

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

von GILLERN: All right. It is 9:33. Welcome to the Revenue Committee public hearing. My name is Brad von Gillern. I serve as the Vice Chair of this committee and I represent Legislative District 4. 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 8 a.m. the day of the hearing. Letters emailed to a senator or a staff member will not be a part of the permanent record. If you're unable to attend and testify at a public hearing due to a disability, you may use the Nebraska Legislature's website to submit written testimony in lieu of personal testimony. To better facilitate today's proceedings, I ask that you follow these procedures. Please turn off your cell phones and other electronic devices. The order of testimony is the introducer, proponents, opponents, neutrals, and then we'll cycle again through proponent-- proponents, opponents, and neutrals. And we'll continue that until we're done. 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 the page to make copies for you now. When you begin to testify, please state and spell your name for the record. Please be concise. It's my request that you limit your testimony to 3 minutes and we will use a light system. We'll have 2 minutes on green, 45 seconds on yellow, and then 15 seconds on red to wrap up. If your remarks were reflected in previous testimony, if you would like your position to be known but do not wish to testify, please sign a yellow form at the back of the room and it will be included in the official record. Please speak directly into the microphone so our transcribers are able to hear your testimony clearly. I would like to introduce committee staff. To my immediate left is legal counsel Charles Hamilton. To my left at the end of the table is committee clerk Cori Bierbaum. Cori, thank you. Cori is with the Appropriations Committee but due to the unusual load of the special session, there are several committee staff that have agreed to

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

share the load. So, Cori, thank you for helping out there. Our page today is Delanie. Delanie, would you please stand and introduce yourself?

DELANIE NESS: Hi, I'm Delanie. I'm a page and I'm a "rising One L" at Nebraska Law.

von GILLERN: Great. Thanks for being here today and throughout the week, Delanie. Please remember that senators may come and go during our hearing as they have bills to introduce in other committees. Please refrain from applause or other indications of support or opposition. For our audience, the microphones in the room are not for amplification but for recording purposes only. Lastly, we use electronic devices to distribute information. Therefore, you may see committee members 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. And with that, we will open on LB34. Welcome, Senator Brewer.

BREWER: Thank you, Vice Chair von Gillern, and good afternoon-- good morning, fellow senators of the Revenue Committee. I am Senator Tom Brewer. For the record, that is T-o-m B-r-e-w-e-r, and I represent the 43rd Legislative District of western Nebraska. LB34 was originally LB576 and was introduced in 2017. It freezes property taxes for 4 years. Now, I had some folks stop me this morning and said, hey, our goal is not to freeze property tax, our goal is to reduce property tax. And I said, hey, get the message loud and clear. But let me give you a scenario. We come here at a special session, we do what we have done. The Speaker announced this morning how we're going to go through next week to buy time for this committee to put together what we will then have as items to work through on the legislative floor. But if we are done on whatever day, 16 of August, whatever that turns out to be, and we have done nothing, otherwise, we've gone back and forth and bargained through issues we have debated until we're blue in the face and nothing comes of it. For those 15, 16, however many of us that are on our way out, may not be that big a deal, but for those that are left here, I think it's going to be a very big deal because I think that folks are starting to lose hope and lose faith in the-- in the Legislature. So that is what caused us to dust off what was LB576 and to write LB34. So I'm here to introduce LB34, which creates a 4-year cap on property tax beginning 2025. Everyone across the state can agree property taxes are too high, property taxes shouldn't go up

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

anymore, property taxes are a very old and a very difficult problem for this Legislature to solve. The people's patience have ran out and we need to act. If LB34 becomes law, property taxes will be capped at the 2024 level and will stay that way for 4 years. Passing LB34 puts a fail-safe clock on this problem. Come 1 January 2025, property taxes stop going up for 4 years or until the Legislature-- until the Legislature passes a bill to unfreeze them. So let's assume that that would be some solution, some way that we take the knowledge and the experience of this special session. If we can't pass anything out of this, we take that time to educate the new class coming in on tax laws, rules, procedures, and what's right and what's wrong, and let them get their legs underneath them to understand what they're even going to vote on. Then you can go back and have round two of what we're trying to do in the special session if the worst-case scenario happens and we fail. But, again, what this is going to do is freeze property tax. There are over 600 units of government with the authority to levy, collect, and spend property taxes. You will probably hear from some of them today, and they will tell you all that this is a very bad idea to freeze authority to raise taxes. But you've heard that story many times, and I think you know the reality of it. But who can blame them? And organization-- a lot of the organizations stand to benefit more from our, our current process of being out-of-control property taxes here in Nebraska than to have us actually get a handle on it. They like the idea of kicking the can down the road. Unfortunately, the people that elected us, they're not in that same mindset. So that's the hard decision we're gonna have to make here. My bill doesn't lower property tax and I want to stress that. The idea is that it, it, it makes it easier for other ideas on how to lower property tax because the clock is ticking on this issue. At the very least, if Nebraska's Legislature fails to act, there is a day coming when the citizens can expect their property taxes not to go up anymore if LB34 passes. Yeah, if we can't find the votes and solve the problem during the special session, this bill buys the Legislature some breathing room. It also makes the local units of government that tend to be difficult and do not want to see a solution start negotiating in good faith. Subject to your questions, that concludes my opening on LB34.

von GILLERN: Thank you, Senator Brewer. Questions from committee members? I just got a couple. Senator Brewer, on the-- you said 4

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

years-- the bill says 4 years, just on the introducer's statement of intent it says 2 years. Just FYI.

TONY BAKER: Because the guy who typed it messed up.

BREWER: We'll-- the guy who typed it may have mistyped it. I'll, I'll have a counseling session with him.

von GILLERN: That's all right. And nothing in your bill prevents-- just, just for the record, I think we all know this-- but nothing in your bill would prevent future legislatures from enacting property tax relief and stopping the freeze and actually making cuts.

BREWER: Correct. And, and I think part of the reason why there might have been a, a mix up on that is our true thought process is that if the worst-case scenario happens and we're not able to come to a solution at special session, it gets kicked down the road, the first year might be difficult to get legislation through, but by the second year there should be enough of a battle rhythm to where we think we, we could get a bill through. The 4 years, I think, is just designed to keep folks honest and moving forward in this effort to fix property tax.

von GILLERN: Thank you. Any other questions? Senator Kauth.

KAUTH: Would you describe this as a fail-safe?

BREWER: Absolutely. It is not-- let me-- let me go on the record that I, I support LBI and what the Governor is trying to do. I know a lot of people have, have said that there are parts of it that aren't to their liking and, consequently, they oppose the bill. I think that we need to get the bill to the floor, work through the issues, see if we can't amend, tweak, whatever we have to do to take a, a body of work that people have put a lot of work into and see if we can't come to a place where we can make that be the solution. This is the, as you said, fail-safe.

KAUTH: Thank you.

von GILLERN: Thank you. Any other questions? Seeing none, you'll stay to close?

BREWER: I'm with you, and I'm mo- stiff.

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

von GILLERN: Invite any proponent testimony for LB34. Any proponents? Seeing none, any opponents to LB34? Good morning.

JON CANNON: Good morning, Vice Chair von Gillern, distinguished members of the Revenue Committee. My name is Jon Cannon, J-o n C-a-n-n-o-n. I'm the executive director of the Nebraska Association of County Officials, also known as NACO, here to testify in respectful opposition to LB34. I certainly appreciate Senator Brewer's efforts. One of the things that occurred to me as I was listening to the opening is that this is characterized as a freeze on property taxes. But the plain language of the bill talks about a freeze of assessed values. And as this committee is acutely aware, values are frozen, levy rates can rise along with it. The values are merely a function of the tax. The driver is going to be the property tax request. This bill or unless, unless there's a different copy out there that I'm unaware of, what this bill talks about is assessed value not tax requests. And so it's not a freeze on property taxes. It is a freeze on property values. And I think that's-- I think that's a very important distinction to make up. And, and if it needs to be clarified, by golly, we should probably clarify it. Our primary reason for our position, however, is Article VIII, Section 1 of the Nebraska Constitution provides that taxes shall be levied by valuation uniformly, proportionately upon all real property. So, you know, what exactly does that mean? We've talked about the constitution before in this committee. All those elements have to be satisfied. Taxes have to be uniform and proportionate, the levy has to be uniform and proportionate, valuation has to be uniform and proportionate. I appreciate the fact that Senator Brewer talked about reference to a prior bill that had been brought up. This is actually very similar to a bill that had been brought up by Senator Groene back in 2016, LB717. The Attorney General wrote an Attorney General's Opinion about that, and it talked about a freezing of values. And he said, and I will quote, another uniformity issue, however, remains. If assessed values for 2016 are held to the assessed values used for 2015, no increase or decrease can be made which would reflect any changes in the actual value of real property which is covered in this bill. But it says: property within the same class or subclass may increase or decrease in value during the year to varying degrees. Other property in the same class remain-- may remain at relatively the same value. By holding values, similar property in the same class may end up being undervalued or overvalued relative to other property. And that is a

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

clear violation of the uniformity clause of Article VIII, Section 1. The last part that I, I do want to bring to bear as far as this committee's discussion is concerned, is that, again, as a freeze on assessed values, what this means is that, that property tax rates, the levy rate is going to rise. And assuming a 3% CPI, which is the number that we've been-- we've heard out there, I'm not sure that I particularly agree with that, but let's assume a 3% rise in costs for, for county government. If you assume that by 2029, 15 counties will be over 45 cents on their levy, and we only get to go to over 45 cents if we have an interlocal agreement, three counties will be over 50 cents. And I'm out of time. I'll be happy to take any questions.

von GILLERN: Why don't you just finish your thought there.

JON CANNON: You know-- and, and it's worth noting, by the way, that, that all those counties that will be over 45 and, and-- 45 cents and 50 cents, Box Butte, Brown, Dawes, Rock, all right around Senator Brewer's district, those counties will be in really-- in really bad shape and unable to raise the necessary revenues which, oh, by the way, is, is also part of, of the constitution. It says: the necessary revenue in the state and its political subdivision shall be levied by taxation, and in such manner as the Legislature shall prescribe. If, if we have duties that are placed upon us and we're unable to meet those duties because of a-- of a cap, an artificial barrier to the ability to raise revenues, to me that seems problematic. Thank you. I appreciate it.

von GILLERN: Thank you. Questions from the committee members? Senator Kauth.

KAUTH: Thank you, Senator von Gillern. So the, the counties that you just mentioned that are having difficulty, what is their inheritance tax, like, holding that they might be able to use to help with that?

JON CANNON: Their inherent tax holding would be inconsistent and so--

KAUTH: But they do have stockpiles. Correct?

JON CANNON: Their-- I wouldn't-- I wouldn't characterize them as stockpiles. And, and it's interesting when, when you talk about, like, a reserve, amounts that are being held in reserves, if you have a county that has a county hospital, their reserves are going to be

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

sky-high because those hospitals have to have a, a pretty substantial reserve in order to operate. If you're talking about like a, a very small county that does not have a county hospital, their reserves-- their reserves will probably be next to nothing, if, if not-- if nonexistent and, and to the point where they're really effectively relying on their inheritance tax fund to act as a reserve. And, and, again, with those smaller counties, by virtue of the fact that you've got a smaller pool of people, the inheritance tax fund is going to fluctuate from year to year.

KAUTH: Got it. Thank you.

JON CANNON: Yep. Thank you, ma'am.

von GILLERN: Any other questions from committee members? Seeing none, thank you.

JON CANNON: Thank you very much.

von GILLERN: Invite up neutral testimony. Is there any neutral testimony? Seeing none, any other proponents? Seeing none, any opponents?

LARRY STORER: Proponents for LB34?

von GILLERN: Proponents for LB34.

LARRY STORER: Good morning.

von GILLERN: Good morning.

LARRY STORER: Do I have 3 minutes or 5 minutes?

von GILLERN: 3 minutes.

LARRY STORER: Three. All right. My name is Larry Storer, S-t-o-r-e-r, 5015 Lafayette Avenue, Omaha, Nebraska, 68132. I am a very brash person and, particularly, when I only have 3 minutes or less. I am a proponent of this because over the, oh, 40, 50 years that I've owned my property, I've had a, a few opportunities to try to protest. So there needs to be a change, and the first change that needs to be made is how you determine the current assessed value, which appears to be mostly on the recent sales price of a house within the so-called

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

market area. OK, I did my research. What they say are comparable properties in my area aren't necessarily so. There are a lot of them much bigger. In my area, you can go two blocks either way and the size of the houses and the lots are different. But just because three houses on my block sold for, for over \$300,000, you think my house is worth over \$300,000? I have not spent a lot of money on it, but everybody that does spend money on houses that they flip are not necessarily taxed for that. What you figure-- what they figure based on square foot and the, the documents they give us to be able to protest with are very confusing, extremely difficult for a citizen to research and combat. When you start the process, it just very quickly says here's the lot value and here's the property value, square foot and dollars. You can go to the diagrams and you can go out and try and measure the property yourself and you'll find that those diagrams are not necessarily true. They have all these little figures off to the side. But my house is a 2-story. First story says this, second story says this. Square feet total is what they used. However, they do not-- the referee that they say is my personal referee is a conflict of interest. He does not want to discuss the inaccuracy of those figures. Doesn't want to give me the time. Again, 3 minutes, 5 minutes, totally unfair and it needs to be changed. He is a real estate professional, which is a conflict of interest for my reason being there. He is not my personal appraiser because he did not want to talk about it. Just told me to take all your documents which I have like this and over there to those clerks and have them scan it in. Slam dam, thank you, ma'am. No debate, no discussion. And that's the same way with the county board in general, not just the assessor's office. And the other thing that's on the agenda today, real quickly is the personal-- the tax exemption. I protested tax exemption for an Islamic center, which we should not be subsidizing. I was called Islamophobic and ordered out of the courtroom for that-- not courtroom, but the, the county board.

von GILLERN: Sir, we need to recognize the time--

LARRY STORER: Thank you.

von GILLERN: --time limitation.

LARRY STORER: They--

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

VON GILLERN: Don't go anywhere. Thank you for being here. Any questions from the committee members? Remind me again. I, I heard Lafayette Street. Where in Omaha are you?

LARRY STORER: I'm sorry?

VON GILLERN: Where, where in Omaha do you live? I'm sorry.

LARRY STORER: The Dundee area.

VON GILLERN: OK, I heard Lafayette Street. I didn't make out the street address, so.

LARRY STORER: Yeah.

VON GILLERN: OK. Thank you, Mr. Storer, for being here.

LARRY STORER: Two blocks either direction.

VON GILLERN: Thank you. Proponent. Do we have an opponent that would like to speak? Next opponent?

REBECCA FIRESTONE: Good morning,--

VON GILLERN: Good morning.

REBECCA FIRESTONE: --members of the Revenue Committee. I'm Rebecca Firestone-- Dr. Rebecca Firestone, R-e-b-e-c-c-a F-i-r-e-s-t-o-n-e, executive director of OpenSky Policy Institute, testifying today in opposition to LB34. We're concerned about increased taxes being paid by property owners. But based on our analysis, we don't believe that LB34 is an effective way to address this issue. Under an assessed valuation freeze, new owners pay taxes based on the price they paid for their property, while existing owners pay taxes on a frozen value which could be more or less than their property's current value. For example, a new owner, owner who bought a house for \$200,000 pays taxes on that amount. But an existing owner who bought an identical house under the freeze 4 years earlier for \$150,000 could pay taxes on that lower frozen amount. Consequently, the existing owners pay-- the existing owner pays less tax than the new owner. But the opposite happens when the value of the identical house falls and the new owner pays less than \$150,000 for theirs. In this case, the freeze hurts the existing owner because they must continue to pay taxes on a house

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

assessed for \$150,000, while the new owner pays taxes on a lower amount. Such consequences are why the Lincoln Institute of Land Policy has written that assessment caps are among the least effective, least equitable, and least efficient strategies available for providing property tax release-- relief. They prevent sharp increases due to rising property values, certainly, and we appreciate the intent of what Senator Brewer is doing here. But their significant unintended consequences make them a problematic form of property tax limitation. Assessment limits shift the tax burden towards poor neighborhoods. They create large disparities in tax bills for owners of similar properties which relates to what the previous testifier was saying about concerns with the uniform and proportionate clause in the constitution and leads to lock-in effects that discourage mobility and introduce new complexities into the property tax system. This freeze essentially would distort the market for land and for property in particular areas. And we need market-based solutions for property valuations and for property taxes in our state. It is for these reasons that we oppose LB34 because we think it would lead to numerous unintended consequences and I'm happy to answer any questions.

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

REBECCA FIRESTONE: Thank you.

von GILLERN: --for being here this morning. Any other proponents? Seeing none, any other neutral testimony? Seeing none, any other opponents? Morning.

TIM ROYERS: Good morning, 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 here speaking on behalf of the amazing educators across this great state in opposition to LB34. LB34, as you've already heard, would lock-in assessed value of property based on their 2024 evaluation. While that may appear on the surface to solve one of the persistent issues that has been mentioned throughout the week, it will create far more problems as a result. This idea is not new. The most infamous example of this kind of legislation is Prop 13 that California passed in 1978. From our chair, the biggest concern is the fact that in the first 20 years after California implemented its version of what LB34 attempts to do, the state went from 5th in per pupil funding to 47th.

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

Obviously, one thing that sets every 34 apart from other efforts, like Prop 13, is the fact that this valuation freeze does have an end date. However, this expiration date becomes a functional poison pill for future legislative sessions because to not extend the appraisal freeze would essentially mean that property owners would suddenly be confronted with at least 4 years worth of property value growth and its impact on their levy obligations. In other respects, LB34 is even more damaging than what other states have done. In other instances, states would provide minimal valuation growth rather than hard freezes to allow for some growth in tax revenue for municipalities and schools. This bill does not do that, however, and that is reflected in the information submitted by the city of Omaha in the fiscal note regarding the significant drop in funding they would receive should this come to pass. We should heed the warnings of other states that have tried this. To try and live in the world of LB34, there would not only be cuts to essential services, history tells us local governments will also start to use other tactics like development fees and land use scrutiny to maximize what revenue they can generate to maintain basic services. This will, in turn, negatively impact new construction, diminishing supply of available housing even further. I will conclude my testimony by reiterating a point that I've made in other bills. We share the view held by many on this committee that our current method of funding our school districts has forced people to feel like they have to choose between schools receiving the adequate resources they deserve and people having reasonable property tax rates on their homes and property. We feel the right kind of reform, we could have well-supported-- well-supported schools and reasonable property tax rates. While we are adamant in our opposition to this and other bills because our research and expertise tell us they are not the right solutions, we also remain ready and willing to share our views and what could work as well. But, frankly, we don't need to copy an idea from California. Please oppose LB34.

von GILLERN: Thank you for your testimony. Any questions from committee members? Senator Kauth.

KAUTH: Thank you, Chair von Gillern. So, Mr. Royers, what is the right solution? Because I, I hear a lot of it's bad-- it's bad-- it's bad, how would you fix it?

TIM ROYERS: Yeah, I, I think it's-- that's, obviously, to me the main question. I, I would refer back to-- earlier this week you heard from

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

Dr. Standish from Lincoln Public schools. I think she articulated a main concern that we see better than I could, which is in regards to the local effort rate within TEEOSA. Right? So we both live in Millard, Millard lowered its levy by 11 cents. But as far as TEEOSA is concerned, that did not happen, right, TEEOSA still assumes that Millard is taxing at a rate of a dollar. And so Millard lost-- for this coming school year, Millard lost more than \$10 million in state funding because TEEOSA-- essentially, TEEOSA did not reward Millard for being frugal in lowering its levy. So to me, that's the element that has been lost in all of these bills is a lack of looking at how do we adequately reflect what our districts are doing. So that way, if they are lowering their levies, they're getting the increased resources. So that way they're encouraged to further lower their levies.

KAUTH: So I would agree with that. But I have another question, you said something about per pupil spending. Does per pupil spending automatically equate success?

TIM ROYERS: No, no. I, I, I mentioned that piece from California because more of-- because of the precipitous drop of a commonly used education system so not because it's a metric.

KAUTH: Aren't there other things that happened in California--

TIM ROYERS: Sure.

KAUTH: --that, that really impact their schools as well? And, and unfunded mandates are a big issue--

TIM ROYERS: Sure.

KAUTH: --which we are looking at with our superintendents.

TIM ROYERS: No, absolutely.

KAUTH: But to say that it's strictly because of Prop 13, I think is a misnomer. Thank you.

TIM ROYERS: Well, the, the reason why I, I mentioned that 20-year window is because after 20 years, they were forced to issue another proposition that regarded the state side of school funding to correct

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

the mistake. So we could quibble but, yeah, point well-taken. It is not the only metric to look at for schools.

KAUTH: Thank you.

TIM ROYERS: Yep.

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

TIM ROYERS: Thank you very much.

von GILLERN: We're out of proponents, out of neutral. Any other opponents? Last call for opponents, proponents, or neutrals for LB34. Senator Brewer, would you like to close?

BREWER: Yes. All right. Well, those that came in to testify against it were exactly the ones I anticipated coming in to testify against it. I'm not going to jump into the Prop 20 [SIC] thing in California. You're not comparing fair examples with those. For one, it is a difference of 4 years and 20. What we're trying to do here is figure out a way to have a solution if this one doesn't work. And I'm not saying it's perfect. Now, Jon Cannon is wrong, we took it to the Attorney General when we first wrote the original bill, and we had him write a portion of it, an amendment. What was the amendment? AM395. So anyway, we had looked at that as an issue and worked around it. But, again, I think the thing you guys need to focus on is you're going to have-- and you have had plenty of people come in and say it's a bad idea, don't do it. There's, there's all these horrible things. Because what if-- what if this happens or what if this happens? Here's the bottom line. In my case, in my district, we are depopulating western Nebraska and we're doing it on, on property tax. I'm closing a lot of businesses. We're looking at closing a school and primary schools. So you can say what you want about how it affects things, but it's, it's, it's something that we have to deal with or accept the fact that Nebraska, as we know it, is going to change and change pretty drastically because we've put folks in a box where they can't afford to do it anymore. Those that are on a limited income. So I guess as far as the bill, I think it's, it's still a viable option that you need to keep on the books as a possibility in the event that LB1 should fail. But, again, that's the idea behind it that we had a check fail. So with that, I will close and take any questions that you have.

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

VON GILLERN: Questions from the committee members? Senator Kauth.

KAUTH: Thank you, Chair von Gillern. So, Senator Brewer, if you're having people moving out of the area, closing businesses, does all of that affect what schools get?

BREWER: Well, there's less people paying taxes, so the ones that are left have to pay more. And, unfortunately, if you look at cost per student, if you looked at my Sandhills or Cody-Kilgore, I would guess that they are probably a good third again more than what it cost to, to, to teach a, a student in Millard. But it's the nature of the beast in that you're, you're hauling them greater distances. Your, your, your facilities are older. It's harder to find teachers because they're out in the middle of the Sandhills. So there are challenges there. And we've lost some fairly large ranchers this last year that have gone to Wyoming, South Dakota, and other places, and I have nothing to offer them as far as hope that there's something down the road that would allow them to keep their ranch. And so, you know, maybe I'm a little more passionate than I should be about it, but I just think that this is our opportunity. This is our window of time that we are going to be able to make a difference and change the, the course that we've set from our past taxation policy and I wanted other options out there.

KAUTH: And you said that some schools are closing?

BREWER: Well, we're looking at-- we've consolidated about as much as we can consolidate without asking them to just travel huge distances. So, you know, how do we do it? If, if we do look at consolidating schools anymore and it's 75 miles one way to school, at what point does that affect their ability to learn and do things because they're on a bus 4 or 5 hours a day? But, you know, again, it's just going to depend on population and whether or not it's realistic to keep some schools open.

KAUTH: But so, in your opinion, stability in property taxes, freezing them, having something that is at least guaranteed, even if it's less than what the schools believe they need would be better than losing everyone from the area?

