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Revenue Committee  
February 23, 2007

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[LB32 LB429 LB494 LB575 LB582]

The Committee on Revenue met at 1:30 p.m. on Friday, February 23, 2007, in Room 1524 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB429, LB575, LB494, LB582, and LB32. 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. [LB429]

SENATOR JANSSEN: Good afternoon, ladies and gentlemen. Welcome to the Revenue Committee. I'm Ray Janssen. I represent the 15th Legislative District. And the rest of the committee is Senator Carroll Burling to my left, Senator Tom White on my far right, Senator Chris Langemeier, and Senator Ronald Raikes, I believe it is. Yes, it is. Legal Counsel is George Kilpatrick. We're missing a couple more. They'll be joining us in a minute or two. And our page is Marcus over there. There are testifying sheets by each door. So if you're going to testify on a particular bill, please make sure you have those filled out, and when you come up to the testifier's table drop them in that little box right in front of the committee clerk. If you have any cell phones make sure you turn them off while you're in the room. It's very annoying when they go off. Especially if you're trying to listen and somebody's cell phone goes off and your attention goes over there. So we did the sign-in sheets. There are clipboards in the back if you want to say that you were here and don't want to come up to the testifier's table. You can state your opinion on those and drop them in that box also. We will follow the agenda that's posted on the door. With that, Senator Synowiecki is here. I believe we'll start the hearing so we don't run too late today. Welcome, Senator Synowiecki. You're here to explain to us LB429. Senator Preister has joined us...has come in the door. [LB429]

SENATOR SYNOWIECKI: Senator Janssen, members of the committee, I am John Synowiecki. I represent District 7 in the Legislature. Today I'd like to introduce LB429 which provides that sales and use tax shall not be imposed on the gross receipts from the sale of museum memberships. Last session, the Legislature exempted art purchases by museums. This bill additionally attempts to clarify this previous legislation by including sales and use tax exemption for purchases of fine art to also include items related to the live production of performing arts. In current statute, museum is defined as an institution operated by a nonprofit corporation or a public agency, primarily for educational, scientific, historic preservation, or aesthetic purposes in which owns, borrows, cares for, exhibits, studies, archives, or catalogs properties, studies, or present visual or live performing arts. The definition of museum includes, but is not limited to, historical societies, historical sites, or landmarks, parks, monuments, libraries, zoos, and community or professional theater with live performances. This legislation is aimed at addressing the underfunding of the creative, visual, and performing arts of Nebraska, and to make the state more competitive in these areas. Other nonprofits in Nebraska such as educational institutions and religious organizations are exempt from payment of

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Revenue Committee  
February 23, 2007

---

sales on purchases. In addition, Iowa, Colorado, Kansas, Minnesota, Missouri, and Oklahoma exempt all art work purchases by nonprofits from state sales tax. Iowa, Kansas, Minnesota, and Oklahoma also exempt either membership fees or admissions or both for nonprofit arts organizations. This bill would not exempt admissions. It is my goal to capture revenue from the public that we can attract--especially those coming from other states--but to provide relief for those important volunteers who volunteer time and money to help us keep the doors open and further develop these wonderful venues. Last year, I brought similar legislation to the committee, and although we didn't get the bill passed in its entirety, I greatly appreciate the initial step the committee was willing to take in exempting sales and use tax on the purchase of fine arts by museums. Museums and cultural offerings like community theaters are among Nebraska's most popular tourist attractions. As some of my colleagues have heard me say before, tourism is an area in Nebraska that we need to invest in. We can grow this area of our economy which, in turn, will help bring us more dollars into the state coffers. As a member of the Appropriations Committee, I am all too aware of the growing demands placed on the state. I also want to work with this committee to find ways to grow revenue so as to ensure that we have the dollars to fund important programs. The legislation before you represents a substantive step in enhancing our partnerships with our communities across the state who are trying to further develop the arts and promote tourism in Nebraska. There will be individuals testifying after me that can provide more in-depth analysis of the impact of this proposed legislation including a most interesting guest who will provide you a very brief peek at how effective it can be to bring performing arts into the schools and to help teach a bit of our history. I greatly appreciate your time today. I would ask that you consider favorably this legislation as I truly believe it will help us grow this industry, provide educational opportunities, and enhance Nebraska's image and quality of life. Thank you, Senator Janssen and members of the committee, and ask that you give full consideration to the bill. [LB429]

SENATOR JANSSEN: All right. Thank you, Senator Synowiecki. Are there any questions? I don't see any. Are you going to stick around, John? [LB429]

SENATOR SYNOWIECKI: Yeah. [LB429]

SENATOR JANSSEN: Okay. Good. Okay. We'll take proponents first, then followed by opponents, and then those in a neutral capacity. We will start with proponents of LB429. I might add that we have Senator Abbie Cornett has joined us. I'm sorry, Abbie. [LB429]

SENATOR CORNETT: I'm teasing. [LB429]

SENATOR JANSSEN: I was trying to think of what this fellow is going to say his name is and my own, and then I had to think of yours. Good afternoon. [LB429]

TIMOTHY SCHMAD: (Exhibit 1) Good afternoon. Mr. Chairman, members of the

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Revenue Committee  
February 23, 2007

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Revenue Committee, my name is Tim Schmad, S-c-h-m-a-d. I am here representing the Omaha Community Playhouse and the Nebraska Association of Community Theatres and am testifying in support of LB429. And I do have copies here to enter into the record, letters of support from the Omaha Children's Museum, from the Nebraska Arts Council, and the Bellevue Little Theatre, as well as a copy of my testimony. I would like to thank Senator Synowiecki for introducing this legislation on behalf of the community theatres across the state. We applaud his continued support for the arts and his support of further developing tourism in Nebraska. To provide a brief overview, there are at least 23 nonprofit community theatres throughout the state. Beemer, Bellevue, Broken Bow, Beatrice, Fremont, Gothenburg, Grand Island, Hastings, Kearney, Lincoln, Wakefield, Manley, Alliance, Minden, Norfolk, North Platte, Omaha, Columbus, Rushville, St. Paul, McCook, Sidney, and York all have community theatres. Live performing arts theatres rely on community support to survive. Most are struggling, but many and most do survive because they are important to the fabric of a community. All of our nonprofit community theatres rely heavily on volunteers. The Playhouse, for example, which happens to be the nation's largest community theatre, has about 1,500 volunteers. We exist not for profit, but only to provide a cultural outlet for each of our communities for both the audience and the actors. Last year, this committee supported a sales tax exemption for purchases of fine art by museums. We are before you this year to ask that you include in that definition of art, live production of performing arts. This would include purchases for such items as costumes and materials, paint, lumber, steel, lights, tools, drops and other set construction needs. In this regard, I encourage you to especially read the very concise letter presented to you in the packet there by Suzanne Wise, executive director of the Nebraska Arts Council. And I know from talking to various senators that the idea of more tax exemptions gives you heartburn. I understand that, but I guess all that I'm asking is for you to think about is this. That the tax exemption is already into law. We just believe that the live performing arts should have been included. In addition, we ask that you consider exempting museum memberships, as Senator Synowiecki stated, from sales and use tax. I believe there are others here today who will testify more on that part of the bill. I can share with you, however, that every little bit of financial support helps us as a nonprofit community theatre. This part of the legislation would enable us to keep our membership ticket prices at a level consistent with the community theatres structure. The savings realized by the Omaha Community Playhouse as a result of the first section of LB429 would help us with our day to day operations, as well as to enable us to continue and expand our annual educational programs and workshops that we take to schools throughout the area to fill the cultural arts void. One such educational program is occurring right now, as we speak, in the schools in conjunction with our upcoming production of "Give 'em Hell, Harry!" And here's an example just--and it's in your packet--of what that workshop is all about. And I do have a very special guest with me today, but before I introduce him I would like to ask if you have any questions of me regarding my testimony. [LB429]

SENATOR JANSSEN: Any questions? Senator Langemeier. [LB429]

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Revenue Committee  
February 23, 2007

---

SENATOR LANGEMEIER: Thank you for your testimony, and thank you, Chairman Janssen. In part of your testimony there you just said that this will help you keep your ticket prices affordable and that would help us do business. Would it be good public policy to have state tax dollars help regulate your ticket prices? [LB429]

TIMOTHY SCHMAD: If I said ticket prices I misspoke. I should have said membership prices. And the membership is a ticket, but it's not as if anybody coming to the theatre that evening there wouldn't be sales tax. It's on memberships. And the reason we are looking at that is simply that any community theatre, and again, the Omaha Community Theatre is much different than the Hastings Community Theatre, but we rely heavily on those that really support us and we would like to be able to give them a break as far as still continuing to be a member of whatever community theatre we are. [LB429]

SENATOR LANGEMEIER: Okay, thank you. [LB429]

SENATOR JANSSEN: Any other questions? Senator Preister. [LB429]

SENATOR PREISTER: Yes, Mr. Schmad, and as I looked at the fiscal note it's not broken out in terms of how that fiscal figure has come to. There's a million dollars there. The portion of that that would be attributed to the community theatres would be? Do you have any idea? [LB429]

TIMOTHY SCHMAD: I can give you the example with the Playhouse and then I'll try to multiply that for you. For the Playhouse, for the first part of the LB429 regarding exemption for items for production, that would save the Playhouse about \$35,000 a year. If you were to include what also would be either saved by the community theatre or the people that go to the community theatres in regards to memberships, for the Playhouse that would be another \$40,000, \$45,000. So for us, our organization, it would be about \$80,000-\$90,000 a year that we would save. I should caution you that the Playhouse is by far the largest community theatre in the state. I mean, Lincoln is next. And then the other community theaters are much, much smaller. So if I had to forecast that out, and I've tried to get some idea from some of the community theatres, but very frankly the community theatres in many communities they do not have a paid staff and so getting some of these figures from them is rather difficult. But if I had to guess our total portion for 24 community theatres would be about \$200,000, \$250,000, but I would not sign my name to that without getting actual figures from them. I know what our figures are. [LB429]

SENATOR PREISTER: Sure, thank you. [LB429]

SENATOR JANSSEN: Any other questions? Seeing none, thank you very much for being with us. [LB429]

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Revenue Committee  
February 23, 2007

---

TIM SCHMAD: If I could then, introduce my very special guest, President Harry S. Truman. [LB429]

SENATOR JANSSEN: All right. Thank you, Tim. [LB429]

MATT KAMPRATH: Good afternoon. Name is Harry S. Truman, that's T-r-u-m-a-n, all right. Mr. Chairman, even though you were only knee high to a grasshopper, probably out playing baseball, when I assumed the office, I hope you'll give a listen to one of your elders. All right. Whether sitting in the family homestead in Grandview, Missouri, or the Oval Office, I've always been a student of history. A healthy knowledge of history and the arts makes for good citizens. But when I watch the local news these days, it seems I'm merely a consumer or a victim. When did being a well-rounded citizen fall so far out of favor? I believe that any assistance to arts organizations will benefit most directly our young people toward being good and caring citizens. The buck stops with you. Thank you very much. [LB429]

SENATOR JANSSEN: Any questions of Harry? (Laughter) [LB429]

MATT KAMPRATH: Okay, my name... [LB429]

SENATOR JANSSEN: I don't see any, but... [LB429]

MATT KAMPRATH: Yes. [LB429]

SENATOR JANSSEN: ...give my regards to Bess, will you please? (Laughter) [LB429]

MATT KAMPRATH: I certainly will. She'll throw them right back at you, you bet. [LB429]

SENATOR JANSSEN: All right. [LB429]

MATT KAMPRATH: My name is Matthew Kamprath, that is K-a-m-p-r-a-t-h. A little bit of real history, the great and beautiful sower which sits atop this lovely building, one of my great-grandfathers, Lonnie Hoyt (phonetic), helped put there. And my grandfather who's still kicking in Seward, Nebraska, Carl Kamprath. I don't know if any of you knew him. He was the head sergeant at arms about 20 years ago, here at the Legislature. All right. Mr. Chairman, members of the committee, I'm a native of our state and have traveled Nebraska for more than a dozen years helping to bring arts education to families and to students. It really seems that in our society, in general, we've become very distracted. We have become immune to one another. Rather than having a conversation with a neighbor, I have my cell phone. Rather than helping a stranger, I'm listening to my ipod or staring numbly at a screen. Less and less and less do we gather together as neighbors in a tangible, tactile, shared event. We need to gather all the more whether in

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Revenue Committee  
February 23, 2007

---

a museum or a symphony hall or a theatre. In order to truly connect, we must gather, and I hope that you'll give us a hand. That's all I have to say and I thank you for your time. [LB429]

SENATOR JANSSEN: All right. Are there any other questions? Seeing none, thank you. [LB429]

MATT KAMPRATH: Thank you. [LB429]

SENATOR JANSSEN: That was very entertaining. About when you think you've seen them all, something else comes...(laughter). Next proponent, please. [LB429]

