

Transcript Prepared by Clerk of the Legislature Transcribers Office

Revenue Committee February 1, 2024

Rough Draft

LINEHAN: Good afternoon, welcome to the Revenue Committee's public hearing. My name is Lou Ann Linehan, and I serve as Chair of this committee. I'm from Elkhorn, Nebraska, and represent Legislative District 39. The committee will take up bills in the order that are posted outside of the hearing room. Our hearing room today is part of your legislative process. This is your opportunity to express your position on the proposed legislation before us today. If you are 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 8 a.m. the day of the hearing. Letters emailed to a senator or a staff member will not be part of the permanent record. If you are unable to attend and testify at a public hearing due to a disability, you may use the Nebraska Legislature's website to submit written testimony in lieu of in-person testimony. To better facilitate today's proceedings, I ask you to follow these procedures. Please turn off cell phones and other electronic devices. The order of testimony is the introducer, proponents, opponents, neutral, and closing remarks. If you will be testifying, please complete the green form and hand it to the committee clerk when you come up to testify. If you have written materials that you would like to distribute to the committee, please hand them to the page to distribute. We need-- we need ten 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 both your last and first-- first and last name for the record. Please be concise. Today we're going to go three minutes. And this is how the light system is going to work. It'll be green for two minutes. It will be yellow for 45 seconds. And then the 15 seconds it'll be red. And then you will be asked to stop. If your remarks were reflected in previous testimony, or you would like your position to be known but do not wish to testify, please sign the white form at the back of the room and it will be included in the official record. Please speak directly into the microphone so that our transcribers are able to hear your testimony clearly. I will introduce committee staff. To my immediate left is legal counsel Charles Hamilton, and to the left at the end of the table is Tomas Weekley, committee clerk. Now, I would ask the committee members to introduce themselves, starting on my far right.

KAUTH: Kathleen Kauth, Legislative district 31.

ALBRECHT: Senator Joni Albrecht, Legislative District 17 in northeast Nebraska.

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DUNGAN: Senator George Dungan, L. D. 26, in northeast Lincoln.

MEYER: Fred Meyer, District 41, central Nebraska.

LINEHAN: And the page, I think we just have one. Would you please stand up, Colin? Colin is our page today, he's at UNL studying criminal justice. Please remember that senators may come and go during our hearing, as they may have bills to introduce in other committees. Please refrain from applause or other indications of support or opposition. For our audience, the microphones in the room are not for amplification, but are for recording purposes only. Lastly, we may use electronic devices to distribute information. Therefore, you may see committee members referencing information on their electronic devices. Please be assured that your presence here today and your testimony are important, and to us it is-- to us, and it is a critical part of state government. And with that, we will open the hearing on LB1248. So hopefully most of you heard-- have heard by now or heard this morning, we're going to take each one of these hearings an hour and then, if there's still people left, we'll restart at the end of that whatever time period. And I will not start, start the hour until the introducer, and in this case our first testifier, are done. Then is when the hour will start. OK? OK.

KAUTH: Thank you, Chair Linehan, Members of the Revenue Committee. My name is Kathleen Kauth, spelled K-a-t-h-l-e-e-n K-a-u-t-h, and I represent Legislative District 31, which is the Millard area of Omaha. Today I'm presenting LB1248, a bill designed to broaden our tax base by eliminating the special interest sales tax exemptions on the following retail products: candy, pop (or soda, depending on where you grew up) THC and CBD products. The state of Nebraska has over 100 special interest sales tax exemptions. These are very narrow categories of products or services that have been exempted from being taxed, primarily because at some time in our past, it was deemed important that they be given a break, usually because a big interest lobbyist came and convinced the Legislature that because it was such a narrowly defined product, it wouldn't really make much difference and wouldn't amount to a lot of taxes anyway. Sometimes there are emotional stories designed to pull at the heartstrings of legislators. All of those little amounts add up to some really big numbers, and the burden has been placed on property owners. Those property owners are now drowning in unexpected tax increases as home valuations increase. A property owner has no control over how the property is valued. Most of the time, those tax bills are opened with extreme trepidation, similar to when you get something from the IRS. I make my husband open

those. As I have been out and about in my community, I've been speaking to homeowners about this issue. Virtually all of them have identified property tax as a significant concern and hardship. There are seniors who don't qualify for the homestead exemptions, who have owned their homes for years, and they now feel like they are just renting to stay there. Most have had increases in valuations ranging from 30% to 89%. One family has to pay \$1,000 more per month in property taxes. That's her increase. She invited me into her home to speak. Beautiful home. But it's not worth an extra thousand dollars a month. Approximately 10% of the people I've spoken to volunteered that they are currently researching other states to move to. Even though they love Nebraska, they see it as a significant detriment to live here. When I asked each of these individuals what they thought of the many different plans to lower property taxes, specifically by shifting the taxes to those special interest exemptions, they were enthusiastically on board. One woman commented, I can buy a lot of chocolate if I have the extra money in my pocket. Others commented on how they would prefer to have a tax that they could choose to participate in, rather than being surprised. Candy, soda, THC, and CBD are retail products. They're a choice. There's nothing nutritional, medicinal or mandatory, and they're not business inputs. I ask the committee to vote yes on LB1248.

LINEHAN: Thank you, Senator Kauth. Are there any questions from the committee? Seeing none, thank you. Governor Pillen. Good afternoon.

JIM PILLEN: Good afternoon, Chairwoman Linehan and members of the Revenue committee. Thanks for the opportunity to visit. And I think I'd be remiss if I didn't thank everybody for how incredibly hard everybody in the Unicameral works for the people in Nebraska. Thank you. My-- it's a pleasure for me to testify, in support of some important bills that are part of a larger tax package, so. My name is Jim Pillen, J-i-m P as in Paul i-l-l-e-n. It's an incredible privilege to serve as the 41st Governor of Nebraska, the greatest state in the history of civilization. I'm here to testify as a proponent for a number of bills, so I appreciate that. LB1248, LB1310, LB1354, LB1311, LB1349, LB1308, LB1319, and LB1345. And I would also like to thank Senators Linehan, and Kauth, and Albrecht, and Meyer, Murman, and von Gillern, and Wayne for bringing revenue generating bills. That will once and for all fix our property tax problem. If I could, I'd like to take a minute. I think that one thing in this conversation that's really important is if we-- if we can have an understanding. How did this happen? How did we get here? My perspective would be that we've had a problem, but it became extraordinary starting on the night of

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January 2 of 2007. That was the night President Bush, in his State of the Union Address, instituted a renewable fuels policy. Renewables fuels policy, if we go back, that was the night that federal government subsidized making 15 billion gallons-- 15 billion, I'm sorry, 15 billion gallons of ethanol, subsidizing it at \$0.51 a gallon, which created that night, that's why I remember it like it was yesterday, that created 5 billion bushels of new corn demand in our country. And at that time, we in the United States, as farmers, did not produce 10 billion. So a 30, almost a 35% increase in corn demand. My belief, and I think the data is crystal clear, that there's no place in the world that benefited more from renewable fuels policy than the state of Nebraska. How did that happen? What-- how did we benefit? Well, it's important for all of us to remember, and that we brag and we make sure that we have investments to recognize and remember that we have the largest, most sustainable reservoir called the Ogallala Aquifer in the Western Hemisphere, for crying out loud, in the Western Hemisphere. And because of that extraordinary aquifer, we were able, then, because of corn prices changing, farmers irrigated more, where we were able to take marginal land, land that, if you will, couldn't raise a mama cow on 20 acres. We turned that land into-- with a central pivot and started raising 200 and 220 bushel of corn. Created extraordinary value for Nebraska farm families and landowners. Number one. Number two. Then the ethanol industry exploded. We're the number two ethanol producer in the United States creating extraordinary value by utilizing our corn close to home. And then, number three, for ethanol industry to be, sustainable and competitive, you have to have livestock. And we grew by almost 40% in the cattle feedlot industry. And we're the number one feeder of cattle in the United States and in the world, surpassing Texas. We're the number one processor of cattle. So that created extraordinary, extraordinary value. And then that enhanced the manufacturing industry as well. And so shortly after that time, we went through an extraordinary recession. And if most of us remember in Nebraska, we didn't even hit a pothole because of how strong and vibrant our economy was. And there were a couple of things, I think, that are noteworthy. We had an extraordinary revenue for the state of Nebraska. And if you remember, we, if you remember, we had a deflationary period of time. And yet government created some significant sins. We kept spending. Every form of government state, county, and city kept spending at a rate of 5% a year increase, and we had a deflationary period of time, deflationary. So what happened? Land went from \$2,000 to \$12,000 and \$13,000. The economy being robust, and valuations, and now what's happened in the last, in the last several years is simply

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that our homes, property taxes have gotten so out of whack with this shift. And in that time frame as well, we'd be remiss if we didn't acknowledge that it was politically favorable to do sales tax exemptions. So we took sales tax off the table because we had plenty of revenue. Yet then that propelled the shift to extraordinary property tax increases. So extraordinary today, it's created a workforce-- part of the workforce problem. People-- when people want to come to Nebraska, they, they look at income tax. They look at property tax. We're number seven in the country in property tax. And so the other is, I think that all of us in this room, our dream is for all of our kids or grandbabies to live the dream in Nebraska and own their own home. Property taxes have gotten so out of whack, for 30 or 35% young people don't own their homes. The property tax is stealing the ability to have a dream to own your own home. And then I think lastly, and the one that touches my heart incredibly deeply, is how many Nebraskans today have worked their entire lifetime here. They've raised their families here, they've educated their children here, and now they've retired maybe two years ago, five years ago on a fixed income, and they're waking up, and are waking up, and they can't afford their home because of the most regressive property tax, one of the most regressive in the country. So I think that it's really, really important for us to understand what took place, and understand what an extraordinary tax shift that has taken place in the last number of years. Because of this, we started with a working group, called the working group together last summer. There were six senators, I'll acknowledge those at the end, farmers, ranchers, business people, local government officials, to find a solution to the property tax problem. And we had multiple meetings. I think we started in July, and I think we, just the other day, had our ninth meeting. And this group came to a very, very clear consensus. We have to prop-- just holding the line on property taxes is unacceptable. We have to cut property taxes significantly. And once we got data to that point where we said we have to cut them 40% and get down to \$3 billion in property taxes. I think it's important also in that conversation, that we all agree we don't want our homes to go down in value. Every Nebraskan wants their homes to increase in valuation. This isn't a valuation problem. It's spending problem. And so the other piece that we all came to consensus was we have to have a hard cap on spending in all forms, so that this tax reform is permanent. Hard core reality is our property taxes in the state have increased in the last six years \$1.3 billion with a b dollars. Since I've had the privilege to be inaugurated, it's increased almost \$300 million. Almost 300. If we sit back and say, gee whiz, you know, it could get close to going up \$1

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million a day, for crying out loud. So every Nebraskan agrees. We have to fix the problem. We've got to find a solution, so that we don't tax our seniors out of their homes after they've raised their family. So that we have our next generations having the hope for owning their own home so that we can grow our workforce. So we must make our property tax rate more competitive with our other states. As I said before, we're number seven. We're number seven today in the United States. It's, it's, it's absolutely, I think it's fair to say, that in the last three years, there wouldn't be many in the state that's been across this state more times than I have, and been in front of more Nebraskans than I have. It's absolutely, consistently, without a shadow of a doubt, the number one issue, our property taxes. The consensus of everybody in Nebraska is fix our property tax problem and fix it now. These bills that are introduced, along with the bills that we'll discuss tomorrow, they really will create permanent, long-lasting relief for all Nebraskans. I think that I've learned a gob in the last three years. And I think one thing that's really, really important for all of us that are elected officials, we have to sort through the noise. We have to sort through the drama created. We have to have the courage to have a significant attitudinal change, to make sure we focus on what's best for Nebraska. Every lobbying group that pounds away at us is representing me on their forehead 100% of the time. We have to have the courage to make sure we represent all Nebraskans. I'm doing town halls everywhere. Body language, by the way, you know, our body language is more consistent than texting. More consistent than texting in communication. And Nebraskans' body language is unanimous. Fix the property tax. Don't go by all these old mandates of policy gurus and also fix our property tax. Get the shift back so that, you know, today we're \$5.3 billion in property tax, \$2.5 billion in sales tax, were \$3.6 billion in income tax. Let's get it leveled out. Let me just close and thank Senator Linehan, and Kauth, and Albrecht, and Meyer, and Murman, von Gillern, and Wayne for your efforts on this issue. I certainly also want to thank the senators that-- you know, we have had 40 people working very, very hard, with nine meetings and tons of conversation since July. So let me, let me simply say thanks to Senator Bostar, Senator Linehan, Senator McDonnell, and Ibach, and Jacobson, and von Gillern for all your work on this issue and for all the work in the working group. It's, it's crystal clear. We've just got to have the courage to do what's right and stop the out of control property tax increases once and for all in the state of Nebraska. Thanks for the chance to be here. And I'd be happy to answer any questions.

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

JIM PILLEN: Thank you very much. Appreciate a great afternoon. Thank you. Can I, can I take credit for the weather today?

LINEHAN: Yeah, right. Just remember we're here all day.

JON CANNON: We'll get out sometime before [INAUDIBLE].

LINEHAN: Yeah, maybe. OK. It's a reset. So it is now 10 minutes of 2:00. And we are starting the clock on LB1248. I assume you're a proponent since you popped up here.

JON CANNON: Yes, ma'am.

LINEHAN: Go ahead.

JON CANNON: I am not here all day, Senator Linehan. I'm coming to be a vapor trail soon as we're done with the bill. Chair Linehan, distinguished members of the Revenue Committee. Good afternoon. My name is Jon Cannon, J-o-n C-a-n-n-o-n, I'm the executive director of NACO, which stands for the Nebraska Association of County Officials, the trade association representing all 93 county governments in Nebraska. I want to thank Senator Kauth for bringing this bill. I want to also want to thank the Governor for having been behind the property tax working group that we, we convened last July. I agree that this is the greatest state, and any time that we can brag about beating Texas in anything, I'm all for it. I want to express NACO's general support for the Governor's property tax package. I will say that, for county government, we are one sixth of the property tax load in the state. However, we are 100% of the process. Our assessors set the values, our county boards of equalization hear protests of those values, our county treasurers send, send out the tax statements and then collect taxes from, from our citizens. I understand that the 4-- LB1414 is going to have a white copy amendment. Hopefully we'll have that by tomorrow. And that is the mechanism to frontload the credits that we're, we're talking about through the revenues that we're raising through the package of bills we, we're talking about today. I, I want to talk about the math just briefly. And, and I, I'm a little bit of a nerd, I like, I like getting into the numbers. The average assessed value of single family residential property in Nebraska is \$170,000, give or take. With an effective tax rate of 1.67%, that means our average property tax for a homeowner is \$2,844. That puts us at about

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43rd, I believe, according to, if I heard the Governor correctly. And that is assuming a \$5.3 billion property tax load across the state. Now, with the credits that we have had that this committee has put into property tax relief over the last several years for which you do not receive nearly enough credit, if you frontload those credits to the property tax levy to, to physically buy down that levy, that would have our effective tax rate at 1.26%. The average single family residential property would be assessed \$2,146. That would have our ranking somewhere around 35th. If you get to where the Governor wants us to be of \$3 billion of property taxes, property taxes paid across the state, that would have an effective tax rate of 0.94339. That would have us 29th, with the average property tax on an, on an average home being \$1,606.96. You know, those rankings are-- they, they do matter. They are significant. We don't want to be 43rd-- I'm out of time. I'm happy to take any questions you may have.

LINEHAN: Thank you very much. Are there any questions from the committee? I'm going to ask one. And just more for clarification. Averages are good, but the 1.67, that clearly depends a lot on where you live. Because if you're in some suburbs of Nebraska in a newer district where they're building new schools and your, your, just your rate on your school levy is probably \$1.20, \$1.30.

JON CANNON: Yes, ma'am.

LINEHAN: So it jumps around a lot. I know it goes-- you go out rural further where there's not enough housing and most of the houses are older, then that's going to drop the average a lot, right?

JON CANNON: Yes, ma'am. And-- but one thing I would add to that, though, is that the more that you're able to buy down the levy statewide, whether the average goes down, but on, on the outliers as well, those are going to go down in lockstep.

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

JON CANNON: Thank you.

LINEHAN: Good afternoon.

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 here today to support this bill in concept only. Jon Cannon and I both have signed in, NACO and the

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League, in support of all the other bills in concept only. Our board passed, the League board, passed unanimously yesterday to support the Governor's overall objective, to provide property tax relief with the use of state sources of revenue. And I just want to underscore and relate to you some narrative that some of you have heard before. And I'm giving you a handout, which I'll likely hand out again tomorrow, which is why from the League's perspective, and I think from NACO's perspective, and of political subdivisions overall, why we are in part where we are. Over a period of time, your predecessors, not you, you've done an amazing job providing additional property tax relief, especially over the last few years. But your predecessors gave exemption after exemption, basically tax break after tax break, whatever it is, to narrow the property tax base. That property tax base was narrowed dramatically. And especially I'm just-- my example that I've used repeatedly is LB518 that passed in 1977. That bill alone was only for three exemptions: livestock, farm equipment, business inventory. And I use that example because it hits so many different groups of businesses and so many others. And by the way, those exemptions needed to happen because Nebraska needed to be competitive. But local governments in 1977 were promised, we're going to give you a dollar for dollar reimbursement. So the property taxes aren't going to go from this to this, and only these people left in the middle get paying-- get to pay it. And indeed, what happened was over a period of time that dwindled. In fact, immediately, Governor Exxon said, well, we can't afford the \$250 million in lost revenue as of 1978 when that took full effect. We can't afford that. So we're going to give you a \$70 million reimbursement. And after several Supreme Court cases where the Legislature had not put a designation so you couldn't tell how much cattle was leaving Lancaster County and going to Kansas and so forth, they couldn't tell it. So constitutionally, it was a frozen class. And the Nebraska Supreme Court said, you can't do that. So then John DeCamp one day said, you know, we're just going to call it state aid. But state aid to municipalities was simply on those three exemptions, with a combination of a governmental subdivision fund of \$12.6 million. And over time, what I've handed out to is program after program, cut after cut. So in 2011 with passage of LB383, even that was gone away. But that's one bill. There's lots of bills. So we're here today to say property tax relief, we understand it. We understand why this is an issue. I remember when your predecessor, Galen Hadley, as Chair of this committee, came back from a meeting and said, oh my gosh, Lynn, other states actually provide-- I'll wrap it up here. --provide reimbursements to local governments. And other states have done that.

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Your predecessors didn't. So it's come home to roost so that now for the last several years, you folks have done, I think, a remarkable job. And I agree with Jon Cannon, and you haven't received the credit for the incredible property tax relief you've given, but more needs to be done. With that, I'm happy to respond to any questions that you might have.

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

ALBRECHT: Thank you, Chair Linehan. And thank you for being here. You really do have a wealth of knowledge. And how you keep it all upstairs amazes me. But I just want to say that a lot of these exemptions that we're talking about, a lot of them will go back to municipalities and counties. Have you looked at the fiscal notes?

LYNN REX: Well, Senator, the short answer is that when we-- we're not-- basically we're-- the overall thing. I mean, we-- it's up to the Legislature and the Governor, Senator--

ALBRECHT: Right.

LYNN REX: --how you choose to provide this property tax relief, but we support it. And we understand it's going to be a mix of a number of different things, but we do support that. And to your point, and what Jon Cannon was trying to explain too, is that by tomorrow he will have a better I-- understanding. Well, he has the understanding. He'll have more time to explain and try to create a better understanding for others in terms of how this can be delivered and lower property tax aspect.

ALBRECHT: I appreciate your being here.

LYNN REX: Yes.

ALBRECHT: Thanks.

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

LYNN REX: Thank you for your consideration. And thanks for all the work that you've done--

LINEHAN: And for your work too.

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LYNN REX: --for farm and property taxes, and what's soon to come.
Thank you.

LINEHAN: Thank you. Are there any other proponents? I didn't think so. Opponents? And if you're going to be an opponent in this hearing, please come up front. Good afternoon.

RICH OTTO: Good afternoon. Thank you, Chairwoman Linehan and members of the Revenue Committee. My name is Rich Otto, R-i-c-h O-t-t-o. I'm here on behalf of the Nebraska Grocery Industry Association, the Nebraska Retail Federation, and the Nebraska Petroleum Marketers and Convenience Store Association, testifying in opposition to LB1248, which would eliminate the sales tax exemption on purchases of candy and soft drinks. While we want to be part of the discussion on a more fundamental overhaul to our tax system, carving out specific food items for taxation is complic-- complicated, and costly, specifically for retailers and consumers. According to the Tax Foundation, excise taxes are too narrow and regressive to be a practical source of revenue, and evidence of any direct impact on obesity continues to be limited, so it remains entirely unclear whether such taxes have any positive effect on public health. Carve-out in the tax codes are viewed across the political spectrum as poor tax policy, in part because they are complicated and inconsistent. As you can see by the handout provided, KitKats are not taxed. Altoids are. A Snickers bar would be taxable for those paying with cash or card, but it would be not taxable for those paying with SNAP. In states taxing candy in this way, a Milky Way Midnight bar is taxed, but a regular Milky Way bar is not. Likewise, the soft drink definition will hit more beverages than what we consider soda. Energy drinks and sports drinks would be included. While there are certainly cities and other states that have implemented such changes, the cost of updating point of sale systems to account for such confusion is challenging, primarily for small grocery and convenience stores. When Colorado began taxing candy, soft drinks, and water, they discovered 50% of the convenience store point of sale systems could not break out separate categories, and they all required system upgrades. Additionally, the software can-- that can be purchased is imperfect and requires a lot of due diligence by business owners. Managers and clerks have to go through and read every bakery, candy and soft drink label. If you misread a label or skip a product and are then audited by the Department of Revenue, the department has the ability to collect back taxes. Finally, Nebraska, currently prohibits local communities from assessing an occupation tax on food. By eliminating, eliminating the exemption on candy and soda, this would open the opportunity for local governments to access-- assess

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occupation taxes on these products. In Nebraska, the confectionery and beverage industries represent millions of dollars in economic output, jobs, and wages for the-- I'll conclude, but happy to answer any questions you may have.

LINEHAN: Thank you very much, Mr. Otto. Are there any questions from the committee? Seeing none. Thank you much. Next opponent?

BRIAN GILLILAND: Good afternoon.

LINEHAN: Good afternoon.

BRIAN GILLILAND: OK. Chairman Linehan and members of the Revenue Committee. My name is Brian Gilliland, B-r-i-a-n G-i-l-l-i-l-a-n-d. I'm the general manager of Chesterman Company, we're the state's largest local distributor of Coca-Cola products. I'm appearing before you today as the president of the Nebraska Beverage Association in opposition to LB1248. The Nebraska Beverage Association has been representing the nonalcoholic beverage industry and local distributors of Coke, Pepsi, and Doctor Pepper products for eight decades. The Nebraska Beverage Association opposes the imposition of sales tax on our soft drinks, and the exclusion of our products from the definition of food. Our products are food. We do not believe they should be singled out and taxed differently than other groceries. Our products also vary widely in their ingredients from juices, teas, soft drinks, coffee, and dairy. The categorization of what would be taxed and what wouldn't be taxed gets very complex. We don't believe the state should further complicate the process of buying groceries for Nebraska families or increase their grocery bills, especially as families are continuing to recover economically from the pandemic. We know that state sales tax on soft drinks are regressive. This type of tax places a large burden on consumers who are lower income earners. LB1248 would be taking money out of those families' pockets, leaving them with less money to purchase other products like produce, fresh foods, and other grocery essentials. This is picking winners and losers of which products get taxed, and it will come at the expense of increasing a family's grocery bill. In fact, last year, West Virginia repealed their beverage tax, and that change will go into effect this summer. In our over 80 years, the beverage industry has contributed substantially to our neighborhoods, communities and the Nebraska economy by providing good paying jobs, charitable donations and a sizable amount of tax dollars. Last year, our industry accounted for over 1,200 jobs in the state. Our members also contributed over \$47 million in state taxes, and donated over \$15.5 million to charitable

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causes across the state. Our large local economic impact also includes our industry's use of high fructose corn syrup. Beverage companies purchase 90% of all high fructose corn syrup produced in the United States. PepsiCo and Chesterman company purchase directly from Archer-Daniels-Midland in Columbus. In addition, all three companies support programs that enable farmers across the midwest. We find no rationale for imposing the sales tax other than it's not being taxed right now. In the past, this has been proposed as a health initiative. Arguments that our products are not healthy have been refuted in research year after year. In fact, 60% of our product offerings are zero sugar and no calories. Tastes have changed over the years, and our industry is meeting the increasing demands for healthier products. We object to the imposition of a tax on our products, which in turn increases grocery bills for Nebraska families, all for the purpose of increasing states--

LINEHAN: Sir.

BRIAN GILLILAND: Oh, I'm sorry.

LINEHAN: That's OK. You're doing good.

BRIAN GILLILAND: I'll be--

LINEHAN: You're doing-- you're reading very fast.

BRIAN GILLILAND: I'd be happy to answer any questions.

LINEHAN: Do you want to read the last line?

BRIAN GILLILAND: Oh, sure. All for the purpose of increasing state spending by creating a tax shift. For these reasons, the Nebraska Beverage Association is opposed to LB1248.

