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Revenue Committee
February 21, 2007

[LB454 LB687 LB698]

The Committee on Revenue met at 2:30 p.m. on Wednesday, February 21, 2007, in Room 1524 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB454, LB687, and LB698. Senators present: Ray Janssen, Chairperson; Merton "Cap" Dierks, Vice Chairperson; Carroll Burling; Abbie Cornett; Chris Langemeier; Don Preister; Ron Raikes; and Tom White. Senators absent: None. [LB454]

SENATOR JANSSEN: Good afternoon, ladies and gentlemen. Welcome to the Revenue Committee. We're here this afternoon to hear three bills; LB454 by Senator White, LB687 by Senator Karpisek, and LB698 by Senator Fulton. I'd like to introduce the members of the committee that are here with us today. To my far left is Senator Burling and to my immediate left is Senator Cap Dierks, the vice chair of the committee. To my far right is Erma James, committee clerk. Senator White from Omaha is to her left. Senator Raikes from Lincoln is to his left. To my immediate right is George Kilpatrick, the committee counsel. Senator Cornett is on the telephone over there and I'm Ray Janssen, kind of the shepherd of this crew. We will need you to please turn off your cell phones if you have them in the room. Sign-in sheets, if you're going to testify on any of the bills, are by each back door. Have them filled out when you come up and drop them in the box right by Erma's desk, right in that box right there. And there are also clipboards in the back if you don't want to testify but you would like to indicate your support or opposition of that particular bill. Those sheets will be included in the official record. And we will follow the agenda as posted on the door. First we will take proponents, then opponents, and then those in a neutral capacity. If you have handouts, please provide 10 copies for the committee and the staff. If you have only the original, Marcus, who's our page, will see to it that he gets them copied and we'll all have one. With that, we will start the hearing today with LB454. Senator White, you have our undivided attention to tell us all about change of homestead exemption provisions. Senator White. [LB454]

SENATOR WHITE: Thank you, Senator Janssen, members of the committee. Thank you for the opportunity to present this bill. LB454 is introduced in order to amend Nebraska revised statute 77-3508 to provide for the blind to be included as individuals eligible for homestead exemption. Currently, only individuals over the age 65, certain disabled individuals who need the assistance of a prosthesis, and disabled veterans and their widows are eligible under Nebraska law to receive the exemption. Language in LB454 is borrowed from the definition utilized by the Internal Revenue Service in its determination as to whether or not an individual is blind. Essentially, this bill is introduced in an effort to add some rationality towards the determination of what is a disability. In my occupation I could lose arms, I could lose legs, and not lose earning power. If I lost my eyesight, however, I would be out of work. I think that we have a situation where the irrationality of claiming people who are not sighted, who are blind,

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are not disabled has prompted Douglas County to request that I introduce this bill and I do so. Any questions from the committee? [LB454]

SENATOR JANSSEN: Questions? Seeing none, thank you, Senator White. [LB454]

SENATOR WHITE: Thank you, Senator. [LB454]

SENATOR JANSSEN: We will take proponents first, those in support of the bill. [LB454]

MARY ANN BORGESON: (Exhibit 1) Good afternoon, Senators. My name is Mary Ann Borgeson, M-a-r-y A-n-n B-o-r-g-e-s-o-n. I am the chair of the Douglas County Board of Commissioners and here today to speak in support of LB454. And basically, it was really just what Senator White was talking about. We've had individuals who have appeared before our board of equalization that have been denied their homestead exemption, because blindness is not defined in law for them to be eligible for it. And so we're asking that the blindness be added to this bill and defined in law for them to be able to qualify for homestead exemption. And actually, the prosthesis issue of the bill with the individuals who are able to use their canes, we've looked at that as their prosthesis. [LB454]

SENATOR JANSSEN: Okay. Any questions? Senator Raikes. [LB454]

SENATOR RAIKES: A question about an action by the board, if this is correct, and let me allow you to correct me on this, the Douglas County Board granted an exemption for homestead to a blind person even though the statute, at the time, did not allow for such... [LB454]

MARY ANN BORGESON: Because of the use of the cane, we qualified that as a prosthesis. [LB454]

SENATOR RAIKES: So if that works, why would you need a change in the statute? [LB454]

MARY ANN BORGESON: So that we don't have them going through...right now if they go through and they're denied by the assessor's office or the state for eligibility, they can come and appeal to the board of commissioners. So if they're denied, if it's put on our board for denial of that homestead exemption, and it's denied because they're not defined in law, then they come before us and we've said that because of the use of the cane as a prosthesis we're using what the current law allows, but need it further defined--better defined. [LB454]

