eliminated. For these reasons, we oppose LB79 and I'm open for questions.

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

REBECCA FIRESTONE: Thank you.

LINEHAN: Next opponent.

DOUG DOHSE: Good afternoon.

LINEHAN: Good afternoon.

DOUG DOHSE: My name is Doug Dohse, D-o-u-g D-o-h-s-e, and I'm here representing Nebraska Realtors Association to oppose these bills. And there's several reasons that I obviously don't have enough time to get into those all. But I do want to talk specifically about housing affordability in the state of Nebraska. We worked with a lot of local entities. We've worked with a lot of state senators, including several of you in this room, as far as what it takes to have affordable housing, workforce housing, and, and others. Right now, I visited with several of our members across the state to find out what their median price is for a new construction, and it ranges anywhere from about $375,000 to $500,000 in Omaha is the median price for a new construction. So if you take a $400,000 house for this example, and if this tax of 7.5 percent were applied, which I don't think anybody thinks it's going to be just 7.5 percent, that's a $30,000 increase. So you've now taken a $400,000 home and made that $430,000. You've now taken out approximately 150 people for every $1,000 that, that you raise the purchase price of a home. So you're now taking out-- in that case, you're taking out over 4,500 homebuyers from that home. You're now pushing them into a depressed market-- or not a depressed market, but a market that has a lowest inventory that we've had in my 26 years as a realtor. And now you find yourself, where are we at with that situation? So now you're taking a bad situation and making it worse. You've heard several people testify up here today about border bleed. We have that all the way around us. That's the same thing that's going to happen here. If I could purchase a $400,000 house in Iowa or $430,000 for that same house in Nebraska, what makes sense? So that's a situation that I think is, is worth doing. And as far as the existing homes and things like that out there, this is a problem that started back in 2008 when the housing market crashed. This could, could crush Nebraska if this bill were to pass. As far as take us out of that new construction and it would be only for the very rich. It would not be for the anybody that's younger, first-time homeowners, or things like that. So for those reasons, we are absolutely opposed to this bill. All three of these for those. We are absolutely in favor of tax reform. I actually sat on the Douglas County Board of Equalization as a referee during COVID. I'm very familiar with those assessments and I'm very familiar with those folks that are concerned about their taxes. We absolutely are on the front line of that. This is not the way to correct that problem. If you have any questions, I'd be happy to try and answer them or speak with folks who know.

LINEHAN: Thank you, Mr. Dohse. Are there any questions from the committee? So I live in Elkhorn. Do you do real estate in Elkhorn?

DOUG DOHSE: What's that? Yes.

LINEHAN: So you know what the levy is in Elkhorn?

DOUG DOHSE: Several of them, I mean, they're higher. It's, it's a lot higher.

LINEHAN: $2.45. Is that right now?

DOUG DOHSE: At least now.

LINEHAN: So on a $400,000 house, I'm figuring here it'd be $9,800 a year.

DOUG DOHSE: Yep, I'm going to go with it.

LINEHAN: So I'm going to pay that and then more every year if it goes up. So it'll only takes three years to cover $30,000.

DOUG DOHSE: Well, if you're talking about only that $30,000 to cover that, but then you have to get into the resale and when that gets resold and if that can't be recaptured in the future.

LINEHAN: Yeah, but if I'm going to live there for ten years, I'd make money on that.

DOUG DOHSE: That's the thing is you have to live in those homes for 20, 25 years, 10 or more at, at, at most.

LINEHAN: I'd have to live there three years.

DOUG DOHSE: But that's if you're at 400.

LINEHAN: Three years and two months.

DOUG DOHSE: Right.

LINEHAN: OK.

DOUG DOHSE: And that's if, that's if you're at 7.5 percent, that's very conservative. Omaha, Nebraska--

LINEHAN: OK, I'll, I'll [INAUDIBLE].

DOUG DOHSE: --has a median price of $500,000.

LINEHAN: So-- and you said you're doing a lot on, you know, the realtors are, which I really, really appreciate, a lot on trying to fix the property tax situation-- so what are you guys doing?

DOUG DOHSE: Well, there's several different bills out there that we're working on. We have a couple coalitions we're working with. We try to-- the Welcome Home Coalition up in Omaha is working with several folks that we're looking at the taxes right now as far as on new construction, again, 23.8 percent of the new construction is built into fees as far as permits and different things like that. Obviously, safety and stuff is a concern of ours, but there is a way to trim some of that stuff out of there. So those are some of the things that we're--

LINEHAN: But I think you said, and maybe I just misunderstood and I'm sorry because it's late, but I thought you said you were working on a way to reduce property taxes.

DOUG DOHSE: Well, we're trying to work with several bills to get these more affordable and, and, and get-- not, not just bills, but we're working on anything we can do to sit and talk with people to figure out what we can do to get these taxes more in line as far as do what we can from our, our perspective, because that does affect people that are moving into this state do not buy homes because of the taxes on the properties.

LINEHAN: Right, that's a problem.

DOUG DOHSE: And so that's a big problem for us. And so when we're out there trying to work with our chambers and working with trying to get folks to relocate to our state when they're looking at moving large companies here, and this is one of the things they look into, is this is a big problem. And so we're trying to do what we can from this and it's, it's an ongoing problem, as you know. It's not something that's going to be fixed in a year, but it's something that we also can't bury our head in the sand and say we're not going to continue to try working for a better solution.