NICOLE PALOF: (Exhibits 2 and 3) That's a tough act to follow. Mr. Chairman, members of the Revenue Committee, my name is Nicole Palof, spelled P-a-l-o-f. I am here representing Nebraskans for the Arts, a statewide nonprofit dedicated to putting the arts at the center of life and learning in Nebraska. I am testifying in support of LB429 and I have copies of my testimony here. I would like to thank Senator Synowiecki for introducing this bill. Nebraskans for the Arts appreciates his continued support of the arts in our state. Nebraskans for the Arts' membership consists of approximately 200 individuals, educators, and arts organizations across the state, including several community theatres such as the Omaha Community Playhouse and the North Platte Community Playhouse. Performing arts groups such as these rely on local support to continue to offer the live theater experiences that these communities value. These theaters are strong contributors to our state's economy. According to Creative Industries reports, issued annually by Americans for the Arts, Nebraska is home to over 2,718 arts-related businesses that employ 12,556 people statewide. As an example of how this breaks down across the state, I would like to submit for the record detailed reports of the Creative Industries in each of your districts. Museums and cultural offerings, like community theaters, are among Nebraska's most popular tourist attractions. According to an economic impact study conducted by the Nebraska Arts Council in 2001, the arts have helped boost annual spending by travelers in the state over \$1 billion since 1990. The report also states that 1.2 million persons paid to attend an arts event in Nebraska in 2000. Since then, several new facilities have opened including the Holland Performing Arts Center in Omaha, the Tassel in Holdrege, the opera house in Red Cloud, and the Midwest Theater in Scottsbluff. So this number is now undoubtedly low. In addition, approximately 28 percent of paid admissions to Nebraska nonprofit arts offerings were from out of state visitors. Communities know that having cultural offerings are good for their economy, and that is why they are investing in their arts infrastructure. National studies find that a reliable economic multiplier is 2.5 for arts activities. So for every dollar spent on a ticket to a performance, \$2.50 is going into the economy for dinner at a restaurant for mom and dad and a pizza for the babysitter and kids. It is this multiplier that offsets any loss in revenue from the performing venue. A sizeable menu of arts offerings is available to residents of and visitors to Nebraska. According to this

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Revenue Committee  
February 23, 2007

---

same 2001 economic impact study, an estimated 8,000 arts offerings were made available to the public in the 1999 fiscal year, and this number has only grown since then. This is remarkable when you compare us to Nevada, a state which had a similar population size in 2001. In this same time period, Nevada offered 2,750 arts offerings from nonprofit cultural institutions--only a third of what Nebraska offered. Although the majority of these arts offerings--approximately 7,000--were staged by major arts organizations with budgets in excess of \$500,000, Nebraska's smallest arts organizations presented a considerable number of arts offerings--655--despite modest budgets of less than \$50,000. In some rural areas and small towns, these organizations are the sole source of arts programming for these communities. These smaller organizations present quality productions that generate revenue for their communities. LB429 seeks to be fair to all arts disciplines. As you are aware, a similar tax exemption for museums passed last year. Theaters contribute to the cultural fabric of our state as much as museums do and should receive the same tax benefit for purchasing costumes and props as museums have to purchase works of art. Museums and theaters are nonprofit organizations and both entities rely on the support of the community and the state to survive. Performing arts organizations should have the same tax exemptions as are given to the visual arts and other nonprofit organizations that meet the state's current definition of museum. On behalf of Nebraskans for the Arts, I ask for your support of LB429. Your support of this bill will assist performing arts organizations in presenting productions of the greatest quality that will not only enrich the lives of Nebraska's residents, but will bring in tourism dollars from other states. Thank you for your time and if you have any questions I'd be happy to answer them. [LB429]

SENATOR JANSSEN: Any questions? I don't see any, Nicole. Thank you for being here. [LB429]

NICOLE PALOF: Thank you. [LB429]

SENATOR JANSSEN: You did a good job. Next proponent. Are there anymore proponents? Are there any opponents? [LB429]

DON HERZ: Senator Janssen and members of the Revenue Committee, my name is Don Herz. The last name is spelled H-e-r-z. I'm the finance director for the city of Lincoln. I'm testifying in opposition to LB429 as well as the three other bills--LB575, LB494, and LB32--all of which propose to narrow the sales tax base in Nebraska. Our opposition to these bills is a global concern about the continual narrowing of the local sales tax base in Nebraska and the pressure it puts on property taxes. These four bills that you're hearing this afternoon each propose a narrowing of the local sales tax base. The total impact on Lincoln of these four bills would be a reduction of approximately \$650,000. In calendar year 2006, Lincoln saw its gross sales tax receipts decrease by \$500,000. This happened despite a growing economy and a steady increase in personal income in the city. The significance for this decrease was a narrowing of the

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Revenue Committee  
February 23, 2007

---

sales tax base in our opinion. As I mentioned during testimony before this committee several weeks ago, the growth in sales tax income in Lincoln has allowed us to provide property tax relief. The city of Lincoln property tax rate has been reduced from 50.9 cents per hundred dollars of valuation in 1992 to approximately 28.3 cents this year. Currently, sales tax revenues generate nearly twice the revenue that we use for property taxes. If the Legislature narrows the sales tax base it puts upward pressure on property taxes. In Lincoln, a 1 percent reduction in sales tax results in a 2 percent increase in property taxes. While each of these bills has a worthy objective, I believe the Legislature should be looking at ways to broaden not narrow the sales tax base to continue to provide the opportunity for reducing the pressure on property taxes. I will not take your time by testifying against each of these bills before you this afternoon, but we'd like to voice opposition to each for this very same reason. I know that the city of Omaha has a similar concern regarding these bills. And with that I'll take any questions that you might have, Senator. [LB429]

SENATOR JANSSEN: Any questions? Seeing none, Don, thank you for being here. Any other opponents? Any other opponents? I thought we had one coming up there, but I guess he's not going to be an opponent. All right. Anyone in a neutral capacity? There you go. [LB429]

DAVID LANDIS: Senator Janssen, members of the Revenue Committee, David Landis, private citizen. In a neutral capacity because I support one of the ideas in this bill and oppose the other. So it's kind of like Solomon, you know, where you cut the baby in half and it's hard to figure out where you are in this one. I oppose the museum membership section. I think our existing policy makes perfect sense. I think what you're doing is essentially distinguishing one kind of performance from another or one kind of admission from another when you give the museum membership exclusion. I wouldn't do it. I think it distorts the marketplace. I will say this. I think the first portion of the bill offers an interesting idea and that is who is the ultimate consumer of a performance? Because our tax law proceeds from a policy that the ultimate consumer should bear the cost of the activity and that the ingredients in making that happen are not taxed. We do this in manufacturing. We do not tax the ingredients in a final product. We tax the product when it passes into the hands of the final consumer. And who is the consumer of the paint used on the set of a piece of theatre? Well, right now the law says that the theatre is the ultimate consumer and I would suggest that, in fact, the public is the final consumer and they do pay tax. They pay tax on the ticket or the admission price that they pay when they go to see that performance. I would suggest that the sales tax exemption for the performance-based purchases are arguably along the same theoretical principal that we exempted the ingredients in the making of a manufactured product. And it's saved for the final consumer, the burden of the total cost of that and in this case the performance ticket which is taxed. For that reason I support one half of the bill and oppose the other. I'd be happy to answer any questions that you might have. [LB429]

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Revenue Committee  
February 23, 2007

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SENATOR JANSSEN: Any questions? Senator Raikes. [LB429]

SENATOR RAIKES: David, welcome. So we've got a light bulb in a manufacturing plant that provides light. It's used to... [LB429]

DAVID LANDIS: Right. That's taxed. And it's taxed because the company is the ultimate consumer. However, if they are making a product that has 30 percent silicone, 50 percent liquid oxygen, and XYZ components, those ingredients are not taxed. We do not want to pyramid taxes into the cost of goods and services. We want to tax the beneficiary of that ultimate purchase. [LB429]

SENATOR RAIKES: Understood, but is a two-by-four that's a part of a stage more like the light bulb or more like the silicone? [LB429]

DAVID LANDIS: Well, I'm going to guess that to a softhearted person like myself, it's more like the silicone. And to the Grinch who stole Christmas or at least wants to steal Christmas--that would be you (laughter)--you would probably see that like the light bulb. I'm going to guess that reasonable people can disagree, but that's why it's going to be all the rest of us versus you, Ron, because reasonable people can disagree but the rest of us don't have to...no, I'm sorry. I think it's more like the former and not the latter in that hypothetical. [LB429]

SENATOR RAIKES: Thank you. [LB429]

DAVID LANDIS: By the way, that wouldn't be true of the light used in the foyer or the lobby of the theatre. The lobby light bulb should be taxed. It's the theatre that's the ultimate consumer, but not the elements of going into the performance. My argument would be that the performance makes the audience the ultimate consumer and that they've paid tax on everything that was put up before them in their ticket price. [LB429]

SENATOR JANSSEN: Any other questions? So let me get this straight now. (Laughter) [LB429]

DAVID LANDIS: Gosh, I thought I was clear. [LB429]

SENATOR JANSSEN: You want to tax the live performances, but not the dead ones (laughter). [LB429]

DAVID LANDIS: Good point. I want to tax both performances which is why I'm against the museum piece. [LB429]

SENATOR JANSSEN: Yes, right. [LB429]

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Revenue Committee  
February 23, 2007

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DAVID LANDIS: But I want to tax the performance, not the ingredient. [LB429]

SENATOR JANSSEN: That's what I was getting at. [LB429]

DAVID LANDIS: There we are. [LB429]

SENATOR JANSSEN: All right. [LB429]

DAVID LANDIS: Okay. [LB429]

SENATOR JANSSEN: Thank you, Senator Landis, for being here. I appreciate it. Glad to have you back. Any other opponents or neutral? Seeing none, Senator Synowiecki, close. [LB429]

SENATOR SYNOWIECKI: Thank you, Senator Janssen, members, I'll be very, very brief. Senator Preister, the fiscal note. An overwhelming majority of that money is Section 3 and that's the sales and use taxes imposed on the gross receipts of the memberships. A very, very small proportion of that fiscal note is what Senator Landis was speaking to and that is for our community playhouses to be exempt in the production of a play in our community playhouses throughout the state. That's what we're seeking. I'm understanding full well that the million dollars probably is not doable, but given what we did in terms of a public policy statement last year with the purchases of fine arts for our museums, I think that Section 5 of this bill very much parallels that in terms of public policy. And it's very negligible. I've been told it's about \$60,000 total for the state relative to Section 5 of this bill. [LB429]

SENATOR JANSSEN: Okay. Any other questions from John? Thanks, John, for being here. [LB429]

SENATOR SYNOWIECKI: Thank you. [LB429]

SENATOR JANSSEN: That ends the hearing on LB429 and Senator Kruse is here to introduce LB575. Senator Kruse. [LB429 LB575]

SENATOR KRUSE: Thank you, Mr. Chairman and committee members. Hello to all. My name is Lowen Kruse, District 13. And I've seen the model that I should pick on Senator Raikes as the ultimate consumer of the services that I'm asking to be exempted, that would be nurse-assisted living facility. I think maybe I'll let him off the hook on that. I'll be very brief because it's a fairly straightforward question that we bring in this bill. Please turn to the bill itself, page 2. You'll see the three words that are added to the statute by this bill if it is approved. And the question I'm simply going to put to you is aside from being underlined, how would that service be different from what is around it?

