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Revenue Committee February 4, 2026
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von GILLERN: It's 1.30. We'll begin our hearing. Looks like we've got a good crowd here today. Welcome to the Revenue Committee. I'm Senator Brad von Gillern from Elkhorn, representing the 4th Legislative District, and I serve as the Chair of the committee. The committee will take up bills in the order posted. This public hearing is your opportunity to be a part of the legislative process and to express your position on the proposed legislation before us. If you're planning to testify today, please fill out one of the green testifier sheets that are on the table at the back of the room. Be sure to print clearly and fill it out completely. When it's your turn to come forward to testify, give the testifier sheet to the page or the committee clerk. If you do not wish to testify, but you would like to indicate your position on a bill, there are also yellow sign-in sheets back on the table for each bill. These sheets will be included as an exhibit in the official hearing record. When you come up to testify please speak clearly into the microphone and tell us your name and spell your first and last name to ensure we get an accurate record. We will begin each bill hearing today with the introducer's opening statement, followed by proponents of the bill, then opponents, and finally by anyone speaking in the neutral capacity. We'll finish with a closing statement by the introducer, if they wish to give one. We'll be using a three-minute light system for all testifiers. When you begin your testimony, the light on the table will be green. When the yellow light comes on, you'll have one minute remaining. And the red light indicates you need to wrap up your final thought and stop. Questions from the committee may follow. Also, committee members may come and go during the hearing. It says nothing, that's going to happen today. We have other senators presenting in other committees. This has nothing to do with the importance of the bills being heard, it's just a part of the process as senators have bills to present in other committees. A few final items. If you have handouts or copies of your testimony, please bring up at least 12 copies and give them to the page. Please silence and turn off-- or turn off your cell phones. Verbal outbursts or applause are not permitted in the hearing room. Such behavior may be cause for you to be asked to leave the hearing. Finally, committee procedures for all committees state that written position statements on a bill to be included in the record must be submitted by 8:00 a.m. the day of the hearing. The only acceptable method of submission is via the Legislature's website at nebraskalegislature.gov. Written position letters will be included on

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the official hearing record, but only those testifying in person before the committee will be included in the committee statement. I'll now have the committee members with us today introduce themselves, starting on my left.

SORRENTINO: Tony Sorrentino, Legislative District 39: Elkhorn and Waterloo.

KAUTH: Kathleen Kauth, Legislative District 31: the Millard area.

JACOBSON: Mike Jacobson, District 42: Lincoln, Hooker, Logan, Thomas, McPherson, and most of Perkins County. I got through it. I got it all.

MURMAN: Dave Murman from Glenvil, District 38, and I represent eight counties in the southern-- mostly along the southern tier of the state. I won't try to name them all.

von GILLERN: You can look it up. Also assisting the committee today to my right is legal counsel Sovida Tran, and to my left is legal council Charles Hamilton. To the far left is committee clerk Linda Schmidt. Our pages for the day would stand and introduce themselves, please.

ELIAS REIMAN: Elias Reiman, I'm a junior at UNL studying psychology, on the pre-law track.

JESSICA CARROLL: Jessica Carroll, senior political science student at UNL.

von GILLERN: All right. With that, we'll begin today's hearings with a-- our appointment hearing for James Kuhn. I meant to ask, I hope I pronounced your name properly.

JAMES KUHN: It was close enough.

von GILLERN: Close enough?

JAMES KUHN: I've been called a whole lot worse.

von GILLERN: You can correct me. Welcome.

JAMES KUHN: That's fine. Thank you. I'd hoped to print this off in big enough print that I didn't need these, but I'm going to need them anyhow. So age catches up with everyone. Good afternoon, Chairman von Gillern and members of the Revenue Committee. My name is James Kuhn,

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J-a-m-e-s K-u-h-n, I appear before you today to ask for your confirmation for my reappointment with the Tax Equalization and Review Commission. Governor Jim Pillen is reappointing me as commissioner from the 3rd Congressional District. I am a licensed real estate appraiser. I got my appraisal license in 2009, and take continuing education to maintain and meet the requirements for my license. I spent 15 years as the appraiser for the Adams County Assessor's Office in Hastings, Nebraska. And for the last eight and a half years, I've had the honor of serving as commissioner for the Tax Equalization Review Commission. During my time working for the commission, I've used my experience with knowledge of the appraisal process, as well as the assessment techniques used. I've worked with a variety of taxpayers, county officials, attorneys for both parties, staff members of the Department of Revenue, and past and present commissioners of TERC. I work very well with the commissioners currently serving in TERC. We work well together as a team with our ultimate goal of fairly and efficiently resolving the appeals before us. I believe the commission plays an important role in the property assessment process, and I want to continue my-- continue to apply my experience as commissioner. With that, I'd be happy to answer any questions.

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

KAUTH: Thank you, Chair von Gillern. How many reviews do you do in a year?

JAMES KUHN: Hundreds.

KAUTH: Hundreds?

JAMES KUHN: Yeah, we get about 1,500 appeals per year that come to our office, and we get those late in the year, September, October timeframe.

KAUTH: And how--

JAMES KUHN: And then we get them on the calendar. And this week alone, I think I was scheduled for probably four to six hearings per day. That's if everybody shows up or if they don't get dismissed ahead of time.

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KAUTH: How many of those, percentage-wise, are resolved in favor of the person who's bringing the appeal?

JAMES KUHN: That's a good question. That's not a statistic we keep track of. We have no dog in the fight, so we, we go with the rules and statutes that have to go. Off the top of my head, I'd say it's pretty close to 50/50.

KAUTH: OK, thank you.

JAMES KUHN: Yes.

von GILLERN: Other questions? Senator Jacobson.

JACOBSON: I guess I don't want to get too far in the weeds here, but I'm just curious. Our property tax system really is based upon valuations rather than necessarily income stream, but I, I, I'm interested in hearing your clarification in terms of a business, for example, that would, would have a building, significant building, they would operate inside the building, then close the business. The building sits empty. Obviously, you're revaluing that building lower. Do you know what the methodology is on how you revalue those?

JAMES KUHN: Each county is different in how they do things. Obviously the primary income-producing properties are on an income approach. Properties that have run a business and then like you had said, have gone out of business, and, and what's the worth of that building without a running business in it. Sometimes a cost approach comes in there. A sales-comparison approach would work on something like that, if there was other similar-type buildings. It may get a change of use for the next owner, so a sales-comparison approach would probably be the best approach on something like that.

JACOBSON: Well, I, I appreciate the job you guys do. I mean, it's-- I mean, everybody hates property taxes. That is the one universal thing. If you're in the Legislature and you haven't heard that people hate property taxes, you're hearing it here. And yet the last line of defense usually comes back to TERC and the rulings that you make. And I, I-- obviously consistency is really important. But I appreciate the job you do, and I can, can only imagine the emails you guys get.

JAMES KUHN: I appreciate that. We do, like I said, we don't have a dog in the fight. We, we have to use the laws and the rules and statutes

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in making our decisions and the evidence given to us. So it's one of the biggest complaints when people come in. They come in and say their property taxes are too high. We, we don't deal with the taxes. We deal with the valuation. Sometimes it's hard to discern between those two because they do affect each other.

JACOBSON: You don't want people's conclusion, you want them to show you the map.

JAMES KUHN: Sure. Absolutely.

JACOBSON: Thank you.

JAMES KUHN: You bet.

von GILLERN: Other questions? I'll just ask a couple quick. The-- we'll occasionally get emails from senators from someone saying, hey, I've had an appeal in for an extended period of time and haven't heard anything from TERC. Could you address the, the backlog, how long it takes to get a, get a case reviewed and possibly what might be the best solution to that?

JAMES KUHN: Sure. We usually get all the appeals in September and October. So by the end of October, we get all of the appeals. So it's almost six, seven months after they have had their county hearing. Once we get their appeal, we have to go through a lot of steps in building a case file, make sure that the correct person is allowed to even appeal that property, and things like that, and get case numbers built. And then 1,500 appeals per year, we've got to get them on the calendar. So our schedulers are working every single day getting things on the calendar. Like I said, I've done as many as, you know, six, eight hearings in a day trying to do that. The bad side of that is when you do six to eight hearings a day, it doesn't give you a whole lot of time to write orders and get them out as fast as I'm sure some people would like. With all the evidence and things given during these hearings, it's not something that you can hurry through. Nobody wants me to hurry up and write an order. We have to sit there and go through all the evidence and write and order that explains our decision. And, and my orders hopefully educate taxpayers, county officials, everybody in the line.

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von GILLERN: All right, thank you. Seeing no other questions, thank you for your presentation today, Mr. Kuhn.

JAMES KUHN: All-righty. Thank you for your time today.

von GILLERN: Are there any proponents that would like to speak to this appoint-- appointment? Seeing none, are there any opponents? Seeing none, is there anyone would like to speak in the neutral capacity? Seeing none, all right. We had one online comment. It was-- there were zero proponents, one opponent, and no neutral testimonies received online. So we'll close our hearing on the appointment of Mr. Kuhn, Kuhn. And I will hand off the chair to Vice Chair Jacobson for the next hearing.

JACOBSON: Thank you, Mr. Chairman. Our first hearing this afternoon will be for LB1244, Senator Murman. No, no, excuse me, LB1109. I guess I should look at this sign instead of reading [INAUDIBLE]. All right, let's do that. von-- Senator Chairman Von Gillern, you're up.

von GILLERN: That's what I thought.

JACOBSON: That's why you're the Chair.

von GILLERN: I get to go first. Thank you. Good afternoon, Vice Chair Jacobson and members of the Revenue Committee. For the record, I'm Senator Brad von Gillern, B-r-a-d v-o-n G-i-l-l-e-r-n, I represent Legislative District 4 in west Omaha and Elkhorn. I'm here before you today to introduce LB1109, which I introduced at the request of Governor Pillen. In my office, we refer to this bill, maybe affectionately, maybe not so much, as the LIFO 2.0 bill. For those of you who were here last year, we had a LIFO 1.0. It really can be considered a continuation of the last in, first out approach taken last year with LB650. In their effort to balance our budget, the executive branch has looked for various tax credits and exemptions, most of them enacted in recent years, to pare back or take off the books the goal-- with the goal of increasing state revenues. Some of these exemptions are underutilized or haven't yielded significant returns, while others have served their useful life. Neil Sullivan from the Governor's Office is here to testify after me, and he'll be able to speak to many of the technical components of LB1109, but let me share a few of the facts. In putting this bill together, we actively strove to avoid consumer items and credits or exemptions that

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yield a high return on investment to the state. I want to try to provide an overview by highlighting a couple of the elements here. First, LB1109 repeals a number of sales and use tax exemptions, including for game birds, mineral oil used as a dust suppressant, biochips, personal property acquired for use in a community-based energy development project, and tangible personal property or services for incorporation into data center operations. This bill also eliminates buyer-based sales and use tax exemptions for cemeteries created under 12-101, as well as an exemption for nonprofits purchasing property in order to transfer it into a charitable nonprofit specified in 77-2704.12. I want to note on this last item in particular that it was enacted in 2024 with an eye to assisting a particular project which has since been completed. LB1109 also phases out a tax credit for the generation of renewable energy. This credit has been gradually reduced since 2011, and LB1109 would complete that phase-out by reducing it to zero effective in 2026. This sunset was originally planned for 2018 but was delayed indefinitely later. That said, the relevant language will be left on the books so future Legislatures are free to reinstate the credit should the need or the desire arise. Finally, LB1109 makes two small changes to elements of the ImagiNE and Nebraska Advantage incentive programs respectively. On the ImagiNE front we're removing waste treatment and disposal facilities from the list of qualified locations eligible for inclusion under the act. ImagiNE was actually expanded to include these facilities in 2023 and construction of one awarded facility has since finished. Accordingly, this portion of the tax credit has served its purpose and is no longer needed. For Nebraska Advantage, LB1109 converts a tax credit for businesses that invest in research and experimental activities from a refundable to a non-refundable credit. This was reached as a compromise position in order to keep the credit intact while reducing the cost to the state. Turning to the fiscal impact over the next three years, LB1109 is projected to increase general funds by between \$15 and \$16 million per year. LB1109 represents an important step towards fulfilling our obligation to keep our state's budget balanced. With that, I would ask for your support, and I'm happy to take any questions.

JACOBSON: Questions from the committee. All right, see none. You got some subject matter experts coming behind you.

von GILLERN: I imagine.

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JACOBSON: Thank you.

von GILLERN: Thank you.

JACOBSON: First proponent. Mr. Sullivan, how are you?

NEIL SULLIVAN: Well, thank you. Vice Chairman Jacobson, members of the Revenue Committee, my name is Neil Sullivan, N-e-i-l S-u-l-l-i-v-a-n, and I am the State Budget Administrator for the state of Nebraska. I'm appearing today on behalf of Governor Pillen in support of LB1109. I want to thank Senator von Gillern for sponsoring LB1109, which was brought on behalf of Governor Pillen. This is part of the Governor's comprehensive budget package to shore up the budget shortfall and offer additional property tax relief to Nebraskans. LB1109 rolls back several programs and incentives to broaden the tax base and eliminate individualized specific special interest carve-outs. This bill repeals two incentive programs, limits the research tax credit to the company's tax liability, and repeals seven sales tax exemptions. I have provided a summary of all the proposed revenue initiatives included in this bill. For many Nebraskans, 2025 was the first year they paid less in property taxes than the year before. But there's still a ton of work that must be done to fix our broken tax system. It is clear that we need a broader sales tax if we want to shift the pressure off of property taxes. Every sales tax exemption added to the books was sold as tax relief. But what it really did was shift the tax base onto our homes and property. It is time to fix out tax system, and we do it by ending special interest exemptions, providing state relief, reducing property tax burdens, and championing smaller government and less spending for both state and local governments. With a balanced budget and improved tax policy, Nebraskan is-- Nebraska is open for business, and we can make strategic investments to ensure Nebraska is the best place to live, work, and raise a family. The Governor's team remains available for-- to work closely with the Revenue Committee on the mid-biennium revenue initiative package. Thank you, and are there any questions?

JACOBSON: Any questions? Senator Dungan.

DUNGAN: Thank you, Vice Chair Jacobson. Thank you for being here today, sir.

NEIL SULLIVAN: You bet.

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DUNGAN: Just so I know kind of how to direct my questions, are you planning on also testifying on the bill after us, with LB1244?

NEIL SULLIVAN: Yes, sir.

DUNGAN: OK, I might wait to ask some of those questions on that one. I just wanted to make sure I had you while you were here.

NEIL SULLIVAN: You bet.

DUNGAN: You know, big picture, you've mentioned, and I know the Governor's mentioned Nebraska being "open for business." How do you square the elimination of some of these taxes or tax credits that definitely help some of these businesses as well as the implementation of the new service taxes that are gonna be proposed on the next bill with this idea that Nebraska is open for business?

NEIL SULLIVAN: With the, with the broader base of sales tax, we can support lowering corporate taxes, income taxes, which makes our tax, our tax structure simpler, and also allows us to ensure that we have a stable base for the funding for the state, right? So I say it reduces complexity, it does broaden the base, although in very specific areas we would be ending, you know, exemptions for specific groups. Yeah.

DUNGAN: You're familiar with the Aksarben Foundation?

NEIL SULLIVAN: Yeah.

DUNGAN: And Aksarben obviously did this-- the commission did this larger report that many of us are familiar with with regards to where Nebraska stands in terms of competitiveness and growth as compared to comparable, or allegedly comparable, size cities. You're aware of that study?

NEIL SULLIVAN: Sure.

DUNGAN: Speaking to that and whether or not we are competitive, what studies or information are you relying on to say that if we lower our corporate tax rates, which is what it seems like the goal is here, that that increases the amount of influx of businesses to our state? Because if you look at the states ahead of us in terms of in-migration, so states that are actually getting more people moving in, many of the states that are ahead of us on that list-- thank you.

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Many of states that ahead of that list have lower-- or sorry, higher corporate tax rates than we do or higher marginal top brackets for income tax. So it seems to me there's not actually a causal relationship between those two things. What studies are you or the Governor's Office relying on that if we do, in fact, lower those corporate taxes, we're going to bring in more companies?

NEIL SULLIVAN: So, you know, when we look at the tax rates of other states, there are the other-- Iowa is planning on lowering their tax rates as well, and we do have to stay competitive with other areas. Now, I know one of the locations in the Aksarben report that they compared us with is Sioux Falls, South Dakota. Now, Sioux falls has a very, very broad sales tax base, so I think we need to continue reading reports like Aksarben reports, other reports, doing more analysis. But the general gist is that if we don't keep pressure on reducing those rates and broadening the rates we do have, I think we're going to find ourselves having bigger issues on the path.

DUNGAN: And a lot of those states that have the broader base, and I know we've talked about this ad nauseam.

NEIL SULLIVAN: Sure.

DUNGAN: And we may just have a philosophical disagreement, but a lot the states that have a broader sales tax base are able to bring in more money on that sales tax based on other things like tourism. They have larger industries and larger bases of population than Nebraska does. Do you think that Nebraska and South Dakota in particular are comparable in the sense that we should try to attain the same sales tax rates, or do you think they're different based on the differences between the states?

NEIL SULLIVAN: I know we do have different sectors, different industries between the two states. But I really don't think South Dakota's tourism is everything that accounts for the differences, right? I think Nebraska has a larger insurance industry. So yes, there are differences, but I do think they're comparable.

DUNGAN: And then drilling down just a little bit more detailed about this bill in particular.

NEIL SULLIVAN: Yeah.

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DUNGAN: Can you speak a little more to line item 10 on the handout, which is the cemetery exemption?

NEIL SULLIVAN: Yeah.

DUNGAN: It looks like that only saves us about \$62,000, but you have list-- listed on here Wyuka Cemetery exemption. That happens to be in my district.

NEIL SULLIVAN: Sure, yeah.

DUNGAN: And so if we're talking about \$62,000 for a particular entity, that seems like a large amount to them, but not a large amount to the state. So what is the impact of that \$62,000?

NEIL SULLIVAN: Yeah, I know it's not a big one, but it is kind of an oddball one. And that's part of the approach here is trying to address some of the outliers in the exemptions throughout the tax policy. So Wyuka is one of, one of the maybe few. Most, if not close to all, cemeteries are tax-exempt. Ones that probably are tax-exempt are associated with probably a religious or nonprofit organization. But Wyuka would be one of the few that are not but still have a specific tax exemption.

DUNGAN: OK. Do you know what that \$62,000 goes towards right now? Have you talked at all with Wyuku with regards to this repeal?

NEIL SULLIVAN: What it goes towards?

DUNGAN: In terms of how, what would the impact be on Wyuka if we get rid of this?

NEIL SULLIVAN: Oh, the impact on Wyuka. No, I'm not sure what the exact impact would be on them. Obviously, it's not money that we pay out to them, so I can't-- or that they pay in. It's just simply an exemption.

DUNGAN: Right.

NEIL SULLIVAN: So what would be the impact on them? I think an organization, not that Wyuka is a huge multi-conglomerate organization, but I do believe that they'd be able to accommodate \$62,000.

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DUNGAN: Thank you. Appreciate it.

NEIL SULLIVAN: You bet.

JACOBSON: Thank you. I'm a little nervous that Senator Dungan brought up Wyuka Cemetery being in his district because I'm hoping that they're not voting. I'm just-- just a thought. But I, I, I appreciate the bill being brought, and I think there's a lot of questions raised about are income tax important. And all you do have to do is look at a few of the major corporations in this state, and I'll just throw out the name of Union Pacific Railroad. They have had their corporate headquarters in Texas before. It wouldn't be very difficult to change where they domicile. And that is a major, I would assume, a major income taxpayer. And if their merger goes through, it would be even greater. And so it seems to me that as we work with tax policy, we need to be very mindful of our very largest taxpayers. And not only drawing people to the state, which is, is sometimes difficult to do, we don't have mountains, we do not have beaches, we don't have oceans, and yet we have the highest income tax rate previously to everybody around us. And so I think it's important that we focus as much on not having people leave the state as much as we do on people come to the state. We want both people staying here and attracting new people to the state. I always believe that you have to look at your income tax as part of that. And we've got to look a way to be able to support what we're doing in state and looking how we can compete with states around us in things like sales tax, which seemingly is what you're trying to do here. Maybe I'm wrong, but I, I'm assuming that's the goal.

NEIL SULLIVAN: Yeah, that's right, and a solid base. And I would say we need to bring people here, we need create jobs here, and not just jobs, but high-paying jobs. And that was kind of the line of not just what we're doing here, but with the other pieces of the Governor's package, including incentivizing high-wage jobs being created here in the state.

JACOBSON: And I'm fairly on the record of not being a huge data center fan, and largely because they're not huge job producers, and they're huge users of utilities, electricity in particular. And so then you start looking at how many other taxes can they produce to justify what they're using in terms of our resources, and that is something I've

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always kind of got to balance in my mind. And I don't know whether you look at that or whether that's important to you.

NEIL SULLIVAN: Yeah, I think we're in agreement, Senator.

JACOBSON: Yes. Yes. Other questions from the committee? All right, seeing none.

DUNGAN: I just have one follow-up.

JACOBSON: You got one more?

DUNGAN: Sorry, I apologize. I ate my Wheaties this morning, I apologize. Just broadly too, so with regards to the Governor's proposed budget, I understand that what the Appropriations Committee currently has recommended is slightly different from that. Speaking just about the Governor's proposed budget, is it being balanced incumbent upon us passing LB1109? Or if we were to do nothing with LB1109, was the Governor's budget already balanced?

NEIL SULLIVAN: Well, I guess that all depends on how everything moves through committees, right? So I'd like to say that everything we propose in the Appropriations Committee will make it through, and maybe very little of this or none would go towards balancing the budget and would instead go to delivering property tax relief for Nebraskans. But it's going to be a combination, right? This is going to be-- need to be used for both balancing the budget and for delivering the property tax relief. It's going to be a combination of efforts.

DUNGAN: OK. Thank you.

NEIL SULLIVAN: Yeah, you bet.

JACOBSON: All right, thank you for your testimony.

NEIL SULLIVAN: You bet.

JACOBSON: Are there anyone else we-- wishing to speak as a proponent? All right, anyone want to speak as an opponent? And if you want to make your way to near the front, if there are several of you, you can get in and get in the queue.

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ADAM FESER: Vice Chairman Jacobson, members of the Revenue Committee, my name is Adam Feser, A-d-a-m F-e-s-e-r. I am appearing today as the director of cooperative advancement for the Nebraska Cooperative Council, which is a statewide non-profit trade association representing all-- nearly all of Nebraska's supply and marketing agricultural cooperatives. I'm here to testify in opposition to LB1109. Nebraska cooperatives rely on mineral oil as dust suppressant in their grain elevator facilities for the safety of their employees and to reduce fire and explosion risks. Removing the sales and use tax exemption for this necessary product will increase cost, costs for our local farmer-owned cooperatives. The 2024 Nebraska Department of Revenue report stated that total mineral oil sales tax revenue would be nearly \$900,000 statewide. Nebraska cooperatives account for roughly 700 million bushels of grain storage capacity in Nebraska. Data from Nebraska Public Service Commission shows cooperatives account for 70.6% of total storage for state-licensed grain warehouses, and USDA data show cooperatives account for roughly 66% of the total storage for federally-licensed grain warehouses. Given these figures, it's safe to assume that removing this exemption will pull hundreds of thousands of dollars from Nebraska's cooperative system, which means Nebraska's producers would bear the brunt of eliminating this exemption. The agriculture industry is facing multiple challenges to profitability with insurance interest and input costs rising sharply. Members are also facing increased governmental fees due to legislative and regulatory changes. Imposing a new tax on a product the industry requires for safety will only make it more difficult for Nebraskan farmers to thrive. The council and its members understand the budget challenges you face, but we do not believe imposing a sales tax on one product impacting one indus-- industry is the best path forward. We'd encourage you to eliminate exemptions that would be more evenly distributed among taxpayers. For the foregoing reasons, we therefore oppose LB1109. Thank you for your consideration and, if you have any questions, I will try to answer them.

JACOBSON: Questions from the committee? Seeing none, thank you for your testimony. Next opponent.

GREG OSBORN: Good afternoon. My name is Greg Osborn, G-r-e-g O-s-b-o-r-n, and I'm here on behalf of Wyuka Cemetery and Funeral Home, and to talk specifically to that. There's two of us here to talk with you this morning-- or this afternoon, and would appreciate it if you'd give me a little of time here to explain about the history of

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Wyuka, so that everyone understands what Wyuka truly is to you guys. Wyuka Cemetery was established in statute with 12-0-- excuse me, 12-101 in 1869 as a public cemetery and park. Wyuka is owned by the people of Nebraska. Wyuka is just like any other state agency, department, state building, state park or any other state entity. They are all owned by the state of Nebraska. Wyuka is required to follow all the public meetings law, and is required to submit an annual certified financial report to the State Auditor. The only exception with Wyuka and the other entities of the state of Nebraska is that they receive no budget funding from the state of Nebraska. Wyuka has been required and has stood on its own merit to conduct day-to-day businesses, run a full service funeral home, and maintain now nearly 100 acres of grounds. There are approximately 80,000 people that are interned at Wyuka. Wyuka Cemetery is on a national registry of historic places and has been a destination for visitors from all over the country. There is a lot of Nebraska history there, as well as the people that visit for their interned loved one. There are many prominent family memorials, military memorials. There's two state memorials, one, the State Holocaust Memorial is in Wyuka Cemetery. And the State Fireman's Memorial is in Wyuka. We also are there in the process of restoring and, and putting up the historic Pershing mural that was taken off the front of Pershing Auditorium, that will be on the north end of the public park area at Wyuka Cemetery. I am here to represent this state-owned historic cemetery, and I ask for the same treatment that you would give any of the other state-owned entities. Thank you so much for the opportunity to visit with you this afternoon. And I can answer any questions, and the questions that I can't answer, Joshua, who will follow me, can answer those questions.