SENATOR RAIKES: But I would be wrong to suggest that you're going beyond the board, its appeal process has gone beyond what's allowed by law? [LB454]

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MARY ANN BORGESON: Well, not the way we're looking at it. The way we looked at it we just wanted it clearly defined in law so there wouldn't be that question. [LB454]

SENATOR RAIKES: Okay, thank you. [LB454]

SENATOR JANSSEN: Any other questions? Has anyone else applied for a homestead exemption? [LB454]

MARY ANN BORGESON: Anyone... [LB454]

SENATOR JANSSEN: Blind. [LB454]

MARY ANN BORGESON: Yes, we've had a couple of them over the years that I've been on the board. [LB454]

SENATOR JANSSEN: All right. And did they use a prosthesis? [LB454]

MARY ANN BORGESON: Not all of them, no. [LB454]

SENATOR JANSSEN: Could they? [LB454]

MARY ANN BORGESON: The white cane I would say is their prosthesis. [LB454]

SENATOR JANSSEN: Yeah. How could the board deny one and give the exemption to another then? [LB454]

MARY ANN BORGESON: I can't remember if we denied all of them if they didn't use the white cane. If they weren't using the white cane, I don't remember, to be honest with you, what we did. If they were using the white cane we termed it a prosthesis and granted them the exemption. [LB454]

SENATOR JANSSEN: Okay, thank you. [LB454]

MARY ANN BORGESON: Um-hum. [LB454]

SENATOR CORNETT: When you looked at this and decided to include the cane as a prosthetic device, do you want us to define what a prosthetic device is, because are we going to overlap then into...is it your intention to overlap into the hearing impaired and hearing aids and other types of disabilities? [LB454]

MARY ANN BORGESON: No, I can't say that. I'm just saying that we've never had anybody with those issues come before us, just the individuals who have been denied

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due to blindness. [LB454]

SENATOR CORNETT: If they did, would you consider it reasonable and fair that you would have to include them? How could you distinguish? [LB454]

MARY ANN BORGESON: I don't know. That's a good question. [LB454]

SENATOR CORNETT: I don't see the logical distinction between the two unless we limit what a prosthetic device is. [LB454]

MARY ANN BORGESON: I don't know. I really can't answer that. I don't know what we would do on that. [LB454]

SENATOR CORNETT: Okay, thank you. [LB454]

SENATOR JANSSEN: Any other questions? Seeing none, thank you, Mary Ann, for being here today. [LB454]

MARY ANN BORGESON: Okay. [LB454]

JACK MINDRUP: Good afternoon. My name is Jack Mindrup, J-a-c-k M-i-n-d-r-u-p. [LB454]

SENATOR JANSSEN: Okay. You go right ahead, Jack. [LB454]

JACK MINDRUP: Okay. I brought with me...first of all, the question that you asked about what's the difference between a hearing aid is mobility. A prosthesis instrument is used for mobility purposes and that's the keyword. A hearing aid would not be used for mobility. [LB454]

SENATOR JANSSEN: Okay. [LB454]

JACK MINDRUP: I brought some sleep shades and I'd like to have you put them on so we can have a simulation of blindness without really being blind, and put them on and then...all right, thanks. [LB454]

SENATOR JANSSEN: I'll tell you what, rather than using those, if each member of the committee would just hold something up in front of your eyes, it will do the same thing for you, okay? And we're not supposed to use those kinds of things during the hearing. [LB454]

JACK MINDRUP: I see. [LB454]

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SENATOR JANSSEN: All right. [LB454]

JACK MINDRUP: All right. [LB454]

SENATOR JANSSEN: And I hate to set a precedence by allowing that to happen. [LB454]

JACK MINDRUP: Okay. [LB454]

SENATOR JANSSEN: You can do as you please. You go ahead with your testimony. [LB454]

