

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 1, 2023
Rough Draft

von GILLERN: Good afternoon and welcome to the Revenue Committee's public hearing. My name is Senator Brad von Gillern. I'm from District 4 in west Omaha and Elkhorn. I'm the Vice Chair of this committee and will serve as the Chair, at least for the first-- this first bill that we'll be hearing. The committee that will take up the bills-- the committee will take up the bills in the order that they are posted outside the hearing room. Our hearing today is your public part of the legislative process. This is your opportunity to express your position on the proposed legislation before us today. We do ask that you limit or eliminate handouts. If you're unable to attend a public hearing and would like your position stated for the record, you may submit your position and any comments using the Legislature's website by 12 p.m. the day prior to the hearing. Letters emailed to a senator or staff member will not be a part of the permanent record. If you're unable to attend and testify at a public hearing due to a disability, you may use the Nebraska Legislators-- Legislature's website to submit written testimony in lieu of in-person testimony. To better facilitate today's proceedings, I ask that you follow these procedures. Please turn off cell phones and other electronic devices. The order of testimony is to the introducer, proponents, opponents, neutrals, and the closing remarks. If you'll be testifying, please complete the green form and hand it to the committee clerk when you come up to testify. If you have written materials that you would like distributed to the committee, please hand them to the page to distribute. We need 11 copies for all committee members and staff. If you need additional copies, please ask a page to make copies for you now. When you begin to testify, please state and spell your name for the record. Please be concise. It's my request that you limit your testimony to five minutes. We use a green light system. Green is four minutes. Yellow, one minute remains. Red, please wrap up your comments. If your remarks were reflected in previous testimony or if you'd like your position to be known, but do not wish to testify, please sign the white form at the back of the room. It will be included in the official record. Please speak directly into the microphones so our transcribers are able to hear your testimony clearly. I'd like to commit-- or introduce the committee staff. Soon coming to my left will be Lyle Wheeler. Further to the left is Charles Hamilton. And at the end of the table is the clerk, Tomas Weekly. Committee members with us today will introduce themselves beginning at my far right.

KAUTH: Kathleen Kauth, LD 31.

Transcript Prepared by Clerk of the Legislature Transcribers Office
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Rough Draft

MURMAN: Senator Dave Murman, District 38, represent eight counties in the southern part of the state.

BRIESE: Good afternoon. Tom Briese. I represent District 41.

ALBRECHT: Hi. Joni Albrecht, District 17: Wayne, Thurston, Dakota, and portions of Dixon County in northeast Nebraska. Welcome.

DUNGAN: George Dungan, District 26, northeast Lincoln.

von GILLERN: A little worried I was missing page 3 of my instructions here. We've located them. Our pages today are Amelia-- if you pages would please stand, please stand-- Amelia, who's at UNL and is a senior in political science, and Caitlyn Hughes, who's also at UNL and a junior in political science. Thanks for helping us out today. Please remember that senators may come and go during our hearing, as they may have bills to introduce in other committees. Refrain from applause or other indications of support or opposition. For our audience, the microphones in the room are not for amplification, but for recording purposes only. Lastly, we use electronic devices to distribute information. Therefore, you may see committee members referencing information on their electronic devices. Be assured that your presence here today and your testimony are important to us and are a critical part of our state government. And with that, we will open on LB303 and welcome Senator Linehan.

LINEHAN: Good afternoon, Vice Chairperson von Gillern and members of the Revenue Committee. I am Lou Ann Linehan, L-o-u A-n-n L-i-n-e-h-a-n, and I'm from Legislative District 39, which is Elkhorn and Waterloo in Douglas County. Today, I'm introducing LB303. Currently, the Department of Education provides an estimate of funding for the next year under the Tax Equity and Educational Opportunities Support Act, TEEOSA. This estimate is given yearly to the Governor, the Appropriations Committee and Education Committee of the Legislature. The Department of Education meets with a small group consisting of the Property Tax Administrator, the Legislative Fiscal Analysis [SIC], the Budget Division of the Department of Administrative Services before providing an estimate. LB303 would add either a legal counsel or revenue analysts from each of the Revenue Committee and the Education Committees-- Legislature-- to the group meeting with the Department of Education establishing such an estimate. So since I've been Chair of the Revenue Committee, it is frustrating sometimes when I see the estimates of what they believe TEEOSA is going to do. And I just think it would be better governance

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 1, 2023
Rough Draft

if not just the Appropriations Committee was involved in that estimate, but the Education Committee, because the Education Committee clearly has an idea what's going on, and the Revenue Committee. So whenever we've worked on big packages, one school funding, it's always included: Revenue, Education and Appropriation. So I think when we figure this number-- and it can swing several million dollars so if-- it should be-- I think it's accurate. And I think in the past, it's been a little not always as accurate as it could have been. So happy to answer any questions.

von GILLERN: Very good. Any questions from the committee? Seeing none, thank you, Senator Linehan. We'd like to welcome testimony from proponents. Any proponent testimony today? Seeing none, are there any opponents that would like to speak today? Anyone in the neutral capacity that would like to speak? Seeing none, Senator Linehan, would you like to close? Senator Linehan, Linehan waives closing and that finishes our hearing on LB303. We'll open up on LB580. Hand the reins over.

_____ : [INAUDIBLE] senator is on his way, so.

LINEHAN: That's fine. That was quicker than anybody would have thought. Understandable. Oh, I'm sorry. Yes?

MATTHEW _____ : Sorry, my name is Matthew [INAUDIBLE]. I just want to ask if you could introduce yourself.

LINEHAN: Oh, me? I'm sorry. You're right. That's a--

MATTHEW _____ : Or anybody, everybody, please.

LINEHAN: Everybody did introduce themselves at the start of the hearing except for me.

MATTHEW _____ : OK.

LINEHAN: So I'm Lou Ann Linehan.

MATTHEW _____ : I wasn't here for--

LINEHAN: That's OK. But we do that-- every hearing, every member introduces themselves at the beginning, but thank--

MATTHEW _____ : First time, so I--

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 1, 2023
Rough Draft

LINEHAN: That's OK. We're all learning.

_____ : [INAUDIBLE] read the opening statement and then he can do closing when that [INAUDIBLE]

LINEHAN: Is he in another committee?

_____ : He's in Judiciary [INAUDIBLE] bill, yeah.

LINEHAN: Oh, he's introducing another bill?

_____ : Yeah. We--

LINEHAN: Oh. Oh, I didn't realize that. I thought we were just waiting for him to get here. So do-- what's the next bill?

KAUTH: Senator Briese.

BRIESE: I've got it. I'm the next one.

LINEHAN: Oh, you've got it?

BRIESE: Yeah.

LINEHAN: So let's just go to that one, LB495. Yeah, we will now int-- is that OK with you, Senator Briese?

BRIESE: Yeah [INAUDIBLE]

LINEHAN: We will now hear--

ALBRECHT: LB495.

LINEHAN: --open the hearing on LB495, Senator Briese. So you can text him, tell him to--

_____ : OK [INAUDIBLE]

LINEHAN: Yeah. OK. I'm sorry. I didn't understand the full circumstances. I didn't ask enough questions.

BRIESE: Good afternoon, Chairwoman Linehan and fellow members of the Revenue Committee. I'm Tom Briese, T-o-m B-r-i-e-s-e. I represent the 41st District. I'm here today to introduce LB495, which is legislation brought to me by Nebraska State Treasurer John Murante. Investing in Nebraska's college savings account program, otherwise known as the

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 1, 2023
Rough Draft

NEST 529, is an attractive option for many families and is a proven motivator for students to attend some form of higher education. LB495 will make the NEST 529 program even more attractive by allowing penalty-free rollovers of unused 529 plans to Roth individual retirement accounts beginning in 2024, which was in line with federal changes signed into law by President Biden earlier this year. This change is designed to relieve account holders' concerns about overfunding their NEST 529 account plans. For example, a beneficiary may decide not to attend college, they might receive a full ride or other significant scholarship assistance, or they may attend a school or program that has lower-than-expected tuition. Previously, if you were saving for a beneficiary to attend college but they ended up never enrolling, that would trigger a 10 percent penalty and you would have to pay income taxes if you wanted to withdraw from the account. But with the passage of LB495, in these scenarios, the excess NEST 529 funds can be used to help the beneficiary with saving towards retirement. LB495 can make NEST 529 accounts a more powerful saving tool, especially for parents who are interested in helping their kids begin saving for retirement. It will help lift some of the burden from an account holder looking to support a beneficiary, both in their higher education goals and in retirement, if necessary. I would be more than willing to answer any questions you may have, but I'm assuming Treasurer Murante will be testifying after me--perhaps not-- and may be able to address some of the specifics of the impacts of LB495 and the NEST 529 college savings plan in general.

LINEHAN: Thank you, Senator Briese. Are there questions from the committee? Oh. Yes. Thank you.

von GILLERN: Not seeing Mr. Murante.

LINEHAN: Do we think-- do we think Murante's coming?

BRIESE: I don't know that he is, so perhaps not.

_____ : Well [INAUDIBLE]--

BRIESE: I'll-- I'll go ahead and--

_____ : --so.

LINEHAN: Oh. We've got people here. OK.

BRIESE: Oh, perfect.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 1, 2023
Rough Draft

LINEHAN: OK.

BRIESE: Yeah. I'm off the hook.

LINEHAN: You'd think this is the first day we'd ever done it.
[LAUGHTER]

BRIESE: What's that?

LINEHAN: OK. Senator von Gillern.

von GILLERN: In-- in that case, I'll hold my question.

BRIESE: No, that's-- that's-- that's fine if you want to but--

von GILLERN: Didn't want to leave you hanging.

BRIESE: OK.

LINEHAN: OK, so we'll have proponents.

BRIESE: Very good. Thank you.

RACHEL BIAR: Good afternoon, Chair Linehan and members of the committee. I am Rachel Biar, R-a-c-h-e-l B-i-a-r, and I am Assistant State Treasurer and director of Nebraska's NEST 529 Education Savings Program. Treasurer Murante regrets that he is unable to be here today due to a prior conflict, so you-- you have me today. December 23-- I do want to thank-- before I begin, I do want to thank Senator Briese for introducing LB495, and I am here to testify in support of the bill. December 23, 2022, Congress passed a federal omnibus spending package that included several new rules. Section 126 of the federal bill included a provision that amended the Internal Revenue Code. The change allows for tax- and penalty-free rollovers from 529 plans to Roth IRA accounts starting in January of 2024. LB495 would provide the same Nebraska state tax benefits for a NEST account used to roll over to a Roth IRA as when NEST account distributions are used to pay qualified educational expenses. I have had the pleasure of serving as director of Nebraska's 529 program for over 18 years, and I'm currently serving my second term as chair of the national College Savings Plans Network. Today, the Nebraska Educational Savings Trust has over \$6 billion in assets and 300,000 accounts. Thirty-five percent of those are Nebraskans, and 65 percent of our account owners reside in the other 49 states. Our statewide participation rate is 21 percent, which is one of the highest in the country. Encouraging

Transcript Prepared by Clerk of the Legislature Transcribers Office

Revenue Committee March 1, 2023

Rough Draft

families to save for their loved ones' education is an extremely important public goal to ensure the state of Nebraska has a well-educated community and workforce. When changes in a student's circumstances result in no longer needing to use 529 planned investments to the extent originally envisioned, it is reassuring to families to know their options. This change for the 529 industry gives everyone another level of confidence to save for education without worrying about their children, grandchildren, nieces' or nephews' plans changing due to the student receiving a full or partial scholarship, admission to a military academy, possibly taking a gap year or deciding to not pursue higher education. While the funds have always had the ability to be withdrawn at any time subject to tax penalties, they now can be rolled over, tax free, to a Roth IRA. There are still limits and it doesn't impact account owners and beneficiaries until the 529 account has been open for some time, but it is another step in the right direction to helping families realize the value a 529 plan can bring. In closing, I respectfully request the committee advance LB495 to the full Legislature for its consideration and adoption. Thank you and I can-- happy to answer any questions you might have.

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

KAUTH: Thank you, Chair--

LINEHAN: Senator Kauth and then Senator von Gillern.

KAUTH: Thank you, Chair Linehan. How much money are we talking about? How many dollars do people leave in those accounts are actually not used for college?

RACHEL BIAR: So today, our average account balance is \$22-- a little over \$22,000 is our average account balance in the entire trust. And nationally, the average account balance is \$25,000, so we actually compare quite in alignment with the national average. So typically, there is not usually a large amount of funds left in the account. This is, though, an option if there were, like I said, for those scholarship opportunities or they might attend a two-year program versus a four-year college, so it-- it provides another option. But again, with our average account balance, there's not a large amount of money that I would suspect left.

KAUTH: And the 10 percent, is that federal taxes or state taxes?

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 1, 2023
Rough Draft

RACHEL BIAR: So a nonqualified withdrawal would be a 10 percent federal penalty tax and then-- on the earnings portion only, and then you're also subject to Nebraska state income tax on the earnings portion only.

KAUTH: OK. Thank you.

RACHEL BIAR: You're welcome. And then with the qualified-- nonqualified withdrawal, there is a recapture also for the state income tax deduction. For those who have taken advantage of that, it would be recaptured.

KAUTH: Thank you very much.

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

von GILLERN: Thank you for being here. Quick question. The-- so I want to make sure I understand this correctly. I've got, for example, I've got 529 plans for my grandkids. If-- if we don't use that, I can't roll this into my own Roth IRA, but I could roll it into an IRA for them or any other beneficiary or any other-- and-- and the-- I'm-- if I remember right, the Ro-- or the 529 relational portion is pretty loose to an-- anybody else who qualifies under that 529 plan. Is that true?

RACHEL BIAR: So first, Senator, thank you for having accounts in our NEST program. We appreciate that.

von GILLERN: Six of them, six grandkids, so.

RACHEL BIAR: That's fantastic. Thank you so much. Happy-- always happy to hear that. So the-- there are-- you're right. So to answer some of your questions, you can change a beneficiary to any member of the family. But when this provision was passed, they-- into the Roth IRA, it has to be the Roth owned by the beneficiary, so you would not be able to roll the money--

von GILLERN: OK.

RACHEL BIAR: --into your Roth IRA as the account owner. You would definitely-- it would have to go into the beneficiary's Roth IRA that they have established. And then there are the-- subject to the contribution limits of a Roth IRA, so currently that limit is \$6,500. The whole package, you can only roll a-- a maximum lifetime of \$35,000 total into the Roth IRA under this provision, the way it is today. And

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 1, 2023
Rough Draft

then you also-- the account has to be more than 15 years old, also, is a provision, and you also can't use any of those contributions that have been made in the last five years. So there are a number of limitations to that, but, yes, you-- meeting all of those expectations, you could then transfer it to that beneficiary after those-- that time.

VON GILLERN: OK. Thank you.

RACHEL BIAR: You're welcome.

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

RACHEL BIAR: Thank you.

LINEHAN: Appreciate it. Are there other proponents? Good afternoon.