JACOBSON: Committee questions? Yes, go ahead.

DUNGAN: Thank you, Vice Chair Jacobson. Thank you for being here. I'd be remiss if I didn't follow up on my questions with the earlier testifier. First of all, thank you for what Wyuka does, not just for LD26, but for the city of Lincoln and the state of Nebraska. I think you've outlined here really well why Wyuka is different than a lot of other cemeteries. So I appreciate that. Can you speak, or maybe the person after you would be better, I don't know, about what the impact of this repeal would be? And it looks like it would be to the tune of \$62,000, according to the spreadsheet we have. Do you-- if you were

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included in this legislation, what would that impact be to Wyuka's budgets?

GREG OSBORN: Well, I can, I can answer that question, but I think I'd let our president, Joshua, who's going to speak next, speak to that because he talks specifically to that in his presentation.

DUNGAN: Wonderful, thank you. And then the last thing I'll ask is how is the progress going on the historic Pershing mural progress?

GREG OSBORN: We're waiting for warm weather to put the face on, so it's getting close. We have, we have that-- I don't know if everyone knows, but there's 763,000 one-inch tiles that need to be laid up on that 140 by 38-foot huge screen that is up there at Wyuka Cemetery. And then do the stage and the seating and the landscape around it. So we're hoping that it-- the weather needs to be 50 degrees at night, so April--

DUNGAN: Might be a while then, yeah.

GREG OSBORN: April, late April. And then hopefully within a couple three months it'll be done.

DUNGAN: Wonderful. Thank you for being here today. Appreciate it.

GREG OSBORN: You bet.

JACOBSON: Senator Kauth.

KAUTH: Thank you, Vice Chair Jacobson. Is your exemption different than other cemeteries? I'm, I'm not familiar with the cemetery industry. Can you tell about--

GREG OSBORN: Well, there's no other state-owned cemetery in Nebraska. So it's-- the entity itself is very, very unique. And since it was set up in statute in 1869, there are trustees that are appointed by the Governor to run and manage Wyuka. And what they do is hire a general manager and president to do the day-to-day operations of that. But the conformity of that is a state entity. We have to do everything that any of the other state agencies, state departments, public parks, any of those things that Wyuka is required to do also by putting our financial reports on the State Auditor's. That puts us open to public scrutiny from our competition. So all the, all the money that we can

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do that keeps us our ability to perform business and to serve our public is all related to being able to manage that money.

KAUTH: Thank you.

JACOBSON: I would just have one question. You indicated that you run a funeral home. Are there any other for-profit businesses or anything you do, else you do, at the cemetery that generates profits and revenue?

GREG OSBORN: Well, they-- early 2000 is when the funeral home was built.

JACOBSON: OK.

GREG OSBORN: And prior to that and now is the selling property. And then the care, the ongoing care of that property.

JACOBSON: But anything outside of normal--

GREG OSBORN: Anything outside of-- no.

JACOBSON: --of any other funeral home?

GREG OSBORN: But it's a full service funeral home, so we do everything from preparation to funerals.

JACOBSON: Right, OK. All right, thank you. Other questions? If not, thank you for your testimony.

GREG OSBORN: OK.

JACOBSON: Next opponent.

JOSHUA VOSSLER: Good afternoon. My name is Joshua Vossler, V-o-s-s-l-e-r. I'm the president of Wyuka Funeral Home and Cemetery. I'm also a licensed funeral director and embalmer with the state of Nebraska. I've been president for approximately two years at Wyuka. And when Wyuka got brought up, it was a really good question is how, how our tax exemption status would affect Wyuka. And I think Greg hit on it, is that Wyuka is different. I think if you look at the way it is in the Legislature originally, it's, it's very unique. There's not another funeral home and cemetery like it in the whole United States. And within that law, they even gave us like imminent dona-- domain

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power in that, in that law, which I found interesting. I think it, think it plays to the intent of the original purpose of why Wyuka was put in the way it was in the Legislature. First of all, honorable Chair Brad von Gillern and committee members, I'm here to express how the community of Lincoln and the broader community of Nebraska benefits from our current tax-exempt status. Our current exempt status gives us space to allow more affordable funeral and cemetery options to our growing community, and brings pride to those who have made this their permanent residence. I don't know if you've ever had to plan a funeral, have gone through a funeral. It's very expensive. It's expensive to die anywhere. But because of what Wyuka is, being tax-exempt for one example is we can be different. So we help, we help every single person in the community. Wyuka is a historic self-sustaining entity that has become and continues to grow as a landmark of Nebraska and a tribute to those who built this state and continue to do so. We also have a lot of tourism. We have a lot of people visiting, looking up past loved ones, a lot of history. Wyuka serves not only the most affluent of Nebraska, but also the less affluent, refugees populations in the Lincoln and greater Nebraska area. We are all equal in death, as we all know. Such communities include Middle Eastern refugees, Ukrainian, Russian, Sudanese refugees. Our tax-exempt status provides room to help all of Nebraska's communities. I can answer any questions you have, and it's my honor to speak with you.

JACOBSON: Committee questions? All right, seeing none, thank you for your testimony.

JOSHUA VOSSLER: Thank you.

JACOBSON: Other opponents. Anyone else willing to speak, speak in opposition? Seeing none, any neutral testifiers? All right, seeing none, Senator von Gillern, you're welcome to come up and close. And with that, I would mention that we had 1 proponent letter, 6 opponents, and zero neutral testifiers.

von GILLERN: Thank you, Vice Chair Jacobson. Just a few quick comments. I have had the non-pleasure of planning a funeral or two, and I certainly agree and sympathize. And I'm willing to learn more about Wyuka's possibly a unique way to serve that, that need in the community. I'm not-- it seems to me, and I don't know the answer to this, so I probably should hold comment on that, but it seems to be

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that non-profit status could be applied for in the tax exemption achieved in a different manner than it currently is in statute today. Whether that nets us out at zero or not, I don't know, but I just say that in indication that I'm willing to talk about how to maybe skin that cat a little differently. Mr. Sullivan spoke about property tax relief, I do want to make sure that we are crystal clear because we have had bills over the past several years that have brought the elimination of sales tax exemptions and changes in programs to be applied specifically for property tax relief. This bill does specify these dollars go into the General Fund. If property tax relief is achievable through the-- let me dream for a moment, the extraordinary achievement of balancing the budget plus having excess-- if that allows us to apply some of those excess dollars to property tax relief, I'll be one of the first in line to, to do that. But this bill, just for clarity, specifically applies these dollars back to the General Fund. So with that, I think that would end my comments, unless anyone has any questions.

JACOBSON: Questions? All right, seeing none, thank you.

von GILLERN: Thank you.

JACOBSON: And that concludes our hearing on LB1109, and I will return the chair back to Senator von Gillern.

von GILLERN: Thank you, Vice Chair Jacobson. We will open on LB1244 and welcome up Senator Murman. Welcome, Senator Murman.

MURMAN: Good afternoon, Chair von Gillern and members of the Revenue Committee. My name is Dave Murman, D-a-v-e M-u-r-m-a-n, representing Nebraska's 38th District. Today I have the opportunity to introduce LB1244. In short, LB1244 adds about 40 new services to sales and use taxes, and eliminates the sales tax exemption on 6 items. It changes the sunset date on the Nebraska Job Creation and Main Street Revitalization Act to June 30th, 2026, and allows political subdivisions to impose local option sales and use taxes on mechanical amusement devices. I will also point out to-- point to AM1964, which I am handing out, which will authorize a transfer of \$120 million from the General Fund to the School District Property Tax Relief Fund. I understand this bill is going to see a significant amount of opposition, and I value the feedback from every single one of Nebraska taxpayers and business owners we will hear from today who oppose this

legislation. But I also value the feedback I received from so many Nebraskans who reach out to me asking for property tax relief. I also value the feedback from every leader in education who reaches out to me for more state support for education. Balancing all of those pieces is difficult, and there is no doubt about that. There are difficult decisions to be made. But I have brought this legislation at the request of the Governor, because I believe our current path is not sustainable. We have three primary sources of revenue that fund the state and local communities: income, sales, and property. Right now, Nebraskans are clear and loud that we are too reliant on property taxes. This is for good reason. Many of these services are far more optional than income or property taxes. The consumer can choose to or not to get a tattoo or purchase a zoo ticket, much easier than they choose if taxes come out of their paycheck or if they pay property taxes on their home or ag property. I've handed out a breakdown of LB1244. Of course, we are looking at a fairly lengthy list, so I'm not going to sit here and read out one line by line, in the interest of everyone's time. When it comes to that list, I also want the committee to have an open mind. And if you have some concerns, I would ask we take those conversations one by one on each exemption rather than throwing the bill out as a whole. LB1244 also allows political subdivisions to impose local option sales and use taxes on mechanical amusement devices. If you go around gas stations, convenience stores, bars, and elsewhere, obviously these machines are a growing industry and subdivisions should have this ability to receive that revenue. I will note that in years past, some of the services, such as nail care, skin care, tattoos, body modifications, had some objections based on these service-- services may sometimes be used for medical purposes. Under this bill, each of these services retained their exemption for medical purposes. There are also a few incentives pulled back on. Most notably the Nebraska Job Creation and Main Street Revitalization Act. I understand there's going to also be opposition to this, but as a whole, I think it's time to start being a little bit more skeptical of special incentives. Overall, when we pick winners in the tax code, even with good intentions, we also are picking-- indirectly picking losers. To conclude, Nebraska has a tax code where some businesses are taxed, others are not, and sometimes there doesn't seem to be much of a rhyme or reason why. In the meantime, with little revenue coming into the state, which-- with less revenue coming into the state, which limits our ability to support property tax relief and limits our abilities to balance the budget, fixing this is going to require hard

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decisions. I understand that advancing LB1244 is one of those hard decisions, but I believe this is a necessary step for both our property taxpayers and the fiscal health of the state. Thank you.

von GILLERN: Thank you, Senator Murman. Questions from committee members? Senator Dungan.

DUNGAN: Thank you Chair von Gillern. Thank you for being here, obviously, Senator Murman, I know you were just right here. So the original LB1244 did not include money going to the Property Tax Credit Fund, but the AM adds that money to the Property Tax Credit Fund?

MURMAN: Yes.

DUNGAN: So the original bill, if we just passed LB1244 as it's currently written and we don't amend anything, does the money go to the General Fund or to property tax relief?

MURMAN: I'd have to review that. There'll be some behind that can answer that question.

DUNGAN: OK, and I can ask them that specific question. Obviously, we've had this debate multiple times in a row, I know since I've been on the Revenue Committee. This is my fourth year doing this. To be clear, the 40 businesses that you talked about, or the industries you talked about, those would be new taxes on those businesses that did not previously exist, correct?

MURMAN: Well, some are eliminating exemptions, others are broadening the sales tax base. [INAUDIBLE].

DUNGAN: I think you said there were 6, 6 eliminations of exemptions and then 40 new services. So I know in past years we've sometimes combined those two when we talk about it, but that would be 6 repeals of an exemption, but 40 new industries that are getting taxed under this bill, correct?

MURMAN: Well, it's a broader sales tax base. Correct.

DUNGAN: Right, OK. On a service tax. That is paid by the customer, or is a service tax paid by person providing the service? Is it a tax on the gross income of that business?

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MURMAN: It's paid by the person that gets the service, the sales tax is.

DUNGAN: The sales tax is. But a service tax, is that taxed on the gross income of the total income of that business?

MURMAN: I think there's some behind me who can answer that, but I, I think it would be paid the same way as a sales tax is paid.

DUNGAN: OK. And I can-- I'll ask more of that specific question later. Broadly speaking too, this year we're talking about a lot of, and Senator Jacobson alluded to this on a prior bill that we had here today, we are talking about incentives quite a bit, right? Are we-- should we be incentivizing business? Should we not be? It's a very complicated discussion. I'm not going to pretend it's not really nuanced. But in a session where we're simultaneously talking about trying to incentivize a large business like UP to stay here in Nebraska, are we in exchange for that, sacrificing small businesses and small companies by saying we're gonna tax them more in order to make up the difference to keep larger businesses?

MURMAN: No, it's all part of the package. And we do want to keep large businesses, UP, in the state. But we also need a broader sales tax base to modernize our sales tax system.

DUNGAN: OK, and I can ask more specific questions of the logistics of the next testifier, but thank you for being here. Appreciate it.

MURMAN: Yeah.

von GILLERN: Other questions from the committee? Seeing none, thank you. I presume you'll stay to close.

MURMAN: Yes.

von GILLERN: Thank you. Before I invite up the first proponent, I just want to share a couple of reminders. The-- as I shared in my opening, the yellow testifier sheets are in-- or the yellow sheets are in the back. If someone has already made a position statement that you agree with, feel free to sign onto the yellow sheet, and that will make your position known on the record. That's my reminder for this side of the room. For this side I want to remind the committee members, we're here at a hearing to hear. And that means to listen, not debate. So I

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encourage us to listen to the testifiers and, and not necessarily engage in debate with them as we, as we listen to what's important to each one of you that took the time to be here today. So thank you all for being here today. Who plans on testifying on LB1244? Just give me a show of hands. All right, thank you. As, as folks testify, if you would kind of move yourselves to the front, that will speed things up a little bit as we go through the day. So thank you all for being here. We'll invite up our first proponent testifier.

NEIL SULLIVAN: Chairman von Gillern, members of the Revenue Committee, my name is Neil Sullivan, N-e-i-l S-u-l-l-i-v-a-n, and I am the State Budget Administrator for the state of Nebraska. I'm appearing today on behalf of Governor Pillen in support of LB1244. I want to thank Senator Murman for sponsoring LB1244, which was brought on behalf of Governor Pillen. This bill is part of the Governor's comprehensive budget package to shore up the budget shortfall and offer additional property tax relief to Nebraskans. LB1244 rolls back several tax incentives to broaden the tax base and eliminate individualized specific special interest carve-outs. This bill repeals a redevelopment incentive and 52 sales tax exemptions. I have provided a summary of all the proposed revenue initiatives included in this bill. The Governor's team remains available to work closely with the Revenue Committee on the midbiennium revenue initiative package. I do want to echo Senator von Gillern's comments about property tax relief and balancing the budget. Clearly we have to balance the budget before we can deliver property tax relief. I agree with that statement. I appreciate Senator Murman's amendment to this bill as well, which serves as a placeholder for the property tax relief component. I want to be upfront that that is the intention for the amount that is able to go to property tax relief, we want to go to the property tax relief. And I answer Senator Dungan's question about the property tax. It all goes to the General Fund. And then there would be a transfer from the General Fund to the normal property tax credit cash fund. Thank you, and are there any questions?

von GILLERN: Thank you, Mr. Sullivan. Any questions from the committee? Seeing none, thank you, sir. Next proponent. Any other proponents for LB1244? Seeing none, we'll invite up our first opponent testimony for LB1244. Be polite, don't knock each other down on the way to the front. Good afternoon.

TYSON SCHAFFERT: Hello. My name is Tyson Shaffert, T-y-s-o-n S-c-h-a-f-f-e-r-t, I'm a co-chair on the body art committee for the National Environmental Health Association. I am the Nebraska state representative for the Alliance of Professional Tattooists. I'm a board member from the board of directors of the Alliance of Professional Tattooists. I served on the American Food and Drug Association Body Art Committee, which has now sunset. I worked to develop Nebraska state regulations in 2005 and Lancaster County regulations in 2002. I've been a shop owner for 24 years and a tattooer for 30 years. I'm an opponent to LB1244. This bill creates an undue burden on small businesses, especially businesses-- most tattoo artists and body piercers are booth renters or private salon owners. Each booth renter or private saloon operates as its own business. Under this proposal, every independent individual artist would be responsible for tracking the taxable expenses, applying rates, maintaining records, filling returns and facing all of the burden on top of their daily drawings and extra outside unseen tattoo work. This is not one business collecting tax. It is multiple compliance across dozens of small operations, many of whom would be forced to pay for accountants or software they mostly can't afford. Currently, we are all struggling. Our industry is already heavily taxed and regulated. We pay sales tax on supplies and equipment, income tax, licensing, inspection fees, insurance training, and strict facility compliance required for public health and safety. Adding on this tax would target itself-- adding on a service tax itself targets the compliant pathway. Tattooing is not inherently a luxury. It is often a restorative function. And I can tell you as a tattoo artist for 30 years, this is 100% true. Tattooing for many clients is about repair, memorials, survivorship, recovery, and restoring identity. For many Nebraskans, tattooing functions as repair, not excess. Luxury implies indulgence. Tattooing is often restorative in function. Clients seek tattoos for memorials, cancer survivorship, surv-- sobriety milestones, identification after trauma, reconstructive work. Luxury implies excess. For many Nebraskans, tattooing is about healing. Labeling as a luxury stigmatizes a legitimate profession and its clients. This tax is also regressive. Raising the cost of tattooing creates incentives for unlicensed and unsafe work, and we do not want that in the state of Nebraska. Nebraska has already seen large documented public opinion of opposition of this tax. Suggestions that artists can simply lower or raise their prices to compensate for sales [SIC] tax is misunderstanding the work. LB1244 would also harm local activity and

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tourism, including tattoo conventions that bring out-of-state artists and visitors who support hotels and restaurants. Finally, sales tax should stay local. Expanding sales tax on services to fund property tax reliefs shifts the burden to the urban working class places like Lincoln and Omaha to reduce taxes for landowners elsewhere.

von GILLERN: Thank you. Thank you for being courteous and watching the, the time. We're gonna--

TYSON SCHAFFERT: I did as close as I could. [INAUDIBLE].

von GILLERN: Thank you. No, you did great. You did great.

TYSON SCHAFFERT: Thank you. I would probably be good for questions, too.

von GILLERN: Congratulations on being the front of the line. So Senator Dungan, do you have a question?

DUNGAN: Thank you, Chair von Gillern. Thank you for being here, Mr. Schaffert. I know you've testified before, and I also appreciate the information you provided the committee prior to today's hearing. Two points that I just wanted to touch on real quick. I'd asked earlier about a service tax and who actually pays that. Is it true that a service tax is gonna be a tax that you, the provide-- the service provider, pay on your gross income, correct? You're the one paying that tax at the end of the year?

TYSON SCHAFFERT: I believed that I would collect that from the clients, but then I would be in charge of keeping track of that and then filing it so--

DUNGAN: right

TYSON SCHAFFERT: --the time, burden and effort would fall upon me to collect that and transfer that over to the state.

DUNGAN: Right. And because I'm looking here at this specific tattoo provision that's on the gross income received for tattoo and body modification services. So slightly different, I guess, than a sales tax, but we could parse that apart. In addition to that, there's an exception on here about medical treatment, and you testified a little bit about the importance of tattoos and body art with regards to

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medical procedures and healing. The exemption only allows a tattoo to be done if it's done by a licensed healthcare practitioner or in a licensed healthcare facility. Are you a licensed healthcare practitioner?

TYSON SCHAFFERT: Nope.

DUNGAN: And is your tattoo parlor a licensed healthcare facility?

TYSON SCHAFFERT: It is not.

DUNGAN: So none of that exemption would allow you or other tattoo artists to continue providing that service for medical services?

TYSON SCHAFFERT: Not under that label, no.

DUNGAN: OK.

TYSON SCHAFFERT: But we do provide all kinds of restorative tattoo work on a daily basis.

DUNGAN: Right. But under this, if that were to pass, you wouldn't be able to continue doing that?

TYSON SCHAFFERT: That wouldn't contain us, no.

DUNGAN: At least not without the tax. Thank you, sir.

TYSON SCHAFFERT: OK.

von GILLERN: Any other questions from the committee? Seeing none, thank you for being here. Appreciate it.

TYSON SCHAFFERT: Thank you.

von GILLERN: Invite up our next opponent.

MACKENZIE MERCER: Hello, Chairperson Gillern and members of the Revenue Committee. My name is Mackenzie Mercer, and I am, I am here to testify in strong opposition to LB1244 on behalf of myself, an independent contractor, the shop in which I hold a booth, Rawhide Tattoo Studio, as well as the Nebraska Body Art Advocacy Network. I've been tattooing in Nebraska since 2022 and studying tattoos since long, long before then. I'm a new mom to a daughter who will be five months

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old on the 10th, so making it out here to speak with you does not come without a great deal of effort. I was in fact here last year, pregnant with severe morning sickness, opposing a similar measure. I hope that shows you all how much this matters to me and my community. Upon reviewing the fiscal note published, several questions arose, many of which had to do with the selection process for what exemptions to eliminate and what exemptions to keep. But I'm doing my best to keep my personal bias as to whether or not what is a want and a need to myself. However, what was initially communicated to me by scanning this bill was that cosmetology as a general industry and hair care salon services are a necessity enough to continue to be tax exempt, but getting a tattoo to honor the passing of a loved one is not. While I understand that these estimates as well, given on the fiscal note, are reviewed and published by the Department of Revenue, I do wonder how from fiscal year '26-27 to year '27-28, there's projected to be a nearly \$46.5 million increase in revenue. I'm not questioning the validity of these documents, but simply asking for further explanation, as I could use a \$46 million economic boost in my industry. This is what is projected to be true by your documents, and I would love to see further information as to how these numbers impact body art specifically. On a more personal note, a near, a nearly 10% increase to the cost of my tattoos, coupled with the inflated cost of single-use supplies, of which we already pay sales tax on, there's a good chance that this bill could push myself, as well as many other hard-working good people, out of the industry. We are exhausted and sick of complaining endlessly about the cost-of-living crisis, as I'm sure you are all so tired of hearing about it. I come to you today as a mother first and a tattoo artist second to tell you that tattooing is not just my job, but my livelihood. My clientele are already making sacrifices in order to continue to be tattooed and I'm making personal sacrifices in order to give them a better deal. An increase to the cost of tattoos in which the profit almost immediately gets funneled out of our community would be devastating to our industry. Thank you.

von GILLERN: Thank you for your testimony. Can I ask you to spell your first and last name, please?

MACKENZIE MERCER: Mackenzie, M-a-c-k-e-n-z-i-e, Mercer, M-e-r-c-e-r.

von GILLERN: Great. Thank you. We need that for the record. Appreciate that.

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MACKENZIE MERCER: Sorry about that.

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

MACKENZIE MERCER: Thank you.

von GILLERN: Next opponent.

RICARDO TREJO: Good afternoon--

von GILLERN: Morning.

RICARDO TREJO: --members of all the Revenue Committee. My name is Ricardo Trejo, R-i-c-a-r-d-o. I currently operate in Omaha, Nebraska. I have been for the past five years on the Liquid Courage and Sailor's Grave companies. I'm here to testify in opposition to LB1244. Tattoo and body modification businesses are already heavily taxed. Businesses are clearly regulated, supplies, equipment, and income taxes. We operate under strict licenses, inspections, and training and safety requirements to protect. Many of the points that I was going to be bringing here today have already been presented to you by my comrades. However, I would, I'd like to add another point to their argument. Adding a sales tax on legal regulated tattooing risks pushing some demand towards unlicensed under-- underground work where the safety and the standards that are required for us to operate safely can be in jeopardy. And I believe tattooing should be a, a regu-- regulated path and should be supported rather than making it less less accessible. Thank you for, for hearing me out.

von GILLERN: Thank you. And I heard part of your name spelled. Could you, again, spell your first and last name, please?

RICARDO TREJO: R-i-c-a-r-d-o. Last name, Trejo, T-r-e-j-o.

von GILLERN: Very good. Thank you. Appreciate that.

RICARDO TREJO: Thank you.

von GILLERN: Any questions from the committee? Seeing none, thank you, sir.

RICARDO TREJO: Thank you.

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von GILLERN: Next opponent.

ADAM FESER: Chairman von Gillern, members of the Revenue Committee, my name is Adam Feser, A-d-a-m F-e-s-e-r. As you heard earlier, I'm with the Nebraska Cooperative Council. I already said all the data and stuff on mineral oils and dust suppressants, so I'll just pretend I did that again. And I just want to move on and point out LB1244 further raises the economic burden on farmer-owned cooperatives by imposing a new sales tax on lab testing services. Members of cooperatives report that the loss of this exemption will have a negative material impact with added expected costs ranging from \$3,500 to over \$43,000 for a cooperative. Several larger ones utilize this testing for, you know, crops or soil. It's important that they have it, so those costs are going to continue to rise. Again, for the farmer-owned cooperative, every dollar of additional cost reduces the amount available to distribute to their farmer-owners. I mentioned before we have increasing costs for insurance, higher interest rates. Input costs are going up. All these different things that seem reasonable kind of keep stacking up and stacking up to where there's a tighter squeeze on the ag industry. So I just wanted to point out that lab service is one thing of particular concern for our members. Thank you for your consideration. I'll take any questions, if you have them.

von GILLERN: Thank you. I had a question earlier, but I was not in a position to ask. How much-- how many-- what is the storage capacity of grain elevators in the state of Nebraska? Do you know off the top of your head?