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Revenue Committee  
February 23, 2007

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I would submit that it is not, but let me read them. We are talking about--starting at line 15--for the purpose of serving populations that are medically underserved, skilled nursing facility, intermediate care facility, assisted living facility, intermediate care facility for the mentally retarded, nursing facility, home health agency, hospice or hospice service, or respite care service. As you look over that list, one would wonder why assisted living facility wasn't included to begin with and I would assume because it didn't exist when this was put together. My family has made extensive use of assisted living facilities and we've found out it does exist and it exists directly between intermediate care, some of these other services, and the extensive care of a nursing facility. It is intermediate right alongside of the intermediate care. Quite a variety of services there. When my mother passed we didn't have anything like that. She went directly to nursing care. When my wife's mother passed, she was in assisted living and we found out that there's quite a variety of services there according to what the total agency can do, but these are all under the same roof in many situations. Whether she should go to this wing or to that wing was determined by her condition, but the level of care and the level, you know, the general public policy of it I would say was the same. So with that, I would close. [LB575]

SENATOR JANSSEN: Any questions? Senator Kruse, about how many years would you assume that the assisted living centers have been available? [LB575]

SENATOR KRUSE: Well, from our personal experience, about 15 years, but somebody who's following me could probably be more precise on that. But I know they weren't available in the late eighties or at least they had different names for it. [LB575]

SENATOR JANSSEN: They have been sprouting up throughout the state more frequently in the last few years. I know in my particular legislative district you see new ones starting in a lot of even smaller towns. [LB575]

SENATOR KRUSE: Yes. [LB575]

SENATOR JANSSEN: City of Fremont has some and have had some for sometime, but the smaller communities also. Especially those where there is a nursing home facility in that city. Sometimes the same people who own the nursing homes start the assisted living facilities. And they aren't geographically too far apart. [LB575]

SENATOR KRUSE: No, many times they're right next to each other... [LB575]

SENATOR JANSSEN: Yes. [LB575]

SENATOR KRUSE: ...but they are run in association with each other and certainly the type of facilities that we wanted my wife's mother to get into. From our perspective, it was incumbent that the facility offer all of these services, because as she deteriorated in

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Revenue Committee  
February 23, 2007

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health she needed to move from one to the other. [LB575]

SENATOR JANSSEN: Right. Um-hum. Thank you. Don't see any other questions. Are you going to stick around, Lowen? [LB575]

SENATOR KRUSE: No, I'll waive closing. [LB575]

SENATOR JANSSEN: Okay, you waive closing. All right. [LB575]

SENATOR KRUSE: Thank you. [LB575]

SENATOR JANSSEN: We'll take proponents first, please. [LB575]

STEVE HESS: (Exhibit 4) Chairman Janssen, members of the committee, you have copies of my testimony before you, but I would like to deviate a little bit from what is written here. You can read that on your own. [LB575]

SENATOR JANSSEN: Right. [LB575]

STEVE HESS: I want to address a couple of questions that were just raised and kind of put in perspective the difference between assisted... [LB575]

SENATOR JANSSEN: I'm sorry. Did you state... [LB575]

STEVE HESS: Oh, I'm sorry. My name is Steve Hess, the last name is spelled H-e-s-s. I represent the Nebraska Association of Homes and Services for the Aging, which is solely made up of not-for-profit facilities and governmental facilities. Also, I'm here representing today Florence Home, which is my particular facility, and Immanuel Health Systems which I am a board member on. The assisted living facilities as we know them today, the licensure for that came about in 1997, and before that they were known as Board and Care domiciliary facilities, and also at that time there were intermediate care facilities. As of today, we still have on the books a sales and use tax exemption for intermediate care facilities, but there are none licensed in the state except for four that are specifically for mentally retarded. What happened at the time that the assisted living facilities became licensed as a state licensure facility was the residents that previously had been housed in intermediate care in domiciliary and board and care homes all fell in under the new assisted living facilities. So part of the approach on what we were looking at for the sales and use tax exemption is really to allow for what was allowed before on the intermediate care facilities to be carried on to that level of care that's still being handled today, although it's done under the licensure of assisted livings. In 1997, the Nebraska Health and Human Services performed a study that looked at the number of residents in nursing homes in Nebraska as opposed to the average in the U.S. The number of residents for every thousand in Nebraska was 86 residents per 1,000 in

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Transcriber's Office

Revenue Committee  
February 23, 2007

---

Nebraska were over the age of 65 were in a nursing home. In the rest of the country, it was 57 per 1,000 residents. When you came to those that were under Medicaid eligibility, the percentage became even greater. It was 79 percent per 1,000 in Nebraska, but 46 per 1,000 in the rest of the country. So the state at that time really wanted to decrease the cost of housing and long-term care. At that time, they got together with CMS, which is the Centers for Medicare and Medicaid Services, and came up with a program that allowed for intergovernmental transfer of funds to change nursing home beds into assisted living beds. That was to allow for the movement of the lower level of nursing home eligible people into assisted living facilities, and that was really the focus of that development was not only to do that in the urban areas, but really to help the rural areas to have a larger level of care available for their constituents. So at that time, we started looking at the licensure for assisted living. I was on the task force, a participant of the task force, that was charged with developing the assisted living facilities and the regulations. The focus of that group was to make sure that we had a facility that would allow for a better level of care and more homelike environment than what was currently in the medical model of a nursing home. And I know we've all been in nursing homes and the model still today is predominantly medical. The model for assisted living is a more residential type facility. However, we still have substantial care that is provided in the assisted living facilities. The intergovernmental transfer that the state put together, their study showed that the state of Nebraska, over 10 years, would save \$52 million by moving skilled beds into assisted living beds and taking the residents out of the skilled setting into assisted living setting. That did not change the level of care that those residents were receiving. What it did was it made a difference in what the facilities were reimbursed. So after that the state went back to CMS and got a waiver program into the Nebraska state plan for allowing for payment of Medicaid for the medical care of our Medicaid assisted living residents. To meet the level of care required for the Medicaid Waiver program you have to fall into the category of a resident that would be appropriate for nursing home care. In the nonprofit sector of assisted livings today, we have greater than 50-60 percent of our residents are Medicaid Waiver eligible and being paid by the Medicaid Waiver program. So, you know, each one of those residents then in that percentage would be eligible for long-term care in a skilled nursing facility. The regulations under the sales and use tax are found under Nebraska 175 NAC 4, and the definition for assisted living is it means a facility where shelter, food, and care are provided to persons who reside at the facility who require or request such services due to age, illness, or physical disability. In the same set of regulations the definition of health care facility includes assisted living facility along with hospitals, mental health centers, intermediate care facility for the mentally retarded, long-term care hospital, public health clinic, a skilled nursing facility along with a few others. All of those are sales and use tax exempt except assisted living facilities. If you go to the web page on Nebraska Health and Human Services--and there's a copy of the site in there--it's for a roster of all of the health care facility-type licenses in the state. Every one of them, except assisted living facilities, is sales and use tax exempt. So I guess from my perspective and hopefully what we would like to

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Transcriber's Office

Revenue Committee  
February 23, 2007

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see, we feel very strongly that the sales and use tax exemption should be extended to assisted living facilities. Thank you for your attention and consideration. [LB575]

SENATOR JANSSEN: Any questions? Senator Langemeier. [LB575]

SENATOR LANGEMEIER: Chairman Janssen, thank you, and Mr. Hess, thank you for your testimony. Can you tell me how much different is it to go from an intermediate care facility to assisted living facility in a licensing process? [LB575]

STEVE HESS: Well, actually today there is not an intermediate care facility. That is not a facility in the state, except for mentally retarded. [LB575]

SENATOR LANGEMEIER: So there is no licensing for that anymore? [LB575]

STEVE HESS: There is no license for intermediate care facilities anymore. [LB575]

SENATOR LANGEMEIER: That was terminated. [LB575]

STEVE HESS: Right. [LB575]

SENATOR LANGEMEIER: Okay, thank you. [LB575]

SENATOR JANSSEN: Any other questions? Seeing none, thank you, Mr. Hess, for being with us. [LB575]

STEVE HESS: Thank you. [LB575]

SENATOR JANSSEN: Next proponent. [LB575]

BRENDON POLT: Good afternoon, Chairman Janssen, members of the committee. My name is Brendon Polt, that is spelled B-r-e-n-d-o-n P-o-l-t. I'm the assistant executive director of the Nebraska Health Care Association and the Nebraska Assisted Living Association. We're a trade association that includes over 200 for profit as well as nonprofit assisted living facilities and about the same number of nursing homes. And I'm testifying on behalf of both organizations. As has been indicated, and I won't repeat, on a policy basis it seems inconsistent to extend the sales tax exemption to not do so to nonprofit facilities and to do so for other very similar situated health care providers that are providing lower levels of care. But that's not what I'll stress in my testimony, because despite the fact what's fair and what's not fair, it's what can we afford as a state. So I want to speak specifically to the fiscal note, because the fiscal note vastly overstates the revenue loss to the state and would make it more difficult to fit into the General Fund financial status. So what I'll say briefly and submit my testimony is that first of all, prior to my position at the Health Care Association, I worked in the state

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Revenue Committee  
February 23, 2007

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budget office--the DAS budget office. We would get fiscal notes and we would look them over to see if they were accurate. As I looked through the fiscal note, it's unclear what the variables were that were used to put together the revenue loss in the out years of \$2.6 million by 2010. But if I take a look at the licensed nonprofit assisted living facilities, and the number of beds that they house, and the amount of sales taxes paid by those facilities, and then do a weighted average per bed, what does it cost? What is the expenditure for sales tax? If I do that I can't figure out how that amount...if every single facility were to pay in 2006 that would have exceeded some \$600,000. So then as the prior witness testified, part of that for nonprofits is paid for by Medicaid, which means that the impact to the state in total would be less than that amount. If I inflate that by health care inflation for Medicaid allowable costs over the last several years, that's about 3.5 percent. By 2010, I can't see how the figure, without seeing the variables, could possibly exceed some \$650,000-\$700,000. And so I leave you with that, because if it's a matter of cost, please don't kill this bill because you think it has too large of a revenue impact to the state. I think the prior witness--and I think just logic says--that in terms of public policy and fairness and extending equitable advantages to health care providers is good policy. So please don't look at this unfavorably purely because of the numbers, and let's look take a closer look at that. Any questions? [LB575]

SENATOR JANSSEN: Questions? Don't see any, thank you for being with us, Brendon. Any other proponents? [LB575]

MARK IVERSON: (Exhibit 5) Good afternoon, Chairman Janssen and members of the committee. My name is Mark Iverson, that's I-v-e-r-s-o-n. I'm the administrator for Assisted Living at Immanuel Courtyard at 6759 Newport Avenue in Omaha, Nebraska. And I'm here to give you a little bit of a glimpse into the life of a resident that resides in an assisted living community, specifically a Medicaid Waiver certified community. Each resident at the assisted living at Immanuel Courtyard resides in a nicely appointed 560 square foot apartment home complete with a kitchen, living room, their own bedroom, and accessible bath and shower area. From the moment you walk through our front door of the facility, you'll notice a beautiful commons area throughout the community such as a resident's library, a hearth and reading room, a courtyard complete with walking trails, flowers, plenty of benches for sitting, as well as an elegant dining room where residents are served their breakfast, lunch, and dinner prepared by our chefs at the Courtyard each day. The typical Courtyard resident came to us from a home environment that was no longer safe for them or able to meet their care and service needs, or perhaps they came from a skilled or long-term care community or a hospital setting. As a matter of fact, 22 of our current 67 residents came to us directly from a nursing home or a hospital setting. Another 16 or so have spent time in the skilled or hospital environments only to return to the Courtyard after a brief rehab or addressing of an acute illness. As my predecessor had stated, Mr. Hess, to be admitted, the resident must meet the same qualification criteria that is used for admittance into a long-term care facility. This is part of our regulations as a Medicaid Waiver service provider facility.

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Transcriber's Office

Revenue Committee  
February 23, 2007

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In brief, three or more ADLs, or activities of daily living needs and perhaps some cognitive or decision making impairment is typical of a Courtyard resident. Plans of service are individualized to each resident's own unique service or care needs, however, the typical Courtyard resident requires the following service assistance from the Courtyard staff--a little bit of a glimpse into the services they receive--assistance with their medications, their bathing, dressing, meals and nutrition, health monitoring which includes scheduled blood sugar, weight, blood pressure checks, staff interaction with pharmacy and doctors on behalf of the resident, as well as housekeeping, laundry service, transportation, and an activities program that's intended to enrich mind, body, and spirit. Currently, not-for-profit hospital, nursing home, home health agencies, and intermediate care facilities are exempt from paying sales and use taxes on their purchases. It is important to note that assisted living communities have replaced intermediate care facilities--again, as my predecessor had mentioned--which were essentially phased out in the early nineties. LB575 would recognize this transference of housing and service needs that is now being provided by the assisted living community and give the benefit of sales tax exemption to the assisted living provider as well. Many, if not all, of the taxable purchased goods and services in assisted living are also used in the skilled and hospital environments. For example, a quarter of our resident population at the Courtyard is diabetic. Medicaid will not cover the cost of a box of safety lancets. They come 150 lancets to a box, \$25 a box, to check blood sugar levels for our residents, which is essential to our operation. We spend roughly \$1,000 a year on this item alone without reimbursement. In fact, we're also taxed on that item providing that item to the residents. Many other purchased items, as the list details here, from latex gloves to toilet paper to shampoo to paper towels to the essential items that the resident needs from maintenance supplies such as furnace filters, carpeting for the apartment home as it's replaced, and so on. And as I note here, the Courtyard, in 2006 for fiscal year, we estimated our tax expenditure to be around the \$18,000 mark for the year. Exemption from sales tax on purchases would be of great benefit to the not-for-profit assisted living provider. It would lower overall operational costs and allow us to invest those monies back into the community amenities and enhance the quality of service for our residents. The Courtyard is part of Immanuel Senior Living's mission and philosophy to serve the poor and disadvantaged. An exemption from the sales and use tax would help to lessen the inevitable annual net loss that is anticipated from the operation each year. I appreciate the opportunity to testify for you folks and would field any questions that you might have. [LB575]

SENATOR JANSSEN: Senator Cornett. [LB575]

SENATOR CORNETT: What is your percentage of Medicaid patients versus private pay? [LB575]

MARK IVERSON: Our percentage at the Courtyard is actually 90 percent are on the Medicaid Waiver and 10 percent come into the community as a private pay with the plan