DONNA CROWNOVER: Good afternoon, Chair and committee members. My name is Donna Crownover, D-o-n-n-a C-r-o-w-n-o-v-e-r. I am a relationship manager with Union Bank and Trust and have 15 years' 529 experience with the college savings group at Union Bank. As program manager for the Nebraska Educational Savings Plan Trust, Union Bank and Trust provides the day-to-day administrative and marketing services for the NEST plans. I'm pleased to be here today to speak in support of LB495, which would allow trustee-to-trustee rollovers of the unused 529 balances to a Roth individual retirement account with no penalty, as has been discussed, as permitted with the Section 52-- 29 of the Internal Revenue Code. With the Secure Act 2.0 allowing tax-free rollovers from 529s to Roth IRAs, the act does speak to the requirements of the tax-free rollovers, providing the roadmap for individuals who wish to complete a federal penalty-free transfer. LB495 would serve to align the Nebraska state requirements with the federal legislation that will become effective in January of 2024. Account owners, as well as prospects, often ask what happens if they don't use all of the funds in their 529 plan for college. While the NEST plans currently offer flexibility to address this question, providing the opportunity for state penalty-free options, in addition to the pen-- the federal penalty-free option provided by the Secure Act 2.0 to rollover to a Roth IRA for the beneficiary provides an additional alternative for Nebraska families saving for their loved ones. This may also eliminate some confusion for Nebraska investors who are familiar with the federal legislation but concerned about

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 1, 2023
Rough Draft

state penalties and encourage saving for college, as well as retirement. With investors in all 50 states, the NEST plans will have account owners who may request the trustee-to-trustee transfers, knowing, based on their state of residency, that the transfer will be federal and state penalty free. As program manager, we will have processes in place to accommodate these requests. I thank you for the opportunity to speak with you today. If there are any additional questions, I'm happy to discuss those with you.

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

DONNA CROWNOVER: Thank you.

LINEHAN: Are there other proponents? Are there any other proponents? Excuse me. Are there any opponents? Are-- is anyone wanting to testify in the neutral position? Senator Briese, would you like to close? Let me see, did we have any-- we didn't have any letters. No letters. So with that, we close the hearing on LB495 and we will open the hearing-- we'll go back to LB580.

HOLDCROFT: I apologize for not being able to be here.

LINEHAN: That's fine. We didn't-- I was-- the Chair of the committee was confused. You're, you're fine.

HOLDCROFT: Good afternoon, Chairwoman Linehan and members of the Revenue Committee. For the record, my name is Senator Rick Holdcroft, spelled R-i-c-k H-o-l-d-c-r-o-f-t, and I represent Legislative District 36, which includes western and southern Sarpy County. I am here today to discuss LB580 and AM634. This bill would amend Sections 77-1344 and 77-1347 of state statute. It would help to protect the incomes of farmers and ranchers across the state. LB580 and AM634 would allow land that is currently involved in production agriculture to retain its special tax valuation as agricultural land. The specific intent of the bill is to address land that is part of an annexed area but is still being farmed. The impetus of this bill happened in 2017. At that time, the city of Gretna annexed nearly 3,000 acres. Of this, 21 parcels, comprising 888 acres, were agricultural land. Under current state law, this annexed land automatically became subject to commercial property taxes. Coupled with normal inflation and market factors, this will result in a total land valuation increase from just over five point-- \$5.14 million in 2022 to almost \$17.75 million in 2023. Once again, the purpose of LB580 and AM634 is to allow land that

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 1, 2023
Rough Draft

is currently involved in production agriculture to retain its special tax valuation as agricultural land until such time as commercial improvements begin on the land. AM634 assures that LB580 applies to the 2023 tax year. Coming behind me are ag producers and ag leaders. They should be able to answer any questions you have on the origins of this bill and why it is important for those involved in production agriculture. And I'm open to your questions.

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

von GILLERN: Senator Rick Holdcroft, thank you for being here. Sorry--

HOLDCROFT: My pleasure.

von GILLERN: --Senator Holdcroft. Question, I know, I know situations where commercial developers have purchased ag land with the full intent of developing it, but they just-- they farm it in the interim while they're doing their planning--

HOLDCROFT: Correct.

von GILLERN: --their infrastructure, whatever. And sometimes that's a matter of years. Is there any exception for that?

HOLDCROFT: There's no exception for that.

von GILLERN: As long as it's got crops growing on it, it's ag land.

HOLDCROFT: Correct. As long as they're still filing a Schedule F, which is a profit loss due, due to farmland-- farm-- farming.

von GILLERN: OK.

HOLDCROFT: At least out of last two out of three years, they qualify for the special taxation--

von GILLERN: OK.

HOLDCROFT: --valuation.

von GILLERN: OK. So even though-- and sometimes I've planted-- well, not sometimes-- oftentimes, that planting adds to the value of the land. What if they flip it in between that it's still-- as long as it's got crops on it, it's an ag land.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 1, 2023
Rough Draft

HOLDCROFT: Yes.

von GILLERN: Is that correct?

HOLDCROFT: That's correct.

von GILLERN: All right, thank you.

LINEHAN: Thank you. Senator von Gillern. Are there other questions from the committee? The Gretna situation is a little unique, right--

von GILLERN: It is.

LINEHAN: --because they skipped--

HOLDCROFT: Yes, it--

LINEHAN: They had to, they had to do that so they could grab the rest of it.

HOLDCROFT: Before Papillion did, yes. So that was the-- well, I can't say that exactly, but that was probably why it-- that occurred.

LINEHAN: They were [INAUDIBLE] because of the--

HOLDCROFT: It did-- it went all the way to the Supreme Court and the Supreme Court ruled in favor of Gretna so the land was incorporated.

LINEHAN: Right. I remember that. OK, any other questions? All right, thank you very much. And will you stay to close or do you have--

HOLDCROFT: I will be here to close.

LINEHAN: OK. So first, we'll hear from proponents. Good afternoon.

BRUCE RIEKER: Good afternoon. My name is Bruce Rieker. It's B-r-u-c-e R-i-e-k-e-r and I'm the senior director of state legislative affairs for Nebraska Farm Bureau. And on behalf of not only Farm Bureau-- I've shared this with you before, but I'm here on behalf of eight organizations that comprise a great deal of the agricultural producers across the state. But those eight are Farm Bureau, Nebraska Cattlemen, Nebraska Corn Growers, Soybean Association, State Dairy Association, Pork Producers, Nebraska Wheat Growers and Renewable Fuels Nebraska. And I want to thank Senator Linehan for putting the land grab language out there rather than me using it. I did my best to write this testimony without that, but no, that's-- so as Senator Holdcroft

already talked about, LB580 removes a requirement for special valuation of ag or horticultural land that needs to be outside of the-- or excuse me, removes the requirement that that land needs to be outside the corporate boundaries of an SID, a city or a village. And what LB580 intends to do is strike that particular language and redefine the statute that if it looks like agricultural land and it's used as agricultural land, it should be taxed as agricultural land regardless of its location. So that's the general intent. I also think it's important to share with you some language that is in Nebraska's administrative code, 350 Chapter 11 states this-- and this is to how the property tax assessor is supposed to handle property taxes. Since urban development and other nonagricultural development can have an economic impact on neighboring agricultural/horticultural land, the sections that we're talking about, Statutes 77-1343 through 77-1348 were enacted-- and I believe that was clear back in 1974 and it's been amended a few times since. The special valuation assessment provides for taxable value based on 75 percent of the actual value of the land of hortic-- agricultural or horticultural purposes or uses without regard to the actual value the land might have for other purposes, allowing persons wishing to continue to engage in agriculture as a livelihood from being forced to discontinue their agricultural endeavors as a result of excessive tax burdens. There's going to be producers and landowners behind me that will tell you how much their property taxes are going to go up because of what happened in this situation. And this isn't just isolated to Sarpy County. The numbers may be different across the state, but in some cases, their wish to continue to be involved in production agriculture actually costs them more in taxes than they make off the land. So this is part of what we're trying to fix. Senator Holdcroft already talked about the annexation in 2017. A little bit more history is in following that, Sarpy County filed a lawsuit saying-- or stating that Gretna didn't have the authority to do this. And then in 2021, the Nebraska Supreme Court ruled-- overturned that decision and ruling that the lower court failed to consider future development plans in the area. I think that that's a dangerous area for us to go when you're talking about speculative or future plans. Until it changes its purpose from agricultural land to commercial, it should be taxed as agriculture and that's our point. So what does that mean for agricultural landowners? At the tail end of the fiscal note, you'll see an example of what the analyst put in there about what this can mean as far as property being valued. If it's valued as ag land in this area, it's probably worth \$4,000 or \$5,000 an acre given the 75 percent valuation requirement. But if the land is sold for commercial purposes at \$50,000, then--

Transcript Prepared by Clerk of the Legislature Transcribers Office

Revenue Committee March 1, 2023

Rough Draft

it's then going to be valued at \$37,500, which is seven or eight times what it is for agricultural purposes. Until it makes that switch, it seems egregious that we would increase somebody's property taxes by seven or eight times. And so once again, that's why we are pushing for this change. We appreciate Senator Holdcroft taking a sincere interest in this and helping us with this. And with that, I'll urge you to advance this to General File and will try to answer any questions you have.

LINEHAN: Are there any quest-- thank you. Mr. Rieker. Are there any questions from the committee? Seeing none, thank you very much for being here.

BRUCE RIEKER: You're welcome.

LINEHAN: Next proponent. Good afternoon.

JAMES HARDER: Good afternoon. Good afternoon, Senators. For the record, my name is James Harder, J-a-m-e-s H-a-r-d-e-r. I represent the Harder Family Limited Partnership. We own a 117-acre farm in Sarpy County, east of Gretna. Our farm, along with several others, was recently annexed into the city of Gretna. My father purchased the farm in 1963. We produce annual and perennial crops. I grew up watching terraces and grass waterways being built on the big hill to combat erosion. We've maintained a conservation reserve program, filter strips for over 20 years to protect the stream. Our farm being annexed into the city of Gretna does not change the fact that it has been and will continue to be a working farm as long as we can. The farm has been leased to our family friend and tenant, Tim Lorenz, since 1987. Tim is an excellent progressive farmer and he needs to have access to land like this to be able to do what he does best. We have received the 2023 preliminary assessed value from the Sarpy County assessor showing the result of being annexed into the city of Gretna and losing our agricultural special valuation. The new assessed value for 2023 is now \$2,590,616 as compared to the 2022 assessed value of \$482,092. This is an increase of over 537 percent. And I'm sorry, I had copies of this to hand out, if that could be done before I finish. If the county tax levy stays the same as in 2022, our property tax will increase from \$10,898 in 2022 to \$61,878 in 2023. Property tax of \$61,878 is 2.66 times what we can earn for rent. This is an unbearable tax burden forced upon us. This is a severe problem not only for our family, but for other agricultural and horticultural land in Nebraska that can be annexed into a city or sanitary improvement district. I'm not against development. My home was built on land that was once part

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 1, 2023
Rough Draft

of someone's farm. I understand why Gretna thought they needed to annex our property, but it is not right, though, that we are being forced into a financial position where we will no-- we'll-- we'd be losing money every year. I believe LB580 relating to assessment of property that was introduced by Senator Holdcroft and supported by Senator Day and others will correct this problem. It will allow us to maintain our agricultural special valuation for property tax assessment purposes. I'd like to thank the members of the committee for their time and attention this afternoon. I'd be happy to answer questions if there are any.

LINEHAN: Thank you very much, Mr. Harder. Are there any questions from the committee? Senator Murman.

MURMAN: Thank you very much for your testimony and I appreciate you trying to keep the family farm in, in the family as long as possible. I think you've pretty much said it in your testimony, but if you did keep farming that land and had to pay those property taxes, you would not-- you would show a loss. Is that correct?

JAMES HARDER: That's correct.

MURMAN: Thank you very much.

JAMES HARDER: Yeah.

LINEHAN: Thank you, Senator Murman. Are there other questions? You were specific. I don't know if it-- handed out-- yes, you were. So the property taxes is \$61,878, would be 2.66 times what we earn in rent. Are you cash renting it?

JAMES HARDER: We are cash renting.

LINEHAN: So what do you get an acre for cash rent? Is it--

JAMES HARDER: \$220 an acre.

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

JAREL VINDUSKA: Senator Linehan--

LINEHAN: Hi.

JAREL VINDUSKA: --members of the Revenue Committee, my name is Jarel Vinduska. Jarel is spelled J-a-r-e-l. Vinudska is V-i-n-d-u-s-k-a. I have a farm about-- in Sarpy County, about seven miles south of Gretna. And as stated already, I think the first question that I think was-- should be asked and I think if you all know this, the reason for farm special assessment is to try to prevent landowners from being pushed off the land because of uses that value the land higher than agriculture does. So then I guess the next question a person should ask is why did this exemption get put in there that if the land-- piece of land gets annexed in the city? Seems to me if-- that's in direct opposition of what the goal is. And I think the answer to that question, I hate to be cynical, but the answer is somebody wanted that exception put in there so that cities did have the right to push somebody off the land because I can't think of any other reason for it being in there. And to me, that's, that's pretty evil because if you-- you know, like the previous testifier says, if you work a piece of land for a number of years and you take care of it and you do what you can to treat it the best you can, do conservation work, it becomes more than just a piece of land. It's almost like part of the family. And to give government the power to force you off basically-- without being too dramatic about it, isn't that the definition of communism? Communism says-- and, and we don't like communism, most of us in this country, because we like private property rights. And, you know, the definition of communism is that the means of production is owned by the state. Well, what is this? If you-- unless you-- if you can keep it as long as-- until some entity says that you can't keep it anymore because you can't earn enough money. I can give you an example. I think probably other people that will have better examples. But how it works, you know, years ago we, we worked-- and Senator Albrecht knows this because she was involved in it-- to work a comprehensive plan. Because at that time, Sarpy County wanted the whole county to be able to be broke up into small, smaller lots. And we in the southern part of the country-- county that was more agricultural, we formed a group to try to at least have some of the county be preserved as agricultural area and open space. And we got that-- luckily, fortunately, we got it put into the comprehensive plan that that part of the county is a conservation development district. It was the first and it may still be the only conservation district in any county. I don't, I don't know about the rest of the counties, but at that time, it was the first. But, but anyway, just this last fall, somebody bought a 55-acre tract right on Highway 31. And part of that plan, too, is to try to prevent urban sprawl, linear sprawls down the highway. And this guy wanted to build a-- or is going to build a

recreation center, a commercial recreation center on the highway. Well, I went to the city of Gretna council and asked them to please honor Sarpy County's comprehensive plan so that they would-- and have the-- Gretna have their own conservation district that, that is in unison with Sarpy's plan. But they said, no, no, we, we've got a three-mile jurisdiction and we have no conservation district so, so they approved it. And that's just an example I wanted to give of how, how-- you know, unless, unless we have some planning that prevents, you know, the atrocity of pushing somebody off the land. And that's-- you know, that's why I hope you'll advance this. And, and actually, better yet, I'd love to cure this property tax problem once and for all. And I hope-- I wish you would support LB79 and just get away from property tax and go to a consumption tax because that's a way more logical way to do it and, and get out of this mess of-- I mean, property tax is just-- well, you know. You've been listening to it for years and nothing ever gets done about it really. But then this-- that's-- that would be the ultimate solution. But anyway, I hope you'll think about it and advance this bill, at least in case we don't, which we might not have consumption tax. So thanks for listening to me. If you got any questions--

LINEHAN: Thank you very much. Are there any questions from the committee? You said how much was sold right along Highway 31?

JAREL VINDUSKA: Fifty-five acres.

