

Transcript Prepared by Clerk of the Legislature Transcribers Office  
Revenue Committee January 25, 2024  
Rough Draft

**von GILLERN:** [RECORDER MALFUNCTION] today's public hearing. My name is Brad von Gillern and I serve as the Vice Chair of this committee. I'm from west Omaha, Elkhorn, and represent Legislative District 4. The committee will take up the bills in the order that they are posted outside of the hearing room. Our hearing today is your part of the legislative process. This is your opportunity to express your position on the proposed legislation before us today. We do ask that you limit handouts. If you're unable to attend a public hearing and would like your position stated for the record, you may submit your position and any comments using the Legislature's website by 8 a.m. the day of the hearing. Letters emailed to a senator or staff member will not be a part of the permanent record. If you're 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 follow these procedures. Please turn off all cell phones and electronic devices. The order of testimony is the introducer, proponents, opponents neutral, and then the closing remarks. If you'll 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'd like distributed 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 your name for the record. Please be concise. It's my request that you limit your testimony to 5 minutes. We use the light system with green indicating 4 minutes; yellow, 1 minute remains; and red means wrap up your comments. If your remarks were reflected in previous testimony, if you would like your position to be known but no wish to testify, please sign the white form at the back of the room and it will be included in the official record. Please speak directly into the microphone so our transcribers are able to hear your testimony clearly. I'd like to introduce the committee staff. To my immediate left is research analyst Charles Hamilton, and to my far left is the-- at the end of the table is committee clerk Tomas Weekly. Committee members with us today will introduce themselves beginning at my far right.

**KAUTH:** Kathleen Kauth, LD 31.

**MURMAN:** Dave Murman, District 38. I represent 8 counties in the southern part of the state.

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Rough Draft

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

**DUNGAN:** George Dungan, District 26, northeast Lincoln.

**MEYER:** Fred Meyer, District 41.

**von GILLERN:** Thank you. And I don't have our page's name today. What's your name?

**COLLIN BONNIE:** Collin Bonnie.

**von GILLERN:** Collin, what are you studying?

**COLLIN BONNIE:** Criminal justice.

**von GILLERN:** Very good. Thanks for helping us out today.

**COLLIN BONNIE:** Sure.

**von GILLERN:** Please remember that senators may come and go during our hearing as they may have bills to introduce in other committees. Refrain from applause or other indications of support or opposition. For our audience the microphones in the room are not for amplification, but for recording purposes only. Lastly, we use electronic devices to distribute information, therefore you may see committee members 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 state government. And with that, we will open on LB1059. Welcome, Senator Linehan.

**LINEHAN:** Thank you. Good afternoon, Vice Chair von Gillern and members of the Revenue Committee. I am Lou Ann Linehan, L-o-u A-n-n L-i-n-e-h-a-n, and I am from Legislative District 39, Elkhorn and Waterloo. Today, I'm here to introduce LB1059. LB1059 offers technical changes to how partnerships and S corporations are taxed by the state, allowing Nebraska small business corporations to directly remit income tax to the state through an election of pass-through entity tax. It is important that we make this change to remain a competitive tax environment for the business. All but two states with income tax allow this election. First, it clarifies that partnerships and small business corporations can elect to pay the income tax directly to the state on income tax returns for that tax year. It also clarifies that refundable credits will be available for tax returns filed after January 2022, and the credits will be allowed for the same taxable year an election is made without regard to the year that tax was paid.

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Rough Draft

The bill also ensures transparency in the tax proceedings by mandating that notices of deficiency from the Department of Revenue incorporate a comprehensive written statement outlining the rationale for determining discrepancies in the reported tax amount, thereby enhancing accountability and procedural clarity. I would ask the committee to approve this bill and advance it to the floor for consideration by the body. Thank you. I am happy to answer any questions. With that said, there are people behind me who probably can answer the questions better.

**von GILLERN:** Thank you, Senator Linehan. Any questions from the committee? Seeing none, thank you for your opening statement. We invite proponent testimony on LB1059. Any proponents?

**JEFFERY R. SCHAFFART:** Good afternoon, Chairperson Linehan and members of the Revenue Committee. For the record, my name is Jeffery, J-e-f-f-e-r-y, R. Schaffart, S-c-h-a-f-f-a-r-t. I am grateful for the opportunity, opportunity to support-- to testify in support of LB1059 on behalf of the Greater Omaha Chamber, the Nebraska Chamber, the Lincoln Chamber of Commerce, the Gro-- the Nebraska Grocers Association, and the Nebraska Bankers Association. I have been a practicing attorney at Koley Jessen in Omaha since 2001, and have represented many Nebraska-based pass-through entities such as partnerships and subchapter S corporations, the majority of which are small but family owned businesses. First, we want to thank the committee for its work last year to address the pass-through entity tax at the state level in LB754. The Unicameral's action on the issue made us competitive with our peer states, and removed Nebraska from a very small list of outlier states who did not allow this election. LB754's pass-through entity tax provisions have been a success. Many business owners and certified public accountants have contacted me to let me know that LB754's pass-through entity tax legislation has, as it was designed to do, eased the federal income tax burden of owners of Nebraska pass-through entities. I believe that this legislation has blunted the impact of the \$10,000 federal SALT cap, and has and will save Nebraska taxpayers hundreds of millions of dollars of federal income taxes. We also want to thank Senator Linehan for bringing forward today's bill. LB1059's changes to Nebraska's pass-through entity tax provisions are technical in nature and not substantive. For example, proposed Section 77-2727(6) (a) would make C corporation, individual retirement account, and certain other tax exempt partners ineligible partners for purposes of Nebraska's pass-through entity tax election. This change would make Nebraska's pass-through entity tax election easier to administer and more effective for pass-through

entities who have these type of partners. Many other states have chosen to exclude these types of owners from their pass-through entity tax regimes. As you'll see from the fiscal note, LB1059 is not expected to have a fiscal impact to the state of Nebraska. We also understand that the Nebraska Society of CPAs submitted written comments and is proposing these clarifications. Our organizations support that amendment and believe it adds further clarity. For the above reasons, I urge the committee to advance LB1059 to the General File. That concludes my prepared remarks. Thank you again for providing me with the opportunity to testify in support of this important legislation. I would be pleased to entertain any questions that the committee may have.

**von GILLERN:** Thank you, Mr. Schaffart. Any questions from the committee members? Seeing none, thank you for your testimony today. Any other proponents?

**NICHOLAS BJORNSON:** Vice Chairman von Gillern and members of the Revenue Committee, for the record, my name is Nicholas, N-i-c-h-o-l-a-s, Bjornson, B-j-o-r-n-s-o-n. I'm grateful for the opportunity to testify this afternoon in support of LB1059, specifically the amendment to Nebraska statute 77-2709, and to consider an amendment to 77-2776 addressing the content to be included in the Notice of Deficiency issued by the Tax Commissioner relating to income and sales and use taxes. I'm testifying on my own behalf, on behalf of the Greater Omaha Chamber, the Nebraska Chamber, and Lincoln Chamber of Commerce. I'm a practicing tax attorney at the Koley Jessen law firm in Omaha, Nebraska, and have represented a variety of taxpayers throughout the tax procedure process, including tax filings, audit, administrative appeals, and legal proceedings. The proposed language submits a crucial improvement to the current system, requiring that the Notice of Deficiency contain a detailed written statement outlining the facts, circumstances, and reasons for the Tax Commissioner's determination that a taxpayer did not accurately report its correct amount of tax. This amendment is a significant step towards transparency and fairness in the tax assessment process. There have been instances in the past where the basis and facts behind the Tax Commissioner's determination were really unclear, leaving taxpayers and their representatives in a state of frustration. Discovering the Tax Commissioner's basis often took years, particularly during the administrative appeal procedure. This lack of clarity and transparency has raised due process concerns on behalf of taxpayers, as they were deprived of essential information necessary to effectively challenge the Notice of Deficiency, and has resulted in

prolonged disputes and unnecessary delays in resolution. Importantly, it is essential to note that LB1059 does not alter the Tax Commissioner's ability to issue a Notice of Deficiency, nor its treatment as presumed correct. This clarification is vital to dispel any concerns about restricting the Tax Commissioner's authority, and emphasize that the objective is that a clear and detailed basis is included with the Notice of Deficiency. By making it mandatory for the Notice of Deficiency to contain a comprehensive written explanation that includes adequate facts and to indicate under which laws or regulations are applicable aims to protect taxpayer rights and provide a clear understanding of the reasons behind the Tax Commissioner's decision. Furthermore, providing taxpayers with a clear and detailed explanation upfront can potentially reduce the need for extensive discovery and administrative appeals, thereby saving both the taxpayer and the Tax Commissioner valuable time and resources. These changes are vital for safeguarding taxpayer rights, promoting transparency, and streamlining the resolution of tax disputes. We thank the committee for consideration of LB1059 and ask that these additional amendments and advance the bill to the General File. That concludes my prepared remarks. Thank you for providing me an opportunity to testify, and I'm pleased to entertain any questions that the committee may have.

**von GILLERN:** Thank you for your testimony. Any questions from the committee members? Seeing none, thank you, Mr. Bjornson. Any other proponents? Seeing none, any opponents to LB1059? Seeing none, anyone who'd like to testify in the neutral capacity? Seeing none, Senator Linehan would you like to close? Senator Linehan waives closing, which closes our hearing on LB1059.

**CHARLES HAMILTON:** Do we have any--

**von GILLERN:** Oh, thank you. We do have two--

**LINEHAN:** Proponents.

**von GILLERN:** --there it is-- two proponent letters for the record, zero opponent, and zero neutral. Thank you.

**LINEHAN:** Now, we'll open the hearing on LB1023. Welcome, Senator von Gillern.

**von GILLERN:** Thank you, Senator Linehan. Chairwoman Linehan and members of the Revenue Committee, I'm Senator Brad von Gillern,

Transcript Prepared by Clerk of the Legislature Transcribers Office

Revenue Committee January 25, 2024

Rough Draft

B-r-a-d v-o-n G-i-l-l-e-r-n. I represent Legislative District 4. I bring you today LB1023, which deals with the expensing of machinery and equipment as well as the expensing of research and experimental investments. LB1023 is a new version of LB492 that I brought last year. This new version presents a change from the original bill regarding the date for the taxable year from '24 to '25. We've also included a change for the Nebraska Co-op Association in AM2150, which I'll hand out here shortly. This change simply clarifies that a cooperative is included in the language of this bill, and may utilize the benefits of this bill. This new version also has an updated fiscal note, which is lower than what was presented last year for LB492. The Tax Cuts and Jobs Act of 2017 temporarily eliminated the factory tax. While this was a very pro-growth program, those eliminations have now expired. The factory tax allowed for full expensing and immediate cost recovery when filing federal tax returns for business property, with an asset life of 20 years or less. The assets covered by the federal changes included machinery and equipment, but also included assets such as new roofs, heating systems, and computer software. On January 1, 2023, the ability to fully expense went away, effectively raising taxes on these investments and disincentivizing upgrades in future investments in our local economy. Under provisions in the Tax Cuts and Jobs Acts-- Act of 2017, the innovation tax on research and experimentation had also been made fully and immediately deductible. This ended on January 1, 22-- 2022, and now these costs must be amortized over a 5-year period. Innovation is a critical component of both our national and global competitiveness, and particularly in Nebraska's thriving agriculture-based economy. Nebraska should welcome and encourage businesses looking to bring new ideas to the forefront. LB1023 would decouple from those two provisions of the federal tax code and allow for full expensing, freeing up dollars to be reinvested in businesses, increasing hiring or funding expansions. All good things for our Nebraska economy. In my past life, I owned and operated a commercial construction company and we utilized this technique. There were several years where we pumped a substantial amount of capital back into the local economy through the purchase of new trucks and equipment. We purchased locally. We paid sales tax on the purchases, paid licensing, and DMV taxes and fees, all of which helped to offset any tax reductions. In turn, the businesses that we purchased from presumably did the same things with their increase in revenue and possibly even increased their hiring. Successful businesses don't sit on capital, they reinvest it. I've run some rough numbers and find that those dollars only have to turn over 5 or 6 times in the local economy to offset the decrease in tax revenue.