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

DUNGAN: Thank you, Chair Linehan, and thank you for being here. I'm looking at this in a little bit more detail. And maybe you have the answer to this, and I'm not entirely sure. And if you don't, somebody else might. To be clear, there is not-- what we're doing here is we're not getting rid of an exemption that already exists, right? We are adding-- this is an addition of candy and soft drinks to things that don't count as food, is that correct? The way the law is written?

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BRIAN GILLILAND: Correct.

DUNGAN: It's not like there's currently some sales and use tax exemption for soft drinks and food. We're just adding those to what doesn't count as food. Am I asking that correctly?

BRIAN GILLILAND: Soft drinks and candy are classified as groceries and are exempt from tax.

DUNGAN: Currently they are food.

BRIAN GILLILAND: Currently. This would remove that exemption from soft drinks and candy specifically.

DUNGAN: Okay. So we're adding that part into the law. We're saying, hey those don't count as food anymore.

BRIAN GILLILAND: Correct.

DUNGAN: OK. Thank you, I appreciate that.

LINEHAN: Thank you, Senator Dungan. Are there other questions from the committee? And you might not know this, but maybe somebody behind you. I think when we first put sales tax on, food was taxed.

BRIAN GILLILAND: First. I'm--

LINEHAN: Back in the '60s.

BRIAN GILLILAND: Oh.

LINEHAN: You're not going to know.

BRIAN GILLILAND: I don't know.

LINEHAN: Somebody out there might. So I think it was an exemption that was maybe not immediate, but there was exemption at one time. All right. Thank you very much for being here.

BRIAN GILLILAND: Thank you.

LINEHAN: Next opponent? Good afternoon.

STACY WATSON: Oh. Chairwoman Linehan. Thanks for having me. My name is Stacy Watson, S-t-a-c--y W-a-t-s-o-n. I'm actually sitting here representing the Nebraska Chamber and Lincoln Chamber today. So, I

definitely don't want to discuss the definition of candy. We don't have time for that. I appreciate the other people that can get into that. What I really am here is to discuss the tax shift and how, from the three legged stool that we always talk about, income tax, sales tax and property tax, sales tax is the most regressive of those taxes. And why that is, is you take the same percentage rate, and you're hitting the lower income families with the same percentage on the same item, where that doesn't matter as much to the-- you know, if you charge me an extra 1% or candies tax, well I don't eat candy, but if I did, right? It wouldn't bother me as much. But from a lower income family perspective, that type of increase hits them much harder, and therefore our sales taxes have always been considered regressive. From a-- from a property tax perspective, those are actually deemed by state tax geeks, which is me. I've been doing this for almost 30 years. Those are deemed equitable, and I know it doesn't feel that way with the valuations right now. But if the system's set up correctly, those are under local control. You actually get to vote when you're raising your own taxes, right? And they're deemed on the same percentage across the board in your district on the value of your home. So if your home is worth more, you pay more. If your home's worth less, you pay less. So we're shifting from what is from a state tax geek's perspective, an equitable form of taxing to a more regressive form of taxing. Now, both chambers obviously want to be involved in comprehensive property tax reform. We're just not sure this is the way to go about it. There's ways to look at the sales tax base, as other people have said, and not to pick winners and losers. There are ways to lower the rate and maybe make it less regressive and include more items in it. But the way this candy and pop and some of the other things coming up are currently working, we're not doing that. We're just picking the winners and losers. So if you have any questions, I'm more than happy to answer them. Don't worry, you'll see me again, at least one more time today.

LINEHAN: Any questions from the committee? OK, this is just for the record, and I'm going to ask this question.

STACY WATSON: Yeah.

LINEHAN: Did the chambers, they were involved in the working groups all summer. Right?

STACY WATSON: Yes, I was personally.

LINEHAN: So did they bring proposals to do what you just said.

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STACY WATSON: To do, like, lower the overall rate and broaden the base? It-- you know, initially that whole thing started as a valuation exercise.

LINEHAN: I know, but did it--

STACY WATSON: Well, we didn't propose. But we have over time talked about doing things like that. But no, we did not bring a specific proposal for that. But I also think there has to be, from the chambers' perspective, a working group to go out and study what does that broadened base look like? Because at the beginning of our value-- of our committee, there was-- the list was about this long. And then we got down to the list of like ten losers, right? And so there was a much broader list at the beginning.

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

MEYER: Yes. I just have one quick question. So, so in your, in your opinion, real estate tax is the most fair. And I would ask you why is that the only form of wealth that we tax that way?

STACY WATSON: Well, I, I would-- think income taxes are also fair.

MEYER: Is it just because they can't move?

STACY WATSON: Part of-- part of it is you can't, right, you can't move. So from a-- and, you know, from a historical perspective, I mean just so you know, the state doesn't actually charge any property tax, right? And so the point of property taxes over time have been you do it at the local level. You choose what you're spending it on at the local level, and you pay for services in your area. So equitably over time, that's always been the case. What's happening now is valuations have gone up and we haven't had the decrease in the levy that really should happen. That's what makes it equitable. Why it seems inequitable now is your valuation goes up, technically the budget's probably somewhat the same, right? But you get a windfall because we didn't lower the levy. If you lowered the levy, I think equity-- it would feel more equitable from the person even though your valuation went up.

MEYER: Thank you.

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

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STACY WATSON: Thanks.

LINEHAN: Other pro-- opponents?

BEN BURAS: Ben, B-e-n, Buras, B-u-r-a-s. As Senator Kauth stated, she, she said, candy has no nutritional value. But as one of the previous testifiers stated, it obviously does, like a Snickers bar. And as an athlete, Senator Kauth should know this, that, if you, if you eat too much sugar, yeah, it's going to turn to fat and cause obesity. But if you burn it off, it's-- you're using it as energy. So it's, it is food. And I've lived in food deserts where the, you know, I had to walk ten minutes to a gas station to get food and-- or a convenience store, and the food there is already marked up because it's, it's convenient to get. And when my dad drives into town, I'm just shocked when we go to Costco, what the-- you know, what you can get for the prices, or Super Saver. And you know, I usually shop at Guerrero or the Mediterranean Market or the Asian market. So you're paying, you're paying a lot more there. And, THC and CBD are-- they have medicinal uses, so I don't know why we would be increasing that. And this, this does nothing to lower people's property taxes. It's somebody choice if they want to get married and have three kids and live beyond their means in West Omaha, that's, that's their choice. If they can't afford their property taxes, then they should sell their house and move somewhere where they can. So, I do support lowering property taxes, but I don't think this does anything to do that. It's just going to, it's just going to make the poor poorer. People who rely on gas stations or convenience stores and-- yeah. I mean, yeah, if if Gator Aid is going to be taxed under this, I don't know if that's considered pop or soda or an energy drink. And, I, I worked at a liquor store in downtown Omaha, and their point of sale system was so confusing, it was so old as it is. I mean, I don't know how they would have updated it to to handle these new changes. It's-- this is just a terrible bill. It does nothing to lower the property taxes. And. Yeah.

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

BEN BURAS: Thank you.

LINEHAN: Next opponent?

RYAN NICKELL: Thank you. Hello. Ryan Nickell, R-y-a-n N-i-c-k-e-l-l representing myself in opposition to LB1248. LB2488 [SIC, LB1248] is a regressive poor people tax, is a tax on the poor for the benefit of

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the rich. What this does is tax sugary drinks such as soda, which are favored by lower income people. What it does not do, is raise taxes on more expensive drinks favored by wealthier people, such as your \$6 latte from Starbucks, although it's a union-made \$6 latte from Starbucks, or smoothie or juice, which may have more caloric or sugar content than your Gatorade or your Mountain Dew from your grocery store. So I am opposed to LB1248, as is a tax on the poor for those who are fortunate enough to own real estate. Thank you.

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

RYAN NICKELL: Thanks.

LINEHAN: Are there other opponents? Any other opponents? Anyone want to testify in the neutral position? Seeing no one, Senator Kauth, would you like to close?

KAUTH: Thank you, Chair Linehan. Nobody wants taxes on products that they've gotten used to buying without change. Change is always, always hard. But our three legged stool, property tax, income tax, and sales tax, is completely out of whack. Shifting that burden to retail products that one chooses to buy is a very small way to relieve that stress. And I encourage the committee to pass this bill.

LINEHAN: Thank you, Se-- Thank you, Senator Kauth. Letters for the record. This is LB1248. We had two proponents, one-- three opponents and one neutral. I'm just to ask this, so we remember to look into this. I didn't until today. Do we pay occu-- OK, so Omaha has a restaurant tax. I understand, I go to a restaurant, I pay an occupation tax. Do we pay that tax on food that we pay taxes on that would, like, take-home food from the grocery store?

KAUTH: That I don't know. We need to check.

LINEHAN: I'm getting lots of yeses. OK. And that would definitely be drive-thru Starbucks, and any of our drive-thru restaurants. OK. Thank you for--

MEYER: Excuse me, I had--

LINEHAN: Senator.

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MEYER: --I had one question. So, Senator, for all of the cities and municipi-- municipalities that have a city sales tax, they are the beneficiary of this as well?

KAUTH: I believe so, yeah.

MEYER: So pretty broad benefit to a lot of folks, so--

KAUTH: And again the, the goal is to broaden our tax base. We are, we are completely out of whack. So it is a choice whether or not you buy these products. It is a choice if you buy a home. But a home has a lot more lasting impact on our general economy than this tax.

MEYER: Thank you.

KAUTH: Thank you.

LINEHAN: Thank you, Senator Meyer. Senator Dungan.

DUNGAN: Thank you. Chair Linehan. Senator Kauth, I just wanted to double check on this, too. I'm looking at the fiscal note. It doesn't seem to delineate how much comes from each of the thing.

KAUTH: Each one. I don't know.

DUNGAN: Do we know what that is?

KAUTH: No.

DUNGAN: OK.

KAUTH: And I don't know that they know, the CBD, CBD and THC products are still very new as far as--

DUNGAN: That's what I assume is, that's a much--

KAUTH: Yeah.

DUNGAN: --smaller portion of it?

KAUTH: And the, the pop and candy, I believe, is about \$33 million, \$36 million. So it's-- we just don't know yet.

DUNGAN: OK. Thank you.

KAUTH: Thank you.

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LINEHAN: Thank you, Senator Dungan. And I think you could ask the Revenue Committee if they would-- we're, we're the Revenue Committee. You could ask the Revenue Department if they could be as--

KAUTH: Well.

LINEHAN: Thank you very much. With that, we'll close the hearing on LB1248, and we will open the hearing on LB1310. Good afternoon. And we're starting this hearing at 3-- not 3, 2:12. Thank you. That's right. We're going to wait till after opening. I'm sorry. Thank you.

ALBRECHT: You have copies coming around. They're going to be a substitute to replace an amendment replacing the bill.

LINEHAN: This is a white copy amendment?

ALBRECHT: Yes, please.

LINEHAN: OK. I think you can go ahead.

ALBRECHT: Good after-- [COUGHS]. Excuse me. Good afternoon, Chairwoman Linehan and members of the Revenue Committee. For the record, my name is Joni Albrecht, J-o-n-i A-l-b-r-e-c-h-t. And I represent District 17 in northeast Nebraska, which includes Wayne, Thurston, Dakota, and a portion of Dixon Counties. It is a pleasure to introduce LB1310 on behalf of Governor Pillen. LB1310 will be replaced with a AM2227, which will become the bill. I'll be speaking directly to the amendment today. So the purpose of I AM2227 is to eliminate sales and use tax exemptions for the Nebraska Lottery and the game of skill, and commencing on July 1st of 2024, will add sales tax rate of 20% on the sale of lottery tickets pursuant to the State Lottery Act and transactions involving cash device as defined in section 77-3001 that are subject to sales tax. The State Lottery Act was first created in 1991 with the passage of LB849, and has been amended several times since. In November of 1992, 63% of the Nebraska voters approved a constitutional amendment authorizing the creation of a state lottery. The Nebraska Lottery was created by LB138, passed by the Nebraska Legislature on February 24th, 1993. LB138 created a sales and use tax exemption for lottery tickets purchased pursuant to State Lottery Act. Currently, State Statute 77-2704.38 states, and I quote, sales and use taxes shall not be imposed on the gross receipts from the sale, lease, or rental of, and the storage, use, or other consumption in the state, of lottery tickets purchased pursuant to the State Lottery Act, end of quote. Lottery ticket sales for fiscal year ending June 30th of 2023

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brought in \$220.1 million. While that was subject to sales and use tax a minimum of 22% is transferred by the lottery to, to four beneficiary funds every year. The total transferred last fiscal year was \$55.8 million. Most cash devices, at this time called skill games, also known as gray machines because of their historically vague legal status, appear to have first been installed in Nebraska in 2008. At that time, many-- as many as 430 cash devices were located in 143 different cities. At the end of 2018, there were 2,233. And five years later there were 4,779. This means they have more than doubled in five years. Nearly every county in Nebraska now features a location where these skill games are operated. In 2011, the Nebraska Supreme Court ruled that the machines were not awarding players by chance, and thus they were predominantly games of skill and did not constitute gambling. Today, in Nebraska, cash devices are controlled by the Mechanical Amusement Device Tax Act, and the games are approved and regulated by the Charitable Gaming Division of the Nebraska Department of Revenue. Currently, cash devices are subject to a \$250 Mechanical Amusement Cash Device Decal fee. Additionally, manufacturers/distributors must pay a one time application fee of \$500. The annual per device decal totaled \$1,199,750 in 2023. The Department of Revenue has ruled that leases of cash devices are subject to sales tax. That is currently in the discovery phase in the department, is being litigated by one of the manufacturers/distributors, but the total is estimated to be several million dollars annually. According to the Charitable Gaming Division, a typical device produces approximately \$30 of net profit on \$200 in wagers per day, or \$11,000 of profit annually on more than 73,000 wagers-- of wagers. Excuse me. \$55 million in profit and-- from \$365 million annually. The fiscal note submitted by the Department of Revenue on the original bill was a tax of 7%. This amendment, and thus the bill, would impose a 20% sales and use tax on the gross wager amount on the mechanical used-- amusement devices. The gross wager amount is for every dollar spent. Once again, the purpose of this bill is to eliminate sales and use tax exemptions for the Nebraska Lottery and game of skill, and commencing July 1st of 2024, will add sales tax rate of 20% on the sale of lottery tickets pursuant to the State Lottery Act and transactions involving cash device as defined in section 77-3001 that are subject to sales tax. Thank you for your time and attentiveness. I will welcome any opportunity to answer any questions. And that's it.

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

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DUNGAN: Thank you, Chair Linehan. Thank you, Senator Albrecht. Just to clarify, the amendments to this removes the portion that has to do with the advertising of the companies.

ALBRECHT: Yes. That will be next.

DUNGAN: OK. Thank you very much.

LINEHAN: Are there other questions? Thank you, Senator Dungan. Are there other questions from the committee? Seeing none, you'll be here to close.

ALBRECHT: Yes.

LINEHAN: Okay, now we'll start the clock, and it's 2:25. First proponents? Good afternoon.

GLEN WHITE: Good afternoon. Chair-- Chairwoman Linehan and the Revenue Committee. I am Glen White, and I'm here on behalf of the Department of Revenue testifying in favor of LB1310 and AM2227. I don't have any prepared remarks, but I just want to explain cash devices a little bit. Just to kind of clarify, how they're taxed. So, for a cash device, when an operator purchases that device, it's a tangible personal property. So they're going to pay a sales tax on the purchase of that device. And then, on the other side is when somebody is getting an entertainment service from that device, and that's when they put their money in the device to actually play it. So when we're talking about this \$250 decal, what that does, and it's very specific in the-- in the statute, that, that, that purchase of that decal is intended to exempt the entertainment service from sales taxes. On the other side, the department has taken a position that the, the machine is subject to sales tax or use tax. And so the department has taken the position that the decal does not exempt the operator from that tax. And-- so those-- that's my testimony with regard to cash devices. Do you have any questions?

LINEHAN: Thank you, Mr. White. Are there questions from the committee? So it was never in legislation whether they were supposed to pay sales tax or not sales tax, but they're not specifically exempted, right?

GLEN WHITE: So, so the machines themselves, the purchase of the machines themselves, the department has taken the position that, that purchase is subject to sales tax. It's the other side-- and this was-- this goes back to the original Amusement Device Tax Act, where machines where you used quarters to, to play them, instead of having

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them try to figure out what the sales tax was on there, on those, they just had them buy these decals, and then they would affix the decals to the machine in lieu of sales tax, for playing machines.

LINEHAN: I can't remember the last time I put money in a jukebox or entertainment device, but a quarter would have been 50 years ago.

GLEN WHITE: Right. No, that's true.

MEYER: Pinball machines.

LINEHAN: And we haven't updated that since then.

GLEN WHITE: No. And, well, I don't know when the last time was that we-- the actual for the-- I'll use the, the, Pacman or pinball device. Those are 30-- I think those are \$35. I could be wrong, but I think they're \$35. And I don't know when the last time was that we updated that. The, the cash devices that we're talking about is \$250. And then the testimony was that it's about \$10,000 or \$11,000 a year that those things derive, and you can kind of do the math.

LINEHAN: Yes. Yeah. OK, thank you. That's been very helpful. Are you going to be around most of the afternoon. Is that the plan?

GLEN WHITE: I will be, yep.

LINEHAN: That's good.

GLEN WHITE: So I'll be available for LB1354 as well.

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

MARK PHELAN: Chairwoman and members of the committee. My name is Mark Phelan, M-a-r-k P-h-e-l-a-n. I'm president of U.S. Gaming for Accel Entertainment. Accel is the largest U.S. route gaming operator in the United States. We also operate games of skill or cash device machines in the state of Nebraska. I'm here on behalf of Accel, as well as the Chambers of Commerce for both the city of Lincoln and the state of Nebraska to express our opposition to LB1310. LB1310 proposes, actually, a tax rate on the gross revenue of the cash device machines in excess of 20%. For comparison's sake, the regulated casino market in the state of Nebraska only pays 20% on their gross revenue. I think it's instructive to kind of look at the two advantages and disadvantages between the two legal and regulated markets. The-- for

20% of their gross revenue, these casinos are afforded four distinct advantages by the state of Nebraska. First one being a monopoly on gaming products. For example, the casino in Lincoln, The WarHorse casino effectively has a zone of no competition that extends 65 to 80 miles both east, west, north and south. The cash device market is made up of 74 operators, including my company. We all compete for the same retail space in any geographical area all over the state of Nebraska. Another advantage accrued to the casinos is they're allowed to offer four different gaming products. So in addition to Class III slot machines, they're allowed to offer table games, which are like, poker or blackjack, as well as sports betting and parimutuel betting on horses if they ever ran horse racing. In addition to that, they're allowed to operate all of these products under one roof. It gives them obvious economies of scale and large, or significantly more profitable profit margins versus the cash device market, which is a distributed market. If one of our machines needs improvement or service, we have to get in a car and drive to the location. Sometimes that can be up to a hundred miles. It's a much more expensive cost structure. The last advantage, and the most important one that the casinos have, is that they're allowed to offer Class III slot machines, the ones you'd see in resorts or casinos on the Las Vegas Strip. Per the Nebraska Gaming Commission's 2023 revenue report, the WarHorse Casino's individual slot machines generated \$350 in gross revenue per day. If you multiply that by 365 days, it's a little under \$130,000 a year each of those machines generates. Per the Nebraska Senate's own Legislative Research Group, the cash device machines generate about \$33 per day. Multiply that by 365, you get about \$12,000. So in simple terms, these machines would take almost 11 years to generate the amount of revenue that the War Horse slot machines generate in one year. Thank you for your time, and I'm open to any questions.

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

MARK PHELAN: Thank you very much.

LINEHAN: Next opponent.

GREG FRIEDEN: Hello, my name is Greg Frieden, F-r-- G-r-e-g F-r-i-e-d-e-n. My wife was going to be here today also to speak, and we had a death in the family, so-- and she's a better speaker than I am, and I've had no sleep, so please bear with me. We, we operate, own and operate, a small route, amusement route business from Kearney and the surrounding area. We started in 1992 with one pinball machine. I

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took a hobby and turned it into a business. Here we are, 30 years later. We've got 120 regular machines, darts, pool in about 35 locations. 21 of those locations have skill games in them. We've got about 50 skill games, 49, I think, on location. We're still married after all this too. We, we run the business by ourselves. All this time, we've had occasionally had a helper, my son has helped a little bit. He's seen enough of it that he decided to go a different career route, so. It's been good, though. I've enjoyed it. It's been a-- it's been a really a lot of fun, and that's, that's what I wanted to do when I started it. And it's all gotten crazy here lately. Competition. There's LB685 came up a year ago and had all these crazy things. They wanted us to put \$1,000 sticker on a pool table from \$35. They wanted to put the casinos in charge of regulating us and enforcing. They were going to hire 16 people to oversee us, and they view us as competition. Completely unfair. I'm running out of time now.

LINEHAN: In a minute.

MARK PHELAN: This bill, if it's on-- the 20% is going to kill us. It'll kill it. And if it's on gross, it's definitely going to kill us. We can't do it. John Lowe proposed LB685. The-- well, it was-- he took the original LB685 and revamped it. And with the fees and with the tax and some of that went to property tax relief, it-- for us, it totaled about 10%. We could possibly live with that. This, no way. I mean, we'd probably have to pull all our skill games from our locations. It's, it's not doable. You could-- if it's on gross, you could sit there and put \$100 bills in our machine and then cash out, never play the machine. And every time they would cash out \$100 worth, it would be \$7 we'd have to pay. And you could just do that over and over and over, and someone could kill us. How many times can you do that in an hour? A lot. It can't be on gross to even 20%, and net's too much. Our business model we split with with our location--

LINEHAN: OK. Maybe somebody will ask you a question because now you are out of time. But it's OK, you did a good job. Are there any questions from the committee? When you say your locations, so you do have some of these. Because I think what I've seen is, you know-- I don't know, there's a quick shop across the street from the Capitol and they've got three machines in there. When you say on location, is that your own location you have these?

GREG FRIEDEN: No, we-- our route is all bars and a few other places, all of our skill games that we have. We've been low profile with it from the start. We didn't do all the convenience stores and going

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crazy with putting them everywhere. They're in our bars that we have serviced. We've got-- in Kearney, we have an American Legion, we have the Eagles. And then we've got small town bars, and we've got a lot of downtown bars in Kearney. And people depend on the revenue from them. And, and, I mean, this, this is not a tax-- if this goes through, then it's going to-- you're not going to get any revenue because it's, it's going to kill us. It's too much. It's not-- and, and if our business model is-- OK, we take-- say if you had a bar, we'd take whatever the fees are on a jukebox, it's for us, it's 20%. And then we have the other 80% to split, and we give the bar, and we have a decal we have to put on once a year. With skill game, same thing. You take off-- you take off the amount-- most of our skill games are from American Amusement, the BankShot games. And they're the most cost effective for us to run. They're the best games. So. But, but there's a percentage in there, and it's, it's about 20%. So that comes off the top, and we've got 80% to split. And the stickers, we split that and, and, and you start-- you start taking this off. OK. And I've got all this equipment to buy. I've got to service it all. We've got competition constantly on us. Well, if this all goes through, there won't be any competition. I don't see how they could handle it either. But, like, I mean, we-- so we-- you're chiseling it down to where, I mean, even if it's 20% in net, it's too much.

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

GREG FRIEDEN: So. Thank you.

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

GREG FRIEDEN: Thank you very much.

LINEHAN: You bet. Next opponent? Is there any other opponents? Good afternoon.

JOHN FOX: Good afternoon. My name is John Fox, F-o-x. I'm here to represent American Amusements, which is the manufacturer of a line of games called BankShot. Thank you for having us here. Now let's start with December 2011, the Nebraska Supreme Court ruled that BankShot was not gambling. BankShot games are sold to coin machine companies which place them in and enter into revenue share agreements with local businesses, veterans clubs, nonprofits, which then receive 50% or more of the profits. 2019, The Cash Device Act was passed with a regulation scheme and \$250 occupation tax. Recently, much has come from the Fall

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Interim Study of LR98, which it-- you'll see was referenced here. The prevarications and misrepresentation, my packet contains a rebuttal. Presently under file American Amusement Services with the Department of Revenue, and that'll be again. This case will determine the legality of the department's currently conjured position regarding cash devices. And for them to be right, they have been wrong since 1969. The Department of-- the Department of Revenue wants that new tax. AM235 to LB685 is a new tax. Here we are today with LB1310 with a new tax lacking some details. The ind-- for an industry that can't pass this along. So these pigs get fat and hogs get slaughtered. Nebraska's casino games hold \$350 a day, cash devices hold \$30. And half of that again goes back to local businesses, veterans groups, nonprofits, etc. Casinos are exe-- casinos with TIF and exempt from consumption. The tax device owners \$15 a day before any tax, operating expenses, overhead, capital investment, maintenance, repairs. Please stop comparing them to cas-- to casino bosses. In 2020, the casino interests by referendum offered the people of Nebraska a deal. Give us casinos and we'll give you property tax relief. For this \$12.4 million for 2023, for this failure, \$15 million from these little guys. Pigs get fat and hogs get slaughtered. \$15 million. Did we come here today to tax their neighbors more than casinos? Did we come here today to fi-- to take revenue away from our veterans clubs, organizations, nonprofits? Do we-- are we going to turn Nebraska into Colorado? Did we come here today to slaughter the little guy? Yeah. I'd be happy to-- and in my packet includes the complaint on the sales tax lawsuit with Department of Revenue.