BREWER: Well, we're kind of in a dust spiral in that if the population keeps coming down, the ones that are there pay more taxes and there's

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

a point we break their backs, then they're gone and it goes even more that are, are trying to pay. And then you do have a situation where you don't have the numbers in the schools because they've left. And it's, it's a spiral that I'm trying to figure out a way out of. And this I think what you're trying to do with LBI is that option is just getting folks to understand that saying no shouldn't be the way we approach this, it should be how do we get it to where we can make it work?

KAUTH: OK. Thank you.

von GILLERN: Thank you, Senator Kauth. Senator Dungan.

DUNGAN: Thank you, Vice Chair von Gillern. Thank you, Senator Brewer, for being here. I really appreciate your efforts on this and I know you've worked really hard on this over the years and I don't think any of us were expecting to get called back in this quickly on your way out. But I appreciate that you continue to fight the good fight. I also-- this bill that you brought clearly has bipartisan support, right? I mean, Senator Conrad's a cosigner. I know Senator Raybould has touted this as well as a potential solution. So it's an interesting option. And I'll be honest, I've not dug too deep into it beyond just reading the bill recently and talking to some people about it. I don't know about the constitutionality aspects, but my concern, I guess, that I look at, I'm just curious if you have an answer for it, is if we do this freeze for 4 years and then at the end of that go back to the market rate approach, my concern is if it's not frozen into perpetuity that there's going to be this giant jump at the end of those 4 years. And so if we passed this particular legislation, it would sort of require that moving forward we come up with some other solution to valuations, which could result in, like, a stair-step approach where it can only go up 10% per year. I, I guess, is there another option moving forward that you foresee helping fix that giant jump at the end? Because that would be catastrophic, I think, for a lot of people if it's frozen and then all of a sudden you have a 4-year increase. So is there a solution that you perceive moving forward to fix the valuation issue long term?

BREWER: Well, no, that's, that's a great question. And that's, that's a, a good issue that you've, you've kind of grasp with this. Of course, part of the thought process is that this is worst-case scenario. We're only doing this if we can't come to any other

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

decision, LB1 fails, everything else fails, and then we're using this as a stopgap measure to buy time. So there, there could be, if it went the full 4 years, there could be a, a step increase. And that's if we don't figure out a way to move the levers of taxation some so that the, the total burden isn't on property taxes, especially in the issue of schools. So I'm not saying that there couldn't be a situation there. But if we approach it with the idea that this buys us time to come up with a real solution, that's probably the mindset I had more when I-- when I wrote the bill.

DUNGAN: So this is kind of hitting the emergency stop on the assembly line.

BREWER: Yes.

DUNGAN: It's not ideal, but if we have to do it,--

BREWER: Great examples.

DUNGAN: --do that and then we'll figure it out from there.

BREWER: Yes, sir.

DUNGAN: OK. Thank you. And, again, I appreciate you bringing the bill.

von GILLERN: Thank you, Senator Dungan. Any other questions from committee members? Seeing none, we had-- let's see, we had letters for the record, 2 proponents and 2 opponents. Thank you, Senator Brewer. That closes our hearing on LB34, and we will open on LB35. Welcome back, Senator Brewer.

BREWER: Thank you. All right. And just for the record, Senator von Gillern, you get to chair the last committee, the last bill that I will ever give in the Legislature. So with that, thank you, Vice Chair von Gillern. Good after-- good, good, good morning, fellow senators of the Revenue Committee. I am Senator Tom Brewer. For the record, that is T-o-m B-r-e-w-e-r, and I represent 11 counties of the 43rd Legislative District of western Nebraska. I'm here today to introduce LB35 and I'm introducing this bill on behalf of my constituents. In 2014 [SIC], 14 years ago, the Nebraska Legislature passed LB1048. This bill created the nameplate capacity tax for wind energy in Nebraska. This tax was created to be used in lieu of property tax. Like a lot of bills we pass, it was a good idea at the time. This was a Natural

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

Resources Committee bill and the committee was chaired by Senator Langemeier. His staff researched because the, the problem-- I was trying to go back and figure out and my staff researched, where do we come up with a figure? And I'm going to use this figure and we'll, we'll jump to it as we go through the speech here, 3,815. And that number-- what the committee did is they took a typical construction cost of an industrial wind turbine. And then, based on that value, they calculated how much property tax would be paid over a 20-year lifespan of the wind turbine. The end of the equation resulted in multiplying how much electricity the turbine would produce that, that would be it's, it's nameplate capacity by 3,815. For example, a common type of industrial wind turbine found in today's construction would be in that 2.5 megawatt range. So you would take the 2.5 megawatts times the 3,815 for a total of 9,539. So this amount of, of tax that was paid by the company owning the wind turbine is in lieu of paying the ordinary real estate property tax that you would pay. And I support this method. It's a good idea. Unfortunately, the way that Senator Langemeier wrote this, it did not include for any adjustments whatsoever. So that figure of 3,815 remains frozen in time for property tax for ag land. And if you think about over time how much it has skyrocketed, most counties are well in excess of 300% higher than it was 14 years ago. I'm introducing this bill to cover what was left out. It's, it's really just a question of fairness. Other taxes Nebraska paid have gone up over the last 14 years, in some cases astronomically. It is not fair to single out a particular industry and give them special treatment with a fixed tax rate that never, ever changes. The Tax Commissioner told me that the best way to adjust this tax is by using the Consumer Price Index. So this is how the bill is written. Bottom line is the tax that wind energy pays, pays instead of property tax cannot remain chiseled in stone for eternity while other taxes that we pay continue to increase. It's just simply a fairness issue. And when we take a look at this as a, a truly sweetheart deal for out-of-state renewable wind companies and, and we're scrounging everywhere we possibly can. If you look at LBI, we have tried every pocket, every possible option to find money to claw out. This is money that really is due because in just a simple act of fairness here. So we're not goring anyone else's ox to get this, this is simply taking revenue that should be part of what we receive for the nameplate capacity. So with that, I'll take any questions that you have.

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

von GILLERN: Thank you, Senator Brewer. Questions from committee members? Seeing none, thank you. You'll stay to close, I presume?

BREWER: Yes.

von GILLERN: Thank you. We'll open with proponent testimony on LB35. Morning again, Mr. Cannon.

JON CANNON: Good morning, Vice Chair von Gillern, distinguished members of the Revenue Committee. My name is Jon Cannon, J-o-n C-a-n-n-o-n. I'm the executive director of the Nebraska Association of County officials, you may have heard us referred to as NACO from time to time, here today to testify in very proud support of LB35. Senator Brewer has picked up on a thing that we've been talking about for a long, long time about the proper taxation of these sorts of facilities. And so he-- I couldn't really any more ably describe the history of this thing that Senator Brewer did. So I'll, I'll skip that part of my testimony. Suffice to say, though, that everything that he said is, is absolutely correct. We, we might prefer, though, to kind of reset that rate based on, on the, you know, how much everything has increased and it would be very, very easy to do. I mean, you take an average cost, the average net book value of, of that personal property, you times it by-- you multiply it by a current average levy rate that you got out there in rural Nebraska, and then you divide by the number of megawatts of electricity they produce, that the nameplate produces and that, that should give you a different rate. And, frankly, that would adjust it forward to something that we're-- where we're trying to collect the same amount of tax, although spread out over a longer period of time. And, and that was really part of the history of this is that the, the wind energy companies in the renewable energy industry, they came into the state and they said, hey, look, the upfront costs for these sorts of turbines or solar panels is really, really high in the first year and then drops off to nothing after 7 years because it's, it's a 7-year life. From the county's perspective or from the local political subdivisions perspective, I can only speak for the counties, they said, yeah, you know what, that's great that we're getting a million bucks in the first year, but we're getting zero after that and, and the stuff's still out there. And so that was the compromise as Senator Brewer had mentioned, which was we're going to take the amount of taxes that you would have paid over time and we're going to, you know, divide it by the 20-year expected life and that's how we got to where we are. So

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

adjusting the rates that more accurately reflects where we are currently is probably appropriate as a baseline. And then also including the accelerator, going into the future, there's always a concern about tying something to CPI. That's something that's published by, I believe, the Bureau of Labor Standards. That could be considered and, and I'll certainly defer to legal counsel for the committee that could be considered an unconstitutional delegation of authority from the Legislature. And so there are multiple indices that we have that are probably more reflective of, of what we're talking about and what we're trying to capture. You could-- you could just say we're going to multiply it-- we're going to increase it by the percent increase in valuation on a statewide basis. And that's not delegation of authority to some other outside of the Legislature body and it just kind of reflects reality. So with that, I'm happy to take any questions.

von GILLERN: Thank you, Mr. Cannon. Questions from committee members? I just have a couple. You mentioned-- you used the term these sort of facilities, these solar-- and then you mentioned solar, would solar be, be under the same-- would solar be impacted by LB35?

JON CANNON: Yeah, the 62, 77's-- I think-- I think it's 6201 through 6204. They refer to renewable energy facilities. And so renewable energy includes wind, solar. I think there's some others that are contemplated as well.

von GILLERN: OK, just wanted clarity on that. And then you mentioned 7-year life and 20-year lifespan.

JON CANNON: Yeah, so the way we do personal property in Nebraska is we assign-- first you determine something's net book value, essentially what its-- what its cost is. And from there, there's-- there are tables that we have that are-- that are-- we have a modified accelerated cost recovery system. And essentially that, that ties into what their depreciation is. And for certain industries, we've assigned a particular life's-- lifespan. And, and I believe for the renewable energy facility industry, they're slotted into a 7-life even though these things last for 20 years.

von GILLERN: OK. So the 7 years, the depreciable time period, not the lifespan of the-- of the device.

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

JON CANNON: Yes, sir.

von GILLERN: OK. Got it. Thank you.

JON CANNON: Yes, sir.

von GILLERN: Any other questions from committee members? Seeing none, thank you.

JON CANNON: Thank you very much.

von GILLERN: That was proponent. Any opponent testimony?

PHIL CLEMENT: Good morning, Vice Chair, members of the committee. My name's Phil Clement, P-h-i-l C-l-e-m-e-n-t. I represent NextEra Energy Resources and I appreciate being here today. Respectfully, we'd like to oppose this bill. We're not opposed to updating LB-- or updating the nameplate capacity tax. We're just opposed to how this bill is written. And it really comes down to two basic things: One is like, you know, Mr. Cannon mentioned, the variability of the-- of the increases. These contracts are many times 20, 30 years. And having that variability just makes it really hard to forecast project expenses. It makes the investment decision that much harder because of the unknown, you know, tax increases over time. And that really can be a big effect, you know, again, after 20, 30 years of undue tax increases. And then the, the second main reason is the impact on existing projects. Most of the projects, at least that we've built here in the state, they are long-term fixed price contracts. So the price is fixed for the entire life of the project. The project is not taking any more income. So there's no other way that the project can account for a higher tax. So this would just eat into the viability of, of the project. My recommendation, I would really love the chance to work in good faith with members of the Revenue Committee to come up with a bill between now and the beginning of next session and come up with a, a good agreement for the nameplate capacity tax update that works for, especially, the counties, works for the state, and also is financially viable for the renewable energy companies. Thank you.

von GILLERN: Thank you for your testimony. Questions? Senator Kauth.

KAUTH: Thank you, Chair von Gillern. Why do you want to wait until next session to sit down and talk about how to fix this bill? Can't we do it now?

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

PHIL CLEMENT: Well, ma'am, I, I think trying to do the CPI is not-- is not a good way to have it increase.

KAUTH: Have you sat down with Senator Brewer to talk about it?

PHIL CLEMENT: No, ma'am, not yet.

KAUTH: I would recommend you do that.

PHIL CLEMENT: Absolutely.

KAUTH: We're here now.

von GILLERN: Other questions from committee members? I got a couple. You, you said the variability of the increases are unknown, would, would the-- would the variability of taxation on your projects be any different than what a homeowner or commercial property owner or rancher or farmer currently experiences in the state of Nebraska? Would your variability be any greater than theirs, your unknowns be any greater?

PHIL CLEMENT: Well, I'm not-- I'm not sure, sir. I think it would be-- in that case, it's based on the assessed value. And let me just say as well, the nameplate capacity tax is only one part of the tax that the projects pay. The projects do also pay assessed taxes from the counties which change on a year-to-year basis. You know, they change, you know, but-- so the projects do pay those two parts. Usually the nameplate capacity tax is, is the greater part of that tax. But no, sir, that's, that's true. But also the company has to make, you know, 4, 5, 6, \$700 million investment decision and then trying to plan that out and it's, it's just-- it's very difficult with,--

von GILLERN: Thank you.

PHIL CLEMENT: --you know, variable increments.

von GILLERN: And, and I honestly don't-- and this is always dangerous when you ask a question you truly don't know the answer to. What, what is the current cost to erect a wind generator or windmill, as we probably inaccurately call them?

PHIL CLEMENT: To, to erect it or the cost to--

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

von GILLERN: To build it, erect it, put it in place to, to, to furnish, furnish energy.

PHIL CLEMENT: It, it really depends. But, you know, for example, I, I think the size, you know, that Senator Brewer referenced, approximately 2.5 megawatt turbine, it would probably cost-- and, and this is just a guess, probably between \$2-\$3 million.

von GILLERN: OK. All right. I, I, I, I knew what the number was 10 years ago, and I think it was closer to one. So it's probably about-- that's probably about what I would have guessed. How much-- just-- again, just curious how much of that is subsidized by either federal or state or other programs?

PHIL CLEMENT: None of the construction or anything is subsidized by federal programs. There is a subsidy that is based on produced power. But like all forms of generation which are subsidized, the renewable energy industry does get subsidies just like-- but the real renewable energy generation really would need subsidies to stay in the same footing as the other forms of generation that have been in existence for over 100 years that still get massive subsidies from the government.

von GILLERN: And part of that subsidy issue is the fact that Nebraska is public powered versus other states which are private and can take advantage of other tax advantages and so on.

PHIL CLEMENT: Well, so the-- so the, the bids that the public power puts out are-- they're competitively bid. And so it's, you know, there's probably 10, 20 bids that go in for a certain project. So all those, you know, the-- it's not a secret, right, that there's subsidies that are gained by producing this power. So that's all accounting to the price. I mean, that just lowers the price that the companies can offer to the public power district.

von GILLERN: There's a reason that Iowa has 10X what Nebraska has in wind energy or whatever the number is.

PHIL CLEMENT: Yes, sir. And that's why their power prices are lower.

von GILLERN: All right. Thank you. Any other questions from committee members? Seeing none, thank you for your testimony.

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

PHIL CLEMENT: Thank you.

von GILLERN: That was opponent. Do we have any, any other proponent testimony? Seeing none, any-- skip to neutral. Any neutral testimony? Seeing none, any other opponent testimony?

EDISON McDONALD: Neutral.

von GILLERN: Neutral. OK. Sorry, missed you. Morning.

EDISON McDONALD: Good morning. Hello, my name is Edison McDonald, E-d-i-s-o-n M-c-D-o-n-a-l-d, and I'm the government relations representative for GC ReVOLT. We're a small solar and wind development company. We work mostly on projects with family farmers on the smaller to mid-scale-size of projects. But we also do some land agent work on some larger projects. And we are glad to discuss this topic and think that it's fair to take a, a look at increasing the nameplate capacity tax. Already, renewable energy provides \$17.3 million in property tax relief, 2,313 jobs and \$37.5 million in direct payments to farmers who've been overloaded with property tax burdens. As we look to do our part, I would just echo the comments from the NextEra speaker, I think that increasing payments is OK. This methodology probably doesn't work out well enough in figuring out what the correct methodology is, may take some more time. I haven't spoken to Senator Brewer about this yet, but we'd be happy to talk about it. And happy to look at finding some sort of model that takes into account the long-term development and benefits of these types of projects. With that, I'll close.

von GILLERN: Thank you for your testimony. Any questions from committee members? Seeing none, thank you for being here. OK, lost where I-- where I am. Any proponents for LB35? Seeing none, any other opponents on LB35? Any other neutral testifiers? Seeing none, Senator Brewer, while you come up to close, I will note that there was 1 proponent letter and 3 opponent letters received for the record. Senator Brewer.

BREWER: Thank you. All right. Well, first off, I'd like to retract my statement that Jon Cannon was wrong. All right. You know, I've been kind of at the center of the back and forth on renewable energy since I, I got the job. There are elements of it that have been invaluable. I think what Edison represents with the solar projects that are directly supporting our ag industry, and I'll give you an example, you

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

see fewer windmills in the Sandhills because it's gone to, to solar panels. They're more efficient. They work well and have been a tremendous asset for many of them that are in remote locations. So there are parts that, that have been valuable. There's parts of it that have been painful in that-- imagine this, Senator von Gillern has a place that he has built, and it has the location and the view that he handpicked. And then someone across the fence decides that they would like to collect the money from a wind turbine and puts it up. Now, your view is blocked by that. Your property value has just come down because no one else will buy that. No one's going to walk out every morning and look at one of those and say this is where I want to be. And there's a lot of other effects of, of wind turbines that people don't want to talk about, whether it'd be the, you know, the, the birds, the bats and everything else that doesn't survive them. But putting that aside, it's a renewable energy that the government pays large sums of money in subsidies. That's why they exist. If there was no subsidies, there'd be no wind towers or solar farms. But they do contribute to the grid and, and we need that. The problem is that I think it has to be a fair balance. And if you were to go on NextEra's website, got it right here if you want to look at it, first off, it's not a Nebraska company so forgive me if I don't feel bad they don't make as much money as they think they should. And if it's a challenge to deal with the variable costs, that's part of life, that's part of business. And, and they need to understand that, that this body is responsible for taking care of the almost 2 million people that live in the state, and that how we sort out property tax affects us-- affects a good share of those. And so we're going to continue to try and figure out pockets where we can find money that is really due to Nebraska that we haven't tapped. And I believe this is one of them. We're going to look at places where we can maybe move how we give breaks to people so that the ones that maybe don't need it as much can shift that around to those who, who need it more. But this challenge that you guys have, I do not envy you. And, and, really, the decision that this committee makes is going to set a path ahead. But all I tried to do with LB35 is to say, hey, here is an opportunity for us to look at a pocket that I believe hasn't been paying their fair share and that it could be added to that, that list of things that we can have so that at some point we can reach a number that will allow us to bring down property tax and not depopulate parts of the state and not have folks leave because they can't afford to live in Nebraska. So, anyway, with that, I'll take any questions you got.

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

VON GILLERN: Thank you, Senator Brewer. Any questions from the committee members? Just a quick comment before you go. If it is the case that I got to Chair your last hearing in this Legislature, I'm truly honored. And then, secondly, I appreciate your optimism that we won't have another special session after this one.

BREWER: Thank you.

VON GILLERN: This will close our hearing on LB35. Thank you, Senator Brewer. We'll open on LRCA [SIC] with Senator Kauth. Welcome, Senator Kauth.

DUNGAN: The official-- the official name is the One Hundred Eighth Legislature's First Special Session.

VON GILLERN: Yeah. Oh, that's--

DUNGAN: That's what's up on the board every morning.

VON GILLERN: Is that what it says?

DUNGAN: Yes.

KAUTH: George, would you do me a favor and just scoot over so I can just talk to the two of you? All right. Good morning.

VON GILLERN: Give me-- give me just one second here, if you would, please?

KAUTH: Didn't you get yelled at yesterday for doing that, Brad?

VON GILLERN: Yep. That's why I said give me a second.

DUNGAN: If the Vice Chair wants to take a break, it might be my rare opportunity to Chair here.

VON GILLERN: Yeah. For the record, I do know that gentleman's name. I do know where he lived. I do know where he moved from. I do know what he does for a living, so I was paying attention.

KAUTH: Yeah. You 100% were.

VON GILLERN: Thank you, Senator Kauth. We'll open on LR6CA.

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

KAUTH: Good morning, Revenue, kind of, Committee. My name is Kathleen Kauth, K-a-t-h-l-e-e-n K-a-u-t-h. I'm the senator for LD 31. And I'm bringing to you today LR6CA. It is based on Prop 13 so I'm sure Mr. Royers is going to have some, some consternation about that. But I'm bringing this bill to open up discussion on different means of assessing property tax. As I've gone around the Millard district, the one thing that has been consistent is our property taxes are too high. We don't want to hurt schools. That's been a very, very big theme in Millard, and that's a goal of this Legislature as well. But we can't handle it anymore. I've talked to people who are moving. I've talked to people who are losing their homes. Talked to one woman who actually lost her home to foreclosure. It was purchased by an out-of-state company and they are now renting it to her. She lost it because property taxes went up higher than she had calculated, and she didn't have that cushion. Prop 13 has had a lot of hits, mostly from politicians in California, because they don't like the fact that they can't tap into the piggy bank that is property. The people of California have loved it for over 40 years. They have fought hard to keep it. Prop 13 basically says that when you purchase a house, your-- this property tax is a percentage of that home sale. For our purposes, I used 1.5%. California did theirs at 1%. That amount-- that, that amount can grow by 2% per year to account for growth. What this does, it's the ultimate in consumption tax. It gives people the choice. They look at a house and say, I can afford this house. I can see what this tax is. And now I know with certainty what that tax will be going forward. And I can make that decision to purchase it. The other thing that this does is it removes a mass appraisal effect. During COVID, we had homes selling for 30, 50, \$100,000 more than they were actually valued. And that's great for that person who sold. But the people who are behind, the, the neighbors who they left, all of their property taxes went up because their valuations increased because of that one skewed number. This removes that effect. This is ultimately extraordinarily fair. It lets people make a choice about what they can afford and what they want to plan to afford. If they sell their house and move somewhere else, their new house, they'll have to make that choice again and just make a decision based on what their income is. This also provides stability for neighborhoods. If you've got this great deal, you're probably going to invest more in your property and invest more in your neighborhood and stay there. You can be taxed on additional growth. So if you have a, a small \$100,000 home and you put on a \$200,000 addition, that's going to be readjusted. I, I think that

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

this gives us at least a shot at talking about how this could work here. And, again, I picked the 1.5% because 1% was too low and it did impact a lot of things in California. I do want to stress, though, that the amount of mandates that California puts on their schools that are unfunded is extreme, and that plays a big part into why they are doing so poorly. We've also had that discussion here in Nebraska with our superintendents. What are some of the unfunded mandates that we can get rid of here to keep our costs low? This is just one piece of the puzzle. I'm happy to talk about it. Dr. Ernie Goss has said reducing property taxes is one of the most significant drivers of economic development that we can do for our state. So I welcome your questions.

von GILLERN: Thank you, Senator Kauth. Are there any questions from the committee members?

KAUTH: Oh, George.

DUNGAN: Sure.

von GILLERN: Senator Dungan.

DUNGAN: Thank you, Vice Chair von Gillern. And thank you, Senator Kauth. I was reading through yours here, and I'll admit, I'm not as familiar with Prop 13 outside of just sort of cursory conversations I've had about it. So I've not dug into the details. I do know that one of the complaints or concerns that has been expressed is this, and I think it was brought up during a prior hearing, is this idea that when you have to call it simply like a freeze on assessment growth and those kind of things, that there's a disproportionate amount of property taxes being paid by new homebuyers.

KAUTH: Who have made a choice to purchase. And that's just it, it's everyone is on a very level playing field because when you choose to buy a property, you are-- you are knowing exactly what that tax is going to be.

DUNGAN: Sure.

KAUTH: So, you know, everybody's valuations have gone up. There's no-- I mean, when you talk about fairness like that, what it sounds like you're talking about is everyone should have a completely equal

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

outcome regardless of the choices that they made. And I think with, with this, we're putting choice back in the hands of the consumers.

DUNGAN: Yeah. And I think we've had kind of an ongoing conversation in this committee over the last week of the differences between equality and equity and sort of the definitions of those things.

KAUTH: Right.