ADAM FESER: So ours-- dang, I left my--

von GILLERN: Tell you what, get back--

ADAM FESER: I think it was 700 million bushels were cooperatives, and that's between state and federally-licensed ones.

von GILLERN: I'm sorry, how much?

ADAM FESER: There were 700 million of the bushels were cooperatives.

von GILLERN: OK.

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ADAM FESER: And that was between 65 and 70%, depending on the type. So if you do that math, you know, 700 million is about 70% of the total.

von GILLERN: OK, got it. All right, thank you. Off topic, but I was curious before and I didn't [INAUDIBLE].

ADAM FESER: And feel free to email me or call me, if you want, you know.

von GILLERN: Yeah, thank you. Any other questions from the committee? Seeing none, thank you for being here. Good afternoon.

KIMBERLY ISHERWOOD: Good afternoon. My name is Kimberly Isherwood, K-i-m-b-e-r-l-y, Isherwood, I-s-h-e-r-w-o-o-d. I'm the president of Preserve Omaha. Our mission is to recognize, celebrate, and advocate for historic places, not as relics of the past, but as essential assets for Nebraska's future. I'm here today to respectfully oppose the proposed amendment to LB1244 that would sunset the Nebraska Historic Tax Credit. We are proud Nebraskans. We treasure our heritage and our historic buildings and landmarks, and they're what keep our communities special. They're what make our cities and towns destinations, not just places people pass through, but places people choose to visit, photograph, explore, and return to. People remember places that feel special and unique. They don't remember parking lots. While this credit is sometimes described as a fiscal tool, its impact is far broader. It's a community vitality tool that supports housing, downtown activity, workforce stability, and heritage tourism. The reserve-- results are measurable. In Omaha alone, approximately 1,042 housing units across 41 historic buildings have been preserved through its use. Major projects currently underway include the Union State Bank Building, the First National Center, and they are expected to add hundreds more housing units reactivating infrastructure that already exists. The impact is visible across Nebraska, and these projects that now serve as economic engines and tourism anchors include the Cottonwood Hotel, the Peregrine Hotel, Joslyn Castle and the Durham Museum, as well as formerly-vacant buildings like the Burlington Station, the Burlington mail depot, and the old Quartermaster's Depot, which have been returned to productive use and now support surrounding businesses and neighborhoods. While I represent Omaha, this is not an Omaha issue. This is a Nebraska issue. In many rural communities, those historic places are the economy. When they are lost, the opportunity is gone for good. This credit does not guarantee

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preservation, it makes preservation possible. And without it, many rehabilitation projects simply do not move forward. Buildings sit vacant or they are demolished, and demolish-- demolition does not create vitality, it releases identity and heritage. Removing this tax credit would undercut the progress and limit the options communities have to move forward. We respectfully urge this committee to oppose the proposed amendment. Thank you for your time and consideration.

von GILLERN: Thanks for being here. Any questions from the committee? Did you bring up Cottonwood and Peregrine intentionally?

KIMBERLY ISHERWOOD: I did. [INAUDIBLE].

von GILLERN: Thank you.

KIMBERLY ISHERWOOD: Yes, it's a memorable place. People go there because it's fun. And the, the Cottonwood, I would say, with all of the terrible road construction, people will even drive from outstate Nebraska to go visit it.

von GILLERN: I worked on both those projects.

KIMBERLY ISHERWOOD: Well, thank you.

von GILLERN: I didn't know if that was a leading, leading question. Thank you for being here, I appreciate that. Next opponent.

RAINA SHOEMAKER FROMM: Good afternoon.

von GILLERN: Good afternoon.

RAINA SHOEMAKER FROMM: Chair and committee members, thank you for the opportunity to testify today. My name is Raina Shoemaker Fromm, spelled R-a-i-n-a S-h-o-e-m-a-k-e-r F-r-o-m-m, and I'm here on behalf of Shoemaker's Travel Center and the Nebraska Grocery Industry Association. I am testifying to oppose LB1244. My family and I operate two truck stops in the Lancaster County area. We provide the Nebraska's traveling public 24-7 with fuel, food, clean restrooms, showers, parking, and other essential services for truck drivers, tourists, and local customers. Like many small businesses-- and we are operating on small margins. Skill games are not my primary business, but they are an important supplemental revenue source. The rec-- revenue-- sorry, revenue we receive from these machines help us cover

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staffing costs, especially competitive wages, and especially our employee benefits. They're kind of a good bonus, so we can offer some better benefits to everybody. We keep food and fuel prices competitive for all our customers, and we maintain and improve our facilities for safety and comfort. As written, this bill would effectively kill the skill game industry in Nebraska with significant consequences for small businesses, local communities and the state's long-term revenue picture. Under current law, skill games are already subject to taxation thanks to the state legislation cur-- or recently enacted. It's important to note that the local businesses are still adjusting to those changes. LB1244 would dramatically increase the tax burden on these machines to a level that makes them financially unviable for most operators, especially smaller businesses like bars and restaurants. As written, this bill would not simply raise revenue, it would shut the industry down. If the tax burden becomes too high, skill game operators will leave the state or remove their machines entirely. When that happens, small businesses and local businesses lose critical revenue streams, employees lose hours or jobs, others have testified on related legislation, and the state loses potential and ongoing sources of tax revenue. That is a lose-lose outcome. Supporters of higher taxes may believe this approach will help address Nebraska's budget challenges, but in reality, eliminating the skill game industry means eliminating the revenue entirely. You cannot tax an industry that no longer exists. Therefore, I urge the committee to reject LB1244 in its current form. Thank you for your time, and I'm happy to answer any questions.

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

SORRENTINO: Just one, thank you, Chairman von Gillern. You mentioned bars and restaurants being typical places that would have these gaming devices.

RAINA SHOEMAKER FROMM: Yep.

SORRENTINO: And that, that this could cost them potentially their employee benefits. Is it typical for bars and restaurant to provide employee benefits?

RAINA SHOEMAKER FROMM: I, I can't speak on all. I own a restaurant that's part of the seven businesses kind of under one roof of my

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travel center, and we do provide benefits. I do believe, I mean, with the paid sick leave act, I know that whether that's considered a benefit to some or not, that's something. But it just kind of depends. But I do know a lot of people that offer healthcare and paid time off and different things like that, but I personally do.

SORRENTINO: Thank you.

RAINA SHOEMAKER FROMM: Mm-hmm.

von GILLERN: Other questions? Seeing none, thank you for your testimony.

RAINA SHOEMAKER FROMM: Thank you.

von GILLERN: Next opponent.

ROGER LEMPKE: Good afternoon. My name is Roger Lempke, Roger, R-o-g-e-r, Lempke, L-e-m-p-k-e. I live in Lincoln, District 26, and I'm here to speak against Section 6 amendment to LB1244, which proposes to end the Nebraska Historical Tax Credit representing those associated with the Nebraska State Historical Society Foundation. That's who I'm representing today. I'm the immediate past president of the Nebraska State Historical Society Foundation, which works to ensure Nebraska's history is preserved and actively shared, explored, and reimaged. Our Board of Trustees consists of over 110 members throughout Nebraska and some living outside of Nebraska that continue to show interest in Nebraska history. Upon learning about LB1224 [SIC] and its impact on the credit, our executive director was contacted by numerous people within our circle of foundation people concerned about eliminating the Nebraska Historical Tax Credit after 30 June, 2026. Concerns center on the impact of greater Nebraska. You've heard from Omaha, so I'm going to mention more about outside of Omaha and Lincoln. Those with limited resources to pursue historical restoration of historical sites, yet with unique Nebraska history that needs to be preserved. And I will give you a recent example. The Dr. Susan La Flesche Picotte Hospital in Walthill, Nebraska, has been restored as a community center to preserve and promote the extraordinary life of Dr. Picotte. The combination of generous private donors, the Nebraska Historical Crass [SIC] Credit was necessary to help accomplish the project. Other communities have restoration plans in work that will need tax credits to proceed. Enacting LB1224 [SIC], specifically the

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Section 6, as written, will likely result in many not moving forward. The Nebraska State Historical Society Foundation has a direct investment grant program called RoamNebraska that provides privately-raised funds to small communities. Since 2021, 256 grants have been awarded, totaling \$295,000, for small museums, libraries, schools, and cultural organizations statewide. This gives you the extent of the interest in preserving our history in greater Nebraska. These grants are combined with the-- when combined with the Nebraska Historical Tax Credit and other donations to fund projects to preserve Nebraska history. So I'd make, make my point here that, yes, this item has a continued useful life in Nebraska to help grow our, our state and help grow economy. So please consider these alternatives.

von GILLERN: Sir, I've got to call attention to you to the time.

ROGER LEMPKE: OK, I'll be done. Very first option preferred by the State Historical Society Foundation is to delete Section 6 provisions from LB1224 [SIC] and pursue separate legislation that will evaluate the section to see about keeping or changing or somehow modifying how the tax credit system is operated. The second--

von GILLERN: Sir.

ROGER LEMPKE: --the last--

von GILLERN: Sir, I-- we're going to be here all day if we, if we allow that. Are there any other, are there any questions from the committee members?

ROGER LEMPKE: I've got one other option.

von GILLERN: I'm going to ask you to go that other option very quickly.

ROGER LEMPKE: That other option is simply to stop it or extend the date from '26-- 2026 to 2027, to provide a year to evaluate the impact of this, this action.

von GILLERN: Great. Thank you for presenting options instead of just standing in opposition. Thank you. Questions from the committee? Seeing none, appreciate you being here today.

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ROGER LEMPKE: Thank you.

von GILLERN: Thank you. Next opponent.

GEOFF MCGREGOR: Hello. Geoff McGregor, G-e-o-f-f M-c-G-r-e-g-o-r. I'm the president of the Nebraska Self Storage Owners Association of McGregor Interest, Inc, the operator of the self-storage brand LockBox Storage, which has 14 locations in the state of Nebraska and serves approximately 7,000 Nebraska tenants. I oppose this bill specifically as it relates to the tax proposed on the gross income received for renting a self-storage space. We should not classify service business, as we lease space to customers via self-storage rental agreement, which is comparable to a lease agreement that a tenant who rents an apartment space or office space a retail shop might have. We are providing leasehold interest in real property. The vast majority of our competing states do-- don't impose a sales tax on self-storage rents, such as Colorado, South Dakota, Kansas, Missouri, and Wyoming. This will make Nebraska a less attractive place to do business and for its residents. Sales tax is not imposed on apartment rentals or industrial retail space properties. Why would it be fair to impose this on self-storage asset type only? Sales tax on self-storage leasehold rent disproportionately affects low-income individuals. Charging a sales tax on self-storage rent would place an undue burden on those with lower incomes who may rely on self-storage due to smaller living spaces or economic constraints. One of our largest facilities in our portfolio is located near Offutt Air Force Base in Bellevue, Nebraska. It's our pleasure to serve active military family members. Typically, they rent space when they're on deployed on various missions, and this would unfairly tax some of the most important members of our community. In the urban living areas where living spaces are often smaller, self-storage rents can become, self-storage can become a necessity. Taking-- taxing this rent would discourage urban living and making it more expensive to manage limited living spaces, contrary to the urban development goals of major metropolitan areas in our state. Implementing and enforcing sales tax on self-storage would increase administrative costs both for the government as well as our businesses. This complexity can divert resources for more productive uses. Thank you for your time. I'm here to answer any questions that you might have.

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VON GILLERN: Thank you for your testimony. Questions from the committee? I just have one real quick. You did not mention Iowa. Does Iowa tax self-storage?

GEOFF MCGREGOR: Iowa does.

VON GILLERN: At what rate?

GEOFF MCGREGOR: And we also have property in Iowa as well, and it runs about a 5% to 7% in larger expense ratio than our Nebraska property, so therefore we deploy more capital in the state of Nebraska than Iowa.

VON GILLERN: OK, got it. All right, thank you.

GEOFF MCGREGOR: Thank you.

VON GILLERN: Appreciate your testimony. Next opponent.

TYLER LARSON: Good afternoon, my name is Tyler Larson, T-y-l-e-r L-a-r-s-o-n, I am here on behalf of self-storage in the state of Nebraska. This is a real property lease. Core elements of a real property lease are real property, right of possession and control, defined space, a fixed term, and rent consideration. Real property includes property to affixed land. Individuals may choose to rent an apartment because of the cost of housing, may not be able to afford a house, then they'll use a self-storage facility to store their belongings. This will place a sales tax on them and then they would end up having to pay more. This is not unlike retail spaces or an apartment where there-- this tax is not on either of those. We are not providing a service like a moving company would be. This is in the name self-storage. Thank you.

VON GILLERN: Well, thank you. Brief and to the point. Appreciate that greatly. Any questions from the committee? Appreciate you being here.

TYLER LARSON: Thank you.

VON GILLERN: Have a good afternoon. Next opponent. Hi there.

KELLI BELLO: Hello, my name is Kelli Bello, that's K-e-l-l-i B-e-l-l-o. I'm speaking today as a private citizen who has personally experienced the benefits of the Nebraska state Historic Tax Credit. In

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my professional capacity, I'm the director of development and outreach at Joslyn Castle and Gardens in Omaha. I'm also a long-time volunteer with Preserve Omaha, our local preservation advocacy organization. In my work at the castle, I see firsthand how historic tax credits make preservation possible. Maintaining historic sites is expensive and complex, especially for a nonprofit organization with limited financial resources. I am committed to preserving the 5.75 acre campus to the calid-- caliber and quality as envisioned by George and Sarah Joslyn in 1903, which grows increasingly more challenging as the cost of skilled craftsmanship and period-appropriate materials has skyrocketed in recent years. The tax credit helps bridge that gap between what it costs to responsibly restore a historic property and what a tight nonprofit budget can realistically support. Joslyn Castle is not only a historic landmark, it's a public resource. In my work, I am proud for the property to serve as a community backyard where social and economic stratatas are not barriers to entry. And in recent years, our tourism attendance has exploded. By bolstering our organization budget, this traffic drives economic growth for castle-adjacent small businesses and restaurants, hotels and other cultural sites. The Historic Tax Credit helps ensure that places like Joslyn Castle can remain open, safe and relevant for future generations. Weakening or eliminating this credit would put nonprofit organizations at serious risk. It comes down to this: If the castle isn't strong, the organization cannot host the public within its walls. Beyond saving structures, these preservation projects create skilled local jobs, support small contractors and tradespeople, and stimulate our neighborhoods. Preserving the state Historic Tax Credit sends a clear message that Nebraska values its past while investing in its future, and I ask you to please retain the Main Street Revitalization Act and oppose LB1244. Happy to answer any questions. Thank you.

von GILLERN: Thank you. Questions from the committee? Seeing none, thank you for being here today.

KELLI BELLO: Thank you. Sorry, I feel like I was yelling right into the microphone.

von GILLERN: Thank you for your work on the castle. Next opponent. Good afternoon.

JESSE NEESE: Hi, my name is Jesse Neese, J-e-s-s-e N-e-e-s-e, I own Nuclear Ink Custom Tattoo in Omaha, Nebraska. I've sat on the board of the Alliance of Professional Tattooists. I'm currently involved with the National Environmental Health Association and several other groups working at the, the top of my field. Tattooing is as historical as the preservation of these buildings that we're talking about. It's one of the oldest art forms known to man. To many cultures, it is a religious experience. As far as it being a want or a need, which was spoken upon last year, I would ask you if an AA meeting is a want, or a need. And it depends on your perspective. I would ask you if going to church is a want or a need. Again, it depends your culture and your perspective. To me, that's a social club and a giant means of revenue if you should decide to tax churches. So as far as proposals go, there's an option. Cannabis is also something that you guys are working on that could obviously increase your revenues. I pay income taxes on the money that I make from tattooing, I also pay sales tax and use tax on the items that are used during the process. Adding a tax to the service that I provide would cause the same money that's paid for the tax to be taxed multiple times. Our costs have already been significantly higher since pre-COVID trade wars have increased the costs, and the pandemic has raised prices even more. Tattoo artists are struggling worldwide because of an oversaturated field of practitioners. The more AI takes away other art jobs, the more young people lean in towards trying to tattoo. It's one of the only things they see artists making money doing. And college graduates who before had job opportunities aren't seeing those opportunities. Currently what I'm seeing with tattoo-- professional tattoo artists are closing their studios due to not being busy enough. I know one who's even committed suicide in the last year due to having to close his business and losing his income. Underground tattoo artists would be greatly benefited by what you're looking at doing. I've even seen professionals say, well, I just won't-- I'll go all tips or I'll not even report what I'm doing. Currently, there's not enough staff and funding to inspect our tattoo studios. New studios aren't being inspected at all. I don't know where the money would come to find if people are reporting these inaccurately. I also think you're opening yourself up to discriminatory lawsuits if you read some of my other words here. I have a lot to say about medical tattooing, but obviously I won't have time. I am a licensed medical provider of tattoo reconstructive tattooing work, so.

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von GILLERN: Very good. Thank you. Questions from the committee? Seeing none, thank you for being here. Thanks for what you do.

JESSE NEESE: Thanks. I wish you guys had some questions about the medical staff.

von GILLERN: Next opponent.

JUSTIN BRADY: Senator von Gillern and members of the committee, my name is Justin Brady, J-u-s-t-i-n B-r-a-d-y. And in the interest of providing a unified message and respect out of the commiss-- the committee's time, I've submitted a letter that's signed by over 20 different associations and businesses in Nebraska that, you know, would ask that you look at opposing this bill. And really, their goal is sales tax on goods and services shouldn't be applied in a way that's substantially negative effects the current businesses to compete with businesses across state lines or put businesses out of business. So with that summary, I'll stop and see if there are any questions.

von GILLERN: Very gracious of you. Thank you for, for doing that. Questions from any of the committee members? Seeing none, Mr. Brady, thank you for being here. Next opponent.

CHARLIE BOSSELMAN: Good afternoon, Senators. My name is Charlie Bosselman, C-h-a-r-l-i-e B-o-s-s-e-l-m-a-n. I'm CEO of Bosselman Enterprises out of Grand Island, and we have locations throughout the state, probably in most of your counties. Obviously, I was here last week to testify on LB920, so you're probably getting sick of looking at me, but I'm here today not representing tattoos. I do have some, but I'm not here to represent them. I'm here to present the Nebraska Operators of Music and Amusement, which is a skill game business once again. We're here to oppose another proposed tax increase, this one in the form of LB1244. LB1244 represents serious concerns for the skill game industry as well as the local businesses and communities that rely on it. Section 7 of the bill would add sales and use tax on gross receipts from mechanical amusement devices in conjunction with the net tax that we play-- pay on the revenue end of the machines. The new tax will be layered onto that along with other mandatory fees, such as the 1.5% interlot charge, sticker fees and distribution fees that we talked about last week. If LB1244 were enacted as drafted, operators could face an overall tax rate approaching 16.5%. The skill game

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industry plays a meaningful role not only for retailers but also for the many rural towns and small commu-- communities that benefit from these revenues. Our industry is opposed to LB1244, and we urge the committee to not advance the bill. Thank you for your time. And if you have any questions, I'd be glad to answer anything.

von GILLERN: Thank you. Any questions? Senator Dungan.

DUNGAN: Thank you, Chair von Gillern. Just briefly, you were here, as you mentioned, last week, on a different bill. What would the, I guess, impact be if we were to pass both of these pieces of legislation, both LB1244 for the sales and use tax and then also the LB920 as it pertains to that additional tax? Would that, did you-- you kind of talked about it--

CHARLIE BOSSELMAN: Yeah.

DUNGAN: --would they compound on each other?

CHARLIE BOSSELMAN: Well, I hadn't considered both. But if, if we were just to put the numbers together real quick and just on the back of a napkin and try to figure it out, let's take a location, Joe's Bar in Ainsworth, Nebraska, and let's say that thing generated \$100,000 a year in gross income. The way it is right now, let's say the net on that is 10%. So it's \$10,000. The taxes that it curr-- that we currently sit at is going to be about \$1,000 a year on that, which leaves \$4,500 for the operator and \$4,500 for location to split. If you enacted this bill, 7% on the gross on top of that, that's an additional \$7,000 out of the net \$10,000. That would leave \$1,000 left over for the and \$1,000 left over for the location. Now, the operator's got to put four machines in there at \$10,000 a machine, plus a redemption kiosk. So they got \$50,000 in initial investment, plus they have to main the-- maintain the equipment every week and take care of all the services around that. Basically, Joe's bar would be out of business. If you layered LB920 on top of that, we would be paying the state more than what our income is. So basically the business would be out of business.

DUNGAN: First of all, that was much better math than I would be able to do. So I appreciate that.

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CHARLIE BOSSELMAN: And it's hard for me to tell you the net because since the skill is involved, it, it fluctuates a little.

DUNGAN: Sure.

CHARLIE BOSSELMAN: But that's just a rule of thumb.

DUNGAN: And second of all, just lastly, I guess, in that circumstance, places wouldn't have these games, correct? Just wouldn't.

CHARLIE BOSSELMAN: Correct, and the operators will pull out of the state because it doesn't make any sense at all.

DUNGAN: Got it. Thank you.

CHARLIE BOSSELMAN: Yeah.

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

CHARLIE BOSSELMAN: OK, thanks.

von GILLERN: Next opponent.

ROSA WASSON: Good afternoon. Hello, my name is Rosa Wasson, R-o-s-a W-a-s-s-o-n, I am the immediate past president and board member of the Apartment Association of Nebraska. The Apartment Association of Nebraska serves around roughly 105 owners, management companies. That's 481 communities in about 75,000 homes across the state of Nebraska. We are here to oppose LB1244. As written, it would impose a sales tax on property management fees. In the current climate of the economy and as expenses are growing, and I've been in this industry for nearly two decades, so we have to get very creative on how we can mitigate expenses. And by that is, you know, increasing revenue however we can, reasonably and responsibly across the board. This bill, by taxing property management fees, would only hinder, you know, the ways to get creative. And another way to do that would be to increase revenue. Which, you know, subsequently you increase fees, you increase rent, and it just hurts, you know, the renters in our demographic across the state. For the apartment of-- for Nebraska, we need about annually 1,000 apartments every year. Construction for apartment homes in Nebraska does generate around \$1.1 billion a year, and that adds jobs across the board, not just during the construction

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phase, but also ongoing in maintaining and keeping up with the property needs from vendors to in-house staff and just taking care of the homes. So I'm here just to represent the association and that we oppose, and I'm open to any questions.

VON GILLERN: Thank you for your testimony. Senator Jacobson.

JACOBSON: Well, I, I've sat and listened to a lot of, of the discussion. And I don't, I don't mean to pick on you. I'm just going to ask a question of you--

ROSA WASSON: That's OK. I'll answer if I can.

JACOBSON: --that I'd ask everyone in here, that I appreciate everybody coming and testifying today. I would ask a little bit rhetorically, do you also go to the county board meetings and the city council meetings and express your concerns about property tax relief as well?

ROSA WASSON: Yes.

JACOBSON: Because that's part of the equation to all this. And I'm, I'm hoping that that's the answer

ROSA WASSON: Yeah.

JACOBSON: --that everyone would give us, is that they're focusing on expenses that are being incurred by counties and cities and what could be done there. Because ultimately, that's pressure we're, we're also getting on the other side.

ROSA WASSON: Sure.

JACOBSON: And so I'm also trying to figure out, is there a better answer that you think we should be doing to try to deliver property tax relief and balance the budget? Do you have something better we should be doing?

ROSA WASSON: At this time, I don't have anything to present. I am also on the board for NACPO, the Nebraska Association of Commercial Property Owners. So we do, you know, look at every angle on how we can, you know, be at the forefront and talk to, you know, senators and committees about the impacts and implications for landlords, management companies. And not just those that are operating

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stabilized, but those that have planned for projects in the future, you know, and trying to grow Nebraska population and jobs. It's all, you know, it's all an ecosystem, right? It's all intertwined.

JACOBSON: I agree with that. That's kind of why-- and I'm, I'm being genuine.

ROSA WASSON: Yeah.

JACOBSON: I, I, I don't mean to single you out.

ROSA WASSON: No.

JACOBSON: It's just a message that--

ROSA WASSON: Yeah.

JACOBSON: --we're trying to bring ideas, and that's really what LB1244 is, is what can be done to generate revenue or offset other taxes? And everyone is opposed to everything that is brought. And I get that, I would be too. If my ox is being gored, I'm gonna be opposed. But we'd also be interested in knowing what's, what's the solution? I appreciated the individual that said, here's some options and, and those are good. And so we'd be curious to know if there's any thoughts there as well.

ROSA WASSON: Many thoughts. I'll get with our team internally, and I'm sure we'll be back and I'll provide options next time.

JACOBSON: Perfect. Thank you.

ROSA WASSON: Yeah.

von GILLERN: Thank you. Other questions? Seeing none, thanks for your testimony today.

ROSA WASSON: Thank you, you're welcome.

von GILLERN: Appreciate you being here. Next opponent.