LINEHAN: Is there-- does, does Gretna have a master plan as to what-- because it is going to be like a strip mall. That's--

JAREL VINDUSKA: They've got a master plan, but it doesn't include anything about preserving open space. And that's what was disappointing to me. When they moved into the conservation district of Sarpy County, they're, they're undoing all the work we did to try to have a comprehensive plan as far as-- what good is a comprehensive plan if, if it goes away in the future?

LINEHAN: OK. All right, thank you very much for being here. I appreciate it. Thank you. Are there other proponents?

ROBERT WALDEISEN: Hi, guys. I've never been here before, so.

ALBRECHT: Welcome.

ROBERT WALDEISEN: Anyway, it's a pleasure. My name's Robert Waldeisen, R-o-b-e-r-t W-a-l-d-e-i-s-e-n. Our acreage is only 13 acres with a

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Revenue Committee March 1, 2023
Rough Draft

home and out buildings. It's in, in District 49, east of Gretna, on the north side of Schram Road and west of 168th Street. My property taxation on a parcel 011574127, as a result of being annexed into the city of Gretna shows an increase in taxes of a little over \$2,700 just for Gretna city and Gretna city bond. Overall, tax increase was up \$3,636.47. We are a retired couple living on a fixed income finding it more and more difficult to pay our day-to-day bills. We are concerned taxes will only go higher and force us to consider selling our home or property, which is something we do not wish to do at this time. We wish to thank Senator Holdcroft for introducing LB580 and District 49 Senator Day for supporting it. We are in favor of Senator Holdcroft's bill, LB580, and would like to ask your consideration, approval in voting in favor of LB580. You know, there's one thing I'd like to say ad lib. We're fixed income and I don't know if you guys know about Nebraska Fish and Game. They give a \$5-- they recognize us as veterans and senior citizens. OK, I'm a veteran and I'm a senior citizen. You know \$5 means a lot to me because it's recognition. You know, we're at the end of our deal here and I don't want to be forced out because of taxes. I happen to like the people of Nebraska. I've lived all over. They're the best people I've ever been around. I don't like the weather. But the people, it's great. Well, that's-- I just want to thank you guys. And if there's any questions, I'd be more than happy to ask-- or, you know, answer them.

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

KAUTH: Just, just one.

LINEHAN: Senator Kauth.

KAUTH: Thank you.

ROBERT WALDEISEN: Yes, ma'am.

KAUTH: How long have you lived at your property?

ROBERT WALDEISEN: We actually-- we bought it from Harder--

KAUTH: OK.

ROBERT WALDEISEN: --the Harder deal, all right? And we, we bought in '04, 2004. We moved from a farm up in the state of Washington.

KAUTH: OK.

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Revenue Committee March 1, 2023
Rough Draft

ROBERT WALDEISEN: I worked for Valmont and I was-- I got traveled around a lot.

KAUTH: Very good. Thank you.

ROBERT WALDEISEN: All right.

LINEHAN: Thank you, Senator Kauth. Are there other questions from the committee? Seeing none, thank you very much for being here, sir. Appreciate it.

ROBERT WALDEISEN: Thank you.

LINEHAN: You're welcome.

TIM VALA: Yes. Hi, I'm Tim Vala, it's T-i-m V-a-l-a, and I'm the, the founder and owner of Vala's Pumpkin Patch in Gretna. I'm proud to say this, this fall will be our 39th year in business so we've been around for a while and we're-- we got the second generate-- I have three daughters and two son-in-laws who are coming back to the business. So hopefully we're another 40 years in business and we have one of the largest ag or entertainment farms in the whole country and we own about 450 acres that's being affected. So we're one of the-- probably the largest landowner affected in this Gretna annexation. Three hundred acres is still in agricultural use. So that's probably what's-- we're talking about here because we've already lost greenbelt on a good chunk of our ground, like, we have parking lots and barns and, and everything, so-- and that's, that's fine. That's the way it's supposed to be. We grow about 40 acres of apples. We have 55 to-- 50 to 55 acres of pumpkins every year. We kind of rotate with corn and beans because pumpkins can tend to have a lot of disease problems. And so you just want to kind of have a good rotation, a three-year rotation minimum, four or five is even better, but. So we kind of do that and we offer the apples and U-- and pumpkins. We try to sell the good share of them through U-pick, where families can come out with their friends and, and just see and, and feel and see all the farmland. And it's, it's amazing to see the kids come out there and see, you know, literally, you know, acres and acres of pumpkins and apples and that's stuff that they don't-- normally don't get to see, especially, you know, in Omaha and places, so. And, you know, many farmers-- families don't have family farms anymore where they can go out and have green places where they can play and explore. And we see ourselves as the caretakers of this farm for all the families in the community and that can adopt this farm as their own. And, and it--

like I said, there's nothing more rewarding than creating a space for kids that are so excited and parents are happy and, and just having a good family time together. And families are really an important part of what we do. From a pure business point of view, with the higher taxes being forced upon us, it would probably be financially better if we just sold our agricultural land to developers and, you know, put houses in or something. And we could buy apples and pumpkins probably from other farmers cheaper now than what we could grow them ourselves. So-- but you know, then you would lose all the atmosphere of the kids coming out and seeing the pumpkins, apples grown right where they are and being U-pick. So it'd be-- it wouldn't be unlike going to a grocery store and just picking a pumpkin out of a parking lot. And our customers, you know, would not be willing to pay higher prices for our crops just because we have to pay higher taxes on them. And you know, we don't want to bring in outside crops. So I just feel that it's just too important for the community and the atmosphere and experience of, of actually seeing where they're growing and picking them right off the ground and off the trees are-- is very important. And every community needs green space and fun things to do and I think we provide and help that. And the neat thing is that we're not taxpayer supported. We don't get any grants. We don't get any deals. We, we're actually paying taxes and, and most communities are trying to put in parks and they have to pay for them and stuff like that. So I think we're a real benefit to, to the community. And we're not asking not to pay taxes. We want to pay our fair share. I've never complained. I never protested taxes. It's just part of the deal and we love the city of Gretna. We love-- the Gretna school district is really great. Sarpy County as a whole is, is a really great place to live and we want to support, support them as much as possible. We just want it to be fair and we want to keep our business viable so that we can be-- we can offer the best experience possible to the community, so. And thank you for your consideration and if there's any questions, I'd be happy to ask them.

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

DUNGAN: Thank you, Chair Linehan. I just wanted to say thank you for you being here. Going to your pumpkin patch has been a tradition for my family since I was a little kid.

TIM VALA: Oh, wow, really?

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Revenue Committee March 1, 2023
Rough Draft

DUNGAN: The few years that I didn't live in Nebraska, I actually received your kettle corn in care packages so thank you for that. And lastly, there's been an ongoing debate in my family about whether it's Vala's or "Vola's" for years. Could you say your last name again?

TIM VALA: OK. You're, you're right both ways.

DUNGAN: OK.

TIM VALA: It's, it's--

DUNGAN: This is not going to clarify anything.

TIM VALA: The correct Czech way to say it is "Vola."

DUNGAN: OK.

TIM VALA: My mom, for whatever reason, who wasn't Czech, she was Scotch-Irish and Swedish. She liked Vala better. I don't know why, but she just-- and so she insisted that we call her last name Vala. So we usually just say Vala now because we kind of follow my mom. But--

DUNGAN: Smart.

TIM VALA: --if you would follow my dad, he would say "Vola."

DUNGAN: I've always said "Vola," so I feel a little bit vindicated here today, so.

TIM VALA: Yeah.

DUNGAN: --thank you.

TIM VALA: "Vola" is actually probably the correct way to say it, but Vala is, you know--

DUNGAN: I'll get a recording of this and send it to my family, but thank you.

TIM VALA: It depends if you want to keep my mom happy or my dad happy.

DUNGAN: Thank you for being here. I appreciate it.

TIM VALA: OK. Well, I appreciate you saying that.

LINEHAN: Thank you, Senator Dungan. Senator Albrecht.

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Revenue Committee March 1, 2023
Rough Draft

ALBRECHT: Well, thank you, Chair Linehan, and thank you for being here, Mr. Vala.

TIM VALA: Thank you.

ALBRECHT: I actually have taken my children. When you said 39 years, I've had both of them there and they've both worked for you.

TIM VALA: Oh, wow. That's great.

ALBRECHT: The Kortus family.

TIM VALA: Yeah, um-hum.

ALBRECHT: Yeah, so--

TIM VALA: We have over 1,000 people work for us now in September and October.

ALBRECHT: It was a great time for, for kids--

TIM VALA: So we're, we're a great--

ALBRECHT: --to grow up.

TIM VALA: --employer for-- you know, a lot of high school kids' first jobs and, and a lot of older people just wanting to kind of fill in and so--

ALBRECHT: Great barn that you moved there. So getting back to business, sorry-- because it is a great business-- do you worry about Gretna starting to build around you?

TIM VALA: Well, that's one of the reasons why we have 450 acres. We've tried to buy up adjoining land over the years as much as we could because we could, we could-- you know, could see it coming, you know, even 20, 30 years ago. So I think we have a good base right now, you know? So I-- no, I think we're, we're in good shape, you know, for the future.

ALBRECHT: Certainly, we're-- Sarpy County is growing so thanks for being here today.

TIM VALA: Yeah. Well, thank you.

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Revenue Committee March 1, 2023
Rough Draft

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

MURMAN: Well, since we're all chiming in, there used to be a pumpkin patch at Glenvil and my grandkids now live in Dallas, Texas, but they'd come back for the one in Glenvil. But they-- since that one's closed now, they come back for the one-- for your pumpkin patch.

TIM VALA: Oh, great.

MURMAN: They might get an award for one of the farthest travelers and so--

TIM VALA: Oh, wow.

MURMAN: --thank you very much.

TIM VALA: Yeah, well, thanks for coming. Appreciate that. Yeah.

LINEHAN: Thank you, Senator Murman. I think we probably have all been there. Any other questions from the committee? All right, thank you very much.

TIM VALA: Yeah. Well, thank you for your consideration and--

LINEHAN: You're welcome.

TIM VALA: --we appreciate what you're doing.

LINEHAN: Thank you.

ALBRECHT: Thank you.

LINEHAN: Other proponents. Hi.

JOHN HANSEN: Chairman Linehan, members of the committee, good afternoon. For the record, my name is John Hansen, J-o-h-n H-a-n-s-e-n, and I'm the president of Nebraska Farmers Union. We thank Senator Holdcroft for bringing this bill forward. It seems to us that especially for those situations where chunks of land, for whatever reason, would get annexed, really kind of created certainly an unfairness relative to the tax because the tax that's being levied is a speculative tax. It's not based on the actual land use. So it also creates a problem relative to orderly development in that the tax structure is so high that it forces land in those kinds of situations to perhaps be forced into development that's maybe not ready for it

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Revenue Committee March 1, 2023
Rough Draft

yet because it's-- that, that development isn't there. So you've created a-- I think the current-- the status quo creates, you know, unfairness, but also a sort of lack of a process and that it makes more sense from a process standpoint to let the land continue to be farmed as long as possible until development is appropriate. And so for that and all of the reasons that have already been expressed here today, I especially appreciate all of the landowners that have come forward. We have received phone calls at the office about this issue and so this seems like a good remedy to it. And so we are glad to support it and would be glad to answer any questions if you have any.

LINEHAN: Thank you very much, Mr. Hansen. Are there questions from the committee? I have one-- and I don't expect you to really have it, but I'm kind of giving Senator Holdcroft a heads-up here-- how many acres when this-- when Gretna decided to annex this, how many acres did they annex total?

JOHN HANSEN: I do not know.

LINEHAN: Yeah, I didn't really expect to, but I think it would be good for the committee to know how many acres Gretna sat on before and then after this annexation. Any other questions? Thank you very much for being here.

JOHN HANSEN: You bet.

LINEHAN: Are there other proponents? Good afternoon.

TRENT LORENZ: Good afternoon. Trent Lorenz, T-r-e-n-t L-o-r-e-n-z. Fourth-generation farmer, Sarpy County. My father is Tim Lorenz, who rents from James back there. The annexation of ag or horticultural land into a city without a special valuation has negative consequences for everyone that will own or lease it. The city does not provide services such as sewer and water to allow these properties to potentially be put into a higher valuation position. Without the services of sewer and water, these properties cannot be put into dense housing, commercial or industrial development. Ag or horticultural land is the best option for many of these properties under the current circumstances. These ag/horticultural properties are also financially beneficial to a municipality. They pay property taxes annually and they only need a low maintenance road to support most of them. Numerous businesses benefit from a property that is in an agricultural or horticultural state for the annual production every year. It takes labor, management, equipment, fertilizers, chemicals, seeds, fuel and

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Revenue Committee March 1, 2023
Rough Draft

other resources. One out of four jobs in Nebraska are ag related. It is Nebraska's number-one industry. Give these properties that are production ag a fair opportunity to succeed. Production ag contributes to our economies. Let these property owners enter or leave ownership on their own terms. Property owners should not be forced to sell because of a tax liability. The tax authority will also deter any prospective buyers. This is a statewide issue. There will always be land on the edge of development. I believe LB580 can help with the transition of the city blending with the country boundaries. LB580 will allow for a property to keep its ag special valuation. Thank you.

LINEHAN: Thank you very much, Mr. Lorenz. Are there are other-- are there any questions, excuse me, from the committee? Another question-- I'm giving a heads up to Senator Holdcroft. If, if it's already in the city, then can and SI-- can, can somebody still use an SID? I don't know much about development, but.

TRENT LORENZ: I couldn't tell you.

LINEHAN: Because SIDs are usually on the edge of a city and then they are developed and the bonds get paid off and then they get-- but I don't know how that would work when you're already in the city. OK. Thank you very much.

TRENT LORENZ: Thank you.

LINEHAN: Appreciate you being here. Are there other proponents? Thank you. Go ahead.

MARVIN LEADERS: I'm Marvin Leaders. I represent-- I'm still an active farmer, 78 years old.

LINEHAN: You need to spell your name.

MARVIN LEADERS: Oh, Marvin, M-a-r-v-i-n.

LINEHAN: Thank you.

MARVIN LEADERS: Leaders, L-e-a-d-e-r-s.

LINEHAN: OK.

MARVIN LEADERS: I do not have property in this Gretna annexation, OK? I have a lot of development all around me. I live right across from the-- now I live right across from the new national veterans cemetery.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 1, 2023
Rough Draft

Our family had land across Sarpy County. My great grandfather came to Sarpy County in 1881, bought the first farm in 1882 that the family still has and my son resides on that farm. My brother still farms it. And there's been family on it ever-- for that whole time. All my life, we've seen Omaha come crawling out, OK? The annexation that Gretna did should not have happened. It was a territory fight with them and Papillion to control it so they could pull some more valuation up closer to Highway 50 and 370, but it puts landowners in jeopardy in the interim. I've been familiar with the greenbelt, the special valuation, all the way back from when Senator Dickinson from Douglas County initiated it. He had those problems in southwest Douglas County at that time and it went on with this. Through the years, we really have, at Sarpy County Farm Bureau, long-term landowners. The growth and the annexations came sporadically, one at a time. You see what I'm saying? And a person's time frame to sell out to development has to meet each family's goals and time frames. This issue came about, about-- probably been five years now that-- on 114th Street in Sarpy County. Papillion annexed 160 acres and took the Weiss family out. They were there before Nebraska was a state, OK? I don't know if Papillion knew that-- of the greenbelt issue. They had talked with the family and, and knew that they would have city taxation, OK? It forced them to sell, OK? They were not living on that property. You know, it was probably the fifth-generation ownership there also. The NRD took part of the farm and built a dam and part of that there. And then they sold the rest for development, for commercial development, OK? They kept, I think, 13 acres there. And on those acres that they did keep, I just looked up the valuation on that and the assessor's valuation that I pulled off the Internet is now \$33,000 an acre to be based-- taxes on and to pay Papillion city tax levy also, OK?