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Transcriber's Office

Revenue Committee  
February 23, 2007

---

of spending down to go onto the Medicaid Waiver program. [LB575]

SENATOR CORNETT: Thank you. [LB575]

SENATOR JANSSEN: Any other questions? [LB575]

SENATOR CORNETT: Actually, sorry one more. The other people that have testified and are going to testify are they similarly situated, because I know there are a lot of assisted living centers that have a much greater percentage of private pay? [LB575]

MARK IVERSON: Private pay. I can't answer that question for you. I know that a big portion of the assisted living providers are in fact private pay and the Courtyard is kind of a uniqueness in that. The majority of our residents are in fact on Medicaid, on the waiver. [LB575]

SENATOR CORNETT: If we granted--then you probably can't answer this since you are uniquely situated--but if we granted something like this would you see a reduction in the cost of the private pay where it's being pushed off to now? [LB575]

MARK IVERSON: That perhaps could be a benefit, sure. Sure. [LB575]

SENATOR CORNETT: Thank you. [LB575]

SENATOR JANSSEN: Seeing no more questions, thank you for being here, Mark. [LB575]

MARK IVERSON: Okay, thank you, folks. [LB575]

SENATOR JANSSEN: Next proponent, please. Next testifier in favor of the bill. [LB575]

RON BRIGGS: (Exhibit 6) Senator Janssen and members of the Revenue Committee, my name is Ron Briggs, and that's B-r-i-g-g-s, and I am the CEO of St. Francis Memorial Hospital in West Point, Nebraska. I am also a member of the Nebraska Hospital Association and St. Joseph's Retirement Community, which is an assisted living facility as part of our system in West Point. Today I'm here representing all three organizations in support of LB575. Sister Emy Beth Furrer, who's sitting to my right, is our administrator of our assisted living facility at St. Joseph's Retirement Community. The Franciscan Sisters of Christian Charity have been providing services to the elderly in the West Point area since 1905, with St. Joseph's Home operating basically a group home for the indigent for many years. During those 102 years they have taken anyone who came to them regardless of their ability to pay. We also still maintain a cemetery. I thought that might be of interest to you. Started in the early 1900s for paupers from that area. The last burial being there in 1947. Our present facility was built in 1988 and was

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Transcriber's Office

Revenue Committee  
February 23, 2007

---

one of the first true assisted living facilities in the state. We are sure that we're still one of only a couple of assisted living facilities in Nebraska that takes strictly Medicaid. You've heard them talk earlier about Medicaid Waiver. We also take those that are only Medicaid, which means that you only get a portion of what their social security allotment is. We also provide a unit for the cognitively impaired within our assisted living facility, so those with Alzheimer's and so on, we can take care of them. Currently, we have--and this relates to your question earlier--we have 13 Medicaid residents. Four of those which are strictly Medicaid. So about 25 percent of ours are Medicaid or Medicaid Waiver. And with the Medicaid only, that provides less than half of our cost in those instances, and that means not charges but costs. We operate St. Joe's as a break even level and try to keep the costs down to the residents as much as possible and try to bring them value for their dollar. In 2006, we provided almost \$100,000 in charity care at our facility on an expense budget of \$1.8 million. The sales tax issue alone raises the cost of providing a home and care to our residents of about \$300 a year. You know, obviously someone picks it up, and so it goes to the residents. And if you realize, too, that some are Medicaid some are Medicaid Waiver, it's those that are private pay that would pay that, and so that number would also go up by an amount and approach the \$400 level. At a time when we're trying hard to reduce their costs and keep our resident costs at a reasonable rate, the extra \$16,000-\$18,000 a year we pay in sales tax is definitely an added burden. Our facility is not alone. This is affecting all of us who have assisted living facilities in the state, and more than that it's affecting the very people that we serve and most of those are on fixed incomes. Nebraska's hospitals and our assisted living facilities urge you to support and advance LB575 for the tax exempt issue that we're facing you with today. Thank you, Senator and to the rest of the committee, for your consideration of this important matter. And do you have any questions or anything? [LB575]

SENATOR JANSSEN: Thank you, Ron. Any questions? Okay. [LB575]

RON BRIGGS: Okay, all right, thank you. [LB575]

SENATOR JANSSEN: Seeing none, thank you. [LB575]

SISTER EMY BETH FURRER: (Exhibit 7) Good afternoon. As indicated by Ron Briggs, I'm the administrator at St. Joe's. I'm Sister Emy Beth Furrer, F-u-r-r-e-r. I guess I'd like to just add a couple of personal notes to what has already been said to indicate how important we think this is that you would advance LB575. We've had a decrease in our census for the last year and partially that is due to the fact that the state gave money to so many--for obvious reasons--to so many nursing homes to delicense their nursing home beds into assisted living beds. We're in West Point, Nebraska, a community of 3,600, and we have a 70 bed facility. At one time, 50 percent or more of our residents came from out of the city of West Point. Now all of our surrounding communities have their own assisted living beds so it's harder to keep our census up. In addition to that,

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Transcriber's Office

Revenue Committee  
February 23, 2007

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last year we received word that we had been negligent in paying our sales and use tax and were notified that penalties, interest, and back taxes were due for the past five years. We were in the process of a partnered audit with the state of Nebraska and it is estimated that we'll be paying something like \$73,000 for three of those years plus 2006. It's the most grievous situation because besides experiencing decreased census and back taxes, it's hard to be able to provide the same quality of service at a level that our residents can afford to pay. We do not, as Ron said, we try to budget for a break even operation, which means that we do not, at this point, put a higher revenue cost onto our private pay patients, but depend upon the generosity of people in the local community and the foundation that helps cover this lack for us. But the addition of, as he said, \$16,000-18,000 a year in taxes would be burdensome. I would also like to note that, I think it was a Mr. Herz who commented about the narrowing of the sales tax base. You know, I don't think many assisted living facilities had been paying this tax. I didn't know we were negligent, because I didn't know we were supposed to be doing it. And so I wonder how many really that those tax revenue dollars you probably weren't receiving. I'm not sure, but that would be my guess. So please vote yes for LB575. [LB575]

SENATOR JANSSEN: Any questions? Abbie. [LB575]

SENATOR CORNETT: Just one quick clarification. [LB575]

SISTER EMY BETH FURRER: Yes. [LB575]

SENATOR CORNETT: Did you say that your private pay was paying the same as your Medicaid? [LB575]

SISTER EMY BETH FURRER: No. [LB575]

SENATOR CORNETT: ...push the cost off. What... [LB575]

SISTER EMY BETH FURRER: We charge the rate. We figure out what our rate would be if all of our residents were private pay and then the short fall of what we get from Medicaid Waivers or Medicaid monies is what we call, you know, what our foundation helps so that we don't have to...this is how much we get for these residents, therefore we need to have this much more from our private pay. So we budget as if everybody were paying a rate that would help us break even. [LB575]

SENATOR CORNETT: Okay, thank you very much. [LB575]

SISTER EMY BETH FURRER: That make sense? Okay. [LB575]

SENATOR JANSSEN: Any other questions? Sister, how long have you been at the

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Revenue Committee  
February 23, 2007

---

facility? [LB575]

SISTER EMY BETH FURRER: I've been there six years. [LB575]

SENATOR JANSSEN: Six years? [LB575]

SISTER EMY BETH FURRER: This time, yeah. [LB575]

SENATOR JANSSEN: You probably remember a real old good friend of mine, Father Godfrey Meiergerd. [LB575]

SISTER EMY BETH FURRER: Oh, I do. Yes, he was definitely with us when I was there. [LB575]

SENATOR JANSSEN: Dear man. [LB575]

SISTER EMY BETH FURRER: Yes. [LB575]

SENATOR JANSSEN: Very good friend of mine. Thank you for your testimony. [LB575]

SISTER EMY BETH FURRER: Thank you. [LB575]

SENATOR JANSSEN: Um-hum. Any other proponents? Any opponents? Any neutral capacity? If not, I believe that Senator Kruse waived closing so we'll go on to Senator White's bill, LB494. [LB575 LB494]

SENATOR WHITE: Good afternoon, Senator Janssen and members of the committee. LB494 is offered to harmonize the tax law to eliminate a competitive advantage that has been written into statute. Currently, manufacturing equipment is exempt from sales tax under Nebraska revised statute 77-2704.22. I think that's true whether it's a light bulb or otherwise, Senator Raikes, but I'm not sure. The language of the exemption is different from other exemptions and thus, there is an inherent competitive advantage that option 1 contractors have over option 2 contractors regarding the purchase and resale of manufacturing equipment in a construction project. Option 1 contractors purchase building materials and fixtures tax-free and maintain a tax-free inventory of building materials and fixtures. Option 1 contractors collect and remit the applicable state and local tax on amounts charged to customers for materials and fixtures that have been annexed to real estate. By contrast, option 2 contractors pay the applicable sales tax on inventory when they purchase any materials and fixtures and they maintain a tax paid inventory of building materials and fixtures. Option 2 contractors do not collect additional sales tax on the tax paid inventory when it is annexed to real estate. As far as I can tell there is no statutory policy or competitive reason for the current statutory scheme that provides competitive advantage for option 1 contractors. LB494 eliminates this

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Transcriber's Office

Revenue Committee  
February 23, 2007

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competitive advantage thereby leveling the playing field across this industry. As I understand it could, depending on the situation, you literally can have an owner of a property save money by independently purchasing, let's say a generator, then having a contractor install it, than purchasing it through the contractor as it was initially explained to me. My technical skills on this area do not extend that far. There are people who will follow that hopefully can address concerns like that. But more than that, they also should be able to talk to you about the fiscal note, which to me was surprising. They estimate that there are answers that would indeed indicate that the fiscal hit is not nearly as severe as it might appear. And I would try to answer any questions. [LB494]

SENATOR DIERKS: Thank you, Senator White. Questions? [LB494]

SENATOR WHITE: Thank you. [LB494]

SENATOR DIERKS: First proponent, please. [LB494]

JAMES OVERCASH: Good afternoon, Senator. [LB494]

SENATOR WHITE: You can't use a chart. May I speak (inaudible)? I don't think you're allowed to use a chart. [LB494]

JAMES OVERCASH: Good afternoon, Senator. My name is James Overcash, O-v-e-r-c-a-s-h, and I'm here representing the National Electrical Contractors Association. I'd first like to, on behalf of NECA, thank Senator White for introducing this piece of legislation and clearly NECA supports LB494. The purpose for my chart, which I'm not going to use but I'll describe to you, is that if you have a manufacturer that's buying something from a contractor and the contractor then purchases something that's resold from the equipment supplier, what I wanted to demonstrate to you is we're talking about the tax treatment of the contractor. The important thing to start with on LB494 is what LB494 does not do. It doesn't change manufacturing equipment in terms of what is or isn't exempt. It doesn't change the fact that manufacturers can buy exempt equipment, and I believe that was passed two years ago under the Advantage Nebraska Act. It also doesn't change the fact that some contractors today can buy equipment tax-free and then also sell that equipment tax-free to the manufacturer. In the standpoint of options, and as you know, there's three options for contractors--options 1, 2, and 3. Option 1 contractors can buy and keep a tax-free inventory. Option 2 contractors buy their inventory taxed. And so in my theory here with three things, the middle contract, if it's an option 1 contractor, buys a piece of equipment. I use the example as an electric motor that electrical contractor may use to replace on an assembly line. That contractor would buy that motor tax-free. If that contract was an option 2 contractor, when they purchase that electric motor they pay sales tax on that motor. That percentage--that 7 percent--if it's in Omaha or Lincoln or so forth, can be substantial depending upon the amount of manufacturing equipment that's being

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Transcriber's Office

Revenue Committee  
February 23, 2007

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purchased by the contractor and then resold, ultimately, to the manufacturing entity. When the manufacturing exemption was passed, I will tell you that I did see that legislation. I thought the legislation, in terms of exempting manufacturing equipment, would exempt it not only for option 1, but also option 2 and 3 contractors. We had members of NECA that had gone out and originally came to us in a sales tax audit that was raised. We had a contractor that had not paid. They thought that sales tax was not owed on that original purchase because of the manufacturing exemption. The Department of Revenue took a different position than that and we had several discussions about it, but the ultimate line was the department thought that the Legislature had made a distinction between option 1 and option 2 contractors when the manufacturing exemption was passed with the Advantage Nebraska Act. This LB494, and I believe it's in front of you, there's two small pieces of language that it adds to the statute. Piece one says in terms of manufacturing, it adds the language or purchased by a contractor if such machinery or equipment subsequently belongs to the person engaged in the business of manufacturing for use in manufacturing. So what that does is allow option 2 contractors to purchase the equipment tax-free just like an option 1 contractor could do today. The second piece, which I believe is on page 4, adds a provision for it to go back and apply for a refund if the option 2 contractor of the first instance does it incorrectly. So it allows for an out for the manufacturing entity. I use an example of electric equipment. We're talking about if we had a, let's say if it's a \$5,000 motor, sales tax is going to be \$350. You know, if we figure that there's also \$5,000 worth of labor to install that motor, we're talking about 3.5 percent difference between an option 1 and an option 2 contractor. The large percentage is something that it is not anticipated by the exemption of manufacturing equipment and we believe that the competitive differences should be taken care of by LB494. In regards to the fiscal note, I believe the fiscal note originally on the manufacturing equipment was approximately, I believe it was either \$13 million or \$15 million in total. This fiscal note, which is \$5 million, besides telling you that I believe it's too high, which doesn't substantiate much, I would tell you that from a percentage standpoint I don't think there is an analysis. Two years ago as to the difference between option 1 and 2 contractors and how that fiscal note got to be originally \$13 million. So I don't think there will be a drop of \$5 million. Second of all, I will tell you that since option 1 contractors are currently exempt under this process, to save that money and frankly to be competitively the same as option 1 contractors, I believe option 2 contractors will either become option 1 or I think most likely because of their other activities, have an option 1 subsidiary which will do the work in manufacturing plants. And so I think no matter what the number of the fiscal note is I believe that money will not go to the state, because I'll say the marketplace will work itself around by forming more subsidiaries. From a tax policy standpoint, I'm an advocate that I believe it's better to harmonize what's going on with the manufacturing exemption and not have, in effect, a double-breasted operation or to have a situation now where we have a competitive disadvantage between entities. With those statements, I'd be happy to answer what questions I could for you. [LB494]