Transcript Prepared by Clerk of the Legislature Transcribers Office  
Revenue Committee January 25, 2024  
Rough Draft

There's some traction at the federal level to make this immediate expensing permanent. However, we know that nothing is permanent, and I believe that we should move forward to secure this tool for businesses, regardless of whether the feds do so or not. This is a good economic advancement bill and will benefit companies and their employers. Great Nebraska companies like Valmont, Lindsay, Nucor, Kawasaki, and many others who employ thousands of hardworking Nebraskans, also Chief Industries and software developer DMSi, who both sent in letters of support. In addition, the ethanol and biofuel industries have indicated that LB1023 will benefit them and I believe will testify to that effect today. I appreciate the-- appreciate the opportunity to introduce this legislation. Being more business tax friendly could help both attract new businesses to our state, as well as encourage businesses with a presence in Nebraska and other states to relocate some of those business operations to Nebraska. Anything we can do to help business entities keep Nebraska competitive and encourage research and development is a win for our state. I believe LB1023 supports those policies. This concludes my opening remarks. I know I have some proponents today here to testify, but I'll be happy to answer any questions you may have.

**LINEHAN:** Thank you, Senator von Gillern. Any questions from the committee? Senator Kauth.

**KAUTH:** I have one question. What was the fiscal-- the fiscal note now says it's \$28.5 million. What was it before?

**von GILLERN:** 45-ish.

**KAUTH:** OK, so it came down some.

**von GILLERN:** Yeah. Yeah.

**KAUTH:** Yeah.

**von GILLERN:** Yeah, substantially.

**KAUTH:** Thank you.

**von GILLERN:** Yeah. Thank you.

**LINEHAN:** Thank you, Senator Kauth. Any other questions? I'm going to ask you a question, and I hope I ask it right. So if you look at the fiscal note on page 2? Yes, page 2, even though it looks to me like to be page 3. This-- because I remember this from last year. You made

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Revenue Committee January 25, 2024  
Rough Draft

this point and the fiscal note makes it. These taxes are going to get paid one way or another. It's just whether they're paid over 5 years or they're--

**von GILLERN:** Yes.

**LINEHAN:** --paid in 1 year. And the fiscal note shows that because it goes up and then it drops back down.

**von GILLERN:** Yes. Yeah.

**LINEHAN:** So would you like to--

**von GILLERN:** Yeah. So the-- not to get too-- there's, there's some folks behind me that I know are much more astute in accounting. I got season accounting admittedly, but I do understand how depreciation works. And if you-- if you amortize something over 5 years you can take 1/5 of that depreciation each year. If you amortize it in 1 year, you can take all of that depreciation in 1 year. And some industries allow that already, I think, in some, some agriculture products. I believe that they're allowed to be depreciated in the first year. So this is really kind of catching some of the rest of the world up to that in some ways. But it's a-- it's an advantage for companies, rather than sending money in, in tax dollars and they can reinvest it in their business and reinvest it in the local economy. And, again, I, I-- I'm, I'm pretty passionate about this because I saw it work. I mean, I saw it in our business where we had a year or two where we were able to take advantage of this, and we had some margin at the end of the year. And we said, well, we, we can either, you know, we can sit on it, we can pay taxes on it, we can distribute it to, to our employee shareholders, or we can reinvest it in the business. And by reinvesting it in the business, we turned all those dollars back over in our local economy. And it-- and it was so cool to see because we, you know, it was-- it was a way to improve our fleet, improve our productivity. But, again, put those money-- put that money back into, in my case, mostly in, in the Omaha community in, in the tax revenue that was generated from, again, those licensing fees and sales tax fees and everything else eventually catch up and, and, and certainly offset whatever the state revenue difference is.

**LINEHAN:** Thank you. Again, any questions from the committee? Seeing none, thank you.

**VON GILLERN:** Thank you. And I will pass out-- I'll hand the amendment out to be passed out.

**LINEHAN:** OK. First proponent. Hello.

**BRYAN SLONE:** Chair Linehan, members of the Revenue committee, my name is Bryan Slone, B-r-y-a-n S-l-o-n-e, and I'm the president of the Nebraska Chamber of Commerce and Industry. Thank you for the opportunity to testify on behalf of not only the Nebraska Chamber, but the Greater Omaha Chamber and the Lincoln Chamber of Commerce in support of LB1023. I'd like to thank Senator von Gillern and the others who have worked on this legislation for bringing a matter before the committee that helps address not only the fiscal note issues from last year, but also address a very important issue for taxpayers across Nebraska. As has been stated, because of changes in the federal tax laws and the fact that Congress has not yet taken action to remedy the situation, it's necessary to reinstate the ability of our businesses to either immediately deduct not only equipment purchases, but, but also research expenditures that otherwise could only be deducted over a period of time. This, this legislation has been, as has been said, doesn't create any greater tax deductions in the aggregate. It simply creates an ability of businesses to allow immediate cost recovery. And with respect to significant expenditures that they are undertaking today to remain competitive in, in today's global market. For each of our core industry sectors in Nebraska that drive our GDP, this is an urgent need as we incorporate more and more technology and more and more research into all of our industries. This is true for agriculture, it's true for manufacturing, it's true for engineering and construction, and it's true for most all of our-- of all of our businesses. Every business today is, in truth, a technology company. And as we-- as we look at that, that-- this is not creating any, any sort of new incentive. It is simply-- to go back to a conversation we had last year, it is simply changing the timing of when you can deduct a cash expenditure. And I'll use an example, if you're a software company producing software. And the majority of your-- majority of your expenditures for the year are spent to produce software, but you can't deduct your current expenses and you have to amortize them over 5 years, you can come up with some, some very, very high rates of effective tax beyond any other industry in our state. So this simply puts industries, particularly software industries, on par. Should Congress take action on this, this-- then this would not be required under a piggyback system. But we simply can't wait because our businesses are having to make decisions, capital decisions, on both

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Revenue Committee January 25, 2024  
Rough Draft

equipment and software and research, currently. So with that, I, I thank you for this opportunity and, and would be happy to answer any questions.

**LINEHAN:** Thank you, Mr. Slone. Are there questions from the committee? Senator Kauth.

**KAUTH:** Thank you, Mr. Slone. If Congress does take action, will this bill become a problem or will it just be null and void or will we have to modify it?

**BRYAN SLONE:** The way it's drafted, it, it looks to me like it would become null and void.

**KAUTH:** OK.

**BRYAN SLONE:** There would be no further action that would be required here.

**LINEHAN:** Thank you, Senator Kauth. Any other questions? But we can disconnect from the federal so--

**BRYAN SLONE:** You can dis-- with-- the state has disconnect and it has disconnected in, in many instances even from the, the original tax act that this one relates to. We, we decoupled in several instances.

**LINEHAN:** So that would be ensured that we wouldn't.

**BRYAN SLONE:** Yeah. But should, should it be enacted at the federal level we would simply couple again. And this, this-- the way it's drafted it looks to me like it's self-executing.

**KAUTH:** OK.

**LINEHAN:** OK. All right. Any other questions from the committee? Seeing none, thank you very much.

**BRYAN SLONE:** Thank you.

**LINEHAN:** Good afternoon.

**NICOLE FOX:** Good afternoon, Chairwoman Linehan, members of the Revenue Committee. Nicole Fox, N-i-c-o-l-e F-o-x, representing the Platte Institute. I thank you for the opportunity to testify today in support of LB1023. The Platte Institute supports policies that attract business and their innovations to Nebraska while encouraging

investment in Nebraska's workforce. And I want to thank, thank Senator von Gillern for introducing this bill. A lot of what I'm going to say has already been mentioned, but I want to just get it on record for the Platte Institute. So when the 2017 Tax Cuts and Jobs Act was passed, under the budget reconciliation process, it included pay-for provisions so that the bill would be budget neutral outside of the 10-year budget window. We are approaching the end of that 10-year window and the pay-fors are beginning to kick in. These include changes to Section 174 and 168 of the IRC, which previously provided for 100% bonus depreciation, meaning the cost of research and experimentation and machinery and equipment could be 100% fully expensed in the year the costs were incurred. Full expensing under Section 174 has already been phased out, and under Section 168 bonus depreciation is currently being phased out and is scheduled to be phased all the way down to 0% bonus depreciation as of tax year 2027. If Nebraska remains conformed to these two provisions, these federal tax changes will ultimately result in a tax increase for Nebraska manufacturers and innovators. It's already happening. This year, Nebraska law, which follows federal law currently, only allows 60% bonus depreciation for property newly placed in service. These two sections of the Tax Cuts and Jobs Act played a role in incentivizing manufacturing that had been sent overseas to return to the United States, and significant economic growth was seen. Today, this incentive for reshoring is needed now more than ever. Because states automatically conform to Sections 174 and 168, organizations such as the Tax Foundation and the National Taxpayers Union have encouraged states to decouple from federal law to make their business tax climates more competitive. And, again, we know that they're trying to, to get this back into federal law. But at this point, that has not happened. In fact, at the Platte Institute's legislative summit this past fall, we hosted a tax panel that recommended Nebraska enact a policy just like the one proposed in LB1023. The goal is to improve our business tax climates for productivity gains through more capital investments. LB1023 proposes to improve Nebraska's tax code by decoupling Nebraska from Sections 174 and 168 of the IRC, providing permanent 100% bonus depreciation. Under LB1023, companies will have a choice. They can choose to follow the slower federal depreciation rules, which will worsen each year, or they may choose to fully expense their research machinery and equipment cost in the tax year the costs are incurred. Having the option to continue to fully expense helps businesses in our state avoid a tax increase on these critical investments. While the Platte Institute fully supported the corporate income tax rates in LB754, it's important to note that full expensing

of new business investments produces more growth per dollar of foregone tax revenue than does a straightforward corporate rate cut. In fact, Tax Foundation analysis shows that full expensing generates twice as much economic growth per dollar of tax reduction as cutting the corporate income tax rate. In short, Nebraska's corporate rate cuts are fantastic, but full expensing will make them even better. And what I tried to do was put together a table to show you kind of what, what happens under full expensing. So the first example is just a company, they have no investments and they're paying-- and, and we're fast forwarding into 2027, they're just paying the corporate income tax rate. And it shows you what their taxable income is and tax liability is. Then I have the example of what happens if you've got that company that is investing and then what happens-- and what it looks like under just straight-line bonus depreciation. Fast forward then, the same company LB1023 is in effect, it shows again what their tax-- taxable income is and tax liability is. And essentially for these numbers, a \$10 million in revenue, \$5 million in investments under LB1023, they would immediately be able to put 179, almost \$180,000, of cost recovery immediately back into the economy through improvements in technology, investments in their workforce, or returning the savings on to shareholders. So for innovative businesses, the best way to create more value is to invest in new people, machines, and ideas. Full expensing unlocks this value. The provisions of LB1023 serve as one tool to help grow Nebraska and make it more economically competitive. So-- and I've mentioned this in previous years, other states have passed this legislation, though not very many. Nebraska could be one of the first. So, again, we thank Senator von Gillern, and I'm happy to answer any questions if the committee has some.