LINEHAN: Thank you, sir. Your red light is on so you need to wrap up.

MARVIN LEADERS: OK.

LINEHAN: That's OK.

MARVIN LEADERS: This greenbelt is our lifeline.

LINEHAN: OK.

MARVIN LEADERS: You see what I'm saying?

LINEHAN: I do.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 1, 2023
Rough Draft

MARVIN LEADERS: And we need, we need to continue it and this, this is the option that, that we have, so.

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

MARVIN LEADERS: OK.

LINEHAN: --it very much.

MARVIN LEADERS: Thank you.

LINEHAN: You're welcome. Are there other proponents? Are there any other proponents? Are there any opponents? Is there anyone wanting to testify in a neutral position? Good afternoon.

JON CANNON: Good afternoon, Chairwoman Linehan, distinguished members of the Revenue Committee. My name is Jon Cannon, J-o-n C-a-n-n-o-n. I am the executive director of NACO here to testify today in the neutral position on LB580. I appreciate Senator Holdcroft having brought this bill. Any time we have an opportunity to talk about special value and what it means and how we get there is always a good opportunity for this committee particularly-- oh, I can't exactly call the new members of the committee new members of the committee any more because we're two months into the session. So the reasons that we have special value-- and just in general, in general terms, special valuation is not-- it's not that we get to 75 percent of its market value. We're looking at valuing agricultural land at 75 percent of its special valuation, special valuation being determined as the uninfluenced value. So as, as urban sprawl or, or urbanization starts to approach farmland, what we want to do is we want to recognize the influence on the market that that urban influence can have and take out the urban influence and just value it strictly at its market value. And so generally speaking, when you're looking at special valuation, what you're doing is you're, you're-- if, if you're in Lancaster or Sarpy or Douglas or any other place that's got a metropolitan area of any kind of significance, you're looking at similar ground in adjoining counties or maybe counties that are even a couple of counties away. You're saying, what would that ground sell for and then you kind of transplant that over to your, your county. And actually, there's a couple of assessors or folks who work in the assessor's office that will be coming after me that will explain this a lot better than I can. And as a practical matter, I was, I was three years old when we

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 1, 2023
Rough Draft

first got special valuation in the state. I'm not the guy that should be the History Channel on this. Senator von Gillern, I can tell you that I do not have six NEST plans for my grandchildren at this point. But you know, I'll catch up someday, I'm sure. But one thing I will say about the assessor representatives that we have here today, the assessor's job is not to jack up values, although a lot of people like to think that. They do not have a crystal ball. What they have is a mirror. Their obligation is to determine market value or special valuation in these instances. Their explanation of the technical requirements that goes into determining not just value, but special valuation, I believe, will be invaluable to this committee. I would certainly urge you to listen to their testimony and ask questions and find out how we, how we wrestle with this creature that is "special val" and, and what the policy reasons we have for keeping it around are. With that, I'm happy to take any questions you might have.

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

BRIESE: Thank you, Chairwoman Linehan. Thank you for your testimony. With, with regard to the special valuation, what is the purpose of the exception for a property within city limits? Why is that exception in there? I don't recall.

JON CANNON: When, when they struck that deal back in 1974-- again, I was, I was pretty young. My, my understanding is that the reason for that is that when you're, when you're within the city limits, you know-- when you're just outside the city limits, you can pretend that the city is not there for determining what the value is for your property. When you're within the city limits, it's a little harder to ignore, to ignore the fact that you've got a city about you. That's my only understanding. I-- there are probably other people that have a way better understanding of that than I do.

BRIESE: Yeah, and I, I agree that's probably the reason, but it's not very compelling. It doesn't seem, but anyway--

JON CANNON: And that's--

BRIESE: --thanks for your testimony.

JON CANNON: And that's why we're here in the neutral capacity.

BRIESE: Yeah.

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Revenue Committee March 1, 2023
Rough Draft

JON CANNON: I mean, as a policy matter, that is, that is for this committee to determine--

BRIESE: Sure.

JON CANNON: --and advance it out to the floor.

BRIESE: Yeah, you bet. Thank you.

JON CANNON: Yes, sir. Thank you.

LINEHAN: Thank you, Senator Briese. Do you know how-- SID rules, laws?

JON CANNON: I-- just enough to be dangerous, ma'am. I, I don't want to get out over the tips of my skis. I think that they still would be available, but I'm not entirely certain.

LINEHAN: Well, it's sanitary improvement--

JON CANNON: Improvement district.

LINEHAN: --improvement district.

JON CANNON: Yes, ma'am.

LINEHAN: So if you, if you have a bunch of property and it's in the city, wouldn't the city be responsible for the improvement?

JON CANNON: I'm, I'm not sure. I wish Lynn Rex were here.

LINEHAN: OK.

von GILLERN: She just walked in.

KAUTH: Oh, my goodness.

LINEHAN: There she is.

JON CANNON: I mean--

LINEHAN: It's almost worth an applause.

JON CANNON: It was almost-- it's almost--

LINEHAN: We can't do that. Don't, don't clap. Go ahead. Anyway, you've been upstaged.

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Revenue Committee March 1, 2023
Rough Draft

JON CANNON: I, I couldn't be upstaged by a better person.

LINEHAN: All right. Thank you.

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

LINEHAN: We'll have your assessors-- next neutral testifier.

DAN PITTMAN: Good afternoon, Senator Linehan and senators of the Revenue Committee. My name is Dan Pittman, D-a-n P-i-t-t-m-a-n. I live in Sarpy County and I've been the Sarpy County Assessor since 1999. Sarpy County has agricultural land, but no agricultural land market, as all the land is in the path of development and it sells for other than agricultural purposes. Agricultural landowners located outside the corporate boundaries of the city or a sanitary improvement district, they make an application to the county assessor for agricultural special valuation, greenbelt. When approved, the agricultural land will be valued using land sales from outside of Sarpy County for markets that do not experience significant development influence. There is agricultural land located in the corporate limits of Sarpy County's five cities and in the developing SIDs. The county assessor, upon determining the land to be agricultural land, will derive the market value from the local market and assess the value of 75 percent of fair market value. The county assessor notifies the agricultural landowner if it explains the value difference. The landowner's concern is if the higher assessed value will result in greater property tax liability. At this point, the discussion moves away from the assessed value to the matter of taxes. If LB580 is written into law, agricultural landowners, upon being annexed into the city limits, would be required to apply to the county assessor for agricultural special valuation. Upon approval, the land would be valued by the same method as agricultural land outside of the city limits. And that's the extent of my comments or statement.

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

DAN PITTMAN: Thank you.

LINEHAN: You did fine. Others-- one more assessor who wants to-- good afternoon.

DERRICK NIEDERKLEIN: Hi. Yeah, thanks, Chairwoman Linehan, members of the Revenue Committee. My name is Derrick Niederklein, D-e-r-r-i-c-k N-i-e-d-e-r-k-l-e-i-n. I'm the chief field deputy for the Lancaster

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Revenue Committee March 1, 2023

Rough Draft

County Assessor's Office and so I'm representing the county assessor on this matter. I'm also actively engaged in agriculture for the record, owned farmland and participate in my family's cow-calf operation so I certainly understand the, the, the issue, particularly with Sarpy County owners. I also frequent Vala's Pumpkin Patch so I think I've got all the bases covered. I'm testifying in a neutral capacity just from the standpoint that assessors faithfully discharge the laws that are provided. And, and so I'm not testifying necessarily on tax policy matter, but just on the application of that and part of that is, is bringing perspective to you all as you make those decisions. This, this has not necessarily been an issue in Lancaster County. This-- frankly, in, in, in, in the perspective from the facts I've been able to gather, is, is an issue with excessive annexation of the city of Gretna. However, you pass laws for the state of Nebraska and, and that-- and so particularly if this law as crafted was implemented in Lancaster County, it would largely result in commercial development inside the city limits being valued instead of \$25,000 an acre grassland, it would be valued at \$2,200 an acre. It would be a 98 percent reduction in the assessed value. We've, we've had issues brought to our attention so far in my career, five years as the deputy county assessor, where similar owners/developers have baled hay on, on their property simply for the 25 percent preferential assessment. This would be a 98 percent preferential assessment. The challenge, I think, before you is that the law doesn't carve out farmers from nonfarmers. The land is valued based on the primary use of the land. And so if a farmer is farming the land or a developer is farming the land, there's, there's no distinction between the owner of the land. The-- in terms of, of special valuation, it's intent, there's testimony here today that, that talked about the intent of special valuation was to allow owners who are engaged in farming as a livelihood to continue in that endeavor without being forced off the land because of the excessive tax burdens associated with urban development. The paradox that is created or can be created-- and again, I'm in a neutral capacity, but just bringing this to your attention-- is that it, it, in effect, creates a law that, under the spirit of special valuation, protects urban properties from urban pressures. That taken to the extreme-- and nobody likes to think about this-- the average value of a residential lot in Lancaster County is probably \$80,000. Some of those vacant lots are used for community gardens. If those products are sold at the local farmers market such that they can file a Schedule F with the IRS, which I've learned that pretty much anyone can do, then they would qualify. So the assessment of that \$80,000 a lot in the middle, middle of Lincoln becomes \$2,200. You know, the

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 1, 2023
Rough Draft

question will be, well, you know, that's kind of an absurd result. Would that happen? My response would be absolutely. Nobody likes property taxes. And I think we all have an interest in, in legally minimizing our, our tax bill. And, and while you've heard from people testifying that are the most impacted by this, I would-- we can-- we certainly could implement it as county assessors but particularly in Lancaster County, that effort would be extended to not dealing with farmers who are engaged in farming as a livelihood. It would be, frankly, all others who, who would seek benefit.

LINEHAN: Thank you. Are there questions from the committee? Is Lincoln-- how-- Lincoln-- annex-- do you use SIDs in Lincoln?

DERRICK NIEDERKLEIN: No.

LINEHAN: OK, so that's different. So when you annex, this is more city council probably, but when you annex, you use-- it's usually developed, isn't it? You don't go out and annex 180 acres of bare farm ground, do you?

DERRICK NIEDERKLEIN: Yeah, I, I'm not involved in, in any annexation. Only to the extent that after it's annexed--

LINEHAN: As an assessor, have you ever-- what's the largest parcel of farmland that you've assessed inside the city limits?

DERRICK NIEDERKLEIN: Over 100 acres. And, and while it hasn't been brought up, there is a provision that farmers or agri-- or properties are eligible for special evaluation inside city limits if they're enrolled in a conservation reserve program.

LINEHAN: And what part of the law is that at?

DERRICK NIEDERKLEIN: I believe it's in 77-1344.

LINEHAN: And what, what is it valued at if it's enrolled in a conservation program?

DERRICK NIEDERKLEIN: Probably around \$2,200 an acre as-- if it's being used as--

LINEHAN: Just like ag.

DERRICK NIEDERKLEIN: -grass. Yeah.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 1, 2023
Rough Draft

LINEHAN: It would be like ag.

DERRICK NIEDERKLEIN: Yeah and--

LINEHAN: So if you're-- if you know to enroll in the conservation program, then you're still at the ag land price.

DERRICK NIEDERKLEIN: Yeah, correct. I think the city has to approve it and so forth. The, the definition in 1359, which is not being amended in this-- in the proposed legislation is, is the criteria that the assessor uses to determine what is agricultural use. There-- because of issues in Sarpy County in the past, that 77-1359 has been amended to include that assessors make the determination of what's ag use without regard to the fact that streets, sewers, curbs, gutters and utilities have been on the property. I think that's also something to consider is that developments, developments with streets and sewers would also be beneficiaries of this. And it's explicitly been stated in the law that assessors cannot consider the infrastructure in place when considering whether it's a true farm or a-- it's agricultural use.

LINEHAN: OK, we're not going to go all the way down the rabbit hole right now, but we will-- when we Exec on this, we may have some other questions that we will push through NACO.

DERRICK NIEDERKLEIN: Yes.

LINEHAN: Unless-- anybody else have questions? Yes, Senator Murman.

MURMAN: Isn't there some kind of language in it that the land has to be continuously farmed?

DERRICK NIEDERKLEIN: No.

MURMAN: And I don't know if that's defined.

DERRICK NIEDERKLEIN: No and there, there are no minimum income requirements. There are no minimum income losses.

LINEHAN: OK, OK.

DERRICK NIEDERKLEIN: I'm passionate about the topic.

LINEHAN: I understand you're passionate, but you don't get to answer questions that didn't even get asked.

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Revenue Committee March 1, 2023
Rough Draft

DERRICK NIEDERKLEIN: Fair enough, fair enough.

LINEHAN: Are there other questions from the committee? OK, thank you very much for being here.

DERRICK NIEDERKLEIN: All right.

LINEHAN: We will be back in touch.

DERRICK NIEDERKLEIN: You're welcome.

LINEHAN: Are there any other testifies in a neutral position? Senator Holdcroft, would you like to close? And we-- do we have letters? I think I saw one. We did have two proponents, no opponents and no, no one in the neutral position.

HOLDCROFT: Well, hopefully to answer some of your questions, there were 3,000 acres that were annexed to my-- Gretna in 2017 and there were-- 888 of those were considered ag land acres. And I talked to the mayor, Mike Evans of Gretna, and he was not the mayor when the annexation occurred. But he said, you know, it was not-- he, he knew about it and he said it was not the intent of the city to annex us for, for property taxes revenue. It was really, they-- as has already been stated, they were concerned about growth of the city and not having anywhere to grow. So that's why they, they extended it and, and maybe was beyond what they should have, but the Supreme Court held in their favor so, so we find ourselves in the situation we're in. There is a requirement to, to qualify that you have to have filed an IRS Schedule F at least two out of the last three years to show a profit and loss from farming. There was some language about five-acre contiguous in the original statute, which we didn't delete, but I'm not sure that that helps us out with the, with the last testifier. As far as SID goes, I think a SID is outside the city limits. But when you establish-- and I used to be in a SID and on the SID board. When, when, when a developer establishes a SID, he takes on debt. And so I would expect that he's not going to be taking on debt until he's ready to develop until-- and then leave, you know? The, the, the land would no longer be agricultural land. It would no longer be farmed at that point, but. And then once-- yes, once the city incorporates a SID, then it takes on the debt of the SID and the SID starts to pay the levy for the city vice the levy for the SID. So with that, I will be happy to answer any of your questions. Thank you.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 1, 2023
Rough Draft

LINEHAN: So are the questions from the committee? I have a lot, but I don't expect you to know the answers, but the last testifier talked about even if there's roads and sewers being put in, there's some-- something is not-- doesn't sound right.

HOLDCROFT: Doesn't sound right to me.

LINEHAN: Yeah.

HOLDCROFT: I mean, I certainly didn't get--

LINEHAN: I'm thinking maybe it's that--

HOLDCROFT: From-- I spent an hour with Dan Pittman, Sarpy County. He's no longer here, unfortunately, but he, he didn't have any issues with, with the distinction. So I'm not sure exactly--

LINEHAN: Yeah, well--

HOLDCROFT: --what the new-- this new development.