LINEHAN: Is it-- because when you tell homeowners their tax is going to be $500 or $600 a month, they're shocked, aren't they?

DOUG DOHSE: Absolutely.

LINEHAN: Thank you. Any other questions? Thank you for being here.

BOB HALLSTROM: Chairperson Linehan, members of the committee, my name is Bob Hallstrom, H-a-l-l-s-t-r-o-m. I appear before you today as registered lobbyist for the Nebraska Bankers Association and the National Federation of Independent Business to express our opposition to LB79. We're also on record in opposition to LR6CA and LR7CA. I'm not going to repeat much of what I said, but we agree with Mr. Slone in terms of will we raise sufficient revenues under the consumption tax to fund necessary and essential services? Because once all other sources of taxation are eliminated, the only option is to raise the consumption tax. Increasing the consumption tax rate exacerbates the likelihood of businesses fleeing the state and consumers making more purchases from out-of-state businesses. One of the things that's overlooked, and the realtors' representative commented on the significant cost of buying a house under the consumption tax, but let's look at a first-time home buyer or a low-income individual, say they're only buying a $200,000 home, you can do the math, whether the rate is 8 percent, 12 percent, 15 percent, or 20 percent. But one of the things that's not talked about, at least with regard to my understanding, is if you look at the provisions of LB79 that create a virtually incomprehensible system of taxing what's called "financial intermediation services." You're looking at a real surprise because not only do you pay the consumption tax on the purchase of the house or construction of the house, but you're also going to pay a tax on the interest spread or interest margin, both on interest that's paid on investments or accounts and on loans-- interest that's paid on loans. The bill distinguishes between explicitly charged fees and implicitly charged fees, and, again, imposes that tax on the interest rate spread both on what a bank pays on a deposit and what a bank receives on a loan. So there's another surprise for either the bank paying it directly, and either way you slice or dice it at the end of the day, I think you end up having the borrower or the account holder paying in reduced rates paid on, on accounts or increased rates charged for homeowners. So I think that's an, an item they talk about the consumption tax promoting savings, but if that is the result it runs counter to those objectives. So for those reasons, we would oppose the bill and I'd be happy to address any questions.

LINEHAN: Thank you very much. Any questions from the committee? Can I ask you a question that's not directly related?

BOB HALLSTROM: Certainly.

LINEHAN: I guess I can, can't I.

BOB HALLSTROM: I'll try to answer it.

LINEHAN: Why-- I've noticed this, you come up, you always say you're a registered lobbyist. Many others come up and they're registered lobbyists, but they don't say that. Is that just what they always used to do and we've gone away from it?

BOB HALLSTROM: Oh, I don't know whether I'm old school or whether it's force of habit, but that's, that's what I am on--

LINEHAN: That was-- I've asked the Clerk-- or not the Clerk, the Assistant Clerk, that if you're a registered lobbyist-- what do we call that, not a rule, but--

von GILLERN: Tradition.

LINEHAN: Yes, tradition has been that you state you're a registered lobbyist.

BOB HALLSTROM: It kinder-- it's kinder and gentler than some other terms, but. [LAUGHTER]

LINEHAN: OK. Thank you very much.

BOB HALLSTROM: Thank you, Senator.

LINEHAN: I appreciate it. Next opponent. Let me ask, because I'm watching the clock here, because I think a lot of you that are here now weren't here in the beginning when I asked you how many were going to testify, which made me maybe misjudge the situation. So how many people do we have left to testify? OK. All right. If you're going to testify, come up front, please, so we can zip through here.

ANSLEY FELLERS: Thank you, Chairwoman Linehan, and members of the committee. My name is Ansley Fellers, A-n-s-l-e-y F-e-l-l-e-r-s, and I'm here as the executive director of the Nebraska Grocery Industry Association. I'm also here on behalf of the Nebraska Beverage Association. I'm also a registered lobbyist, and I am testifying in opposition to LB79, LR6CA, and LR7CA. Our associations represent a variety of food industry stakeholders retailing goods and services who oppose the shift. We thank Senator Erdman for exempting from LB79 and LR7CA food purchase for personal human consumption and groceries, respectively. NGIA members obviously retail a lot of food for off-premise consumption, but grocers sell a variety of other goods and increasingly are venturing into other manners of retail, including in-store dining and financial services. In addition to basic concerns about the difficulty of implementing an untested system and the regressivity of likely having to tax at higher rates other types of necessities, we believe, despite Senator Erdman's best efforts, there would be a great deal of witting and unwitting tax avoidance in the system. Large amounts of revenue avoided would only continue to drive up the consumption tax rate and make it difficult for the state to adjust the plan. The rate would likely need to be adjusted upward to guarantee enough revenue to fund government services, while the higher and more variable the rate is, the more difficult it will be on businesses and the economy, leading to more disruption and so on. I do represent individuals and businesses who have been impacted in a variety of ways by economic unpredictability and we want to be part of responsible solutions. While we don't believe a consumption tax model represents the right path forward, we do want to thank this committee and Senator Erdman for all your work on tax relief and reform up to this point. With that, I'd be happy to answer any questions.

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

ANSLEY FELLERS: Thank you.

LINEHAN: Good afternoon.

