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VON GILLERN: Good morning. Good morning. Are we on? OK. Good morning, it's 9:31. Let's go ahead and get started, folks. Welcome to the Revenue Committee public hearing. My name is Senator Brad von Gillern, and I serve as the vice chair of this committee, and I represent District 4 in West Omaha and Elkhorn. The committee will take up bills in the order that they're posted outside of the room. Our hearing today is part of your legislative process; this is your opportunity to express your position on the proposed legislation before us today. We ask that you limit handouts. If you're unable to attend the 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-- website by 8:00 AM the day of the hearing. Letters emailed to a senator's 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 Legislators [SIC] website to submit written testimony in lieu of personal testimony. To better facilitate today's proceedings, I ask that you follow these procedures. Please turn off and silence your cell phones and electronic devices. The order of testimony is the introducer, then invited testimony, proponents, opponents, and neutrals. We'll then cycle through proponents, opponents, and neutrals. The testimony will conclude with closing remarks by the bill's introducer. 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 would like to distribute to the committee, please hand them to the page to distribute. We need 10 copies for all committee members and staff. If you need additional copies, please ask a page to make copies for you now. When you begin to testify, please state and spell your name for the record. Please be concise. It is my request that you limit your testimony to 3 minutes, and we will use the light system. We will have 2 minutes on green, 45 seconds on yellow, and then 15 seconds on red to wrap up. If your remarks were reflected-- please listen to this closely-- if your remarks were reflected in previous testimony, or if you would like your position to be known, but do not wish to or need to testify, please sign a white form in the back of the room and it will be included in the official record. We have lots of folks here today, so I encourage you to take advantage of that. Please speak directly into the microphone so our transcribers are able to hear your testimony clearly. I would like to introduce committee staff; to my immediate left is legal counsel

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Charles Hamilton. To my left at the end of the table is committee clerk Angenita Pierre-Louis. All right, if our pages would please stand and introduce themselves, or introduce yourself.

KYM DYKSTRA: Hi, I'm Kym.

VON GILLERN: Kym, where are you in school?

KYM DYKSTRA: I'm a sophomore at UNL.

VON GILLERN: All right. Thank you for being here, Kym; appreciate your help. Please remember that senators may come and go during our hearing, as they may have bills to introduce in other committees. Please refrain from applause or other indications of support or opposition for our audience. The microphones in the room are for amp-- 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. Please be assured that your presence here today, and your testimony, are important to us; it is a critical part of our state government. With that, we will open with LB1. Senator, Senator Linehan, welcome.

LINEHAN: Good morning. Good morning, Vice Chair von Gillern and Revenue Committee. Thank you for being here today. My name is Lou Ann Linehan, L-o-u A-n-n L-i-n-e-h-a-n. I'm here to introduce LB1 at the request of Governor Pillen. Nebraska property taxes are a crisis. For far too long, Nebraskans have demanded a change in property tax system, and have seen little relief. While the Legislature has made impacts in helping ease the burden over the years, we see continue-- property taxes continue to increase. LB1 is what the Legislature has been trying to accomplish since I was elected. The state of Nebraska will live up, finally, to its constitutional duty of funding K-12 public education. LB1 puts a cap on local spending at the city and county level. This is a hard cap. Zero percent, or no growth, or CPI, whichever is greater. There are several exceptions to the cap, including public safety, new growth, emergency declarations, voter-approved funds, increases approved by the voters. The lid on restricted funds will be removed, which will provide more flexibility for governments to finance their operations through non-property tax revenue. I think it's important to note that in the 8 years since my class has been here, we have managed to set aside \$1 billion in property tax relief. The property taxes have gone up 1.3. That's the

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problem. We have to have some kind of spending controls, or we can't solve the problem. The bill creates the School District Property Tax Relief Act, which will be used to lower property tax statements. The taxpayers will see their statements decrease by a large amount on an average of 50 percent after this plan is fully phased-in in three years. The General Fund levy for schools will be eliminated in 3-- year 3. School districts will be able to collect property taxes for fiscal-- physical ins-- infrastructure, such as voter-approved bond indebtedness, special binding fund [SIC], Qualified Capital Purpose Undertaking Fund, better known as QCPUF. LB1 also contains the revenue-raising portions of this plan. Which, if you don't have revenue-raisers, your plans are very popular, but they don't work. So, these new revenues will include the creation of the advertising, Advertising Services Tax Act, eliminating over 100 sales tax exemptions, assessing taxes on certain services. There are a few sin taxes included in LB1, such as a tax on pop and candy. Consumable hemp, 30 percent; vaping products at 30 percent; increasing cigarette tax by a dollar or-- for \$1.64 total; increase the keno tax from 2 percent to 5 percent; increased tax on spirits from \$3.75 to \$14.50; and an increase on games of skill from 5 percent to 20 percent, which is in parity with the casino slot machines. Additionally, to raise revenues, we would repeal the property tax income tax credit, and use the funding for the new School District Property Tax Relief Act. LB1 makes changes in the existing Property Tax Credit Fund-- this is the first one-- carving out school districts from calculating-- excuse me-- carving out school districts from the calculation, since that funding will be applied to the new credit. So that's a wash. This, and all new funding, will be placed in the Education Future Fund, which will be used to fund the new credit. LB1 is an answer to higher prop-- high property tax problems. Nebraskans have been loud and clear; in fact, they want, they want property tax reform. This will bring, bring reform to our tax code. Overall, the state will be collecting nearly \$1 billion less in taxes each year; this is a net tax decrease for the people of Nebraska. I want to point out there was some confusion yesterday-- there's a great deal of confusion on revenues overall because of the P-tax pass-through, where people pay income taxes that the state will refund them. So I took \$1 billion off total property taxes collections-- actually, Charles did-- off total tax collections in Nebraska, so we understand where we really are-- subtracting out the billion of income taxes, which is probably a wash. 48 percent of the taxes paid in Nebraska are in property taxes. 48 percent. Very

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close to 50 percent. 30 percent are collected on income taxes. A little over 20 percent in sales taxes. So to say that they're all in parity is not correct. Half the taxes paid in Nebraska are property taxes. With that, I'll answer any questions.

VON GILLERN: Thank you, Senator Linehan. Any questions from the committee? Seeing none, thank you. I presume you'll stay to close.

LINEHAN: I will. I'll be right there all day long.

VON GILLERN: Thank you. We'll invite our first invited testifier up, so-- Governor Pillen, welcome to the Revenue Committee.

GOVERNOR PILLEN: Good morning, Senator von Gillern, Senator Linehan, and all members of the committee. I can't thank you all enough for your incredible work. It's really, really important, so-- My name is Jim Pillen, J-i-m P-i-l-l-e-n, and I have the incredible, incredible privilege to serve as the 41st Governor of the great state of Nebraska, and I'm testifying in support of LB1, introduced by Senator Linehan at my request. There's two pieces that I would like to submit to the committee. I have two handouts to share with you. One is from industry leaders across the state that have come out in support of our Nebraska plan. These are individuals who understand that we all must give a little in the plan to create the tax reductions. So the second handout is a list from Nebraskans-- list from Nebraskans whose voice isn't heard by special interests and lobbying groups; a list of Nebraskans who are being adversely affected. Over a thousand Nebraskans-- it's been put together in just a really, really short period of time-- who support this plan. These are, these are folks that have worked their tails off; they love this place, like all of us. They worked their tails off, and they're struggling to pay the bills, and they're s-- at risk of losing the homes they've paid for [INAUDIBLE] because of our outrageous property taxes. I'll try to, I'll try to stay close, because I know you have a whole lot of folks, to be able to hear everybody's voice. Maybe the first is, why are we here? As your Governor, my view is, I'm Governor of all Nebraskans, and, it's incredibly important that we address the extraordinary crisis of property taxes out of control in the state of Nebraska, and for all Nebraskans. From my seat, we-- our tax policy is causing 30 to 35 percent of our young people, who've literally lost the hope, literally lost the hope that they can own a home. I'm here because of folks who can't afford their rent anymore, because the property taxes

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are, are skyrocketing. I'm here because of the seniors that have raised their families, educated their children, and de-- decided to stay here because they, they, they don't make enough money to move somewhere else. And now, the house they paid for, they're being forced out of it. Countless times, over and over. And then, needless to say, as your Governor, I think a really, really important task is that we grow Nebraska. And we have no idea how many people go online to see what our income tax-- and because of our partnership, we were able to get ourselves competitive; still got more work to do, but we're competitive. We have no idea how many people don't come here because they see what our property taxes are, and they delete Nebraska. You can't make this up. Just last week, I was working with one of our team members in the Department of Economic Development, working on a trade mission this fall. And he said, "This one person I'd really like to have come on the trip, we're working hard, they want to come to Nebraska and do business. And I think it would really be good. Are you up for that?" I said, "You bet." Then he said, "But there's just one little glitch." I said, "Well, what's the glitch?" He said, "They want to come here. They've already bought land." I go, "That's awesome." He goes, "No, the glitch is, they bought the land across the river because of property taxes." They bought the land across the river because of property taxes. Countless. So, earlier this year, and during the legislative session, I made it clear our goal was to reduce property taxes by 40 cent-- 40 percent. While we were not able to get that agreed upon, this path, the, the, the-- continues to skyroppet-- skyrocket. I've been all over the state since that time; had over 26 town halls with people from Bellevue to Chadron, from South Sioux City to McCook, and in between, to hear directly from Nebraskans, and then countless others via email. In every conversation I have, everywhere I go, people come up and say, "Thank you. Thank you for not giving up. Thank you for continuing the fight." Everywhere I go, countless times every single day. LB1 represents transformational tax reform for the state of Nebraska, and all of our citizens. This plan will allow, you know-- young Nebraskans to become homeowners, and will no longer be turned away due to high property taxes. There's not just one key to solving this problem. I think it has to be addressed from a multitude of different perspectives. So number one, number one, we simply have to control local spending. This isn't a valuation problem, this is a spending problem. Number two, we have to cut excess waste in state government, and we're making progress in the first 20 months. Number three, we have to go back to the policy of 60 years ago, with a

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broader sales tax base. Because of special interests, all that's eroded and, oh, we can slip it in on property tax. We sure have. And we've got-- when this calling happened to me, I was astounded when I found out, out of 244 school districts, 180 school districts virtually had no funding from the state. It's time for the state to quit quitting on kids. One thing we all in this state agree on is that we believe our kids are our future. It's time for the state to put our money where their mouth is. And, simply, reducing the total number of taxes collected in this state. This plan will get us really close to \$1 billion reduced in revenues by 2027. There's a lot of people that, in this process, don't have any interest in being confused by the facts. I think it's really, really important that we focus on the facts. This plan is not a tax increase; this is a tax decrease. LB1 will reduce the total number of taxes collected by just under \$1 billion; this will be the largest property tax reduction in state history. Here's the facts: if you own a \$275,000 home in Lincoln, you'll save \$2,158.16. In order to outweigh these savings, if you own that home, you live in that home, you would have to increase-- you would have to spend \$28,000 on the newly-taxed items. \$28,000 for that to break even. Can't emphasize-- this is a tax cut. People that are calling it \$1 billion tax equ-- increase are doing different math than I learned. LB1 will place a cap on local government spending of 0 percent or CPI, whichever is greater. There are some expecta-- exceptions [RECORDING MALFUNCTION] safe-- for public safety that we capture new growth and that we allow, that we allow local voters to increase tax collections if necessary. The lid on restricted funds is removed for cities, which will allow for local governments to finance their operations through non-property tax revenue. Additionally, this bill will finally give public schools-- our kids-- the support they need and deserve from the state. A new tax credit fund will be created that will be applied against school taxes paid. When this is fully in-- enacted, it will eliminate the General Fund taxing authority from school districts from a \$1.05 levy to zero. Local school districts will still be able to collect property taxes for their physical infrastructure, i.e. buildings. Every local school district has votes of the people, and they can build whatever school they want to-- building they want to build. If they-- if a community wants to have the, the, the greatest architectural wonder of the world, that'll be the privilege of the voters of each school district. Local control is 100 percent intact. The difference is simply votes of the people instead of the pressure on votes of 3 and 6 people. It's really

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crystal clear. I can't believe how long it took me to understand this, but the facts are clear. We have state statute; we have state statute that says whenever the valuations go up, the levies go down, no change in property tax. Except we have a pop-off bill that allows every local government to exceed it. And we've been very good at it, virtually everywhere, 100 percent of the time. Local control is votes of the people, not pressure on 3 and 6 people. I think it's really, really important, when we talk about education, that this plan is simple. We have the state funding-- we have the state funding education, period. It allows school boards and superintendents to focus on the things that matter, like classroom instruction, increasing teacher pay, improving literacy gains, and helping students improve test scores. Not, "How do we find more money?" I've asked school board members across the state-- which, by the way, I think is the most important elected position, is school boards-- "Why did you, why did you run for the school board?" I have yet to hear one say that "Because I'm a TEEOSA expert, and I will help superintendents find money." This plan simplifies the funding and allows consistent supply and, and trust and confidence, instead of trying to find X million dollars, after valuations go up. Through coordination of-- with our agencies, we have identified over \$400 million in total savings that will help fund the tax decrease. And as we improve services to Nebraskans from state government, we'll continue to find more savings. The state will repurpose existing property tax programs to provide more direct and impactful relief to all home and property owners. This bill will eliminate over 100 sales tax exemptions currently on the books, helping expand the tax base. A tax will-- a tax we'll place on pop and candy, consumable hemp, vaping will be saved-- will be taxed at 30 percent. Cigarette tax will increase \$1, to \$1.64. Games of skill, or "gray" machines, will be taxed at 20 percent, which is in parity with the casino slot machines. The increase to 5 percent on keno taxes, and increase in spirits will bring us to close to our 50-state ranking in beer and wine taxes. Overall, Nebraskans will have their property tax statements reduced by an average of 50 percent in 3 years, and our K-12 schools receive more funding than ever, helping make sure that we can increase the pay of our teachers. This plan gets our state in the game, that gets us to become competitive, and, finally, allow for more citizens to become homeowners. Maybe last-- you'll be hearing from Doctor Goss today, who hi-- he and his team have put a, an assessment of this plan. One, one piece of it that I think is-- that I would like to highlight, I just saw it this morning, an hour ago-- Doctor Goss

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will talk to more, more detail later in testimony, but this plan increases GDP for Nebraska. This plan will improve employment, and this plan will increase state receipts. This is a quote from Doctor Goss. He says central to the issue, central to the avicu-- issue advanced by this study, high sales tax burden and lower property tax burden is the key to growing our state. The states that have the highest sales tax are growing the fastest. I appreciate the opportunity before you. I can't say enough to thank everybody for their work, and I'd be happy to take any questions.

LINEHAN: Thank you, Governor. Are there any questions from the committee? Senator Dungan?

DUNGAN: Thank you, Chair Linehan. And Governor, thank you for being here today. I know that this has been a long endeavor getting here, and I know there's a lot of people here today, so I appreciate you being here. I also want to say thank you for your continued efforts on this. You know, we've been, all of us here as a committee, talking about property tax for quite some time, and earlier this summer, I know you reached out to myself and other members of the committee, and asked if we believed in property tax reform, and everybody does. Right? Everybody in this room agrees that property taxes are a problem. I think where we tend to disagree as a legislature is what to do to fix that. So I just want to say I appreciate your continued efforts to address the issue. In some of the meetings that we've had, you know, I've expressed some concerns about this plan previously, and I'm not going to dig into the details at this point; I can ask other people who were testifying about that. But, I've received a number of communications from constituents and Nebraskans expressing concern, right? Concern over what this plan's potential side-effects could be, what this plan's potential impact could be on individuals, and what the potential impact could be on businesses. For example, I received a letter from a manufacturing company here in Lincoln saying that, based on their calculations, they would anticipate that under this plan, they're looking at about a 515 percent increase in taxes, in sales. And so I'm curious, you know, when you hear that and when-- I'm sure other members of this committee have heard those concerns-- how is this not a sales tax increase? If we're talking about broadening the sales and use tax base, that does inherently mean that we're going to be paying sales tax on more items as a state. And so I'm just curious how this is not actually a sales tax increase, based on the fact that we're seeing manufacturers and other businesses do their calculations,

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and see they're going to be paying hundreds of percentage points higher in taxes overall.

GOVERNOR PILLEN: Well, I think the first, the first answer-- the first is-- I, I don't know when-- whoever called you, what facts they were really going off of, if they really took time to, to read what's in it, or if they went by some, some innuendo. So number one, we've, we've talked about it, and we released 10 days ago, 2 weeks ago, the principles of the sales tax. Principles of sales tax are really, really simple: number one, there's no, no tax on food. Number two, there's no sales tax on medicine. Number three, there's no sales tax on nonprofits. Number four, there's no sales tax on inputs of agricultural manufacturing. So, I've heard those, and people are using their calculations on those, and, you know, I guess maybe they've listened to whoever that's trying to derail fixing the property tax problem so they can stay relevant. I don't know what the issue is, but the facts are simple. There's, there's-- and our plan has nothing on, on, on the inputs. And then number three, our plan would-- is-- on sales tax items, that if there's anything that's not taxed by our surrounding states, it's not on the list. So, that's a process. And, you know, those, those are, those are the facts. That's where the plan is at. And, you know-- so, so my response would be-- the reality would be that, if we would sit down with somebody from the Department of Revenue and go by the exact plan that we have, that those numbers would be drastically different.

DUNGAN: OK.

GOVERNOR PILLEN: And number, number-- the other that's really important is if you, if you use these numbers. 2023 we had property tax of \$5.3 billion. This plan, by 2027, would have property tax of 2.6. In 2023, we had income tax of \$3.7 billion. Because of the work that all of us did, in partnership, will be by 2027-- forecast is \$3.2 billion. And again, Doctor Goss can talk to-- about the effects of sales tax; our sales tax was \$2.3 billion in 2023. This plan would have sales tax at \$4 billion. And that doesn't-- it's not going to talk about the increase in receipts, because of the-- what businesses will generate.

DUNGAN: No, I appreciate that. And I do look forward to the testimony from him too, of kind of about the economic impact. The other, I guess, main concern that's been expressed to me by my constituents--

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so I represent Northeast Lincoln, LD26. I believe about 50 percent of my district are renters; I think 46 to 47 percent of my district are renters. Friends of mine, and constituents, have reached out saying, you know, based on their analysis of this plan, they're not going to see any benefit. And I know in some of the town halls we've had, you've talked about, you know, property taxes so out-of-whack that you even have to own property to be affected by it. But, when we're talking about providing property tax relief, the individuals who don't own property are now, if this plan were to go forward, going to be increasing their sales tax, their spending-- their sales and use tax, their spending without receiving any direct benefit. Now, I understand there's at least an argument that the rent is not going to go up as much if property tax relief is achieved. But, what do I say to my friends and my constituents who are reaching out to me and saying, "I'm going to be paying more in taxes and I'm not getting any benefit, why would I support this plan?" So, I guess, how do you respond to the renters out there who are also seeking assistance?

GOVERNOR PILLEN: Yeah, I, I appreciate the question. And it's, it's extraordinarily important. Number, number one, I think we'd all agree that if we don't do anything, if the answer, like some say "no," that property taxes are going to keep going up, they'll be going up \$1 million a day, and rent will continue to go up. So if we do nothing, rent goes up, just like it's been the last years. We'd agree on that, right? So then number two is really, really simple. The first step would be, when we get property tax under control, I think we all agree our, our goal is to help people have a better, better jobs and be able to help people be able to live the American dream and own their homes. And then number three, I'm a believer in free market. It's not going to change immediately the first day, but I think you'll, you'll hear from people that are in that business that if, if all a renter is after is the most money they can rent, guess what? They get bad renters, and pretty soon, pretty soon, you can't charge enough to make up for it. In that business, it's really important to have great people that you're doing business with. And so the market will evolve, and change, and certainly decrease. It's--it, it, it ebbs and flows in agriculture, does it everywhere. It's called the free market. That's, that's my view. Does it happen exactly today? No, but in short time it sure will.

DUNGAN: Right. Well, thank you. And the last question I'll ask-- I do, again, appreciate you answering these. So, part of the issue, I think

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that a lot of people have had with this plan-- clearly it's very full room here today is--

LINEHAN: Question. Questions. Questions.

DUNGAN: Yes. Is the expansion of the sales and use tax, right? And so we have this list of things that are on the sales and use tax expansion. How did we ultimately get to this list? Because I know at one point there was like 120 or something that were on the table, and then that was whittled down to about 100, and then it came down to like 90. How did we end up with this list of things that are now going to not be exempt from sales and use tax?

GOVERNOR PILLEN: How did we end up to where we're at today?

DUNGAN: With this list, yeah.

GOVERNOR PILLEN: Well, through constant work. And pri-- and listening to Nebraskans across the state, and understanding everything. So it was-- we-- it's been-- as I've said from day one, it's been an evolving breathing piece of work. And, you know, this is Nebraska's plan.

DUNGAN: Thank you.

LINEHAN: Thank you, Senator Dungan. Are there any other questions for the committee? I just have one quick one. The Revenue Committee, all the members here were invited to your meetings all summer, were we not all there? All invited, included in the meetings you had all summer--

GOVERNOR PILLEN: Yes.

LINEHAN: --about this plan. And we went over those lists multiple times, right?

GOVERNOR PILLEN: Yes.

LINEHAN: And we had many, many discussions.

GOVERNOR PILLEN: We've, we've had-- I've had multitudes of discussions with Nebraskans, with members of the Legislature in a formal settings and in-- independent settings. My hearing aids work pretty good.

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LINEHAN: Thank you, Governor. Thank you. Thank you. I'm going to get some. Any other questions? Thank you very much for being here.

GOVERNOR PILLEN: Thank you. Thank you.

LINEHAN: So the way-- just-- and we've done every hearing, and we'll continue to do every hearing in the Revenue Committee during special session this way: we go proponent, opponent, neutral. So I would welcome the first proponent. Familiar faces.

DAN HUGHES: Good morning, Chairman Linehan, members of the Revenue Committee. My name is Dan Hughes. D-a-n H-u-g-h-e-s. I'm a businessman who farms for a living, from Venango, Nebraska. I come before you today in support of LB1. I am not here on behalf of anyone other than myself. Most of the people you will hear from today probably represent a group or a client; in other words, they're being paid. When all is said and done, I will have driven 9 hours, 4.5 hours each way, for 3 minutes. I'll appreciate any questions. Nebraska's tax structure is way out of balance. We have reached a crisis point and something must be done. During my 8 years in the Legislature, we made headway in addressing this problem with the Property Tax Credit Relief Fund, and the Income Tax Rebate Fund, LB1107, but we didn't fix the problem. Those were just temporary measures to buy more time for a permanent fix. I do not plan to get too far into the pacifi-- specifics of LB1, because, quite frankly, that is your job. But I would like to address more of the general principles and why we are here, and how do we fix this crisis that Nebraska is in? Real estate taxes in Nebraska are still in crisis mode. When I came to the Legislature 10 years ago, the crisis was only in agriculture. Now it has exploded across every property tax category within the whole state. When agricultural property heavy subdivisions-- what agricultural-property-heavy subdivisions quickly learned is that they could have lots of additional tax revenue to spend, without raising your taxing levy, and thus confusing the local property tax payer into not being sure who to be maddest at. The county assessor for raising your valuation; the idiot from out of state who paid too much for the parcel next door, or the elected officials who just kept saying, "It's not our fault, we're just following the law." Schools, counties and cities have all been guilty of this. Schools are being singled out because they are the largest single subdivision that relies on property taxes, and thus the largest target is on their back. Not all schools have been as blatant about taking advantage of the windfall. I spent 12 years on the school

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board before coming to the Legislature. Fortunately, during that time, that board took a very active role in the budget, and kept our spending at a reasonable level. Unfortunately, too many boards take an active interest-- not too many boards take an active interest in the budget, and just approve what is offered them by the administration. In my opinion, schools are like teenagers: they want all the latest, shiniest-- shiniest, coolest things out there for teaching kids, regardless of the cost. We spend more-- We-- if we spend more, we get better outcomes. Too many school administrators and boards have that mentality, and that's why we need to have caps now. I see my red light is on. I have more, but I'll be happy to answer any questions. I'll be respectful of your time; you have a long day ahead of you.

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

KAUTH: Thank you, Chair Linehan. Senator Hughes, would you like to read the rest of your statement?

DAN HUGHES: I would.

KAUTH: Thank you.

DAN HUGHES: I've, I've pared it back considerably. Actually, just a couple more things. It was easy for the Legislature to pat themselves on the back and say, "We cut taxes" with every sales tax exemption, while knowing full well they were forcing the local subdivisions to keep their taxing levels at the max, because the state was very unreliable partner when it came to stable funding for the school aid formula. I know the challenge the full Legislature is facing; myself, having been inside the glass, can spot campaign rhetoric and political posturing with ease. But for the average citizen it is not-- it is less obvious. I applaud Governor Pillen's efforts to tackle this crisis. The vast majority of Nebraskans are behind the-- him in this struggle. The property tax crisis in Nebraska needs to be fixed. Thank you. I'll be happy to answer any questions.

LINEHAN: Thank you, Senator Hughes. Senator Murman.

MURMAN: Yes, thank you very much. And thank you for being here, Senator Hughes. You mentioned that you're a businessman and a farmer, and I know you've had at least one other job in recent times, so thank

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you very much for that. As a farmer, and realizing that farmers have done above and beyond in recent times supporting schools with their property taxes being a minority, even in Greater Nebraska. How do you feel about farming-- excuse me, not about farming, but, about taxing machinery and equipment? Property-- taking off the exemption on the machinery and equipment?

DAN HUGHES: Yeah. I-- you know, we're, we're looking at every possibility to come up with the revenue to replace the 50 percent property tax relief. And me, as a citizen of Nebraska, not a farmer, not a businessman, not a doctor, lawyer, whatever-- I'm willing to pay my-- to step up and pay my share. You know, I don't like it. I don't like paying taxes. But I understand the necessity of those. That's part of why I came to the Legislature; I wanted to have more say in how the money was spent. So the tax on new machinery and repairs, I'm all right with that personally, but it, it depends on what the total package is, you know? I need to, I need to see what you all come up with to see whether it's good for me or not, you know? I-- we're struggling now in-- where I live, close to the Colorado border and the Kansas border, you know, ag land brings more there, because the real estate taxes are less. They pay roughly 40 percent less in property taxes than I do for-- just across an, an imaginary line drawn by man. That puts me at a competitive disadvantage, and that hurts the state of Nebraska.

MURMAN: Sure. Thank you very much. I, I see the same thing as a farmer, by the way, along the Kansas border, so, thank you.

LINEHAN: Thank you. Senator Murman. Other questions? Senator Meyer?

MEYER: Yeah. Thank you, Chairman. Just kind of-- and you've been-- you were a state senator for, for two terms, and, I have some history in the state government-- kind of compare, previous Governors' approach towards tackling this problem with our current chief executive in Nebraska, because there's clearly a difference. So from your view, as a former state senator, and now, as a private citizen-- compare it, for the record.

DAN HUGHES: Nothing like putting me on the spot.

MEYER: You wanted to talk.

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MURMAN: I did. I opened that door. My mistake. You know, I served 8 years with now-Senator Ricketts. He came at this from a dairy-- very different angle, being an Omaha businessman. Pretty much the only property taxes he paid was on his business or his home. Governor Pillen comes from agriculture, and, and he is someone who understands the burden-- the explosion that took place in ag land value, that happened long before it hit the cities and towns, you know, on that side. During my 8 years, we kept trying to tell our urban colleagues that this is coming your way, you know, we need to get ahead of it. But-- and we are finally here; I'm glad to see that this committee is, is-- and this Governor and this Legislature is committed to doing something about it. But it's been a long time building. And, you know, how do, how do we fix it? That's-- I think LBI is a good start. There-- it's not going to look the same, you know, coming out of this committee; it's not going to look the same once it's through the legislative process. But we have to start somewhere. And, you know, we, we have exempted too many things from sales tax. I-- when I was in the Legislature, I had-- multiple times, people would come to me and say, you know, "This industry could sure use a sales tax exemption to make us more competitive." And I would-- I said, "No, not until we fix property taxes do we exempt anything else from sales tax." Because we've eroded that base way too far. I kind of got off-subject, but, I think Governor Pillen's background in agriculture, having lived this crisis for the past 10 years, has created a sharper focus than his predecessor-- than Governor Ricketts did, because it wasn't as critical to the homeowner as it was-- as it has been to agriculture for the-- as long.

MEYER: Thank you.

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

DAN HUGHES: Thank you for your time and your service.

LINEHAN: Opponent. Next is an opponent. Good afternoon, or morning.

MARK MCHARGUE: Well good after-- good morning, sorry. Don't want to make it any longer than possible. Chairman Linehan, members of the Revenue Committee. I'm Mark McHargue, M-a-r-k M-c-H-a-r-g-u-e, I am the president of Nebraska Farm Bureau. Also a fourth-generation farmer. I'm here today on behalf of our organization and the Nebraska

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ag leaders against-- in opposition to LB1. First of all, I gotta start out-- we appreciate the opportunity to engage, quite frankly, with the thoughts around this special session in hoping to find a solution that can deliver meaningful property tax relief. I'm here on behalf of the groups in opposition of L-- LB1, largely because this bill contains provisions that violate a widely-accepted principle of good taxing policy and economic growth, that being the taxation of inputs into production. LB1 would establish a 2 percent tax on machinery-- it seems like that's up for debate, possibly 4 percent, depends if you read the paper-- that's on page 57 of the bill, and equipment used in air-- in agriculture manufacturing. It is commonly known that taxing inputs into production makes products more expensive for both the producer and the end consumer, due to the compounding of taxes, commonly referred to as tax pyramiding. This approach to taxation is widely criticized by tax experts across the country as detrimental to economic growth. Moreover, the new form of taxation will make Nebraska farmers less competitive, compared to those in the neighboring states. Nebraska is the top-10, agriculture producing state in the nation, with the third largest ag complex. Our members are competing with farmers in Iowa and Kansas, which are also in the top agriculture production states. Neither states tax inputs on agriculture, machinery and equipment in terms of our neighboring states; only South Dakota, where their GDP on agriculture is fifth, tax agricultural machinery and equipment, and they do not have income tax. Lastly, but certainly not least, this approach will surely increase costs and tighten margins for many farmers, particularly young farmers who rent agricultural land, and may or may not benefit directly from the tax relief. With that being said, we absolutely appreciate the conversation, discussion around school funding that LB1 introduces into the mix. We believe tax reform should center around efforts to reduce government spending, the establishment of stricter revenue caps, budget limits on local government. Additionally, we advocate for enhanced government efficiency, utilization of future revenue growth and, if necessary, sales tax base to encompass a wider range of end goods and services that are used by a sizable portion of Nebraskans, including farmers and ranchers, provided that that base expansion does not increase greater collective tax burden on Nebraska. We are open to conversations in these spaces, some of which are touched on in LB1. If the Legislature can come together with a plan that systematically gets our tax-- state on the right path for property tax reform over a period of years without turning our tax system upside down overnight,

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our members would certainly consider that a success. Would be happy to answer any questions.

LINEHAN: Thank you. Senator Meyer.

MEYER: Thanks for coming in and testifying on your way from Central City this morning. Have, have the members of your group that you represent compared the removal, and are they fully aware of the removal of the personal property tax schedule that they have had to do every year? And you've compared the two-- the removal of that with a 2 percent or 4 percent, and how does that balance out?

MARK MCHARGUE: Yeah, certainly our members are supportive of the removal of personal property tax. I mean, we, we understand that that is-- that's part of filling in the gap. It still doesn't get around violating a tax principle of taxing input. So I mean, you trade-- there's a tradeoff there, obviously, but you're still, you're still violating a tax principle of taxing inputs. And that gets into the total dollar conversation, you know, net gain. But it doesn't get around the fact that, once we start taxing equipment, which we believe is inputs, there's a-- earlier, earlier in the, in the, legislation, it does kind of define what equipment is for the purposes of property tax-- personal property tax. It's, it's pretty broad. And, at the end of the day, we, we, we get what we're trying to do; we're trying to reduce property tax, but at the expense of, of violating a pretty significant tax situation that virtually nobody else in the country does. And so, and that's what, that's what we really struggle with, quite frankly.

MEYER: I guess I have one more question. You referenced young farmers, beginning farmers.

MARK MCHARGUE: Yeah.

MEYER: Does the tax on new machinery affect them very much? Because I was once a young farmer; it wouldn't have affected me till I had farmed for 25 years.

MARK MCHARGUE: Right. I don't know where the new machinery language is in this bill. I, I read it again at 10:00 last night. I read, I read through it this weekend. I don't see anywhere where it says new equipment.

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MEYER: OK. I know we have talked about that all summer long, so we'll fine-tune that. Thank you.

LINEHAN: If it-- thank you. Are there other questions from the committee? Can I just-- I'm going to-- because I don't want to forget-- if it did say "new," you would change your opinion?

MARK MCHARGUE: No, because it's still-- you're still taxing inputs on machinery.

LINEHAN: Then you didn't answer that question. Because I think he asked, would it affect young farmers? If it said-- if it was just new equipment.

MARK MCHARGUE: Oh, if it affects just young farmers? I think it would probably affect them less. I mean, probably less people-- I didn't buy, I didn't buy new equipment, but, the problem is, if-- somebody has to be buying new equipment in order to get the used equipment. So, I mean, there is, there is the economy that goes round and round and round, that you have to bring new in in order to have the used--

LINEHAN: But it wouldn't affect new farmers, young farmers, new farmers as much as it would established--

MARK MCHARGUE: Sure. Yeah, I think I'd agree with that.

LINEHAN: OK. Senator Murman, you had a question?

MURMAN: Yes. Thank you for testifying. On-- are you concerned about border bleed with taxing machinery and equipment? Because, farmers, you know, would be incentivized to go across the border and buy some of their equipment and--doing that, and they're kind of obligated to also get that equipment serviced at a dealer that's further away. And then, of course, we have concern for keeping the dealers viable and competitive in Nebraska also.

MARK MCHARGUE: You know, I think that, that has been a question, but, it's, it's hard to quantify that, quite frankly. I think, I think the issue of passing back-- bad tax policy is a bigger deal than the, the, the border bleed and some of those things that certainly, certainly could happen. But I think the big deal is that we, as leaders in Nebraska-- both in the Legislature, my position as a leader for agriculture and the organizations that I re-- represent, I think what

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we need to be about is creating good tax policy that long-term will put us on a path to sustainability and reducing our property tax burden. I think there's elements, certainly, in LB1 that does that. I think there's elements in some other bills that do that. And I think when we get done-- I think if we can come out of this session with absolutely putting a cap on spending-- and part of the reason, you know, maybe the question that's going to be coming is that, well, if we took the ag machinery part out, would we support the bill? And quite frankly, our groups feel like there actually needs to be tighter spending caps than there are. It doesn't address, doesn't address school spending caps. And several years ago the whole conversation was, was how much we spend. If we can just control how much we spend, we can get the revenue side figured out. But we haven't been able to control what we spend. So we're talking about revenue, we're looking for all these different sources of revenue. I think there's a lot of good sources mentioned here. I think ag-- taxing ag equipment is just bad tax policy. But that aside, if we don't control spending, we can fuss with the revenue side all day long, and we're just not going to get there. History would say we haven't been able to do that. And so I hope that we can come up with some legislation that is really significant on caps. It's the only way, in our opinion, it's going to be able to move forward.

LINEHAN: Thank you.

MURMAN: Thank you. I think there are caps addressed in the bill, too.

MARK MCHARGUE: Yeah. With exceptions.

LINEHAN: OK. I'm going to ask the committee, when we ask questions, to ask the question, not give a speech. And I'm going to ask that we all stay calm, including members of the audience. This is going to get very tense. I can tell. So, Senator von Gillern.

VON GILLERN: Is that in anticipation of my question?

LINEHAN: Yes. It's just that answers-- it's just a warning before I cut people off.

VON GILLERN: No. No, actually-- Thank you, thank you for the heads up. Actually, I agree with, with just about everything that you said, particularly the last part about-- the initial part about business

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inputs and pyramiding. We want to be careful about that, and then about spending caps. Now, regarding border bleed, I-- and I think we need to get this straight in the room, and maybe somebody needs to straighten me out. If I buy a piece of equipment or something substantial from out of state and bring it into the state, I'm required to pay use tax on that. Correct?

MARK MCHARGUE: Yeah, I-- I--

VON GILLERN: I'm seeing a lot of heads going, I'm seeing a lot of heads going up and down in the room, so--I want, I want to state that early on in the conversation to make sure that, that that's, that's the case. I wanted to find out if you agreed with that. So I am asking a question. And then, my other question is, you and I, you and I both-- I came from the construction industry, I know you were in the construction industry. Construction equipment is not exempt, so there, there are examples in the state tax code where-- that come close to the concept of pyramiding. Correct?

MARK MCHARGUE: Yeah, I think so. Construction is one of those unique things that-- I just can't believe that we actually don't have similar exemptions, because it seems like that's a business.

VON GILLERN: All right. Thank you.

LINEHAN: Senator Alb-- thank you, Senator von Gillern. Senator Albrecht.

ALBRECHT: Thank you, Chair. Thank you for being here. I have to be careful with this because I can get carried away. My question would be, do you, do you support broadening the tax base?

MARK MCHARGUE: Yes. So, so in the testimony I talked on that. And you know, we certainly-- I sat here, you know, probably five times this spring talking about broadening the sales tax base. And I think it's our definition of what is broadening the sales tax base actually mean? For our case, when we talk about broadening the sales tax base, we're talking about broadening the base on things that, like I said in my testimony, the mad-- the majority of Nebraskans would be purchasing. And so I go back to-- farmers, farmers and ranchers are going to be purchasing all those same things. So we're going to be getting our hair cut, we're going to be using attorneys, we're going to be maybe

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grooming our dog, maybe not, I don't know. I mean, I mean, the whole list on-- I think it's page 63 or someplace in the, in the l-- I mean, we have a whole litany. Farmers will be fully involved in paying sales tax on that, on that entire list. And, and we're, we're OK with that.

ALBRECHT: And I've been in both meetings, last year and this year. And, broadening that base, everyone-- yourself included, and everyone behind you feel-- is going to feel the same way about their, their nucleus that you support. And I will tell you that I have been to the two meetings that the Governor had up in our district, and we had many farmers there. And yes, we're not happy about it either, but-- and it might not even be a part of it. But, if not now, when? When do we start this? When do we, when do we-- introduce this to the public that this is the start, just like funding schools. You won't know what you have until you do it. When you cap cities and counties, we won't know what we have until we do it. And, and we're always going to be there for the people of Nebraska. Do you believe that everyone should consider what they can do for the state of Nebraska to make us the healthiest state, the strongest state, and most fiscally responsible state?

MARK MCHARGUE: Yeah, absolutely. That's, that's the reason I'm-- I can't believe I'm sitting here in a special session solely to deal with tackling the, tackling the property tax issue. Because it is really substantial. I mean, I agree with the Governor. I mean, we're-- I mean, Ag's been in this spot for a long time because we--

ALBRECHT: Yes, we have.

MARK MCHARGUE: --kind of took it, took it on earlier. But I think it's just important how we think about it. And I think there's good ways to do it, and there's poor ways to do it. And one of the ways we don't want to do it, is violate good tax principles. Now, I think broadening the base on the majority of people that pay in-- I think that actually is probably good, good tax policy. I don't know what Ernie Goss is going to talk about for sure, but, you know, I, I, I would agree with that. And we don't, we don't disagree with that.

ALBRECHT: Thank you.

LINEHAN: Thank you Senator Albrecht. Are there other questions from the committee? I just have one. We've had bills in front of the

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committee that would try to define-- have definitions for what actually is an input. It's been my experience that nobody likes to put that list together.

MARK MCHARGUE: I think you're probably right.

LINEHAN: So what list are you-- how-- where do you get your definition of an input?

MARK MCHARGUE: Well, I think-- I, I don't think there'd be much argument that, you know, agriculture equipment and machinery is considered--

LINEHAN: OK, but, that's not my question. My question is, where did you get your definition of an input?

MARK MCHARGUE: Well on page--

LINEHAN: Not in the bill. I'm looking for an economic-- because this has been a struggle for the Revenue Committee for 8 years. How do you define what an input is?

MARK MCHARGUE: I would, I would say an input, as defined in the bill, for personal property tax as well, is, is something that you buy that goes into the process or the use of a piece of equipment to make an end product.

LINEHAN: OK, but you don't have an economic definition that you're leaning on, of an input?

MARK MCHARGUE: What do you mean by--

LINEHAN: Or an accounting definition? There is no definition that the Revenue Committee can go to, no place where we can go and say, this is what an input is and list inputs versus-- because everybody here today is going to talk about how they're an input. I can almost guarantee it.

MARK MCHARGUE: Yeah. But I think, I think, I think there will be less discussion about whether specifically our issue is that equipment is an input or not. I think, I think you'll have-- you will have, you're right, there's going to be lots of discussions about what's considered about input, but I don't, I don't think there's going to be a lot of

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discussion of whether equipment used in agriculture and manufacturing is actually an input.

LINEHAN: OK. Any other questions from the committee? Seeing none, thank you very much. So now we go to neutral. I bet-- oh, we have a neutral.

CRAIG BOLZ: OK, Senators. Thank you very much for being here. You've got me totally froze out, so it's no problem about being the three minutes. My name is Craig Bolz. C-r-a-i-g B-o-l-z. I'm from Palmyra, Nebraska. In about approximately 1998, the senators passed LB989, which capped the spending at \$1, plus a five-cent cushion, which was \$1.05. They didn't cap the growth. I have asked Senator after Senator, were they that smart, or that stupid? Well, I know the answer to that. They left the-- they left the loophole at the end so they didn't get themselves in a corner. If they would have capped the growth at 2 percent in 198-- 1998, we wouldn't be setting here today. I am totally supportive of sales tax on everything. Tax everything. How much fairer can anything be than sales tax? I want tax-- I want sales tax on the churches. I want it on the hospitals. Everything. And I'll tell you how you can make that work later on. Tennessee-- somebody said here well the higher the rate-- I think it was Goss-- said the higher the rate, the broa-- more you broaden the base. It'll all work. Tennessee has a sales tax of 9.25 percent. Tennessee is the hottest state in the country to retire in. They don't have any state income tax, they don't tax the military retirement, they don't tax Social Security. And the real estate taxes is low. But they sp-- they pay 9.25 percent sales tax. I want no exceptions to sales. None. OK, now I'm going to say something and nobody's going to believe me here. I'll even want commodities taxed. I want sales tax on them all commodities; on the cattle, the hogs, the grain, everything. Maybe only 1 percent. But tax it. Tax everything. When you get down to the end of the day, the consumer pays all the taxes anyway. You, you know, people argue about, "Oh, we gotta tax corporations." The consumer pays the taxes. So let's just accept that. The way you're going to make this work-- you're going to massively broaden the base, and then lower the tax rate. I don't think there's a person that would ever accept lowering the sales tax rate. If you lowered the sales tax rate, what's the whiners got to complain about? What's the whiners got to complain about then? They're going to say, "Hey man, we're lowering your sales tax. What could you complain about?" That is what would make this work. We all know that at the end of the day, that taxes are all smoke and mirrors anyway.

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But the simple fact of the matter is, there's two things that need to be said here. We have to cap the spending to make anything work; that has to be number one. If you can't stop the school spending, you ain't ever going nowhere. And the last thing I got to say is, this is a very sad and embarrassing situation we're in here right now, and I don't want to be here. Because we should have never got to this point. This started about 12 years ago.

LINEHAN: Thank you.

CRAIG BOLZ: Thank you.

LINEHAN: Thank you.

CRAIG BOLZ: Got any questions? I'm froze.

LINEHAN: Are there any questions from the committee? Senator Murman?

MURMAN: I just have a quick one. Are you for the EPIC tax? Sounds like--

CRAIG BOLZ: Oh, it's over. It's gone. It's gone. It's over. We don't need to talk about it.

LINEHAN: You should chair the-- any other questions from the committee? Seeing none--

CRAIG BOLZ: I'm the biggest supporter, I was the number one signer on the bill, but it's gone. Any other questions?

LINEHAN: No. Thank you very much.

CRAIG BOLZ: Thank you very much. Thank you.

LINEHAN: Now we'll have proponent. Good morning.

DAVE NABITY: Good morning everyone. My name is Dave Nabity, I'm from Omaha, Nebraska. I'm here to support LB1 Kenobi, Governor Jim Pillen, in his effort to transform the state with his life saver, and make a big, big difference on what life is like here. Now, I run a company called Nabity Business Advisors, and we work with family-run companies, helping them do valuations, help them structure their succession plans, transition the business to kids, or sell when

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they're ready to sell. Without a doubt, 100 percent of my clients that sell their companies leave Nebraska. Not 50 percent, 100 percent. And they leave because they can move to other states and cut their taxes by 60 or 70 percent. I have a handout that is in this mix; if I take time to go through it, it'll blow my 3 minutes. So I'd like to make my comments, and then if you would be kind enough to ask me a question where I can take you through the spreadsheets, I think it would be a ma-- make a big, big difference. And, Senator Dungan, you can't cash flow this state on the poor and the renters. You can't. You have to have entrepreneurs and business people that are creating jobs and opportunity for the-- your renters that you care about. If they sell out and they move, and national firms come in and take over their companies, they eliminate employees to cut costs and make money, and become more profitable. So you've got to be mindful of the fact that we have got to make Nebraska competitive for the people that create jobs. Now, if you do a quick study and you look at what the, the different rating groups are around the country, you'll find WalletHub has us the 43rd lowest tax state, which means there's, there's like 37 states, that tax less than we do. Tax Foundation has us the-- in the tenth highest spot; TurboTax has us at the seventh highest in property tax; Yahoo Finance says that Nebraska is the eighth highest tax state overall. And I handed out some 2019 studies that I just grabbed, where Nebraska is ranked the worst state in America by Kiplinger and Fox Business, and we can go over that if you'd like. Why would anybody want to retire in Nebraska? You'd have to be financially nuts if you put the math together. Our national repi-- reputation stinks, folks. It stinks. We don't have the Ozarks. We don't have the lakes. We don't have the beaches. We don't have the mountains of Tennessee and Wyoming. We don't have the warm weather of Florida, Texas, Arizona. What do you think CFOs of national firms will think when they start thinking, "We got to move to the Midwest"--

LINEHAN: OK--

DAVE NABITY: --and they look at these, these stats and these numbers. The CFOs will tell the chairman's they're nuts if they think about moving to Nebraska. And so, with that, I'll open it up for questions.

LINEHAN: Thank you, Mister-- Thank you. Does anybody have a question from the committee? I will ask you to quickly explain this chart.

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DAVE NABITY: OK. What I did-- some of you may know I ran for Governor in 2006, and then Tom Osborne got in and fell on me like a piano. And then we ended up splitting the vote, and Dave Heineman won, OK? But I stayed in the race, knowing I was going to lose, because I wanted to promote reforms.

LINEHAN: Quickly, quickly, the chart. Quickly, with the chart.

DAVE NABITY: OK. I did these charts back in 2006, and we took a modest income level, a middle income level, and a, and a upper income level, and let's just go to the upper since I will try to save time here. We assumed they had a house of a half a million dollars; in income, a \$250,000, and a Lincoln Navigator and a Lexus 470. And we looked at those three taxes, and we found that if they moved to South Dakota, they'd save 70 percent in the cost-- the out-of-pocket costs of real estate, state income and motor vehicle taxes. Florida, it's 71 percent you save; Texas, you save 64 percent; Arizona, 32; Colorado almost 40 percent. If you move to Cheyenne, Wyoming, which a friend of mine just did, you save 82 percent. That was in 2006. We're worse than that now. Senator Dungan, the lower-income people that you're concerned about could say 50, 54, 43 percent if they move to these other states and rent places there, or buy homes there. That's \$150,000 value house that we were showing at the modest income level.

LINEHAN: Thank you.

DAVE NABITY: The math tells the story.

LINEHAN: I agree; the math does tell the story. Any other questions from the committee? Seeing none, thank you very much for being here; appreciate it. Opponent?

BRYAN SLONE: Good morning, Chair Linehan and 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. I'm here today representing the Nebraska Chamber of Commerce, the Fremont Chamber of Commerce, the Kearney Chamber of Commerce, the Nebraska Trucking Association, the Nebraska Federation of Independent Businesses, Northwest Nebraska Development Corporation, Seward County Chamber and Development, the Nebraska Chambers Association, and the Nebraska Economic Developers Association in opposition to this bill. Those groups represent 55,000 businesses within the state of Nebraska. We

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were able to have a lot of discussion yesterday, so I, I-- and knowing your schedule today, I'll keep my remarks short. If you look at the second page of my testimony, I'm going to address some questions from yesterday, and Senator Meyer's specific questions in terms of the growth of, of income taxes, sales taxes and property taxes since that 2021 data that I, I provided yesterday. In those charts, you'll see from our Fiscal Office that actually, state taxes have grown faster than property taxes in the last decade. That is not to say we don't have a property tax problem, but sales taxes and-- is-- has led the way in terms of increasing taxes. In terms of this, our opposition to this proposal--

LINEHAN: I'm sorry, I'm going to give you a 15 senate [SIC] break here. Did you hand out his-- Oh, you only brought one copy?

BRYAN SLONE: Sorry, I handed you the wrong documents. I did give her a copy of the bill, but I don't think that would have been very helpful. So my, my apologies on that. Very quickly-- we're not going to be able to tax our way out of this property tax problem through a tax shift. And this particular proposal has some, some particular impacts we have to-- in order to provide real tax relief to Nebraskans, we need to grow the-- continue to grow the economy. Unfortunately, this bill, as already mentioned, tax inputs, both in terms of agriculture and manufacturing, the two largest business segments in the state. Tax Foundation is beyond that; Tax Foundation, this week, has identified that 72 percent of the sales taxes apply to business. Two, we have to become a technology state, both in terms of ag and manufacturing, [INAUDIBLE] our other industries. Substantial investments need to be made in technology, and this bill would tax a lot of technology. And third, we need to provide housing and economic development to actually attract workforce; that is our number one issue in trying to deal with these issues, is workforce. This would tax housing repairs and, from a TIF standpoint, would dramatically affect economic development. These are all issues that go to the fundamental question of, "How do we go about solving this tax problem?" And, as I said yesterday, I think it starts with scoping the issue in terms of knowing exactly where we need to get to, having a joint target with everybody at the table of, of how much we have to reduce property taxes, and then providing the budget cuts and the growth in the economy to fund that. So with that, I'll answer any questions.

LINEHAN: Thank you. Senator Meyer.

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MEYER: Thank you for coming again this morning and sitting in the hot seat.

BRYAN SLONE: Yes, thank you.

MEYER: A couple years ago, a university and, I think, the state of Nebraska, and the Chambers participated in something called "Blueprint Nebraska." The top bullet point, the top bullet point of things that needed to happen with the tax structure in Nebraska is broadening the sales tax base. Why is everybody all of a sudden distancing themselves from all the work that went into that 3-year project, and now it's irrelevant or not accurate? Which is it?

BRYAN SLONE: No, I think that is-- that's a fair question, and I'm glad you asked it. In that, in that legislation, when it said it was broadening the tax base, broadening the tax base usually comes with a lowering of the rates. I was fortunate enough to work on President Reagan's 1986 tax act, which was a tax broadening the base, lowering of the rate. And so I hope, Mr. Goss will-- Doctor Goss will echo the same. The, the key to growth and-- tax systems are always a burden on an economy. So any tax as a consequence. So as you broaden the base, you need to lower the rate, and create less friction related to that tax. In the states that we talk about that are the fastest growing states, they have used sales tax broadening to actually lower income taxes. Almost all of these states we'll talk about that are the fastest growing states have 0 percent income tax rate. That is essentially what the Blueprint group discussed. But there was much more to Blueprint; Blueprint started with people. We have a real people challenge, because we don't have enough K-12 students even to replace us at this point. Attracting and retaining young people was the number one piece in Blueprint. And having a tax system that's effective in attracting and retaining young people-- and, while I agree, property tax and housing purchasing is important, but this, this bill will fall specifically on young people who don't own property yet, and I will be a benefactor, and a lot of my age group will be benefactors. But, but we need to be very careful in how we tax young people in this state.

LINEHAN: Thank you. I'm sorry, did you have a follow-up?

MEYER: Yeah, I guess I do. You've, you've referenced that several people use the word "shift."

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BRYAN SLONE: Yes.

MEYER: What's the difference between a 15-year shift to the property tax situation we are now, versus a shift to evening out where we need to be? Because where I sit, we've had a 15-year shift-- make no mistake about it-- onto property taxes at all levels. So now, we get--

BRYAN SLONE: Well, I think-- I, I think that's what the graphs on page 2 indicate. Property taxes have gone up to untenable levels, and I'll be the first to agree. At the same time, if you look at what's happened to s-- income taxes, and sales taxes, they've actually risen just as fast. Inflation is currently-- peop-- yes, people are earning more, but inflation is, is causing people, even with increased wages, to be able to buy less. And when you tax inputs, or-- I better be careful with the Chair-- when you tax businesses' additional costs and the production of their goods and services, and that's passed on to consumers, and you increase inflation, you decrease purchasing power and you decrease the number of purchases. And so, you can't tax your way out of this problem; you have to grow our economy. And the key for growing our economy is being careful with agriculture and manufacturing, our entire industry segments. But also, growing young people, and growing as a technology state, and, and having, having a broader approach. So I do like a 15-year approach rather than an immediate tax shift that, for a day, solves the problem, but 10 years later, we'll be right back at this table doing the same thing. And we've repeated this for the last 50 years.

LINEHAN: Thank you. I think Senator Dungan had his hand up.

DUNGAN: Yeah, thank you, Chair Linehan, and thank you for being here. Yesterday, you were testifying a little bit about, or talking about in your testimony, valuations. And I think you highlighted that you thought this was a valuation problem. Do you have any proposals or plans moving forward, or has the Chamber talked at all about what would be a potential solution with regards to our valuation issue?

BRYAN SLONE: Yeah, I think, I think that-- regardless of what happens in the session-- and what I do hope, I do hope things do come out of this session. I realize that when the, the hearings are all over today, and you're bleary-eyed from tonight's testimony, that this group is still going to have to meet behind closed bor-- doors and, and, and try to come up with something to take to the floor, so I'm

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not, I'm not-- I acknowledge that. I hope we start with, "What should be our goal?" What does, what does it take to be competitive with Iowa in terms of property taxes, and Kansas? I'm very cognizant of my friend yesterday who testified about his properties in South Dakota and, and Cherry County. That's my home country. I get it. But what should be our goal? How-- to put a number behind it, what should be the goal? And then how first, can we get there with budget cuts, and then get to the other issues? On valuation, I think you've got one of two choices: can you cap the growth of valuation just for property tax purposes? It doesn't affect the, the actual valuation of property in the, in the tax world. On income taxes, we work on adjusted gross income. That adjusted gross income number is nothing like what our gross income, or what's on our W-2. For tax purposes, we need to be able to control dramatic increases in valuation, either through the valuation process, or the levy process has been suggested in some other legislation, and, indeed, in this process.

LINEHAN: Thank you. Senator Albrecht, did you have a question?

LINEHAN: Yes, please. Thank you. I feel like she's my mother, she's going to make sure that I don't talk too much. OK. I appreciate you being here again. And, you're saying right away that we won't be able to tax out of this. But do you think-- you represent 55,000 businesses, is that right? Throughout the state?

BRYAN SLONE: Yeah, I think, I think-- so, I get to travel the state a lot. And, and I think if you took a poll, how many people want us-- want to, to reduce property taxes and think it's a priority? It's 99.9 percent.

ALBRECHT: OK.

BRYAN SLONE: If you ask how many want to raise taxes on other people to pay for that answer, it's a much smaller point, so--

ALBRECHT: So let me ask you this. Do you think that those 55,000 people appreciate the fact--

BRYAN SLONE: No, those are businesses. I'm sorry, Senator.

BRYAN SLONE: The businesses. Do you, you believe that your businesses appreciate the income tax reduction, corporate tax reduction, social security tax help that we've given in the last few years?

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BRYAN SLONE: Yes. As well as the foundation aid that was in last year's bill. It was an historic bill. It was a considerable amount of property tax relief.

ALBRECHT: And when you mentioned that, you know, there-- everyone was not at the table. Again, like I said to the last opponent, testifier from Farm Bureau. I said, I've been in both meetings and everybody was there last year, and we couldn't, we couldn't get there. But we couldn't get there because you're not going to make everybody in the room happy. But if this is a start-- I mean, we don't know how it's all going to shake out, but it's tough to sit here and listen to the, the strongest business leaders in our state that are saying, and speaking on behalf of all of their members and/or all of the people of Nebraska. That's a bold statement. And I-- when I think of leadership, I think of all of you who have been instrumental in a lot of things that have happened in this building over the last 8 years. I just feel like, you know, we're, we're going to get this done. We're, we're going to come together. But with-- we need your help too, so--

BRYAN SLONE: Yeah, and I think, I think you've got a commitment from, from everyone behind me; everybody wants to come together to put this together. I think all we're saying is, this is not the right proposal, because it, it taxes things that, that are going to have-- although Doctor Goss sounds like it will-- we will have a conflict on this one-- but, but taxes things that are not going to help us grow the economy. And if we can't grow the economy, and we can't grow our population, we cannot solve the property tax issue for the next 10 years. We have to grow that tax base, and we cannot become one of the highest taxed states and still remain competitive, when Iowa and Colorado, particularly, are very aggressive in, in what they're doing to become [INAUDIBLE].

ALBRECHT: But again-- and I'll shut up, but-- why would they come here now?

BRYAN SLONE: So-- and forgive me, I'm the president of the Chamber of Commerce, so I have to cheerlead Nebraska every day.

ALBRECHT: I know you do.

BRYAN SLONE: I made a comment yesterday where I said, we don't need a 0 percent tax-- income tax rate here to be competitive. When we had

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the discussions last year, we got to 3.9; that keeps us competitive with Iowa. We're not arguing for-- to eliminate income taxes. And yes, we have the Tennessees, and yes, we have the Floridas, and yes, we have the Texas, but we have a quality of life that is, is-- there is no equal in this country, and--

ALBRECHT: And I agree, but I don't want to see the people leave, so-- that's what's being said right now.

BRYAN SLONE: No, and, and we don't want to see the people leave, but they leave over, over-- and they do leave over tax burdens. But right now, young people are leaving for jobs, and we had this discussion yesterday. The most important thing we need to do is continue to grow opportunities in all of our business sectors, for young people, and, and grow the economy and attract young people to our communities and keep our young-- our communities sustainable and growing. And that will give us the tax base to ultimately solve these problems.

LINEHAN: Thank you, Senator Albrecht. Other questions from the committee? Senator von Gillern.

VON GILLERN: Thank you, Chair Linehan. Mr. Slone, the, the, the chart that you handed out-- the, the blue line is--

BRYAN SLONE: Is state taxes.

VON GILLERN: State tax collections, and the red line is property tax collections. It would seem from your comments in here that you're indicating that the rising state tax collections indicate an increased burden. But state collects-- tax collections, being income tax and sales tax primarily-- increasing sales tax revenue is usually an indication of a thriving economy. Correct?

BRYAN SLONE: Correct.

VON GILLERN: The same with income tax collections, correct?

BRYAN SLONE: Correct.

VON GILLERN: So I don't think this is a-- and, and the state did not raise income tax rate or sales tax rates during these time periods. So I think I just, just for clarity, I think I just-- I wanted to ask if you would agree that that's a sign of a thriving economy.

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BRYAN SLONE: No, so-- no, no, you're correct. The-- again-- let me put on my Chamber hat. Nebraska has done fabulous in the last 10 years, in all sectors. I've never seen the kind of econing-- economic growth in Nebraska that we've seen through COVID and beyond. We, actually, were one of the fastest growing states-- maybe Utah-- but I think we were the fastest growing state during COVID. It was led by agriculture and manufacturing. Those industries did very, very well. The land prices reflect a little bit of that, as do what we're seeing now in terms of wage inflation and other things. Those are good things. Those are good things, I would agree.

VON GILLERN: Thank you. Thank you.

VON GILLERN: Other question-- thank you, Senator von Gillern. One other question from the committee? Yes, Senator Bostar.

BOSTAR: Thank you, Chair Linehan. Thank you, Mr. Slone, for being here. There's a couple things I want to talk about as briefly as we can.

BRYAN SLONE: Yeah, I will be brief. Pry-- promise.

BOSTAR: And I will try as well. You talked about South Dakota-- you made reference to South Dakota, where they have increased their, their sales taxes collection significantly, and that has primarily fueled the reduction-- elimination of, of an income tax. It seemed like that was considered a favorable decision from, from-- for you. I mean, is that-- I'm trying to understand-- tax shifts are bad, but it also seem like tax-- some tax shifts are good. And if you could help me understand.

BRYAN SLONE: Sure. Sure. Sure. I-- I'll be very brief, and I would love to have this discussion later as well. So if we take the, the states that have no taxes. The-- Wyoming, it's because of coal. Texas, it's because of oil. Florida, it's because of tourism and retirees. Nashville is driving most of the Tennessee experience. And so-- and then there's this little Mount Rushmore and a, and a motorcycle rally that I tend to favor up in South Dakota that allow you to go to a sales tax base. We don't have Mount Rushmore, and we don't have a motorcycle rally, and we don't, we don't have oil, and we don't have coal. And so, we're always going to be a state with income tax. The key is, as we go forward, make sure we stay competitive in property

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tax. Let's figure out what that is, and let's, let's get it done. But we have to stay competitive on income tax, and we have to stay competitive on sales tax. We don't have the good fortune of going to solely a sales tax base.

BOSTAR: If the, if the sales tax rate were-- let's say we took the plan, LB1, and in it, we didn't provide quite as much property tax relief, and we took the difference and we used it to lower the sales tax rate a little bit. Good? Would that be supported then?

BRYAN SLONE: Yeah, I th-- I think we like the approaches, which is to say, how big is this? How much can we-- we should always lead, and this was in Blueprint as well-- the piece that everybody forgot out of Blueprint was, one fourth of it was government efficiency. And that discussion sort of fizzled. It needs to start with budget controls. This whole discussion needs to start with budget controls, and I think the taxpayers are due that as the starting point. Then it, then it can go, "So what can we fund in that process?" And then, "What can we fund through our organic growth revenues? How do we continue to grow the economy faster than forecast and use those without raising taxes on anybody?" If we get to a last resort at some point, and ta-- raising taxes should always be the last resort. If we get to that, then there's a base-broadening discussion to be had, based on Blueprint and other things. That's a fair discussion, but not in a special session over two weeks.

BOSTAR: The only-- the last thing-- thank you. And actually, one thing I-- I'll just say is I, I appreciate that you, you do want to offer other ways of doing this. So this is a comment to you as a, as a point of thanks, and-- but also as we go forward in this hearing. There are things in the-- in LB1 I don't like. But I will say it's, it's-- it is really easy to come and just say, "Here, this is bad" without actually trying to provide a way for us to solve a problem that a lot of people have identified. And so, thank you for trying to also do that.