JACK MINDRUP: All right. With your eyes closed and covered up, however you have it, I wish you to take a moment and just imagine yourself being blind and that you would not be able to open up your eyes and remove any apparatus so you could see. And if you stop and think about, at this point what would happen to your life? How would you leave the chambers here and go back to your own offices? And how would you go home? How would you find the stairs to go up or to go down? How would you avoid falling into manholes or construction sites? The blind use an instrument called the white cane and they use that in several ways. They use it for tapping out for sounds and it also tells them whether there's a hole or steps that are in front of them or whether there's a barricade. And it also alerts the public that there's a blind person and that they may be walking across the street or walking down the street. And so it alerts others as to what's going on. But it's a safety margin. If you didn't have the white cane, where would you go? How would you get to and from work? How would you get on the bus? How would you commute to your office, even within the state capitol here? How would you commute down the halls without the white cane? You can relieve your eyes now. I hope I've made my point that the white cane is a prosthesis instrument and without it the blind would not have mobility. They would not be able to go around and get around. The blind also are faced with a 78 percent unemployment. We're the only group in the country, in the nation, that faces that kind of unemployment. And if we didn't have that unemployment factor we would be able to make substantial gainful employment and be able to pay our way, but that's not what's available. The jobs are really just not there. And if you stop and think about it that I lost my sight seven years ago and it was overnight, and I had just got my daughter through college, and I was in the process of, as a real estate investor, and I bought and sold real estate. I renovated them and I did most of my own work from plumbing to carpeting and etcetera, and that all changed overnight. I still have a real estate license, but I have yet to sell a home because of the stigmatism that people have about blind. And I have tried it for two years and I had a partner that was sighted. I held open houses, new construction. And none of it resulted in an earned income. I think I got maybe one sale out of a two year trial and it's very expensive to run a real estate business. I used to be an exterminator. I ran my own pest control business. And consequently all of that is...you know, I have the knowledge, but I

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don't have the sight to do it. And then there's the stigmatism that we're limited as to what we're capable of doing from the onset. And I had applied at the county board as using the prosthesis instrument to be included--well, the white cane to be included as a prosthesis instrument, and it is because it is for mobility purposes. And I was approved. Now when the original bill was first written, and my information that I have gathered is that the application and the county treasurer used to include the cane, and so that allowed a lot of people to apply and they were accepted in the property tax exemption bill. Somewhere along the line and in the last three, four years, the cane was removed from the application, and then the Assessor's Office started denying a white cane as not being a prosthesis instrument. And I don't know how that came about. And so that's all I have to say. Got questions? [LB454]

SENATOR JANSSEN: Okay. Any questions? Jack, how many blind citizens are in the city of Omaha? Would you have any idea? Do you have a registry? [LB454]

JACK MINDRUP: No, no. I would estimate somewhere in the neighborhood of...well, I would say 3,000-4,000. [LB454]

SENATOR JANSSEN: 3,000-4,000 people in the city of Omaha. [LB454]

JACK MINDRUP: And that's strictly a guess. [LB454]

SENATOR JANSSEN: Okay, all right. [LB454]

JACK MINDRUP: And that's strictly a guess. It really is a guess. But not everyone owns a home. [LB454]

SENATOR JANSSEN: That's true. [LB454]

JACK MINDRUP: Not everyone owns a home. And, you know, when you lose your sight at an early age, you adapt. It's like anything else. When you go into something new at an earlier age the easier it is for you to adapt, adjust, and become educated. So those that are blind at an early age go through school, go through high school, go through college, get B.A.s, get doctor's degrees, and they usually do quite well. Although, I do know individuals who have degrees that are still unemployed and are unable to find a job, which is amazing. But the other thing is that if you lose your sight at sometime later in life, especially in the middle later years, you don't have your mortgage paid for, your income is suddenly cut off, and it's locked into what SSDI will provide, which a lot of times is not enough to make the living. You're barely at the minimum wage factor--you know, the low-income factor. And so the bill will help these people keep their homes rather than move into your government type of housing. And those kind of housing like the HUD housing and things, they're putting in criminals. They're putting in felons, murderer, drug addicts, drug dealers. These are people that, you know, I don't want to

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live with those kind of people and that's what most of them are filling their apartments with in the HUD housing, the government housing. And the people, you know, they need some assistance and with your income guidelines that...you know, we're not asking for adjustments on the guidelines, because it's only for those that aren't able to find a job and need to keep their home and they were faced with overnight--well, not necessarily overnight, but at a later age--blindness. At 54, there's a lot of things I could do. I did some college and things, but I never got a degree. I was never interested in a degree. I did fine otherwise and 54 is a little late to start, I think. [LB454]

SENATOR JANSSEN: Good. Any other questions? Abbie. [LB454]

SENATOR CORNETT: Mr. Mindrup, just a quick question. You said that the county assessor was originally including the cane as a prosthetic device. [LB454]