RICH OTTO: Good afternoon, Chairwoman Linehan, members of the Revenue Committee. I'm Rich Otto, R-i-c-h O-t-t-o, testifying in opposition to LB79, LR6CA, LR7CA on behalf of the Nebraska Retail Federation and the Nebraska Hospitality Association, also am a registered lobbyist for both organizations. Sales tax fairness has been a top priority for retailers for the last 25 years. With the rise of online sales in the late '90s and the previous 1992 Quill v. North Dakota Supreme Court case, it was ruled that only companies with a physical presence in the state would be required to collect and remit sales tax. This brick-and-mortar retailers had a 7 percent disadvantage to their online competitors. In the last five years, we've made huge strides to make this sales tax fairness issue go away. That started with the Wayfair Supreme Court case in 2018, which overruled the previous 1992 decision, paving the way for states to pass laws regarding online sales tax collection, which would be constitutional. The next year, 2019, this committee acted under Chairwoman Linehan's leadership to pass LB284, requiring remote sellers and marketplace facilitators to collect and remit sales tax, which we are very appreciative of. This bill, however, repeals all Nebraska sales and use tax language which would also repeal Nebraska from the streamlined sales tax agreement and the Marketplace Facilitator law, LB284, which I mentioned. LB79 does require remote and Internet sellers to register with the Tax Commissioner. However, all third-party sellers would be required to register with the state on their own. Online marketplaces would be required to collect only their sales, and none of the third-party sellers' options on those marketplaces. Another section that goes into that which complicates it is used property. The bill states only retailers that sell only used items are not taxed. Many sell both used and new items specifically online. It doesn't mention that. So that is also concerning to us. Tax liability is concerning, the bill states the person purchasing the property is liable in many instances and then goes on to say that the seller is responsible for collecting or omitting. Enforcement, we think would be very difficult for the Tax Commissioner. Again, having to go back and find every remote seller that qualifies. Again, there is no language in the bill that goes back to economic nexus, which is part of the Wayfair decision, the whole 200 transactions, $100,000. Another concerning point. Lastly, the bill would also move to weekly collection.

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

CHRISTY ABRAHAM: Senator Linehan and members of the Revenue Committee, my name is Christy Abraham, C-h-r-i-s-t-y A-b-r-a-h-a-m, registered lobbyist for the League of Nebraska Municipalities. I am here to express our concerns about LB79, LR6CA, and LR7CA. We have heard from a few municipalities about this so I just wanted to sort of group into maybe a couple of areas where I'm hearing the concerns. The first is the elimination of sales tax. There's over 230 municipalities currently that have sales tax and sales tax are voted on by the citizens of that municipality. And the sales tax fund, many essential services and programs for municipalities, and often they are used to fund specific projects, which the municipality has then issued bonds for. And so our municipalities are raising questions about what happens in these communities if revenue that was used to make the bond principal and interest payments are no longer there? Will the community be out of compliance with our bond ordinance? Is their community legally able to use other sources of revenue? For example, will we be able to use the EPIC Consumption Tax to pay off these bonds? Related to that is there's also over 70 Nebraska municipalities who have LB840 programs. And as you know, LB840 programs are economic development programs that municipalities, again, the citizens vote on. And those programs are used to attract businesses to their communities. Often, municipalities use sales tax for their LB840 programs. So again, concerns are raised about whether LB840 programs would be eliminated or allowed to continue under this LB79. Similarly, the bill also eliminates the use of tax increment financing or TIF. If a municipality has established bonds-- as you know TIF can last either between 15 or 20 years, what happens on those TIF bonds after 2025 if there are several more years left on that TIF project? I can see that my time is almost out, but these are just some of the concerns that municipalities have been raising and I'm happy to answer any questions. Thank you.

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

CHRISTY ABRAHAM: Thank you.

LINEHAN: Good afternoon.

LORRAINE EGGER: Good afternoon, Chairman and members of the Revenue Committee. For the record, my name is Lorraine Egger, E-g-g-e-r, and I am a Nebraskan CPA and presently serve as the chairman of the Nebraska Society of CPA Accountants. We are representing approximately 2,500 member CPAs. I am here to express the Society's opposition to LB79, LR6CA, and LR7CA; all of which would impose consumption taxes in the state of Nebraska. This type of legislation is not beneficial for the professional community, not beneficial for Nebraska. It would negatively affect everyone in Nebraska, from individuals across the entire state to small town main street businesses to large urban corporations looking to relocate to the state. I would encourage you to stop this legislation's further movement in this committee for the following reasons: Every day we are losing residents to our neighboring states and other states in our country. If the legislation passes, passes, we risk the chance of increasing that exodus, losing smart young individuals who will look elsewhere for better opportunities. Why would our young people want to stay here to live in play where they would be paying a significant more on goods and services in Nebraska than other states? Like many other professions, the CPA profession is struggling to find workforce. We do not need to add to the challenge of attracting and retailing-- retaining talent in Nebraska. We must consider how we intend to keep students, young people, and new residents here for the long term. Several states have repealed or declined to implement such tax because of the multitude of administrative collection and enforcement problems. At least three states: Michigan, Florida, and Massachusetts enacted and then swiftly repealed sales taxes on services, in part because the complexity in administrating the tax. In addition, state tax regulators would have to develop a new process for administrating, collecting, and enforcing the new tax. Departments of revenue, particularly in small states like ours, are not necessarily equipped to take on this burdensome process. This new system would be costly to the Department of Revenue and may negate moneys collected by the state. A consumption tax would also be onus on everyday taxpayers. With the present state of inflation, this type of tax would especially hurt our low- and middle-income families and senior citizens. The price, the price of everything will go up for our taxpayers and so on. And so with the future of Nebraska top of mind, I respectfully ask you to vote no on LB79, LR6CA, LR7CA and not move them forward. Thank you for your time and consideration.