**LINEHAN:** Thank you. Any questions from the committee? Seeing none, --

**NICOLE FOX:** All right.

**LINEHAN:** --thank you very much. Are there other proponents? Good afternoon.

**DAWN CALDWELL:** All right. Good afternoon, Chairwoman Linehan and Revenue Committee. My name is Dawn Caldwell, D-a-w-n C-a-l-d-w-e-l-l. I'm the executive director at Renewable Fuels Nebraska, and I'm here today on behalf of Renewable Fuels Nebraska, Nebraska Corn Growers Association, and the Nebraska Soybean Association to offer support for LB1023. And like Nicole, I have these great comments written. So there will be some repeat, but do want to be on the record. And because it's

my first time in front of you this year, Renewable Fuels Nebraska is the membership association representing all 24 of Nebraska's ethanol plants, as well as renewable fuel plants intending to build in Nebraska and their associated businesses. And we are still the nation's second largest producer of ethanol, as I tell you guys each year. We have a total production capacity of more than 2 billion gallons annually. And combined, our 24 plants use more than 750 million bushels of corn per year and produce more than 6 million tons of distillers grains, a high protein livestock feed. Under the Tax Cuts and Jobs Act, taxpayers were able to benefit from immediate cost recovery for investments in business, machinery, and equipment. This provision from the act expired under federal tax law beginning January 1, '23. Without this provision, businesses will not be incentivized to make critical investments needed to boost Nebraska's economic growth. LB1023, introduced by Senator von Gillern, aims to provide relief to taxpayers and aid economic growth by allowing this provision to remain in place. The bill amends Nebraska Revised Statutes 77-2701 and 77-2716 to allow for the full expensing of the cost of qualified property or qualified improvement property covered under Section 168 of the Internal Revenue Code for taxable years beginning or deemed to begin on or after January 1, 2025. It also amends statutes 77-2701 and 77-2716 to allow for research or experimental expenditures incurred within the tax year to be treated as expenses for those same taxable years beginning January 1, '25. These amendments allow for immediate cost recovery for investments in business, machinery, and equipment and research and experimental expenditures preserving that incentive for businesses to choose Nebraska. Importantly, these invest-- these amendments are notwithstanding any changes to federal tax law or Internal Revenue Code, as we discussed the decoupling. Nebraska's ethanol plants, soybean crush, and renewable fuels plants are all continually analyzing options for efficiency, value-added products, carbon capture, and more. This bill will be crucial to executing projects that are currently just possibilities. Additionally, for companies that have a presence in more than just Nebraska, LB1023 would make Nebraska a more attractive place when they are considering which states and what facilities to make major capital investments in. So in conclusion, and in summary, this bill would preserve the ability for immediate cost recovery for our companies, our member companies, in their business, machinery, and equipment and aid them in making investments to continue Nebraska's economic growth and continued investment in Nebraska's workforce. We respectfully thank Senator von Gillern for introducing this bill and ask that you do advance it.

Transcript Prepared by Clerk of the Legislature Transcribers Office  
Revenue Committee January 25, 2024  
Rough Draft

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

**ADAM FESER:** Chairman Linehan, members of Revenue committee, good afternoon. My name is Adam Feser, A-d-a-m F-e-s-e-r. I'm the director of cooperative advancement for the Nebraska Cooperative Council. The council is a statewide nonprofit trade association representing nearly all of Nebraska's supply and marketing agricultural cooperatives and several rural electric and telephone cooperatives as well. LB1022 [SIC--LB1023] provides that beginning January 1, 2025, federal adjusted gross income or federal taxable income for corporations be reduced by amounts used in expensing depreciable business assets. Full expensing method means-- I guess, I don't really need to repeat all the things you've already heard for that. From 2020 to 2023, Nebraska farmer-owned cooperatives reinvested \$225 million in property, plant, and equipment to serve their respective farmer patrons' needs. Nearly all these investments were made in rural communities to expedite the storage, handling, and delivery of farm inputs such as fertilizers, farm chemicals, fuel, feed, and the transportation, storage, and handling of farm commodities. These activities are the backbone of our rural economy. Agricultural cooperative corporations are pass-through entities for state and federal tax purposes. Profits and losses of these farmer-owned enterprises are passed through to the farmer members on a patronage basis for the-- at the end of each year. To the extent allowed, tax deductions for expensing and domestic production activities are routinely passed through to farmer patrons of cooperatives if they cannot be used at the cooperative level. The Cooperative Council supports LB1023 with AM2150, Senator von Gillern introduced to include cooperative and cooperative patrons in the list of other pass-through entities. Nebraska Cooperative Council thanks Senator von Gillern for bringing this important piece of legislation, and for working with us to ensure Nebraska's farmer-owned cooperatives are included. Thank you very much for your time. And if you have any questions, I'll try my best to answer them.

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

**ROB OWEN:** Chairperson Linehan, members of the Revenue Committee, my name is Rob Owen, R-o-b O-w-e-n, and I'm executive director of Bio Nebraska, nonprofit trade association dedicated to supporting, promoting, and growing the biosciences in Nebraska. We have a little over 125 member organizations, and quite a few of those are start-ups

in the bioscience world. They are not spending a lot of money on capital, on machinery and such. A lot of their money is spent on research and development, and a lot of them were very surprised when they found out that they would have to amortize those costs, those R&D expenses, over 5 years and not in the year that they actually took those expenses. These start-ups have very short runways, and the more that they can keep their money in-house they're better off to succeed and move on. Where that 5-year time period where they amortize that, they cannot deduct that and, therefore, they are losing that money upfront. So for the start-ups using those R&D expenses, it's important that they are able to deduct those in the year that those expenses are already taken. And I have quite a few members who are patiently waiting for the federal government to fix all of this, but they can't wait. Again, those start-ups have a short runway and they need their resources today and cannot wait. So with that, I'm in support of LB1023.

**LINEHAN:** Thank you, Mr. Owen. Did you spell your name?

**ADAM FESER:** I did.

**LINEHAN:** OK.

**ADAM FESER:** But I can do it again, if that's all right.

**LINEHAN:** I missed it. Are there any questions? Thank you for being here.

**ADAM FESER:** Thank you.

**LINEHAN:** Are there any other proponents? Are there any opponents? Anyone wanting to testify in the neutral position? Senator von Gillern, would you like to close? And when you're coming up here, we had 2 proponents and 1 opponent.

**von GILLERN:** Thank you, Senator Linehan and committee members. And thank you to the testifiers today. I think you, you, you, you know more about depreciation than you wanted to know today probably, but it's a-- it's a good illustration of good tax policy. And I believe good tax policy is policy that stimulates economic growth and economic activity in our communities. The-- any dollar that we can generate back to get turnover within the communities is, is, is going to continue to turn over and will stimulate not only the businesses that receive it, but other businesses that they do-- that they do business with. And, and it's, it's a big help for their communities. Just a

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Revenue Committee January 25, 2024  
Rough Draft

couple of quick comments from things that I heard that were mentioned. I talked to one software development company. They said their effective tax rate was north of 80% because they could not write off their R&D expenses because software development is considered R&D. And so they were having to depreciate that over a period of years. If you're a start-up company, that's a killer. There's no way that you could-- you could get off the ground. I don't know if any tech start-up would, would come to Nebraska if that was the case. So a huge hill to climb there. R&D, I hope you, you caught what Mr. Owen and several others said, Ms. Caldwell and, and others, this is hugely impactful for the bio-- biofuel industry and the biosciences for agriculture production and for livestock production, for research and development. Some of the things that are going on at Novozymes and, and up at Cargill up in the Blair area are-- it's just-- it's groundbreaking science that they're doing up there. So we want to make sure that those companies stay here. Novozymes came here from Sweden and why they picked, you know, Blair, Nebraska, you can ask them, but, but we want to make sure that they stick around, so. And then last-- my last comment, I, I guess, is that I don't think we want to wait on the feds to agree on anything. I think we, we, we know that that's-- that, that may or may not happen, but we don't want to wait on that so we want to make sure that we do what we can for, for our state while we can. It's likely that this will be my priority bill. I've got a little bit of time to, to make that determination, but it's important enough to me. And, again, I've seen it be effective enough that, that I'm passionate enough to, to give it that, that designation, so. With that, I'd be happy to answer any questions.

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

**von GILLERN:** Thank you.

**LINEHAN:** And with that, we close the hearing on LB1023. And we will open the hearing on LB1072. Is that right? Oh, no, I'm--

**CHARLES HAMILTON:** LB937.

**LINEHAN:** --LB937. I'm sorry, LB937. Senator Bostar. Good afternoon.

**BOSTAR:** Good afternoon. Good afternoon, Chair Linehan and fellow members of the Revenue Committee. For the record, my name is Eliot Bostar. That's E-l-i-o-t B-o-s-t-a-r, and I represent Legislative District 29. I'm here today to present LB937, legislation that was

modeled off the Caring for Caregivers Act, which was passed by the Oklahoma Legislature last year. Family caregivers are the backbone of the U.S. care system helping parents, spouses, and loved ones remain in their homes while providing approximately \$600 billion annually in unpaid care. According to the American Association of Retired Persons Public Policy Institute, in 2021, there were over 179,000 unpaid family caregivers in Nebraska, providing over 168 million hours of care valued at \$2.8 billion. Those numbers will continue to grow as the need for caregivers increases nationally. More people are now living with chronic health conditions that were previously terminal, and Americans generally are living longer than in past generations. Every day until 2030, 10,000 baby boomers will turn 65. According to the Center for Disease Control and Prevention, there are currently 7 potential family caregivers per older adult. By 2030, it is estimated there will only be 4 potential caregivers per older adult. Caregiving is a critically important component of American healthcare that impacts the quality of life for millions of individuals nationally and thousands across Nebraska. Family caregivers routinely assist their loved ones with daily living care such as cooking, feeding, bathing, dressing, paying bills, shopping, transportation, and assistance managing a chronic disease or disability. LB937 creates a nonrefundable tax credit to any family caregiver who incurs eligible expenses-- excuse me-- who incurs eligible expenses for the care and support of an eligible family member. The amount of the credit shall be equal to 50% of the eligible expenditures incurred during the taxable year by a family caregiver for the care and support of an eligible family member. The maximum allowable credit in any single tax year for a family caregiver shall be \$2,000, unless the eligible family member is a veteran or has a diagnosis of dementia, in which case the maximum allowable credit shall be \$3,000. To be eligible for the credit, the person receiving care must be an eligible family member who requires assistance with at least two activities of daily living as certified by a licensed healthcare provider, qualifies as a dependent spouse, parent, or other relation by blood or marriage to the family caregiver, and lives in a private residence and not in an assisted living, nursing facility, or residential care home. The family caregiver must be an individual who is providing care and support for an eligible family member, has a federal adjusted gross income of less than \$50,000 or filing as a married couple jointly less than \$100,000, and has personally incurred uncompensated expenses directly related to the care of an eligible family member. Increasingly, family caregivers are contributing more time, more energy, and more money to support those they are caring for. The