SENATOR JANSSEN: Any questions? Senator Langemeier. [LB494]

SENATOR LANGEMEIER: Thank you, Chairman Janssen, and thank you for coming in. We talked about this earlier so I pre-warned you on my question here. Tell me a little bit about the option 1, option 2, and option 3 contractors. Give me an example of what they do and why we even need them. Why can't we just have contractors? [LB494]

JAMES OVERCASH: I believe to date you could go to a situation and have just a contractor. Call option A or just one way we that we treat everybody. I think, you know, in my history with contractor sales tax laws only go back about six or seven years so from the standpoint of what's been related to me about other processes in that law earlier, I'll try to be correct in my history. I believe, for example, option 1 contractors when you used to have, for example, electrical contractors that also would run a wholesale house. And there were a lot more situations back, my guess would be 15 years ago or so forth, where there weren't the Home Depots of the world. And so I'd run Overcash Electric and I'd also have a retail store where I would sell lighting fixtures out of. And so there would be a reason to have...and I wanted to have one entity from a tax purpose standpoint. So it made sense to have option 1 people that were treated as retail and my labor contract work wasn't very much, so I didn't care. There are also the contractors that would do (inaudible) and all new construction and wanted to go in and pay for their materials at the time that the materials were taxed. And then since labor was tax-free they didn't need to keep track of what their sales tax was or wasn't. They didn't have a sales tax certificate. They weren't registered to pay sales tax. It was just, in effect, part of overhead they didn't have. I think as the years have gone by and different types of contractors had different types of sales tax responsibilities that grew more into the option 1s, 2s, and 3s. Now from the standpoint of last time that I know that there was a serious discussion about going back to having no options, just one treatment. It was two years ago before residential contractors were tax-free on labor like they are today and the opposition to that came more from the residential standpoint of people that wanted to still be treated as retailers. You know, there's I believe two legislative bills in front of you this year including the Governor's bill requesting that all contracting labor be tax-free. I believe, for example, if we would move forward in a world where that didn't exist anymore, I don't believe there's any reason that you'd have everyone go to an option 2. And I think that we could change the law so it's strictly option 2. And, you know, I'm always hesitant when I'd say that it wouldn't upset anyone because it there seems to be a factual situation out there to upset somebody. But I think that would be something that would be well-received. I know from a contractors and the contractors from a electrical contracting standpoint would be in favor of that. When you start getting into all of the home repair contractors and all the different categories throughout there from the people that manufacture gutters to the people that put up the First National Tower in Omaha, there's such a diverse difference in what people do. I think there's been difficulty over the years trying to come up with a consensus as to what should be done. I think this year there is that opportunity and we'd be in favor of it. [LB494]

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Transcriber's Office

Revenue Committee  
February 23, 2007

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SENATOR LANGEMEIER: Thank you. [LB494]

SENATOR JANSSEN: Any other questions? Carroll. [LB494]

SENATOR BURLING: Thank you for helping us understand this. Some of our statute that deals with sales tax refers to purchasing agent. Now how does that fit in with what you've told us. Is a contractor option 2, is that a purchasing agent? [LB494]

JAMES OVERCASH: An option 2 contractor is not a purchasing agent. A purchasing agent, as the way we use it in construction, the best or I'll say a typical scenario that people describe is that if it is a church, for example, that is building a new building they actually issue a resale certificate to the general contractor. And the general contractor, in effect, and the subcontractors all become purchasing agents for that church, and so they can go out and buy material for the church on a tax-free basis. Here, for example, on manufacturing equipment I thought that the way the statute was read was that the manufacturer could make a contract or a purchasing agent to buy those pieces of manufacturing tax-free. And that's just a disagreement that I had with the Department of Revenue is probably the best way to say that. That's not the Department of Revenue's position on this issue. They thought the statute, in terms of the way, for example, that religious institutions are treated and the statutory scheme and language that there was a significantly different enough for the manufacturing exemption to not allow for purchasing agents to solve this problem. The difference between option 1 and 2 just generally are contractors that keep a inventory that is tax-free, so treated like a retailer. So when they actually show up at the job and put in material that's taxed they would pay the sales tax to the state. At that point, option 2 contractors in regards to material purchase the tax when they would go...for example, if they go to Home Depot and buy a two-by-four, they would pay that tax to Home Depot and then when they put the two-by-four into a construction project there would be no tax to the owner on that material because the sales tax had already been paid at Home Depot on a retail basis. That's, you know, short explanation of that difference. [LB494]

SENATOR BURLING: Thanks. [LB494]

JAMES OVERCASH: Thank you, sir. [LB494]

SENATOR JANSSEN: Any other questions? Seeing none, thank you for being here. [LB494]

JAMES OVERCASH: Thank you. Thank you for your time. [LB494]

SENATOR JANSSEN: Next proponent. [LB494]

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Revenue Committee  
February 23, 2007

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CHAD DENTON: Mr. Chairman, members of the Revenue Committee, my name is Chad Denton, D-e-n-t-o-n. Thank you for your time and audience. I'm an Elkhorn, now Omaha, resident and graduated from high school here in Nebraska and then went off to college and came back. I am now a business owner. I do consulting in economic incentives, economic development. I do it for corporations nationwide, all over. During 2005, I spent quite a bit of time with private citizens, Senator Landis, and George and others related to LB312, primarily, attributable to the Nebraska Advantage Act, though. And haven't been in front of this committee since then. The goal then with LB312 was to make Nebraska better from a business climate standpoint and more competitive. One of those items was the sales tax exemption for manufacturers. Similar to two-thirds of every other state in the United States, we were catching up at that point. The bill was passed but today many manufacturers are making purchases of equipment that meet the definition, but they're not exempt. And I realize that we're not here to talk about more incentives. This isn't a conversation in that. It's not my intent to ask for more incentives. It's to clarify and make fair what's out there right now. And I'm going to take a bit of a different tact than the person before me. I'm taking this from the position of a manufacturer. What does the manufacturer see in this? How do they deal with this? The problem exists today is that manufacturing equipment purchases defined as exempt for the previous legislation, the manufacturer is only guaranteed exempt status when purchased separate from installation. That's the only time as a manufacturer that I can guarantee I'm not going to pay sales tax on what should be exempt. Separate purchase, separate vendor. If I choose to purchase and install the equipment using the same vendor then companies, all manufacturers are forewarned that I could run into an issue of am I using a contractor with an option 1, 2, or 3? If I have an option 1 contractor I know I'm going to get that exemption. If I have a 2 or 3, I know that I'm going to get an indirect fee pass through of that sales tax paid. The key is the purchase of the equipment and the installation. And as soon as that installation becomes part of my equipment purchase I have an issue as a manufacturer. One example is a purchase installation. I'm going to add onto my building, and as part of that, going to have equipment, too. And I hire a general contractor to do all that work for me. The end result is I've been paying a bill every month, a contractor's statement, and I end with a lease hold improvement and multiple pieces of equipment that operate. I do not, if that is an option 2 or 3 contractor, I do not get a sales tax exemption. I wouldn't expect it on the real property, but per the definition, I have equipment in that facility that should qualify. Meets every definition of what is manufacturing equipment, but I'm not able to get that sales tax exemption. Another example is just the purchase of a piece of equipment--a welder, a stamper, a cutter. I make that equipment purchase and have it installed by the same company, and I want that same company to install it because that's what they do. They're familiar with that product. Maybe they make it mandatory, but again if they're an option 2 contractor I'm going to get flow through...somebody has to pay that sales tax and ultimately it will be me, the manufacturer. The sole reason for the tax? That the same company I purchased equipment from installed it and they have an option 2. But I could buy that equipment from one vendor and I could go search out another vendor to

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Revenue Committee  
February 23, 2007

---

install it and I'll never have to pay sales tax. It will be sales tax exempt. No one company is immune to this issue based on the size or the location of the business. The intent of the bill is not to change the definition. Nothing changes in LB494 regarding what designates that property. But we just want to see that the manufacturing equipment that was intended to be exempt, be exempt regardless of who installs it or what kind of option they are. And thank you. [LB494]

SENATOR JANSSEN: Questions? Chad, I have one. Who ultimately ends up paying that tax? [LB494]

CHAD DENTON: The manufacturer [LB494]

SENATOR JANSSEN: The consumer. [LB494]

CHAD DENTON: The consumer. [LB494]

SENATOR JANSSEN: The consumer ends up paying it. [LB494]

CHAD DENTON: Right. [LB494]

SENATOR JANSSEN: You add it onto your cost of your product. [LB494]

CHAD DENTON: You're going to add it onto the bill. Right. It may not be a line item, but it's a cost. [LB494]

SENATOR JANSSEN: Okay. Seeing no other questions, thank you. [LB494]

CHAD DENTON: All right, thank you very much. [LB494]

SENATOR JANSSEN: Other proponents? Any opponents? Oh, okay, Loran are you a proponent? [LB494]

LORAN SCHMIT: I'm a proponent. [LB494]

SENATOR JANSSEN: Okay. I know we're all getting a little older. It takes us a little longer to get up, doesn't it? (Laughter) [LB494]

LORAN SCHMIT: I'll let that pass, Mr. Chairman. [LB494]

SENATOR JANSSEN: I know you will. (Laughter) [LB494]

LORAN SCHMIT: (Exhibits 8 and 9) Facts are facts. I won't argue. But Mr. Chairman, members of the committee, my name is Loran Schmit and the previous witnesses have

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Revenue Committee  
February 23, 2007

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pretty thoroughly explained the bill and the reason for the bill. I'm sorry I did not get a chance to discuss with Senator White prior to this time, my proposal which I believe would make the process uniform across the board. At the present time, you've been told how the option 1, 2, and 3 contractors differ. Senator White proposes to treat the option 2 contractors as we do the option 1 contractors, which would still leave the option 3 contractors in a position where they would have to pay the tax. I would suggest that the committee might consider an amendment to the bill that would treat all the contractors uniformly. If you did that it would end the confusion across the board. Treat all contractors the same and as Mr. Overcash, I believe, mentioned it would end the discrepancies that exist today and would make the entire process uniform and fair. I have to go back to the research. I've discovered that when LB312 was passed, I read the complete committee debate and the complete floor debate. At no time did I hear any member of the body question the differences between option 1, 2, and 3 contractors. And several of the members of the Legislature at that time told me that they didn't even understand the differences or that the contractors were treated differently. So I have testimony which I will leave here for you and if you do not have the information on option 1, 2, and 3 contractors, I'll be available. I have brought a copy of that which is also provided by the Department of Revenue. If you can understand it, Mr. Chairman, you're much more skilled than I am. I have read it, reread it, and discussed it with the Department of Revenue. It is not easy to understand. When they passed the sales tax in 1967, since that time we have continually tweaked the law and added and subtracted exemptions. And LB775 provided for exemptions from various taxes. LB312 did the same. And to me there are conflicting positions. Department of Revenue has really worked diligently, I believe, with businesses to try to understand the differences in the three contractors and I believe they would appreciate uniformity one way or the other. If there are any questions I'd be glad to try to answer them. If not, thank you for your time. [LB494]

SENATOR JANSSEN: Any questions? Senator Langemeier. [LB494]

SENATOR LANGEMEIER: Thank you, Chairman Janssen, and Loran, thank you. As we look at the fiscal note for that bill, if we were to treat 1, 2s, and 3s all the same, what would be your anticipation of the fiscal note? Double? Triple? Just a guess. I won't hold you to it. [LB494]