DUNGAN: But I guess my sort of realistic concern-- so I'm 35, I talk to a lot of my friends who are either currently trying to buy houses or have made the determination that they're not able to right now. And when we have these property tax conversations where it sort of stems from for them or where they talk about it is whether or not they're ever even going to be able to buy a home in the first place. And so I just know that there's been a concern and understanding that it's a choice that you're making, and it's sort of an equal-- everybody's on the same footing kind of conversation, but the real outcome that I'm concerned about is that this would make it very prohibitive for younger new families to buy homes. And so I just--

KAUTH: Why, why would it make it prohibitive for them to buy a new home?

DUNGAN: Well, I guess in terms of the distribution of the property tax, the idea with Prop 13, as I understand it, is that if you've owned your home for a very long period of time, you're paying a much lower property tax than somebody who's purchasing a home where that property tax is being based on the assessed value at the time of purchase. So the distri--

KAUTH: It's based on the sale price.

DUNGAN: The sale price.

KAUTH: Right.

DUNGAN: And so the distribution of that property tax arguably could be disproportionate for the newer, younger people who are buying those homes.

KAUTH: But, but the-- I mean, that's true for everything. The newer, younger people are going to be paying higher prices for everything

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

because everything goes up. So it's not like they could say, hey, I'm going to go back to the 1950s and pay that \$40,000 for a Craftsman that my grandparents did. Everything gets more expensive. When you choose to jump in, I think it will accelerate people jumping into the market because they will be younger and say, hey, listen, I could lock this in now and never have to worry about that surprise. I know-- I mean, when that property tax valuation comes in the mail, I just start getting phone calls like crazy and my neighbors walk up to me with their, you know, card in their hand saying, what is this? That's a surprise that we have absolutely no control over. None whatsoever. And, again-- so if you have young people who are thinking, hey, gosh, I'm going to-- I'm going to save and save and save and I'm going to get this really great house, and then they buy it, and then all of a sudden their valuation goes up even higher, and they're at a loss because they didn't plan for it.

DUNGAN: Yeah, and I--

KAUTH: This allows us to plan. I do want to make one-- there's an amendment-- sorry, sorry, George-- AM29. I mean, Senator Dungan. California did-- they had some of, you know, some of the things that went wrong. They did not say that you couldn't just pass it down through generations. So then you would have that 1940s Craftsman that cost \$40,000 that, you know, somebody in today's terms is still paying at \$40,000. This amendment basically says if it goes intergenerationally, it has to be sold or the sale price or a new assessment has to happen, because that was one of the reasons why they, California, felt that they were losing more money as they weren't collecting new people in that house. So that's, that's what that is.

DUNGAN: Sort of analogous to like rent control being passed on.

KAUTH: Exactly.

DUNGAN: Yeah.

KAUTH: Exactly. And that's, you know, it sounds great, and for that individual it might be great. But, you know, we want to encourage people to buy homes, to build wealth, but to be able to, you know, having a realistic purchase price is going to be important.

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

DUNGAN: No. And I, I appreciate all that, and I, I am looking forward to hearing the testimony because, like I said, I've not dug too deep into it.

KAUTH: I have stacks, if you'd like to read any of them.

DUNGAN: I, I do appreciate that. I just-- big, big picture, I think it's very-- it's fun to hear these stories of people building homes like 30 or 40 years ago for like \$100,000.

KAUTH: Right? It's crazy.

DUNGAN: And then, you know, people in my generation trying to buy homes, it's just-- it's so cost prohibitive. And I, I will say, I completely agree for the friends of mine who have purchased a home, who have texted me during this whole debate and said we got to do something about property taxes because it's, it's-- their mortgages are going up. So I-- we all agree it's an issue for sure. I just want to make sure there's not those unintended consequences where it becomes problematic.

KAUTH: And that's-- and that's what I hope we can really kind of hammer out in committee is figure out, OK, could this work? How does this fit in with everything that we're doing? You know, that this is a starting point and I hope that we can kind of hammer things out, so.

DUNGAN: Sure. Well, thank you.

KAUTH: Thank you.

von GILLERN: Thank you, Senator Dungan. Thank you, Senator Kauth. Any other questions from committee members? For those-- for those who are maybe watching either in the audience or watching on television, one of the weird things about being in special session is the hearings overlap. So there are members that would normally be here in committee that are testifying in other hearings or on other committees that need to be present there. So the usual day-by-day coordination that we had during the regular session is a little bit disrupted during special session. So thanks to all of us that can be here for the hearings. So thank you, Senator Kauth, for your opening. We will--

KAUTH: I will stay to close.

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

von GILLERN: And you will stay to close. Thank you. Thank you. Appreciate that. We'll welcome up proponent testimony for LR6CA. Proponent.

LARRY STORER: Good morning again.

von GILLERN: Good morning again.

LARRY STORER: Larry Storer, 5015 Lafayette Avenue, Omaha, 68132, Douglas County, Nebraska. I'm very much in favor of constitutional amendments that you're proposing, ma'am, and I agree with what you just said. I want to tell you also an experience that needs to be debated when you get to the meat of the matter at the-- on the floor, that there needs to be a discussion in Nebraska-- well, nationwide, actually, about Islamic centers getting tax exemptions. Now, we can debate this all day, but Islam is not necessarily a religion. It is a political system. Worldwide, people claim it's a religion, but it is not.

von GILLERN: Sir, could I interrupt you--

LARRY STORER: OK.

von GILLERN: --and ask you to spell your name, please?

LARRY STORER: Well, I was-- I was protesting.

von GILLERN: Sir, could I ask you to spell your name for the record, please?

LARRY STORER: I'm sorry?

von GILLERN: Could I ask you to spell your name for the record, please?

LARRY STORER: S-t-o-r-e-r.

von GILLERN: Thank you.

LARRY STORER: First name is Larry.

von GILLERN: Thank you.

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

LARRY STORER: On October 3 of last year, I was protesting at Douglas County Board of Equalization. The tax exemptions for an Islamic center that have been going on for quite some time on full-tax exemption, but they were going to reduce it because part of that complex on Radial Highway was being used as a restaurant, a bookstore, etcetera, etcetera, etcetera. Meantime, my taxes are going up. There are five Islamic centers in the area. Are they all getting it? I haven't had time to research it all. My point being, they should not be getting tax exemption at my expense. Maybe at your expense, but not mine. So that's one of the exemptions that should be debated on the, the floor, because there's many taxpayers like myself that could no longer afford it. I paid \$21,500 for my house in 1971. They now say it's 350, \$360,000. Based on some realtors, some investors that came in from out of state, bought it at a low price, conflict of interest, turned around and sold it at a high price and probably didn't pay any property tax based on sale price alone. It needs to be eliminated. Thank you. Any questions?

von GILLERN: Any questions from committee members? Seeing none, thank you for your testimony. Any opponents for LR6CA? Welcome, Mr. Cannon.

JON CANNON: Good morning, Vice Chair von Gillern, member 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 LR6CA. I appreciate Senator Kauth bringing this because, you know, this really gets to the heart of, of tax policy. And, boy, do we love to talk about it. I, I might not be the most articulate, but I do like to talk about it. A real hit, hit at cocktail parties, as you might expect. I'm, I'm-- when we talk about property taxes, I'm always reminded of the story of the Gordian Knot. That was a-- it was tied to an ox cart in, like, Thebes or somewhere in, in ancient Greece. And the, the prophecy was that whoever-- whosoever was able to untangle the Gordian Knot would go on to rule all of Asia. And Alexander the Great came along and he sliced through it with a sword. Problem solved. And, and there are lots of different, varying interpretations of, of what that means. I prefer to think of it as a different kind of mental genius on the part of Alexander the Great. And Prop 13 is, is kind of like slicing the Gordian Knot in half. There is-- there is a, a very basic simplicity that, that to it that shouldn't be overstated. However, it butts up against the fact that, as we've discussed when we talk about tax policy, that valuation is a function and not the driver

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

of the property tax. The property tax request is fundamentally what's going to determine what someone pays in property taxes. The example that I've been using for a long, long time is that if my valuation goes up 10%, but the property tax request remains the same, my tax bill will remain the same. If my value remains the same, but my property tax request goes up 10%, my tax bill goes up 10%. That's just math. And so I, I think that by taking the focus off of value-- off of the property tax request and instead placing it on valuations, now we're talking about how we manipulate numbers in a way that, that achieves a result with a lot of perverse, perverse results. I just would note that no other state has picked this up in the 46 years since California passed Prop 13. And, in fact, you can-- and, and I think Mr. Royers has mentioned this already, you can draw a straight line from Prop 13's passage to the current state of California where they are with their budget woes. Every couple of years they have to go through this, this whole budget process where they make sure that they fund-- backfill the funding for the schools. And so in one year, they're going to be flush with cash, and in the next year they're, they're in this pretty terrible financial situation. It's the first time I've ever heard anyone say, wait, Nebraska should be more like California. And I was born there, but I've not moved back there. I moved here on my own. I also will notice, though, that it wasn't quite the result that everyone had, had thought it was going to be. In 1978, the Tax Foundation has found that in 1978 that California had the third highest tax burden when you talk about property, income, and sales taxes of all 50 states, and in 2012 they had the sixth highest. And so if Prop 13 was designed to fix that, all it did was it shifted a lot more to income and sales taxes, because California had to fund all those essential services that couldn't be satisfied through the property tax. I'm sure that there are some folks that are going to talk about property tax equity when you can have a home in Malibu that's being assessed at \$100,000 right next to a home that's, that's being assessed at \$5 million. That's a problem that discourages the transfer of property. I'm out of time. I'm happy to take any questions you might have.

von GILLERN: Thank you, Mr. Cannon. Any questions from the committee? Senator Dungan.

DUNGAN: Thank you, Vice Chair von Gillern. And, Mr. Cannon, would you like to finish that last thought briefly?

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

JON CANNON: Just discourages the transfer of property for a lot of the reasons that you, you suggested in your-- in your question, Senator, so I had an anecdote about Howard Jarvis, who's a, a proponent of, of Prop 13, California. I'll just say that, that from that-- from that being passed, he got a cameo in the movie Airplane!, if you've ever seen that. Happy to go into further detail.

DUNGAN: Thank you.

von GILLERN: I had a question, and now you threw me off because I'm thinking about the movie Airplane!, trying to remember which line that was and I know most of them.

JON CANNON: From Airplane!?

von GILLERN: Yeah.

JON CANNON: Oh, he's, he's the-- he's the fare that the-- that the cabbie that-- so Ted Striker is the main character and he's-- he parks his car at the airport and he leaves, leaves the fare there and they, they come-- they come back halfway through the film and the guy is just--

von GILLERN: And he's still sitting there.

JON CANNON: --he's still sitting there, and they, they also came back at the very end of the film, it was like one of the first times they ever had the post-credit singer, and it goes back to Howard Jarvis sitting in the fare and he says, well, I'm going to give him 10 more minutes and that's it, and then fade to black.

von GILLERN: All right. Thanks for the levity.

JON CANNON: Glad I could help.

von GILLERN: Come, come back again in about 6 hours. We'll probably need it again.

JON CANNON: I am going to avoid this room like the plague, sir.

von GILLERN: Thank you for your testimony this morning.

JON CANNON: Yep. Thank you, sir.

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

von GILLERN: That was an opponent. Do we have any neutral testimony? Any proponent testimony for LR6CA? Did I miss opponent? Did I miss pro-- did I get everybody? We need opponent. Opponent. Sorry.

TIM ROYERS: Hello again, members of the-- of the shrinking Revenue Committee. For the record, again, my name is Tim, T-i-m, Royers, R-o-y-e-r-s, and I am the incoming president of the Nebraska State Education Association. I'm here to speak in opposition to LR6CA. And for the purpose of brevity, I will actually be focusing on just one part of the amendment rather than discussing holistically, since I feel we already had that conversation. I'm here to speak about the change in the vote threshold requirement for a school bond to 55%. This change will have a harmful impact on the kids in our communities and, in our estimation, is another example of this body's attempt to undermine local control during this special session. The arguments in favor of this component of the proposed constitutional amendment, in our estimation, are problematic for several reasons. First, many school districts across the state have a voter base whose majority is comprised of households without school-aged children, so to even reach a simple majority on a bond vote is an impressive demonstration of that community's willingness to invest additional resources, even if they don't necessarily see a direct gain themselves. Second, this flies in the face of positions members of this committee have taken in earlier hearings. You cannot, on one bill, say that you believe local control should be a vote of the people and then turn around and subsequently make it harder for the people to then express their will. Furthermore, we have heard the Chair of this committee say several times this week that the Legislature can, quote, do anything it wants in regards to school funding. I think we can surely all agree decisions you make here have the potential to have a far greater impact on my tax obligation as, as a resident than a single school bond vote. So I'm then perplexed why you're OK with a simple majority to be elected to serve in this body, but want a 55% requirement for school bonds. I mean, all of you that are here for the Revenue Committee this morning were elected with less than 55% of your voters. So if you're willing to serve, despite the fact that you got less than 55% of the vote, I'm, I'm, I'm having difficulty understanding why you feel that threshold should apply for school bonds. But I want to get to the substance of why we're concerned about that. Raising the vote threshold requirement, obviously, will then, in turn, mean fewer successful bond issues. This is problematic because more and more

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

districts are using bonds for one very critical issue, addressing school safety needs, from interior locking doors to security cameras to controlled entry access points. Voters have authorized districts across our state to make significant investments to make our schools safer for our kids. And I can speak very definitively on this in buildings where secure entrances have been installed, we have been able to intercept unauthorized individuals before they get to our kids. But in the buildings where we haven't been able to do that yet, we have absolutely had security breaches. So what I want to make plain is this, in, in our opinion, a vote for LR6CA is a vote to harm our ability to keep kids safe in our schools, to say nothing of our ability to also maintain functioning HVAC systems, roofs, all those pieces. We feel this undermines the capacity of Nebraska voters to express their will at the ballot box, and does so in a way that specifically jeopardizes our school district's ability to maintain facilities and keep students safe. So while we're not speaking to the whole amendment, we would strongly suggest that you revisit this component of it because we feel it's going to do harm to our schools. Thank you.

von GILLERN: Thank you for your testimony. Questions from committee members-- member? I just have a, a quick question and then I'll make a comment and I'll try and form it in the form of a question.

TIM ROYERS: Sure. Absolutely.

von GILLERN: You know, in my past life, I was part of the construction industry and personally been involved with hundreds of school projects.

TIM ROYERS: Yes.

von GILLERN: I will say with clear fact and clarity that bond issues certainly have done things to improve the safety of schools, but it's a very small percentage of the total dollars spent on school projects. So to hold out that killing bond issues is killing kids is, is, is quite a stretch.

TIM ROYERS: I-- if, if my implication was that that is the only thing bonds were used for, I apologize. I'm simply highlighting that is a growing trend that to us is the most important issue that a bond could be used for.

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

von GILLERN: And, and, again, going back to my personal history, much of those funds that were spent on improving safety in schools were federal funds or special grants that came, and some of them came from this Legislature. Last year, this Legislature appropriated funds to increase school safety so again--

TIM ROYERS: I would like to point out on that, Senator von Gillern, that you appropriated \$10 million and you had five times the request for those funds.

von GILLERN: If we had appropriated \$50 million, I think we would have had five times the request for those funds. But that's--

TIM ROYERS: Sure.

von GILLERN: --we can argue over how many angels can dance on the head of that pin another day.

TIM ROYERS: Absolutely. And, and, yes, Senator von Gillern, you, you are part of a very long-running urban legend in Millard Public Schools that Millard North was designed after a prison. So, yes, I'm--

von GILLERN: You remember that story.

TIM ROYERS: Yeah. Well, that was the-- the two running jokes at Millard West were North was designed after a prison and Millard South gets out for more snow storms because they have a steep incline for their parking ramp. So that was-- those were always the jokes that we used to mess with kids. So, yes.

von GILLERN: I don't think we want to talk about steep inclines anymore. So thank you. All right. Thank you for your testimony.

TIM ROYERS: Yep.

von GILLERN: Appreciate it. OK. Any-- was there any other, other proponent testimony? Seeing none, there was no other neutral testimony. Any other opponent testimony? Good morning.

COLBY COASH: Good morning.

von GILLERN: It's still morning.

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

COLBY COASH: OK. Senator von Gillern, Senator Dungan, legal counsel, clerk. Colby Coach, C-o-l-b-y C-o-a-s-h. I represent the Nebraska Association of School Boards. I'm here today to comment on one particular portion of the constitutional amendment. Mr. Royers brought it up as well. We have a little bit of a different take on it. But it is the, the provision about moving the bond threshold to 55%. Our members are elected, as you are. They feel very strongly that elections matter. One person, one vote is kind of what we're-- our whole system is based on here. And moving that, that threshold kind of flies in the face of that. And for that reason, we want it to be on record to say that that provision is problematic for our members.

von GILLERN: All right. Thank you. Any questions from the committee members? Thank you for your concise, brief, and clear testimony.

COLBY COASH: You're welcome.

von GILLERN: Next opponent? Seeing none, so we're out of opponents, we're out of proponents, we're out of neutral.

CHRISTY ABRAHAM: I'm sorry, did you say opponent? I'm sorry.

von GILLERN: Opponent.

CHRISTY ABRAHAM: I'm sorry.

von GILLERN: That's all right. We're here all day.

CHRISTY ABRAHAM: Senator von Gillern and members of the Revenue Committee, my name is Christy Abraham, C-h-r-i-s-t-y A-b-r-a-h-a-m. I'm here representing the League of Nebraska Municipalities. I want to thank you for all your work. And thank Senator Kauth for introducing this. I appreciate that she's opening the dialogue on property taxes, and the League certainly is in support of trying to figure out the property tax issue. The League shares many of the concerns that NACO raised so I don't mean to repeat those. Property taxes may go down with this proposal, but as you heard from NACO, there will then be-- put stress on other sources of revenue to make up that difference like sales tax and other things like that. And not all municipalities have sales taxes. In fact, the vast majority do not. The other thing I'd like to mention is tomorrow you're going to hear a bill, LB80, that is brought by Senator Raybould. That is the bill that the League and NACO have worked on to put property tax caps on municipalities and

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

counties. It's going to look very familiar to you. It looks like the amendment to LB388 that we negotiated with the Governor on property tax caps for, for us with some exceptions for things like public safety and growth and things like that. So that right now is where we would like the committee to go. That's, that's the way-- that's the path forward that we feel for property tax reduction. So I just wanted to lift that up that you'll hear that bill tomorrow. So I'm happy to take any questions.

von GILLERN: Thank you for your testimony. Any questions from the committee member? Seeing none, thanks for being here this morning.

CHRISTY ABRAHAM: Thanks so much. I appreciate it.

von GILLERN: Yes. Any other opponent testimony? No other proponents, no other neutrals. That will wrap up our testimonies. Senator Kauth, would you like to close? And as you come forward, we had letters for the record, we had zero proponents and 8 opponents.

KAUTH: OK. Thank you, Senator von Gillern. And I love the fact that you said any questions from the committee member? That was great.

von GILLERN: Faithful committee member.

KAUTH: I, I really appreciate everybody coming up and testifying. All I heard after Gordian Knot was Jon Cannon telling me I was a mental genius so I'm done for the day. And the fact that no other state has picked it up, that-- that's true, which is why we have to look at this thoughtfully and see if this is something that will work here. I think Nebraska is a pretty unique state. We don't have the population. We don't have the tourism. We, we have a lot of different things. So no state can be compared equally to each other. We have to see, OK, what works for someone that we can pull parts of and make work here. And I got to tell you, it pains me to say that California has a better property tax code. That is painful for me. When, when he was talking about how it discourages a transfer of property. To me, that sounds like stability. To me, that sounds like everything you want in a neighborhood. So last night, the trees came down in our neighborhood. I got home probably an hour after, you know, the storm went through Lincoln. It was terrible driving. I had a tree on my house. All of our neighbors have trees on their houses. Everyone was outside. Everyone was pulling out their chainsaws, grabbing their gloves, doing

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

everything. Because we know each other, we like each other, we've been there a while. The people who have just moved in, we're going over and checking on them because we are adapting to our community and making sure everybody was stable and OK. Everybody was, just lots of property damage. But it was quite re-- it was just really, really cool to see everybody outside taking care of each other. And I think you get that when you have stable neighborhoods. I would be fine if we limited this bill to owner-occupied housing, because I think that, that might-- you know, we don't want to have people buy something and then have it just be a constant rental. So I think that needs to be looked at. But, again, stability and not turning over neighborhoods is not necessarily a bad thing. And, and for Mr. Royers and the NASB, I'm, I'm more than happy to talk about, you know, that threshold. I think-- I, I kind of picked halfway down the middle. There was a discussion, 50%, 60%, and I said, well, let's try 55 and see what happens. And Mr. Royers and I ran against each other and the score was 53.4 to 47.4 so I just almost made that 55%. But, but those are all pieces that we can work on and that we can adjust. And so I really-- I am grateful for all the willingness to evaluate something that is quite different so thank you very much.

VON GILLERN: Thank you. Questions from the committee member? Senator Dungan.

DUNGAN: Thank you, Vice Chair von Gillern. And--

KAUTH: The committee.

DUNGAN: --thank you, Senator Kauth. I just want to clarify. We have a lot of people watching at home and I've received a number of texts. Reasonable minds can disagree about whether or not religious entities deserve tax exemptions.

KAUTH: Correct.

DUNGAN: But Islam is a religion. Is that fair to say?

KAUTH: I have absolutely no idea. I think that's, that's, that's--

DUNGAN: I just want to be very clear on the record that Islam is a religion. I've received a number of texts so--

KAUTH: Thank you for making that clear.

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

DUNGAN: --wanted to bring that up and make it clear. But thank you.

KAUTH: Absolutely.

von GILLERN: Thank you. To, to your point and your question and for those watching present and watching on television, this is a free-- this is a place where free speech exists. And, and things can be said, different opinions can be rendered from the hearing Chair and the committee neither endorses nor confirms nor denies what-- we take all those things into consideration. So thank you for pointing that out, Senator Dungan. I didn't-- I, I don't want to miss an opportunity. You talked about your neighbors last night. We were outside cleaning up our yard and I was really proud of my 12-year-old grandson said we need to go check on Sam and Cash and make sure they're OK, they're friends in the neighborhood, so.

KAUTH: And that is what is great about Nebraska, which is why we all want to stay.

von GILLERN: Yep, yep. Thank you. Thank you for your testimony. This will conclude our hearing on LR6CA. Where do we go next? And we will open on LB36. Senator Blood is not present.

ALEX MAYCHER: Morning.

von GILLERN: Good morning.

ALEX MAYCHER: Good morning, Vice Chair von Gillern, members of the Revenue Committee. My name is Alex Maycher, spelled A-l-e-x M-a-y-c-h-e-r, and I am the legislative aide for Senator Carol Blood, who represents District 3. She does apologize for not being here today. Today, on her behalf, I'm going to introduce LB36 to establish a real estate transfer tax for Nebraska. LB36 establishes a tax on any transaction or sale of high-priced homes in Nebraska. Homes exceeding \$800,000, but equal to or less than \$2.5 million will have a transfer tax of 1.25% on the portion of property above that \$800,000 threshold. For homes above \$2.5 million, a transfer tax of 2.25% will be levied for the portion of property value above that \$2.5 million. For a bit of a soft landing, homeowners can receive a tax credit paid at the 2.25% rate after the third year only if the homeowner remains in Nebraska. Other states, such as Connecticut, levy a real estate transfer fee for homes under \$800,000. But we weren't sure in today's

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

high-priced home market that we wanted to go that far. 33 states and Washington, D.C., have real estate transfer taxes, even with varying real estate markets and different average home values. So clearly, most of the country does see the value of capturing revenue from real estate transfer taxes. I do not fault wealthy Nebraskans for being successful, but everyone has to suit up, as the Governor said, in tackling our property tax problem. The top 1% of households in this country earn around 40% of the nation's wealth. So I think it is a fair ask for these Nebraskans to contribute to our state's revenue. Real estate transfer taxes are effective and simple to administer. Home values are easier to calculate than other forms of wealth, as similar properties in the same area can be identified. And housing ownership is often publicly available information. Obviously, houses also cannot be moved easily to flee such taxes as well. This simple tax maneuver can capture millions in revenue if you refer to the fiscal note. And like my other bills in this committee, I realize this will not completely offset property tax cuts, but legislation like this adds up. Along with my other tax generation proposals, I want to be serious in how we can generate revenue, but want to be consistent on not putting the financial burden on the hardworking Nebraska families struggling to make a better life for themselves, their families, and our communities. And I thank you for your time and consideration.

von GILLERN: Thank you for your testimony. Questions from the committee members? I just have a couple. And forgive me, I'm trying to catch up as, as you're testifying.