JACK MINDRUP: It was on their application, yes. It was cane. It didn't have white cane. It was cane. And so when the people would apply they would take that as to be something else besides a walking cane, like a white cane for the blind. And there was a lot of blind people that were accepted on that basis, but again, somewhere along the line that word was removed from the application and nobody knows why. [LB454]

SENATOR CORNETT: Okay. Thank you. [LB454]

SENATOR JANSSEN: Okay. And this was on the county application or the state? Was it the county? The county application. [LB454]

JACK MINDRUP: Well, yes. And I don't know if it was on the others. [LB454]

SENATOR JANSSEN: I don't know if the state has one. Do they? [LB454]

JACK MINDRUP: I don't know. [LB454]

GEORGE KILPATRICK: The state has a form, yeah. [LB454]

JACK MINDRUP: I don't know if you have...is it a uniform application? [LB454]

SENATOR JANSSEN: The state does have a form. [LB454]

JACK MINDRUP: Okay. Okay. [LB454]

SENATOR JANSSEN: Okay. Any other questions? Thank you, Jack, for being here today. [LB454]

JACK MINDRUP: Well, thank you. Thank you very much. [LB454]

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SENATOR JANSSEN: Next proponent. Is there anyone else who would wish to testify in favor of LB454? Seeing none, is there anyone in opposition? Anyone in opposition? Anyone in a neutral capacity? Seeing none, Senator White would you like to close? Senator White waives closing and that ends the hearing on LB454. Senator Karpisek is here. LB687, Senator. [LB454 LB687]

SENATOR KARPISEK: Thank you, Chairman Janssen, Revenue Committee. My name is Russ Karpisek, R-u-s-s K-a-r-p-i-s-e-k, and I represent the 32nd Legislative District. I'm here today to introduce LB687 which defines the term household income for the purpose of homestead exemptions. I'm going to try to walk through this, because I've had a tough time trying to figure out the definition here. We would eliminate the provision that includes or adds to the calculation any social security or railroad benefits to the extent excluded in the computation of gross income for federal income tax purposes. Now I know all of you are probably right along with that, but just in case...federal income tax, you know, you have your wages, your state income, social security, and railroad. Or I'm sorry. Federal is just federal. See, I'm mixing it up already. Defining household income we have our federal, our state, and then social security and railroad interest on there also. This bill would exempt the social security and railroad to try to make it easier for people to get the homestead exemption. Last year this committee supported a change for lowering the income for the homestead exemption, and I want to thank you for that. I know that was a big step. I feel that we as a state are losing many of our middle to lower income retirees to surrounding states with lower property taxes. I do not always agree that Nebraska is a high tax state as we always hear. We hear over and over, but I do agree that we are a high property tax state. The reason I'm bringing this bill with a fiscal note of almost \$16 million is that I feel the middle class of our state is being squeezed. I also disagree with the number on the fiscal statement, but I think I have some people behind me that will try to follow up on that. Although this is a big fiscal note, I feel that the income revenue would far outweigh this cost. If we could import or retain people with an income of \$40,000 per year, it would not take long to make this up. Another issue we keep hearing about is keeping people in their homes longer to try to get our medicare down. This would help the state and especially local economies to keep people in their homes to buy around their homes. If people keep leaving because of high property taxes we are going to have more expenses to split over less population. Again, there will be testimony following my opening that will give better stats and examples, but if I can answer any questions now I would be glad to. [LB687]

SENATOR JANSSEN: Don. [LB687]

SENATOR PREISTER: Senator Karpisek, your goal is to allow more people to be able to qualify for the homestead exemption. [LB687]

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SENATOR KARPISEK: Correct, by eliminating the... [LB687]

SENATOR PREISTER: And your method of doing that then is to not count social security as part of their income... [LB687]

SENATOR KARPISEK: Correct. [LB687]

SENATOR PREISTER: ...and to be fair, you're wanting to add railroad retirement because railroad retirees don't get social security. [LB687]

SENATOR KARPISEK: Social security, correct. [LB687]

SENATOR PREISTER: So that's the rationale then? [LB687]

SENATOR KARPISEK: Yes, that is on that. Yes. [LB687]

SENATOR PREISTER: Okay. All right, thank you. [LB687]

SENATOR JANSSEN: Ron. [LB687]

SENATOR RAIKES: Russ, a question about maybe equities. Suppose you and I both have some outside income that produces \$15,000 a year, \$12,000 a year... [LB687]