LORAN SCHMIT: Well, I'd guess low I suppose, Senator. I would think it would not be much out of line with what Mr. Overcash said. I do not know that the option 3 contractor is a highly used position. I think the option 2s and 1s are used more frequently than the option 3, but that's just a guess based upon my own personal experience. My personal experience is that it's 1 or 2. What adds some difficulty is that all of these contractors deal with dozens if not hundreds of subcontractors. And those subcontractors deal with both option 1, 2, and 3 contractors. So there are times when they must charge the tax, times they don't charge the tax, and sometimes they're afraid that if they don't charge

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Revenue Committee  
February 23, 2007

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the tax then they are illegal, have difficulty getting it collected. So to be safe they charge the tax. There's a provision to secure refunds at the present time and the department has made it as workable as they can, I think. But I believe that Senator White has taken a step in the right direction and I think that it would even better if we were to go one more step and make them all equal. And I couldn't make a guess, Senator of what the fiscal note would be. [LB494]

SENATOR LANGEMEIER: Thank you. [LB494]

LORAN SCHMIT: Thank you. [LB494]

SENATOR JANSSEN: Any other questions? Ron. [LB494]

SENATOR RAIKES: Loran, my understanding is 3s and 1s are both tax-free inventories. So 3s would not be affected by this, I don't think. [LB494]

LORAN SCHMIT: I spoke to Mr. Bogatz in the Department of Revenue and you have to read that several times to get my interpretation of it, but the option 3 contractors do, under some cases, pay the tax. And so Mr. Bogatz... [LB494]

SENATOR RAIKES: As long as they have an option not to pay the tax then anything that they would carry in inventory that would be sold to a manufacturer, presumably they wouldn't pay the tax on it. They would carry it tax-free. [LB494]

LORAN SCHMIT: I believe it would depend upon how they handled it, Senator. I'm not sure, but I'm not an expert on that. I'd be afraid to tell you that. [LB494]

SENATOR JANSSEN: Any other questions? Thanks, Loran. Always good to see you. [LB494]

LORAN SCHMIT: Thank you. [LB494]

SENATOR JANSSEN: Any other proponents? Anymore proponents? Opponents? Neutral? Senator White to close. [LB494]

SENATOR WHITE: Thanks, Senator Janssen. I'll be very brief. This is a perfect example of where we make it complicated to do business. And I thought the most compelling testimony I heard was they will set up an option subcontractor and they'll flow right around the tax anyway. What that does is make our state more complicated and expensive to do business in. It doesn't raise revenue for us, but it doesn't help the consumer either. So I would ask that we look at this in detail, perhaps consulting with George, and see if what we can do is simplify the legal basis to do business. We ought to have a consistent easy to follow law whenever we can and if this is needlessly

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Revenue Committee  
February 23, 2007

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complicated then I think we should get rid of it, because they will move through it anyway economically. They'll move around it. Thank you. [LB494]

SENATOR JANSSEN: Okay. No questions? Okay. That ends the hearing on LB494. Senator Preister to open on LB582. [LB494 LB582]

SENATOR PREISTER: (Exhibit 10) Good afternoon Chairman Janssen, members of the Revenue Committee. My name is Don Preister, P-r-e-i-s-t-e-r. I am here as the primary introducer of LB582. LB582 creates the Nebraska Educational Trust for Economic Growth for the purpose of providing supplemental state funding for the support of high quality public schools. The proceeds from the sales and use taxes derived from sellers who voluntarily register through the electronic central registration system of the Streamlined Sales Tax Governing Board shall be dedicated to the Trust. Money in the Trust may be appropriated by the Legislature for the following purposes when the Trust balance reaches twenty-five million dollars: 1) grants for workforce training programs coordinated by industry, secondary schools, and postsecondary education institutions; 2) early childhood education teacher student loan forgiveness; 3) research and development grants to establish teacher salary incentives and alternative teacher salary schedules as agreed to by school boards and local educational associations; 4) targeted equalization aid for teacher salary equity; or 5) replacement of state aid to schools occurring as a result of lower than projected state revenue. The Nebraska Department of Education would administer the Trust Fund and adopt rules and regulations to facilitate the administration of the Fund. So essentially, we create the fund and then once it reaches the \$25 million threshold that money dedicated to these various purposes would be distributed. I have been in contact with the Tax Commissioner and some differentiation was not made in the bill between those voluntary contributors who have nexus in the state and those that don't. And the department doesn't differentiate. So I do have an amendment so that it would clarify and wouldn't differentiate. It's for administrative purposes for the department and I'm fine with that. And committee counsel also pointed that out in our information and our summary of the bill. I was also contacted by Jack Cheloha from the city of Omaha and I understand the league has a concern, because we also didn't distinguish out the local option sales tax. So I'm okay with that amendment as well so it wouldn't impact the cities directly. Or those that have a local option sales tax. With that, I would be open to any questions the committee members may have. [LB582]

SENATOR JANSSEN: Any questions? I don't see any, Don. [LB582]

SENATOR PREISTER: Thank you very much. [LB582]

SENATOR JANSSEN: We'll take proponents, those in favor of the bill. [LB582]

KAREN KILGARIN: (Exhibit 11) Good afternoon, Chairman Janssen, members of the

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Transcriber's Office

Revenue Committee  
February 23, 2007

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committee. I'm Karen Kilgarin representing the 26,000 members of the Nebraska State Education Association and I am here in support of Senator Preister's LB582. Establishing an Education Trust Fund, I think, sends a very clear message to the people of Nebraska that the state values education, and in particular it sends a clear message to teachers that the state recognizes that the work they do is a very key ingredient to students' success. I'd like to mention four advantages to creating an Education Trust Fund with the streamlined sales tax project revenues. The Trust Fund would create a special source of funding for very targeted programs to help Nebraska schools improve and maintain the level of quality needed for Nebraska's workforce to hold a competitive advantage. And the Trust Fund is an investment in education and that's very good for Nebraska's economy. Research studies confirm that education is linked to economic development and growth. In fact, a study by economist Richard Sims showed that an investment in K-12 education provides a greater benefit to our local and state economies than would investment in anything else, including roads or even a tax cut. The Education Trust Fund could also be tapped for state aid to education when the state faces lower than projected state revenues. Cuts to needed state aid during economic downturns are very disruptive to school districts, to students, and to property taxpayers. School districts scramble to try to make ends meet. They cut programs. They increase class sizes. They lay off teachers. And they increase property taxes to try to make up for promised state funding. So the Education Trust Fund could be used to help smooth those economic peaks and valleys for our schools and for our property taxpayers. And I also think it's really important to remember that an eight year old is that age for one year. Just because the state is facing a bit of an economic downturn, he doesn't get to have a do-over. If they have to cut a reading program or if his class size balloons, that year of learning can be lost for that eight-year-old. So I think that this Trust Fund could kind of help even some of that out. And it ensures that the children don't suffer when we have these economic downturns. By dedicating funds from this new voluntary source of revenue, I think the state may be able to assist school districts all across the state in moving the average teacher's salary closer to a nationally competitive salary. Now 38 percent of our teachers in Nebraska are going to retire within the next five years. That's what the numbers show. That's huge. That's 7,800 teachers or more. And to ensure that we can recruit and retain a quality teaching force for this state, we need to move to a more competitive salary. Eight thousand dollars. We are \$8,000 below the national average teacher's salary. And in addition, there's such a discrepancy and a disparity between people who are in nonteaching positions. If you have a bachelor's degree in Nebraska and you are in a nonteaching profession, you earn about \$11,000 more a year than a teacher. If you have a master's degree and you're a teacher, you earn about \$17,000 or \$18,000 less a year than a Nebraskan with a master's degree with another job in the state of Nebraska. So we'd like to even that out a little. I also think that that salary is a real deterrent to young people going into the profession when we're trying to recruit, you know, the best and the brightest of the teaching profession. This fund can also be tapped for loan forgiveness. Students come out of college, as we know, with...they're saddled with some pretty significant debt and

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Transcriber's Office

Revenue Committee  
February 23, 2007

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this fund could be tapped to help teachers stay in the profession. Teachers that stay and teach in Nebraska, you can provide some loan forgiveness. So in closing, I think that the creation of an Education Trust Fund will help provide our kids with quality education. I think that it will help our economy. And I urge you to advance this bill to General File for consideration by the full Legislature. And I'm happy to try to answer any questions that you might have. [LB582]

SENATOR JANSSEN: Any questions? I don't see any, Karen, thanks for being here. [LB582]

KAREN KILGARIN: Okay, now that bus load of teachers--the 1,500--they're next. [LB582]

SENATOR JANSSEN: Okay, they're next. All right. [LB582]

KAREN KILGARIN: Just kidding. [LB582]

SENATOR JANSSEN: Line them up. (Laughter) [LB582]

KAREN KILGARIN: Just kidding, George. Wouldn't do that to you. Thanks very much. Mary Jane Egr will answer any technical questions that you have. So thanks. [LB582]

SENATOR JANSSEN: Okay. Next proponent. Welcome to the Revenue Committee, Ms. Egr. [LB582]

MARY JANE EGR EDSON: Good afternoon, Senator Janssen. Thank you. It's a pleasure to be here. Mr. Chairman and members of the committee, for the record, my name is Mary Jane Egr Edson, spelled E-g-r E-d-s-o-n, appearing today as a registered lobbyist representing the Nebraska State Education Association. I'm appearing in support of LB582 for the specific purpose of addressing the funding mechanism in the bill and to answer any questions that the committee may have. Some of you are painfully familiar with the Streamlined Sales Tax Project and I believe you've already heard a bill relative to Streamlined this year, so I'll dispense with the background on the project. I do think it is worth noting, however, that Streamlined is currently a wholly voluntary program unless and until Congress authorizes member states and Streamlined to mandate collection of the tax by remote sellers. The project will remain voluntary. And accordingly, the dollar amounts received through it will remain relatively small. As you are probably aware, the Streamlined Project creates a single point of electronic registration for any sellers who wish to voluntarily collect and remit sales tax in those states who are full members such as Nebraska. In addition to the registration function, Streamlined creates a single uniform sales tax return and a single point of remittance. All sellers who register send a single return and payment through this system. The Streamlined Project went live in October 2005, which means the web portal

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Revenue Committee  
February 23, 2007

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began accepting seller registrations and remittances. From that date through September 2006, last year, the Department of Revenue determined that Nebraska has received approximately \$5.7 million through the project. There are roughly 225 sellers who have registered. How much additional revenue will be generated through the project is open to debate so long as it remains a voluntary program. However, because these receipts come through the Streamlined Project rather than the traditional sales tax return process, they are easy to identify and track and should pose no additional burdens on the department to separately report them. I would like to address one comment that appeared in the fiscal note to LB582 which Senator Preister alluded to in his opening comments. The note states essentially that the department will not be able to determine which registrants through Streamlined have nexus in the state of Nebraska and which ones do not. And that there would be an undetermined fiscal impact for the department to audit each one of these filers in order to determine nexus. Need to step back for just a minute. Originally, when the Streamlined registration process came online, sellers who were voluntarily registering were asked to check the appropriate boxes to whether or not they had nexus in any of the members' states. Following some legal wranglings with the business community and their representatives, the Streamlined governing board agreed to remove that item from the registration process. The comments from the department in the fiscal note go to the provisions of the bill on page 4 beginning on line 3. The bill as introduced provides in this section that the receipts from any sellers who register through Streamlined but who have a requirement to register in this state--in other words, nexus, some sort of physical presence--that amount would be excluded from the money transferred to the Trust. This language was specifically included in the bill in an effort to limit the transfer money to receipts from only those sellers who do not have physical presence such as a retail store. In other words, NSEA was seeking to access only those receipts which are truly new and voluntary. The department has stated there is no way to determine which sellers have nexus without conducting audits of the registrants. Nexus is admittedly a gray area in many cases, and certainly there are no end of tax geeks like myself who love to debate the issue of nexus. However, I believe there are some logical, fair approximation methods that the department could use to exclude some of the Streamlined registrants. For example, the Streamlined sellers could be compared against the department's records for incoming withholding tax. Not definitive by any sense, but this would be a simple and easy method to exclude those sellers who already have employees in the state. The department could also run the Streamlined file against other agency records such as Workforce Development, Secretary of State's Office to see whether or not the businesses are registered here. And in addition, the department utilizes a commercial database that they could compare the list against. This database shows the name and address of every business in the state of Nebraska including parent and subsidiary corporations. While none of those methods are foolproof, they would certainly be helpful to identify some of the sellers who may already be doing business in Nebraska. As an alternative, as Senator Preister mentioned, he's prepared an amendment to the bill that would simply remove that language that I referenced, excluding receipts from sellers

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Transcriber's Office

Revenue Committee  
February 23, 2007

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with nexus so that all receipts derived from the Streamlined project would be transferred to the Education Trust Fund. I do not believe that the difference in dollar amounts is significant between the total amount coming through Streamlined and the amount that would be allocated to those who do not have nexus. And in addition, the amendment that Senator Preister has referenced would alleviate any other burdens that the Department of Revenue might perceive with regard to administering this bill. With that, I would like to thank you all very much for your time and attention. It's been my pleasure to be here before you today and I would gladly try to answer any questions. [LB582]