rising cost of healthcare and limitations to Medicare are-- and insurance coverage, and the increased number of years that caregivers are providing care due to improved longevity have all put pressure on caregivers to tap into their own personal finances to help pay for various elements of care. According to a report published by the American Association of Retired Persons, 78% of caregivers incur out-of-pocket costs due to caregiving. Caregivers often sacrifice their careers and financial futures by reducing work hours, taking on debt, and tapping into their own savings, ultimately jeopardizing their own retirement security. Caregivers spend on average \$7,242 annually on care-related expenses, an approximate average of 26% of their income. 47% of family caregivers experience at least one financial setback, such as having to access their personal savings, cut back on their own healthcare spending, or reduce how much they save for retirement. To successfully address the challenges of a surging population of older adults, as well as the hurdles associated with living with chronic conditions, we must develop methods to enable caregivers to continue to support their loved ones at home and in the community. This legislation keeps those in need of care in the most comfortable of environments, while also avoiding unnecessary cost to the state's healthcare system. The unpaid care of family caregivers ultimately helped save taxpayer money by delaying or preventing expensive nursing home stays and hospital visits, though often at the cost of caregivers' own financial security, physical, and emotional health. By helping keep loved ones in their home longer, we are also saving tax dollars. If individuals receive the maximum credit of \$2,000 or \$3,000 under LB937, that equals a cost of \$5.47 or \$8.21 a day. According to the Genworth's Cost of Care study, a comprehensive annual industry study composed of more than 67,000 long-term care providers, the monthly cost of nursing home care in Nebraska for a semi-private room is \$7,483, \$246 per day, or \$89,796 annually. For those on Medicaid, the reimbursement for nursing home care is generally 70% of the cost that a private resident might pay, or \$172 per day, \$62,853 annually. Caregiving is a-- is a labor of love, but it can come with great personal toll. LB937 will help ensure Nebraskans in need of care can stay in their homes when their health is failing, eliminating the need for a much more costly option and added emotional burden of being cared for in a taxpayer-funded nursing home. LB937 recognizes the hard work and sacrifice made by family caregivers and helps lessen the financial, challenging impacts of, of family caregivers' responsibilities. Thank you for your time and consideration and I, I would encourage your support of LB937. I'd be happy to answer any questions you might have.

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Revenue Committee January 25, 2024  
Rough Draft

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

**KAUTH:** Thank you. Senator Bostar, how would an eligible person be identified or designated? Do you have a process set up?

**BOSTAR:** By eligible person, you're referring to the person being cared for or the caregiver?

**KAUTH:** The person being cared for because you-- it talks about how if there's more than two caregivers that \$2,000 is split between the two, so does that credit attach to the person who needs the care? Is there a way to identify who actually needs care?

**BOSTAR:** The, the credit goes to the caregiver. So if multiple people are providing care and they have eligible expenses so, I mean, I think that's the key is can they demonstrate that they have eligible expenses for the provision of care for an eligible individual? And if multiple people can say that, then they would split the credit.

**KAUTH:** OK. So the, the credit is essentially assigned to the person. So, say, your grandfather needs care. So your grandfather would have \$2,000 credit. There are 3 grandkids who are helping their grandpa so they could each take a third of that credit. Correct?

**BOSTAR:** Yes, if they all have eligible expenses that they haven't been compensated for.

**KAUTH:** OK. And how-- what process, what procedures that they're going to be to and do they just-- do we take it on face value that they're telling the truth? Is there a way that they will be submitting receipts? I mean, how, how exactly does this process work?

**BOSTAR:** Yeah, I mean, they would have to demonstrate eligibility [INAUDIBLE], which is-- there are certain-- there are certain categories--

**KAUTH:** OK.

**BOSTAR:** --that, that meet that as well as the person they're caring for would have to essentially be certified is the wrong word but it's the one that's coming to mind--

**KAUTH:** Right.

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Revenue Committee January 25, 2024  
Rough Draft

**BOSTAR:** --on a healthcare provider. And so, on top of that, the Department of Revenue can establish its own rules for--

**KAUTH:** That's what [INAUDIBLE].

**BOSTAR:** --delineating all of those things.

**KAUTH:** OK. Thank you.

**BOSTAR:** You're welcome. Thank you.

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

**von GILLERN:** Senator Bostar, I'm looking at the fiscal note, I was wondering if you have any comments on that.

**BOSTAR:** I was going to save those for later.

**von GILLERN:** OK. Be happy to hear that at your close. Thank you.

**BOSTAR:** Thank you.

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

**ALBRECHT:** I guess I have one.

**LINEHAN:** Yes. Senator Albrecht.

**ALBRECHT:** Thank you, Chair Linehan. So is this modeled after any other state or--

**BOSTAR:** Yeah. Thank you. Sorry. This is-- this is similar to legislation that was passed in Oklahoma last year.

**ALBRECHT:** Believe me, I've lost both of my parents, and it's quite an adventure for kids to go out on to take care of a loved one so thanks for bringing this.

**BOSTAR:** Thank you.

**LINEHAN:** Thank you, Senator Albrecht. Other questions? Senator Murman.

**MURMAN:** Yeah, maybe this question will be answered later, but does the fiscal note take into account the savings to the state?

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Revenue Committee January 25, 2024  
Rough Draft

**BOSTAR:** Absolutely not. [LAUGHTER] 100% it does not. On top of that, I have grave concerns over just the direct incurred cost in the number that was provided. As you'll see from the fiscal note, I don't want to spoil the ending here, but as you'll see from the fiscal note, there is no work cited. It's just a number on a page. They describe the functions of the bill, but there's literally nothing there to demonstrate how this number came to be. That's the beginning of my concerns over the fiscal note. But, no, it certainly does not incorporate the fact that if these individuals that are being cared for in a-- in a residence were to stop being cared for and had to be taken up by an assisted living facility, a nursing home, some other place like that, that the cost of the state would absolutely go up.

**MURMAN:** OK. Thank you. I think we'll probably hear more details on that, but thank you.

**LINEHAN:** Thank you, Senator Murman. Other questions? Could you just-- because it's-- I haven't paid attention, but it seems like it's going to-- would you say a semi-private room in a-- not Medicaid, but what's the cost? It's \$7,000-something, I think you said.

**BOSTAR:** So semi-private room is \$7,483 per month.

**LINEHAN:** \$246 a day.

**BOSTAR:** \$246 a day or \$89,796 annually.

**LINEHAN:** And what was Medi--

**BOSTAR:** Medicaid was 70% of that.

**LINEHAN:** OK.

**BOSTAR:** So it was \$172 per day, \$62,853 annually.

**LINEHAN:** And I suppose somewhere in this conversation, you'll have an idea of how many Nebraskan seniors are on Medicaid in nursing homes?

**BOSTAR:** So, yes, we're actually trying to work through some of these numbers.

**LINEHAN:** OK.

**BOSTAR:** One of the things about this legislation and, and skipping ahead still to the, the fiscal note, you know, we're talking about

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Revenue Committee January 25, 2024  
Rough Draft

middle, middle and lower income families this is limited to and it's a nonrefundable credit. So anytime, you know, as everyone on this committee is well aware, anytime we're talking about nonrefundable credits, we have limitations with the credit itself. But, of course, we also have limitations in what their tax liability even is. And if you don't have tax liability, a nonrefundable tax credit is worth nothing. So that's the other suspicious element about the fiscal note is that--

**LINEHAN:** You have to be paying taxes before you can [INAUDIBLE].

**BOSTAR:** You have to pay taxes in order to benefit.

**LINEHAN:** Yeah. Well, new year.

**BOSTAR:** Yes.

**LINEHAN:** OK. Any other questions? Seeing none, thank you.

**BOSTAR:** Thank you.

**LINEHAN:** You will be here to close?

**BOSTAR:** Yes, absolutely.

**LINEHAN:** So first proponent.

**SUZAN DeCAMP:** Good afternoon, Chair Linehan and members of the Revenue Committee. My name is Suzan DeCamp, S-u-z-a-n D-e-C-a-m-p, here as a AARP Nebraska state president to testify in support of LB937. And I, I am going to probably repeat quite a bit of what Senator Bostar opened with, but I hope you'll bear with me because AARP does want to be on record with this information. So as Senator Bostar mentioned, Nebraska is home to approximately 179,000 unpaid family caregivers who assist their loved ones at home, allowing them to age in place where the majority of Nebraskans' aging residents want to be. And it also helps them avoid the costly taxpayer-funded institutional care. Family caregivers are the bedrock of our long-term care system, without whom many of our older residents would not be able to remain in their homes. These caregivers are critical members of an elder loved one's healthcare team, and the first line of support for adults and people with chronic or health conditions, disabilities, or functional limitations. Family caregivers are essential to ensuring the safety, quality, and sustainability of our long-term care system. These family caregivers in Nebraska provide over 168 million hours of unpaid care

annually, valued at \$2.8 billion, and as Senator Bostar said that nationwide number is \$600 billion. While family caregivers do provide their support out of love, caregiving can create a serious financial and emotional hardship for many. On average, family caregivers nationwide spend 26% of their income on caregiving activities and typically spend around \$7,242 annually on out-of-pocket expenses relating to looking after their loved ones. Easing the burden of the high financial cost of family caregiving by implementing LB937 is one real solution to the long-term care crisis here in Nebraska. The tax credit would be particularly helpful for families living on fixed low to moderate incomes. According to a UNO study, 7.8% of Nebraskans age 65 and older are living in poverty. These are people who are struggling to make ends meet, but in many cases they are also providing care for a loved one. Caregiving can not only take a physical and emotional toll on a caregiver, but can also take a financial toll. A new study by AARP shows just how much caregiving expenses can add up and disproportionately hurt those who can least afford it. The strain is even greater on Latinos and African Americans, younger caregivers who have less time to work and build up resources, and women who tend to spend more hours per week on caregiving and have lower incomes. About 50% of caregivers say they have used their own money for caregiving related expenses, 30% have covered rent or mortgage payments for their loved ones, while 21% have financed home modifications. Medical costs, such as paying for healthcare, therapists, in-home care, and medical equipment accounted for 17% of caregiving spending, and only 5% of caregivers reported having no out-of-pocket expenses in the past year. Caregivers who are also employed face the stress of juggling their jobs and caregiving. In addition to their out-of-pocket expenses, caregiving can cut into an employed caregiver's income. About 1/3 of the survey respondents reported having to change their work schedule or take leave from their employment, resulting in lost wages and lost contributions to their own retirement plans, which leads to an average annual outlay of about \$10,525. The pandemic also magnified sacrifices for caregivers, with 42% of survey respondents spending more time and money on caregiving. Every day that a person who needs long-term care can live at home rather than be admitted to a nursing home, is a day that the Medicaid spend-down process is delayed. Caregivers have saved and continue to save the state of Nebraska millions of dollars, while bearing some financial risk, taking on increasingly complex tasks, and having to balance their caregiving and work responsibilities. Your leadership in supporting LB937 makes an essential investment in the health and stability of our older Nebraska residents and our state's long-term

care system, while helping family caregivers. The care they provide is invaluable both to those receiving it and to their community. At some point in our lives, most of us will either be a family caregiver or need one. Many of us will have the privilege of depending on our loved ones to help us age in place with grace and dignity. Please support LB937 and advance it from committee. Thank you for the opportunity to testify today. And thank you to Senator Bostar for introducing this important legislation and for his ongoing support for family caregivers.