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

LORRAINE EGGER: Thank you.

ROBERT M. BELL: Good afternoon, Chairwoman Linehan and members of the Banking, Commerce and Insurance Committee [SIC]. My name is Robert M. Bell. Last name is spelled B-e-l-l. I am the executive director and registered lobbyist for the Nebraska Insurance Federation. I'm here today in opposition to LB79, LR6CA, and LR7CA. The Nebraska Insurance Federation is the state trade association of insurance companies. Members of the Federation include insurance companies who write all lines of insurance and who provide over 16,000 jobs to the Nebraska economy and over $14 billion of economic impact to the state on an annual basis. I appreciate Senator Erdman's willingness over the years to sit down with the insurance industry on the importance of the current premium tax regime to the, to the success of the Nebraska insurance industry and its competitiveness to insurers in other states and the benefits to Nebraskans for having to pay lower premium tax than most Americans. This is reflected in AM314, which defines premium tax as an excise tax and exempts premium tax and insurance claims from the new consumption tax regime. But as I have told Senator Erdman, and now I'll tell the committee, the insurance industry will continue to oppose the consumption tax until such time that the premium tax is included or is excluded, excuse me, from the consumption tax language in the constitutional amendment language, similar to what Senator Erdman and the proponents have done for excise tax and for the taxation of groceries. Why? The risk is too great to Nebraska domiciled insurers. Because insurance is state regulated, states are free to charge different tax rates to out-of-state insurers. To prevent this from happening, nearly all states have adopted a retaliation statute. Nebraska's is found in the insurance code at Nebraska Revised Statute, Section 44-150. This retaliation statute allows the Nebraska Department of Insurance to charge out-of-state insurers the excess in the amount rate of taxes, licenses, and fees that a Nebraska insurer would pay in that state. And, of course, Nebraskans are subject-- Nebraska insurers are subject to retaliation from other states. According to information from the Department of Insurance, Nebraska insurers sale approximately $135 billion in premium nationwide annually. If a 7.5 percent consumption tax is implemented, it is estimated that Nebraska insurers would face back-of-the-napkin math, $7.5 billion of retaliatory tax liability to other states. Currently, Nebraska is one of the leading insurance states in the nation, ranking the first in capital and surplus under regulation and number four in the amount of assets. Nebraska also has one of the highest concentration of insurance jobs in the United States. For these reasons, the Nebraska Insurance Federation respectfully opposes these legislative bills and resolutions. Thank you for the opportunity to testify.

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

von GILLERN: Yeah, Mr. Bell, thank you for being here. Implying or are you indicating that those insurance companies would move out of state if this passes?

ROBERT M. BELL: Well, I guess, I, I didn't say that, but I would imply that, yes.

von GILLERN: OK.

ROBERT M. BELL: If, if it's, if it's implemented, if the constitutional amendment is voted on and premium tax is not excluded from that, it certainly would be in the hands of the Legislature then on whether or not to include premium tax in a definition of excise tax. If that's the case, I, I would assume we would see insurers move immediately. They, they would not take the risk. And it's, you know, or companies that are looking at Nebraska to moving to Nebraska, they're going to press the pause button until things are resolved legislatively.

von GILLERN: Thank you.

ROBERT M. BELL: You're welcome.

LINEHAN: Thank you, Senator von Gillern. Senator Bostar.

BOSTAR: Thank you, Chair Linehan, and thank you, Mr. Bell, for being here.

ROBERT M. BELL: You're welcome.

BOSTAR: I guess there's part of this that I don't fully understand. The Legislature has control over the premium tax now.

ROBERT M. BELL: Correct.

BOSTAR: What-- so the risk of under the system, the concern is that insurance companies would leave the state assuming that the premium tax wasn't exempted in the constitutional amendment.

ROBERT M. BELL: Correct.

BOSTAR: Because the threat that would be posed by the Legislature having control over the premium tax, which it does today.

ROBERT M. BELL: It does. Right. Right. So I think that, you know, again, we do appreciate Senator Erdman's attempt to define premium tax as an excise tax. I don't think when you compare premium tax to most other excise tax in Nebraska, they are alike. Typically, excise taxes are based off of volume or not volume, it's a set amount for a, a product, right, you know, a pack of cigarettes has this much tax on it, a gallon of alcohol has, you know, so many cents per gallon, and I'm not that familiar with those particular products and what the tax rate is. And premium tax is a lot like a sales tax, like consumption tax, right, and so I, I think they just would prefer not to be in that legislative fight that would come after the constitutional amendments. And so, you know, insurance companies do move around quite a bit. You know, Nebraska has been successful in attracting a number of insurance companies. And every once in a while, insurance companies leave Nebraska for whatever reason. I think it's a great state. I would stay, but.

BOSTAR: Well, those that leave are wrong.

ROBERT M. BELL: Correct. Correct. But, yeah, you make a, you make a, a valid point.