SENATOR KARPISEK: There we go. (Laughter) Plus all you can eat. [LB687]

SENATOR RAIKES: ...but it turns out that I have twice as much social security income as you do. Would it be right for me to get a homestead exemption on the basis of that and you not? [LB687]

SENATOR KARPISEK: We still do have some numbers in here on the...I'm going to let Mark Intermill interject on that one, but... [LB687]

SENATOR RAIKES: Okay. All right. [LB687]

SENATOR KARPISEK: We will let him tell you. [LB687]

SENATOR RAIKES: All right. [LB687]

SENATOR KARPISEK: Thank you, Senator Raikes. [LB687]

SENATOR JANSSEN: Any other questions? Seeing none, thank you, Russ. [LB687]

SENATOR KARPISEK: Thank you. [LB687]

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SENATOR JANSSEN: Proponents. [LB687]

ROBERT COURTNEY: (Exhibit 2) Good afternoon, Senator Janssen and members of the Revenue Committee. My name is Robert Courtney, R-o-b-e-r-t C-o-u-r-t-n-e-y, and I am a volunteer statewide advocacy coordinator and a registered lobbyist for AARP Nebraska. Mr. Intermill and I are going to share testimony today if you concur on that, because he has the numbers and is more familiar with them than I am. I also volunteer for Saline County Eldercare and represent Saline County on the Lincoln Area Agency on Aging advisory board. I thank you for the opportunity to speak to you today and I appear before you in support of LB687. Last year, this committee supported a change to the homestead exemption which increased the home values for both the maximum exemption and the maximum value for homes that qualify for the exemption and I thank you for that. Many, many very low income elderly and handicapped people have been really assisted by that this year. I help do homestead exemptions and I'm where the rubber meets the road. Let me tell you, those folks have really appreciated those efforts. I have a personal experience to relate that's relative to Senator Karpisek's statement on keeping retired middle income residents in the state. I'm retired from the Nebraska Air National Guard. Many of my fellow retirees from both the Army and Air Guard leave Nebraska for a medium sized housing area bordering a private lake in Missouri. Their property taxes there are in the hundreds of dollars per year compared to the thousands of dollars per year here. These folks are drawing retirement pay from \$35,000 to \$50,000 per year and sometimes even more than that. Most are well-educated and very professional people. Would they stay in Nebraska if the tax structure was changed? They say yes, they would. If the income guidelines for the homestead tax were relaxed this may sway some of those folks to stay. Saline Eldercare provides volunteers to assist the Saline County assessor's office in helping the elderly and disabled persons submit their homestead applications and I'm one of those volunteers. Currently the maximum income for married households over 65 is \$34,500, and for single it's \$29,300. For disabled persons of any age, the married amount is \$37,200 and single is \$32,201. Governor Heinemann stated in his State of the State address that we must reduce taxes for middle income families. LB687 will reduce the household income amount so that more middle income property owners may qualify for this exemption. This will be done by excluding social security and Tier I railroad retirement--only Tier I--which is the railroad's portion of social security. Tier II is a regular retirement. It's broken out in two separate tiers. And the benefits are going to be excluded to the extent in the computation of gross income for federal income tax purposes. Currently, based upon your income other than social security, you either have zero social security taxable for the very low income, you have 50 percent for those just above that, and you have 85 percent for those above that figure. Currently, this last year my income tax, I paid income tax on 85 percent of the social security that I earned. So not 100 percent of the social security would be reduced for taxation under this bill. Only the portion that you had to pay that was not taxable under the federal laws. I'll go ahead. [LB687]

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SENATOR JANSSEN: Any questions? [LB687]

ROBERT COURTNEY: Yes, sir. [LB687]

SENATOR JANSSEN: Any questions? [LB687]

ROBERT COURTNEY: Oh, I have more testimony, sir. I'm sorry. [LB687]

SENATOR JANSSEN: Oh, I'm sorry. I thought you were done. [LB687]

ROBERT COURTNEY: I'm sorry. [LB687]

SENATOR JANSSEN: I thought you were done. [LB687]

ROBERT COURTNEY: No. [LB687]

SENATOR JANSSEN: I thought you were done. You go right ahead. [LB687]