LINEHAN: Thank you very much for being here. Are there any questions for the committee? Seeing none, thank you very much. Oh, I'm sorry, did you spell your name?

JOHN FOX: Fox, F-o-x. J-o-h-n.

LINEHAN: I know, but we had to make-- with-- it's part of the deal. Thank you very much.

JOHN FOX: Thank you.

LINEHAN: Thank you.

ANDY DOBEL: Afternoon. My name is Andy Dobel, A-n-d-y D-o-b-e-l. I had a whole thing written up, but I hadn't seen the amendment yet, so I'm just going to do a little bit of math. The casino exemptions have been talked about, but they don't pay any tax on the gross receipts of

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sale, lease, rental of, storage, use of, or consumption on anything in this state. They pay 20% on the take. If I understood it right, skill games are now going to pay 20% on the money in. Which, by the way, if they make \$30 a day on \$200, the tax is \$40. So they're going to lose money every day. So there won't be any money made because there won't be anything in service. But let's say it's on the net, just for the sake of argument. It's 20% on the net. The dealer wire is chasing 7% on leases, so you're up to 27. LB685 with amendment, I believe was AM2035, is another 5%. So we're at 32% tax already. Additionally, there's to be a \$5,000 fee to be an operator. There'll be \$250 per game. \$250 per location. An annual background check, when gaming is only every ten years, at the cost of the, the operator and the cost of the location. Personal property tax, pay the sales tax. And time and distance, the casino sits in a singular entity. I think there's a total of seven that's going to be allowed total once they're all built and going. These skill games, as somebody mentioned, are all over the state. They're not sitting in somebody's backyard. They're not sitting in-- I run the convenience store, I own the games, I service the games. That's, that's not the model. It's not how the-- not how the industry works. So, I don't run any skill games. My company does not have anything to do with it. I am a distributor of these games in the true sense, not the regulation sense. The only reason I am listed as a distributor under Greater America Distributing is because I have to store the games in my warehouse for purchase by other people. It will not only not raise any extra money, it will eliminate the industry and you'll lose the \$1.2 million that's currently being raised by it. Not opposed to giving more, but the current form of sales tax on leases, which we obviously disagree with. The 5% from LB685 and the 20% here, it'll-- you're going to lose money, you're not going to make any extra money. So I'm only here speaking for the people in Alliance and Scottsbluff that couldn't make the trip today, my, my customers. So thank you.

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

RYAN KRUSE: Hello. Thank you, Senators. I appreciate the time to be here, and the opportunity to speak. My name is Ryan, R-y-a-n, Kruse, K-r-u-s-e. I represent a company called Nebraska Technical Services, a family owned, 40 year old company that has been placing pinballs, jukeboxes, pool tables, dart boards, and the aforementioned skill machines in the state of Nebraska. We employ almost 50 Nebraska residents who depend on us and our-- not just our business model, but our business practices, and so I'm representing not just them, but all

of the customers. Not just ours, but the-- throughout the country, or throughout the state that are also in this plight of fighting what we strongly consider excessive taxes. My main theme here is that there is-- appears to be a very significant misunderstanding of our industry. There's no doubt that there's opportunity with the skill games. Right? Absolutely. But then again, paying for a pool table a quarter at a time is not an easy endeavor, right? So I'm asking you to take a deeper dive into what this customer and business relationship is all about. There have been some very good reasons already mentioned why casinos are vastly different than the skill game market. For one thing, we split our revenues. We have restrictions. We have geography. We have a lot more going against us. Now, if you want to give us access to full blown lottery terminals like the casinos, great, then we should be taxed and treated the same. But we're not. And it's not even close. Another reason why I believe that there has been some misunderstanding, is that there's been a lack of representation from leaders in our industry. The LR98 was already mentioned, which was a hearing in November which did not have one coin operated industry leader represented. However, the casinos were there. How can you make educated decisions on how much an industry should be taxed if you don't understand that industry, or don't at least implore some to find out the facts? So I'm asking you. I'm begging you here today to take that look. Ask those questions, and find out. Right. Every business probably should be taxed, right? I want my property taxes lowered. But it needs to fit. It needs to fit. And you need to understand how the differences between us and casinos and big business really, really exist. Bottom line, if this goes through, along with LB685, we're probably not going to be able to keep our doors open. Now, that may seem a little extreme, but that's where we're at, and some Nebraska residents are going to go without jobs. I appreciate your time and I'm glad to answer any questions.

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

RYAN KRUSE: Thank you.

LINEHAN: Appreciate it. Other opponents? Good afternoon.

RICH OTTO: Good afternoon, Chairwoman Lim-- Linehan and members of the Revenue Committee. My name is Rich Otto, R-i-c-h O-t-t-o, testifying in opposition to LB1310 on behalf of the Nebraska Retail Federation, the Nebraska Hospitality Association, the Nebraska Grocery Industry Association, the Nebraska Petroleum Marketers and Convenience Store

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Association. Due to the white copy amendment of AM2227, I will save the testimony for our strong opposition to the advertising tax for the next hearing. But I did want to touch on the items, two items, that are still in the white copy amendment. First of all, lottery sales. We oppose eliminating the sales tax exemption on lottery ticket sales, given that no other state charges a sales tax on lottery ticket sales. Additionally, given tickets must be sold at face value, the state tax could not be tacked on to the purchase price, meaning the Nebraska Lottery would have to eat the new cost. From equipment, to displays, to promotion, advertising, support, and training, the Nebraska Lottery is an invaluable partner to retailers throughout Nebraska, and we oppose anything that could threaten their ability to continue to provide support. Then just touching base on the cash devices, we oppose language eliminating the current sales and use tax exemption on cash services. I handed out a one pager to the page, should be in front of you. This goes over kind of the background on mechanical and amusement devices, and where we're at today. Most importantly, I want to point out to the committee that we have been working with Senator Lowe on a compromise on this issue. Our organizations actually supported AM235 [SIC, AM2035] to LB685. Senator Lowe has done extensive work on this. We had an interim study. So we do feel that AM2035 is the solution on this. The industry is subject to occupation and licensing fees, and has been working with the Department of Revenue on a reasonable tax rate, which we feel is also included in AM2035. These devices are not leased, and the revenue generated from these devices is shared between service provider and partner. The devices are subject to a personal property tax, and the revenue collected by both parties is subject to the tax, as well. So I'd happy to answer any questions you may have.

LINEHAN: Thank you, Mr. Otto. All right, questions from the committee? Is that a question?.

von GILLERN: No. I'm sorry.

LINEHAN: Thank you for being here.

RICH OTTO: OK.

LINEHAN: Next opponent? Is there anyone wanting to testify in the neutral position? Okay. We had letters, 3 proponents, 25 opponents and 1 neutral, and, Senator Albrecht, would you like to close?

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ALBRECHT: I would certainly like to thank the testifiers that were here today, and sorry, you probably didn't get a chance to look at AM227, but again, it was just taking out the Advertising Services Tax Act. We, are fully aware of Senator Lowe's bill, and we'll be working with him, of course. Because he has been in, in concert with those folks in talking about different things that they can or can't do or should or shouldn't be able to do. So, that would definitely be something that we'd be looking at here before we shore up this particular issue. So any questions?

LINEHAN: Thank you. Are there questions for Senator Albrecht? Seeing none, thank you very much.

ALBRECHT: Thank you.

LINEHAN: So now we'll open the hearing on the next bill, which is LB1354.

ALBRECHT: OK.

LINEHAN: Thank you.

ALBRECHT: Ready?

LINEHAN: Ready.

ALBRECHT: Good afternoon. Chairwoman Linehan and members of the Revenue Committee. For the record, my name is Joni Albrecht, J-o-n-i A-l-b-r-e-c-h-t, and I represent District 17 in the northeast Nebraska, which includes Wayne, Thurston, Dakota and a portion of Dixon Counties. It's a pleasure to introduce LB1354, the Adopt the Advertising Services Tax Act, on behalf of Governor Pillen. The purpose of LB1354 is to adopt the Advertising Services Tax Act. This bill will create a tax on the gross income or revenue from advertising services, and defines several terms used in chapter 77, Article 27. The taxes imposed on a person that is subject to the Internal Revenue Code, or a group of persons subject to the Internal Revenue Code that are part of the same unitary group, or otherwise be members of the same unitary group, if incorporated, that are doing business in Nebraska, and those who combined gross advertising revenue exceeds \$1 billion. Advertising revenues does not include web hosting services. News media entities as defined in the Act are excluded from the program. And in Section 2, subsection (2), advertising services mean all services, including digital advertising services directly related to the creation, preparation, production or dissemination of

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advertisements. This is not limited to digital advertisement, but does specifically include the following: digital advertising services, online referrals, search engine marketing, and lead generation optimization, web campaign planning, and the acquisition of advertising space in the internet media, and the monitoring and evaluation of website traffic for purposes of determining the effectiveness of an advertising campaign. And in Section 2, Subsection 6, the gross advertising revenue means income or revenue from advertising services sourced to the United States using the sources rules described in Section 2, subdivision (3) of this section, before any expenses or taxes. computed generally accepted accounting principles. And in Section 3, subsection (2), the tax rate is seven and a one-half percent of a person's assessable base for the reporting period, defined as the calendar year on which a report is based on businesses with gross advertising revenue exceeding \$1 billion. The assessable base is defined as the portion of gross advertising revenue that is derived from the sales to customers where services are delivered within Nebraska, according to the IP address of the addresses where advertising is being viewed, or, if the IP address location is unavailable, the use of another reasonable method to source the advertising revenue to Nebraska based on the location of the viewer. If the audience is based both within and outside of Nebraska based on these sourcing rules, the gross advertising revenue is proportionate between Nebraska and other states in proportion to the location of the viewers within Nebraska as compared to other states. Section 5. The Tax Commissioner may adopt and promulgate rules and regulations determining the state from which the gross advertising revenue is derived. Once again, this bill is to adopt the Advertising Services Tax Act. This bill will create a tax on gross income or revenue advertising-- from advertising services. This tax will be imposed on a person or a group of persons that are doing business in Nebraska, and whose combined gross advertising revenue exceeds \$1 billion. Thank you for your time and attentiveness, and I'll welcome any opportunity to answer any questions.

LINEHAN: Thank you, Senator Albrecht. Are there any questions from the committee? Seeing none.

ALBRECHT: I'll be back.

LINEHAN: All right.

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LINEHAN: Thank you. So again, if you're going to testify-- Oh, excuse me. Proponents? What I was going to say, if you're going to testify, move up front.

GLEN WHITE: Good afternoon, Chairwoman Linehan and members of the Revenue Committee. For the record, my name is Glen White, G-l-e-n W-h-i-t-e, and I'm here on behalf of the Department of Revenue testifying in favor of this bill. I'm going to talk a little bit about the difference in-- the differences-- the differences between LB1354 and the Advertising Services, Digital Advertising Services tax that was passed in Maryland. Nebraska's program is very broad and includes all advertising services, not just digital advertising services. Maryland's program obviously only taxes digital advertising services. This bill does not. Also, this bill does not prohibit the passing of the expense on to customers like the Maryland bill does. The tax in this bill only applies to advertisers with revenue over \$1 billion. The Maryland tax starts for advertisers with revenue over \$100 million. And so that tax starts at 2.5%, and then it graduates up to 10%. Nebraska is just a flat 7.5%. And the Nebraska program, we've developed that to avoid some of the litigation that's happening with the Maryland program. And we feel that we've come up with a defensible program by broadening it to all advertising services rather than just limiting it to the digital services. By, by broadening it to all advertising services, you're basically bringing in a much broader group of businesses that are going to be paying the tax. And we feel that that avoids much of the issues that are being litigated in Maryland, along with the, the, the prohibition on passing through the tax to the customers. That's all my testimony, and if you have any questions.

LINEHAN: I do have a question. Anybody else? Yes. Senator von Gillern.

von GILLERN: Thank you for being here today. I'm sorry if I missed it. Do you represent a group or an industry or association or--

GLEN WHITE: I'm with the Department of Revenue.

von GILLERN: I'm sorry, but I should have known that. And you're speaking on behalf of the-- OK. Thank you.

GLEN WHITE: And I'm the Deputy Tax Commissioner.

von GILLERN: Thank you.

LINEHAN: It's actually good to talk.

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von GILLERN: I'll bet I know you next year. Yes.

LINEHAN: [INAUDIBLE]. Any other questions from the committee? So I have one, just on how this would work. Does it start on revenues over \$1 billion, or did they get to \$1 billion and it drops back down to zero and they--

GLEN WHITE: So the way the, the program is currently done is, is that it takes-- so if you're an advertiser, it first takes your combined group of companies and the combination is 50, basically 50% ownership. So, all related companies with 50% ownership, you take the, the gross advertising revenue of that combined group of companies, you determine whether it's over \$1 billion. If it's over \$1 billion, then their revenue is subject to the tax.

LINEHAN: All right. Thank you. Are there any other questions from the committee? Seeing none, thank you very much. Are there any other proponents? Are there any opponents? Thank you for moving up front. I appreciate it. Good afternoon.

DEB PETERS: Good morning. Or excuse me, good afternoon. I'm used to having committees in the morning, this is so much fun. My name is-- my name is Deb Peters. Deb, D-e-b and Peters, P-e-t-e-r-s. I am a recovering state senator from the state of South Dakota. And I am a former president of the National Conference of State Legislators. And I'm going to wait for some handouts to come around. And I know I only have three minutes, so I'm going to try to be brief and be overarching. And you're going to wonder why a state of South Dakota person is coming to talk to you today. But I have lived and worked in the state of Nebraska for on and off over the last 30 years. And I-- actually, ironically, my children were actually born here in the state of Nebraska. So this is another home state for me. I just recently just sold my home here, because somebody offered me an obscene amount of money for that house. So I just wanted to let you know that I know I'm not actually currently a South Dakota resident, or a Nebraska resident, but I have been just recently a Nebraska resident. I am a certified public accountant, with an extensive background in state, state tax law. And my name-- if my name is at all familiar to you at all, it is because-- it is related to, excuse me, it is because I am the driving force-- for the South Dakota v. Wayfair U.S. Supreme Court case. It is the reason why you haven't been able to collect sales tax during your Covid situation. I'm here today representing the Americans for Digital Opportunity, powered by the Association of National Advertisers, testifying in opposition to LB1354. I understand this

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bill is part of a larger tax package, but that does not make this idea any better or more palatable. Businesses are already subject to Nebraska's income tax, and now and you are already subjecting them to, excuse me, to double taxation by further taxing businesses on their costs to perform basic business activities. It's a bad idea for Nebraska business communities, it's bad for your consumers, and this will damage the state's reputation as a great place to do business. As written, LB1354 will implement a tax that won't punish just a handful of faceless billion dollar companies, as you just heard from your deputy Department of Revenue, of out of state businesses, but instead it will adversely impact every single consumer or business who advertises here in Nebraska. Every single consumer or business, such as yourself, your mom and pop hardware stores in Chadron or Gering, the family processing-- your family processing business in Glenvil, your family restaurants in Superior. And ironically, I've actually been to all of these towns in your state because I used to be a bank examiner here. It's these folks that work hard every day trying to get their name on a map to get the customers in the door. These businesses are the backbone of your Nebraska communities, and they are literally just trying to get their name on a map. Besides the double taxation issue, these are all sorts of legal challenges that Nebraska would set themselves up for. The dollar threshold set in this bill excludes local businesses from administering the tax-- Yes, it sets the local threshold. It excludes your local businesses from the threshold. And I've passed out a bunch of, of information from cost. It talks about First Amendment, the Commerce Clause, and the foreign Commerce Clause. There's ITFA, Internet Tax Freedom Act, which has other constitutional issues. Your Deputy Department of Revenue individual talked about don't worry about Maryland. They've passed this type of piece of legislation three years ago, and they're still tied up in the courts. I would highly suggest you take a look at your language, I would listen to some attorneys, and I would communicate with the attorneys with the documentation that I passed out, and listen to your-- listen to the experts on this. It's not worth the legal fees that you're going to incur. The other thing that's different about your bill that is not done in Maryland is your IP. And that is also another legal concern. You have an IP address which also has privacy concerns as well.

LINEHAN: OK.

DEB PETERS: Thank you.

LINEHAN: Whoa.

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DEB PETERS: Oh, sorry. Do you have-- And I [INAUDIBLE] stand by for questions.

LINEHAN: Do we have any questions from the committee? Senator Dungan.

DUNGAN: Thank you, Chair Linehan. And thank you for being here.

DEB PETERS: Yeah.

DUNGAN: It's always nice to talk to another state legislator, recovering though you may be. You mentioned in your testimony concerns about, like, local mom and pop shops, things like that. You know what we're talking about, it sounds like, though, are companies that have gross income of over \$1 billion. So can you talk a little bit more about what the effect is that you're concerned we would see about local entities if we're talking about these billion dollar companies?

DEB PETERS: So this is a sales tax. It-- this-- tha-- You're talking about the way it's assessed. You're talking about assessing-- it's basically the administration of the tax for companies that are making \$1 billion. And that fee is being assessed by the billion dollar companies. So your mom and pop shops, if they want to get on your-- on your device, they're going to have to pay a fee. If they want to advertise, they're going to have to place an advertisement on these social media platforms. They're going to be assessed the fee. First off, by assessing the fee on the \$1 billion-- if having the fee being assessed by \$1 billion company, first, by setting that different threshold from the in-state versus the out-of-state advertising companies, that is a commerce clause. You are now discriminating between an out-of-state company and in-state company. You can't do that. It not only violates the United States Commerce Clause, it violates an international commerce clause. That's one. Two, the way it works is if you have a social media platform charging a fee, it's a consumption based tax, it comes down. They have to charge it. They collect and remit it. It's on your invoice that shows up and it's paid and remitted. And you're going to hear from retailers. There's more opposition testimony coming, and they'll explain how they will have to charge and remit it. Their customers are going to come in, they'll place the ad, they'll have to charge and remit it to their customers, and then they'll have to pass it on to their customers, and they'll have to pass it on to their customers.

DUNGAN: Thank you.

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DEB PETERS: Yep.

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

von GILLERN: Thank you for being here.

DEB PETERS: Yep.

von GILLERN: I asked question last time and embarrassed myself, I'll ask you-- ask you the same question. I'm looking for your signature on the data that you handed out, and I don't see it. Are you representing-- you're not here on behalf of NCSL?

DEB PETERS: No, I actually--

von GILLERN: Who are you speaking on behalf of?

--introduced myself. I am here for the Association National Advertisers or, excuse me, Association of National Advertisers is, is how I'm registered to lobby.

von GILLERN: OK.

DEB PETERS: Yep.

von GILLERN: Thank you.

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

DEB PETERS: You bet. If you have further questions, I-- my contact information is on the registry for the lobbyist.

LINEHAN: OK.

DEB PETERS: Yep.

LINEHAN: Thank you very much. Good afternoon.

TAYLOR WALET: Good afternoon. Chairwoman Linehan, members of the Revenue Committee, my name is Taylor Walet , T-a-y-l-o-r W-a-l-e-t, and I serve as Area President for iHeartMedia in Omaha and Ogallala. Most notably KFAB, KXKT in Omaha, and The Lake and News 930 out in Ogallala. I'm urging you to oppose LB1354, as charging a sales tax on advertising would harm our stations continue the ability to serve

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Nebraska communities, and ultimately would harm Nebraska's economy. Advertising is the lifeblood of local radio stations such as ours, which, unlike digital and other communications platforms are completely free to our listeners. The revenues that advertising brings in are reinvested in serving our communities in a multitude of ways. Locally focused news and journalism, support for nonprofit and charitable groups, and jobs. In fact, radio broadcast and television stations have a total economic impact in the state of Nebraska of \$7.6 billion annually. All of this is at great risk if advertising we rely on is subject to a new tax. For example, fundraising drives spearheaded by our radio stations include KXKT's Children's Hospital Radiothon, which over the last 20 years has raised over \$5.5 million. Recently, in November, KFAB did a one day fundraiser for the Open Door Mission that raised \$109,000 in one day. Daily public service announcements, nearly 13,000 in 2023 alone, support causes benefiting veterans, families, youth and adult education programs, and other community based services. I've attached a summary exhibit of several examples detailing this. Additionally, a new tax would put pressure on our already strained budgets, forcing cuts in jobs, investments in our critical infrastructure, loss of local talent, and more. It would present us with the choice of having to raise our advertising prices on local businesses, many of whom rely on radio as an affordable way to market themselves, or just likely to eat the tax and keep their business. In other words, when broadcast radio station revenues suffer everything we do in and for our communities. While that is not the intent of LB1354, it absolutely be the effect, if it were to become law. An additional uncertainty is the threshold of applying the tax to companies over \$1 billion in revenue, as it isn't clear whether our stations are included in the bill's definition of news media entities. Broadcasters compete with each other locally, market by market. The overall ad revenue of our parent companies has little to no bearing on this local competitive environment.

LINEHAN: Thank you.

TAYLOR WALET: I urge, respectfully request you oppose LB1354. Thank you for your consideration. I'll take any questions.

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

TAYLOR WALET: Thank you.

LINEHAN: Good afternoon.

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SHANNON BOOTH: Good afternoon. Chairwoman Linehan and members of the Revenue Committee, my name is Shannon Booth, S-h-a-n-n-o-n space B-o-o-t-h. I am the chair of the Nebraska Broadcasters Association and the vice president and general manager for several local television stations across Nebraska. This includes KOLN 10/11 in Lincoln, KSNB Local4 in Hastings serving the Tri-Cities, and KNOP News 2 in North Platte. I am here today urging you to oppose LB1354. A sales tax on local advertising would have significant negative consequences for our local NBA member stations and personnel. With newspapers a shell of their former, former selves, local broadcasters are the last source of local news, and the only news produced in Nebraska by Nebraskans. 1 in 4 journalists lives in DC, New York, or LA, and as local media struggles, that percentage is growing every year. We take our commitment to our viewers, users, and listeners very seriously. Those commitments take significant funding. We hire the best journalists, and invest in millions of dollars of equipment and technology. Ad taxes threaten what we do every day. I would welcome you to visit any of our local stations or local technology hubs to better understand what's at stake. Local broadcasters are the counterweight to the national narratives. There is a reason why local news is the most trusted source of news, regardless of age, race, political ideology, etc. it's because we are local and we understand those local communities and local broadcasters live here and truly care. A few examples that I'll share today. I've been at TV stations, even put up cots, catered in food, and managed schedules so teams could sleep there during ongoing flood or other life-saving coverage. I've been there on election night with news teams working through the night to get those final local results. I spent days, nights, and weekends supporting local broadcasters who did whatever was needed during the pandemic, many even reporting from the decks of their apartments in order to keep our communities informed. And our marketing executives supported our local advertisers and local businesses thrust into crisis mode. I've been in a TV control room producing live coverage of a tornado that's heading towards the station itself. We are FCC licensed to keep our viewers safe, so that's what we do, no matter what. I could go on and on with examples from the dedicated teams I've had the opportunity to work with in my 25 years. The bottom line is local matters, it always will, and local broadcasters need to be here. LB1354 would put what local broadcasters do at risk. Local jobs would be lost, as broadcast stations would be expected to eat the tax by a majority of advertisers who, who will refuse to increase their budgets to account for the tax. Stations would have to reduce--

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LINEHAN: Ma'am.

SHANNON BOOTH: --staff to account for significant loss of top line revenue. Thank you for your time.

LINEHAN: Thank you. Have we any other-- have we any questions from the committee? I'm sorry. Any questions? Seeing none, thank you very much for being here. Good afternoon.

BILL BOYER: Good afternoon. Good afternoon, Chairwoman Linehan and members of the Revenue Committee. For the record, my name is Bill Boyer, B-i-l-l B-o-y-e-r, and I am from Scottsbluff, the market manager for the Nebraska Rural Radio Association. We're the only farmer and rancher owned radio stations in the country. We own and operate radio stations in Scottsbluff, Lexington, Cozad, Holdrege, West Point, York, and Broken Bow. I also serve as the current treasurer for the Nebraska Broadcasters Association. I'm here to testify in opposition of LB1354, as the removal of the exemption of advertising from Nebraska state sales tax code would be highly detrimental to the future of radio and television stations across the state. Even though as currently written, this proposal would likely not have any impact on our company, as our annual revenue is far, far, far below the \$1 billion threshold. I am here to testify that this bill is not in the best interest of not only the media industry, but all businesses across the state. The bottom line is this bill will cause Nebraskans employed in the media industry to lose their jobs. We rely on advertising income to operate our business. Without it, we cannot provide the news, weather and sports coverage that rural Nebraskans depend on us for. Look up and down main streets across the state, and you'll see numerous small businesses that have closed their doors over the past few years. The potential number of advertisers that we can help continues to get smaller, and this bill would cause unnecessary additional expenses for Nebraska businesses, forcing many of them to stop advertising altogether. Further, this sales tax exemption applies nearly exclusively to business to business transactions. There are only a small fraction of transactions that would be personal to business. So the removal of this exemption would only further hurt these businesses. We've been serving rural Nebraska for 80 years. We have not sold out to large corporations as we feel we know how to best be the local source for information that these real Nebraskans deserve. I urge you to consider rejecting this bill, as it would only serve to worsen the hurdles that we must overcome to continue to be the rural voice of Nebraska. Thank you for your consideration.