BRYAN SLONE: Senator, I'm committed this fall to participating in and helping find common ground. But a data-based common ground that-- whatever happens in this special session-- that every one of the 49 members of this Legislature has the tools and the data in the next session to, to do whatever we think we have to do to come up with a long-term plan. And we may not solve it in the next session completely, but, but the discussion needs to go forward. We're not

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opposed it all, but we just want to be data-based and businesslike about how we go this-- around this and start with budgets and, and make tax increases the last resort.

LINEHAN: I feel your frustration.

BRYAN SLONE: Yeah, I--

LINEHAN: So I'm going to break my own rule. First of all, I don't think any of us are bleary-eyed. I think we see pretty well up here. I think there's a huge amount of experience on this body and on this committee, and I haven't heard that we're only going to be here for two weeks. So for everybody, keep coming up here and saying we're on some short shoestring here, we don't have enough time, I don't understand that. My recollection is Blueprint said that income taxes should go down to 3.99 or 4 percent.

BRYAN SLONE: Correct.

LINEHAN: So we got that going.

BRYAN SLONE: We got that.

LINEHAN: Your chart includes 24, which all of us--

BRYAN SLONE: Projections.

LINEHAN: All of us know includes the pass-through and tax-- income that's going back out.

BRYAN SLONE: And there, there is an in-and-out of there-- but, but for the 15 years before that, the rate-- the state rate has been higher than the local rate.

LINEHAN: Here, here's a question. You've mentioned cost control several times, which actually are in LB1, but never mind. How many times have you, members of the Chamber, or of all the other groups you represent today, been to a school board meeting, a city council meeting, a county board meeting-- representing the Chamber or your other groups-- to complain about property taxes and spending?

BRYAN SLONE: We-- I-- the answer your question is I have not been to one of those board meetings. OK? Secondarily, I don't go to a town

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anymore without sitting down with the superintendent and the mayor and talking about these very issues. Every single community I go to, those are--

LINEHAN: Publicly. Have you publicly been to a board meeting--

BRYAN SLONE: I have not publicly been to a board meeting.

LINEHAN: --of any taxing authority? Has any of your members? Has the Lincoln Chamber? Or the Omaha Chamber?

BRYAN SLONE: I can't speak for the other organizations, but I'm very, very public on all of these issues.

LINEHAN: But you haven't been to a public meeting?

BRYAN SLONE: No. Fair question, and fair point.

LINEHAN: Because when we-- you think maybe the reason young people are leaving Nebraska is because they get paid better, other states?

BRYAN SLONE: It has, it has, it has been in a-- in fact that they've moved for wages. But, but actually the department of research at UNO would say it's not the wages per se, it's what they perceive as upward mobility in jobs. And so what they're looking for is, as the tech piece becomes more and more of the economy, that those better paying jobs are available in Nebraska, we have to, we have to make sure that we attract the technology jobs in ag tech, manufacturing tech--

LINEHAN: My question was, do young people-- and I have my own children, as I'm sure you do--

BRYAN SLONE: And I have two.

LINEHAN: Can they make more money in other states on average?

BRYAN SLONE: Not necessarily, after cost of living.

LINEHAN: Not necessarily. On average, isn't one of the reasons we're leas-- losing young people is they can make more money in other states?

BRYAN SLONE: In some occupations.

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LINEHAN: Thank you. Any other questions from the committee? Thank you very much.

BRYAN SLONE: Thank you very much.

LINEHAN: We are to neutral. There won't be a lot of neutral.

CALEB JOHNSON: Good morning to you, Chair, and members of the Revenue Committee. My name is Caleb Johnson. C-a-l-e-b J-o-h-n-s-o-n. The reason I'm before you today-- and I can appreciate Senator Hughes's drive. I am from Ogallala, so I had a 4-hour, one-way drive. But I represent 18 counties as their budget preparer.

LINEHAN: Did you spell your name?

CALEB JOHNSON: Say again?

LINEHAN: Did you spell your name?

CALEB JOHNSON: I did, but I can do it again.

LINEHAN: OK, I'm sorry. No, that's fine; go ahead.

CALEB JOHNSON: OK. One of the things that I would ask, and, and a concern that I want to, to bring to you is, in reading over some of the proposed changes with LB1 is the implementation timeframe. As some of you may be aware, in that budget process, we're a little over halfway through the budget process for fiscal year 2024-2025. I believe it's shown that it-- implementation is supposed to be July 1 2025. So for fiscal year 2025-2026, my concern would be any measure that could change that time frame from implementation of July 20-- July 1 2025 to the current year. So I don't want to harp on that a whole lot, but, but the best comparison I have for you is, trying to drive a John Deere tractor and change course, versus a zero turn mower and change course. So, that's my concern of implementation timeframe is, is-- I, I think it's, it's-- regardless of what happens, if it's implemented 2025-2026 versus 2024-2025. Does that make sense?

LINEHAN: We're already in 2024-2025.

CALEB JOHNSON: Exactly. And one of the rumors that I heard, or speculation that I heard from one of the senators, was that it would be implemented for this year, which, which does cause me concern.

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Along with that, with my handout, what I wanted to point out is, the counties that I have represented, in the timeframes that I have represented them, showing the tax increase, showing the average at, at the bottom, and then also comparing that, up a-- upper right hand corner on the front page to what CPI has done over-- between 2018-2024. One of the things I want to point out is, in 2022, we had an 8 percent CPI; none of my counties had an 8 percent increase in 2022. The last thing, because I notice my time, is with CPI, it does not take into account anomalies such as the bomb cyclone of 2019. If you look at the data where a lot of my counties had bump-ups fiscal year 2019, 2020 and 2021, and that-- that's my concern with a, with a CPI index is it doesn't-- it takes into account national things, but not weather-related things such as the bomb cyclone in March 2019.

LINEHAN: Thank you. Are there questions from the committee? I thought there was an exception for a disaster in the bill.

CALEB JOHNSON: Could be. And [INAUDIBLE]

LINEHAN: Have you read the bill?

CALEB JOHNSON: I've read-- I've skimmed it. I will tell you that. I'm-- I'm in the middle of that budget process, so, I put this together very quickly on Sunday night, not knowing when the hearing was going to be--

LINEHAN: There's an exception for disaster.

CALEB JOHNSON: Stuff like that? OK.

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

CALEB JOHNSON: Thank you for your time.

LINEHAN: Good morning.

ERNIE GOSS: Good morning, Senator Linehan. Members of the committee-- Revenue Committee. Thank you for having me here. I am Ernie Goss. That's E-r-n-i-e G-o-s-s, here speaking on behalf of the LB1, and I'd first like to thank the Governor for initiating this conversation, which I think is very important for the state of Nebraska. First off, contrary to Nebraska's Constitution, local taxpayers are the primary

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source of K-12 funding via property taxes. This study, the study that is being offered to you today, concludes that Nebraska's heavy reliance on local taxes-- local taxpayers via property tax not only violates the constitution, but it also slows economic growth. I'm talking about economic growth; that's what-- that's the focus of, of this study, which I'd like to thank Monique Devillier, who's co-author with Scott Strain as well. It was found that Nebraska's sales taxes-- sales tax burden is significantly below the regional average and the U.S. average as well. It was also found by our analysis that Nebraska's property tax burden, that's relative to GDP, is the heaviest in the region, and well above the average U.S. state. Property taxes, compared to other taxes, were found to have the largest negative impact on Nebraska's economic growth. And I've heard a lot of discussions here, and previously, talking about other things, and I'm here to talk about growth; I'm not going to talk about fairness and so on, I-- that was not addressed in our study. The overall conclusion of the study is that the Governor's plan to reduce property taxes and increase sales taxes aligns state education support policy with the state constitution, and boost the state's economic growth, annual employment, and state and local property tax-- state and local tax collections. Details based on the dynamic model-- we used a dynamic statistical model, used in this study-- it is concluded that passage of Governor Pillen's tax reform package will produce the following 3-year impacts: generate an increase in overall economic activity of \$25 billion, produce an upturn in wages and salaries of about \$8 billion, boost self-employment income by \$1.3 billion, and support an increase in annual level of jobs of about 41,000. Now, if you look at the two graphs at the bottom there, you'll see clearly over the past-- between 2016-2021, that Nebraska sales taxes are-- and the-- in red, there, you see, well below the na-- average US state, and well below the average neighboring states. That's the area-- the states that border Nebraska. And you'll see on the property tax side, unfortunately, unfortunately, unfortunately for growth, the property taxes are well above the national average, and well above the states that border Nebraska. But again, the focus of our study was only on growth. We did not look at other elements of the package, only the growth elements. So-- and we found that it would be positive in terms of economic growth. And I'll stop here.

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

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DUNGAN: Thank you, Chair Linehan. Thank you for being here today, Doctor Goss. Was this an independent study that you just conducted on your own, or was this paid for?

ERNIE GOSS: It was done on our own. We did it, my colleagues and I: Monique Devillier and Scott Strain. All three of us contributed our time, whatever the value of that is. And I think also, also it's a service of-- I think Creighton University wishes for us to be part of the community, and that's, that's part of what we did this-- that's one of the reasons-- and the Governor asked us also, we, we-- I mean, he does have influence with me anyway, and certainly, I think, with my colleagues.

DUNGAN: I appreciate that. So, I'm not an economist; I'm not going to pretend like I am one. I don't even play one on TV. But my understanding from doing just even cursory research is, when you look at things like income tax cuts, I-- which I know this is about property tax, but creating an analogous example-- income tax cuts, my understanding is over the last 20 years, that sort of a, a broad look at all the studies that have tried to determine as to whether or not that actually increases growth or not, for a state economy, are inconclusive at best; that there seems to be a sort of disagreement that if you lower taxes, states' economies are going to grow. Do you know what the prevailing sentiment is amongst other studies that have been done with regards to property tax, if that holds true? Is there a direct causal relationship between reduction of property tax and growth of state economy?

ERNIE GOSS: I would argue it is. And we do-- we ran, as I said in part of our study that you have there, you'll see in Appendix A, the-- what, what, what we'll call a dynamic model. And it shows that, as you said, income taxes do have a negative impact; sales taxes do have a negative impact; property taxes do have a negative impact. It's just that property taxes have a much larger negative impacts. I mean, it's no surprise to anyone that taxes do have a negative impact on growth. Now, there are other considerations, but I'm here to speak about growth. And that's, that's primarily what I'm focusing on.

DUNGAN: As it relates to growth, you've had a chance to review LBI, I imagine, and you've had a chance to review the hard caps that we've talked about in there, the 0 percent growth on political subdivisions or CPI?

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ERNIE GOSS: Quite frankly, we, we began this project about a week-- about eight days ago. So, I-- my-- I'm limited somewhat in what I know about the bill, but, I looked at it from a-- we looked at it, I should say, at a high level. We did not get into the nitty gritty of it. So I can't speak to elements of the, of the text LB1.

DUNGAN: OK. Speaking broadly, I guess what I'm-- what I'm getting at-- my concern is that, in other states that have enacted relatively hard caps on political subdivisions in times of economic downturn, we then see, moving forward for decades, a ratchet-down effect, right? Where the growth of that political subdivision then can't, sort of, catch back up when the economy gets back on its feet. Is that a concern that you share with regard to hard caps as they pertain to local political subdivisions? Or is that sort of outside the purview of the study?

ERNIE GOSS: It's outside m-- outside the purview, but I'd like to say one thing. We talk about property-- if we take-- we talk about sales taxes, and we say-- we talk about property taxes, we want to rely on those, because they're much more stable. Well, who is-- who-- stable for the political subdivision, but what about the payer? In other words, the, the, the burden of the volatility is borne by the taxpayer, not the political subdivision. So, in some cases, I would argue, let's, let's share that burden. And one way of sharing that burden is with sales taxes, which do tend to move up and down, more volatile. So let's talk about that. Who-- why is it that the taxpayer has to bear the burden of an up-- of a-- the volatility in the economy? And same thing with political subdivisions.

DUNGAN: Thank you.

LINEHAN: Thank you, Senator Dungan. Senator Kauth, and then Senator von Gillern.

KAUTH: Thank you, Chair Linehan. Mr. Goss, thank you for being here. And I have kind of economy-- economist type question for you. I've been very confused by the fact that we have 120 special interest exemptions. So, when I think about it, I think at some point in time, those things were taxed and we went in and removed that tax from them. They got special treatment and that burden was put on property owners, or put somewhere else in the state. Why is it viewed as raising taxes to pull back that special interest exemption? Aren't we just reinstating a tax that was already there?

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ERNIE GOSS: In some cases, you're correct. Yes, that is correct. And, and the real-- and the-- to, to get beyond the study, the real problem is overspending; it's not-- it's the overspending that we're talking about, and that's not being addressed. I mean, I've-- my family and I, we've been in Nebraska for 32 years. All I've heard since we've gotten here is "gotta pull back in property taxes." Nothing has worked thus far in 32 years. And to, to, to Senator Linehan's point about taxing inputs. My haircut is an input for my educ-- when I teach school, when I teach at Creighton University, I'm supposed to be as presentable as Ernie Goss can get. And, and I have a haircut. So it really is a big question. What is an input? What is an output? So, but I-- sorry, I can't answer your question more fully.

KAUTH: Thank you.

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

VON GILLERN: Yeah. Thank you, Doctor Goss, for being here. There are some that are saying that LB1 is regressive; that it, that it harms folks of lower income, harms renters-- and, and there's-- there-- there are some, some truths there that we need to deal with. When you talk about-- your study talks about growth; will that growth raise all ships? Will that, will that growth im-- positively impact all demographics, and folks of all income levels?

ERNIE GOSS: We did not examine that issue, but quite, quite-- I think it would raise all income levels. The fact that someone richer than I gets a larger benefit is-- my concern is, well, what about me? What-- well, and rel-- there is some relativism-- an importance of relativism, but there's also some absolutes. And absolutely, it will grow all income groups. And as a property-- I rent prop-- houses. I don't rent them per-- I have property managers, but I have 8 houses I rent. I use a-- they use a Zillow package which does input property taxes. So the fact is that a homeowner who-- a person who rents a house does pay the property tax; it is in the program that my property manager uses-- a Zillow property-- this Zillow renting. So it is true that, that the property taxes-- so which one is most regressive is a-- that's a very good question, and I don't-- I can't answer it, which one is most regressive. So, to some degree almost all of them are regressive. Which one is the most regressive? I can't say as I sit here today.

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VON GILLERN: Thank you.

LINEHAN: Thank you, Senator von Gillern. Other questions from the committee? We've tried to-- Revenue Committee staff, I should say, tried to look at what a homeowner in Nebraska versus our surrounding states, so I-- can I just ask you if these sound correct? Because I've talked to you about this before. So if your average-- well, this is below average now, but let's say you're in a \$200,000 home in Nebraska, generally about \$4,000 in property taxes. If you're in Iowa, it would be \$3,000. If you were in South Dakota, it would be \$2,160. If you were in Kansas, it'd be \$2,660. You're in Wyoming, \$1,140, and if you were in Colorado, it would be \$960. So we, we aren't competitive, when it comes to owning a house, with our surrounding states, are we?

ERNIE GOSS: Absolutely not. We are not competitive. We are very competitive in terms of sales taxes. Sa-- we're-- we, speaking as a Nebraskan-- Wyoming has a more competitive sales tax, but other than Wyoming, Nebraska is the most competitive in sales taxes. So my argument is, there's room to move higher on the sales taxes to bring down the property taxes where we're not competitive. And re-- why would you want to do that? Again, property taxes have more of a negative impact on growth than sales taxes. And that's the-- and I have to say, this is not the first time I've examined this issue. And each time it comes back and you look at the models, the economic dyna-- dynamic economic models, sales taxes are the least inhibitive; they have the least negative impact on growth. Now, all taxes do have a negative impact on growth, it's just sales is the least, and property is the greatest.

LINEHAN: One more question. If I'm an Omaha resident-- you're an Omaha resident; I actually live in Elkhorn, but I buy a lot of things in Omaha. I went to get lunch the other day; I went and bought a Runza and onion rings. The bill shocked me, because I don't-- \$10.65, I think. And I'm not picking on them; that's happening everywhere. Wasn't \$1 of that taxes? Because you have the restaurant tax--

ERNIE GOSS: It prob-- almost, almost, almost.

LINEHAN: Almost a dollar. So if you buy a \$10 sandwich in Omaha, ready to eat, you pay \$1 in taxes.

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ERNIE GOSS: Right.

LINEHAN: OK. Thank you.

ERNIE GOSS: So, and-- you know, to the question of-- and I don't mean to get off the topic, but I teach young men and women. Appealing to that age group at the-- at-- against other groups, I think is a fool's errand. I do believe that we have to be-- we, as a state, have to be looking at every age group, we can't focus on those young men and women. If you want, if you want to bring them here, bring the Rocky Mountains to, to Grand Island. That's what you do. Or bring the, bring the Pacific Ocean to Grand Island. It's, it's just when they get to the-- when they get to 30 years of age and above, they come back, so--

LINEHAN: Because that's where grandma is?

ERNIE GOSS: Sorry for that [INAUDIBLE]

LINEHAN: That's OK, I understand. Any other questions from the committee? Senator Meyer.

MEYER: I just have one comment. To piggyback on that, we have-- we don't have Rocky Mountains; we don't have warm weather; we have high taxes-- but we have grandkids. And that's the one thing that always brings people back to Nebraska. My wife has sold real estate for 43 years. Bar none, that brings grandparents back to where their grandkids are. So, we do have that going for us.

ERNIE GOSS: Absolutely. Absolutely. You're correct. And I'm one of those, too, as well.

LINEHAN: Thank you very much for being here. Appreciate all your work.

ERNIE GOSS: Thank you senators. Thank you, Senators.

HEATH MELLO: Chairwoman Linehan, members of the Revenue Committee, my name is Heath Mello, H-e-a-t-h M-e-l-l-o, and I serve as president and CEO of the Greater Omaha Chamber. Thank you for the opportunity to testify and offer our thoughts in opposition to LB1. We know the task before this committee is enormous, and that is not lost on our membership. We commend Governor Pillen, and each of you, for your bold leadership, your tenacity and perseverance in addressing our need to be competitive with our tax structure. Over the decades of discus--

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tax discussions the Greater Omaha Chamber has engaged in, we've always been a champion of growth-oriented tax structure that imposes the lowest possible burdens on businesses, relative to taxes and regulation. It has been one of our long-standing principles to oppose tax proposals that include taxation on business inputs. As this committee has heard from us in the past, taxing business inputs ultimately ends up as a tax pyramid scheme, with nearly all economists agreeing that this is poor tax policy. However, we appreciate Nebraskans' concerns about high property taxes. Our members own businesses and homes across the state and region, and we see the impact of rising valuations and increased spending contributing to greater tax burdens year after year. Yet, when the proposal significantly transforms our tax system, while simultaneously reducing our competitiveness and destabilizing our regional economy due to the proximity of border states, our members raised serious concerns. No matter how laudable the goal of property tax relief, we share these concerns. Specifically, we are opposed to those provisions of LB1 which taxes business inputs. These inputs include manufacturing and agricultural equipment, legal services, accounting services, investment services, advertising software as a service, marketing, PR and telemarketing to name a few. We made our opposition to taxing business inputs clear during the earliest discussions on LB388 last session, and we maintain that position today. We also oppose the provisions addressing the apportionment income exclusion for businesses organized as Subchapter S, and LLCs. This is a significant, important tax provision for several of our state's most successful businesses, and its elimination could drive these businesses out of state. Lastly, our concerns about LB1 also impacts tax increment financing projects, both current and future projects, through the provisions of the bill impacting municipalities. Thanks to yours, and many others over the years, Nebraska has built a well-earned national reputation of being a business-friendly state. And while we oppose LB1 as drafted, we know Governor Pillen and you are committed to major property tax reform, and we commit ourselves as an organization to work with you in this committee and the Governor to find solutions that will not only enhance our competitive posture, but stimulate further economic growth in our city, our region, and our state. Thank you for the time, and I'd be happy to answer any questions you may have.

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

BOSTAR: Thank you, Chair Linehan. Thank you, Senator. Do you think we should lower property taxes?

HEATH MELLO: Thank you for the question, Senator Bostar. Hopefully, my testimony indicated that the Greater Omaha Chamber clearly feels that property taxes are high in the state. And while we do oppose LB1 as drafted, we're committed to working with you--

BOSTAR: No, I'm not-- I'm not saying, "Do you want this plan?" I mean, I-- you're here opposing LB1. But property taxes are high; that doesn't necessarily mean you think that they should be lower, but-- I mean, it's not a trick. Do you think we should lower property taxes?

HEATH MELLO: I think we generally think we should try to lower all of our taxes. Income taxes is arguably been the single biggest priority, and we thank the Legislature for your work last session on addressing our income tax structure, which has been a, a 40-year project for the Greater Omaha Chamber. Property taxes, though, has also been an ongoing issue that this Legislature has addressed, both in my 8 years here as a senator and, well past my time, this has been an ongoing issue. So the fact of the matter is, it probably will continue to be an issue. Property taxes is something that we consistently have seen and will continue to see. And the fact that the Greater Omaha Chamber now has come to the table, I think, saying that we want to work with the Legislature and Governor to reduce property taxes is a-- I think, a fairly bold position that the Greater Omaha Chamber had not taken in decades past. And, I think, of anything-- while we do not have a silver bullet solution-- I know my friend and colleague Bryan Slone had mentioned that this is something that he's put out, and the state Chamber has looked at ideas; we've put out some ideas last legislative session as well. We don't have a silver bullet solution to this either, but I think there's a number of ideas and proposals that have been introduced so far, and other concepts that we're more than willing to work on and look at during the special session.

BOSTAR: I mean, I'd certainly like you to look at all of them. But, more specifically for this conversation, and, and-- genuinely interested-- you know, we've heard a lot about TIF as a challenge within this, but TIF poses a challenge not because of the specifics of

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LB1; TIF poses a challenge because-- what is a little bit going unacknowledged is that if we lower property taxes, that in and of itself is the challenge with TIF. So we've got-- we have to find a way to try to not blow up tax increment financing, and at the same time still be able to lower taxes for people. How should we address TIF?

HEATH MELLO: Great question. I will be honest, I don't have a, a-- I don't have a silver bullet answer today. This has been something that we've had a number of members bring to our attention, both last session, as this committee worked on a number of proposals involving both the Governor's proposal last session, as well as a number of other property tax-related bills. The concern, arguably, is when you involve tax increment financing, that if you dramatically lower a levy, particularly the school aid levy-- you dramatically lower those levies, you impact existing tax increment financing projects to the point where those projects could arguably go in default with the projects that are currently financed by local community banks. Because the increment that they are generating from those projects will go away based on the levy being dramatically reduced and no increment being created based on that funding. So, we've been thinking about this; this is not something that we've been, been, been just sitting on our hands since the end of the session. I think that is part of the uniqueness of LB1; it does create a tax credit. It does not directly impact the levies at this point in time. It does put that on-- the onus on the Legislature at a future point in time to figure that out. But that's something we've been wrestling with, Senators. We don't, we don't have that silver bullet for you at the end of the day to figure out how do you address the actual mill levy, so to speak, when it involves school aid formula. This is something that's happened year-over-year. We, we had addressed the-- we addressed the, the levy limits, the \$1.05 levy limits when I was here, but we usually went from \$1.05 to a \$1. And so, it was a five cent maximum change that we ever addressed in any of the 8 years I was here. So we never had an outcry in terms of the TIF projects being dramatically impacted, in comparison to \$1.05 going to \$0.65 or going-- \$1.05 in Omaha, for example, down to \$0.25. So, I, I think this is something that clearly we know-- this committee, the Governor, everyone's going to have to work on, and we're more than willing to be willing partners to work with you on it.

BOSTAR: I appreciate that because it's-- right, again, I mean-- just-- and, and we all understand how this works. But just for emphasis, it

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isn't-- the TIF problem isn't about this bill. It's about providing tax relief. And the tax relief itself is creating the stated problem. And yes, people should figure out what that solution should be, because, to be honest, I don't think the average Nebraskan would probably feel that TIF challenges are a good enough reason not to lower their taxes. Thank you very much.

LINEHAN: Thank you, Senator Bostar. Senator Murman?

MURMAN: Thank you. And thank you for testifying. The U.S. economy, and even the Nebraska economy has moved, and continues to move, more toward a service-based economy away from a production-based. In your list of exemptions that you would like to not see eliminated, a lot of them are services. If we don't tax services-- more services, how do we broaden our sales tax base?

HEATH MELLO: Well, Senator, I-- the services specifically I mentioned are business-to-business services. And I think that Senator Linehan, Chairwoman Linehan asked a good question earlier to Mark McHargue from the Farm Bureau, which we share a very similar viewpoint in terms of what a business input is. The particular items I mentioned are business inputs, in terms of what we feel businesses need to be able to produce a final output, or final product or final service. Not all services that are outlined in LB1 are business inputs. I want to be clear. And that's something that we just-- I highlighted some of the ones that we as an organization representing nearly 3,000 members-- these were ones that were highlighted from our membership that we felt were important in terms of impacting our members that were broad enough that we felt had a fairly sizable impact, not just on members but the overall greater Omaha economy in terms of seeing the possible border bleed that could occur knowing that Council Bluffs and the state of Iowa was five minutes away from downtown Omaha. So I, I, I think that there is a-- there is a truth to your statement. The economy does see a change in terms of the service-based economy. But I also think that the bigger issue that we consistently have had and always have is that we stand behind a business input should not be taxed and going through certain services that are truly business inputs should not be taxed versus personal services that are sprinkled throughout LB1 that we did not oppose last ye-- last session, that, when those services were incorporated in various bills, the greater Omaha Chamber did not come in opposition to those. And I would tell

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you that we do not stand in opposition to those today. It's simply a matter of what we consider to be a business input.

MURMAN: Thank you.

LINEHAN: Thank you, Senator Murman. Are there other questions from the committee? So I think the definition of business input, if I'm listening, is anything that is tax deductible for a business.

HEATH MELLO: That's another way you could consider it, Senator. I--

LINEHAN: I've never seen that as a description of business input, but that seems to be your definition and that of other testifiers. You made a statement that, while you were here, you changed the maximum \$1.05 levy to \$1 sometimes. But that was just inside the levy, right? You didn't ever change--

HEATH MELLO: Yes.

LINEHAN: So that's what--

HEATH MELLO: Inside TEEOSA. Inside TEEOSA purposes.

LINEHAN: So when people say that we moved the levers, but you didn't lower the maximum levy.

HEATH MELLO: Correct. Correct.

LINEHAN: So-- I do think Nebraska's pretty business friendly. Since I've been here-- let's see. We passed the Imagine Act. We lowered income taxes to 3.99%. Last year, we did the pass-through entity tax. We have a special taxation, the lowest-- I think, if I'm right-- the lowest premium tax in the country for insurance companies. We have a lower tax for the banking industry than many states.

HEATH MELLO: Yes.

LINEHAN: And that's just what I can set here and put down. So we're-- I think the Legislature's done quite a bit for business. So I will ask you the same question I asked the State Chamber. Have you or your members ever been to a local taxing entities board meeting and saying that spending is a problem?

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HEATH MELLO: I've been in this role now for a little less than a year, so I can only speak to my personal experience. I can share with you that I spend an awful lot of time with my mayor, the mayor of city of Omaha, who just released their budget, her budget last week. In terms of talking with their budget proposal, that reduces the property tax levy. So in terms of-- I've not attended the city council meeting yet.

LINEHAN: Stop.

HEATH MELLO: So--

LINEHAN: Did they reduce the tax taking?

HEATH MELLO: I'm just, I'm just sharing, at the end of the day, Madam Chair, that they've reduced the levy-- the mill levy.

LINEHAN: Reducing the levy does not reduce taxes.

HEATH MELLO: OK. Well, I'm--

LINEHAN: We're, we're well-aware of that on the Revenue Committee.

HEATH MELLO: I'm, I'm, I'm-- I know you are. I'm just simply sharing the, the sense of going through the city of Omaha's budget, which is my first time going through that process at the end of the day in terms of understanding the city of Omaha's budget process.

LINEHAN: So I think your answer's no.

HEATH MELLO: I've not gone through the city council budget process at that point, no.

LINEHAN: Or schools.

HEATH MELLO: No.

LINEHAN: And the Chambers hasn't ever had an effort to talk to the schools or the county or the city about tax takings?

HEATH MELLO: I, I can't, I can't speak to my-- I can't speak to what happened prior to my time at the end of the day. I mean, there's-- I'm-- I know that some extent that their involvement with Omaha Public Schools-- when, when I was in the Legislature and Omaha Public Schools broke up-- we broke up the school board. And the greater Omaha Chamber

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is fairly active in terms of the Omaha Public Schools' board makeup and a variety of other things. I know that the greater Omaha Chamber is very active in terms of, I would say, the overall activities of Omaha Public Schools. But that was in 2013.

LINEHAN: Thank you. Any other questions from the committee? Senator Meyer.

MEYER: Thank you, Chairman Linehan. So talking about Mayther-- Mayor Stothert's budget-- and, and I read with interest in the paper the size of that increase. And I also read with great interest what she was attributing the city's ability to have that big an increase. And if I, if I remember right-- and I think I do-- a lot of that increase and their ability to budget more was because of the huge increase in sales tax and the benefit in Omaha. The rest of the state has not seen that kind of benefit from sales tax. But I would be remiss if I didn't point it out that a lot of rural Nebraskans have spent their sales tax in Omaha. So I guess it's a little disingenuous for people from Omaha to come here and say, well, we can't increase the sales tax base at all to benefit landowners or property owners across Nebraska when Omaha and Lincoln have seen the benefit of that very same sales tax. Do you agree or disagree?

HEATH MELLO: It feels like a fairly--

MEYER: Or plead the Fifth.

HEATH MELLO: It feels like a--

MEYER: Plead the Fifth.

HEATH MELLO: Feels like a fairly loaded question, Senator.

MEYER: It is. It is.

HEATH MELLO: I think-- to some extent, I think the work that's been done in, in the greater Omaha community for decades in terms of building out there, the ability to attract tourism particularly, bringing out-of-state visitors, whether it's the CHI Health Center, the College World Series, arguably the world's greatest zoo, amongst many other things that have attracted out-of-town visitors, I'd say out-of-state visitors and out-of-state funding has been second to none. And I think that's something that, as an entire state, I think

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we can be grateful and thankful that there has been a tremendous amount of work that's been done that's benefitted rural taxpayers as much as anything else in terms of the sales tax revenue that the greater Omaha area generates for the state that arguably you as policymakers get to determine how that money goes through the state budget process.

MEYER: So just piggybacking-- one more statement, I guess. So you have a beverage tax and everything for the districts around CHI Health Center and everything like that?

HEATH MELLO: An o-- an o-- an occupation tax, yes.

MEYER: Occupation tax. OK. So all travelers that come across Interstate 80 can buy a pop and candy anywhere across the state other than Omaha and not pay sales tax? Is that correct? There's-- because there's no sales tax on pop and candy that we have now because that's one of the parts of LB1 to generate income. So you're capturing that but nobody else is.

HEATH MELLO: I believe other municipalities-- and you have to-- I, I'm not going to speak for the League of Municipalities. You can talk to Lynn Rex. I, I believe other municipalities have the ability to implement occupation taxes under current state law as well. I just-- I know to some extent-- in terms of entertainment districts that the, the Omaha area has in terms of what we've got in our downtown area-- entertainment districts have the ability to levy an occupation tax that generates revenue to cover some of our entertainment district costs.

MEYER: OK. Thank you.

LINEHAN: Thank you. Are there other questions from the committee? Isn't CHI get the turnback tax?

HEATH MELLO: It does, Madam Chair.

LINEHAN: Doesn't a great deal of downtown Omaha get a turnback tax?

HEATH MELLO: I think you passed some legislation that expanded that last legislative session.

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LINEHAN: It wasn't mentioned in any of the budget announcements I've heard from Omaha in the last couple weeks. So what actually-- if I'm within, what? Is it 200 yards or 100 yards of CHI-- what, what sales tax comes to Nebraska from those organiz-- from those sales?

HEATH MELLO: I believe you'll have to talk to Stephen Curtiss, I believe, from the city of Omaha who maybe will answer that question better than I can.

LINEHAN: It's not 5.5%, though, is it?

HEATH MELLO: I don't believe so.

LINEHAN: And the music venue. So yes, we're giving Mr. Curtiss a heads-up.

HEATH MELLO: OK.

LINEHAN: So when you said the sales tax from those events at CHI--

HEATH MELLO: The overall-- I'm-- I-- the overall sales tax that's generated by the events and tourism that comes into Omaha that-- the purchasing, the restaurants, the, the activity overall, the economic impact that's created by those activities overall.

LINEHAN: So if I'm in Omaha and I buy a \$10 san-- sandwich, what is the tax?

HEATH MELLO: I think you-- I think you outlined that. I think there is a-- depending on where it's at, I think there's a local sales-- the local sales tax and the local occupation tax.

LINEHAN: So it's about \$1 for \$10. For every \$10 I spend on food or drink in Omaha, it's a \$1 tax.

HEATH MELLO: I think-- a little less than that. I think you'll-- yeah.

LINEHAN: Because they put the occupation taxes also on the sales tax, right? OK. Thank you. Any other questions from the committee? Seeing none. Thank you very much.

HEATH MELLO: Thank you.

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LINEHAN: Are we, are we done with neutral? We have one more neutral? OK. OK. Good.

RANDY GARD: Good morning, members of the Revenue Committee. My name's Randy Gard, R-a-n-d-y G-a-r-d. I'm testifying in a neutral position on LB1 and the section that highlights LB685 and the games of skill, which is located starting on page 135, Section 71, line 23. We at Bosselman Enterprises support-- supported the language and the economics of LB685 when it was passed early in the 2024 Unicameral session. Utilizing a central server, connecting all the games of skill to it enables distributors and operators the ability to better control our games and make sure that the proper tax would be remitted to the State Department of Revenue. Along with that bill and its economics approved by the Unicameral, remitting 5% of the net operating revenue also ensured that the gaming industry would be able to survive on those economics. LB1-- in LB1, it shows an increase from 5% to 20% of the net operating revenue, which, simply put, the op-- the economics just simply do not work for the industry. At 20%, distributors and operators simply cannot be profitable at that percentage. And it's not like we can pass that 20% on or just add that tax to a person that, that plays these games. As an, as an operator, we have to absorb that tax 100%. Many distributors and operators have already started ordering new equipment based on the passage of LB685 in this last session. And the change from 5% to 20% is a-- what I would call a financial trainwreck. Therefore, we request that the 5% of not-- of net operating revenue be maintained just like it was passed earlier in the 2024 Legislative Session. And with that, I would be happy to answer any questions the committee may have.

LINEHAN: Thank you. Are there questions from the committee? Explain why you can't pass it onto the consumer.

RANDY GARD: Well, it's not like, you know, if you buy a hamburger then you pay \$10 for it like you say and then you put taxes underneath that. Basically what happens is they just put the money in the machine and they just play and they play and they play and there's-- and sometimes they win and those types of things. So you can't say, OK--

LINEHAN: Can't you just charge more in the machine?

RANDY GARD: I suppose you could, but it's really-- it's-- pricing is, is-- I'm hearing-- [INAUDIBLE].

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LINEHAN: OK, guys. You can't do that.

RANDY GARD: Yeah.

LINEHAN: You can come up and disagree, but you can't yell from the audience.

RANDY GARD: Yeah. I'm not aware that you, that you, you can do it that way.

LINEHAN: OK. Any other questions from the committee? Seeing none. Thank you very much for being here.

RANDY GARD: Thank you.

LINEHAN: OK, guys. Uh-uh. Uh-uh. Be polite or I'll have to instigate rules. Go ahead. Are you an opponent?

LIZ STANDISH: I am an opponent.

LINEHAN: OK. It's-- it starts with proponents.

LIZ STANDISH: OK.

MARK BEITING: Thank you, committee, for taking on this onerous issue. Thank you, Governor Pillen, for calling me Sunday night and asking me to appear. My name is Mark Beiting, M-a-r-k B-e-i-t-i-n-g. I live in Gretna. I'm 73 years old. My wife is also 73 years old. We're both retired. I'm not from Nebraska, but I am a Nebraskan. I'm that soft issue that is not an analysis of rates or anything else like that. I came here following my fiancée, who was working on her master's degree at Lincoln. In 1973, I graduated, moved out here. We got married in 1974. And this October we'll celebrate 50 years together. That fact alone and several others, you'll realize, make me an oddity and a rarity in this state. We-- do any of you here in this room-- and I've already had-- heard it mentioned-- have children on this committee? Have grandchildren on this committee? And that's why I'm here today. Because my wife wants our 4 sons and our 11 grandchildren who live ten minutes from us to stay ten minutes from us. Three of my four boys served with the United States Marine Corps. Signed up after 9/11. One was an F-18 pilot. Another fent-- spent two full tours in Afghanistan. And he came back to Omaha because of family. You can't put a tax on that. But the family discussions of many gatherings every month have

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started centering around the property taxes in Nebraska and how-- I have two sons looking in Iowa now for property. And if the interest rates were better, they'd probably be gone already. My wife begins to sob when she hears that conversation. Among now, 19 of us-- 11 grandkids, 8 sons and wives, and Kate and I-- have to endure those conversations. And we feel helpless. So I'm here as a citizen saying I'm trying to touch your heartstrings, saying you know something needs to be done. And don't let the opponents say we should just freeze action. You've got to take action because we are a diminishing return with our family status and boys that want to be around their mom and grandparents. Thank you.

LINEHAN: Thank you very much.

MARK BEITING: Any questions?

LINEHAN: Thank you. Senator Kauth.

KAUTH: Thank you, Chair Linehan. First, Mr. Feichtig [SIC], congratulations on 50 years. That is no small feat. Thank you for your son's service. And thank you for coming in today. I hear this story at the doors every day. It's so sad that people are leaving the state or feeling the-- like they have to leave the state or cut back on things because of this. So I really appreciate you coming in. Thank you.

MARK BEITING: Thank you.

LINEHAN: Questions from the committee? Thank you. Thank you for your son's service. Are we at-- opponent?

RACHEL GIBSON: Hello. Thank you, committee, for having the opportunity to speak. I am here as a citizen, so I'm very happy to have the opportunity to talk, especially after the gentleman who just spoke because I have a very similar experience. And I think that's what you all are wrestling with. So my name is Rachel Gibson, R-a-c-h-e-l G-i-b-s-o-n. I often am here for the league, but I'm not here for that today. I'm here as a, a citizen. Thank you so much for hearing us. I wanted to give you a sense of what this looks like for my family. And I loved hearing about the grandparents because we-- I actually recruited my parents to move here because I have the grandkids. So we want to stay here, and we want to stay here with our kids and, and great schools and-- why we came here. Very practically, I started

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looking at this to try to figure out what this tax shift or tax burden-- however you'd like to talk about it-- would affect my family. And this came up very recently because I was in accident in a rainy highway in Oklahoma and completely totaled my car. Thankfully, my brother and I are fine. But now we're facing unexpected costs for our family. And we're very blessed to have family that's helping us manage all this. But I put pen to paper as we're trying to figure out-- do we replace the car? What do we do? Can we manage with only one car? And I realize that with this bill, just the repairs on our car would be \$600. And that's-- it's, it's a lot. And I drive a used Subaru, just as context. So this is just one example, but I wanted to give an example of what it does look like for, for everyday folks. And I think the previous one-- example was wonderful too. So there has to be a way to find something that's equitable. And I, I-- Senator Kauth asked yesterday some great questions about what does equitable or fair mean. And so I started wrestling with this. I asked my kids because they are the experts on who got something fair and who didn't. But we talked about-- you know, does that mean for taxes that people pay the exact same amount? Does that mean that people have the same burden as the percentage of what, what they-- their income is? That sort of thing. But I just kept coming back to this verse from Deuteronomy: No one shall appear before the Lord empty handed but each of you with as much as he can give in proportion to the blessings which the Lord, your God, has bestowed upon you. And I, I don't envy your work. I think that it's hard to find what makes things fair, but I don't want us to get so bogged down in the numbers and the data that we lose sight of the initial thing, which is that we want to make something that is equitable to all Nebraskans. So thank you so much for your time.

LINEHAN: Thank you. Are there questions from the committee? Do you own a home?

RACHEL GIBSON: We do. Well, we're-- yes. We have a mortgage payment. We're paying it off.

LINEHAN: So do you know how much you pay in property taxes each year?

RACHEL GIBSON: Quite a bit. Quite a bit. Several thousand. The example you gave, we're slightly above that. So we don't--

LINEHAN: So \$4,000 or \$5,000.

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RACHEL GIBSON: Probably about so.

LINEHAN: So you realize LB1 would cut that in half.

RACHEL GIBSON: I do, but, but-- and actually thank you. That's a great point. I would rather-- we would rather know what's coming and we have to work with than the unexpected nature of the sales tax piece of it because, like, we didn't know we were going to have to pay for a car and we could have-- re-- repairs. We could have budgeted. And if that's on the front end and we can look at what-- you know, when we pay our taxes and whatnot, we know what we're working with. I think that's some of the struggle. And, and part of that is that I think back to when we were newly married and one of us worked and made \$30,000 and had a kid. We wouldn't be able to adjust to \$600 in car repairs when we were paying rent and not owning a home.

LINEHAN: I'm going to ask you a question that I don't know the answer, and I don't expect you to--

RACHEL GIBSON: OK.

LINEHAN: --but we should figure out. In, in a situation-- so you would have had around \$8,000-- if it was \$600, you have about \$8,000 of damage to your car.

RACHEL GIBSON: And that's actually low-- low-balling because I--

LINEHAN: \$8,000. Do you have insurance?

RACHEL GIBSON: Yeah. Really great insurance.

LINEHAN: And there's a deductible?

RACHEL GIBSON: Yes.

LINEHAN: So my question would be, would your insurance cover everything but the deductible, including the tax?

RACHEL GIBSON: It would cover some of it, yes. But there's still that tax piece to it. And again, I'm coming from this that we, we have insurance. We have that safety net. And I, I'm really worried about people who don't have that but are still going to be facing that sales tax. But I see your point. It's a, it's a good point.

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LINEHAN: OK. Because I think-- Senator von Gillern's probably figuring this out right now. To save \$2,000 a year in property taxes, you would have to spend how much?

RACHEL GIBSON: I, I guess, as they're doing the math, my takeaway is, is that we have--

von GILLERN: \$28,000.

LINEHAN: \$28,000.

RACHEL GIBSON: --we have wiggle room and we love it here and we're happy to pay in taxes. I'm worried about the people who don't have the wiggle room and don't have insurance. So mine is just an example. But I was looking through the, the list and there were 80-something things listed on the exemptions that would go away. And I can imagine that if all the people in the overflow room had a chance to talk they would share what would impact them. So that-- my only point is I, I just really hope that we walk away from this thinking about what really is equitable and fair to the people who are going to face the burden the most.

LINEHAN: Thank you. I'm going to say something that I should have been saying several times. If you're here to testify, that's wonderful. We'll be here as long as you want to testify. But in case you don't feel the need to testify because somebody already said what you've said, there are white sheets at the back of the room where you can put your name and address and your position and it will be part of the public record. So you don't have to actually speak to be part of the public record. Are there any other questions from the committee? Seeing none. Thank you much for being here.

RACHEL GIBSON: Thank you for how you're--

LINEHAN: Neutral. Are we neutral now? We got one more neutral. Are you neutral?

_____: No.

HOBERT RUPE: I am.

_____: I'm sorry. I lost track.

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LINEHAN: I know it's hard.

HOBERT RUPE: I am neutral.

LINEHAN: I think we're-- this is the last neutral. Is this not the last neutral? If there's-- Nicole's neutral. OK. Oh, you can't take his seat. You can't really take his. He didn't-- she didn't mean to. He-- you get to be next because you gave her that seat. Thank you very much.

HOBERT RUPE: Good morning. I think I barely get in good morning underneath the wire. Chair Linehan, member of the Revenue Committee. I haven't testified in front of you for a while. My name is Hobert Rupe, H-o-b-e-r-t R-u-p-e. I serve as your executive director of the Liquor Control Commission. First off, the NLCC is neutral. We take no position on tax rates. We're a collection agency. And I'm here primarily as a subject matter expert. It's long been my practice that, especially if we are involved in doing the fiscal note, that we supply the fiscal note-- that we come to, to, to answer any questions regarding that. Specifically, we'll be talking-- unlike everything else, ours is just one small "numeral" cha-- nu-- numeral change-- or, to-- a numeral change and a, and a, and an appropriate-- and a-- how it's spent out in the raise to the excise tax on spirits. Nebraska-- like the majority of states, 33-- is what's called a licensing state, where we license all three levels. There's a three-tiered system. There's your manufacturers or suppliers. Those would be your Anheuser-Busch all the way down to your local craft brewery, would be a manufacturing tier. Then you have a wholesale tier. You have spirits wholesalers, all of them primarily based in Omaha. Republic National, Southern Glazer's are, are two of the largest. And then you also have beer wholesalers, you know, in each of your individual communities. Then you have retailers, which is, you know, where you buy at Hy-Vees, your bars, anybody who sells to you, so. The first tier can sell to the second tier. The second tier can sell to the third tier. And the third tier could sell to you. All right. Taxes collected at the wholesale tier on anything that's imported into the state, it's collected at the manufacturing level if it's produced in the state. So Emyrean Brewery here would pay the tax itself, whereas if Budweiser were shipping into Ne-- to Lincoln, Quality Brands of Lincoln would pay the excise tax. OK. So that's where the-- how the tax comes into the state. Beer's really easy because almost every state uses the same system where they use wholesalers. So, so you-- if you're comparing to

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other states-- which I supplied those, those-- the documents to you-- you can sort of see how we can play. The, the confusion comes in spirits. 17 states are still working-- called control states, where the state itself acts as the wholesaler and make the money. For instance, Iowa is a, a control state on the spirits. So if-- they will buy a \$10 bottle of rum from Bacardi, they by statute then do a 50%, 50% markup. So it becomes \$15 when they sell then to a retailer who then would do the retail markup and [INAUDIBLE]. So you have to be very careful when you're comparing tax rates from control states to licensing states because-- whereas all we do is collect the tax, the state of Iowa, Alcohol and Beverage Control, is the wholesaler. They have a warehouse. They have employees. They have distribution. They have ordering. And there's 17 states which are currently control states. So I just-- I know there's some confusion about how the difference of that works. And unless you get really in the weeds and deal with it every day like myself, it can get confusing. And, of course, I'm already through my time, so I would be happy to answer any questions and especially give you how-- hopefully someone will ask me how we anticipate this will address the fiscal note that we submitted.

LINEHAN: Yes, I'm-- thank you for being here. Senator Dungan.

DUNGAN: Thank you, Chair Linehan. I appreciate your testimony. I have a number of people who've reached out to me about the impact on this industry: friends of mine who manage bars, things like that. If you could continue a little bit maybe with your testimony, I'd be curious to know--

HOBERT RUPE: The fiscal, the fiscal note-- I, I can tell you the fiscal note we supplied is the most optimistic and rosy scenario because it assumes most-- when, when, when you're doing a fiscal note as an agency, you can only put in things you know, not what you think you know. And what we know is we've had about a 1.2% decre-- 1.24% decrease over the last three years in spirit consumption in the state. There's a whole host of reasons-- primarily, Gen Z doesn't drink as much. And they have other al-- other activities that they spend their money on, which you may be dealing with on some other bills. And so we were able to factor that into the decrease. So in our fiscal note, you're seeing a decrease actual to the, to the general fund because the proposal takes that increase-- it's going from \$3.75 a gallon to \$14.50. A fourth of that is going-- still going to the general fund. And although-- I'm a lawyer, so therefore math usually hurts my head.

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Even I can divide that by four, which means instead of \$3.75, we're only getting \$362.0-- \$3.65. So there's going to be a decrease there. The remainder of that's going to go to the, to the fund to, to address the property tax relief of the school systems. That's a rosy scenario. That's assuming consumption rates stay the same, which I can probably-- if I were to speculate, they won't. The taxes on the other competing products-- i.e. beer and wine-- aren't being changed, therefore I think you'll probably see people change and go more towards those products instead of spirits. And then there's also, of course, you know, the op-- the option of possible border bleed across Iowa. The increase on taxes per bottle-- the, the, the most common size of a spirit bottle unless you're into the-- is 750 milliliters. Yes-- you know, we all were told we had to go to the metric system and, and-- earlier and they-- one of the few areas they did was in alcohol, although we still tax by the gallon. It's going to be about \$2.80, roughly, tax increase per 750-milliliter bottle, is what-- just-- that's what the increase of tax is going to be.

DUNGAN: Thank you. I appreciate that further explanation. I also know last year we passed-- the Legislature passed a bill creating sort of rules pertaining to rickhouses and sort of the permission of distillers to get into that industry. I know there's been sort of a burgeoning industry of distillers here in Nebraska. Do-- taking this tax rate up from \$3.75 to \$14.50, it looks like-- would that make us the number one dispill-- distilled spirits tax?

HOBERT RUPE: It would make us the number one distilled spirit if you're actually looking at just the tax because the only one higher that was close to that would be Washington. And the only reason they're so high is because when they deregulated in 2011, the-- by referendum, they had to make sure that the state wasn't going to lose any-- it was going to be revenue neutral. Well, you'll see a lot of what's called an implied tax rate, which factors in looking at the control states how much they're making off the profit. Some states make more. Iowa, for instance, is sort of a halfway controlled state where the-- they are the spirit wholesaler. Alabama, for instance. Pennsylvania still run both the, the wholesaler and the retail operations. Going back to the-- you're saying about, about local distilleries, local things. I think it would be a very negative impact on that industry. Even more so recently-- we also had passed-- at the request of the distilleries, we reduced the tax on ready-to-drink cocktails, which are premade cocktails in cans. Those were being taxed

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at \$3.75. And the local manufacturers just couldn't make it. Couldn't do it. So the-- so we followed some other states. We lowered that down to \$0.95, the same as a-- as wine is taxed at-- if it's 12.5 or lower total ABV. So, so the problem was is we, we taxed the product. So we need to tax the source. So a 40-proof bottle of vodka was being taxed at the same gallon rate as a 12-- as a 10% mixed cocktail. And so-- the, the Leg-- you guys adju-- adjusted that.

DUNGAN: Got it. Thank you very much.

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

MURMAN: Yes. Thank you for testifying. My hope is that we can protect the local, in-state distillers with maybe a couple different level, levels of taxation. But, but my question is-- you know, Iowa, as you mentioned, taxes in a different way, distillers, than Nebraska does. Well, our biggest concern, I think, would be with border bleed between, you know, Omaha and Iowa. So a bottle of, I guess, 750-milliliter alcohol-- or, distilled whiskey or whatever, how does that compare-- if we'd go to \$14.50, how would-- are we way overpriced compared to Iowa or--

HOBERT RUPE: It's going to add \$2.80 per bottle just from the tax. I'm sure there are some people here who can testify as to whether we're competitive. Last time, Iowa sort of did a, a look. We're roughly competitive on price. If you compare the Omaha to Council Bluffs market, there's not a lot of difference there. So this would be-- add an additional \$2.80 on that price.

MURMAN: Right now, we're competitive but we'd--

HOBERT RUPE: Right now, we're competitive.

MURMAN: --we'd be probably \$2.80 higher.

HOBERT RUPE: At least.

MURMAN: OK. Thank you.

LINEHAN: Thank you, Senator Murman. Are there other questions from the committee? What does-- I don't drink-- doesn't matter. What does a bottle of a 750-milliliter bottle of dispill-- distilled spirits cost?

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HOBERT RUPE: What it costs is based upon the product. Remember, we tax solely on the source of the alcohol. So right now, we charge \$3.75 a gallon.

LINEHAN: No, I mean if I go to the grocery-- I mean, you seem to know a lot about this stuff-- if I go to the, the liquor store and I buy a 750-millimeter bottle of gin or whiskey, bourbon, what does it cost?

HOBERT RUPE: It's going to cost anywhere from \$10 to hundreds of dollars, depending upon what you're buying.

LINEHAN: But the sales tax-- the increase in the tax will be \$2.80.

HOBERT RUPE: That's just on the excise tax. The sales tax is on top of that. You got to remember it's taxed at the excise tax level--

LINEHAN: OK.

HOBERT RUPE: --and then it's also subject-- yeah.

LINEHAN: The excise tax stays the same. Doesn't matter if that bottle of whiskey costs \$100 or-- what's the lowest price?

HOBERT RUPE: \$10.

LINEHAN: \$10.

HOBERT RUPE: Yeah.

LINEHAN: Excise tax is the same.

HOBERT RUPE: Yeah. We charge the same excise net tax on the lowest quality and on the \$1,000 bottles of Pappy. It's the same excise taxes cost. Sales tax then is collected at the retail level. And that's where that re-- that's where that difference in quality is, is collected.

LINEHAN: OK. So on these states that you've got listed here, 16 or 17 of them netted zero. They actually make the money.

HOBERT RUPE: They make the money. They're control states. Yeah. They are all control states.

LINEHAN: So North Dakota, what's the markup, 50%?

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HOBERT RUPE: I'm not sure. I know Iowa's by statute is 50%.

LINEHAN: So maybe Nebraska should just go into the liquor business.

HOBERT RUPE: You know, there, there, there is something to be said for that-- be-- being-- for being on that side of it.

LINEHAN: Do you have any idea what these states collect in this by selling liquor, [INAUDIBLE] states? Like, Missouri's on here. That's a neighboring state. What do we-- what do they collect in-- I guess market is what you would call it.

HOBERT RUPE: Yeah, Missouri, Missouri, of course, is a, is a, is a licensing state. So they're just collecting on the gallons as well.

LINEHAN: So what would-- what do they collect?

HOBERT RUPE: I, I, I don't know what, what Missouri would collect. You know, they would collect-- looks like Missouri on spirits is-- they-- \$2 a gallon, where we're \$3.75 a gallon.

LINEHAN: They, they sell it? They're the wholesaler?

HOBERT RUPE: No. Missouri is not a control state.

LINEHAN: Am I reading this list wrong? You've got it--

HOBERT RUPE: No. Iowa is a control state. Basically, if you look at the list, they supply-- basically, from number 34 through 50 are all control states, starting with Alabama, Idaho, Iowa. Those are all control states. And you'll see they have an effective tax rate--

LINEHAN: I see.

HOBERT RUPE: --of zero.

LINEHAN: I'm reading that list wrong. I got it. OK. So Iowa, they sell at 50% markup?

HOBERT RUPE: They have a statutory 50% markup. So if they buy a \$10 bottle of rum from Bacardi, they will then sell it to Hobie's Hooch Hut, retailer, at \$15 a, a bottle. And, and then that \$5 goes right to the "strate" office-- state coffers.

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LINEHAN: OK. Any other questions from the committee? Seeing none. Thank you very much.

HOBERT RUPE: Thank you very much for allowing me to testify.

LINEHAN: I'm sorry. Where are we in the--

CHARLES HAMILTON: Proponent.

LINEHAN: Proponent. Hi.

STEVE GANGWISH: Good morning. Thank you, Revenue Committee, for, for hosting today. My name is Steve Gangwish, S-t-e-v-e G-a-n-g-w-i-s-h. I live in Kearney, Nebraska with my wife and three young daughters. I am here to express my support for LB1, to bring property tax relief to the citizens of Nebraska. I'm a partner and CEO of CSS Farms. We're a national potato farming company headquartered in Kearney. We grow potatoes for the chip, seed, and table stock sectors. We farm near Columbus, Minden, North Platte, and Cody, Nebraska. In addition, we farm in eight other states, including Washington, Oregon, California, Nevada, Idaho, Colorado, Texas, and New York. Given our company's footprint across nine states, we see firsthand the impact of Nebraska's high property taxes on business competitiveness or, Nebraska's case, lack of competitiveness. We operate in many other states with much more favorable property tax structures, structures, which has an impact on where we choose to grow our business and where our customers choose to procure from. Like many other businesses in the state, CSS Farms competes on a national scale with farms from other states. I have found myself on more than one occasion trying to explain to our customers, such as Frito-Lay, the impact of Nebraska's highest property taxes on our Nebraska-grown potatoes and corresponding cost structure. As you might imagine, our customers have little to no sympathy for the tax choices Nebraska has made. They just want competitively priced products. Anecdotally, we hear feedback from our employees that move in or out of Nebraska. Routinely, I am met with hesitation and reservations from employees moving into Nebraska regarding the added property tax expense of home ownership. Conversely, I've never encountered a complaint when an employee is moving out of Nebraska to a state with reduced property tax or one that relies more heavily on sales tax for state revenue. We are hindering Nebraska's economic growth by having one of the nation's highest property tax rates. Reallocating the state's tax revenue by

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reducing property tax and elevating sales tax and other adjustments makes good be-- makes good business sense to me-- sense to me. I support LB1. Thank you.

LINEHAN: Thank you very much for being here. Senator Murman.

MURMAN: Thank you for testifying. And going by your name, I'm guessing you're originally from Nebraska.

STEVE GANGWISH: Yeah. Yeah, I grew up in Shelton, Nebraska. My family farms and-- longtime resident.

MURMAN: So when you're looking to-- you expanded your operation dramatically, apparently. When you're looking to expand further, I'm assuming there'd be a big incentive to look elsewhere than Nebraska because for the property tax reason.

STEVE GANGWISH: Yeah. At the end of the day, we have to deliver products to our customers for the lowest price. And if there are aspects of Nebraska's cost structure that are impacting us, such as property taxes, we, we make other choices.

MURMAN: Sure. Thank you.

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

DUNGAN: Thank you, Chair Linehan. Thank you for being here. How much land do you currently own in Nebraska as-- for the company? And what is your annual payment for property taxes, if you could guesstimate that?

STEVE GANGWISH: Yeah. Coincidentally, potato growers oftentimes don't own much land because we require a three-year rotation. So we own very little land. We probably own less than 1,000 acres of, of farmland throughout those different counties. We do have storage facilities that have property tax associated with them. Where, where our-- where the impact comes to us is the ta-- we, we rent a lot of land from other landowners. And so, in effect, our opinion is we have elevated land rent that impacts our cost structure.

DUNGAN: Thank you.

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LINEHAN: Any other questions from the committee? So you do think renters pay property taxes?

STEVE GANGWISH: I, I definitely do think that.

LINEHAN: Thank you for being here. Thank you. Next opponent. No, I promised-- the, the person who gave up the seat earlier gets to speak.

LIZ STANDISH: Good afternoon, Senator Linehan and members of the Revenue Committee. My name is Liz Standish, spelled L-i-z S-t-a-n-d-i-s-h. I'm the associate superintendent for Lincoln Public Schools. Here representing the district today. The Lincoln Public School districts submits this testimony in opposition to LB1. LB1 distributes state dollars through property tax credit based on the percentage of total real property value in each county compared to the statewide total, then to each school district compared to the countywide total. This distribution does not include any statements about \$0.15. It is a "proporsed"-- proposed proportional property wealth-based distribution formula. That runs precisely counter to what we currently have in place, which is an equalization-based formula. The methodology should be fully studied and understood. I suspect-- I don't have the data statewide-- but I would suspect that the levy in high valuation, low levy districts will drop at a greater percentage than low valuation, high levy districts. Once again, that would be a question and an area to study. The Governor talked about his assessment on a \$275,000 home in Lincoln at \$2,200. The way that I analyze legislation is to walk through the math. When I walked through the math for a home in Lincoln, I came up with an \$800 number. I'm not here to contest the Governor's Office numbers at all. I just wanted to walk it through. The reason for doing this is I was trying to figure out if that was a net number or if that number took into account the existing property tax credit program and the existing income tax program. So when I tried to estimate the income tax program and the current property tax program, my net number was around \$800 to \$1,200. So I really thought the impact of LB1 under my estimates was \$800 for that family, \$1,200 under the Governor's \$2,200. Once again, I respect the Governor's Office has access to data that I might not have access to. That's only about a 25% reduction. And I was curious what a family would spend in sales tax. I appreciated the Governor sharing. That was about \$28,000 per year in order to break even. I'm just curious if that's a net or if that's solely an interpretation of LB1. Lastly, I want to make sure I extend that we oppose the entire replacement of a

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school district levy that eliminates local control for our local school boards. School boards would not have the authority to adjust to revenue swings, address unique student needs, address our current labor shortage, or manage the vast revenue swings that school districts face. And with that, I will conclude and briefly answer any questions you may have.

LINEHAN: Thank you. Are there any questions from the committee? Senator Murman and then Senator Dungan.

MURMAN: Thank you, Chair. And thank you for your testimony. You, you testified in opposition, is that correct?

LIZ STANDISH: Correct.

MURMAN: If we don't do anything to address the property tax situation in Nebraska right now, LPS will soon be an unequalized district. Is that true?

LIZ STANDISH: That's what we would forecast. We are only about \$3 million equalized right now. So what ha-- what-- based on what happens on the needs side of the formula, if our valuation base continues to grow-- which you would expect it would be with the housing market-- you could forecast that we would be a foundation aid only funded school district in the future.

MURMAN: So if you're in opposition to this bill, what would be your suggestion on what we could do differently to address the property tax situation?

LIZ STANDISH: Senator, thank you for the question. I've, I've been doing this about 17 years and sat in this chair numerous times and talked about the local effort rate. Chairperson Linehan would, would know that many years they adjusted the local effort rate the opposite direction to reduce the amount of state funding going out. What I think is the unique challenge we've been in for a while and are in is that is set at \$1 in the formula. So the formula is assuming that the local property taxpayer is on the hook for \$1. As you know, many, many school districts are below the dollar. So school districts are losing funding at the rate of \$1 per \$100 where their school district might be taxing, for example, Lincoln Public Schools at \$0.95. And so I do think really studying that local effort, that local commitment part of

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the formula would be a good place to look. That is what has driven the property tax growth. So as values have gone up, then at a rate of \$1 per \$100 of assessed valuation, the state funding to that local school district has dropped. So when, when you think of the Governor's chart that he has used in the town halls and you see the billion-dollar increases in property taxes, a companion part of that graph could be the drop in the state commitment. Because as those values went up, the state funding went down. So I appreciate that we're talking about a state funding problem because that is the root of it. And I do think that local effort rate, which is a provision in the state aid formula that is set as, as \$1, is one place to look because I don't know that you'd find a lot of school districts across the state after the work that was done in 2023 with foundation aid and special education funding that are still at that dollar rate or higher. So that, that would be my answer to your question, Senator.

MURMAN: Yeah. Thank you. That happened in Nebraska-- or, in greater Nebraska about 15 years ago.

LIZ STANDISH: Yeah, absolutely. Yeah. Yeah, I-- yeah. Like I said, I've been doing this 17 years. So I've been watching the numbers for a while.

LINEHAN: Thank you, Senator Murman. Other questions from the committee? Yes.

DUNGAN: Thank you, Chair Linehan. Briefly-- I just got a couple briefly. To make sure I understand this correctly, your issue with the distribution of the tax credit is that the distribution is based on-- you put in here property wealth--

LIZ STANDISH: Mm-hmm.

DUNGAN: Is that instead of-- what would be a better way you think to do that distribution?