ALEX MAYCHER: Sure.

von GILLERN: Does not apply to commercial property, correct?

ALEX MAYCHER: Correct.

von GILLERN: And does it apply only to primary residences?

ALEX MAYCHER: I believe so, but I can get back to you on that. I'm not sure. Yeah.

von GILLERN: OK. All right. I had another one, but I'll come back to it. OK. Thank you.

ALEX MAYCHER: OK.

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

von GILLERN: Thank you for your testimony. We'll welcome any proponent testimony? Are there any proponents for LB36? Seeing none, I need opponent testimony? Seeing none, is there any neutral testimony regarding LB36? Good morning again.

JON CANNON: Good morning, Chair-- Madam Chair, Vice Chair von Gillern, Senator Dungan, members-- distinguished members of the Revenue Committee. Senator Kauth, sorry, you snuck back over there. My name is Jon Cannon, J-o-n C-a-n-n-o-n. I'm the executive director of NACO, here to testify today in a neutral position on LB36. Just, just as a note, this isn't something that we would have really picked up on. We didn't really want to take a position on, other than the fact that when you're looking at how we pay taxes on a transfer of property, typically that's handled at the time of recording. And so the way that this bill reads is that it's going to be a liability of the purchaser or the transferee to remit something to the Department of Revenue, which kind of bypasses the, the ordinary flow of events that we have when we collect the documentary stamp tax in the state of Nebraska for transfers of real property. And if-- I mean we can do it that way, it's just it doesn't provide really that, that, that real flow that we are ordinarily expecting to see when we've, we've got a transfer property and the payment of a-- of a documentary stamp tax. Just wanted to note it for the committee's attention. Happy to answer any questions you may have.

LINEHAN: I have a question.

von GILLERN: Would you like to take over as the Chair?

LINEHAN: Not quite yet.

von GILLERN: OK. If you-- if you need a minute. Thank you for your testimony. Are there any questions from the committee members? Madam Chair.

LINEHAN: I just got here, obviously, because I was in another hearing, but is this like the doc stamp?

JON CANNON: Yeah, it's remarkably like the doc stamp. And it's paid on a transfer of real estate for certain-- over a certain threshold and it says going to be remitted to the Department of Revenue. For what it's worth, the way our flow of information works, the Register of

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

Deeds has, I, I think, up to either 30 days or 15 or 30 days to send the real estate transfer statement to the assessor's office. The assessor's office has to provide it to the Department of Revenue 15 days after the first day of the month after they've received it from the Register of Deeds. I mean, you're looking at a period where the Department of Revenue won't even know that, that there's been a transfer of real estate until almost 2 months later. And so, I don't know, there's nothing in here that says, you know-- and if, if that fee hasn't been remitted by the time that they receive the transfer statement, the Department of Revenue shall do X, Y, and Z. I, I, I just think there's some details--

LINEHAN: So this is on top of the doc stamp.

JON CANNON: Yes, ma'am.

LINEHAN: We've tried to increase the doc stamp before haven't we and it's been a nightmare?

JON CANNON: Yes, ma'am, it has.

LINEHAN: And you once called it something?

JON CANNON: Uh-oh.

LINEHAN: I know.

JON CANNON: I feel like I'm going to get in trouble.

LINEHAN: Oh, he was like, I'm-- OK. Because the county keeps some of that money or all of the money?

JON CANNON: Yes, ma'am. Of the \$2.25 per \$1,000 that's remitted, the county keeps 50 cents, and \$1.75 is remitted to the state.

LINEHAN: And when was the last time that was increased?

JON CANNON: Oh, gosh, probably around 2000-- between-- somewhere between 2006 and 2010.

LINEHAN: It's all good-- I'm getting-- so this is kind of like-- and it's just-- it's like an excise tax for the higher value.

JON CANNON: Yes, ma'am.

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

LINEHAN: So if you really wanted to do something like this, you could just use the doc stamp?

JON CANNON: It, it seems like that would be a natural fit.

LINEHAN: Oh, OK. Now-- thank you.

von GILLERN: Thank you. Any other questions from the committee members? Seeing none, thank you, Mr. Cannon.

JON CANNON: Thank you very much.

von GILLERN: Is there any other testimony, proponent, opponent, or neutral for LB36? And not allowed to close--

LINEHAN: Yes.

von GILLERN: --since it's Senator Blood who is not here, it's just her aide. Can he close?

LINEHAN: Aides can't close, I don't think. Right?

von GILLERN: OK, that's what I thought.

LINEHAN: Yeah, they can open but can't close.

von GILLERN: Right. Right. OK. Thank you. We have letters for the record, we have 2 proponents and 3 opponent testimony. That will complete the hearing on LB36 and I will hand the helm over.

LINEHAN: Thank you.

von GILLERN: Senator Kauth.

LINEHAN: Senator Kauth, welcome to the Revenue Committee.

KAUTH: Busy day today.

LINEHAN: Yes. Good morning.

KAUTH: Good morning, now members. Poor Senator Dungan was the only member for a little bit. My name is Kathleen Kauth, K-a-t-h-l-e-e-n K-a-u-t-h, senator from LD 31 in the Millard area. And today I am bringing you LB37. It's a technical bill just amending parts of one of

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

our statutes, LB1317. And I do apologize for anyone who read this and freaked out. This is one of the tactics we use as senators to make sure that we have space to develop bills. So this is something that has very, very minor adjustments made to it.

LINEHAN: Otherwise known as a shell bill.

KAUTH: Exactly.

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

BOSTAR: Thank you, Chair Linehan. Thank you, Senator Kauth. I did appreciate your statement of intent. However, all of the bills that are being repealed in here were passed by me.

KAUTH: I know, isn't it great?

BOSTAR: And by no one else.

KAUTH: A little bit of-- but I'm so glad you caught that.

BOSTAR: So--

KAUTH: We have fun here.

BOSTAR: --you know, it maybe felt personal.

KAUTH: Senator Bostar, I was called a mental genius earlier today by Jon Cannon so you don't want to go up against me.

BOSTAR: Just, just seeing if, you know, you, you really secretly hated all those bills that I think you also voted for.

KAUTH: I did vote for them and, actually, I really did like all of them, which is why I don't want to change anything about them, which is why we picked them.

BOSTAR: Thank you.

KAUTH: You're very welcome. You are a genius.

von GILLERN: On the record.

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

LINEHAN: Thank you, Senator Bostar. I think we have more fun than other committees.

KAUTH: We do. We'd have way more fun if we had candy in here, but I'm just sayin'.

LINEHAN: Any other questions? OK. Are there any proponents? Are there any opponents? We got one.

LARRY STORER: I'm sorry, did you call for proponents?

LINEHAN: Yes, I did. I'm sorry.

BOSTAR: He doesn't like my bills.

LINEHAN: Oh.

LARRY STORER: Thank you again. Larry Storer, 5015 Lafayette Avenue, Omaha, Douglas County, 68132. We definitely need a lot of changes and maybe constitutional amendments. I have been going down to the Civic Center in Omaha for quite a few years, and I have followed Douglas County and the city. I'm not a lawyer, but I don't like the law fair that I hear and see. I do understand what they are trying to do, but here's what it is. It-- this is what it smells like, corruption and special interest-- conflict of interest, because I really do have no part in that process. They do not want to discuss things with me as a taxpayer. Neither did the so-called personal appraiser want to discuss it. It's just slam dam, thank you, ma'am. Submit your documents over there so they can scan it into the system. We'll get back to you, but they don't. And then you go back for your hearing, that personal appraiser does not want to talk about it. OK? End of the story, that needs to be changed. The other thing in this, and I'd like this to apply to the three bills, because I need to go. They're all related. TIF financing, that process, too, stinks because you can declare a property blighted. Somebody goes and buys it for next to nothing and pays no tax on that. They get taxpayer or tax increment financing based on that value. They do not pay any other tax, but on that lower value for the next 15, 20 years and you'll probably bump that up. School systems lose the money on that. Probably wasn't getting any anyway. But they, they, they arranged to lower those values before the tax increment financing is, is settled. OK. Very quickly. And I know, and unless you, I know, you can't ask questions. The homestead

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

exemption. Quite frankly, I've owned my home since 1971. You guys should be giving us money back rather than us giving you more money. I may have to move back to Iowa because I can no longer afford you, \$6,000 in property tax now. I've owned it since 1971. There ought to be some exemption for age. And then the personal exemption-- homestead exemption, excuse me, doesn't help me very much because I have, have so many medical problems and so many prescription bills in order to beat the system. That needs to be changed with a constitutional amendment. Thank you. I know you can ask questions, so please do.

LINEHAN: Thank you very much for being here. Appreciate it. Does anyone have any questions? Sorry.

LARRY STORER: Thank you.

LINEHAN: Thank you for being here. OK. Are there other proponents? Opponents?

TIM ROYERS: I was going to make a joke that this is like an episode of Star Trek The Next Generation where the crew progressively disappears and then several of you came back so I can't make a joke anymore. Hello again, 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 NSEA, and I'm here in opposition to LB37. LB37 is, as listed in the statement of intent, meant to serve as a vehicle for other legislation. In a regular session, shell bills are problematic and undermines the public's capacity to weigh in on proposals so the legislators can craft the best possible policy. But we feel that is even more true in this special session. As a government teacher, I fully acknowledge what Senator Kauth said in the open, there is strategic reason to introduce a shell bill in a normal session, right? If you feel passionately and introduce bill A, and then it fails on a cloture vote, you know, on a move to Select File, for example, shell bill B gives you a second chance to get the votes you need to try and make it through. I fully understand that. I don't necessarily agree with it, but I acknowledge the strategic utility of that shell bill. That is not true, however, in this special session because the Speaker has made it clear that because you're here for a very prescribed purpose, a failed cloture vote doesn't kill a bill. You have the capacity to bring it back for another try. And the Governor has the capacity to introduce a new bill at any point during the special session. So this significant change from how business is conducted in

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

a normal session undercuts that normal argument in defense of introducing shell bills. So then that brings us back to our core concern, which is shell bills reduce transparency and harm our capacity to weigh in on important legislation. You're not full-time policymakers. Right? It was never the intention that you, as the legislators, would be the experts in all matters on which you craft policy. That's why, in part, this process exists, so that way, those that are more knowledgeable and have expertise in a certain area can weigh in and provide important input to help you shape, you know, the best possible legislation that your committee moves out. Obscuring legislative intent undermines the public trust in this body and prevents us from developing the strongest possible policies. And I'm sure that in the, the tenor of my testimony and the testimony of others this week has left some of you frustrated. I fully acknowledge that. But from our chair, that's in large part because tactics like LB37, it forces us to be reactive rather than collaborative. So consider the damage bills like LB37 are doing. Please don't advance the shell bill. The rules of the special session make it unnecessary. Thank you.

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

TIM ROYERS: Um-hum.

LINEHAN: Are there other opponents? OK, we have new rules this week in the Revenue. If you're going to test-- no, come on-- and this doesn't look very crowded, but if you're going to testify, sit close to the front.

ANDREW VINTON: Morning, Chair Linehan, Vice Chair von Gillern, and members of the committee. For the record, my name is Andrew Vinton, spelled A-n-d-r-e-w V-i-n-t-o-n. I'm the in-house attorney and lobbyist for ALLO Communications, a telecom company based here in Lincoln. With the understanding this is a shell bill, I'll be very brief. One of the bills included in this section of law is-- was originally introduced as Senator Bostar's LB1389 this regular session, provides an important exemption for forward looking investment into broadband using the federal BEAD Program. We would like to be on the record that we would like that exemption to remain in place as it was passed a couple months ago and no one's been able to utilize it. Thanks. And with that, I'll be happy to answer any questions.

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

LINEHAN: Thank you very much. Are there any questions from the committee? Thank you for coming. I appreciate people taking the hearing seriously, even if-- I do. Other opponents?

RYAN NICKELL: Hello. Ryan Nickell, R-y-a-n N-i-c-k-e-l-l, speaking in opposition to LB37. I'm opposed to this bill because I'm opposed to having the hearing of a bill before the introduction of the actual text of the bill. Thank you.

LINEHAN: Thank you. Oh, wait a minute. Were there questions? No. Thank you very much for being here. Other opponents? Anyone wanting to testify in the neutral position?

KRISSA DELKA: Hi. Good morning. Krissa Delka, K-r-i-s-s-a D-e-l-k-a. I'm with Nebraska Health Care Association representing over 400 nonprofit and proprietary-skilled nursing facilities and assisted-living communities across Nebraska. I am here in a neutral capacity. I have spoken at length with Senator Bostar and with Senator Kauth's office. We really did appreciate Senator Bostar's passing, and this committee's passing of LB1217 last session. And I echo the statements from Mr. Vinton about we haven't even been able to use it yet and our members are very excited about that, so. We are in understanding with Senator Kauth's office that her intent with the bill wasn't exactly as it was stated in the draft. So as drafted, we would normally be opposing it but with those conversations we [RECORDER MALFUNCTION].

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

KRISSA DELKA: Thank you.

JOE KOHOUT: Chairwoman Linehan, members of the Revenue Committee, my name is Joe Kohout, J-o-e K-o-h-o-u-t, and I think this is only the, maybe the second or third time in 25 years where I have appeared on behalf of the term self. And I'm appearing today on behalf of myself in, in regards to one of the repealer provisions that is in there and that is particular to the collegiate housing that was passed as part of this committee's compromise on LB1317. I bring that up as a dad who gets to pay a bill every year. And, and so in that capacity, please don't use it on me. It's already high enough. And so, anyway, with

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

that, I will stand back and let you ask any questions that you might have.

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

JOE KOHOUT: Thank you.

LINEHAN: Are there any other opponents? Anyone wanting to testify in a neutral position? Oh, that was neutral. I'm sorry. Thank you. Senator Kauth, do you want to close? Oh, we do have letters. We had zero proponents and 4 opponents.

KAUTH: Thank you, Chair Linehan. I'd like to thank everybody who came and testified in opposition. It's really actually very interesting to see what to us is inside baseball and just one of the tools that we have at our disposal. The intention of this was actually because Senator Day brought a bill last year, LB126, and she had a lot of people lined up in support of it. Everybody was really excited, but they didn't realize that that very important bill to them had had so many changes to it, it was no longer exactly what it started out as. This is actually an effort to give a clean bill number so that we start out fresh and say of all of the things that we are looking at, we are evaluating so much material over the special session, nothing is going to look the same. And I really want people to know that this is-- this is a fresh bill. So if we have to put together different parts of things, I don't want to call it "Frankensteining," but that's kind of what it feels like, putting together things I don't want people disappointed if they are invested in a bill and it gets changed so dramatically that it's not what they thought it was. I prefer to have something fresh and that's why I stated these are shell bills. And that is all. And I have another one.

LINEHAN: Thank you very much. Are there any questions from the committee? Seeing none, we'll have the hearing on LB-- oh, do we have-- yeah, we did that already-- LB37 come to a close, and we will begin the hearing on LB38.

KAUTH: Good morning, members. Are we still in morning?

LINEHAN: Yes.

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

KAUTH: My name is Kathleen Kauth, K-a-t-h-l-e-e-n K-a-u-t-h, senator for LD 31, and I'm here to introduce LB38, which will be a shell bill. We are using it as a vehicle to create something new if, if we need to, it is available.

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

ANDREW VINTON: Chair Linehan, Vice Chair von Gillern, members of the committee, for the record, my name is Andrew Vinton, A-n-d-r-e-w V-i-n-t-o-n, attorney and legal-- attorney and lobbyist for ALLO Communications, a telecom company based here in Lincoln. Same comments as the prior bill. Valuable provisions in this section of statute that were passed by Senator Bostar last year, the one that we care about is LB1389. We'd like to see it remain in place. Our understanding is this is a shell bill, and the substantive statute will not be changed. With that, answer any questions.

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

ANDREW VINTON: Thank you.

LINEHAN: Are there other opponents?

TIM ROYERS: All right. Good morning, 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 for NSEA. I'm here to speak in opposition to LB38. LB38 is like the preceding bill, a shell bill. So I'll use the fact that Senator Kauth has introduced two shell bills to double my time in opposition testimony. So, look, these hearings are vital to ensuring the policies moving through the body are the best possible policies. And to help you understand why we feel so adamant about this, I want to use another example of Senator Kauth's. Back in the spring, Senator Kauth brought forward a bill regarding teacher endorsements to the Education Committee. Our organization initially came in opposed. But in the testimony that we provided, we offered up suggestions for how to make it better. Senator Kauth listened to us and over the coming weeks worked with us and others and incorporated some of our suggestions into the final version of the bill, which eventually then you all voted and approved and it became law. That bill became better

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

because of the hearing process. It will have a greater impact on teachers because of the hearing process. And I highlight that example specifically because, obviously, Senator Kauth is the sponsor of this bill as well. And I think that makes the point that I'm trying to express very plain, which is we want to work with you, even if we're initially opposed on the idea, all of you. I mean, we, we were opponents in an election and I worked with her on that bill. Right? So I, I just-- I want to reiterate that, you know, we-- and we also made sure to let Senator-- our members know that Senator Kauth was a partner on that issue. We didn't try and take sole victory on that. Right? We would much rather come here and share our perspectives and move forward with you productively on these critical matters. And the reason why we feel as concerned as we are this time about the shell bill is, even, even if it is normally a procedural tactic, is the Governor communicated components of the plan relative to schools that we haven't seen yet. And so we certainly understand that sometimes you have to combine bills and Frankenstein them and do a version 2.0. Fully understand that, but we feel that we haven't had the chance to weigh in through the hearing process on components the Governor has publicly commented on and we want to offer our input. So that has been our fundamental point of frustration. From our chair, we don't feel input is being taken in good faith. We tried to work with members of the Governor's working group. We tried to warn of unintended consequences. And the reason we're spending the time here this week is because we do want robust funding for schools and reasonable property tax rates, and we think it can be done. We just have concerns with the current method and approach, and we feel the tactics exemplified in LB38 further make it difficult for us to come together and achieve that common goal. So please do not advance LB38 out of committee for the reasons I mentioned before. It's unnecessary. And this is my last one which means, Senator Linehan, believe this is the last time I testify in front of you after 7 years. So let me just say it has been a privilege testifying in front of you. Thank you.

LINEHAN: Thank you. You never know, somebody-- we might be-- yes, Senator von Gillern.

von GILLERN: Thank you. Mr. Royers, I, I-- and I-- I'll take this advant-- since this, potentially, is the last time.

TIM ROYERS: Yes.

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

von GILLERN: Potentially, hopefully, this is the only special session we have. You've introduced yourself each time you've spoken as the incoming president of NSEA.

TIM ROYERS: Correct.

von GILLERN: But yet-- are you currently employed by the NSEA?

TIM ROYERS: No. I start that position on-- official on September 1.

von GILLERN: OK, because you use the term we repeatedly, and you've handed out your testimony each time on NSEA letterhead.

TIM ROYERS: Yeah, I, I still represent the organization.

von GILLERN: So are you a registered lobbyist?

TIM ROYERS: No, I'm a member of the organization speaking on the organization's behalf at the direction of the current president, who is a registered lobbyist.

LINEHAN: You probably just need to register.

TIM ROYERS: Yeah, that was going to happen when I officially took over. Yes.

LINEHAN: You probably need to do it now.

von GILLERN: OK. I'm, I'm asking for clarity and I have a few questions--

TIM ROYERS: No, no, I appreciate it.

von GILLERN: --but you've, you've said we repeatedly and, and I keep looking at the letterhead here, don't see your name on it so I was just curious who, who you do represent.

TIM ROYERS: If I am in error, I'm happy to clar-- happy to fix that.

von GILLERN: OK. All right. Thank you.

TIM ROYERS: Yep.

von GILLERN: Appreciate that.

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

TIM ROYERS: Um-hum.

LINEHAN: Thank you, Senator von Gillern. Good point. Just-- I, I don't-- what I understand is that it's just better to register.

TIM ROYERS: Nope.

LINEHAN: And then you don't-- you know.

TIM ROYERS: Appreciate the-- I appreciate the feedback.

LINEHAN: Yeah.

von GILLERN: Thank you.

LINEHAN: Any other questions from the committee? Just, just for clarification. And we can't put into a shell bill-- my understanding-- though, I've seen it happen once-- we can't put into a shell bill, a bill, anything that didn't have a hearing. Like, we can't-- we can't just grab an idea as good as it might be--

TIM ROYERS: Right.

LINEHAN: --and put it in a bill because we realize that would solve the problem. If we're following the rules, if we have an idea that didn't get covered at all, then can't put a bill, but I think that's why we have 81 bills.

TIM ROYERS: Sure.

LINEHAN: And 81 hearings.

TIM ROYERS: Yes.

LINEHAN: OK. All right. Thank you very much.

TIM ROYERS: Uh-huh.

LINEHAN: Thank you for being here. Is there any other questions? Thank you. Are there any other opponents? Neutral?

KRISSA DELKA: Hello again. Krissa Delka, K-r-i-s-s-a D-e-l-k-a, from Nebraska Health Care Association. And I would just reiterate my comments from LB37 testimony in a neutral capacity on LB38. And we

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

thank you so much for the passage of LB1317, then included the provisions of LB1217 introduced by Senator Bostar in the last legislative session, and we'd like to retain that statute. So thank you for your time.

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

KRISSA DELKA: Thank you.

LINEHAN: Letters? Senator Kauth, would you like to close? We did receive letters, zero proponents, 4 opponents, and no one in the neutral position. Millard Public Schools is against it, though.

KAUTH: Thank you, Chair Linehan. For-- in closing, I would just like to say congratulations to Mr. Royers on his upcoming presidency. I am sure we will be working together a lot. And I'm, I'm planning on meeting with him afterwards to talk about how we can make these bills better. So that is all for LB38.

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

BOSTAR: Thank you, Chair Linehan. Thank you, Senator Kauth. Just as we finish up these two bills, I would be happy to introduce you to any of the other, after us, 47 members of the body, so that in the future we can, you know, go after some of their stuff.

KAUTH: Absolutely. You just give me the hit list and I'm on it. I only-- you only attack the ones you really like, though, right?

BOSTAR: I appreciate that.

KAUTH: OK, there you go. I'm sure you're happy about that.

LINEHAN: Thank you, Senator Bostar. You know you can just do one bill. It's an option. OK.

KAUTH: Option.

LINEHAN: For future reference. All right. Any other questions? Seeing none, the hearing on LB38 comes to a close and we will go to LB40?

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

BOSTAR: LB39.

LINEHAN: LB39. I'm sorry, I missed that. LB39. OK, ready when you are, Senator Kauth. OK, that's fine.

KAUTH: My name is Kathleen Kauth, K-a-t-h-l-e-e-n K-a-u-t-h, and I represent LD 31 in the Millard area. LB39 is a-- kind of a cleanup bill to something that we passed already this year, the Homestead Exemption Act. This, this past session, we changed it. Senator Day brought a bill saying that you cannot be kicked off a homestead exemption strictly because of valuation increases. As I've been out meeting people in the community, I've had 3 people tell me that they have been kicked off in the last couple of years and are desperate. One older woman on Social Security, said, where am I going to come up with \$5,000? She has lived in her home for, I believe, 32 years. So this, this is just a way to look back and say, you know, things started kind of going crazy in the markets about 3 years ago. So looking back 3 years, '22, '23, and '24, giving those people who were homestead exempt during those years, if they were kicked off, it puts them back on.