LINEHAN: I'm not sure that it's very consistent all across the state, but--

HOLDCROFT: And this would be applicable across the state, though. He's correct in that. There are some issues around David City and some annexation there. This would be applicable. So it is-- it's not just Gretna that would be impacted.

LINEHAN: How big was Gretna when they decided they were going to annex 3,000 acres? How many acres did they cover?

HOLDCROFT: I'm sorry. Say again? How many--

LINEHAN: So I drive through Gretna every day.

HOLDCROFT: Oh, yep, yep. Yes.

LINEHAN: So how big was the city of Gretna before this annexation--

HOLDCROFT: Oh.

LINEHAN: --in acres?

HOLDCROFT: I have no idea.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 1, 2023
Rough Draft

LINEHAN: Yeah, I think that would be-- I would like if you could find it out.

HOLDCROFT: Sure.

LINEHAN: That would be helpful. OK. Any other questions from the committee? Thank you very much for being here. Appreciate it. OK, with that, we-- the hearing on LB580 will draw to a close and we will open the hearing on LB495, right? No, wait, LB180. We skipped over that, right?

_____ : Yeah, we did.

LINEHAN: LB18-- LB18-- welcome, Senator Brandt. Glad you don't live in Sarpy County.

BRANDT: Every day.

LINEHAN: Whenever you're ready.

BRANDT: Must be ag day today. I like it. OK, here we go. Good afternoon, Chair Linehan and members of the Revenue Committee. My name is Tom Brandt, T-o-m B-r-a-n-d-t. I represent Legislative District 32, Fillmore, Thayer, Jefferson, Saline and southwestern Lancaster Counties. Today I am introducing LB180, which would establish a biodiesel tax credit designed to boost value-added agriculture in Nebraska by incentivizing the retail of biodiesel in our state. Biodiesel is a cleaner-burning, high-performing biofuel made for diesel engines. Biodiesel is primarily made from soybean oil or corn oil, but can also be made from animal fats and other fats and oils and blended with petroleum diesel. Biodiesel is a renewable diesel replacement that can be used in existing diesel engines without modification. Biodiesel works seamlessly with existing infrastructure and vehicles. Importantly, biodiesel is a major value add to Nebraska's soybean and corn production. Our state's farmers continue to be the most productive in the world, harvesting more bushels per acre, year over year, while using fewer resources. Nebraska ranked third nationally in corn production in 2022, producing 1.46 billion bushels, and fourth nationally in soybean production with 278 million bushels. Currently, every other row of soybeans in this state gets exported to China and if something were to damage that relationship, it would have a devastating impact on the price of soybeans. The biodiesel industry's demand for soybean oil and corn oil is a big demand side driver, and we are in a position to fuel that

growth with this tax credit. LB180 provides that any retailer who sells and dispenses biodiesel on a retail basis will be eligible to receive refundable state tax credits in an amount equal to 14 cents multiplied by the total number of gallons of pure biodiesel sold. So if a re-- retailer sold a gallon of B20, a mix of 20 percent pure bio-- biodiesel and 80 percent petroleum-based diesel, they would receive 20 percent of 14 cents, or 2.8 cents for that gallon. If a gallon was retailed as B10, 10 percent pure biodiesel and 90 percent petroleum-based diesel, the retailer would be eligible for 1.4 cents. The credit is designed to incent dealers to blend as much biodiesel as possible without requiring anybody to do so. Credits may be claimed for taxable years beginning January 1, 2024. The Department of Revenue may approve up to \$5 million in tax credits in any calendar year. If the total amount of tax credits requested in any year exceeds that limit, the department shall allocate the tax credits proportionately based upon amounts requested. This bill sunsets after four years. I have filed AM142, which was passed out, to ensure that co-operative members would also receive the benefit of the tax credit. This legislation is modeled on Senator Albrecht's LB596, the Higher Blends Tax Credit Act, a retailer credit for E15 and higher blends of ethanol which advanced unanimously from this committee last year and passed as part of Senator Murman's LB1261. Just as ethanol has been a huge economic driver-- excuse me, economic benefit to our state by adding tremendous value to a homegrown product, the same is true for biodiesel. And just as we designated an incentive to drive demand for that homegrown fuel with Senator Albrecht's bill last year, we are doing the same with LB180. It creates a win for Nebraska's drivers and truckers, giving them greater access to a higher-performing, more cost-effective fuel. It creates a win for Nebraska retailers, giving them a choice and a scalable incentive to offer biodiesel. It creates a win for Nebraska farmers, driving demand for corn and soybeans. This win-win-win for Nebraska's economy is exactly what we should aim to do with limited tax incentives, and I'm proud to offer this win-win-win for your committee's consideration today in LB180. Thank you, and I would be happy to answer any questions.

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

von GILLERN: Yeah, thank you, Senator Brandt. Is there any requirement the-- there-- I don't believe there's any tracking mechanism for the biodiesel-- diesel to be-- for the raw products to be farmed in Nebraska or--

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 1, 2023
Rough Draft

BRANDT: Right.

von GILLERN: --produced in Nebraska or owned by Nebraska corporations to distribute.

BRANDT: And there'll probably be some after me--

von GILLERN: OK.

BRANDT: --but currently I believe there's four crush plants in Nebraska--

von GILLERN: Right.

BRANDT: --and there-- possibility to add two more here. When you crush a bushel of-- of soybeans, you get soybean meal and soybean oil, and then that oil needs to currently be shipped out of state to be refined by a refinery. The hope is that we would have a refinery in Nebraska to do that, and that separates the glycerins from the rest of the oil. The glycerins are soap. And-- and then that oil can be used. But the-- the truth of the matter is, if you have an old diesel pickup, you can get French fry oil from McDonald's and run it through a screen. It will run on that, so, I mean-- and you could probably run on pure soybean oil, but it wouldn't be advisable.

von GILLERN: It smells good too.

BRANDT: Yeah, it smells good.

von GILLERN: Thanks.

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

KAUTH: Thank you, Chair Linehan. Senator Brandt, is there-- are there plans for a refinery or is this something that you're hoping will come along?

BRANDT: I think there'll probably be some industry officials that could--

KAUTH: OK. Thank you.

BRANDT: --probably answer that better than I could.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 1, 2023
Rough Draft

LINEHAN: Thank you, Senator Kauth. Other questions from the committee? Are you going to stick around to close?

BRANDT: Absolutely.

LINEHAN: OK. So our first proponent on LB180. Good afternoon.

LUCAS MILLER: Good afternoon, Chairwoman Lin-- Linehan and members of the Revenue Committee. My name is Lucas Miller, L-u-c-a-s M-i-l-l-e-r. I'm a soybean farmer in Randolph, Nebraska, and I'm here on behalf of the Nebraska Soybean Association and the Nebraska Farm Bureau. I'm testifying in support of LB180. I live and farm in Wayne County-- thank you to Senator Albrecht for being our representative-- where my family's been farming for over 80 years. We raise soybeans, corn, cattle and hogs. I currently serve as the director of the Nebraska Soybean Association. The biodiesel bill you're considering today would have a huge impact on our industry. On our farm, we use biodiesel to power our combines, tractors, semis, pickups, and irrigation engines. During harvest, we use over 6,000 gallons of diesel fuel. In total, we have 18 engines util-- utilizing biodiesel on our farm. As a farmer, I'm dedicated to making sure that we're good stewards of the environment. Powering my engines with biodiesel is a way that I'm helping minimize the negative impacts on the environment. Using a 20 percent biodiesel produces up to 85 percent less carbon emissions than straight petroleum diesel. Nebraska ranks number four in soybean-producing states. In 2022, Nebraska farmers harvested over 279 million bushels-- I might have rounded up-- of soybeans worth over \$4.4 billion. Nebraska soybean production and the addition of two new crush facilities make it an obvious state to support biodiesel policy. The added biodiesel policy opens the door for potential production facilities to continue to look to our state for growth. The bill before you would help grow market demand for this domestically produced fuel and add value to farmers. Currently, biodiesel production adds 13 percent of additional value to the price of a bushel of soybeans, which equates to anywhere from \$1.75 to \$1.95 per bushel. At a time when prices for our inputs are at all-time highs, anything we can do to increase market price helps. The positive impacts of biodiesel benefit more than just agriculture. This cleaner-burning fuel has been proven to lower asthma cases and reduce cancer risk when replacing regular petroleum diesel fuel. Biodiesel also helps reduce greenhouse gas emissions from our atmosphere, and biodiesel's presence in the global fuel pool has helped offset diesel prices by about 25 cents. In conversations with my fellow farmer directors on the Nebraska Soybean Association and with other farmers

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 1, 2023
Rough Draft

in the state, I know not everyone is fortunate to have easy access to biodiesel. On our farm, we're able to purchase biodiesel through a local provider, Jerry's Service, in Hartington, Nebraska. LB180 would assist local fuel retailers, allowing them to lower their cost for customers that are asking for biodiesel. The biodiesel industry has been a rapidly growing industry for the clean fuel sector. We see this continued growth to be part of our nation's energy plan for decades to come. LB180 is a vehicle for Nebraska fuel suppliers to be part of the sustainable energy solution. I encourage the Revenue Committee to advance LB180. I thank you all for your time, and I'll take any questions if you have them.

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

KAUTH: Thank you, Chair Linehan. What is the cost of regular diesel versus biodiesel, per gallon, for the consumer?

LUCAS MILLER: It depends on the blends. I mean, we're lucky we can choose what blend we want. Our supplier has got a biodiesel tank at their facility. So if in the summertime we want to run B20, they'll mix 20 percent biodiesel in for us with the-- the straight diesel fuel that-- that we get, petroleum diesel fuel. As far as cost per gallon, you know, all those things fluctuate. As oil goes up and soybean oil's down, the-- that's constantly changing.

KAUTH: So it-- it's not necessarily a less expensive fuel. It just may be better for the environment, definitely better for our economic environment.

LUCAS MILLER: Yes, it's definitely better environmentally and generally in that way people that after me probably speak on it better than I can, but it is typically cheaper. That's why it lowers, you know, diesel fuel by about 25 cents per gallon.

KAUTH: Thank you.

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

LUCAS MILLER: Thank you.

LINEHAN: Good afternoon.

RANDY GARD: Good afternoon. My name is Randy Gard, R-a-n-d-y G-a-r-d, and I'm Chief operating officer for Bosselman Enterprises in Grand Island, Nebraska. We currently operate 48 convenience stores and one travel center, all located in Nebraska. I'm here to testify in support of LB180 on-- and also on behalf of the Nebraska Petroleum Marketers and Convenience Store Association, as well as Nebraska Chamber of Commerce. We at Bosselman's were an early adopter of renewable fuels dating back to the 1980s. The primary reason for this was that renewable fuels had a direct positive impact on the state's economy, helping farmers who grow the product that we blend and supporting the communities and the customers that we serve. Biodiesel helps that money stay in the community while reducing impact on the environment and increasing energy security. One of the great advantages of biodiesel is it can be used in the existing engines, vehicles and fueling equipment with practically no changes. Biodiesel can be pumped, stored and-- and burned, just like petroleum diesel fuel, and can be used in blends with petroleum diesel really at any proportion. Biodiesel has an energy content, and we use term "Btu," similar to that of petroleum-based diesel, and offers several performance benefits, including significantly improved lubricity, which can reduce premature engine wear and tear; higher average cetane than traditional diesel, and similar fuel economy, horsepower and torque. Cetane is kind of the same thing as octane, like in gasoline. So by bending-- blending biodiesel in, it actually raises the cetane level, which is-- is a better product in terms of how it works in a diesel engine. Our experience retailing biodiesel demonstrates that it's a reliable and desirable fuel. We'd like to retail more if we could, if the economics are there to support it. In the fuel retail business, we're-- we chase pennies, tenths of pennies, and while we try to source and sell biodiesel, the economics are not always there. And-- and retailers, this incentive puts retailers in a position to sell more homegrown, environmentally beneficial fuel. Nebraska retails over 523 million gallons of No. 2 diesel to on-highway customers annually, and blending biodiesel in those gallons-- gallons drives the state's economy through increased soybean demand, adding value to our Nebraska product. Also with this legislation, Nebraska would join the ranks of Missouri, Iowa, Illinois and Minnesota with forward-thinking legislation that values the production and use of biodiesel. It's our best option here and now to decarbonize heavy-duty transportation. So LB180 is a great strategic move for our state. It creates demand for locally grown commodities, will increase the availability of a cleaner-burning fuel and drive the economy of the state. With that,

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 1, 2023
Rough Draft

thank you very much and I'd be happy to answer any questions you may have.

LINEHAN: Thank you, Mr. Gard. Are there questions from the committee? Senator Briese.

BRIESE: Thank you, Chairwoman Linehan. Thank you for your testimony here today. You mentioned 40--some locations. How-- how many of those locations do you retail biodiesel?

RANDY GARD: Well, out of the 48 locations, 38 of those sell diesel. And-- and depending on the blending economics, we can blend biodiesel and sell biodiesel at all of them.

BRIESE: OK. At all of those 38?

RANDY GARD: Um-hum.

BRIESE: And this bill, this proposal, this credit, it would enhance your ability to offer biodiesel and would encourage and incentivize you to sell more of it, you're saying?

RANDY GARD: Yes, Senator, it would, because the-- we look at blending economics, so you take, you know, a gallon of diesel and maybe some percentage of biodiesel, and then you-- what you pay for the diesel, what you pay for the biodiesel, you-- you-- you drill that down to the blend economics on cents per gallon and if you're blending at B10, B50 and B20, that-- if this was passed, this-- these cents per gallon would come in to the blending economics. Now, I'll be honest with you, if it's-- if it's worth a penny, we'll blend. If it's zero or negative, we won't blend. This changes the economics significantly in terms of the, you know, bl-- the blend economics to help us get, you know, to the right place blending at B20.

BRIESE: So this proposal, it's a game changer, in your opinion?

RANDY GARD: Oh, absolutely.

BRIESE: OK, great. Thank you.

RANDY GARD: It's a marvelous opportunity.

LINEHAN: Thank you, Senator Briese. Senator Albrecht and then Senator Dungan.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 1, 2023
Rough Draft

ALBRECHT: Thank you, Senator-- or Speaker-- listen to me-- Chair Linehan. Excuse me. And, OK, appreciate you being here. I think I did visit with you all earlier, before the bill became a bill. And so do you plan this all year long or do you just do it seasonally?

RANDY GARD: Oh, biodiesel has a-- a-- it-- it gels or-- or gets like a cloud point at a much higher temperature than, say, traditional No. 2 diesel. So we have what we call a blending season, which is traditionally March through September, October. And so what we do is, how our business runs, is we watch the temperatures and as long as the blending economics are there and if it's worth a penny or more, we're-- it's-- it's beneficial for us. And so the warmer it is, and especially during blending season, we'll blend B20; we'll blend every gallon we can get our hands on. But, you know, if it's 10 below 0 or 20 below 0 or something like that in January or December or something like that, we'll-- we may go down to a B2, or maybe B0, simply because it, you know, it gels or clouds much, much quicker than traditional diesel does.

ALBRECHT: OK, so-- so you're actually putting these- the blend in the pump that's already there, unlike my bill. People had to have new pumps, depending on which, 85 or 15 or whatever--

RANDY GARD: That's correct.

ALBRECHT: --so yeah.