LIZ STANDISH: I think it's interesting that it's the exact opposite of what we currently do. So what we currently do is we say, here are our needs and here's the wealth the community has in property. So that's a resource. And then we go in and we pay the difference, which is called the equalization aid. So it is very much geared towards school districts that maybe don't have a high local ability to pay. What this

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is distributing is we're not looking at student needs. We are simply saying that, based on the property valuation, we're going to distribute dollars based on the percent proportion of property valuation. And so if there is a school district that maybe has lower student needs but has really high valuation, their portion of this distribution is going to be, I think, a greater percentage. So you have school districts across the state that maybe have \$60,000, you know, per dollar, that local effort rate per student. And you have school districts in the state that might have access to \$2,000 per dollar across the state, which is why this has always been challenging. And so, so, I mean, that is the hard work of working and school finance in the state, is that vast disparity. But this distribution methodology is the exact opposite of where we've been since 1990.

DUNGAN: And then briefly, you also mentioned in your testimony a concern about local control, which is something I think that was echoed at the town hall that I-- that we had here in Lincoln. The bill as it's currently written does not include some of the things I think that were originally discussed with regard to bringing down the, the levy caps and things like that. Does LPS still have a concern about local control based on that intent language that's in the legislation?

LIZ STANDISH: Yeah. It is based on the intent language in the playbook that the idea is to completely eliminate and replace local general fund taxation, respecting there would still be access to infrastructure taxation. Not having a single variable that a board of education can use to make decisions about the total revenue for the school district we believe eliminates local control of the day-to-day operation of a school district.

DUNGAN: Thank you.

LINEHAN: Thank you, Senator Dungan. Are there other questions? Senator Meyer.

MEYER: Thank you for being here this morning. OK. You, you made reference to the measure of wealth as only being real estate property.

LIZ STANDISH: I did not say only, I believe, Senator. If I did, that was a mistake. I think there's lots of resources in the state.

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MEYER: I think you said that as far as school funding and the, the state aid formula goes. So is that a fair statement or are there other measures of wealth-- stocks, bonds, CDs-- that are of great value that are not measured when you're talking about wealth of a school district? Because when you only look at property-- which is what Nebraska has always only done-- from where I sit in representing my district, only looking at the value of real estate in that district compared to other forms of wealth-- and there are a lot of other forms of wealth-- that are not looked at. So you made reference to land-- or, real estate houses being the only form of wealth. Is that, is that fair?

LIZ STANDISH: I don't, I don't believe it's the only form of wealth. If I said that, I apologize. I misspoke. There is an element in the formula-- and I'm going to try to be brief. I know we, we don't want to go fully into TEEOSA. The income tax rebate, there's about 2% of income tax that comes to school districts. So when I file my income taxes, I mark on it what school district I'm in. And a-- it's roughly 2% comes back. And that actually reduces the state commitment for that school district. So income tax is in the formula at a very-- at a very small level.

MEYER: OK. But if you own three shares of Berkshire Hathaway, that doesn't pay dividends, there's no income tax there.

LIZ STANDISH: Yeah. So the, the overall, like, wealth of individuals and stuff like that--

MEYER: So that's not included?

LIZ STANDISH: Right.

MEYER: OK. I just want to make sure that we're not using-- never mind.

LINEHAN: Thank you, Senator Murma-- Senator Murman. Senator Meyer. Mm, mm. Other questions from the committee? I have some.

LIZ STANDISH: Uh-huh.

LINEHAN: Did you say there's districts with only \$2,000 worth of property per student?

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LIZ STANDISH: That would be your-- probably your lowest would be, like, \$2,000 to \$4,000. And those would-- may be ones with a lot of federal land. So that would probably be the reason why--

LINEHAN: So the Native schools.

LIZ STANDISH: Yeah. But then you'd also have, for example-- I don't know if they're here to testify today--

LINEHAN: But aren't they-- aren't those schools-- they're kind of an outlier, aren't they?

LIZ STANDISH: Right. But you would have your Lexingtons, your Hastings if you think of the Greater Nebraska Schools Associations that do have very low value per student.

LINEHAN: But not \$2,000.

LIZ STANDISH: Maybe \$4,000. I mean, I, I wouldn't, I wouldn't rule out under \$5,000, Senator. I haven't--

LINEHAN: And you said no local, no local control. Doesn't LB1 leave bonding the building fund and QCPUF outside the-- leaves that up to local control, doesn't it?

LIZ STANDISH: That would be, but the day-to-day operation would not have any local control elements to it.

LINEHAN: Would not-- when, when you say local control, do you think the Legislature should come in and tell you what teachers to hire and what teachers not to hire?

LIZ STANDISH: No, Senator. What I do believe I'm very concerned about is-- for example, in Lancaster County, because of the way the formula works being a equalized school district--

LINEHAN: I know how it works.

LIZ STANDISH: I know you know how to works-- we could have-- genuinely have 7% revenue one year followed by 1% revenue the next year. And locally, we need to bridge those years together so that we can smooth them up.

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LINEHAN: That's if we leave the formula the way it is.

LIZ STANDISH: Yeah, but this bill does not change the formula. So I think equalized school districts would still be equalized.

LINEHAN: OK.

LIZ STANDISH: The next would be labor market. The next would be-- our community, for example, is extremely interested in expanding access to early childhood education. So there's a number of things that a local board member would have knowledge of at the local level that they need discretion from a day-to-day operations in order to make those decisions.

LINEHAN: So-- I know you're very, very knowledgeable about TEEOSA. So can you explain why Lincoln Public Schools get \$6,218,915 from the averaging adjustment?

LIZ STANDISH: You bet. So the averaging adjustment-- so in Lincoln Public Schools, we are only compared to 11 school districts, not 20. We don't have ten up and ten down. And so we are compared to the one district that's higher than us and the nine that are below. So we have a smaller comparison group for our needs calculation, basic funding calculation. And so then when you're compared with smaller groups and-- that have been up against the levy lid of \$1.05 historically, that has suppressed spending. And so then the averaging adjustment was brought into the former to average that out. So that is the reason why there is an averaging adjustment.

LINEHAN: But it, it's above your needs.

LIZ STANDISH: Correct.

LINEHAN: So the averaging adjustment comes in-- so we figure out what your needs are, what your local effort rate is, and that's your equalization fund. And your needs includes poverty, English language learners, distance. And special ed's set over here aside. But then this money comes in on top of your needs.

LIZ STANDISH: That's actually-- it's actually within needs. So it's within the needs calculation. And then we subtract out the resources, and then we get the equalization aid. So if you look at the stack of everything in needs, the averaging adjustment is in that stack.

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LINEHAN: The \$6 million is in the needs side?

LIZ STANDISH: It is in the needs side, Senator.

LINEHAN: And we subtract it out?

LIZ STANDISH: No, it's actually-- so your needs are basic funding. And then you're subtracting out the allowances is what I think you're thinking of. Those allowances get subtracted out of the basic funding and then added.

LINEHAN: I just can't--

LIZ STANDISH: Yeah.

LINEHAN: I can't quite understand why the big schools, the greater Nebraska schools, get \$32.8 million because they're bigger.

LIZ STANDISH: It's the way the averaging works in the formula. So the original concept, you know, back in--

LINEHAN: When did the averaging adjustment come to be?

LIZ STANDISH: It's-- it was in the original bill in 2008, LB988, that Senator Raikes put together. And it actually compared to the statewide average at that point in time.

LINEHAN: 2008? In the original bill-- TEEOSA was originally put together in 1990, wasn't it?

LIZ STANDISH: The formula needs that we're currently working off of, the basis of that was built in 2008 under Senator Raikes. The original averaging adjustment actually compared to the statewide average. And then they came back two years later and compared it to the average of school districts with greater than 900 students just to create that, that cost comparison group. So the whole basis of the school finance formula is basic funding, which is creating cost comparison groups. And when you don't have enough large districts, the averaging adjustment was created to accommodate for that. And so that's, that's-- it goes back to the roots of the formula that we're currently in.

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LINEHAN: OK. Thank you. Are there any other questions from the committee? Seeing none. Thank you for being here.

LIZ STANDISH: Thank you.

LINEHAN: Oh, wait. Did you test-- I'm sorry. Did you-- did Lincoln have an-- Lincoln Public Schools have an opinion on LB9?

LIZ STANDISH: We did submit a letter, written testimony in opposition.

LINEHAN: You were in opposition of LB9?

LIZ STANDISH: Yeah.

LINEHAN: OK. Because?

LIZ STANDISH: Two reasons: the elimination of the averaging adjustment-- which I think is why you were asking those questions today-- and then the second was the gap between the lowering of valuation between residential, commercial, and ag. And so concerns about the disparity of the different percentages being applied there.

LINEHAN: You would, though, think the way the current formula works, we're, we're headed to not pretty place because of valuation increases, right?

LIZ STANDISH: Yeah. Senator Linehan, we've had numerous conversations. And the one thing that is valuable about the conversation right now would be that we're looking at increasing the state funding as a way to address that valuation and property concern. I think that's very important to keep that in mind.

LINEHAN: Which is different than we were looking at it five years ago.

LIZ STANDISH: Correct. Correct. You are, you are correct. That is different.

LINEHAN: Thank you for being here.

MEYER: I just had one more quick question.

LINEHAN: Oh, I'm sorry. Senator--

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MEYER: So, so were you aware that ag land had a 300% increase in that time and residential only had, like, a 100%? So don't you think that's a little bit disingenuous now to not try and, try and rectify that situation in, in what we're trying to distribute?

LIZ STANDISH: I think it depends on what point in time you want to make that comparison. So if you're going back to 2008 as a comparison point--

MEYER: That's a good time to go back to.

LIZ STANDISH: --that-- you'd have to look at what was going on economically. I'm not saying they have to be exactly the same. I'm saying we were opposed to the level of difference.

MEYER: Thank you.

LINEHAN: Thank you. Thank you, Senator Meyer. Neutral. You are going next. OK? What is your name?

DOUGLAS KINDIG: I'm Mayor Kindig.

LINEHAN: OK. He's going next. OK. Go ahead. No, you're in order.

NICOLE FOX: All right. Should've brought my shoulder pads today. Nicole Fox, N-i-c-o-l-e F-o-x, director of government relations for the Platte Institute. Testifying on-- in a neutral capacity on LB1. Platte Institute supports the goal of LB1 and some of its provisions, yet Platte Institute opposes measures within the bill that violate sound tax and fiscal policy and would result in a tax code that is less competitive, simple, and stable than Nebraska's current tax code. Platte Institute supports measures from the Property Tax Growth Limitation Act that would impose a property tax cap on cities and counties, and we support the carryforward measure that allows unused levies to be carried year over-- year to year. Platte, Platte recommends simplifying the property tax cap by creating a simple metric of allowable revenue growth and then deferring to local communities on how to prioritize compliance with such a cap rather than creating different levels of allowable growth for different spending categories. In addition, we believe that new bonding issuances should be subject to this cap so that bonding cannot be used as a work-around to raising taxes. And we note that a citizen referre-- referendum is availa-- is available to override the cap if voters

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believe it overly constrains resources for their local government. Platte supports the purpose of the School District Property Tax Relief Act to dramatically reduce school property taxes. In addition, we also agree with deploying the LB1107 tax credits to directly reduce school property tax levies on a dollar-for-dollar basis. Platte Institute has supported the principle of sales tax expansion so that more final consumption is subject to the sales tax. However, we agree with the wide range of tax economists who argue that the sales tax should be levied upon final retail consumption rather than business production inputs. For that reason, Platte Institute strongly opposes raising-- raising revenue from the many sources in LB1 that are business inputs such as digital ads and ag manufacturing machinery rather than final retail consumption. These taxes would cause tax pyramiding and would make Nebraska uniquely uncompetitive for impacting business-- or, attracting business. The unforeseen consequences will likely make Nebraska nonviable for certain types of business investments, negatively impacting manufacturing induci-- industries that would allow Nebraska's economy to reach its maximum potential. Taxing business inputs is a nontransparent way to raise revenue. Final consumers should-- would pay a cost with multiple layers of taxation embedded in the cost, preventing them from seeing the real tax bill when they check out at the register. Platte also opposes taxing different sales at different rates. This violates the principles of tax simplicity and makes the tax code treat different forms of sales with a bias rather than neutrality towards different categories of consumption. Platte Institute opposes discriminatory taxes that produce unreliable revenues, such as those on tobacco, vaping, and digital ads. Each of these taxes singles out a specific industry or product for differential treatment. The resulting revenue is unstable and unreliable because cigarette tax revenues continually drop, and taxing digital ads might be ruled unconstitutional. Finally, Platte Institute believes that any tax changes contingent upon changing the school funding formula should be made with public awareness of what the relevant school funding formula changes will be. This will ensure transparency in fiscal and tax policy decisions rather than separating legislative action on one condintion-- contingent decision from another. Platte Institute applauds ongoing legislative efforts to address Nebraska's high property tax burden. And we look forward to continuing to working with the Legislature.

LINEHAN: Thank you. Did you provide written testimony today?

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NICOLE FOX: I'm going to send it to you later just because I crossed out so much because I had so much to say.

LINEHAN: OK.

NICOLE FOX: And you wouldn't be able to read it.

LINEHAN: Thank you. Senator Dungan.

DUNGAN: Thank you, Chair Linehan. Thank you, Ms. Fox. I appreciate you being here again today. It's an interesting position because I think there's-- you know, in a neutral capacity, things that we probably agree on and disagree on about this. I'll ask you a similar question to what I asked Dr. Goss earlier. With regards to the hard caps that are in place, it sounds like you're actually calling for stricter hard caps than what is contained in LB1. Do you share a concern that, in times of economic downturn, these hard caps are going to have that ratchet-down effect on local governments that's going to subsequently hurt local counties, cities, things like that without their inability to catch up after a recession?

NICOLE FOX: As far as hard caps-- I mean, we, we're very much into the principle of transparency. And I think where we-- I mean, yes, we have been very much proponents of the truth in taxation process because we feel that, you know, evaluations have led to a large part of our property tax problem because valuations are going up and revenues-- total revenues collected. Oftentimes, subdivisions are keeping their levies the same and collecting the windfall. I mean, that's something we've talked about frequently. And we feel very strongly that, in terms of transparency, that if local subdivisions want to collect starting with, you know, a dollar more than that, that-- you know, it should be communicated to the people and there should be-- you know, that's why we like truth and taxation and the joint public hearing process. We do like the idea of taking it to a vote of the people-- again, because it just produces more engagement. So, yeah.

DUNGAN: So it's more of-- a philosophical sort of belief.

NICOLE FOX: Yeah. I mean, I think-- I mean, I think it's just kind of that-- you know, if, if local political subdivisions can, you know, have dialogue with, with the public and, and explain the need for more taxation-- it's just, like, you know, kind of like a bond issue if,

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if, you know, you've got a community that is bursting at the seams and they can illustrate that to, you know, residents in their district, maybe-- you know, residents in their district might go, OK. We understand the need for you to, to collect more revenue. But if they don't sell their case, I think that people should have a say.

DUNGAN: That makes sense. And this, this is a question I've asked other people too. You know, we're talking about controlling spending, and that's, I think, been a, a through line through a lot of the testimony here today, is controlling government spending. Do you have any specific examples that you can point to of political subdivisions unnecessarily spending money on things? Because when I talk to constituents and ask about services, they all like their roads being paved. They all want public safety, things like that. But then we also simultaneously say we want to control government spending. So I'm often looking for examples of the unnecessary spending that people are talking about when it comes to cities and counties. And so I'm curious if you have specific examples of that.

NICOLE FOX: I, I'm not going to pick on any specific community or anything like that--

DUNGAN: Not to put you in the hot seat.

NICOLE FOX: I would say that-- you know, a philosophy would be that it's important to fund the essential functions of government, which would be things like roads, infrastructure, public safety, those types of things. I would say maybe things that are not so necessary would be what I would call the shiny objects. You know, things like swimming pools and golf courses and, and those types of things. It's kind of that, you know, needs, wants. I mean, I think there are things that are nice amenities for communities, but they might not necessarily be an absolute need. Is-- you know, does it need to be paid for by the government? Is it something where, say, there could be some sort of, you know, private entity involvement that could come in and-- I don't want to say solve that problem, but if there is a desire, say, for a shiny object, maybe that is better for private investment as opposed to the government.

DUNGAN: Thank you.

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LINEHAN: Thank you, Senator Dungan. Are there other questions from the committee? Seeing none. We're now to opponents or-- proponents. Proponents. Proponents. So I meant you're next as, like, far as opponents. Senator Briese, are you-- Senator Briese. Treasurer Briese.

ANDY MARSH: Good morning. My name is Andy Marsh, A-n-d-y M-a-r-s-h. I'm from Grand Island. I'm here today to offer my support for LB1 or a hybrid of the bill that significantly lowers property taxes. I was born and raised in Grand Island. Nebraska is my home. I own Keystone Properties, which consists of roughly 650 multifamily housing units in Hall and Adams Counties. My wife and I built our company from one fourplex 24 years ago to where we are today, employing 16 Nebraskans. Property taxes are one of, and at times, the largest expense in our, in our business next to property insurance. They are the single reason we are forced to raise rents. This year, two of our housing communities in Grand Island increased in valuation by \$2.9 million and \$3.9 million, respectively. Based on the current tax levy in Hall County, that equates to an additional \$128,000 a year in property taxes. This averages to a 67% jump in valuation in one year. How does this happen? How does a small business budget for such an unknown expense that will continue year over year? These properties did not appreciate in value by nearly \$7 million in one year. These increases will equate to roughly a \$75 to \$100 per month per unit rent increase for tenants, who will then have to make decisions on whether or not to refill prescriptions, seek medical care, make grocery cuts, or even relocate. This is not right for Nebraskans. When Governor Pillemer was running for office, I met him at the Nebraska State Fair. He told me that his property tax re-- relief would-- was going to be his number one priority, and he's held true to his word. LB1 suggests drastic cuts in property taxes such-- if such a bill was passed, reducing one of the-- my largest business expenses. The writing in-- on the wall-- the writing is on the wall for what relief my tenants will see with regard to their monthly rent. Thank you for allowing me to speak today. And I thank you all for your hard work on this complicated subject. I hope you will support me, my tenants, and all Nebraska property owners in this special session with a plan to cut property taxes in the best state in the union, but the most unfriendly state in the union to own property in. Thank you.

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

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DOUGLAS KINDIG: Good morning, Chairman Linehan and the Revenue Committee. It was almost as hard to get into this chair today as your job is cutting those property taxes. I'm Mayor Douglas Kindig. I'm mayor of the city of La Vista, Nebraska. While I agree with the work that you're doing and the Governor's number one priority for cutting property taxes, I am here in opposition to LBI today. I want to address three things that the La Vista City Council considers key principles on how we cover. First, I'd like to back up and mention that, in the Governor's plan, in his playbook, on the second page at the top, he stated that the number one reason that property taxes are out of control is for inefficiency and government spending at the local level that is not responsible. I strongly disagree with that. We are very transparent and responsive in our governance. We are responsible in the stewardship of our taxpayer money. And we're very representative of the government. In La Vista, we prioritize engaging our citizens very openly and very honestly to ask what their goals are for our city. Our approach is, is reflected in the citizen surveys that we do on an every three-year basis. A few years ago, the number one priority for our citizens was economic development. For you that haven't heard, I lost my main retailer, Walmart. It spread to a cancer of all the other businesses in the area. And I had a very dead economic, especially sales tax, revenue source that we had, we had lost. We worked. We listened to the citizens. We have been able to revitalize that area. We've also been able to help put an amenity in that will help the brain drain that I've heard mentioned today about keeping the young people in the state. We are not the owner, but we are at the table with our music venue. The work that we're doing around the area does not have any state dollars in it. The private investors have used some state incentives. So we've launched an effort to listen to the goals of our citizens. Our most recent survey shows that we've made great progress there. Another source of revenue-- and it hasn't been mentioned much today-- is if the Keno revenue or commitment to the state goes from 2% to 5%. In the city of La Vista, that'd be \$480,000. Now, who here today thinks that that is not going to have to be paid for by the city? Our operator is going to come back to us. They're going to negotiate that contract. And that's going to be another loss of revenue for our cities.

LINEHAN: I'm sorry. Your light's on.

DOUGLAS KINDIG: I'm sorry. I didn't see that, Chairman.

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LINEHAN: You can-- you have a couple seconds [INAUDIBLE].

DOUGLAS KINDIG: You know, the only thing I want to say is we want to be a partner with the state. We've offered many times to be able to show the Governor and to show anyone that would listen what it takes to put together a city budget. We want to be at the table. I will just say-- and thank you, Senator, for giving me this opportunity. We were there last year, Senator. We believed in the 3% cap. We believed that we could get there with some type of work on exemption for our first responders. I think the idea of implementing it this year, I think we all know that it may have to wait another year. And I think we were very close in allowing the local governments to continue to have revenue sources to fund what we do. What happened? What happened to that?

LINEHAN: OK.

DOUGLAS KINDIG: Is there any questions, Sen--

LINEHAN: You don't get to ask us questions.

DOUGLAS KINDIG: Excuse me?

LINEHAN: You don't get to ask us questions.

DOUGLAS KINDIG: I didn-- I, I-- that was a statement and a question. Thank you, Senator.

LINEHAN: That's not the way that works. Do we have questions from the committee? Senator Meyer.

MEYER: I just have one, one quick one. Thank you. How many total dollars of TIF projects do you have on the books right now?

DOUGLAS KINDIG: We've done one, and that was our 84th Street. Remember when I said that it completely was wiped out? So we've done that TIF project, what the private developers are using, to bring in the Astro music venue. So that's the only one that we're doing.

MEYER: OK.

DOUGLAS KINDIG: Yes.

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MEYER: That's good. That's all I needed. Thank you.

DOUGLAS KINDIG: And--

LINEHAN: Thank you, Senator Meyer. Other questions from the committee? Can we go to your chart you handed out here, the one with the expenses?

DOUGLAS KINDIG: Mm-hmm.

LINEHAN: So I don't-- you-- this comes from the com-- Consumer Expenditure Survey, U.S. Labor Statistics, 2023. So this is a household income of--

DOUGLAS KINDIG: Oh, this would be medium household income. And I don't have it in front of me. I think La Vista's somewhere really close to \$70,000 median per household.

LINEHAN: Would you give him a copy? And I can share with Senator von Gillern.

DOUGLAS KINDIG: Sorry. I have a copy. Yeah.

LINEHAN: Oh, you do have one. OK.

DOUGLAS KINDIG: Uh-huh.

LINEHAN: Sorry. So this-- you feel like this represents a household in La Vista?

DOUGLAS KINDIG: Correct, Senator.

LINEHAN: OK. So in your housing cost, is that-- that includes property taxes on the housing costs?

DOUGLAS KINDIG: I cannot answer that. My assumption is, yes, that should include-- that should include all costs, insurance and property taxes.

LINEHAN: OK. And then you have food on here. Insurance [INAUDIBLE]. So I ask you this: on some of the things we're talking about putting sales tax on, it's pretty, it's pretty limited number in this pie chart, isn't it?

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DOUGLAS KINDIG: Yeah. And that's another thing about sales tax: every community's different. I lost Walmart. I don't have as much retail as I used to, but I've got an awful lot in hotels and occupancy tax and hotel rates and things like that, but. So sales tax isn't going to be it's-- one size isn't going to fit everybody.

LINEHAN: No. And it-- and you have flexibility in sales tax.

DOUGLAS KINDIG: Yeah. We've diversified our tax base to not rely on one specific--

LINEHAN: So what do you-- you use \$0.02 or \$0.015 or \$0.01? What do you--

DOUGLAS KINDIG: We're actually at two-and-a-half cents, Senator. Our employ-- our residents gave us the ability to do the other half cent for our 84th Street redevelopment.

LINEHAN: OK. And do you get turnback tax for that too?

DOUGLAS KINDIG: The city?

LINEHAN: Yes.

DOUGLAS KINDIG: No, ma'am.

LINEHAN: The developer? You got turnback tax, so I don't-- who's got it?

DOUGLAS KINDIG: To be honest, I don't know what he's got. To be transparent, we will be able to collect some state turnback tax on the building of our parking garage. We have not started that yet. So at, at this time, we've received no state turnback-- not just for 84th Street but also for our development on, like, the interstate.

LINEHAN: OK. All right. Anybody else have questions? Seeing none. Thank you very much.

DOUGLAS KINDIG: Thank you, Senators.

LINEHAN: Are we sure we're out of neutral? Are you neutral? OK. Is there any neutral left? OK. Then we've got proponent. Are you proponent?

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TERRY WAGNER: No, ma'am.

LINEHAN: Do we have any proponents left? I know we have some that left because they didn't think we'd get to them before lunch. Proponents. Are you a proponent, sir?

DAVID BRIGGS: I am, yes.

LINEHAN: OK. Thank you. Just-- I'm going to make an announcement because we're going to break probably pretty quick. When we come back-- not to have a dividing line, but to help manage time here-- could we have the proponents be polite, like in kindergarten, stand in line, and take up the seats? And then we'll start going in seat order. So if you want to sit here for the half hour and save your seat, that's fine. But we're going to go in seat order so we don't have confusion about who's up next. So opponents, proponents, in seat order. Go ahead.

DAVID BRIGGS: Good afternoon, Senator Linehan and Senator von Gillern. Thank you, Revenue Committee. My name is David Briggs, D-a-v-i-d B-r-i-g-g-s. And I have the pleasure of serving as CEO of Westco, a large cooperative headquartered in Alliance. And I also serve as CEO of Sustainable Beef, headquartered in North Platte. Today, I'm here to speak in favor of LB1. In my 35 years serving agriculture in Nebraska, I've interacted with many of the state's agricultural producers and can confirm property taxes have been a major concern for over a decade. Over my career, I have learned the details involved in the relationship between school funding and property taxes in most rural areas of Nebraska and have concluded until we find a way to fund our K-12 schools, we would not find significant relief. I applaud Governor Pillen for proposing a plan to address how we pay for schools which provide property tax reductions. I believe looking to increase sales tax revenue is a fair way to spread the re-- investment across all Nebraskans as well as visitors to our state. As you are aware, LB1 is a very large, encompassing bill, and many people will provide criticism to what is proposed. I would ask for those who are critical: what is your solution? Our ag industry has shouldered the weight of K-12 education in most of the state as-- long enough. It is time for others to assist us in carrying that responsibility. To continue large valuation increases without subsequent large levy decreases is hampering all of agriculture and now is being noticed by homeowners. I recently sat on a panel to interview 33 potential state senators, and

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every one of them, regardless of district, said the number one issue when they visit with constituents is property taxes. I know many of our senators have worked hard on this topic and have great ideas. Can we incorporate those ideas in LB1? We are all here at the table thanks to the Governor. During this special session, let's do what is best for all Nebraskans and do not adjourn until we have a solution. I conclude my comments.

LINEHAN: Thank you very much. Are there any questions from the committee? So you're from Alliance?

DAVID BRIGGS: I am from Alliance, yes.

LINEHAN: You came a long way.

DAVID BRIGGS: Yes. I do it--

LINEHAN: That's more than three hours. What is it, six?

DAVID BRIGGS: Six, six hours. I do it quite often.

LINEHAN: Six hours. Thank you very much for coming.

DAVID BRIGGS: You're welcome.

LINEHAN: Opponent.

STEPHEN CURTISS: Good afternoon, Senators. I'm Steve Curtiss. I'm the finance director for the city of Omaha. It's S-t-e-p-h-e-n C-u-r-t-i-s-s. I'm here in opposition to LB1. Under LB1, Omaha's property tax growth will be limited to 0% plus CPI. While some years this may be offset by sales tax, others it may not be. Approximately 2/3 of Omaha's general fund is public safety. And when you add in trash, parks, libraries, it's about 80%. Many of our things are subject to negotiation, which are 2% to 3% per year. During the period 2010 to 2018, property tax valuations of the city of Omaha grew by 0.43% annually. So I'd say that again: 0.43%. And over this period from 2010 to 2025, it's 2.83%, which would be about 30%. So we've heard about values going up 300%. That didn't happen in Omaha. When things are really low, we defer-- and we talked about this before-- we defer buying police cars. We defer hiring police, fire staff, fire rigs, parks, equipment. In years when it's higher, we try to catch up. This bill would saddle us with the low years and not let us catch up

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during years that are higher. For instance, in 2020-- '16 through '19, we were-- fairly recent years-- and they were fairly lean. We had hiring freezes, deferred buying equipment, and then in this hyperinflation couple of years that we've been in now caused by excessive federal government spending and, and the pandemic, we've been able to catch up a little bit. The four years prior to '16 through '19, our average property valuations went up zero. So we believe property tax reform is important, but it should be done thoughtfully to avoid unintended consequences. Underfunding public safety could be one unintended consequence. Another unintended consequence in this bill is jeopardizing the TIF formula, which we've talked about a little bit. I've got some fixes for that if we want to. But without that, Omaha uses TIF almost exclusively to rive-- revitalize our urban core, where we have aging infrastructure and buildings. We have approximately \$1.3 billion of development underway in the urban core, subsidized by TIF. \$2.3 billion is being considered, and most of those projects wouldn't occur without TIF. The Omaha metro area funds approximately half of the sales tax generated within the state-- as pointed out by Senator Meyer-- and over 40% of the personal income taxes. Omaha was recently recognized by Forbes-- much to people's surprise-- as the number one city to move to in 2024 in the United States. Omaha is being noticed nationally for its low crime, positive business climate, and great civic, public partnerships. LB1 would jeopardize Omaha's positive momentum. I'd be happy to take questions.

LINEHAN: Thank you. Are there any questions from the committee? I'm just going to-- is Omaha-- I don't know what the answer is. I've tried to get this before. But I know that it's a huge generator of rev-- revenue. No doubt about it. But it also is a huge-- a lot of state funding goes to Douglas County, right?

STEPHEN CURTISS: Not to the city, that I'm aware of-- other than for roads.

LINEHAN: To-- your-- I think maybe Westside's not equalized, but everybody else is equalized in the Douglas County?

STEPHEN CURTISS: It could be. I don't keep up with school districts. I just run the city.

LINEHAN: OK. All right. Any other questions? Senator von Gillern.

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von GILLERN: Thank you, Mr. Curtiss, for being here. I, I just-- your statement about Omaha generating half of the sales tax generated within the state, I, I was looking at a number for Douglas County-- and this might be a year or so old-- but I had-- research that I had done showed Douglas County generated 28% of the state sales tax.

STEPHEN CURTISS: According to the Department of Revenue, in 2023 Douglas County and Sarpy County-- [INAUDIBLE] the Omaha metro area-- was about 53% if you take out the--

von GILLERN: OK. So you're including Sarpy--

STEPHEN CURTISS: Yeah. I said the Omaha metropolitan area, yes.

LINEHAN: So that's--

von GILLERN: OK. All right. I get, I get closer to your number then. So you're talking about--

STEPHEN CURTISS: I, I took out the--

von GILLERN: --state sales tax, not total sales tax.

STEPHEN CURTISS: I took out the sales tax that was not generated by entities within the state of Nebraska per the revenue. I-- it was 2023. It's on their website. We could--

von GILLERN: OK. All right.

STEPHEN CURTISS: We could look that up later if you want to.

von GILLERN: I think we're probably at the same place looking at two different numbers. Thank you.

LINEHAN: Greater metro area is, is all, all of Douglas County, Washington County.

STEPHEN CURTISS: No, I just included Douglas and Sarpy.

LINEHAN: But all of the counties because Omaha's not--

STEPHEN CURTISS: Yes.

LINEHAN: OK.

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STEPHEN CURTISS: Just to make the comparison. That's all I could get out of the revenue-- state revenue.

von GILLERN: I, I do have another question.

LINEHAN: OK, Senator von Gillern. That'd be fine.

von GILLERN: Thank you. Then we're-- we got about one minute left here. You mentioned you have a fix for TIF. Can you give a 60-second answer to that question?

STEPHEN CURTISS: Yeah, I can. During the, during the negotiations that we all talked about during this past session, there were two ways to fix TIF. One is that this is done by a credit, which some of the versions of these bills have been done as a credit. It doesn't really affect TIF. We'd have to see exactly how the credit works. But if it's done as a-- actually levy reduction-- and there's nothing special about TIF. It's just the way the formula was driven, it was driven by the levies. So-- and, and Senator Linehan have argued a little bit about things that are artificial drops in TIF versus-- or, levies versus more organic. This would cause what I would call a artificial drop in the TIF levies. And there's a way that we can do it. And I think the Governor's Office has it because I've seen it floated, and it's a way to normalize those rates so that it doesn't have the effect. But we'd have to make sure it gets adopted into any of these languages that get used.

von GILLERN: OK. Thank you.

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

BOSTAR: It was addressed. Thank you.

LINEHAN: It was addressed.

STEPHEN CURTISS: Well, I knew he had that question, so I wanted to get it addressed.

LINEHAN: Any other questions from the committee? OK. We will break for lunch and be back at 1:30.

[BREAK]

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LINEHAN: Sorry, little technical difficulties here. So we left off with an-- we're just going to start at proponent, opponent, and neutral. So first proponent. Good afternoon, Treasurer. Don't you miss this?

TOM BRIESE: What's that? I do. At times, I certainly do. You bet.

LINEHAN: You've been here all morning, so it looked like it.

TOM BRIESE: Yeah, true. Well, thank you and good afternoon, Madam Chair Linehan, Vice Chair von Gillern, and all members of the Revenue Committee. My name is Tom Briese, T-o-m B-r-i-e-s-e, and I'm here in support of LB1. And it's great to be here today. I first of all want to thank the committee and Chairwoman Linehan and the Governor for their leadership on the issue of property taxes. It means a lot to the people of Nebraska, and here to do what I can to support you in your efforts. Over the years, while serving in the Legislature, I introduced numerous property tax bills. And oftentimes, a refrain from an opponent or someone sitting on the fence was, well, Briese, is this enough, then? If we vote for this, will you be happy? Are you going to keep introducing bills? And I might have lied a little bit at times and said, no, this will be enough, but it never was. But let's look at LB1. If you look at LB1, this is a game changer. This is a different animal here. I would submit to you that you adopt LB1 and take over K-12 funding, you will have solved the property tax crisis in Nebraska. I think LB1 gives a-- creates a stark choice here between solving the crisis versus prolonging the crisis. And that's why I support LB1. That's why I support taking over K-12 funding in Nebraska. Now, what we've heard from people this morning, we're going to hear from more people later today talking about the sales tax base expansion. And they're claiming that's a tax increase or a tax shift. I say baloney. It's revenue neutral, textbook tax reform. And it's much needed revenue neutral, textbook tax reform. You look at-- you compare what we collect in property taxes in Nebraska to what we collect in sales taxes in Nebraska, and it's very obvious that we need tax reform. So I make no apologies for being a proponent of a sales tax base expansion. It's much needed, it's long overdue, and it's time for this-- for the state to step up and get this done, and meet our obligations under Article III of the constitution, and do what needs to be done here. Obviously in the bill, there's not a lot of detail about the school funding proposal. And I think we heard from some, some folks this morning expressing concerns about how school funding

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is going to work, but it's not rocket science. You know, we, we use the community college model as an example. We find the base year that we want to use, a base year of funding. You increase it by a set percentage, and then you also increase it or modify it based on various needs, whether that be growth, whether that be LEP growth, poverty growth, whatever the case may be. Because we recognize that we're not going to leave schools hanging. We're going to protect the Benningtons of the world and the Elkhorns of the world and the Gretnas of the world that are growing. We're also going to protect those schools that have growing poverty numbers, LEP numbers. We're going to have to. If we don't, we're going to get sued. And we recognize that. And so, schools will be protected. If I-- if I'm the education community out there, I, I think I would be reasonably comfortable in what we will end up with here. I would like to see us get this figured out during the special session. I think it could wait until January if need be. Personally, I'm confident that this bill represents the right path forward. It's a blueprint for solving the problem. And I know a lot of folks, a lot of career politicians, lobbyists, special interests, going to throw up a lot of dust trying to knock us off track here and knock us off balance. But I think we need to keep our eye on the prize, and that is takeover of K-12 funding. And that solves the property tax crisis in this state. Thank you.

LINEHAN: Thank you. Treasurer Briese. Are there questions from the committee? Senator Murman.

MURMAN: Yeah, as, as Education Chair, I got to ask you just a little more about how-- what can we do to give the schools the assurance that the local control will be protected other than what we're already doing with the-- with bonding?

TOM BRIESE: Yeah, that's a great question. The school boards will still be in place, or that's the, I think, the vision of everyone on this committee and the vision of the Governor. The school boards will still be in place. They'll make the, they'll make the decisions as to who they hire, what programs they have, what they do. So they will have local control. It's just that the source of funding is different, and it's going to be an ever-increasing amount of funding. And they ought to take quite a bit of reassurance in that. And if I'm in the education community, I'd just as soon get this target off of my back on the property tax issue. And all of a sudden, they're not going to be the bad guy-- bad people anymore when it comes to property taxes,

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because the state's-- you know, they aren't going to be collecting property taxes, except in limited circumstances. I'd also like to point out that Governor Pilleen has indicated in his town halls that local districts would, under his vision, would retain the ability to levy property taxes to increase programs or to move programs forward, I think, with a 60% public vote. But if our-- and if our funding falls short, they can increase it with a 50% funding vote. But if they simply want to add something and access property tax dollars, apart from our funding falling short, they can still do that. So they'll be able, they'll be able to add programs if need be. But again, the, the model should be a base amount of funding increased by an annual rate, whatever that rate is, and then increase there to reflect the growing needs, again, poverty, LEP, student population, other things as well. So we're not going to choke off public education in Nebraska. We can't. And if, if we would try to do that, we would get sued and we'd lose.

MURMAN: Thank you very much.

LINEHAN: Thank you, Senator Murman. Are there other questions from the committee? I have a question. You were here-- you were in the Legislature when LB1107 passed, right?

TOM BRIESE: Yes.

LINEHAN: Does this conversation sound any like the conversations that were happening at that time?

TOM BRIESE: Yes.

LINEHAN: Because the same people who are against LB1-- not the same people, same groups, it's almost identical, isn't it?

TOM BRIESE: Yes, I, I would say so.

LINEHAN: So the reason we got LB1107 done was kind of a miracle. You and I know that-- was because the business community wanted the Imagine Act.

TOM BRIESE: Yes.

LINEHAN: And they could not get to 33.

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TOM BRIESE: Yes.

LINEHAN: Because property taxpayers wanted something on property taxpayers.

TOM BRIESE: Yes.

LINEHAN: So there was an agreement made that we would do-- we would get to 33 on the ImagiNE Act, and we would do the LB1107 tax credit.

TOM BRIESE: Yes.

LINEHAN: And then the next year, I think we had more money. And there was an agreement made that we would speed up the income tax cuts and put more money in both the first and second property tax credit fund.

TOM BRIESE: Yes.

LINEHAN: What we couldn't foresee is without any lids, what happened to all the money we set aside for property tax credits?

TOM BRIESE: Tends to disappear.

LINEHAN: Because taxes went up \$1.3 billion and the relief we afforded was a billion.

TOM BRIESE: Yes.

LINEHAN: So do you think anything will work if we don't have hard caps?

TOM BRIESE: No, I don't. What we will put in place will slowly disappear. It will-- I shouldn't say dissolve, but it will be diluted, any relief we put into place. I think hard caps are a necessary part of this proposal as well.

LINEHAN: You worked on the cap that we put in-- I forget which bill. It was one of yours, on-- we managed to figure out a way to address growth, did we not, when we came to the school funding?

TOM BRIESE: Yes. The, the school cap that we had in LB243, we had a factor in there for student growth, a factor in there for LEP growth, a factor in there for poverty growth. And I think it's those type of factors that I would envision putting into something like this, to

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ensure that schools experiencing growth in those categories, that their needs are met.

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

TOM BRIESE: You bet. Thank you for having me.

LINEHAN: You're welcome. Opponent.

BILL ELLERBEE: Good afternoon, Chairman and members of the Revenue Committee. My name is Bill Ellerbee, B-i-l-l E-l-l-e-r-b-e-e. I'm the president of Lincoln Industries, and I'm here testifying today on behalf of Lincoln Industries and the Lincoln Chamber of Commerce in opposition to LB1. Lincoln Industries is a manufacturer and metal finisher of products that serve many industries, including agriculture, heavy truck, construction equipment, and power sports. We're a third-generation business founded in 1952, right here in Lincoln, Nebraska. We have approximately 650 people working in our 4 facilities in Lincoln. We also operate facilities-- production facilities in the state of Minnesota and the state of Wisconsin. We sell our products throughout the U.S., Canada, Mexico, and Australia. We compete with manufacturers across the U.S., as well as globally. Our customers are very large, sophisticated businesses that have the capability to source their goods all over the world. Therefore, we have to compete globally. LB1 would hurt the ability to continue to grow our business here in the state of Nebraska in, in, in manufacturing. We spend on average in excess of \$10 million in capital expenditures on equipment on an annual basis. Currently, we are in the final stages of planning a large capital investment right now that over the next 18 months will produce 50 well-paying jobs right here in Lincoln. If LB1 were enacted as written, Nebraska would be the only state in which we operate that taxes capital equipment. Further, the proposed tax increases on capital equipment and the S-Corp apportionment recapture in LB1 would amount to 146% of what we currently pay in property taxes. Therefore, imagine if we paid no property taxes, we would be uncompet-- more uncompetitive, or we would have a negative competitive impact by these increases. We're fortunate to be a growing company, and we make decisions throughout the year, determine which of our site's new products and new projects are located. Nebraska is always our preference. This is our home. However, we must be competitive domestically and globally. Obviously, you all

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have a very difficult-- many very difficult decisions ahead of you relative to tax policy. We would ask you to please consider the impact that, that manufacturing businesses have on the economy here in the state of Nebraska. Thank you. Any questions, I'd be happy to try and answer them.

LINEHAN: Thank you very much for being here. Do we have questions from the committee? Did you say construction equipment? You built construction equipment?

BILL ELLERBEE: We do. So, off-road construction equipment for people like John Deere and Caterpillar. Heavy equipment.

LINEHAN: So nothing you make has sales tax on it.

BILL ELLERBEE: Some, but very little.

LINEHAN: So some of it does have sales tax?

BILL ELLERBEE: Yes, sir.

LINEHAN: No other questions from the committee? All right. Thank you very much for being here.

BILL ELLERBEE: Thank you.

LINEHAN: OK. We'll go back to neutral, in case there's anybody here that wants to do neutral. Good afternoon.

RON QUINN: Good afternoon, Madam Chair and members of the Revenue Committee. My name is Ron, R-o-n Quinn, Q-u-i-n-n. I'm here representing Tenaska Energy. We're a company based in Omaha that provides energy services across the country. We are-- see the need for property tax relief. We see the need for what the Legislature is trying to accomplish in this bill, but wanted to highlight and express concern about one particular provision of the bill. To keep it short, I provided a one-page-- a summary sheet summarizing the facts of our position. But most of this bill deals with property taxes and sales taxes. There is a provision that deals with income taxes that would change the method by which owners of S corps and LLCs, which are currently treated the same as C corporations, would be treated differently. And right now, all 3 of those types of businesses use an apportionment method of income taxes based on sales in Nebraska versus

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outside of Nebraska. For headquarters companies like ours that are based in Nebraska, but do a significant portion of their business outside Nebraska and are organized as subchapter S, LLC-type companies, this change would negatively affect the method by which owners are taxed in ways that owners and-- of such companies, and the companies would be incented to consider locating elsewhere, or relocating elsewhere, or not being based here, and it would discourage this kind of activity in the state. We believe it's important to have headquarters companies in the states. We think taking action that would change that is not helpful. And in any case, because of it, the revenue that's projected from it would not be realized. So, you know, in addition to all the benefits of the headquarters companies like ours being in Nebraska, it's important to note that we employ a lot of people, provide significant employment taxes, payroll taxes, sales taxes, property taxes. And all that could be lost if those companies weren't based here. And I would also note that companies like ours provide a lot of civic support in the form of volunteering in nonprofit organizations, supporting activities, schools, and significant philanthropic support. Thank you for your time. I'll keep this short. Be happy to answer any questions.

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

RON QUINN: Thank you, Madam Chair.

LINEHAN: Oh, wait a minute. I know. He changed his mind. So put that down and straighten it out. He changed his mind. Good afternoon.

BEN MURASKIN: Good afternoon. My name is Ben Muraskin. That's B-e-n M-u-r-s-k-i-n. Thank you, Senators, for taking time today to talk about property tax. So I'm a tax attorney by trade, but many years ago I moved away from tax law and got myself involved in residential rental real estate. And today, I am the owner-operator of Nebraska Lifestyles, and we manage just under about 500 single-family homes in Omaha. We have about 20 employees. Unlike many property managers, we focus not only on what's best for our clients, but what's also fair and reasonable for our tenants. I'm here today to talk a little bit about how property taxes affect rents. So first off, I would say property taxes in this state, as we all know, are very, very high. I think we also know rents for tenants have increased dramatically over the past few years. And I had an opportunity to listen to some of the

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testimony this morning and yesterday, and, and so I'm not going to go through, sort of, the hardships that tenants have suffered over the last few years, but it has been very significant. So rents have gone up a lot. There's a lot of factors that go into setting of rent prices, but I think it's very clear that property taxes, as they go up, rents trend up. And it is also very clear that tenants bear a large portion of property tax increases. How do I know that? Well, I talk to landlords pretty much every day I go to work. I talk to landlords who have been landlords, people who are wannabe landlords, people who are current clients. And I get a lot of phone calls when tax bills come around every year, demanding that rents go up to pay for increased taxes. So what would happen if we have a significant property tax reduction? Well, I think one of the things is it's hard to know because we haven't had them very often in the past. But I will say very clearly to me, when, when, when property taxes go down, when costs go down, supply goes up, rents go down. OK. And, and I would say, there's-- you know, landlords aren't going to just come to me and say, well, let's, let's reduce rents, you know, because my costs have come down. They will-- as supply goes up, I will be calling them and telling them, hey, listen, vacancy times are going up. We need to be more competitive and have prices come in so you can get your property rented quickly. I mean, vacancy costs are very significant costs to landlords. So the thing I want to state most clearly is a reduction in property taxes will benefit tenants. And I've heard some of the discussion where that's not been very clear. In my opinion, it is very clear. They will benefit.

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

JON CANNON: Good afternoon, Madam Chair Linehan, distinguished members of the Revenue Committee. My name is Jon Cannon, J-o-n C-a-n-n-o-n. I'm the executive director of the Nebraska Association of County Officials, also known as NACO, here to testify today in respectful opposition to LB1. First, I'd like to thank Senator Linehan, the Governor, and his team for having put together and had very comprehensive conversations about what we do about the property tax issue in our state. It's something that's bedeviled us for a long time, and I certainly don't want to minimize that by appearing in opposition. You know-- and I've had a variation of this conversation with a lot of people on this committee. Tax policy does not have to be difficult. There are a number of guidelines that I think get us to a

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result, and I'll share them here, as I have a couple of times before. But I, I think that having guiding principles in mind as opposed to we want a result is going to be-- is, is probably going to be a more effective and cohesive strategy as far as achieving what you're trying to achieve. For me, when I look at tax policy, I ask myself 4 basic questions. And you've heard this before. What do we need to pay for? On the county side, you've heard me say it, roads, bridges, law enforcement, jails, courts, and elections, and the administration of the taxation system. That's what we have to pay for. How much do we need? We need every single cent. We're not putting gold plates on the road graders. We're not mixing diamond dust in with the gravel. What we pay for is, is the lowest cost that we can get, and we don't always get the lowest cost of, of anything. The next question is, is who do you want to pay for it? And what we've determined as a state is that those items that are of a peculiarly local nature should be borne by the people that are local. Now, the thing about the property tax, and the Supreme Court has said this a couple of times, is that a lot of the things that we have at the local level-- roads and bridges, for instance, they're part of the state-- statewide transportation system. But they are primarily local, because it's the locals that, that usually drive on them. Law enforcement, jails and courts, those are the sorts of things that, you know, frankly, we're enforcing state laws, not county laws, not city laws. But again, those are things that affect the location, the locality. You know, and as far as the administration of tax, that is borne by the local taxpayers. As far as elections are concerned, those are federal, state, and local elections that we're, we're administering there. So there's a fair mix of, of local and state purposes that are going on there. And the last question I always ask on tax policy is how do you want people to pay? And so what we decided a long time ago is that the most stable form of revenue that we have for the local government is the property tax. We could do an income tax. McPherson County, population 399, probably not going to generate a heck of a lot of activity. And if we could do a-- we could do a sales tax. And Banner County, which has a cafe, is their sole retail establishment, probably not going to generate enough funds to carry the infrastructure for Banner County. But as you answer all those questions, it really kind of gives you a, a guiding-- a, a, a lodestar, a guiding point for where we want to go, as far as our tax policy is concerned. Obviously, NACO is here because we're in opposition to the caps that have been proposed. Caps generally don't work. They become a floor. And also, the, the, the, the cap that we

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have is-- I'm out of time. I would-- since this is an important policy consideration, I would dearly love a question to continue having this dialogue with, with the entire committee. No one's volunteering, Darn it.

LINEHAN: Senator Albrecht.

ALBRECHT: Thank you, Chair.

LINEHAN: Reasonable time.

ALBRECHT: Reasonable time

JON CANNON: Yes, ma'am.

LINEHAN: Yes.

ALBRECHT: And, and you know, you're talking about your responsibilities. And you are the ones-- you, personally, go out to all counties and help them with all of these things you just talked about. Correct?

JON CANNON: We provide guidance, educational seminars. You participated in a few once upon a time when you were a county board member.

ALBRECHT: Yesterday, we had the commissions, that 2% commission. Did you happen to be able to take a look at that and provide us anything you were asking about?

JON CANNON: So the, the one--

ALBRECHT: The commissions, yes.

JON CANNON: The 1% commission. We, we haven't. We've, we've got a lot of fiscal note requests. So our research team is, is working overtime on those.

ALBRECHT: And, and I'm just going to ask another question. I know homeowners are not only strapped with property taxes, but our insurance costs have gone up exponentially. And there-- that's just another thing that cities and counties and, and state government, everybody needs to look at. Are you as a, a NACO body looking at

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helping with that cause, by maybe asking people to pay a larger deductible, or I mean-- I mean that's what happens when we have to cap these things for a lot of different reasons. But are you all looking at anything to do with insurance?

JON CANNON: Yeah, actually. And great question, ma'am. I, I appreciate you bringing it up. So we-- NACO administers a pool. Actually, BlueCross BlueShield administers a pool on behalf of, of certain Nebraska counties. Not all of them are members. We would dearly like to get all of them in there, but that's not going to happen. And every year, our insurance committee, you know, goes through what the actuarial tables are, what the, what the change in the experience has been over the prior year. And, and generally speaking, we-- you know, we're, we're told by our vendors, you know, hey, here's what the rate increase is going to be. This last year, when we were going through it, the, the initial rate increase was going to be over 20%. And we worked with our vendor and our carrier, and, and we worked that down to a, a roughly 13% increase on insurance costs. And to your point, there are a lot of things that we had to do as, as far as offering different plans, higher deductibles, you know, and, and those sorts of things. So NACO is involved in, in that sort of thing on behalf of its membership. Yes, ma'am.

ALBRECHT: And what were you going to ask to get-- to continue to talk about? Just a couple things.

JON CANNON: Oh. Yeah. So, you know, the, the cap that's been proposed is 0% or CPI, whichever is greater. You know, our, our feeling is last year when we were talking about a 3% or CPI cap, we kind of grumbled and gnashed our teeth. But we said as long as 3% is, is that cap, we could accept CPI as a proxy for the cost of government-- the increase in the cost of government. The issue that we have when you're at 0% is that CPI isn't really the-- an accurate measure of the basket of goods that, that county government is buying from. We're not buying eggs, milk, flour, shaving cream, those sorts of things. And when you look at the other indexes-- indices that are out there, there's probably-- there has to be a more accurate one. I'm-- I don't know if it's GDP, I don't know if it's producers price index, but something that, that actually measures what the increase in costs of government is. We've had a number of-- and, and the way the County Purchasing Act works, we don't get to negotiate directly with a lot of our vendors. And you're aware of this. You got to do this when you were on the Sarpy County

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Board. We don't get to negotiate directly with our vendors. We put something out for bid. We receive the 3 sealed bids, we open it, and then they make a decision. And so, you know, it-- it's a little bit-- it's a, it's a bit different market for us as counties, when it comes to determining how we control our costs.

ALBRECHT: OK.

LINEHAN: Thank you, Senator Albrecht. Other questions from the committee? Senator Dungan.

DUNGAN: Thank you, Chair Linehan. Thank you for being here, Mr. Cannon. So you were talking about the hard caps. Just briefly, I think it's helpful to drill down into what the actual tangible outcomes of these things are. Based on your training and experience, do you have any idea as to what the actual tangible result would be of a 0% cap or CPI, whichever is greater?

JON CANNON: Yeah, sure. And so there, there are some folks that are going to come behind me. Sheriff Cardenas from Morrill-- he drove all the way out here from Morrill County. I think he's 2 behind me, so we'll hear from him soon. And the sup-- Holt County Supervisor, Bill Tielke. He's, he's got some great examples of that. But at, at the end of the day, when we know for a fact that a 12-inch box culvert has tripled in price in the last 4 years alone, way outstripping CPI. All right. A 0% or CPI cap is going to mean we're going to put in fewer box culverts. So roads and bridges and box culverts, and the sorts of things that we do that are independent of the consumer price index, we're going to be providing less of that to our, to our constituents. And the one thing I can tell you is that-- one of my-- one of the commissioners in Jefferson County, Mark Schoenrock, he is-- he's taken to taking, taking his property tax statement with, with him and saying, well, here's what we pay for. You know, here's what the county is, is doing. And he asks the questions of his constituents. You know, what do you want us, what do you want us to pay, pay less for? And the conversation would, according to him, so this is hearsay, technically, right? But, but the conversation invariably ends in, we like what the county is doing. Don't stop what you're doing. As a matter of fact, we don't want less. We want more.

DUNGAN: Thank you.

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JON CANNON: Yep.

LINEHAN: Thank you, Senator Dungan. Senator Kauth.

KAUTH: Thank you, Chair Linehan. It'll be quick. So does a-- you're worried about the caps. Is that correct?

JON CANNON: Yes, ma'am.

KAUTH: So-- but if you go to a vote of the people and they're happy with what you're doing and they want more of it, doesn't that kind of take care of that problem?

JON CANNON: You know, so I'm glad you mentioned them, and I appreciate the question. So a vote of the people, we'd only be able to do that during a primary or general election. Those are in May and November, by definition. We are doing our budgets in the middle of the summer. So May is too early. November is too late. The other issue with, with putting on an election is that they cost a lot of money. So in order to say we'd like to increase your property tax, we'd like to increase it a little bit more so we can have an election to find out if you want us to increase the property tax. But at the end of the day, in a republican form of government, we elect our leaders to determine-- to make those sorts of decisions for us, because not everyone is going to know. Not everyone in Douglas County or McPherson County, you know, the smallest and largest counties, respect-- the largest and smallest counties, respectively, in the state. Not everyone is going to know that, hey, you know, in order to oil Highway 92 out of Tryon, or in order to provide, you know, the, the services that the Douglas County Sheriff's Office needs, they're not going to know all the particulars. And they shouldn't be expected to know. And, and that's, that's why we have a republican form of government, is so that we have people that are in those positions that are able to look through a budget request that's being given to them and make those determinations.

KAUTH: Thank you.

JON CANNON: Thank you, ma'am.

LINEHAN: Thank you, Senator Kauth. Any other questions from the committee? Why do you think local government spending has gone up \$1.3 billion in the last 8 years?

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JON CANNON: Well, I, I, I don't want this to be political, which is a sure sign that someone's going to take it that way. When in the last several years, when you inject several trillion dollars into the money-- the monetary supply of the United States, costs are inevitably going to go up. And so, as far as spending is concerned, I don't, I don't see that as, as anything that's, that's wild or reckless or an insatiable appetite. And as a matter of fact, when, when you look at, at spending, I've got a, a couple of examples here. Spending, if, if, if there was the appetite for spending, you would see this very gradual increase, and it would be a steady increase. When I looked at Lancaster County, the change year over year, 5% from 2018-19, 6% from '19-20, -1% from '20-21, 27% from '21-22.

LINEHAN: Are we talking about tax taking or levy? What are we talking about here?

JON CANNON: Talking about the requests, ma'am. Yes, ma'am.

LINEHAN: Pardon?

JON CANNON: Talking about the requests. Yes, ma'am.

LINEHAN: Requests. OK.

JON CANNON: Yeah. You look at, say, Thurston County, -19%, 6%, 4%, 9%, 10%.

LINEHAN: I don't know how that answers my question.

JON CANNON: Well, I guess what I'm trying to get at, ma'am, is that spending is going to be dependent upon highly localized issues. You know, for instance, in '19, we had flooding.

LINEHAN: So you needed-- locals needed \$1.3 billion more--

JON CANNON: I'm only here to represent--

LINEHAN: --now than they did 10 years ago.

JON CANNON: I'm only here to represent the counties, ma'am.

LINEHAN: OK. Do you-- one county told some of us that they pay 80% of retirement costs for their employees, who can retire at 55-- not the

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retirement costs, their medical insurance for employees that retire at 55. Is that standard county--

JON CANNON: I don't believe that to be true. Not standard. No. No, ma'am.

LINEHAN: Do you think it's-- it does happen, though.

JON CANNON: It can happen. Sure.

LINEHAN: So there are counties that pay 80% of their retirees' health insurance costs, and they retire at 55.

JON CANNON: I, I-- that, that, that's unfam-- I'd, I'd have to look into that, ma'am.

LINEHAN: OK.

JON CANNON: I-- that's really unfamiliar to me.

LINEHAN: I'd appreciate it if we knew what that was across the state.

JON CANNON: Sure.

LINEHAN: That's all I have. Any other questions? Oh, I did have one thing. If property taxes went up \$1.3 billion and you get 1%, because I know your fiscal office is busy, that would be \$13 million increase in that fee, right?

JON CANNON: Yes, ma'am.

LINEHAN: Over the last 10 years. OK. Thank you.

JON CANNON: Yep. Thank you, ma'am. Do you, do you still want the, the information? I mean, 13 million is--

LINEHAN: Yes, I still want the information.

JON CANNON: OK. All right.

LINEHAN: Thank you.

JON CANNON: Yep. Thank you. Have a great day.

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LINEHAN: Proponent.

MERLYN NIELSEN: Good afternoon. My name is Merlyn Nielsen, M-e-r-l-y-n N-i-e-l-s-e-n, and my residence is Seward. I appreciate being able to visit with the Revenue Committee today, and I greatly appreciate all the hard work that Chairman Linehan and other senators have worked on, as well as the Governor and his staff, in preparing LB1. I'm speaking as a proponent. For years, I have come before this Revenue Committee to support various bills that would reduce reliance on property taxes to support education. The Legislature and the Governor have solved that problem for community college funding. Now, we hope to solve this problem for K-12 funding. Usually I am here promoting continued use of local real property taxing to support K-12, but limiting that to real property on only homes and apartments, the only real property that puts us all on a common basis as all our citizens. In fact, in 2-- 2022 and 2023 sessions, Senator Murman was kind enough to introduce bills to address this. But today I, I have-- I see we have a much better solution before us: simply remove taxing to support most of the basic education costs for K-12 schools from real property taxes and transfer that to the state, thus allowing Article VII, Section 1 of our constitution. As an agricultural producer, I believe we should be careful to, when we look at bus-- anything related to business inputs and whether we put a tax on that is-- or not. As I read the bill, I believe the condition has been reasonably met. I have no problem with the 2% tax on machine-- ag machinery purchases. I have for years paid a full 5.5% up front on machinery purchases, so that I could take the full deduction in the first year and never pay a real property tax on that in the subsequent years. So I see no problem with a 2% tax on machinery. Governor Pillen, in my opinion, has shown clear concern for Nebraska citizens in proposing to dramatically change our taxing system. My guess is that he does this at future political risk. But this is a form of leadership we need to set Nebraska up in the future for our children and our grandchildren. Thank you much for letting me appear before you and share my position on LB1, and I hope you will advance this bill to the full Legislature.

LINEHAN: Thank you very much. Are there any questions from the committee? You have said this before, but we all know you, and you're kind enough and care enough to be here frequently, give us your background a little bit. You were a professor.

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MERLYN NIELSEN: I spent 41 years as a UNL professor of, of animal genetics. And I farm and raise a few cows now.

LINEHAN: So you--

MERLYN NIELSEN: And I grew up in Nebraska.

LINEHAN: Yes. You're a lifelong Nebraskan. You're a, you were a professor at UNL, and you're an ag producer. Thank you very much for being here. Anyone in neutral position? Are we out of neutral, at least for right now? OK. Opponent.

SCOTT PETERSON: Good afternoon, Chairman Linehan and members of the Revenue Committee. My name is Scott Peterson, S-c-o-t-t P-e-t-e-r-s-o-n, from Kilgore Nebraska. I'm appearing before you today on behalf of Nebraska Cattlemen, where I currently serve as the chair of the association's taxation committee. Nebraska cattle producers are united in their concern that property taxes in Nebraska are too high. As a policy organization, Nebraska Cattlemen has appeared before the Legislature on countless occasions to advocate for property tax relief and reform, and is at a policy adopted by our members that guides my comments today? Although we appear in opposition to this bill as drafted, we stand ready to work with the Legislature and Governor Pillen to find a solution that provides relief for Nebraska taxpayers. Nebraska Cattlemen supports the Property Tax Growth Limitation Act portion of the bill, putting limitations in place for local government spending. These caps on growth fulfill the Cattlemen's long-term goal of slowing the growth of government spending. We encourage the committee to consider similar scat-- caps for other taxing entities. Nebraska Cattlemen has long supported property tax credits as a mechanism for property tax relief. Our organization has always strongly supported the Property Tax Credit Relief Fund as a means of providing tax relief for all real property. This fund has been created over a long period of time, with strenuous negotiations with business groups, in which ag real property has been provided additional relief to offset other credits for business groups historically, and sometimes other property taxpayers. LB1 would decrease that fund in 2026 and beyond. Our organization believes that that would be an unacceptable event. And therefore we oppose decreasing the Property Tax Credit Relief Fund and would rather it continue to grow as currently prescribed in statute. Nebraska Cattlemen does not oppose repurposing of the LB1107 tax credits, so long as the relief received

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exceeds the LB1107 credits now, or as that are proposed in the future. These taxes have been a key to tax relief-- these tax credits have been a key to tax relief realized by property owners since their passage, and repurposing them is only effective if it creates new, additional relief. While we support broadening the sales tax base and support many of the provisions taxing services in LB1, we oppose imposing a sales tax on new and used agricultural machinery and equipment. Machinery and equipment is an input to agricultural business, and we are opposed to taxing true business inputs, which result in higher costs to producers. Eliminating the personal property tax on the equipment is valuable, but based on the numbers that we have reviewed, there would still be a net increase in taxes for ag equipment and machinery and therefore, we stand opposed today. Finally, we have a concern that LB1 is not clear in its long-term direction for delivering the relief proposed, especially with no consideration for changes to the existing school aid formula. Nebraska Cattlemen would support incorporating provisions of LB9, by Senator Hughes, heard before the committee yesterday. It would lower ag land valuations to 42% and ultimately reduce levies to \$0.25. These two things combined deliver meaningful tax relief to ag property taxpayers, and could be incorporated with the provisions in LB1 to create a better solution for the tax issues before us. Nebraska Cattlemen appreciates the work of this committee and the Governor on such a complex issue, and we stand ready to work with you to find solutions for everyday Nebraskans to realize property tax relief.