BOSTAR: All right. Thank you very much.

ROBERT M. BELL: You're welcome.

LINEHAN: Thank you, Senator Bostar. Are there other questions? Insurance company, you pay a premium tax versus income taxes, right?

ROBERT M. BELL: Right. The premium tax is to offset on corporate income tax.

LINEHAN: Offset on corporate income taxes.

ROBERT M. BELL: And I, I said offset and--

LINEHAN: Yeah.

ROBERT M. BELL: --sorry. You, you would know, you would know--

LINEHAN: Instead of, instead of offset.

ROBERT M. BELL: --well, if, if, if you pay corporate tax. OK, so you have your premium tax and then there's a calculation that goes into your corporate income tax. Most insurance companies do not pay corporate income tax because of that calculation.

LINEHAN: Thank you.

ROBERT M. BELL: You're welcome.

LINEHAN: And I know Woodmen doesn't pay any property taxes, but do other insurance companies pay property taxes?

ROBERT M. BELL: Yes, so WoodmenLife is a fraternal benefit organization. It's not actually an insurance company.

LINEHAN: OK.

ROBERT M. BELL: They sell insurance products--

LINEHAN: So they--

ROBERT M. BELL: --so their taxation is different than many other companies.

LINEHAN: Oh, they don't pay premium tax.

ROBERT M. BELL: They do not pay premium tax.

LINEHAN: They pay no taxes. You don't--

ROBERT M. BELL: I'm not going to say, they pay sales tax in their business and they may have other taxes that they pay.

LINEHAN: OK.

ROBERT M. BELL: I'm not aware of all of their tax structure, so.

LINEHAN: Insurance companies qualify for ImagiNE, right?

ROBERT M. BELL: They do. Yes.

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

ROBERT M. BELL: You're welcome.

ANDY HALE: Good afternoon, Chairwoman Linehan, members of the Revenue Committee. My name is Andy Hale, A-n-d-y H-a-l-e, and I am vice president of advocacy for the Nebraska Hospital Association. And I'm here to testify in opposition to the package of these bills. I'm also representing the Nebraska Medical Association and the Nebraska Dental Association. The healthcare community understands that one of the top priorities for Nebraska politicians is tax relief. However, we anticipate that legislation will be at a too great of an expense to the budget and cripple the state government and the citizens it serves. A consumption tax model could discourage consumer spending, which would then create a domino effect negatively impacting the economy, business, revenues, and potentially jobs. The package that is brought before you will disrupt funding that pays for transportation, Corrections, education and healthcare for children, the disabled, and the elderly. Healthcare providers are currently facing difficult economic times and now is not the time to switch the current tax structure. We do appreciate Senator Erdman's attempts at, at property tax relief, and I think over the last two years, this committee, the Legislature, and, and with the leadership of Senator Erdman, have done a very good job. But right now is not the time to switch. So thank you and I'll take any questions from the committee.

LINEHAN: Are there any questions from the committee?

ANDY HALE: I am a registered lobbyist as well.

LINEHAN: Thank you. Going to change the rules, guys, so.

ANDY HALE: Thank you.

LINEHAN: Oh, not change them, we're going to go back to them.

ANDY HALE: Fair enough. Fair enough. But yes, I am a registered lobbyist for the Nebraska Hospital Association.

LINEHAN: Thank you very much.

ANDY HALE: Thank you, Senator.

KORBY GILBERTSON: This is record time. Good afternoon, Chairwoman Linehan, members of the committee. For the record, my name is Korby Gilbertson. It's spelled K-o-r-b-y G-i-l-b-e-r-t-s-o-n. I am a registered lobbyist and I'll explain that rule. Actually, for public hearings, you do not have to be a legislator-- a registered lobbyist. I can get up here and testify for 900 groups. Right now, I'm testifying for 29. Last year, I did 41 and got called out by the introducer so I am the reason you had 12 people before me. So what I wanted to do today is-- I actually did take the time to go through AM314, and I would encourage all of you to do the same. When you listen to the, to the nutshell version of what this bill does, it sounds like the greatest thing since sliced bread. But we all know that the devil is in the details and there are a lot of details in here that haven't been discussed at all today, that have been breezed over today that I encourage all of you to look at before you even consider this legislation. I'm going to try to touch on a few of them. Number one, local control that they're creating these rainy day funds so that local governments can access them to take care of things. That is not true. The Legislature still has control to whether or not to, to give that money to them or the Governor can issue an emergency so they do not have the authority to do this. Second thing I heard today, during one of the first proponents, they talked a lot about the issues we have with the federal tax code. Couldn't agree more. There are a lot of them. But this does not take care of any of them. This does not list in your federal tax burden. This does not do any of that. This deals with one thing in Nebraska. So keep that in mind while you're doing this. Mr. Bell touched on insurance premiums. One question is whether or not the bill is clear enough to me to indicate whether or not that means just the insurance premium tax paid by companies or whether all of us are then going to be paying the consumption tax on the premiums we pay for our health, life, automobile, house, everything insurance that we currently have. Taxing government entities, someone talked about the fact that we probably will have a hard time taxing the federal government, but when you look at the amount in the fiscal note that our state government is expecting to have to pay, these dollars are going to have to be made up by all of us, the taxpayers in Nebraska. So it doesn't seem to make a great deal of sense to do that. One quick other thing, look at NRD budgets, they would have to be split between all of the different counties that they are in under the scheme in which this goes on. And then also look at the makeup of the boards that will be created and the representatives and I'll stop there unless anyone has any questions.