ROBERT COURTNEY: This change will have no affect on the low income elderly and disabled as their total income is below the minimum amount in the current law. Also, this change will have no effect on most incomes higher than \$50,000 except those with extraordinarily high medical expenses, as their incomes exceed the maximum allowed by current law. This is the first year that we've ever--myself--we've ever qualified for a homestead exemption. My wife, Joanne (phonetic), who is with us today, is handicapped. Last spring it was decided that she needed to have an electric wheelchair to provide mobility for her safe mobility. This forced us to purchase a handicapped accessible vehicle to transport her. The conversion of this van cost \$18,250. That's a lot of money, but it is deductible as medical equipment. I did not have to pay state sales tax on that. It's deductible as medical equipment through the federal government on my income tax, and it's also, according to the state of Nebraska, which I checked with the Department of Revenue, deductible for homestead exemption. This reduction gave us a 70 percent exemption in our property taxes. Using last years assessed value and tax rate that equated to a reduction of \$907. To be able to afford the van we had to redeem most of our Series EE savings bonds. Due to the interest earned we were forced to pay taxes on our social security at the 85 percent rate. If LB687 was in effect our income would have been lowered by \$6,508 which would have allowed a 100 percent reduction in our property tax. This would have saved us an additional \$389 and helped offset the additional amount of federal tax that we had to pay on our social security, which we would not have had to do had we not had the interest on those savings bonds. We at AARP Nebraska received an increasing number of telephone calls concerned with income requirements of the homestead exemption law and requesting our assistance in advocating change. While volunteering with the county assessors, I have the

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opportunity to deal directly with individuals and families that have difficulty in paying their property tax. LB687 will assist those middle income taxpayers to remain in their homes longer and reduce the likelihood of their requiring Medicaid to pay for their care in later life. The state of Nebraska has historically protected the homesteads of retired and handicapped individuals on a fixed income and Senator Janssen, I urge the committee to continue this protection and move LB687 to the full Legislature for their consideration. I'd be glad to answer any questions if I can. [LB687]

SENATOR JANSSEN: Any questions? [LB687]

ROBERT COURTNEY: Mr. Intermill can finish our testimony. Thank you, Senator. [LB687]

SENATOR JANSSEN: Oh, okay. All right. [LB687]

MARK INTERMILL: (Exhibit 3) Thank you, Mr. Chairman. My name is Mark Intermill, M-a-r-k I-n-t-e-r-m-i-l-l, and I'm here representing AARP. When we looked at this issue it was not our intent to bring a proposal to you that cost \$16 million. We, as Mr. Courtney said, hear from a number of our members who are struggling with property taxes and are looking for some degree of relief. What we did in this particular proposal is we are trying to identify ways that would provide some relief for individuals without, what we thought would be a large cost, was to look at the portion of the social security income that's included in the calculation of the homestead exemption and remove that portion that is added back in. When a person applies for a homestead exemption they take their 1040 return, the income on that, and then add back in the amount of social security that is exempt from the federal income tax. There are two factors that could lead to increased cost as a result of this proposal. First, more people would be eligible for the homestead exemption. And the second is those who are currently eligible may move into a different exemption bracket. As we see, and we've tried to run a couple of different types of examples of individuals who might benefit from this, and what we see is that effectively the maximum income that a person would be able to have and still qualify for the homestead exemption would be that amount of income at which 85 percent of social security benefits are taxed, and that's \$34,000 for a single person and \$44,000 for a couple. If you look at our current homestead exemption program and the eligibility is \$34,500 for a couple, \$29,300 for a single person, but you also have to take a look at the medical deductions that can be added back in and I have the average in my statement; \$7,555 for a couple and \$4,011 for a single person, which makes the effective...if you add the average medical deduction plus the maximum household income is about \$33,311 for a single person and \$42,155. Which is not too much different than what we would look at at the 85 percent social security taxation rate. We thought this would help. Some people would move the income levels up somewhat, but probably what we saw as being more helpful to individuals would be the opportunity by exempting the social security income that's not taxable, we would increase the amount

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of the eligibility for some of the lower income individuals. But even in looking at that, if we looked at all of the individuals who had...if we placed everybody who was eligible at 100 percent exemption that would have increased the total income or the total cost of the program by about \$4.2 million, and that's assuming that everybody--the 25, the 40, and so forth--would have been at that 100 percent exemption level. So we hope to talk to the folks that put the fiscal note together to see where our figures don't jive and we're anxious to do that, but I just wanted to let you know it wasn't our intent to bring a \$16 million program to you today. And with that, I'd be glad to try to answer any questions the committee might have. [LB687]

SENATOR JANSSEN: Any questions? Mark, I have one. Would you support Senator Engel's bill to recoup the property tax if this bill was advanced? [LB687]