HUNTER TRAYNOR: Good afternoon, Chairman von Gillern, members of the Revenue Committee. I'd like to keep my comments brief. I'm here today on behalf of a handful of organizations. My name is Hunter Traynor, that is spelled H-u-n-t-e-r T-r-a-y-n-o-r, I appear today on the

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behalf of the Nebraska Chamber of Commerce and Industry, the Greater Omaha Chamber, the Lincoln Chamber of Commerce, the Nebraska Bankers Association, and the National Federation of Independent Businesses. My comments today are primarily about inputs. Nebraska has a long history of avoiding a concept called tax pyramiding, whereby a particular good or service found in the chain of production is either not subject to sales tax or would presumably be subject to sales tax and has a statutory exemption. Most of the services found in LB1244 fall into the former category in that they are presumably not subject to sales taxes. And so there's not, therefor, a corresponding exemption on the books. The goal of this calibrated tax system, I would say, is to minimize inefficiencies whereby adding taxation through the line of production leads to either tighter margins for businesses or larger costs for consumers. And over time, a sales tax code that primarily moves from a tax on consumption to a tax on production, functions in some ways like a tax on capital, meaning smaller firms are less able to vertically integrate their services, and so therefore pay larger tax burdens than firms that are able to offer some of those professional services in-house. Looking at the list in the fiscal note of LB1244 at first blush it seems that about half on a numerical basis of these items would fall into an input category. Though on a revenue basis, I imagine the percentage of revenue raised through this legislation would be much higher. Those concerns, coupled with particular stickiness issues with Nebraska's regional economies and population distribution in the state, leads us to respectfully oppose this bill. Thank you.

von GILLERN: Thank you for your testimony. Any questions from the committee? Seeing-- oh, Senator Dungan.

DUNGAN: Thank you, Chair von Gillern. Just briefly, does the Chamber or any of the organizations you represent-- sorry, thank you for being here.

HUNTER TRAYNOR: You're welcome.

DUNGAN: Does the Chamber, or anybody else you represent have opinions on the amendment as it pertains to the additional money going from the General Fund into the Property Tax Relief Fund?

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HUNTER TRAYNOR: I was not aware of the amendment before arriving today. Our opinion on the bill as introduced and as amended would not change.

DUNGAN: Got it, thank you.

von GILLERN: Any other questions? Seeing none, thank you for being here.

HUNTER TRAYNOR: Thank you all.

von GILLERN: I'm gonna briefly hand off the committee chair to Vice Chair Jacobson, and I'll return shortly.

JACOBSON: Thank you. I'd ask for the next opponent.

JOHN FOX: Good day. My name is John Fox, J-o-h-n F-o-x. It's nice to see you all again, it has been a whole week. And I'm here to speak on coin machines, the coin machine industry. In the entire history of the state, sales tax has only been lever-- levied on mechanical amusement devices from June 1967 to July 1970. In 1968, the tax commissioner proposed an occupation tax to be less difficult than collecting sales tax under the revenue act of '67. LB1360, which is in your folder along with this reasoning, with the support of the tax commissioner, became effective law July 1st, 1967. The occupation tax has changed in amounts over the years but it still functions as it did from 1970 until currently. In, in speaking of solutions, LB890 raises the amount of those occupation tax, which will be seen in this committee before long. The occupation detail clearly shows that the tax that's been paid on the game, on the games is still a good idea today. I found every time we try to prove ourselves smarter than our grandparents, we come up a little short. Secondary, I want to speak on a burden of the industry where the Department of Revenue is currently serves several coin machine companies for back sales tax going back to 2020. I know it's a little ironic here we are talking about whether it would be a sales tax. The Department of Revenue seems to think there is one. Our letter to the tax commissioner is also on the packet, and it would just simply-- the back sales tax of their effort to collect it is very burdensome on those that have been served. I would, I would expect most of the industry to be served. And that's all I have to say today.

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JACOBSON: Thank you. Questions from the committee? All right, seeing none, thank you for your testimony. Next opponent.

KEN ALLEN: Good afternoon, Vice Chair Jacobson, members of the committee. My name is Ken Allen, K-e-n A-l-l-e-n, I am the executive director of the Board of Barber Examiners. I'm here on behalf of the board to-- the board feels that haircuts, haircare services are a necessity, not a luxury. So in Section 1, subsection (1), on page 4, line 20 and 21, the board would like to see that that part of the-- this bill would be taken out, removed because the aforementioned of haircuts are a necessity. I see everyone up here has a nice haircut. Yeah, do what you can. And think about that. What would you do if your hairstylist, your barber, your stylist didn't have a job anymore? What would you do? Cut your own hair? We see a lot of that anyway. The adoption of this bill and taxing, putting a sales tax on barbers, hairstylists in general is gonna push people out of the business. They're gonna go underground. We're already seeing that anyway. My job is inspecting all of that, and we're gonna see a lot more of that. We're gonna see people not reporting the proper sales tax that they should be reporting. Sales tax is a regressive tax that disproportionately affects middle and especially lower-income individual families. The average person receives approximately eight haircuts annually. With the implementation of this sales tax on hair services, a married couple would effectively pay for 16 haircuts but only receive 15. OK? For a single family, single low-income parent, adding sales tax to the cost of a haircut forces an unfair choice, get the child's hair cut or put food on the table. Having worked behind the chair myself for 32 years, I can attest that haircuts are among the first expense families cut when living expenses are raised when they're on a fixed income. This is not a luxury service. It's a necessity, if you will. And for the sake of time, I'm going to bow out. But I do want to answer a question. I mulled around pre-bate taxing, in other words, regressive, people under a certain income, it would be a lot of work for the state. Now my testimony is over, I was trying to answer Senator Jacobson's question. A pre-bate tax for people that qualify for it. That would give them a break on paying for certain items up to a certain level. And after that level, then they'd have to pay the tax. But doing a shift, having lower-income people pay for property they don't even own, that puts a big burden. So anyway, questions, if you have any.

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JACOBSON: Thank you. Questions to the committee? Senator Dungan.

DUNGAN: Thank you, Vice Chair Jacobson. Can you just briefly-- I'm not trying to belabor the point too much-- explain a little bit more about how hair salons work with regards to like chair rentals? We heard a little about that from the tattoo artists who were talking about, you know, some of the rent booth space. What is that like in the haircare industry? Is, is it all one thing? Is it different for different folks?

KEN ALLEN: It's, it's different across the board. Every, every shop that I call on and I call 500-plus shops every two years, every shop is run differently. Some of them do booth rental, some of them due salon owners, some of are just employee-based. OK? So does that answer your question?

DUNGAN: It does. I'm just-- how would the service tax collection work in the different models? Does that become more complicated if there's booth rental versus ownership? I'm just trying to figure that out.

KEN ALLEN: Right, the way I read it, everybody that gets a haircut, hair service, would have to pay a flat tax. So it doesn't matter who you are, booth rental or an employee or owner of the shop. Everybody is going to collect from the client and then hold that money, pay it on to the Department of Revenue.

DUNGAN: OK, thank you.

KEN ALLEN: Does that answer your question?

DUNGAN: It does. You're also reminding me I need a haircut. Thank you.

KEN ALLEN: No, you look fine. You look great. It's the style.

JACOBSON: Thank you.

KEN ALLEN: Thank you.

JACOBSON: All right, next opponent. Welcome.

AARON HENSLEY: Good afternoon. My name is Aaron Hensley, A-a-r-o-n H-e-n-s-l-e-y, and I'm here to speak in opposition of LB1244. I am a co-owner of Sovereigns and Shillings Bullion Company, a locally-owned precious metals and historic currency dealer here in Lincoln. We just

opened on the 13th of last month. Our customers include retirees, farmers, small investors, and families who use gold and silver as a conservative store of value, not for speculation, but for long-term financial stability. I want to address three interconnected issues in LB1244 that, taken together, create serious concern for my business and for others like it across Nebraska. First, the treatment of losses on bullion. As, as it is written in LB1244, in my understanding, continues to tax capital gains on bullion sales, but it disallows capital losses entirely, for state income tax purposes. In simple terms, the state would tax profits while refusing to recognize the losses. That is a fundamental departure from how nearly every other asset is treated. Stocks, real estate, equipment, even businesses themselves are allowed losses to offset the gains. Removing that symmetry increases risk and discourages normal market activity. For my customers, this means selling a bullion in a downturn often due to medical bills, farm expenses, or retirement needs becomes punitive. Losses no longer count. That alone discourages transactions. Second, the border taxation-- the broader taxation of bullion as an asset class. By taxing gains while ignoring losses, the bill effectively singles out bullion for unfavorable treatment. This is, this is not neutral taxation. It reclassifies bullion from a conservative hedge into a penalized asset. When policy targets asset class, in this way, behavior changes. Investors hold longer, trade less, and reduce participation. For low-margin, volume-driven businesses like mine, reduced transaction flow directly impacts revenue, hiring, and reinvestment into the local economy. Third, the sales tax risk created by this bill. Nebraska has long-treated precious metals differently from ordinary consumer goods, not by imposing sales tax on investment-grade bullion, recognizing that gold and silver function as a store of value rather than retail purchases. Repealing the statute that defines and protects bullion's tax treatment removes the legislative certainty and leaves the exemption sub-- subject to administrative interpretation. From a business perspective, uncertainty alone is damaging. Is damaging. Customers hesitate when tax treatment is unclear, dealers face higher compliance costs and increased audit risk over the time, transactions shift into neighboring states where sales tax treatment of precious metals is clear and stable. Which brings me to my, to the-- which bring me to the local economic impact. Bullion transactions are highly mobile. If Nebraska becomes less predictable or less competitive, business will

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move across state lines to large online platforms that don't-- I'll end there.

JACOBSON: All right.

AARON HENSLEY: Yeah, sorry.

JACOBSON: Thank you. Questions? Seeing none, thank you for your testimony.

AARON HENSLEY: Thank you.

JACOBSON: Next opponent.

TARA HOLTERHAUS: Good afternoon. My name is Tara Holterhouse, T-a-r-a H-o-l-t-e-r-h-a-u-s, I'm an attorney at Spencer Fane, LLP and I practice in the real estate industry, specializing in multi-family housing representation of property owners and third-party managers. I am also here today on behalf of the Apartment Association of Nebraska and the Nebraska Association of Commercial Property Owners. As an attorney in the housing industry and a lawyer practicing in the housing industry, this bill would significantly increase the cost of housing for all renters in the state of Nebraska. This bill requires taxes to be charged on services for real estate management fees. Approximately 32% of households in Nebraska are rented. For each of these households, adding additional taxes for the property owner for real-estate management fees means that that property owner will have an increase in operating costs, which will in return increase rents to tenants. These costs are always passed back to the renter in the form of an increased rent or increased charge to a renter. For one-third of Nebraska households, this bill increases the cost of housing in an already tough market for low to middle-income households. In this case, a tax on real estate management fees is not equally assessed to homeowners. Examples like this piece of legislation explain why the wealth gap continues to grow when we raise the costs of renting. By increasing taxes on services like managing fees, renters face increased housing costs that homeowners do not face. This bill makes certain exceptions for medical treatments or medical services, which are deemed necessities, but does nothing to make similar exceptions for housing-related services. It is imperative that there be amendments to this bill to remove tax on certain services related to housing, including the tax on the real estate management fees for the

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32% of Nebraska households that are renters. We ask that LB1244 be rejected. I'm happy to answer any questions.

JACOBSON: Thank you. Any questions from the committee? All right, if not, thank you. And I'll turn this back to Senator-- or Chairman von Gillern.

von GILLERN: Thank you. Either one works. Next opponent. We're still on opponents? You have to turn your green sheet in to the clerk. All right. There you go. That's all right. Everybody gets a chance.

KELSIE SHRIVER: Hello, my name is Kelsie Shriver, and I'm a tattoo artist and the owner of Luminary Tattoo here in Lincoln, Nebraska, as well as a contracted artist at Bryan West Hospital. There are many things addressed regarding taxes in LB1244, but I would like to focus my attention to page 10, line 6 through 10, regarding body modification. This bill could not only drive business and skilled artists out of state, directly harm small local business, lead to repeatedly taxing the same service and provide no meaningful benefits to the state's economy, it also risks harming the mental health of the thousands of tattooed Nebraskans who use body modification as a way to cope and heal. While body art may be considered by some to be a luxury service, for many others it's an important part of healing and self-image. The tattoo work that I perform at the hospital is part of the image recovery process for survivors of breast cancer. These tattoos are done there to give the patients back their confidence and appearance of normalcy and they allow patients to look at their bodies and see something other than scars and reminders of all they've been through. The psychological significance of the body art done there is great enough for it to be recognized and covered by health insurance. Tattoos done in a body art facility offer the same benefits to the 30 to 32% of tattooed Nebraskans. In my eight years as a practitioner, I've had the privilege of getting to know thousands of people within the intimate setting of a tattoo station. I've heard stories of loss, grief, celebration, triumph, struggles, and love from my clients and how those experiences led them to their spot in my chair. Shortly after I opened my shop last year, I began a raffle-style program with free entry to win \$50 self-harm scar cover of tattoos every month. And within the first month, I had hundreds of emails from people who needed this service. At least 30 individuals in the initial wave who had been recommended-- had been recommended to me by their therapists, which further speaks about the recognition of benefits by licensed

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mental health professionals. With support from the community who also realized this impact, this quickly turned into a giveaway rather than a discount. Nebraska has been facing a significant mental health crisis, with roughly one in five adults experiencing mental illness. And Nebraska has seen a 42.2% increase in suicides over the last 20 years. Between health insurance costs being the highest they've ever been, mental health appointments with a provider being \$100 to \$250 per session, which is often needed multiple times a month, many people are opting to see their tattoo artist before seeing their therapist. Body modification is cheaper and more accessible than clinical mental healthcare, and adding another layer of financial strain to that access is directly adding to the strain of the Nebraskans that use our services as a way to cope and heal in a safe, regulated manner. Tattoo artists struggle to keep our pricing affordable and attainable as is, and we don't want to see our clients that we care about being priced out of our local community. Tattoos, whether they're performed in a licensed healthcare facility or licensed body art facility, are helping people every day to erase both visible and emotional scars. The setting in which we work does not determine the benefits. Thank you for hearing me.

von GILLERN: Thank you. Can I ask you to spell your first and last name, please?

KELSIE SHRIVER: K-e-l-s-i-e S-h-r-i-v-e-r.

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

DUNGAN: Thank you, Chair von Gillern. Just because I asked about it earlier, can you just give us a little, briefly, an explanation of what it takes to become that licensed medical provider that you're talking about doing at Bryan Hospital?

KELSIE SHRIVER: So right now, the work that I'm doing there is I have my state and my county tattoo licenses and they are done up at the hospital under the supervision of nurses--

DUNGAN: OK.

KELSIE SHRIVER: --out of Dr. Mitchell's office.

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DUNGAN: Do some people provide that care, those kind of tattoos, in the-- in their normal tattoo shops, not at the hospital?

KELSIE SHRIVER: Yes, I have taken multiple of those cases in my shop as well as at the hospital. If a patient, for some reason, doesn't get it covered by insurance, they can come see me at the shop and get it done far cheaper than paying out of pocket to have it done at the Hospital.

DUNGAN: Got it. Thank you for your service to the community. Appreciate it.

MACKENZIE MERCER: Yes, absolutely. Thank you.

von GILLERN: Thank you. If, if the patient has the work done in your shop, is it still covered by insurance?

KELSIE SHRIVER: No.

von GILLERN: It is not. OK. [INAUDIBLE].

KELSIE SHRIVER: No, they, they end up in the shop because the insurance has denied covering it.

von GILLERN: All right, thank you. Seeing no other questions, thank you for being here.

KELSIE SHRIVER: All right, thank you.

von GILLERN: Now we know who's up. No more fighting.

JARVIS NETTLES: Good afternoon, members of the Revenue Committee. My name is Jarvis Nettles, spelled J-a-r-v-i-s, Nettles, N-e-t-t-l-e-s. I live in Legislative District 10, and I'm here today to speak in opposition of LB1244. I am a small distributor in the mechanical amusement industry. I currently operate 13 cash devices and a few arcade games across four locations. I'm here to speak out for a quickly-shrinking group of small distributors like myself. LB1244, by removing the sales tax exemption on gross receipts from mechanical amusement devices, will push out small operators like, like me. I passed out 2025, these are my actual numbers from my locations. And if you look in where it sales tax exemption removed in that column, that's all red. If this bill was passed as it currently written, I

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would \$32,000 in taxes. And if you look under where it says distributor net. If you look at total profit when you minus the-- and this is before even the, the 5% tax that we're getting now from LB685 and there, as you know, there's a bill to increase that, to triple it by 15%. It doesn't really matter at that point because if this bill passes, if you look it at, at my spreadsheet, I am a negative \$8,000. So there's no reason for me to operate. I won't take a bunch of your guys' time. If you have questions, please ask. But I'm just letting you know, small operators like me, we can't pass on this cost, and we will go out of business, as you can see from my spreadsheet. These are real numbers. This is not make-up theory. This is what would happen if this passed today. Is there any question?

von GILLERN: Thank you for your testimony. I'll just speak for, I think I speak on behalf of the committee. This is very helpful. With the talks around the edges of the numbers and many are not willing to talk about the numbers. This is very helpful. Thank you for providing this.

JARVIS NETTLES: No problem.

von GILLERN: Senator Sorrentino.

SORRENTINO: Chair von Gillern, thank you. Real quick question. We've had-- we've heard 920 [INAUDIBLE] 25% to 15% earlier. I think I got that number right.

JARVIS NETTLES: Yeah.

SORRENTINO: Is this typical that with the business location and the distributor split it 50-50, or is that maybe just something that's--

JARVIS NETTLES: That, that's industry standard, and this is going way back to the pinball days and the arcade games. It's typically 50-50. You'll see at the very bottom, I have a gas station down there that it's 60-40. I'm giving them 60. And there's reasons why I did that for competitive-wise to protect a small business. But yes, it's, it's normally 50- 50, but it could be higher than that.

SORRENTINO: Thank you.

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VON GILLERN: Any other questions? Thanks for being here. I appreciate that.

JARVIS NETTLES: Thank you.

VON GILLERN: Next opponent.

KAY DEE SMITH: Good afternoon, my name is Kay Dee Smith, it's K-a-y D-e-e S-m-i-t-h. I'm a Nebraska resident, a single parent, and when I say single parent I do mean I have full custody of both my children. I do not receive any support from special services, and I work four jobs. I also own three small businesses, whose stability and future depend on the economic environment that this body helps shape. I'm going to quote Governor Jim Pillen's own words. He said, Lincoln is thriving, receiving national accolades for its job growth and quality of life. It's affordable. He also stated that Lincoln continues to grow in popularity with tourists from far and wide. I'm not going to speak about the negative impacts regarding my businesses. You guys have heard pretty much everything that I would say. So I'm just going to as a mom and as a consumer. If we want Nebraska to remain affordable, we cannot keep increasing the number of transactions subject to tax. Affordability isn't just rent or home, home prices, it's whether families like mine can participate in our communities, support local businesses, and enjoy the quality of life that attracts both residents and visitors here in the first place. As a single parent, that also matters on a household level. When more services and everyday purchases become taxed, that's less discretionary income spent in local shops, restaurants and community activities. I also want to speak briefly about the future workforce we all care about keeping here. My oldest child has a 4.6 GPA, is completing college-level coursework while still in high school, a three-sport athlete, an employee, and a volunteer to this community who will be choosing a college within the next year. Students like this evaluate not just schools but where they want to live afterward. If we truly want to retain talent, we must protect affordability and opportunity. Rising everyday costs make that decision easier, and not in Nebraska's favor. If Lincoln is thriving, if we attract-- if we are attracting visitors, and if affordability is our advantage, then we should not be passing policy that makes living, operating, and participating here more expensive. Thank you.

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von GILLERN: Thank you for your testimony. Any questions? Are you willing to share what your businesses are?

KAY DEE SMITH: Yes, I am a co-owner of Sovereigns and Shilling Bullion Company. I own 86 Bar Staffing and Wandering Spirits. It's a mobile bar company.

von GILLERN: OK. Is one of those jobs you listed being a mom?

KAY DEE SMITH: No, but that is the most important one.

von GILLERN: All right. So you've got, you've got five jobs.

KAY DEE SMITH: Thank you.

von GILLERN: All right, thank you. Thank you for your testimony. Thank you for being a contributor. Appreciate that. Next opponent.

KENDRA ORDIA: Good afternoon, Chair, Vice Chair, members of the Revenue Committee. My name is Kendra Ordia, K-e-n-d-r-a O-r-d-i-a. I live in Lincoln, Nebraska and I'm proud to be one of Nebraska's first registered interior design professionals. I'm also an associate professor at the University of Nebraska in the College of Architecture. My testimony reflects my professional opinions as a registered interior designer and educator and does not represent the University Nebraska system or the University of Nebraska-Lincoln. I'm here today on behalf of the American Society of Interior Designers and the International Interior Design Association, and you should be all receiving a letter from these organizations as well. Interior design is not a one-dimensional profession. In addition to residential work, it includes commercial interior design that protects the health, safety, and welfare of the public in code-compliant spaces. Interior designers work collaboratively with architects, engineers, contractors, and other consultants supporting Nebraska's construction industry, real estate market, and local supply chains. In 2024, Nebraska recognized interior designers' right to practice independently and stamp construction documents for permit. This allowed qualified professionals to register with the state, pursue projects requiring a registered design professional, and build businesses here in Nebraska. The tax proposed in LB1244 would undermine this progress by creating a disproportionate administrative burden on small and Nebraska-based firms. The bill also raises serious questions about definition and enforcement. If a facility's designer

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creates a cubicle layout, is that interior design? If an architect provides interior design services, are those services taxed or would the-- only when they're performed by someone with my title? What about furniture realtors who provide layouts advice or cabinet design consultation that is included with product purchase? These ambiguities make the tax difficult to define and nearly impossible to enforce. With more than a decade of commercial design experience with architecture and design firms, I can say this tax would negatively affect local jobs small businesses, and projects in housing, healthcare, education, and workplaces that rely on professional design services. Many of these firms are small and female-owned, and many of my students hope to stay in Nebraska and start businesses of their own. This bill could push them to pursue those opportunities outside of Nebraska. Finally, this task risks putting Nebraska firms at a competitive disadvantage. If out-of-state firms are exempt, local firms will lose work based on higher fees rather than qualifications. Clients expect to pay taxes on products, not professional services. I respectfully ask that you strike interior design and decorating services from LB1244. Thank you for your time, and I'm happy to take any questions.

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

SORRENTINO: Chairman von Gillern, thank you. Do you do a lot of business across state lines with other states?

KENDRA ORDIA: It totally depends on the firm. There's a lot of larger architecture firms like HDR and Leo A Daly in Omaha that would be doing projects all across the country. We have smaller kind of sole practitioners that might be working primarily in Nebraska, but oftentimes they have a client that maybe has a vacation home in another state and they would be working there as well.

SORRENTINO: How difficult is it when you have clients in several states decide what is and what isn't taxed under Nebraska state law?

KENDRA ORDIA: I would have to defer to some of my colleagues that are sole practitioners and kind of understand how they do that. Our hours are based on kind of billable hours, based on different types of design service, and so that's typically how our fee structures work.

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SORRENTINO: I hear from the accounting profession that it's incredibly difficult, and I wondered if there were similarities.

KENDRA ORDIA: Yes.

SORRENTINO: Thank you.

von GILLERN: Other questions? Senator Jacobson.

JACOBSON: I'm just curious, so we typically hear the argument that sales taxes are regressive, and so it's disadvantages the poor. But when you're doing interior design, I'm guessing most of your clients are fairly affluent.

KENDRA ORDIA: It depends. I mean, we do interior design for like the local educational districts and things like that, and healthcare clients. Most of my--

JACOBSON: But, but people that can afford to do it currently are not on the low end.

KENDRA ORDIA: Correct. Correct, if you're doing-- if you doing a residential modification. Yes

JACOBSON: And so with that in mind, are, are you, are you charging the sales tax on, on the products that you sell?

KENDRA ORDIA: If a designer is selling like furniture and selling artwork and things like that, yes, there are sales tax that are charged on those.

JACOBSON: So why would it be that difficult-- I mean, I'm just thinking that when people get their bill, are they really shocked that they're going to be charged for the service, too? Or it's like, oh, man, I-- forget the job. I'm going to have to cancel because I can't afford that.

KENDRA ORDIA: In a, again, in a smaller kind of residential setting, it would be a little bit more straightforward. But in kind of the larger commercial environment, which is where a lot of kind of, especially my interior design students end up, it's really embedded within kind of architecture and the consultation of the allied professions. And so you can't really parse it out to say, architecture

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has no tax, interior design spent this many hours and they therefor have that tax.

JACOBSON: And I raise this because if we can't sales tax the highest end, pool cleaning, other things that are high-end, I would say, then we just will not ever bring up taxing any kind of service in the future because it's just not affordable. And, and that's what I'm curious about is, I, I, I know over the years, it's not apples to apples but, you know, when we do occupation taxes for hoteliers, they-- we always hear the, the screams of this is going to put us out of business. But I heard that 20 years ago and I look at what the price of a hotel room is today, and we evidently afford it. And so that tends to come back to some of these higher-end items. And so I'm just curious as to why that's so difficult for that to be charged, passed through, as we know it would be.