LINEHAN: Thank you for--

KORBY GILBERTSON: Thank you.

LINEHAN: --representing-- how many are on here?

KORBY GILBERTSON: There's 29, I believe, on the list today. So since you can read, I decided just to do that instead of take my three minutes reading the list.

LINEHAN: That's very good. Are there any other questions? Yes, Senator Dungan.

DUNGAN: Thank you, Chair Linehan. And I also appreciate you representing multiple people and cutting down on the amount of testifiers. I also don't expect you to know the individual concerns that each and every one of these groups have. I did notice one on here that I was curious about the Autism Center of Nebraska.

KORBY GILBERTSON: And they're-- they provide services. In here, it does not specifically say that you can't-- that healthcare services will not be taxed. So that's another concern that you'll have. So any counseling services, things like that, that even though we can say you can cut back on purchasing new items, you probably can't cut back on getting healthcare when you need it or you will and it will be burdensome, be a bad deal for all of us.

DUNGAN: So under your reading of this, is there a concern that there'd be an increased tax on things like in-home care services for individuals with developmental disabilities?

KORBY GILBERTSON: Absolute-- there-- absolutely. It does not exempt them. And one other thing is that you all should look at is on page 40 or, yes, page 40, Section 38, which also allows all local governments to create their own consumption tax with no limitation. So this isn't going to be just one tax.

DUNGAN: Thank you.

LINEHAN: Any other questions from the committee? Another hint was you always say that.

KORBY GILBERTSON: What?

LINEHAN: You always say you're rich.

KORBY GILBERTSON: I know.

LINEHAN: Thank you. Other opponents? Any other opponents? Anyone wanting to testify in the neutral position? Good afternoon.

JOEL HUNT: My name is Joel Hunt, J-o-e-l H-u-n-t. Yes, I am taking one hour of vacation time on my timecard so that I can testify today.

LINEHAN: Well, you don't have to, it's 5:00.

JOEL HUNT: Huh?

LINEHAN: It's 5:00. Isn't it 5:00?

ALBRECHT: Perfect timing.

JOEL HUNT: OK, well, anyway, I am here to-- I, I am testifying for the sake of clarity. I don't want you to read anything into my testimony in favor or against. My purpose here is to seek clarity. OK? There's a few issues that I want to bring clarity to. The first one pertains to the philosophy of the consumption tax, because this has been something that's been sort of routinely overlooked in our discussions of the philosophy of the consumption tax. The consumption tax is designed to tax a thing only once at the point of retail sale. So a thing cannot be taxed twice. So if something is subject to an excise tax, it cannot at the same time be subject to a consumption tax and this should alleviate the fears of the insurance industry. As Robert Bell testified, the insurance industry wants a constitutional amendment to protect them. They don't really need it because the philosophy of the consumption tax protects them. Because I wrote-- and by the way, I am the chief architect of this monstrosity-- because I delineated the premium insurance tax as an excise tax and defined it as such, it cannot also be subject to the consumption tax. I also would like to address the ITEP study by OpenSky. You heard testimony today that it would cost a rate of 22 percent, that is based-- and the testifier rightly said it's a static study, but that was based on LB133 from three years ago. I had a conversation with Carl Davis through email about that study and I specifically asked him if he took into consideration the $61 billion in, in sales that goes away when you eliminate the sales tax exemption. I asked him if he took that into consideration to his calculations, and his response to me was, no, we never considered that. And so I want to-- by the way, I have a handout that I would like to distribute here. My time has run out. I would like to read to you my response to our team, if I may briefly. And then if you ask me a question, I'll discuss these.

LINEHAN: Well, let's, let's stay in the rules. Let's see if somebody will ask you.

JOEL HUNT: OK.

LINEHAN: Does anybody have a question? Senator Bostar.

BOSTAR: Thank you, Chair Linehan. Mr. Hunt, do you have anything else to offer?

JOEL HUNT: Yeah. This is the response I sent to our team after I received a response from Carl Davis. Gentlemen, I am forwarding to you the response I received from Carl Davis of ITEP last Friday afternoon. If you open Carl's attachment, you will see that he used a tax base of $55 million to get a consumption tax rate of 20 percent. This is wrong. He never considered the elimination of current sales tax exemptions. The math should be $49 million current sales tax base plus $61 million sales tax exemptions, which would equal $110 million. Therefore, the ITEP study that OpenSky relied upon is fallacious and wrong. It does not accurately reflect the EPIC Option Consumption Tax. Actually, it was the EPIC Consumption Tax as per LB133. Carl Davis has yet to respond to my question, but analysis of his own data shows that he never calculated the elimination of current sales tax exemptions and this makes all the difference in the world. This is important because we have journalists such as J.L. Schmidt, who writes a, a weekly column in the paper. He wrote a column against the consumption tax where he cited this study in his, in his article. And this is a fallacious study and I want you to understand that it's fallacious.

It's wrong. It's, it's not based on the Epic Option Consumption Tax. The EPIC Option Consumption Tax has also gone through, through several phases of evolution since LB133 was written. So the study that was quoted was not a study on this particular bill. And it's-- it never took into consideration the, the elimination of the sales tax exemptions. Many of the testifiers that you've heard today are testifying in opposition precisely because we're taking away their sales tax exemption.