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LINEHAN: Thank you very much, Mr. Boyer. Senator Meyer.

MEYER: Just a quick question, and KRVN is my station of choice.

BILL BOYER: Thank you.

MEYER: But you said in your, in your statement here that your advertising threshold is far below \$1 billion.

BILL BOYER: Yes.

MEYER: And yet this only applies to companies over \$1 billion. So if they get taxed and you don't, wouldn't that actually drive some business toward you?

BILL BOYER: Most likely, no. There's things that we can offer. There's also some, you know, we sell third party-- we sell third party digital advertising that goes through companies that earn over \$1 billion. So we most likely would have to pass those expenses that get raised to us on as well.

MEYER: OK. Thank you.

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

BILL BOYER: Thank you.

LINEHAN: Good afternoon.

JIM TIMM: Good afternoon, Chairwoman Lenihan and members of the revenue committee. My name is Jim Timm, J-i-m T-i-m-m. That does rhyme. I serve as President and Executive Director of the Nebraska Broadcasters Association. We represent FCC licensed radio and television stations' free over the air broadcasting all across the state that are licensed by the Federal Communications Commission to serve their respective communities. We oppose LB1354 because of the economic harm it would bring to our industry. As testified by my good members here behind me, we feel that most advertisers on any kind of an ad budget would likely tell stations to eat the tax because they can't or won't raise their ad budget by 7.5% to account for it. With advertising being our revenue source, that means losses would lead to job cuts and potential service cuts. Operating a TV or radio station under the federal government license that it comes with brings a lot of regulation and a lot of obligation. And public safety alerting is

one of those most critical responsibilities. Local broadcasters are tasked with supporting the nation's Emergency Alert System, or EAS as it's known, by installing, maintaining, and upgrading EAS equipment for public safety alerting at times of severe weather and other emergencies. Local broadcasters are also an integral part of Nebraska's Amber Alert and endangered missing advisory protocols. We work closely with the Attorney General's office, with NEMA, Nebraska State Patrol, local law enforcement, and others. We alert the public to assist in finding kidnaped children and people of all ages with various medical conditions that may have gone missing. All of these services, and others mentioned previously by our members who spoke before me, are provided with pride and a commitment to serving Nebraskans. These services also cost money to provide. Advertising is the engine that fuels our economy and informs people of goods, services, events, purchases people may want to make, sometimes purchases we have to make. Advertising is a business to business service enterprise and a necessary business input to drive economic growth. I think we all believe that attracting new businesses and new residents would greatly expand Nebraska's tax base, but taxing advertising will work against that, sending another reminder far and wide that Nebraska is a high tax state and not very friendly to business. On behalf of our member stations across the state, we respectfully ask that you oppose LB1354. Thank you for your consideration. I'd be happy to answer any questions.

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

JIM TIMM: Thank you.

LINEHAN: Good afternoon.

RYAN MCINTOSH: Good afternoon, Chair Linehan, members of the committee. My name is Ryan McIntosh, M-c-I-n-t-o-s-h, and I appear before you today as a registered lobbyist for the Nebraska Bankers Association and the National Federation of Independent Business. While seemingly aimed at large firms providing digital advertising services, it can hardly be argued that this new tax would not be passed through and ultimately borne by small business and purchasers of digital advertising. Given the wide reach and relatively low cost of digital marketing, small businesses will be particularly harmed by attacks on advertising services. Historically, taxation of advertising services has not been well received. In 1987, the state of Florida adopted a broad sales tax on advertising services, which immediately repealed--

which was immediately repealed in a series of special sessions after significant backlash and a threatened boycott of the advertising industry in Florida. I was not here at that time, but Bob Hallstrom assured me that this did happen. More recently, a digital advertising tax similar to the proposed LB1354, was enacted by the state of Maryland. I won't go into any more details because you've already heard about that. So moving on. While acknowledging that the revenues to be derived from the proposed tax on advertising services as part of a grander plan to provide significant property tax relief, both the NBA and the NFIB are opposed to accomplishing tax relief to utilizing a tax shift to provide property tax relief. Given that the proposed tax on advertising is of questionable legal validity and would ultimately be borne by small business, we would ask the committee to indefinitely postpone the bill. Thank you.

LINEHAN: Thank you, Mr. McIntosh. Is it-- are there any questions from the committee? Seeing none, thank you--

RYAN MCINTOSH: Thank you.

LINEHAN: --for being here. Good afternoon.

JOHN GAGE: Good afternoon. My name is John Gage. That's J-o-h-n G-a-g-e. I am here speaking on behalf of Americans for Prosperity. I am testifying in opposition to LB1354. AFP activists engage friends and neighbors on key issues and advocate for building an economy that works for all Nebraskans. Government should not be using its taxing authority to pick winners and losers. Taxing companies because of their size is a distortion of the market, and antithetical to the way Nebraska has done business in the past. In Nebraska, we believe in treating folks fairly and not demonizing businesses and weaponizing the tax code. This bill, under the guise of taxing large tech companies, would really be harming Nebraska businesses and the Nebraska economy. There's hardly a single restaurant, coffee shop, or boutique that does not leverage the power of digital marketing. Creating a digital tax would make companies think twice about investing further in our state, and would harm businesses and consumers who use the internet, which frankly, is just about everyone. This digital tax is a distortion in the market that will harm Nebraska's small businesses, Nebraska consumers, and the Nebraska economy. Our state has in recent years earned a reputation as a business friendly state. It's taken years of hard work to recruit small business-- to recruit successful businesses to our state that have helped create thousands of good paying jobs. Now, the legislature

is threatening this hard work by raising taxes on businesses and taxpayers alike. We must reject the nonsense that tax reform can only happen by raising taxes. Long term prudent tax reform will only come through government limiting its spending on all levels of government, not through increased taxation. Cutting property taxes is a goal we can all agree on as Nebraskans. Raising taxes is something that every senator should reject. I urge this committee to oppose LB1354, oppose raising taxes, and oppose ineffective tax shifts. Thank you.

LINEHAN: Thank you, Mr. Gage. Any questions for the committee? Seeing none. Thank you for being here.

ROBERT RICHARDSON: Hello. Thank you for having me, Senator Linehan and Revenue Committee, I appreciate it. My name is Robert Richardson, R-o-b-e-r-t R-i-c-h-a-r-d-s-o-n, and I am here to represent a couple entities, American Ad Federation of Nebraska and my small business of A&K Marketing. We are an ad agency, a small business that will be affected by this. So me and my wife own A&K Marketing, and we're an advertising agency located in Omaha, and my residence is in Saunders County. I wish to express my strong opposition to advertising service tax like LB1354. This proposed legislation has raised concerns within our industry, and we believe it could have detrimental effects not only on our advertisers, our media outlets and advertising agencies, but also on the broader Nebraska economy. About A&K marketing, we're a full-service advertising, specialized in strategic marketing planning, placement advertising across media for clients in many different industries in Nebraska, all across different communities and outside Nebraska as well, representing nonprofits, multitude of different industries. I grew up on a ranch in northwest Nebraska, and I'm also frustrated with excessive property tax. And I can appreciate Governor Pillen trying to fund a property tax reduction. However, I don't know this bill is the answer to reduce property tax without shifting the cost to advertising to the industry to pay the difference in tax burden and, and have unintended consequences. It does have effect, you know, advertising small business we represent. And they will have the pass through for 7.5% to our clients. And they'll pass it on to theirs, and also reduce their budgets, so you'll have smaller budgets, less money to tax, and that revenue has a cascading effect. Some of the-- emphasize some of the key points. Tax on advertising would hurt most Main Street businesses as brought up by other people-- have discussed as well, place additional financial burden on businesses that rely on advertising to promote their products and services, especially small local enterprises. Advertising is the engine the fuels the economy. Less advertising means decreased sales, resulting

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in less revenue for tax state and going forward, [INAUDIBLE] trying to accomplish. A vibrant advertising industry is critical for the economy growth and generation, as it has for over a hundred years. And taxing would add a narrative of Nebraska being unfriendly to business. You've heard that multiple times today, and reverse the momentum or gained through the tax code changes passed earlier this year, which I thought were great. Nebraska has made strides in fostering business friendly environment. This proposed tax erode the progress made in attracting and retaining businesses so. Thanks, I'm out of time.

LINEHAN: Thank you.

ROBERT RICHARDSON: Any questions that you have?

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

ROBERT RICHARDSON: I appreciate your time. Thank you very much.

LINEHAN: You're welcome. Good afternoon.

SARA WILSON: Good afternoon. My name is Sara Wilson, S-a-r-a W-i-l-s-o-n, and I'm here representing the Omaha-- Greater Omaha Chamber of Commerce, Nebraska Chamber of Commerce, and Lincoln Chamber of Commerce. I appreciate the opportunity to testify today against LB1354. As a professional at advertising agencies for over 12 years. I am very familiar with digital advertising services and buying media advertising. While I understand the intention of this bill is to tax billion dollar tech companies. The reality is any increased costs to those businesses will just be passed on to Nebraska businesses and consumers. And to explain, a lot of the media companies here represented, they do purchase their media from those big tech companies, which then will pass on those taxes to them that then they pass on to businesses. Advertising is a business, a business expense. B2B expenses are not taxed for the most part in this country, because it is understood that it rolls down to the prices of goods and services, to the customer, leading to a pyramid effect or multiplication of taxes they incur. Further, this law would have a multitude of legal challenges with substantial claim, starting with how it violates the Internet Tax Freedom Act and unconstitutionally discriminates against interstate commerce. And I'd bet Google, Facebook, Disney, Amazon and more have very deep pockets to fund all those lawsuits for years to come. We have seen states like Maryland spend millions of dollars in legal fees trying to uphold a similar

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law, and I don't want Nebraska to be in the same position, especially when at its root, the law is to the detriment of Nebraska businesses. I heard Governor Pillen speak at the Greater Omaha Chamber of Commerce annual meeting on Tuesday this week. He spoke at length about [INAUDIBLE] taxes. Very valid goal, and I believe in that. He said he was open to anything except taxes on grocery items, taxes that would hurt our most vulnerable, and taxes and negatively impact our competitiveness as a state. This tax would certainly negatively impact our competitiveness, by applying a tax that trickles down to businesses other states don't have on their businesses. The evidence is readily apparent in the fact that there are incredibly few initiatives trying to do this. If it was such an easy way to generate more tax revenue, I think it'd be a more popular route. I respectfully asked-- ask the Revenue Committee to consider the potential adverse consequences during their consideration of this bill. Thank you for your attention in exploring these options.

LINEHAN: Thank you very much. Are there any questions from the committee? And I don't expect you to know this, but maybe broadly, somebody does. The fiscal note says that this would bring, in over time, 25, 26, over \$50 million. So I don't know if my math is right, but what-- about how much revenue-- how much-- what is the gross revenue advertiser-- cost of advertising in the state of Nebraska?

SARA WILSON: I don't know what the gross advertising spend is from all advertisers.

LINEHAN: OK.

SARA WILSON: But it would have to be also calculated how much revenue-- how much of that spend goes towards companies that qualify for this tax, so how much, how much people spend on advertising through Google, Amazon, Facebook, Sinclair, Gray Media.

LINEHAN: OK. Well, maybe we'll figure it out up here.

SARA WILSON: Um-hum.

LINEHAN: OK. Any other questions from the committee? Seeing none, thanks.

SARA WILSON: Thank you.

RICH OTTO: Chairwoman Lemon-- Linehan, members of the Revenue Committee, my name is Rich Otto. R-i-c-h O-t-t-o, testifying in

opposition to LB1354, on behalf of the Nebraska Retail Federation, the Nebraska Hospitality Association, the Nebraska Grocery Industry Association, and the Nebraska Petroleum Marketers and Convenience Store Association. The structure of LB1354 has previously been mentioned, so I'll, I'll skip over that. But first of all, I just want to mention that this is a tax on Nebraska businesses and individuals. Let me repeat that. This is a tax on Nebraska businesses and individuals. Clearly, with the [INAUDIBLE] mechanism, sure, advertising providers like Google and Facebook could eat the 7.5%. Do we anticipating them to do that? Absolutely not. So again, passing it on to businesses raises all the prices of goods and services for individuals. In my handout, it goes over a lot of the concerns that others have brought up with Maryland. Also, the other ways that it discriminates, First Amendment concerns. So feel free to look that over, to go over all of those. One point that was previously just brought up a little bit was the stacking or the pyramid effect of, of taxes. And I just wanted to touch on that. Specifically, to businesses that have to collect and remit occupation in taxes in Nebraska, it's a triple layer tax. So basically you'll have the advertising tax. Then you have the occupation tax, which we have on lodging, prepared foods. And so, those occupation taxes, you apply the occupation tax, then you also apply, apply the sales tax on the occupation tax. So you'll have the, the advertising tax, then the occupation tax will be applied on that, and then sales tax gets applied on both. So actually, the net of this goes up by another percent or percent and half, by having taxes upon taxes. With that, happy to answer any questions you may have.

LINEHAN: Thank you. Are there any questions from the committee? Maybe because of your associations, you would know. When I do the math on this fiscal note, it appears that the Revenue Department thinks that expenditures on advertising on these platforms, over a billion, is \$666 million?

RICH OTTO: That is spent on those platforms in the state? Yeah, I, I, I wouldn't deny it. I mean, it's significant.

LINEHAN: OK.

RICH OTTO: So retailers, they have definitely pivoted or do a blend of advertising with local. A lot of times, it depends on what you sell. If you're an appliance retailer, you probably do some online, but you have probably a 50-mile radius, just because people don't ship, you know, a dishwasher or a washing machine or something across state. If you're selling t-shirts or other things, you may actually be selling

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outside of state lines and be advertising across the country with these, so depend-- depending on the type of product you sell. But nearly all restaurants and retailers, even if they're local and only have a 50-mile radius, still use this because it's a-- it's an excellent way to, to pinpoint your target market.

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

CARTER THIELE: Hello.

LINEHAN: Good afternoon.

CARTER THIELE: Thank you, Chairman Linehan, members of the Revenue Committee. My name is Carter Thiele. I am the policy and research coordinator for the Lincoln Independent Business Association. That's spelled C-a-r-t-e-r T-h-i-e-l-e. I get to be the last guy who reiterates a lot of the same stuff that everybody said before, but we represent a lot of those mom and pop shops that have been mentioned. And for a lot of them, they're operating on thin margins. And digital advertising in particular, is the most cost effective way for them to get their message out. And we fear that the trickle-down effect of raising the taxes-- as the gentleman before me said, yes, Facebook and Google could eat those. But probably, what's going to happen is they're going to raise rates to offset the additional cost. On a general note, it does harm Nebraska's reputation for free enterprise on a national level, and it does create a lot of uncertainty going forward as it places this new tax, which is instituting quite a few different elements, all in the hands of the tax commissioner, to be announced later, and not providing clear guidelines or procedures in the statute itself. There may be a lot of confusion for businesses to comply with these new regulations, legal disputes. In conclusion, the adverse effects of LB1310 [SIC] far outweigh any potential benefits. We urge our lawmakers to reconsider this bill and seek alternative solutions to gaining revenue that do not place undue burdens on our businesses and our economy. Thank you, and I would be happy to answer any questions.

LINEHAN: Thank you very much for being here. Are there any questions from the committee? I just have one and not-- I don't expect you to answer it, but it's something I think the committee would be interested in. Do the rates for digital advertising change when you-- like if you're in a bigger metropolitan-- is the rate higher in Kansas

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City than it is in Omaha? Is it higher in Chicago than it is in Omaha?
How do they figure out what the rates are?

CARTER THIELE: Now, I'm not speaking from firsthand knowledge of this, but what I would assume is that if you are purchasing Google ads or Facebook ads, then they would be relatively similar. However, that would be something that I would have to look up at a later date.

LINEHAN: It's OK. And it's-- and I'm speaking more broadly. Like, I would be interested-- I think the committee would find it helpful.

CARTER THIELE: Well, what we would fear is maybe they would find other solutions than just the market price for the consumer. There would be other ways around finding making up for that lost ROI.

LINEHAN: OK. Thank you. Any other questions? Seeing none, thank you for being here.

CARTER THIELE: Thank you.

LINEHAN: Good afternoon.

MATT SCHAEFER: Good afternoon, Chair Linehan, members of the committee. My name is Matt Schaefer, M-a-t-t S-c-h-a-e-f-e-r, appearing today on behalf of the Nebraska Press Association in opposition to LB1354. Founded in 1873, the Press Association is made up of Nebraska's newspapers and is one of our state's oldest trade associations. While the introduced version of the bill does include an exemption for news media, we are still opposed to the bill for the reasons that you've already heard this afternoon. Also importantly, we're concerned that if the Legislature is looking for revenue in future years, it would be easy to strike that exemption and then newspapers would be subject to the tax. So thank you for your time.

LINEHAN: Thank you. Are there any questions from the committee? Thank you. Are there any other opponents? Anyone wanting to testify in the neutral position? OK. With that, we have-- Senator Albrecht, would you like to close? We have-- is this the right one? We have 2 proponents and 19 opponents.

ALBRECHT: OK. Again, I'd like to thank everyone who testified today. This, this is certainly a bill that has a lot of-- a lot of-- I understand that the newspapers are excluded. OK. But again, the billion dollar threshold, I would like to sit down and visit with some of these folks, about what kind of numbers are we talking? You know,

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if it's a car dealer that has a banner up and they put something up, but I, I think I heard, too, that they don't really charge for people to look at their sites, so I'm not quite sure. If they don't have to pay, somebody has to pay for the advertising. So, between now and the time that we decide whether we're going forward with these exemptions or not, I would like to set up some time to visit with these folks a little bit deeper, so that they can understand what I see in the, the way the bill is written, and the way they interpret it. So.

LINEHAN: Thank you. Are there any questions for Senator Albrecht? Seeing none, we'll close the hearing on LB1354, and we will open the hearing on LB1311. OK, guys, we're moving along quickly. Hello. We're going to start the hearing. Thank you. I'm--

MEYER: Thank you. Thank you, Chairman Linehan and members of the Revenue Committee. I am Senator Fred Meyer, F-r-e-d M-e-y-e-r, and I represent District 41, and today I'm introducing LB1311. LB1311 and the white copy amendment, which is very important, changes the definition of gross receipts for sales and use taxes to remove exemptions listed under gross income received for animal specialty services, which includes veterinary services and animal grooming performed by a licensed veterinarian or a licensed veterinarian technician in conjunction with medical treatment. It is important to clarify that this bill does not remove sales tax exemption on livestock veterinary service. Food animal veterinary services are exempt. This bill would also make changes to include the gross income received for storage services and moving services under the definition of gross receipts for sales and use taxes by the Department of Revenue. Further, some of the comments that Senator Kauth made early in the testimony today would also apply to, to this bill and my opening statement in here. It is also important to note that the fiscal note that is included with this bill is not accurate at all, since it included the, the food animal section. So, we will continue to work on that. And this bill is my proposed solution to help reach the Governor's plan of lowering property taxes, and this is only a very small part of, of a large plan. So with that, I would welcome any questions.

LINEHAN: Thank you, Senator Meyer. Are there any questions from the committee? So the, the fiscal note, I can see-- so they just took all veterinary services including animals for food?

MEYER: Yeah. Yeah. There will be a-- there will be a correction coming.

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LINEHAN: Right. Yeah. OK.

MEYER: They've been overworked over there, I think. So.

LINEHAN: Well, I think maybe lately they have been. So. All right. Any questions from the committee? Seeing none, thank you very much. Are there any proponents? Are there any opponents? And opponents, again, it, it helps a lot if you move up to the front if you want to testify. It speeds it along. Good afternoon.

BRUCE BRODERSEN: Good afternoon, Senators. My name is Bruce Brodersen, B-r-u-c-e B-r-o-d-e-r-s-e-n. I'm a veterinarian here to oppose LB1311 on behalf of the Nebraska Veterinary Medical Association. Veterinarians are essential healthcare professionals who provide services that safeguard public health. Imposing sales tax on veterinary services restricts access to care and impacts public health of both animals and humans. Veterinarians serve on the front line for recognition of emerging diseases that can be transmitted to humans and animals-- or from animals. Veterinary care is essential in protecting public from zoonotic diseases such as rabies, leptospirosis, and a variety of flea and tick-borne diseases. I understand and, and thank Senator Meyer for creating the change, removing the exemption, or removing, removing the exemption for livestock veterinary services. But pet production is also a-- an enterprise, a business enterprise. And when veterinarians provide services to these businesses, the costs associated with these services would be an input expense. Even if the tax is limited to pet veterinary services, it's still bad policy. Is this a slippery slope for human medicine, in terms of physicians and dentists and other health professionals? Only 4 states currently tax veterinary services. Such taxes are regressive, as we've talked about before with other sales taxes, and disproportionately impact low-income animal owners. An American, American Veterinary Medical Association survey demonstrates that affordability is the primary consideration of pet owners in seeking a veterinarian. Nearly 1/3 of dog owners did not visit a veterinary clinic in the previous year, citing inability to pay as the reason for not seeking veterinary care. Adding 5.5-7.5% to the cost of veterinary care will be a dealbreaker in a lot of cases for these lower income individuals. Unlike health-- unlike human healthcare, veterinary services are not widely covered by insurance, but are almost exclusively played for-- paid for out of pocket. Once these drug and service costs become too much to bear, this leads to increased pet abandonment and thus, burdening animal shelters. Taxing spay and neuter surgeries decreases accessory-- access necessary to address Nebraska's pet overpopulation problem,

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resulting in further overcrowding in shelters and more feral dogs and cats, which can contract and transmit diseases to humans. I urge you to not advance LB1311, and I'll be happy to any-- answer any questions.

LINEHAN: Thank you very much. Are there any questions from the committee? Don't you pay tax on, on-- farm, farm drugs? When you go-- it seems to me when you go and you get the medicine, there's a tax on the medicine.

BRUCE BRODERSEN: For livestock, I don't know the [INAUDIBLE].

LINEHAN: No, not on livestock, on pets.

BRUCE BRODERSEN: Yes. On, on pet drugs, some drugs, there are-- there is already--

LINEHAN: Right.

BRUCE BRODERSEN: --such as heartworm medications and things like that.

LINEHAN: That's what I thought. OK. All right. Any other questions? Thank you very much for being here. Good afternoon.

PAM WIESE BUNDY: Good afternoon, Senator Linehan or Linehan and members of the Revenue Committee. My name is Pam Wiese Bundy, P-a-m W-i-e-s-e B-u-n-d-y, and I am the interim president and CEO of the Nebraska Humane Society in Omaha. We offer shelter to animals from Omaha and the surrounding communities who don't have any other place to go. Every year, more than 18,000 animals come into NHS. In these tight economic times, we've seen a number of people relinquishing animals to our shelter because the pet has a medical issue they didn't anticipate and can't afford. Sometimes it's an emergency surgery, a fracture, or trauma. Maybe it's a genetic issue that's become painful for the pet, like dysplasia. Last year, 146 people were forced to part with their pets in order to save them, offer pain-free life, or treat an illness. This year-- or, or excuse me. The year before, it was 147. And in 2021, it was 136 pets relinquished to us because of medical. We currently have 200-plus pets on our waiting list, many whose owners cite financial difficulty. We try hard to keep pets in homes. We provide a pet food pantry, free behavior help, pet food deliveries for pet owners using meals on wheels. We've offered low-cost spays and neuters, and we have a limited medical fund. It's called the Forever Home Fund, and it provides help with one-time medical treatments. Last year, we helped 55 people partially pay for treatments like fracture

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repairs and pancreatitis, but there are many more requests than this fund can handle. We were in opposition to LB1311 and the imposition of a sales tax on veterinary services because the additional pressures this would put on animal owners already struggling to pay bills. If pet owners decide to forego the care of their animals, we worry about the health of the pets going forward. What's more, if animal owners are not able to provide needed care, more and more animals will, as Dr. Brodersen said, show up in our already overstretched shelters. But there's an even greater impact to the pet owner, who has to give up a living, breathing member of their family. A study commissioned by the Access to Veterinary Care Coalition looked at barriers to veterinary care. A 2015 survey showed 95% of respondents indicate their animal to be a family member. In 2015, 59% of dog owners and 56% of cat owners viewed their animal like a child. Also noted in the study, pets positively affect our health by lowering stress levels, providing socialization for owners who are isolated, providing us a sense of worth as we give care. They improve mental health. So to nurture a pet for years, then be faced with your inability to offer care and to have to give up on that bond, is devastating. Pet owners currently--

LINEHAN: OK.

PAM WIESE BUNDY: --have few resources--

LINEHAN: Your light.

PAM WIESE BUNDY: --for help with care.

LINEHAN: Ma'am.

PAM WIESE BUNDY: Let's not add to it by taxing the veterinary care.

LINEHAN: Thank you very much.

PAM WIESE BUNDY: Thank you, and I'm open for questions.

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

PAM WIESE BUNDY: Thank you.

LINEHAN: No, wait, I have one.

PAM WIESE BUNDY: Oh.

LINEHAN: You cover the Omaha area?

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PAM WIESE BUNDY: Yes, ma'am.

LINEHAN: Do you have any idea how many pet licenses there are in Douglas County?