**LINEHAN:** Thank you.

**SUZAN DeCAMP:** And-- I'm sorry. And I did have a couple of handouts with those statistics from the AARP's Public Policy Institute that give national stats as well as stats, in particular, for Nebraska.

**LINEHAN:** Thank you very much. Appreciate it. Are there questions from the committee? Senator von Gillern.

**von GILLERN:** Thank you, Ms. DeCamp, for your testimony today. I'd like to give you-- if you could just briefly-- you mentioned on-- you mentioned the Medicaid spend down and I think that's an important part of this conversation. I want to make sure everybody knows what that means.

**SUZAN DeCAMP:** OK. What that means is, if a person who is being cared for in the home has to go into a long-term nursing home, they eventually spend down their assets with that costly monthly cost of living in the nursing home. And once that happens, when they're out of assets, they have to turn to Medicaid. So then they are put on Medicaid and then, of course, the government picks up that tab.

**von GILLERN:** Thank you. Appreciate that.

**SUZAN DeCAMP:** You bet.

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

**SUZAN DeCAMP:** Thank you.

**LINEHAN:** Next proponent.

**MEYER:** Nice seeing you.

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Revenue Committee January 25, 2024  
Rough Draft

**SARAH RASBY:** Hello. Thank you, Senator Linehan and committee, for hearing my testimony today. My name is Sarah Rasby, spelled S-a-r-a-h, Rasby is R-a-s-b-y, and I am here today giving a statement on behalf of Nebraska AARP. I am also a former family caregiver to my twin sister, who was diagnosed with an onset anoxic brain injury at the age of 35. She passed away in June of 2022. But I continue to be a lifelong advocate. And also, I am a sandwich caregiver, and my parents fall in the category of the baby boomers who will be needing this care eventually. I also am a family former caregiver to my dad who had a terminal illness, cancer. And I'm just here today to share my story about why this caregiver credit would have been very, very beneficial to my family while my sister was living, of course. At the age of 35, she had a sudden cardiac arrest so it was very out of nowhere that she came down with that. And then out of the amount of time that she was without oxygen had a severe brain injury and disability. And at that time we were both working professionals. I am a mother of two small children, she had a one-year-old, and instantly our lives changed overnight. I was her best friend, her power of attorney and assumed the role of caregiving, as I would for her at any point in her life. And at that time when I became a caregiver, I was working full time. I owned a business. Instantly-- I eventually lost my job because I needed to be with my sister. She could not speak. She could not do anything for herself. There was only so much that hospital staff and care staff could do for her. And I needed-- I knew her the best, I needed to be by her side and advocating for her and speaking on her behalf. The pandemic only made this worse because at that time, of course, she was living in a home, a nursing home at that time. She had been at home previously before that. And without me having a job, needing to be with her, my family suffered significantly because we lost all of our income. We had just gotten a new home and I just could not work. I needed to be with her. So at that point, just-- I didn't identify as a caregiver until about 9 months into it. I didn't know what to do. And so I would say that to this day, my family, we're still trying to recover from all of that that we were going through. But while she was in a home during the pandemic, we ended up pulling her out and she lived in her own home. I needed to be there with her. We did have staff that were caring for her, but there was only so much that they could do also, as we all know that being in our home and your family members are always going to advocate and make sure that you're cared for the best. So that's really, I would say, a lot of the other things that, you know, just as far as, like, caregivers needing this expense, that social emotional well-being is everything to that person's care and what keeps them in the home. That is not something

that I think that they can always get from a nursing home, although I know that there are very many benefits of nursing homes and they do their best. But also the pandemic lifted a veil on all of that with them being understaffed, them being overwhelmed that family caregivers really need to be a part of that experience. So having someone in your home, or if I would have been able to keep my sister in our home as long as we could or in her home and having that benefit because there were so many things that I did have to pay out of pocket, but also did not have a job, which inevitably I tried everything in my power. That was my number one thing, was to keep her home and I, I failed at that because I did not have the support that I needed, mostly financially. That comes along with a lot of that social emotional well-being, and also just making sure that she had the quality care, the oversight of that quality care, the advocacy and all the needs that she needed as someone in her very vulnerable state. So that's what I'm just here to do, is to advocate not only for someone that this could happen to at any point in their lives at my age, but also for the care that I will eventually be providing for my family members as well. So, yeah, that's all I have. Any questions, please?

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

**ALBRECHT:** Thanks for sharing.

**LINEHAN:** Seeing none, thank you very much for being here. Appreciate it. Next proponent.

**SUSAN CAMPBELL:** I'm sorry, I'm too old.

**LINEHAN:** Oh, you're fine. You are-- take your time.

**SUSAN CAMPBELL:** Thank you very much for allowing me to speak in favor of this bill. My name is Susan Campbell, better known as Suzy, but it's S-u-s-a-n C-a-m-p-b-e-l-l, and I'm going to speak on behalf of some of the organizations, but mostly on, on my own experience. I've had 52 years of experience working with caregivers. It-- my experience started in 1972 when my mother was killed in an automobile accident, and I found out that my father had some memory impairment. So we moved from our home in Council Bluffs with four young sons and moved into their little retirement home built on to it. I began a very lengthy, lengthy narrative, and I hope you look at it, because I'm not going to go through every sentence in there. Would take too long. And-- but, but we had to build on to that house. Then my sister came to me from

Minnesota with the clothes on her back out of an abusive relationship, and I cared for her and had to spend some money for her too. Then my husband, I cared for him the last 16 years of his life. He had two forms of cancer, and he inherited a degenerative heart disease from his father. And so he, he passed away in 2010. But I will tell you that as a caregiver-- and we do it out of love, and I didn't even think of myself as a caregiver. You just do it because you love them and they need you. But it's very, very hard to watch someone you love go through this. So the emotional part I don't want to get into. The-- I worked for Aging Partners for 28 years, so I worked with a lot of caregivers there and my last position was director of Senior Companion Program. So I worked with caregivers there. I helped establish the Nebraska Caregiver Coalition. I'm cochair of that, and we have 60 members across the state who work with, with caregivers and advocate for them and provide resources. We do educational webinars for them and, and try to help caregivers as much as we can so that they can stay in their home. And particularly in rural Nebraska where there are less resources, it becomes quite important. So I'm not going to go into those numbers that Senator Bostar and, and AARP gave you because-- but they're very impressive. And I'm going to say that as our population ages and dementia cases are proliferating, it's going to become more and more family caregivers needed because as he, Senator Bostar told you, paid caregivers that you can hire are becoming less and less available. So it's going to follow to the family caregiver. And I can't tell you-- well, I listed lots of the expenses that aren't covered by insurance and so on. And you just have to do it because you have to have food, you have to have care and so on. So when you think of those impressive numbers-- and the other thing is I wouldn't have reported myself as a caregiver. I think there's a lot more caregivers in Nebraska than are in those-- in that survey because we don't think of ourselves as caregivers. We just do it out of love. So when you think of the tax dollars that could be saved, it's enormous, really, really enormous. So I thank you for your consideration of this, and I do hope that it is passed. I really, really do. Thank you very much for listening to me. I appreciate it.

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

**SUSAN CAMPBELL:** Thank you.

**LINEHAN:** Good afternoon.

**EDISON McDONALD:** Good afternoon. Dear members of the committee, my name is Edison McDonald. I'm here representing the Arc of Nebraska. E-d-i-s-o-n M-c-D-o-n-a-l-d. The Arc of Nebraska is Nebraska's largest membership organization representing people with intellectual and developmental disabilities and their families. I'm here to express our strong support for LB937, introduced by Senator Bostar to provide caregiver tax credits. LB937 addresses a critical need by providing support to family caregivers who dedicate their time and resources to individuals with intellectual and developmental disabilities. Recognizing the invaluable contributions of caregivers is essential, and this legislation is a commendable step in that direction. The Arc of Nebraska strongly supports LB937 and extends its gratitude to Senator Bostar for championing this. Approximately 39.8 million caregivers provide care to adults aged 18-plus with a disability or illness, or 16.6% of Americans. Caregivers spend an average of \$6,594 per year out of pocket. And for those supporting an individual with an intellectual or developmental disability, this number can easily soar above \$100,000. For those of you who haven't heard me talk about this in the past, just to give you an idea, a ballpark for an individual with the disability who gets entered into our foster care system, the cost is about \$90,000 per kid per year. And for an adult who ends up in our state institution, that can easily be a couple hundred thousand dollars a year. So this really helps to mitigate some far more significant costs. At \$470 billion in 2013, the value of unpaid caregiving exceeded the value of paid home care and total Medicaid spending in the same year and nearly matched the value of the sales of the world's largest company, Walmart, at \$477 billion. The story of what this looks like from one of our members: My daughter has global delay due to an absent corpus callosum in her brain. She is primarily fed via g-tube and she also has severe epilepsy. All of these conditions make going to school every day extremely difficult and some weeks impossible. Most days Molly doesn't get to school until 10 a.m. or later, and then I'm called to come get her early some days because she can't physically handle a full or half day of school. Add in doctors' visits and weekly therapy, and these constant needs make working full time and even part time next to impossible. This has left my family with a constant financial void from the loss of my income. My husband is left to work long hours to make up the difference and, in turn, has lost much time away from home leaving me the primary caregiver nearly 24/7 of our three kids. The proposed tax credit serves as a valuable incentive, recognizing the unique and often uncompensated expenses of caregivers and ensures that they have adequate protections in the community. On behalf of the Arc of

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Revenue Committee January 25, 2024  
Rough Draft

Nebraska, I encourage the committee to move this legislation forward. Any questions?

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

**MATT PROKOP:** Good afternoon. Chairman-- Chairwoman Linehan and members of the Revenue Committee, my name is Matt Prokop. That's M-a-t-t P-r-o-k-o-p. On behalf of the ALS Association and the 137 people living with ALS served annually in Nebraska, we urge your support of LB937. ALS is a progressive neurodegenerative disease that affects the nerve cells responsible for controlling voluntary muscle movement. It's a devastating condition that leads to gradual loss of muscle function, eventually rendering individuals unable to speak, eat, or breathe independently. Given the severity and rapid progression of ALS, timely access to necessary medical interventions, treatments, and support services is paramount. Being the primary caregiver for a loved one with ALS can be stressful. In addition to being on call 24 hours a day, seven days a week, you may have additional responsibilities like working a full- or part-time job and taking care of children. Responsibilities of an ALS caregiver include helping with dressing, feeding, travel to appointments, mobility and equipment use assistance, and providing emotional support. Data from a 2021 ALS Association survey of 600 current and past ALS caregivers from across the United States highlights the need to support those who provide care to our patients. 68% of ALS caregivers said they spent more than 30 hours per week providing care to their loved one. Almost half of caregivers said they felt unprepared for changes in caregiving responsibilities as ALS progresses. 44% of ALS caregivers cited depression as a top concern. A spring 2020 survey from the ALS Association on Understanding Insurance Needs and Financial Burdens of 440 ALS patients and current and former caregivers from across the United States also found some key data. Costs for medical treatment and services topped the list of stressors for people with ALS and their care-- and their caregivers. One out of four people with ALS and their caregivers said they had to borrow money or go into debt because of their ALS treatments or to provide caregiving, respectively. In addition to these survey responses-- in addition to the survey results, we also wanted to share more data that illustrates the great financial burdens in treating this disease. The estimated-- the estimated annual out-of-pocket costs to treat a person living with ALS is \$250,000. The ALS Association is committed to our mission of making ALS livable for everyone, everywhere, until we find a cure. Policies that support our caregivers can greatly assist our work in meeting

this objective. We greatly appreciate Senator Bostar introducing this bill and strongly support and hope, hope the members of the Revenue Committee advance this to the full Legislature for their consideration.