SENATOR JANSSEN: Any questions? Got off lucky, Mary Jane. [LB582]

MARY JANE EGR EDSON: My lucky day. Thank you. [LB582]

SENATOR JANSSEN: Thank you. We'll take proponents. [LB582]

PETE McClymont: Senator Janssen, members of the committee, my name is Pete McClymont, P-e-t-e M-c-C-l-y-m-o-n-t. I'm vice president of legislative affairs for Nebraska Cattlemen and I'd like to thank Senator Preister for the introduction of LB582, and Nebraska Cattlemen is here as a proponent. It is our belief that Senator Preister's bill is creative and practical in nature. We have funding for this bill from the growing internet sales and obviously the education process is enhanced with this bill. So just briefly, the funding is coming from new revenue stream. We've enhanced the educational process in many ways and property taxes is not increased. And so with that I would urge that you move the bill out of committee and I'd like to thank Senator Preister. And Mr. Chairman, I'd answer any questions if there are any. [LB582]

SENATOR JANSSEN: Any questions? Seeing none, thank you, Pete, for being here. [LB582]

PETE McClymont: Thank you. [LB582]

SENATOR JANSSEN: Any other proponents? Anymore proponents? How about opponents? How about neutral? [LB582]

GARY KRUMLAND: Senator Janssen, members of the committee, my name is Gary Krumland, last name is spelled K-r-u-m-l-a-n-d, representing the League of Nebraska Municipalities and appearing in a neutral position. We don't have a position on the substance of the bill, but I did want to kind of reenforce and appreciate Senator Preister's remarks. On page 4 of the bill, lines 2 and 3, it does talk about all of the proceeds from the sales tax from the, basically, Streamlined would go into this and we just wanted to make sure that that was clarified to say that it's the state proceeds and not the local option sales tax that went into it. We do support the streamlined sales tax and appreciate what the committee, the Legislature, Department of Revenue, and the

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Revenue Committee  
February 23, 2007

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administration has done over the last few years in that effort, and see that as a potential for some real growth in sales tax revenue. And we just want to make sure that inadvertently or unintended consequences this does not take away the local option sales tax from that effort. But I do appreciate Senator Preister's comments on that. And with that, I guess I'll be happy to answer any questions. [LB582]

SENATOR JANSSEN: Questions? I guess you won't have to answer any, Gary. [LB582]

GARY KRUMLAND: Okay. [LB582]

SENATOR JANSSEN: All right. [LB582]

BRIAN HALSTEAD: Good afternoon, Senator Janssen, members of the Revenue Committee. For the record, my name is Brian Halstead, H-a-l-s-t-e-a-d. I'm with the Nebraska Department of Education. We're here in a neutral capacity. The concept about an Education Trust Fund has been talked about by the board and the commissioner for a number of years, so the concept has been around. And some of the items listed under this that the funding could be used for are certainly areas in education that need to be looked at. Obviously, when we reviewed the bill the 3A language certainly sounds like the Career Ed Partnership Act that Senator Stuhr got enacted last session. And there's clearly a growing need to address the vocational and the career ed piece of it. The early childhood education's teacher student loan program forgiveness...that clearly sounds like the Attracting Excellence Education Act that Senator Raikes last year finally got the lottery funding for. So there's some areas in which we could do more with it. There may be some need to further define some of these uses and everything else, but with that I'd end my testimony and answer any questions you might have. [LB582]

SENATOR JANSSEN: Any questions? Don't see any, Brian, thank you for being here. Anyone else in a neutral capacity? Seeing none, that will end the hearing. Senator Preister, do you want to...waive? All right. Okay, we'll open on LB32, Senator Nantkes. I don't see her here. We'll stand at ease until she gets here. How many are here to testify on LB32? Okay, about four or five? Six? All right? Are you all proponents or opponents? Okay. All right. Here she comes. Senator Nantkes, welcome to the Revenue Committee. [LB582 LB32]

SENATOR NANTKES: Thank you, Chairman Janssen. [LB32]

SENATOR JANSSEN: You're here to tell us all about LB32, correct? [LB32]

SENATOR NANTKES: Yes, yes. [LB32]

SENATOR JANSSEN: All right. [LB32]

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Transcriber's Office

Revenue Committee  
February 23, 2007

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SENATOR NANTKES: Good afternoon, Chairman Janssen, members of the committee. My name is Danielle Nantkes, that's spelled N-a-n-t-k-e-s. I represent the "Fighting 46th" Legislative District and I'm here today to introduce LB32. LB32 would exempt textbooks intended for higher education from sales tax in Nebraska. This bill would apply to any student attending a Nebraska institution of higher learning. This includes community colleges, state colleges, the University of Nebraska system, and private institutions. This bill would apply to any retailer in Nebraska including college bookstores and retail bookstores. To receive the exemption, the student must present a valid student identification at the point of sale. The fiscal note on this is approximately \$3 million. In my opinion, that \$3 million will be spent elsewhere in Nebraska. I introduced this bill for a number of reasons including the fact that it represents targeted tax relief to a specific population in need. Secondly, it furthers educational objectives. And then finally, it has served as a wonderful tool to engage young people in our political process. There are many students here today who have traveled a great distance to be with us and are here to tell they're stories. And I'd like to turn over some specific questions to them, but otherwise I'm happy to entertain questions from the committee in the meantime. [LB32]

SENATOR JANSSEN: Any questions? I don't see any, Senator. [LB32]

SENATOR NANTKES: Thank you. [LB32]

SENATOR JANSSEN: Thank you. Take proponents, please. [LB32]

MATT SCHAEFER: Mr. Chair, members of the committee, my name is Matt Schaefer, S-c-h-a-e-f-e-r, and I'm here today as student body president and student regent for the University of Nebraska-Lincoln. First, thank you for your time and attention this afternoon. We will promise not to wear on for too long. I just have two purposes in my testimony today. Number one, I just wanted to introduce you to the coalition that we've built in support of this bill. And then also to kind of briefly explain what the students after me are going to testify about so that you might direct your questions a little bit better. This idea was borne out of efforts of a few students at University of Nebraska-Lincoln about a year ago, and since then it's grown into a broad statewide effort from a number of campuses. The coalition includes schools from almost every corner of the state and many of those schools have representatives here today behind me. There are representatives of the schools all the way from Chadron. A couple of students from there drove today so that they could show their support for the bill. And also representatives from Peru State, Wayne State, UNO, UNL, Creighton, Doane, and Wesleyan. These students have been busy at work collecting over 1,200 postcards that I think a number of you guys have received, and also collecting members in an online group, well over 1,000 members, and these are all in support of the bill. They've also been writing letters to newspapers and also to their senators. What we're asking for

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Revenue Committee  
February 23, 2007

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today is a simple fairness in tax policy on higher education. Other essential parts of higher education are not taxed, things like tuition and room and board. And it only makes sense that textbooks whose sole purpose and only purpose is to be used in the classroom or in college should be at the same level as those other costs. There ought not to be any barriers that prevent us from getting a college degree, because its value is so important to us and to the future of this state. Our coalition is also evidence of the significant impact that LB32 would have across the state. As Senator Nantkes mentioned, there are over 39 institutions across the state and in nearly every single one of your Legislative Districts. Those 39 institutions have 120,000 Nebraskans studying at them currently and that number represents about 7 percent of Nebraska's population. And switching gears, my colleague at Wayne State, Ryan Becker, will walk you through what textbooks are currently costing. And then Steve McHale from Creighton will explain why having those texts tax-free would be good for students and businesses. And then also Dave Solheim will wrap it up with how we can implement this, how we can make it work. I'd be happy to take any opening questions, though, that you might have. [LB32]

SENATOR JANSSEN: Any questions? Don't see any, thank you, Matt, for being here today. [LB32]

MATT SCHAEFER: Thank you. [LB32]

RYAN BECKER: Good afternoon, Chair and Revenue Committee. My name is Ryan Becker. I am from Wayne State College. It's B-e-c-k-e-r. And I'm the student senate president there. And I've spent about \$600 this entire year on textbooks. And so I'm here not to recite, you know, these textbooks verbatim or anything like that, but I am here to talk about the cost of them and you can see there's quite a few books here. And actually kind of looking at what we have it would represent about a typical semester, about 15 credit hours. And we have everything from organic chemistry to macroeconomics and calculus. And just to go through a few of the different costs of what these are--new and used. First of all, the organic chemistry. We're looking at about \$197.75 for just this book, and then you have to have the solutions guide along with, which is almost \$100. Accounting, you're looking at about \$143. Calculus with the study guide is about \$165.25. And finally, wrapping up the semester, we're looking at macroeconomics with the study guide, which is about \$150. And these books here totaling, new, would be \$752.75, and you add another 5.5 percent sales tax and you're looking at about \$800 for just a semester. Used, however, you're looking at about \$565 for these books along with about \$31 for tax. And that would total about \$600. And according to the Government Accountability Office, July 2005, the college textbook prices have increased twice as much as the annual inflation rate over the last two years which is quite staggering. And then so these costs have driven the students to purchase textbooks via other means such as online or friends or upperclassmen. Or, which is kind of interesting, 65 percent of students have not purchased all the required textbooks for a

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Revenue Committee  
February 23, 2007

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class. And whether it be cost, I don't know, but I would surely think so. You know, and therefore produces, you know, possibly a lack of effectiveness or even productivity within the class if you don't have that textbook. And [collegeboard.com](http://collegeboard.com) takes a look at some of the averages, and at Wayne State actually it's about \$900 per year for books and supplies. And you take a look at the average Nebraska students at a four-year institution spends about \$894 per year on textbooks, and at a two-year institution about \$801. So therefore, looking at the data and the facts of what I've just expressed to you, I would definitely ask you to consider passing LB32. Thank you. [LB32]

SENATOR JANSSEN: Any questions? Senator Langemeier. [LB32]

SENATOR LANGEMEIER: Thank you, Chairman Janssen and Ryan, thank you for your testimony and your example of your books there. I have a few of those books still sitting on my shelf at home collecting dust. With your example of \$900 per semester per year for textbooks, about \$45 in tax that you're paying, and as we hear about the brain drain as we educate our population they all leave the state and there's a big issue to keep the students employed and working in Nebraska and DED says there's lots of jobs...what would be your thought of saying we're not going to give you \$45 tax credit this year. I'm going to double it. I'm going to triple it and give it to you on your fifth year of employment in Nebraska after you educate. [LB32]

RYAN BECKER: The money that we would save being tax-free that you would give us the fifth year? [LB32]

SENATOR LANGEMEIER: No, you graduate from the University of Nebraska this year and I give you this tax credit back on your tax return as an employed Nebraska citizen upon graduation at a higher level. It may solve two things: keep you in Nebraska and get your tax dollars back. [LB32]

RYAN BECKER: Certainly, I mean, it would definitely be a great incentive. However, when students come in I notice that, as a freshman, I mean, granted we're preparing for our future, but it's sometimes difficult to take those figures that, you know, you have produced for, say, the fifth year or afterwards and kind of put them in sort of like a reality; whereas, immediately if we have the tax-free redemption on these books, I think the students will definitely notice a bigger payback off of that personally, I guess. [LB32]

SENATOR LANGEMEIER: But as a Nebraska taxpayer, is my concern to educate Nebraska kids to stay in Nebraska versus educating Nebraska kids to go work in Iowa? [LB32]

RYAN BECKER: Well, and I can see where you're getting at and I know that David is going to answer more of the technical questions when it comes to getting into the specifics, but certainly education is huge and I certainly appreciate the...I guess look at

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Revenue Committee  
February 23, 2007

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bringing the students back to Nebraska and it's interesting actually. So, yes, but I know David's going to... [LB32]

SENATOR LANGEMEIER: He's smiling. [LB32]

RYAN BECKER: Yeah, so...(Laughter) He probably has all that information, but... [LB32]

SENATOR LANGEMEIER: He figured he'd be coming. [LB32]

RYAN BECKER: Yeah. [LB32]

SENATOR LANGEMEIER: You bet. Thank you. [LB32]

RYAN BECKER: Thank you. [LB32]

SENATOR JANSSEN: Any other questions? Don. [LB32]

SENATOR PREISTER: Before you get away, I appreciate the examples, too, and Senator Langemeier proposes an interesting concept. It can do two things at once and I appreciate that. What I will ask you though is the goal of what you're attempting to do to not help somebody off into the future as that proposal will do and to provide incentive for them to stay here, but is what you're attempting to do to try and make it more affordable and easier for students to be able to afford the books, particularly some of those who aren't buying them anyway, and I don't know if they would with that much reduction, but is the concept to help people who don't have a lot of discretionary money who are struggling to get through college and whose parents are struggling to help them at the time of their greatest need? [LB32]

RYAN BECKER: I think so. I mean, it's tough because I know a lot of my friends don't go to the bookstore at Wayne State College, and a lot of that reason is because of the cost. I mean, they're looking at online sources, you know, buying them from other people or just luckily having some friends that have that sort of book. And I know that with this tax-free part of the textbooks, it would I think definitely help at the time to continue their education, if that covers what you were asking. [LB32]