PAM WIESE BUNDY: Oh. So we don't do county. We do Omaha and Sarpy, because Omaha contracts us. I, I want to say there are-- I believe that we licensed 120 in Omaha and another 20 in Sarpy, but I actually can get that number for you by the end of the--

LINEHAN: OK, then. And then, any estimate you have on how many unlicensed pets there are?

PAM WIESE BUNDY: Gosh, it's hard to tell. I know that there are unlicensed pets, clearly. I'm not sure how many that would be.

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

PAM WIESE BUNDY: You bet.

LINEHAN: Other opponents? Thank you.

JASON BALL: Good afternoon, Chairwoman Linehan and members of the Revenue Committee. Thank you for the opportunity to speak with you today. My name is Jason Ball, and for the record, that's J-a-s-o-n B-a-l-l. I'm the president and CEO of the Lincoln Chamber of Commerce, and I appear today in opposition to LB1311, on behalf of the Lincoln Chamber of Commerce, the Nebraska Chamber of Commerce, and the National Federation of Independent Business. We all share concerns that this is going to have a negative impact to businesses, many of them small businesses, through increased prices to customers and increased operating costs to business. The Tax Foundation estimates this to be 30% or more. It will all-- additionally, bills like this will impact workforce in a negative way. Nebraska's workforce challenges are the number 1 deterrent to growing our economy and sales tax increases like this fall hardest on young workforce and families, the very people that we're trying to recruit to our state to solve our workforce issues. It's been demon-- demonstrated that the only way to actually reduce the overall tax burden to Nebraska taxpayers is to limit government spending, both at the state and local level, to a level below economic growth, and then allocate the excess tax revenue to fund tax reductions. In other words, grow our economy rather than slicing up the same economic pie in a way that creates winners and losers based on things like geography, income level, demographics, business or industry type. The Lincoln Chamber has a policy against

tax shifts and the Nebraska Chamber has a similar policy opposing expansion of the sales tax base. The Lincoln, Lincoln Chamber's policy specifically references tax relief through state spending can turn into a tax shift that does nothing to lower our overall tax burden. It's been acknowledged by many of the proponents that-- the support-- those supporting this sales tax increase and others like it do not lower the overall tax burden. This kind of tax shift increases the tax burden on some Nebraskans to pay for reducing the tax burden on other Nebraskans. As a state, we believe we can do better through economic growth. In recent years, policy enacted by this Legislature improved our tax ranking and made us more competitive, a true "one Nebraska" approach. And I want to please note, while we oppose LB1311 and other efforts to expand the sales tax rate and base, we fully support the efforts by the Governor and others for comprehensive tax reform. The Chambers have enthusiastically supported the incredible achievements of the Legislature and Governor to deliver over \$14.7 billion in direct property tax relief between 2015 through 2019-- 2029, rather. But that was part of greater comprehensive tax relief efforts, totaling 22 billion over that time. I'm out of time. I would appreciate any questions you have for me. Thank you.

LINEHAN: Thank you. Are there any questions from the committee? I'm doing this for the record and I'm not-- you'll feel like I'm just picking on you, but I'm not really.

JASON BALL: I appreciate that, Senator. Thank you.

LINEHAN: But it's also kind of a warning as we move into the night. You know, we had a couple bills yesterday that limit government spending. I don't think the Chambers showed up. Well, at least they didn't show up for one of them. We had a bill yesterday to limit government spending to 3% on local governments, and I don't think any of the Chambers showed up to help with that.

JASON BALL: Thank you for the question, Senator. So, it's my understanding that we have some misgivings, based on local control, related to things like a hard cap, broadly applied. However, we enthusiastically supported Senator von Gillern's bill to get back to a, a, what I'll reference loosely is a zero-based budgeting model, so that folks that are in charge of property tax at a local level are at least asked to match that with their budget moving forward. And, and again, under a more comprehensive approach, we would enthusiastically support efforts like this that benefit all Nebraskans.

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

DUNGAN: Thank you, Chairman, and thank you for being here. So you were here last year when we went through some of these larger conversations regarding taxes and, and the various tax cuts that were implemented. You know, there were a lot of, I feel like, people that came in and provided data, you know, Platte Institute, yourself, with regards to sort of the benefits to Nebraska, that they argued were, were incumbent, you know, in reducing those income and corporate tax rates and property tax. Where do you see the data talking about the sales tax rates that we're talking about here, or is there data or analysis that-- that's been done, with regards to the benefit of broadening the base that we're talking about here today?

JASON BALL: Yeah. Thank you for the question, Senator. The Lincoln and, and Nebraska Chamber both have requested more broad understanding of what the impacts, long-term, of shifts like this will create. Again, I'm referenced both by geography, industry, different business sizes and types, and again, with respect to any impacts to our ability to recruit workforce. This is a pretty fundamental shift that we're talking about. And again, we appreciate the Governor and, and other senators' plans to try to reduce the property tax burden on the state. That's a real issue. But the methods that we have been presented with in this session, we have some concerns that they are not as well understood as we would like them to be. And additional analysis, if we're going to take that kind of a fundamental shift, would be something we would encourage.

DUNGAN: Thank you.

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

JASON BALL: Thank you, Senators.

LINEHAN: Other opponents? Good afternoon.

KORBY GILBERTSON: Good afternoon, Chairwoman Linehan, members of the committee. For the record, my name is Korby Gilbertson. It's spelled K-o-r-b-y G-i-l-b-e-r-t-s-o-n. I'm appearing today on behalf of the Nebraska Horsemen's Benevolent and Protective Association, otherwise known as the HBPA, in opposition to LB1311. Horse-- racehorses are kind of found in an interesting position in this bill. They aren't--

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they are not considered a pet. And they are not what, what most of us would call livestock, even though former revenue departments have kind of put them in that classification. This legislation kind of opens up that issue again, and whether-- to determine whether or not they would fall under the group that would get taxed. The concern here is that they are clearly an integral part of this business. They're an input, and this is an expense that could not be passed on. So for veterinary services and then also for specialty services, we have a concern that this would sweep us under that and would hope that it would be exempt.

LINEHAN: Thank you. Are there any questions from the committee? I actually was wondering that, too. So it's not-- so far, the Revenue Department has considered them livestock.

KORBY GILBERTSON: Right.

LINEHAN: Which makes sense with the history of Nebraska.

KORBY GILBERTSON: Right. But they're not, you know, they're not what most of us would think of as livestock

LINEHAN: So you're saying we need to make that clear?

KORBY GILBERTSON: Yeah. We think it would be helpful to have a clearer definition.

LINEHAN: OK. Thank you. Senator Dungan.

DUNGAN: Sorry. To help answer this, hopefully in the form of a question, I had the exact same question, too. And it does specifically reference, in the amendment, Nebraska Revised Statute 54-183, which is a definition of livestock. And it says domestic cattle, horses, mules, donkeys, sheep or swine. So--

KORBY GILBERTSON: OK. And I haven't--

DUNGAN: It seems like that's the--

KORBY GILBERTSON: --I was looking through the amendment on my phone--

DUNGAN: Yes.

KORBY GILBERTSON: --so I did not have time to cross-reference this-- those. So then the specialty, the specialty services would still be a concern, as well, for them.

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LINEHAN: OK.

KORBY GILBERTSON: OK.

LINEHAN: OK. We'll work on that. Thank you.

DUNGAN: Trying to help--

LINEHAN: Thank you, Senator Dungan. That's very helpful.

DUNGAN: --in the form of a question.

LINEHAN: I'm sorry. Was there any other questions? OK. Thank you. Any other opponents? Yeah. How many more opponents do we have? OK. I'm sorry. Raise your-- because I want to make sure we can get-- I don't know when the hour is up, but-- raise your hands again. OK. Welcome.

TRAVIS BERGLUND: Good afternoon, Chairwoman Linehan and members of the Revenue Committee. Thank you for your open ears as I explain why we should oppose LB1311. My name is Travis Berglund. That's T-r-a-v-i-s B-e-r-g-l-u-n-d, and I am the operations coordinator for Dino's Storage. Dino's Storage is a family-owned company with 16 locations here in Nebraska. At the heart of any thriving economy or small businesses, the lifeblood of our communities, at Dino's Storage and in Nebraska, numerous enterprises, from startups to family-owned businesses, utilize self-storage units to store inventory, tools and equipment. We've got a lot of different businesses, from photography to contractors to cleaning services. You name it, They do some self-storage business. And posing a self-- a tax on self-storage facilities threatens the economic viability of these entities, potentially leading to closure of business, especially when you consider that cities in Nebraska will add their own tax on top of the state tax imposed. Nebraska should be, should be a place where entrepreneurship flourishes, not where it is stifled by unnecessary taxation. Such a scenario not only hampers economic growth, but also risks driving businesses away to more tax-friendly jurisdictions. Another of the most compelling reasons to reconsider self-storage tax is its, is its impact on the men and women who serve in our military. Many military personnel utilize self-storage facilities as a practical solution to store their belongings during deployments or relocations. We have a large military population that comes right from our Offutt Air Force Base, there in Bellevue. Imposing tax on these self-storage services directly affects those who sacrifice for our nation, increasing their financial burden during already challenging times. We

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also know that an increase in taxes will cause more abandoned or neglected property. If individual-- individuals and businesses find it economically unfeasible to continue using self-storage facilities, they may resort to alternative, less secure storage options or abandon their belongings altogether. This not only poses a threat to public safety, but also places an additional burden on local authorities and community resources. In conclusion, the cumulative, cumulative, cumulative impact of state and local self-storage taxes on small businesses, entrepreneurs and military personnel, combined with the potential for abandoned property, paints a concerning picture for LB1311. Thank you.

von GILLERN: Thank you, Mr. Berglund. Any questions from the committee? I just have one. I live in Omaha, represent western-- west Omaha. How many facilities do you now have? You've grown dramatically.

TRAVIS BERGLUND: Yeah, 16 in Omaha, 2 in Lincoln, 3 in Des Moines, and 1 in Canada.

von GILLERN: OK. Where in Canada?

TRAVIS BERGLUND: Winnipeg.

von GILLERN: All right. Great. Thank you. All right. Seeing no other questions, thank you for being here. Next opp-- opposition testimony.

M.J. BECHTOLD: Good afternoon, seated members of the committee, and Senator. My name is M.J. Bechtold, B-e-c-h-t-o-l-d. I'm the regional manager and a Nebraska resident, for Storage Mart. In Nebraska, we have 13 locations in Omaha and Lincoln. 90% of our business is with individuals, individual people that need storage units. I'm in opposition to LB1311, because a lot of times these individuals are those members of the community that don't have a lot of discretionary income. They don't have a lot of disposable income. A lot of them have been negatively affected by the lack of affordable housing, which is another issue, but it directly affects our business. By imposing a tax on these individuals who are already stretched thin and having to put belongings into storage units because they can't afford where they live, is a detriment to not only our business, but to Nebraskans everywhere. Currently, we, as a company in Nebraska, are opposed to this tax, and I think that's pretty much the crux of the opposition.

von GILLERN: Very good. Thank you.

M.J. BECHTOLD: Thank you for your time. Any questions?

von GILLERN: Any questions from the committee members? Seeing none, thank you for being here today. Next opposition testifier.

JOE DOHERTY: Good afternoon, Vice Chair van-- von Gillern and members of the committee. My name is Joe Doherty, J-o-e D-o-h-e-r-t-y, with the Self Storage Association. I'm going to begin by expanding on, on some of the testimony we just heard from the other 2 opponents. But let me begin by dispelling a myth about the self-storage industry. Contrary to what you see on Storage Wars, the average self-storage tenant is not a hoarder who uses storage for useless junk, or a wealthy collector with a Victrola phonograph sitting in a storage unit. Instead, many self-storage tenants are using their space for their prized possessions while they deal with significant life events, such as a death in the family, military deployment, housing or job loss, divorce or relocation. They've already paid taxes on, on those belongings, and LB1311 would require them to pay tax again, just to store that property. We do a self-storage demand study at the association through a third-party data analyst every 3 years, and interview consumers about their use of self-storage. The most recent self-storage demand study shows that more than 40% of self-storage tenants have annual incomes of less than \$50,000. As, as the other opponents have said, a tax on self-storage rents would just be another burden on these struggling families and individuals. Just a tad-- a, a, a bit about the self-storage industry here in Nebraska. There are about 400 self-storage facilities in the state, and approximately 90% of those are owned and operated by local or regional business owners. The large national companies have a relatively small portion of the self-storage market here in Nebraska. Fundamentally, self-storage does not provide either goods or services. Unlike, I believe, every other industry or, or good or service that is looking to be taxed, self-storage is-- the self-storage owner is a landlord that rents space to their tenants to store their property. Self-storage-- a self-storage tenant is similar to an office, retail or residential tenant, none of which pay tax on their monthly rent. Self-storage is also different from moving services or storage services, where you might have somebody come to your house, load up a pod, and then bring it off to a warehouse somewhere. That doesn't help-- happen in self-storage. As the name implies, it's done by the consumer, where they remove the property and store it on their own. Finally, I'd like to point out that only 5 states have a specific tax on self-storage rents. The last state to add a tax on self-storage rents was close to 20 years ago. In fact, in that time, 2 states, Arkansas and Minnesota, have repealed their taxes on self-storage rents. Thank you for your

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time today, and we appreciate your opposition to or removal of self-storage from this bill. Thank you.

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

WILLIAM LANGE: Good afternoon, Senator Linehan and the Revenue Committee. My name is William Lange, W-i-l-l-i-a-m, Lange L-a-n-g-e. I am the president of the Nebraska-- the Nebraska Self Storage Owners Association. On LB1311, I would like to address 1 specific item. And on page 8, line 4, item (i). This bill proposes to add sales tax to the gross income received for storage services. Self storage is not a service. Self-storage is simply the rental of real estate. The self-storage owners do not help their renters move in or move out. They simply rent their occupants safe-- or their occupants have-- geez, excuse me-- their occupants a piece of real estate, much like an apartment or any other piece of real estate, such as a farm, which we're trying to eliminate the-- or reduce the taxes on that farm or real estate by adding sales tax, to my understanding. Self-storage owners already pay real estate taxes. Those taxes amount to about 7-- excuse me, 7-15% of that storage owner's annual income. I would suggest that-- moving services are totally disrelated to the storage industry. I would just respectfully ask you to remove line 4 on page 8 of LB1311. That-- any questions?

LINEHAN: Thank you very much. Are there any questions from the committee? Seeing none, thank you for being here. Are there any other opponents? Is anyone wanting to testify in the neutral position? With that, we'll bring the hearing on LB1311 to a close. We did have 3 proponents and 115 opponents.

MEYER: Just very quickly, I won't take too much time. But in closing on LB1113 [SIC]and AM2235, I want to thank all the testifiers for coming in today and, and giving their input on these difficult situations. We're just attempting to try and rebalance the tax situation in Nebraska, and this is just one tiny part of that. So with that, thank Chairman Linehan for her time.

LINEHAN: Let's see if we--

MEYER: Any questions?

LINEHAN: --any questions from the committee? Seeing none, thank you. With that, we will open the hearing on LB1349, Senator Murman.

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MURMAN: Good afternoon, Chair Linehan and members of the Education [SIC] Committee. My name is Dave Murman. I represent District 38. Today, I'm introducing LB1349, a bill relating to clothing and cleaning repairs and zoo admissions. I've got, got a handout here. I see this bill as 1 piece of a larger goal to ensure we broaden the tax fairly. Nebraska has a large number of random sales tax exemptions, which, in my view, do not create a very fair playing field for Nebraska businesses. Because this bill has 2 pieces, I'll first examine the value of removing the exemption on cleaning and repairs. The Platte Institute, in a 2019 report, that's clothing repairs, details that when the sales tax was created, Nebraska was primarily a goods-based economy. But over time, Nebraska has shifted to a more service-based economy. So since services have mostly been exempted from the sales tax, the total revenue Nebraska can generate from sales tax decreases and forces a greater reliance on property taxes. In this case, we already have a sales tax on clothing sales, so it seems odd to leave clothing cleaning and clothing repairs out of that base. Through this piece of legislation combined with other bills, we can start to reopen that tax base to make way to broaden property tax relief. Next, I'll specifically address zoo ticket admissions. In a state where our zoo is one of the best zoos in the world and one of our biggest tourist-- and one of our biggest tourist attractions, it's bad logic to not use that draw in tax revenue. The Henry Doorly Zoo has had an estimated nearly 2 million visitors per year, and with summer single admission ticket prices costing about \$32, we're looking at a fairly major revenue source that Nebraska currently exempts. I should also note that this only strikes single admission to the zoos, not memberships. This is because it may be more likely that out-of-state tourism is probably not buying many memberships at the zoo, but that would be mostly Nebraskans already. If Nebraska has a major source of tourism revenue, that should play a role in our tax revenue. I'll also point out that this bill brings logical consistency to our sales tax laws. For example, admissions to museums charge sales tax. Both museums and zoos are similar in the fact that people pay to go there to look at exhibits or learn something. Other places where you pay a ticket that are taxed for admissions include movie theaters, swimming pools, skating rinks, and a long list of others. LB1349 simply makes sure that we're not picking favorites with our tax codes. The goal of this bill is simple: broaden the sales tax base and reduce our reliance on property taxes. Thank you. And I'm open for any questions.

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

LUIS PADILLA: Good afternoon. Good afternoon, Madam Chair, members of the Revenue Committee. For the record, my name is Dr. Luis Padilla, L-u-i-s P-a-d-i-l-l-a. I am the president and CEO of Omaha's Henry Doorly Zoo and Aquarium. I am here to testify in opposition to LB1349 on behalf of the zoo, as supported by the city of Omaha, the Greater Omaha Chamber of Commerce, and the Nebraska Chamber of Commerce and Industry. I'd like to begin by thanking all of the Nebraskans and our many supporters that have made us our state's number 1 tourist attraction. We have welcomed between 1.5 and 2 million visitors per year. We have over 80,000 household memberships that support the zoo, and we are very proud to be ranked as the number 1 zoo in the United States by USA today. I have been in Nebraska for a little bit over a year in my current role, and have been incredibly impressed by how unique this place is and the generosity of our community and the strong public-private partnerships that exist in our state. I am very proud to be a Nebraskans now. I am not the first president of the zoo to be in front of the committee testifying and defending the zoo's tax exemption. The exemption represents a very strong partnership that we have had with the state for many, many years, and it is the main way that the state invests in our zoo. It is a great financial return on investment for Nebraska, but more so, a great investment in the quality of life and image of Nebraska. This in-- this exemption has sent a very strong message to our private partners, to the city of Omaha, and says that the state is committed to seeing all the benefits of our work. LB1349 sends the wrong message regarding an investment that represents over \$200 million in annual economic impact to our state, \$200 million in economic impact to our state. But our work goes far beyond being just a family-friendly attraction. Yes, we are a regional tourism destination. Our mission inspire, engage and educates people to be lifelong stewards for wildlife. Our scientists and veterinarians are, are doing world class work impacting the world, bringing global recognition to the talent that Nebraska and Omaha have for the world. We do appreciate that this bill only seeks to remove the sales tax exemption on admissions. Roughly 40% of our visitors do come from outside of Nebraska, so that does make sense. But it's also important to point out that 60% of our visitors are Nebraska families, and we receive visitors from virtually every county of our state. It is important to us that were class-accredited zoos like Lincoln's Children's Zoo, the Lee G., Lee G. Simmons Wildlife Safari Park in

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Ashland, Nebraska, and Omaha's Henry Doorly Zoo remain accessible and affordable to everyone, but especially the people of Nebraska. We sincerely appreciate the efforts of Governor Pillen in what we're trying to do for tax reform, and we want to be partners in making our state even better. I'm out of time, so I want to thank you for the work that you do and the work in serving our people.

LINEHAN: Thank you for being here. And thank you for all you do. Are there any questions from the committee? Senator von Gillern.

von GILLERN: Dr. Padilla, thank you for being here today. And we've not had a chance to meet, but as a representative in Omaha, we're thrilled to have you there, heading up the zoo, and couldn't be prouder of, of the asset that, that is in our city and, and in our state. And I'm visually checking this out. I think I've probably been going to that zoo longer than you've been alive. And it's changed a lot over those years, but we're thrilled to see what direction you take that. So my question is, I, I believe the city of Omaha-- some, some of the things that we're talking about doing here are, are to-- obviously, it's with regard to creating additional revenue. But can you tell me, does the city of Omaha support the zoo financially? What, what does the city contribute to the zoo?

LUIS PADILLA: Absolutely. Thank you. The city of Omaha is a great partner to us, and we are a great partner to the city of Omaha. The city contributes to the zoo in 2 ways financially. One is with what will account to be about \$2.78 million in 2024. That escalates at 5%. But they also contribute by granting also, similar tax exemption that is the equivalent of about \$1 million a year.

von GILLERN: Tax exemption. Oh, you're talking about the sales tax exemption?

LUIS PADILLA: Correct.

von GILLERN: OK. All right. Thank you. All right. Thank you again for being here.

LUIS PADILLA: Thank you.

LINEHAN: Thank you, Senator von Gillern. Any other questions? This is just a little thing, but actually we grant that sales tax exemption, not the city, because we are the ones that decide who pays what.

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LUIS PADILLA: Correct. It's, it's just the million dollars that are not going back to the city.

LINEHAN: Right.

LUIS PADILLA: So.

LINEHAN: And what was the \$2.78 million the city contributes?

LUIS PADILLA: Yeah, the city contributes \$2.78 millions in direct financial support to the zoo. And in 2024, that is an agreement that is escalating year after year.

LINEHAN: OK. Got it. Thank you. That's helpful.

LUIS PADILLA: Thank you.

LINEHAN: OK. I don't see any other questions. Thank you very much for being here.

LUIS PADILLA: Thank you. I appreciate it.

LINEHAN: Other opponents? Good afternoon.

EVAN KILLEEN: Thank you, Madam Chair and members of the Revenue Committee. My name is Evan Killeen, E-v-a-n, Killeen, K-i-l-l-e-e-n, and I'm the CEO and president at the Lincoln Children's Zoo. Lincoln Children's Zoo was established in 1965 and has remained steadfast in its mission to provide firsthand interactions between living things. The zoo is a beloved gem of the Lincoln community, serving nearly 390,000 people a year. Last year, about 70% of them were kids, so that's over a quarter million of that attendance was children. Throughout the years, the zoo has established itself as an economic driver, both for the city and for the state. Last year, the zoo's economic impact to the Lancaster County was over \$17 million. This created a quarter million dollars in local sales and lodging taxes. This also included \$6.6 million in labor income paid to workers, providing about 196 full-time equivalent jobs, both within the zoo and outside the zoo. The zoo does not receive any public funding. Instead, we rely on our gate admissions and our community to support and ensure that we're able to provide ex-- affordable access to all children and families to the zoo. The ability for a child to see a tiger, climb with a spider monkey, and feed a giraffe right here in Lincoln is something we strive to remain accessible to all. 35% of our guests have an annual household income of less than \$50,000, and 68% of our

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guests have an annual household income of less than \$100,000. The Lincoln Children's Zoo serves the state of Nebraska, with 76% of our guests coming from less than 60 miles, and less than 9% of our guests come from outside the state of Nebraska. This sales tax will put an undue burden on Nebraska families, creating a barrier to affordable education, recreation, and enriching experiences. The zoo provides-- that the zoo provides, while only providing a minimal benefit to the state of Nebraska's financial objectives. Thank you for allowing me to talk.

LINEHAN: Thank you. Are there any questions from the committee? This-- oh, yes. Go ahead. I'm sorry.

von GILLERN: I'm sorry. No. Thank you for being here, Mr. Killeen. Just a quick-- is it Mr. Killeen or Dr. Killeen?

EVAN KILLEEN: Mr.Killeen. I'm not a doctor.

von GILLERN: Just trying-- OK. No, no, no. I just want to make sure I was re-- respectful in my address. Is-- are there any partnerships between you and the, and the Henry Doorly Zoo? Between the Lincoln Zoo and-- are there any--

EVAN KILLEEN: All zoos have a ton of partnerships together, when it comes to working with the different endangered species. And so we work closely together, but I guess financially or any of those things, we don't. No.

von GILLERN: I didn't know if you shared resources or data or--

EVAN KILLEEN: We share data. Probably not resources.

von GILLERN: OK. All right. Your zoo has changed dramatically over my lifetime, also.

EVAN KILLEEN: Oh, good. I'm glad to hear that you go to it as well.

von GILLERN: We used to go see Big Ben a long time ago, but that's a different story. Thank you.

LINEHAN: Thank you, Senator von Gillern. Other questions? This exemption only went into effect in like 2017, though, didn't it? It's a pretty recent exemption.

EVAN KILLEEN: I think it is. Yes.

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LINEHAN: Thank you very much for being here.

EVAN KILLEEN: Thank you.

LINEHAN: Are there any other opponents? Yes. Other opponents? Are there any-- is there anyone wanting to testify in the neutral position? OK. Senator Murman, would you like to close? Oh, and let me read the letters. We had 2 proponents, 1 opponent, and 1 neutral.

MURMAN: Yes. Thank you for the testifiers. I wish we didn't have to shift any taxes to lower property taxes. I wish we could do it by cutting spending, but that's not going to happen. So unfortunately, we're going to have to have some kind of a shift. I greatly appreciate the 2 zoos here that testified. I've been to the-- I live 150 miles southwest of Omaha and about 100 miles west of Lincoln. And I've actually visited both the zoos several times. My daughter and grandkids lived in Papillion for quite a few years. They had a yearly pass. So fortunately, they-- if it was now, they wouldn't have to pay the, the sales tax, but-- and also, the Lincoln Zoo, my-- I've got a disabled daughter, Whitney. And Goodwill, their group, has visited the Lincoln Zoo. And, and we're very-- I know Whitney very much enjoyed it. And I've visited both-- that zoo also, in the past. So appreciate what they do. And thank you, and, and open for any questions.