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

**JOYCE BECK:** Hi. Chair Linehan and members of the Revenue Committee, my name is Joyce Beck, J-o-y-c-e B-e-c-k, and I'm here today to testify in support of LB937. My husband, Jerry, was diagnosed with MS in his 40s. Even with proper medication, MS took Jerry inch by inch. Mobility became an issue and falls became more frequent. Cognitive impairment also progressed and swallowing became increasingly difficult for Jerry. Jerry had a quadruple bypass after his heart attack at 52. This led to medications and blood pressure monitoring that he was not always able to do. On two occasions, his blood pressure was so unstable that he had to be rushed to the hospital. Someone needed to be with him to help him through these episodes. Jerry also had metastatic prostate cancer, which resulted in fractures of the pelvis, lumbar spine, and right hip. Morphine was used to control pain initially and eventually a fentanyl patch was required. Pain control was always an issue for Jerry, but even with the use of fentanyl over the last 3 years, Jerry was never out of pain. His pain was relieved only by his passing in January 2021. From a financial standpoint, deductibles and copays for his care averaged \$10,000 annually for over 10 years. Dental bills over the same period totaled \$30,000. The cost of traveling for specialists averaged \$100 per month during this time. While on Medicare, the high cost of out-of-pocket costs for medications was \$6,400 annually. Because of the need for constant medical attention due to, to numerous diagnoses, cognitive impairment, and pain management, it became apparent that I needed to retire early. As a hospital CEO, the early retirement came to me at a very high cost in lost wages and benefits. There are 179,000 family caregivers just like me in Nebraska. They willingly make the sacrifice for their loved ones like I made for Jerry. They provide over 160 million hours of unpaid care, and that care comes as a sacrifice to them. LB937 provides for a tax credit for Nebraskans who care for their loved ones. They do so at substantial financial sacrifice to others. These 179,000 Nebraskans need your support. Thank you, Senator Bostar for introducing the critical legislative bill, and thank you to the committee for the opportunity to comment.

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Revenue Committee January 25, 2024  
Rough Draft

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

**JOYCE BECK:** Thank you.

**LINEHAN:** Are there other proponents? Are there any opponents? Opponents or neutral? Opponent, opponent. Good afternoon.

**MAGHIE MILLER JENKINS:** Good afternoon. My name is Maghie Miller Jenkins, M-a-g-h-i-e M-i-l-l-e-r J-e-n-k-i-n-s. Long name. Sorry. I'm here to speak as a proponent for LB937.

**LINEHAN:** I'm sorry. Did you say proponent?

**MAGHIE MILLER JENKINS:** Proponent.

**LINEHAN:** OK. We need to get that straight. OK.

**MAGHIE MILLER JENKINS:** Sorry. I, I tried to stand up and--

**LINEHAN:** That's OK.

**MAGHIE MILLER JENKINS:** --wasn't fast enough. I can just kind of give you my version of humanizing of what this could mean. So when I was 19-- well, I was 18, I was a late senior in high school and my dad got diagnosed with cancer, and he was a vet, he was a Marine, and he had small cell adenocarcinoma in his lungs. And so we had to go through the VA, which I don't know how many of you know what it's like going through the VA, but he couldn't be seen in Lincoln. So his radiation treatments Monday through Friday, two treatments, were in Omaha; his chemo treatments, once every three weeks, we're also in Omaha. And I had just graduated from high school. I worked at Russ's. I got into my first car accident, and I had my first ticket ever. And I didn't know what to do because I was the person responsible for taking my dad to and from his radiation treatments Monday through Friday, 5 days a week. So a tax relief is not an immediate check that's going to get-- would not have given me the money to be able to fix my car, to be able to be more helpful. But at the end of that year, it would have given me the ability to provide him more care because, we also at the time, my stepsister has autism. So we had in-home caregivers that would be coming in to help provide services for her. But when they weren't there, I was the backup caregiver, so. My stepmom worked full time. My dad still worked, even through all of his chemo treatments. So having some snippet of knowing that there is some relief coming, that everything that I did for free from the time I was 19 until he died

when I was 24, I provided everything. I was there 24 hours a day. I was there when he got his lung removed. I was there when he lost all of his hair. And this is a man that, I don't know if you guys know what a Jheri curl is, but, you know, 1970s, yeah, yeah, my dad rocked that Jheri curl until the chemo took it. And I don't know how many people have watched their loved ones lose a stripe of dignity, but it's a special version of hell when you sit on the edge of a bathtub with a man who have never seen cry before and he is sobbing with two handfuls of Jheri curl. And, again, this bill would not relieve that moment. This bill would never be able to take-- there's no bill-- there is no legislation you could pass that could take that moment away from what I experienced. But this bill could help somebody that would be in a situation like me, a high schooler fresh out of high school. I don't know how to handle life, let alone my father dying, and, and being thrust into being a full-time caregiver. But knowing that I could have some kind of relief, I could have something given that would be able to help me help them more effectively. Because during all of this, I still worked full time. I worked with Senator Raybould, working. I was at Russ's, I worked at Russ's Deli. That was my first job, and I worked there full time. So in the midst of all of that, in the midst of being a caregiver for my stepsister, in the midst of driving to Omaha 5 days a week, in the midst of all of that, it would have been nice to know that the people that make the laws were thinking about me. The people that have control and power took a little bit of time and used their yes vote to be able to push something forward that really would have given me actionable relief and given me something to look forward to, to know that all of my time spent out of love was seen as a valuable effort by my legislative body. Thank you for your time.

**LINEHAN:** Thank you. Are there any questions from the committee? Seeing none, thank you very much for being here. Are there other proponents? Are there any opponents? Is there anyone wanting to testify in the neutral position? We did have letters. We had 11 proponents, no opponents, and no one in the neutral position. Welcome back, Senator Bostar.

**BOSTAR:** Thank you, Chair Linehan and members of the committee. Yeah, I was going to tell you that I think that this is a good investment in our state, but then I remembered back to when I was in finance classes in college and as a-- as a financial instrument an investment implies some level of risk. So I didn't want to give you the wrong impression. The risk is not doing something on this front. The risk that's before the state is what's going to happen to our system that is currently

strained beyond its capacity to care for folks who need it. We have critical shortages of nursing homes and nursing home staff, assisted living facilities and staff. I mean, healthcare in general is, I guess, you know, supply is at a critical level. And so anything we can do that helps alleviate the pressure on that system, pressure that I'll say is being taken up by everyday Nebraskans is worthwhile to the state. I believe that this is something good to do because it's the right thing to do. And it's also good to do because as stewards of the resources of the state of Nebraska, I think this is the responsible action to take. The fiscal note, as we covered a little bit in the beginning, is puzzling. It's, it's difficult to understand how that number was, was required. And part of the reason, as I stated before, that it's difficult to understand how that number was acquired is because there's absolutely no information in the fiscal note to indicate how they came to that number. It-- in this fiscal note, as well as all the others. And so, you know, Senator Meyer, you'll, you'll quickly realize this, we don't have a-- we don't utilize any sort of dynamic financial analysis when we evaluate costs of legislation. I mean, I think Senator von Gillern has had half a dozen bills that probably are net savings to the state of Nebraska that, you know, we have to somehow find millions of dollars to pay for. It's bewildering. So I'm going to spend more time with the fiscal note. I'm going to talk to the Fiscal Office. I'm going to talk to the Department of Revenue, which is sort of the source of a lot of that number, I believe, and work on this. I'd be happy to answer any other questions. And I, I would seriously ask the committee to consider this issue favorably. Thank you.

**LINEHAN:** Thank you, Senator Bostar. Are there questions from the committee? Senator Murman.

**MURMAN:** Yes. I asked a question about, is the savings to the state considered in the fiscal note? As was mentioned several times, I think, during the testimony, long-term care would be much more expensive than being able to care for your loved one at home. Do you have any comments on that? I, I mean, if that was taken in-- truly into consideration, I think there would be a savings to the state.

**BOSTAR:** Absolutely. Yes. I think you're absolutely right. So there's a couple of things I'm going to do. I know Senator Kauth was interested in, in a further breakdown of what the sort of costs are that Nebraskans-- that-- I'm sorry-- that the state is incurring to care for folks at different levels of care. So we're going to break that out, we're going to try to put some numbers to that. And then look

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Revenue Committee January 25, 2024  
Rough Draft

at-- you know, I forget the numbers in here, but it's, you know, we're talking about \$5 a day is what this would amount to versus hundreds. So we're going to-- we're going to put together a more comprehensive financial picture of what we're currently facing, what the, the cliff is that we're headed to as our population gets older and as the number of potential caregivers per individual who will need care gets smaller and smaller. We're going to put all that together and we'll have something for the committee.

**MURMAN:** Thank you.

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

**MEYER:** Yes. Thank you. I certainly share the skepticism of this fiscal note. When you start to think about this is an income tax credit, not a check if they don't pay income tax. You really have to scratch your head how they can come up with these kind of figures, especially if some of the folks aren't working aren't paying the income tax that, that effect would be zero to the state.

**BOSTAR:** Correct.

**MEYER:** So I'm, I'm really-- I, I share the committee's puzzling and yours,--

**BOSTAR:** Welcome to Revenue.

**MEYER:** --figure. So good luck. Thank you.

**LINEHAN:** Thank you, Senator Meyer. Any other questions? They don't even-- I'm going to get my jab at this too, they don't even give you numbers as to how many people they're talking about.

**BOSTAR:** Correct.

**LINEHAN:** OK, well, have fun with the Department of Revenue.

**BOSTAR:** Thank you.

**LINEHAN:** I had my fun yesterday.

**BOSTAR:** Appreciate it.

**LINEHAN:** They do actually listen. So if you call them and try--

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Revenue Committee January 25, 2024  
Rough Draft

**BOSTAR:** We-- and we've-- and we've-- I assure everyone here, we have started that conversation.

**LINEHAN:** And they have been busy over there.

**BOSTAR:** They have.

**LINEHAN:** We introduce a lot of bills. They all have to have fiscal amounts.

**BOSTAR:** Yes. Yes.

**LINEHAN:** OK. Did I mention letters? I did, didn't I? Right? 11 proponents, zero opponents, zero neutral. So with that, we'll close the hearing on LB937--

**BOSTAR:** Thank you.

**LINEHAN:** --thank you-- and open the hearing on LB1072.

**SUSAN CAMPBELL:** I don't know if I said it, but thank you for your service.

**LINEHAN:** Thank you for all you've done, ma'am.

**DUNGAN:** I'll wait for just a moment if that's OK.

**LINEHAN:** Yeah, that's fine.

**DUNGAN:** Continuing the history of fun fiscal notes. Here's another one.

**LINEHAN:** Welcome, Senator Dungan.

**DUNGAN:** Thank you, Chair Linehan and fellow Revenue Committee members. I am Senator George Dungan, G-e-o-r-g-e D-u-n-g-a-n. I represent Legislative District 26 in northeast Lincoln. And today I'll be introducing LB1072. LB1072 is a bill intended to promote the production and use of sustainable aviation fuel, or SAF. You're probably going to hear me use the acronym SAF a lot. It is sustainable aviation fuel. SAF is an alternative to traditional fossil fuels based aviation kerosene, designed to reduce aviation's carbon footprint and mitigate the industry's environmental impact. It's produced from renewable resources such as biomass, waste oils, and agricultural residues. In simple terms, and I'm sure some coming after me would not appreciate me simplifying it this much, but it's ethanol for planes.