LINEHAN: OK. Are there questions from the committee? The fiscal note's-- and I'm-- this is not beating them up. It's just time crunch. I know. I don't know what this fiscal note says. I don't like it when they say, see below.

KAUTH: Yeah. It, it has a lot of variations. They didn't have much to say about it. So I, I, I-- I'm still waiting for more information from them.

LINEHAN: Because-- well, because kind of the frightful part of it is, I think when I got here, we were at like, \$85 million.

KAUTH: Um-hum.

LINEHAN: Because I remember I, I had a bill saying, let's stop it at 100. And the county has to start helping pay for it. And then-- or all the, all the tax, all the tax entities, not counties. All of them. And now we're at 140? 140.

KAUTH: [INAUDIBLE].

LINEHAN: So it's exhilarating, like jumping--

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

KAUTH: Crazy.

LINEHAN: Huge jumps. So, I, I think it would be-- I, I love the idea, but it-- you need to get more info from Fiscal.

KAUTH: Well, once we get the fiscal note to find out more information, yes.

LINEHAN: Are there other questions from the committee? Thank you very much. We have proponents?

JON CANNON: Good morning, Madam Chair, 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 NACO, here to testify today in support of Senator Kauth's LB39. It's kind of par for the course today. I, I was opposed to Senator Brewer's bill, then I was supportive of his next bill. I was opposed to Senator Kauth's bill. Now I'm supporting the-- I just want to make sure we have a little bit of, of equity and balance here, as far as our testimony today. As, as you know, we've testified on this a lot, many times before. The counties like homestead-- the homestead exemption program, for a number of different reasons. One, targeted property tax relief. In, in-- we are all for targeted property tax relief. One of the features of the homestead exemption we, we, of course, like the reimbursement aspect. But one of the reasons that we, we like the reimbursement aspect of homestead is because it has the effect of holding levies down. If, if we-- if it was just a straight exemption like we do with everything else, then levy rates would rise to, to make up the gap. And so, the fact that it's that-- there's a reimbursement mechanism means that we're, we're levying against the whole amount of the homestead. And therefore, that, that just has that effect of, of not allowing the levy rates to creep up. Current homestead level values can be susceptible, susceptible-- pardon me-- susceptible to value creep, much like Senator Kauth had mentioned in her opening. Older homes that, that are home-- the 85% of, of our homestead exemption recipients receive, they can be kind of trendy, and they can shoot up in value. And so as you're seeing, you know, a lot of homes transferring and a lot of younger folks moving in, they are shooting up those values for, for their homes. And so, the purpose of the homestead is, is to keep those people that are on a fixed income, primarily age 65 and up, but also disabled folks, from being-- from losing their home because of, of the, you know, the increasing amount of tax. And so, this is a great

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

bill. We think it's, it's well intended. There are all sorts of other ideas we would love to talk about, but, as it relates to value, we think this is a, a, a great start. So, happy to take any questions you may have.

LINEHAN: Thank you. Are there any questions from the committee? This is politically dumb of me to say, but I'm going to ask anyway. Do we have situations where-- because I, I, I like the homestead. I wish we could do more, and I also wish we could do a little less. Do you have any situations where people inherit a home, they move in, they didn't pay for the home, and they're bound to keep their income? I guess they'd have to be over 65, right? So you couldn't have that situation.

JON CANNON: Yes, ma'am.

LINEHAN: OK. So you have to be 65. So that cuts that off. OK. Never mind. Answered my own question.

von GILLERN: It could be, if your parents were 100.

MEYER: Can I get one?

LINEHAN: Yes.

MEYER: I don't know if this is the right time to ask it or not, but I-- I'm curious. Does, does the State Auditor have any oversight responsibility for homestead exemptions in the counties?

JON CANNON: Not as near as I can tell, sir. The, the oversight for the counties is going to be handled by the property assessment division and the property tax administrator. That's-- and, and they frequently do a number of different audits of, of varying types for all the programs that, that county assessors are responsible for.

MEYER: So they do visit individual counties statewide and check some of those homestead applications?

JON CANNON: Oh, I, I don't know if the-- at the Department of Revenue. I, I don't want to speak for them, certainly, but I don't, I don't think that they, they go out and they check owner and occupancy. That's-- because really what happens is, is, is that the assessor is responsible for determining whether the home is owned and occupied by the person that's claiming the exemption. And then after that, you

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

know, there's approval by the county board. Then all those, those approvals go to the Department of Revenue for a final determination of, you know, whether their income level is such that they're going to get a particular percentage of their homestead. And so, the Department of Revenue, they review every application that comes in. And that's, that's part of what I would perceive to be an audit process for this program.

MEYER: So, so would the county officials be in favor of adding a line to the homestead exemption application that took into account additional assets, high-value assets that are not accounted for in that?

JON CANNON: That's a, a great question, Senator. I, I, I, I don't know. I, I, I think I'd have to-- I-- I'd probably want to visit with you a little bit further and, and kind of think through the, the-- what that means and, and visit with the assessors group and see what you know, what, what their input is. But just out of-- I'm not supposed to ask you questions. But I am curious, what, what high-value assets you're-- you, you might be contemplating.

MEYER: Well, there was some legislation that we thought about last year, to, to revisit the homestead exemption application a number of ways, as we've seen that. The expense to the state climb dramatically, and whether we ought to put several clauses in there, one of which was to delay the eligible or application until the person actually took a retirement income, whether it be Social Security, or regular retirement, anything like that, rather than automatically at 65. And also, a lookback compared-- comparable to the Medicare portion of going into a nursing home so that a person/couple could not dispose of sizable assets previously to going on homestead exemption, and then claiming that I don't have these assets, I don't this income anymore, in order to gain that--

JON CANNON: Sure.

MEYER: --that exemption.

JON CANNON: I think there's a lot of merit to that, sir. And, and happy to have the, have the discussion. I'm not, not prepared to, to go through the ins and outs, especially since I-- if I don't check

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

with the assessors first, they'll, they'll string me up. So I want to make sure I do that first.

MEYER: So, so for, for future legislation, if that were to become a bill to revamp homestead exemption because of those reasons, would-- how do you think NACO would feel about that?

JON CANNON: If it's something that's designed to make the program run more efficiently and make sure that we have the right people-- I hate to use the term "right people" because there's-- that's kind of a loaded term--

MEYER: Well, for this purpose.

JON CANNON: --but the, but the-- make sure that, that, that the program is going to the people for whom it is, it is truly intended. I, I don't imagine that NACO is going to take a position against that. But again, devil's always in the details, and that it's something we, we would love to work on, in advance of, of legislation being introduced.

MEYER: Fair enough. Thank you.

JON CANNON: Yes, sir. Thank you.

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

JON CANNON: Yes, ma'am. Thank you.

LINEHAN: Are there other proponents? Are there any opponents? Anyone wanting to testify in the neutral position? We did have letters. Senator Kauth, you want to close? OK. The letters were 1 proponent, 2 opponents, and 1 neutral. OK. With that, we'll close the hearing on LB39, and open the hearing on LB40.

DUNGAN: I just texted Senator Hughes.

LINEHAN: You just what?

DUNGAN: I just texted Senator Hughes. I don't know if she's here.

LINEHAN: Oh, OK. Well, we'll give her a few minutes. Who's LB41?

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

DUNGAN: Hughes.

CHARLES HAMILTON: LB40 and LB41 are both Hughes.

von GILLERN: Thinking of Bostar and LB44.

CHARLES HAMILTON: And Senator Bostar in LB42.

_____ : Hughes is right out in the hall.

von GILLERN: Oh, is she?

LINEHAN: Can you go out and ask her to come in? Thank you very much.

KAUTH: Hey, how do we do Banking at noon?

BOSTAR: Yeah, I don't know.

von GILLERN: I texted Julie and said, let me know if you need me.

KAUTH: Because there's 4 of us in here. Do we just get started and then we leave for Banking?

LINEHAN: For what?

KAUTH: We-- all 4 of us--

von GILLERN: We have a Banking hearing.

KAUTH: George.

BOSTAR: Half of this committee is on Banking.

KAUTH: Yeah.

LINEHAN: Well, we-- who's-- who can take over for Murman? Who's the Vice Chair? Is it Rita?

von GILLERN: The Vice Chair of Banking?

LINEHAN: No, Education.

KAUTH: No, of Education. Rita.

MEYER: They'll, they'll be done. [INAUDIBLE].

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee August 1, 2024

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

LINEHAN: They'll be done?

MEYER: They just had-- it was 2 shell bills left.

LINEHAN: Oh, OK.

MEYER: They were on one of those.

KAUTH: They, they also have 2 shell bills.

LINEHAN: It's fine. You're fine. You're fine.

HUGHES: Sorry.

LINEHAN: You're fine.

HUGHES: I needed a shirt. It's fine? Just a minute, Brad. I'm going to try to get presentable.

LINEHAN: He can kill your bill, you know?

HUGHES: I got to get presentable here. Look presentable.

BOSTAR: Let's move to IPP "LPP 9."

von GILLERN: Move, move to adjourn.

HUGHES: Getting punchy.

LINEHAN: We're, we're rockin'. We're rockin'.

KAUTH: We have fun, though.

HUGHES: I know. You're moving. I was like-- well, you know I'm in cell block 10, so it takes a while to get down here.

BOSTAR: Cell block 10.

HUGHES: And I'm, I'm like crap, they're on LB30--

von GILLERN: And it's 82 degrees upstairs.

KAUTH: Is it really?

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee August 1, 2024

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

HUGHES: It is so hot up there, like the air conditioning isn't working or something.

KAUTH: Didn't they just fix it?

HUGHES: It's bad.

BOSTAR: As always, sorry to the transcribers.

HUGHES: OK. Do they have to transcribe this? We're not started yet.

BOSTAR: No, they do.

HUGHES: OK. OK. We ready?

LINEHAN: Yes, ma'am.

HUGHES: OK. Thank you.

LINEHAN: Proceed.

HUGHES: Good morning.

LINEHAN: Oh, wait a minute. Are we on LB40 or LB39?

HUGHES: We're on LB40. Right?

LINEHAN: We need to change the sign. Oh. I'm sorry. We have no help.

HUGHES: Here, I'll do it. I got you. OK.

LINEHAN: Thank you. LB40.

HUGHES: Good morning, Chairperson Linehan-- it's still morning-- members of the Revenue Committee. My name is Jana Hughes, J-a-n-a H-u-g-h-e-s, and I represent Legislative District 24, which includes Seward, York, Polk County, and a little bit of Butler County. I am here today to introduce LB40, which proposes the idea of worldwide combined reporting. Broadly speaking, worldwide combined reporting is a concept that enables small businesses and large multinational corporations to be treated the same in the state tax code, since those large corporations would no longer be able to offshore their profits to low tax countries, resulting in substantial loss in revenue for both state and federal governments. Nebraska is one of 28 states today

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

requiring what's called combined reporting, CBPP, 2018. Combined reporting essentially treats the parent and most subsidiaries as one corporation for state income tax purposes. Combined reporting stops at the water's edge, or within the United States. Worldwide combined reporting would extend Nebraska's existing waters' edge to worldwide and further Nebraska's existing tax policy goals of capturing the revenue it is entitled under state law. 14 states allow or require companies to file returns, including some profits offshored to foreign countries. The concept has gained some traction in recent years, and I find this concept attractive because it enables multinational corporations operating in Nebraska to be treated the same way as home-grown Nebraska small businesses. Small businesses started and owned by Nebraska entrepreneurs, entrepreneurs and Nebraska families won't have the same resources to be able to offshore their profits as multinational corporations operating in Nebraska do. This bill puts everyone on the same playing field. Worldwide combined reporting also has the benefit of bringing back-- or bringing lost revenue back to the state of Nebraska. Earlier modeling from 2017 estimates this proposal would generate \$92 million in revenue for the state. That modeling is currently being updated, but even if it were cut in half, it would go a long way to providing an additional revenue, revenue source that be could-- that could be used to reduce property taxes. There are several people behind me who can speak to the technical aspects of the bill, but I'm-- and I'm happy to answer any questions that you may have. And I-- I'll just say one. In my view, how I look at it, so we do combined reporting, which is in the United States. So if you've got a multi-state company operating, all their reporting from all the business that they do all over the, all over the United States can be looked at. So you can tell. Like, let's say--

LINEHAN: Who's you?

HUGHES: --Iowa's a low tax state, and they-- that they are funneling it all to Iowa and paying Iowa's [INAUDIBLE].

LINEHAN: When you say you can tell, who's you?

HUGHES: That would be-- well, I would-- Department of Revenue? I don't know that. We can ask somebody after. But the, the-- what the, the business would have to do is report to Nebraska all, all their entities. And so-- and we're doing that today, in the United States, so that you can't funnel all your money to one state because it's the

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

best for you taxwise. This just kind of expands it worldwide. So I've heard like Ireland is a, is a-- kind of a tax retreat. So then when you look at this person's business or this company's business worldwide, they're not funneling, you know, more to Ireland than it should be. It just shows that, I think. And that is about the extent of what I know. So.

LINEHAN: OK. Any questions from the committee? You have experts behind you?

HUGHES: Yes, I do. And remember the-- I think I said 2 nights ago, I'm throwing, throwing noodles at the wall and see what sticks? Here we go, again.

LINEHAN: OK.

HUGHES: OK.

LINEHAN: Thank you. Proponents.

HUGHES: Let me get my stuff. I'm sorry.

REBECCA FIRESTONE: Is this you, too?

HUGHES: Yeah.

REBECCA FIRESTONE: OK. OK. OK. Good morning, 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, executive director of OpenSky Policy institute. We're here today in support of LB40, because worldwide combined reporting is a way for the state to capture corporate taxes it's owed on the profits companies have offshored to tax havens, and it will therefore simplify how corporations are treated in the Nebraska tax code. Large multinational corporations are able to reduce their U.S. tax liability by shifting hundreds of billions of dollars in profits earned here onto subsidiaries formed in tax havens like Bermuda, the Cayman Islands, and Ireland. Because our state corporate taxes are based on these profits these corporations report on their federal returns, we are missing out on billions of dollars collectively, in the United States, in potential tax revenue. Credible estimates suggest that U.S. states lose \$10-15 billion in revenues each year due to this loophole, so closing this would net, based on some previous estimates for Nebraska, at least \$90 million annually. I will note

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

that the fiscal-- the fiscal note on the bill indicated that Fiscal wasn't able to estimate what the potential revenue gained to Nebraska would be. But we have some estimates that have suggested it could be \$92 million, and some more recent estimates that are in process right now that are trying to confirm that number. And I'm happy when we have those numbers to share them with you. Worldwide combined reporting is a simple fix. That would mean that the state treats a parent corporation and its subsidiaries as a single entity for the purpose of calculating corporate tax liability, because corporate tax liability would be based on the corporation's combined profits. This would not only bring in more revenue to the state, but also level the playing field between large corporations and small, purely domestic ones, particularly home-grown Nebraska corporations. Many of these smaller businesses do not have the resources or ability to take advantage of this kind of tax avoidance scheme right now. This is not a new idea. 12 states have implemented worldwide combined reporting by the early 1980s, and Alaska still requires oil companies to calculate their state income tax using combined reporting. and 10 states plus D.C. allow corporations to use worldwide combined reporting when it currently lowers their tax liability. Nebraska is one of 28 states that already require combined reporting, although at this point in time, it doesn't go to the wa-- it only goes to the water's edge. So this is just an, an expansion. This bill extends that combined reporting to include subsidiaries that have been intentionally offshored for tax avoidance purposes. So for these reasons, to simplify the tax code, to provide an opportunity for revenue to be generated in this important special session for the purposes of property tax relief, we are in support of worldwide combined reporting. And I'm happy to answer more questions you may have about it.

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

von GILLERN: Thank you for your testimony. Do you know, in the state of Nebraska-- if you don't want to say corporation names, that's fine. What industries would be most impacted or what in-- do you have any idea what industries are most taking-- mostly taking advantage of this?

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

REBECCA FIRESTONE: I mean, this would be corporations that are already subject to corporate income tax in the state. And so, I think it's basically any--

von GILLERN: And no particular industry that you know of that is--

REBECCA FIRESTONE: I mean, it's whoever is subject to corporate income tax right now. So notably, like financial institutions, it's my understanding, are not subject to corporate income tax here. So they're not going to be affected, but other corporations would be.

von GILLERN: OK. I'll ask other testifiers. And somebody-- maybe somebody will be able to drill that in for us a little bit. Thank you.

REBECCA FIRESTONE: Sure. I'm happy to visit with you more if you want to--

von GILLERN: Thank you. No. Appreciate it.

REBECCA FIRESTONE: --dig into that. Yep. Yep.

LINEHAN: Other questions from the committee? So it's a parent corporation with worldwide reach?

REBECCA FIRESTONE: Yes.

LINEHAN: Do we have a lot of those in Nebraska?

REBECCA FIRESTONE: There are a number of corporations that currently pay corporate income tax in Nebraska. Yeah. So--

LINEHAN: I, I, I get that. I know that. But with worldwide reach that have their headquarters here, right?

REBECCA FIRESTONE: No. It's not based on where you're headquartered. Because our corporate taxes here are, are calculated on the base of single sales factor apportionment. So it's any corporations that are currently paying corporate taxes, which is calculated on the basis of their share of sales that are collected.

LINEHAN: I get it.

REBECCA FIRESTONE: Yeah. So anyone who's operating--

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

LINEHAN: I, I, I thought you said headquarters. OK.

REBECCA FIRESTONE: Yeah.

LINEHAN: OK.

REBECCA FIRESTONE: It is not based on headquartering whatsoever. It's based on who is paying Nebraska corporate income taxes now, because they have sales in Nebraska.

LINEHAN: OK. Got it. Sorry. My misunderstanding. Any other questions? Seeing none, thank you very much.

REBECCA FIRESTONE: Thank you.

LINEHAN: Other proponents? Opponents.

PAT REYNOLDS: Madam Chair, Mr. Vice Chair, members of the committee, my name is Pat Reynolds, P-a-t R-e-y-n-o-l-d-s. And I'm here on behalf of the Council on State Taxation, of which I am the current president and executive director. And I am, by the way, a proud former litigator for the Department of Revenue at the great state of Nebraska. The Council on State Taxation, we are a nonprofit trade industry, and our members consist of approximately 500 or so of the largest multi-jurisdictional businesses in the U.S. And our mission is to preserve and to promote the equitable and nondiscriminatory taxation of those businesses. We are not an anti-tax organization. Our members fully understand that taxes are what you pay for a civilized society. We just want those taxes to be based on sound tax policy, be transparent, certain, and predictable. I'm, I'm here in opposition to LB40, worldwide combined reporting. You have my written testimony, but I would like to highlight a couple of things. First of all, with one limited exception, no other state or country including the U.S. federal government uses mandatory worldwide combined reporting to calculate their income tax. So what we would be doing by passing this bill in Nebraska would be out of step with the rest of the country and indeed, the rest of the world. Second, this would have a very unpredictable revenue impact. I know that the proponents of this idea-- and we've heard this proposed in other states-- love to say that they can bring in foreign income and tax it into the U.S., and, and tax it in Nebraska. And in certain circumstances, that may be true. But I guarantee you that the converse is also true, that they

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

can bring in losses from outside the U.S., offset them about-- against gains, and reduce the income tax in Nebraska. Nebraska corporate income tax calculation is based on, you know, you have a taxable base and then it has to be apportioned. Those sales from outside the country can be brought in to dilute the sales factor and reduce income. And some of my members will pay less under this method. It will cause a slew of administrative burdens. I don't have the time to go into them today. But today, we start with federal taxable income as the starting point in every state that, that implies-- applies a corporate income tax. This would turn that on its, on its head. Not every entity in business in the world is subject to the U.S. tax code. And you don't have that information to be-- have that federal taxable income as your starting point. And finally, it would place Nebraska-- I see I'm out of time. I'm, I'm sorry.

LINEHAN: It's OK. Hold on a second. Does anybody have questions? Yes. I'll go first for when we-- finish-- you were finally-- what were you going to say?

PAT REYNOLDS: I said finally, it would put Nebraska at a competitive disadvantage with respect to the other states that do not require this. Again, this is not required. With one small exception that is Alaska, for certain oil companies, this is not required anywhere else in the country or the world.

LINEHAN: OK. Thank you.

PAT REYNOLDS: It is allowed as an option in some jurisdictions. And we, we, we would be fine with that as an option.

LINEHAN: OK. So the 12-- there's-- I thought you said 12 states actually do it, but they don't tax it.

PAT REYNOLDS: They don't, they don't make it mandatory. They don't require businesses to use com-- worldwide combined reporting to calculate their taxes.

LINEHAN: So the only state that does is Alaska.

PAT REYNOLDS: And only for certain industries. Correct.

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

LINEHAN: Well, yeah. Because-- yes. I understand that. Questions from the committee? I think von Gillern-- Senator von Gillern, and then Senator Bostar.

von GILLERN: Yeah. Thank you, Chair Linehan. And thank you for your testimony, Mr. Reynolds. The-- I'll ask the same question. I'm looking down your list of officers and see better than half of those companies, maybe two-thirds of them do business in Nebraska. Are there any particular industries in Nebraska that would be most impacted by this, or companies, if you're comfortable sharing company names?

PAT REYNOLDS: So I, I, I-- one, I do not know the, the, the, the actual tax numbers of my individual members. So I can't answer that. But I do know that this will create winners and it will create losers, in terms of paying more tax or less tax among-- amongst my members. Some will pay less, some will pay more, probably. But I don't have access to those specific numbers.

von GILLERN: I'm not asking for numbers. Are there industries that are more impacted than other industries?

PAT REYNOLDS: I don't know that it's necessarily industry specific--

von GILLERN: OK.

PAT REYNOLDS: --because there are so many industries that are all over the world.

von GILLERN: Thank you.

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

BOSTAR: My inquiry was satisfied already.

LINEHAN: So, is this part of the permanent record? He doesn't have to say it. OK. All right. Any other questions? Thank you very much for being here.

PAT REYNOLDS: Thank you.

LINEHAN: Other opponents? Really? Really? Neutral? This-- OK. Do you want to close? We have 1 ADA from Korby Gilbertson, representing the American Property Casualty Insurance Association that is opponent.

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

***KORBY GILBERTSON:** I am testifying today on behalf of the American Property Casualty Insurance Association (APCIA) in opposition to LB40. 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. LB40 reflects a massive change for corporate taxation and would impact the insurance differently from other industries. Nebraska is one of the few states that require insurers to pay the state income tax in addition to the state premium tax. The way combined taxes are calculated and apportioned to Nebraska are very complicated, and it's especially complicated when you add insurers in the mix due to our business model being different from other corporations. For these reasons, APCIA hopes that the committee will see fit to reject LB40 and save this type of legislation for a regular session when it can be fully vetted.

LINEHAN: And we have 2 proponents and 3 opponents on letters for the record.

HUGHES: So thanks for listening on this bill. I had someone in my office before, saying that it would be an administrative burden to do this reporting, but I would disagree with that. I think all companies know their profits and are filling-- you know, doing the forms for that anyway. I don't know. We're throwing it out there at the special session. It fit. I feel like maybe this may-- might require more discussion and looking at. But it's an option to look at. And there's-- we're already creating winners and losers, and we just ought to make sure that our businesses that are solely in Nebraska are treated just as fair as anybody that's multinational or within the states. So thank you for your time. Any questions?

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

HUGHES: OK. Stay here?

LINEHAN: And now we'll go to LB41, which is also Senator Hughes.

HUGHES: It's more efficient that way.

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

LINEHAN: Yes.