LINEHAN: Thank you. I think we have that but thank you. Any other questions? Any other questions?

JOEL HUNT: You want to ask me about this?

LINEHAN: You know where we all live. Well, feels like we live there. [INAUDIBLE]

JOEL HUNT: Can I say, can I say a couple of things about it just briefly?

LINEHAN: You can say a couple of things.

JOEL HUNT: OK. When it comes to the distribution to counties, I want you all to know that this isn't just my whim. I actually used a 1988 study from Syracuse University when I developed the part on, on the SEND scores. Those SEND scores come from that study. That study is available on the Legislature's website. It's hidden. You got a dig for it. It's 900 pages long, but Chapter 7 addresses the distribution problem. Again, it was written in 1988, and I, I went exactly by their recommendations when I calculated the SEND scores. For the schools, I accessed TEEOSA in, in state statutes. And the same categories I used to, to calculate stabilization scores for schools come out of TEEOSA. But the other thing I want you to know is that I worked with three school superintendents who were willing to work with me on this and this comes after working with them and they suggested that I add transportation to, to the score. Thank you.

LINEHAN: Thank you very much. Any other individuals wanting to testify in the neutral position? Senator Erdman, would you like to close?

TOMAS WEEKLY: We had letters.

LINEHAN: Oh, yes, thank you. We had a lot of letters. We had 127 proponents, 16 opponents, and 3 in neutral. And thank you for so many letters, Senator Erdman, verses--

ERDMAN: Thank you.

LINEHAN: --being here late. Thank you.

ERDMAN: First of all, let me say I appreciate--

LINEHAN: Oh, wait. I'm sorry. That's LB79, then we on LR7CA, we had 32 proponents, 6 opponents, and 1 neutral. I'm sorry, Senator Erdman. They're all blue. And LR6CA, we had 40 proponents, 4 opponents, and none neutral. There we go.

ERDMAN: Thank you. All right. Thank you, committee, for sticking around and the questions you ask were very good. We're making great progress. When I first did this we had, like, four people testify in opposition. Then we had eight. This year we got about, including the ones that are on that list, we got about 60. So we're making progress. Sometimes it's more important who's against you than who's with you. So I wasn't going to be in a long closing, but I have to, have to explain some of the simplicity. I'll change the word, wrong opinions about consumption. I should start with Mr. Slone. All right? Mr. Slone said that this consumption tax is regressive. Some of you had an opportunity to hear Dan Pilla. Some of you heard when I read what the EPIC Consumption Tax dynamic study from Beacon Hill said about being aggressive for low-income people. It's actually the opposite. So you did hear what Mr. Slone's solution was, right? What his solution to fix the problem? Did you hear what he said? Oh, that's right, he didn't have one. Right? OK, so people are going to buy new cars in Iowa. All right? And I've heard this before, and, you know, really, these people, they come in and whine about what we're going to do to them. Almost all these excuses I've heard at least twice. All right? So people, when you buy a new car you don't register it in Iowa. You don't register it in South Dakota unless you cheat. You register it in Nebraska at the courthouse. So I don't know where they're getting off on the fact that this is going to be border bleed to buy cars in Iowa and--

LINEHAN: Senator Erdman, can I interrupt you? Because you pay sales tax when you register your car, right?

ERDMAN: That's right.

LINEHAN: OK.

ERDMAN: That is exactly right.

LINEHAN: Thank you.