KENDRA ORDIA: Yeah, and again, I think in a residential kind of sector, it might be slightly different. I think, for example, I have former colleagues that are based in firms in New York, Atlanta, and Austin, and they're all doing work in Omaha. And they've won those works on qualifications and also bids. And so again, if out-of-state firms aren't having to kind of pass that tax on to their client, we're going to continue to see kind of more projects go out of state. And then again, a lot of the other kind of commercial sectors, again, like public school districts, they're not using interior design as a luxury. They're using it to make spaces accessible, spaces safe for their students, to renovate it for clean air and healthy environments. Same thing in healthcare environments. Again, we're needing those to have spaces that promote healing as well. So those are not luxuries. Those are public services that are there for code compliance and for the health, safety, and welfare of the public.

JACOBSON: Thank you.

von GILLERN: Great, thank you for your testimony. Seeing no other questions, thank you for being here. Next opponent. Good afternoon.

BRIAN VILLWOK: Good afternoon. Hello, my name is Brian Villwok, B-r-i-a-n, last name Villwok, V-i-l-l-w-o-k. I'm from Fremont, Nebraska. My wife and I started a Fremont auction company, and I'm here against LB1244 for the taxation of gold and silver. We do a monthly coin auction at the Fremont Eagles Club. It helps support the

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Eagles. We bring usually about two to three people from different states, let alone locally, so it brings money into the community. Mutual funds, stocks, bonds, ETFs, none of that is taxed. And this is money as well, and it would be taxed under this. And I think it would hurt a lot of savers. It's gold and silver an excellent hedge for people against inflation. It kind of lets them control their own destiny a little bit. There's a lot of young people collecting now coins. And it's just, you know, just hard to put sales tax on some kid or adult or some buying a couple some Jefferson war nickels or, you know, and I know it can go a lot higher with gold, as well. But I think it's a, it's an unneeded tax. And I think it would hurt people. And then also in the collection, I was-- came into town. I spent the day in Lincoln and went to all the different shops. I think it would have a negative impact on the little shops. It's already hard enough in that business to make it. It's very volatile, especially now with the markets are, that it just would add a burden on it. I thought I'd bought an ounce of silver at one of the local shops today, so if I paid the 7% on that. And then I figured if I went home and I sold it to somebody, that's 7% or more, and you know, you just wonder how many times that silver bar would be taxed. And so I just, I think this is not good for anybody. It's, it's just an unneeded tax. I think it hurts savers. There's a lot of people that it just gives them a chance to invest a little bit at a time, whether young, old, or anybody. There's a lot of most states around us don't have it. It would force people to go over to Iowa or any of the other states, because why would you want to pay seven or more percent? And it would just, I think it would just hurt the investment for people and also hurt the collection-- the collector as well, and the savers. So I just think it's a, it's terrible idea. I know since, I believe, 2012 or so we've we've not had it. Former Governor Heinemann from Fremont, I believe, was who was in when we, we made it tax-free. As far as the auction is concerned, it would put more pressure on as far as collecting and paying that, and it just makes it more expensive. It hurts the sellers and it just, it just make it hard on the collectors, the sellers, everybody. They're just, it's, it's just a hard thing to do. And I think also we have the Fremont Coin Club. It's about a 70 organization. We have the monthly-- or the yearly show. We have a lot of people come from out of town and out of state. If there's less coin clubs, there's going to be less, you know, just going to make shows harder and more expensive and it's just going to be a continued drain

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on the consumer. So I just wanted to come and voice my opinion. Thank you for your time. All of you.

von GILLERN: Thank you. Any questions? Seeing none, I just have one question. Are you hoarding pennies?

BRIAN VILLWOK: Pennies? Well, they, some people are, you know, the copper in them. But I don't think they've let them melt them yet. But they're on.

von GILLERN: You don't have to admit on, on the record. Rhetorical question, no answer--

BRIAN VILLWOK: I do like the silver eagle. In fact, I believe some states are letting people pay their property taxes in those and putting in their own treasuries.

von GILLERN: We're not going to go there.

BRIAN VILLWOK: So maybe, maybe Utah.

von GILLERN: All right, thanks for your testimony.

BRIAN VILLWOK: Thank you.

JACOBSON: Senator von Gillern was just taking a jab at my penny--

von GILLERN: Yeah, yeah, that was, that was a stab. Next opponent.

TODD CARPENTER: Good afternoon--

von GILLERN: Afternoon.

TODD CARPENTER: --Mr. Chairman von Gillern and fellow senators. My name is Todd Carpenter, I'm from Grand Island. I have a small coin op amusement company there. I'm a lifelong Nebraskan. The way that the sales tax reads, it, it says that we're exempt. And I just wanted to let-- we are not exempt. There's kind of two sections here. There's the amusement side, which is we'll just say pool tables and jukeboxes and everything that's at bars, and what we do is we pay sales tax before, usually Nov-- end of the year for next year through a decal tax. And which is covers our sales tax. So we're not exempt. And, and another thing is that it's hard for us to, to-- what am I trying to say, shift the tax to, all right, we're going to move this to the

consumer on services or on usage. So we can't just go, all right, well, a pool game costs a dollar. So now it's going to be \$1.07, you know? So we can't charge, so that-- and then of course, half of our income goes to another Nebraska business. And I mainly do bars and restaurants and fraternal in, in, in the amusement game business from, you know, all over even in Senator Murman's district down there. I do quite a bit down there. And in the business of, of small town bars, restaurants, and fraternal, their business is in a decline. It's not a flourishing business at all anywhere. And any, any type that you can, you're just going to take away and not be able to offer those kind of, in a lot of these small towns, those-- these locations are their community center. On the other side of the, of the amusement side is the skill game side. Now, once again, as being as I-- these locations aren't doing very well, these skill games do help out. And I can tell you, I was several calls from a lot of fraternal that if they didn't have them, they wouldn't even be open. It helps them fix their roof, helps them pay for, for a lot things. So and, and for property tax relief, that's what it was mainly for was when Senator Briese introduced the bill that we finally now in the last 6 months have started paying sales tax, was supposed to go to sales tax relief. I don't know if that is going to get-- however that plays out, who knows? But how it works is why we can't go on gross. If we went into a skill game and you took a \$100 bill and you put it in that skill game, and you didn't do anything. But you hit redeem and you pulled back that \$100, OK, and you went to cash that ticket, well, we would owe seven bucks if it was 7% tax. So it just wouldn't work. It has to be on net, and that's how it is. I mean, we are paying sales tax on skill games at 6.5, I'd like to say, because it's not the 5. We have to pay another 1.5 for the central server. So it's initially 6.5%. So on the other side, it works out better on the decal, on collection side, on the amusement side. And on this side, it, it has to be on net, it can't be on gross because it essentially just wouldn't work. And you just go in every day and put \$100 out, \$100 in, \$100 out and it's \$7, \$7. And they never played. So I mean, the-- [INAUDIBLE] appreciate you guys' time.

von GILLERN: Thanks for your testimony. Any questions? Senator Ibach.

IBACH: Thank you, Mr. Chair. Last week we talked a little bit about exempting some of those fraternal orders or veterans locations. Do you

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think that that would be a compromise or something that we could, maybe communities of X or less population?

TODD CARPENTER: You know, there are fraternal organizations that are exempt from the sales tax part of things. What I found out was it seems like all the VFWs are. Had an issue with, with an Eagles Club out in North Platte and, and they're not exempt. And I brought that to their attention if there was something wrong with their 501(c)-- but they were some-- I don't know if there's an issue why that one. But usually a non-profit should be, should be exempt because those, those ones are really struggling to be quite honest with you. But so is the bar and restaurant industry as a whole is in rural communities, you know.

IBACH: Great, thank you very much.

TODD CARPENTER: Thank you.

IBACH: Thank you, Mr. Chair.

von GILLERN: Thank you. Seeing no other questions, thanks for being here.

TODD CARPENTER: All right, thank you.

von GILLERN: Next opponent.

JENNIFER JAESCHKE: Hi. My name is Jennifer Jaeschke, J-e-n-n-i-f-e-r J-a-e-s-c-h-k-e. I have been a cosmetologist, hairstylist for 13 years. And while I know the verbiage on this bill is a little confusing if that takes into haircuts or not, what kind of services are being taxed, I do understand that it's going after and targeting more small businesses. Now I'm currently a small business owner, and it's just me in a studio that I rent, and I have an LLC. But in my experience, cutting for 13 years, 9 of them in Lincoln, I have also managed five salons. I've seen a lot of customers get upset even with a dollar increase. And that resulted in people extending their haircuts a week, two weeks longer, which obviously resulted in a downturn in business. And that was a lot of conversations then with my higher-ups of how do we increase that revenue again, which ultimately results in fewer tips for those stylists, fewer-- just less money. I also want to echo the sentiment of all the taxes that we already do pay when we have a business. Products, tools, any supplies we might need, we're already contributing in that way. And then lastly,

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personally, obviously, I partake in a lot of the tattoo services, also piercings and esthetic services. And I do want to just say that I know that that's been a big help to my mental health and just well-being. I believe that's all I wanted to say. I just wanted to come out and say that it does affect me professionally and, and personally. That's it.

von GILLERN: Thanks for sharing that.

JENNIFER JAESCHKE: Yeah.

von GILLERN: Questions from the committee? Seeing none, thanks for being here today.

JENNIFER JAESCHKE: Thank you.

von GILLERN: Next opponent.

PATRICK MORAN: Chairman von Gillern, members of the Revenue kitty-- Committee, thank you for the opportunity to testify. My name is Patrick Moran, P-a-t-r-i-c-k M-o-r-a-n. I'm a Nebraska resident and a mechanical engineer and six-year owner of Lincoln Coin and Bullion here in Lincoln. I want to focus on one core issue with LB1244. This bill would almost certainly result in a net loss tax revenue for Nebraska via repeal of sales tax on bullion. The reason is simple and well-documented. Bullion buyers are uniquely mobile. They are price-sensitive, highly-informed, and already accustomed to purchasing across state lines or online. If Nebraska imposes sales tax on bullion while neighboring states do not, none of which do, those transactions will immediately leave the state. This isn't theoretical. Multiple states have tried moving their-- removing their bullion sales tax exemption and then reinstated it within a year. The sales didn't disappear, they just moved. And when this happens, or if it were to, Nebraska doesn't just lose sales tax revenue, it loses income tax, payroll tax, commercial rent, and small-business activity. And in fact, I have it written into my lease that if the sales tax exemption were to be repealed, I can get-- break the lease without penalty. There's also another important inconsistency, precious metals or IRA-eligible investments. There are no other IRA-eligible investments that are subject to sales tax when invested through an IRA. Taxing bullion would make Nebraska an outlier by singling out one retirement-eligible asset for sales tax while exempting all others. More broadly, many Nebraskans use precious metals as a conservative

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way to protect their hard-earned savings against inflation and volatility. Taxing that choice doesn't discourage discretionary spending, it discourages financial prudence, and push-- it pushes responsible investors out of the state. Bullion sales tax is different. It is immediate, unavoidable, and it directly determines where the transaction occurs. If LB1244 passes as written, Nebraska dealers will be devastated, and the state will collect less, not more. I respectfully urge the committee to consider the real world outcomes we've already seen elsewhere and to preserve Nebraska's sales tax exemption on precious metals. Thank you for your time.

von GILLERN: Thank you for your testimony. Any questions? Seeing none, thank you for being here today. Next opponent.

DOUG FITZGERALD: Senator Von Gillern and Revenue Committee, thank you so much for allowing us the time to be able to share today, for all of us. The stories have been great to hear, and I really appreciate that. My name is Doug Fitzgerald, D-o-u-g F-i-t-z-g-e-r-a-l-d. I'm here today as a private citizen speaking specifically to LB1244's repeal of the sales tax exemption on gold and silver bullion, and the real-world impact that that change would have on everyday families in the state. I want to be clear from the start. This proposal does not tax wealth. It would tax responsibility. Most Nebraskans who buy gold and silver bullion are not speculators. They're retirees on fixed incomes. They're farmers, small business owners, and middle-class families trying to protect what they've already earned from inflation and uncertainty. For many people, bullion isn't an investment. It's a seat belt. You hope you never need it, but you're glad if it's there. Let me share a brief example, a real-life example. I recently spoke with a retired couple, lifelong Nebraskans. They weren't wealthy. They were careful. Over decades they had set aside a modest portion of their income in the savings of gold and silver. Not to get rich but to preserve purchasing power and to pass something on to their grandkids. They told me we may not have a lot, but we want to be able to leave them something that holds its value. And I can relate to that, becoming a first-time grandfather just two weeks ago. Under this proposal, they would now pay a new sales tax simply to do that. There's also a practical consequence. This tax will not raise the revenue some expect. Nebraskans will buy bullion online or across state lines, just right around our state-- every one of them is exempt from taxes in bullion-- where it remains tax exempt. The buyer leaves, the dollars leave, and Nebraska loses economic activity right here in

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the state. My request today is very simple and direct: keep the existing sales tax exemption on gold and silver bullion. Do not tax responsible saving, do not tax long-term planning, and keep Nebraska a place where families can prepare, not just for retirement, but for their grandkids' future. I want to thank you so much for your time.

von GILLERN: Thanks for your testimony and congratulations.

DOUG FITZGERALD: Thank you, we're very excited.

von GILLERN: Got someone on the committee who will be a new granddad here very, very, very soon.

JACOBSON: About 5 days.

DOUG FITZGERALD: Who's that, you?

JACOBSON: A first-time grandfather.

DOUG FITZGERALD: Congressman Jacobson, you are gonna love every stinking second. I've been holding her for hours.

JACOBSON: Don't get them started.

von GILLERN: Seeing no questions, thanks for being here today.

DOUG FITZGERALD: Thank you.

von GILLERN: Appreciate it. Easy. Good afternoon.

J.P. CORTEZ: Good afternoon. My name is J.P. Cortez. That's spelled J.P. C-o-r-t-e-z. Mr. Chair, Mr. Vice Chair, thank you very much for the opportunity to testify before you today. I'm the executive director of the Sound Money Defense League. We're a national public policy grassroots organization focused on issues pertaining to gold and silver since 2014. This bill, as written, LB1244, would reimpose a sales tax on purchases of precious metals. Currently, 44 states do not charge-- or do not tax the purchase of precious metals. Of the six that remain, four of them are actively considering legislation to remove this tax. So the trend is very much in favor of removing taxes on precious metals, not exempting them-- or not applying taxes on them. Of the few states that have taken a step backwards and decided to reimpose sales tax on precious metals, it was just a year later that they realized that coin dealers had to shut their doors, that

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businesses and conventions and shows were leaving the state. They were actively being explicit about avoiding these states that charge a sales tax on precious metals. There is also studies that have been shown that-- Mr. Moran mentioned this in his testimony-- that this is an inefficient form of tax collection. There's a study by a CPA that was done in Michigan that shows that the state actually lost money with the reduction of business transactions and shows and conventions and such than what it gained from imposition of this sales tax. And like was mentioned earlier, this harm is exasperated, exasperated when you consider that all of Nebraska's neighbors have proactively taken steps to remove this tax. The businesses on-- of precious metals operate on razor-thin margins. These are many times 3, 4% the-- it is their profit margins. So what that means is that if Nebraska were to impose a sales tax on purchases of precious medals, their tax rate would be higher than what the dealers themselves are bringing in for selling their, their goods. Another point is that this is simply one form of money exchanged for another. When you walk into a gas station and you exchange \$1 for four quarters, you're not expecting that to be taxed. After all, why would you? It's just the exchange of one American money for another? In this case, Nebraska would be choosing to impose this tax, which would be very out of line, like I said, with what most other states are doing. There are also fiscal notes. The idea that Nebraska would bring a lot from this in is simply not the case. I have worked in states to remove this tax in Tennessee, a state with four times the size of population here in Nebraska, and presumably as, as much transaction as well. Had a fiscal note for removing this tax of only \$360,000 a year. So the idea that that Nebraska would bring in hundreds of thousands of dollars is simply no the case. I thank you very much for your time, I'm available for any questions.

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

KAUTH: Thank you, Chair von Gillern. Could you tell me how much do those shows bring in? Are they-- is there a door charge that is taxed, or is it just bringing more people to the area and the, the resulting businesses doing well? Can you tell me a little bit about that?

J.P. CORTEZ: Through the chair, Senator Krout, thank you very much-- or Kauth, excuse me, Kauth. Thank you very much for the question. Yeah, so this-- these are very large shows that typically can bring in

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anywhere from dozens to hundreds of dealers who will set up and they will display their coins, and people from all over the state will come in. People from out of state will come in. And these secondary effects are also huge. You have people buying hotel rooms, tourism dollars, all these vendors that are getting to enjoy the benefit of Nebraska literally only because it is a tax-free state. They explicitly avoid states with this tax. They, they simply will not go there.

KAUTH: Thank you very much.

J.P. CORTEZ: Thank you.

von GILLERN: Seeing no other questions, thanks for your testimony.

J.P. CORTEZ: Thank you very much.

von GILLERN: Appreciate you being here. Next opponent.

ROBERT M. BELL: Good afternoon, Chairman von Gillern and members of the Revenue Committee. My name is Robert M. Bell, my last name is spelled B-e-l-l. I'm the executive director and registered lobbyist for the Nebraska Insurance Federation, which is a state trade association of Nebraska insurance companies. I'm here today in respectful opposition to LB1244 as drafted. And I'll be brief. As you know, Nebraska has a very large insurance industry. A couple of things caught our eye as we reviewed this legislation. From the standpoint of employers in Nebraska who utilize various services, insurance companies are heavy users of consulting services, actuarial consulting services, accounting consulting services. Can ask the question, what is an accountant service versus other types of consulting services? But wanted to raise that attention. And then of course we're always concerned about the taxation of the services that we pay for our insurance. And the one that caught our eye on this one was the automobile or the motor vehicle repair. We pay for a lot of motor vehicle repair that will be passed along to our rate-payers. And then we have some questions around investment advising services. Many of our companies provide those services to our insureds. So with that, I appreciate the time. Thank you very much.

von GILLERN: Thank you, Mr. Bell. Senator Jacobson.

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JACOBSON: I guess I was a little disappointed that you left off the list, as did Mr. Traynor, the data processing services. [INAUDIBLE].

ROBERT M. BELL: Well, I was looking at that, and I do have, have it circled. I have limited time and I was trying to hit the highlights. But we have to use data processing services. How much would that cost? I don't have great information on that right now, so I was-- but I appreciate you bringing it up, Senator Jacobson. So a lot of that's done in-house.

JACOBSON: Just wanted, wanted to get it on the record.

ROBERT M. BELL: So very cold rooms in insurance companies with very big computers.

von GILLERN: Thank you. It's odd to see you in the Revenue Committee.

ROBERT M. BELL: It's hard to be here. I was at HHS earlier. I'm-- it's been a day, so. And I meant to submit written comments, so thank you for the grace on the time.

von GILLERN: Thanks for being here. Appreciate it. Next opponent.

CAROL BODEEN: That might be the first time I've had the chair pulled out for me in front of the--

von GILLERN: You're lucky he didn't pull it all the way out.

CAROL BODEEN: Good afternoon, Chairperson von Gillern, members of the Revenue Committee. My name is Carol Bodeen, C-a-r-o-l B-o-d-e-e-n, I'm the director of policy and outreach for the Nebraska Housing Developers Association. We're a membership organization with currently 76 members from across Nebraska. Our mission is to champion affordable housing. Today, my testimony is also representing the Nebraska Economic Developers' Association. I am testifying in opposition to LB1244, specifically the language on page 26, Section 6, which terminates the Nebraska Historic Tax Credit. As developers and providers of affordable housing, we would like you to know that historic tax credits are a valuable tool which our membership has often utilized to develop and preserve affordable housing across Nebraska. These historic tax credits have been paired with public subsidies such as the Low-Income Housing Tax Credit to make previously impossible projects financially feasible. The result is not only the

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preservation of historically significant buildings, but also the provision of safe, quality housing for Nebraska residents. Historically-significant buildings are often in older areas of communities and near city centers. Utilizing historic tax credits for affordable housing projects typically results in increased financial investment in economically distressed areas and includes affordable housing in downtown areas which are often closer to employment and transportation opportunities. When this program last sunsetted, we had three bills introduced in 2023 to extend the program. Bills were introduced by Senators Vargas, Conrad, and Slama. These older districts are the hearts, are the hearts of our communities, whether it's Omaha, Lincoln, Chadron, McCook, Nebraska City. Please remove Section 6 from this bill, preserve the Historic Tax Credit Program, and continue this important economic development tool for our state. And I thank you for your time and your patience this afternoon.

von GILLERN: Thank you for your testimony. Questions from the committee? Seeing none, thank you for being here.

CAROL BODEEN: Thank you so much.

von GILLERN: Next opponent.

DAVID BORRENPOHL: Good afternoon, Senator von Gillern and state senators. Sorry, I'm a little bit nervous here, so I'll get through this.

von GILLERN: Very good.

DAVID BORRENPOHL: Not as bad as my wedding day, but close.

von GILLERN: Well, you don't have as much at stake, I can tell you that.

DAVID BORRENPOHL: I didn't walk out of that either, so. My name is David Borrenpohl, D-a-v-i-d B-o-r-r-e-n-p-o-h-l, I'm a commissioner in Johnson County, and I'm opposed to the AM6 [SIC] from LB1244. Our Johnson County courthouse needed a new roof and HVAC and was needing replaced on the third floor. Listed below are the listed priorities for the current project and future projects. Item number one, we have not completed yet. But two, three, and four are really close to being done now. I mean, maybe by end of the week. That said, the next projects for like five and six, which you'll see kind of-- pictures of

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that in the handout, that's the future projects I would like to get complete because, you know, a good roof and a good foundation are the first things to keeping a building intact. The county board-- the county bonded \$2 million to help with this cost. We have used ARPA-- little ARPA money and inheritance tax to funds the project, and hopefully with the 30% of tax credits, the county would be able to supplement the future foundation and drainage work. If these credits are unavailable, the next phase of work would be a burden to our taxpayers of the county. I guess with that, that's kind of where I would like to see this continue.

von GILLERN: All right, thank you.

DAVID BORRENPOHL: It helps us out for-- greatly for our next projects coming up.

von GILLERN: All right, thank you. You did great. Speaking my language here, thanks for bringing me a building plan. It's been the highlight of my day. Any questions?

DAVID BORRENPOHL: And thank you guys for the long day, and it's probably not over yet.

von GILLERN: Seeing no questions, thanks for being here. Thanks for what you do. Next opponent. Good afternoon.

JERRY BERGGREN: Good afternoon, Chairperson Gi-- Gillern-- von Gillern, pardon me, and members of the Revenue Committee. My name is Jerry Berggren, J-e-r-r-y B-e-r-g-g-r-e-n. I'm testifying in strong opposition to LB1244, particularly Section 6, amending Section 77-2912. This section is part of the Nebraska Job Creation and Main Street Revitalization Act, also known as Nebraska Historic Tax Credits. Quietly, in 1976, the federal government created the Federal Historic Preservation Tax Incentive Program. This has been perhaps the most successful form of economic stimulus ever. It continues today basically in its original form. It alone has done more to revitalize Main Street than any previous program. So much so that the states have begun to mimic the process offering state tax credits for citizens and investors. To date, 70% of all states offer some form of historic tax credit. Our Legislature initiated state tax credit for historic preservation via the Nebraska Job Creation and Main Street Revitalization Act of 2014. The program sunset in 2022, it was

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reinstated in 2023, and enhanced to increase the allowable percentage of eligible expenses from 20% to 25% in urban areas, and to 30% in rural areas. It also increased the maximum value of credits per structure from \$1 million to \$2 million. The University of Nebraska Bureau of Business Research documented the success of the act. In a report published in February 28, 2025. The report by Drs. Mitchel Herian and Dr. Eric Thompson looks at two time periods, the impact between 2021 and 2023, then from the program's inception, 2015-- excuse me, 2015 and 2023. Considering the overall period of existence, the report documented \$393.7 million of investment with a total investment impact return of \$447 million. That's an overall return on investment of 13.5%. However, in the more recent time period, 2021 to 2023, the report documents an investment of \$159.9 million and a total estimated impact of \$220.9 million, indicating a 31.1% return on investment. I've attached a copy of this report with my testimony. The statistical analyzation provided by our University of Nebraska documents a return on investment that far overshadows any property tax that would be proposed by LB1244. Thank you for your time. I suggest if you have questions, you, you contact Dr. Herian or Dr. Thompson. They are both still affiliated with University College of Business. Thank you.

von GILLERN: Thank you, Mr. Berggren. I appreciate that. Questions from the committee? Seeing none, thank you for being here. Thank you for providing the report. That will be helpful.

JERRY BERGGREN: Thank you.

von GILLERN: Next opponent.