Like ethanol, SAF's chemical composition is similar to normal jet fuel, meaning that it can be used in engines that can take traditional fuel without changes to machinery. The origin of this bill and my interest in this comes from my uncle, who's a pilot. He flies for a private jet company that's domiciled here in Nebraska, but he lives on the East Coast and he flies all over the world, all over the country. And he noticed over the last 5 to 10 years, an increase in the amount of SAF being used in other states. He sees it in the states on the East Coast, the West Coast, in the Midwest. And it was something that we began talking about and he asked me essentially whether or not Nebraska was a part of the conversation in the creation of SAF. Obviously, we are often at the forefront of ethanol. It's something we talk a lot about a lot in our state. And so it seemed important to me to start having that conversation about us being at the forefront of sustainable aviation fuel as well. The aviation industry has set a net zero carbon emission target by 2050. The industry has identified SAF as the main tool to achieve its goal, thanks to SAF reducing carbon emissions by up to 80%. However, airline cites a lack of supply and the overall cost of SAF compared to traditional jet fuels as major hurdles. With Nebraska's robust ethanol and agricultural industries, we are in the perfect position to be one of the nation's leaders in SAF production. Without going too much into the detail about this, one of the benefits of SAF is that almost all of the planes that exist right now that are being used in commercial flight can utilize SAF with certain blends. They're consistently upping the amount of SAF blended into regular jet fuel. There's a few more hoops they have to jump through than just regular ethanol, given plane safety and things like that, but we're seeing an increase in SAF in both the country and the world and how much is being used. This gets me to the interesting part about this bill. So the point behind this was to start the conversation about SAF. And it seemed to me that step one in Nebraska becoming a major producer of SAF was to try to create the market for SAF in Nebraska. And so the intention behind this bill originally was to create a tax credit for the purchase and use of SAF by companies here in Nebraska. So trying to incentivize the purchase and use of airlines like Delta and other airlines that are going to be using that SAF. I got the fiscal note yesterday, and this continues our fun conversation of fiscal notes. And if you have looked at that, you'll note that it says there is no fiscal impact because this is a refundable tax credit to the sales and use tax of SAF, but that SAF is not subject to sales and use tax. Where this comes from is we exempt jet fuel from sales and use tax here in Nebraska. It was my belief and our understanding, having worked with industry leaders and other

individuals in drafting this, that sustainable aviation fuel was different than jet fuel. However, the Department of Revenue, through looking at the statutory definitions and the chemical makeup of SAF, determined and put in the fiscal note that it is the same thing as jet fuel, therefore it is sales and use tax exempt. So I think there's some more work that needs to be done on this bill. But I do think that the overall objective is clear. We as a state need to be at the forefront of this. The Governor talked about SAF in his State of the State address. It's something we're hearing from industry leaders, many of which are in the room here today, that it's the next big thing. And I would love to see Nebraska be a part of that conversation. Given our ethanol and our agricultural status in the Midwest, I think we really can benefit from this as a state. I'm going to keep working with Bill Drafters and the Department of Revenue, as well as stakeholders to determine what changes could be made to this bill to allow it to still benefit people in the state using SAF. I think that if the market creation is no longer a problem, given the fact that it's already sales and use tax exempt, we need to start turning towards production tax credits and talking about ways to incentivize the production of SAF here in Nebraska, which is ultimately our goal. So I just wanted to make that very clear. I know the fiscal note is a little bit confusing. I think definitionally, we can have some continued conversations with the Department of Revenue, but it's my intention for the remainder of this session and moving forward to continue to be a part of the conversation surrounding sustainable aviation fuel. I'm happy to answer any questions. But when it comes to the specifics of SAF, the experts behind you probably know a little bit more.

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

**von GILLERN:** Thank you, Senator Dungan. A couple of questions here. The-- is this intended to be a start-up incentive or a permanent-- is there any sunset? Forgive me for not-- I'm sorry, I should know the bill better. Is there a sunset provision? Is this a start-up or a permanent credit?

**DUNGAN:** I believe there was a sunset in there. There was an amendment. Did the amendment get passed out or is it in the binder?

**TOMAS WEEKLY:** It's in the binder.

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Revenue Committee January 25, 2024  
Rough Draft

**DUNGAN:** It's in the binder so there were a couple of changes that were made when we initially introduced it. For example, we left out the word refundable. That was added in, along with a couple of definitional changes from talking to stakeholders that were necessary. I do think there was a sunset provision in there. I think it was through December 31 of 2033. So, yeah, it's 2024 to 2033 was the original range that we were intending in there.

**von GILLERN:** OK. The credit amount of \$1.50 per gallon, is that-- is that similar to other states? Where did that-- where did that number come from?

**DUNGAN:** Yeah. So the language that we're looking at here was adapted and adopted from the statute in Illinois that was recently passed. Obviously, Illinois has a slightly different airline industry usage than we do with O'Hare and a bunch of other airports. But this was passed in Illinois in the last year and a half or so with the intention, again, of incentivizing more of those carriers to purchase and use SAF in the state of Illinois. And so that \$1.50 tax credit per gallon is what was utilized in the Illinois statute. So that's kind of what we modeled this after.

**von GILLERN:** OK. I could go all day, but I guess I'll just do one more. The-- you men-- this is a, a tax that is applied to fuel sold or used by an air carrier. It says period but, of course, that's in the state of Nebraska. And you mentioned maybe your intent to-- you'd rather incentivize production, because if we produce it here and ship it to another state, then this would not apply.

**DUNGAN:** Right.

**von GILLERN:** Is there some thought as to shifting that?

**DUNGAN:** That is the goal. Yeah. So, again, this was sort of step one in a process. And step one was to sort of model this after that Illinois statute in an effort to incentivize the carriers and the companies to start purchasing and using it. But the ultimate goal is to create an environment in which there is an incentive to produce the SAF in Nebraska. We obviously have a number of plants that currently already produce ethanol. But there are fairly hefty upfront capital costs that go into creating additional refineries that actually create the SAF. It's a different process, but it can utilize a lot of the same infrastructure. But I think we do need to find a way to incentivize that upfront capital construction to make it worthwhile.

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Revenue Committee January 25, 2024  
Rough Draft

Once we get it built, I think we're going to see a huge benefit to the state. But, yeah, the production, I think, is going to be the next step that we're working with a lot of industry leaders on figuring out what would help them create that environment.

**VON GILLERN:** Thank you.

**LINEHAN:** Thank you, Senator von Gillern. Are there questions from any other committee members? What does a gallon of jet fuel cost?

**DUNGAN:** That's a good question. I don't know the answer to that off the top of my head. Senator von Gillern probably knows as a pilot.

**VON GILLERN:** It's about seven bucks.

**LINEHAN:** OK.

**DUNGAN:** About \$7, it sounds like.

**LINEHAN:** Yeah. I know, we're breaking the rules. All right. Thank you very much.

**DUNGAN:** Thank you.

**LINEHAN:** And you'll be here to close?

**DUNGAN:** Yes.

**LINEHAN:** So first proponent.

**DAWN CALDWELL:** All right. I'll make my comments like there is a tax on jet fuel, though there is not. Good afternoon, Chairwoman Linehan and members of the Revenue Committee. My name is Dawn Caldwell, D-a-w-n C-a-l-d-w-e-l-l. I'm the executive director of Renewable Fuels Nebraska, and I'm honored to be here on behalf of the countless farmers, ranchers, producers, and workers across our state who stand to benefit from the passage of LB1072 and, more importantly, the growth of sustainable aviation fuel production here in Nebraska. I'm testifying today on behalf of Renewable Fuels Nebraska, Nebraska Corn Growers Association, Nebraska Soybean Growers Association, and Nebraska Farm Bureau. So hopefully you're well aware of the enormous economic opportunity that sustainable aviation (fuel) or SAF offers. Last year alone, airlines bought more than \$756 million worth of SAF, and that number is projected to grow exponentially as more companies and more countries around the world commit to sourcing larger shares

of fuel from renewable sources. It's obvious what it could mean for Nebraska to capture part of that market. More opportunities for entrepreneurs and innovators to flourish, more jobs that keep our workers here or attract them from somewhere else, and higher wages that put more money in our family's pockets. In fact, I believe you have written comments from ADM and probably Gevo, both members of RFN and ADM is one of the largest ethanol producers currently in our state. They detail what those SAF opportunities would mean for their company right here in the center of our state or near center of our state at Columbus, Nebraska. It, it would be extremely impactful. Gevo would be a completely new production in our state. New construction, greenfield project. We can't forget the environmental impact. SAF is dramatically better than petroleum-based jet fuel from substantial-- substantially lower carbon emissions during fuel production, leading to a total carbon footprint that is a fraction of the size overall. Nebraskans don't need to be told to be naturally good stewards of our land and our world, but it is a little easier when taking care of the environment boosts our workers and our family's bottom line. We like being-- we like being rewarded for what we usually do, which is the right thing most of the time environmentally. There are plenty of other factors as well that we all need to consider when it comes to empowering our farmers, ranchers, producers, and workers to help fuel the world with SAF, including carbon capture and storage. And I look forward to continuing those discussions with you and all of your colleagues. LB1072 is a step toward a future where our state and our people can reap the big rewards that come from producing sustainable aviation fuel and selling it across the world. So I would conclude by thanking Senator Dungan for introducing this bill, getting the conversation started-- getting the conversation started. Thank you to all of you members for considering it. And I look forward to working to pass something, whether it's this session or a future to make sure it is good. I, I have visited with him about suggestions to make it Nebraska centric regarding the production side, even if there is an incentive tied to it. And some other ideas as well. And I would just reiterate the importance of CCS to make this even possible. So for alcohol to jet, it's about two gallons-- about two gallons of ethanol to one gallon of jet. So the further refining of the ethanol that Senator Dungan mentioned, it, it takes two gallons to make one, basically. And there is no reason for any of it to be produced because of the way federal regulations and opportunities are, if we don't have the carbon sequestration to go along with it to get that CI score low enough to matter.

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Revenue Committee January 25, 2024  
Rough Draft

**LINEHAN:** OK. Thank you. Are there questions from the committee? Yes.

**MEYER:** Thank you.

**LINEHAN:** Senator Meyer.

**MEYER:** So, so the bills-- and maybe this is a better question for George, but I know you'll know, know a lot about it, Dawn. This does not affect soybean or ethanol production currently. This, this is just recyclable type feedstocks?