ERDMAN: Thank you. So but here's, here's the situation, they don't take into consideration broadening the base and I gave you a handout directly from the Beacon Hill study that said the base is going to go to $134.6 billion and you heard Mr. Pilla say that the wider the base, the lower the percentage can be. All right? So NACO comes in and talk about the distribution model. We've tried to cover those situations with them, seldom do they support, support anything I do, understand that. The radio person said advertising is going to be-- have consumption tax. We're only going to have consumption tax on those things that are for your personal consumption. If you advertise for a business, that's a business-to-business transaction. OK? And the BlueSky people said it was-- or OpenSky people said it was going to be 22 percent based on their own personal analysis and their, their registered people do it. They're, they are statisticians and actuaries. They know all that stuff. Right? It's their analysis that they set. The grocery people, they whine about, we're going to charge sales tax on food that's prepared. We already do that now. We do it now. OK? So the hotel people, they got issues, but none of these people ever contacted me to say, hey, I got an issue with this, can we help you solve that? Not one. Not one. And if you ask them, I would say that probably not one of them's ever read the Beacon Hill study to see exactly what it says. All right? The cities, OK, those poor people, they're going to lose all their revenue and they're not going to be able, be able to pay their bonds. I don't believe the bondholder cares where the money comes from as long as they get their money and the consumption tax proposal, it collects every dime, every dime that we currently collect in all taxes, even for bonds, once it's put in place. It's revenue neutral, revenue neutral. So we'll collect all the money to pay their bonds. OK? And I've heard the border bleed question all the time. And we're going to remove all of those situations where they have to pay-- the business has to pay property tax, personal property tax, income tax, that all goes away. They'll be able to sell their products for less. The most amazing one was the real estate guy. OK? That was amazing. I don't know. He must think you people are pretty simple and you don't understand this. All right? If you buy a house today, if you buy a house today on the current system, you pay the sales tax. It's hidden in the price. So let's say it's-- on a $200,000 house, let's say 60 percent of it is product, 40 percent is labor. You pay sales tax on the 60 percent, but it's in the price, you've never seen it. Right? So if we take away the sales tax that the contractor has to pay on the material that he built the house with, when he goes to Menards or Lowe's and buys the, the material, he doesn't pay a consumption tax because that's a business-to-business transaction. So then he adds the consumption tax to the end product once you build it. All right? So the consumption tax is added on at the end so he-- the $200,000 house, if he pays 7.5 percent in Lincoln on $120,000, you subtract that from the price, he can sell you the house for $185,000 and make the same money he did before because he didn't have to pay sales tax. So your house doesn't cost, you don't add that to the price of the house. You have subtracted the sales tax and then add back the consumption tax. And Lee Todd had to explain to you how long it takes you to pay back that consumption tax, 1.4 years on a $200,000 house. Under the current system, you never own your house. You heard people say we continue to rent from the county even after our mortgage is paid. All right? I think it's a pretty fair deal. So they don't understand what's going on. So I think the best one of all is the tax guy, Mr. Bell. I've spoken to Mr. Bell on numerous occasions, and I asked Mr. Bell, in your portfolio, your insurance companies probably have a real estate investment. Would that be a true statement? Yes. I said, do me a favor, figure out how much property tax you pay on your portfolio that's in real estate. Figure up how much property tax you pay on your facilities, where your headquarters are. Right? And then figure up how much income tax all those 16,000 employees pay annually and come back and tell me how much you're going to save. And your insurance companies are going to leave the state of Nebraska for what? Those people who work for you are staying here because we're going to be the most opportunistic state to live in the nation because of our tax policy. So I have an amendment for Mr. Bell next year. I knew he was coming, so I thought about this. This is 77-908, and here's what it says: on or before March 1 of each year that pay the tax of, of-- pay the tax to the director of 2 percent. Remember, he said it was 1, 2 percent on a gross amount of direct writing premiums received and during the preceding calendar year for the business done in the state except, one, the group sickness and accident insurance and the rate of such tax shall be five-tenths of 1 percent, and for property and casualty insurance, excluding individual sickness and accident insurance, the rate shall be-- the current rate is one. I struck that and put two. So guess what? Senator Bostar was exactly right. We have control over their premium tax today. They're not whining about that. But all of a sudden they're whining that they need to have a constitutional amendment to protect them when currently they don't have that protection. We went through the trouble to make it an excise tax, which I think is fair and correct, and they still come in and whine that they want more protection than they currently have. That is what is currently in statute. Senator Bostar is exactly right. So next year, I will draft the bill. I'll drop that in and we'll go to 2 percent and then they can all come in and whine about it. OK? So long story short, this is the answer, this consumption tax is the answer. And they talk about how it's going to, it's going to ruin everything. And Laffer told me, he said, hey, get ready, get ready. He said the people that were only against me in California were the Democrats and the Republicans, the longshoremen and the teachers union. Everybody who collected taxes were against me, everybody. But he said they forgot about this other group. You know, who that was? It was the voters, 2 to 1 it passed, 2 to 1. This will pass. This will pass. We have an opportunity to discuss and describe all of those issues these people have to put them in LB79 and have it implemented in a way that they can all be concerned-- get their concerns taken care of. They don't come and talk to me about it, they just come in and oppose it because they know they've done this in the past and it worked. Well, one thing they forgot about is the voter, and you heard the people who are circulating the petition, how easy it is to get signatures. This thing is going to happen. All right? So I suggest to those 60 or 70 naysayers that they come to my office and figure out how we can fix their issue if we can. But I also suggest that they read the Beacon Hill study to see what the economic advantage is going to be. So all those people that were in against it, all of them were paid to be here, all of them paid to be here. All those people but one on my side did it on their own time. That's why we had it on Friday. So when they travel, what the travel business they did, they didn't have to be back to work tomorrow. That's why we do it on Friday. So all those people who have skin in the game, came to tell you their story and were concerned about it. All those people who get paid to do that come and tell you how bad it's going to be. So the choice is yours. You can represent the people or you can represent what they call the registered lobbyists. Now, I think that's a pretty easy answer, at least for me it is. I'm disappointed. I'm not surprised, but I'm disappointed that they don't come in and say, hey, I got this issue, can I help you? No, they just come and show up, talk about all this nonsense. Last year, the, the, the auto guy, the auto dealer guy getting smart because last year he said that, you know, they're going to lose all this revenue because they're going to buy, buy their car in Iowa. And the wine guy, he, he's smart, too, he didn't come in because last year he said how do you buy used wine? Well, I got Internet. Now, I told him in the hallway how you do that. I said, it looks kind of yellow.

LINEHAN: OK. It's been a long day. You did a great job.

ERDMAN: The point is.

LINEHAN: It was a great hearing and thank you for letting--

ERDMAN: So thank you for your time.

LINEHAN: Pardon?

ERDMAN: Thank you for your time.

LINEHAN: You did a great job. You all did a great job, too. Thank you for coming. OK, have a safe weekend, drive safe.

ERDMAN: Will there, will there be any questions? May have a--

LINEHAN: Oh, I'm sorry. Are there questions?

ERDMAN: Thank you.