MARK INTERMILL: I think my concern about Senator Engel's bill is that it would change the nature for the lower income individuals of the homestead exemption from a circuit breaker type program to a tax deferral. Now if we were looking at those individuals who would be eligible as a result of this bill, it may be appropriate to have that type of a provision. If we're expanding eligibility, that would be something that we would certainly be willing to talk about. But for the lower income individuals, that's where we have a little bit more difficulty in having the repayment for those individuals who have been receiving an exemption that it's a little bit different situation for those folks. [LB687]

SENATOR JANSSEN: Well, they wouldn't have to pay that back. Only after they were gone. [LB687]

MARK INTERMILL: Or if they moved into a care facility. [LB687]

SENATOR JANSSEN: Yes, that's true. Okay. Any other questions? Don. [LB687]

SENATOR PREISTER: Earlier Senator Raikes was talking about disparity of income. The problem here, as I see it, is that there is differing amounts of social security, differing amounts of railroad retirement. So you're not creating an equal totally fair system with that kind of disparity. You're actually getting away from that, but you chose to do that rather than just increase the total amounts, and you talked a little bit about that. I think what you said was you were just trying to get more people to qualify, but maybe I didn't understand your rationale, because it doesn't seem fair doing it this way, which would be a concern. [LB687]

MARK INTERMILL: Okay. The only social security that this would address would be that that's not taxable under the income tax system. So we have individuals with \$34,000 are paying taxes on 85 percent of their social security. So 15 percent of that amount would be considered in the homestead, but not the income tax. So those individuals who have higher incomes would have a smaller portion of their social security that would be

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reduced as a result of this. Social security is taxed at a zero percent, 50 percent, and 85 percent level depending on your income. And the lower the income, the less that you would be put back into the calculation for the homestead exemption. So it would be kind of directed towards those individuals who have a lower income overall. [LB687]

SENATOR PREISTER: Okay, thank you. [LB687]

SENATOR JANSSEN: Any other questions? I don't see any, Mark, thank you. [LB687]

MARK INTERMILL: Thank you. [LB687]

SENATOR JANSSEN: Any other proponents? Anyone else in support of LB687? Any opposed? Opponents? Anyone in a neutral capacity? Seeing none, Senator Karpisek? [LB687]

SENATOR KARPISEK: I'll just make this brief. Obviously, it was a little bit over my head. So anyway, thank you for your time and being a freshman senator, can we go back to the fiscal office and plead our case and regive you another chance, whether it's \$4 million or \$16 million, it may not matter to the committee, but... [LB687]

SENATOR JANSSEN: You can argue that point with them. That's your privilege. [LB687]

SENATOR KARPISEK: Okay. [LB687]

SENATOR JANSSEN: All right? [LB687]

SENATOR KARPISEK: All right. Well, I appreciate your time and... [LB687]

SENATOR JANSSEN: It was a pleasure and an honor to have you with us today. [LB687]

SENATOR KARPISEK: Oh, well thank you very much, Senator. (Laughter) [LB687]

SENATOR JANSSEN: That ends the hearing on LB687. Senator Fulton with LB698. Senator Fulton here? We'll stand at ease until he gets here. Senator Fulton has arrived. You've got the golden chair there, Senator. [LB698]

SENATOR FULTON: Okay. Thank you, Chairman Janssen, members of the Revenue Committee. For the record, my name is Tony Fulton, F-u-l-t-o-n, and I represent the 29th Legislative District. I appear before you today to introduce LB698. LB698 is derived from the basic principal that Nebraskans who pay taxes ought to be able to know what these taxes are and for what purpose they are levied. The bill proposes a simple,

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accessible one-line summary of the taxes Nebraskans pay based on the situs of their taxable property. This information could eventually be accessible online. At least this is long-term, this is my intention, have this information be accessible online through the Department of Revenue's website. This summary would be produced by and accessed through the Nebraska Department of Revenue working in conjunction with other county and municipal taxing authorities. And I propose the Department of Revenue undertake this effort as it is the most logical source, in the public mind anyway, for this sort of information. It is my understanding now that the folks in the Appropriations Committee are not particularly in the appropriating mood these days and so it is my intention to effect this bill without an appropriation necessary. So I am working to that effect and have been working to that effect with Cathy Lang and others within the department to insure that the intention of LB698 can be achieved and is achieved without the appropriation of additional funds. Many taxpayers are unaware of the taxes they pay and I include myself in this category. We take home paychecks without fully recognizing the income tax that we've paid because it's withheld. We often pay our property taxes through an escrow account not fully aware of the amount of property tax that we pay. Not a lot of people pay attention to that sheet that we get once a year from the counties. We buy things without paying attention to the sales tax we pay and it is my hunch that we citizens have become desensitized to the amount of tax money we each pay in our daily lives. I submit LB698 because I believe it serves a public interest by increasing government transparency regarding taxation. When we educate and inform taxpayers about the money they pay, I believe they are more likely to scrutinize and pay attention to the money we spend. And this ultimately is what drives me to introduce this bill. I look forward to working with the committee and the Department of Revenue in implementing this measure without increased appropriations and I'd be happy to answer any questions that the committee might have at this time. [LB698]