LINEHAN: Thank you, Senator Murman. Are there any questions? Senator Dungan.

DUNGAN: Thank you, Chair Linehan. And thank you, Senator Murman. Looking at the fiscal note for this one, it seems like this is a somewhat smaller fiscal note than what we've seen on a couple of the other bills that we've heard here today. Similar to those other fiscal notes, unfortunately, I don't see that the Fiscal Office delineated where the money's coming from, from each of these. Do you have any idea, based on your conversations with them or other folks, how much the state of Nebraska would, would be receiving from getting rid of the exemption on coin-operated washing machines?

MURMAN: No, I don't--

DUNGAN: OK.

MURMAN: --know how that's delineated out. I assume it would be fairly small.

DUNGAN: Well, and the only reason I ask and I'd be curious just for us to follow up on this later, is I know this one, this bill does a number of different things. And we've heard from the zoos and I appreciate them coming in, but we've not heard much testimony with regards to laundry cleaning services, dry cleaning, but specifically the coin-operated machines. And it would seem to me, just based on my personal experiences, you know, the people, the people that often are utilizing coin-based operating-- or coin-based washing machines, potentially are lower income, you know, trying to figure out the ways that we can not shift too much in a regressive manner. I would just be curious to see whether or not that's going to really serve to give us enough money to sort of balance out the possible effect. So something I'd just be interested to talk with you about moving on, but didn't know if we knew what the money was on that.

MURMAN: Yeah. I'd certainly like to look into that also. When I was in college, I did use a coin-operated machine once in a while, but I went [INAUDIBLE] went home as much as I could, to get that, that service done.

DUNGAN: And that's good cost savings. Absolutely.

MURMAN: Right. Right.

DUNGAN: Yes. I just know, now that I have to wear a suit every day, dry cleaning is a little bit more expensive, so. But thank you. I appreciate it.

LINEHAN: Thank you, Senator Dungan. I, I thought-- and I will form this as a question. I thought when we talked about all these exemptions, we were going to leave out coin-operated. Are you-- so--

MURMAN: I, I-- actually--

LINEHAN: I think, when we talked about it-- but I know bill drafting had a lot of work to do. So maybe--

MURMAN: I didn't remember that either when we talked about it, and I was a little surprised to see it in the fiscal note.

LINEHAN: Yeah. I thought that was supposed to be left off. So, anyway. OK. And with that, we'll close the hearing on LB1349 and open the hearing on LB1308. Good afternoon.

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von GILLERN: Good afternoon, Chairwoman Lin-- Linehan and members of the Revenue Committee. I'm Senator Brad von Gillern, B-r-a-d v-o-n G-i-l-l-e-r-n, and I represent Legislative District 4 in west Omaha and Elkhorn. LB1308 consists of 2 parts, both of which eliminate existing sales tax exemptions. If past exemptions would be eliminated, eliminated on repair parts used for agricultural equipment and also on business to business accounting services. The elimination of these exemptions are potentially pieces of a larger puzzle that this committee is attempting to assemble in their pursuit of property tax relief. The idea being broadening the tax base is one way to reduce the burden of property taxes, and was broadly popular in the Governor's Property Tax Workforce Committee, which I was a part of, that met over the summer and the fall. Regarding the exemption for agricultural parts, I ask you to consider a scenario where you walk into a John Deere dealer and ask to buy an oil filter for a skid loader. The salesperson at the parts counter rings you up and asks you, what are you going to do-- what are you going to use this for? Well, obviously I'm going to use it to change the oil on my skid steer. And he says, no, I mean, what do you do with the equipment? And my response after a tense, why do you need to know exchange, the salesperson says, well, if you're going to use this for a piece of farm equipment, I don't have to charge you sales tax. If you're using it for any other purpose, I do. I'm not sure that makes sense. I understand how ag repair parts became exempt at some point, because arguably, farm equipment can be considered a business input. And generally, business inputs are exempt from sales tax because of the taxes charged on the finished product, not on all the things that go into it. But the same argument can easily, easily be made for construction equipment that is necessary to complete a project, or landscaping equipment, or even a skid loader that's used for snow removal, or sand or salt for truck application on slick roads. This exemption is an odd one that for some reason applies only to agriculture. I can understand certain opposition. That's always going to happen with anything, any change. Specifically with this bill, I recognize agricultural interests in this state are particularly concerned. I've heard the opposition, I've read the emails and letters, and today, I'll listen to your opposition and take it seriously in consideration. I know dealers are concerned about border bleed, where farmers may cross state lines to buy their parts. Ironically, there's a similar concern with the argument against the EPIC tax, but I haven't heard that brought up in any discussions. I hope we can work together to find some agreement with this concept, as the farm community will be certainly the greatest beneficiary of any

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form of property tax relief that we can work towards. Regarding the accounting services exemption elimination, this has or will be narrowly tailored to apply to business to businesses-- business services only, so it would not apply to individuals filing a tax return or families receiving simple estate planning assistance. It's our belief that these services are ancillary to business operations and not actually a business input. In closing, I understand that the elimination of these exemptions is not popular. And frankly, I'm stressing a number of my own friendships by bringing both of these topics to the table. But again, they could become a small part of a partial solution to the property tax issues here in Nebraska. I hesitantly look forward to hearing the testimony today, and welcome any questions you may have.

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

von GILLERN: Thank you. I'll stay to close.

LINEHAN: OK. Great. Any proponents? OK, then. Opponents? Good afternoon.

BRYAN SLONE: Good afternoon, Chair Linehan and members of the committee-- Revenue Committee. My name is Bryan Slone, B-r-y-a-n S-l-o-n-e, and I'm here testifying on behalf of the Nebraska State Chamber, the Greater Omaha Chamber, the Lincoln Chamber, and the Nebraska Realtors Association. I realize that from prior testimony that there is oftentimes a discussion about this is a-- part of a bigger item. It is part of a bigger item, not just in terms of the property tax proposals, which I will talk to, and I'll also answer your question. This is a part of a bigger item in terms of what the state's policy-- tax policy is around business inputs. Historically, most states and most state tax policies always avoid sales tax on business inputs. And the reason is it causes pyramiding of taxes. So if you pay tax on the business inputs, and then it-- there's 2 or 3 parties in the middle, and you pay a tax at each level, then the finished product doesn't have a 6.5% tax on, but it has a tax, on a tax, on a tax, on a tax, that ultimately, consumers pay. And so quite quickly, your, your cost structure can be uncompetitive. And that means your Nebraska business has become uncompetitive. I would like to-- and so with respect to all of the property tax proposals that, that affect business inputs, Nebraska Chamber will, will be in opposition to those. In this particular case, I'll, I'll give the example. In the case of ag equipment-- and I am a long time friend of,

of the Senator's, and so-- but I will assure him our relationship is not stressed. That-- one of the things we talked about, we're having our annual meeting today, is, is ag technology is moving very, very quickly. Very quickly, this equipment will not just be equipment. It will be the technology that runs the business, collects the data, analyzes that data, and provides the operational efficiency for farms to continue to compete in a global market. At that point, it's even more clearly a business input. And the last thing we would want to do is increase the price of technology, which, particularly for small farmers, is a, is a very big issue. And with respect to accounting services, I may be biased, having spent my entire career-- I'm not sure why we would want to make accounting services more expensive than Iowa accounting services or Kansas accounting services, from a competitive standpoint. And with that, I will close this testimony and also answer your question if you want to ask it again, about yesterday.

LINEHAN: Thank you. Are there any questions from the committee? Since you are-- I've spent a lot of time in accounting and taxes. We did do big reform last year.

BRYAN SLONE: Um-hum.

LINEHAN: And it included what we thought was an agreement on spending. And that didn't work. So I don't know what we're going to do. We put \$1 billion into property tax relief out since I've been here, and they've gone up \$1.3 billion. So I'm going to ask you the same question I asked the Lincoln Chamber. Why was nobody here yesterday when we talked about a hard [INAUDIBLE]?

BRYAN SLONE: Yeah. So the, the answer to that is we have a process at the Chamber that, that the board ultimately determines our policies on all tax policies. That board met this morning, so I'm spending most of my day in the Cornhusker today. And so--

LINEHAN: This was last night.

BRYAN SLONE: Yeah, but the board met this morning.

LINEHAN: OK.

BRYAN SLONE: So the board-- the Chamber did not take an official position on that. And I couldn't get out ahead of the board on that, but the answer is, we have completed that process. We do support the cap legislation, which is not a surprise. We have always, as, as State

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Chamber believed that the only way-- it's not just last year. We've spent the last 30 years trying to solve the property tax issue. And there's been no amount of money that we could transfer and shift from the state tax rolls to the local and school tax rolls that has ever solved the problem. And ultimately, to solve the problem, we have to control local spending, and we have to come to an agreement around local spending and, and how fast we're going to grow that. And in the end, it can never grow faster than our economy grows. And so, we will support working with, with the Governor. And we commend the Governor and you for, for the-- that cap legislation. We'd love to work on that. There's always some exceptions of-- and you've worked the school districts a lot and you know how individual--

LINEHAN: Growth.

BRYAN SLONE: --those can be. And there's some really high-growth districts that we'll have to deal with. But we will look forward to working with both you and the Governor on that. But in terms of tax shifts and raising new taxes to simply distribute it without knowing that we've got something that works and is in hand and controls spending, we would never recommend a, a tax shift or a tax on inputs at this point.

LINEHAN: Thank you very much. Any other questions? We may actually see you later, maybe.

BRYAN SLONE: Yes.

LINEHAN: OK. Thank you very much. Hello.

OWEN PALM: Good afternoon, Senator Linehan and other members of the Revenue Committee. My name is Owen Palm, O-w-e-n P-a-l-m. I'm the CEO of 21st Century Equipment and the co-chair of the Blueprint Nebraska Initiative. I have locations in western Nebraska and northeastern Colorado. I strongly support the Revenue Committee's efforts to reduce property taxes, but I am in-- attending here in opposition to adding a sales tax to parts. We, we think-- as we, as we use technology-- we as an industry use technology and are implementing more and more technology to reduce the cost of production for our farmers, especially in a time of reduced commodity prices like we have today, we don't think it's a very good idea to start taxing many of those components that will be part of the, the addition of technology to this farm equipment. We also think it opens up a dangerous precedent in terms of taxing other ag inputs, such as fertilizer and seed, when

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times get tough and the Revenue Committee is looking for additional, additional funding. The border bleed is real. I know my Imperial and Ogallala customers will go to Holyoke for 6 or 7% reduced prices. I know my Sidney customers will go to Sterling, Colorado. And I know my Scottsbluff and Bridgeport customers will go to Torrington. So the border bleed issue is, is very, very real. And in closing, I think it's just almost nonsensical to think that the farmers that are bearing the majority of the property tax burden, we turn around and try and reduce their property taxes by beginning to tax their, their parts. So with that, I'll, I'll stop and answer any questions.

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

STACY WATSON: I'm back.

LINEHAN: You are an accountant.

STACY WATSON: I try now, Chairwoman Linehan.

LINEHAN: I wonder what your opinion is.

STACY WATSON: I know. I know. What could it possibly be as a- as an accountant? Members of the Revenue Committee, thank you for having me back. My name is Stacy Watson, S-t-a-c-y W-a-t-s-o-n. I am a tax sharehold-- shareholder at Lutz, for full disclosure. I'm on the taxation committee of the Nebraska Society of CPAs, and I am on the Nebraska Chamber as the tax-- as chairman of the Taxation Council. But today, I'm representing the Nebraska Society of CPAs, and we are basically an opponent of this bill because these are accounting services we're selling to businesses. Imposing sales tax on services violates the principles of good tax policy. Accounting is a business service and doesn't belong in the sales tax base. Experts across the political spectrum concur taxing business inputs like accounting services under sales and use tax leads to undesirable tax pyramiding, and we've talked about why pyramiding incurs [SIC]. And you know, to your point, Senator von Gillern, is it a business input? I think when it's required by the government and we're not-- nobody comes to us for fun, I would absolutely say it's a business input. We're required to do it. All of our clients are required to do this by law. Believe me, like I said earlier in my meeting today, no one comes to see me for my sparkling personality. We have to-- this is a business input from our perspective. In addition, when services that are consumed by businesses are taxed, the principle of tax law transparency is

violated. The additional tax is included in the price of the final product and is effectively hidden from the ultimate consumer. Should this bill pass, Nebraska would be at a great disadvantage in its ability to compete with other states for business and investment. Only 3 states, New Mexico, South Dakota and Hawaii actually tax professional services. And they have unique systems in and of themselves. According to the American Institute of CPAs, over the last several years, 32 states have introduced 106 pieces of legislation to tax professional service. None passed. Policymakers in these state recognized the negative impact on these proposals and their growth. Minnesota, Michigan and Florida and Massachusetts passed, and all were quickly revealed-- repealed, oftentimes before enactment. In Florida, for example, the measure was repealed because it put in-state business at, at a competitive disadvantage. While we respect the efforts to provide property tax relief, we urge you to indefinitely postpone LB1308 and set aside the idea of imposing sales tax on accounting and other professional services, as it would, in fact, undermine Nebraska's ta-- ability to maintain businesses. And by the way, I gave you 2 handouts, my testimony, and one, a cost report that discusses why it is a business input and why we shouldn't tax such things. So if you have any questions, I'm happy to take them.

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

STACY WATSON: Have a great afternoon.

LINEHAN: Yep. Next opponent.

DENNIS SWANSON: Thanks for taking your time to-- that you all put into this. It's amazing with the patience you have. So, my name is Dennis Swanson, Dennis, D-e-n-n-i-s, Swanson, S-w-a-n-s-o-n. I'm here to oppose LB1308, to remove the sales tax. It's something that we worked on pretty diligent. I am the owner of Sandhill Equipment, a 3-generation, family-owned farm equipment located in north central Nebraska, near Bassett. My fathers and 3 brothers-- their his 3 brothers started it. I'm here today representing the Iowa Nebraska Dealers Association, where I had served for 24 years on the board. I was board chair of the legislative committee when this sales tax exemption was put into place. The most heartfelt reason that I am here today, though, is for the sustainability or at least a competitive, competitive fairness of our family-owned business, better said, a level playing field. Just a quick comment. Back when the Dealer Association, State Chambers, and, and Cattlemen's Association, and we

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was working this exemption through the system, why, Senator Carlson was the chair at that time. And after we'd been about halfway through it, he says, we need to look at this exemption, as these groups, groups would not be coming back if there wasn't something wrong. I've always enjoyed his comment with a touch of humor. I mentioned the amount of time it took to put this tax exemption on parts for the main reason it has-- it was not placed in front of your predecessors. It was studied and considered for long-- the long-term effects. There was a lot of ranchers, farmers and different associations. We even had Ernie Goss, back in 2011, do a study which will be emailed to you at a later time. I mentioned earlier I was located in north central Nebraska, about 25 miles from the South Dakota border. And just like Mr. Owen Palm said, the border bleed is true. We have customers driving, picking up their buddies or their neighbor, and they're going up there to save their sales tax. And they're also buying gas and, and dinner and, and maybe even a bigger picture here, is they form relationships. And these businesses go beyond parts counters. They may see tractors, and it just-- it just grows from there. And we need to keep that business in Nebraska. I mentioned Ernie Goss, and I know the numbers of the study is old, but I'm guessing that it would still hold true. In closing, several times-- our family business, I mentioned our family business, 3 generations of years of service, all of these factors are depending on the Nebraska legislation or more specifically, you Senators, to help make sure we keep the tax exemption on agriculture parts. Thank you. Any questions?

LINEHAN: Thank you. It's just helpful. Are there any questions from the committee? Seeing--

DENNIS SWANSON: Could I make 1 comment to the senators, [INAUDIBLE] filtered?

LINEHAN: You can if I-- I have to ask you. Would you like to make a comment?

DENNIS SWANSON: So, so in that, in that proposal, where the customer comes to the counter with the oil filter, he's already profiled whether he's taxed or not. So he-- we already know whether he's a contractor or a farmer. So the computer, they don't have to ask that question.

I don't know if this is going to help you.

DENNIS SWANSON: What? Not-- good?

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LINEHAN: Yeah. We're good.

DENNIS SWANSON: Thank you.

LINEHAN: Thank you.

DAVE PANKONIN: Don't turn that light on so quick.

LINEHAN: It's been the same for everybody.

DAVE PANKONIN: Chair Linehan and members of the Revenue Committee, I want to thank you all for your public service. And I really say that today, when it's a long day of sitting in hearings. My name is Dave Pankonin, D-a-v-e P-a-n-k-o-n-i-n. I want to give you a little, little bit of my backstory. I've been involved the last 49 years as an ag equipment dealer representing the Case IH brand with Pankonin's, Inc., a single store location south of Louisville in Cass County. Now, my son, Paul, is the lead at the dealership, as the fifth generation of the Pankonin family serving Nebraska agriculture since 1883. Those 141 years of operation across 3 centuries have benefited many coworkers and our customers with long-term employment and service, as we sold equipment, parts and services in our trade area. Once Paul joined the dealership in 2005, I took the plunge and successfully ran for the District 2 legislative seat in the Unicameral in 2006, and served until 2011, including 1 session on the Revenue Committee. Two of the important things I learned in the Legislature was the amazing amount of material to try to understand, especially at the committee level, and to consider the unintended consequences of potential bills passed. That is why I'm here to testify in opposition to reinstating the sales taxes on parts used for agricultural production. Besides the extra cost to the producers, this would have a very negative effect on Nebraska dealers. For our store, parts sales, over the counter, which means customers come to the store or call in a parts order for pickup, were 62% of the total parts sales in 2023, with the other 38% of parts sold on service shop work. When a farmer doing their own repair work on planting equipment or harvesting equipment can easily spend \$20,000, and to save 5.5% or more, or \$1,100 on that order, they likely may do that and take a drive. Since all our neighboring states except Wyoming do not charge sales tax on ag parts, these counter sales will go down, plus some of the shop service work could go out of state, as well, to save on the parts portion of the repairs. Our store is 16 miles from the Iowa border and our business employment, reinvestment, and even viability will be threatened if this bill passes. A perfect example is at the John Deere location in my county

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by Plattsmouth, was purchased in 2007 by a large Deere dealer group. And instead of building a, a facility in Nebraska, they moved just across the Missouri River into Iowa, to potentially take advantage of the parts sales tax and use that business-- take that business away from Nebraska dealerships. It might be assumed that landowning farmers who get additional property tax relief will be happy to pay the sales tax on parts. Human nature being what it is, many will want to maximize both the property tax savings and avoid the sales tax on parts. We had a level-- we had a level playing field in these last few years, and we reinvest in our business because of it, grew employment, added a building, and now, this is all-- that could be stressed and, and taken away from us. So please keep those consequences in mind. A sound ag dealership network with continued strong employment investment is--

LINEHAN: OK.

DAVE PANKONIN: --also a valid consideration. Thank you.

LINEHAN: We do have great admiration for you, but your light's been on. Do we have any questions from the committee? So this was done in 2011?

DAVE PANKONIN: No, actually 2-- 2014. It had been a long time coming for us, for-- as, as was mentioned. There was been a long effort to do it because of, I think, the border bleeding deal. But actually, the border bleed is not just the, the counties along the border. People quite a ways in will drive and, and-- or else call and get the part shipped to them or whatever, and they not pay the tax. So I don't know what the revenue projections say, but it, it-- it's, it's going to hurt. You know, just one more comment. In my county, Cass County, when I started in 1975, there was 5 locations of dealers. I'm the only one left.

LINEHAN: Thank you very much for being here. Appreciate it. Good afternoon.

PHIL ERDMAN: Senator Linehan, members of the Revenue Committee. My name is Phil Erdman, P-h-i-l, Erdman, E-r-d-m-a-n. I'm here representing the members of the Iowa Nebraska Equipment Dealers Association. You should have received, in addition to the testimony that has been provided to you today in person, letters from 8 different dealerships across Nebraska representing all different brands, colors, and many of them are similar to the stories that

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you've heard today, from Dennis and from former Senator Pankonin. A couple points I want to make, just to try to put some facts and figures around what we know will happen. It's not an unintended consequence if this is repealed. The email that you had this afternoon that we sent to you from Senator-- or from Professor Goss will tell you the impacts that were going on in Nebraska prior to the passage of LB96 in 2014. It is not an unintended consequence, if this is repealed, for the dealers in Nebraska. The border bleed issue is real. I can give you examples of farmers who are tenants. 44% of all ag land in Nebraska is farmed by a tenant. They're spending \$10-20,000 over the counter, and many of them are spending upwards of 50, 60, some of them close to \$100,000 on parts and service. So if you do the math, at a 5.5% rate, that's an additional \$4-6,400 a year for the parts that they're currently not paying taxes on. If the state raises their income-- their rate to 7%, that number goes up to \$5-8,000. And if you're in a community that has a local option tax and you pay that tax on top of it, you're close to paying an extra \$10,000 for the parts that you're not paying now. And it's not optional for those individuals. So the fairness issue is, is also a part of this. Business inputs for manufacturing are not taxed. Agriculture would be taxed. To Senator von Gillern's point, if he bought that skid steer loader and he was not in livestock, if you're a farmer, you're paying tax as well. You're paying tax on that tract-- you're paying tax on that skid steer. I spend a lot of my time helping our dealers comply with the current sales tax law. It's not a one-size-fits-all and it's not a free-for-all. In fact, most of the other states around us, Iowa, Missouri, charge no tax on a skid steer regardless of what you're buying it for, if you're in agriculture. So it's not as is perceived. But to my, to my last point: 44% of farmland is farmed by a tenant. He buys that part. He spends that \$10,000. That money does not come back to him. He is not only paying rent for his landowner that's going to pay his property taxes, but now he's also paying a sales tax that goes to his landowner for his property taxes again. So to the argument that agriculture should be thrilled or would be happy to receive a reduction in real estate taxes, 44% of agriculture will not see that, at least not directly. We would encourage your opposition to LB1308, and we would answer any questions today or later if you would have them.

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

MURMAN: Yes. Thanks for testifying. You mentioned 44% of farmers are tenants of, of the ground, I guess, in the state, [INAUDIBLE] tenants.

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PHIL ERDMAN: Correct. Correct.

MURMAN: I was wondering if you have any figures on, on repair parts. How much of that is boughten [sic] by young farmers, because, you know, typically young farmers or especially not-elderly farmers, don't buy new equipment. They buy used. And I know it's very expensive for repair parts for used equipment. Do you happen to have any figures on that?

PHIL ERDMAN: Senator Murman, I don't have hard numbers. I can, I can work on that. I can tell you when I sat in your seats, I was one of those farmers with old equipment and was buying parts not new, we see that. I would say, and, and I'd hope Governor Pilleen would admit this, as well, when he started as a tenant farmer, that that was the situation that he was, was in, as well. We know that with the cost of equipment going up, with the cost of, of living going up, individuals are holding on to equipment longer. With interest rates going up, they're retaining that equipment longer, which means that the cost to repair, the cost to service and the cost to maintain that will continue to go up. So it is disproportionate to a younger producer because of the, the financial difficulties of getting going in, in agriculture. But I'll work to see if I can find some specific numbers for you.

MURMAN: Yes. I found, you know, just from-- I have a lot of farm neighbors, of course, because I'm a farmer, too--

PHIL ERDMAN: Sure.

MURMAN: --by the way, but the neighbors I know didn't buy any new equipment. Maybe, you know, their last decade or so of farming, they maybe buy new equipment, unless it would be some small piece of machinery, of course. So, so-- I gotta make this into a question. So would you agree with that?

PHIL ERDMAN: I would agree. I would agree. And I think the other part of that, Senator Murman, as you know from our conversations, the ability for a dealer to not only provide that part, right, day of, its harvest, whatever, whatever your situation may be, to be able to have that, depends on a viable business model where that dealership can operate. And that not only deals with the ability to drive up that day and have parts, for many of our dealerships, same day, if, if not, the very next day, but it also depends on them being able to have the service technicians and the staff to be able to support you in those

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times. We know. And when you look at the map along Kansas and Iowa specifically, the dealerships that are there are largely there because they took advantage of the opportunities that they had, prior to 2014, to grow their business at the expense of not only Nebraska businesses, but the expense of the state of Nebraska not being able to collect that revenue. And so, yes, we would agree with, with that. We would also recognize that these intended consequences will be real, because we've experienced them before. And we hope that you'll avoid them in the future.

MURMAN: Thank you.

PHIL ERDMAN: Thank you.

LINEHAN: Thank you, Senator Murman. Senator Meyer.

MEYER: Thank you, Chairman Linehan. There have been several references to border bleed. We'll just have to go in Kansas and some went to Iowa. So the Legislature and this committee is, is in this predicament where, since you mentioned those states, their ag real estate costs, per acres, about 20% of what Nebraska is. So therein sees-- I guess I see a major problem for this committee and this Legislature, trying to somehow-- we're already at a competitive disadvantage just because of that. So we are looking for solutions all across the board. And, and that, right there, is a major discrepancy in Nebraska's competitiveness in agriculture and other businesses, as well. So, I just wanted to point that out, I guess. And I know you understand that. You were in these seats at one time, so-- but I wanted that on the record, that their advantage, with their lower real-- tremendously lower real estate taxes already, gives them an advantage. And that may be a reason why those dealers built there, in addition to the sales tax on parts, so.