RANDY GARD: Existing infrastructure works perfectly fine with biodiesel, dispensers, lines, tanks, filters, all of it.

ALBRECHT: OK. Thank you.

LINEHAN: Thank you, Senator Albrecht. Senator Dungan.

DUNGAN: Thank you, Chair Linehan. Thank you for your testimony. So B20 is the number I keep hearing as sort of a higher blend. Is that the common-- is-- is that the common highest blend that we're likely to see, or can it go higher than B20?

RANDY GARD: It can go higher than B20. But if you-- what we tend to do is-- is we look at our customers and we look at the engines that they run in their Class 6, 7 and 8 trucks, and most of those engine manufacturers, whether it's Caterpillar or Cummings or someone like that, their warranty, they'll warranty their engines up to B20. So could we blend more? We certainly could. But most of our customers,

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 1, 2023
Rough Draft

you know, they-- they have relatively new trucks. They-- we don't want to void a warranty. They certainly don't want their warranty void-- voided. So we, you know, we look at it and say, if the engine manufacturer's warranty approves up to B20, we'll blend up to B20.

DUNGAN: And as I understand it-- thank you. And as I understand it, the-- the credit that you're getting is sort of scalable to-- it's 14 cents for a gallon of pure biodiesel, and so you're looking at a lower tax credit with B20 because it's not a pure gallon of biodiesel.

RANDY GARD: Correct.

DUNGAN: Do you feel like that's going to-- you said you're chasing pennies, and so you feel like this will be a sufficient enough incentive then to continue increasing the amount of biodiesel you're blending?

RANDY GARD: In my opinion, I think it will, without a doubt.

DUNGAN: Thank you.

LINEHAN: Thank you. Senator Dungan. Are there other questions from the committee? Seeing none, thank you for being here, appreciate it.

RANDY GARD: Thank you very much.

LINEHAN: Next proponent.

JOHN HANSEN: Madam Chairman, members of the committee, good afternoon again. For the record, my name is John Hansen, J-o-h-n H-a-n-s-e-n. I'm the president of Nebraska Farmers Union. We have been working on efforts to try to find ways forward for the biofuels industry, whether it be ethanol or whether it be soybeans, and so-- for a very long time, because in all cases, we as an organization have seen from the very beginning the advantages of doing value add. So anytime that a farmer owns something, a raw material product, and you can add value to it, it not only works to the farmer's advantage, but it works to the community's advantage, it works to the state's advantage, and so you bring more value to it. So this is, I think, a very appropriate bill. I think it is going to be a game changer. The infrastructure is already there. I appreciate Senator Albrecht's question. It helps make that clear. So you're utilizing the system that you already have. So for somebody who works also at the national level and on national issues, the-- the argument has been there for a very long time, and the difference of opinion where the focus ought to be, whether you

ought to focus on ways to try to grow domestic utilization for agricultural products or whether you ought to chase the export market. And so you sort of need mo-- both. But the export market has always been, in a lot of cases, not the most profitable market. And so if you look at the domestic market, you get all of the economic benefits that go with those domestic jobs, and those domestic economic impacts ripple much more from the ground up, and so we've always been strong supporters of value added. And as somebody who has been also looking at the issues relative to the United States' interest versus China's interest, we've been there for a very long time saying that this is not your average, run-of-the-mill, garden-variety capitalists. These guys own everything. They own the political system. They own the government regulatory system. They own the financial system. They own all of these things. And so China will be our customer as long as it is in China's interest to be our customer. And at the point at which it is not in their interest, they'll be gone. And I think that there's no question about that, so I look at this as anything that we can do in the self-help category to help stimulate the utilization of domestic products here, especially now. Now is a particularly good time to do it, based on all of those additional risks that I think are becoming more clear to a lot of folks relative to the export market, given the fact that China is such a big player in soybean exports. So in our view, this bill improves diesel fuel, it improves air quality, it improves the farm economy, it improves the state economy, and we would thank Senator Brandt for bringing it forward and I would be glad to answer any questions if you have any.

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

JOHN HANSEN: Thank you.

LINEHAN: You bet. Next proponent. Good afternoon.

NATHAN NOLTE: Hey, good afternoon. Hello. My name is Nathan Nolte, N-a-t-h-a-n N-o-l-t-e. I'm the biofuels sales manager for Ag Processing in Omaha. AGP currently owns and operates a soybean crush facility in Hastings and, largely in part to federal and state renewable fuel growth, we're also building a new crush plant in David City, Nebraska. Both of these facilities will supply soybean oil feedstock to biofuel producers, which greatly increases the price we are able to pay locally for soybeans and also supports high-paying jobs in rural communities. Bills like LB180 are a big reason the renewables industry continues to grow, even with never-ending

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Revenue Committee March 1, 2023
Rough Draft

uncertainty surrounding federal policy. During 2022, AGP shipped over 3 million gallons of biodiesel into the state, and with this incentive, I would expect that to grow substantially. Biodiesel is good for farmers, the economy and the environment. And as a producer of the feedstock and biodiesel, we appreciate your support of this bill.

LINEHAN: Thank you very much. Are there any questions? Senator Albrecht.

ALBRECHT: Thank you, Chair Linehan. And thank you for being here. I think my questions I wrote down were-- are for you.

NATHAN NOLTE: OK.

ALBRECHT: So you said that two crush plants are operational in Hastings, operational in David City?

NATHAN NOLTE: Oh, I apologize if I misspoke, but we have one operational in Hastings, and then two years from now, before harvest, we'll have a second operational in David City.

ALBRECHT: OK. And you said the others-- it's shipped in, so that's from a refinery where?

NATHAN NOLTE: Yes, in Sergeant Bluff, Iowa, right on the-- on the Missouri River, south of Sioux City, so.

ALBRECHT: And earlier someone had suggested that there could and should probably be one-- a refinery here. I'd like to see that, but do you see anything in the near future?

NATHAN NOLTE: Yeah, I definitely wouldn't rule it out. It feels like right now we have more of a soybean oil feedstock problem that we're trying to solve, and there's plenty of production capability in the U.S. But once that happens, it would certainly be something that we would look at either David City or Hastings to kind of vertically integrate those facilities.

ALBRECHT: OK. Thank you very much.

NATHAN NOLTE: Yep.

ALBRECHT: Appreciate it.

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Revenue Committee March 1, 2023
Rough Draft

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

NATHAN NOLTE: Thank you.

LINEHAN: Are there other proponents? Good afternoon.

ANDREW RICHARD: Good afternoon, Senator Linehan and members of the Revenue Committee. My name is Andy Richard, Andrew, A-n-d-r-e-w R-i-c-h-a-r-d. I am the CEO of Sapp Bros., which is a privately owned Nebraska-based business that started and is still headquartered in Omaha, Nebraska. Sapp Bros. operates 20 wholesale petroleum locations and 8 travel centers in Nebraska. Sapp Bros. also operates wholesale fuel distribution businesses and travel centers in Illinois, Iowa, Missouri and Colorado, and it's from this Midwestern perspective that I'm testifying today in support of LB180. Sapp Bros. currently uses, distributes and retails biodiesel. Simply put, we believe in the products. According to the National Biodiesel Board, biodiesel is more biodegradable than sugar and less toxic than table salt, yet it works in any diesel system going up and down the road today. There are no-- there is no new fueling infrastructure or modifications needed to rolling stock to make biodiesel work today. From our experience in states that have incentives like LB180 in place, retailers change their behavior and it truly moves the needle. In 2004, when the industry was in its infancy, incentives were put in place in Illinois. We almost immediately changed our retailing behaviors and started blending and retailing biodiesel. Iowa has incentives and abatements in place as well, and those few cents help us to make a stronger case to sell higher blends of biofuels across the river. Surprisingly to some, biodiesel at times can be more expensive than petrol-based diesel. So with all the other tangible benefits aside, if it doesn't make financial sense, most retailers are going to choose not to blend biodiesel. From our experience with our retailing customers, we know that the advantageous economics to encourage small operations to purchase bi-- to purchase and then resell biodiesel is paramount. Like other states we operate in, we believe that LB180 will assist in pushing Nebraska-grown products and drive more Nebraska demand to bio blends. Thank you. I'm open to any questions.

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

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Revenue Committee March 1, 2023
Rough Draft

ALBRECHT: Thank you. I just have to ask these questions, if you don't mind. Appreciate you being here. Sapp Bros. is where I stop on my way to Lincoln all the time.

ANDREW RICHARD: Thank you very much, appreciate the business.

ALBRECHT: But I don't-- I don't have biodiesel in the car, so. But so you're saying that this is incentivized in other states?

ANDREW RICHARD: Correct.

ALBRECHT: You said Iowa and Illinois?

ANDREW RICHARD: Correct.

ALBRECHT: You have stations there?

ANDREW RICHARD: Correct.

ALBRECHT: And do they-- what-- what type of incentives are-- are they throwing it there?

ANDREW RICHARD: Yeah. So like the one I mentioned in 2004, Illinois not only has a flat excise tax on a gallon of diesel fuel, they also have a sales tax associated with that. In 2004, they said, if you-- I think at the time, don't quote me on this, but if it's a B5 blend or higher, you can abate all of the sales tax associated on that gallon of diesel fuel.

ALBRECHT: OK.

ANDREW RICHARD: Iowa has had varying legislations throughout the years. I think they just voted on something this year. But you can abate 3 cents a gallon on a B11 blend or higher. And then there's a 7-- I believe it's a 7-, it may be a 10-cent-per-gallon excise tax credit on a B-- on a B20 or higher as well.

ALBRECHT: OK. Thank you. Appreciate it.

ANDREW RICHARD: Yeah. No problem.

LINEHAN: Thank you, Senator Albrecht. Are there other questions from the committee? Seeing none, thank you very much for being here, appreciate it. Other proponents? Good afternoon.

JEFF EARL: Good afternoon, Madam Chairwoman. Members of the committee, my name is Jeff Earl, J-e-f-f E-a-r-- r-l. I'm here on behalf of Clean Fuels Alliance. We're the National Trade Association representing the biodiesel, renewable diesel, and sustainable av-- aviation fuel industry and the industry's central entity for technical, environmental and quality assurance programs and the strongest voice for its advocacy, communications and market development. Our industry has a vision that this domestically produced, low-carbon fuel with superior performance will exceed 6 billion gallons by 2030, eliminating over 35 metric tons of CO2-equivalent greenhouse gas emissions annually. Our organization is rooted in agriculture. Before our name changed last January, we were known as the National Biodiesel Board, which was referenced earlier, and before that, the National Soy Diesel Development Board. Our organization was created through the efforts of numerous state soybean organizations like the Nebraska Soybean Board, using checkoff dollars to research opportunities for the use of leftover soybean oil after the crush process. Today, this biodiesel industry adds anywhere from 11 to 13 percent value to the commercial price of soybeans. Legislation such as LB180 that you are considering today will grow market demand for this homegrown fuel. Last year, Illinois, Iowa, Missouri passed similar legislation incentivizing the use of biodiesel. These three pieces of legislation will result in an additional 280 million gallons of biodiesel made in the Midwest. Not to be outdone, legislation has been filed this year in Michigan and in Indiana that would make biodiesel a priority for their state. These type of renewable fuel policies have multiple benefits, as you've heard. They add value back to our farmers, grow demand for domestically produced energy, and is better for the environment with increased health benefits. Nationally, the biodiesel renewable diesel industry accounts for over 75,000 jobs, many of which are located in rural areas, and has a total economic impact of \$23.2 billion. Here in Nebraska, this industry accounts for over \$833 million in economic activity and supports \$254 million in Nebraska household income. Studies have shown that U.S. production of biodiesel and-- of biodiesel reduced distillate fuel prices by 4 percent by adding to the global supply. This equates to about 25 cents per gallon. As you can see, this growing renewable fuel industry is meeting environmental goals, adding value back to our farmers and providing our citizens with a cleaner-burning fuel that is produced here in the United States. I'd like to thank Senator Brandt for sponsoring this leg-- legislation. I'm happy to take any questions.

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Revenue Committee March 1, 2023
Rough Draft

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

BRIESE: Thank you. And you-- thanks for being here. You say those
measures in Iowa, Illinois and Missouri--

JEFF EARL: Um-hum.

BRIESE: --those particular measures are going to increase demand by
280 million gallons?

JEFF EARL: Between just those three states, yes, sir.

BRIESE: And is that pure biodi-- biodiesel or the blended version? I
assume the blended.

JEFF EARL: The B100, yep--

BRIESE: Right.

JEFF EARL: --B100, bio-- biodiesel gallons, yeah, yep.

BRIESE: OK, very good. What does that translate into in bushels of
soybeans?

JEFF EARL: Oh, I'd have to go back and do my math again. There is--
there's-- I don't know off the top of my head, but there is a-- a-- an
equation that we can run that can get that answer for you.

BRIESE: OK. Thank you.

JEFF EARL: Yeah.

BRIESE: Thanks.

LINEHAN: Thank you, Senator Briese. Senator Murman.

MURMAN: I think you mentioned biofuels in aviation fuel. Could you
speak a little more about that?

JEFF EARL: Yeah, so sustainable aviation fuel is one of the new fuels
that is coming online. We're not really-- we have one member right now
that's producing it. It's in California, World Energy. It's-- it's
much like renewable diesel as far as, you know, the-- the way it's
produced and processed. But you're seeing some interest, from not
really here in the Midwest but in the coast, in trying to decarbonize

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Revenue Committee March 1, 2023
Rough Draft

aviation fuel. And so sus-- just like renewable diesel, biodiesel, it's using renewable feedstocks like soybean oil and-- and other things like that for its production.

MURMAN: Is there potential for our plants here in the Midwest to produce that going forward?

JEFF EARL: There are-- there-- well, the renewable diesel plant in Hastings, I think, potentially could, but I don't know if that's in their plans.

MURMAN: OK. Thank you.

JEFF EARL: Yep.

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

JEFF EARL: Thank you.

LINEHAN: There other proponents? Are there any other proponents? OK. Don't be shy.

ADAM FESER: I was waiting on someone else to go.

LINEHAN: Good afternoon.

ADAM FESER: Good afternoon, Chairperson Linehan and members of the Revenue Committee. My name is Adam Feser, A-d-a-m F-e-s-e-r. I'm the director of cooperative advancement for the Nebraska Cooperative Council. Council represents the interests of agricultural, rural electric and telephone cooperatives in our great state. As an association of farmer-owned cooperatives, the council understands the importance of biodiesel to the overall agricultural economy and the Nebraska economy in general. Public policy that encourages more access and utilization of biodiesel is good for Nebraska. We want to thank Senator Brandt for bringing this important piece of legislation and also thank you for filing AM142, ensuring that-- that agricultural cooperatives and their owner-members are able to participate in the pass-through benefits from LB180. For these reasons, we urge the community to send LB180 to the floor of the Legislature. And with that, if you have any questions, I'll do my best to answer.