SENATOR JANSSEN: Senator Langemeier. [LB698]

SENATOR LANGEMEIER: Thank you, Chairman Janssen and Senator Fulton. On your testimony there you said people pay their homeowners tax with their escrow payments yet they don't go look at their escrow statement they get once a year. They pay sales tax and you said that they don't recognize what they pay for sales tax when it's on the receipt they get, they walk out the store with. And income tax, most of them have a stub that says it on there. What makes you think they'd go to a website and just look it up today? Nothing to do tonight or... [LB698]

SENATOR FULTON: Well, this is...I'm operating in the realm of theory right now and so I'll ask you to put yourself into the situation. When folks are out campaigning for reelection or election, taxes are oftentimes something that's brought up and it's not easy to point to several different things where one can accumulate all of the taxes that he or she pays. I envision this being a tool that can be used by people running for office as well as the people who are going to be electing people to office as a summary of the

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taxes that exist. My sense is that we are inundated so much with information such that we don't keep track of--in this particular case--taxing issues. The amount of tax that people pay. And this comes from personal experience, I guess. Just after I was appointed, my family and I had purchased a used van--we do it that way--and I'm trying to budget how much money we're going to spend. And so I wanted to find out how much wheel tax we were going to pay, how much for licenses fees and whatnot, and I spent hours trying to find the information, and this is where the idea came to me. Why don't we have a summary of all the taxes? A place that's centralized, that's easy to access, and then we can promote it whatever way we choose, but we first have to have that tool. And in doing my research, talking with the Department of Revenue, that doesn't presently exist, at least not in a simplified form. So that's where I'm coming from. [LB698]

SENATOR LANGEMEIER: Okay, thank you. [LB698]

SENATOR JANSSEN: Any other questions? Ron. [LB698]

SENATOR RAIKES: Tony, should this information logically include all the services you get then, too? [LB698]

SENATOR FULTON: I suppose that could be argued, but that's not my intention right now. Maybe we could tie that some way in the future, but right now I think that's part of the problem is that there's information overload. Maybe I'm wrong about this, but my sense is that folks don't understand the taxes they pay. They don't understand how much they pay and they're certainly not going to pay attention to what it gets used on if they don't even recognize what it is that they're paying. So I suppose that it could be in the future tied to...these property taxes are used to pay for a certain percentage for schools, for the cities, for the counties, for jails, what have you, but that's the topic of another bill. My intention here is to get a summary of the taxes that are levied in Nebraska. [LB698]

SENATOR RAIKES: Okay. [LB698]

SENATOR JANSSEN: Any other questions? It would be interesting, though, Senator, if you could get a summary of the taxes you're paying and also your portion of receipts from schools, police protection, fire protection, streets, things of that nature. You know, so if you could sit there and weigh out what you're getting and what you're receiving, and what you're paying. And I imagine that could be done. [LB698]

SENATOR FULTON: I think the information, it exists out there but corralling all of the information, therein lies the rub. So I've been working with the Department of Revenue and I just appreciate the opportunity to keep working with them. [LB698]

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SENATOR JANSSEN: But you know if you would work both sides against the middle there, that would give you a better picture, too. Any other questions? Seeing none, thank you, Senator. We take proponents first. Proponents of--I'll put my glasses back on so I can read the number of the bill--LB698. Seeing none, any opponents? Any opponents? Anyone in a neutral capacity? I don't see the Department of Revenue moving up here. With that, Senator Fulton would you like to close? He waives closing. That ends the hearing on LB698 and ends the hearings for the day. [LB698]

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Disposition of Bills:

LB454 - Held in committee.
LB687 - Indefinitely postponed.
LB698 - Indefinitely postponed.

Chairperson

Committee Clerk