STACY SPALE: Good afternoon chair and members of the Revenue Committee. My name is Stacy Spale, it's S-t-a-c-y S-p-a-l-e. I'm here today as a registered interior designer in the state of Nebraska asking you to remove interior design services from this proposed tax. In practice, interior design does not happen in isolation. I work in a multi-disciplinary firm. We have dozens of different professional services, architecture, engineering, planning, interior design among them. We work on historic tax credit projects quite often. Taxing only one of these services creates a significant administrative burden. Our accounting systems, our contracts, our billing structures. They are not built to isolate and tax a single discipline that is deeply integrated into a team-based and integrated project delivery.

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Determining which hours are interior design versus planning versus coordination or documentation might be subjective, inconsistent, and costly to administer for both firms as well as the state. Under current Nebraska law, we can independently prepare and stamp construction documents for permit in code-regulated spaces, and our work directly affects the life-safety, accessibility, and building code compliance for the health, safety, and welfare of the public, placing our role much closer to licensed architects and engineers than retail or personal luxury services. This tax would also create a lot of confusion for our clients. If an architect performs interior work, which they are fully capable of doing, is that service taxed? If an engineer designs systems on the interior, is that service taxed? If a furniture vendor provides layout planning assistance for cubicles, is that taxed? This lack of clarity makes compliance difficult and enforcement very uneven. We bundle our services often, we walk-- work across dif-- different disciplines, it would be really, really challenging to decouple that. I'm also curious how this would affect interstate work. Professionals serving clients across state lines or through multiple offices may face very complex tax compliance issues. Right now, I'm working on 14 projects in 5 different states. Is my time taxed because it's practiced within the state, or is my time only taxed when it is on projects that are being built in the state? All questions that we need to ask. So for these reasons, I respectfully ask you to inclu-- exclude interior design services from this proposed bill.

von GILLERN: Thank you for your testimony. Seeing no questions, appreciate you being here today.

STACY SPALE: Thank you.

von GILLERN: Thank you, next opponent. Are there any other opponents for LB1244? Seeing none, is there anyone would like-- are you an opponent?

MARILYN S. HANSEN: I'm an opponent, and I didn't write it down. I sent all letters.

von GILLERN: OK, then you're on record, so thank you very much.

MARILYN S. HANSEN: Can I say one thing?

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von GILLERN: Not unless you fill out a green sheet.

MARILYN S. HANSEN: I'll go fill out a green sheet.

von GILLERN: Which you're going to end up being a neutral testifier then, because I'm moving on. Seeing no other opponents, are there any neutral testimony? Tell you what, if you want to come up and testify and then turn in the sheet when you're done, we'll do that, OK? All right, thank you. Are you looking to testify in this bill? OK, thank you. Ma'am, if you'd like to testify, go ahead, and we'll have you turn in your sheet when you're done, OK?

MARILYN S. HANSEN: Yes, thank you.

von GILLERN: You bet. And this is in opposition?

MARILYN S. HANSEN: This is in opposition.

von GILLERN: OK, all right. This will be our last opp-- opposing testimony.

MARILYN S. HANSEN: My name is Marilyn Schooley Hansen. I sent you letters, and I apologize for not having brought anything to give to you in person. As I listen to what's going on, I think you need to realize that many of us interior designers, and that's what I'm opposing, are independent contractors in this state. And for 37 years, we have worked to be considered registered interior designers, those who can qualify for the NCIDQ test and pass it. And I was the first one in Omaha, Nebraska, to ever pass in our whole state. I started my own business after Brandeis closed. My building was a 100-year-old mansion I restored, and I didn't make a lot of money on luxury items. I was able to keep that business going, and now it's 45 years old. When it got to a point where the internet took so much business away from us, the only thing we can charge for is our time. The average interior designer who's an independent contractor, as opposed to all of the ones working under the architectural firm, might make \$50,000 a year. After they've paid all of their expenses, they have \$35,000. When we're talking about the tax, who are we working with? I work with contractors. I lay out the lot-- the design. I make sure that the doors are correct, that the sizes work, that the code works, so that the guys that I draw these plans for can take it to the city and it will be passed. The most current job I'm working on right now that makes me so emotional is a home where it's a single family,

single-income family. They have five kids, another one's on the way, it's an 1,800 square foot house. And I have figured out how to add a garage. The contractor is going to turn in the plans. We're adding a garage, a two-car garage. Who are adding a mudroom and redoing a kitchen in a house that's 70 years old. I will make \$2,000 for my plan. Now I've got to say to them, well, if you use the contractor, then that would have been, you know, no tax. If they'd hired an architect who would have turned down the job, what would they have gotten? Instead, they're getting do-it-yourself people, people who think about color and isn't this a gorgeous room and do something that's just ridiculous, instead of the educated interior designers. In the last 14 years, I've gotten Best of Omaha seven times. I'm almost done. I'm just saying, it's not a luxury, you guys. Those of us who are doing this job, 115 registered interior designers, we've worked for 37 years to get this far. And I apologize, I wrote you all letters, but I could tell by the conversation, you think we are luxury people. And we are not. We are helping the little people. We're helping them do something with their home. Those people with the luxury homes, I don't know who's getting them. I'm not. I haven't done a million dollar home in ten years. And my fee is still \$150 an hour, and it has not gone up in 10 years. Because this is the kind of work I get with the internet in the way. My 8,000 square foot store is long gone. My nine employees, long gone. I'm down to two. Get a picture of what's really going on with the luxury interior designers. We are not.

von GILLERN: Thank you for your testimony.

MARILYN S. HANSEN: Questions?

von GILLERN: Could I get you to spell your first and last name, please?

MARILYN S. HANSEN: Yes, Marilyn, M-a-r-i-l-y-n, sorry for the pressure. Marilyn, M-a-r-i-l-y-n, S. Hansen, H-a-n-s-e-n. I'm a fellow of the American Society of Interior Designers, also a member of IIDA, and I'm the only fellow in the state and I did the Governor's residence for free. Two years, two years.

von GILLERN: Would you please remember to turn your sheet into--

MARILYN S. HANSEN: I will.

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VON GILLERN: Thank you. All right, any neutral testimony? Seeing none, Senator Murman. OK, so as Senator Murman comes up, we had comments on the record that were emailed in, 4 proponents, 2-- 353 opponents and 5 neutral.

MURMAN: Well, thanks everybody for putting in the long afternoon, and I appreciate all the testifiers. We will take their testimony into consideration and determine if there's any changes we need to make. I've got to say we, you know, our tax structure in Nebraska is outdated. We've got to move to a more modern tax structure, and that does include taxing services, our whole economy has moved more towards services in the last 50 years or so. Also a broader-based sales tax structure. So that's my goal and, and but the main goal is property tax relief because we're far too dependent in Nebraska on property taxes. The country is moving more toward broad-based sales tax and also even reducing income tax nationwide. So my goal is to reduce property taxes. These sales tax exemptions that we're eliminating and broadening the base on are pretty much all non-necessities. They're not necessarily luxuries, some are. But of course that's changed over the last, well, 100 years. Some things that we consider a, a necessity now were luxuries, you know, if you go back far enough. But almost everything that I've included there's also choice on whether or not you want to pay the sales tax, you have a choice on whether or to do the, the service or the item. So with that, I'll take any more questions.

VON GILLERN: Any questions from the committee members? Seeing none, thank you Senator Murman.

MURMAN: Thank you.

VON GILLERN: With that, we'll close our hearing on LB1244, and we will open on LB1124 and invite Senator Sorrentino up. All right, I think we're ready to go here. Just quick, before Senator Sorrentino begins, if you are here to testify on LB1124 and you also are intending to testify on LB1238, you can mark that on your green sheet that you want to be on the record for both bills, and you can testify a single time if you choose. If you, if you elect to stay here for the, for LB1238, that's perfectly fine. There's nothing wrong. We'll-- we're here until we're done. But in the interest of your time and everyone's time, if

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you'd like to do that, just please notice-- note it on your green sheet, OK? All right, Senator Sorrentino.

SORRENTINO: Thank you, Chairman.

von GILLERN: It's all yours.

SORRENTINO: Thank you, Chairman von Gillern. This ought to be easy after that bill. Straightforward, we'll be done in five minutes. All right, good afternoon, Chairman von Gillern and members of the Revenue Committee. My name is Tony Sorrentino, T-o-n-y S-o-r-r-e-n-t-i-n-o, and I represent Legislative District 39, which includes Elkhorn and Waterloo in Douglas County. I am here today to introduce LB1124, which at its core is a Medicaid reimbursement bill. What LB1124 is not, there have been any number of bills introduced over the years to raise the tax on cigarettes and tobacco products. The theme of opposition to these bills has always been that this is a tax on the poor or a sin tax attempting to regulate morals or makes Nebraska non-competitive for the sale of tobacco products or, finally, that there are other tobacco products needlessly pulled into this tax scenario. None of those prior bills bear a resemblance to LB 1124, as they were simply attempts to raise revenue for the General Fund, which we need, to support other obligations of the state. A reading and clear understanding of LB1124 dispels these opposing viewpoints in the following manner. To the assertion that the majority of smokers in the state of Nebraska are poor, that being defined as being eligible for Medicaid services and covered under our state, it is, it is a logical extension that they are covered by Medicaid because their impoverished situation. Continuing down that path, if they are covered by Medicaid, then the costs associated with the tobacco-induced cancers become a cost to the state of Nebraska, which we share with the federal government. I ask you, could there be a mirrored logic-- a more, excuse me, more logical nexus between cause and effect or matching of revenues and expenses? To the assertion that this is, this bill regulates morals, this bill does not take any product away, does not outlaw the sale or consumption of tobacco products, or make any moral or social statement other than an attempt to address a real and tangible health hazard that is creating a nearly unstoppable rise in the funding of our Medicaid plan here in Nebraska. Indeed, these out-of-control costs are endangering coverage of other types of services under Medicaid. To the assertion that Nebraska will lose sales tax revenue by adopting a higher sales tax on tobacco products,

the handouts that you have received just in the last few minutes reveal that Nebraska has one of the lowest tobacco product taxes in the Midwest, and an increase in such tax does not render Nebraska non-competitive. Having said that, studies have shown that higher costs for tobacco products have acted as a deterrent to smoking. And I'm not sure anyone here would argue that this is an adverse result. Finally, to the assertion that there are alternative products that would be needlessly pulled into this tax scenario, the most popular offering being products generally referred to as heated cigarettes, which claim to significantly reduce the amount of tobacco ingested by the smoker, as well as reduce secondhand smoke, maybe they do, maybe they do not. But let's be clear, these types of pro-- of tobacco ingestion products are limited to specified markets in the southeast and are not currently sold in Nebraska. What LB1124 is, LB1124 is designed to partially offset more than \$180 million in annual Nebraska Medicaid cost incurred by our state to smoking-related illnesses. That figure includes the Federal Medical Assistance Percentage, or FMAP, match, with approximately \$80 million coming directly from Nebraska's General Fund. I'll repeat that, \$80 billion annually. LB1124 will accomplish this by increasing the cigarette excise tax, unchanged in 24 years, from 64 cents per pack to \$1.64 per pack per 20 cigarettes. Medicaid now accounts for more than 20% of General Fund appropriations, and that share continues to grow. The intent of LB1124 is to direct a portion of cigarette tax revenue toward Medicaid to help pay the cost directly associated with tobacco use. In business and accounting terms, this is a logical matching of revenues and expenses. Pure and simple. The legislative intent of this bill is not to add revenue to the General Fund. Instead, the additional revenue would be dedicated to the Nebraska Medicaid program to offset lung cancer claims and other smoking-related expenses. Costs that, again, exceed \$180 million in the last 12 months, much of which can be traced to smoking and secondhand smoke. And there are experts on that topic who will testify behind me. Importantly, 11-- I'm sorry, LB1124 does not disturb the existing allocation of the current 64 cents per-pack tax, nor does it affect any allocations from the Tobacco Settlement Fund. LB1124 is not an indictment of smokers or smoking. It is a reimbursement mechanism that aligns the source of revenue with one of the state's larger budget drivers. This is a huge expense removed from the General Fund, thereby assisting the state in recovering our deficit while creating a logical cause-and-effect relationship. According to the Nebraska Department of Health and Human Services,

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Nebraska tax facts from February 2025, Nebraska households pay approximately \$900 per year in taxes for smoking-related costs, including healthcare and lost productivity. More than 2,500 Nebraskans die each year from smoking-attributed causes. Annual smoking-related medical expenses total \$924 million, and lost productivity adds another \$652 million. Nebraska's cigarette tax ranks 42nd out of 50 in the nation currently. Since 2002, the last time the tax was increased, smoking-related Medicaid expenditures have cost our state an estimated \$4 billion, while cigarette tax revenues during that same period have covered less than one-third of those costs. The proposed increases would place Nebraska more in line with surrounding states, with the exception of Missouri. Missouri has a constitutional amendment to keep their cigarette tax extremely low in light of the fact that they have both recreational and medical marijuana, recreational marijuana taxed at 9%, with medicinal marijuana taxed at 4%, which is interesting because the IRS does not allow a tax, a sales tax on medicine. Read into that what you like. Colorado is at \$2.24 per pack. South Dakota, \$1.53. Kansas, \$1.29. Iowa, \$1.36. We would be at \$1.64. While higher taxes may reduce smoking, it should also result in a corresponding reduction of Medicaid costs. According to the American Cancer Society-- I'm sorry, American Cancer Society Action Network, tobacco tax increases are among the most effective tools for reducing smoking and other tobacco use, particularly among youth. States that have significantly increased cigarette taxes have seen higher revenues while simultaneously reducing smoking rates. These increases also lower tobacco-related health costs, including Medicaid expenditures. There's approximately five handouts that I've given you. I won't go into detail, but they summarize these points. In summary, LB1124 adds a \$1 tax to tobacco products to the current 64 cents per pack, effective July 1, 2026. The intent is not to grow the General Fund, but to ensure that any additional revenue is directed to Nebraska Medicaid to help offset the cost of lung cancer claims and related expenses, most of which are attributed to smoking and secondhand smoke. Again, this is a logical matching of revenues, expenses, pure and simple. Thank you. I'm happy to take any questions.

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

DUNGAN: Thank you, Chair von Gillern. Thank you, Senator Sorrentino. We've heard similar bills to this in the past, and I know one of the push-and-pulls that people have talked about is the sustainability of the revenue that's coming in from this. And I know there have been

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proposals across the political spectrum to get this done. I know Senator Machaela Cavanaugh, I think, a couple years ago raised it to like \$2.50 or something like that, or that was her proposal. The argument therein being that if you hit a certain amount, it starts to decrease usage versus just a perpetual sort of fee on those who are using these. I don't know what that number is in terms of when you actually start to decrease usage, but is the goal of your legislation to decrease the usage over time or is it to create a more sustainable mechanism of funding for Medicaid based on this perpetual use that then can go back and help kind of fix some of the problems from smoking?

SORRENTINO: It's a great question, and I would lean towards the latter. At the present time, with \$80 million coming out of our General Fund in the situation we're in, and you'll see in the fiscal note, it raises about \$45 million. It does not take \$80. Trying to weigh that and balance it against, we're not trying to be punitive. I mean, I guess we could raise it \$3.50 and take it all out. That's probably being a little punitive in the fact I think a pack of cigarettes costs somewhere in the neighborhood of \$6, I think. So it's a happy medium that was given some thought with trying to at least offset a portion of it.

DUNGAN: OK, thank you.

SORRENTINO: Thank you.

von GILLERN: Senator Jacobson.

JACOBSON: Senator Sorrentino, I, I, I guess, in a way, aren't you really trying to do both? You're trying to cut smoking, which in turn would also cut Medicaid costs.

SORRENTINO: If it has the happy effect of people quitting smoking, great, because that also in turn reduces the number of the amount of claims we pay out of Medicaid. The, the science, as I have seen it in some of the expert testimony behind me, I wish there was a bright line, hey, when it gets to \$10, everybody stop smoking. I don't know of that bright line, but it would be great if that happened.

JACOBSON: Although I'm sure we'll hear people talk about that this is my week to drive to Missouri and buy a carload of or a truckload of

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cigarettes and bring them back. But I'm waiting to let's see that happen, you know. And maybe hijack a truck and--

SORRENTINO: Well, with the exception of Omaha and maybe Nebraska City, they've got a long drive.

JACOBSON: It is a drive.

von GILLERN: Other questions? Seeing none--

SORRENTINO: I will stick around.

von GILLERN: You will stay to close. He was confident in that.

SORRENTINO: Thank you.

von GILLERN: We'll invite up our first proponent for LB1124. And again, if you're speaking towards LB1124 and LB1238, mark it on your green sheet and please say so in your testimony.

JACOBSON: I'm going to open it on the other end. I'm gonna open it up here just a little bit. Here's the opening I was going to go.

von GILLERN: Yeah, she's gonna, yeah, we'll still have her here. Sorry, a little internal--

MATTHEW AHERN: No worries, no worries.

von GILLERN: You're all good. Thank you.

MATTHEW AHERN: Well, good afternoon, Chairman von Gillern and members of the Revenue Committee. My name is Matthew Ahern, M-a-t-t-h-e-w A-h-e-r-n, and I am a deputy director for the Division of Medicaid and Long-Term Care in the Department of Health and Human Services, and am here to testify in support of LB1124. So LB1124 would increase the state's established cigarette tax and place a majority of the revenue raised from this tax increase to the healthcare Cash Fund for use by the Medicaid program. This is an easy bill for the department to support. By increasing funding for the Medicaid program through the healthcare Cash Fund, our program's need for General Fund appropriations would be reduced. Any policy that can reduce our program's General Fund needs would be helpful. This bill offers clear fiscal benefit for the state and would require a minimal effort for our program to implement. For these reasons, we support LB1124 and we

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thank Senator Sorrentino for sponsoring this legislation. We respectfully request the committee advance this bill to General File. Thank you for your time, and I'd be happy to answer any questions you have on this bill.

von GILLERN: Thank you for your testimony. Questions from the panel?

JACOBSON: I, I have one quick question.

von GILLERN: Senator Jacobson.

JACOBSON: Thank you. What is the healthcare Cash Fund being spent on today? Is it being raided for other projects, or is it specifically-targeted programs?

MATTHEW AHERN: So, you know, I don't know the, the nuance of all the facets of what's being done there. My understanding is that it's being used for our purposes predominantly. Though I wouldn't be able to speak to the extent of it.

JACOBSON: OK, thank you.

von GILLERN: Seeing no other questions, thank you for your testimony.

MATTHEW AHERN: All right, thank very much.

von GILLERN: Next proponent. Are there any other proponents for LB1124? Yeah, jump on up.

JULIA MCCARVILLE: Hi, good afternoon. Chair von Gillern and members of the committee, I appreciate you-- appreciate being here today. My name is Julia McCarvel. I serve as the executive director of the American Lung Association in Nebraska, and I'm also a resident of the fourth district. I, I just want to sincerely thank you for the opportunity to provide comments in support of LB1124. For more than 125 years, the American Lung Association has been working to save lives by improving lung health and preventing lung disease through advocacy, education and research. The Lung Association works on behalf of more than 225,000 Nebraskans living with lung diseases, which are primarily caused by tobacco use and exposure to secondhand smoke. Tobacco use is the leading preventable cause of death in America. In Nebraska, it's estimated that 2,500 people will die prematurely because of tobacco use each year. At least 75,000 Nebraskans are suffering from, at a

minimum, one serious smoking-related illness according to the Nebraska Department of Public Health and Human Services. The department also reports that statewide smoking-related healthcare costs total \$924 million annually. Significant tobacco tax increases are one of the most effective ways to prevent youth from starting to use tobacco and to help adults to quit, according to the U.S. National Cancer Institute. When tobacco becomes less affordable, people use it less and youth initiation is prevented. Because youth and low-income individuals are more responsive to increases in tobacco prices, they disproportionately enjoy the health and economic benefits of quitting and not starting. Every 10% increase in the price of cigarettes reduces consumption by about 4% among adults and about 7% among youth, according to a study from the University of Chicago economists. The Lung Association supports LB1124 because it raises the tax on tobacco by \$1 per pack, which is a significant tax increase and propose-- promises significant impacts to smoking-related illnesses in the state as a result. In addition, directing 97 cents of tobacco tax to the Nebraska healthcare Cash Fund for Medicaid programs, these are essential to protecting the health and wellbeing of our residents, particularly those that are most vulnerable to chronic lung diseases, including those who use tobacco products. Over 346,000 children and adults in Nebraska rely on Medicaid for life-saving healthcare services, which include regular checkups, cancer screenings, and treatments that allow them to work, care for their loved ones, and live healthy lives. Dedicating a portion of the revenue to tobacco prevention and to-quit tobacco programs would make the increase even more impactful. The benefits of a dollar increase in the tobacco tax and the direction of tobacco tax revenue to Medicaid programs makes LL-- LB1124 a win-win for Nebraska, and we heartily urge its passage by the committee. And I thank you for your consideration and your time. I'm happy to take any questions.

von GILLERN: Questions from the committee? Seeing none, thank you for being here.

JULIA McCARVILLE: Lovely. Thank you.

von GILLERN: We get another District 4 person to hang out. Next proponent.

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MAGGIE BALLARD: My question on testifying on both. Do I get still just the three minutes, or can I take the six minutes?

von GILLERN: You only get the three minutes.

JACOBSON: Wow, [INAUDIBLE].

von GILLERN: I'm really proud of you for asking that.

MAGGIE BALLARD: Let's say four and a half. Four and a half, four and half minutes. Sounds good.

von GILLERN: Let's just do three.

MAGGIE BALLARD: All right, well, you are technically in charge.

von GILLERN: You want to hang out until 7:00 with the rest of us, you're welcome to. Thank you for doing that.

MAGGIE BALLARD: Yeah, of course. My name is Maggie Ballard, M-a-g-g-i-e B-a-l-l-a-r-d. Good afternoon, Chairperson von Gillern, sorry. I'm here on behalf of Heartland Family Service in support of LB1124 and LB1238. And we'd like to thank both the senators for bringing these forward. I'm going quite off-script here so that I can kind of combine the two things that I was hoping to discuss today. So at Heartland, we have many different programs. I work in substance use prevention, and so one of the things that do for my work is I go into a lot of middle schools and high schools. I deliver different classes and presentations. I have some groups where we talk about protecting the things that we care about. One of the things that we talk about is how addiction happens. And one of the things that I focus on talking to kids about is how much the tobacco industry really targets people in their age group. It's instrumental for them to make their profits for people to start using before the age of 21. And that's not to target anyone like in this room today. It's not about the cashier at Casey's down the street. It's not about the shop owners selling to people under the age of 21. That's not what we're talking about. We're talking about the products themselves, who they're designed by, who they're created by, the flavors, of course, for the vapes, and even some of the other tobacco products, all of them really coming for our youth. And we owe it to them to be part of the solution rather than be part the problem. So you heard the testifier before me discuss how when we raise the tobacco tax, that it is going to help fewer people

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to-- prevent them from starting, and it also will help those who are already using to quit. And so I know that there's a lot of motivation around the funding and seeing what can be funded with this, but I'm here giving a voice for a lot of the youth that I talk to and that I work with. Because we owe it to them, like I said, to have a frontline defense against the tobacco industry. I know that the chances of developing an addiction after the age of 21 goes down considerably. That's one of the things that I talk to kids about, is that there's a reason that the legal age to purchase alcohol or nicotine is 21. Even though we're considered to be adults, in most states at 18, and Nebraska it's 19, we know that there is so much brain development that happens over those next few years that if I wait until I'm 21 before using, my chances of developing that addiction go down literally 90%. Which is great news if I choose to wait. But of course there are a lot of advertisements that are trying to get them to start using before that. So it's important that we do everything we can to arm our kids to, to be able to refuse and to see the benefits of not smoking. And making it more expensive is a great way to do that, so that's why we urge you to please vote for both LB1124 and LB1238 out of committee. And I'd be happy to answer any questions.

PATRICK MORAN: Very good. Thank you for your testimony. Senator Dungan.

DUNGAN: Thank you, Chair von Gillern. Thank you for being here. I appreciate your background and expertise in this. Just kind of like playing off what you're talking about. If we assume, and I'm not saying I necessarily feel this way, but if we assume that users of tobacco have been, to put it bluntly, taken advantage of or duped into smoking or, you know, using tobacco by the tobacco industry, which is kind of what we're talking about here, right? Bad actor, hypothetically, tobacco industry, and then person on the street starts using somehow. Is there a

MAGGIE BALLARD: Person, person in a school.

DUNGAN: School, young person, yeah. So if that's, if that's what we are talking about, are there ways that you would propose or ideas that you've seen elsewhere to help reduce addiction that don't have either the intended or secondary impact of taxing that person who now is addicted to this thing? Because it seems like that's what this is getting at, is person is addicted, they continue to use into

perpetuity, hypothetically, if the number is not high enough to get them to stop using. And now we're supplementing Medicaid with essentially a fee on a person who has a physical addiction to stopping using this thing. So I'm curious, what the-- are there other suggestions that you could or have proposed in terms of working on addiction that aren't monetary in nature?