Transcript Prepared by Clerk of the Legislature Transcribers Office

Revenue Committee March 1, 2023

Rough Draft

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

MICK MINES: Good afternoon, Madam Chair. Members of the committee, my name is Mick Mines, M-i-c-k M-i-n-e-s. I'm here batting cleanup. I think I'm the last testifier in support, so I-- I'm not going to tell you anything that you haven't heard already. But I am a registered lobbyist, today appearing on behalf of Re-- of Renewable Fuels Nebraska, Nebraska Corn Growers Association, Nebraska Farm Bureau, the Nebraska State Dairy Association, Nebraska Ethanol Board, Nebraska Pork Producers Association, and the Nebraska Wheat Growers Association. These thousands of members are-- strongly support this bill. Again, I'm not going to tell you anything that you haven't already heard and don't care to hear again. The-- the bill provides an incentive for retailers to sell the product. It's clean. It's-- it's economically advantaged to Nebraska producers. And in Iowa-- I just might mention that in-- in Iowa, they have very comprehensive policy that made biodiesel more available and affordable. For an example, between 2007 and 2019, Iowa Renewable Fuels Infrastructure Program committed over \$150 million to incentivize biodiesel as well as ethanol. The return on investment was 5 to 1 over that 13-year period, and we expect to see similar results here in Nebraska. With that, I would urge you to advance LB180 and glad to answer any questions you might have.

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

MICK MINES: Thank you.

LINEHAN: Are there any other proponents? Are there any opponents? Anyone wanting to testify in the neutral position? Don't think we had any letters, did we? We did have letters: one proponent, one opponent, no one in the neutral.

BRANDT: OK. Just a few points here. First of all, I want to clarify one thing that should have been in my opening. The only biodiesel we are talking about here is over-the-road diesel. OK. So in Nebraska, roughly half our diesel is clear diesel, which is over-the-road diesel, and farm diesel is red, and that-- while I do use that in my farm equipment, that's-- that's a different animal altogether. So what we're trying to do is just increase the market for over-the-road diesel. Something when we were doing the research for this, it seems

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 1, 2023
Rough Draft

like over-the-road truckers really don't care if it was 100 percent biodiesel or 100 percent petroleum. They-- the over-- now I'm not talking about the guy that's got the Volkswagen diesel. I'm talking about these big trucks. A lot of those trucking companies, I guess, I think they're told where to fill up, and they've got these big truck stops and stuff, have deals with trucking companies, and-- and it's-- it's really kind of interesting. But I just wanted to point that out. This adds 13 percent to the soybean price, and this is a game changer for Nebraska. And with that, I would answer any questions.

LINEHAN: Thank you very much, Senator Brandt. Are there any questions from the committee? [INAUDIBLE]

BRANDT: What?

LINEHAN: Is this a priority?

BRANDT: Possible. I mean, I'm waiting on the Education Committee to make some decisions and-- and we're working on that over there, so--

LINEHAN: OK.

BRANDT: --it-- it could be a-- if it wasn't my personal priority, it would be a Speaker priority.

LINEHAN: Wow. I didn't know those were getting handed out already.

BRANDT: Well, unless you want to make it a committee priority.

LINEHAN: OK. Any other questions from committee?

BRANDT: We'd like to get this across the finish line, yes.

LINEHAN: I get it. That's good. All right. Thank you very much for being here.

BRANDT: Thank you.

LINEHAN: And with that, we'll close the hearing on LB180 and we have our final hearing on LB209, Senator Bostar. Good afternoon.

BOSTAR: All right. Well, to continue with the agriculture theme of the day--

LINEHAN: Very funny.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 1, 2023
Rough Draft

BOSTAR: Good afternoon.

LINEHAN: Good afternoon.

BOSTAR: Chair Linehan and members of the Revenue Committee, my name is Eliot Bostar; that's E-l-i-o-t B-o-s-t-a-r, and I represent Legislative District 29. I'm here today to introduce LB209, a bill that, as originally drafted, provides a personal property tax exemption for certain components of data centers and provides a sales tax exemption for the purchase of computers, servers, infrastructure and electricity purchased for use in operating a data center, bringing Nebraska's tax treatment of data centers in line with 30 other states. There's an amendment that has been distributed that removes the personal property tax and energy sales tax exemptions on power and energy purchases. This leaves only a sales and use tax exemption for computers and related data center equipment. This legislation is a follow up to LR418, an interim study heard last fall by this committee which provided a summary of Nebraska's sales tax structure with respect to those items purchased by technology companies operating data centers in our state. As I noted then, Nebraska has seen tremendous investment in our communities by technology companies who have chosen to locate here. Companies that operate data centers have invested billions of dollars in capital in our state to help power the country's need for Internet connectivity. And while the data center investments we've seen so far are impressive, the growth in tech-related businesses and the reliance on Internet services and infrastructure by businesses and consumers means that further development of data centers will be necessary. This development is vital to Nebraska's long-term economic outlook. Considering this growing need, we have an opportunity. As a Midwest state, centrally located, Nebraska has a lot to offer these companies and others who rely on data center services. We can position ourselves to become a major player in competing for billions of dollars of future economic growth. Fortun-- unfortunately, as some on the committee heard last fall, Nebraska's tax treatment of data centers is falling behind other states. We will not continue to see data center development in Nebraska unless we can compete with the tax policies already established across the country. Before you is a map that illustrates the competition for data center investment demonstrating what other states are doing to lure data centers to their communities. Behind me are testifiers from NetChoice, a trade association of technology companies, and the Lincoln Partnership for-- Partnership for Economic Development, who will speak directly to how a narrowly tailored change that affects data centers can spur meaningful economic growth and

drive greater industrial development in Nebraska. Technology companies and the data centers they are devel-- that are developed by them have proven to be a valuable economic driver for Nebraska. How states compete for this type of business has changed. While a sales tax refund as part of an incentive program worked to recruit data centers under Nebraska Advantage, our state will lose out on additional investments unless we continue to evolve our tax treatment of this important industry. LB209 is how we maintain Nebraska's competitive edge in an aggressive business environment. I encourage you to support and advance LB209. I thank you for your time and attention, be happy to answer any questions you might have.

LINEHAN: Thank you very much. Senator von Gillern.

von GILLERN: Yeah. Thank you, Senator Bostar. A quick question: It seems, and maybe it's just perception, it seems that there are a great number of data centers that have located in-- in Nebraska and--

BOSTAR: Yeah.

von GILLERN: --particularly Sarpy County in [INAUDIBLE] Google and Facebook and so on. I know one of the attractions for them doing that is our low public power rates. I'd be-- I-- I understand the-- the map that's the-- you know, that is the map of exemptions versus not exemption states. I'd be curious to see an overlay of-- I don't expect you to produce that, but an overlay of power-- of power consumption costs. And there are some reasons that they're coming here and building here. I'd be curious to know-- maybe the testifiers behind you will help me understand that, too-- the tradeoff between low power versus sale, the tax advantages that we-- that we don't have, that we're seeking, that this bill would seek to have.

BOSTAR: Yeah, and-- and you make a lot of good points. Our competitive electricity rates are-- are obviously critically important for an industry like this, which is, you know, why representatives like you and me are strong supporters of the public power system and maintaining it here in Nebraska. However, I've-- I've now worked on this for-- for several months. Unfortunately, you know, you weren't around for the interim study that we did here in the Revenue Committee last fall, but it does seem pretty clear that, while the incentives programs that we had in place before, combined with our electricity rates and our sort of grid positioning and access, were-- were enough to really drive a lot of that kind of development to Nebraska, the competitive landscape has simply changed. And so now we find ourselves

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Revenue Committee March 1, 2023

Rough Draft

in a position where, in order to continue that, to attract that level of development and recruit this business to Nebraska, we'll-- well, we have to make some changes along with it. And that was, you know, universally the message that I got when speaking to, you know, the-- the executives of these-- of these national companies who are sourcing and siting their access to these development opportunities.

von GILLERN: Thank you.

BOSTAR: Thank you.

LINEHAN: Thank you, Senator von Gillern. Are there other questions from the committee? Seeing none, thank you, Senator Bostar. We'll listen-- have our first proponent. Good afternoon.

STEVE DelBIANCO: Good afternoon, Chair Linehan, members of the Revenue Committee. I'm Steve DelBianco, S-t-e-v-e D-e-l-B-i-a-n-c-o, and I'm testifying today in support of the amended LB209 on behalf of NetChoice, a trade association that I proudly lead with members like Amazon, Apple, eBay, Google, Meta, Twitter and Yahoo! NetChoice has advocated tax exemptions in multiple states who have come to us wanting to attract large data centers to promote high-tech economic development. The Nebraska situation is somewhat unique. Your Advantage program, as you know, was already somewhat successful in attracting a handful of large data centers to the Omaha area. We briefed this committee in October on a study we contracted by Mangum Economics which showed that Nebraska has realized billions in economic output and nearly 500 permanent, high-paying jobs in those data centers. However, other states have been improving their tax incentives and Nebraska is no longer competitive for locating any-- a new billion-dollar data center, even with your competitive power rates and exceptional people. Your ImagiNE program is inadequate to attract new large data centers because of how ImagiNE is structured, and keep in mind the Advantage window is closed. So a data center under ImagiNE that begins construction today would start the expiration clock ticking on its tax exemptions almost immediately, as soon as they start doing site prep. But the servers in these data centers are installed three to five years later, after site work and construction are completed, and then those servers are replaced-- watch this-- every three to five years. They're replaced with servers that are cooler, faster and greater capacity. So Nebraska data centers would benefit under ImagiNE with only two replacement cycles, unlike in states that have long-term or permanent sales tax exemptions, so ImagiNE just does not provide long-term tax treatment that's adequate

to attract billion-dollar data center investments, with or without competitive power rates. So that's why we're here today to encourage adoption of the new tax policy, put Nebraska back near the top versus competing states. As amended, LB209 creates a permanent sales tax exemption on data center equipment, which is the same treatment Nebraska has long given to other industries for their essential business equipment, thinking of agriculture and manufacturing, of course. The amendments that Senator Bostar introduced today remove the exceptions for property taxes and sales taxes on electricity. That was to address concerns from city and county governments where data centers already exist because, understandably, those localities want to protect their municipal revenue streams. So LB209 now only has a sales tax exemption on data center equipment, which gives a reliable long-term exemption. With LB209, I believe Nebraska can compete with states like Iowa, Ohio, Virginia, Idaho, and Wyoming for the next round of billion-dollar data center investments. And I'll close by saying that new data center investments are going to be needed to store all those photos and videos and documents that we store in the cloud and rarely, if ever, delete. To get a sense of the scale, PPI's Investment Heroes report for 2022 just came out. It showed information and data processing as the top growth sector for U.S. capital investment, increasing by 750 percent over the last 15 years, and four of the top six Investment Heroes in 2022 are companies who build data centers: Amazon, Google, Meta and Microsoft. Those four alone spent \$94 billion just last year, just in the United States. So NetChoice members are already successful and enjoy their partnerships in Nebraska, and we look forward to building on that success. So, Madam Chair, I look forward to answering your questions.

LINEHAN: Thank you very much. Are there questions from the committee? Seeing none, thank you very much, appreciate you being here. Next proponent. Good afternoon.

BARBARA COMSTOCK: Good afternoon, Chair Linehan and members of the Revenue Committee. My name is Barbara Comstock, B-a-r-b-a-r-a C-o-m-s-t-o-c-k. I'm here on behalf of NetChoice for LB209. Like all of you, I was once-- once privileged to serve in my state legislature, where we had to balance the budget and were very focused on finding new ways to grow and diversify our-- our economy and find new revenue streams. I was fortunate to do that by working with my technology community to advance our data center industry so that Virginia is now the leading site for data centers in the world. Like the Commonwealth of Virginia, I know Virginia-- Nebraska has made a great start in getting in on this growing industry that is the backbone of the

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 1, 2023
Rough Draft

21st-century economy. But as Virginia found, it is essential to update those laws to remain competitive. When I was in the General Assembly, we had recently lost out to North-- North Carolina on a billion-dollar Apple data center. That is why I went to work on updating our data center bill with my colleagues in 2012, and then that bill was signed into law. The legislation was later updated in 2016, and then again it's being updated now by our current governor, Governor Youngkin. As you know, when attracting businesses to your state, tax certainty is important, but you also have to remain competitive with those other states. Data centers, like manufacturers and agricultural businesses, continually invest and upgrade their equipment, so LB209 keeps Nebraska competitive by providing that long-term certainty. Let me just give you a snapshot of what this data center industry has meant to Virginia. According to the Virginia Economic Development Partnership, in 2021, the data center industry supported over 45,000 jobs, producing \$3.6 billion in labor in [RECORDER MALFUNCTION] 3 billion in economic output across the commonwealth. Studies in Virginia found that our tax incentives returned 90 cents for every dollar theoretically lost. I'm emphasizing theoretically because, as we see from the map of the states with tax incentives, there are no states without incentives that have these hyperscale data centers, so it's really a matter of whether data centers are here or not here as to whether that economic benefit will come to a state at all, hence why we in Virginia have continued to update, even though we are the number-one state, not just in the country but around the world, so I would encourage you to do the same to keep this growing industry growing in your state. Thank you.

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

BARBARA COMSTOCK: Thank you.

LINEHAN: Good afternoon.

LUKE PELTZ: Good afternoon, Chair Linehan and members of the Revenue Committee. My name is Luke Peltz, L-u-k-e P-e-l-t-z, and I'm vice president of the Lincoln Partnership for Economic Development, and I office at 1128 Lincoln Mall, Lincoln, Nebraska. We do recognize, since this is the fifth bill out of five today, we're combining testimony, so I'm here testifying in support of LB209 on behalf of LPED, the Greater Omaha Chamber of Commerce, the Nebraska Chamber of Commerce and Industry, and the Nebraska Economic Developers Association, which is an association of economic developers from all across the state,

representing communities of all sizes. LPED works on many different aspects of economic development, including talent, startup ecosystem, as well as working with our existing businesses, but I'm here today to talk about business recruitment and, more specifically, what we are seeing and hearing from large-scale data centers that are looking at our state. First off, I do want to thank you for passing our statewide incentive program that went into effect in January of 2021. Imagine Nebraska is a great program for most projects that we do see come into our office. It offers a lot more flexibility in the uses of credits than our previous program, Nebraska Advantage. As we specifically look at data centers and listen to what consultants and companies are-- that represent these-- represent these large-scale data centers, they specifically mention that our incentives are not as competitive when we compare to the other states around the country. There are 20-plus states that offer an exemption and/or tax abatement, and many of their programs are 15 to 20-plus years in length. The intent of Imagine Nebraska was to be with a company for the long run as they continue to invest and create jobs in the state. They-- they were intended to get up to 14 years, including the carryover period, for-- for their potential projects. One representative that we work with stated that these large-scale data centers would only be able to utilize the program for up to ten years and that there's no guarantee another incentive program would be in place after those ten years. This is putting Nebraska at a major disadvantage for projects of these-- this scale. Our credit utilization timeframes and carryover periods don't allow companies to fully utilize the credits that they've earned, which is something they don't face in other states when-- that we compete with. We as economic developers are confident that as a state we will have an incentive program in place when Imagine Nebraska does sunset, but data centers that are making these large capital investments can't count on our optimism, but they have to base it on a financial decision. We feel that large-scale data centers are a perfect fit for Lincoln and the state of Nebraska, as these companies create high-wage jobs, are committed to being good community representatives, and are constantly giving back to the communities that they are located in. We've seen this time and time again just up the road in Omaha, over in Iowa, Council Bluffs, Des Moines, Missouri, Oklahoma, Wyoming, all-- all across the Midwest states that-- that have a powerful tax exemption program in place. States are doing everything that they can to attract these types of projects and investments, and we are not as competitive as we once-- once were. I'd like to thank Senator Bostar for bringing LB209 forward.