LINEHAN: Thank you. Are there questions from the committee? You sounded more neutral than opposed. So you'd like about half of it, but not all of it.

SCOTT PETERSON: It was a hard discussion for our board to determine whether we were what position we were going to take, but we felt that the ag machinery portion and the impacts on the property tax credit fund were sufficient enough that we would stand in opposition.

LINEHAN: It's only new equipment, not used.

SCOTT PETERSON: Is it only new equipment? That, that part has been unclear.

LINEHAN: And it-- it's understandable, because it went through lots of changes. OK. And then the stories come out. But in the bill, it's only

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new, right? No. It's new and used. I'm sorry. The Chair doesn't even know.

SCOTT PETERSON: New and used, 2 or 4.

LINEHAN: Right.

SCOTT PETERSON: We don't know what the story is.

LINEHAN: OK. OK. But besides-- so the tax on equipment and protecting the first property tax credit-- wouldn't the first property tax credit-- isn't it just a wash?

SCOTT PETERSON: I don't know that--

LINEHAN: Because they wouldn't-- they-- they're just taking, I think, the way I read it-- understand.

SCOTT PETERSON: They're take--

LINEHAN: --it-- it's just taking the 60% for the schools. It wouldn't touch the other. They don't take it all.

SCOTT PETERSON: So I don't know that it's a wash because ag has a advantage in--

LINEHAN: Yes, I know, don't say it.

SCOTT PETERSON: Yeah. Yeah. There's been long negotiations over a period of time that have--

LINEHAN: Yes.

SCOTT PETERSON: --made that fund what it is. And--

LINEHAN: Yes, because it's paid out on valuations.

SCOTT PETERSON: Yeah.

LINEHAN: Yeah. I get that.

SCOTT PETERSON: Yeah.

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

SCOTT PETERSON: Yeah. Thank you.

LINEHAN: Proponent?

DON KLEINE: Opponent.

LINEHAN: I think you have to wait for a proponent.

DON KLEINE: Oh.

LINEHAN: We're going, we're going--

DON KLEINE: I thought you were all done. I'm sorry.

LINEHAN: Oh, no. We're going-- well, I don't know. We might be. Yeah. OK. Proponents. Plus, if there are any other proponents here, please come and sit in the front row. I'm sorry? OK. Move around to the front because I won't be able to manage-- OK. Go ahead.

LUKE MOSER: Hello. Good afternoon, Revenue Committee. My name is Luke Moser, L-u-k-e M-o-s-e-r. I live in Valentine, Nebraska, and I'm here to testify as a proponent of LB1 today. I have the privilege of leading my family's refined fuels business, in which we operate 51 convenience stores and employ over 500 Nebraskans. When I first learned of Governor Pillen's plan to reduce property taxes by as much as 40%, I was skeptical. But as-- it seemed like too big of a legislative feat to, to accomplish. But as I learned more about the plan, I quickly began to realize that this is a very attainable task if we keep-- just keep it simple and commit to getting this done together as a state. As a business owner, property taxes are one of our largest expenses. Each year, a significant portion of our revenue is allocated to paying these taxes, which limits our ability to reinvest in our business, hire additional staff, and contribute to the local economies in which we operate locations. High property taxes play-- place a heavy burden on businesses, making it challenging to remain "competible"-- competitive and sustainable in the long run. LB1 offers a practical solution to this issue by reducing the property tax burden on businesses and homeowners alike. By lowering property taxes, this plan will provide immediate financial relief to business owners, allowing us to redirect these funds towards growth and innovation.

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This could mean expanding our operations, upgrading our facilities, and also increasing wages and benefits for our employees. Furthermore, property tax relief will have a ripple effect throughout communities. With reduced tax expenses, businesses can be more competitive and offer, offer more competitive pricing to consumers, attract more customers, and ultimately drive economic growth in our state. This, in turn, creates a more vibrant and prosperous community for all residents, residents. So in conclusion, I wholeheartedly support LB1. It represents a crucial step towards creating a more favorable economic landscape for Nebraska businesses and ensuring the long-term vitality of our local communities. I urge you to consider this positive impact this plan will have on business, and lend your support to LB1. Thank you for your time.

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

MEYER: I just have one.

LUKE MOSER: Sure.

MEYER: So as an operator of a convenience store, do you have no problem collecting the sales taxes that other convenience stores think are so objectionable? You're fine with doing that?

LUKE MOSER: Well, the, the only other thing I would offer up on that is just don't make it complicated for us. Because, you know, we're-- we got people standing at a cash register, and whether or not this iced tea should be taxed or this one shouldn't because it has sugar in it, you guys solve that, right? But other than that, I see the benefits for the state. And sometimes, kind of to the Governor's point, we're all going to have to take a little pain if we want to fix this, right? And so, no, I, I don't have-- me personally. I have friends in the room that are probably going to have a different point of view. But me, personally, I, I have no trouble, trouble with some of the pain that comes to my industry, if it, if it accomplishes really 40%, right? Now, if you come out with, with these taxes then, and then well, but we're only going to reduce it 10%-- but then, it's like, yeah, I don't know if there are a-- whatever-- the juice is worth the squeeze. Right?

MEYER: Thank you.

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SCOTT PETERSON: You're welcome.

LINEHAN: Thank you, Senator Meyer. Thank you very much for being here.

SCOTT PETERSON: All right. Sounds good.

LINEHAN: Appreciate it. You came from Valentine?

LUKE MOSER: Yes.

LINEHAN: Thank you. Good afternoon.

MILO CARDENAS: Good afternoon, Madam Chairman, and members of the review Committee. Thank you for giving me some time to voice my opinion here. My name is Milo Cardenas, M-i-l-o C-a-r-d-e-n-a-s, and I am the Morrill County Sheriff and also serving as the president of the Nebraska Association. I'm here to testify in respectful opposition to the current draft of the LB1. This is my first time testifying in front of, of our Legislature. While I appreciate your service, I don't envy your jobs. The language in LB1 only permits a 6% budget increase each year, and only for the purpose of hiring positions to alleviate understaffing. Understaffing, understaffing is but one of the many problems that Nebraska's law enforcement agencies face. The language does not address equipment needs for law enforcement agencies. I think several may have personal examp-- examples to share on this here. One example is for equipment on vehicles. Small departments. Vehicles, as you guys probably know, jumped from-- 2 years to now, we were able to purchase vehicles for \$40,000. Now, we're up to \$52,000. That's just the vehicle, but the equipment for vehicle for law enforcement, we're looking at \$80-85,000. The language does not address needs to meet previously negotiated collective bargaining agreements. The language is simply too inflexible. Different agencies in different areas of the state have different needs because the community they police have different needs. Policing, policing for Morrill County is different than policing Scotts Bluff County, Dodge County, Sarpy County, Douglas County. Ensuring public safety is a basic function of the government, and this budget restriction will impair agencies' ability to fill the role. Related, subject-- any-- subjecting anything else in county government to a stricter cap still affects public safety. In a profession where seconds literally mean the difference between life and death, a bridge being out or a road being closed is critical. Rising insurance cars-- costs contribute to our understaffing

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troubles. Jails is another big issue that we deal with, with inmates and all that. If we put a cap on-- not just-- for the salaries and all that, if there's a cap for the other staff we have issues with-- just like in my jail. I run a small facility. One inmate can go over my budget in 2 days. I have a small jail. I know Sarpy County, Buffalo County have a bigger facility. I know that. But inmates, as, as we all know, we, the county, pays for any medical expenses and all that. If we put a cap on any of the expenses for medical for jails and all that, it's going to hurt us a lot. Just for example, last year, I have a small budget for medical, \$25,000. Two inmates took care of that in 2 months. Thank you for your attention. I'm happy to answer any questions if you guys have any for me.

LINEHAN: Thank you for being here, Sheriff. Are there questions for the Sheriff? Senator Albrecht.

ALBRECHT: Thank you, Chair.

MILO CARDENAS: Yes, ma'am.

ALBRECHT: Thank you for being here. And thank you for driving so far.

MILO CARDENAS: Yes. It's a pleasure coming down here.

ALBRECHT: How long have you been with the department?

MILO CARDENAS: I have been in law enforcement for 24 years. I've served in the Marines for 5 years--

ALBRECHT: Thank you for your service.

MILO CARDENAS: --so I've been serving the community and the country for pretty much all my life.

ALBRECHT: Well, thank you for your service. The reason I ask is, did you have the pleasure of working with Senator Erdman?

MILO CARDENAS: Yes, he was one of my commissioners. We had our ups and downs, but we managed.

von GILLERN: We all do.

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ALBRECHT: [INAUDIBLE]. Just kidding. You know, I've, I've worked with him here for 8 years, and as a commissioner, as well. And I can, I can feel your pain. But, you know, I do believe we have to support law enforcement. And quite frankly, if there was something going on in your department, I really don't think your board could deny you of what needs to be taken care of. My understanding.

MILO CARDENAS: Thank you.

ALBRECHT: But on another note, when it comes to, you know, your negotiations, I mean, I really believe and I supported Senator Bostar's opinion of giving the 6% over and above to the counties and cities, because it is important that you have the right equipment and that you need to do what you need to do. So I appreciate you coming here to testify in front of us. It gives us a better look at what it is that you're suffering with, so thanks for coming.

MILO CARDENAS: Thank you.

LINEHAN: Thank you, Senator. Albrecht. Any other questions from the committee? Senator Dungan.

DUNGAN: Thank you, Chair Linehan. Again, thank you for being here. So I, I just want to clarify this. As it's currently written, I guess part of the concern that you have is that the 6% above the budget only can go towards salaries--

MILO CARDENAS: Salaries. Correct.

DUNGAN: --for understaffed agencies.

MILO CARDENAS: Correct.

DUNGAN: So if you needed to replace a vehicle that was beyond the budget, or if you needed new body cams, or updating any other kind of equipment, that could potentially butt up against that hard cap, and you wouldn't be able to exceed that without a vote of the people, right?

MILO CARDENAS: Correct.

DUNGAN: OK. So that's-- the problem is sort of how that's worded in there, right?

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MILO CARDENAS: Yes. And that's how our-- the Nebraska Sheriffs Association, that's why we're opposed, is just the way it's, it's written.

DUNGAN: OK. Thank you very much.

MILO CARDENAS: Thank you.

LINEHAN: Thank you, Senator Dungan. Any other questions from the committee? Seeing none, thank you. Be safe going home

MILO CARDENAS: Thank you very much.

LINEHAN: Neutral. Do we have any body neutral? Proponent? Any proponents? And he's-- he got here after the instructions.

DEB KELLY: Good afternoon. My name is Deb Kelly. I'm from O'Neill, Nebraska, and it's a pleasure to be here. First, I want to say that I know people call you when they need something from you or when they're mad at you about something. And I do want to thank you for your service. You have a hard job to do. My family and I are urging you to vote in favor of LB1. Soaring property taxes are crushing homeowners and small businesses. I'll forgo the majority of my speech. It's already been said with regard to, there's a lot of those tax exemptions that have to go. We are willing to pay our fair share on whether it's new or used equipment, on seed fertilizer. We know there's going to be a trade-off, but the property tax crisis has to be solved. The-- I don't know how many of you have taken a call from a landowner. We rent the majority of our pasture. When that landowner calls you, the very first thing they tell you when the rent's going to go up, is it's because of property taxes, every time it goes up. That, that is the reality of the situation. So I'll save all of that. I want to also say we support the increase on broadening the sales tax. There's 450 miles of interstate across our great state. There's 80 exits off of it. We share the love of the state. We can share the tax on the services those folks stop and, and buy, as well. In our family company, we use the 3 Cs approach to our daily work. It helps to keep us focused on the big picture. It helps to protect our relationships with each other and the people we work with. And one of those 3 Cs is a reference to don't worry about who gets the credit. It seems today in a number-- with a number of your constituents, if the idea didn't come out of my sandbox, it's-- by God, it's just not a good idea. And

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we'll-- people will automatically oppose it. I wanted to start out saying that there's a number of people probably here, definitely out there, no matter what Governor Pillen says, they aren't going to like it. They might as well take a nap, because nothing that I can say here-- they're so entrenched in, in believing that. I get tired of people saying that if I support LB1, that I'm flushing education down the toilet. Because we have 3 daughter-in-laws that are teachers. As a former nurse, I also taught a dual credit class. We have 11 grandchildren living here in Nebraska, and we do care about our schools. Just asking people to focus on what's good for the whole playground, that kind of leadership does more for your constituents than about anything else you folks can do. And you know why? Because it models compromise. It models cooperation. It takes the wind out of wars with words, and God knows, if we ever needed that model, it's now more than ever. It means, ladies and gentlemen, you can move the mountain. The last sentence is just that if you can get real property tax relief accomplished, I think you'll move Nebraska, the good life to Nebraska, the better life. And you guys can take all the credit.

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

ALBRECHT: Thank you.

LINEHAN: Thank you for coming. Appreciate it very much. Now we go to opponents. OK.

DON KLEINE: I've been here since 9:30 this morning.

LINEHAN: Were you not here when I gave instructions?

DON KLEINE: No, because I had to go to a county attorney's advisory [INAUDIBLE].

LINEHAN: OK. We're going to let him go. You can be mad at me. Go. And then we'll be-- then we'll go back into the line.

DON KLEINE: That's-- I left at one to go to the county attorney's standards commission that I'm on--

LINEHAN: That's fine.

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DON KLEINE: My name is Don Kleine, K-l-e-i-n-e. I'm the Douglas County Attorney. I'm in my fifth term as the Douglas County Attorney. I'm here as lead law enforcement officer in Douglas County, also a representative of the Douglas County Board and the Nebraska County Attorneys Association. The first thing I would say is that we appreciate and applaud the efforts of Governor Pillen and the Legislature to solve this issue for the property tax problem statewide. And opposition seems like a strong word here, because we're not-- we're just talking about exceptions. And I wanted to clarify that there's an exception for law enforcement in the bill. And I think that needs to be there. So we oppose it as written because we want to make sure that, again, I've been involved in state government and county government for a long time. I've always said that county taxpayers get the best bang for their buck from county government. And as county attorneys, we're on the front line in what citizens care most about, and that's public safety. No one gets charged with a crime except through the county attorney. And I think that when we're talking about law enforcement, I think that exception needs to include county attorneys and really even public defenders. The criminal justice system-- law enforcement does their job of making an arrest, but the people that go through the system are through the county attorney, and the public defender serves a great purpose there. So I think when you talk about law enforcement, it should be the, the entire people that are involved in criminal justice. I really believe that. And so that's what I'm here for, is, is that exception or the cap. When we talk about law enforcement, make sure you include-- and I think the definition should be made pretty specific that includes county attorneys and public defenders in regards to law enforcement. I really don't have anything else. I could, I could say a few more things, but I don't want to take any more time than I need. But I wanted to make sure the point was made that that exception when you talk about law enforcement needs to include county attorneys and public defenders, also, and obviously the law enforcement agencies, whether it's a sheriff's office, in my case, Omaha Police Department, Valley, Ralston, all the different agencies that I deal with on a daily basis. So I think it's very important that everybody understands that, that the county attorneys are the ones that lead the law enforcement agencies in their community. And, and that's where, when a crime gets charged, it's through the county attorney. So thank you for listening to me, and I'll be happy to answer any questions you might have.

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LINEHAN: Thank you. Are there questions from the committee? Seeing none-- just to be clear, guys, if you have a position like that, that could be a neutral position. Just-- if you're for the bill except for this, that's as much neutral as it is opposing.

DON KLEINE: That's what I was trying to express, that there's a question there whether we're really-- I don't-- I know the county board probably is opposed to all the caps on county government. Me specifically, it's, it's just about the law enforcement exception and making sure that includes county attorneys and public defenders.

LINEHAN: OK. Thank you.

DON KLEINE: OK.

LINEHAN: Any other questions? Seeing none--

DON KLEINE: Thank you.

LINEHAN: So we'll start again with proponents. And again, I'm going to remind people there are white sheets at the back of the room, and you can put your position down and it will be in the record. Go ahead.

DENNIS BAUMERT: Thank you. My name is Dennis Baumert, B-a-u-m-e-r-t, from Scribner, Nebraska. I have lived and farmed in Dodge County all my life. In the 60 years that I have farmed, this is the first time I've felt compelled to appear before a Revenue Committee. Two of my children and 3 of my grandchildren are involved in operation now. I am still a partner with them, but I take no salary out of the operation. Property taxes are a severe problem for us when we have Iowa and South Dakota for neighbors, and their property tax are half of ours. I really believe sales tax is a much fairer operation. I understand your problem. I am sure that a lot of high-powered interest groups beating on you believe in the fact that the only good tax is one that you and I pay and they don't. I'm only asking that you try to be fair so my grandkids and other young farmers can farm. Farmers buy a lot of equipment, and we expect to pay our fair share of sales tax. As a consolidation of farming is happening, rather than large cooperations buying up Nebraska farmland, let's try and keep our young farmers competitive. Thank you for your time.

LINEHAN: Thank you very much. Are there any questions from the committee? Thank you very much for coming, sir.

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DENNIS BAUMERT: Thank you.

LINEHAN: Opponent.

JOHN CEDERBERG: Good afternoon. I am John Cederberg, J-o-h-n C-e-d-e-r-b-e-r-g. I am a accounting consultant living here in Lincoln, and I am representing myself. I struggled with how to sign in. And based on Senator Linehan's immediate definition, I guess I should be neutral because I, I have no objection to LB1 in general. I think there's more in it that I support than, than otherwise. My purpose here is-- it was to come and urge the committee and the Legislature not to make a change to the apportionment of sub S income that is proposed in Sections 52 and 53 of LB1. I would make-- and unfortunately, Senator Kauth had to leave. But I would make one comment on sales taxes. I'll leave sales taxes otherwise to everyone else. If the committee and the Legislature decides to go with taxation of professional services, you can't just say it's taxable because that has never been part of our tax law since 1967. We have no infrastructure for implementing the tax. Sure, we can say it's taxable, but we need an infrastructure for implementing it. And the only available infrastructure which I am aware of and I think I'm right, would be South Dakota. South Dakota is a tax in a state with no income tax. I've been told by numerous attorneys that I've worked with in South Dakota that that was an early compromise. But the other problem is I am familiar with South Dakota's sales tax on professional services. It's very complicated. If we really decide we want to go there, I'll volunteer my time to help, but I would discourage you going there. Otherwise, my entire testimony is wrapped up in the first pa-- in the first sentence of my letter. I believe that the present apportionment is fair to Nebraska residents. It treats residents and nonresidents identically, and it treats the pass-through income and corporation income identically. And so I, I believe it should be retained. The rest of my letter basically is to share with you the living history that I went through-- that I've been through with this provision since 1987-- 19-- late 1986, when I first wrote it. And so, I thought that, yeah, I might be coming to the end of my career, and it would be fair to share that history with the committee. I will make one observation in addition. The Governor said anything that, that is taxed in-- or is not taxed in any adjacent state would not be here. That provision shouldn't be in there. Iowa uses our system. They have a different mechanic, but Iowa uses our system, interestingly enough. I don't think a lot of people are aware of that, but they do. With

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that, I'd be willing to answer any questions. I do have some institutional history, and I, I-- and I used to be a professor when I was a youth.

LINEHAN: Thank you very much. Do we have questions from the committee? I did appreciate your letter. And I do kind of-- I'm old, and I do remember those arguments from way back when. But thank you very much for being here. Appreciate it.

JOHN CEDERBERG: Um-hum.

LINEHAN: Do we have any neutral? OK, let's go back to proponents. You look startlingly familiar.

KENNY ZOELLER: Thank you, Senator Linehan and members of the Revenue Committee. My name is Kenny Zoeller. That's K-e-n-n-y Z-o-e-l-l-e-r, and I serve as the director of Governor Pillen's policy research office. And I'm here to testify in support of LB1. I've passed out 3 items I'd like to go over. First is a chart showing an overall tax cut for Nebraska that LB1 provides. Second, an article showing the individual impact that out-of-control property taxes have on everyday Nebraskans. And third, a chart showing the total property tax relief by school district. First, when this plan is fully enacted in FY '26-27, Nebraskans will be paying \$1 billion less in overall taxes than fiscal year '23-24. For historical context, on page 2 of the first handout, taxes increased in Nebraska during FY '14-15 to FY '22-23 by \$3.7 billion. The lion's share of that increase was due to property taxes, nearly doubling the next largest increase to other taxes. To be blunt, Nebraska has lost its opportunity to make incremental progress on the property tax issue or fix the problem through valuation controls alone. To put it on an individual perspective of why we must take decisive and substantial action immediately, I'd like to quote Connie Vogt, a single mom in Lincoln trying to put her 2 sons through college. And I quote: They sent me a letter that said my mortgage was going to be almost \$700 more a month than it was before. They said it had to do with property taxes and increased valuations and all of that. It just seems like every time you try to get on top of it, there's another blow. I'm trying to be the best mom I can be and I just can't do it anymore. There has to be some relief because people just are scrapping to get by at this point. Connie has until August 14 to come up with the money to pay her property taxes. And unfortunately, she has resulted in setting up a

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GoFundMe to do so. This is unacceptable in Nebraska. That is why we must have immediate reform and relief. In LB1, we do just that, putting revenue controls on 95% of a person's property tax bill, meaning the out of control property tax increases will never happen again. This bill also ensures immediate and significant relief. The third handout I provided shows that the average district and tax bill will have a 70% reduction in school taxes owed when fully enacted, ensuring that Nebraskans on fixed incomes will be able to stay in their homes. There's a lot packed into LB1, but the simple description of it can be best summarized by the following statement: This cuts a homeowner's property taxes in half and provides more money in revenue certainty to public schools in Nebraska. With that being said, I would be happy to try to answer any questions you might have.

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

von GILLERN: Thank you. Mr. Zoeller, you mentioned the-- in your final remark there about funding-- the school funding issue. What, what would your feedback be regarding control? Is, is, is PROs, the Governor, is the state really looking to take over control of local public schools?

KENNY ZOELLER: I don't believe that the Governor has any, any wants, nor does the Legislature have any want to dictate on a day-to-day basis what happens to K-12 education. There was a member of that community that testified here earlier, and I found it interesting. She mentions the discrepancy between year to year of what happens in their budget. Some years, they have to increase by 1%. Some years, they have to increase by 7%. I'm not a math major. I think that averages about 3.5%, which is what we have in the bill. The other thing I want to point out is this provision in LB1 only touches what is owed to districts by property taxes. We will still have an equalization formula. There will still need to be work to be done in the 2025 session, but the complications of district to district can and will ultimately be equaled out through a new state aid formula.

von GILLERN: Thank you.

LINEHAN: Thank you. Thank you, Senator von Gillern. Other questions? So it's in the bill, 3% increase annual or 3.5?

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KENNY ZOELLER: I believe we have 3% currently.

LINEHAN: 3%?

KENNY ZOELLER: Yes.

LINEHAN: OK. No other questions. Thank you very much for being here. Next opponent. Good afternoon.

RHONDA ROBSON: Good afternoon. My name is Rhonda Robson. That's R-h-o-n-d-a R-o-b-s-o-n. And I'm with the YMCA in South Sioux City, Nebraska. I'm here on behalf of my YMCA, but also on behalf of the 14 different YMCAs across the Nebraska, because I'm also the chair of the Nebraska Alliance as well. Although I don't oppose and I was considering being a neutral party, too, as well, I don't oppose the entire bill. I do express today a deep concern regarding the proposal of the elimination of the fee and administrative sales tax exempt, which affects all of the services and programs that we provide as a 501(c)(3) organization, nonprofit organization. For over 152 years, the YMCA has been the cornerstone of strengthening the foundations of the communities we serve in, in Nebraska, through youth development, healthy living, and social responsibility. Again, like I said, 14 associations across the-- this great state of Nebraska and 38 facilities, not including the various different school sites that we also operate, as well as manage city municipality-type program-- programming, like the city pool that I manage myself in South Sioux City. I shouldn't say myself. Right. It's like our team. Each year, we raise funds to provide more than \$4 million in scholarships, financial assistance to ensure that no one is due-- is turned away due to the inability to pay. The Y provides program and services for more than 250,000 individuals every year, and more than half of those individuals are under the age of 18. The Y also subsidizes a lot of the costs for lower mar-- and being lower than market rate for many essential programs services, including swimming lessons and chronic disease prevention programs, childcare, afterschool programs, just to name a few. Additionally, we rely on 16,000 volunteers every year to help us statewide carry out our mission. And I had a volunteer here today, this morning, but he had to leave or he would have also talked today, but it will be in the information that we provide. The nonprofit sector plays a crucial role in Nebraska's economic and intel-- in a-- intricate part of the fabric of our society. The YMCA is the largest provider of childcare and out-of-school care, enabling

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hard-working parents to remain employed. We create jobs. We are the largest nonprofit employer of youth, providing teens their first jobs and developing them to be the next generation of our, of our leaders. And we uniquely are qualified and positioned ourselves to improve the health of our communities, mitigating health and chronic disease issues that could become very costly to the state. I realize that my time is up. But if this exemption is removed, Nebraska could be the only state that fully taxes YMCAs and nonprofits like ourselves. Kentucky faced this similar legislation in 2018, and it was reversed the very next year because it recognized the negative impact on the communities it serves.

LINEHAN: Thank you. Thank you. Are there questions from the committee? You said-- I just had one quick-- you are the largest childcare provider in Nebraska?

RHONDA ROBSON: And in the United States.

LINEHAN: So what about Nebraska?

RHONDA ROBSON: I, I, I think out-of-school care for sure. I'm not exactly sure about childcare. So depends on what you classify as childcare, whether you classify that early learning or all the way through kindergart-- or all the way up through fifth grade. So-- but we are.

LINEHAN: I was thinking childcare in the old-fashioned sense, like babies.

RHONDA ROBSON: In the old-fashioned-- like babies through-- I-- yeah. I wouldn't know the answer if-- that we are the largest in that. But we are one of the biggest providers in the state of Nebraska. So this tax-- this exemption would tax that.

LINEHAN: OK. All right. Thank you very much. Any other questions? Seeing none, thank you. Proponent. Do I have any more proponents?

_____: Everything I was going to say has been said.

LINEHAN: Well, but that happens when the other side leaves, and that'll be a conversation. If you're here--

_____: I just need the white paper for the proponent.

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LINEHAN: You don't want to testify?

_____: No. I-- I'm for the bill--

von GILLERN: Is the white ticket out there?

_____: But I think I don't need to reiterate everything everybody [INAUDIBLE] already been said, I guess.

LINEHAN: Thank you. You're very kind.

MEYER: Thank you.

von GILLERN: God bless you.

LINEHAN: So does anybody else that's here want to testify versus signing the white sheet? Nobody else wants to testify proponent?

von GILLERN: Is there no white paper back there? Is that what you're saying?

_____: There's no white paper back there.

LINEHAN: Oh, my goodness gracious. It's yellow?

_____: Yeah. OK, now it's yellow.

LINEHAN: I swear, didn't they say white paper?

von GILLERN: Yeah. We did.

LINEHAN: That's what we were told. OK, the yellow paper is in the back. If you're here and somebody has already said what you said, if you sign it and put down your position, it will go on the record. OK. Opponents.

MIKE EVANS: All right. Good afternoon, Madam Chair, State Senators. And thank you for serving our state and doing a great job. This is a tough issue, so we really appreciate you tackling this. So my name is Mike Evans. I am fortunate and honored to be the mayor of the wonderful city of Gretna. Today I'm testifying on behalf of the city of Gretna and also the United Cities of Sarpy County in opposition to LB1.

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LINEHAN: I'm sorry--

MIKE EVANS: Oh, sorry.

LINEHAN: --Mayor. This will seem silly, but can you spell your name, please?

MIKE EVANS: It's M-i-k-e E-v-a-n-s.

LINEHAN: It just helps the guys that have to type all this out.

MIKE EVANS: It's a tricky name. So, anyway, I'm here to testify in opposition to LB1, specifically on addressing the public safety provisions. So LB1 currently as drafted lacks clear definition and kind of a workable exclusions for public safety, ensuring public safety for our citizens goes beyond just mere workforce. It involves, you know, police, fire, emergency services, corrections, emergency communications. And, you know, any legislation advanced by this committee really should include those safeguards to allow political subdivisions to meet both operational and capital expenditures. You know, during the 2024 session, Sarpy Counties were advocate for the inclusion of language from Senator Day. She had AM3473, which went to LB388. And we also expressed support for Senator Bostar's bill. I think it was LB1216, which, you know, proposed excluding public safety services from the calculation of those base limitations. We continue to support this approach as seen in your, your bill, LB28. So thank you. Now, it's critical for the city of Gretna. It's-- and, you know, every city is different. And in the city of Gretna, we have a volunteer fire department. So they made over 1,500 calls last year which included traffic accidents on I-80, stroke and heart attack victims, which literally every second makes a difference. Now, these guys are heroes in my mind and we had to support them. So because of that, we're transitioning to full-time EMS. That includes adding 12 EMS employees. That was about \$775,000, which doubled our current budget on our fire department. So while that was good, this year, it looks like we're going to have to add another million dollars for, you know, a fire truck at some point. So the scale-- and to be able to keep that with just 6% budgets and votes every other year on growth is really not sustainable, and not a great way to manage your city. I will say, we hear about all-- fortunately, we're in Gretna and we have a lot of growth. I talked to so many people that say they moved to Gretna because of-- they're from Colorado, they're from Connecticut,

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Nevada, Minneapolis. They move here for our quality of life, not because it's the cheapest place to live or not because we have mountains, but they move here for a quality of life. And I'm afraid by not supporting our public safety initiatives, we start giving some of that away. Lastly, along with my testimony, I've submitted language incorporating the changes recommended by the United Cities to our delegation following some recent discussions. We urge the committee to include these recommendations to LBI and advance those. I'll take any questions.

LINEHAN: Thank you, Mayor. Are there any questions for the Mayor?
Senator Albrecht.

ALBRECHT: Thank you. Thank you for being here. Great city. That's where my kids are. So you're saying you're just representing the Sarpy cities, right? Not the--

MIKE EVANS: City of Gretna and, yes, United Cities of Sarpy County.

ALBRECHT: OK. And with the growth that you get to, you know, have as a part of your, your bottom line or what you get to add on to everything, are, are they really suffering on the, on the police side? I mean, are you low on people? Are you--

MIKE EVANS: For sure.

ALBRECHT: Have they asked for equipment that you couldn't afford?

MIKE EVANS: So I, I saw the yellow light streaming. So I wanted to kind of be--

ALBRECHT: You can answer whatever-- however [INAUDIBLE].

MIKE EVANS: Yeah. So, you know, currently we use Sarpy County Sheriff--

ALBRECHT: Yes.

MIKE EVANS: --as our law enforcement. They do an incredible job. You know, they really do. They-- but they're under the exact same pressures our fire department is under.

ALBRECHT: Right.

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MIKE EVANS: So, you know, we'll continue to-- we continually ask for services, new resources. You know, in some point, maybe we have to add a police department. And I don't even know how you even accomplish that within these guidelines.

ALBRECHT: So Don Kleine was just here for Douglas County.

MIKE EVANS: Yeah.

ALBRECHT: Would you also agree that the county attorney's office and the public defender should be included in that?

MIKE EVANS: You know, it's not my lane, so to speak, but I do know they do fantastic work. Without them, the whole system is frail, so we're only as good as our weakest link. So if, you know, they felt that's needed, I would probably support that. But I'm not an expert.

ALBRECHT: And one more question. Are you understaffed in Gretna, with officers and firefighters?

MIKE EVANS: For sure. Yeah. We're a small town. And so when we grow, we don't grow at 3%. We grow at 75%. We grow at 10%. Then we grow at 100%. So our community is really under a lot of pressure, and our staff is-- we're short people. But, you know, we, we are. We're fiscally responsible. It matters to us. I pay taxes, too. So I know what it means to pay too much in property tax, and I want them lower as well. But we also need to serve our community, you know, equally.

ALBRECHT: Thank you for being here.

MIKE EVANS: Yep.

ALBRECHT: Thanks.

LINEHAN: Thank you, Senator Albrecht. Senator Bostar.

BOSTAR: Thank you, Chair Linehan. Thank you, Mr. Mayor. I appreciate your perspective on recognizing the importance of providing an appropriate level of exemption for public safety services. That is absolutely essential to our communities. I guess my question for you is, do you plan to come to the hearing tomorrow?

MIKE EVANS: I do not.

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BOSTAR: You should.

MIKE EVANS: OK. Thank you. Thank you for that advice.

BOSTAR: Thank you.

MIKE EVANS: Look at my schedule. Thank you.

LINEHAN: Thank you, Senator Bostar. It-- it's a-- and I'm not saying-- I mean, the committee will take a-- after all the hearings, we'll decide where we're going. But you just said you grow 10% a year.

MIKE EVANS: No. I think, I think if-- we don't grow at a standard pace.

LINEHAN: Right.

MIKE EVANS: One year, we'll grow zero. One year, we'll grow 35%. The next year, we'll grow-- I think we grew 110%.

LINEHAN: When you say grow, what are we talking about here?

MIKE EVANS: Population and-- population. And not valuation as much, because the valuation depends on do you get commercial property? Do you get residential homes? So valuation doesn't always track residents, and sometimes the valuation exceeds the residents. But--

LINEHAN: Right. But any of these, whether it's any of the caps we're talking about, it's plus growth. So it wouldn't be 6%.

MIKE EVANS: In valuation not population, right?

LINEHAN: Right. It wouldn't be 6%. It would be 6% plus your growth, which would go up and down, but it'd be significant.

MIKE EVANS: OK.

LINEHAN: And then the other question I have, because this is-- and it's interesting to watch Sarpy County because your rules are-- I drive through Gretna every day-- you got 3-- 4 cities-- Bellevue.

MIKE EVANS: 5.

LINEHAN: 5-- 6.

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MIKE EVANS: Springfield.

LINEHAN: Oh, I forgot Springfield. I'm sorry. Springfield. Sorry. Do you have regular meetings about how you're going to address policing and public safety in the future?

MIKE EVANS: So there's a lot of commonality, I believe. We work with the sheriff directly, and there's a-- just as a whole, the Sarpy County group and the mayors and the administrators meet continually on all topics, whether--

LINEHAN: So you're not-- because you said something about you might have your own police department. So do you all have your own police department?

MIKE EVANS: Yes. So-- but for Gretna, we are jumping to that answer because the sheriff is doing a fantastic job. And if there's a way to save taxpayers money and continue to work with the sheriff, we'll do that as well. So we don't-- you know, we really look, I believe-- it's like, Papillion and La Vista share a fire department. So we looked at ways to save money and kind of collaborate whenever we can.

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

MIKE EVANS: Thank you. Have a great afternoon.

JASON BUCKINGHAM: Good afternoon, Chairperson Linehan and members of the Revenue Committee. My name is Jason Buckingham, J-a-s-o-n B-u-c-k-i-n-g-h-a-m, and I'm the superintendent of the Ralston Public Schools. I appreciate the opportunity to appear before you today to speak on behalf of the Greater Nebraska Schools Association, STANCE, and the students, staff and the Ralston community. I appear before you today in partial opposition to LB1. As an organization, we're supportive of the concept of the state taking on a greater portion of the cost of funding our public schools. The changes made to the school funding formula during last year's session allowed our district to drop our general fund levy down from \$1.01 down to 91 cent, offering some amount of property tax relief for our patrons. In an ideal situation, we would allow the current formula to run through more than a one-year cycle to see long-term impacts before making substantial changes to how we fund public schools. We appreciate the efforts of

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LB1 to help fund an even greater portion of our costs, but we have some concerns specifically about the distribution method involved in, in LB1 in its current form. LB1 in its current form calls for property tax relief credits or property tax relief to be distributed to each county based on the percentage of property valuations compared to the overall valuations of the entire state. The county then-- the county funds are further distributed to the school districts based on the valuation of the property inside each district. There is no component in the distribution formula accounting for student population or current property taxation rates. A district that is property tax rich but serves less students would be-- would get a greater allocation of property tax relief than a district with a relatively less amount of property, but a higher amount of students. As an example, by way of comparison, my district has a valuation of approximately \$2.3 billion for the current year and a student population of a little over 3,400 students. Humphrey Public, Public Schools, by way of comparison, has a valuation of almost \$1.03 billion and a student population of 319. Our general fund levies for the '23-24 year were 91.61 cent and 34.86 cent, respectively. Under the distribution model currently proposed in LB1, Humphrey School District property owners would receive almost half the amount of property tax relief as our district, even though they serve less than 10% of the students we serve, and currently have a levy of 57 cent less than ours. As you can understand then, our concern with the proposed distribution model and our partial opposition to LB1. Unfortunately, this model has the unintended consequence of creating winners and losers initially. I understand the property valuation. The general fund valuation is slated to go to zero, but it temporarily creates winners and losers with no consideration into providing property tax relief for those patrons living in districts for high-- with higher levies. While we appreciate the efforts of the Governor to fully-- more fully fund public education at the state level, we want to-- any new proposed property tax relief to be fair and equitable across the state. Thank you for your time, and I'll try to answer any questions you may have.

LINEHAN: Thank you very much, Dr. Buckingham. Is it Doctor?

JASON BUCKINGHAM: Just Mister. Sorry.

LINEHAN: OK, Mr. Buckingham, thank you very much for being here. Senator Albrecht.

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ALBRECHT: Buckingham. Mr. Buckingham--

JASON BUCKINGHAM: Yes, ma'am.

ALBRECHT: --thanks for being here. Can you tell me how many option students you have enrolled in Ralston?

JASON BUCKINGHAM: About 1 in 4 of our students.

ALBRECHT: How many?

JASON BUCKINGHAM: About 1 in 4. 25%.

ALBRECHT: 1 in, 1 in 4. And why do you suppose you have so many?

JASON BUCKINGHAM: So we were a district that-- the metro area has kind of gone through different life cycles. Generally, people have moved west as the metro area has expanded. At one time, our district supported 6 full elementaries, a middle school, and a high school. Populations changed. We had a lot of our residents that no longer had children that lived in their houses, but we still had those buildings and we still had staffing. We thought that it was best for our district to be able to fully-- have a full enrollment in each of those areas so we could avoid the, the necessity of having to try and close down some of those schools and have to reduce staffing. So we think that we provide a valuable service in the metro and that we provide an option.

ALBRECHT: So, so where, where are they mostly coming from?

JASON BUCKINGHAM: Omaha Public Schools.

ALBRECHT: OPS?

JASON BUCKINGHAM: Um-hum. And, and more specifically, south Omaha.

ALBRECHT: And how much would that add to your bottom line?

JASON BUCKINGHAM: As far as?

ALBRECHT: The 1 in 4 children that come.

JASON BUCKINGHAM: OK. So we collect money in option enrollment. And that option enrollment number is just around \$4 million or so for us.

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So it, it is a benefit to us financially. But again, we think that we are more efficient. And if you look at our statistics, we're one of the lowest spenders in the, in the state. We are allowed to run more efficiently because we have that number of students in our district.

ALBRECHT: And, and with option enrollment throughout our state, do you have any idea what that number is?

JASON BUCKINGHAM: I did at one time. I could get that for you, Senator. I can, I can tell you in our district, it's about \$4 million.

ALBRECHT: OK. Thank you.

LINEHAN: Thank you, Senator Albrecht. Senator Meyer.

MEYER: Thank you. And thank you for coming in. I guess as I look at this, at your testimony here, and we as state senators have to, have to look at what's good-- best for Nebraska, I guess personally, I'm quite disappointed with the comparisons you make picking out Humphrey--

JASON BUCKINGHAM: OK.

MEYER: --compared to Ralston. And so you're, you're cherry-picking one example--

JASON BUCKINGHAM: Sure.

MEYER: --because of where they're located and their number of students, decreasing farm population, and comparing their situation to yours. And as state policy makers, we really can't do that. So I appreciate your testimony. I don't agree with it. And maybe there's other folks who are going to represent that same point of view. But as a state senator, I want you to know that I have to look-- we have to look at the state as a whole. And cherry-picking one instance and comparing yourself with that district is, is just not helpful. So thank you for being here.

JASON BUCKINGHAM: Can I respond to that, Senator? Is that OK? So as we look at the data, yes, I did provide the most stark contrast that we had in, in data, looking at it. I can go through and, and I'd be happy to send out the information. This isn't exclusive to Humphrey School District alone. We have several, several of our, our rural partners,

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and, and we value them as well, but they don't operate as efficiently as what we do. We have higher levies because we've had to, in, in order to make up the difference of what we lack in property valuation per student that some of our rural districts have the advantage of having. That being the case, if we have a system that is put in place in LB1 where we're going to offer property tax relief, my opinion only is shouldn't we look at those taxpayers that are paying the highest rate of taxation? And that's what we have, and that was the purpose of my comparison. When we have 90-- our patrons paying 91 cent in general fund and we have other districts that are paying a much lesser amount than that, aren't those the people that need the highest amount of property tax relief, the ones that have the highest levy?

MEYER: But LB1 is going to change that. So why would you be opposed to, to, to LB1? Because in 3 years--

JASON BUCKINGHAM: I'm, I'm opposed to the distribution of it.

MEYER: --we're going to be even.

JASON BUCKINGHAM: Correct.

MEYER: Which is what-- I've been involved in, in education for 30 years. And that has been a real head scratcher, that you can have property on one side of the road that's 42, on the other side, \$1.05. So we're trying to change that over a 3- year period. So could you maybe just look down the road a little bit--

JASON BUCKINGHAM: Sure. Yeah.

MEYER: --further than one year?

JASON BUCKINGHAM: We could. And I, I would agree with you, Senator. Un-- unfortunately, in my previous life I was a business manager, and we've gone through several iterations of, of attempts to make changes to property tax relief. And unfortunately, it, it never seems to come out the way it was intended.

MEYER: So this is one time where we're trying to do that seriously.

JASON BUCKINGHAM: And I hope so, and I hope so. But I wouldn't be doing my due diligence if I didn't at least express concern on the way the distribution model is listed currently.

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MEYER: Thanks.

LINEHAN: Thank you, Senator Meyer. I appreciate you being here. And you bring up very good points. So your valuation per student is about, if I did the math right here, about-- and I'm-- and there's others that got a lot more and some with a lot less. But yours is about \$676,000 per student. I divided, I divided \$2.3 billion by 3,400.

JASON BUCKINGHAM: Yeah. That-- that's about right. Now keep in mind, that's by formula student and not actual student.

LINEHAN: Oh, so it's actually higher than that.

JASON BUCKINGHAM: Yeah. So, for example, you take your pre-K kids, as you all know, are only counted at 0.6 a person.

LINEHAN: Right. So-- and 25% of your kids are option kids. And you can keep your costs-- I mean, same thing that Millard does, right? You fill every seat you can--

JASON BUCKINGHAM: Yep.

LINEHAN: --with option students. OK. Do you-- and you've been a business manager, so this is excellent. The way that-- I know everybody says they hate TEEOSA, but the, the way that needs side of TEEOSA works, do you feel that it's basically fair? I mean, everybody would tweak it a little bit this way or that way, but is it felt amongst schools that the needs side-- the funding we all know is problematic. The needs side.

JASON BUCKINGHAM: Well, if I'm being honest, we'd always want more, if more was available. But there are components and things I think that were well thought out that are currently in the system. When you look at things like the poverty allowance that's in there and when you look at things like the LEP, those are things that don't necessarily have to be in the formula. But we think that they're critical, particularly in our position. We're a minority majority school district now, and most people don't realize that. When you think of Ralston, you think of a suburban school district. And our demographics have changed tremendously. So to answer your question, there are components of TEEOSA that, that we very strongly support. And if LB1 was to pass, we're going to have to revamp the TEEOSA formula. Those would be

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components that we hope carry on to whatever the new school funding formula would be.

LINEHAN: So you're-- if you could somehow save the needs side but change the, the funding side.

JASON BUCKINGHAM: And, and that's what we, we indicated. We're supportive of the state taking on a larger portion of that. So if the state is willing to take on and-- you know, like the \$1,500 we received in foundation aid, that was a good step in the right direction for us. That allowed us to drop our levy. That had allowed us to drop some of the property, property taxes that we collected last year. We did collect less in '23-24 than we did in, in '22-23. So it did turn into some property tax relief, even though our valuations went up over 7%.

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

JASON BUCKINGHAM: Thanks for your time.

LINEHAN: Good afternoon.

ED SWOTEK: Good afternoon. My name is Ed Swotek, E-d S-w-o-t-e-k, and I'm here today speaking in opposition to LB1. I currently serve on the board of directors of the Nebraska Association of School Boards and serve on the Board of Education for Malcolm Public Schools. I also have the distinct privilege of serving as one of 2 NASB representatives on Governor Jim Pillen's School Finance Reform Committee nearly 18 months ago. As Nebraskans, it is our moral and economic responsibility to provide for the educational needs of our children. Last year, Governor Pillen and the Nebraska Legislature took the bold step to create the Education Future Fund, which immediately leveraged over \$1 billion to strengthen public school funding, boosted funding for our special needs children, and in nearly every corner of the state, led to direct local property tax relief. We are very grateful for the Governor's and the Legislature's collective leadership and commitment toward K-12 public education, and believe we are on the right track to ensuring sufficient funding for our schools. While LB1's intent is to reduce the tax burden on local property owners, it does so at the expense of local control of the public community schools. Everyone agrees the heart and soul of Nebraska

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communities and a source of pride and economic vitality lies within its locally controlled school. And there is no better example of local control anywhere in Nebraska than your local public school. There must be a nexus between the local taxpayer and the place where those taxes are being spent. LB1 removes that nexus and thereby the accountability that Nebraskans deserve. Centralizing funding decisions for each unique public school district to a body of 49 state senators in the Legislature, rather than your locally elected and accountable school board, cannot realistically address the multitudes of unique needs and the intricate complexities among 244 individual public school districts. Every month, school boards make tough decisions in facing a litany of uncertainties centered around staff compensation, rising health insurance costs, increased utility and maintenance expenses, rising transportation and fuel costs, rapidly growing special education expenses, and the list goes on. What school boards don't need is the added uncertainty as to what the state may or may not fund. The loss of local funding control of public schools has many potential downfalls, including making them possibly vulnerable to state-mandated forced consolidation, not having the flexibility to increase salaries for teachers, and being responsive to growing program needs to meet community expectations and many more. Likewise, in the event of an economic downturn in Nebraska, allocated dollars to public schools, the largest user of state funds, could experience sizable cuts, thereby forcing tax-- local taxpayers to consider making up the shortfall with either supplemental property taxes or face staff reductions and program eliminations. The destiny or fate of a school district should lie in the hands of local stakeholders and the free market system, not in the Chambers of the Legislature. I urge you to oppose LB1 as it is currently proposed. Removal of local control runs counter to the very ideals we as Nebraskans cherish, especially as it relates to our children's education. The Nebraska Association of School Boards stands ready and would welcome the opportunity to have an open dialogue to find reasonable and equitable solutions to our property tax problem in this state, while also preserving and protecting local control of our public community schools. Thank you.

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

von GILLERN: Thank you for being here today and testifying. I'm sure you're aware that the language around this topic very closely mirrors the language with regard to community colleges that moved forward last

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year. There was a lot of angst over that, a lot of, a lot of fear and so on, but it appears after a year or so has gone by that most of those fears are assuaged. What, what do you see different here than what, what the community colleges feared, and, and now no longer, at least in my knowledge, appear to have a problem with?

ED SWOTEK: Senator, very good question. First of all, we have 244 public school districts in this state. Very unique needs from one district to another. And we need to-- we as school board members need to be responsive to those individual needs. Community colleges serve a much larger and broader audience than individual school districts do. And we're the closest to the, to the issues in our respective school districts, and, and need to be flexible to adjust to very, very localized needs. And that's what local school boards can do.

von GILLERN: Thank you.

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

ALBRECHT: Thank you, Chair Linehan. And thank you for being here. I'd just like to ask, are you still working with the Governor at all?

ED SWOTEK: Pardon me?

ALBRECHT: Are you still working with the Governor? You said you were on a task force 18 months ago.

ED SWOTEK: Yeah, we, we met initially after the Governor was elected. It was a great group of people. NASB hosted that discussion. We also had representatives of Omaha Public Schools, Lincoln Public Schools, other smaller school districts, and a number of other organizations throughout the state. And it was based on those series of discussions that the Education Future Fund was, was created. And, and we did support that.

ALBRECHT: So let me ask you a question. Were you there when he asked the schools to hold the line--

ED SWOTEK: Yes.

ALBRECHT: --on their levies?

ED SWOTEK: Yes.

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ALBRECHT: How many of them did or did not?

ED SWOTEK: I don't have a specific number for that.

ALBRECHT: It was 188 who chose not to that were [INAUDIBLE].

ED SWOTEK: Well, what a lot of those did--

ALBRECHT: I just wanted to ask you another question. How about mandates? Are you aware of any mandates that he's asked the school superintendents and the schools in the state of Nebraska now, with this new program that we have coming, to get rid of as many mandates as you need to, to make it work.

ED SWOTEK: I know that the Governor has talked about removing, any state mandates where they-- they're expense related and don't-- and many, many school districts do that--

ALBRECHT: Do you, do you have problems with mandates?

ED SWOTEK: And they try to keep it as tight as possible.

ALBRECHT: Do you, do you have any angst with the mandates that are in your school?

ED SWOTEK: Yes.

ALBRECHT: In Malcolm? How many would you say you have?

ED SWOTEK: I don't have the specific number, Senator. But if some of those barriers to doing what we do could be removed, that makes it better for everybody.

ALBRECHT: Good. So make sure that you get your mandates put together for us before we get finished with this bill.

ED SWOTEK: Yes.

ALBRECHT: It would be very helpful. Thank you.

LINEHAN: Thank you, Senator Albrecht. Any other questions? Senator Dungan.

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DUNGAN: Thank you, Chair Linehan. Thank you again for being here. Just to make sure it's clear on the record, there were a number of schools, it sounds like 188, that voted to exceed that cap, but not all of them actually utilized that additional authority.

ED SWOTEK: Correct, Senator. And I wanted to interject that earlier, but--

DUNGAN: Do you know how many did ultimately exceed that authority?

ED SWOTEK: I, I don't. I can find that information out for you.

DUNGAN: OK, if you could, that would be helpful.

ED SWOTEK: But it was a fraction of that 188, or whatever it was.

DUNGAN: I appreciate that. Thank you.

LINEHAN: Thank you, Senator Dungan. Senator Murman.

MURMAN: Yes. Thank you for testifying. You listed some things that local boards would have trouble doing with the state taking over the funding, increased utility and maintenance expenses, rapidly growing special education expenses. Two years ago, we did pass a bill to reimburse 80% of special ed. You're aware of that.

ED SWOTEK: Yeah.

MURMAN: You do still have the bonding authority for building schools--

ED SWOTEK: Correct.

MURMAN: --QCPUF for doing some of these things, special building funds for also doing many of these things. So you, you still have local control in every way, except raising the funds from property taxes.

ED SWOTEK: Well, Senator, that's not entirely correct. When you have rapidly increasing costs associated with healthcare insurance, and we all know what fuel costs have done in-- up and down and, and all over the place, we don't have control of that. And we have to find ways in order to, to fund that. And what we're saying, we are closest to it. We understand it. We understand it better. And that's what local school boards want to be able to have the opportunity to control.

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MURMAN: Thank you very much.

ED SWOTEK: Thank you.

LINEHAN: Thank you, Senator Murman. Other questions? Thank you for providing written testimony. It's always helpful. You, you said you'd be vulnerable to state-mandated forced consol-- consolidation. Aren't you vulnerable to that now?

ED SWOTEK: That is left up to the local people.

LINEHAN: No, but the state could consolidate you.

ED SWOTEK: I, I don't-- well, I'm sure the state could do pretty much whatever they want.

LINEHAN: Right. Exactly. We-- that's why this argument is a little bit like--

ED SWOTEK: Well, no it isn't, Senator, because nobody wants to force consolidation on any school district.

LINEHAN: That's true. Nobody wants to.

ED SWOTEK: And let's, let's stipulate to that. And-- but if the economies don't work, then the local districts-- the people in the local districts collectively make that difficult decision. And there are examples of that around the state.

LINEHAN: I'm, I'm not arguing any of that. But I'm just saying--

ED SWOTEK: The locals should have the control of that.

LINEHAN: --I don't know why this would make you more vulnerable.

ED SWOTEK: Well, if--

LINEHAN: Because you're vulnerable now.

ED SWOTEK: If you, if you don't control the purse strings of your district, then somebody else does. And school boards want to be able to have the control of controlling their own purse strings and their destiny of that.

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LINEHAN: So it also says that you may face and I, I don't think you're from an equalized school. Right?

ED SWOTEK: Pardon me?

LINEHAN: Are you an equalized school?

ED SWOTEK: Yes, we are.

LINEHAN: So you have to deal with it now, don't you? Make shortfalls because the formula-- your valuations go up, your equalization aid drops. Don't you have to every year, like, figure out-- oh, wow, we don't know how much money we're getting from the state.

ED SWOTEK: Well, we try to, we try to accommodate what we think the state may do. But--

LINEHAN: But there's no guarantees.

ED SWOTEK: There's never any guarantees on anything.

LINEHAN: Right. Right. So here's just the last thing. And, and this is for all of you that are still here. I know that insurance costs go up and fuel costs go up, and that it's tough and you have to sharpen your pencils, but so does every Nebraskan. That's not unique to government. Like when gas goes up to over 4 bucks a gallon, and you got 2 cars, and maybe kids driving, heating bills goes up.

ED SWOTEK: Right? But you--

LINEHAN: What do they--

ED SWOTEK: --you get to make the decisions in your own household on how to make adjustments for that.

LINEHAN: But I don't get to make the decision on how much I can charge taxpayers.

ED SWOTEK: Pardon me?

LINEHAN: I don't get to make a decision on my income.

ED SWOTEK: No, no, you don't.

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LINEHAN: OK.

ED SWOTEK: But-- well.

LINEHAN: Senator Murman.

MURMAN: Yes. And what-- one more thing about those expenses that-- you do have the ability to go to the taxpayers and ask for more funding also is not--

ED SWOTEK: That's right.

MURMAN: --true with this bill. Thank you.

LINEHAN: Thank you, Senator Murman.

ED SWOTEK: Again, that is for building funds, QCPUF, that sort of a deal.

LINEHAN: I think it's-- you can go anytime. You can go anytime.

MURMAN: It's true that you can--

ED SWOTEK: Well, you can always-- yeah. You're correct.

MURMAN: I've heard 50% through 60%.

ED SWOTEK: Then you're dipping into-- right, right.

LINEHAN: Dipping into?

ED SWOTEK: Well, you're, you're asking your taxpayers to do even more. So.

LINEHAN: OK. All right. [INAUDIBLE]. OK. Any other questions? All right. Thank you for being here. Hi.

JESSICA KOLTERMAN: Hi. Before I start, I just want to thank your staff for all their work. They've been very attentive. We appreciate it.

LINEHAN: OK. Especially since they're very thin. I mean, they're very-- we're, we're short 2 people on the Revenue Committee, so it's tough.

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JESSICA KOLTERMAN: Well, they've done a good job today, so.

LINEHAN: Thank you.

JESSICA KOLTERMAN: My name is Jessica Kolterman, J-e-s-s-i-c-a K-o-l-t-e-r-m-a-n. I serve as the director of administration for Lincoln Premium Poultry, Costco's wholesale poultry company. We're located in Fremont, Nebraska, where we have 1,200 team members and a grower network of approximately 100 farm families. Our complex includes a processing facility, a feed mill, and a hatchery, as well as the farms. Costco's initial capital investment was approximately \$550 million. And then the farmers themselves added an additional \$500 million, which is about \$1 billion to the tax base. At the time we built, it was projected that our annual economic impact in the region would be approximately \$1.2 billion annually. We're currently in the middle of a study that's being done by the University of Nebraska to look at that, as a look back to see what the actual projections were. That'll come out later this fall. I want just to comment on a few things. From a tax policy standpoint, we share the concerns that have already been expressed about the shifts. And we're specifically concerned about inputs into manufacturing. Specifically, the equipment is the largest concern. I want to share an example that I think might be helpful to illustrate this. So, when you buy a chicken from Costco, it's a rotisserie chicken, it's trussed. For those of you who don't know what that is, my dad told me I had to explain it. It's when the bands hold together the legs and the wings, and it fits in the oven just right with that. So that is a difficult job. It's a tedious job. Currently, up until recently, it was all done by hand. We have finally found robots to do it. We've ordered those robots. They're from New Zealand. You're all welcome to come and see them. They're really cool. It's a great, great new toy in our facility. It was only invented in the past few years. And we are going to be the first poultry processing facility in the United States to be all robot-driven with that procedure. Those robots are very, very expensive. So we estimated if we had this in place, it would probably have cost us for the installation and purchase an additional million dollars. Every day, companies like ours are looking to decide where they're going to place facilities like this. In the past 8 years, we put our heart and soul into this, in trying to make this the best place we can for the people who work for us. I'd like to see future opportunities like this for Nebraskans. And therefore, I would urge not putting that specific

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thing in this legislation. Happy to be part of the conversation, though.

LINEHAN: Thank you. Are there questions from the committee? Wouldn't that fall under the Imagine Act?

JESSICA KOLTERMAN: We actually-- you mean if we were to expand or if anyone were to come in?

LINEHAN: If you buy a whole bunch of new equipment.

JESSICA KOLTERMAN: No, that's just considered a capital investment at this point. We're under Advantage. So we're still under Nebraska Advantage.

LINEHAN: So you're not going to apply to Imagine even if you're expanding your--

JESSICA KOLTERMAN: Well, first of all, there's not any intent to expand. I'm just saying in general, if any specific company wanted to come in, any company like ours. With us, specifically--

LINEHAN: But when companies come in and they build a plant and they hire people, don't we-- isn't that what the Imagine Act is for?

JESSICA KOLTERMAN: I can't speak to the Imagine Act because we came in under Advantage. But generally speaking-- yes, yes.

LINEHAN: So under Advantage, which is not horribly different than Imagine, when you have a big expansion like that, isn't there a program for--

JESSICA KOLTERMAN: So, this is part of our current facility, and that capital investment was-- is separate. So it's like, let's say you have-- you need new equipment in your facility. Even though you're not--

LINEHAN: OK. Let me-- here's my experience as Chair of the Revenue Committee.

JESSICA KOLTERMAN: OK.

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LINEHAN: We have things we put sales tax on. This has been specifically obvious in ethanol. And because they didn't pay sales tax on yeast because they were under the Advantage Act, when they come out from under the Advantage Act, they were then paying sales tax on yeast. So that's why I'm confused.

JESSICA KOLTERMAN: Well, my understanding in talking to my accounting department last week about this, is if we-- the initial investment file under Advantage, but when we change things in the facility, that does not, was the understanding that I have, so--

LINEHAN: Well, it couldn't go under Advantage because that's-- no longer exists. But I find it hard to believe there's not a place for Imagine to work.

JESSICA KOLTERMAN: Well, we're not, we're not building a new facility. We're not, we're not adding jobs.

LINEHAN: But you're investing, and by what you said, a lot. Isn't there one of the, one of the things is just for investment?

JESSICA KOLTERMAN: We've been looking at some of the grants through the Department of Economic Development with some of the workforce things, because you're changing your workforce.

LINEHAN: My question is in the Imagine, because you worked that, I think. In the Imagine, isn't there one of the 5 or 6 qualifications that's just investment?

JESSICA KOLTERMAN: I'll have to look-- take a look at it. I can certainly take a look. I, I don't have an answer for that.

LINEHAN: OK. Senator Kauth.

KAUTH: Thank you. Chair Linehan. Hi. How are you?

JESSICA KOLTERMAN: I'm good.

KAUTH: You, you said you're moving to all robots. How many jobs will be displaced because of that?

JESSICA KOLTERMAN: We absorb those jobs into other departments.

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KAUTH: OK.

JESSICA KOLTERMAN: Ultimately, it'll be about, I think, between 80--6-- 70 and 80, in that range.

KAUTH: OK. And will they be staying long-term? You're finding other things for them to do?

JESSICA KOLTERMAN: Yeah. We never eliminate people.

KAUTH: OK.

JESSICA KOLTERMAN: So what happens is you say, OK, some of you are going to now advance and need to learn how to run these robots. And so those-- they become then, more skilled labor. The others we absorb in other parts of the facility.

KAUTH: Thank you.

JESSICA KOLTERMAN: Yeah.

LINEHAN: Thank you, Senator Kauth. Other questions from the committee? Seeing none, thank you much for being here. I'm just going to ask the question, how many are here that are still planning on testifying? And do you actually really have something to say that's not been said? All right. Well, that's a lot fewer hands. So again, if you sign the sheet, you'll be on-- you'll be in the record as being here and being opposed, or being for. You don't have to talk. Because, so you know, we have 3 other hearings following this. You are not the only deal today. So-- and it's sometime-- a lot of business people, you've heard the term of diminishing returns. So I--OK. Go ahead.

SHANNON BOOTH: Good afternoon. Chairwoman Linehan and members of the Revenue Committee, my name is Shannon Booth, S-h-a-n-n-o-n B-o-o-t-h. I am the chair of the Nebraska Broadcasters Association and the vice president and general manager for several local television stations across Nebraska. This includes KOLN 10/11 in Lincoln, KSNB Local 4 in Hastings, serving the Tri-Cities, and KNOP News 2 in North Platte. I'm here today urging you to oppose LB1. A sales tax on advertising would have significant negative consequences for our local NBA member stations and personnel. I care greatly and deeply about the viability and success of all Nebraska stations, radio and TV alike. But today, I'm before you laser focused on the unfair playing field that an ad

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tax would create right here in the capital city, and at the detriment of one of my stations, KOLN 10/11, Lincoln's long-standing, local CBS affiliate. I'm honored to lead this great station. I love the broadcast industry. I'm passionate about where we are and where we're going. I love going into work each day. Broadcasters are driven, aggressive, and competitive. But at the end of the day, it's about service and how we've made a difference for our local viewers and listeners and our local advertisers. I'm sure our competitor and local ABC affiliate in Lincoln, KLKN, would tell the same story-- local journalists working on local stories every day, local meteorologists working all hours of the days and nights to keep viewers up to date on all platforms, especially during life-threatening events, and I could go on and on. We are FCC licensed to do this work in our communities. KOLN and KLKN, same license, same focus, same goals, yet owned by different companies. The problem: as written, LB1 would impose a tax on advertising sold by KOLN 10/11, but not for advertising sold by KLKN. That's because KOLN 10/11 is owned by Gray Media Group, which owns more stations in our state across the country, and therefore has more gross revenue as a group than the company that owns and operates KLKN. If we truly do not want to pick winners and losers in your tax reform efforts, the \$1 billion threshold clause in this bill does not work. KOLN 10/11 cannot be asked to tax local businesses while KLKN is not. This does not make business sense, and has absolutely nothing to do with how we operate our respective stations right here in Lincoln. We take our commitment to our viewers, users, and listeners very seriously. Local broadcasters are the counterweight to the national narratives. There's a reason why local news is the most trusted source and news regardless of age, race, political ideology, etcetera. It's because we are local and understand our local communities, and local broadcasters live here and truly care. All of these commitments take significant funding and that's what led to this conversation today.