MAGGIE BALLARD: And it's interesting, some people don't realize even the tobacco industry themselves will push for education around kids or other people not smoking. So it's not that they go in and they go to schools and talk about how this is a great idea. They actually tell kids not to smoke. The reason that they're able to do that and still make a lot of money is because they're well-aware that if you focus on individuals, even if I spend all day every day going into schools, I'm still not going to be able to counteract all of the messages that the industry is sending. About a million dollars an hour is what they're spending on advertising. Therefore, we have to reach the environment that they are making those decisions in. So when it comes to a balance, it takes a holistic view for addressing the prevention of addiction. When it come to the recovery, because you talked about people who might already be addicted, that's one of the problems that we see for a lot of our clients at Heartland Family Service is that when they come into treatment they might be in recovery or trying to stop using something like meth or fentanyl. And so it seems like, gosh, you know, to try to get them to take away smoking or vaping seems like a really big ask and the lesser of the evils. Unfortunately, it's, it's shown that the nicotine is more of like a pilot light for addiction in the brain. And so if I continue to smoke or vape or use nicotine while I am trying to stop using another substance, then I'm less likely to be successful. So yeah, there was a lot of, I think, a lot points you pointed to in that question. But like I said, a holistic approach to the prevention and then looking at the parts for addiction too. I also think that when you're discussing the, the effect that it has on having people pay more, if we're asking them to pay less, we're-- what we're getting at, the underlying theme I'm seeing here is what we would call in behavioral health, enabling, Making it cheaper, making more affordable for people to continue feeding that addiction. And I understand we're talking about something like nicotine, which is not going to be as devastating with people's behavior, but it still is devastating to people's lives, to their physical health. And so I don't think that we're doing anyone any

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favors by trying to keep it affordable for people to keep using nicotine in any form.

DUNGAN: Thank you.

JACOBSON: I think I figured it's your game here. You're going to get your extra minutes off the answers to the questions.

MAGGIE BALLARD: Sure am.

JACOBSON: Any other questions from the committee? All right, seeing none. Thank you for your testimony.

MAGGIE BALLARD: Thank you.

JACOBSON: Next proponent.

MEGAN WORD: Thank you. Thank you, Mr. Vice Chair and members of the committee. My name is Megan Word, M-e-g-a-n W-o-r-d, and I'm with the American Cancer Society Cancer Action Network, and I am here to testify in support of LB1124. I'm not gonna go through some of the facts and figures that Senator Sorrentino went through, or Maggie, or Julia, they did a great job. I will tell you that ACSCAN supports this bill. And I will tell you, remind you, that tobacco use is the number one cause of preventable disease and death in this country despite over 50 years of research linking tobacco use to cancer, heart disease, a whole host of other chronic conditions. To sort of answer some of Senator Dungan's questions that he asked earlier, I will tell you that point at which increases in tobacco taxes make-- that we've seen make an impact on behavior is a dollar. So LB1124 impacts-- imposes, excuse me, that tax of a dollar on cigarette taxes. That dollar we have seen counteracts some of the tobacco companys' efforts to fight those tobacco tax increases. So by offering a buy one, get one free or coupons on some of their tobacco tax at a dollar impact, that's a significant enough impact that it will affect people's behavior. So that's why we support the dollar-- at least a dollar increase. I don't think there's anything else to say other than we support it. This seems like a really great bill, especially funneling the extra revenue to Medicaid funding, which of course is vital to cancer care for some people who are uninsures-- uninsured or underinsured. So I'll take any questions. I'm not going to testify at the same time for LB1238 because I have other comments. Sorry.

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JACOBSON: All right, thank you. Any questions of the committee? All right. Seeing none, thank for your testimony.

MEGAN WORD: Thank you.

JACOBSON: Next proponent.

BRIAN KRANNAWITTER: Thank you, Mr. Vice Chairman, members of the Revenue Committee. On behalf of the American Heart Association, I want to express our support for LB1124. My name is Brian, B-r-i-a-n, last name is spelled-- it's Krannawitter, spelled K-r-a-n-n-a-w-i-t-t-e-r. I know it's been a long afternoon, so I will be very brief. Significantly increasing cigarette excise taxes by \$1 more per pack is a win-win-win. The 2014 U.S. Surgeon General Report on smoking concluded that increases in cigarette prices through excise taxes lead to substantial reductions in youth cigarette smoking for both youth and adults. I believe Senator Sorrentino stated this, but Nebraska's cigarette tax ranks 42nd in the United States. That is, 41 states have a higher cigarette excise tax than in Nebraska. The average cigarette tax in the United States is \$2.05 so, even with a dollar increase, Nebraska would still fall well below the national average. Recently, the American Cancer Society Cancer Action Network, the campaign for Tobacco-Free Kids, and the Economics for Health issued a report on the impact of a \$1.50 increase in the cigarette tax. I brought this handout, I will share it with all of you. And in short, it shows all of the impact, the health benefits of, of a cigarette tax of \$1 50. And just to conclude with the Surgeon General's report, quote, the evidence is sufficient to conclude that increases in the prices of tobacco products, including those resulting from excise tax increases, prevent initiation of tobacco use, promote cessation, and reduce the prevalence and intensity of tobacco use among youth and adults. I thank Senator-- thank state Senator Sorrentino for introducing this bill and the opportunity to testify. And on behalf of the American Heart Association, we respectfully urge the committee to advance LB1124. And one thing I did want to mention, I don't know if this was your question, Senator Jacobson, but you brought up the healthcare Cash Fund. I'm certainly not an expert on the fund, but I do know a little bit about it. When it was set up in 2001, I believe it's the 25th-year anniversary, and indeed, a variety of different health areas are funded in that fund, medical research, some dollars to EMS, local

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health department operations, tobacco prevention cessation, and various other areas--

JACOBSON: I guess I'd ask the question when I say raided, have-- with this fund, are you getting bills from the Legislature with great ideas that will be funded by this cash fund?

BRIAN KRANNAWITTER: Oh.

JACOBSON: Or are you within the depart-- is the department saying this is what we want to do, and they're using that fund to fund it?

BRIAN KRANNAWITTER: OK. I, I, I misunderstood your point there. So I'm not sure I can answer that particular question.

JACOBSON: Thank you, that's--

BRIAN KRANNAWITTER: OK.

JACOBSON: Thank you very much. Questions from the committee? All right, seeing none, thank you for your testimony. And you were well under the limit, so. Next proponent. Good evening.

MARK WELSCH: Good evening. Thank you for your patience on all of us, all of, all of these bills. My name is Mark Welsch, M-a-r-k W-e-l-s-c-h, and I'm here to support this bill. I had a lot more to say, but it's all been said. Some points I will try to reemphasize or emphasize for the first time. Heart disease, not cancer, is the number one cause of death and disease from tobacco and nicotine use. It's not just cancer. Cancer is the second-place killer among people who use nicotine. One of the handouts that are-- you're going to get, oh, I hope I kept a copy, talks about nicotine causing significant health problems. I'll let you read that at your leisure. You're going to be hearing lies starting today, I guess, in the Omaha World-Herald and other publications from the tobacco companies saying nicotine doesn't hurt people, so it shouldn't be classified as a drug. It shouldn't held accountable for these diseases and deaths. And that's another lie of the tobacco company. They used to say smoking didn't hurt people. Then when that was proven wrong by their own evidence, they said, oh, secondhand smoking doesn't hurt people. Again, that was proven with their own documents to not be true statements. So heart disease is the big killer. Second point, well, I guess that was the second point. 10% increase in price causes approximately 14% of youth lives to be saved.

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That's a very significant percentage. It will prevent children from starting to smoke if you put \$1 a pack tax on cigarettes. Right now, Marlboro's cost \$9.80 minimum in Nebraska. That's the most popular cigarette, \$9.80. So \$1 is going to be a 10% increase, 14% youth lives saved. Around 10 to 15% of children, youth, underage youth, illegally smoke. So you could save the lives. If you've got 10 grandchildren or children and nieces and nephews, friends with children, 10% of those or more will be saved this problem of disease and addiction with this tax increase. That's significant. One of the things I gave you is a graph that shows the history of the taxes in Nebraska. We are at an all time low in cigarette taxes in Nebraska. We have a tax right now of 6.5%. It just keeps dropping as the tobacco companies raise their price. Our tax stays the same, the effective tax rate goes down and down and down and down some more. I'd urge you to go back to 1971 when cigarettes cost 30-some-odd cents and the tax was 37.5% of that price. It would be huge if you could do that. Even if you do that, you'd still, with a \$8-- or \$4.85 tax increase, you would still be under New York, which has a \$4.71 increase over our current tax. So the only times with a dollar increase-- you'll raise it up to about 15%. The only time it's been 15% is on the way down from a previous tax increase. Except back in 1965 when the tax increase put it over that and then stayed over that until 1999. So you could do better by raising it more.

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

MARK WELSCH: Thank you very much.

von GILLERN: Next proponent. Are there any other proponents for LB1124 or LB1238? Seeing none, are there any opponents for LB1124? It's after 5:00, so I'll say good evening.

BILL ORZECOWSKI: Well, thanks for inviting me here today, Senator von Gillern. And I'm Bill Orzechowski. After I spell this name, I think I'll be just finished by that time, but it's B-i-l-l
O-r-z-e-c-h-o-w-s-k-i. I'm with Orzechowski and Walker, we're an economic consulting firm out of Wilmington, Del-- Wilmington, North Carolina and Richmond, Virginia. Our book, The Tax Burden on-- we're an economic consulting book and our, and our specialty is the collection of tobacco data, cigarette volumes, cigarette revenues by

state, local government. We also do a price survey. And our tax burden book is a widely used compendium used all over the country, and a lot of people reference it. And what I want to talk about is the so-called cross-border phenomenon. We've had a lot of experience putting the book together looking at what happens when states raise their taxes relative to other states. We have 50 independent states with 50 independent tax policies, and it often leads to big tax differences. People vote with their feet, go from high-income states to low-income states, et cetera. Well, people go from high cigarette taxes to low cigarette taxes and take advantage of the, of the differences. To get to your area, Missouri has a 53-pack per capita cigarette sales, it's the third-highest in the nation. Compared to Illinois, which is right on its border at about 16 packs per capita. You can see that what's going on there is that Missouri takes advantage of the very high \$2.98 tax in Illinois versus the only 17 cents in Missouri. The recent cigarette tax of a dollar there in Illinois sunk cigarette sales in Illinois by approximately 27%. So when you come to this dollar cigarette tax increase, you can now save about \$4.70 a carton at that 17 cents Missouri tax rate. Now you'll be able to save close to \$15 per carton. You're also going to use-- lose your tax advantage all across the border. So what we're suggesting is that you're going to lose roughly about 14% to 17% your sales. This is not unusual in your area. South Dakota and Iowa went up by about a dollar and lost roughly 22-22%-- 22-24% of their sales. Minnesota went up by \$1.60, lost close to 30% of their sales. And the last time you rose your tax by 30 cents, which was a big tax increase for you at the time, you were losing somewhere in the 15% range. So with a 16% reduction in sales, you're going to lose about \$82,000 worth of retail sales. And, you know, 80% of those sales go through convenience stores. Convenience stores would lose anywhere from \$65,000 to \$80,000 per store when it comes to cigarettes and, you know, sundry products, which would go to Missouri and other places-- or the loss of advantage with the other high-tax states, North Dakota-- I'm sorry, South Dakota.

von GILLERN: Your time has expired. Let's see if there's any questions from the committee. Senator Jacobson.

JACOBSON: I guess I have one quick question. You talk about all the sales we're going to lose and we talk about convenience stores, and the last I knew, they call them convenience stores because of convenience.

BILL ORZECHOWSKI: Yeah.

JACOBSON: When people are driving down the interstate going to Colorado or elsewhere, they, they stopped by to buy cigarettes. They're gonna buy cigarettes. I just, I don't-- they're not gonna say maybe we should drive from Missouri and get some cigarettes and then come back and continue our trip. I, I, I have a question of do you believe that those statistics are correct when you consider travelers and others that are passing through the state and are going to buy whatever it is at whatever it costs?

BILL ORZECHOWSKI: That's correct, yeah.

JACOBSON: Do you think they, they will buy or they won't buy?

BILL ORZECHOWSKI: They will, I mean, people will go to Missouri and try to take advantage of this.

JACOBSON: Well, if I'm driving down the interstate going to Colorado.

BILL ORZECHOWSKI: Well, what's going to happen there is you're going to lose your tax advance with Colorado. Colorado, the cigarette tax is \$2.

JACOBSON: But if I'm driving across the state of Nebraska and I want a pack of cigarettes because I'm out, am I going to buy cigarettes at a convenience store in Nebraska or am I going hold it until I get to Colorado?

BILL ORZECHOWSKI: I real-- I don't know.

JACOBSON: But, I mean, the research-- wouldn't the research tell us one way or the other what would happen there?

BILL ORZECHOWSKI: I don't have any research on that. May I-- can I make just one more point? The cigarette base is a worn-out cigarette base. When I first started compiling this data, we were stamping 27.1 billion packs in 1988. We're stamping now 7.5 billion packs. It's fallen by over 71% since 1988. It's fallen by 41% in the last 10 years alone. It's sinking at 7% per rate the last two years. So you're tying this to Medicaid, and yet you're tying it to a very obsolete revenue

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base. It's like an old worn-out picture. It just isn't gonna deliver anymore.

von GILLERN: OK, I got-- any other questions? I've got a couple questions. I thought I heard you-- maybe I wasn't following the math. Did you say that, that this increase would, would cause a decrease in sales in Nebraska of approximately \$82,000? Was that--

BILL ORZECOWSKI: No, no, I said that we're projecting like a 14% to 17% reduction in sales. That would lead to approximately an \$81 million retail sales loss in the state. And for convenience stores, it'd be like about \$67 million.

von GILLERN: OK.

BILL ORZECOWSKI: And the average convenience store would lose like anywhere from \$65,000 to \$80,000 in cigarette and sundry product sales.

von GILLERN: And what are, what are cigarette sales in Nebraska currently?

BILL ORZECOWSKI: Cigarette sales volume?

von GILLERN: Yes.

BILL ORZECOWSKI: 56 million packs.

von GILLERN: What is that in dollars? Roughly.

BILL ORZECOWSKI: 56 million packs, \$560 million, something like that.

von GILLERN: OK.

BILL ORZECOWSKI: I just used \$10 a pack, cause it's easy to multiply.

von GILLERN: That's fine. No, we're just we're doing napkin math here. OK. And your, you said your firm is located in Virginia, North Carolina?

BILL ORZECOWSKI: Yes.

von GILLERN: OK, both tobacco-producing states historically obviously.

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BILL ORZECOWSKI: Yes, they are, but--

von GILLERN: Who in-- I'm sorry if I missed it, forgive me. I've been so focused on people spelling their names, which you did a great job at. Are you a registered lobbyist in Nebraska?

BILL ORZECOWSKI: Yes, I think I am. Yeah.

von GILLERN: You think you are?

BILL ORZECOWSKI: Yes. I was brought-- yes--

von GILLERN: That would be a really good question to have a yes or no answer to.

BILL ORZECOWSKI: Yes.

von GILLERN: OK. All right. And who, who asked you to be here? Who are you speaking on behalf of?

BILL ORZECOWSKI: Altria Client Services.

von GILLERN: OK. All right, if you said that, I missed it also. So thank you for clarifying that. All right any other questions? Seeing none, thanks for being here.

BILL ORZECOWSKI: Thank you.

von GILLERN: Next opponent.

LUKE WENZ: Chairman von Gillern, members of the committee, thank you for holding this hearing and the opportunity to testify. My name is Luke Wenz, that's L-u-k-e W-e-n-z, and I'm here on behalf of the Platte Institute in strong opposition to LB1124 because, as you know, the Platte Institute simply believes that Nebraska should follow sound and principled tax policy. While we appreciate the great senator from District 39 and recognize it's coming from a good place and it's hard to want to help address our growing Medicaid funding problem, LB1124 simply violates the fundamentals of principled tax policy and risks unintended economic and fiscal consequences. As we've identified in our recent tax-- principled tax policy report that I delivered to all of your offices about a week ago, excise taxes are, are just bad tax policy. We believe that taxes should be simple, they should be transparent, stable, neutral, and efficient, and LB1124 basically

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violates all of those principles. Tobacco taxes certainly are not stable. They ebb and flow over time and, although I understand that they're often seen as an opportunity to offset budget shortfalls because they're by definition unstable, they're not neutral, they are not-- and they only impact a small percentage of our neighbors that are already statistically economically vulnerable and it punishes their behavior. Although excise taxes may be politically convenient, they are economically inefficient and they are fundamentally inequitable and inconsistent again with principled tax policy. While many, many may argue that cigarette taxes discourage consumption, as we, we've heard earlier from previous testifiers, principled studies simply disagree. Increasing the price of a pack of cigarettes by \$1, as this bill would do, will not significantly make smokers not want to smoke. Instead, it's a tax increase on the economically-vulnerable, and increasing the tax will lead to a broader bleed, further impacting the inconsistency of tobacco tax revenue. For these reasons, the lack of neutrality, added complexity to our already unstable-- the instability of our revenue base and conflict with principled tax reform, I urge this committee to oppose LB1124. Sound tax policy should support Nebraska's long-term economic success and fairness for taxpayers, not short-term revenue patches that would burden our most vulnerable neighbors and our economy. Thank you, and as always, more than happy to answer any questions, if you have them.

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

DUNGAN: Thank you, Chair von Gillern. Thank you for being here. Just briefly, do you, do you know of or do have any of the statistics that talk about the, I guess, disproportionate impact on the vulnerable populations, as you put it multiple times?

LUKE WENZ: Well, we know-- thank you for the question, Senator. It's good to see you. We know that traditionally people that tend to smoke and use tobacco products tend to be on the lower end of the economic spectrum. That's what we mean by that.

DUNGAN: But do we have any data about that currently? I'm genuinely just curious.

LUKE WENZ: I'm sure we do, give me 24 hours and I'll get back to you.

PATRICK MORAN: That would be great. I appreciate that, thank you.

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VON GILLERN: Seeing no other questions. Thank you for being here.

LUKE WENZ: Thank you, Senator.

VON GILLERN: Next opponent.

ANSLEY FELLERS: Thank you. Hello. Thank you, Chairman von Gillern and members of the committee, my name is Ansley Fellers, A-n-s-l-e-y F-e-l-l-e-r-s. I'm here on behalf of the Nebraska Grocery Industry Association and the Nebraska Petroleum Marketers and Convenience Store Association, testifying in opposition to LB1124, the dollar increase on a pack of cigarettes. I just wanted to reiterate something the committee has heard a lot. We lost a retailer testifier for this one, so I'm sorry you have to hear it from me. I know Senator Jacobson brought up border bleed. We do have a lot of stores in Omaha was mentioned, you know, stores in Southeast Nebraska, especially. Missouri has the lowest cigarette tax in the country, so folks feel that. It's not exactly like groceries, when Kansas had a grocery tax and Nebraska didn't. But I can tell you that we have a grocer on the border who collected, he told stories about collecting from the register Kansas checks to look at how many people were shopping in his store to avoid the tax in Kansas. And the opposite happens. We have some C stores in Omaha who it's not every smoker in the business, but there is usually one person who will drive to Missouri to buy a group of people's cigarettes. And those are people who work at a C store. They don't get a discount, they don't get, you know, the friends and family discount there so they go and buy the cheaper product. It's a real thing. We run on awfully tight margins, and we don't like to see the tax increases. I appreciate the committee's consideration, and I'm happy to answer any questions.

VON GILLERN: Thank you. Do you have a question?

JACOBSON: I do. I do have a question. Is, is it legal to go across state lines, buy cigarettes, and go back and resell them?

VON GILLERN: That's a good question.

ANSLEY FELLERS: They don't resell them. People give them cash, they go buy them, and they hand them out.

JACOBSON: But they're reselling them.

ANSLEY FELLERS: They're not reselling them. They're take-- they're collecting the money, they go buy them, and they bring them back for their friends. And there's nothing illegal about that.

JACOBSON: There's nothing illegal about it, OK, I'll--

ANSLEY FELLERS: About that part of it.

JACOBSON: I'm just curious how different that is to buying illegal fireworks and bringing them across the line.

ANSLEY FELLERS: And distributing them.

JACOBSON: And distributing them. I remember when the Patrol would literally do searches of cars that they suspect were buying illegal fireworks and bringing them into Nebraska.

ANSLEY FELLERS: Yeah.

JACOBSON: But I'm just curious if there's--

ANSLEY FELLERS: Yeah, they collect it, they go down, they buy it, and then they just come back and hand it out.

JACOBSON: Thank you.

ANSLEY FELLERS: Thank you.

von GILLERN: That was a good question. Thank you.

JACOBSON: Every now and then.

von GILLERN: Seeing no other questions, thank you, Ms. Fellers.

ANSLEY FELLERS: Thank you.

von GILLERN: Yeah, next opponent. Is there any other further opposing testimony to LB1124? Seeing none, anyone that would like to testify in a neutral capacity?

BILL HAWKINS: Thank you, Chairman von Gillern, members of the Revenue Committee. My name is Bill Hawkins, B-i-l-l H-a-w-k-i-n-s, lifelong Nebraska resident, organic farmer and herbalist. And I'm testifying in a neutral position because I don't believe this bill goes far enough.

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I would like to reiterate that we are dealing with a deadly poisonous substance that kills close to 500,000 Americans every year. I remember over 50 years ago when our Surgeon General of the United States came out and said, this is a deadly poison, it will kill you. And yet we are here listening to tobacco company representatives saying it's fine. It's OK. It's not going to affect Medicaid. It's going to effect healthcare. But it does. We have an epidemic coming with the vaping products that are being pushed on our youth. It doesn't keep them from smoking. It is creating tremendous problems that are going to show up in the future. So this substance killed both my mother and my father, my grandfather and my grandmother with secondhand smoke. So it is a personal thing with me that we continue to take tax money from what would be, what I would consider blood money. Because you know it's killing people, yet you still tax this product. And we worry about hurting our tax base. You're taxing a deadly poisonous substance that-- from an industry that is pushing an addictive deadly substance on our youth. That's their primary goal, is to get youth addicted, so they can continue to have a business. They are whining, complaining that, oh, it's dropping. We don't have any more customers anymore. We are losing our customer base. Yeah, most of them are dying off. And the youths are, some of them, starting to realize that it's a deadly, poisonous substance. So I appreciate the attempt from Senator Sorrentino and Senator Hughes coming up. I won't be here to testify to that. But I spent my day in here because I'm a very watchful citizen. So I would look at making sure this bill passes, but looking at other restrictions on this deadly, poisonous substance. So I appreciate the committee's time and, and working on revenue sources for our state.

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

KAUTH: Thank you, Chair von Gillern. Mr. Hawkins, thank you for being here. Are you recommending either a full ban or are you looking at nicotine as the actual thing that-- is it the smoke? Is it the nicotine? Is that-- what part of it is--

BILL HAWKINS: And that's where they tend to deceive is nicotine, tobacco. Nicotine is extracted from tobacco. So yes, I, I, I believe there should be a full ban on tobacco products, vaping products. Yeah, I would prefer that, but I don't think that's going to go very far. But I, I categorize all tobacco products as nicotine products and, and so I know that the tobacco industry tends to confuse with we have

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vaping products that only contain nicotine, it's not tobacco and things like that. So yeah, I think if it isn't including vaping products, then it should very much include an increase in tobacco, all tobacco-related products.

KAUTH: Thank you very much.

BILL HAWKINS: Yeah.

von GILLERN: Thank you for your testimony. Appreciate you being here. Seeing no other questions, any other neutral testifiers?

BRIAN ERKKILA: Good evening, Chair von Gillern, Vice Chair Jacobson, and members of the Revenue Committee. My name is Dr. Brian Erkkila, B-r-i-a-n E-r-k-k-i-l-a, I'm a neurobiologist who has spent the past 25 years studying tobacco and nicotine, including work at the National Institutes of Health and the Food and Drug Administration Center for Tobacco Products. I am speaking today as head of scientific engagement for PMI U.S. Corporate Services, a part of Philip Morris International and its family of companies. Thank you very much for the opportunity to offer a comment on LB1124. Our mission is to reduce smoking by replacing combustible cigarettes with FDA-authorized lower-risk alternatives. PMI does not sell and has never sold combusted cigarettes in the United States, instead offering a portfolio of smoke-free FDI-- FDA-authorized products. We've already discussed the impacts of combusted cigarette smoking on Nebraska. For the almost 200,000 people who smoke here, Medicaid costs are approaching over \$170 million. While additional cigarette tax revenues may help offset some of that burden caused by smoking, encouraging smokers to switch to-- from combustible cigarettes to lower-risk smoke-free alternatives is an effective way for the state to realize both long-term healthcare cost savings and critically save the lives of Nebraskans who want to consume nicotine but also want to leave combusted cigarettes behind. Included in our portfolio, and a product that would be captured by this proposal, is a product called ICOS, the nation's first authorized heated tobacco product. It replicates the experience of smoking at a much lower-risk profile. After a rigorous scientific review, the FDA concluded that ICOS is both, quote, appropriate for the protection of public health, and quote, appropriate to promote public health. As one of only 14 tobacco products deemed modified risk. Our studies, verified by the FDA, showed that the lack of combustion in our products make them fundamentally different than a cigarette, and they

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deliver 90 to 95% fewer harmful chemicals than a combustible cigarette. This innovative harm-reduction product has helped over 35 million adults around the world reduce or eliminate their use of combusted cigarettes altogether. In Nebraska, it would have not only short, but long-term effects for the individual smokers that switch in their families, but a major impact on the smoking-related cost-burden currently borne by the state. As the committee considers LB1124 and other tobacco tax measures, I urge you to ensure that tax policy in Nebraska reflects the differences in risk between tobacco products. Consumer attitudes towards novel products like these will continue to be shaped in part by these government policies. As adult consumers transition to these products, it is critical to have sound tax policies in place that affirm smokers who switch are making the better choice. Thank you for your time, and I'm happy to take any questions.