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Revenue Committee March 1, 2023
Rough Draft

LINEHAN: Thank you.

LUKE PELTZ: Thank you.

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

DUNGAN: Thank you, Chair Linehan. And thank you for being here today.
You were here for the testimony of Congressman Comstock as well,
correct? You just heard that?

LUKE PELTZ: Yes.

DUNGAN: OK. She quoted some of the-- the numbers here that were about
the 45,000 jobs in Virginia, 3.6 billion in labor income and 15.3
billion in economic output. Do you anticipate there would be similar
or at least sort of, you know, proportionately beneficial increases
here in Nebraska for her to do that?

LUKE PELTZ: Yes, definitely so, maybe not to that extent, as Virginia
is leading the way right now. But what has happened up in Omaha and--
and other potential areas around-- and around Lincoln, there is
definitely room for growth there.

DUNGAN: Do you have any idea what the numbers would look like here or
is it-- and if not, that's fine. We can get it more later. I'm just--

LUKE PELTZ: I can-- I can follow up, yeah.

DUNGAN: --trying to visualize what the benefit would actually be,
because it sounds like it would be exponential--

LUKE PELTZ: Yes.

DUNGAN: --and I'm just curious what that would look like.

LUKE PELTZ: Yes. We can follow up with the interim study. It was-- it
was allocated in there.

STEVE DelBIANCO: [INAUDIBLE]

LUKE PELTZ: So the total-- total economic impact in the 24-month
construction period is \$269.1 million, including 1,900 jobs supported,
\$94.5 million in total pay-- pay and benefits during the construction
period of-- of a data center; operational, 34.2 in-- in Nebraska; once
the data center is fully operational, 100 new-- new jobs; \$10.2

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Revenue Committee March 1, 2023
Rough Draft

million in associated pay and benefits for other operating workers. Total economic impact once fully built out and operational, 82.4 in total economic impact, 300 jobs and 24.2 in pay and benefits.

DUNGAN: And that's per data center?

LUKE PELTZ: Yes.

STEVE DelBIANCO: Yes.

DUNGAN: Thank you.

LUKE PELTZ: Yes, sir. Sorry I didn't know those numbers off the top of my head.

DUNGAN: No, that's totally fine. I wasn't here for the interim study--

LUKE PELTZ: Yes.

DUNGAN: --so I appreciate knowing that information.

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

LUKE PELTZ: Thank you.

LINEHAN: Are there other proponents? Are there any other proponents? Are there any opponents? All right. Is there anyone wanting to testify in the neutral position? Good afternoon.

BILL CONLEY: Good afternoon. Hi. Good afternoon. My name-- good afternoon, Chair Linehan and members of the Revenue Committee. My name is Bill Conley; it's B-i-l-l C-o-n-l-e-y. I am the chief financial officer for Sarpy County. I am in-- testifying in opposition to LB209.

LINEHAN: You said you were neutral or I-- you came up neutral.

BILL CONLEY: I didn't get up here in time.

LINEHAN: Oh, you're actually in opposition?

BILL CONLEY: We are in opposition.

LINEHAN: OK. I'm sorry. Thank you.

BILL CONLEY: --for the detrimental physical impact it will have on Sarpy County, and I'm here on behalf of the Sarpy County Board of Commissioners. I understand my testimony is-- is focused on the originally introduced LB209. The amendment that I've just recently seen, our-- our board and our legislative team have not had full time to evaluate, but I want to comment on the originally introduced bill, if that's all right, and I'll be brief.

LINEHAN: Sure.

BILL CONLEY: Currently, Sarpy is the fastest-growing county in the state and it's a critical partner in the Grow Nebraska initiative. Sarpy County has brought in data and fulfillment centers that significantly contribute to economic development in the state. Much effort and dedication has been put into making Nebraska more welcoming for businesses, including our tax structure, and they've come. Sarpy County is proud to have not one but four major companies: Amazon, Google, Facebook and PayPal. Nebraska provides incentives and companies are willing to invest back into the communities by paying property taxes alongside resident taxpayers. It is a continual partnership cycle that benefits everyone. As I stated in our fiscal note, our revised fiscal note, the impact of LB209 would greatly reduce Sarpy County's share of property taxes by 3.6 percent, over \$2.3 million, and the impact of that in the future will grow significantly as data centers under construction are completed. A reduction of this magnitude would materially impact the services that Sarpy County offers, and Sarpy would not be able to reduce expenditures enough to provide the statutorily required services to our citizens. Bottom line is it would be a tax shift if there's any impact on any property taxes, whether real or personal. So if LB209 is passed as was originally introduced, Sarpy County would be forced to raise the levy to all other resident taxpayers by approximately 4 percent in order to generate enough revenue for county operations. The state of Nebraska already provides considerable tax incentives-- incentives to businesses, particularly data centers. As it stands now, Sarpy County, including the cities and other jurisdictions, lose over \$5.8 million every year in personal property tax from data centers because of exempted personal property on these facilities as a result of other state initiatives. LB209 would increase this loss, so I respectfully request that the Revenue Committee not advance LB209, at least as introduced, or any component that has any impact on real or personal property taxes. I thank you for your time. I'm happy to answer any questions.

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Revenue Committee March 1, 2023
Rough Draft

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

BILL CONLEY: Thank you.

LINEHAN: Are there any other opponents? Does anyone want to testify in the neutral position? Good afternoon.

JON CANNON: Good afternoon, Chairwoman Linehan. Distinguished members of the Revenue Committee, my name is Jon Cannon, J-o-n C-a-n-n-o-n. I'm the executive director of NACO, here to testify today in a neutral capacity on LB209. Certainly appreciate Senator Bostar-- Bostar bringing this bill. He's my senator, so I'm always happy when I get to testify on one of his bills, especially in the Revenue Committee. And NACO is-- is neutral with the amendment. We're sensitive to any shifts in personal property. And-- and I do want to take advantage of my opportunity to testify to explain just a little bit why as far as the history of-- of personal property is concerned. And so personal property, as you all know, depreciates out over time. And so if I have an asset over a five- or seven-year period, that's going to go to-- go to zero, essentially, as far as the tax base is concerned. And so there are a number of things that we've done with depreciable personal property when we know that it's going to be there for a long time. With wind energy, for instance, we took what was going to be a 20-year-life item and we created an excise tax for it. That's certainly an alternative that we have that's-- that's available to us as far as making sure we retain our tax base. But the reason that we're-- we're sensitive to any issue that involves personal property is because of the history of this. And so you'll all recall that-- well, maybe-- I recall, sorry, that back in the '80s, a lot of the personal property in Nebraska was exempted out over time. And so there is a federal bill. It's called the 4R Act, and it provides for railroad and railroad-like property to essentially receive super equalization. And so if-- and-- and by virtue of the fact that the railroads have to account for every last brass widget in the-- in the rail system to the Surface Transportation Board, they said, we're-- we're paying way more than our fair share because there's so much personal property that's been exempted under the federal 4R Act, we want to be equalized with everybody else. The first case that came out was Trailer Train v. Leuenberger in 1987, and that, what-- what ended up happening is after several appeals they ended up paying 25 percent of their-- their overall tax for the four tax years that were at issue there. The state of Nebraska cut a check to the lo-- affected local political subdivisions for \$7.7 million in 1980-- it was like 1989

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Revenue Committee March 1, 2023
Rough Draft

dollars, I think. And you think, well, it's, you know, 7.7 million bucks, no big deal, we're-- we're flush with-- we're-- we're doing well as far as our receipts are concerned right now. But after Trailer Train, those were car comp-- car line companies. After that happened, then all of a sudden the pipelines said we want to be equalized with those guys, and then the railroads came in. And what ended up happening is the state of Nebraska cut a check to local political subdivisions for \$121 million bucks in 1991. That's subtly different than \$7.7 million. So, again, we are sensitive to those sorts of tax shifts and the-- and the sorts of holes that they create in our-- in our budgets. And again, with the amendment, we move to neutral. We will work with all of our constituent members to make sure that they understand that we have vetted it thoroughly and that they should be neutral as well. And with that, I'm happy to take any questions that you might have.

LINEHAN: Thank you very much. Are there any questions for the committee? Senator Dungan.

DUNGAN: Thank you, Chair Linehan. And thank you, Mr. Cannon. Can you just real briefly explain why the amendment pushed you into the neutral capacity?

JON CANNON: Sure. It takes out personal property. It's-- it's only for sales tax. And so when it comes to a sales tax exemption, that's something that doesn't not affect the local political subdivisions. And so that takes-- I mean, and-- and I'll be honest. We originally were going to move to just a monitor's position, but by virtue of the fact that there was a little bit of history involved with the personal property tax, I felt it was appropriate for us to testify in a neutral capacity.

DUNGAN: Thank you.

JON CANNON: Thank you, sir.

LINEHAN: Thank you, Senator Dungan. Any other questions from the committee? This short history that you just went through on the railroads and the pipelines, those were the result of court cases, weren't they?

JON CANNON: Yes, ma'am, they were.

LINEHAN: Not the Legislature?

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Revenue Committee March 1, 2023
Rough Draft

JON CANNON: Legislation which was introduced which over time had-- had exempted a large part of the personal property base in Nebraska, and so agricultural machinery and equipment and a number of other things such that really the only folks left standing were railroads, pipelines, the people that have to account for every last brass widget up to their respective boards.

LINEHAN: So the courts decided that was not fair.

JON CANNON: Yes, ma'am. And-- and there is federal legislation. It's called the 4R Act. It was passed in the-- in the late '70s, as I recall, and basically it says that if you are like a railroad or-- or a car line, you're involved in the rail industry, then you can't-- you cannot be discriminated against as far as local taxes are concerned. And so, you know, there have been a number of times in-- in the past several years. I-- I recall having visited with Senator Gloor and Senator Hadley on different items of legislation to make sure that we needed to make-- to-- to ascertain that we were treating the railroads and the car lines equally as far as any exemptions that we might have.

LINEHAN: Central assessed, OK.

JON CANNON: Yes, ma'am.

LINEHAN: Thank you very-- unless there are other questions from the committee? Seeing none, thank you very much.

JON CANNON: Thank you, ma'am.

LINEHAN: Is there anyone else wanting to testify in a neutral position? Good afternoon.

JOE KOHOUT: Madam Chair, members of the Revenue Committee, my name is Joe Kohout, J-o-e K-o-h-o-u-t-- keep seeing this stuff about the chair, now I'm living it-- appearing today on behalf of our client, the United Cities of Sarpy County, a coalition of the five mayors of the five cities in Sarpy County. I appear today in the neutral capacity, presuming the adoption of AM623, which was provided to the-- to the members of the committee. I would just note that we do appreciate the efforts of NetChoice and, as well, the league. I know that Ms. Rex is going to get up here and testify shortly, Senator Bostar and his staff to breach a-- to reach a compromise on-- on this bill and on-- on LB209. I will tell you, a week ago, I would not have believed we were probably going to get here, but here I am, sitting here in the neutral capacity, and I think that's an indication that

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Revenue Committee March 1, 2023
Rough Draft

all things are possible when you talk about revenue. Just a couple of things that I would like to add is, and I-- I want to specifically say that we appreciate the dialogue that commenced a couple weeks ago with NetChoice to-- to find out specifically what our concerns would be with LB209. They listened and we-- and came back. This is a compromise. This isn't everything we love. This isn't everything that they love. But at the end of the day, it's a compromise and I-- and I think that that's something that I would just note. We-- you know, from a-- from a timing perspective, we got a concept at 9:30 Saturday night-- excuse me, Sunday night, and by 9:00 on-- on Monday morning, my mayors had looked at it and had come to a conclusion that-- that it was a place where it was a compromise. And-- and so we worked with Senator Bostar's office and with NetChoice to get that drafted and then ultimately had it-- have it here today and in this position. So with that, Madam Chair, I will try to answer any questions that you might have.

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

KAUTH: Thank you, Chair Linehan. So with the amendment, do you think that the pros outweigh the cons, there will be a net benefit for data centers to come into the community?

JOE KOHOUT: That's what I understand. I understand that-- that from our perspective, two of the big parts of this where-- where our cities were going to be specifically affected was on that personal property tax, as well the concern that if we were exempting out energy and all of these components, that that would in fact just frankly hurt some revenue streams. And so when we said that-- when we-- when we expressed those concerns, they listened and came back with-- with an option. And I think that that's-- so I'm going to trust that they're the better experts on where they can go. But-- but that's how we got to where we're at.

KAUTH: Thank you.

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

JOE KOHOUT: Thank you.

LINEHAN: Good afternoon.

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Revenue Committee March 1, 2023

Rough Draft

LYNN REX: Good afternoon, Senator Linehan, members of the committee. My name is Lynn Rex, L-y-n-n R-e-x, representing the League of Nebraska Municipalities. We're testifying today in a neutral capacity on this bill. We appreciate Senator Bostar, NetChoice, Katie Zulkoski and others that worked with us to try to accommodate our concerns. I will tell you, it was a very, very difficult compromise to the point that our board voted on this Monday night and it was after an extensive discussion because the stakes are high. And you may remember on LB720, the Imagine Nebraska Act in 2020, one of our lines in the sand was basically current law as it applies to data centers. We made a lot of other compromises along the way, but as Joe Kohout said, this is a compromise and it is our understanding that this will-- that basically the benefits will outweigh what the costs are on this. So we appreciate everyone working with us because otherwise it would have been strong opposition without this amendment. So, again, we appreciate everyone working with us. I'm happy to answer any questions that you might have.

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

LYNN REX: Thank you very much.

LINEHAN: Um-hum.

LYNN REX: Thanks.

LINEHAN: Are there any other testifiers in the neutral position? Don't think we had any letters, so, Senator Bostar, would you like to close?

BOSTAR: Thank you, Chair Linehan. Members of the Revenue Committee, it's a real neutral parade. Just a couple things I wanted to touch on. One, the fiscal note, obviously, is representative of the green copy. Considering what the bill looks like amended, I think everyone's expectation should be that that will be significantly pared down. And the other-- the other sort of component of this that I wanted to-- to discuss is more of a-- a philosophical one that we deal with in this committee regularly. So with the amended version of the bill being essentially a sales tax exemption, what we're talking about here, you know, forget the incentives for data centers of-- of creating a more attractive structure to get them to come and develop more of them here. Let's say that wasn't even part of this discussion. Fundamentally, what we're also talking about is business inputs. At this point, the amended version of the bill provides a sales tax

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 1, 2023
Rough Draft

exemption on servers, computers, all of the kinds of components that are essential and used up in the process of the business that these companies are pursuing. And-- and as you heard, too, the-- the speed at which these components are used actually was surprising to me. I didn't realize the servers were being replaced, essentially, just effectively every few years, but-- but that's what this is. And so, you know, we get legislation all the time in Revenue about trying to ensure that our tax system is removing taxation on business inputs so that we are maintaining a-- a business, economic development-friendly environment in Nebraska. And so that's really the other component here. It's that I don't think there can be an argument against the fact that what we're talking about are business inputs purely now, especially in the amended version, and we shouldn't tax those. And wherever we find them being taxed, we should address it. And-- and hopefully this leads into a broader conversation that Chair Linehan has-- has led with the introduction of previous legislation on sort of looking at a holistic approach of how to determine this. But that's what this is. And with that, I thank you for your time and attention. I'd be happy to answer any final questions.

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

BOSTAR: Thank you.