HUGHES: OK. Still-- ah-- not-- 12:01. Good afternoon, Madam Chair, members of the Revenue Committee. I am Senator Jana Hughes, J-a-n-a H-u-g-h-e-s, and I represent Legislative District 24. I am here to introduce LB41. This bill would remove the current bifurcated excise tax on vaping products and replace it with a wholesale excise tax on all vaping products. LB41 sets that the-- that tax rate at 40% of wholesale price. Last session, I introduced LB1299, which was amended into LB388. At the hearing on LB388, I shared with you how we arrived at the bifurcated system when I introduced the initial excise tax, which was passed into law in 2023. I'm happy to repeat that explanation if asked after I conclude my opening remarks.

BOSTAR: Thank you.

HUGHES: LB1299, similarly, replaced the bifurcated excise tax on vaping products and put in place a 20% excise tax on the wholesale price for all products. With LB4-- LB41, I am proposing to raise this to a 40% at wholesale price across the board. My motivation to raise this is not necessarily to raise revenue for property taxes. Excise taxes, as you will undoubtedly hear from the opponents to this bill, are not typically viewed as sustainable for revenue. Excise taxes are put into place to recoup social costs borne by the state, and ultimately, the taxpayer down the road because of associated impacts, such as those upon health of using these products. When excise taxes are proportion-- are appropriately established, revenue drops as consumption drops. The motivation behind this bill is to set the excise tax on vaping products closer to what other nicotine products, like cigarettes, are currently taxed. I was not planning on introducing any legislation during the special session to increase the excise tax on vaping products, but I was planning on bringing this bill in January. But since the Governor's bill, LB1, proposes removing the bifurcated excise tax and replacing it with an across the board tax of 30% of wholesale, I was working on legislation to move that to 40, so I decided to have that conversation now instead of January. I have a long-standing concern that we are allowing corporations, large and small, domestic and foreign, to addict another generation to nicotine. Now, I must caveat with the fact that not all corporations or companies want kids to get a hold of vaping products. I worked very closely with a number of manufacturers and retailers of vaping products when I was drafting LB1296, our now new vaping regulation--

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

regulations. Many of these stakeholders were very concerned about preventing youth from accessing these products, and I appreciate their sincerity and hard work to come up with a workable regulatory framework here in Nebraska. This law just went into effect, and other states are eager to adopt similar laws as the federal government continues to flounder in the regulating-- in regulating this industry. However, there are still bad actors out there. And though LB1296 will allow the Attorney General to stop them, much of the damage has already been done, as many youth across our state are now addicted. And if you dispute this fact, then I ask you to look no further than Lincoln Public Schools, which recently just announced that they will utilize their \$900,000 in Juul settlement funds to install vaping detect-- detectors across their entire district. This is after they spent \$200,000 on a successful pilot, pilot program at Lincoln East. That's \$1.1 million that could have funded vaping cessation efforts among youth. But instead, LPS, as many schools are doing, just trying to stop the use of the products in their buildings. So what do we do about this? For one, we can adjust the excise tax on vaping to be more aligned with other nicotine and tobacco products. The least we can do is not favor one nicotine product over another in our tax code. Our current excise tax on a pack of cigarettes is \$0.64. The equivalent to a pack of cigarettes would be a vaping device with one milliliter of liquid nicotine product. These are more or less equivalent in terms of puffs in a pack, pack, or puffs in one milliliter. That one milliliter of vape liquid is taxed today at \$0.05. And I tell you that to point out the difference. The reality is that our excise tax on vaping products is far lower than most other states. The majority of states that tax all vaping products at the wholesale lev-- level, 20 out of the 30 states that have an excise tax do it this way. Looking at the 20 states that tax vape at the wholesale level, the average percentage vaping tax is 42.59%. And that's what I've handed out to you guys. It's-- on one side is all the states that tax vape at a wholesale level and their-- the average. And if you flip it over on the back, it'll show you the states that do vape at a milliliter. And then the longer list is vape-- is states that don't tax it yet. And then, there's a couple bill-- 2 states have bills introduced, Michigan and Rhode Island, that are looking at the wholesale. And that's 57 and 80. A whole-- a 40% wholesale is below this average, and it's reasonable. This is the basis on, on why-- or on developing LB41. If you need a frame of reference on how reasonable it is to tax vaping products at 40% wholesale price, then let's compare to cigarettes. A disposable

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

vape with less than 3 milliliter of product has a wholesale price of \$2.07. This device has 1,000 puffs of nicotine. For comparison, a cigarette has 10 puffs per cigarette. A pack of 20 cigarettes has 200 puffs. So this \$2.07 vaping product is equivalent to 5 packs of cigarettes in terms of puffs of nico-- of a nicotine product. Taxing this particular vaping product at 40% yields an excise tax of \$0.82. Five packs of cigarettes taxed at \$0.64 per pack, which is our current law, yields \$3.20 in excise tax. This is almost 4 times the rate that we are taxing these vaping products. If you look at what was proposed last session for cigarettes at \$1 per pack, then the 40% wholesale tax is 6 times less than the excise tax on cigarette. In short, LB41 doesn't quite get us there, but this is moving toward tax fairness across products within the nicotine/tobacco sector. We can spend all day arguing about whether excise taxes work or not. We can do the same about whether they will or won't discourage use by youth. I contend they will at least help. However, creating an environment where some products are taxed less than others only muddies the waters. Let's get these closer together and let consumers decide what they think is a better choice. Thank you for your time. And do you guys have any questions?

LINEHAN: Thank you. Are there questions from the committee? Can you provide the committee with those numbers? I think that would be helpful.

HUGHES: She hand-- did everybody get-- I think everybody got one.

LINEHAN: No, no, the numbers-- the one-- last ones you used, compared to a pack of cigarettes-- puffs.

HUGHES: Oh, yeah. My-- that's, that's in my stuff. Yes. I knew that.

LINEHAN: So--

HUGHES: Sorry.

LINEHAN: I've never-- I don't understand vape-- vaping. But I think you said-- I just-- I think that would be helpful.

HUGHES: OK.

LINEHAN: How many puffs, if that's how you--

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

HUGHES: And, and I will be clear. There's a lot of different vaping devices out there. Some have very different amounts of juice in them. Some of the bigger Elf bars have like 8 milliliters, 10 milliliters of juice. So that's going to be a lot more. It's-- a pack of cigarettes is a pack of cigarettes, right?

LINEHAN: Right.

HUGHES: It's 20, it's 20 cigarettes, regardless of kind. And vaping is all over the-- and then you've got clo-- open systems, that you pour the liquid in and refill. And it's-- that-- I think that's why you see this. It's confusing--

LINEHAN: Right. But--

HUGHES: --and all over the board. But yes, I can provide that.

LINEHAN: -- some comparison--

HUGHES: Yeah, yeah, yeah. Yep. I can do that.

LINEHAN: --makes some sense that it--

HUGHES: Sure.

LINEHAN: --would be somewhat fair--

HUGHES: Absolutely.

LINEHAN: --or equal. Any other questions from the committee? I'm sorry if I jumped ahead of that. OK. Thank you.

HUGHES: OK. Thank you.

LINEHAN: Are there proponents?

MEGAN WORD: Hello again, Madam Chair, members of the Revenue Committee. I saw you earlier this week. My name is Megan Word, and I'm the director of government relations for the American Cancer Society Cancer Action Network, or ACS CAN. My name is spelled M-e-g-a-n W-o-r-d. ACS CAN is the advocacy affiliate of the American Cancer Society. Our mission and our job is to advocate for evidence-based public policies to reduce the cancer burden for everyone. To that end, ACS CAN will continue to prioritize policies that help every Nebraskan

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

prevent, find, treat, and survive cancer. Tobacco use remains the leading cause of preventable death in the United States. ACS estimates that in 2024, approximately 11,790 Nebraskans will be diagnosed with cancer, while 3,590 will die from the disease. 28% of these Nebraska deaths can be attributed to smoking. Recent data shows that 3.6% of Nebraska high school students still smoke cigarettes, but almost 8-- excuse me-- but almost 15% of high school students report using e-cigarettes. Increasing tobacco taxes is one of the most effective ways to reduce tobacco use. It is important that tax increases apply to all tobacco products, as Senator Hughes talked about earlier, at an equivalent rate to encourage people to quit rather than to switch to cheaper products, as well as to prevent youth from starting to use any tobacco product. LB41 and the proposed tax increase for e-cigarettes is a critical step forward in the state's fight against tobacco use, especially for Nebraska's kids. We thank Senator Hughes for her commitment to improving the cancer outcome for Nebraska kids by making tobacco harder to access. My written testimony provides data on the impact tobacco tax increases have on tobacco use, so my comments here will be brief. In addition to improving health outcomes, significant tobacco tax increases always produce substantial new net revenues. By establishing tax parity, increasing the tax on all tobacco products to an equivalent rate, states can bring in more revenue than in-- than is lost from the decrease in fewer tobacco sales caused by consumption declines, prevent initiation of these products, and ensure that more tobacco users quit instead of cheaping-- switching to cheaper substitutes. ACS CAN advocates for regular and meaningful increases in federal, state, and local excise taxes that increase the price of all tobacco products. LB41 is an important part of that effort, and we stand ready to work with Senator Hughes and this committee as she continues to fight Big Tobacco's efforts to addict a new generation of Nebraskans. Thank you for your time. I'm available for questions if you have any.

LINEHAN: Thank you very much. Are there questions from the committee? Seeing none, I have one that's off the wall, and if you don't know the answer--

MEGAN WORD: Yeah. Yeah. Off the wall. That's fine.

LINEHAN: You said you were the advocacy arm.

MEGAN WORD: Yes. Yes.

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

LINEHAN: So are you a 504?

MEGAN WORD: (c) (4), yes

LINEHAN: (c) (4). OK.

MEGAN WORD: Yes.

LINEHAN: 501(c) (4).

MEGAN WORD: Yes.

LINEHAN: And you do that because why? Instead of a (c) (3)?

MEGAN WORD: We are the affiliate of the 501(c) (3) American Cancer Society. They do all the important research and service-providing work. We simply fight cancer through public policy. So there's one of me in every state.

LINEHAN: Because you're-- you lobby.

MEGAN WORD: That's right, that's right.

LINEHAN: OK.

MEGAN WORD: And at the federal level, we do as well.

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

MEGAN WORD: Thank you.

LINEHAN: Are there other proponents? Are there any opponents? Hi.

CHRISTINE VANDERFORD: Hello. Good afternoon, Chairman Linehan and members of the Revenue Committee. 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 quality vape liquid, e-cigarettes, and accessories that represent at least 75% of our average sales per year. We operate 12 stores in Nebraska and over 70 store locations in 14 states. We have been embattled in this fight about taxes and legitimacy for several years now. We oppose LB41 as drafted because it would increase the wholesale tax on tobacco vapor products by over 300% of its current tax, as it's currently legislated. Such a dramatic increase in one

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

year should not be suffered by any one industry. Our company began in Omaha in 2012, in the basement of our founder, Mr. Sam Salaymeh. He was an academic and an IT professional, but was also addicted to traditional cigarettes. He built this company from the ground up and serves today as its CEO. But at the heart of this company is a man whose passion for vapor products was born out of seeking an alternative to the cigarettes that he was addicted to. He smoked over 2 packs a day. Vapor products literally saved his life. He had open heart surgery at 45. And as a former athlete, he suffered from breathing problems for many years. But now, at 48, he sincerely believes and, and actually credits his tra-- transition to vapor products as a secession form. He has suffered less harm, and believes that he breathes better than ever. Sam is disheartened about how this industry has been beaten back on all sides. Tobacco has been-- Big Tobacco has been successful in forcing lawmakers to look only at the harm that the products-- that these can do to children. But there are several kinds of products in our marketplace: sports drinks, the-- sugar, tobacco, can-- or sugar, candy, all sorts of things that increase obesity and other harm to children. There's lots of things in our marketplace that hurt children. And we don't product-- we don't sell our products to children. We don't market to people under 21. Not many of the good actors in our business even think about it. We're conscientious about selling the products to only those who are supposed to be using them. We are tired of the big rhetoric that Big Tobacco is using to cloud the issues around our products when it comes to harming children. That's not what this is about. The taxes that you are levying are squeezing us from all ends. It's squeezing our average consumer, who's 37 years old, who's likely one of the 31.5% of Nebraskans using vapor products that live below the poverty level. Because 78.8% of Nebraskans earn less than \$35,000 a year. A 40% wholesale tax on vapor products equals a 12-15% increase that can only negative impact them-- negatively impact them. If we don't transfer it to them, we're then paying it and taking it out of our pockets to employ Nebraskans. So that the end of the day, it's squeezing Nebraskans one way or the other. Because if we go out of business, then we lose paying taxes to the state of Nebraska for everything that we do to run a business here. We believe that our products taxed at their current rate is already doing what it can to offset Nebraska's tax burden. And until we have a chance to see how the current 10% tax rate is, we ask that you oppose this bill, as well. Thank you. I'll, I'll take your questions if you have any.

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

LINEHAN: Thank you very much. Are there questions from the committee? Can I, if I'm-- just me, adult, can I order vape products online?

CHRISTINE VANDERFORD: Yes, you can.

LINEHAN: And who polices that?

CHRISTINE VANDERFORD: Nobody.

LINEHAN: And they don't-- do they-- do you know of online sellers, do they collect any tax?

CHRISTINE VANDERFORD: If they want to. That's the problem that you face, if I might suggest. 80% of Nebraskans live within an hour of our border. So if you impose these taxes, we are at risk of being one of the highest states within South Dakota, Iowa, Kansas, Wyoming, and Colorado.

LINEHAN: What does Iowa do?

CHRISTINE VANDERFORD: On their tax? I don't know off the top of my head.

LINEHAN: OK.

CHRISTINE VANDERFORD: But we are one of the-- we will be one of the highest with this vape tax. And then all you're going to do is be chasing our people to the borders and/or forcing them online. My sister is a vaper after being a smoker for 20 years. And that's the first thing she said to me when I told her I was coming to testify today. She said, so can I start going to buy my products online? I'd love to go to your store, but I just can't afford it.

LINEHAN: All right. Thank you for being here. Appreciate it.

CHRISTINE VANDERFORD: Yeah.

LINEHAN: I don't see any other questions.

CHRISTINE VANDERFORD: Thank you.

LINEHAN: I do see a couple other members. That's good.

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

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, and I am the owner of Generation V, a Nebraska-based business with 15 vape shops in the state. I was born and raised here in Nebraska, moved away for 15 years, but came back to start my business in what I thought was a business-friendly state. I kindly ask that you oppose LB41, which would increase the tax on vapor products by 400%. A 10% wholesale tax was passed last year and just went into effect in January. The state has not even collected a full year of taxes yet, and is already proposing an increase. I opposed the 20% wholesale tax proposed last session and the year before, because I believe vapor taxes should be significantly less than the tax on cigarettes due to their proportionate harm. Over 480,000 people die each year from smoking-related illness. Nobody has ever died from a vaping nicotine product. Studies show that vapor products are at least 95% less harmful than smoking, and twice as effective at helping smokers quit than all other nicotine replacement therapies combined. Vapor product-- products mimic the hand-to-mouth habitual aspects of smoking without the tar and carcinogens. Nebraska should be championing vapor products rather than taxing vapers to death, literally. A 40% wholesale tax on vapor products is unreasonable, and nearly twice the tax on deadly cigarettes. Senator Hughes mentioned the cost of a disposable was \$2. That is not true. I've been in this business a decade. It's \$7-8, at wholesale. Nebraska ranks 42nd in our taxes on cigarettes, yet would have the 12th highest vape tax in the nation, right alongside places like Minnesota, New York, California, or-- is that like Nebraska to you? Senator Hughes also explained the need for funds to cover the cost and-- of any repercussions from vaping, but smoking is costing Nebraska \$174 million annually in Medicaid expenditures. Last session, we worked honorably with-- to help Senator Hughes develop a bill that we all felt continued our mission to reduce and prevent youth usage. We work extremely hard to prevent sales to minors and supported raising the age to 21. We are proud of the fact that vaping rates among teens have fallen 60% since 2019, back down to pre-2014 levels. There was other testimony about the vape-- the levels of teen usage. It's actually 10% that use them monthly, and 3.5% that use them frequently, meaning more than 20 times per month. Things are headed in the right direction. Increasing the tax on vapor products will not further prevent teen usage and will only hurt adults trying to quit smoking. Having watched my grandmother die from lung cancer at a young age, I am passionate about helping people quit smoking and

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

live healthier. Opposing this bill will not only save the jobs we and others have created, but it will also ensure that vapor products remain available and affordable for the hundreds of thousands of smokers across Nebraska, so we can, can continue our mission of helping others quit the deadly smoking habit.

LINEHAN: OK, I need you to-- you, you are wrapping up, aren't you?

SARAH LINDEN: Yep. I'm done.

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

von GILLERN: Yeah. Hey, thank you for your testimony. Thanks for being here again today. As, as people continue to move or-- I mean, I don't know if continue is the right word-- but move from traditional tobacco to vaping, your business has grown over the years, I'm sure, and probably continues to grow. Are your sales higher this year than last year, and last year higher than the previous year?

SARAH LINDEN: Lower.

von GILLERN: What's the industry doing?

SARAH LINDEN: Lower. And actually, we just did an analysis in my business, because we've seen our sales decline. And we're wondering, is it because of all the new competition coming into town? Is it because our prices are too high? What is the reason? And so we actually just did a survey a week ago, amongst like 36,000 of our guests who haven't shopped with us in the last 3 months, asking why. And actually 27% said they quit. They quit vaping. That was the number one reason why people are no longer shopping with us. So it's actually not because they're like, like we're-- our business isn't booming. People-- teens are actually-- like, the new entrants entering the category is declining, because teens are no longer starting to use these products. Therefore, when they turn 21, they're no longer coming in to shop with us. So we have people exiting the category and we don't have enough new entrants entering the category to make up the people who are leaving. So our business is declining. And I think pretty much everybody in our industry in Nebraska is declining, probably in the country. I don't think that vaping is as cool as it used to be. I think teens have kind of moved on to other things now.

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

And really, it's just the adults who are trying to quit smoking, or the people who maybe started vaping, and now they haven't quit yet, that are still vaping.

von GILLERN: So what we passed last year, that went into effect--

SARAH LINDEN: In January.

von GILLERN: January?

SARAH LINDEN: Um-hum.

von GILLERN: January of '24? No.

SARAH LINDEN: Yes. Yes, yes.

von GILLERN: January of '24. Yeah.

SARAH LINDEN: Yes, yes.

von GILLERN: I'm sorry. Thank you. And are you-- have you seen any negative impact of that? I mean, and we have this discussion all the time. The previous testifier brought up pop and candy, and I'm going to let that one go. Said that they were not healthy for kids, but I'm going to let-- well, I guess I didn't let it go because I said it. But the-- and I'm just curious if people have noticed that there's an additional tax, because we don't often notice sales tax when we buy something.

SARAH LINDEN: Well, because it's a wholesale tax, it's not passed to the consumer, I think. There's so much competition--

von GILLERN: Well, it certainly is. You markup what you pay.

SARAH LINDEN: I have not raised my prices, because here's the thing. There's so much competition that's entered the market that I can't. I'm actually, probably the highest price in Nebraska. Maybe Kure is right along with me, honestly. And we can't aff-- like, we have large organizations. We have, we have large payrolls, large expenses. We can't just--

von GILLERN: I, I, I understand that. I, I ran a business. And you--

SARAH LINDEN: Yeah.

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

VON GILLERN: --you, you, you, you purchase things, and then you res-- you add value and then you resell them. But the resale has to be more than what you purchase so-- what--

SARAH LINDEN: Right.

VON GILLERN: --your cost of purchase certainly is in some way passed on. If you make a business decision to not do that, that's a strategic marketing decision on your part.

SARAH LINDEN: I think it's a decision because our competitors are already like a fraction of our co--

LINEHAN: OK.

SARAH LINDEN: --like the price of us. And we can't afford to increase our prices more.

VON GILLERN: OK. That's helpful. Thank you.

LINEHAN: Thank you, Senator von Gillern. Other questions from the committee? Do you think-- it would be interesting, not that we're going to do this, but-- for your industry-- I understand moving from smoking to vaping, because you, you get rid of the smell, right? I mean, people can't tell that you've been smoking.

SARAH LINDEN: Well, you get rid of the smell, but you also get rid of the tar and carcinogens.

LINEHAN: Right. So this is heal-- I get that. So then do you think if they get to that point, they can go to the patch, chewing gum? Like, is it a progress?

SARAH LINDEN: I think that-- I think vaping, why so many people are able to quit vaping is because we actually have a step-down method. We have multiple nicotine levels. So like you can be at 18 milligrams, and then you can go down to like 12. And then you can go down to 6, and then 3, and then zero. And so people are able to just kind of cut it down over time. And so, it's much easier to quit to just do a little bit at a time, over maybe even a year. But I think that the teens are moving kind of to the pouches now, and I think that that's where, like, pouches have become really popular over the last year.

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

LINEHAN: What is that? I have no idea what a pouch is.

SARAH LINDEN: So they're-- the most popular one is called ZYN. But it's like a little pouch that mimics, kind of, chewing tobacco, but it's not like loose. It's a pouch that you stick into like, your lip or like, cheek. And they can use those even easier in schools than like, vaping. So I think that that's why like, vaping is just not as popular with youth. And other adults might use that, too, if they're on a plane or something like that, or like construction workers, because it's better than chew or, or whatnot. But what I've found-- I've-- I quit smoking like, gosh, probably, I think, 20 years ago maybe. And I tried to use the patch myself. I could not sleep. I had these crazy dreams. I felt wired. I mean, I think that-- and it was really, really hard, because I was used to, like, having something to do with myself after I ate, before I went to bed, when I woke up.

LINEHAN: I'm aware. Yes.

SARAH LINDEN: Yeah. I think vape-- that's why vaping has just been so successful.

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

SARAH LINDEN: No problem. Thank you.

LINEHAN: Other opponents?

STACY LOSTROH: Good afternoon. Good afternoon, 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. I'm here on behalf of Whitehead Oil Company, the Nebraska Petroleum Marketers and Convenience Store Association, and the Nebraska Grocery Industry Association. We are opposed to LB41 because we believe it is important to maintain the bifurcated tax system between open and closed e-vapor products. Keeping the delineation makes sense for e-vape-- e-vapor systems because they differ in design and formulation. We would be willing to discuss changes in the excise tax amounts on open and closed systems separately. If the proposed tax is adopted, the state would be discriminating against pod-based e-vapor products, as the tax rate on these products would increase up to 2,500%, whereas taxes on other products would just triple. An excise tax based on volume generates

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

more stable, predictable revenues for the state because the tax is the same, regardless of the type of brand or changes in price. A tax based on price advantages the cheapest products because they will have the lowest tax. A volume-based tax respects adult consumer choice, and it avoids creating a race to the bottom for the lower-priced products in the same category. Nebraska taxes other products with a volume and weight-based tax: cigarettes, smokeless tobacco, beer, and fuel taxes. There's no reason for the state to utilize a different structure for closed e-vapor products. And e-vapor products can play a role in reducing risk for individual smokers who switch to them. If a state imposes taxes on these products, a low and specific tax best supports e-vapor products because they don't deter adult, adult consumers from using these alternatives to combustible cigarettes. Thank you for your time today.

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

STACY LOSTROH: Thank you.

LINEHAN: Are there other opponents?