PHIL ERDMAN: Can I respond?

MEYER: Sure.

PHIL ERDMAN: OK. So a couple points. I, I--

LINEHAN: Important responses.

PHIL ERDMAN: I will. I, I don't disagree. I will tell you that from, from experience, the dealerships across those borders would load their trucks up at night with cash sales of parts, and they would deliver them into Nebraska. Senator Pankonin talked about the formal movement

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of a dealership, but the reality was is that it's, it's guerrilla warfare, right? It's, it's going to happen. I'm not discounting at all the impact of, of property taxes on, on businesses, but I would simply say to you, Senator Meyer, let's not create a different problem while we're trying to solve that one.

MEYER: OK. Thank you.

LINEHAN: You're not implying that tenants aren't affected by property taxes?

PHIL ERDMAN: Oh, there absolutely are. Most definitely.

LINEHAN: OK.

PHIL ERDMAN: They're just not going to see the direct correlation between the relief that's going to go to the landowner.

LINEHAN: I, I understand that.

PHIL ERDMAN: Yeah. Yes, Senator.

LINEHAN: But they are affected by property taxes.

PHIL ERDMAN: Absolutely. We all are.

LINEHAN: OK. Any other questions? Seeing none, thank you very much. Good after-- good evening.

BRIAN KLINTWORTH: Good evening. Thank you. Chairman Linehan and members of the Revenue Committee. For the record, my name is Brian Klintwort, B-r-i-a-n K-l-i-n-t-w-o-r-t-h. I'm a tax partner at HBE and serve as the vice chairman of the board of the Nebraska Society of Certified Public Accountants, representing about 2,600 member CPAs in the state. Our firm is also a member of the Lincoln Chamber of Commerce. I'm here today to voice the Society and the Chamber's opposition to LB1308, which would eliminate the sales tax exemption for accounting services to businesses. LB1308 would have a negative impact on Nebraska's economic development and competitive climate. Since taxes and economic development are inextricably linked, Nebraska may suffer unintended and unwanted consequences after imposition of a sales tax on accounting services and other professional services. A couple points to raise: 1, business expansion would be impeded. Expanding the sales tax to accounting services is the same as a tax on the capital investment of business expansion, in that it

increases the front-end cost of doing business. As well, jobs may be shifted outside the state or outsourced to other countries. And sales tax on services might provide a hidden market for accounting services offered by out-of-state providers. If the service provider does not have nexus in the purchaser's state, in Nebraska, for example, no sales tax is collected. And in order to collect the tax, Nebraska would have to rely on use tax collection efforts. In addition, a tax on accounting services could further increase outsourcing to other countries, where both the U.S. and its states have no authority to collect sales tax. Discrimination could occur against small and emerging businesses that CPAs represent. Small businesses are often forced to use outside vendors to perform audit, tax, and business advisory services. The compliance costs for these items can be substantial, and taxing these services will further increase financial pressure on these businesses, limiting the growth. As well, physical location is of decreasing importance in today's world. States that decide to pose account-- to tax accounting services, excuse me, would be at a disadvantage to, to the majority of states which do not. As well, would discourage the use of accounting services in Nebraska for complex issues related to taxation. And as well, because professional services can be performed in multiple locations and received in completely different locations, it can create a dichotomy and difficulty for tax compliance. Overall, both the Society and the Chamber recognize the raising revenue to support government programs and importantly, provide property tax relief is an important process and requires a reassessment of our current struct-- structures. However, we do not believe that taxing accounting services is an effective solution, and we urge the committee to indefinitely postpone LB1308. I welcome any questions.

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

RYAN McINTOSH: Good evening, Chair Linehan, members of the committee. My name is Ryan McIntosh, M-c-I-n-t-o-s-h, and I appear today as a registered lobbyist for the Nebraska Bankers Association and the National Federation of Independent Business. I'll be very brief. The one thing I'll point out, specific to the proposed business to business accounting services, smaller businesses and community banks would be disproportionately impacted, as they do not typically have payroll accounting personnel on staff, and will be subject to payment of sales tax on all their accounting-related services that are outsourced. By contrast, larger businesses will be more likely to have payroll and accounting personnel on staff, and will enjoy a built-in

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cost advantage. So with that, I'll end my testimony and welcome any questions.

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

RYAN McINTOSH: Thank you.

CARTER THIELE: Hello. Thank you, Chairwoman Linehan, members of the Revenue Committee. My name is Carter Thiele, C-a-r-t-e-r T-h-i-e-l-e, and I am the policy and research coordinator for the Lincoln Independent Business Association. We oppose the proposed bill's provision to remove the sales tax exemption on business to business accounting services. It may seem like a potential source of additional state revenue, but this proposal could have far-reaching negative impacts on our economy and our businesses. The removal of this exemption would significantly increase the cost of accounting services, especially harming small and medium-sized enterprises. These businesses already spend a substantial part of their budget on accounting services each year. An additional sales tax, potentially of up to 8.5%, would further increase expenses for small businesses that are already dealing with small profit margins and high inflation. Additionally, the proposed bill could discourage businesses from seeking professional accounting services in the first place, and instead, opt to complete those services themselves. This could lead to a decrease in compliance with tax laws and financial regulations, and results in more frequent financial reporting errors and potential legal issues. Also, SCORE, a national nonprofit devoted to helping small businesses, conducted a survey in 2015, where 40% of small business owners reported that their least favorite part of owning a small business was bookkeeping and accounting. The other 60% hired accountants. OK. So finally, this bill harms Nebraskan accounting firms. For one, businesses may choose to seek accounting services from firms in states where such services are still tax exempt, or foreign entities, leading to a decrease in business for Nebraskan firms. And in addition to the potential loss of clientele from Nebraska small business owners to remain competitive in the interstate market, Nebraskan accountants who have clients in other states would have to lower their prices to make up for the added cost in sales tax. This directly reduces the profitability for these business relationships, negatively impacting the local and state economy. In conclusion, removing the sales tax exemption on business to business accounting services could have numerous adverse effects. We thus urge this committee to reconsider this bill and to seek alternative solutions

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that do not place undue burdens on our businesses, tax system and economy. Thank you, and I would be happy to answer any questions.

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

MARK McHARGUE: Good evening.

LINEHAN: --or good evening.

MARK McHARGUE: Good evening, Senator Linehan and Revenue Committee. I'm Mark McHargue, M-a-r-k M-c-H-a-r-g-u-e. I'm president of Nebraska Farm Bureau and also represent the ag leaders, as, as you will see, mentioned in the testimony. I'm going to-- I'm going to-- I'm going to go out just a little bit and just remind us why we're having this extra conversation today. We're looking at ways to actually lower our property tax burden in Nebraska, and so we're talking about ways to raise revenue. As the ag leaders and Farm Bureau have stepped back and, and developed some principles of how we view the different pieces of legislation going through, I just want to remind you of a couple of things. Number 1, as I mentioned yesterday, we want to make sure that all the relief that's taken place up to this point, is-- stays in place. We are for balancing the structure between income tax, sales, and property tax, and realize that if we increase sales tax revenues, that is-- the only reason we want to do that is to reduce property tax. And then finally, we are all in on the conversation about capping our property tax receipts. So back to the reason that we're opposing LB1308 is fundamentally, is because it's an input cost. I sat on the Governor's-- had the privilege to sit on the Governor's tax commission-- committee. We talked a lot about the things that we're going to tax. And we had a lot of conversation about taxing the things that we could choose to either not buy or, or actually had a choice in. When it comes to parts for equipment, we, we clearly don't have a choice. If it's broke down, we have to fix it. I called my son yesterday and I said, what are you doing? He said, well, I'm on my way back from Seward. He said, I have \$20,000 of parts on my trailer for the combine. I'm like \$20,000? He said, well, yeah, we're just actually kind of getting started. The tax on that would be about \$1,300. But as I, as I pull back, I do want to say to this committee, in our conversations, we are all in. I think the committee and the Legislature this year has the opportunity to finish what we've been working on for years. I think we absolutely have to dig in. I have the-- I think we have the chance, with all the things that have been put on the table, we can absolutely balance our tax structure. That

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will be good for Nebraska. I think we can be competitive with our neighbors, and I think that's good in all business sectors. And when we do that, and we ultimately roll that back into property tax relief, it's not just ag that's the winners. Agriculture is 30-some percent, residential is 30-some percent, commercial is in there. We're all winners if we can get this across the finish line this year. I'll be happy to answer any questions.

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

ROBERT M. BELL: Hello.

LINEHAN: Good afternoon. Good evening.

ROBERT M. BELL: Good afternoon. Good evening, Chairwoman Linehan and members of the Revenue Committee, Committee. My name is Robert M. Bell. Last name is spelled B-e-l-l. I'm an executive director and registered lobbyist for the Nebraska Insurance Federation, and I am appearing today in opposition to LB1308. The Nebraska Insurance Federation is the primary trade association of insurance companies in Nebraska. The member companies certainly appreciate the puzzle of taxes that the-- tax issues that are facing the state and that this committee is tackling. And we're watching with great interest to see what the, the package may be at the end of the day. And we, certainly, as domestic insurance industry, understand that-- the important role tax climate has played on our incredible growth in this state. With that said, we are opposed to this because insurance companies spend a great amount of money on accounting services. We hold assets. I believe the domestic industry holds approximately \$1 trillion in assets. And those assets are in a constant state of review by various auditing or accounting firms as is required by the insurance code, and as would follow good standard practice of a business. We know that this will result in tens of thousands of dollars of additional tax liability for our companies, which you probably already know. And so, I just wanted to point out a couple of questions that I'm getting from my members on, on, on a portion of, of this bill relating to the accounting services. You know, there's some unanswered questions on like, the definition of accounting services. So does that include consulting services, when an accounting firm comes in and does the consulting? What if you launched software, your accounting software, and you have your accountants in verifying that? That sounds like it probably would. But a lot of times, those accounting firms also are the ones deploying that software. You know, what, what [INAUDIBLE]

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issues related to the site of the services? You know, does this like have-- does the accounting services need to be provided in Nebraska, or what happens when you use an outside firm, or an outside firm comes to Nebraska and then leaves and does some of their work outside? There's just some unanswered questions. We look forward to the continuing discussion and wanted to share our perspective, particularly related to accounting services, which we believe is unique to our industry. Thank you.

LINEHAN: Thank you very much. Are there any questions from the committee? Thank you for being here. No, those are valid questions, what is and what isn't, which is always, always an issue when we're talking about taxes.

ROBERT M. BELL: Thank you very much.

LINEHAN: So, thank you for being here.

DEXTER SCHRODT: Good evening.

LINEHAN: Good evening.

DEXTER SCHRODT: Chairwoman Linehan, members of the Revenue Committee. My name is Dexter Schrodt, D-e-x-t-e-r S-c-h-r-o-d-t. I am president and CEO of the Nebraska Independent Community Bankers Association, and we would agree with the statements made by Mr. McIntosh. As the trade association exclusively representing community banks, we do feel that they would be disproportionately impacted by this, as they do not typically employ in-house accounts, payroll, and also have to utilize accountants through services like audits that we have to undergo during our course of business. Naturally, this is going to increase the cost of business, which in this thin interest rate margin environment that we are in and with the liquidity issues facing banks across the country, is a, a concern. And as small businesses ourselves, we are champions of small business. So we also share the concerns of the impact disproportionately on small businesses, exercising financial-- prudent financial management and compliance with tax law. We urge the committee to oppose LB1308. Thank you.

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

JOHN HANSEN: Good afternoon, Chairman Linehan, members of the Revenue Committee. For the record, my name is John Hansen, J-o-h-n, Hansen, H-a-n-s-e-n. I'm the president of Nebraska Farmers Union. My

organization did have a focus on this particular issue relative to sales tax on farm repairs. We worked in a very focused kind of way for, for over 15 years on this issue, till finally we were able to develop enough support, get enough education, convinced enough people about the inherent unfairness of that tax. And we were able to work with our partners and the farm equipment folks. We, we know what happens if we go back to doing what we did before, because what we had before was a train wreck. And my phones are ringing at the office. It's got my folks' attention, and it all starts out with how many miles they are to the next farm equipment dealership across the border. And they start telling me about how much money they're spending on repairs. And yes, they're going to drive that far for that amount of money. There's no question about it. So we're going to create a border bleed problem that's going to adversely impact young farmers more, because they farm with older equipment. That's just the way it is. And so, is this a manufacturing input? So going back to just basic tax policy, should you tax inputs for manufacturing? And the answer is no, you should not. That is not good tax policy. And so, all of these things we're talking about here in the ag sector are inputs. These are all things that we do in order to harness the, you know, the value of the sun and the wind and the, and the rain and the soil and, and a few inputs, and to be able to create something that's new and that has value. The other thing to remember is that agriculture as a sector is-- while we're one of the largest businesses in the state, we're different than any other business. Because unlike any other business, we do not set the price of what it is that we sell. We buy from a, a system of very concentrated markets, and we sell into another system of very concentrated markets. And we don't go to the sale barn and say, I'm sorry, but our input cost just went up and our taxes went up, and so we're going to have to raise the price of calves today, boys. No, sir. We, we take what the market gives us. And so we are price takers. And so I would ask the Revenue Committee to not help fix one wrong by creating a wrong that we already fixed. And with that, I'd be glad to answer any questions if I could.

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

JOHN HANSEN: Thank you.

LINEHAN: Are there any other opponents? Any other opponents? Anyone wanting to testify in the neutral position? Seeing none, we had letters, 1 proponent, 9 opponents, and 1 neutral. Good aft-- good evening.

von GILLERN: Thank you. Thank you, again, Senator Linehan and committee members. No big surprises in testimony and, and most of the conversations or testimony that we heard today, I've had conversations with most of these folks, leading up to, to the con-- convers-- again, the conversation in the hearing today, which I think is the way that the system is supposed to work. And people were gracious and, and shared their concerns. And I listened, and I listened again today. I do have a few comments, and, and I'm not going to spend a lot of time rebutting things that I heard, but I do have a few things that I, that I want to clarify. Ms. Watson stated that-- and I think there are only 3 states that tax accounting services, and one of those was South Dakota. South Dakota has a major shift in their tax system already because they don't have income taxes. Now, maybe not the best comparison. I don't know about Hawaii, and I don't remember what the third state that she said. Mr. Palm mentioned Blueprint and I'm not as, as up to speed on Blueprint recently as I used to be, but I could have sworn Blueprint called for a larger sales tax base. Now, how that sales tax base is achieved, it didn't specify. But I'm pretty certain that Blueprint said that the answer to property tax issues was to increase your sales tax revenue. I need to go back and review that. And Mr. Palm was apparently a part of drafting that, so I'll, I'll appreciate clarity from him. Border bleed was mentioned over and over and over again. And again, I, I don't mean to say this as a poke in the eye, and maybe it is, but I sure don't hear that brought up with fans of the EPIC tax. And I know there's some fans of the EPIC tax in this room. And if you want to talk, talk about border bleed, man, that's, that's the biggest border bleed issue we're going to hear. Mr. Erdman, I'll, I'll, I'll ask you for some clarity when we-- when we get to visit personally, one on one. I, I heard you say something about loading up trucks of parts and shipping them into Nebraska. And maybe you were referring to that prior to the sales tax exemption that is now in place. But I wouldn't understand why we'd be doing that today, because obviously, there would be no advantage to that. Maybe it-- so maybe I misunderstood that, so if you'd make a note that we can get clarity on that. Talked about the skid steer being taxed, no matter where it's used. If I had used an example of a loader or a tractor, then my scenario that I talked through would have been more accurate, so my, my mistake there. Let's see, what else here. I agree with Mr. Bell's comments about adding clarity around the definition of accounting services. Clearly, that needs to happen. And then my last push back, to Mr. Hansen, about setting the price. I understand that commodity purchases and commodity sales are different than, than other industries, but when I ran my business, I didn't get to set the market

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price. The market sets the price. And we used to say that all the time, when construction prices were escalating and people would say, how much is that going to cost? My response was going to be, I don't know, because I don't know where the market's going to be on that day. We're all subject to what the market does and what we can buy and sell things for, and we're all subject to external influences. And again, the commodity market is different than, than others. I don't want to pretend that that's not the scenario. But, but again, to, to claim that everyone gets to set their own margin and go out and sell for whatever they desire their sale price to be is, is completely false. And then I guess my closing comment would be that-- I'm not, I'm not picking on farmers. I'm not picking on accountants again. I got friends in both industries. I just don't want to pretend, particularly with the agricultural parts. Let's just-- let's just say it out loud, that the ag industry is admired and revered in this state, and they have advantages over other industries when it comes to buying things like parts-- repair parts and, and other things that may be considered inputs that other industries don't get. So with that, I'll close, and happy to answer any questions.

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

MURMAN: Yes, I have one on--

LINEHAN: Remember, we have Exec tonight.

MURMAN: --and I hate to-- hesitate to bring this up, but you, you did mention the EPIC tax in both your open and closing.

von GILLERN: Yeah.

MURMAN: So, if, you know, the EPIC tax is projected to be 7.5%, but you do, with the EPIC tax, eliminate property taxes and income tax. So we assume with those taxes eliminated, that businesses would be able to sell their product very competitively with [INAUDIBLE] the states. Would you agree with that?

von GILLERN: I would agree with that if 7.5% was the number, which is widely disputed. The advocates and the proponents of the EPIC tax say that 7.5% is the number, but very few others agree with that. But yes--

MURMAN: [INAUDIBLE] establishes that, so--

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von GILLERN: --if that is the number, I agree with you wholeheartedly.

MURMAN: --thank you.

von GILLERN: And border bleed will still be an issue.

MURMAN: Thank you.

von GILLERN: Yes.

LINEHAN: All right. Did I already say the number of letters? I did, right?

von GILLERN: Yes.

LINEHAN: OK.

von GILLERN: Thank you.

LINEHAN: Thank you very much. We're going to close the hearing on LB1308, and open the hearing on LB1319. OK. We'll take a 5-minute break.

[BREAK]

von GILLERN: Attention, please. We are going to open up our hearing on LB1319. If we could be seated and come down to a dull roar. Welcome, Senator Linehan.

LINEHAN: Thank you. Good evening, Vice Chair 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. I'm from Legislative District 39. LB1319 would eliminate provisions for sales tax exemptions currently in place for data centers. This would allow for additional tax revenue that can then use property tax relief. Estimates provided indicate that this would generate approximately \$6 million in fiscal year 2025, approximately \$6.5 million in fiscal year 2026, and approximately \$6,700,000 in fiscal year 2027. At a time when the Legislature is trying to find a balance between 3 main revenue sources: income tax, sales tax, property tax, this would allow additional balancing between the 3. I would ask the committee to approve LB1319 and advance it to the floor for consideration of [INAUDIBLE]. Thank you. And I'm happy to answer any questions.

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VON GILLERN: Thank you. Any questions from the committee? Seeing none, thank you. We'll invite up proponents for LB1319. Anyone who'd like to speak as a proponent? Seeing none, any opponents to LB1319? Evening.

BEN BURAS: Hello. Ben, B-e-n Buras, B-u-r-a-s. I don't-- I don't know how exempting data centers from the sales and use tax exemption, I don't know how that's going to lower property taxes. I studied visual communication and computer science at Truman State University. One of my professors was Dr. Jon Beck, who got his master's in biology at George Washington University and then his Ph.D. in computer science [INAUDIBLE] College. So I, I studied data structures and algorithms under him. I haven't read the language of the bill, but, I mean, is this-- does this-- I don't know if this includes electricity usage or sales tax. So I mean, is a data center, are they-- I mean, I guess they would be selling their services as. But I don't see how this is going to lower property taxes. And every time you're googling something and using any search engine or using your cell phone, you're accessing a data center. So I don't see how this is going to lower property taxes. And having, having run web servers myself, there are so many hurdles you have to jump through with programming with Linux or Unix or Windows, whatever system you're using. I-- so I just don't see why this is necessary. So that's why I'm against this bill.

VON GILLERN: Thank you for your testimony. Any questions from the committee members? Seeing none, thank you for being here.

BEN BURAS: Thank you.

VON GILLERN: Next opponent testimony. Seeing none, would anyone like to testify in the neutral capacity? Seeing none, Senator Linehan, would you like to close?

LINEHAN: I think I should since I think [INAUDIBLE] I sent somebody after Senator Wayne.

VON GILLERN: Pardon me?

LINEHAN: I sent someone after Senator Wayne. Isn't he next on the--

VON GILLERN: Yes. Yeah.

LINEHAN: He might be surprised we're ready for him. First of all--

VON GILLERN: There he is.

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LINEHAN: Very good. Anything to get out of Judiciary. So in my closing right now, I just want to thank everybody that was here today. I especially want to thank Jen Creager for organizing and the other chambers and everybody organizing so we might not be here till 9:00 tonight and still got their message across really clearly I think. So with that, I'll close.

von GILLERN: Thank you, Senator Linehan. That closes our hearing on LB1319 and we'll open on LB1345 with Senator Wayne.

LINEHAN: Hello, Senator Wayne. And I just want to thank you, Korby. That was helpful and quick.

WAYNE: The same. Yes. OK. Where we at, LB1314. My name is Justin Wayne, J-u-s-t-i-n W-a-y-n-e, and I'll answer any questions.

LINEHAN: Oh come on. Oh, yeah, you said that.

WAYNE: It's one line. You guys can read it. It's all good.

LINEHAN: Is this-- is, is this the attorneys or the other one?

WAYNE: The attorneys.

LINEHAN: OK.

WAYNE: Gross income on legal services performed in the furtherance of business enterprise.

LINEHAN: So, Senator Wayne, would this affect civil suits like divorces?

WAYNE: So the way it's written, theoretically, no. So this would only apply to those who are furthering your business enterprise. The complication gets into when you talk about civil-- family law is still civil, but the intent of it is not to apply to family law or criminal law. There's a gray area whether it applies to state works, depending on what it looks like, because many times a business goes into a state. So that's probably the biggest gray area. But, but the idea is if you're doing business stuff, you probably can, can pay the tax on it.

LINEHAN: Thank you. Are there any questions from the committee? Seeing none, thank you. See how many-- how many plan to testify on this bill? OK. Let's go. Oh, I'm guessing we don't have any proponents. It's kind

of the way the day's gone. The 3 people that are willing to do that have now left the premises. So opponents.

RYAN McINTOSH: Good evening, Chair Linehan, members of the Revenue Committee. My name is Ryan McIntosh, M-c-I-n-t-o-s-h, and I appear today on behalf of the Nebraska Bankers Association, the National Federation of Independent Business, Nebraska Chamber of Commerce and Industry, Greater Omaha Chamber and the Lincoln Chamber of Commerce. I'll keep my comments brief. You know, if this was adopted, Nebraska would be an outlier as 47 other states presently do not tax legal services. And while we're not supportive of taxing legal services at any level, taxing business inputs, as we've already discussed much in this committee, is generally bad tax policy and would result in pyramiding of expenses associated. Consequences of imposing sales tax on business legal services also fall disproportionately on smaller businesses and community banks, which do not generally have in-house legal counsel. Larger businesses, which are more likely to, to employ in-house legal counsel, will not be subject to the sales tax and would have an unfair competitive advantage. Given that the proposed tax on legal services would ultimately be borne by smaller businesses, we would ask the committee to not advance this bill. With that, I'd be happy to answer any questions.

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

DUNGAN: Thank you, Chairman, and I will try to be brief. Thank you very much for being here. I guess I'll posit this question to you and others if they want to answer it, can. I will try not to ask this over and over, but is there a clear definition in this of what "In furtherance of a business practice" is?

RYAN McINTOSH: No. And one, one question that I was just discussing with Dexter Schrodtt is whether this would apply to lobbying services. Does it apply to lobbying services if your-- if your lobbyist is an attorney, but not if you have a layperson lobbyist? I don't know. It's not clear to me.

DUNGAN: In the event there's not a clear definition, who would probably make the determination with regards to whether or not a service is in the furtherance of-- furtherance of a business practice or enterprise?

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RYAN McINTOSH: Department of Revenue would hopefully promulgate clearer regulations. But the statutory on the face of it is not clear.

DUNGAN: And in order to do so, would they have to have access to attorney records, such as client names of the kind of business and services they're providing?

RYAN McINTOSH: That's a terrific question. Whether or not when you're actually doing the-- when you're-- when you're auditing this for not paying your, your sales tax being remitted on services, that, that, that is a serious concern for any attorney.

DUNGAN: Thank you.

LINEHAN: Thank you. Are there other questions? Senator von Gillern.

von GILLERN: At risk, very quickly, who are the three states that do tax legal services?

RYAN McINTOSH: I will have to let you know that.

von GILLERN: Would you let me know, please? Thank you.

RYAN McINTOSH: I will get that to you, Senator.

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

RYAN McINTOSH: Thank you.