SENATOR PREISTER: Yeah, I think it does. Okay, thank you. [LB32]

RYAN BECKER: Thank you. [LB32]

SENATOR JANSSEN: Any other questions? Seeing none, thank you, Ryan, for being here. [LB32]

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Transcriber's Office

Revenue Committee  
February 23, 2007

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STEVE McHALE: Hello, my name is Steve McHale, M-c-H-a-l-e, and I am president of the Creighton Students Union, representing 7,000 students at Creighton University. And I'm here to talk to you today about some of the Nebraska benefits of implementing LB32. Last semester alone I spent around \$300 on textbooks, which is far less than the \$450 average that the average Nebraska student spends every semester on textbooks, and I did this by buying all my textbooks online. While the majority of my textbooks were similar in price to the textbooks at the bookstores, the bulk of my savings came from one or two textbooks that I purchased where they were \$50 or \$75 cheaper buying online. However, the rest of my textbooks that I purchased were on average only \$5-\$10 cheaper online than they were at the bookstore. And if LB32 would be passed or was enacted, this would make bookstore prices very similar or very competitive with online prices. It would give me and the 32,000 students that currently buy their textbooks online in the state of Nebraska, it would give us no reason at all to buy the majority of our books online. And this could result in \$16 million that is currently being lost to online retailers. It could result in \$16 million being put in the Nebraska economy given to Nebraska retailers. And to further this, the other 60 percent of students that currently purchase their books at the bookstores, giving them a tax break is one of the best ways to put money back into the economy. Students aren't going to look at the long term. They're not investing in IRAs. They're not investing in the stock market. They're taking the money that they have right now and they're going to spend it. Be it beer, be it pizza, whatever it may be, they're going to spend the money that they have right now. And this is going to go directly back into the economy. And finally, to address the issue of investing in higher education, 13 other states have already enacted similar policy to LB32 including our neighbors--Iowa and Minnesota. It's not the state governments alone that are enacting stuff like this. The federal government has been very vocal about their support for higher education. I know I went to Ben Bernanke, the chairman of the Federal Reserve. He had a lecture in Omaha just a couple weeks ago and one of the major points that he brought up was the economic impact of investing in higher education. Someone with a bachelor's degree, graduating from a university or college, earns 72 percent higher income than someone that only has a high school degree. So investing in a higher education is going to result in a smarter population. It's going to result in better business, better industry, and it's going to bring more manpower to the state. Overall, there are many benefits to passing LB32 and I would encourage you to consider all these when you are thinking about LB32. Any questions? [LB32]

SENATOR JANSSEN: Yes, Steve, I have one. Are you paying sales tax online? [LB32]

STEVE McHALE: No, I'm not. [LB32]

SENATOR JANSSEN: Oh, that's interesting. [LB32]

STEVE McHALE: That is interesting. I can't remember the exact site that I brought it from, but there was no sales tax on the books I purchased this semester. [LB32]

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Revenue Committee  
February 23, 2007

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SENATOR JANSSEN: Okay, all right. Any other questions? Thank you. Next proponent, please. [LB32]

DAVID SOLHEIM: (Exhibit 12) My name is David Solheim and I am a senior economics major at the University of Nebraska-Lincoln representing the Association of Students of the University of Nebraska-Lincoln, some 20,000-plus students, and I'm here today to talk a little bit about the implementation of this policy. And I would just preface all of this by saying that I am not an expert on tax policy, but for that reason, the way that the bill is worded is kind of purposefully open so that the people who do know how to do this can put it into effect. We have talked to bookstores. We've talked to the University bookstore, the Nebraska bookstore, and they're totally on board with this type of objective. They don't think it's difficult to implement and there's a couple reasons for that. First of all, they already do it in a lot of cases for people who have scholarships from nonprofit organizations like churches. Those students are bringing books up to the register and they need to be tax exempted at the point of sale and that can happen. They just push a button to my understanding. And these bookstores that are kind of on-board with this represent the overwhelming majority of books sold at the University of Nebraska and colleges across the state. So when I propose this model that will follow based on a law in Connecticut, we looked at the overwhelming majority and we know that there will be individual cases where booksellers might not feel as comfortable or there might be exceptions where this doesn't work as well, but for 99.9 percent we think this will work just fine. And so yeah, the sheet that you're getting shows how Connecticut implemented the policy or how they recommend that they implement the policy. And it follows in two ways. The first of these is that the institution or an individual provides a list or documentation to the bookseller of what books need to be provided for certain courses. And at that point, with the bookseller having that list any student can go in there with a valid student identification and purchase a textbook tax exempt. It's very simple. In the second scenario, when no list is provided to like an independent bookseller the burden of proof falls on the student and they have to provide three things in this scenario. Proof of enrollment in a college course, like a schedule, a syllabus, something of that nature; their valid student identification; and they have to issue a written affidavit saying this book is intended for a course of higher learning. And then these records have to be kept for six years in the Connecticut example. I'm not sure what the policy would be here for Nebraska, but it would be some amount of time I would assume. To address some of the other concerns which have been brought up since we started talking about this, those are mail-order phone and internet sales and in those cases the following information should be provided to receive an exemption on your textbooks: name and address of the purchaser, name and address of the purchaser's institution of higher learning, the name of the course that they're buying the text for, and a student identification number unless that number is their social security number, in which case that can be avoided. Now I would point you to the front of this sheet--SN2000--and it defines college textbooks as any new or used books of any kind,

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Revenue Committee  
February 23, 2007

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related workbooks required or recommended by the institution or instructor for a course at an institution of higher education, whether produced commercially or by the institution or instructor. This exemption applies to textbooks on paper, computer disks, CD-ROMs, audio cassettes, or the internet. And it's that simple. So other supplementary materials which are not either recommended or required would not be exempted under this provision. So yeah, to kind of close this up I would say that this is a very targeted tax and it hits the people that it's intended to hit, and those are the 120,000-plus college students in the state of Nebraska who are taking courses in higher education. And I would just point out that students do notice when they are signing their name on the bottom of the receipt every semester that that item that's right above the total and that's the tax and that's the \$42 or whatever it is. And they understand that that represents their groceries for the last two weeks or whatever it may be. And so the 120,000 students will notice this and they will appreciate it. And with that, I would conclude my testimony and take any questions that you might have. [LB32]

SENATOR JANSSEN: Any questions? Don't see any, thank you, David. [LB32]

DAVID SOLHEIM: Thank you. [LB32]

SENATOR JANSSEN: Next proponent. [LB32]

CHARLOTTE BARTA: Hello, everyone. My name is Charlotte Barta. I'm from Nebraska Wesleyan, B-a-r-t-a, and I am here today representing the economically underprivileged students on my campus. I am the student that you all have been talking about that hasn't been able to afford books this semester, so I have to do other means such as sharing books with other people in my class, looking off of other people's books, on the weekends I go to tutors and borrow the textbooks from the tutors and so on and so forth. It is my personal opinion that the cost of tuition, I have to pay for myself. I don't have parents that help me. I'm putting myself through college. I am not only paying for college, I'm paying for my own personal expenditures such as cell phone bills, credit cards, so on and so forth, and on top of that, I have to pay for my own textbooks. This semester, like I said, and previous ones I have been faced with the consideration of do I pay for gas this week or do I buy my textbook that I need for class. It has become virtually impossible to make these decisions. I know that in the long run I have my goals and where I want to be and I have to make choices in my life of what I do today will get me to that future. And like you said, if the taxes...if I have this incentive to go to school and then it will pay me back in the fifth year after I graduate in my job, right now I'm not thinking about that, and in my opinion I'm thinking about what am I doing right now to get me by, to get me through my classes and so far and so forth? I have spoken with several students on campus about this issue and other students in my same situation do feel the same. They think that it will level the playing field if there are not taxes. I don't know if students will be able to afford some of their textbooks, but at least there will be less cost with these textbooks so that more students will be able to afford them. It

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Revenue Committee  
February 23, 2007

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is also in my opinion that if these textbooks don't have taxes on it, more students will have incentive to buy their books from the local bookstore rather than going to the internet and means like that, which keep the revenue here in Nebraska and on campus, because I know that our bookstore...they have faced several issues with students going online. Like, for instance, one of my classes the bookstore has ordered 30 books, and only eight people have bought the book from the bookstore. The rest of the students have bought it online. That's all I have. Anybody have questions for me? [LB32]

SENATOR JANSSEN: All right. Senator Dierks. [LB32]

SENATOR DIERKS: Charlotte, what are you majoring in? [LB32]

CHARLOTTE BARTA: International business, minors in Spanish and Japanese. [LB32]

SENATOR DIERKS: So do you have a book that costs more than \$50? [LB32]

CHARLOTTE BARTA: Yeah, there's several books. [LB32]

SENATOR DIERKS: Will you keep those books or will you sell them back to the bookstore? [LB32]

CHARLOTTE BARTA: Well, I don't know if you've been through the process, but a lot of times..for instance, the economics book that he was talking, I've had to buy one which was \$132. I haven't really bought it. I've just borrowed it, but that student when they go and sell it back to the bookstore they get \$30 for it, \$40 for it. So we're paying high cost to buy these books from the bookstore and then when we sell them back they're only getting a third of the cost that they're spending for these books. [LB32]

SENATOR DIERKS: So then if you went back to buy that used book that you just sold the year before... [LB32]

CHARLOTTE BARTA: It will be about the same cost. It will be somewhat less for used. I would say about \$20 less, but still fairly high. And what you find a lot of times is that these textbooks, you have to buy them brand new so you have to pay for the new price which could be up to \$200, and then when you sell it back then it goes to the used price, which substantially drops the cost of the textbook. [LB32]

SENATOR DIERKS: Thank you. [LB32]

SENATOR JANSSEN: Any other questions? Seeing none, thank you, Charlotte. [LB32]

CHARLOTTE BARTA: Thank you. [LB32]

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Transcriber's Office

Revenue Committee  
February 23, 2007

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SENATOR JANSSEN: Are there any more proponents? Any opponents? Anyone in a neutral capacity? Seeing none, Senator Nantkes, to close. [LB32]

SENATOR NANTKES: Chairman Janssen, members of the committee, number one, thank you so much for your kind attention this afternoon on this important issue. And secondarily, I'd like to thank all of the young people that have joined us here today and shared with us such eloquent testimony about how this public policy proposal could affect their ability to stay in school, pursue their educational objectives, and to be contributing productive members of our society locally and statewide in Nebraska in years to come. I'm quite proud and impressed with the research and organization that they've compiled to get us to this hearing date today and again would appreciate your consideration of this important measure and ask that you advance LB32 to General File. Thank you. [LB32]

SENATOR JANSSEN: Thank you. Got a question. Cap. [LB32]

SENATOR DIERKS: When did you graduate from law school, Danielle? [LB32]

SENATOR NANTKES: I graduated from University of Nebraska-Lincoln, University College of Law in 2003. [LB32]

SENATOR DIERKS: What was the price of, is it Black's Law Dictionary? Is that the name of it? [LB32]

SENATOR NANTKES: That's the name of one of the more popular editions that law students utilize. [LB32]

SENATOR DIERKS: What would that have cost you? [LB32]

SENATOR NANTKES: I actually asked for my copy of Black's Law Dictionary as a Christmas present since I was unable to afford it with my student loan. [LB32]

SENATOR DIERKS: But you didn't ever find out what it costs? [LB32]

SENATOR NANTKES: No, but I could double-check with my parents. I'm sure they have a recollection. [LB32]

SENATOR JANSSEN: I'm sure they know. (Laughter) [LB32]

SENATOR DIERKS: But you kept that in your library. [LB32]

SENATOR NANTKES: I do keep it in my library as I do many textbooks from my undergraduate career and from my law school career. [LB32]

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Transcriber's Office

Revenue Committee  
February 23, 2007

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SENATOR DIERKS: Yeah, well I've done all that, too. When I bought books--of course, it's been a few years ago--but I could buy the anatomy book for veterinary school for, I think, for \$35 and we thought that was pretty high, but that was 40 years ago.  
(Laughter) [LB32]

SENATOR NANTKES: So you can appreciate how inflation has affected those costs.  
[LB32]

SENATOR JANSSEN: You're being kind to yourself. (Laughter) [LB32]

SENATOR DIERKS: Thank you. [LB32]

SENATOR JANSSEN: I don't see any other questions. Thank you. [LB32]

SENATOR NANTKES: Thank you. [LB32]

SENATOR JANSSEN: That will close the hearing on LB32 and the hearings for the day.  
[LB32]

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Revenue Committee  
February 23, 2007

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Disposition of Bills:

LB32 - Indefinitely postponed.  
LB429 - Indefinitely postponed.  
LB494 - Held in committee.  
LB575 - Advanced to General File, as amended.  
LB582 - Indefinitely postponed.

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Chairperson

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Committee Clerk