**DAWN CALDWELL:** So, so-- and it may be for Senator Dungan. So I believe this bill, the way it's written, is really directed toward the airlines, but it would incentivize the use of a product. So when we talk about SAF production in Nebraska, it could utilize current ethanol. There could be a bolt-on situation where a current ethanol plant would further process their ethanol to make sustainable aviation fuel. So that would pull it out of the traditional ethanol market to make SAF. It also could mean new production and more utilization of corn if it is an alcohol to jet product.

**MEYER:** So would that be--

**DAWN CALDWELL:** Soybean oil is another process.

**MEYER:** OK. So would that leave some of the corn oil in the ethanol without that extra process that you now remove it?

**DAWN CALDWELL:** They would keep doing that. Are you talking about a feedlot? They're going to keep doing it.

**MEYER:** I, I, I guess, one other question.

**DAWN CALDWELL:** Yeah. They're going to keep using the corn oil too.

**MEYER:** Right, right now, to my knowledge, there's only one company that does recycling of cooking oil around the metropolitan areas in Nebraska and that's Darling Ingredients.

**DAWN CALDWELL:** Yes.

**MEYER:** Would this type of product work for that usage?

**DAWN CALDWELL:** That's a good question. And there's a chemical engineer coming behind me that may have the answer to that. So I do know that-- so the renewable diesel plant that's going in at Hastings is going to

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Revenue Committee January 25, 2024  
Rough Draft

use animal fat. I don't know that they're using the used cooking oil for that, but they are using the rendered fat from packing.

**MEYER:** Thank you.

**DAWN CALDWELL:** And that will be for diesel, not jet fuel.

**LINEHAN:** Thank you, Senator Meyer. Senator Murman.

**MURMAN:** Thank you. And this, this is, I think, related a little bit to Senator Meyer's question, but months or maybe even years ago when the first talk about sustainable aviation fuel, is what I heard anyway, it talked about, it would come from-- the fuel would come from soybean plants.

**DAWN CALDWELL:** Yes.

**MURMAN:** But the bill, I think, all it talks about is ethanol.

**DAWN CALDWELL:** Well, I talked about ethanol. But it does-- it does and it will-- there will be soybean oil product as well. So some of the new bean crushes that have gone, gone into business in Nebraska, Norfolk, for instance, that oil is going to be used for fuel. And could be-- could be, the technology is out there, could be used for sustainable aviation fuel. And you'll notice in the amendment his original bill had a cap on soy oil sourced SAF and the, the ag industry asked him to pull that out because that could be here before ethanol.

**MURMAN:** In short, soybean oil or corn can be used--

**DAWN CALDWELL:** Could.

**MURMAN:** --to make SAF.

**DAWN CALDWELL:** Yes.

**MURMAN:** Thank you.

**DAWN CALDWELL:** Soybean oil, corn oil, ethanol, there's other-- hydrogen. I mean, there's a lot of opportunities in technology coming in the years, years ahead.

**MURMAN:** OK.

**von GILLERN:** Any other questions from the committee? I just have one, Ms. Caldwell. You mentioned the carbon sequestration, and I don't want to go down necessarily that rabbit hole, but this will not happen without, without an answer to that problem. Is that what I heard you say?

**DAWN CALDWELL:** Correct. So most-- the, the average carbon intensity score of ethanol from ethanol plants in Nebraska is in the very low 50s right now, 51-ish. The-- for sustainable aviation fuel to work because of that further processing that has to happen, we need that initial ethanol to be almost at zero or zero. And the, the biggest, quickest way to do that, adding funds back from our federal government is sequestering the carbon dioxide and down the road utilizing it. They'll build oftakes and utilize it.

**von GILLERN:** Thank you. All right. Seeing no other questions, thank you for your testimony.

**DAWN CALDWELL:** Thank you all very much.

**von GILLERN:** Next proponent.

**REID WAGNER:** OK. The chemical engineer is here.

**von GILLERN:** Speak-- use little words.

**REID WAGNER:** I'll try my best. Good afternoon, Vice Chair von Gillern and members of the Revenue Committee. My name is Reid Wagner, spelled R-e-i-d W-a-g-n-e-r, and I'm the executive director of Nebraska Ethanol Board. The Ethanol Board is an independent state agency that's actually focused on the growth and development of renewable fuels in our state. So I guess I'll just hit on my background a little bit. You have chemical engineer. Senator Dungan, you kind of put a knife in my heart a little bit with your simplification, but I'm also happy to help understand-- or help the agency understand the differences between synthetic paraffinic kerosene and also the process of dehydration, oligomerization, and then rehydrogenation to create SAF versus our normal food oil [INAUDIBLE]. Happy to help in all those regards, so. As Dawn Caldwell aptly represented the new opportunities from SAF are actually very vast for Nebraska. They are really basically ways that the aviation fuel industry can actually feel the same benefits that ethanol has done for our vehicles that are currently on the road today. Basically kind of wrapping these up because we've hit on these many times before. But, you know, we talk

about reduced emissions from field to fuel from that well to that wing. We also talk about hundreds of millions of dollars of possible direct capital investment in the state of Nebraska. And we just kind of jump through all of those energy security benefits through diversified fuel sources. Great demand for our ag products. Get the picture. Very whole picture that represents Nebraska very well and the type of opportunity that we're seeking. The NEB supports LB1072 on those fronts, which works to incentivize the purchase and use of SAF within Nebraska, and we're encouraged by the opportunity to provide a little education and insight to the topic. We talked a little bit about production pathways. I think there's up to nine in the American society for testing materials. There's two that are of great interest to Nebraska. We've talked a lot, a lot, a lot about ethanol to jet, converting ethanol to jet fuel that we can use in all of our planes, effectively all those engines, those specifications have been in development for 16 years within, within ASTM and we're very happy they're here. We have a lot of flights that are currently using SAF crossing the Atlantic. We saw Virgin Atlantic do that earlier this year, and we've seen United do it in [INAUDIBLE] as well. So our two production pathways, the other one is through soybean oils, like we've talked about, which is basically the processing of triglycerides and basically soybean oils, corn oils, things like that. We can reprocess them to that same fuel that can power those jet engines. Overall, the way that the bill is written, as amended as well, actually does a really good job encompassing all of those opportunities. So we don't have any that are lost on Nebraska. It's pretty generally written so that we can encapsulate everything. So lastly, just kind of when we factor in Nebraska's geographic location, our wonderful rail infrastructure, all of our feedstock availability across ethanol, corn, soybeans, and of course our ability to capture, sequester, transport carbon dioxide in the state, we really have a phenomenal recipe to be a leader in this space. And we just really thank Senator Dungan for beginning to increase the awareness around this acronym of SAF. And we're looking forward to helping, you know, this opportunity for Nebraska value-added ag really take off. And I know that pun hurts you guys as much as it hurts me to say, but I couldn't leave it on the table. Happy to answer any questions you guys might have.

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

**REID WAGNER:** Thank you.

**JOHN HANSEN:** Chairman Linehan, members of the Revenue Committee, hello. 2024 is here and is my return trip to this committee. It's always a pleasure to be here. My name is John Hansen, J-o-h-n H-a-n-s-e-n. I'm the president of Nebraska Farmers Union, and we've been before this committee and the Natural Resources Committee for many, many decades doing everything that we can to try to help move the opportunity to take advantage of value-added agriculture, relative to the development of ethanol and all of the, the soy-based options there and all of these things because it's good for the environment. It's good for the rural economy. It's good for public health. And it is building on those things that we already have in place. So we have been thinking for some time, as we're looking forward and that we're in the middle of all of the mix at the national level relative to the development of additional opportunities for higher blend ethanols. We've been looking at sustainable aviation fuels, but we've also been looking at shipping and there are huge opportunities in front of us for additional utilization. And it moved up the, the ladder high enough in our organization that there were about a handful of us at our fly-in, in Washington, D.C. last September that met with a lot of the senior ranking staff in EPA over this issue and higher blend ethanols. And they represent the low-hanging fruit relative to carbon reduction, building on the infrastructure we already have. So if you can take and put additional renewable energy fuels in the current fleet that we have for automobiles, for airplanes, and for ships is a good thing all the way around. And, you know, so the, the, the back and forth with EPA officials was interesting and instructive and conflicting based, based on who you talked to and the answer you got. And so, you know, here you are sitting on all of this opportunity in order to accomplish multiple beneficial goals at the same time, which is anytime you can get two or three for one benefits, that's a-- that's a plus. And so anything that we can do at the state level, and we really thank Senator Dungan for bringing this forward. But this is-- this is an opportunity that is too big not to figure out a way to help get it off the ground. And so that's my pun. So with that, I would end my testimony, be glad to answer any questions if I could be of any help.

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

**MURMAN:** It's been talked about a little bit that not that much aviation fuel is used in Nebraska compared to some other states such as Illinois. We do have great connections and I think mainly by rail from Nebraska ethanol plants to even the Gulf or any for the West

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Coast also for use in shipping. So could you address a little bit about the infrastructure that we do have to connect to those places?

**JOHN HANSEN:** Well, it, it sort of gets, gets back to that old question of are we strategically located or are we squarely in the middle of nowhere? And we happen to think that based on the infrastructure that we have, north to south and east west, both by truck and by rail that Nebraska is strategically located to move in a lot of different directions. And we have had success moving west, as you know, and when I did a tour of California Dairy-- Dairies a few years ago, the, the routine was to go through all of the different bays that they mix all the different feed ingredients and, yes, Nebraska-based feedstocks from ethanol were, were clearly in, in each of those dairies. And we were-- we were supplying an awful lot of, of our byproducts to California Dairies. And so you look at the ethanol market there, we've had good success. We're the furthest west of the major ethanol producing states. And so I don't care what you say, we're, we're further west than Iowa is. And they might be the number one ethanol producer, but we're the number two ethanol producer with the closest access to the biggest California market.

**MURMAN:** Thanks.

**LINEHAN:** Thank you, Senator Murman. Are there any other questions from the committee? Seeing none, thank you for being here.

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

**LINEHAN:** Are there any other proponents? Are there any opponents? Anyone wanting to testify in the neutral position? We did have letters. Senator Dungan, do you want to close? We did have letters: 5 proponents, no opponents, and no one in the neutral position.

**DUNGAN:** Thank you, Chair Linehan and members of the Revenue Committee. I want to thank everybody who came in and testified today. As I suspected, they knew more of the details of the makeup of SAF than I did. I didn't mean to hurt your heart by calling it ethanol for planes, was just trying to make it simplistic, but it, it is absolutely much more complicated than that. And to your point, Senator Murman, we tried very hard to work with our friends in the ag community to make sure the definitions in here as to what qualifies as SAF was broad in an effort to encompass different types of the SAF that-- that's out there. Right? We know this is a, a burgeoning industry. There are some types that are more prolific than others, but

certainly we wanted to keep it broad. And in working with some of the ag community as well with those amendments that were mentioned, taking off, for example, the cap on how much soybean could be utilized for that, we want to make sure that it's sort of an open, free market approach and just whichever one's the best is going to be succeeding. So this is, again, the beginning of a conversation. I will probably be working on some amendments to this with some of our friends who have testified here today. But, in general, I just want to highlight again, Nebraska is in a really special and, I think, genuinely unique position to be at the forefront of sustainable aviation fuel. And I just don't want us to miss out on that opportunity. So I look forward to working with you all on this in the future.

**LINEHAN:** Thank you. Any questions from the committee? With that, we'll bring the hearing on LB1072 to a close. And we are going--