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

DUNGAN: Thank you, Chair Linehan. Thank you again for being here. I know when we were talking about LB388 and the advertising tax, there was some concern, I guess, or just conversation surrounding how this kind of tax would ultimately be passed on to local businesses. Can you, I guess, explain in a little bit more detail how that process would work and how if this tax were to be levied, what that would mean

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for what you would charge local businesses for doing advertising, or how does that ultimately get passed on in that way?

SHANNON BOOTH: Sure. Yeah. So, you know, if you just think about, again, KOLN, and then, you know, similar processes in the selling process. You know, we have all transactional, or advertising that comes in the door pulled off of our local sales reps. So everybody's out 100% focused on serving those local businesses here in Lincoln and throughout Nebraska. And you had asked specifically about the process. You know, the billing of it would be, you know, advertising, on billing day would, you know, pass that ad tax onto those customers. Now, you take the ones who are maybe we're just getting started producing a new commercial for them, perhaps getting on-- you know, these small businesses that we're partnering with and helping, you know, we're just getting them going with their, you know, their marketing and their advertising. And then to ask, you know, to put that on top, so you can see where it would perhaps come back on the broadcaster. And of course, our funding, our investments in those dollars would be taking away from our investments in our journalists and our technology.

DUNGAN: Thank you.

LINEHAN: Thank you, Senator Dungan. Any other questions? Thank you. I guess we do-- because people have rotated in and out. Is there anyone here wanting to testify in a neutral, or a proponent? Just-- OK. Good afternoon.

BILL HAWKINS: Good afternoon, Senator Linehan, members of the Revenue Committee. My name is Bill Hawkins, H-a-w-k-i-n-s, B-i-l-l. I'm a lifetime Nebraska resident. I'm a poor organic farmer and herbalist, and I am very thankful I am not an accountant or a revenue person, and having to deal with this that you're having to deal with. I've been a watchful citizen in this body for over a decade. And I just happen to be a property owner, I have a piece of property outside of Lincoln, and I also have a retail building here in Lincoln. Just this tax protesting season, my property taxes went up 25%. No reason, no improvements, no comparable sales, or anything. They could not give me a reason for raising that other than you're going to cap them and they want to get as much money out is a problem. So this is a problem that we have in the state that I've seen and have many Revenue Committees discuss how to fix it, and it hasn't been fixed. So, however you do

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it, I am here as the director of the Nebraska Hemp Company to offer you a sustainable revenue source that is already here, and that's the use of cannabis. And so we have two recreational cannabis bills here introduced in this special session. Missouri has produced \$1 billion in revenue. Maryland did. There are several dozen states that have recreationally legalized cannabis. The use is here. If you don't support that, then you support the black market that also supports human trafficking, and opiate and fentanyl use. So by putting it in sustainable local businesses, you take it away from the black market. So I'm just asking you to consider that as an alternative revenue source. It would be \$1 billion of infrastructure build out just to build out the warehouses, storefronts, and greenhouse facilities across the state. Then it would be \$1 billion worth of revenue sustainable every year. Once Congress sche-- reschedules to Schedule III, it opens up banking and interstate commerce. Then Nebraska, in the center of the country, will have interstate, multistate operators in the state shipping it coast to coast on our pipeline. So, I thank you very much for your time, and I'm here all session for any questions you may have.

LINEHAN: Thank you very much, sir.

BILL HAWKINS: Thank you.

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

BILL HAWKINS: Thank you for your time.

LINEHAN: I missed-- no. Announcement. When you go in and out the doors, don't hold them open because it makes it very hard to hear up here if there's noise coming in. So just go out and close the door. If anybody comes in and you're not an opponent, please make sure the clerk-- that's who's doing it. Yeah, the clerk, the clerk knows that you need to testify.

DEB PETERS: Good afternoon. My name is Deb Peters. D-e-b P-e-t-e-r-s. I am a recovering state senator from the state of South Dakota, and former president of the National Conference of State Legislators. I've lived and worked in Nebraska, and my children were ac-- were born here. I am a certified public accountant and finance professional with an extensive background in state tax law. I am here today representing

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the Americans for Digital Opportunity, an organization that's supported by the Association of National Advertisers, testifying in opposition to LB1. I'm also here and testifying on behalf of eCreamery and Caspian Creates. They were two small Nebraska businesses that actually had to go back to running their businesses, and they couldn't be here any longer. So I apologize for adding them to the list. I understand this bill, and specifically tax on digital advertising is part of a larger tax package proposed by the Governor, but that does not make the concept any better, or more palatable, or even more legal. This is the bottom line. There are multiple legal challenges which Nebraska will face if this bill is passed in its current form, therefore jeopardizing this entire tax package since one of the main revenue streams will not be implemented as, as you all intend. And to be very concise, because time is-- time is long here, this bill violates the US Constitution's Dormant Commerce Clause. It blatantly sets two separate standards, which you've heard from the previous speaker from the broadcasters. Two separate standards between similar businesses, large and small, and in-state and out of state. And it also excludes local businesses from administering the tax, and therefore unconstitutionally is discriminatory. Two, it violates federal law, PITFA, the Permanent Internet Tax Freedom Act, which Congress has passed expressly prohibiting states from imposing discriminatory taxes on electronic commerce versus non digital or non-electronic tangible personal property. That's something to pay attention to. And finally, it violates the First Amendment. With news media exemptions, and making the tax on digital services content based distinctions, the tax will be subject to strict scrutiny and found to violate free speech. There's a reason why advertising is not taxed in the United States. This is not simple. And over the past decade, nothing has leveled the playing field for small businesses and mom and pop shops across your state. Digital advertising allows your local farmers and your Main Street businesses to compete with global brands and consumers. And I will just close that, please don't be like the blue state of Maryland who has been losing in court on this very same issue, issue on digital, digital ad taxes. And they are still in litigation, and it's been over three and a half years. So with that, I would please have you pull the advertising services tax out of your tax package. I'll stand by for questions.

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

VANESSA SILKE: Good afternoon, Chair Linehan, members of the Revenue Committee. Number one, thank you, as always for your hard work and your engagement on this issue. As you can see, lots of folks are very concerned about this bill. I'm here in opposition. My last name is spelled S-i-l-k-e. I'm an attorney and lobbyist--

LINEHAN: We need you to spell your first and last name.

VANESSA SILKE: Oh, V-a-n-e-s-s-a S-i-l-k-e. I'm the attorney and lobbyist for Brickway and Cut Spike in Omaha, and also Kincaider Sideshow, which has locations throughout the state of Nebraska. I also represent a distillery group that has now formed to address page 24 of LB1, which modifies statute. 53-160. To your point about making sure that we're addressing new items that haven't already been addressed, Mr. Zac Triemert, who is the owner of Cut Spike and Brickway was unable to be here. He's testified on nearly every alcohol bill for the last decade. I've also been there along the way as the attorney and lobbyist to assist in this very highly regulated industry. This is not a slush fund or a special interest group, this is a group of small business owners who, for the last decade or so, have grown their businesses right here in Nebraska. That's why they oppose LB1. So before I read this quick statement from Mr. Triemert, I just want to highlight that I'm here if you have questions. Regardless of where we started with legislation over the years, I and my clients have worked so hard with the Legislature to arrive at bills that are ultimately passed that help grow this industry. And none of these clients are exempt from tax. And we're not asking for an exemption today. So with that, I'll hop in here to Mr. Triemert's statement. Mr. Triemert is founder and head distiller of Brickway Brewery and Distillery in Omaha's Old Market and Cut Spike Distillery in Lavista. He's in opposition of LB1. After I completed my master's degree in brewing and distilling in Edinburg, Scotland in 2006, I returned to Nebraska and worked with senators to adopt the craft distilling bill, was signed into law in 2007. In my testimony to the General Affairs Committee at the time, I promised we would increase jobs, state excise tax payments, reliance on Nebraska based agricultural and payroll taxes. We've successfully done just that. We now have approximately 12 Nebraska craft distilleries and more in planning. We're in a place that craft breweries were a decade ago, and they are poised for

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growth. A decade ago, craft beer had about 12 licensees, now they have over 77. Unfortunately, due to our size, economies of scale are a challenge. We'd love to be able to ask for a premium for a price because we are local. However, we have learned over years of practice that the typical buyer will support local, provided the price isn't much more than national brands. A tax increase to \$14.50 per gallon will most certainly end their ability to stay in business here in Nebraska. They will absolutely look at other states like Missouri and Kansas as a location to grow instead.

LINEHAN: Sorry. Your light.

VANESSA SILKE: And I'm happy to finish this last fax that he has. If there is a question for Mr. Triemert.

LINEHAN: I think that we're probably moving past that if there's another question. So just-- three minutes, guys.

VANESSA SILKE: I understand.

LINEHAN: OK.

VANESSA SILKE: He wasn't able to be here, and he does employ 41 people, so I wanted to make sure that his statement was in the record for the benefit of the senators.

LINEHAN: You have a written statement?

VANESSA SILKE: I can forward that on. But again, with the timing for small business owners, he couldn't get it in before 8 a.m. this morning and was absolutely adamant that I make the record for him. So I appreciate your time.

LINEHAN: What I'm saying is, many people who've testified today brought a written statement.

VANESSA SILKE: Yes.

LINEHAN: Did you bring a written statement?

VANESSA SILKE: I can print it and distribute it.

LINEHAN: Yep. Just give it to the clerk.

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VANESSA SILKE: Thank you.

LINEHAN: Thank you.

STEVE HUBKA: Senator Linehan and members of the Revenue Committee, my name is Steve Hubka, S-t-e-v-e H-u-b-k-a, and I'm chief financial officer for the City of Lincoln. I'm here today in opposition of LB1 on behalf of the City of Lincoln. I'll spare you some of what's in the written testimony, but it mostly has to do with our ability to fund a growing community and the services that government provides. More than 50% of the tax fund portion of our budget goes to public safety. LB1, as it currently is proposed jeopardi-- jeopardizes our ability to ensure public safety, build new infrastructure, and incentivize housing development. One important example of potential reduction in public services would be the challenge of providing resource increases, including employee compensation for police and fire department, which also includes numbers of essential non uniformed personnel, which something that I don't think was previously mentioned, that there's a lot of civilians that work in the police and fire departments. With mandated comparability for employee compensation and rising cost of living, hard caps would limit the city's ability to compete for and retain talent. Without a broader public safety-- public safety exemption, it would become more difficult to meet essential operational and capital requirements for police, fire, emergency medical services, and emergency communication. We're har-- strongly opposed to a hard cap, but we, we understand that you have a tough task at hand, and we'd be willing to continue the conversation as to what could be done to provide some necessary exceptions to provide for public safety. We do appreciate, appreciate the fact that the Governor is removing the restricted funds lid and making it a little more easy to use sales tax revenue. That part of the bill we definitely support.

LINEHAN: That it?

STEVE HUBKA: That's it.

LINEHAN: Thank you very much, are there any questions? Seeing none, thank you very much.

STEVE HUBKA: Thank you.

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LINEHAN: Welcome.

RICK NELSON: Wel-- good afternoon, Madam Chairperson, committee members. My name is Rick Nelson, R-i-c-k N-e-l-s-o-n. I'm the general manager at Nebraska Rural Electric Association. And as I sit here without my glasses, I'm going to try to make it through here.

LINEHAN: Readers? Do you want readers?

RICK NELSON: I'll see-- I'll see if I can--

LINEHAN: You'd look funny in polka dots maybe, but-- I have extras, actually.

RICK NELSON: No. I'm OK.

ALBRECHT: You might like those better.

RICK NELSON: No, I literally can't see.

von GILLERN: There you go.

RICK NELSON: There we go. Thank you, Senator. Oh, so much better. So, I'm testifying in opposition to LB1 on behalf of the Nebraska Power Association. And by the way, when I look up, you all get really fuzzy, so. I just noticed that. And Nebraska Rural Electric Association. The NPA includes all over the Nebraska utilities. Specifically, I want to bring up three quick issues to your attention on LB1. Some of the tax exemptions that are stricken within LB1 were not really tax exemptions to begin with at all. They were clarifications, and, and had practical reasons for their implementation. Page 60, line 9 strikes language pertaining to the personal generation, or a program we call, net metering. Net metering customers are currently only charged on, or charged sales tax on their net energy used each month. A bi directional utility meter only shows the, the net use at the end of the month. The meter simply runs, runs backwards, when they're selling it to us, and then runs forward when we're selling it to them. Second, line 28 of page 60 removes language regarding the taxation of lease of public-- of electric power structures or facilities owned by political subdivisions of the state. So, in, in 2019 and 2020, as a result of a Department of Revenue opinion, utility poles and lines were, were personal property, determined personal property, and we brought together several bills to, to fix that, and, and make it real property

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instead of personal property, mainly because it, it hadn't been taxed that way previously. We're still evaluating the impact of LB1, but it may impact public power districts and electric cooperatives differently. Finally, is public power-- I got a red light. You want--

LINEHAN: Finally, public power does pay taxes, yes.

RICK NELSON: Yeah.

LINEHAN: They pay tax, right?

RICK NELSON: Yeah. So there's, in lieu of tax, in lieu of property tax, kind of those taxes. One of the--

LINEHAN: OK. Yeah.

RICK NELSON: Yeah.

LINEHAN: We got it.

RICK NELSON: OK.

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

LINEHAN: I'm sorry, what?

RICK NELSON: Do you really want these back?

CODY SCHMICK: He wants his glasses back.

RICK NELSON: If I had them on, I wouldn't be able to walk.

LINEHAN: I know, it's fine. Go ahead.

CODY SCHMICK: Thank you, Chair-- Chairwoman Linehan and members of the Revenue Committee. My name is Cody Schmick, C-o-d-y S-c-h-m-i-c-k. I'm the managing partner of Sideshow Spirits of 1630 P Street here in Lincoln. We are Lincoln Nebraska's first ever legal distillery. In growing this business, we have added jobs, bought 100% Nebraska corn, the main ingredient in bourbon, and paid taxes. I'm here in opposition to LB1. The propo-- the proposed bill, I know, is a monster, but I'd like you to focus on the liquor tax portion. We are currently paying \$3.75 a gallon, which is already higher than most states around us,

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and now \$14.50 a gallon. Our budding industry is definitely feeling like some collateral damage in this discussion. This bill has spurred us to form the Nebraska Craft Brewers Guild, or sorry, Distillers Guild, with distilleries across the state to pool resources and give our industry the best chance possible to success. These folks have taken huge financial risks. They've spent countless hours building not only their business, but the whiskey industry in Nebraska. We are gaining traction. Our hope is that if we keep our nose to the grind and work hard every single day, we can grow Nebraska craft spirits in the next ten years, the same way we've grown Nebraska craft beer in the previous ten. But we have to have your help with common sense legislation. This tax will kill off our industry before we get started. The Nebraska Craft Distillers Guild would like to work with the Revenue Committee to consider amendments to address harmful impacts to the small producers. Most importantly, I ask that we continue to work together to grow this industry in Nebraska. Recently, with the help of the Legislature, we had made a distinction of small craft distilleries, stating that 100,000 gallons of production or less constitutes a small distillery. We also worked with the Legislature, Legislature to do-- to define and establish a common sense tax rate for ready to drink cocktails, which you guys have seen more of. These efforts have grown our industry. In closing, Nebraska has better corn, better water, and better climate for making bourbon whiskey. Given the-- give us the chance to catch up with our neighbors in Kentucky, and with your help, we'll make that happen. Thank you, Senators and committee, for your time. I'll be glad to take any questions.

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

TODD ROE: Thank you, Senators, for letting me talk with you today. My name is Todd Roe, T-o-d-d R-o-e. Again, I'm-- my dad and I own and operate Lazy RW Distillery in Moorfield, Nebraska. If you guys have a map, population of Moorfield's about 22 people. We are truly rural Nebraska. We drove four hours to be here. I've been here since 9:00. I didn't know how this would work, but, just to be quick with what Corey [SIC] said. Something else more about me. I own cattle, we own land. I've been the chairman of our village board for 12 years. I've been on the village board for for 15 come this December. I'm up for another reelection. I've worked through budgets, I've done this. My purpose here today to vo-- to be against LBI is because it will crush my distillery. Lazy RW is clear out in the middle of nowhere as we are.

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We compete every month with being one of the largest producer of distilled spirits in the state. I'm telling you right now, if we go to \$14.50, we will be done in the next three years. There's no way I can compete. There, there's, there's not the help, there's not the work, there's nothing, and this will drown us. And I'm on the record saying Lazy RW will not be in business in three years if it goes to \$14.50. It ain't happening. We don't get the perks that Iowa gets at \$14.10. We don't get the, the perks that Wyoming gets being an enclosed state. You know they sell direct. They take all their profit, and that goes towards their excise tax. Iowa does the same thing. Missouri's \$2, Kansas is \$2.38. We're already \$3.75. Yes, South Dakota's \$4.28, but if you take us to \$14.50, our homegrown-- my dad and I started this nine years ago in a shop, and it's developed into one of the-- one of the largest producers in the state. And I'm telling you right now, it will shut it down. Any questions?

LINEHAN: Thank you very much for being here, appreciate it. Any questions from the committee. Senator Dungan.

DUNGAN: Thank you, Chair Linehan. And thank you for being here today, I really appreciate that. And you drove a long ways, and I appreciate your testimony. What is the production of your distillery, like, how much do you put out?

TODD ROE: How much can I, or how much do I average?

DUNGAN: Both.

TODD ROE: OK. So, we, we shoot for anywhere from 12 to 24 cases of whiskey a day. That's 288 bottles. We can do as many as 40 if need be to fill an order. We average, probably somewhere around-- I would say somewhere around 250 gallons a month. We've had higher months, lower month, but that's about the average.

DUNGAN: And so if we were to tack on that \$14.50 per gallon, I'm bad at math, but that would be a pretty substantial increase.

TODD ROE: The biggest thing is the \$2.80, \$2.80 added on to the bottle before I-- when I sell it to wholesale, right now, if I sell it at \$16 a bottle to wholesale, then they sell it to-- then they mark it up to \$20, \$21 and then retail marks it up to \$29. And it sits on the shelves at \$29, and Western Son from Texas can come in here and sell

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the wholesale at \$9 because they have a massive, massive distillery. Then here I am selling mine, and you're, you're a novelty if you're too expensive. It's metered and, you know, puppies if you got it down there, where, oh, I got this for old granddad over Christmas. He loves that stuff. But we need to be a sustainable business. I want people to come back and say I like Lazy RW. Well, it's a \$45 a bottle, or not that it will be that much, but that \$2.80's the make or break between them buying Nebraska, no matter how loyal they say they are. Everybody's loyal when you're sitting at HyVee giving them a free shot.

DUNGAN: Yeah. Absolutely.

TODD ROE: Yeah. So I'm telling you right now that every-- everybody's loyal at that point. But will they come back when you're not there?

LINEHAN: Yeah.

TODD ROE: You know, so it, it scares me. And, and it has been-- it's been tougher than woodpecker lips getting through 2023. It was, it was the worst year I'd seen, you know, people, they're running out of money, you know, the free money's all gone, credit cards are getting high, groceries that cost \$150 bucks in 2022 are \$425 for the same cart, that \$25 bottle of booze isn't really going to be a priority for you. Especially if it's a novelty, or just because it's Nebraska, or man, I really like that Todd Roe, or whatever, they don't buy it. So we're finally growing back and then this hits us. But I'll be honest with you, it's embarrassing, but the worst thing in the world is to fail in business. But you can sit at home and be broke, there's no reason to work your butt off and do it. So if it's going to out-tax me, I'm going to-- I'm going to-- I'm going to work with my cows. I'm going to, you know, I'm an engineer by education, I'll, I'll stick with that. I'm, I'm not going to work my tail off to bury myself financially, because by God, I'm going to prove to our state Legislature that I can make this tax work. You know, I hate my property tax, it stinks, you know, I, I have buildings, I have all kinds of things that keep upping in value, and I'm not doing anything to them, you know. But everybody sat here and said, you know, a lot of people are paid to be here and say their little thing, and this is affecting me directly. I sit, I sit as chairman of my village board in Brady, Nebraska, and I listen to these people tell us to keep the budget down, don't raise this. We get \$54,000 in property tax money to

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run our little village. For some reason, for a thing that never makes money, we have a \$1 million budget. And we bring in maybe \$78,000, but we always write checks and they always cash. So for something that never makes money, we seem to always have it. And it's just-- you know, we sit here, the thing that drives me the most crazy is we have this beautiful idea to drop property tax. We're, we're cutting property tax. Here are the taxes we're going to bring in to pay for it. It doesn't make sense to me. Like you're cutting tax. It's like cutting one leg off a tripod. You got to add, you know, you got to kind of let a little bit off each leg. Otherwise it's going to fall over. You can't cut one tax and then raise a bunch of taxes like excise tax that everybody knows about.

DUNGAN: I appreciate your comments and I really do appreciate you--

TODD ROE: I'm sorry, I--

DUNGAN: No, you're OK. It's OK. I appreciate your unique perspective, so thank you for coming in today.

TODD ROE: Well I got to go home now, so. If I was--

LINEHAN: And you didn't bring us a gift?

TODD ROE: If I'd have fought harder to get up here earlier, I'd already be home, so. Is there anybody else? I guess I didn't
[INAUDIBLE]

LINEHAN: Yeah, I think we're done. Any more questions?

von GILLERN: Thank you.

LINEHAN: Thank you, thank you very much.

STEVE ALBERTSEN: Well, that's a tough act to follow.

von GILLERN: Yeah.

STEVE ALBERTSEN: Good afternoon, Chairman-- Chairwoman Linehan, and members of the Revenue Committee. For the record, my name is Steve Albertsen, that's S-t-e-v-e A-l-b-e-r-t-s-e-n. And I'm the director of programming for the Nebraska Rural Radio Association. We are the only farmer and rancher owned radio stations in the country. And we operate

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radio stations in Scottsbluff, Lexington, Cozad, Holdrege, York, West Point, and Broken Bow. And I'm going to attempt to skip past some of the items that have already been addressed. I'm here to testify in opposition to LB1, as the removal of the exemption of advertising from Nebraska's state sales tax code would be highly detrimental to the future of radio and television stations across the state. Even though, as currently written, on the surface, this proposal should not have any impact on our company, as our annual revenue is far below the \$1 billion level, this bill will have a negative impact on our company as we resell third party digital advertising from companies that would be impacted by the bill. So it's not in the best interest of not only the media industry, but all the business across the state. As you look up and down the main streets of our small towns in particular, you'll see that there are many businesses that have closed their doors. The potential for the number of advertisers that we can help continues to get smaller and smaller, and this bill would cause unnecessary additional expenses for Nebraska businesses, forcing them, and many of them, to stop advertising altogether. This turns out to be a content based tax on speech. A company can escape the tax if it is engaged primarily in news. A station like KRVN, which is in Lexington, been in operation for 80 years, provides a mixture of news, entertainment, and community interest. Now all of a sudden, they have a decision. Are they compelled to program more content that can be classified as news, or continue with entertainment and community based? It's a-- it's a-- it's a decision. And if they move that direction towards news just to avoid the tax, then what we've done is that we've let the programming to be driven by the government and not by-- and by taxation. And that's what the First Amendment is meant to prevent. So the bottom line is, is that this bill will cause Nebraskans employed in the media industry to lose their jobs. We rely on advertising income to operate our business. Without it, we cannot provide the news, weather, and sports coverage that rural Nebraskans depend on for us. We've been serving rural Nebraska for 80 years. We feel that we know best how to serve, and how to be the local source for information that rural Nebraska deserves. And I urge you to consider rejecting this bill, or at least amending it to remove this new tax, as it would only serve to worsen the hurdles that we must overcome to continue to be the rural voice of Nebraska. Thank you.

von GILLERN: Thank you for your testimony. Any questions from committee members? Seeing none, thank you, Mr. Albertsen.

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STEVE ALBERTSEN: Thank you.

von GILLERN: Next testifier?

JIM TIMM: Good afternoon, Vice Chair von Gillern, members of the Revenue Committee. My name is Jim Timm, J-i-m T-i-m-m. That does rhyme. I serve as president and executive director of the Nebraska Broadcasters Association. We represent the interests of Nebraska's free, over the air radio and television stations licensed by the Federal Communications Commission. We oppose the Advertising Services Tax Act within LB1 because of the economic harm that it would bring to our industry. Most advertisers operate on fixed budgets, and would inform stations that their total budget will remain static, and must now include any state taxes, leaving stations with an immediate haircut of 7.5% off the typical gross revenue of your typical advertising purchase. This problem for our members is further compounded by taxing syndicated programming and some of the other business categories that would also lose their exempt status under LB1, raising the costs of routine business expenses such as accounting services, legal fees, building and vehicle maintenance and repairs, and so on. Advertising fuels our economy and informs people about goods, services and events, purchases people may want to make or sometimes have no choice but to make. Advertising is a business to business service enterprise and a necessary driver of economic growth. As we know, on July 22nd, Governor Pilleen released his statement of principles regarding sales tax exemptions ahead of this special session. His sixth principle said, no sales tax on services or items that are tax exempt in all surrounding states. Not one of our six surrounding states taxes advertising. And don't forget that Florida passed an ad tax several years ago, and had to call a special session to repeal it just six months later. Not only did it immediately harm their economy, it was nearly impossible to understand and administer. We urge you to reject any form of an ad tax ,and to oppose LB1 as currently written. Thank you for your consideration.

von GILLERN: Thank you. Any questions from the committee members? Seeing none, thank you, Mr. Timm.

JIM TIMM: Thank you.

von GILLERN: Chip in.

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JOHN ZIMMER: Mr. Vice Chair, members of the committee, my name is John Zimmer, J-o-h-n Z-i-m-m-e-r. I'm an attorney with Cline Williams, representing the Nebraska Broadcasters Association, and I provide this testimony in opposition to the Advertising Services Tax Act contained in LB1, or any similar legislation. If enacted by the Legislature, ASTA would violate the US Constitution in at least two ways. First, it would violate the guarantee of freedom of speech in the First Amendment. Advertising is speech, often its commercial speech, which remains protected by the First Amendment. In an election year, much of this speech is political speech, which the Constitution affords the highest degree of protection. The US Supreme Court has long held that attempts to tax news media are subject to scrutiny under the First Amendment, and while states have some authority to tax media in an evenhanded and content neutral manner, states cannot tax some advertising and exempt other advertising based on the content of the communications as to would do exactly that. If enacted, it would tax all providers of advertising except news media entities, which it defines as an entity engaged primarily in the business of newsgathering, reporting, or publishing articles or commentary about news, current events, culture, or other matters of public interest. In other words, whether a person is subject to the tax depends on the content of what they publish. This is a clear violation of the First Amendment. The First Amendment also demands clarity, so that people know whether their speech is affected by state law. ASTA violates this principle because it's vague. To be exempt as a news media entity, primarily publishing various types of content, what does primarily mean? Is it measured in time? Money? Is there a 50% threshold? ASTA doesn't say. What does ASTA say about current events, or culture, or other matters of public interest? Does the Tonight-- does The Tonight Show fall within these categories? ASTA does not provide an answer to these questions. This statutory vagueness is fatal to ASTA under the First Amendment. Second, asked also violates the Dormant Commerce Clause, which has been recognized by the Supreme Court as a limit on the state's ability to impose unjustified burdens on the free flow of interstate commerce. At its heart, this doctrine is concerned with preventing economic protectionism by one state against another. ASTA would protect local businesses at the expense of national providers of ad services, because it would apply only to businesses with more than \$1 billion in annual gross ad revenue. As a practical matter, it would not apply to any businesses which derive revenue solely in the state of Nebraska, because they simply don't generate enough revenue to be

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subject to the tax. Thus, if ASTA passes, it will place some stations with affiliates in other states outside of the state of Nebraska at a competitive disadvantage to their Nebraska based competitors, not subject to the tax. This unequal burden renders the statute vulnerable to challenge under the Dormant Commerce Clause. Attempts in other states to tax advertising are already subject to challenge, and it's virtually certain that if passed, this statute would not result in immediate tax revenue because it too would be challenged, and if those challenges were successful, would not result in any tax revenue. What is certain is that litigating these constitutional issues will be costly for the state of Nebraska. I'm happy to answer any questions that the members of the committee might have.

von GILLERN: Thank you. Any questions from committee members? Seeing none, thank you, Mr. Zimmer.

JOHN ZIMMER: Thank you.

von GILLERN: Appreciate your being here. Good afternoon.

RUSTY HIKE: Good afternoon. Thank you, Senators, and all your work you're doing on the Revenue Committee. My notes say good morning, but good afternoon. My name is Rusty Hike, R-u-s-t-y H-i-k-e, and I have the honor of serving as the mayor of the city of Bellevue. Today, I'm testifying on behalf of both the city of Bellevue and the United Cities of Sarpy County to express our opposition to LB1. First, I would like to acknowledge that all the mayors in Sarpy County recognize the issue of property taxes. We hear the concerns of our constituents, just as you do, and we are committed to finding a workable solution. However, LB1 does not present such a solution. I would like to address two specific concerns, the timing of the bill's implementation concerning municipal budgets nearing completion, and the provisions allowing for 0% growth. We respectfully request the committee-- that the committee ensure LB1 is delayed in a way that it does not impact the 2025 budgets. Making changes to property tax assessment methods or budget development processes so late in the fiscal year would be akin to changing the rules of football during the two minute warning. Such timing would be disruptive and unfair, affecting plans that are already near finalization. Second, LB1's provision for 0% growth compared to the previously considered 3% is highly problematic. It does not account for the realities of managing rapidly growing municipalities. A zero growth cap would force cities

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like ours to consider drastic cuts to essential services including roads, parks, sidewalks, code enforcement, economic development, and other critical functions. For Bellevue, as the oldest and third largest city of Nebraska, with the state's largest military installation, these challenges are even more pronounced. We must maintain roads for national security, and replace aging infrastructure, tasks that are costly, and necessitate growth. The adage if a city isn't growing, it is dying rings true for us. Over the past decade and a half, we have worked diligently to foster growth initiatives like the NC3 project, the Good Life District centered around a 100,000 square foot year round indoor water park, the future developments, like a potential quarter horse track and casino, are vital for positioning Bellevue as a destination for Nebraskans, our military community, and the surrounding states. I have included language with my testimony that incorporates the changes recommended by the United Cities following recent discussions with our delegation. We urge the Committee to adopt these recommendations, particularly to ensure that no changes made during the special session apply to the budgets currently under consideration. Thank you for your time and consideration, and I'll answer any questions. Actually, it's not red yet, so I'll invite you to the Arrows to Aerospace Day Parade, August 17th, and the Defenders of Freedom Air Show at Offutt Air Force Base on the 24th and 25th.

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

RUSTY HIKE: Thank you.

LYNN REX: Thank you very much. Senator Linehan, members of the committee my name is Lynn Rex, L-y-n-n R-e-x, representing the League of Nebraska Municipalities. We're here today in opposition to LB1. With that, I'd like to just give you a brief reminder of a few things that have happened. We appreciate the fact that so many of you were in the residence, the basement of the Governor's residence, with us from August of 2023 through April of 2024, off and on. We appreciate negotiating with the Governor's team to get to 3% or CPI, which is ever greater, which is in, in part of LB388. Just as a bit of reminder, since 1996, the 527 cities and villages across the state of Nebraska have been subject to the lid on restricted funds of no more than 2.5% from the prior year, plus growth above 2.5%, plus 1% on a supermajority vote. Of the 527 cities and villages in the state of

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Nebraska, half of them were up against the maximum levy limit, which also passed in 1996 but took effect in 1998, of \$0.45 plus five, and so-- for interlocal agreements. What's so important to understand is that half of those that are up against it, they can't even go ahead and get and raise the money to spend the extra 2.5%. So with that, I just wanted to underscore the fact that the League and NACO supported LB388, we only dealt with the cap side of that. We did not take positions on how you raise the revenue, our boards, both NACO and the League. I'm only here, of course, representing the League today. But I will tell you that we represented and supported efforts for state-- additional state property tax relief. And without going into a lot of detail that we've discussed many times before, and I don't have my five page handout with me today to talk about the decades of exemptions on the property tax side, the sales tax side, which dramatically narrow the base on which local governments rely, and LB1 would, in fact, basically deal with and take away significant portions of the personal property tax. That will have an incredible impact in terms of municipalities across the state. We oppose LB1 for a number of reasons, and in short, let me just suggest that, first of all, the 0% cap, or CPI, which is ever greater, Jon Cannon already expressed the fact that CPI itself does not weigh our basket of goods. We don't get fire trucks at Walmart. We don't buy police cars at Target. So we've had to deal with that issue. But 3% was something that we've negotiated. We hope we can get back to that. We appreciated working with the Governor's staff to get exceptions to that cap on the public safety side. I will tell you that we know that that language needs to be clarified. Had LB388 passed, which we supported LB388 on the cap side, we were prepared to, in fact, and we had worked with the auditor's office in terms of interpretation of what that language would be, as well as TIF. TIF is a critical issue. I wanted to underscore this point, whether it's LB9, which you heard yesterday, which would lower the levy, or if it is what we prefer, frankly, but I understand also, you know, you've got both choices, to basically do a property tax credits, I'll be very quick here, that bond council is prepared to draft language so that either way TIF would not be impacted because that is huge in terms of economic development across the state. We, of course, also opposed the keno tax being raised from 2% to 5%, and certainly the loss of local option revenue if it expands in terms of expanding the base. This would be the first time in the history of Nebraska you're not-- you're bifurcating that. And there

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may even be constitutional issues with that. With that, I'm happy to answer any questions that you might have.

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

LYNN REX: Thank you very much for your consideration.

BILL TIELKE: Good afternoon, Senator Linehan, and the rest of the group. My name is Bill Tielke, B-i-l-l T-i-e-l-k-e. I'm a farmer-rancher along with the Polk County Board of Supervisors. I'm a county-- I've been a county supervisor for 22 and a half years. I'm a past president of NACO, representing northeast county districts for NACO. I'm also on the NACO County Board. A couple of years ago, we hosted four town hall meetings in Holt County to hear from our residents about how they wanted their tax dollars to be spent. They told us mainly four things, keep up the roads, keep up the equipment, maintain the asphalt roads and replace poor bridges. We followed their directives, and would like to continue to do so. But under the hard caps proposed by LB1, it would be a challenge. Since 2020, the cost of gravel has increased from \$10 a yard to \$19 a yard if it is picked up at the pit. Polk County maintains a thousand miles of gravel roads. The gravel, rock, dirt, and sand make up 11% of our budget. Asphalt has increased from \$600 a ton to \$940 a ton. We need 1,800 tons annually for maintenance. Liquid asphalt costs, costs about 19% of our budget. The cost for motor graders since 2020 has gone from \$276,000 to \$500,000. They have a useful life of about 10 to 12,000 hours. We buy three machines every two years to keep the maintenance cycle and prevent major overhauls. Dump trucks cost \$270,000. They have useful life at 10 to 12. We have 40 additional units, loaders, rollers, pickups, excavators that range in price from \$50,000 to \$350,000. The replacement costs are up 20-- are about 12% of our budget. We use 150,000 gallons of fuel annually. That makes up 5% of our budget. Price of the culverts just since 2020 have tripled. A 12 inch culvert that cost \$10 a foot in 2020, now cost \$31 a foot. The price go up exponentially from there. Polk County has nearly 200 bridges to maintain. Maintenance and construction costs are over \$1 million, and it makes up 15% of our budget. Equipment repairs amount to \$400,000 year, pavement markings \$200,000, engineering is \$260,000, tires, bulk oil, and grease makes up \$110,000 or-- those total up to about 12%. Along with our employees' salaries make up 20% of our budget plus benefit package. Health care insurance continue to go up annually,

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sometimes by double digits. Polk County roads are the largest-- Polk County roads are the largest service, but not only the service that the county provides. We are responsible for caring for the courthouse, to pay for public defenders, private-- public provide representative for indigent defendants. We are the payers of last resort of general systems for indigent burials. We run elections. We run the county jails, the 911, the courthouse annex. Polk County maintain about 15 different budgets that make up the overall budget, and funding comes primarily from property tax. We do our best to promote social and economic growth in the county and region. We strive to improve safety, create jobs and attract workers. Overall, we want to improve the quality of life for our residents. A hard co-- cap on LBI would remove the flexibility--

LINEHAN: You need to wrap up.

BILL HAWKINS: --we need in our county--

LINEHAN: You need to wrap up.

BILL TIELKE: OK. That's it.

LINEHAN: Thank you.

BILL TIELKE: Is there any questions?

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

BILL TIELKE: You bet. Thank you.

KATHY GUNLOCK: Good afternoon, Chair Linehan and Revenue Committee. My name is Kathy Gunlock, spelled K-a-t-h-y G-u-n-l-o-c-k. And I'm the tobacco category manager for Core-Mark. In this role, I work with our buying team to assure that we offer the right products at the right price. But most importantly, I work with our retailer partners to help them navigate the complexities of the tobacco category, and ensure they stay informed of trends and new regulations. I do appreciate this opportunity to testify against LBI. I oppose LBI because I feel it will hurt the independent and small chain convenience store business, and as a result, my business. I understand that property taxes are high, but taxing smokers to lower them does not make sense. Revenue from cigarettes and tobacco is not predictable and it's not

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sustainable, two seemingly important criteria if you want to provide long term property tax relief. It's important to note that smokers are not typically motivated by convenience, they're motivated by price. They will drive several miles to save a few dollars. Currently, Nebraska is benefiting from its cigarette tax. With the proposed increase, Nebraska will have the highest cigarette and vapor tax in the surrounding states. Smokers from Nebraska will go to other states to buy more than just cigarettes. I'm sure you know that the percentage of people able to buy and afford to own their own home is down. Taxing gross rev-- gross real estate commissions, appraiser fees and services of building contractors, along with many other items, while providing unsustainable property tax relief by increasing tobacco tax is not going to change that. Customers at convenient Nebra-- Nebraska convenience stores will never experience that property tax relief. And finally, should this bill or any bill pass that removes the exemption on pop and candy, implementation will be a burden for the small and independent retailers. The definition of candy and pop is more complicated than it seems. It does not apply to all candy, but does apply to some granola bars and beyond what many of us think of as pop, like sports drinks. I see the results of this in our Iowa retailers. The small and independent retailer base simply has to tax all like items at the higher rate, because they do not have the manpower or bandwidth to manage this at the micro level. This might not seem like a big deal to you, but it does put them at an unfair disadvantage against the competition. So I would ask that you please do not tax-- put Nebraska's small businesses in this position of having to implement this complicated tax. That's all I have. And thank you.

LINEHAN: Thank you very much.

KATHY GUNLOCK: Any questions?

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

KATHY GUNLOCK: Thank you.

SARAH LINDEN: Good afternoon, Chair Linehan and members of the Revenue Committee. My name is Sarah Linden, S-a-r-a-h L-i-n-d-e-n. As a Nebraska native and owner of Generation Being Grateful Green Dispensary, a vape and hemp retailer with 22 locations in Nebraska, I

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strongly urge you to strike sections 41 and 61 from LB1. This bill would impose a 30% sales tax. I feel like I need to repeat that. A 30% sales tax on the retail price of CBD and hemp products, as well as increases the current wholesale tax on vapor products by 300%. This would be devastating to hundreds of thousands of Nebraskans who rely on these products, as well as the hemp and vape industries in the state. The majority of our customers are lower to middle income. Most are blue collar, hard working folks who simply cannot afford to pay one third more for these products. Most are already struggling to get by. The amount of these taxes will place a high burden on an already disadvantaged population, many of whom cannot afford a home, and will not receive the benefits of this property tax relief package. If this bill is passed, our customers will likely go to neighboring states, online, or to the black market. 80% of Nebraskans live within a one hour drive from one of our borders, where there are no excise taxes on CBD and vape products. Nebraskans will also be able to purchase CBD and vape products online, or from the illicit market where there are no taxes, no age restrictions, no certificates of analysis, no regulations, and no assurance that they are using safe products. This will lead to devastating effects on Nebraska based businesses and the local economy. These two industries combined contribute \$314 million in revenue, 2,800 jobs, \$118 million in wages, \$22 million in state and local taxes annually. A 30% sales tax on CBD and hemp products is so much higher than any other sin tax in Nebraska. Alcohol is responsible for 1 in 8 deaths per year, yet it's tax is a small fraction of the rate. When converted to a retail tax, it is beer is taxed at 3.8, wine at 1.4, spirits at 2.8. Even with the proposed increase on spirits, it's 10.7. Nebraska ranks 39th in our taxes on alcohol, and would be number one on CBD and hemp products. Vapor products are the most effective method available to quit smoking as they mimic the hand to mouth habitual aspects without the tar and carcinogens. Studies show that vapor products are at least 95% less harmful than smoking. Given that 480,000 people die every year from smoking related illness, the Legislature should be championing vapor products rather than taxing them to death and making it less affordable for smokers to quit. I kindly ask that you strike out these sections. I would be happy to collaborate with legislators on reasonable regulations or fair taxation. I'm happy to answer any questions that you have. Thank you.

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

SARAH LINDEN: Thank you.

LINEHAN: Hi.

NELAM MILLATMAL: Hi.

LINEHAN: Go ahead.

NELAM MILLATMAL: Good evening, Chair Linehan, members of the Revenue Committee. My name's Nelam Millatmal. That's N-e-l-a-m M-i-l-l-a-t-m-a-l, and I appear in opposition to LB1. I work for the Cannabis Factory. My husband's one of the owners. We're a Nebraska based business, and we've been fortunate to succeed in the last few years. We currently have 20 locations throughout the state of Nebraska. Omaha, Lincoln, Bellevue, Grand Island, Gretna, Kearney, Lexington, Norfolk, South Sioux City, Hastings and Blair are some of the locations we call home. We have plans to expand to an additional five locations throughout the state. We currently are employing over 80 people at our stores alone. We pay our employees above minimum wage with the minimum of \$16 to \$20 per hour, not including any private tips our employees receive. Some of our employees have been with us since we opened our first store two years ago. In 2024, we've already paid nearly \$500,000 in sales taxes to the state. We've expected to be paying over \$1 million before the end of this year. If LB1 becomes law in its current form, we think it could and will have a significant negative impact on our business. 30% sales tax on hemp products is just an unreasonable amount. It will not be affordable for the hundreds of thousands of Nebraskans who currently rely on our products to treat various medical needs. Nebraskans are already struggling financially due to the high inflation in the recent years. Our customer base is lower to middle income class hold. We fear if this law's passed, Nebraskans will only turn to alternative options to purchase their products, such as online shopping or our neighboring states, making the funds needed to provide for your property tax relief a lose-lose situation. I've provided a chart where you can kind of see where-- how this proposed 30% sales tax will compare in comparison to other states around us. It just doesn't compare or even come close. We'd be extremely high. I understand that this committee has been tasked with a difficult job. We realize property taxes are a

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problem. We're also home owners and businesses owners as well. So we get the need to be able to provide that relief. But just implementing a 30% sales tax is not the answer on hemp products. I, along with other colleagues who have similar businesses, are willing to work with your committee and any other policymaker to amend the bill in a way where we can provide funds for the government so they're able to provide that property tax relief to its citizens without nearly eliminating our business as a whole. We're not opposed to the overall sales tax increase and becoming assistants to your overall bill. But-- we're not even opposed to an excise tax, but something similar to our-- something that we can contribute to, but not be eliminated or affected in such a detrimental manner. I urge the committee not to advance the bill in its current form. I'm happy to answer any questions you guys might have.

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

DUNGAN: Thank you. Chair Linehan. So just to clarify, are you currently then already collecting sales tax on things that you're selling?

NELAM MILLATMAL: Yes, we currently collect this. It's about 7%, in some areas it's obviously higher. So we collect the 5.5 state tax, and then depending on the city tax as well, and anywhere from about 7% to, I think the highest is Gretna, which goes to, I want to say 7 and a half then at that point.

DUNGAN: OK. And you said you'd be willing to do something, you just think that 30% is too high?

NELAM MILLATMAL: Yes, considerably. If you look at the comparing states, Louisiana's the highest, which is at 7 and a half total, which that's what we're already at. But obviously we understand the need to contribute to our government to help in every aspect. But just 30% is-- we think is extremely high.

DUNGAN: Thank you.

NELAM MILLATMAL: And unreasonable.

DUNGAN: Thank you.

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NELAM MILLATMAL: Of course.

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

NELAM MILLATMAL: Thank you guys for your time.

KIM ADAMS JOHNSON: Good afternoon. I guess it's afternoon. My name is Kim Adams Johnson, K-i-m A-d-a-m-s J-o-h-n-s-o-n. I've been a licensed massage therapist in Nebraska for 24 years. I served on the Nebraska State Board of Massage Therapy for ten years, and the Federation of State Massage Therapy Boards for three years. I'm asking you to please remove massage services from LB1. I have been made aware that the Governor's intent is to tax luxury massage. I struggle with how that will work under our statutes and regulations. The revised statutory language that was just signed into law by the Governor on February 13th, 2024 does not allow for wiggle room to say that one therapist is luxury and another is health care. The National Certification Board for Therapeutic Massage and Body Work and the Federation of State Massage Therapy Boards have been trying to come up with a-- with definitions to delineate the two for decades and have not been successful. I have worked in spas, a rehabilitation hospital, in private practice, and numerous other locations. One thing that has remained consistent throughout all those venues is me, a licensed massage therapist, who under the Nebraska State Statutes and regulations is a health care provider. We have individual licenses and establishment licenses, neither of which differentiate between luxury and health care. My questions are who decides, and what are the parameters? I feel that there is a misguided perception of massage therapy. I have been attempting to change that perception for almost two decades. One of my first times testifying before the Health and Human Services Committee, I was told that massage therapists just rub on people, and that couldn't be further from the truth. All licensed massage therapists in the state are providing health care services regardless of the location. Please don't undo the progress that our profession has made through continued advocacy by implementing a tax as a luxury service. Thank you.

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

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BRIANA CUDLY: Hello, my name is Briana Cudly, B-r-i-a-n-a C-u-d-l-y, and I am the government relations chair for the American Massage Therapy Association. I am here to represent our members and our profession in opposition to LB1, specifically page 62, line 23, and ask that you strike massage services from the bill. Unfortunately, we find ourselves with yet another bill miscategorizing massage therapy. LB1 lumps massage in with professions of cosmetology practice, but this is incorrect. Like all health care professions, massage therapy has a standalone practice act, and a state regulatory board. Ours is even overseen by the Office of Rehabilitation and Community Services at DHHS, with PTs, chiropractors, athletic trainers, etc. Also in January, the Legislature unanimously, thank you very much, passed a, a bill to update our definition, which I have here below, and it was signed by the Governor in February. That is five months ago. And yet here we are dealing with taxation of a health care. Nebraska policy dictates that we do not tax health care in Nebraska. Massage is the only profession specifically listed in this bill covered by the VA, Medicare Advantage, HSA, flex, workman's comp, personal injury, and other personal health care plans. Even though they aren't specifically listed in the bill, other health care professions with massage services within their scope would be included in this taxation. So according to the AMTA industry survey, most massage therapists are sole proprietors. And so not only does this bill propose to set a precedent to tax health care, it is targeting a small group of about 1,500 people, most of which are the smallest of small businesses. Taxing health care is against Nebraska policy, and increasing the tax burden on a small group of very small businesses will not yield enough revenue to alleviate property taxes. It will increase health care costs, limit payment options, and limit small business growth. We do not believe the intent of LB1 is to tax health care, but that really is what the impact would be. A targeted tax on one health care profession, and an unintended impact of taxing all health care professions providing massage services within their scope. We appreciate your time and your dedication to helping relieve property taxes while still meeting a balanced budget, and helping our public schools, but this bill is setting a precedent for taxing all health care. We ask for you to strike massage services from LB1. We just don't tax health care.

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

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BRIANA CUDLY: Thanks, guys. Have a good rest of your day.

CAROL BODEEN: Good afternoon, Chairperson Linehan, members of the committee. My name is Carol Bodeen, C-a-r-o-l B-o-d-e-e-n. I'm the director of policy and outreach for the Nebraska Housing Developers Association, and I'm here today to testify in opposition to LB1. We're a statewide organization with over 70 members from all areas of Nebraska. Our members include nonprofit and for profit affordable housing developers, other nonprofit organizations, local governments, housing authorities, bankers and investors. This diverse membership is united in support for our mission to champion affordable housing in Nebraska. We acknowledge that a reduction in property taxes would be beneficial. However, we do not agree with the plan outlined in LB1, specifically, the removal of sales tax exemptions for so many items that would have direct and or indirect impact on housing development. These include engineering, accounting, architecture, well drilling, real estate title searches, painting, carpentry, electrical siding, drywall, insulation, poured concrete, framing, plumbing, land surveys, etc. the immediate impact of increased costs, along with the uncertainty of future ramifications would cause a dis-- a disruption to our current and future housing development. We currently cannot meet the needs of our workforce with the state's existing housing stock. The changes in this legislation would further hamper our efforts to grow our economy, and therefore increase our tax base. We would also like to see any-- you know, we understand that, that there is likely to be changes in the taxing system. If there are changes, we would like to see them implemented in phases to allow those affected to plan and adapt to the transition. Potentially grandfathering clauses could be included. And then lastly, we would also like to see a solution in place to address the impacts from reduction in property taxes on current and future TIF projects. So, bottom line, we just hope that the process could slow down and that there would likely be many innovative ideas, and things that can be introduced, have already been introduced in this session and in future ones as well. So we have every confidence that working together, we'll be able to figure this out. And appreciate your consideration, happy to take any questions.

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

CAROL BODEEN: OK. Thank you.

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STEV CARPER: Thank you, Chairperson Linehan and members of the Revenue Committee. My name-- my name is Stev Carper, S-t-e-v C-a-r-p-e-r, and I'm testifying in opposition on behalf of the Nebraska State Board of Massage Therapy. You have the statement there. A lot of what was just discussed earlier is similar, so I'm not going to go through and read the statement. Just hit on a couple of key things again. Back in January, LB78 was passed and signed by the Governor to include-- to change the definition of massage as a health care, service. With this-- with LB1, as was stated previously, it's still included under personal service. So the board is just asking that it be struck from there, and moved it back into the health care division, which would be exempt again, as it should be. That's basically-- I don't want to spend too much time, I know you guys have a long rest of the day here and stuff, so, happy to answer any questions.

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

STEV CARPER: All right. Thank you.

JOHN FOX: Good afternoon, committee, Senators. My name is John Fox, J-o-h-n F-o-x. I represent American Amusements, which manufactures a line of games known as BankShot. I'm here to speak against LB1, specifically in the parts relative of the coin operated amusement industry, which includes cash devices. I urge you to take heed of the echo the voice of Chief Justice John Marshall, the power to tax is the power to destroy. We hear now the Governor proclaims that surrounding states are fair game for taxing here, tax there. I did not hear, take all the surrounding states' taxes and add them up together. Wyoming has a tax of 20% net on what we would call cash devices, but that is the only tax. And there are differences. Well, like Iowa and some other surrounding states on the similar devices, you have sales tax. There are also differences. And they have only sales tax, none have a 20% net tax and a sales tax. None have the gluttony of taxes and fees existing, proposed, and pending. We just heard this morning that cash devices should be taxed the same as casinos. While casinos, too, pay a de facto franchise tax payable over the first five years, casino games earn 6 to 10 times more per day than bank shot and other cash devices in Nebraska. Many casinos do not pay property taxes, they get TIF. Today they have no consumption tax, don't pay per device, and certainly don't have sales tax dumped on them as LB1 does with us, with the elimination of the occupation tax and the sales tax. Casinos

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pay 20% to the state and keep the rest. 50% of our share goes to other, other Nebraska businesses. We also didn't spiel you with poppycock about fiscal projecting of 60, \$60 plus million for the year 2023, which resulted in \$12.4 million and dead horses. The power to tax is the power to destroy. Destroy, and there's nothing to tax. That's all I have.

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

JOHN SENNETT: Good afternoon, Madam Chairman, and members of the committee. I'm John Sennett, J-o-h-n S-e-n-n-e-t-t. I come from the beautiful town of Broken Bow, Nebraska. I am the quintessential country lawyer. We're in a firm of five attorneys, and we do everything from soup to nuts. A person asked me one time what we didn't-- and what we did as attorneys, and I said, well, we do about everything except creditors' rights and bankruptcy. Those two don't work. I'm here on behalf of the Nebraska Bar Association, and to advise the committee that we strongly object to the sales tax on services of attorneys. The-- in our current culture, and where I, where I work, I may see ten people a day, half of them having something to do with business, half of it-- part of having to do with divorce and, and trying to protect somebody. And the way our structure has turned out is that almost all attorney's work is something that we, we now require people to have. It's not a-- it used to be that people didn't need to go to an attorney on almost everything, because things were a lot simpler. Through the codification of the civil law, and, and the legislative decisions that have been made, and, and how you have to go about the simple probate of a will, a guardianship. You know, those things take time, but they are more-- they're very needed as, as part of the process. And I guess the comment that I had in my mind was, I don't want to be the attorney who says to the young couple, oh, by the way, besides all the other things that this is going to cost you in order to do your adoption of the baby, you now got to pay me a sales tax so that I pay that to the state. It's not the conversation that I want to have. And it's not-- and it's not-- and it's not limited to that. It's limited-- it's unlimited, frankly. So I won't bore you with any more of my time or your time, but I want you to-- I ask that you think strongly about taking that portion of LB1 out, because all it's going to do is have less-- have people trying to do more self-help, getting in more trouble, and then it takes more of my time and, and everybody-- and the court's time to

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clean it up and sort it out. So with that, if you have questions, I'll be happy to answer them.

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

TOM MAUL: Senator Linehan, committee members, my name is Tom Maul, T-o-m M-a-u-l and I, like Mr. Sennett, I'm a past president of Nebraska Bar Association, and appear here today to testify and urge that, contrary to the provisions of LB1, that we not impose sales tax on legal services. I practiced law for 43 years in Platte County and Columbus, and much like Mr., you know, Sennett's clients, and while we think we're nice guys and our clients generally like us, none of them come to us for fun, OK? They come to us because they've got a need, whether that be estate planning, or guardianships, or personal injury, probate, trust administration, the things that they would rather not have to deal with in their life, and yet they have to. And now, according to this legislation, we're going to impose a tax on that. You know, I want to clarify something Senator Kauth had alluded to earlier. Legal services in Nebraska have never been taxed, OK? So in law we have an exemption from tax, and they've never been taxed. And they're not taxed in 47 states. They're not even taxed in Tennessee that we heard about this morning. There's a lot of issues that we as a bar association are concerned about, you know, with respect to that. There's a constitutionality issue because we have the right, you know, to have access to the court, and it can interfere with that. There's a separation of powers, you know, argument. Our Nebraska Supreme Court has made it very clear the Supreme Court's the one that is charged with regulating the practice of law. If we're going to make lawyers collect tax on their services, that's another regulation. That's a regulation that we don't think, you know, and as Senator Dungan would appreciate the fact, in the event that there's a sales tax audit, now we're being questioned with what services did we provide? That violates our code of professional ethics when we talk about who-- what services did we provide. That's nobody's business but the client's and. And the lawyer's. So for a number of reasons, again, we would oppose the imposition of sales tax on legal services. I'm more than happy to answer any questions you might have.

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

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TOM MAUL: Thank you.

LINEHAN: Thank you very much.

TESSA STEVENS: Good afternoon, members of the Revenue Committee. My name is Tessa Stevens, T-e-s-s-a S-t-e-v-e-n-s. I'm attorney-- I'm an attorney in Grand Island, and I work in the debt collection industry. I'm here today on behalf of the Nebraska Collectors Association in opposition of LB1. LB1 proposes to add sales tax to debt collection services. However, we would say debt collection services are unique, maybe, than the other services included in this bill. I think kind of first and foremost is that we are starting with an original service that will be taxed multiple times. My example is if the plumber provides services, they're charging a sales tax to the consumer. So a \$100 bill becomes \$105.50. When that goes unpaid, it's turned over to a collection agency where another tax is going to be added on for the collection of that. Many collection agencies use attorneys. There'll be another tax for that services, process servers, the list kind of goes on. So on top of this kind of multiple layers of tax, I think there's confusion on how it would be implemented as it relates to debt collection. We provide services on a contingent basis so we don't get paid unless money is collected. So our fee, I guess, or the cost of the service is calculated up based on a percent that's recovered. So when does the taxation take place? If I'm collecting from out of state consumers for an in-state business, is there taxation in that situation? Can that be passed along to the consumer in the process of collecting the debt, since the original service was part of the tax to begin with? I think, you know, we employ collectors that are located out of state, if one of my Texas collectors is collecting in Nebraska, you know, when does sales tax apply then? I think the cost of administering and complying with this tax is significant to small Nebraska businesses. We'd have to seek advice, hire professionals, modify software, you know, only to name a few of the costs. I think arguably this tax also gives an unfair advantage to our out-of-state competitors. There's 395 licensed collection agencies in Nebraska. Only 5% are Nebraska based businesses, so the other 95% may not charge sales tax on their services, again I guess depending how it's applied. Sales tax is not standard in our industry. I believe there's only three states that currently charge sales tax on debt collection, Hawaii, New Mexico and South Dakota, and it really puts Nebraska businesses at an unfair advantage who may look to relocate to other

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states. For the reasons stated, we oppose LB1, and I'm happy to answer any questions.

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

TESSA STEVENS: Thank you.

EBAN KILLEEN: Madam Chair and members of the committee, thanks for having me today. I'll try not to take up too much time. My name is Eban Killeen, E-b-a-n, Killeen, K-i-l-l-e-e-n and I represent the Lincoln Children's Zoo. Lincoln Children's Zoo started in 1965, and has kind of grown to be a gem of the community. Today, the zoo has about 390,000 people in attendance. And out of those 390,000 people, 70% of them are kids. So that's about 268,000 kids. And LB1 would take away our tax exemption on both attendance and membership, and essentially tax kids. The zoo last year had an economic impact of over \$21,000 to Lincoln and Lancaster County. The zoo does not receive any guaranteed operating funds every year. We instead rely on gate admissions, memberships, and the philanthropic community. The ability for a child to see a tiger, to climb with spider monkeys, to feed a giraffe right here in Lincoln, is something that we strive to remain accessible to all. 35% of our guests have an annual household income of less than \$50,000. 68% of our guests have an annual household income less than \$100,000. So keeping it affordable is a huge, huge deal to us. The zoo serves the state of Nebraska with 6-- 76% of our guests coming within 60 miles. So it's not tourism, it's Nebraskans. This sales tax would put an undue burden on Nebraska families, creating barriers to the affordable education, recreation, and enriching experiences that the zoo provides, while only providing a minimal benefit to the state's financial objectives. That's it.

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

EBAN KILLEEN: Thank you for your time.

MITCH MERZ: Hello. I'm Mitch Merz, Mi-t-c-h M-e-r-z. I'm here representing True Ag and Turf. We're a farm equipment and machinery dealership. We deal with some skidsteers, some lawn and garden, but primarily with farm machinery. And so, while we understand and appreciate the sales tax, or the property tax relief, especially for

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our clientele, the farmers, right? We also understand that there is a lot more cash rent happening, and investors with the ground. As we go across the, the state, or visit with our farmers, we're finding that more and more farmers, especially, especially those that are rapidly growing, are bringing in outside investors to, to purchase some of the ground that they're-- that they're farming. So I'm not sure that, you know, as we talked about this morning, I'm not sure that, you know, all those savings would be passed along. You know, a lower property tax would help, but I'm-- I, I'd be, you know, a little excited, I guess, if all those savings were passed along, and I don't know that that would be to the farmer. So I'm from Falls City, Nebraska. My family has owned and operated a farm equipment dealership there for 70 plus years. We're three miles from Kansas, we're nine from Missouri. Border bleed is a real thing. 12 years ago, I was here to testify to remove, sales tax off of parts. You know, we were talking \$10, \$20, \$100 parts, and sales tax was happening with border bleed. Today, we're talking \$1 million combines, which sell-- combines that, you know, by the time you put a corn head and draper head to that, that's \$1 million. Border bleed's going to happen with a \$1 million combine. If they were already looking across state lines to save tax on \$10, \$20, \$100 parts, the \$1 million dollar combine is probably going to be something that they look across the state lines for. So, while I understand that John Deere represented-- 12 years ago, they presented the fact that there were 17 dealers that had closed in the state of Nebraska in the past, like, 20 years prior. 16 of those were in a 30 mile radius of a state line. So the dealers that are within that state line are going to face that. Grand Island, you know, or Kearney, you know, central Nebraska, is still not too far to travel to save sales tax off of a \$1 million combine. So my big question is, you know, is how we're going to police this. With the-- with the farmers, and the things of the way that they're looking-- you know, TractorHouse is right here in Lincoln. TractorHouse has given the farmers the ability to shop, you know, worldwide or at least nationwide. And as, as True Ag and Turf, we have three locations today, and we're looking to grow. We're looking to grow rapidly, we've brought in investors to our business to grow. Today we have locations Fall City, Osmond, and Columbus. Some of the locations that we're looking at, you know, we're we're looking at, they're ten, twelve miles from the state line. If, if laws go into place that we're taxing farm machinery in the state of Nebraska, it would be really silly for us to put a dealership, you know, using business sense to move, and not move across the state line

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into Iowa or Kansas, you know. And then lastly is, is how we're going to place it. There's no titles registration. So does a guy that owns 20 acres of farm ground in Kansas and buys six combines for those 20 acres, but yet he farms 20,000 acres in Nebraska. You know, the registration of that machine could happen to that Kansas 20 acre farm. So we're just really looking to be fair and equitable, you know, across state lines to our neighboring states.

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

WILLIAM RINN: Good afternoon, members of the Revenue Committee and Chairwoman. Thank you for hearing our testimony. My name is William Rinn, W-i-l-l-i-a-m R-i-n-n. I'm the chief deputy of administration for the Douglas County Sheriff's Office. On behalf of Sheriff Hanson and the Douglas County Sheriff's Office, we stand opposed to LB1 as drafted. In fact we'd be-- like nothing more to be here today in support of LB1. However, there is much work to be done to ensure that it meet the highest obligation of local government can make with regard to keeping public safety. We're most assuredly in a position where two things can be true at once. Governor Pillen is right, as is the Legislature, property taxes must be reduced, and we're not here to dictate what should and should not be done to do that. What we also would concede that is also and the second thing being true, that it's a dangerous world out there, and public safety and the mechanisms of criminal justice must be available at the highest level for the citizens we serve. I'm going to try and produce a little bit more original testimony, since I know you've heard a lot from public safety today, and we've heard-- and we fully applaud, the Legislature and the Governor for working to put some exemptions in there for public safety with [INAUDIBLE] with the six. And that's been mentioned here today, but I want to bring specific light to the-- that mechanism that it has its restrictions to it, and that it comes with a string attached, or what we call a trigger, that trigger being personnel low manning. And that's determined differently by municipalities than it is by, by the county. And it's reported to the Crime Commission, which no one has ever mentioned today, which is I'm glad to bring something new. But that's reported retroactively, from the year prior and previous budget year. So it doesn't plan at all for strategic planning, which the larger entities such as Sarpy County and Douglas County have to do. In business, if you don't have strategic planning two, three, and five year plans, you go bankrupt. As a sheriff's office, if we don't have

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two, three, and five year strategic plans to get, you know, match growth, which Douglas County is the fastest growing in, in the U.S., with the map of metro area planning, where we're growing more, more persons and equal infrastructure at the same time, we will put the public in, in jeopardy. They will not get those size services. We'll have to make hard choices between staffing the courthouse, staffing the patrol, staffing the warrants. If we-- if we get behind, which we often do, and have failed to do without that strategic plan of having a, a tie that's specifically triggered by a misrepresented number of staffing is not the way to get there. We'd be happy to work with the Legislature and the Governor to, to work in any way we can to make sure that all of criminal justice, county attorneys, public defenders, 911 are also represented, so that we can all stay on pace with the growth that is happening in these larger communities. I'll take any questions that you have.