JASON GRAMS: Madam Chairman, members of the committee, I'm Jason Grams, J-a-s-o-n G-r-a-m-s. I'm testifying today on behalf of the Nebraska State Bar Association. I'm a partner of Lamson Dugan & Murray in Omaha. I'm the immediate past-president of the State Bar Association and chair of the bar's recently formed ad hoc committee studying tax proposals affecting Nebraska lawyers. Nebraska lawyers are strongly opposed to LB1345 because it is unworkable, it's bad for businesses, it's bad for lawyers, and it's bad for Nebraska. LB1345 is bad for business because although it's packaged as eliminating an exemption from the sales tax, as we all know here, it is in fact nothing less than a brand new tax on every responsible job creating business in Nebraska. This proposed new tax would make Nebraska a national outlier by taxing businesses for using legal services, creating a disincentive for businesses to locate their corporate

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headquarters in the state and an incentive for existing businesses to move their headquarters elsewhere. It would penalize the responsible businesses who seek to do right by seeking legal advice and tax companies for being sued or seeking to vindicate their rights. LB1345 is also bad for lawyers. The proposed language is unworkable. It is extraordinarily vague and invites disputes between lawyers and the Department of Revenue, disputes which will run headlong into the attorney-client privilege, the very bedrock of the profession of law. For example, if an attorney decides a particular matter is not subject to the tax, revenue agents reasonably seeking to maximize the public fisc will audit the attorney. The government will want to know who the client is, what the attorney's doing for the client, what the particular billing entries of the attorney are. All of this is protected by the attorney-client privilege. And to the extent the legislative branch seeks to authorize the executive branch to violate the attorney-client privilege, it unconstitutionally treads on the judicial branch's mandate to regulate the practice of law. That is but one of the constitutional problems with the proposed LB1345. This bill is bad for Nebraska. The NSBA takes no position on whether the state should increase other taxes in order to reduce property taxes. But if that's the goal, this is not the way to get to it. And we would encourage you to not advance LB1345. In answer to your question, Senator--

LINEHAN: No, your light's on. Are there any other questions from the committee? Yes.

von GILLERN: Apparently I have one.

LINEHAN: OK. Well--

von GILLERN: Would you like to [INAUDIBLE] something I asked?

JASON GRAMS: Hawaii, New Mexico and South Dakota, sir.

von GILLERN: Hawaii.

JASON GRAMS: New Mexico.

von GILLERN: Yes.

JASON GRAMS: And South Dakota.

von GILLERN: Thank you. Interesting.

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

JASON GRAMS: Thank you.

LINEHAN: Other opponents.

DEXTER SCHRODT: Good evening, Chairwoman Linehan, members of Revenue Committee. My name is Dexter Schrod, D-e-x-t-e-r S-c-h-r-o-d-t. I'm the president and CEO of the Nebraska Independent Community Bankers, a trade association exclusively representing community banks across Nebraska. Again, as you heard from Mr. McIntosh, community banks would be disproportionately impacted by this, as many do not employ in-house legal counsels. There's a multitude of legal services that banks have to pursue: real estate transactions, both acquisitions and foreclosures, trusts, deals involving municipal bonds and similar instruments. ensured compliance with state and federal law and regulations, and exercising our rights as under the law as creditors pursuing debts. So the impact would be quite large to community banks across Nebraska. And for that reason, we do ask you to oppose LB1345.

LINEHAN: Thank you. Are there any questions from the committee? What did you say about creditors pursuing debt?

DEXTER SCHRODT: So banks have a right under the law to pursue, as creditors, debtors that may have defaulted. So that's a function of the courts and would require legal counsel be acquired.

LINEHAN: OK. Any other questions? Thank you.

DEXTER SCHRODT: Thank you.

NICHOLAS BJORNSON: Good evening, Chair--

LINEHAN: Good evening.

NICHOLAS BJORNSON: --Chairwoman Linehan and members of the Revenue Committee. Nice to be back again. For the record, my name is Nicholas Bjornson, -N-i-c-h-o-l-a-s B-j-o-r-n-s-o-n. I'm here today to express strong opposition to LB1345. And I'm testifying on my own behalf on behalf of the Nebraska State Bar Association. The language of LB1345 is unworkable. Specifically, the terms legal services and furtherance of a business enterprise and application of the sourcing rules lack administrability and raise significant concerns regarding the attorney-client privilege. I am a practicing tax attorney at the Koley

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Jessen law firm in Omaha, Nebraska, and I've represented a variety of taxpayers in regards to their sales and use tax obligations. This is often included applying undefined and vague language to factual scenarios that the legislation could have never envisioned, which is certain to occur if LB1345 [INAUDIBLE]. Firstly, the term "legal services" is not a clearly defined term. Would this apply to title companies, consulting firms, or platforms such as LegalZoom, LLC Buddy and other platforms which charge fees to Nebraska businesses? Secondly, the term "in furtherance of a business enterprise" is inherently ambiguous and will impose challenges and uncertainty in its interpretation across various factual scenarios, which will make it difficult for legal service providers and persons seeking legal assistance. Lastly, and most importantly, the market-based sourcing rules of Section 77-2703.01 do not provide clear application of how to source the gross receipts of legal services. The question arises as to whether the gross receipts should be sourced to the attorney's location under subsection (2) or to the business location under subsection (3). Or what if the businesses have multiple locations in and outside of Nebraska, to which particular location, under what apportionment formula? This vague nature of the sourcing rules do not make it administrable and hinders the businesses' ability to determine their tax obligations and a significant challenge for the legal service provider. As such, this puts a untenable position on attorneys to necessiss-- necessitate unfeasible determination on whether the services provided are in furtherance of a business enterprise or where those services should be sourced. Yes, this would grant the Nebraska Department of Revenue the authority to audit an attorney's determination on these matters. And the department would likely request invoices, communications or work product as a way to determine the nature of the legal services provided. Providing such information would infringe on the attorney-client privilege, the cornerstone of our legal system, as Section 27-503 safeguards the attorney-client privilege in Nebraska. And as many courts have ruled, billing information is conveyed for the purpose of legal representation and lies in the heartland of the attorney-client privilege. Therefore, we respectfully urge the committee to consider the application of the attorney-client privilege, which limits the effective ability of the department to audit and the attorney to defend any proposed assessment For all these above reasons, I urge the committee to indefinitely postpone LB1345. If you have any questions, please let me know.

LINEHAN: Thank you. Are there any questions from the committee? This is very helpful on how to fix it. So thank you. Any other opponents?

KARA BROSTROM: Good evening, Chair Linehan and members of the committee. My name is Kara Brostrom, K-a-r-a B-r-o-s-t-r-o-m. I am a partner at the law firm of Ball, Loudon, Ebert & Brostrom. We have offices in Omaha, Lincoln and my hometown of Grand Island. We specialize in estate planning, estate administration and business succession planning. LB1345 creates a new tax on doing business in our state. In other words, it hurts businesses and worse than that, individuals. It's necessary, especially from my perspective, to consider what business means here in the state of Nebraska. On a typical day, whether I'm meeting with clients here in our Lincoln office or in my hometown of Grand Island, business comes up in almost every single meeting. Agriculture: Some of my most sophisticated business clients and estate planning clients are ag producers. We're having conversations with these clients to not only ensure that they're currently operating in a manner advantageous to grow and develop their operation, but also to ensure that their hard work is passed on to next-gen. Business entities are often established to assist with estate planning, succession planning, to take advantage of government subsidy payments, and also to ensure the operation is functioning from an income tax perspective. Entrepreneurs: Clients come into my office with a new business idea and want to build their legacy. One of the first things that we do is to make sure that there's an entity or business established to align with the individual as well as the business model. This is important in order to handle cofounders, investors, employees, intellectual property, legal contracts, grants, funding, and the operation of their business enterprise. Landowners: whether they're actively involved in real estate, commercial real estate, or passive land owners in an income-producing farm that they inherited. Additional examples, professionals: Individuals inheriting either a business interest or inheriting land. Either that they inherited that business interest does that bring in the entire estate administration and/or if they decide to establish an entity in which to hold the ground so they're not as tenants in common. Finally, those individuals who come to our office with a mission to establish a nonprofit to benefit those in our community. These are the individuals, businesses that I see every single day. These are the individuals that need legal assistance, one of which is consultation on their business entities to establish their legacy and to ensure that that legacy continues. LB1345 is unworkable. In addition to administrative and practical concerns, the enforcement of LB1345 necessarily causes significant breaches of client confidentiality-- confidentiality and, to be honest, an administrative nightmare. At this point, I don't even know that I could devise a

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procedure in which I would be able to determine what is a business client in the means of a 90-minute client meeting with an estate plan client. I urge you to indefinitely postponed LB1345.

LINEHAN: Thank you. Are there any questions from the committee? Per your descriptions, most of your clients would not be considered low income or even middle income. Sound-- it sounded, if I was listening, that you were talking about many people with considerable wealth.

KARA BROSTROM: At least from my-- from my perspective and from my law firm's perspective, we represent everyone from individuals that are attempting to apply for Medicaid who have business interests, either through, you know, land that we're trying to plan for up to individuals, yes, with significant net worth.

LINEHAN: People with land that are applying for Medicaid?

KARA BROSTROM: Life estates. And there's a lot of times the remainder individuals hold the remainder interest in an entity as well.

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

KARA BROSTROM: Yes. Thank you for your time.

CARTER THIELE: Thank you, Chairwoman Linehan and members of the Revenue Committee. My name is Carter Thiele, C-a-r-t-e-r T-h-i-e-l-e. I'm the policy and research coordinator for the Lincoln Independent Business Association. I wish to express our opposition to LB1345, which aims to remove the sales and use tax exemption on legal services performed in the furtherance of a business enterprise. This policy change could have several detrimental effects to both our local businesses and local law firms. First, it would lead to an increase in the cost of legal services performed in the furtherance of a business enterprise. This added tax burden would elevate the operating costs for businesses, placing a significant strain on the financial health of our local enterprises, especially impacting our small and medium-sized businesses. Additionally, LB1345 could complicate the tax compliance process for businesses. The burden of tracking and reporting taxes on legal services performed in the furtherance of a business enterprise could be confusing on the most basic of levels, because I wonder if I am rehiring an employee and I'm using legal services to draft a contract, then that would be regular legal services. But if I'm adding a new employee, then that's expanding my, my business enterprise. So even though it would be the exact same

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task, you could make a strong argument that one is in the furtherance of a business enterprise compared to the other. It's very confusing. And on a broader scale, LB1345 could pose a threat to economic development. The increased costs could make our region less attractive for business investment and growth, particularly hindering economic progress and job creation. We urge you to consider the potential negative impacts of LB1345, and to continue to support policies that encourage business development and economic prosperity in our community. Thank you, and I would be happy to answer any questions.

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

CARTER THIELE: Thank you.

ROBERT M. BELL: Chairwoman Linehan and members of the Revenue Committee, again, my name is Robert M. Bell, last name is spelled B-e-l-l. I'm executive director and registered lobbyist for the Nebraska Insurance Federation, and I am appearing today in opposition to LB1345. Got that wrong in my notes. We are the state trade association of insurance companies. Again, as I stated on the accounting services, legislation, we're interested to see how all of the pieces of the puzzle fit together. We did do an informal survey of member companies as to what they pay on both accounting services and legal services, and it was pretty eye popping, particularly on the legal services in 2 things. And there's really 3 A's of insurance, right? There's actuaries, the most important people; accountants, and there's a lot of them; and then there's attorneys, always the last one.

LINEHAN: You didn't mean in that order, did you?

ROBERT M. BELL: No, not order of importance at all.

LINEHAN: [INAUDIBLE]

ROBERT M. BELL: So you, as an insurance company, you're going to pay for a lot of legal services related to the contracts and the policies that you have with your consumers and the drafting of those, and in advice related to those. And if you get audited, what types of, you know, back and forth with the accountants and whatnot? And there's a significant amount in our industry that-- there's a significant amount of services that are paid for. But two, a lot of business policies and other policies, your insurance company is the one that defends you

when you are sued. And so in an example, let's say Senator Murman's farm truck is in a car accident. And he will call his insurer to step in and defend him. Presuming there's a business operation related to that farm operation, there's certainly some tax liability related to that. Say Senator Wayne's law firm is the one that is suing, representing the claimant and they win. And then in an insurance situation, a lot of times those attorney fees are awarded to and will be paid by the insurance company. So some questions as related to what the gross income for legal services performed in a fur-- furtherance of a business enterprise left-- are kind of left undefined in this and left up to the Department of Revenue and a court. And so in that situation, where, where will the tax be due are some questions that certainly we would like to be answered. Certainly reflects-- would affect our claims costs, and our premiums as a result. For those reasons, we oppose. I appreciate the opportunity to testify.

LINEHAN: Thank you. Any questions from the committee? Thank you.

ROBERT M. BELL: You're welcome.

KORBY GILBERTSON: Good afternoon.

LINEHAN: Good evening.

KORBY GILBERTSON: Good evening.

LINEHAN: Pretty soon it will be good night.

KORBY GILBERTSON: Good evening, Chairwoman Linehan, members of the committee. For the record, my name is Korby Gilbertson. That's spelled K-o-r-b-y G-i-l-b-e-r-t-s-o-n. I'm appearing today as a registered lobbyist on behalf of the Nebraska Realtors Association in opposition to LB1345. I first want to take a chance to thank Governor Pillen for allowing the Realtors and myself personally to be part of the tax working group. I think that he is undertaking an incredibly large challenge that is-- has-- I think he's now finding out what a disaster, what a nightmare it is to try to deal with all of these different issues. And seeing 35 people sitting around that table that all agree we need to find a solution but, you know, the last meeting you were not there because you're all in a hearing. The consensus around the table was everybody liked parts of it and everybody was going to oppose parts of it. And so it's hard to find consensus on those issues. Specifically for the realtors, they have longstanding policies against tax shifts and against increasing the cost of the

transfer of property and this legislation would do both. Obviously, real estate is highly regulated. They have to use lawyers all the time to write contracts, agreements, things like that. So in their opinion, this is a clear business input. And I kind of giggled when I was reading all these bills and I thought about the von Gillern rule of what we should tax that he shared with all of us at the tax meetings, and that we should not tax necessities, not tax things that would be harmful and business inputs. We need to make sure that taxing-- that we tax things that are true-- truly being purchased with discretionary income. I think that day we all agreed. That was one thing we all agreed on, and we wanted to see what the impact would be on other groups when, no matter what we were doing, show how this was going to impact who would be paying the taxes. And I think we kind of never got to that stage. And so I would agree with previous testifiers on other bills. We need to look at some more-- get some more information, see where the taxes, how the shift will actually impact people who will be paying the bulk of those taxes. And look-- we can-- another idea from the realtors was what about looking at doing this in stages? Instead of trying to do the full 40% this year and making sure we find the billion dollars in additional revenue, we can work on it.

LINEHAN: Thank you very much for being here. Are there any other questions-- are there any questions, I'm sorry, from the committee? Yes.

DUNGAN: Just briefly, Chair Linehan, thank you. The 40%, where did the 40% come from?

KORBY GILBERTSON: So--

DUNGAN: I've heard that. We heard it earlier today from the Governor. And so I'm just curious where that 40% comes from.

KORBY GILBERTSON: So at-- during those meetings, I was the one-- I take pretty copious notes. So I went back through my notes before this hearing tonight to kind of look and see where everything was. We started meeting obviously months ago, back in August, and the initial agreement was, you know, no one likes paying property taxes. The group started out as a valuation group. We did present some ideas on things that could be changed in valuations, but the agreement was that maybe we needed to address those through other legislation, focus on the actual property tax issue. Originally we had talked about 20 to 25%. That was back at the beginning of December. And then by our next meeting, the we-- I will-- I-- my opinion, Farm Bureau had more of an

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interest in finding a bigger amount of money because they wanted to have significant results just this year. And that's kind of where the 40% started being discussed around the table.

DUNGAN: OK. Thank you.

LINEHAN: Thank you, Senator Dungan. Any other questions from the committee? Thank you for being here.

KORBY GILBERTSON: Yeah. Thank you.

LINEHAN: Any other opponents? Anyone wanting to testify in the neutral position? Senator Wayne. I want to say, if I may, thank you for introducing this at my request.

WAYNE: Oh, you know this-- thank you, Chairwoman Linehan. I will tell you-- I will tell you it's hearings like this that gets me going so--

LINEHAN: Oh, wait a minute. OK. I got to do letters. [INAUDIBLE]

WAYNE: I'm not done. I'm going to close.

LINEHAN: OK. OK. I'm sorry. Go.

WAYNE: Because I just googled real quick. You got Sodoro Law, Gordon Rees, Goose [INAUDIBLE], who all do business in South Dakota and Nebraska, and somehow they can still function as a law firm. How it works is it Matters. You go in, you sign a Matter to a client. And if that client's a business, it's pretty simple to link up. And actually all programming that I know, even my small solo practitioner firm, I can go in and click a sales tax to that particular client, not somebody else. So the, the whole world is not coming to an end. And while people are worried about auditing the client list, it's not happening in South Dakota. It's not happening in New Mexico. And again, when you sue [SIC] your inventory, you can classify the Matter. And typically, you'll know if it's a business matter and you can release the description as long as it doesn't have attorney-client privilege. That happens all the time in billing. So it isn't like law firms don't get audited right now. I'm pretty sure Department of Revenue can audit a law firm today on income and where that income comes from. In fact, we see lawyers who have problems with trust accounts. They get audited. They obviously know things. So the sky is not falling for attorneys if this pass. And I'm not even in favor of the bill. Let's just have a real conversation. Let's have an honest conversation. That's all I ask today. OK. So with that, OK.

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LINEHAN: Thank you. You've been very helpful, very helpful. Are there any questions from the committee?

WAYNE: And it brings in \$50 million. I could use that for my next bill.

LINEHAN: OK. With that, we'll-- LB1345 comes to a close, and we will start with LB345 [SIC].

TOMAS WEEKLY: Letters.

LINEHAN: Oh, yeah.

ALBRECHT: LB1356 is next But we do have letters.

LINEHAN: Maybe you should take over while von Gillern--

von GILLERN: We're gonna-- we're gonna open on LB1356.

WAYNE: We ready yet? All right. This is. Actually--

von GILLERN: Just caught the baton.

WAYNE: All right.

von GILLERN: Senator Wayne, would you like to open?

WAYNE: Yes. This is actually an important bill. I told Chairwoman Linehan that I would like to package this with another bill. And this was my second attempt before I knew-- oh, my name is Justin Wayne, J-u-s-t-i-n W-a-y-n-e, and I represent Legislative District 13, which is northeast Omaha and north Douglas County. This was my second attempt. Last year you heard LB350. It was a pioneer tax credit, and I was going to modify that this year. But looking at the fiscal note of LB350, it seemed like the Department of Revenue and Department of Economic Development struggled with a new program. So instead of creating a new program, I found an existing program that hardly is being used. And the reason it's not being used is the Community Development Assistance Act is because it's actually capped at \$50,000. So unless you're in a really, really small community who could have a project for \$50,000 or less, nobody actually uses this. So what I tried to do here was modify the act, add the inland port to it, because I'm trying to figure out a way to make the inland port sustainable. It's not just Omaha; it's across the entire state. And then I put a \$2 million cap per congressional district. That's for a

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total of \$6 million to try to make it sustainable. Last year, this committee kicked out the Transformation-- Nebraska Transformation Project. A lot of that was around youth sports. You heard me last year talk about the importance of youth sports and the lack thereof in Omaha. And so I added a line in here that it could also be used for youth sports. And again, it's a regular tax credit. It's 50% tax credit. I am working with the Governor's office to figure out LB350 versus this bill. Again, we're trying to make it sustainable for, for inland ports. We're trying to help out youth sports programs throughout the state to make sure they're actually not, being red-- I consider it being redlined by the cost of sports and people being left behind. And so that was the thought process behind it. Instead of trying to create a new program, maybe we could just bump up a program that currently is not being utilized to its biggest potential.

von GILLERN: Thank you, Senator Wayne. Any questions from the committee? [INAUDIBLE]

WAYNE: Judiciary is still going on. We going-- we're going tough.

von GILLERN: Any questions from the committee members? I don't have a question. Well, I kind of have a question regarding the youth sports facilities. I know I've got a bill that affects that. Senator Aguilar has a bill that touches on that. Senator McDonnell has a bill that touches on that. Senator Linehan has a bill. Is there any-- have you-- maybe this isn't a question-- maybe it's a statement-- that we all ought to get in a room and make sure we're not doing different things and trying to achieve the same goals.

WAYNE: I think, looking at those bills, I think we, we are-- I'm trying to concentrate on the-- we're putting \$42 million in-- the state has-- into east Omaha to build a multipurpose youth facility. And I just want to make sure it's sustainable. And what we figured out was around \$2 million is, is what it would take to, to run it annually. And so this would also require a city or municipality to sign off so it is a true partnership making them sign off on it. But yeah, we should get together and sit down. But that's kind of where I was at.

von GILLERN: OK. That's certainly a different, different type of effort then. Thank you. Any other questions from the committee? Senator Linehan.

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LINEHAN: I know you mentioned this, but just go a little slower. So the pioneer tax credit was in the Governor's budget, right?

WAYNE: Correct. \$5 million per year.

LINEHAN: And that's a bill. Did we kick it out of committee?

WAYNE: No, it's still-- it's still in committee. That focused strictly on the-- on the IHub and in that area. But there's a couple of issues with the IHub that I have a bill to address. One, the applications closed. Two, the way it's written, it would pretty much never apply to western Nebraska except for Hastings or South Sioux City. So we want to open that back up and then try to figure out a way to make it sustainable.

LINEHAN: So are you going to bring an amendment to the committee?

WAYNE: Yeah.

LINEHAN: On all of this, you're going to try and pull it together and bring it?

WAYNE: Pull it together underneath one. Correct.

LINEHAN: OK.

WAYNE: I'm trying to put it together in one package. I did tell Senator Linehan that if I could put together, it would be my-- it would be my personal priority. So I'm trying to put it together and get it out. And I think it's definitely needed.

LINEHAN: Thank you.

von GILLERN: Very good. Any other questions from the committee? Seeing none, thank you, Senator Wayne.

WAYNE: Thank you.

von GILLERN: Any proponent testimony? Seeing none, is there any opponent testimony? Seeing none, is there anyone who'd like to testify in the neutral capacity? Seeing none, Senator Wayne, would you like to close?

WAYNE: I will waive.

LINEHAN: Wait, wait. Let's see if we got [INAUDIBLE]

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VON GILLERN: We have--

WAYNE: I want to say something. Consent calendar.

VON GILLERN: We have 2 proponent letters and 2 opponent letters and 0 neutral letters. This will close our hearing on LB1356 and close our hearings for the day.

LINEHAN: No.

VON GILLERN: No? Oh, there's one more.

DUNGAN: Tried to pull a fast one on us there.

VON GILLERN: OK, we open on LB1317. I'm pretty sure this is going to be a quick one.

LINEHAN: You guys have done a great job today, those of you that are left, which is most of us, enough of us. Good afternoon, Chair 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. I'm from Legislative District 39. LB1317 provides findings regarding property tax in the state of Nebraska. This is probably going to-- this is our plan. This is a shell bill. Whatever we come up with, with all our pieces of the puzzle here can go in this. We can prioritize it. Working with the Governor's office and all the groups that were here today. And this can be our-- I don't know, maybe we should have picked a better number. I'm not good at that, LB1317. Maybe it'll be famous someday.

VON GILLERN: Not superstitious.

LINEHAN: Yeah, well, LB775 is famous. And there's others that are famous. Maybe 1317, it's easy to remember.

VON GILLERN: Any questions from the committee? Seeing none, thank you, Senator Linehan. Anyone like to speak as a proponent? Seeing none, anyone would like to speak as an opponent? So close. Evening.

CARTER THIELE: Thank you very much, Vice Chairman von Gillern, members of the Revenue Committee. My name is Carter Thiele, C-a-r-t-e-r T-h-i-e-l-e, and I am the policy and research coordinator for the Lincoln Independent Business Association. Our organization, along with so many others, understand the concern about high property taxes in Nebraska. We share these concerns and agree that legislative changes are needed to address this issue. We don't testify in opposition to

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this bill because we disagree with the problem. We testify in opposition because we disagree with the solution, shifting the tax structure away from property taxes and on to sales tax. Shifting the tax burden from property taxes to sales tax is not sound tax policy. It shifts more of the tax burden to those who can least afford it. Those with less pay more. And it's very bad for business. Now, several of our notable politicians in the state have repeatedly claimed that it's property taxes that are the most regressive form of taxation because of how they affect our senior citizens, that high property taxes force senior citizens to leave their homes. As sad as that effect can be, I wondered to myself when I researched the topic, where is the data? Where is the data that shows that our senior citizens are leaving their communities, leaving their homes in droves because they can't afford to pay their property taxes? I've heard so many conversations. I've heard people mention that they've talked to so many different communities, but I haven't seen any surveys, studies or statistics that show that that's happening. And as sad as that occurrence is when senior citizens sell their homes and relocate to more affordable areas, they can still make that sale and have hundreds of thousands of dollars. The solution to fixing that problem should not be restructuring the tax system in a way that negatively impacts businesses and makes it more difficult for low-income consumers to ever reach the level of affordability to buy a home. Thank you.

von GILLERN: Thank you for your testimony. Any questions from the committee? Seeing none, thank you, Mr. Thiele. Is there anyone else who would like to speak as an opponent? Seeing none, anyone who would like to testify in the neutral capacity? Seeing none, that will close our hear [RECORDER MALFUNCTION] Senator [RECORDER MALFUNCTION] waives closing. I anticipated that. That closes LB--