NICOLE FOX: Good afternoon, members of the Revenue Committee, Chairwoman Linehan. I'm Nicole Fox, N-i-c-o-l-e F-o-x, representing the Platte Institute, here to oppose LB41. It's well-established and supported that cigarette taxes are not a stable source of revenue, and the same can be said for taxes on electronic nicotine delivery systems, also known as e-vapor. LB41 proposes increasing taxes on all vapor products to 40% of the manufacturer's wholesale price, while eliminating the bifurcated system of taxation, as established in 2023. E-vapor products provide an option for individuals interested in smoking cessation. High excise taxes, like the tax proposed in LB41, would prevent adult smokers from switching to these alternative and less harmful products. Given the design of e-vapor products, the existing bifurcated system is a better tax design than the-- than one that lumps all e-vapor products into a single category. The combination of the new category design with the tax-- with a rate hike will translate into more than a 3,300% increase in the tax rate of smaller, closed system products, pod-based, as opposed to the 300% this bill would impose on users preferring open, refillable products. This increase would impact both consumers and businesses. This bill would produce 2 results. First, Nebraska would impose taxes much

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

higher than its neighbors. Only Colorado would have a higher tax than Nebraska at 56%, while Iowa, Missouri, and South Dakota do not tax these products at all. It would incentivize consumers to go across our borders to other states to purchase products. This would harm Nebraska businesses, as this avoidance would result in lost revenue. And that's not just from the loss of vapor tax revenue, but also because they leave-- when they leave the state, they're purchasing other products as well. Smoking cessation would less likely be achieved. Protecting access to harm-reducing e-vapor products is intertwined with tax policy, because nicotine-containing products are economic substitutes. Low tax rate on vaping encourages consumers to switch to more-- to switch from, I'm sorry, more harmful combustibles. High excise taxes on e-vapor products are counterintuitive to harm reduction efforts, as they encourage users to return to smoking combustible tobacco products. LB41 as introduced is not sound tax policy. And we believe that the proposed substantial increase on e-vapor would do more harm than good in Nebraska.

LINEHAN: Thank you very much. Are there questions from the committee? Seeing none, thank you very much. Are there other opponents? Anyone wanting to testify in a neutral position?

BILL HAWKINS: Senator Linehan, members of the Revenue Committee, my name is Bill Hawkins, B-i-l-l H-a-w-k-i-n-s. I'm a lifelong Nebraskan, and I'm-- been out doing tree removal all morning and late last night in the rain, because there's trees on wires and on houses. So that's how I dress. But this issue is close to me because I lost my grandparents and both my parents to lung cancer. Over 50 years ago, the Surgeon General came out and said, tobacco will kill you. We still lose, as was stated, 480,000 people a year to lung cancer that was possibly mistakenly just attributed to cigarette smoke. We've been told that vaping products are harmless. I will talk from a real-life standpoint that I have a lot of young friends that are highly addicted to vaping products. You have a youth now that has-- it's chewing tobacco. It's highly addictive. I don't see a lot of people quitting vaping products. I hear the complaint that we're small businesses, and oh, don't tax us. The issue is they are selling a highly addictive, poisonous substance. That vaping capsule will kill you if you drink it. Dead. It has chemicals in it that when they are vaped to a microscopic-- deeper into the lungs, it is creating all kinds of-- it's called popcorn lung. I would check your facts as to see just how many, maybe, deaths have been caused by vaping products. So I feel in

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

a neutral position that you need to talk some more. And everything needs to be on straight level. There's no difference. And I don't really see a lot of tobacco use reduction with these products. So, I would be glad to ask any questions. And I want to thank Senator Hughes for working on this. The other issue is disposable vape products that maybe Senator Hughes will speak more of, are causing fires. They are a hazardous waste, with the lithium, and the batteries, and the chemicals in the battery. It's causing a real problem. So they need to be taxed and held responsible for that environmental waste that they're creating. So, I want to thank you for your time, for this special session, because you're dealing with a lot of things. But please help Senator Hughes work this into the package.

LINEHAN: Thank you very much.

BILL HAWKINS: Thank you. And I appreciate your time.

LINEHAN: You bet. Questions from the committee? Seeing none, thank you very much for being here.

BILL HAWKINS: Thank you. Thank you, Senator Hughes.

LINEHAN: Anyone else wanting to testify in the neutral position? We did have letters for the record. We had 3 proponents and 1 opponent. And Senator Hughes, would you like to close?

HUGHES: Yes. First of all, I'm going to mention because of LB1296, our vaping regs, purchasing online is illegal in the state of Nebraska. To their point, it's not being enforced. You can still do it, but the Attorney General could enforce that. It is because of our vape regs you cannot buy vape stuff online. Also, the ZYN--

LINEHAN: I'm sorry. What did you say about the Attorney General?

HUGHES: He could enforce it. Like that-- our vape regs just went into effect, our vape regulations. So now it could be-- it is illegal to buy it online.

LINEHAN: OK.

HUGHES: It is a matter of getting enforced, right? ZYN products, that's the pouches that she was talking about. And I think she's very true to that, that kids are now going to that. It's, it's a nicotine

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

little pouch that they can hide easier. It-- you know, there's no vapor coming out of your mouth or whatever. And I will be coming back next session, because right now we don't tax ZYN products. So I'll have to add it to the list. So you'll see me again. Anyway, but I thank you for your time. Some of the things said. You, you saw where we're at, vaping. It-- taxing vaping is different among all states. There's nothing concrete with it, yes. But I-- and, and then they are saying it's such a huge increase. The wholesale across the board, I think, is the right way to do it. Where we settle on that number, we can talk about. But a 40%, when you look at 30 states that are doing it, that's less than their average, I think is reasonable. So thanks for your time. Any questions?

LINEHAN: Thank you very much.

HUGHES: I know you guys want to get to lunch.

LINEHAN: Senator Hughes. Are there any questions from the committee? Guess not. Don't see anything.

HUGHES: OK. Thank you.

LINEHAN: Thank you very much. And with that--

HUGHES: I'm done. This is my last bill.

LINEHAN: --we'll close the hearing on LB41. And do we want to go, or do you want to stop and come back? What do you want to do?

BOSTAR: I think we can get it done.

LINEHAN: I know, but if we-- I'm just saying.

von GILLERN: Let's do it.

LINEHAN: Let's do it? OK.

KAUTH: Because don't we have to follow the agenda? Didn't it say 1:00 was our break?

von GILLERN: No.

LINEHAN: We can quit before one, but we can't start before-- we, we can't start before 1:30.

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

BOSTAR: I mean, I, you know, happy to do whatever.

LINEHAN: No, that's fine. Let's go. Open the hearing on LB44.

BOSTAR: Good afternoon, Chair Linehan, fellow members of the Revenue Committee. For the record, my name is Eliot Bostar. That's E-l-i-o-t B-o-s-t-a-r, representing Legislative District 29, here today to present LB44, simple legislation that increases the Nebraska earned income tax credit from 10% to 20%. President Ronald Reagan once described the Earned Income Tax Credit as the best anti-poverty bill, the best pro-family measure, and the best job creation program ever to come out of Congress. The EITC increases the financial rewards of work, and increasing the credit percentage will help more Nebraskans make the leap from welfare to work. It benefits those who are playing by the rules and can provide very real assistance to the face-- in the face of rising real costs of groceries, housing, and childcare. The earned income tax credit can also support Nebraska's employers as well as employees. Our state faces record low unemployment. Making work pay provides a greater incentive to join our state's workforce. Increasing the percentage of the tax credit will induce greater participation in our labor market. As the Revenue Committee considers proposals surrounding a sales tax increase, raising the, the earned income tax credit percentage would significantly offset the impacts of a sales tax increase on low and middle-income workers. Nebraska's current earned, earned income tax credit has remained at the same level, unadjusted since 2007. An increase would bring our tax credit in line with similar numbers in neighboring Iowa and Kansas. According to reporting by the Internal Revenue Service for the 2022 federal earned income tax credit returns, which were processed in 2023, in Nebraska, there were 108,000 claims for an average amount of \$2,421. That's a very real benefit to hardworking Nebraska taxpayers. Increasing our state percentage will provide support for Nebraska's low and middle-income workforce. I want to thank the committee for their time and attention. Happy to answer any initial questions.

LINEHAN: Are there-- yes, Senator Kauth.

KAUTH: Thank you, Chair Linehan. Senator Bostar, the fiscal note says \$25 million. Is that an additional \$25 million, or is that the total?

BOSTAR: I think that's an additional.

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

KAUTH: OK.

BOSTAR: I think that's the-- that would be the--

KAUTH: The going from 10 to 20.

BOSTAR: Yeah.

KAUTH: OK. Thank you.

LINEHAN: I'm trying to figure-- yes, Senator von Gillern. Thank you.

von GILLERN: Give you a minute to do that. Could you-- you talk so fast. I really admire that. We're going to let you read the letters next time. Could you run through those numbers again? The average claim and the number of claimants, please?

BOSTAR: Absolutely. Number of filers seeking the federal EITC was 108,000 in Nebraska.

von GILLERN: OK.

BOSTAR: Average amount of \$2,421.

LINEHAN: One more time.

BOSTAR: \$2,421.

von GILLERN: OK. All right, so my--

BOSTAR: I actually haven't done the math on that to see if the fiscal note makes sense.

von GILLERN: Well, I did. And I came up with something different. I-- if we're going, if we're going from 10% to 20%-- so the, the 10%-- I, I had the federal numbers pulled up. And for-- I think this is right. It was a pretty quick search. But for no kids, federal EITC, you get \$600; for one child, about \$4,000; 2 children, \$6,600; 3-plus, \$7,400. So you take 10% and 20%. So at the 3-plus kids, at 10%, you get \$743. At 20%, you get \$1,500. So that's an additional \$750 per claimant family, if it was 4 kids. If you divide that into \$25 million, that's 33,000 filers. So I'm, I'm getting, I'm getting different numbers. And we can, we can work out-- and I understand. Fiscal Office is really pressed to get stuff out.

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

BOSTAR: It act-- it actually-- so it looks right to me. I mean, so if you-- I, I think there's a simpler way of just looking at it. Right. If the average claim is \$2,421, 108,000 claims.

von GILLERN: Yeah. \$25 million.

BOSTAR: And then, yeah, you take 10% of that, right, you get about \$25 million.

von GILLERN: Right. OK. So your-- another question you had. You said the Neb-- Nebraska has not adjusted their rates since 2007, but Nebraska is a percentage of the federal EITC, which has been continually increased.

BOSTAR: Nebra-- yeah. Nebraska hasn't adjusted their percentage.

von GILLERN: Right. Right. But--

BOSTAR: I mean, other states do, right? We just-- ours is established as what it is. It's never been adjusted. States around us are higher.

von GILLERN: OK. But dollars received have increased, because the federal EITC-- a Nebraskan in 2007 was getting less money than they did in 2023, simply because the federal EITC number has increased. So therefore--

BOSTAR: Sure. Yeah.

von GILLERN: --10% of the federal number would have been an increase.

BOSTAR: Yeah, it is based off-- it does reference back to the, the--

von GILLERN: OK.

BOSTAR: --whatever the federal program is and how they may change.

von GILLERN: OK, but the rate has not changed since 2007.

BOSTAR: Correct.

von GILLERN: OK. Thank you.

BOSTAR: And I just think we should be-- you know, try to be more competitive with our neighbors. We hear that a lot here.

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

VON GILLERN: Got it.

BOSTAR: Try being-- try to be competitive.

VON GILLERN: Got it. I'm hearing you. Thank you.

BOSTAR: And--

LINEHAN: Thank you, Senator.

BOSTAR: --that's what I'm here for.

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

KAUTH: Sorry. Just one more question. Is the EITC a nonrefundable or a refundable kind of credit? Do they have to--

BOSTAR: Well, so E-- federally, or here in Nebraska?

KAUTH: Here in Nebraska.

BOSTAR: It's, it's refundable in Nebraska. And so most states that add their own, the way Nebraska does, they're almost all refundable. There are small exceptions to that, that don't really make any sense for what EITC is supposed to be. But--

LINEHAN: Going back, since you mention-- oh, I'm sorry. Is that--

KAUTH: That-- that's it. Thank you.

LINEHAN: Other questions? Going back to Ronald Reagan, wasn't the idea that payroll taxes-- it, it was eating into lower-income people, so the EITC was to help cover their payroll taxes?

BOSTAR: Well, partially. I mean, I think that was a component at the time. The, the biggest thing was there were a lot of programs, and, and there still are, that didn't necessarily incentivize people to join the workforce.

LINEHAN: That's right. OK.

BOSTAR: And so the EITC directly incentivizes folks to work.

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

LINEHAN: Right.

BOSTAR: That's how you get it.

LINEHAN: Right. Yes. And this, if you got kids, you get more.

BOSTAR: Yes. I-- you know, and back in what seems like a previous life, I did-- volunteered with the United Way to do tax returns for folks who couldn't afford to have other people do it. And it's, it's, it's, it's a program that without it, really, people, a lot of folks would not be above water, who are, who are working hard, who have families.

LINEHAN: OK. Got it. You'll be here for closing. We have anybody here?

BOSTAR: I, I don't, I don't know.

LINEHAN: OK. Let's see. Do we have any proponents? Really? No proponents? Any opponents? Well, that's refreshing. Any neutral? Consent calendar. Where are our multitude of people that are here talking about how we can't raise sales taxes, because of somehow, if you make \$30,000, you're going to spend 55-- or 0.5% of it, all of it on taxable goods?

BOSTAR: I, I don't know where they are.

LINEHAN: Anybody else have any questions? Do we have, do we have at least record letters? Maybe?

von GILLERN: I need to take a break for Delaney [PHONETIC].

LINEHAN: Yeah. One proponent, 2 opponents, neutral. It's interesting. You should look at it.

BOSTAR: I have. It's very interesting.

LINEHAN: I think we all know the reason.

KAUTH: Pass it down.

LINEHAN: Yes. OK. With that, we'll bring the hearing to LB44 to a close.

BOSTAR: Thank you for your time.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee August 1, 2024

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

LINEHAN: You're welcome. Now we can go to lunch.

von GILLERN: You've got to be kidding me.

LINEHAN: Nope. They don't like him. See, Kathleen [PHONETIC] does, but others don't.

von GILLERN: Are we still on? Are we still on?

[BREAK]

LINEHAN: Good afternoon, Senator Wayne.

CHARLES HAMILTON: LB40.

WAYNE: LB40 or LB48?

CHARLES HAMILTON: LB40.

LINEHAN: LB48. No, LB48's what it says.

NATALIE SCHUNK: LB48.

CHARLES HAMILTON: Yeah, LB48. Isn't that what I said?

LINEHAN: You said LB40. That's all right. We're all tired. Are you OK?

WAYNE: Yeah. I'm just going to keep running back and forth. I'm good. It's a way to get in shape.

LINEHAN: Well, you're here. You're all we have this afternoon.

WAYNE: It'll be fine. I'm going, I'm going to make these hearings very short.

LINEHAN: OK.

WAYNE: Can I go?

LINEHAN: Yes.

WAYNE: My name is Justin Wayne, J-u-s-t-i-n W-a-y-n-e. And I represent Legislative District 13, which is northeast Omaha in northeast Douglas County. For those who came to testify on this bill, I would tell you

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

not to because I'm asking this committee don't-- ki-- to kill this bill. I'm asking the committee to kill this bill because there's-- already there are two delivery bills in front of this committee: one introduced by Senator Hughes and one introduced by Senator Blood. Senator Blood's bill is very similar to mine. And as you know our rules, once we schedule it for a hearing, it's very hard to withdraw a bill. So I'm not asking the committee to move this bill forward. So there's a gold sheet in the back, and you can just make yourself as opposition. You don't have to testify because this bill won't go anywhere. Any questions?

LINEHAN: So you're using it-- yeah, I do-- I'm sorry. I know you want us to kill it, but I want to look at it.

WAYNE: No, no, I understand, but you already had the hearing on Senator Blood's bill, which is very si-- almost identical to mine.

LINEHAN: No, hers is--

von GILLERN: I'll ask a question if you--

LINEHAN: OK.

WAYNE: OK.

von GILLERN: --if you need-- want a minute to take a look at it. I'm thinking you were just going to say--

LINEHAN: I bet you are.

von GILLERN: Senator Hughes's bill is much more like yours because hers was a percentage. Senator Blood's was a flat fee.

WAYNE: Fee, yeah.

von GILLERN: I think it's \$0.27 per delivery. But regardless, there are three-- there are-- to your point, there are three bills regarding delivery fees, so.

LINEHAN: This raises a-- am I not figuring out-- this raises a lot of money.

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

WAYNE: There's also a lot of opposition. And again, I'm not necessarily opposed to the idea. It's just that this committee has been working hard and there's already two other bills that do the same thing, so. The, the, the idea is in front of you already is the point.

LINEHAN: And we've had a hearing. If we wanted to use it, we can have it.

WAYNE: Correct. But--

LINEHAN: Though I doubt we do. OK. Is there any opposition-- not opposition. Any proponent? Any opponents?

RICH OTTO: Chairwoman Linehan, members of the Revenue Committee. My name is Rich Otto, R-i-c-h O-t-t-o. And I'm testifying in opposition to LB48 on behalf of the Nebraska Chamber of Commerce, the Greater Omaha Chamber of Commerce, Nebraska Hospitality Association, Nebraska Grocery Industry Association, and the Nebraska Retail Federation. Since Senator Wayne asked you to kill it, I'll just hi-- highly go over kind of the two plans that we've seen. I know he is asking you not to move this one forward, but Senator Hughes's LB19 is very similar to LB48. And then we had Senator Blood's LB26 yesterday. So I just want to quickly highlight three major points that we see as the difference between the two plans-- obviously is the cost to business and consumers or the revenue it brings in. We show that Senator Blood's LB26 with the flat rate of \$0.27, that's-- my estimation of \$15 million it would bring in. And then we show-- this LB48 in year two is \$150 million. So for just easy numbers, I'm going to use 15 on the flat rate of \$0.27 and then \$150 million on the 2%. So the 2% brings in ten times the amount, ten times revenue, but ten times the cost to consumers. It is also ten times the cost to business to collect. That's, again, a point I've hit on many times about the cost of swipe fees. The second major difference is compliance. Both of these will repul-- require a compliance element that retailers, restaurants will have to implement. Senator Blood's, with the flat rate, is a little simpler because if one item in your online shopping cart is taxable, the rate would apply. Senator Hughes's, you would need to go through the entire list in the shopping cart, determine if each and every item is taxable. And then if it is, the 2% applies to each and every item. So compliance is slightly easier for Senator Blood's. The third thing I want to mention is exe-- exemptions. Senator Blood's did have a small business and a new business

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

exemption. Her one-year exemption, while it sounds great for new businesses, it is actually really hard to enforce. We would expect that new businesses-- obviously, I get a one-year exemption. I'm not going to charge the \$0.27. Do they realize that they need to at the end of year one? Who enforces that? And then on the other side is for marketplaces that have third-party sellers. They get third-party sellers all the time. They're most likely going to be required to be the one that keeps track of how long they've been on the marketplace, not enforce it for the first year, and then enforce it. So it does create another le-- burden or level of compliance that is not great for us with those. That's the high-level differences between the two plans. I don't need to take any more of your time. Happy to answer any questions.

LINEHAN: Thank you. Are there any questions from the committee? It is a choice tax. I mean, you can have things delivered and pay for it.

RICH OTTO: It is a choice. A lot of times, people consider delivery a luxury. I don't see delivery as a luxury anymore. I consider it a convenience and sometimes essential to certain households, so.

LINEHAN: Right. I get that. OK. I get it. Any other questions? Seeing none. Thank you very much. Is there other-- anyone else want to oppose? Anyone want to speak in the neutral position? Do we have letters for the record? We have 0 po-- proponents and 3 opponents. And with that-- do you want to close, Senator Wayne? Senator Wayne clo-- waives closing, and therefore we will go to LB50.

WAYNE: Thank you, Chair Linehan. My name is Justin Wayne, J-u-s-t-i-n W-a-y-n-e. And I represent Legislative District 13, which is north Omaha in northeast Douglas County. So part of the reason why the last bill-- I, I, I said you already have some before is because what I'm trying to do is figure out a way between this bill and another bill how to fund more infrastructure projects at the local level. And what I mean by that is, is if we can somehow fund counties and cities more, particularly around infrastructure, then maybe a zero hard cap lid doesn't look so bad. And so that's what I'm trying to do with some kind of wholesale gas tax. Where I'm running into a little confusion-- and what I just passed out was ideas from a legislative resolution earlier this year's LR, LR that was by ND-- NDOT is, previously, when I introduced this bill over the last-- so four years ago and again I think two years ago-- it had an increase of \$24 million and an

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

increase of \$66 million. Somehow that doesn't happen this year when I'm talking to people. And I'm not quite 100% sure why, considering I've introduced this bill I think four times and every year it had an increase in, in funding both to municipalities, counties, and, and the state. So I'm trying to work through that. But the goal and I guess the overall concept is we know infrastructure projects are a big portion of counties' and cities' budgets. And if one of the issues they have with the zero lid and a hard lid is growth and those kind of things, then if the state can help fund some of these additional costs, then maybe it's not such a, a, a big hill for us to climb. So that was the purpose of increasing the wholesale tax. And I'm still trying to figure that out. Now, I do want to mention for the record-- I just want to clarify this-- and I'm going to incorporate this now into every bill that I have before you. Sometimes when you're fishing and you're doing really, really well-- I don't know if many of you guys been to a casino, but when you're shooting dice and you're doing really, really well, the casino comes in and they break it up by introducing a new dealer and changing people out. It's called breaking your roll. But when you're fishing really well and you're doing extremely well, some people try to kick you off a boat and put you on another boat. And so it just so happened that I was doing really well on Senator Erdman's boat, and so they wanted me to go with Senator von Gillern. And as I was making the exchange to get over on the boat, both of them decided to veer and make me stretch in a way that made me fall into the lake.

KAUTH: Tell me there's pictures.

WAYNE: The first thing I said after I lost my headphones is that the worst thing they could have did was put me in the water because now I am one with the fish. So it actually helped me catch more fish. But I want people to understand that I did not fall in the lake. There were some angry fishermen who made sure I went in the lake. I just thought you should know that. And I wanted to make sure people were clear. Because I hear this story about I'm falling in the lake. No, they were angry and the boats divided. And it was a choice of hurting some parts that don't stretch like that or falling in the water. And so I chose the smarter route of falling in the water. And I caught a lot more fish because the fish actually saved me. They came up and talked to me. They-- it was, it was a great time. But I just want people to know that's what really happened and I'm sticking to it.

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

KAUTH: Fish stories, huh?

WAYNE: Thank you.

LINEHAN: How do we tax wholesale gas now?

WAYNE: So--

LINEHAN: There's a lot to learn on the Revenue Committee.

WAYNE: Yes, there is. So my understanding-- this came from a, a long discussion of when Senator Deb Fischer started doing this, is that we changed the floor and we lost revenue for a long period of time. So I was trying to bring back in the floor and bring it up a little bit. And so my previous fiscal notes would always say I changed it from 7% to 12% and there was always an increase. And so the emails I've been talking to in talking to NDOT, they think they're going to lose funding. So I'm working with them to try to figure out how to increase funding. But I just want the committee to know that's the purpose of this is to-- if we increase the overall funding, the way our gas tax works is both counties and cindies-- cities get a portion and then the state gets a portion. And so my thought is if we can increase that enough, create a windfall for the counties and cities that doesn't pertain to their hard cap, then maybe the extra dollars is enough to set off the hard cap. So I'm just throwing out as many ideas as I can, Your-- about to call you Your Honor, but Chair.

LINEHAN: Is this, is this the tax that the Governor-- or, the Department of Transportation-- I assume with Governor's input-- can change without any action on the Legislature's part?

WAYNE: I don't know. I don't know. Don't have an answer--

LINEHAN: There's some gas tax that they can do--

MEYER: That's Department of Roads-- the Governor. they don't need legislation.

LINEHAN: They can, they can increase taxes whenever they--

MEYER: They can adjust that.

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

LINEHAN: According to our needs. The last person that did it was Ben Nelson.

WAYNE: I know our tax has not changed I think since 2015, is when this happened. And I came in in '8-- '9-- '17. And since then, I've been bringing a version of this bill at least every other year to, again, try to fund more infrastructure.

LINEHAN: You think there's somebody here that can help us more?

WAYNE: I hope. No, they-- nobody ever really comes for my bills.

LINEHAN: Well, you have to call them.

WAYNE: OK. So.

LINEHAN: OK. Are there any proponents?

MEYER: I, I have a question, yeah.

LINEHAN: Oh, I'm--

MEYER: So, so do you know offhand how much a \$0.01 increase in state gas tax raises?