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

WILLIAM RINN: Thank you.

MATTHEW PHILIPPSSEN: Good after-- good afternoon, good afternoon. It is afternoon, right? Yeah. So, afternoon, Senators. I want to say thank you very much for allowing me to be here. My name is Matthew Philippsen, M-a-t-t-h-e-w P-h-i-l-i-p-p-s-e-n. I own Trestle Manufacturing. We're out of Bellevue, Nebraska. But as-- I didn't start there, OK? I grew up in Indiana. I went to Purdue. Twenty years ago, I left Indiana, all right? I went over to Hong Kong, started a business over there. 2009, came back over here to Florida. And fortunately, in 2018, there was an opportunity that we saw, and that was actually LB1310, about the growing cash device regulation that was happening here in Nebraska. Now, my business, we're the largest manufacturer of video cards for the casino industry, we manufacture slot machines for the casino industry, and we manufacture cash devices for the skill industry across the United States. We make all that now in Bellevue, Nebraska. Now, being a, you know, risk taker and entrepreneur, OK, we looked at taking educated decisions based on Legislature that was coming upon us, right? So LB1310 started going into LB685, where Senator Briese tried to basically tax part of my business out of existence. Well, we got that pushed, and we started another discussion with Senator Lowe last year and into this year, which then gave us confidence to be able to purchase a \$1.6 million

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building in Bellevue that had been vacant for the past two years. Now, because of our, you know, our discussions with the legislators and being able to get the Governor to actually sign a bill, we decided to invest another \$400,000 in renovations into that property. Now, everybody here can do the math. I mean, we know what type of property tax I'm paying for that building, OK? But for me, it's about growth, OK? Being able to go from not having any bu-- any employees in the state of Nebraska to having close to 25 right now, and 40 overall in the rest of my company. So it's difficult for me to sit here and say, well, I'm just going to agree with everything that-- we're going to go from now 5% to 20%, when basically one quarter of my sales projections for next year, my clients that are behind me right now are not going to purchase my equipment here, and therefore, you lose out on \$750,000 of sales tax revenue from my company. OK? So that's where I'm at right now, and I want to continue to, you know, be a proponent to do business in the state of Nebraska and grow my business, because I really love being here. I've got a lot of friends in this room, we have fun, we're at different sides of the aisle. But for me, it's just tough to go from 5% to 20% overnight like that and take that hit just, as my customers would have the same problem. So, with that, I'd take any questions if you have any.

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

MATTHEW PHILIPPSEN: Thank you very much.

LINEHAN: I'm just going to pause us for a second. Is there an industry here that hasn't had a chance to speak yet? Truly, you-- that nobody's talked about your issue. OK. Let's-- would we have an agreement? We should let those guys go first, if nobody starts from their industry?

BILL HARVEY: We, we-- nobody's talked about ours.

LINEHAN: OK. OK. Go ahead.

ANDY DOBEL: OK. My name is Andy Dobel, A-n-d-y D-o-b-e-l. I'm the president of Greater American Distributing. We are a Nebraska owned, women owned company based in Omaha, Nebraska. We are a distributor of coin operated games and vending equipment. This is distributor in the business sense, not in the skill game regulation sense. I don't run any games, not a single one. And I'm here to more talk about the

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amusement industry at large, although that does include cash devices, skill games, whatever you prefer to call them. I want to give you two examples of how the industry works, because I think somewhere we're getting lost in translation. You play a song on a jukebox, you spent \$0.50 on that-- on that song, 34% of that is gone before anybody here locally touches it, that all goes to the company providing the music to the box, and pays the licensor fees and all those things. So that remaining \$0.33 is then split in some way, shape, and form between the location and the operator of, of the amusement device. So, it's not making the money a lot of people think it is. A lot of that money disappears before it ever reaches anybody's hands here within the state. Another [COUGHS] excuse me, related specifically to the sales tax exemption, removal of amusement devices. If somebody were to walk up to a skill game and put \$100 in a machine, see somebody they knew, want to go talk to them, and cashed out immediately, never used the device, never played it, nothing was performed. You're still going to owe the, the sales tax even though nothing was actually done with it. This is because of the way the tax is defined. The money in is considered a payment. It's difficult to understand how there's tax when nothing was ever actually done. It fell under the-- seems to fall under the auspices of the sin tax concept. And when we're talking about sin tax is it still shocks me that we haven't brought up the concept of making casinos pay sales tax. They buy millions of dollars of equipment and don't pay any, whereas my customers are paying sales tax on every part, every service call, every piece of equipment that they purchase. It's, it's not the same playing field. 2 or 3 different times we heard the skill game industry referred to as getting it on par with, the casino industry, and they are not the same. You can win every spin on a game in a skill game. That's why it's a skill game, that's why it's not a slot machine. They don't make the same amount of money. As a matter of fact, they can be underwater quite often, if people are willing to take the time and actually utilize the skill aspect of the game. Thank you.

LINEHAN: Thank you. Are there any questions from the committee? Did you use to live on Walnut Street?

ANDY DOBEL: Four houses from you. Patrick and I went to Boy Scouts together.

LINEHAN: Yes, I thought so.

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ANDY DOBEL: Thank you.

LINEHAN: Thank you for being here.

BILL HARVEY: Madam Chair and members of the committee, my name is Bill Harvey, B-i-l-l H-a-r-v-e-y. I'm general counsel and one of the owners of Big Red Keno. We've run keno lotteries for counties, cities, and villages in Nebraska. Thank you for this opportunity to testify. We oppose the provisions of LB1 that increase taxes on keno lotteries under the Nebraska County and City Lottery Act. Let me just say that I'm a lifelong Nebraskan. My partners and I have built our businesses over the last 31 years. We have over 400 employees. And, and we pay a lot of taxes. So we do have, you know, we do have some thoughts on this-- on this subject. Keno is already under tremendous competitive pressure from the four casinos that have already opened in our state. The last four calendar quarters in a row, keno has been down year over year, first by 1.5%, then, for two quarters, it was down by 3%, and then the, the last quarter for which there's data, which was the first quarter of this year, it was down 5%. So, it, it's, it's getting-- the holes getting deeper, not shallower. Adding an additional tax to Keno just puts more pressure on us and makes the situation a lot worse. Keno has always paid its fair share to, to government. 43% of net keno revenue, and you can see that in the chart that I, that I had distributed, goes to the state and local government, versus 20% for casinos. 43% versus 20%. And there's no increase on casino taxes in LB1. If you're not going to tax casinos more, we respectfully ask, in the interest of fairness to our Nebraska company and the other Nebraska companies like us and our employees, that you not-- that you give us the same treatment that you're giving the casinos. Don't tax us more if you're not going to tax them more. The Legislature's tried before to increase the keno tax. In 1991, the Legislature doubled the tax from 2% to 4%, with the increase going toward bigger purses for horse races. The Nebraska Supreme Court struck down that increase as unconstitutional. And the reason was because the money didn't go for community betterment in that community where it was generated as required by the Nebraska Constitution. That's the only reason our lotteries, or keno lotteries, exist, is to generate community betterment revenue for that community. Similarly, we think this 150% tax hike on Keno would be found unconstitutional. We think the proposed tax increase, increase is unfair, we think it's unwise, and we think it's unconstitutional. So I really appreciate your time. I appreciate your work and your efforts, I know it's a hard job you

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have, and it's hard to sort through all these arguments for all the different people that are here and I-- so I appreciate you wading through that task. Thank you for your time.

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

BILL HARVEY: Thank you.

JOHN HASSETT: Hello, Senator Linehan, members of the Revenue Committee. My name is John Hassett, and they, they just did talk about my industry. I'm, president of Advanced Gaming Technology. We have contracts with 24 communities. We're--

LINEHAN: I need you to spell your name.

JOHN HASSETT: --headquartered in Bellevue.

LINEHAN: Spell your name. Spell?

JOHN HASSETT: Oh.

LINEHAN: Sorry.

JOHN HASSETT: Hassett, H-as-s-e-t-t. And Bill hit on a lot of those things that I was going to say, so I'll, I'll just be brief, but I think we need to consider the consequences of this tax increase. Some of the unknowns in the-- in the way I look at it is, you know, who pays the 3% increase? I mean, only the cities, counties and villages net more than 3% of the handle. The operators and the bars, they, they do not. So if, if, if this tax falls on the cities and the counties and the villages, I wasn't surprised that they were opposed to it earlier. We're, we're kind of losing the intent and the purpose of our City County Lottery Act, I think. The state's portion was always for oversight and, and enforcement, and the original handle estimates were so low that the current 2% has always generated a surplus over enforcement costs, and that's gone to the General Fund. But I, I think most likely a 3% tax increase would have to be deducted from the payouts, and this would reduce everyone's share. When I designed pay tables, a 1% decrease in payouts triggers about a 5% drop in handle. So I think what you're proposing here is about a fi-- would decrease our keno handle about 15%, just in re-- in-- with the reduction in the return to the players. So I think the reduction will be higher than

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15% if this entire package passes, because I think we'll lose some of the-- some of our locations. I think this tax increase shouldn't be considered until the proposed legislation includes an avenue for us to replace that lost handle. I, I think there's some items you could look at, like reducing the five minute rule, or reducing some of the restrictions on the-- on the digital keno app. And I didn't have time to discuss those options with our communities and over 500 affected parties, but I'd be willing to work on possible solutions. So, with that if you have any questions.

LINEHAN: Thank you, Mr. Hassett.

JOHN HASSETT: OK.

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

MIKE NEVRIVY: Good afternoon, Senators. My name is Mike Nevriy, N-e-v-r-i-v-y. I'm the owner of Nebraska Keno Incorporated. We run keno lotteries, and, and, and just so you know, the three of us have kind of divided things up, so we, we-- that's why we all decided we needed to speak at this. I run keno lotteries and-- for Hastings, Kearney, North Platte, from Crete, Albion, McCook, even in, in Curtis. I run them for counties, I run, for cities, I run them for villages, I run them for even unincorporated towns, golf courses and, and because of LBl, we oppose the keno tax because the keno taxes are going to greatly decrease the amount of community betterment that all those different types of jurisdictions would-- that have. Keno is a community game. The proceeds go to community betterment, as required by our Nebraska Constitution, and every one of the 184 counties, cities, and villages that have keno, the game has, has been approved by the voters of that community by ballot at an election. There are about 400 other communities and cities and villages throughout the state that do not participate in the keno lottery, and those voters have chosen against the idea of having keno in their community. Taking community betterment money-- taking community betterment money from a town that has chosen to, to have keno and giving that money to-- for property tax relief to a community that has chosen not to have keno is not fair. And in the long run, it's going to discourage communities from having keno at all. In some communities, like Ralston, for example, the community is only netting about 3% of wagers for community betterment. That is because they are supporting a more

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aggressive price structure to compete with other gambling, like the casino that will be opening six blocks down the street from them, leaving them nothing for community betterment. Their only choice will be-- their choice will be to weaken their price structure by paying less to players, which will leave them in an even worse position than they are now. Many of the communities that I operate in, in will find themselves in that same position. So I encourage you to strike us from LB1, and allow us to continue what we've done for the last 35 years in the state of Nebraska, which has supplied literally hundreds of millions of dollars for community betterment projects, all of which are, at the bottom line, property tax relief. That's all I have, I, I got rid of some of my stuff too, so if there are any questions, I'd be glad to answer them for you.

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

MIKE NEVRIVY: Thank you very much.

TODD CARPENTER: How are we doing all, Senators? Trembling? My name is Todd Carpenter, T-o-d-d C-a-r-p-e-n-t-e-r. I'm here for the skill games. That's in the package for 20%. And just 100 days ago, we were sitting here and Senator Lowe, we worked with him back and forth, we got more rules and regulations, we got-- he added a 5% tax in, we're trying to get it all implemented, and now we have another 20%. And we, we pretty much came out and told him, like, we cannot pay the 20%. There's not-- there's not 20% to cut up. One thing that was hard was half of our revenue does go back to Nebraska businesses, bars, restaurants, Legion clubs, Eagles, Elks, all the fraternal, and they rely on that income to help with upkeep, with expenses. So, you know, that's-- I want-- I'd love to see you guys strike that out, and I'd be pretty much for LB1. It's-- here's the problem is one of the proponents is, you know, I have 40 convenience stores, and he goes, I'm, you know, I'm for this, even though his cigarettes are going to go up, and his soft drinks are going to go up, and. But he can pass that on to his consumers, and he's going to take the tax credit for all his convenience stores from property tax, and he's just going to put that right to his bottom line. So he didn't lose anything. So it'd be like a farmer who has, you know, fields of corn and go, well, you know, property tax is going to go down on the corn, but I got to pay 20% tax on my corn. So, yeah, I'm selling, you know, my corn, and I'm getting hit for 20%. But, yeah, I saved a little bit on my, my, my, my

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property tax. I mean, I can go on and on about, you know, I'm surprised that casinos aren't here, to, to at least defend themselves on, on why aren't they paying, or whatever they're doing. When they project a, a number like the casinos, who say, you know, we're going to bring \$100 million to the table, and we're like, OK, now you just got to show us the money. Well, I mean, they're at \$14 million, so they're a little short, and they need us to, and everybody else to kind of prop up what, what they've kind of miscalculated as, as income for property tax relief. And I-- trust me, I, I'm for property tax relief, all right? I'm not fighting you on anything, I'm just finding that if that does go through, we're pretty much done. I mean, there's just not that-- there's, there's not that margin in, in, in the game to to go, all right, we're going to give you this and that and that, and there's, there's nothing left. So with that I'll, I'll answer any questions, but I just wanted to, to speak my piece, so.

LINEHAN: Thank you very much for being here.

TODD CARPENTER: I do appreciate it. Thank you, guys.

LINEHAN: Wait. Are there any questions? No.

SPENCER HEAD: Good afternoon, Chair Linehan, members of the committee. My name is Spencer Head, S-p-e-n-c-e-r H-e-a-d. I'm the president of the Omaha Public Schools Board of Education, here to represent the district today in opposition to LB1. As you know, the Omaha Public Schools is the largest school district in the state, serving over 52,000 students and their families, while simultaneously serving as one of the state's largest employers. We sincerely appreciate the Governor's commitment to lowering property taxes, and we share this goal and take our responsibility to our constituents extremely seriously. However, property taxes is also the most stable and predictable tax source, and importantly, it is a-- it is subject to local control. We communicate annually to our voters about our levy requests, and we hold public hearings before setting our levies. Myself and all of my colleagues on our board are locally elected officials and are responsible to our constituents. Having a property tax as a component of our funding enables us to develop budgets with long range plans based on historically stable basis. The Omaha Public Schools has consistently opposed legislation which shifts the funding of schools to the state and away from our families and our community. The reason for this is simple: TEEOSA constitutes a significant

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portion of the state budget, and the Legislature has historically adjusted TEEOSA funds to keep-- to help balance the budget, which creates uncertainty and risk for school budgets, and the difficulty in long range planning. Proposals like LB1 would shift-- eventually shift 100% of school operations budgets to the state, would inject a significant level of uncertainty into our ability to set a long range budget priorities and meet the unique needs and expectations of our families and community. We respectfully stand opposed to this legislation, which will result in the erosion of local control of education budgets, and an increase in school district, reliance on state aid. In closing, we are good school-- stewards of our resources entrusted to us, and we're judged by our constituents on that standard every election. We respectfully request that you do not advance LB1. With that, I'd take any questions. Thank you.

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

BOSTAR: Thank you, Chair Linehan. Thank you, sir, for being here. Just a really quick question. Would you support a bill that removed all lids and caps from public schools?

SPENCER HEAD: You know, I-- our, our board hasn't talked about that, so I don't, I don't know, I couldn't say one--

BOSTAR: Do you, in your own personal capacity have any thoughts on it?

SPENCER HEAD: Not really. I haven't put much thought into it, Senator, I can say-- you know, I, I'm in my fourth year on the board now, so I have approved three budgets. The budgets I've been part of were 3.6, 2.9 and 2.4% growth, and so right now we're under the 3, roughly 3.5% growth cap with the-- with the growth metrics in there. So all three of the budgets that at least I've been a part of approving have been under that cap that we're currently under under LB243.

BOSTAR: OK. Thank you.

SPENCER HEAD: Thank you.

LINEHAN: Thank you, Senator Bostar. Any other the questions from committee? Seeing none, thank you very much.

SPENCER HEAD: Thank you.

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BRENDA JENSEN: My name is Brenda Jensen, B-r-e-n-d-a J-e-n-s-e-n. I am the city manager for the city of Kearney. Chairwoman Linehan and members of the Revenue Committee, I appreciate your time. Trust me, overseeing a, a city with politics, it's never easy sitting in your chairs, and so I respect the roles that you're in. I just needed to point out a few things from the city of Kearney's perspective, because I think we're a pretty unique community, and things that you might not realize. Just to share a little bit about Kearney, we have the lowest property tax levy in the state of Nebraska. So we're .14887. For a \$200,000 home, the property owner pays \$297 to the city of Kearney. We make up only 8% of their property tax bill. We feel like that's pretty impressive for the high level of service that we're able to provide to our residents and businesses property owners, within the community. We've kept our levy flat since 2007, although we have taken the growth increases and the valuation increases over that time. Because our levy is so low, the windfall amounts that we're able to capture for thi-- just for this fiscal year alone was \$250,000. In the scheme of things, that doesn't do a whole lot. So I'm not going to go into, because I know others have covered the increasing costs, you know, everything that goes into running a business-- running a municipality as a business. I just want to talk about a few of the other things that Kearney does not receive. So we do not receive municipal equalization funding. We are one of five first class cities that does not receive that. It's because our levy is so low. We also do not have a separate airport authority that imposes a property tax levy. We fund that through our general fund, and then we also own a fixed base operator that's an enterprise fund. One of the other things that we do have that's unique is we have a hybrid fire department, so the majority is made up by volunteers. Obviously, we might not be able to maintain that into perpetuity, but, it's working really well for us right now. And then our police department co-locates with Buffalo County sheriff's, which is honestly very impressive for our community. So really, the main point that I want to talk about, other than our increasing costs and the hard cap and how challenging that would be, you can see all the details in my notes, is the fact that one of the other items that's within LB1 that we oppose, is how there would be an increased, tax on the NPPD lease payment that's paid. So we own-- we own the, the electric generation system or, I'm sorry, the electric distribution system within the city of Kearney. We then lease that to NPPD for them to operate. Within that agreement, we receive a 12.5% lease payment that is paid-- it's passed on to the end taxpayer.

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Within LB1, there's a provision in the way that we interpret it, and there's a little bit of mixed understanding, but the way that we interpret it is from that lease payment, we would then have to turn around and pay the state either a 5.5 or a 7% tax rate on that. That would cost the city of Kearney \$575,000 to \$730,000 for this year alone, which would put us in an aspect that's just not maintainable. And so that's one aspect that I'd really like you to consider. There's a lot more I can go into, but my light's red, so.

LINEHAN: Thank you. Thank you, and thanks for bringing the written testimony. Is there any questions from the committee? Seeing none, thank you very much.

BRENDA JENSEN: Thank you.

MELANIE KIRK: Good evening, Senators. My name is Melanie Kirk, M-e-l-a-n-i-e K-i-r-k, and I'm the legal director for the Nebraska Coalition to End Sexual and Domestic Violence. Thank you for the opportunity to speak today on the profound impact that proposed, proposed tax increases on essential services and products could have on domestic violence survivors. It can be easy to overlook the many ways that small financial increases can make a survivor's journey to safety more difficult or impossible. And for that reason, I want to tell you a story about Laura. Laura had always tried to keep the peace at home, but one night a violent argument escalated. Her husband, Tom, attacked her, and then kicked the door open when she tried to lock him out. When he couldn't get back in, he disabled her car in retaliation. Laura called a friend to come get her and stayed with a friend for a couple days. Fearing for her safety. Laura borrowed money to pay the retainer fee, and sought help from an attorney, and obtained a protection order, excluding Tom from their home. After the court hearing, Laura called a repairman to fix the hole in her door and replace the broken locks. The new tax on real property repair and maintenance made this already stressful situation even more financially burdensome. Despite the cost, Laura needed the repair to restore a sense of security in her home. Taking her car to a mechanic revealed that the damage would take several days to repair. Without her car, Laura had to take an Uber to work, now subject to the proposed tax increases on taxi services, which further drained her limited savings. While at work the following day, someone kicked in the door and injured her beloved dog, Max. Laura rushed home, took, took Max to the vet, facing higher costs due to the new tax on pet

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services. The incident left her feeling more vulnerable and unsafe, despite the protection order. She had no way to prove that it was Tom that had entered her home and hurt her dog. Determined to find a safer place, Laura contacted a rental agent to find an apartment with a secured entryway. She eventually found a small studio apartment, but had to rent a storage unit for her belongings. The new tax on storage services added to her financial strain. To move her things out of the house, Laura hired a moving company, facing additional costs due to the new tax on moving services. Each step toward safety will come with an additional financial burden, making her journey even more challenging. Realizing that Tom could still track her movements through the shared phone plan, Laura got a new prepaid, prepaid phone and plan, which is more expensive because of the new telecommunication taxes. Shortly thereafter, collection services started arriving. Tom had maxed out their joint credit cards, plunging Laura into debt. Seeking help from an attorney to discuss her options with an accountant to-- added to her financial burden due to increased taxes on legal and accounting services. Laura's story is one that we hear some variation from every day from the over 11,000 survivors our programs serve every year. Every new tax on these essential services compounds difficulties survivors like Laura's face. Approximately 80% of batterers engage in violent behavior towards other targets, like harming pets and destroying property. 71% of pet owning women and or shelters reported that their abusers had threatened, hurt, or killed their pets. Financial abuse occurs in 99% of domestic violence cases, and financial barriers are a primary reason why up to 60% of survivors return to their abusers. The proposed taxes will only exacerbate the already overwhelming financial burdens that survivors face when trying to escape abusive situations and rebuild their lives. I urge you to consider the real life implications of these tax increases on the most vulnerable members of our community.

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

MELANIE KIRK: Thank you.

CHRISTINE VANDERFORD: Good afternoon, members of the committee, Senator Linehan. My name is Christine Vanderford, C-h-r-i-s-t-i-n-e V-a-n-d-e-r-f-o-r-d. I work for Kure CBD and Vape. We sell high quality liquid e-cigarettes and accessories. We also sell hemp products. We operate 12 stores currently in Nebraska, a total of 70

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store locations in 14 states, and we have grown in our hemp sales year after year for the past five years. We're here to oppose LB1 in its current form as it relates to both proposed wholesale tax increase on vape, vape, which is tobacco products, and also on the sales tax of hemp products that you're proposing at 30%. It's simple. Moving forward here with these tax increases, it forces a regressive tax onto the lower and lower middle income class Nebraskans, it crease-- it increases their burden. They live paycheck to paycheck as it is. And just to get through their day to day lives, they often use our products to cope. 35-- 31.5% of Nebraskans that use vapor products live below the poverty level, and 78.8% earn less than \$35,000 per year. As an example, a 30% retail sales tax on hemp products could equal very much a \$10-\$15 increase per an average product sale to people that really need it the most. The vape store retail channel, as you've heard here today by another testifier, has proven effective in helping adult cigarette users quit smoking and over 75% of smokers attempt to quit smoking each year but are unsuccessful. We are the only alternative to smoking that is currently taxed. Other replacement therapies: nicotine, gum patches, etcetera, pharmaceuticals are not currently taxed. Raising the cost of quitting smoking for an already financially disadvantaged group is bad for public health. Nebraskans are smart people, they will go where they can get a good deal. If these tax increases are passed on these industries, Nebraskans will go to our neighboring states and/or online to make their purchases. 80% of Nebraskans live within a 1-hour drive of one of our borders, and almost everyone now has some type of access to the Internet. None of our border states on either the vapor products or the hemp products have unduly burdensome taxes like this. And so South Dakota, Wyoming, Iowa, Kansas, and Colorado are going to get all this business and profit from our folly. It is Nebraska businesses in this industry who will then suffer the most like us. A reduction in sales will reduce the overall tax collection and then this back-- this plan will backfire long term. At the end of the 2023 legislative session, the bill was, was passed to tax vapor products at a rate of 10%. We started paying those taxes in January of 2024, and we paid \$80,000 on average monthly from these sales. We haven't even seen one year of sales to see what this can do. And we believe that this is overly burdensome to one area without really any long-term effect of what you can see from the impact that these taxes can make as you've already set them to be. I urgently ask the committee to oppose LB1 in its current form and find solutions other than raising taxes on

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lower-income people. Thank you for your time. I'm happy to answer any questions that you have.

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

CHRISTINE VANDERFORD: Thank you.

MANDY RODY: Good afternoon-- evening. My name is Mandy Rody. It's M-a-n-d-y R-o-d-y. I don't know if any of you remember me or not, but I was here in February, and at the time I was currently fighting Stage 4 cancer. That night, I had to go home and shave my head because my hair was coming out in clumps. So I'm sporting a really cool wig right now, you all. OK? I was a consistent user of hemp products. I still am, and I used the gummies and the disposable vapes. Those products did help me with constant pain that the lymphoma caused my body, and it also helped me eat. I was prescribed a lot of medications, which included opioids. The pain management was what the opioids were given to me for. I explained how the hemp and THC products helped me better than opioids did, and they still do. Thankfully, by the power of God, I am in remission as of April. I did conquer cancer. However, the pain from chemotherapy and the effects of lymphoma are still lingering. Just because one goes into remission, it doesn't mean the body is perfect and ready to act as it did before it got cancer. I still have issues walking long distances and sitting and standing up is not as easy as it used to be. My legs are still in constant pain, but because I use hemp products, I'm able to manage that pain. And unless any of you can prove me wrong with your cancer stories, how dare you, any of you take what I say as a joke or minimize it to mean nothing. If you do so, that would mean you do not care about the citizens in our great state of Nebraska that are going through the same thing that I am. You are all aware of the opioid crisis our nation is going through, and if you support opioid-- opioids over natural relief, then you are part of the problem and you do not take this crisis as serious as you say you do. Using a plant-based product to help with pain management and not have addictive quality as the opioids should be something you are all behind. Raising the taxes on these products is more harming than you think. I, for one, would go over to state lines and purchase those products from other states such as Colorado or Missouri, and I do, I go-- I go there now to get the stuff that isn't legal here because you guys won't pass a bill for recreational marijuana. So my money is going over there with a lot of other people's. You're actually willing

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to lose more money by doing this. More people are going to go across state lines, just like you did with the casinos. You guys are losing revenue and not helping people like me. If you really did do your research, you would understand that one cannot overdose on hemp, you can on opioids. You would understand how much better one's body is with natural components of hemp, instead of all the side effects you can get by opioids and other medicines. With that, how are you going to-- with how you are going about this, it shows you are more than willing to do anything to keep the opioid epidemic going and get as many people as possible addicted to these drugs. They are drugs. Hemp is a plant. The sooner you realize those facts, the sooner we can all agree that these hearings are unnecessary and a waste of our tax dollars. What you should be doing is fighting to get hemp products legalized and available for sale in Nebraska as recreational without a significant tax to burden the working class. This will not only help people like me and other cancer patients and survivors, but you will get more revenue in our state. That's all the time I have, if you have any questions, I'm here.

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

MANDY RODY: Thank you.

PAM WIESE BUNDY: Good evening, Senator Linehan and members of the Revenue Committee. My name is Pam Wiese Bundy, P-a-m W-i-e-s-e B-u-n-d-y, and I am the president and CEO of the Nebraska Humane Society in Omaha. We offer shelter to animals from Omaha and the surrounding communities who have no place to go. Every year, more than 18,000 animals find their way to our doors. NHS is opposed to LB1's intent to impose taxes on pet services, specifically veterinary healthcare. Like shelters and rescues across the country, NHS has been at capacity for the past 2-plus years. On average, we care for 551 animals each day. We're so tight on space that after helping strays, we can only accept surrendered pets whose owners are facing an emergency. In these tight economic times, we've seen more and more people relinquishing animals to our shelter because the pet has a medical issue that they did not anticipate and can't afford. Our goal is to keep pets in homes. We provide services to that end, like a pet food pantry, sanctuary for pets of domestic violence. We also have a limited medical fund that provides-- helps with one-time medical treatments. Last year, the Forever Home Fund helped end pain, treat

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illness, and save the lives of 55 pets by partnering with their owners to help fund surgeries and treatments that were out of their economic reach. But there are more requests than our fund can cover. More animals are being relinquished. We feel LB would-- excuse me-- LB1 would put additional pressures on animal owners that are already struggling to pay these bills. Now, if pet owners forgo care, we worry about the health of the pets. Going forward, we know more and more will show up in our already overstretched shelters. But there's an even greater impact to the owner who has to give up a living, breathing member of the family. Pets lower stress levels, provide socialization for owners who are isolated. Give us a sense of worth as we give care. They improve our mental health. So to nurture a pet for years and then be faced with the-- faced with the inability to offer care, to have to give up on that bond, pretty devastating. Pet owners currently have few resources for help with healthcare so we would hope that we wouldn't add to it by taxing veterinary services and emergency care for these guys who really, truly are our family members. Thank you.

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

PAM WIESE BUNDY: Thank you.

STEVEN ELONICH: Hello, Revenue Committee. My name is Steven Elonich, S-t-e-v-e-n E-l-o-n-i-c-h, and I'm the VP of marketing at the Nebraska Humane Society. Kind of wrote this in two parts. The first part is for me personally, the owner of three dogs who, who I love more than I can articulate today. The second part is for me, the animal shelter representative who is advocating for pet owners across the state in regards to the taxation of pet healthcare. First part, my wife and I own a home in Omaha. I'm proud to live in Omaha. I do not and have not ever had any intention of leaving. I am college educated, have a job I love, have loved ones sprinkled across the state, and I'm relatively active in the community. I'm happy here. All that said, if I were ever to be forced to choose between my dogs or my home, I would not hesitate to never step foot into Nebraska again. I'm not alone in this. There are roughly 130,000 licensed pet owners in our jurisdiction that is just licensed pet owners, that is just one jurisdiction. About two-thirds of people, ballpark, are pet owners. So this is not a small population. Many, perhaps most, consider pets to be family members. I certainly do. On the shelter side of things,

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through June of 2024, half the year, NHS took in 1,100 emergency surrendered pets. That's after we provide external resources, that's after we provide behavior support, after we go through every option an individual has, that does not include strays, of which there have been a combined 4,102 cats and dogs through June 2024, 72% of those animals were not claimed. All sorts of reasons are cited for giving up a pet. However, finances are a reoccurring and significant portion, mostly rent, pet food, and pet care. All which are costs that could be increased if LBI were to pass. Oddly enough, nobody mentions property taxes when giving up their pet. Shelters and rescues across the state are pushing our ability to help our communities to the brink. We desperately want to help pet owners. We desperately want to help pets. Adding extra cost to pet care will only further this issue. I don't know if any of you are pet owners. Either way, I want you to try really hard to empathize with this scenario. We see it more than we ever want to. It's 4 a.m., you wake up to your pet wailing and pain in the other room. You rush in to see if they badly hurt their leg. You hurry to the emergency vet, which is your only option at the time. The vet tells you it's going to cost thousands of dollars for care, dollars you don't have now, and dollars you won't have anytime soon. Your beloved pet is crying in pain. Your kids are crying. You and your spouse are crying. Because you cannot afford care, you and your family are forced to say goodbye to your beloved pet forever. Later that day, you open your-- you find out that your landlord's property taxes have finally been lowered. Would you call that a good day? I'll close with this. There's anecdotal evidence to say that people are leaving Nebraska because of property taxes. That may or may not be true. It's not my position to say so, but I can promise this, you will have plenty of real evidence of people leaving Nebraska if you start making them choose between the state and their pets. Thank you for your time. If you have any questions or want to adopt a dog, I'm here.

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

REBECCA FIRESTONE: Good afternoon, Chairwoman Linehan, members of the Revenue Committee. I'm Rebecca Firestone, R-e-b-e-c-c-a F-i-r-e-s-t-o-n-e. I'm executive director of OpenSky Policy Institute. I'm going to skip the portion of my testimony about how this tax shift shifts us further to a more unreliable and inequitable source of revenue for what the Governor is trying to do, which is a commendably bold approach to property tax relief. I'm just going to focus on some

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modeling that we wanted to share with you from the Institute on Taxation and Economic Policy, which shows that any savings that Nebraskans receive from this bill's property tax reduction efforts will be outweighed by the higher costs of goods and services from these sales taxes. LB1 will result in a net increase in the percent of income paid in taxes for Nebraskans who earn less than \$140,000 a year. In other words, 80% of Nebraskans will pay more in taxes overall than they would without this bill. Only the top 20% of earners in Nebraska, by our modeling, would see a reduction in their overall tax bills. Even then, they would only save about 0.04% of their income per year. We also have concerns about the scope of the so-called "sin taxes" in the bill, and the potential for that to be a long-term, unreliable source of, of revenue for what the Governor's plan is seeking to achieve. As such, I'll wrap up my testimony now, but I'm happy to answer any questions. Thank you very much.

LINEHAN: Are there any questions from the committee? Senator Bostar.

BOSTAR: Thanks, Chair Linehan. Thank you for being here.

REBECCA FIRESTONE: Um-hum.

BOSTAR: I'm just trying to kind of understand some of this.

REBECCA FIRESTONE: Sure.

BOSTAR: One thing that I, I-- and really what I'm asking is because it's, it's surprising if I'm reading it the way I am, under effective LB1's tax shift percent change, the lowest 20% income group would see the largest reduction in property taxes. Is that--

REBECCA FIRESTONE: By our modeling that-- yes, they see there are--

BOSTAR: As a percent change.

REBECCA FIRESTONE: As a percent change. But it's outweighed by the percent increase in sales and, and--

BOSTAR: No, I see that too.

REBECCA FIRESTONE: Yeah.

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BOSTAR: I'm not-- I, I just-- some of this is, is surprising. Some of it's not surprising. So I, I just wanted to verify that I was reading it the right way.

REBECCA FIRESTONE: Yeah.

BOSTAR: Thank you very much.

REBECCA FIRESTONE: Um-hum.

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

von GILLERN: Thank you. Again, just questions about the chart. When you-- when you modeled and you don't have dollar impacts shown here. It's all percentages.

REBECCA FIRESTONE: Correct.

von GILLERN: But if you calculate the dollar impact and you deduct out the items in a budget that are already tax exempt, your rent, your, your insurance, your car payment, your medical insurance, all those kinds of things, groceries, particularly in lower-income individuals, you're down to a pretty small amount that is actually taxed at all, let alone subject to any of the new-- or the items that are currently exempt that would be added in. Did you factor that into, into this discussion?

REBECCA FIRESTONE: We took everything within the existing tax base, both income sales, and property tax in order to come up with an estimate of the total tax burden. And that is how we got to this modeling about what the effect is on a percent change on sales and excise taxes as well as on, on property taxes. So we are factoring everything that goes into the sales tax base in terms of understanding what the percent increase would be for everyone across the income distribution, as well as the effect on property taxes. So, yes, everything that is already exempted and would be included into the base that is factored in. And what we're looking at is this is a percent-- this is the sort of end-of-the-day impact as a percent of your overall household incomes. So--

von GILLERN: All right. We're going to have to take some time to consume this, so. Thank you.

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REBECCA FIRESTONE: Sure. Happy, happy to have further conversations and visit with you more, Senator von Gillern.

LINEHAN: Thank you, Senator von Gillern. Other questions? If somebody is making less than \$30,000 in this modeling here, what did you think they paid for rent or mortgage?

REBECCA FIRESTONE: There's a variety of ways. I don't want to speak to what an actual average there is, Senator, because I think it probably depends on where they are in the state. We are just trying to do the math about putting everybody on the same level of income distribution.

LINEHAN: Oh, we're just trying to help.

REBECCA FIRESTONE: Um-hum.

LINEHAN: So it's a pretty simple question.

REBECCA FIRESTONE: OK.

LINEHAN: I earn \$30,000 a year or less than. I got to live somewhere, right?

REBECCA FIRESTONE: Um-hum.

LINEHAN: So what did you use for the average rent or mortgage payment?

REBECCA FIRESTONE: We are taking household incomes. So this is what people are earning and we're looking at what's the share that they're paying in tax. So we're not going--

LINEHAN: You can't do that unless you know what they don't pay in taxes.

REBECCA FIRESTONE: No we're taking-- Senator, when we do this modeling, we take data from tax returns that get filed at the Department of Revenue and the IRS.

LINEHAN: Wouldn't you have to know what their spendable money after rent and food was to know what they would pay in sales taxes?

REBECCA FIRESTONE: We're looking at this as a share of household income as it's reported on tax filings with the Department of Revenue and the IRS. And then putting everybody on the income distribution and

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saying, what's the percent of your household income based on what's reported on your tax returns and, and then working out what is being paid in tax. And we do that for all tax types.

LINEHAN: So I just worry-- I'm just focused on the lowest 20% here. Can you tell me, out of people that make \$30,000 or less, what you-- your chart says they pay-- what's left over that they're paying? How much do they have that they pay sales tax? I mean, that's-- you have to have figured that out. Like--

REBECCA FIRESTONE: So we're not--

LINEHAN: Do they have \$10,000, \$15,000 after rent and food and medicine?

REBECCA FIRESTONE: What we can say from this modeling is that the lowest 20% of Nebraskans are households that are making less than \$30,000 a year. And our modeling-- overall, this is based on the who pays model. And we find that-- I want to say that before this bill-- oh, yeah, it's actually-- it's right here-- before this bill, the lowest 20% of Nebraskans are paying 11.24% of their household incomes on sales taxes. And then we're looking at how that shifted, and we can see that LB1 increases the percent of their household income and what they're paying in sales and excise taxes by 1.43%, there's a reduction because of the property tax. And so that's what this-- that shows what the total tax shift is.

LINEHAN: OK, I, I know and I'm breaking lots of my own rules here. For, for me, and I don't know about the rest of the Revenue Committee, I need to see the actual example. Not we took a whole bunch of numbers from here, whole bunch of numbers from here, and this is what we found out. Because Senator von Gillern has worked through all kinds of examples of people and income levels, and it doesn't turn out like this at all. So there's some disconnect.

REBECCA FIRESTONE: I'm happy to walk through the methodology of this modeling with you at any point in time.

LINEHAN: Not methodology, real life examples.

REBECCA FIRESTONE: Sure. We wanted to provide you with this modeling because we also are happy to provide some more examples, but then it depends on how you pick them. And we wanted to make sure that we

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were-- that we were starting out this conversation by providing an overall perspective of what the impact would be in the overall revenue system. I'm happy to provide some specific examples to everyone on the Revenue Committee to suggest if you are a low-income worker in Douglas County, what would this look like for you. If you're a low-income worker in Buffalo County or Hall County, what could this look like for you? Because, obviously, the property tax levies are going to be very different depending on where you are in the state.

LINEHAN: Right. And sales tax.

REBECCA FIRESTONE: Yep.

LINEHAN: OK. That would be very helpful. Any other questions?

DUNGAN: I have one.

LINEHAN: Yes.

DUNGAN: Thank you, Chair Linehan. If I could just zoom out a little bit--

REBECCA FIRESTONE: Sure.

DUNGAN: --here. I know we're going to-- this is a very, like, helpful but also complicated chart. I'm going to need some time to look at this as well. I think the disconnect that we're talking about here is, is there's one conversation about what is the overall net savings that somebody may or may not have, like money at the end of the day, from current tax plan versus if LB1 was initiated. And I know there's been disagreements about whether or not there will be savings or not, but that's, I think, one conversation. The other is the impact on different income brackets, I guess, in terms of regressivity. So it, it seemed like to me the point of your chart here is to imply, right, based on these numbers, that the bottom 20% of income earners are going to see the biggest increase in sort of the taxing as a percentage of their income. This doesn't do anything to analyze the total net actual take home money or anything like that.

REBECCA FIRESTONE: That's correct.

DUNGAN: This is just the percentage of an-- so the, the takeaway from this chart as I read it, if I'm correct and you can correct me if I'm

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wrong, is talking about the regressivity of the potential impact of LB1 being implemented. Is that kind of what it's getting at?

REBECCA FIRESTONE: Yes, that's correct. So this proposal is a tax shift in an effort to seek to deliver property tax relief on the scale that has been proposed by the Governor. There is a need for a revenue source in order to pay for it, and that revenue source is coming from sales and excise taxes. So we are trying to model what the net effect of that tax shift is, looking at the increase in sales and excise taxes and the intention and the cuts in property taxes to try to what this-- try to look at what this means for the overall distribution of who pays taxes and whether or not this overall plan shifts Nebraska's revenue system to be more or less progressive.

DUNGAN: OK. And I do think getting the additional information would be helpful, but I do appreciate as it just-- it's going to take some time to digest. Thank you.

REBECCA FIRESTONE: Um-hum.

LINEHAN: Thank you, Senator Dungan. Senator Meyer.

MEYER: I guess it's how do you read a sheet like this because in my mind there's statistically no difference. So for you to tell me that 0.27% shift, that's statistically zero.

REBECCA FIRESTONE: Senator, we haven't actually run any statistical tests, so there's no measure of p-values or confidence intervals here. So-- and I'm sorry, having-- with a background in statistics, I'm, I'm just going to go there to basically say that there's no actual statistical tests that are being done here.

MEYER: At the end of the day, you kind of use common sense looking at this. It doesn't-- like somebody said earlier, it's not rocket science. There's no difference.

REBECCA FIRESTONE: We are trying to put everybody on a level playing field and try to understand across all of the income quintiles in the state, what is the net effect going to be?

MEYER: Well, I guess when you do things like this, just be honest because there's no-- there's no difference as I look at the figures here.

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REBECCA FIRESTONE: I mean, I would suggest that you talk to folks across the income distribution and try to figure out if a 0.27% increase in your overall tax burden is how meaningful that is to someone in a lower quintile, and how meaningful is it for someone in the middle 20% who's making, you know, between \$52,000 a year to \$89,000 a year, what a 0.04% increase in their tax burden is going to be too.

MEYER: Fair enough.

LINEHAN: 0.04, not 4%, right? Am I reading this right?

REBECCA FIRESTONE: I'm reading the chart. Um-hum.

LINEHAN: OK. So it's-- I think what Senator Meyer was saying, it's, it's all less than a half of a percent. Yes. OK. Well, I got something out of it. Thank you. Any other questions from the committee? Seeing none, thank you very much.

REBECCA FIRESTONE: Thank you.

LINEHAN: Hi.

NATHAN BRTEK: Thank you, Senator Linehan and all of the Revenue Committee here. My name is Nathan Brtek, N-a-t-h-a-n B-r-t-e-k, and my family owns and operates Lou's Thrifty Way in Norfolk. I'm here on behalf of the Nebraska Grocery Industry Association, testifying in opposition of LB1. Our independent grocery store competes in a community with four large national stores and several other dollar stores. Lou's sets ourselves apart by focusing on our fresh produce, our meat department, and our customer service. Grocery stores operate on a razor thin margin. And it's a highly competitive environment. Small rural stores, especially, are very sensitive to broad price increases and increased compliance costs with the-- with the tax changes. Northeast Nebraska alone has lost four stores in Pierce, Battle Creek, Wakefield, and Coleridge this month. Norfolk alone has lost five independent grocery stores since 2000. With the buying power of our AWG division down the street from us, headquartered right in Norfolk, and without increases in taxes and mandates, independent small businesses like ours can compete with even the largest multinational retailers. I can tell you from a firsthand experience that over the last 3 years, shoppers are shopping around more than

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they used to. They're visiting every store, and they're watching every penny. My customers know when pennies or when price changes down to the, the penny or two. They're certainly going to notice when products jump across the board. Any small independent store can absorb-- any small independent store cannot absorb these tax hikes without consequences to either our business model or to the consumer. We have operated in our community for more than 52 years. My family and our employees, as well as the employees of our warehouse, live in northeast Nebraska. We all strive to support our locally owned businesses as they are our friends and neighbors of the community. In order to continue to support these businesses, such as ours and others, we need to remain competitive with the large corporate stores. I'm asking you to please reconsider the increase in wholesale and resale or-- and retail taxes for the sake of family-owned stores and those like ours across the state. Thank you so much.

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

NATHAN BRTEK: Thank you.

BRENT LINDNER: Good evening, Senator Linehan and everyone on the committee. It looks like we're in for a, a nice shift. I did 14 hours yesterday, so I worked a little over a half day. So I hope you get a break soon. My name is Brent Lindner, L-i-n-d-n-e-r, B-r-e-n-t. I represent my own restaurants in Grand Island, Nebraska, the Ohana Hospitality Group, which we own and operate four places since 1996. And I'm also a, a proud member of the Nebraska Hospitality Association, which represents 651 restaurants, lounges, and hotels throughout the great state of Nebraska, of which I'm president of the board. And I just want to speak on one thing specifically was the liquor excise tax, which has been talked just a little bit about. Most of us in the-- in the-- in the restaurant business have an alcohol component to it, as well as a lot of our hotels that independently have complimentary happy hours and things like that. And just the, the stance of our hospitality association, as we just see that again getting passed on to our consumers. And I would say just personally, from our standpoint, my restaurants and stuff and talking to my peer group, we've raised 5-- prices 5 times in the last 2 years. And it's just-- it's, it's a, a "S-show," for lack of a better word. So our group and the Nebraska Hospitality Association are vehemently opposed to that part of it and a couple of other ones. But we would look-- ask

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that you look deeper and I, I think there's better places to look at, I guess. And that was an excessive we thought, almost a 300-- 287% increase, I believe, so. That is all. I would entertain any questions if there are any.

LINEHAN: Thank you. Are there any questions?

BRENT LINDNER: All right. Godspeed.

LINEHAN: Well, no, short answer, 5 times you've raised your prices in 2 years?

BRENT LINDNER: Yeah, that's correct.

LINEHAN: Is that because of cost of employees, food, everything?

BRENT LINDNER: Staffing, inflation.

LINEHAN: Food, all of it?

BRENT LINDNER: Yep.

LINEHAN: OK.

BRENT LINDNER: It's across the board.

LINEHAN: All right. Thank you.

BRENT LINDNER: Which we're all seeing in every industry.

LARRY HENNING: Chairman, committee members, thank you for your time. I'm Larry Henning, L-a-r-r-y H-e-n-n-i-n-g, doctor of veterinary medicine, 37-year owner of Gretna Animal Clinic in Gretna, Nebraska. I'm here this evening representing the Nebraska Veterinary Medical Association. Veterinarians are essential care professionals who provide services that safeguard public health. Imposing sales tax on veterinary services restricts access to care and impacts public health of both animals and humans. Veterinary care is essential to protecting the public from zoonotic diseases such as rabies and flea, tick-- flea and tick borne diseases. Just 2 weeks ago, we diagnosed a family cat that died with tularemia. It's a reportable disease, and we had to follow that up with the Center of Disease Control and the State Veterinary's Office and monitoring that case. So we're highly involved

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with the families. Does Nebraska really want to tax the healthcare of our pets? There are only 4 states currently taxing veterinary services. Such taxes are progressive and disproportionately impact low-income residents. If veterinary services are taxed, people may view veterinary care as discretionary and the health of animals will suffer. I have so many elderly clients, most of them have lost a spouse, that animal is their only companion. An American Veterinary Medical Association survey demonstrates that affordability is a primary consideration of pet owners and seeing a veterinarian. Nearly one-third of dog owners did not visit a veterinary clinic last year, citing their inability to pay as a reason. Adding 5.5 to 7% to the cost of veterinary care will only weaken the delivery of much needed medical services. Unlike human healthcare, veterinary services are not widely covered by insurance, but are almost exclusively paid for out of pocket. Drug costs have increased, and once these costs become too much to bear, this leads to increased pet abandonment, which burdens our animal shelters. Taxing spay and neuter surgeries decreases access necessary to address Nebraska's pet overpopulation problem, resulting in further overcrowding in shelters, more feral dogs and cats which can contract and transmit disease to humans. I thank you for your time.

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

LARRY HENNING: You bet.

SETH VOYLES: All right. Good evening, Chair Linehan and members of the committee. My name is Seth Voyles, S-e-t-h V-o-y-l-e-s. I'm a registered lobbyist for the Omaha Public Power District, and I am testifying in opposition of LB1 on behalf of OPPD. We serve approximately 186,000 within the 13 counties in our service area. And I thank you for the opportunity to testify to the committee. As proposed, OPPD does not receive any property tax relief in LB1, only additional costs. LB1 will raise the price of the essential service electricity for all customers and Nebraska citizens no matter of their property owner-- ownership status, the home rate for our customers is 57.9%. All of this during a, a period already marked by cost increases and rate pressures. OPPD estimates that LB1 could cost OPPD customers 25-- 25% are-- which are considered low income, an additional \$30-\$45 million per year. And that's our preliminary analysis that we looked at from our finance department. Our customers, your constituents, will

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pay the new or additional taxes imposed by the bill just to use the same amount of electricity they use today. As a not-for-profit public utility, all costs to OPPD have to be passed on or collected from our customers. OPPD does pay a significant amount of state taxes currently, though. OPPD pays payments in lieu of taxes per the Nebraska Constitution instead of property taxes. And that is 5% of our annual gross revenues from the previous years, retail electricity sales and incorporated cities and towns when they take the place of property taxes. OPPD paid 4-- almost 40-- \$42.5 million in payments in lieu of taxes in 2023. Also, OPPD collected and paid an additional \$80.5 million in state sales and use taxes for a grand total of 100-- just shy of \$123 million in 2023. So public utility-- so public power districts and utilities, we do pay taxes. Under LB1, we, from our estimate, we feel this will increase. OPPD has the privilege and responsibility of serving all those in our service area. For those most vulnerable and in need, LB1 as proposed will make their essential service electricity and, consequently, their daily lives less affordable. As our world becomes increasingly digital and electrified, affordable energy for all becomes even more critical. And with that, I will try to answer any questions you may have. Put my glasses on so I can see you guys.

LINEHAN: Thank you very much. Are there any questions from the committee? Could you provide the committee the, the map on what you just said?

SETH VOYLES: Yep. I'll get it from my guys, they are--

LINEHAN: OK.

SETH VOYLES: --able to do those kind of things too. I can also give you the taxes that we pay because I know before when Rick Nelson testified, I think some people think we don't pay any tax. We pay--

LINEHAN: There is that.

SETH VOYLES: --a significant amount of state.

LINEHAN: But, but--

SETH VOYLES: Yeah.

LINEHAN: --whatever numbers are good for the Revenue Committee.

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SETH VOYLES: Yep.

LINEHAN: Yes.

SETH VOYLES: I'll get them from my guys.

LINEHAN: Thank you.

SETH VOYLES: Thank you.

KRISTIN FREI: Good afternoon, ladies and gentlemen of this committee. My name is Kristin Frei, K-r-i-s-t-i-n F-r-e-i, and I live in Papillion, Nebraska. I oversee my company's operations in this state. We are a nationwide, private, family-owned corporation with long-standing commitment to community support. We've been a key player in this industry here in Nebraska for decades. In this state, we employ 140 associates and generate over \$110 million in annual sales, with 32% of that coming from spirits. So, yes, another alcohol person in front of you. However, it's from the wholesale side. So we have a large warehouse and trucks, and we supply alcoholic beverages to nearly 2,500 retail and on-premise customers in the state. I'm here today to express the strong opposition to LB1. As you know, the bill proposes a very strong increase, and it's to the tune of almost \$35 per 9-liter case. So it-- Nebraska would become the second highest spirit tax of all licensed states. I want to also consider the economic impact, retailers and restaurants would inevitably raise prices to cover those increased taxes, leading to higher consumer costs. The retail impact is significant. It's to the tune of \$3.50 to \$7 per bottle. Such a price spike will likely deter buyers, resulting in a reduction in sales. And since retailers and restaurants are already struggling, they would face reduced profit margins and potentially devastating losses, including job losses. So layoffs, ripple effects throughout the supply chain from distributors to the retail and restaurant workers. Furthermore, Nebraska could face a competitive disadvantage. Currently, prices across states are pretty similar. If the tax increase passes, then Nebraska would have significantly higher prices. Consumers would travel across state lines to buy distilled spirits, leading to lost sales in Nebraska. Additionally, alternative marketplaces could pop-up like illegal direct to consumer, which would take-- and sorry-- the cross border competition would drain millions of dollars from our local economy. And that's money that otherwise our businesses and workforce could

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support. So enforcement burden would also be increased. Another factor to consider is that the higher taxes might drive consumers toward cheaper or illegal alcohol, which would increase health risks and healthcare costs. So the assumption that the tax rate would significantly boost state revenue could be flawed. The demand for distilled spirits is elastic. Substantial price increases can lead to significant drops in sales. So the reduction could offset the anticipated increase in tax revenue, potentially leading to a net decrease. The state could collect less revenue than expected while causing significant harm to local businesses and workers. In conclusion, I know that it aims to provide property tax relief, but it unfairly shifts the burden to consumers who purchase distilled spirits. We should not pass legislation that would help neighboring states and hurt Nebraska.

LINEHAN: Thank you. Any questions? Senator Bostar.

BOSTAR: Thank you, Chair Linehan. Thank you, ma'am. Do you have any data out of Washington, I believe is the state that is--

KRISTIN FREI: What is the highest?

BOSTAR: --currently the highest and would still be under this that sort of shows some of the things that you're, I think, warning us about happening?

KRISTIN FREI: Right. No, but I, I would be happy to try to source it and provide it to you.

BOSTAR: I'd appreciate it. Thank you very much.

KRISTIN FREI: Yes.

LINEHAN: Thank you, Senator Bostar. Other questions from the committee? Thank you very much for being here.

KRISTIN FREI: Thank you very much for being here all day long. Incredible.

LINEHAN: Just because we have 3 hearings behind us, how many more are going to testify on this bill? There is a diminishing returns, guys.

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CHELSEA CRUCITTI: Chair, members of the committee, I will be about a minute and a half. My name is Chelsea Crucitti, C-h-e-l-s-e-a C-r-u-c-i-t-t-i. I'm with the Wine and Spirit Wholesalers of America, whose members employ hundreds of Nebraskans. And we, respectfully, offer this testimony in opposition. As you know, it will increase excise tax on distilled spirits by a massive 287%. Right? So that's \$3.50 to \$7 per bottle increase. We feel that it unfairly targets those who prefer distilled spirits that does not raise taxes on beer and wine. The harshness we see is, it is going to impact the state's hospitality industry. Our estimates see a loss of 3,000 jobs forgoing \$141 million in wages. You've heard a number of times today that these tax increases will force Nebraskans to go across the border. But also, they will force Nebraskans to look online. Nebraska is one of the very few states, I think it's 5 states in D.C. that allow distilled spirits to be shipped directly to consumers' doorsteps. WSWA fervently advocates against DTC because of the public health and safety concerns when you go outside of a state's 3-tier system. If there is an increase in DTC, we see an increase in underage access, illicit, illicit products someone can find online. And I can tell you that the challenges for enforcement agents to go after online entities, they're out of state, they're hidden behind paywall or websites, they're outside of agents' jurisdictions, will also cost the state millions in agent labor. In total, our analysis on the impact of the hospitality industry shows the state's economy could contract by nearly \$439 million. Thank you for your time.

LINEHAN: Thank you. Are there questions from the committee? Can you get us in writing what you said about the paywalls and outside-- what they can buy online? Did you say we're 1 of only 5 states?

CHELSEA CRUCITTI: Five states and D.C. are the only-- yes, you are 1 of 5 that allow the shipment of DTC spirits.

LINEHAN: OK. Can you get that faxed to us, please?

CHELSEA CRUCITTI: Sure will. Thank you.

LINEHAN: Thank you.

CHELSEA CRUCITTI: Thank you.

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TIM ROYERS: Good evening, members of the Revenue Committee. For the record, my name is Tim, T-i-m, Royers, R-o-y-e-r-s. I'm the incoming president of the Nebraska State Education Association and I'm speaking on behalf of educators across the state in opposition to LB1. Several years ago, I was working with a struggling student in my AP world history class. She was putting in tons of time and effort but, despite that, her grade was getting worse, not better. And I sat down with her and had many lengthy conversations, you know, about study habits, note-taking, all of those things. And what I had to get the student to realize was the problem wasn't the effort, it was-- she was approaching learning the wrong way. She felt she was in a state of crisis, but the reality was that her grade was a crisis of her own making. She was panicking about grades, which led her to stay up all night and try and cram every detail which, of course, she didn't retain. So then she'd not do well on the quiz and then panic some more and dig yourself even deeper. And it was only after we worked before and after school to, you know, redo how she approached note-taking, learning collaboratively, all of those things, did she start to improve. And she did improve, by the way, she finished with a great grade and she actually got college credit on the national exam. I think about that student a lot as a metaphor for where we are today. The Governor claims we're facing extraordinary circumstances that merit a special session. If that's true, it's only true because of the behavior of the Governor and this body. Our crisis isn't about property taxes. Our crisis is about poor policymaking. For example, the Legislature passed LB1107, but did so in such a way that a significant percentage of Nebraskans couldn't even access the property tax relief. Then the Education Future Fund was passed, purportedly to again address the same issue, but did so without fully grasping how that would interact with TEEOSA. And just 1 year after passage, some districts across the state saw an immediate reversal and lost tens of millions of dollars in state funding, forcing them to once again turn to their levies. It should be noted that despite plentiful rhetoric about our schools this summer, there's actually not much in this bill that directly impacts the schools. And I think that's telling. I think it's telling that this plan would permit political subdivisions to get an expanded cap of 6% to deal with understaffed first-responder departments, but you do not want to extend that same piece to educators, despite the fact that there are more than 1,200 vacant teaching positions reported across the state. It's also telling that the core components of the Governor's plan to deal with schools are

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nowhere to be found in any of the introduced bills, but there are some very empty bills out there: Senator Kauth's LB37 and LB38, Senator Murman's LB42 and LB43 that appear right to have critical components amended into them and brought to the floor. That AP world student years ago realized she could succeed if she took a step back and changed her approach. The Legislature should do the same. Rather than doubling down on the ideas contained in LB388, this body should pause and rethink why that failed on the last day of the session in the first place. This is no doubt an important topic, but there is a right way to solve it. LB1 and the accompanying portions of the plan are not the right way. Thank you.

LINEHAN: Thank you. Does the committee-- anybody on the committee have any questions?

ALBRECHT: Comments. No questions.

LINEHAN: We're not doing comments. OK.

ALBRECHT: I just, just--

LINEHAN: Thank you for being here.

TIM ROYERS: Um-hum.

LINEHAN: Hi.

ROMA AMUNDSON: Good afternoon, Senator Linehan and members of the Revenue Committee. My name is Roma Amundson, spelled R-o-m-a A-m-u-n-d-s-o-n. I am appearing before the committee in my capacity as a member of the Lancaster County Board of County Commissioners. I am here to testify on behalf of the County Board in opposition to LB1. The Lancaster County Board is committed to providing sustainable local governmental services to our constituents. Like the Legislature and this committee, the Lancaster County Board fully recognizes that sustainability requires property tax relief. Last year, in the face of daunting budgetary challenges, including unprecedented inflationary pressure and increased service demands from our growing community, the County Board nonetheless reduced the tax levy by 3.8467 cents, representing a 4% increase in property tax and ensuring that Lancaster County's property taxes remained below the thresholds in LB644, while also responsibly protecting the health and the safety of our constituents. And this year's proposed budget shows that, once again,

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Lancaster County's property taxes will responsibly remain below LB644 thresholds. LB, in its current form, ignores the very real fact of the vibrant growth taking place in our thriving county. Alongside a steady and enviable increase in residents and businesses in Lancaster County, the demand for core governmental services like first responders, public health and safety, and roads and bridges also continues to increase. Lancaster County commends Senator Linehan for incorporating a CPI factor into LB1. Unfortunately, CPI is only half the equation. Incorporating the concept of allowable growth from LB644 would recognize the fact that a growing community wants and deserves a proportional increase in governmental services that make Lancaster County an attractive place to raise a family and to run a business. Without allowances for the actual growth that is happening in Lancaster County and without meaningful exceptions for our critical public safety services, LB1's current cap structure will cripple Lancaster County's ability responsibly to meet the needs of our constituents, no matter what increased services may be needed to keep our citizens healthy and safe. Lancaster County recognizes the need for prudent governmental spending and Lancaster County Board is committed to working with the Legislature and this committee on identifying solutions to resolve the property tax challenges facing the state of Nebraska. However, we must voice our opposition to LB1 in its current form due to the-- due to its potential to damage the future growth of Lancaster County and our state as a whole.

LINEHAN: Your light's on.

ROMA AMUNDSON: Thank you for the opportunity to testify and for your service to our great state. I would be happy to answer any questions.

LINEHAN: Thank you. LB644 is the postcard, right?

ROMA AMUNDSON: Yes, it's the pink postcard.

LINEHAN: There, there is a growth factor in that.

ROMA AMUNDSON: Yes. And we are below the 2% threshold.

LINEHAN: No, no, but if-- maybe I'm not understanding you right. You're saying that you would like it to include a growth factor for growing communities. It--

ROMA AMUNDSON: Yes.

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LINEHAN: --it does.

ROMA AMUNDSON: Yes.

LINEHAN: OK.

ROMA AMUNDSON: But we don't want that cap. Yes.

LINEHAN: OK. All right. Any other questions? I'm sorry, I was just trying to clarify something. Thank you very much.

TOM HAMERNIK: Good evening,--

LINEHAN: Good evening.

TOM HAMERNIK: --Chairperson Linehan and the rest of the Revenue Committee. My name is Tom Hamernik, T-o-m H-a-m-e-r-n-i-k, here today as a member of the Clarkson Volunteer Fire and Rescue Departments, and on behalf of the Nebraska State Volunteer Firemen's Association, in which I serve as the legislative committee Chairperson. We are in opposition to LB1. I am a small business owner, a past school board member, and as both an assistant and a fire chief I have worked with my rural fire district and city council for over 25 years on our budget. Our groups are opposed to LB1 because it's going to have a disastrous effect on our funding for fire and rescue services across Nebraska. Yesterday, I spoke with a manager of a Nebraska fire and rescue equipment company, who also serves as his community's fire chief. He stated that both of the ambulance manufacturers that they represent took a 33 and a 40% increase in pricing for next year. That's on top of the pricing increases the past years. I'm going to skip a bunch of my testimony. You can read it at your-- at your leisure. Not only-- that is not their only large purchase in addition to vehicles that the inflation of fire and rescue equipment affects everything that we do. We seek our funding, funding through our city council and our rural fire district boards, and they are going to be pushed to their limits. And so it's going to be very difficult for them to find room in their budgets to accept what our requirements might be. As you can see, LB1 spending limitations will be extremely detrimental to volunteer fire and rescue services, and both my local department and the NSVFA oppose it as written. Like you, my family and I, along with countless volunteer responders across Nebraska, have a strong sense of duty to our citizens as well as those who visit us,

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and we intend to maintain that service to the very best of our abilities. I do sincerely appreciate what the committee is trying to do on behalf of the citizens of Nebraska, and wish you the very best in dealing with this issue.

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

LUIS PADILLA: Madam Chair Linehan and members of the Revenue Committee, thank you for the opportunity to be here in front of you. My name is Dr. Luis Padilla, L-u-i-s P-a-d-i-l-l-a. I am the president and CEO of Omaha's Henry Doorly Zoo and Aquarium in Omaha, as well as the Lee G. Simmons Wildlife Safari Park in Ashland, Nebraska. I'm here to testify in opposition of LB1, which as proposed would revoke all tax exemptions on accredited zoos across the state of Nebraska. This bill would affect both our world renowned zoo in Omaha, our safari park in Ashland, and our colleagues here in Lincoln at the Children's Zoo. Although we do support the property relief efforts, the removal of this exemption is against our efforts to promote the economy, elevate the quality of life of our people, and retain professionals and families here in the state. We're very appreciative of all the Nebraskans that have made our Omaha's Henry Doorly Zoo the state's number one attraction. The number one zoo in the United States for 2 years in a row. And, of course, bringing very significant impact to the state. Our impact on the state has consistently been over \$200 million a year. This exemption, which would be repealed, has been the main and only way that the state has for many years supported our efforts. It has been a great financial return on investment for the state, as well as contributing to the image and reputation. Our efforts to engage, educate, and touch on people are truly recognized globally. And they bring a lot of recognition to our state as well as bringing very, very much needed tourism dollars. This investment is a strong message to our private partners, as well as the city of Omaha, that the state is committed to the benefits of our work. The tax on us imposes a significant burden on in 3 ways: construction projects, operational costs, and, of course, making it less affordable to the people that come to see us. We do want to continue to be a part of making an even better future for Nebraska. We are a strong partner of the state. We are very proud to showcase the best of what we do. We are committed to finding alternate ways for the state to invest in us. We look forward to engaging in those conversations and I'm happy to take any questions.

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LINEHAN: Thank you. Are there any questions from the committee? What is your annual budget?

LUIS PADILLA: It's about \$60 million operating budget.

LINEHAN: \$60 million, but then what-- capital budget?

LUIS PADILLA: It depends from project to project. Right now, our veterinary hospital is our-- is our active project. That's a \$37 million construction project. We completed our orangutan exhibit, which was a \$21 million project and that's over several years.

LINEHAN: How many out-- do you have a way of tracking how many out-of-state visitors you have each year?

LUIS PADILLA: We do. It's roughly 40% of our visitors are from out of state. So 60% are Nebraska residents, 40% are out-of-state, which does include Iowa in that 40%.

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

LUIS PADILLA: Thank you very much.

MATT SCOTT: Good evening. Flip that over, I've got four children trolling me right now, trying to talk me into sushi.

LINEHAN: They just want you to come home. They're hungry.

MATT SCOTT: They're doing nothing but making fun of me, though. My name is Matt Scott, M-a-t-t S-c-o-t-t, and I represent the North Central States Regional Council of Carpenters. I'm here in opposition to this LB1. A 4% tax on carpentry contractors in Nebraska could lead to higher cost for contractors, consumers, reduced demand for services, and put our local contractors at a competitive disadvantage. This tax would directly increase operating costs for contractor-- for carpentry contractors and reduce the profitability and potentially force the smaller contractors out of business if they cannot absorb these additional costs. Over the last couple of days, I've talked with 3 different, smaller-- well, I've talked with all of our contractors, union, nonunion, and a couple of the smaller residential ones. I've talked with three smaller residential contractors. Two of them explained to me that the market that they work in and framing houses

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and remodeling houses is already so cutthroat because they're competing against an illegitimate business model of people that can lower their bids by hiring labor brokers that misclassify their workers and pay them cash under the table. The, the, the, the-- these two here are legitimate contractors that have 3 or 4 employees apiece, and they pay state and federal income tax on those employees, unemployment, workmen's comp. And it is such a, a cutthroat market that they're in already that an extra tax to everything that they have to add, or that this extra 4% that they're going to have to tack on to their bills is going to put them even, even further out of reach and almost completely choke them out of the market. The third one I talked to, he's a-- he's a craftsman that just started his own business about 2 years ago. He strictly does house remodels, fixes things inside the house. And he was hoping to get this-- he was hoping to put on an apprentice. He's actually fortunate enough where he's got work bid all the way out through the spring, and he's going to have to go back-- if this 4% goes through, he's gonna have to go back and do some rebids or absorb that or not be able to put this apprentice on which is going to pull from his family time. Another direct effect this tax will have is going to be on distribution companies. They're going to have to raise their prices on the products, and contractors are going to be forced to find cheaper options in order to keep their prices or their bids lower. They're going to start-- and, again, you've heard the over the state line thing today. They're going to start looking over state lines. Now, Council Bluffs is just a short 1-hour drive from even here in Lincoln to get your stuff. Throughout the state, you can go to St. Joseph, Missouri, Council Bluffs, Iowa, Sioux City, Iowa, Yankton, South Dakota, Kansas City, Missouri, Denver, Colorado. In order to save 4% on an entire semi load of construction materials, that, that makes a difference. That adds to your bids. And they will definitely go over these lines to look for them. And, finally, I guess I see my time's up. And all that being said, I agree property taxes are way too high. I myself have been put over \$4,000 in the last year, \$300 to my monthly payment. But I hope you guys can see that LB1, this part of LB1 is a direct gut punch to our contractor and craftsmen and their families in this state, and hope that you guys can remove this part of it.

LINEHAN: Thank you very much. Are there any questions from the committee? Don't you already pay sales tax on, on, on materials?

MATT SCOTT: Right, plus another 4%. Isn't that right?

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LINEHAN: I don't think that's right.

MATT SCOTT: Well, I think this-- the way I saw this is this is adding 4% to that.

LINEHAN: I-- OK. Can you come-- we got name/number here. Let's connect tomorrow--

MATT SCOTT: Sure.

LINEHAN: --to figure that out. OK?

MATT SCOTT: You bet. Yeah.

LINEHAN: Thank you much.

MATT SCOTT: OK. Thank you.

LINEHAN: Uh-huh.

TOM RILEY: Members of the committee, my name is Tom Riley, T-o-m R-i-l-e-y, and I am Douglas County Public Defender. I am here to oppose LB1, insofar as it places a spending cap on county governments' ability to properly fund the local public defenders' offices. I'm sure that all of you generally know what the services are provided by public defender's offices across the state. I'm also sure that you all know the funding of indigent defense is not discretionary spending, but rather a constitutionally required duty of government. The Douglas County Public Defender's Office is the largest in the state, and in 2023, we handled about 13,000 cases in the Nebraska Supreme Court, Nebraska Court of Appeals, Douglas County District Court, county court and juvenile courts, as well as the Douglas County Board of Mental Health. Currently, we have a staff of 55 attorneys and are currently down 3 attorneys. We also have a support staff of about 35 additional employees. Our budget for fiscal year '24-25 is \$8,376,320. I've been an attorney in the Douglas County Public Defender's Office since 1975, and during my career I've seen a monumental evolution on how criminal cases are investigated and prosecuted. Cases now routinely involve a tremendous amount of forensic evidence that requires our attorneys to review huge amounts of body and cruiser cam video, surveillance videos, thousands of pages of cell phone downloads and other information from electronic devices. Also recently, there have been significant questions raised about the accuracy of DNA evidence,

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fingerprint evidence, ballistics evidence, and other pattern evidence. Frankly speaking, this ain't our grandfather's criminal justice system, and we can't treat it as such. The amount of time it takes to prepare cases has incrementally increased with the challenges that I just mentioned. Also, we now receive discovery in digital format. You may say that's all interesting, but what does this have to do with LB1? The answer is simply that to properly represent our clients costs money. In addition to the necessity of retaining expert witnesses to evaluate the state's evidence, we need to keep up with the technological requirements, receive the evidence-- to review the evidence that we receive. Just by way of example, this year our office had to spend about \$100,000 to obtain a program that allows us to review the discovery materials provided to us by prosecutors. This was unexpected and will be an ongoing yearly licensing fee for this program. The point is that as technology improves, we must keep up with the IT requirements needed to review this information. Historically, when our offices needed to hire additional attorneys and support staff because of increased workloads or need to upgrade our equipment, we've gone to the county board, demonstrated the need and, when appropriate, the board has increased our budget to meet these requirements. LB1, in its present form, prevents the board from increasing our budget to meet these financial requirements to achieve proper representation of our clients. I note that Governor Pillen's handout, the Nebraska plan to cut property taxes, the playbook states on page 7 that certain entities, including county attorney and public defender offices, will be exempt from the hard cap. Unfortunately, this exemption does not appear to be included in LB1. As I read LB1, the only exemption is for police, fire, and Corrections personnel. It does not provide for increased costs necessary for replacing police and fire vehicles and other necessary equipment. This is extremely shortsighted and, if enacted, would deprive them of replacing or adding equipment necessary to perform their duties. It is my position that an exemption from the hard cap should include public safety and criminal justice entities. Public defender offices are vital-- a vital component to the criminal justice community and should be included in any exemption to allow necessary funding for both personnel and equipment necessary to properly perform our constitutionally required duty. My colleague from the Lancaster Public Defender's Office will have some other comments. We tried to coordinate so we wouldn't be duplicating our points. So the only other thing I'll tell you, excuse

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the typos in this because I typed it myself and probably didn't format it very well.

LINEHAN: That's OK. Are there any questions from the committee?

DUNGAN: Briefly.

LINEHAN: Yes.

DUNGAN: Thank you, Chair Linehan. Thank you for being here and thank you for your service to Omaha and Douglas County. Does Douglas County, like Lancaster County, have a, a list of criminal attorneys that are appointed to cases in the event that the public defender overloads or can't take a case?

TOM RILEY: We, we have a committee in Douglas County, which I'm a member, that provides a list of attorneys who are qualified to handle conflict cases. We don't do overloads. As I said, typically, we go to the county board and say, hey, the caseload is increasing, please, can we have another attorney or two? And they've complied. So the answer to your question is, yes, there's a list. The committee vets the attorneys who apply. We have one list that's for homicides, one list for felonies, and another for misdemeanors. Some are on all three. But as you can figure out, the younger lawyers are on a misdemeanor list and more experienced lawyers are on the other, other two lists.

DUNGAN: And so when, when somebody is then assigned to one of those attorneys because of a conflict, the county then pays that private attorney a certain fee per hour. Correct?

TOM RILEY: Yes, absolutely. The, the court-- district court and the county court have budgets that are, again, approved by the county board to handle payment in conflict cases, which include not only the attorney fees, but depositions, hiring expert witnesses, etcetera, and there is a set fee that just was recently raised.

DUNGAN: And then-- so I guess what I'm getting at here is that these hard caps could have a potential impact on the amount of the counties could pay those attorneys as well, too. Right?

TOM RILEY: Yeah, absolutely.

DUNGAN: OK. Thank you very much. I appreciate it.

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TOM RILEY: Yep.

LINEHAN: Thank you, Senator Dungan. Are there any other questions? Thank you very much for being here.

TOM RILEY: Thank you.

LINEHAN: You bet.

LYNN FISHER: Senator Linehan and other senators, thank you very much for your service to the citizens of the state. My name is Lynn Fisher, L-y-n-n F-i-s-h-e-r. I'm here as a member of the Nebraska Realtors Association and also president of the Statewide Property Owners Association. And I'm representing those realtors and mom-and-pop operators who provide affordable housing to the lowest-income citizens of our-- of our state. I'll start off by answering a question you had earlier, Senator, about the percentage of income spent by low-income folks on rent. In our business, we, we try to cap that at, at one-third, and that's about where most people are able to afford and make their budget work. If it's more than a third, which some people do struggle with, it, it can be troublesome. So that's what we set as our guideline. We're opposed to LB1 because of all the increases that it's going to cause in rents. All the different services that we provide, including management fees, the labor that we provide to the owners who we manage for, the labor that we pay for in maintaining and, and, and remodeling and all the different inputs that we have in our properties that are labor based, and our legal fees that we pay, all the different aspects of increases in sales tax and, and other taxes are going to make it more difficult for us to, to try and keep our rents reasonable. As you probably all know, rents have increased far in advance of the rate of inflation for the last decade or more. And it's, it's just a problem for people. Housing, in general, is a-- is a real challenge for us here in the state. Trying to provide affordable housing and keep our rents under control is so difficult because of our labor costs increases, insurance costs increases. Of course, property taxes are a big part of that, and I'm glad that you're here to try and address that, but there are so many other inputs that we have to pass those costs on to our-- to our customers, which are the folks that we rent to, that we're afraid that this is going to exacerbate the problem because it's essentially just a tax shift from property taxes to all the other overhead costs of inputs

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that we have to put into our properties. So we're opposed to LB1 for that reason. I'd be happy to answer any questions that you have.

LINEHAN: Thank you very much. Are there any questions from the committee? Have you put pen to paper exactly like this is-- we're going to save \$100,000 in property taxes, but we're going to pay X number of new taxes?

LYNN FISHER: I haven't.

LINEHAN: I think it'd be helpful for the committee if you did that.

LYNN FISHER: I'd be happy to do that.

LINEHAN: OK. And when you do remodels or paint, you have to pay for the-- you pay for the lumber, the paint.

LYNN FISHER: Sure. We already pay taxes on the materials, but not on the services--

LINEHAN: Right. So--

LYNN FISHER: --and the labor.

LINEHAN: --materials are paid-- are taxed.

LYNN FISHER: Yes, yes. And when we, we have a client that we manage for-- of course, now we have, if this passes, we'll have to tax them. And I didn't even mention, of course, the, the administrative costs that we would have, have to hire another person in our staff, at least with our company, just to try and figure out the taxes.

LINEHAN: So pen to paper.

LYNN FISHER: I'll be happy to do it.

LINEHAN: Thank you.

LYNN FISHER: All right. Thank you.

LINEHAN: Any other questions from the committee? Thank you much.

ARLA MEYER: Hi there, Senators. Thank you for being here and being so patient so that you can be the ears on the floor for us. We do

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appreciate that. My name is Arla Meyer. I am here on behalf of the Nebraska Realtors Association. The name is A-r-l-a, last name is M-e-y-e-r. Obviously, for decades we fought for property taxes and lower property rights on behalf of the consumer. For, for decades we have fought for this. The Nebraska taxpayers recently has increased the taxes, which has drawn more attention to the issue that everyone agrees that property tax relief should be a priority. There's no question about that. However, the form of relief is what matters. One of your legislative guidelines is to support property tax relief, so long as it isn't accompanied by a tax shift. LB1 represents a sizable tax shift that very well will leave some homeowners with a max tax-- net tax increase. Medium value of owner-occupied housing units in Nebraska is 2,006 from the 2022 U.S. census. According to Zillow, that number has increased to as much as \$265,000 as recent as of May of 2024. Using the MEDOR estimates, the average total property tax assessed would be between \$3,438 and \$4,423. If Governor Pillen plans to reduce those cap-- those costs by 50% were realized. Homeowners could expect 1,700 to 22 per year in a relief. But at what cost? The bulk of the proposed sales tax changes would hit working families and homeowners at the hardest. Repair, remodeling, as you've heard from today, that would ultimately add to the savings or the expense that it would cost them not to-- not to mention the homeowners' insurance which is also going to go up. This is compounded by additional taxes being placed on the professional services related to the real estate industry. Proposed sales tax on real estate services not only increase direct costs to the home buyers, but tax business inputs and business services that will undoubtedly need to be passed on to the consumer. The money absolutely has to come from somewhere. Finally, Nebraska has a housing crisis. We've come and talked to you guys about that for years. Now is not the time to make buying or owning home ownership more expensive and difficult for our people. There are other alternatives that don't require massive shifts, including reasonable controls on local spending, homestead exemptions, constitutional amendments to allow owner-occupied homes to be treated as a separate class of property. Other alternatives should be adopted to start the tax progress towards meaningful property tax relief. Trying to do too much will likely prove disastrous and benefit a much smaller population. I'd be happy to take any questions.

LINEHAN: Are there any questions from the committee? Senator Meyer.

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MEYER: I just had one. That, that list you just read there, weren't they all tax shifts on to somebody else? Like, homestead exemption, they're all tax shifts.

ARLA MEYER: They have been all tax shifts.

MEYER: I thought you were not advocating for a tax shift.

ARLA MEYER: We, we are not in favor of a tax shift. But this one is going to ultimately hurt the consumer way more to be able to buy more properties and that's what we're trying to diffuse.

MEYER: With a 50% reduction in real estate tax, it's going to hurt home buying?

ARLA MEYER: But it's going to affect the home buying because we still have to tax other people somewhere else. And so it's going to make people harder-- it's going to make it harder for them to be able to afford a house if they can't do their day-to-day terms. And so if they're trying to live their day-to-day life and have to pay for everything else that has gone up so much, it's going to make them harder to even buy homes.

MEYER: [INAUDIBLE]. Thank you.

ARLA MEYER: Yes.

LINEHAN: This is going to become a theme. Can you show us that, pen to paper?

ARLA MEYER: Yes.

LINEHAN: So how much-- and-- because you only have to pay a real estate fee once, you pay property taxes every year.

ARLA MEYER: Um-hum.

LINEHAN: You don't remodel your bathroom very often.

ARLA MEYER: No, but we do have inspections that are done daily. We do have the ongoing repairs.

LINEHAN: Pen to paper.

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ARLA MEYER: Got it.

LINEHAN: OK.

ARLA MEYER: We'll be happy to.

LINEHAN: Thank you very much.

ARLA MEYER: Thank you.

JOHN GAGE: Chairwoman Linehan, members of the committee, thanks for having me here today. My name is John Gage. That's J-o-h-n G-a-g-e, and I'm here on behalf of Americans for Prosperity. I'm here to testify in opposition to LB1. We're not here testifying on behalf of any special interest or faction, we're here representing the thousands of Nebraskans who are demanding lower taxes and more fiscally responsible policies. I think the testimony today here was very telling. We had nearly 100 people so far that have testified. And I'd like to point out, so far as I heard, not a single person here testified that, that said if the Nebraska plan didn't pass, they were at risk of losing their home. But on the other hand, we've had more than a handful of businesses saying that if this plan passed, it would run them out of their business or it would make them uncompetitive with other states with their business. So I'd just like to point that out. Since this debate on tax shifts began, we've had thousands and thousands of Nebraskans reach out saying they oppose the idea of tax shift. Nebraskans overwhelmingly believe they are overtaxed, not just with increased property taxes, but with each of the three major taxes: property, income, and sales tax. These past 3 months, Americans for Prosperity has been canvassing thousands of likely Nebraska voters asking them what their opinion is on tax and spend issues. We found that only 7% of Nebraskans support the sales tax shift, while 67% say they oppose the shift. And that number was based on over 3,000 conversations at the door with likely voters. What we found in these conversations is that most Nebraskans support what we've been saying, that the only long-term and fiscally responsible way to handle our state's tax crisis is by cutting and capping spending. When asked whether they preferred a tax shift or the cut and cap approach, 85% of likely voters said they prefer that the Legislature cut and cap spending to provide property tax relief, rather than raising other taxes. These results run counter to the narrative of supporters of this bill that have made, which is that these are only going after

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special interest carve outs. Sales tax exemptions on business inputs like agricultural equipment and manufacturing equipment are not carve outs but exist because Nebraska, like many other states, has the philosophy that it's wrong to double tax farmers and businesses. The solution to our taxing problem has always been the same. It takes more courage to cut and cap spending than it does to raise taxes. I urge this committee to listen to Nebraskans and reject LB1. Thank you.

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

von GILLERN: Welcome.

ELSA MORAN: Chairwoman Linehan and members of the committee, my name is Elsa Moran, E-l-s-a M-o-r-a-n, and I'm age 14. I'm here to testify on my father's behalf who owns Lincoln Coin and Bullion. We are against the repeal of Nebraska Statute 77-2704.66 in LB1, which exempts currency or bullion from sales and use taxes. This sales tax exemption came into being because our former owner approached Senator Schumacher in 2014. Their family business was losing customers to dealers in the 40 other states that did not have sales tax. There are now 43 states with exemptions. And Nebraska is completely surrounded by states with sales tax exemptions. Currency and precious metal bullion are not consumer goods. They cannot be eaten, worn, or driven. They do not wear out, so they are not replaced. Their sole purpose is for the investment and ultimate resale. They are subject to federal capital gains when resold for profit, and most are IRA eligible investments. Sales tax is not collected on IRA investments. Nebraska dealers are considered nonbank financial institutions and are subject to many financial regulations, such as anti-money laundering programs and submitting 1099s. A sales tax penalty of 7.5% on an ounce of gold today would be \$180. That means gold would need to go up \$180 just to break even. I can easily see customers driving an hour to Council Bluffs to save \$1,800 on a purchase of 10 ounces of gold or to save \$7,500 on a \$100,000 purchase. Our former owner documented many such lost sales prices-- lost sales prior to the 2014 exemption. But there are other ways wealthier customers can invest in gold and circumvent sales tax if the exemption is repealed. They can buy futures contracts, EFTs, or buy out of state and have the bullion stored at a registered depository until it is eventually sold. If it never enters the state, it is not subject to sales tax. Nebraska will not collect sales tax on either of those situations. Nebraska dealers will lose

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the sales, and it will hurt the modest investor who cannot afford to pay storage fees at depositories or by futures contracts of 100 ounces of gold. Over the years, a handful of states have revoked their sales tax exemptions on currency and bullion. In every case, those states have stored them after many dealers closed, moved out of state, lay off staff and/or coin shows canceled and tax revenue fell even further. In 2016, due to a huge decline in oil revenues, Louisiana suspended 285 sales tax exemptions and credits. The following year, an exemption on currency and bullion was 1 of only 4 exemptions restored for those same reasons. If Nebraska repeals this exemption, I have no reason to believe our local dealers won't suffer the same fate as those dealers and states that temporarily revoked exemptions. All Nebraska dealers are family businesses, and they just wish to compete fairly with other states. Thank you for the opportunity to share my concerns and I welcome your questions.

von GILLERN: Thank you for your testimony. Any questions from the committee members? Senator Dungan.

DUNGAN: Thank you, Vice Chair von Gillern. Thank you for being here. Is this your first time testifying in the Legislature?

ELSA MORAN: It is.

DUNGAN: You did better than a lot of other people.

ELSA MORAN: Thank you.

DUNGAN: Yeah, thank you for being here. Thank you for sharing all of this with us. This is really, I think, helpful information. And I promise if you testify again, it's not normally this long so please come back. Thank you.

ELSA MORAN: Thank you for having me.

von GILLERN: Any other questions? Seeing none, thank you for being here.

ELSA MORAN: Thank you, all.

von GILLERN: I echo Senator Dungan's comments. Normally, applause is not allowed, but we made an exception. Thank you.

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ELSA MORAN: Thank you.

von GILLERN: Next testifier, please. Good luck following that. We needed a light moment about now, too.

BRIAN GILLILAND: Good evening, members of the Revenue Committee. My name is Brian Gilliland, B-r-i-a-n G-i-l-l-i-l-a-n-d. I'm the general manager of the Chesterman Company, we're the state's largest local distributor of Coca-Cola products. I'm appearing before you today as the immediate past president of the Nebraska Beverage Association and member of the Nebraska Grocery Industry Association in opposition to LB1. The Nebraska Beverage Association has been representing the nonalcoholic beverage industry and local distributors of Coke, Pepsi, and Dr. Pepper in this state for more than 8 decades. In that time, the beverage industry has positive-- positively impacted our neighborhoods, communities, and the Nebraska economy by providing good-paying jobs, charitable donations, and a sizable amount of tax dollars. Last year, our industry accounted for 2,000 jobs in the state. Our members also contributed over \$47 million in state taxes, and donated over \$15.5 million to charitable causes across the state. Our large local economic impact also includes our industry's use of high fructose corn syrup. Beverage companies purchased 90% of all corn syrup produced in the U.S. PepsiCo and Chesterman purchase directly from Archer Daniels in Columbus. The Beverage Association opposes the imposition of a sales tax on soft drinks, and the exclusion of our products from the definition of food. Our products are food. We do not believe they should be singled out and taxed differently than other groceries. At his town halls, the Governor said that people don't notice when they're paying sales tax at the soda fountain at a movie theater. When people purchase a soft drink from the fountain, sales tax is imposed on it because, according to streamlined sales tax, it is considered a prepared food. By one definition recognized by the State Department of Revenue, our products are food. And now the Governor is claiming in another statute it isn't. So which is it? We know that sales tax on soft drinks are regressive. The type of sales tax-- this type of tax places a large burden on consumers who are lower income earners. LB1 would be taking money out of those pockets-- out of those families' pockets, leaving them with less money to purchase other grocery essentials. This is picking winners and losers of which products get taxed, and it will come at the expense of increasing a family's grocery bill. Last year, West Virginia repealed their beverage tax. South Dakotans will have the opportunity to exempt

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groceries, including soft drinks, from their state sales tax in November. Oklahoma also passed a law this year ending their sales tax on food, which includes soft drinks. When other states are looking to make food, including our products, more affordable, the Governor is seeking to increase Nebraska grocery bills. We know-- we see no rationale for imposing the sales tax other than it's not being taxed right now. We objected-- we object to the imposition of a sales tax on our products, which in turn increases grocery bills for Nebraska families. For these reasons, the Nebraska Beverage Association is opposed to LB1 and I'd be happy to answer any questions.

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

BRIAN GILLILAND: Thank you.

KIRK ANDERSON: If you wanted to know how to get a Pepsi and a Coke guy to sit next to each other, this is-- this is how you do it for 3 hours.

von GILLERN: We're all getting along so well.

KIRK ANDERSON: Yeah, absolutely. Chairwoman Linehan and members of the Revenue Committee, my name is Kirk Anderson, K-i-r-k A-n-d-e-r-s-o-n, and I'm the CEO of LinPepCo. And we are a distributor of Pepsi products operating four locations in Nebraska in Lincoln, Hastings, South Sioux City, and western Nebraska. I'm here today in opposition to LB1 as the current president of the Nebraska Beverage Association and as a past board member of the Nebraska Grocery Industry Association. As Brian said, the end-- the beverage Association has represented all three major companies in the state for more than 8 decades. Simply put, soft drinks are food and we object to the removal of the sales tax exemption. All our products have a nutrition facts panel just like other food products. Previously, the idea of taxing soft drinks has been proposed as a health initiative. This is ironic, given the per capita consumption of full-calorie soft drinks has declined. Yet, our obesity rates continue to increase. In fact, data and studies from CDC researchers show that calories from sugar-sweetened beverages have declined by more than one-third among the youth, while obesity rates for this cohort have increased by 23.7%. If beverages were driving obesity rates, obesity should have gone down with the decrease in consumption. I can confirm that

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beverage companies continue their intentional strategy of offering consumers more choices with less sugar. As over 60% of our product sales now come from low-calorie and no-calorie beverages. In this iteration of taxing soft drinks, the Governor has decided that having a Diet Pepsi and a Snickers bar is a sin. By labeling these products as a sin, the Governor is passing judgment on the Nebraskans who choose to buy them. What metric or standard is the Governor using in calling our products a sin? When our government representatives, through their own political ideology, begin to pick winners and losers, it creates a complicated food tax code that shoppers and retailers won't begin to understand or believe. Using similar logic, if our Governor was really concerned about the health of Nebraskans, it would be more appropriate to consider limiting through taxation the consumption of all processed meats like bacon, ham, and salami that are classified as a Group 1 carcinogen, which based on the strength of evidence is no different than smoking, ironically. I've heard the Governor say we should start taxing-- I've not heard the Governor say we should start taxing any of these products. In fact, the Governor made sure his family business is one of the few select industries that won't be targeted by his tax shifts. I hope I made a point with this comparison, but in the end our industry believes in personal choice. In Nebraska, we trust parents to make the right decisions for their own children. Don't pass judgment or penalize a parent for buying their child a sports drink after a game, or if they want to have a pizza and a soda for the family on a Friday night. We sell products that refresh consumers on hot days like today or during workouts, support fun-time gatherings, and we are creating and selling products like Gatorade that are meant to improve and complement athletic performance. Hardly products that should be villainized. In conclusion, we object to the Governor's characterization of our products as sins for the purpose of imposing sales taxes on soft drinks. For these reasons, the Nebraska Beverage Association is opposed to LB1. Take any questions.

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

MEYER: I just have one. Sorry, I'll make it short.

LINEHAN: OK.

MEYER: So how, how many states do not tax soft drinks?

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KIRK ANDERSON: I can tell you in-- we, we have-- Topeka, Kansas also is a location. So we operate five locations. We're [INAUDIBLE] here on the border and South Sioux City. Iowa does tax offerings, but they tax all food. South Dakota, as Brian said, does but they're abolishing it and Kansas is in the process of that as well. But they tax all food. So as far as-- I can get you the information on, on what states do not tax it. But--

MEYER: So the surrounding states do.

KIRK ANDERSON: They do-- they do, but they tax all food.

MEYER: And tax pop?

KIRK ANDERSON: Absolutely.

MEYER: OK.

KIRK ANDERSON: But, but--

MEYER: Is it a sin there as well?

KIRK ANDERSON: The Governor said it was a sin, so.

MEYER: OK. Thank you.

KIRK ANDERSON: Yep.

LINEHAN: Thank you, Senator Meyer. Any other questions from the committee? No, I-- I'm going to control myself. Any other questions? Seeing none, thank you very much.

KIRK ANDERSON: Thanks for your time.

RYAN BURGER: Evening, Chair Linehan, members of the Revenue Committee. It's my joy to be here right now. For the record, my name is Ryan Burger, R-y-a-n B-u-r-g-e-r. I am a CPA and investment advisor at a firm called Gabriel Burger & Else with locations in Seward and Polk counties. I also was a past Chair of the Board of Nebraska Society of CPAs, representing about 2,500 members across the state. You'll see my testimony. I'll summarize. You've heard today we believe this is a tax on inputs, accounting services are vital to business owners across the state. We believe it's regressive on small businesses for obvious

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reasons. But just to make you aware, almost no other states have sales tax on accounting at this time. Many that tried have repealed those taxes. And, finally, I just think it creates confusion in the market. Now we're going to have a sales tax on the service to file and pay your sales taxes in Nebraska or like a sales tax on the service to assist and file and pay your state income taxes in the state of Nebraska, it, it creates a little confusion and complexity in the marketplace, violates a few of Adam Smith's canons of taxation, which we don't have time for. So we're just requesting removal of accounting services from LB1. I am an active CPA with some Nebraska tax knowledge so I'm willing to answer any questions on tax that you may have at this time.

LINEHAN: Are there any questions from the committee? Do you think Adam Smith would think the tax structure in Nebraska right now is a good structure?

RYAN BURGER: That is an amazing question. He believed in economy, equality, convenience, and certainty. And I'm not sure we're always certain how our state income taxes are going to turn out until we do file. So we may be in slight violation of certainty. We're trying to be equitable. The rest would be challenging for someone from the 1700s to decide if we're following that in the current year. Great question.

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

RYAN BURGER: OK.

LORRAINE EGGER: Good evening, Chairman Linehan and members of the Revenue Committee. For the record, my name is Lorraine Egger, L-o-r-r-a-i-n-e, Egger, E-g-g-e-r. I am a past Chairman of the Nebraska Society CPAs of accountants representing 2,500 CPAs across the Nebraska state. I'm also a CFO, and work in La Vista, Nebraska. I am here today on a debrief summary of why Society's opposition to LB1 is as follows. One, we're imposing sales tax on services that violates the principle of good tax policy. Accounting is a business service and doesn't belong in the sales tax base. Experts across the political spectrum agree that taxing business inputs, like accounting services, leads to undesirable tax pyramiding. Tax pyramiding results in higher overall tax cost, increase the costs of goods and services, and creates inefficiencies in the market. In addition to pyramiding, a tax on accounting services is effectively a tax on production, not

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consumption, and is inconsistent with sales tax. Two, it is unreasonable to tax an activity that the government requires in the first place. And, three, should this bill pass, Nebraska would be at a great disadvantage in ability to compete with other states for business and investments. Only one bordering state, South Dakota, taxes businesses and professional services. According to the American Institute of CPAs, over the last several years, 32 states have introduced 106 bills taxing professional services and none of them have passed. Policymakers in these states recognize the negative impact of these proposals on their state's economic growth and quickly repealed these measures. In conclusion, while we respect the Governor's desire to provide property tax relief to Nebraskans, we urge you to reject the idea of imposing sales tax on accounting and other professional services. And as a CFO, continue to focus on spending.

LINEHAN: Any questions? Senator Kauth.

KAUTH: Thank you, Chair Linehan. So are taxes on business expenses something you write off as a business expense?

LORRAINE EGGER: Yes, you would be able to deduct the sales-- the, the tax of that.

KAUTH: So, so when you pay for your CPA you get taxed on it, that's actually something that's a business expense that's written off.

LORRAINE EGGER: Yes.

KAUTH: OK. Thank you.

LORRAINE EGGER: If it's included in the revenue. Yes.

KAUTH: OK. Thank you.

LINEHAN: If it's what? I didn't hear that last part.

LORRAINE EGGER: If it's included in the revenue. So if it's grossed up-- if it's grossed up then you get the deduction. If it's not, then you don't.

LINEHAN: Senator-- thank you, Senator Kauth. Senator Murman.

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MURMAN: Thank you. I've, I've got a quick question. It's taxed in South Dakota. Do you have any statistics as to how many people come across the border into Nebraska to get this kind of work done?

LORRAINE EGGER: No, we do not have that information.

MURMAN: Know anybody at all or--

LORRAINE EGGER: Potentially, I'm sure in the northern states we could check with the CPA firms that work in that area to see if they have any South Dakotans who are coming down to Nebraska. For that standpoint, we do not have it available right now.

MURMAN: Thank you.

MEYER: Sorry, one question.

LINEHAN: No, that's fine.

MEYER: So is tax preparation the only thing accountants do? Is that the only thing they do for their customers?

LORRAINE EGGER: No. Of course, it's auditing services, accounting services, other services that they do too.

MEYER: Thank you for that. So there's a wide variety of services there that are provided to customers that are not mandated by the government. Right?

LORRAINE EGGER: Correct. Yeah. There's bookkeeping services and other things.

MEYER: Just want to make that clear that it's not just taxes.

LORRAINE EGGER: Yeah, yeah, this is one of the items. Correct.

MEYER: Thanks.

LINEHAN: I'm going to follow that. Well, you say required by the government. What services do you provide that--

LORRAINE EGGER: For example, like filing your taxes. Individuals and businesses are required to file their tax returns.

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LINEHAN: Right. But we're not required to hire an accountant.

LORRAINE EGGER: True.

LINEHAN: We choose to hire an accountant if we want to stay out of trouble, but we're not required. Words matter.

LORRAINE EGGER: A CPA would say it's wise to hire an accountant.

LINEHAN: Yes.

LORRAINE EGGER: Correct.

LINEHAN: But words matter. There's no government law that says you have to hire an accountant.

LORRAINE EGGER: Correct.

LINEHAN: OK. Anything else? Questions? Thank you very much.

LORRAINE EGGER: Thank you.

STACY LOSTROH: Good evening, Chairman Linehan and members of the Revenue Committee. My name is Stacy Lostroh, S-t-a-c-y L-o-s-t-r-o-h, and I appear before you in opposition of LB1. I'm testifying on behalf of Whitehead Oil Company and U-Stop convenience stores. There's several areas of this bill that we are opposed to, but in the interest of time, I will just address a few. During this past legislative session, the games of skill industry worked in good faith with Senator Lowe and supported LB685. Both sides worked together to come up with a-- with new fees and taxes that were reasonable. A central reporting system was agreed upon, and many distributors have already begun investing their time and investing in the equipment needed for the server system. We've also worked with changing the age from 19 to 21. While the reporting system has not yet gone into effect, this proposal would-- proposal wants to quadruple the taxes on that. Skill games and software and equipment are not in parity with casino games as often referenced. Therefore, they should not be taxed the same. In addition, the skill game tax is not a pass-through tax we can direct to the consumer. This tax is a direct income reduction. We are also opposed to the cigarette and vape excise tax increases proposed in LB1. This tax shift on cigarettes and vape products is not a sustainable plan, as the cigarette and vape tax increase places a burden of funding

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relief on a specific group of consumers. The proposed vape, vape tax increase places a burden-- oh, excuse me. The vape tax increased on closed three milliliter products would increase the cost over 1,000%. We are also aware of the potential for border bleed, as we would have a higher cigarette excise tax than all of our neighboring states except Colorado. Recent example showing us that raising the tax on cigarettes is not a revenue positive tactic, is on July 1, Maryland increased their tax by \$1.25 a pack. According to data collected by MSAi, a tobacco data collection company, the results immediately after the increase showed that Maryland lost 87,000 cartons in 3-weeks time, and the state gave away almost \$110,000 in potential revenue-- excuse me-- due to border bleed, sales dropped nearly 15%. At the same time in the week immediately following, neighboring states Delaware, Pennsylvania, and Virginia all saw sales increases of 3.2%, 2.8%, and 1.6%, respectively, which shows that all of the volume given up in Maryland was simply handed to neighboring states' coffers. Nebraska taxpayers cannot afford the same shortsighted mistake. I appreciate your time.

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

STACY LOSTROH: Thank you.

DENNIS HULL: Good evening, Madam Chair, members of the committee. My name is Dennis Hull, D-e-n-n-i-s H-u-l-l. I'm here on behalf of Americans for Tax Reform, a national taxpayer advocacy group, in opposition to LB1. ATR opposes tax increases, like the one before you today as a matter of principle. While this bill is sold as property tax relief, nothing in LB1 constitutes a tax cut. In reality, the hundreds of tax hikes within-- would raise the cost of doing business in Nebraska and supporting family for residents of your state. It's important to remember that Nebraska is not the only place facing skyrocketing property valuations. That's a natural consequence of the federal government expanding the money supply by a whopping 40% from 2020 to 2021. But rather than cut millage rates accordingly, local leaders gave in to the temptation to simply keep and spend those new revenue streams instead. It's these city leaders, not state lawmakers, who bear responsibility for higher property taxes. Meanwhile, there's no guarantee that local governments will respond to this bill with a proportionate tax cut. And based on their track record over the last 10 years, I don't have high hopes for that. Many of the tax hikes

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before you today are aimed at businesses, but there is no such entity as Mr. Cabela's who's footing the bill. Consumers pay these taxes in the form of higher prices. Employees pay these taxes in the form of lower wages. And the businesses in competitive markets who can't pass along these costs will close the doors or leave the state. Perhaps, the most damaging element of LB1 is the sweeping double taxation and tax pyramiding, which others have discussed. It even targets agricultural machinery and equipment despite the industry's central goal in the Nebraska economy. The solution here is not to lower the rate to a preferential 2% or 4%, but to avoid the new tax altogether. ATR is also concerned with the state's interest in punishing those who choose to drink soda with another regressive new tax on those who can least afford it. The state has no business forcing the poor to live their lives as Big Brother sees fit. LB1 also increases taxes on distilled spirits, even though nearly half the retail price of liquor already goes toward some kind of tax. The last thing the restaurants and bars in your state need is the second highest liquor tax in the country. But the bill goes further still with a brand new digital advertising tax. Nebraska will join the handful of deep blue states who have even thought to consider such a proposal. California is considering legislation right now that would tax digital ads to fund a new state welfare program for journalists. Conservative Nebraska lawmakers ought to avoid emulating their counterparts in Sacramento. Now is not the time to backtrack on tremendous progress that Nebraska has made in the last few years regarding income tax cuts. I urge you to oppose this bill and thank you for your time.

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

MEYER: Yeah, you're the second testifier we've had in the last dozen or so that talked about this very situation. Could you provide the committee with a list of tax cuts and spending caps that you would like to see Nebraska implement?

DENNIS HULL: Absolutely. I can compile that information and get it to the committee. But I will say that income taxes are really where the competition is heating up right now nationwide. The fact that you guys have gone to 3.99% through 2027 is a big win. Kansas just did a much smaller income tax cut. But they were trying to go to originally 4.75, and if they get better majorities next year then that will happen. Arkansas enacted three income tax cuts in the last 18 months.

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MEYER: No, I'm, I'm talking about what services you would advocate us cut because you're talking about out-of-control spending at the local level. What would you have them all cut you cap?

DENNIS HULL: Are you interested in local spending programs or state spending programs?

MEYER: Both, and you can provide that to the committee at a later date.

DENNIS HULL: Certainly. Yeah, I, I would absolutely love to do that.

LINEHAN: Thank you, Senator Meyer. Any other questions? You realize in Nebraska, the state doesn't collect property taxes.

DENNIS HULL: Correct. Yes. Which is why I believe that trying to solve the property tax problem at the state level is not the right idea.

LINEHAN: OK. Are you a Nebraskan?

DENNIS HULL: No, ma'am.

LINEHAN: So is Grover Norquist still ahead of this?

DENNIS HULL: Yes, yes.

LINEHAN: OK. So I think you guys should provide us some solutions.

DENNIS HULL: Spending solutions?

LINEHAN: We-- we're not the spending problem. That's my irritation with your-- we've done-- the Legislature has done a lot of tax cuts.

DENNIS HULL: Right. And we certainly appreciate that.

LINEHAN: So did you mention that you appreciated the local caps that LB1 has in it?

DENNIS HULL: I think the local caps in LB1 are the best way to cap local property taxes and are definitely the only thing in this bill that would be worth supporting. I'd, I'd love to see a stand-alone package with it.

LINEHAN: Was that in here?

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DENNIS HULL: In my letter?

LINEHAN: OK.

DENNIS HULL: I don't believe so, but.

LINEHAN: All right. Any other questions? Thank you.

DENNIS HULL: Thank you.

von GILLERN: Good evening.

TIM ANDREWS: Good evening. Thank you, Chair, committee members. I really also want to appreciate and thank you for just how diligent you are being through this very lengthy hearing. My name is Tim Andrews, also from Americans for Tax Reform. T-i-m A-n-d-r-e-w-s. I'm here specifically to talk about and redirect some earlier points and provide further information on the tobacco and vaping tax increases that are proposed in this bill. We firmly oppose this because on the evidence provided and evidence from other states, this is not a long-term tax relief. This is a short-term tax increase that will lead to further tax increases in the future because of the unreliability of tobacco tax as a revenue stream. This is both due to declining numbers of smokers, something which should be commended, but, secondly, across the border and illicit tobacco sales. This is why no economist recommends long-term spending based upon tobacco tax increases, as it is a declining and unsustainable revenue stream. Not to mention that this is the most regressive tax out there that hurts the poorest people the most. 72% of smokers are from low-income families, 72%. To increase the tax on them who are unable to quit by 150%, as LB1 proposes, is morally unconscionable. To make matters worse, for the 170,000 Nebraskans who have either quit or substantially reduced their smoking through reduced risk tobacco alternatives such as electronic cigarettes, which are known to be 95% safer than deadly combustible tobacco, this proposal will triple the tax on them. Tripling the tax on people who are-- who are trying to quit smoking is not only, once again, hurting them economically, this is contrary to the goal of the public health. There is very clear academic evidence from everywhere this has been tried, that increasing tax on electronic nicotine delivery systems leads to increases in people smoking. So this bill not only increases tax on smoking, it increases taxes on people who quit smoking and will lead people who have quit smoking to return to

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smoking not very often through legal methods which will allow through taxpayer revenue, but rather through the illicit market, because this will, once again, be the highest taxing rate in the northwest-- in the north-- in the Midwest. It will be higher than almost every state surrounding Nebraska. So you are setting up something that will be bad for businesses, bad for consumers, bad for families, and will also be bad for public health. So as I said I am-- this is my policy area of expertise, so I'm limiting my comments simply to the tobacco and the electronic nicotine increases in this proposal and urge that these be taken out of the bill. Thank you. And if you have any questions, I'm happy to answer them.

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

TIM ANDREWS: Thank you.

LINEHAN: I'm going to just-- thank you. It's fine. I'm glad you're here. But here's what I'm going to do. Wait, before you fill the chair. Anybody that comes up here-- I want to respect Nebraskans, so if you are a Nebraskan, you go first. So are you a Nebraskan? OK. And, obviously, those of you who might not be, you'll know you're not. That means where you're registered to vote and pay taxes.

KRISTI EGGER: Senators, I'm Kristi Egger, K-r-i-s-t-i E-g-g-e-r, born and raised in Firth, Nebraska, went to Norris High School, and am the Lancaster County Public Defender. So thank you for letting me speak today. You heard a little bit of testimony previously today from Don Kleine, Douglas County Attorney, and from Tom Riley, Douglas County Public Defender, and so I would basically defer to them and repeat some of-- not repeat some of the information that they already gave you. We have 26 attorneys on our staff and 20 support staff in my office. We're appointed by the court to represent people who are constitutionally entitled to have representation of counsel and can't afford to hire their own attorney. People who need help with juvenile, misdemeanor cases, felony, mental health, and more cases. We are an essential part of the criminal justice system. We are not included in LB1 and so that is a matter of concern for the Criminal Defense Attorneys Association and my office and other public defenders' offices and county attorney offices. The effective assistance of competent and experienced counsel costs money, but it's mandatory. More than 60 years ago in Griffin v. Illinois, Justice Hugo Black

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opined that equal justice cannot exist as long as the kind of trial a man gets depends on the amount of money that he has. Public defenders' offices are essential. Senator Dungan can attest to that. At a time when cases filed are rising, more and more people qualify for the appointment of counsel. Now is not the time to cut spending for vital services like the public defender's office. From 2022 to 2023, for example, our total caseload was up 13% and we opened 7,094 cases in 2023 compared to 6,285 in 2022. That's all in my statement. So far this year, using data comparing last May to this May, our cases are up about 11%. Well, I just got the numbers for June and so far we are up 12% compared to last June. Hiring has been difficult the last few years and that trend doesn't seem to be changing. We must maintain competitive salaries in order to hire and retain attorneys who are qualified in order to keep as many cases as we possibly can, keeping in mind our workload standards so we can continue to provide high-quality legal services. The county is obligated to provide counsel for qualifying individuals so the clients we cannot represent, which was discussed previously in a question to Tom Riley, are appointed by the court private attorneys. And they are-- they come at a rate of \$125 per hour for most cases, but \$175 an hour for very serious felonies. Of the 2,499 felony cases my office closed in 2023, 689 of those were closed because they exceeded our caseload standards to, to have more private attorneys.

LINEHAN: You're, you're on the red light.

KRISTI EGGER: Yep. Thank you. It's in my information as well as a chart. Thank you.

LINEHAN: Wait, we have a question.

KRISTI EGGER: I'm sorry.

LINEHAN: No, that's OK.

KRISTI EGGER: Sorry.

KAUTH: Thank you, Chair. This is a very off-the-wall question. When you're determining whether or not someone qualifies for public funding for-- as a public defender, do GoFundMe(s) count into that equation? I, I just see GoFundMe(s) being started for people for a lot of different reasons.

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KRISTI EGGER: My office does not make the determination--

KAUTH: OK.

KRISTI EGGER: --as to whether or not counsel is appointed. The judges make the indigency determination.

KAUTH: And do they factor GoFundMe(s) in or is that just every individual judge looks at it differently?

KRISTI EGGER: You look at a person's income and their expenses. If someone is getting a GoFundMe-- I've never had that come up--

KAUTH: OK.

KRISTI EGGER: --but, you know, I suppose the judge should ask that question and see about their sources of income.

KAUTH: OK.

KRISTI EGGER: I imagine that would be considered.

KAUTH: Thank you.

KRISTI EGGER: Thanks.

MARK RICHARDSON: Good evening, Senators. My name is Mark Richardson. I am here tonight or this evening to testify on behalf of the Nebraska Association of Trial Attorneys in opposition to one particular aspect-- one particular aspect of LB1, which is eliminating the exemption for legal services. I am the second of three attorneys you're going to hear in a row on this issue.

LINEHAN: Oh, I need to spell your name for the record.

MARK RICHARDSON: Oh, yeah. My last name is Richardson, R-i-c-h-a-r-d-s-o-n.

LINEHAN: And Mark is?

MARK RICHARDSON: Mark, M-a-r-k. And NATA, Nebraska Association of Trial Attorneys, is always going to oppose anything that is going to reduce access to the justice system, reduce access for regular Nebraskans to have their disputes handled through the legal system.

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Putting an additional tax or putting any tax on legal services will almost unquestionably do that. And the people that it's going to hurt the most in terms of being able to hire an attorney to have their disputes heard and resolved are going to be the people around the margins that can-- are debating whether or not they can afford to hire an attorney to begin with, and that tax is going to make a real difference on whether or not they can do that. When we get up and talk to jurors, we tell them that, you know, a long time ago, a lot of very brave people got on some really small boats to cross a very large ocean to do a couple of things. And one of those was obviously religious freedom. But another one of those was to have their, their legal issues addressed by a jury of their peers. That's a very powerful thing. As a citizen, that's a very powerful constitutional right that we have. And anything that we're going to do to inhibit people from pursuing that and having good, competent legal representation to defend their rights or, or to pursue their rights, we take very seriously. In addition to the fact that this is a, a true necessity for a lot of people in a-- in a bad way. We'll also tell you that legal services are one of the things that cross state lines easily. This is not something where you have to go to a neighboring state. You can just get online and you can go to LegalZoom, or you can answer the numerous advertisements that you're getting from the Minneapolis law firms, the Chicago law firms, the Kansas City law firms who will come in and take up the business because it will be more advantageous for them to go out of state to seek those services than it will be to have those services done here by local Nebraska attorneys, most of whom serve in 2- to 3-person law firms. So for those reasons, Nebraska Association of Trial Attorneys would encourage you to keep the exemption for legal services. Thank you.

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

KAUTH: Thank you, Chair Linehan. So you said that you guys oppose anything that keeps people from being able to hire an attorney. What's an average hourly cost for an attorney, say-- I don't know, pick, pick a crime, what's the average cost?

MARK RICHARDSON: Sure. I'll be the first to tell you I don't do criminal work, we're on the civil--

KAUTH: OK.

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MARK RICHARDSON: --NATA is much more on the civil side of things. But I will tell you, typical legal services, some of my colleagues might murder me for getting this wrong, but my impression is it's probably somewhere in between \$150 an hour, all the way up to \$400 an hour, depending on the qualifications and experience of the attorney you're seeking to hire.

KAUTH: So are the high fees that you charge not also keeping people away from getting good representation?

MARK RICHARDSON: I have no doubt that fees prohibit some people from, from getting some attorneys. There's no doubt about that. And that's why I was talking about the people that are the, the, the more on the margins of society who are trying to debate whether or not they can afford the attorney that does charge the \$150 an hour. And there are plenty of good attorneys that do charge \$150 an hour. And the people that have to make the decision of can I afford that little bit more makes a difference to them.

KAUTH: Thank you.

MARK RICHARDSON: You bet.

LINEHAN: Thank you, Senator Kauth. Yes.

DUNGAN: Thank you, Chair Linehan. I want to clarify one thing, and I, I honestly don't know the answer to this,--

MARK RICHARDSON: Sure.

DUNGAN: --but you might. This is not an exemption that was created for legal services. Legal services have never been taxed. Is that true?

MARK RICHARDSON: That is true. I think it's currently written as an exemption. But you are-- my understanding is what your understanding is, which is it has never been taxed. It just is written that way now as an exemption.

DUNGAN: OK. I just wanted to clarify, this wasn't something we carved out in, like, 2005 or something like that?

MARK RICHARDSON: It has been around for certainly longer than I have been around.

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DUNGAN: Thank you.

LINEHAN: Sales tax has been around since '67. You look like your younger than that.

MARK RICHARDSON: I'm going to take that as a win for the night.

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

MARK RICHARDSON: Thank you.

JENNIFER TURCO MEYER: Good evening, Senators. My name is Jennifer, J-e-n-n-i-f-e-r, Turco, T-u-r-c-o, Meyer, M-e-y-e-r. I am an attorney in Omaha and Lincoln. I service clients all throughout the state of Nebraska, however. I'm also here to speak on behalf of NATA Association or Nebraska Association of Trial Attorneys in opposition of LB1, because it imposes a misery tax upon those Nebraska citizens who seek access to justice and our court system during what is undoubtedly one of the worst times in their lives. And I really wish that I could take credit for calling this a misery tax, but I can't, because when you look at the research that I've seen for the 47 states, some of which have considered doing this, it's called the misery tax because it appears to constituents that the state is financially benefiting at their misfortune when something like this is taxed. I'm not going to repeat what my colleague said, but I want to answer a question about the fees and the kinds of cases that I do, which is civil rights discrimination, personal injury workers' compensation. We don't charge on an hourly rate. We charge on a contingency fee. And that's important to know, because a lot of times in cases that I'm going to talk to you about today, we are reducing our fees as well, because there's not enough money to make clients whole in a lot of situations, which is the goal of our court system and our legal system and our law. Imagine, if you can, a family side-swiped by a drunk driver: a mother, a father, two young children. Airbag burns, seatbelt bruises, a broken leg, maybe a shoulder surgery and a parent with lifelong neck and back pain. I think it's important to know how this transaction actually works for these clients. If they do not get what they're seeking in compensation from insurance company, they have to hire an attorney to seek proper compensation. Then, once they resolve the case, they have to pay all the doctors and hospital liens. They have to pay health insurance abrogations, Medicare and Medicaid, which is not optional. There are filing fees,

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deposition costs, charges for medical records, expert witness fees. And that's all paid before these particular individuals in this family are going to see compensation. And that's why the cost of adding additional sales tax to legal services-- actually, court reporting services too. So, if you're sitting in a deposition with me, you're paying sales tax and a court reporter sitting next to me, and your attorney. Those direct costs are important to consider in cases like this, especially if there's only \$25,000 in coverage. Also, let's consider that the insurance side will be passing on their legal costs that would be implemented with this bill, either by increasing their premiums or paying these clients less money because it's part of their reserve calculation. So there's indirect and direct costs to this family. Thank you. I open with questions.

LINEHAN: Thank you. Questions from the committee? Can you put pen to paper on some of those examples?

JENNIFER TURCO MEYER: Yeah, sure.

LINEHAN: Thank you.

JENNIFER TURCO MEYER: Yeah. Do you want them to be actual cases that are done that I can talk about, or just scenarios--

LINEHAN: Whatever you can share that's not inappropriate.

JENNIFER TURCO MEYER: Yeah. That's fine.

LINEHAN: OK.

JENNIFER TURCO MEYER: OK. Thank you.

LINEHAN: Thank you. Any other questions?

ROBERT M. BELL: Hello, Madame Chairperson Linehan, and members of the Revenue Committee. My name is Robert M. Bell, spelled R-o-b-e-r-t M B-e-l-l, I'm the executive director and registered lobbyist for the Nebraska Insurance Federation, and I'm appearing today in opposition to LB1. The Nebraska Insurance Federation is the primary trade association of insurance companies in Nebraska. The Federation consists of 49 member companies and 9 associate members. Our members write all lines of insurance. Nebraska insurers provide high quality-- high-value, excuse me, quality insurance products to Nebraskans that

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provide financial protection to Nebraskans during difficult times. Insurance companies also have a significant impact on the Nebraska economy. By any measurement, the Nebraska insurance industry is one of the largest industries in the nation. According to a recent study completed by the University of Nebraska-Lincoln Bureau of Business Research, the insurance industry had a \$25.77 billion impact on the Nebraska economy in 2022, providing over 32,000 jobs to Nebraskans. The average wage of a Nebraskan working at an insurance company is nearly \$92,000 annually. The member insurance companies of the Federation certainly appreciate the tax issues facing the state of Nebraska, and are watching these deliberations with interest. Domestic, Nebraska-based insurance companies understand that the-- the important role the premium tax climate plays in our industry's continued growth here in Nebraska. Nebraska insurers bring employees and families from other states to Nebraska for work, something that we call 'brain gain.' But we do have three kind of issues that we would like to bring up to the committee with the legislation. First, as, as you already heard from the CPAs and the attorneys, that there are these insurance business expenses. And so, our good friends at NATA, explain that we pay-- well that-- actually, to the clients; that's my second point. But we pay a lot of legal services, and if you can find an SEC attorney that writes for more-- or less-- an opinion for less than \$1,000 an hour, we would like to know where that attorney is located; it's probably not in Nebraska. We have issues with direct mail that are in the bill right now; many of the insurers do, many direct-mail-- and legal and accounting in particular. On-- the second portion is related to the claims, which the attorneys did bring up as well. So, taxes on auto service, on home reconstruction, on legal services, those would go back to Nebraskans in, in premium increases. Just so that you're aware of that. And then third, there's, there's a lot of-- we feel there's not a lot of definitions, of course, in the legislation right now related to these services, and we have a lot of questions on what "accounting services" might mean. Does that include consulting services? What is an investment advice mean? What types of income from an investment advice is the bill talking about? We don't know. And so it's hard to put pen to paper to the legislation for us at this point. So with that, thank you for the opportunity to testify.

LINEHAN: Is there any questions from the committee? Nothing in this bill touches an insurance premium tax, does it?

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ROBERT M. BELL: It does not. No. I would say we are not the lowest in the nation; I heard you say that earlier.

LINEHAN: Oh, really?

ROBERT M. BELL: No. Wyoming is lower, and Illinois, the home of Allstate, State Farm and--

LINEHAN: What do they charge?

ROBERT M. BELL: They're a half percent of premium.

LINEHAN: Do they pay income tax, however?

ROBERT M. BELL: Insurance companies pay income tax in all states if-- but they have an offset related to their premium tax. So, even Nebraska insurers, if they have-- they could have income tax liability depending on the profile of the insurance company.

LINEHAN: They generally don't.

ROBERT M. BELL: They generally don't, but definitely our economic report did talk about--

LINEHAN: How about Chi-- Illinois? What is their top rate in Illinois?

ROBERT M. BELL: I have no idea.

LINEHAN: Well, when we bring examples, we should know--

ROBERT M. BELL: Well, I was just bringing the premium tax example, their premium taxes at half a percent.

LINEHAN: Well, I'm guessing their top rate's pretty high.

ROBERT M. BELL: I'm guessing. I have no doubt that you're correct, Senator Linehan.

LINEHAN: Any other questions? Thank you very much.

ROBERT M. BELL: You're welcome.

LINEHAN: Thank you all for coming.

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GEOFF MCGREGOR: Thank you very much for your time and consideration. I'm Geoff McGregor, G-e-o-f-f M-c-G-r-e-g-o-r. I'm the president of McGregor Interests, Inc., the operator of the self-storage brand Lockbox Storage, which has 11 locations in the state of Nebraska, and serves approximately 6,000 Nebraskan tenants. I'm opposed to LB1 specifically as it relates to the tax proposed on the gross income received from self-storage space. We should not be classified as a service business; we lease space to customers via a self-storage rental agreement, which is comparable to a lease agreement with a tenant who might rent an apartment, or an office space or retail shop. Since sales tax is not imposed on apartment rentals or industrial spaces, why would it be fair to impose it on only the self-storage asset class type? Not all surrounding states charge sales tax on self-storage rents either, such as Colorado and Wyoming. Sales tax on self-storage leasehold rents disproportionately affect lower-income individuals. Charging sales tax on self-storage rent would put an undue burden on those with lower income levels that might rely on self-storage, due to smaller living spaces, or economic constraints. One of the largest facilities in our portfolio is located near Offutt Air Force Base. It's our pleasure to serve the active military families. Typically, they rent space from us when they're deployed on various missions, which would unfairly tax some of the most important members of our community. Self-storage units often are used for storing belongings during natural disasters and emergencies. Exe-- exempting these services from sales tax can provide relief for individuals and businesses recovering for such events. Our company gave away approximately 120 months of free rent to those affected by the recent tornadoes impacting Omaha, Elkhorn, Blair and the Bennington areas; we wouldn't have been able to provide as much assistance if the sales taxes were imposed on our businesses. This also discourages urban living. Where living spaces are often smaller, self-storage can become a necessity. Taxing this rent will discourage urban living by making it more expensive to manage limited spaces, contrary to the urban development goals of major metropolitan areas in the state. Thank you very much for your time, Senators. Do you have any questions?

LINEHAN: Thank you. I'm not sure. Do we have any questions? You were the only storage person here today.

GEOFF MCGREGOR: I think there's a-- [LAUGHTER]

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LINEHAN: You were, you were going to get bonus points, and you just blew them up. Thank you for being here.

GEOFF MCGREGOR: Thank you.

MARIJEAN BECHTOLD: Good evening, Madame Chair. Good evening, Senators. My name is Marijean Bechtold, spelled M-a-r-i-j-e-a-n B-e-c-h-t-o-l-d. I'm regional manager for StorageMart in Nebraska, based in Omaha, and I have 14 locations within Nebraska. I am here to-- in opposition of LB1 which is proposing a sales tax on self-storage units, which has been lumped in with the same services as moving services. The self-storage industry is not a service industry; we simply do not provide any services. What we do, as an industry, is provide real estate available for rent to consumers. We simply facilitate this process, offering monthly rental agreement contracts. Not unlike an apartment complex or commercial real estate rental space, we in the storage industry collect rent on real space. These are all self-service spaces. Consumers move themselves in and move themselves out, as storage companies do not provide any such services. Essentially, LB1 is proposing to tax the rent collected by storage facilities. However, the state does not impose sales taxes on rent for apartments or commercial properties. I fail to see the difference in the industries, and assert there is some prejudice in proposing to tax self-storage as a service. Respectfully, on behalf of StorageMart Nebraska, I ask that self-storage be removed from LB1. Thank you for your time.

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

BILL LANGE: Senator Linehan, Revenue Committee. My name is Bill Lange. B-i-l-l- L-a-n-g-e. I'm the president of the Nebraska Self-Storage Owners Association. On LB1, I would like to address one specific item on page 62, line 18, item (i). Quote-- excuse me. "The gross income received for storage and moving services." Moving services are not at all related to self-storage. Self-storage is not a service. It is simply the rental of real estate. Self-storage owners do not help their renters move in or out. Owners simply rent their occupants a small piece of real estate. It's much like an apartment owner, a strip mall owner, or even a farm owner. It is not fair for an additional tax to ty-- it's not fair to add additional taxes to one type of real estate to reduce the taxes on another type of real estate, such as a

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farm. I do own a farm, but that's not-- I'm trying to make a point, that it's a common thing. Real estate taxes are one of the largest expenses for self-, or storage owners. I would respectfully ask for you to remove self-storage from the legislative bill, B-- LB1. That's all.

LINEHAN: Thank you. Any questions from the committee? Senator Kauth.

KAUTH: Thank you. So, U-Haul is actually listed as 'U-Haul Moving and Storage.' So, there are storage companies that do the moving also. I think that's kind of a misnomer.

BILL LANGE: U-Haul always-- already pays taxes when they rent or move somebody. Actually, U-Haul does not actually provide the service. They would prob-- provide the equipment to somebody. They don't actually move anybody.

KAUTH: So they don't, they don't offer services for moving?

BILL LANGE: Yeah, they just rent their trucks and stuff like that.