WAYNE: No. So the-- from the 7% that I had-- this was a couple years ago-- to 12%, it was about a \$66 million increase.

MEYER: OK. A percent of--

WAYNE: 1% would be about \$3 million, I think, \$4 million.

MEYER: On a dollar basis or a, a gallon-- so many cents per gallon. I'm asking if you go from \$0.293 to, to \$0.303, what does that \$0.01, \$0.01, penny raise in total?

WAYNE: I don't know. I have to get that for-- information for you.

LINEHAN: Isn't it a quarter \$50 million? Quarter of a cent? \$50 million total?

WAYNE: Again, Rev-- the-- Revenue Committee, I-- and I said this to the Banking earlier-- I'm trying to bring as many ideas that we have about revenue and trying to think outside the box and the-- this is

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

just one solution that if we could fund that-- and you'll have another bill in front of you that attaches this with municipal aid-- then we can figure out how to directly give ci-- cities and counties some more benefit. That's all.

LINEHAN: What is our gas tax-- wholes-- wholesale is between the wholesaler and the retailer. That's one tax. Then we pay a tax at the pump too, right?

WAYNE: Mm-hmm.

LINEHAN: Yes.

WAYNE: Yes.

LINEHAN: And are you saying that's \$0.27?

MEYER: Here, it says it's \$0.293. And the federal is more than that. But I, I agree 100% with you, Justin, that-- in, in my mind, the gas tax is considered a user tax to me. And if we're looking at ways to help out municipalities, whether it's cities or counties, that are trying to maintain roads under a cap of property taxes, to me this is a very logical place to look.

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

KAUTH: Thank you, Chair Linehan. So would this also apply to EVs? I mean, do we have a way to charge EVs?

WAYNE: This wouldn't right now. There is-- there are other states who are using-- doing, like, a user fee at-- they're more at the registration part of a U-- EV. So there is, there is that possibility. But this wouldn't really affect them.

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

von GILLERN: Yeah. I, I don't want to waste the time of Nebraskans or the transcribers' efforts to rebut your previous testimony and your opening remarks, but I do find it interesting that you used a gambling metaphor also in there because that didn't work out so well for you, either.

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

WAYNE: Well, I, I did lose a lot of money up there.

von GILLERN: Regard-- regardless, there's a question here. Do you know what the current figures it's being-- if we're going to \$0.235, what, what, what's it-- what is the current-- you said you wanted to raise the floor.

WAYNE: Right. So I, I, I put a-- right now, it's a percentage. And what I was trying to do is put a floor in. Because what happened when, when prop-- when, when I first got here, gas tax was-- I mean, gasoline prices were really high, so the-- we weren't capturing everything because it was a percentage. I don't have my fiscal note in front of me, but it is in the fiscal note where it kind of talks a little bit about it.

von GILLERN: Yeah. The fiscal note is not terribly helpful.

WAYNE: Oh, that's right. That's one of the ones I didn't--

von GILLERN: No--

WAYNE: Never mind.

von GILLERN: --that's-- OK. All right. We ha-- obviously have some homework to do here, so.

WAYNE: Yeah.

von GILLERN: All right. Thank you.

LINEHAN: Thank you, Senator von Gillern. I, I agree. And I'm-- always thought the gas ta-- I don't like the idea that we-- and I love U.S. Senator Deb Fischer, but I do not like the idea that we take part of sales tax and use it for roads when, in fact, a user fee is the best tax there is, in my book. Like, I'm driving on a road. I pay for it as much as I drive on it. We have a lot of transportation companies that use our roads all the time. OK. All right. We'll see if there's anybody here to talk about it. Do we have any proponents? Of course not. Do we have any opponents? Oh, that's weird. Consent calendar. Anybody wanting to testify in neutral position? Oh, we do have somebody. And maybe somebody who knows a lot. Hi.

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

LASH CHAFFIN: Good afternoon. Good afternoon, members of the committee. My name is Lash, L-a-s-h; Chaffin, C-h-a-f-f-i-n. I'm a staff member at the League of Nebraska Municipalities. And, and very quickly: in the past, I-- first, I want to thank Senator Wayne for continuing to care about this issue. It's, it's an issue that dates back to 2009, 2010. And, and a lot, a lot of people have just simply forgotten what happened. And, and very briefly, the-- and there have been numerous iterations of this bill. This one's a little bit different, which is why the league is neutral. It, it, it, it does have some, some, some language that's slightly different than prior itera-- iterations of this bill. What, what happened was the-- all the experts wanted to "cue" the, the gas tax to the wholesale gas tax. And I'm, I'm oversimplifying quite a bit. And that was going to be perfect. Then promptly, the, the wholesale gas tax tanked. So, so immediately-- I don't know what the state lost. Cities lost about \$7 million. City-- or, it was that cities and counties lost about \$7 million, just bang, right out of the chute. And because, because it-- we "cued" it to a, to a-- to the wholesale gas tax, it-- which then promptly went down. So, so Senator Fischer had a bill which didn't pass that would have created a floor on how-- where that, where that would work. That bill never did pass. And so, interestingly, when, when Senator Fischer passed the bill to increase the sales tax for roads, that, that, that was about this time frame. So in the cities, they didn't see a, an increase. It was about the same. It was sort of a wash because they lost part of the rig-- regular gas tax through, through the-- this bad idea to index it to the wholesale, wholesale gas tax. And-- so it was, it was-- so people didn't see a gain right away that they thought they were going to get. So it was, it was very frustrating. So there have been a number of bills to, to retroactively apply that fl-- a floor of some capacity to, to the, the-- to the amount that the city and the state receive through gas tax. Unfortunately, this bill doesn't-- isn't retroactive. It just puts the cap in, which we're supportive of. On the, on the other side, we're a little worried when we read the fiscal note from the Department of-- it's hard to say Department of Transportation-- Department of Roads, Department of Transportation. We're a little worried that, that they're using so-- a lot of their share for, for grant mat-- for match to the federal funds so that the, the allocation wouldn't apply. But we would certainly be interested in continuing to discuss this issue. It's an important issue, and it's something that our members still

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

talk about 15 years later or so, but. Thank you. I would certainly answer any questions.

LINEHAN: Why did it ta-- I'm sorry. Questions? Why did it tank?

LASH CHAFFIN: In 2000-- it was either 2009 or 2010. I was trying to scramble my notes here. But it was in that time frame. It just-- the vo-- the votes weren't there. The, the Legislature got very complicated in the closing days, and it just--

LINEHAN: Well, that doesn't change.

LASH CHAFFIN: What a, what a surprise. And it ju-- it just didn't-- it just didn't move. And then, then at, at a certain point, Senator Fischer moved on and, and she was the-- she was the proponent of the, of the change.

LINEHAN: So she was trying to take some of it for sales tax-- or, some of it for General Fund, but she was also trying to make it up with this?

LASH CHAFFIN: They weren't exactly at the same time, but they, they sort of fell at the s-- yes, she was, but they weren't related.

LINEHAN: OK.

LASH CHAFFIN: She was working on the-- reforming the gas tax formula. And that was unrelated to her sales tax issue. So they overlapped, but they weren't-- I don't think-- you know, I don't want to speak for Senator Fischer, yeah, but I don't think she tied the two together. I think it, it just-- sort of happenstance is what hooked them together.

LINEHAN: So is the Department of Transportation able to raise the wholesale tax without the Legislature's involvement?

LASH CHAFFIN: I, I'm not sure. I think you'd need to talk to--

LINEHAN: Transportation.

LASH CHAFFIN: --one of the acc-- accountants from the Department of Transportation.

LINEHAN: OK. Senator von Gillern.

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

von GILLERN: Thank you, Chair Linehan. There was also-- I think it was Senator Jim Smith had a proposal to change the gas tax, and that would have been post what you're talking about. What was that proposed change?

LASH CHAFFIN: That was this, this concept.

von GILLERN: It was this? OK. All right.

LASH CHAFFIN: Yes. Yes, I-- yes. Senator Smith was very interested in it as well--

von GILLERN: OK.

LASH CHAFFIN: --and particularly since he was from the Sarpy County area where, where the highway needs are intense and expensive. So, yeah, I'd-- Senator Smith was very interested in it as well.

von GILLERN: So the-- at least the framework or, or the concept of what Senator Wayne's bill is talking about here is similar to, to what Senator Smith's bill--

LASH CHAFFIN: Yes.

von GILLERN: --was trying to do. OK.

LASH CHAFFIN: Yes. I would-- I say his was, was more detailed and-- but, but the, the concepts are, are similar.

von GILLERN: OK.

LINEHAN: But Senator Smith, they did raise gas taxes.

LASH CHAFFIN: They did, yes. They--

LINEHAN: Over, like, a 4-year period, right? Like a penny a year for--

LASH CHAFFIN: Yes.

LINEHAN: --4 years?

LASH CHAFFIN: Yes. He, he-- yeah, he viewed that is very important. He was--

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

LINEHAN: Yeah. And that would have been in-- I can't remember what year.

LASH CHAFFIN: Would've-- that-- well--

von GILLERN: '16, maybe.

LASH CHAFFIN: I was going to guess '15, '16 [INAUDIBLE].

LINEHAN: I think it was '15 because it was part of the next cycle.

LASH CHAFFIN: Yeah. That-- yeah. I would-- that-- Senator, that, that analysis is probably spot on, yes.

LINEHAN: OK. All right. Thank you for being here.

LASH CHAFFIN: Thank you.

LINEHAN: Appreciate it very much. An-- any other questions? I'm sorry. Thank you very much for being here. Are there other proponents?

CHARLES HAMILTON: He's neutral.

LINEHAN: Oh, he was neutral. I-- sorry. Thank you. Any other neutral? Well, got another one. Hi.

BETH BAZYN FERRELL: Hi. Good afternoon, Chairman Linehan, members of the committee. For the record, my name is Beth, B-e-t-h; Bazyn, B-a-z-y-n; Ferrell, F-e-r-r-e-l-l. I'm with the Nebraska Association of County Officials. I'm appearing neutral on LB50 for basically the same reasons that the league did. We definitely support the funding mechanism that goes into the highway allocation fund that counties receive, but we did have some questions about how this particular bill addressed that, as, as Lash pointed out. We do want to thank Senator Wayne for kee-- continuing to bring this issue forward because it is very important for counties. So I'd be happy to answer questions.

LINEHAN: Thank you very much. Are there any questions from the committee? You, you don't know more about the nitty-gritty of the sales tax, do you? I mean-- or, the gas tax, how it works.

BETH BAZYN FERRELL: I have-- sorry-- a copy-- have you seen a transportation funding chart that the Department of Roads puts out?

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

LINEHAN: I think I've seen it, but I never--

BETH BAZYN FERRELL: I, I'd be happy to either share this now with you or--

LINEHAN: Yeah, if you could leave that with the committee, that'd be hugely helpful. Thank you.

BETH BAZYN FERRELL: OK. I'll be glad to do that.

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

BETH BAZYN FERRELL: Thank you.

LINEHAN: Any other neutral testimony? Senator Wayne, you want to close? We had two letters, both opponents.

WAYNE: And-- first, I want to apologize to the committee. I-- usually I try to write bills a little more detailed, but less than 12 hours trying to figure out all my old bills that I kind of had to bring everything to the table and-- so I don't blame Bill Drafting. This was me. I just put something together to make sure the ideas are in front of this committee.

LINEHAN: It-- so you had this bill last year or two years ago?

WAYNE: Three years ago I think is the-- three years ago was the last time I brought it. And it was an increase of \$22 million the first year and \$66 million the following year.

LINEHAN: At the wholesaler.

WAYNE: The wholesaler.

LINEHAN: But it would get passed onto the retailer in the charge--

WAYNE: Theoretically, yeah.

LINEHAN: Yeah. OK. Any other questions for Senator Wayne? OK then. We'll close LB50 and we'll go to LB51.

WAYNE: Good afternoon, Chair Linehan. My name is Justin Wayne, J-u-s-t-i-n W-a-y-n-e. I represent Legislative District 13, which is north Omaha in northeast Douglas County. And I'll incorporate

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

everything I said in the opening on LB50. With that, this is a great bill. Senator Halloran brought it last year, and I thought, not quite double, 12%. We can start at 10% and go to 8%. And the biggest thing I would point out is the fiscal impact is almost \$2 billion for 10%. So even if we were to just do 1%, 2%, you're looking at \$200 million. And instead of spreading it all the way across a whole bunch of people who could be impacted, particularly middle income and low income, we're talking about people who can-- who could handle 1%. I probably wouldn't go 10%, but 1% or 2% for \$200 million for our state makes sense to me for property tax relief. And with that, I'll answer any questions.

LINEHAN: Do we have any questions?

MEYER: I'm just curious. So, so what would the reporting formula look like?

WAYNE: I'm not an accountant. I've never played one on TV, so I don't have an answer on that.

MEYER: This is what it's worth and this is what it's worth now and this is what you pay times eight. Then you sign off, of course. You got to be honest about it.

WAYNE: I just know when we balance the budget, we use fiscal notes. And this is a lot of money. The practicality of it, not my concern right now.

MEYER: Is, is there any reversal for capital losses?

WAYNE: We can, we can add that.

LINEHAN: Yeah. I don't care if that's uneven.

MEYER: Trying to get something.

LINEHAN: Yes, I wondered where you were, Senator Dungan.

DUNGAN: Thank you, Chair Linehan. The committee may or may not remember that I was very excited about this last year. For the record, I think Senator Halloran's bill-- yeah, raised \$3 billion, which I know-- I thi-- I think you said. But again, we're looking for revenue. I also thought it was interesting. We've had a lot of conversations

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

this week about other ways to judge wealth other than land. And so I thought this was an interesting proposition brought from that. So do you know-- are there any other states or anybody else that does this right now?

WAYNE: Actually, there are a lot of states that tax in this area. Not 10%, but there's only-- actually, capital gains tax in general, there's only four states that don't tax: Florida, Texas, and somebody-- two other states that don't tax it at all. We tax at the regular rate the, the actual realized gains. But I think this is a good concept. And again, I am trying to give this committee as many tools as I can to have this conversation.

DUNGAN: And there was currently, like, a federal proposal, I think, that was similar to this that is currently wrapped up in some litigation. Is that--

WAYNE: Correct.

DUNGAN: Do you know where that's at litigationwise?

WAYNE: I do not know where it's at litigationwise.

DUNGAN: Well, I appreciate you bringing all of the ideas to the table. So thank you, Senator Wayne.

WAYNE: \$1 billion.

DUNGAN: \$1 billion.

von GILLERN: OK.

LINEHAN: Texas doesn't-- oh, I'm sorry. Go ahead.

von GILLERN: Oh, I need to weigh in. Just a couple matters for clarity. You said there's some states that don't, don't have a capital gains tax. That's very, very, very different than unrealized capital gains--

WAYNE: Correct.

von GILLERN: --which you know. Very different.

WAYNE: I answered the que--

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

von GILLERN: Did I say very?

WAYNE: I answered the question that I thought he asked.

von GILLERN: As any good attorney would. And then secondly, Senator Halloran openly admitted that his bill was a metaphor, an allegory to demonstrate the improper notion of property taxes being charged on the value of a property that has capital gains but are not yet realized. So his was clearly designed to prove a point, and I trust that yours is also.

WAYNE: It, it is. And so what's taking longer in my committee right now is the reimburse-- is, is moving state em-- court employees underneath the Supreme Court. And so I didn't think it was going to take this long, but there's a lot of conversation about it. And then county jail reimbursement. \$200 million we can save by just reimbursing counties at the local level in property tax relief. \$200 million. So the purpose of this bill is we can't be locked into our same ways. We got to think outside the box. So yes, I'm-- I don't expect this committee to advance it, nor do I expect to prioritize it. But that's the point, is we got to think outside the box.

von GILLERN: Thank you.

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

MEYER: Have you entertained the notion of a surcharge on fishing licenses for Nebraskans? Because I-- that would be huge.

WAYNE: So I-- actually, I did. You know, there's-- a federal--

MEYER: You're covering all the bases.

WAYNE: So there's a federal requirement-- just the-- 20 seconds-- that part of what we-- we have so much land and fishing and-- based off of federal dollars that we can only raise ours so much to match out-of-state. So it has to be in kind of line. But, yeah, I did actually.

LINEHAN: Thank you, Senator Meyer. Any other questions? Seeing none, we'll see if there's any proponents, right?

CHARLES HAMILTON: Yeah.

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

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

ROBERT BELL: Good afternoon, Chairperson Linehan and members of the Revenue Committee. My name is Robert M. Bell. Name is spelled R-o-b-e-r-t. Last name is spelled B-e-l-l. I'm the executive director and registered lobbyist for the Nebraska Insurance Federation, the state trade association of Nebraska insurance companies. I appear today in opposition to LB51. I was also asked to add to the record the National Federation of Independent Businesses, NFIB, to the record in opposition. As you have heard, LB51 would tax unrealized capital gains of corporations and individuals. Nebraska insurers work hard to bring value and financial protections to their policyholders. The reserves, investments, and other assets held by insurance companies represent the promises made to their policyholders to provide protection when the worst happens. When this is done by spreading-- this is done by spreading risk among a large group of individuals or businesses and utilizing sound investment and business practices to keep the cost of insurance down. The taxation of unrealized capital gains of insurance companies' assets, whether tangible or intangible, would certainly make it more difficult for insurers to spread risk in a cost-effective manner to its policyholders and will drive up the costs of all types of insurance. For this reason, the Nebraska Insurance Federation respectfully opposes LB51. And I appreciate the opportunity to testify.

LINEHAN: Thank you very much, Mr. Bell. Are there questions for Mr. Bell? Seeing none. I want to thank you very much for taking this whole process seriously and showing up.

ROBERT BELL: You're welcome.

LINEHAN: It shows that you have some regard for the Legislature.

ROBERT BELL: We in the insurance industry have a lot of regard for the Legislature, thank you very much. Our industry is here in part because of the-- and we always talk about the premium tax. It's three reasons. Four reasons. I'll be brief. All right. Premium tax is important. The good regulation of the Nebraska Department of Insurance is, is also important. Our investment code is very important for the insurers. But also the working relationship that we have with the Legislature in passing good, sound regulation for insurance companies is, is vitally

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

important so that we can do business in all states. So I appreciate very much the legislative process, so. Thank you.

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

ROBERT BELL: You're welcome.

LINEHAN: Do we have other opponents? Do we have anyone wanting to testify in the neutral position? Senator Wayne, would you like-- oh. We have letters? Oh, wait a minute. I lost the letters.

CHARLES HAMILTON: Sorry.

LINEHAN: No.

CHARLES HAMILTON: I'm sorry.

LINEHAN: No, that's fine. It's fine. We had five letters for the record, all opponents.

WAYNE: I waive.

LINEHAN: You waive. That's very helpful. Thank you. Now we'll open the hearing on LB55. Justin-- excuse me-- Senator Wayne, could you just lift that off there? He's got it. Thank you.

WAYNE: Good afternoon, Chairwoman Linehan. My name is Justin Wayne, J-u-s-t-i-n W-a-y-n-e. And I represent Legislative District 13, which is north Omaha in northeast Douglas County. This bill is very similar to Blood's. There's a drafting error, but-- and I can tell you what that is as we go through it. So the amendment that I would have would be motor vehicles of \$100,000 or more. So basically, Section 2, where the additional tax would be, that would be the tax. So they-- not their fault. It was last minute on my part. But I think \$100-- \$100,000 for a motor vehicle. Part of the reason is minivans and suburbans are a little expensive now, and I still think those are working families' cars. And so-- but anything over \$100,000 I think there should be an additional fee. Jewelry, I had that-- I bumped that up to \$10,000 even though I think \$5,000 is enough. And clothing would stay \$1,000. So I do have aircraft at \$500,000 and watercraft at \$200,000. And again, the point is is if they're-- these are luxury items and we should be able to pay a little bit more if you have the ability to, so. Fiscal note really doesn't help. Other states do do

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

this: Illinois. I think Senator Blood's actually mimics the exact same thing in Illinois. And they do generate revenue, so.

LINEHAN: Any questions for Senator Wayne? Seeing none.

WAYNE: I do have to run to Judiciary to open on my next bill.

LINEHAN: OK. Are there any proponents? Are there any opponents? Anyone wanting to testify in neutral position?

CANDACE MEREDITH: Good afternoon. Name is Candace Meredith, C-a-n-d-a-c-e M-e-r-e-d-i-t-h. I am with the Nebraska Association of County Officials, and I'm the deputy director. Just real quick, we are neutral on LB3-- LB55, similar to LB8. NACO just recommends that if motor vehicle purchases that may be subject to a luxury tax be collected at the county treasurer to streamline the tax and fee collections on motor vehicles and just to ensure the docu-- documentation of those taxes are consistent, so. That's all I have. OK. If you have any questions--

LINEHAN: Thank you very much.

CANDACE MEREDITH: --I'd be happy to answer them.

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

CANDACE MEREDITH: Thank you.

LINEHAN: Letters for the record. We had-- letters for the records: 2 proponents, 5 opponents, and 0 neutral. So with that, we-- don't have a senator and we have one more bill. I wonder if his staff could come. Well-- OK. Let me ask this, somebody that knows the rules. Can I just sit here and wait and you guys can all get on with your lives? Because we're here. We've got a quorum, but we don't have to have a quorum-- I mean, I, I understand where he's at. You can't be in two places at one time.

DUNGAN: Do you want me to go check with his staff and see if somebody can come down here or have somebody else--

KAUTH: Have his staff open.

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

DUNGAN: Yeah.

LINEHAN: Yeah. Yeah. Because we've had this before. We had-- [RECORDER MALFUNCTION]

WAYNE: --get to go home early. Good afternoon. My name is Justin Wayne, J-u-s-t-i-n W-a-y-n-e. And I represent Legislative District 13, which is north Omaha in northeast Douglas County. This is a bill that I brought every year. And the purpose of this bill in this particular special session is, one, every state that actually has lowered their cigar tax has increased their sales and actually produced more revenue, and that's what the handout shows you. But more importantly, I also want the committee to make sure they understand cigars--

LINEHAN: Oh, wait a minute.

WAYNE: Am I on the wrong one?

von GILLERN: We're on LB55.

WAYNE: Oh.

LINEHAN: Yeah, I might have-- no, we just got done with LB55.

KAUTH: No. We just did that one. That was the one on--

von GILLERN: I'm sorry. I'm sorry.

LINEHAN: That's OK.

von GILLERN: I'm [INAUDIBLE]. Keep going.

WAYNE: I was on a roll there. I had something real profound to say and I--

LINEHAN: OK. You can start your time--

von GILLERN: My, my bad.

WAYNE: So anyway, where they've actually done this, they've increased sales and increased overall revenue. But also, I know the committee is looking at multiple things around cigarettes, vapes, and everything else. And I just want to make sure-- where the country is moving to across in other states is based off of health risk, not necessarily a

*Indicates written testimony submitted prior to the public hearing in accordance with the Legislature's guidelines on ADA testimony

flat tax on everything. So they're actually dividing up different types of risk, whereas cig-- cigarettes are taxed at one level and even vapes taxed at another level and cigars are taxed at a lower level. And so I want the committee to be mindful of that when crafting policy, that there is different health risks associated with different products and we probably should tax those differently.

LINEHAN: Are there questions from the committee? What do we tax them at now? I forget. Cigars.

WAYNE: I'm thinking about county jails right now. I can't really remember.

LINEHAN: OK.

von GILLERN: \$0.65 a bag, isn't it?

LINEHAN: OK. We'll figure it out.

WAYNE: OK.

LINEHAN: You need to go.

WAYNE: Sorry.

LINEHAN: OK. Let's just move along so you can get back to real things. Not that this isn't-- I know you believe a lot of these. Is-- do we have any proponents? Any opponents? Anybody in the neutral position? Letters for the record? We had 4 opponents and 0 proponents and 0 neutral. I think that was a waive on his closing. I think we're done for the day, which--