KAUTH: Thank you.

LINEHAN: Thank you, Senator Kauth. Any other questions? Thank you very much, Mr. Lange.

BILL LANGE: Thank you.

SHEILA O'CONNOR: Good evening. I'm Sheila O'Connor, S-h-e-i-l-a O-c-o-n-n-o-r, executive director of the Associated General Contractors Nebraska building chapter. The building chapter rep-- is a trade association representing 140 commercial firms that represent thousands of craft employees that build structures or buildings, and that build locally, regionally and nationally. Construction is vital to Nebraska's economy. We build and renovate buildings that support every sector: offices, schools, medical, manufacturing, housing, agriculture and more. Imposing new taxes on construction services or labor is a bad tax policy. In Nebraska, construction contributed \$8.3 million, or 4.6 percent of the state's GB-- GDP of \$181 billion. There were approximately 7,600 construction establishments in Nebraska in the third quarter of 2023. Construction employment in Nebraska in April of 2024 totaled 61,000, an increase of 100 employees from April 2023, and an increase of 4,900, or 9 percent, from February of 2020.

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The landscape remains uncertain; with rising inflation, increasing lending rates and an ongoing labor shortage, a tax on construction could devastate our industry, and has the potential of creating a tax that doesn't generate revenue. So we appreciate your support, and your time and efforts on this issue. Thank you.

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

TIP O'NEILL: Hi, Senator Linehan, members of the Revenue Committee. My name is Tip O'Neill. That's spelled T-i-p O-'-N-e-i-l-l. I'm the president and a registered lobbyist for the Nebraska Telecommunications Association. The NTA is a trade association that represents 21 companies providing broadband and landline telecommunications services in Nebraska. NTA companies oppose the repeal of section 77-2704.51, which relates to the sales and use tax exemption on "telecommunications service between telecommunications companies, including division of revenue settlements or carrier access charges" and dark fiber transactions between companies. Telecom companies enter into interconnection agreements with other carriers in order to allow carrier access to network infrastructure owned by the companies. Those agreements include charges for access to the various networks. A settlement is the financial exchange between the various providers for carrying traffic on their respective networks. When a call from a customer-- let's say you're AT&T, and you're calling a Verizon customer-- when it travels on another carrier's network, it utilizes that other carrier's network, such as fiber optic cable, cell towers, and bandwidth. Financial settlements ensure each carrier is compensated for the resources used to complete calls and data transfers from other networks. These company-to-company transactions are in the nature of a wholesale transaction. Our research indicates that no surrounding state, including South Dakota, assesses sales or use taxes on access charges, settlements, or other inter-carrier transactions. This exemption was first passed into Nebraska law in 1989 in LB209, but, based on the testimony at that hearing, the, the, the-- there never was a tax assessment on access charges and settlements. Anyway, we believe that taxing these transactions, would result in increased costs to companies for providing high-speed telecommunication services to their customers. You know that taxes and fees for telecommunications are pretty high in Nebraska compared to other state. We think repeal of this, of this exemption would exacerbate costs to customers. For those reasons, we oppose LB1 and

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the provision repealing exemption of settlements access charges and dark fiber transactions; I'd be happy to answer any questions you might have.

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

TIP O'NEILL: Thank you, Senator.

TRACY REFIOR: Good evening, Committee. Thank you for your time. My name's Tracy Refior, president and CEO of Always Safe Storage, the highest security storage facility in the Midwest, as well as a registered financial advisor for more than 30 years. To do a quick clarification for Senator Kauth, U-Haul, which provides strictly services for their moving trucks and those services for moving, do not own real estate; they contract with storage facilities to rent their trucks out, or provide those moving services. I oppose LB1 strictly for that point. It is a unfair tax, to 98 percent of my clients who are the working class. They rent storage units for var-- various reasons. It may be a situation of domestic abuse; it may be a seasonal item that they're trying to store, like a camper; it may be also where urban living is-- their space is just not big enough. As well as-- I'm sure there's at least one senator here that has rental properties. Any time an expense was to come to us landlords, we will pass it down, which would only further hurt the working class. Again, we provide no service. We are strictly property leasing or owners. My property taxes in Eagle-- Cass County alone are well over \$36,000. It's a large facility, it's 500 units. And that would represent, for number-wise, about 10 percent of a person's rent. If \$36,000 that I didn't have to pay, it's-- taxation is the most difficult for a government to do. And I commend you for heading it face-on. All right. Thomas Jefferson said the really only fair tax would be a consumption tax that would not tax food, housing, clothing. I feel like that's probably the best solution to-- as far as the situation, not just with LB1, but whether it be EPIC-- and I commend you for your diligence. I would say the biggest concern that I have is, we hear that-- time and time again that our government officials say, "Oh, we reduced your property tax." And really, what they're saying is we redus-- reduced the increase of the increase. It's not a reduction. You can look at your own personal property taxes. Tell me when your property tax ever dropped. It never has dropped. Don't kid yourselves, and don't lie to the public. It's, it's just not-- it's just not right. I thank you for your time.

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LINEHAN: Great. Thank you. Any questions from the committee? Thank you very much for being here. Good evening.

GERARD PICCOLO: Good evening. Members of the committee. I am Gerard Piccolo, G-e-r-a-r-d P-i-c-c-o-l-o. I am the Hall County public defender. I just don't want to waste your time; I'm here to add my voice to what has already been said by my colleague, Tom Riley and also my other colleague, Kristi Egger. I know it's late, I know everybody wants to go home, so I don't have anything else other than to add my voice to what has already been said. If there's any questions, I'd be more than willing to answer them.

LINEHAN: Thank you very much. I think what-- the late part is, we've got three more hearings tonight.

GERARD PICCOLO: I understand. I understand. Senator Linehan, I understand about diminishing returns.

LINEHAN: Yes. Thank you. It appears you don't. Thank you. Any questions from the committee? Seeing none, thank you very much.

GERARD PICCOLO: Thank you.

PHIL ERDMAN: Senator Linehan, members of the Revenue Committee, my name is Phil Erdman. P-h-i-l E-r-d-m-a-n. I'm here representing the 150 locations of our members across Nebraska as the registered lobbyist of the Iowa-Nebraska Equipment Dealers Association. I've got three points; they're in my handout. I'll just go over these briefly. Number one-- this isn't really a point; I've been through four special sessions on your side of the desk. Not all special sessions are special, but, maybe this will be fun for you all. LB1, as introduced, repeals the exemption for sales of ag machinery and equipment. The bill, as introduced, is both used and new, and the rate is 2 percent. In my conversations with the Governor's Office and his staff, I have been informed that the rate would need to be at 4 percent, as that is what has been scored, and that revenue generates 25 percent of the total cost of the plan. So during the Olympics, we get the gold medal. Of the 5 states that tax ag equipment-- the only one around us is South Dakota-- but if you added up those 5 states that tax ag equipment, their total assets don't even equal the top states for ag produce-- ag production in America. Now, if you want that list, I have that as well. Number two, LB1 repeals the sales tax exemption for ag

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equipment, specifically for tractors that are tested, that are over 100 horsepower at the Nebraska Tractor Testing Lab. That was a deal struck 10 years ago, saved the Ag Committee years of debate. But if you take away the tax advantage, you now have placed Nebraska at a further disadvantage, and the availability of tractors able to be sold in Nebraska legally will then be limited further, and there won't be a sales tax exemption tied to that. I do have an amendment that I would bring to the committee and would state that the dealers do not control which tractors are tested; that is controlled by the manufacturers, which is a separate entity from our members. The third item is the definition of agricultural machinery for the purposes of taxation in the area of personal property tax. Unlike your earlier testimony, you do not have a choice; you don't get to pick whether you pay sales tax or personal property tax. I'll talk to Mr. Nielsen. I don't think he understands the tax code. But you pay personal property tax in Nebraska right now. The definition, as you have before you, is deficient in the fact that there will be ag equipment that will be subject to personal property tax that is not currently subject to sales tax exemption, and that was the work of Senator Murman and Senator Albrecht in LB595 in 2021. Last thing I will say in regards to inputs is that, if you take seed, fertilizer, herbicides and chemicals, and you have that alone, you still have seed, fertilizer, chemicals. If you don't have the machines that can plant within a sub-inch variation 30- to 40,000 per acre, you're still going to have seed, fertilizer and chemicals. You don't have feed, and you don't have a final product. So, it's an input. The technology is phenomenal. If you have a self-driving vehicle, congratulations; it'll stay between lanes of a, of a road that's been well-marked and documented. But if you have a tractor, and you have technology like Senator Meyer, Senator Albrecht or Senator Murman, you've probably had sub-inch variation driving through the middle of nowhere for a decade. The innovation is phenomenal; don't tax it, and don't make it more difficult on our producers. I would be happy to answer your questions.

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

VON GILLERN: Very quickly, I asked a question earlier-- I made the point earlier-- you didn't bring a border bleed. Conversation earlier about that. If a piece of equipment is purchased out of state and brought in, use tax must be paid on that. Correct?

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PHIL ERDMAN: If it is a use tax, Senator. If it's not a use tax, which I'm informed that there's a question of whether the tax-- because agriculture equipment and manufacturing equipment would be at a different rate than our state sales tax rate, whether that would be in compliance with streamlined sales tax. But if it is a sales and use tax, there would be that check; if it's an excise tax, I don't believe that there is, and I don't know what the committee is going to decide in that regard. At the same point, similar to what you heard from Mitch Merz, one of our members who is a border dealership, like, that's a real concern. That, that revenue won't come to the state, but it'll be a detriment to our dealers and their ability to do business.

VON GILLERN: Thank you. That's helpful.

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

CARTER THIELE: Thank you very much, Chairwoman Linehan, Vice Chairman von Gillern, members of the Revenue Committee. My name is Carter Thiele, C-a-r-t-e-r T-h-i-e-l-e. I am the policy and research coordinator for the Lincoln Independent Business Association. We are here to oppose LB1, because while LIBA supports the concept of a low, broad sales tax base, LB1 implements this idea in a way that premet-- presents too many negative economic impacts to support its financing mechanism. The reintroduction of the Advertising Services Tax Act and the taxes on business inputs are particularly harmful. We envision that by removing generations' worth of sales tax exemptions and lowering the sales tax rate, that financing property tax relief would be achievable. But because the goal for generating revenue is set so high, this plan requires more economic detriment to our member businesses than LIBA can accept. We believe that the acceptable amount of property tax relief that can be achieved from generating additional sales tax revenue should be the amount of surplus revenue that comes from removing sales tax exemptions and lowering the sales tax rate. Anything beyond that isn't equitable to the state's businesses. Should the committee insist on sending this bill to the floor, it should amend the bill to remove all new taxes, including the Advertising Services Tax Act, and the taxes on manufacturing business inputs, removing sales tax exemptions, lowering the sales tax rate, and adopting a different version of reducing property taxes as the mechanism for property tax relief. In summary, while expanding the sales tax base is a viable policy to generate additional state

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revenue, LB1's approach is flawed. Instead, the bill should focus on only removing sales tax exemptions, lowering the sales tax rate, and utilizing a different mechanism for property tax relief. Thank you, and I would be happy to answer any questions.

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

KENT ROBERT: Good evening, Chairman Linehan and members of the committee. Kent Rogert, K-e-n-t R-o-g-e-r-t, here today representing CTIA, the trade association for all wireless communications in the state of Nebraska and across the country. We-- like Mr. O'Neill, we are here to oppose the repeal of 77-2704.51, which adds tax to the access, access charges. Because it is a tax on a tax, because it's a pre-tax, it will rai-- it's subject to all the taxes [INAUDIBLE] after. For the record, it's listed twice in the bill: once in the text, and then in the repealer section on page 139. We are the fifth highest tax burden on wireless charges in the country, and we would like to see it go the other direction instead of up. And so, for this reason, we asked for that to be pulled out of this bill. Happy to answer any questions if I can.

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

KENT ROBERT: Thank you.

LINEHAN: If you're testifying on this bill, you need to be in the front row.

MARY VAGGALIS: Good evening, senators. My name is Mary Vaggalis, M-a-r-y V-a-g-g-a-l-i-s, and I'm here today as a regered lo-- registered lobbyist for the Nebraska Licensed Beverage Association, or NLBA. NLBA is a local non-profit trade association representing almost 700 liquor retailers, primarily, on-premises consumption retailers like bars and restaurants, but also some C-stores in Nebraska. Our members are small businesses that provide jobs in hundreds of communities, big and small, throughout Nebraska, contribute to the tax rules, and are good steward of-- and community leaders. I want to start by thanking Governor Pillen, this committee, and your fellow colleagues in the Unicameral. It's a monumental task you're undertaking, and our members certainly feel the strain of high

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property taxes, whether they rent or own the space that their businesses occupy. Unfortunately, our members must echo the concerns you've already heard from some different types of retailers in this space about the proposed increase to the liquor excise tax, and the risk it presents to our businesses. It sounds extreme, but I have heard from some of our members that the increase in the tax proposed in LB1 will literally cause them to shut their doors. And I just want to expand briefly on some of the economic climate discussion that has only been alluded to in previous testifiers. The last 5 years have been particularly challenging for those in the hospitality industry, which is already kind of a, a risky business to go into in the first place. Many of our members had the expense of repairing damage or outright destruction as a result of the floods in 2019. Then, the pandemic hit, and certainly disrupted the hospitality marketplace. And now, those that survived are facing increased costs of food and beverages, and other supplies, as well as high-- highly competitive wage marketplace, due to the increase in the minimum wage in Nebraska, as well as Nebraska's record low unemployment rates. This is not to say that our members are not willing to be part of the solution; our members acknowledge that it has been many years since the spirits excise tax was increased. We merely ask that the committee consider a more modest increase in the excise tax that strikes the right balance between raising revenue and allowing our small businesses to succeed. So, as this considy [SIC] considers amendments to LB1, we would like to be part of the conversation. I know all of you ultimately want to create tax policies that allow Nebraska to grow, and bars and restaurants are an important amenity, particularly in our rural communities. Thank you for thoughtfully considering the impact of this tax, as well as the other taxes that might be imposed on services that businesses rely on, and other, other sources of revenue that these retailers might have. With that, I'll conclude, and I'm happy to answer any questions.

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

BOSTAR: Thank you Chair Linehan, thank you ma'am. How much would you like the tax to go?

MARY VAGGALIS: I knew I was going to get that question. I, I hesitate to give a number in the committee, in a circumstance where I'm sort of negotiating against myself. But I, I do think we have some numbers in

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mind. And I'd be happy to discuss those with the committee as negotiations take place, and we can maybe get a, a better sense of the full picture about what other taxes our retailers might pay, as well as the amount of property tax relief that, that might be available to offset those increased expenses.

BOSTAR: Thank you.

LINEHAN: Thank you very much, Senator Bostar. Is there any other questions from the committee? Seeing none, thank you for being here, and thank you for being polite along with everybody else-- all of you that waited to the end, I appreciate it.

MARY VAGGALIS: Of course. Thank you, Senator.

SPIKE EICKHOLT: Good evening, Chair Linehan, and members of the committee. My name is Spike Eickholt, S-p-i-k-e; last name is E-i-c-k-h-o-l-t. I'm appearing on behalf of the Nebraska Court Reporters Association. I apologize, I don't have a written statement. I didn't think I'd actually be testifying today for them. I didn't want to have them stay here all day. We are opposed to the proposal in LB1 that's on page 64, lines 28 through 29, which would provide that court reporting and secretarial services related to court reporting be subject to sales tax. Someone testified earlier today-- I think someone with the trial attorneys-- that talked about a little bit of what court reporters do, but generally what they do is they maintain the official records, if you will, for court proceedings. That's the person that you see with the little machine taking down what's happening in the courtroom, or in a deposition. Those costs are borne either by parties, the litigants, and in many instances by the counties and, and the counties themselves that pay for that cost. For instance, in criminal cases, if you're a court-appointed lawyer, or even if you're a public defender, and you contract with a court reporter and hire a court reporter to do the deposition, that is paid either by the public defender's budget, or by the county itself when they reimburse the attorney whose only appointment was taking that case. So this sales tax would go-- will be passed on only to litigants in the court system, but in many respects, the local governments, the counties and the public defender's offices. This will also impose an additional cost, if you will, on many small businesses. There are a couple of court reporting businesses, if you will-- J.S. Wurm is one of the bigger ones that's in Omaha and Lincoln, but most of the court

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reporters are independent, home-based, many of them women, who practice a small business on the side. While some of these court reporting services do have LLCs, where they have an accountant help them do their taxes and so on, they don't have support staff. They don't have the practical apparatus, if you will, to collect and remit sales taxes as would be required if they were included on there. And that would be a cost that they would have to pass on to court reporting-- to the court reporting fees, which would impact litigants, impact counties, and so on. So for those reasons, and others, we urge the committee to not adopt that portion of LB1, and I'll answer any questions if anyone has any.

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

ANSLEY FELLERS: Thank you, Chairwoman Linehan and members of the committee. My name is Ansley Fellers, A-n-s-l-e-y F-e-l-l-e-r-s. I'm here on behalf of the Nebraska Grocery Industry Association. Thanks for your time today. I just wanted to really quickly reiterate what you might have heard from someone earlier, but I'm not sure was emphasized quite enough: that candy and soda is a very oversimplified description of what is being taxed when you talk about taxing candy and soda. It is very much inclusive of items that people consider everyday groceries, and certainly food. It's also going to be especially difficult for small-- my small independent grocers; you heard my grocer from Norfolk. They're going to have the hardest time implementing. You might have also heard what's happening in Iowa. A lot of times, small businesses just pass along the tax increase on a variety of items, because it's expensive, and they're really worried about compliance. They don't want to face back taxes because they're not collecting on the proper thing. My larger retailers who have a presence in Iowa usually have one person dedicated to co-- making sure they're complying with this, with this law. So, it's not, it's not super easy. The cost of compliance is high on a, on a lot of these fronts. A lot of the taxes proposed are at the wholesale level, meaning they're going to be paid by the business, and then passed along. My independents are also going to have to pass these increased taxes along quicker, a lot faster than their national, maybe larger, competitors. So that's going to render them even less competitive. I would just note South Dakota and Kansas are going the opposite direction; they're lowering their sales tax rate in the case of South Dakota. Kansas is actually in the process of phasing out entirely

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their tax on groceries. It's probably important to know that many states this year, including Colorado, Georgia, Alabama, Wyoming and Kansas are all considering and en-- either considering, or have enacted, new laws designed to limit future property tax hikes for a variety of landowners, homeowners in their states. None of those states have increased other taxes to do this. And I would just note for the record that cities cannot collect lo-- local option sales taxes or occupation taxes on the goods and services that are currently exempt at the state level. So in expanding the tax base, you're not just opening these items up to a 5.5 percent rate, you're possibly subjecting them to more like 7.5 percent in some places. You're certainly, you're certainly creating the windfall for cities that we heard in the spring. That could be why they were-- cities and counties were the lone testifiers supporting the candy and soda tax in the spring. I just would, again, thank the committee and answer any questions if you have them.

LINEHAN: Thank you. Are there any questions from the committee? Could you get, for the committee, what the total sales of candy and soda in Nebraska were in the la-- in 2023 and 2024?

ANSLEY FELLERS: As defined here. Not what you might consider, but like sugar-- things with sugar and honey.

LINEHAN: I know the definition; this isn't the first hearing we've had on this. Yes. As defined in the book.

ANSLEY FELLERS: OK.

LINEHAN: Any other questions? Thank you much.

ANSLEY FELLERS: Thank you.

RICH OTTO: Chairwoman Linehan, members of the committee, my name is Rich Otto, R-i-c-h O-t-t-o, testifying in opposition to LB1 on behalf of the Nebraska Retail Federation, as a registered lobbyist. A lot of things in it that impacts retail; I'll go quickly. The digital ad tax is our number one concern, as you've heard before. Obvious concerns about Maryland and the money not ever coming in, because it's been tied up in court cases. So, we oppose that portion, and are concerned those revenues may not come in. I'll quickly move on and highlight that I do believe the gold bullion industry was the only industry that

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sent one testifier. I believe they're the only industry that has shown a sales tax that has been repealed-- an exemption that's been repealed and then also put back into place. I do think gold is different than a lot of the other exemptions and just wanted to point that out; I think there's multiple examples of states that have repealed the exemption and put it back to place. I will use gold for my example. I have handed out a 1040 return, and have highlighted line 43 on page 2. So, if an individual were to go to Iowa and buy an ounce of gold, the tax would be approximately \$180. When they bring that back, it is now due to the state as a use tax. The way the state gets the money is by the individual being honest and filing that use tax on their tax return. Just based off the gold analysis, we know that use tax only get a few percent of the actual tax that is due. So, when you're looking at these exemptions, and they're portable, and they go to other states, and all of a sudden the money that needs to come back in a use tax form-- remember, you're most likely only going to get a few percent of what the, you know, the revenue. It looks like, at least in the gold example, when they were calculating the proceeds, it was based on all gold sales, not what actually is most likely going to come in as use tax. With that, I would be happy to answer any questions.

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

BOSTAR: Thank you, Chair. Thank you, sir. Isn't there-- I mean, I understand your example, but isn't in this case the gold example consistent with any other cross-border use tax declaration?

RICH OTTO: Absolutely.

BOSTAR: I mean, it's not unique specifically; it's how it works.

RICH OTTO: Well, retailers know, for a good example that, before we had online sales tax collection, we only got about 10 percent back. And based on claiming it on your, 1040 use tax for goods that you purchased online.

BOSTAR: Thank you.

LINEHAN: Thank you, Senator Bostar. Is there any other questions from the committee? Seeing none, thank you very much. We do have letters

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for the record. One, I have to read because it's ADA accommodation. It is from Korby Gilbertson, representing the American Property Casual [SIC] Insurance Association.

***KORBY GILBERTSON:** I am testifying today on behalf of the American Property Casualty Insurance Association (APCIA) in opposition generally to LB1 and specifically to the imposition of sales taxes on repair services for both real property and motor vehicles. APCIA is the primary national trade association for home, auto, and business insurers. APCIA promotes and protects the viability of private competition for the benefit of consumers and insurers, with a legacy dating back 150 years. APCIA represents the broadest cross-section of home, auto, and business insurers of any national trade association. Property casualty insurers' core business is protecting people and helping them recover from catastrophic losses to their homes, cars, and businesses. The industry pools and distributes risk, operating largely as a pass-through, with the overwhelming majority of premium dollars collected being used to pay claims. In the first half of 2023, insurers spent over \$1.04 in claims and expenses for every dollar of premium collected - and that's not capturing the Maui wildfire and Hurricane Idalia catastrophes in the fall of 2023. Overall, for 2023, S&P predicts that auto insurers will have an 8.7 percent net underwriting loss, and homeowners' insurers a 12.1 percent loss - the worst in over a decade. (S&P Global Market Intelligence, U.S. P&C Insurance Market Report, October 2023). Consumers are already facing increased rates due to a myriad of reasons including higher risk of natural catastrophes, economic inflation, climate change, legal system abuse, and coverage mandates. LB 1 stands to exacerbate the problem by increasing the cost of claims through the application of a sales tax on real property and motor vehicle repairs. Further, taxing numerous business inputs for the insurance industry would result in a net tax increase for many companies doing business in Nebraska and will also add to the likelihood of increased premiums. This remains true even if significant property tax relief is granted. For these reasons, APCIA hopes that the committee will see fit to reject the proposed sales tax provisions in LB 1, and either strike them from the bill or indefinitely postpone the bill.

LINEHAN: We also had letters for the record: 10 proponents, 367 opponents, and 9 neutral. I will waive my close. [LAUGHTER] OK. Thank you all for being here; appreciate it very much. And with that, we open the hearing on LB-- we don't have page--

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LINEHAN: Welcome, Senator Hughes.

HUGHES: Hello, Revenue Committee. How are we, how are we doing? How are we feeling?

LINEHAN: We're fine. We're fine.

VON GILLERN: Don't ask.

HUGHES: Madame Chair, I'm-- just for the record, Lou Ann told me yesterday-- I go, "Really, Lou Ann? I have to drive in at midnight to do my thing." She's "No, no, no. 3:00."

LINEHAN: Yeah, well.

HUGHES: 3:00. It's 8:23.

LINEHAN: I didn't know everybody would send ten people and say--

HUGHES: For the record.

LINEHAN: -- which isn't really very smart anyhow.

HUGHES: OK. Anyway, Madame Chair, members of the Revenue Committee. I am Jana Hughes, J-a-n-a H-u-g-h-e-s, and I represent Legislative District 24. I am here to introduce LB19, which establishes a 2 percent excise tax on online sales for delivery. I am going to fund my own bill of LB9, which you heard yesterday. And for the record, the updated fiscal note, which came out about 5:30 tonight, is \$130 million. So there you go. You are probably thinking-- oh, just let me some-- let me start over. LB9-- LB19, that's today, LB19 establishes a 2 percent excise tax on online sales for delivery. So you're probably thinking, "Here Hughes goes again with her excise taxes. What is she doing now?" Before I answer that, I want to talk about property taxes, which is the reason we're all here for this party this summer. What do property taxes pay for this summer? They pay for local schools, law enforcement, emergency services, local roads, bridges, etc. Why do we traditionally fund-- why do we traditionally fund these property taxes? We do so because property taxes are a reliable source of revenue to fund basic services of our local government. Who pays property taxes in Nebraska? People and businesses who own property. This gets, as a question I asked myself earlier, earlier this year, and the motivation for this bill. When I was in session this spring, I

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had a son that graduated from high school. As I was in session, I'm ordering, online, all the things I need for his graduation: his thank you cards, his napkins, the tablecloths for his graduation party, all the things. I come home one day, I have ten boxes from Amazon sitting at my front door. Could I have "boughten" all that stuff from local retailers here in Nebraska? Yes, I could have; but I did not. So who is not paying for property taxes, but benefits from the local services the property taxes pay for? The online retail world that has pushed multinational companies, direct competition with our brick-and-mortar stores. These multinational companies have economies of scale, can loss-lead their products, which means selling them for-- at a loss, drop them at your doorstep, and they use our roadways and other services. Brick-and-mortar stores pay property taxes that contribute to the local services, including our school-- including our schools, that include our local-- that provide our future workforce, as well as playing employ-- employees that pay income taxes. Most online retailers do not pay property taxes in our state. LB19 proposes a 2 percent excise tax on online sales for delivery in Nebraska. This allows customers to order online, pick up their or-- pick up their order at brick-and-mortar stores without paying the additional tax. So if I order from a store that's in your town, and you go pick up the product, you would not pay that excise tax. These will go to the Department of Revenue, and depart-- and deposit in our state General Fund. These funds would be directed to pro-- property tax relief like what we are discussing in the special session, or they could go to pay for another service, like our transportation infrastructure. I had intended to bring this bill next January, so I haven't really vetted the bill as I normally would. However, nothing gets feedback quicker than dropping a revenue bill during a special session, and I'm sure we can all say that. We quickly idun-- identified from initial feedback that, as currently drafted, LB19 could impact online retailers here located here in Nebraska that have online ordering, and then deliver their products locally. My intention is not to impose this tax on your pizza that's delivered. Considering this unintended consequence, I have AM16, which I passed out, and you have a copy of that. That would exempt products that are transported from a retail distribution or wholesale place in Nebraska. If we can find a way to share the burden of paying for these local services, our schools, roads, emergencies, etc.-- emergency services, etc., we should do so. And we should not continue to heap more on the backs of property tax owners. I appreciate your time and consideration, and I know you guys are tired

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today, so I look forward to answering any questions I can able. I am en-- encourage this committee to look ahead to how we can sustainably fund our basic governmental services in this fast-changing world. Thanks. Questions.

LINEHAN: Thank you. Senator Bostar.

BOSTAR: Thank you, Chair Linehan. Thank you, Senator Hughes.

HUGHES: Thank you, Senator Bostar.

BOSTAR: I have a few questions, since we have time.

HUGHES: Do we have time, though? It is 8:30.

BOSTAR: If you ultimately are trying to just capture the out-of-state retailers who are delivering into Nebraska, is there any concern that you're going to run into, a challenge to, like, the Wayfair provisions that ultimately allowed the application of sales taxes on online orders to begin with?

HUGHES: That's why we're an excise tax, not a sales tax.

BOSTAR: I understand, but what allowed the tax to be placed on goods coming from out-of-state was a, was a court decision, right? That was the Wayfair decision. And part of the stipulations in the destisi-- in the decision relate to how universal the tax is applied, whether or not it's being targeted at only extra-state commerce versus also applying interstate, so, I think that would probably make it unconstitutional. Something to consider.

HUGHES: I will consider as much as we can, but if we could do this, I'm all in, too.

BOSTAR: The other question I have is, is there any sort of concern that-- like, I see what you're trying to do here. Is there a concern that--

HUGHES: The concern is-- I mean, seriously, I came home and I'm-- I had frickin' 10 boxes sitting there, and I'm like, "I could have bought that stuff." Even if it's from Walmart in Seward. Walmart's paying a property tax. Walmart's paying their employees.

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BOSTAR: Sure. Is, is there a concern, though, that for rural Nebraskans, this is maybe-- what happens if you're-- if you live in rural Nebraska, and you have a disability, and you get medication ordered? Would you be subject to this tax?

HUGHES: Is-- anything that's not sales tax would not be taxed. So food, or is-- medication's not sales-taxed, right?

BOSTAR: It isn't.

HUGHES: So then it wouldn't apply. Next question.

BOSTAR: I think--

HUGHES: So you're saying-- OK, does it affect rural-- and I'm rural, right? Does it affect rural more than-- I, I--

BOSTAR: I mean, there's degrees of rural.

HUGHES: I could see the-- no, right. I'm a little bit like, kind of rural. I could see the argument. This disproportionately affects rural people, because we don't have the brick-and-mortar choices that an Omaha person might. So there-- I, I can see that a little bit. I would argue it in two ways. I actually live out in the country, so my sales tax is 5.5 percent, right? Because I don't live in Seward city limits.

BOSTAR: Because you're a tax evader.

HUGHES: It's a tax advantage. Right. So I might bring the 2 percent on. Now, that was a-- if I drove to Seward or Lincoln, I would pay 7.5 percent, but I don't. So in, in my case, where I live, it wouldn't be a disadvantage if you will. The other part, I think rural people are used to driving-- you drive into-- like, if I live-- my grandma grew up in Haigler; if I drove into Hagler, I, I would drive into McCook to do my big shopping. We're used to driving an hour and doing shopping, so I don't-- I guess I just don't see it as that big of a disadvantage, rural versus urban, but there might be a little bit there.

BOSTAR: Thank you. I think, I think that--

HUGHES: But, like, food and everything that's not-- you know, what I'm saying? Anything that's not taxed wouldn't be taxed anyway.

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BOSTAR: I appreciate that clarity. I think the biggest issue is going to be, with the in-- with the intent you want, is that you're going to find it's probably unconstitutional. I don't have any further--

HUGHES: It would be really great if it wasn't, though, wouldn't it?

BOSTAR: Look, I say that all the time. If, if--

It's \$130 million, and I only need 440 for LB9.

BOSTAR: I don't have any further questions, but if you want to share any more personal anecdotes, I--

HUGHES: No, I don't have anything. I'm sure you guys are getting--anybody else?

LINEHAN: Any other questions? Senator von Gillern, then-- did you have your hand up? Senator von Gillern, then Senator Dungan. OK.

HUGHES: Do we really want to go? Do we really want to ask any questions?

VON GILLERN: So, real quickly, that Amazon truck that came and delivered all that stuff to your front porch. Where did that truck load up?

HUGHES: I have no idea. It might have loaded up in Grand Island or Omaha, or whatever. I don't know.

VON GILLERN: But, somewhere in Nebraska?

HUGHES: Perhaps.

VON GILLERN: Have you ever been by the Amazon distributor build-- distrib-- distribution building in Sarpy County?

HUGHES: Probably got TIF funding and everything else to get here. So, if they're using that--

VON GILLERN: Have you ever driven by the building at highway 50 and 370 in Sarpy County? It's a couple million square feet. I imagine they're paying property tax.

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HUGHES: Did they get any, did they get any advantage to coming to Nebraska?

VON GILLERN: I'm just saying I would expect some pushback from some folks, because--

HUGHES: I'm sure. I'm sure we're going to hear some pushback.

VON GILLERN: I don't think we can claim that they're not paying any property tax. So, OK. Thank you.

HUGHES: That-- my thought was, and if 2 percent makes me shop local, great. I'm supporting my local businesses.

VON GILLERN: And I'm betting the truck had Nebraska license plates on. So they're probably paying some motor vehicle tax.

HUGHES: OK.

VON GILLERN: So, OK. Thank you.

HUGHES: Trying to bring money, Brad.

LINEHAN: OK. Thank you, Senator von Gillern. Senator Dungan.

DUNGAN: Thank you, Chair Linehan, and thank you again for bringing it. You and I have talked a little bit about this bill, and I think I might have expressed this concern, but I just wanted to bring it up again to see if you talked to anybody else about it. Similar to the lines that Senator Bostar was talking about with regards to rural versus urban, my concern with this kind of thing lies more with people who are unable to leave the home, the developmental disability population, the elderly population who-- and I know this anecdotally, but I know people who are in wheelchairs, who have caretakers, who order the bulk of their things, some of which are already sales tax exempt, others are not-- but they order the bulk of those things from Amazon because it's simply easier. So, I guess-- have you talked to anybody from any of those communities about the impact this would have on them?

HUGHES: I have not.

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DUNGAN: OK. I just think that'd be something worth considering as we move forward, because I do think that those are populations who--

HUGHES: And I'm, I'm going to mention again, if I order something from-- like, if I order something from a store in Nebraska and I, I can order online that I go pick it up, you know, like how you go to Walmart and you do your Walmart pick-up? That would not be subject to this excise tax.

DUNGAN: On-- and then we can have a whole conversation about the dormant commerce clause, too. But we can have that later. Thank you, I appreciate it.

HUGHES: That's fine. I'm just trying. I'm doing my part on this special session.

DUNGAN: Thank you.

LINEHAN: Thank you. Are there other questions? Do you know how many testifiers you have?

HUGHES: I have none that I have-- so, whatever is next is probably opposition, so-- I focused on LB9, not this one.

LINEHAN: OK. OK. All right. I'm confused because she-- and I know it's LB9, and I know we all want to go home. You said you had a new note-- new fiscal note that said we're--

HUGHES: Yeah, they dumped a fiscal note tonight at 5:30, and it was \$130 million for this one.

LINEHAN: So why do you still need \$440 million?

HUGHES: No I wouldn't. That's \$130 million toward my 440, so then I would need--

LINEHAN: I got. That's what this fiscal note was. Well, I question that too, from what Senator von Gillern said. Like, Amazon has huge warehouse here. I don't-- who else do you-- I don't know. That's who I get stuff from.

VON GILLERN: UPS has big [INAUDIBLE]

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LINEHAN: OK. Yeah. All right. Thank you. Opponent? We don't have any proponents, so, have we got any opponents? We have no opponents. Pay attention, I'm not going to ask three times. OK. Let's go.

RICH OTTO: Yeah. Chairwoman Lemon-- Linehan, members of the Revenue Committee, my name is Rich Otto. R-i-c-h O-t-t-o. I'm testifying in opposition to LB19 on behalf of the Nebraska Hospitality Association, the Nebraska Grocery Industry Association, and the Nebraska rest-- Retail Federation. First of all, we did not see the amendment from Senator Hughes. So, that's why hospitality and restaurants were extra concerned, because the way the bill was written originally, it said call, taxable personal property, prepared food would have been brought into that. So, part of my testimony does discuss prepared food as well. Implementing a 2 percent delivery tax on goods and prepared food would hurt small business, especially local restaurants, caterers, grocery stores. The businesses have increasingly depended on delivery services to survive in the digital age. Raise it-- this would raise the cost of doing business, hurt consumers. Compliance and enforcement on a delivery tax is significant. I just want to mention that, that-- so we go back to groceries and medicine not being taxed. A lot of times those get co-mingled in an order, so that does create another facet of compliance where we probably need some software to realize which items were taxable, which weren't, and then to layer on the excise tax. Retailers and restaurants would remit nearly 2 to 3 percent more to the state in collecting this excise tax due to credit card fees; where we have the interchange fee on the excise tax, we remit the full amount, so we end up remitting-- we only get \$0.97 to the dollar back from the banks on the credit cards, we remit the full amount. So we end up losing 2 to 3 percent of the full tax due to credit card fees. The delivery tax is regressive; it definitely hurts people with mobility issues, low-income families who rely on delivery services for essential goods. Many of these families struggle with tight budgets. Additional tax increases would just put an additional financial burden on them. We also think this could negatively impact health, especially if we had similar situations to COVID, where people that have compromised immune systems, elderly, are very concerned about going into the store, or can't drive, again, rely on these delivery services. And we would want them to avoid any potential illness or exposure. While some might argue that a delivery tax could reduce the number of delivery vehicles on the road, the reality is, it's a little more complex. Effective delivery services actually can

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reduce the number of trips that go out in total; they can often have 5 to 10 deliveries in one van, and thus lowering the emission impact. Again, definitely the restaurants don't like it on prepared food as well. We don't think this is right approach to address the state's challenges. I'll stop there. Happy to answer any questions.

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

KENT ROBERT: Good evening, Chairman Linehan, members of the committee. Kent Rogert, K-e-n-t- R-o-g-e-r-t, here representing two folks today, AT&T and Wine Institute. Wine Institute is a thousand California "winies"-- wineries advocating for wine at all state levels, federal and international. A great deal of our wineries are small farmers and family businesses, where-- a lot of our products in Nebraska, the only way they get here is through online ordering. We are already the second highest-fee state in the country for direct shipper's license. New Nebraska law passed by this legislature in the last two years requires new fees on label registrations, per label, to sell Nebraska products for the registration. We already pay sales and excise taxes, to sell in Nebraska, plus the cost of shipping. An additional 2 percent may actually be, for some of these folks, the straw on the camel's back. For AT&T, most or a lot of our wireless dealers ordered on your phone over the app, and as I've mentioned in the previous bill, we're the fifth highest country-- state in the country for wireless taxes at over 20 percent of the bill. We need to go the other way, and help those folks who need to keep their utilities on. Senator Hughes handed me the amendment. Her amendment would fix a, a lot of AT&T's questions, because we could order and pick them up from a store if you have one close, so they could ship it from there. So that may solve that coming from the, the local thing. But the Wine Institute stuff all would come direct, via USPS or FedEx. Answer any questions if you need.

LINEHAN: Thank you. Questions from the committee? Seeing none.

KENT ROBERT: Thanks.

LINEHAN: Other opponents? Anyone want to testify neutral?

BOSTAR: We got a neutral.

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HUGHES: I'll take it.

TIMOTHY C. MELCHER: Good evening, Senators. I meant to be a fly on the wall tonight, but, Senator Hughes had a good bill that I felt, and I didn't jump up in time to support it. So I'm going to supp-- I'm going to provide a neutral testimony tonight. So, I grew up on a farm 8 miles south of Battle Creek; my mom currently lives about a mile and three quarters outside of Lindsay.

LINEHAN: Oh, yeah. I need your name. And I think if you-- did, you want to be a proponent?

TIMOTHY C. MELCHER: Right, Timothy-- Is it too late to do that?

LINEHAN: No.

TIMOTHY C. MELCHER: Yeah, if you wouldn't mind being--

LINEHAN: We've been going back and forth all day. You can be whatever you want.

TIMOTHY C. MELCHER: All right.

MEYER: Whoa, whoa.

TIMOTHY C. MELCHER: I saw you cracking the whip, so I didn't want to--

VON GILLERN: You're a wise man.

TIMOTHY C. MELCHER: So, yeah. Anyway, OK, so this will be a proponent testimony. My name is Timothy C. Melcher, T-i-m-o-t-h-y C as in Clifford, M-e-l-c-h-e-r. Anyway, as I was saying, I grew up on a farm 8 miles south of Battle Creek. My mom currently lives a mile and three quarters outside of Lindsay; I live in Omaha; my kid lives in Lincoln; my brother lives in Norfolk, so this whole side of the state is kind of my stomping grounds. So, in light of property taxes-- so, my brother was the president of my family farm corporation, and to remain incorporated, we need three members. There's a president, vice president, secretary. When he died, that left an opening. And so, I became the vice president of the corporation. And so, property taxes are something that we talk about a lot. With the cost of daycare, it's more feasible for me to drive 100 miles to take my kid to stay at my mom's for a week, and then come back down here and juggle that around.

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But anyway, last weekend, when I was back home talking to her about some ideas, she was like, yeah, it doesn't make sense that the rural residents are paying more in property taxes where we don't have stuff like Burger King, the brick-and-mortar businesses that could even DoorDash, you know, your food to you. And-- she doesn't drive, and so she has a majority-- well, actually everything delivered. And it's, it's not just Amazon trucks; it's FedEx trucks, it's USPS trucks, which I don't think those would pay property taxes. But I think this is a really good idea that Senator Hughes is proposing, because it's not necessarily out-of-line to create certain tax districts. Because, I know in Omaha, like Blackstone comes to mind-- Blackstone has a higher tax district, and I know there's occupational taxes. So, if I buy anything in Omaha, it's about a 10 percent tax rate, where in rural areas it's 5 percent. So even adding that 2 percent seems feasible to me. Plus, you're saving the drive time, the gas and all that. So, I think she's on to a good idea, idea here. Maybe it can ply-- be applied differently than an excise tax, but, this was def-- this would be a bill that I would support, supporting my mom.

LINEHAN: Thank you very much. Do we have any questions from the committee? Seeing none, thank you very much.

TIMOTHY C. MELCHER: Yep.

LINEHAN: Are there any other proponents, opponents or anybody wanting to testify in neutral? Senator Hughes, would you like to close?

HUGHES: What he said. As written and amended, LB19, we need to check doesn't violate the Federal Commerce Clause and dormant comma-- commerce clause. We've been trying to accommodate online retailers based in Nebraska, hence the specific locasin-- location exemptions to this tax. I don't want to overcomplicate our solution; we don't want to put a tax on local pizza delivery. It is the best to pace-- place this excise tax on sales that are delivered from out-of-state Nebraska. That's the intent. Whatever we need to do to, to make that intent happen. So that amendment may need to change, and we can go that route instead, whatever we need to do. But I just wanted to bring an option for other funding for our special session. So any questions?

LINEHAN: Thank you very much. Are there any questions for Senator Hughes?

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BOSTAR: I'm sorry.

HUGHES: God, Eliot.

LINEHAN: As long as you're-- go ahead.

BOSTAR: Thank you, Chair Linehan. Thank you again, Senator Hughes. Just thinking through implementation a little bit on this. I'm curious how you imagine it working. So if-- so, my baby's one year, one year birthday is coming up, so--.

HUGHES: Happy birthday.

BOSTAR: If my mother, who lives out-of-state, wants to send my infant daughter a gift which will be delivered, is that subject--

HUGHES: It would be the person that ordered.

BOSTAR: So if she ordered it--

HUGHES: She would be paying whatever tax, wherever state she's from, I think. I don't think that would apply to this.

BOSTAR: So it wouldn't-- you wouldn't capture deliveries that originated out-of-state?

HUGHES: Correct.

BOSTAR: So that then takes me to my next question. Is like, if I were to order everything through like a VPN--

HUGHES: A VPN?

BOSTAR: Yeah. Virtual private network. In order to demonstrate that my digital location is somewhere other than where it is, would--

HUGHES: Is that a thing?

BOSTAR: 100 percent.

HUGHES: OK.

BOSTAR: Would I then be able to evade this tax altogether?

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HUGHES: I can't answer that, because I-- maybe? I don't know.

BOSTAR: Thank you.

HUGHES: OK. Clearly more work needs to be done. The intent was, as you're ordering from out-of-state-- I mean, most of the stuff comes from out-of-state, out-of-country. It's not coming from in-state, that's paying property tax and whatever, and you're not buying it-- if, if, if this 2 percent excise tax makes me go support my local businesses, awesome. Good for Nebraska. That's the intent. Whatever we need to do to change it, to work around VPNs and whatever, I am willing to do. Apparently, I'm too old for this now, but I'm willing to do it. That, that's the intent. I-- you know, I'm throwing noodles at the wall and we're going to see what sticks, so--

BOSTAR: Thank you.

HUGHES: Welcome.

LINEHAN: Thank you, Senator Bostar. Are there any other questions from the committee? Seeing none. Thank you very much, and I'm sorry it was so late.

HUGHES: That's OK. It's the end of LB19 and it was not 3:00. Thanks, guys.

LINEHAN: Oh, wait a minute. Letters for the record.

HUGHES: Oh. How many?

LINEHAN: Zero opponent-- oh, no. Zero proponents, nine opponents--

HUGHES: What?

LINEHAN: --and nobody neutral.

HUGHES: Darn it. That's all right. Thank you guys.

LINEHAN: Hello, Senator McKinney. You've had a good 24 hours.

McKINNEY: Hey. How are you doing? Yeah.

LINEHAN: Go ahead.

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McKINNEY: Well, good evening, Chair Linehan and members of the Revenue Committee. My name is Terrell McKinney, T-e-r-r-e-l-l M-c-K-i-n-n-e-y, state senator for District 11 in North Omaha. Today I'm introducing LB20, which provides tax relief to renters who pay a significant portion of their income towards rent. This initiative aims to alleviate the financial burden on low- and middle-income households by making housing more affordable. The cost of housing has skyrocketed in recent years, surpassing wages and placing tremendous strain on families across the state. For many of, of us in Nebraska, particularly those in low-income, middle-income brackets, the cost of rent swallows a significant portion of their income, causing them to live paycheck to paycheck, and leaving them with little to cover expenses such as food, education, health care, and other essentials. Not to mention, when there is property tax relief for landlords, the tenants rarely see any of the benefits, and-- as landlords' goal is to maximize profits and not necessarily reduce rent, rents. LB20 proposes a simple, yet powerful solution: a refundable tax credit for renters who pay a substantial portion of their income towards rent. Specifically, the bill offers a refund of \$200, or 4 percent of the total amount of rent during a taxable year, up to \$1,000, whichever amount is greater. This credit will provide much-needed financial relief to families struggling to make ends meet. As an example of this bill's impact would be a single mother paying \$12,000 a year in rent would be eligible for \$480 credit under LB20. This amount could make a meaningful difference in her ability to afford the basic necessities. For a single parent working two jobs to keep a roof over their children's head, an extra \$480 could be the difference between financial stab-- stability and hardship. Also, this tax credit is refundable, so, so even those who don't-- who do not owe taxes can benefit from it. This feature is crucial because it directly targets those who need it, who need it most. Families whose incomes are low, that do not have a high tax liability, but are still burdened by increasing rent costs. By passing LB20, we can reduce financial stress on hard working families, and create-- and help more make this state a more equitable state. The benefit of this bill extends beyond individual households; it is proven that when families have more disposable income, they spend more in their local communities, thus driving economic growth. Supporting renters through this tax credit allows for positive social outcomes. Stable housing is linked to better educational performance of children, improved health and stronger community ties. Bay making-- by making housing affordable, we

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invest in not just, not just in families, but in the future of the state. I urge you to consider the impact that LB20 can have on the livelihoods of many families in this state. It is a step towards ensuring that the people who form the backbone of our communities have access to affordable housing, and I just think that we should do something for renters, honestly. My district that I represent has a high amount of renters in our district, and although the landlords in my district might get property tax relief, I see no evidence that they would stop decreasing or freezing, freezing rents in the foreseeable future. So I think we should do something for renters. With that, I'll take any questions. Thank you.

LINEHAN: Thank you very much, Senator McKinney. Do we have questions from the committee? Senator Bostar.

BOSTAR: Thank you, Chair Linehan. Thank you, Senator McKinney. I'm trying to understand the fiscal note. So, in 2024-2025, it's a cost of \$110 million to General Fund revenues. In 2025-2026, it's an increase of \$3 million to the General Fund?

McKINNEY: Yeah. I saw that as well.

BOSTAR: Don't-- does this have a sunset in it?

McKINNEY: I don't believe so.

BOSTAR: I didn't see one. How-- I was wondering if you had any insight into how that works.

McKINNEY: I just looked at-- I don't. I understand Fiscal is probably under a lot of stress because of the special session. So, in my opinion, I'm-- they probably try to get as best as possible with the time that we had and get in front of the committee.

LINEHAN: Did you use the property tax credit fund to pay for it? I'm sorry. I'm out of order.

BOSTAR: You're the chair. You're never out of order.

McKINNEY: Let me double check.

LINEHAN: Because it, it says that the bill decreases the amount allocated under the property tax credit at-- as follows.

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McKINNEY: Interesting. I don't remember--

LINEHAN: I don't know why we have to decrease it \$317 million if it only costs \$110 million.

BOSTAR: Yeah, there's a lot of-- and also what's in the fiscal note under the boxes doesn't quite match-- well-- no, it doesn't.

LINEHAN: So, I think we should stop struggling, because I don't think it makes sense.

McKINNEY: Yeah, I'm not sure, so--

LINEHAN: It wasn't your intent to take it out of the property tax credit, right?

McKINNEY: No, I just thought we needed a renter's tax credit, so, wherever it came from. But I think it's a good idea. At least it's something else to be placed on the table while we're here.

LINEHAN: OK. Thank you very much. Yes, Senator Kauth.

KAUTH: Just a real quick question. Do you support LB1?

McKINNEY: I do not support LB1. I personally don't think it benefits the people that I represent. There's, there's things that people have talked about within LB1 that I think are good, but as a total package, I couldn't support it.

KAUTH: Thank you.

McKINNEY: Yeah.

LINEHAN: Thank you, Senator Kauth. Other questions from the committee? Seeing none.

McKINNEY: Thank you.

LINEHAN: Do you know if you have proponents lined up?

McKINNEY: I don't think, I don't-- probably not. It's late.

LINEHAN: Are there any proponents? Are there any opponents? Anyone wanting to testify in a neutral position? Senator McKinney, would you

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like to-- oh, oh, letters. Sorry. We had letters for the record; we had ten proponents, two opponents and zero neutral. So would you like to close?

McKINNEY: Nope. Have a good night.

LINEHAN: Good night. See, you know how to get points. OK. Oh, I'm sorry Tom. I didn't think-- [INAUDIBLE]--

KAUTH: The best for last, right?

LINEHAN: --I'm so sorry. At least you live in Lincoln.

BRANDT: We're here for the duration. Just like you guys. All right. Are we ready?

LINEHAN: We're ready. Go!

BRANDT: Good after-- Good afternoon? Good evening, Chair Linehan and members of the Revenue Committee. I am Senator Tom Brandt. T-o-m B-r-a-n-d-t; I represent Legislative District 32, Fillmore, Thayer, Jefferson, Saline and southwestern Lancaster Counties. I am introducing LR2CA, a legislative proposal designed to provide targeted property tax relief specifically for owner-occupied properties. This idea came to me after hearing numerous stories from constituents struggling to keep up with rising property taxes. Currently, all real property in Nebraska is assessed at near 100 percent of its actual value, with the exception of ag and horticultural land, which is assessed at approximately 75 percent of its actual value. Ag and hort land receiving special valuation under Nebraska Statute 77-1344 is assessed at 75 percent of its special value, reflecting its uninfluenced value for agriculture and horticulture purposes. This differentiation was established by our predecessors in recognition of the vital role that the ag industry plays in our state. LR2CA aims to acknowledge another crucial group within our state: homeowners. Home ownership is a cornerstone of the American dream, and it is essential that this dream does not turn into a nightmare due to escalating property taxes. Homeowners contribute significantly to our economy beyond just property taxes, yet they are increasingly burdened by these taxes. The proposed LR2CA would empower future Legislatures to adjust assessments for owner-occupied housing, to better reflect the prevailing economic conditions in Nebraska. This flexibility is

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crucial, as property valuations are likely to fluctuate in the coming years. Currently, we are forced to treat all residential property uniformly, whether it is owned by long-term Nebraskans or multinational corporations. We have seen a significant increase in out-of-state investors buying residential properties in Nebraska. Enacting this law would help hono-- homeowners that call Nebraska home. The average 2023 property tax in-- rate in the state was 1.6691. This was a 5.5 percent decrease from 2022, when it was 1.75 percent. So the property tax rate went down. But the median house value in Nebraska in 2022, according to the U.S. census, was \$206,000. Last year, according to Zillow, it's \$265,000, so it has gone up roughly \$59,000 in two years in Nebraska. Using the Nebraska Department of Revenue estimates, the average total property taxes assessed would be between \$3,438 and \$4,423 on these houses. They've told us there are 580,992 owner-occupied housing units in the state. The total amount ow-- assessed would be between \$1.9 billion and \$2.57 billion, based on those two house numbers. So who gets gored on this thing? Who, who loses if we drop the valuation on houses? So let's assume that-- and, and ours is, is really open-ended; it says that a future Legislature can establish this rate like we do on agriculture. The aggregate used to be 80 percent, and then the legislature dropped it to 75 percent. And if we wanted to, we could drop it to 50 percent or we could raise it up. This creates a separate tax class for owner-occupied housing. So if we dropped it to-- 5 percent, let's say owner-occupied housing is now valued at 95 percent. So, if your house is \$200,000, and it's 95 percent of that value, it would be \$190,000. The loss of that valuation is probably going to hurt our towns and villages. OK? Except, under LB1, what I don't-- and I didn't watch the whole hearing today, I watched bits and pieces. The part that they really don't talk about is, when we increase sales taxes 5.5 percent on the state, we generate another \$135 million in local sales taxes. \$135 million. So if you drop home values 5 percent based on a \$2 billion value-- and I know this is a little rough-- that would cost \$100 million. If all your sales taxes go into force, they would receive \$135 million that they could afford to decrease home values \$100 million. And so with that, I would take any questions.

LINEHAN: Thank you, Senator Brandt. Do we have any questions from the committee? Senator Murman.

MURMAN: Yeah. Thanks for bringing this. In the example you just gave, is that by eliminating exemptions that--

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BRANDT: Yes, that's based on what-- the work that you guys did today on LB1. Those-- that's where I got the-- where I got that number from, what was published in the newspaper. The total value of, of local sales tax increases.

MURMAN: Well, I think we're already using that for decreasing property taxes.

BOSTAR: The local--

MURMAN: Yeah, it is local, but we're using that part for decreasing property taxes already I believe. In the bill.

LINEHAN: I'm sorry. Are you done?

MURMAN: Am I correct? To make it a question.

LINEHAN: The way the bill is written, you're correct. But, but it's the way that Bill's written. Yeah. Any other questions? I, I find this is a very intriguing idea.

BRANDT: It-- there is--

LINEHAN: Because in most states, they do this, don't they? This is not like a n-- not that you're not brilliant, because you are, but--

BRANDT: Thank you. Flattery gets you everywhere. We tried to find out how many states do this. Most states attach it in some form of a homestead exemption. Florida, Texas, California and Minnesota are ones that we've got this. And everybody varies a little bit in how they attack this, and I know my colleagues are bringing probably 3 other bills somewhat in relationship to this same concept. But basically we need authorization from the people to put this in the Constitution to give us the ability to create another tax class. We cannot do that today. Nebraska only has a 2 percent vacancy rate. To have a healthy economy, you need a 7 percent vacancy rate. And the housing corporations-- I don't want to single anybody out, but out-of-state corporations, since 2018, have bought 10 percent of all the housing stock in Nebraska. And those homes typically go into rentals. They, they are taken off the market. And, until they decide to flip these homes at a, at an inflated value. So, this is, this is a way to help those elderly. When we all stand up on the floor and say they're going

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to move out of state, this is possibly a way to help that first-time homebuyer. So, it's something to consider.

LINEHAN: Thank you. Any questions? Seeing none, do we have any proponents? Do we have any opponents? Anyone wanting to test-- opponents?

JON CANNON: Nope. Neutral.

LINEHAN: Neutral. OK. Hustle, hustle.

JON CANNON: Good evening, Madame Chair, distinguished members of the "Revenue Committee After Dark." My name is Jon Cannon, J-o-n-C-a-n-n-o-n, I'm the executive director of NACO, here to testify in respectful neutrality on LR2CA. Thanks, Senator Brandt, for bringing this to the committee's attention. I love having these conversations about tax policy. I'm not going to claim that I'm any good at it, but I still like to talk about it anyway. Just pity my wife, because she, she gets the full brunt of it. You know, for all these sorts of things, when, when you're looking at making a change in the Constitution of the state of Nebraska, [COUGH] pardon me. We would ask that you just be aware of what's intended. Modeling is something that we typically do with these sorts of things. And, and I know there's a-- it gives us flexibility, and so maybe that's-- that modeling isn't exactly what we'd want to go for. You know, the, the-- what this would do, functionally, is it would, it would create equalization only within the each of the classes. Right now, well, before 1987 or so, all the classes of property were supposed to be equalized: agricultural, residential, commercial. And then, once upon a time, the, the Kearney Convention Center went to the Buffalo County Board of Equalization, and they said, "We can show conclusively that ag land in Buffalo County is being valued at 42 percent of its actual value. We want to equalize with those guys." And Buffalo County Board said, "You can't do that." And it goes all the way up to the Supreme Court, and Nebraska Supreme Court said, "Yeah, they showed that it's 42 percent. They get to be equalized." And so we said, "That's not what we intended." We like ag values being just a little bit lower, perhaps, than, than everything else. So we put a constitutional amendment in; didn't quite stick. They put another constitutional amendment in; we separated the class of agricultural land. It does not have to be equalized with the other classes of land, but it has to be equalized within the class of agricultural land. So, OK, that was cool. That

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worked. But we still have to have equalization between the residential class of property and the commercial class property. And what this would do is, it would essentially sever all that, and each class would have to be equalized within the class, and that's fine. So I guess the question is, whether we want to do that. The-- there are, there are federal laws in effect that protect the railroads from discriminatory tax treatment. The "4R Act," the Railroad Revitalization and Reform Act, signed in the '70s, I believe, provides that railroads, if they feel that they're being discriminated against, can sue. Now, whether or not that would survive a classification/equalization claim, I don't know, but it's something I think is worth looking into. The only-- the last thing I would mention is that, and I think Senator Brandt touched on this, is that, homestead exemptions-- we already have an exemption for homestead. And I know that the rules state that you're not supposed to use a electronic device when you're, in a committee hearing, but, Article VIII, Section 2, subsection (11) of the Constitution says "the Legislature may by general law provide that a portion of the value of any residence actually occupied as a homestead by any classification of owners as determined by the Legislature shall be exempt from taxation." I think there is broad authority for the Legislature to, to take something like that-- I'm out of time. Happy to answer any questions you have.

LINEHAN: It's not exempt from taxation. It's taxed; we just pick up the bill.

JON CANNON: Well--

LINEHAN: On homestead exemption. It's not exempt.

JON CANNON: What, what the Constitution provides-- it doesn't provide you to do a reimbursement. We do that. My-- I'm assuming my predecessor did a wonderful job of negotiating that with, with the Legislature. But homesteads don't have to be reimbursed. We've done that as a mechanism to say we're going to make up the tax loss, not according to the Constitution. And, and maybe I'm going to regret having put that idea in the, in the Revenue Committee's--

LINEHAN: Well, thank you very much, Jon. This is what happens when we stay late at night.

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JON CANNON: Can I, can I, can I rewind my, my prior testimony? I need a mute-- I need a rewind control and a mute button, apparently. But the point is, though, is that you can-- any class of homestead, you can, you can decide is going to be exempt. And if that exemption is 5 percent, you can do that. And it can be a different classification of homestead from what we already have on the books. And so, I guess the question is, do we want to go through the trouble of saying we're going to have a separate class of, of owner-occupied residential property? We can do that. That's not a problem. So-- but that, that's all it is.

LINEHAN: All right. Any other questions? Yes, Senator Bostar.

BOSTAR: Can you remind me how much the state reimburses broadly for homestead exemptions?

JON CANNON: I think last year was \$142 million.

BOSTAR: Thank you.

JON CANNON: Yep. Please don't get rid of the reimbursement. I may not be the executive director of NACO tomorrow.

LINEHAN: We had a bill to soften it 100.

JON CANNON: Yes, ma'am.

LINEHAN: You testified against that, too.

JON CANNON: Yes, ma'am. Well, in, in-- really only from a, from a procedural standpoint. There, there are ways that you can craft a, a general exempt-- a general homestead exemption in a way that doesn't screw up the budgets, you know, where we have a hole in the budget or anything like that, but happy to have that conversation.

LINEHAN: OK. Any other questions? Thank you.

JON CANNON: Yep, thank you very much.

LINEHAN: Other neutral? Neutral? Yeah. You're not? Thank you. Any-- no neutral. Would you like to close?

BRANDT: Any questions?

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LINEHAN: Yeah, I think this is very interesting. And I find it utterly amazing that there's no business people here to help oppose it.

BRANDT: Well, they don't, they don't work after 9:00.

CHARLES HAMILTON: ADA that she had to read.

LINEHAN: Read it really fast, I don't [INAUDIBLE]

***KORBY GILBERTSON:** I am testifying today on behalf of the Nebraska Realtors® Association in support of LR2CA. Since 1917, the Nebraska REALTORS® Association has served as the voice for real estate in Nebraska. The Association has more than 5,000 members that take pride in the communities in which they work, serve, and live. Further, members have a tremendous commitment to being informed and involved in legislative and legal concerns that directly affect homeowners, property rights and the real estate industry. For decades, property taxes have been the root of much consternation among Nebraska taxpayers and elected officials. Recent increases in taxes have drawn more attention to the issue and everyone agrees that property tax relief should be a priority for the Legislature. However, the form of that relief matters. The Realtors®, including myself, had the privilege of serving with many of you on the Governor's Property Valuation Working Group. Governor Pillen stated at the very first meeting that he did not want to see people taxed out of their homes. That was one thing the working group agreed with 100%. LR2CA provides a solid foundation for providing meaningful property tax relief so that no one would be taxed out of their home. Years ago, the importance of the agricultural industry was recognized by affording agricultural and horticultural property and independent classification and a special valuation via Constitutional and statutory provisions. LR2CA recognizes another important population in our state, one that has been recognized repeatedly by Governor Pillen and other state leaders. People who work, serve, and live in communities and further invest by owning their homes. Realtors know that home ownership is a fundamental part of the American dream, and we need to make sure it doesn't turn into a nightmare in Nebraska. Homeowners contribute much more to our economy than just property taxes. However, property taxes have become an ever-increasing burden, and you have the opportunity to do something about it. LR2CA would give future legislators the ability to adjust owner occupied housing assessments in a manner that best fits the economic conditions in the state. This flexibility is

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important as we know property valuations may vary in future years. Without LR2CA, we are restricted to treating all residential property the same whether it is owned by life-long Nebraskans or a multi-national corporation. The Nebraska Realtors® Association applauds Senator Brandt for this novel approach to providing meaningful property tax relief. We hope that the Committee will see fit to support and advance LR2CA to the full Legislature for debate and passage so that Nebraskans can vote on the measure in November.

LINEHAN: Thank you very much. You had 3 letters for the record, one pro-- 1 proponent, 1 opponent, and 2 neutral.

BRANDT: And for the Nebraskans that are still watching, you ought to be proud of these 8 people. They've had a long day. So, thank you from this senator for what you guys did. I know what these days are like. Thank you.

LINEHAN: Thank you very much. With it, we'll close the hearing on LR2CA. Thank you all very much.