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

BRIAN ERKKILA: OK.

von GILLERN: Any other neutral testimony? Seeing none. Senator Sorrentino, would you like to come up and close?

PATRICK MORAN: Can I just speak for a second? No, you may not. Oh, I think you can. Did you? I just wanted to, I'm not a registered lobbyist. I said I was. I just was an expert testifying. Thank you.

von GILLERN: Thank you. You can clarify with the committee after the hearing. None of that will go on the record. Senator Sorrentino.

SORRENTINO: Yes, thank you. In light of the late hour, I will observe the three B's of public speaking. I will be brief, I'll be brilliant, and I will be gone. OK, so just two takeaways. In 2002, a package of cigarettes in Nebraska was roughly \$3.50. 64 cents of that was the excise tax, which was 18% of the total cost. That was in 2002 when 64 cents was enacted. This year, the average price, as one of the testimonies-- testifier said, is \$9.80. That 64 cents tax embedded in that is 6.5% of the total price. If and when we add the dollar, the total pack would be \$10.80, and the \$1.64 would equal 15% of the total tax. That's 3% lower than it was 24 years ago, point one. Point two, another testifier indicated that we talk about cigarette sales in their base as becoming obsolete. Yet the cost of treating

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tobacco-related illnesses in our state is 20% of our General Fund. That doesn't sound obsolete quite yet. Thank you, I'll be glad to answer any questions.

VON GILLERN: Thank you, Senator Sorrentino. Questions from the committee members? You did a great job, apparently. Thank you. That will close our hearing on LB1124. We will open on LB1131 and welcome up Senator Bostar. Ready when you are.

BOSTAR: Good evening, Chairman von Gillern and fellow members of the Revenue Committee. For the record, my name is Eliot Bostar, that's E-l-i-o-t B-o-s-t-a-r, representing Legislative District 29. I'm here today to introduce LB1131, legislation that establishes the Domestic Violence and Human Trafficking Service Providers Tax Credit Act to provide stable ongoing support for direct service agencies that serve victims of domestic violence and human trafficking, as well as eliminating personal property sales and use tax exemptions for data centers in order to make this legislation fiscally-neutral to the state of Nebraska. Domestic violence and human trafficking impacts every Nebraska community, urban and rural. According to the statewide intimate partner and sexual violence survey conducted by the Nebraska Coalition to End Sexual and Domestic Violence, an estimated 81.5% of Nebraska women and 66.7% of Nebraska men experience some form of domestic or sexual violence in their lifetime, amounting to 1.4 million Nebraskans. The funding created under this legislation would support a coordinated network of agencies that collectively serve every county in Nebraska, as well as tribal reservation lands. These organizations are often the first and sometimes the only place victims can turn for safety, shelter, legal advocacy and crisis intervention. Last year alone, these organizations served more than 13,000 survivors, as well as their children. This represents a 6% increase over 2024. This year-over-year increase is not an outlier. Nebraska has seen a consistent and pressing increase over the past five years with a greater than a 5% year-over-years increase in victims seeking assistance each year since 2021. This growing need is not just in volume, but in complexity and intensity as well. The Nebraska Coalition to End Sexual and Domestic Violence reports that lethality among domestic violence and trafficking cases has increased over the same five-year period, requiring significantly greater time-intensive safety planning and direct engagement by the staff. The 2025 Nebraska Domestic Abuse Death Review Team reported that our state has seen 72 identified domestic abuse deaths between July of 2022 and July of 2025

across 26 counties. Seven children under the age of 19 were killed as a result of domestic abuse homicide. At least 16 children were witnessed-- I'm sorry, at least 16 children witnessed a domestic abuse death of a parent, stepparent, or parent's intimate partner. And 49 children of victims had their lives forever impacted by a parent's death. According to one provider surveyed in the LR346 survey created by the 108th Nebraska Legislature, quote, we hear from survivors who are living in their car, under bridges, staying with family in unhealthy situations, remaining with or returning to their abusive partner because there is no alternative. In the last year, we have known survivors who died due to limited capacity. We view sheltered housing for survivors as homicide prevention. Service needs for trafficking victims are also expanding, and these cases are often highly complex, resource intensive, and require long-term support. According to the Nebraska Attorney General's Office, 51 different cities and towns have had at least one investigation of human trafficking. The rising cost of housing across our state means victims of trafficking are staying in shelters longer and requesting shelter services at higher rates, as it takes more time to secure safe permanent housing. All of this is occurring while funding for these programs has declined. Federal Victims of Crime Act, or VOCA, funding was reduced by 2021, resulting in nearly \$3 million lost across Nebraska, and then reduced by another 40% in 2025. While the Legislature has expressed support and intent to address these shortfalls, many of these agencies are still waiting, more than 30 months later, for relief. In the meantime, they have left positions unfilled, closed satellite offices in rural counties, and reduced supplemental services simply to keep their doors open for victims. Given the state's current budget challenges, increasing General Fund appropriations is not entirely feasible. The time to be creative is now. LB1131 provides a way to support domestic violence and human trafficking victims and help prevent further loss of life without relying on general funds or other restricted funding sources. The legislation creates \$6 million in certificated, refundable, transferable tax credits that the Department of Revenue shall distribute to nonprofit organizations serving victims of domestic violence and human trafficking. These nonprofit organizations can then sell the tax credits on the secondary market in order to establish a new source of revenue to support these necessary services. This model is already in place to create additional revenue for affordable housing throughout Nebraska, and LB1131 looks to mimic those efforts

in order combat domestic violence and human traffic. The distribution formula established in LB1131 is in line with that already used by the Department of Health and Human Services to distribute Federal Family Violence Prevention Services Act dollars and the Nebraska General Fund dollars that go to providers working to fight domestic violence and sexual assault. This funding formula was created in collaboration with the Nebraska Coalition to End Sexual and Domestic Violence and the Department of Health and Human Services. 8% of total funds are distributed equally among qualifying domestic violence and sexual assault programs run by tribal governments. 5% are to be distributed to a statewide coalition representing nonprofit organizations that have an affiliation-- affiliation agreement with the Department of Health and Human Services to provide services to victims of domestic abuse under the Protection from Domestic Abuse Act. Of the remaining funds, 48% will be distributed based on population of the program or agency service area, according to updated census data. 40% will distributed equally amongst all qualifying programs or agencies. And 12% will be distributed based on the square miles of the program or agency service area. To offset the \$6 million of tax credit, the legislation eliminates the personal property tax, sales tax, and use tax exemptions currently available to data centers in statute. Since 2020, the tax expenditure reports filed by the Department of Revenue indicate that the sales and use tax exemption has accounted for between a low of \$5,118,000 in 2020, and a high of \$7,084,000 in 2024. The elimination of these tax credits will make the total financial impact of this legislation fiscally neutral. I have with me AM1938, which I will distribute as soon as I'm finished speaking, that my office drafted in partnership with the Catholic Conference and Catholic Social Services to recognize that vital services, in particular shelter beds, are being provided to survivors and victims of domestic violence and human trafficking by some faith-based organizations who do not work directly with the Department of Health and Human Services, but nonetheless play an important role in victim support. This amendment includes nonprofit organizations that operate shelters for victims of domestic violence or human trafficking as recipients in some portions of the tax credit distribution. Speaking at a press conference last year, Attorney General Hilgers called on our state to recommit ourselves to doing all in our power to work to end this illegal evil and no longer allow it to thrive in the shadows. LB1131 would use a market solution to create reliable, meaningful ongoing support to combat domestic violence and human trafficking

while avoiding negative impacts to state coffers. I'd like to thank our partners in law enforcement, county government, non-profit organizations, faith organizations, and survivors who have all worked on this legislation alongside my office to find a long-term solution to domestic violence funding in Nebraska. I would urge your support of LB1131. I thank you for your time and consideration. I'm happy to answer any questions you have while I also hand out this amendment.

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

KAUTH: Thank you, Chair von Gillern. Can you explain how this is fiscally neutral? I'm looking at the fiscal note and it says revenue-neutral. So can you go into that a little bit more?

BOSTAR: Yes, I can. So the, the fiscal note is incorrect, and so our office examined in the last several years of what the state says it sort of gives up for these tax exemptions, and like I said in my testimony, that number is in the five millions to seven millions. The fiscal note says that with this bill-- so removing those tax exemptions and then paying out \$6 million for these domestic violence and trafficking services, we would be a little over \$2 million to the positive, 2.76-- \$2.176 million to positive. So in the following year we would be \$1.784 million to the negative, followed by \$2.627 to the negative. Now you have to go to the second page of the fiscal note of-- in order to see why that is. Well, in order to see why those numbers are what's on that [INAUDIBLE]. So it says the revenue impacts due to LB1131 assume that removing the sales and use tax exemption will reduce the amount of taxable activity in the state. Timing differences between ending the sales and use tax exemption, and when income tax credits are claimed, account for the positive impact in the first year and negative impacts thereafter. We agree with these assumptions. So they're saying, and I've had conversations, well, my office has conversations with Fiscal Office and Revenue, that we are currently forgoing millions of dollars in tax revenue because these exemptions exist on the sort of compilations of server equipment for transportation out of state. That's, that's basically what the exemptions cover. But when we remove the exemption, all of that activity in the state of Nebraska will cease to exist. And that's why you get those numbers. This doesn't make any sense, and it's not how we treat any exemptions we remove for anything else. I would encourage you to look at any of the bills we heard today. None of that matches.

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So, they talk about how-- so they have this on the top sheet. So then, OK, let's try to find where is that being based on. The numbers, so you see here we have one from HHS, no impact there, right, that makes sense. Then we go to Revenue, and the numbers match what Revenue submitted. But nowhere in here in Revenue's fiscal note does it at all talk about this. The numbers are there, and the Revenue has it going down. But they don't speak to the reasoning. But then on the top sheet, the Fiscal Office is the one that speaks to it without having any information whatsoever. We've asked for information. We've said, what's the logic that this is being based on? That if we remove the tax exemption, that all taxable activity would cease in the state of Nebraska? No one can provide any details. No one could provide a rationale. This is nonsense. So you know, we'll continue to work on it. We're still in discussions with the Department of Revenue on that. I think the Fiscal Office, I mean, we all know that they're going to just put down whatever any agency gives them. So we're continuing to have those discussions with Department of Revenue about the logic behind these, and not just for this bill, but the implications of what that means and what this would mean for all legislation we've put out here this committee related to tax exemptions. Because it has some serious implications. So anyway, thank you. That is why currently the fiscal note does not appear to be completely balanced. It puts us up at the beginning and then down, but those conversations are ongoing.

KAUTH: Thank you.

von GILLERN: Other questions? I've got a few, and I'll address the fiscal note also. And I, I is it-- I will ask this to encourage some additional homework. My understanding is the exemption was given to a specific manufacturer which is no longer manufacturing at the rate that they were when the exemption was given. That may be a factor in the fiscal note. That's something you that I can do some homework on offline. Because we looked at this for another, another issue. And then kudos, as always, for being creative in finding a funding source. Again, we'll vet that out a little further, and I'd be glad to work with you on that. I will challenge you, however, that this is rather than putting these funds into the General Fund at a time when we have a \$471 million deficit that we're trying to close and then going through the appropriations process, which would be the more traditional routing, I'll just say kudos for being creative. It's a

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little bit out of the norm, but, but not entirely that we find a funding source for--

BOSTAR: I think it's, you know, if we look through certainly the last several years of our work here in the Revenue Committee, we will often produce legislative solutions that both fund and create the funding for various programs and projects and everything else. So while it can be less common, not unique. But less common to have it all contained in one introduced LB, it's certainly very consistent with the final products that we produce here in this room every day.

von GILLERN: The, the difference being the substantial deficit that we are dealing with this year versus at least in my history in the last three budget cycles.

BOSTAR: There's always going to be cross-pressures for money and but I think, you know, here's the reason why this bill exists, right? And I, I think everyone here knows that. But we've been trying as a, as a state and as a Legislature to appropriate funds for these services. And initially, it was two or three years ago, we went through TANF. And then the reporting requirements for TANF and for the, the needs of the services could not comply with each other. Right? So that couldn't happen. So then the funding couldn't go out. Then we went to, you know, the whatever, the excess profits funds for HHS, and they [INAUDIBLE]. Recently there has been some that's been kind of green-lighted to go out or is going out. But we're dealing with a three-year process where even our attempts to appropriate the funding have failed. And not because we've decided not to appropriate it, but because every time we've tried, there's been some technical problem. And, and so this exists, one, to sort of just solve that in the, the near term, but also to say that we're going about this wrong. We need something a little bit more predictable and stable that can address the needs that we have in our communities across the entire state, that can be counted on where we're not worried about one year to the next which pot of money is going to come out of that ultimately may fail and leave survivors and victims without necessary services and put them in added danger.

von GILLERN: And you are selling yourself short because you were able to gain some additional funding last year for domestic abuse.

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BOSTAR: For the housing, yep, absolutely.

von GILLERN: Yeah through the doc stamp, so.

BOSTAR: And another bill that had its own funding source.

von GILLERN: I want to make sure you get credit where credit is due.

BOSTAR: Sure.

von GILLERN: I'm fully supportive of what you're trying to do and, unfortunately, a personal experience family-wise--

BOSTAR: I'm sorry.

von GILLERN: --in this need. So thank you for bringing that. I see no other questions. I presume you're here for the duration?

BOSTAR: At this point.

von GILLERN: All right, good deal. We'll invite up the first proponent testimony. Good evening.

CHRISTON MacTAGGART: Good evening. Chairperson fun Gellar, members of the committee. My name is Christon MacTaggart, C-h-r-i-s-t-o-n M-a-c-T-a-g-g-a-r-t, I'm the executive director of the Nebraska Coalition to End Sexual and Domestic Violence. I am here to support LB1131. We are the support agency for the network of service providers Senator Bostar referenced across the state who collectively cover all Nebraska counties. They provide support and services to victims of sexual violence, domestic violence, and trafficking. We maintain service standards that comply with state and federal laws and best practice. We provide training and technical assistance for new and seasoned staff at those agencies, and we act as a pass-through agency for certain federal funds and private dollars. The state of Nebraska has long provided some funding to our network, although we have always been overwhelmingly funded through federal funds and private dollars. You-- Senator Bostar, already talked a little bit about sort of the journey to get here as far as what the last couple of years or the last three years have looked like for us. And I would just note that we still have not seen any of the Medicaid Managed Care Excess Profit Funds that were appropriated from last session and that were supposed to be available on October 1st. In the meantime, since this original

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request, our organizations have faced challenges unprecedented in the 40 years that we have been doing this, in the 40 years we've been in existence. The Victims of Crime Act, or VOCA, has gone from \$20 million in 2018 coming into the state to under \$7 million in 2025. Our organizations have taken additional funding cuts, dealt with over 20% inflation that affects everything they do. The number of survivors are increasing and the trafficking survivors who typically have complex trauma and require a significant amount of support for longer periods of time have also-- are increased accessing services. As a result, particularly in rural areas, they are closing satellite offices. They are not fully staffed and certainly not at the levels they need to be to serve survivors that are coming to them. Yet, in their communities, for many of them, they're often the only 24-hour response agency besides 911 and law enforcement. LB1131 will help ensure this does not continue. We appreciate the creative solution to this issue. We're confident we have partners with the taxable income to work with on this and the capacity as an organization to carry this out. I would also just note other states are also getting creative in how they support this-- these same issues. And I have noted in the chart what those funds look like on the second page of my testimony. These funds will put us closer to what most of our neighboring states are looking at as far as how they're providing support to survivors. I would ask you to support LB1131. I'm happy to answer any questions that you might have.

von GILLERN: Thank you. Questions from the committee? Seeing none, thank you for your testimony. Next proponent.

MICHON MORROW: I was going to say good afternoon.

von GILLERN: We're beyond that.

MICHON MORROW: It's good evening. We're so beyond that.

von GILLERN: Thanks for hanging in there.

JACOBSON: Just don't say good morning.

MICHON MORROW: No.

von GILLERN: No, we're not going there.

MICHON MORROW: We're not gonna go there. OK. Well, good evening, Senator von Gillern and members of the Revenue Committee. My name is Michon Morrow, it's Michon Morrow, I am the chief of police with the Lincoln Police Department. And I want to thank the committee and your staff for the work that you do and will continue to do throughout the legislative season to positively impact Nebraskans very much highlighted in the last four hours that I've been watching. I'm here today on behalf of Lincoln Police Department to testify in support of LB1131, which creates the Domestic Violence and Human Trafficking Service Providers Tax Credit Act. To highlight the scope of the problem, during the calendar year 2025, the Lincoln Police Department investigated 1,638 cases of domestic assault and 15 cases of human trafficking. In addition, we investigated 267 cases of sexual assault, several of which included dynamics that would be consistent with human trafficking. Tragically in 2025 in the city Lincoln, we experienced four domestic-violence-related homicides. Three of those were homicide-suicides. Each of these deaths underscores the stakes of ensuring victims have access to intervention and support before violence escalates to its most extreme outcome. This local experience mirrors what is being documented statewide through the Nebraska Domestic Abuse Death Review Team, which continues to identify domestic-violence-related fatalities across both urban and rural communities. Their findings reinforce what law enforcement sees daily. Domestic violence is far-reaching, it's complex, and it requires a coordinated state response. According to the most recent Nebraska Crime Commission domestic abuse report in 2024, there were 668 aggravated domestic assaults, 4,261 simple domestic assault reported statewide. Of those, there were 416 arrests made for the aggravated domestic assault and just under 2,000 for the simple domestic assaults. The National Human Trafficking Hotline reported there were 148 calls to the hotline in Nebraska, 43 of which were made from victims of survivors of human trafficking in 2024. And in that same year, there were 71 identified cases with 91 victims. Often a single case can involve multiple victims. It's difficult to obtain accurate human trafficking statistics as this crime often goes unreported and is intertwined with other criminal-related activity. We must always remember that these cases represent real victims. They're real people, individuals and families who rely on strong accessible service providers for safety and advocacy and long-term recovery. What we know in law enforcement is we cannot do this work alone. We need our partners in the nonprofit world to surround these victims and provide

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that long-term support. At the same time, we are seeing reductions and uncertainty in federal funding streams that traditionally support domestic violence and trafficking services, including funding to our own victim assistance unit. As those federal resources become more limited, the strain on local service providers increases often at the exact moment the demand for service is rising. LB1131 helps address the gap by strengthening sustainable Nebraska-based support for organizations that serve victims on the front line. And for these reasons, the Lincoln Police Department supports LB1131, and we thank Senator Bostar for introducing this legislation. Happy to address any questions.

VON GILLERN: Thank you for your testimony. Questions from the committee members? Senator Kauth.

KAUTH: Thank you, Chair von Gillern. Real quick, the difference between aggravated and just assault?

MICHON MORROW: The aggravated has, in statute, has some different facets that we use in that classification: the severity of injuries, we look at whether there was a weapon that was utilized within that assault.

KAUTH: Thank you.

MICHON MORROW: Of course.

VON GILLERN: OK, other questions? Chief Morrow, thank you for being here.

MICHON MORROW: Thanks.

VON GILLERN: Next proponent.

KATIE PATRICK: Good evening, Chairperson-- or sorry, Chairman von Gillern and members of the committee. Thank you so much for your time here today. I really appreciate the attention that you're giving this matter and listening to all of us here. My name is Katie Patrick, Katie, K-a-t-i-e, Patrick, P-a-t-r-i-c-k, and I am the executive director of Catholic Social Services of Southern Nebraska. Catholic Social Services has served Nebraskans since 1932. Each year we serve approximately 30,000 individuals across southern Nebraska through food programs, housing and utility assistance, immigration and legal

services, refugee resettlement, homeless outreach, and programs that focus on family stability and safety. Our St. Gianna Program serves some of the most vulnerable individuals and families in our community. The St. Gianna Program was created in 2011 to support survivors of domestic violence and for women who are facing crisis pregnancies. In Lincoln, the program includes a 24-unit fully furnished long-term housing complex for women and children. Three religious sisters serve as on-site advocates, and then we also have a resident bilingual program manager and several other support staff. In 2025, the St. Gianna Program provided 18,923 safe nights of housing to women and children escaping violence and crisis. Additionally, the program delivered more than 600 direct services, which included financial and transportation assistance, rental assistance, food pantry access, grocery gift cards, emergency motel stays for immediate safety needs, as well as hundreds of essentials such as diapers, hygiene items, clothing, and other household goods for those women and children. And these basic supports are often the difference between stability and then returning to unsafe situations for the women. And I want to briefly share one success story that reflects the impact of this program. There was a woman who came to us after leaving a drug addiction and an abusive relationship, and she was determined to rebuild her life and regain custody of her two-year-old son. Through the support of the St. Gianna Program, she completed additional rehabilitation, secured employment, purchased a car, worked closely with her caseworker, completing all the required components to regain custody of her son. And after one year and two months, she did just that. She regained custody of two-year-old son. And so that is what stability and support can make possible for these women and children fleeing unsafe situations. Catholic Social Services has the infrastructure and the donor base to responsibly steward and effectively utilize the incentivized tax credit that is proposed in LB1131, and this legislation would allow us to expand private investment in proven strategies and programs like St. Gianna's, thus increasing access for women and children who are seeking safety and long-term stability. For these reasons, I strongly urge you to support LB1131. And thank you again so much for your time and for your commitment to serving Nebraskans.

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

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KATIE PATRICK: Thank you.

von GILLERN: Next proponent.

TOM VENZOR: Good evening, Chairman Von Gilleran and members of the Revenue Committee. My name is Tom Venzor, T-o-m V-e-n-z-o-r, I'm the executive director of the Nebraska Catholic Conference, and we're here to offer our support for LB1131. In his address on the 50th World Day of Peace, Pope Francis said the following in his call for an end to domestic abuse and violence and for peace within the home: If violence has its source in the human heart, then it is fundamental that nonviolence be practiced before all else within the family. The family is the indispensable crucible in which spouses, parents, and children, brothers, and sisters learn to communicate and to share generous concern for one another, and in which frictions and even conflicts have to be resolved not by force, but by dialogue, respect, concern for the good of the other, mercy-- mercy and forgiveness. From within families, the joy of love spills out into the world and radiates to the whole of society. I plead with equal urgency for an end to domestic violence and to the abuse of women and children. The politics of nonviolence have to begin in the home and then spread to the entire human family. Like Pope Francis, the three Nebraska bishops have underscored the need for the Nebraska Catholic Conference to increase public advocacy to end domestic violence and human trafficking, and they see LB1131 as a key component to that goal. As you have already heard from Catholic Social Services, the Catholic Church in Nebraska has been engaged for decades in critical, charitable work to accompany care and shelter those fleeing and recovering from domestic violence and trafficking. And included behind my testimony as well is testimony from Catholic Charities of Omaha. They had planned to be here, but then had some issues with their domestic violent shelter that they had to tend to. But they have been the stand-alone domestic violence shelter in Douglas County for 55 years, and their testimony is very compelling as well. LB1131 is a targeted and reasonable tax policy. Tax credits are a, a prudent way for the state to provide more economic freedom for taxpayers to direct their private dollars to a notable, worthy and needed cause. The NCC has seen tax credit programs work effectively in other important areas like school choice and for pregnancy help organizations to provide targeted support for those who have a particular need. And LB1131 could be similarly successful. As the saying goes, the government cannot love, but it can implement policies that empower and support real people and community leaders

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like domestic violence and human trafficking service providers to do the daily work of charity that is necessary for the flourished-- excuse me, for the flourishing of our state. I'll skip that and say-- by that paragraph, and by advancing LB1131, the committee will increase the capacity of service providers like Catholic Charities and Catholic Social Services to encounter and accompany those who have experienced domestic violence and help them restore their identity as children of God, as a unique, unrepeatable person who is truly loved and fully deserving of unconditional love by those who are around her. There are a few tax policies that can achieve that kind of noble end, so we thank Senator Bostar and his staff for their ongoing work and vigilance on this issue. We strongly urge the Revenue Committee to find a pathway forward for LB1131, and we thank you for your time and your consideration. Thank you.

von GILLERN: Thank you. Questions from the committee? Seeing none, thank you, Mr. Venzor.

TOM VENZOR: All right. Thank you.

von GILLERN: Next proponent.

NIKKI GAUSMAN: Good evening, thank you committee members. My name is Nikki Gauman, N-i-k-k-i G-a-u-s-m-a-n. I first of all thank you for this opportunity for me to bring my child to watch this process and learn about what you do. And she has decided she does not want your job at this time. So you are safe. I am the executive director of the SAFE Center, a domestic violence and sexual assault program serving Buffalo, Franklin, Harlan, Kearney, and Phelps Counties since 1978. I am here today in support of LB1131. The SAFE Center provides 24-7 response, crisis response, advocacy, emergency shelter, and legal and medical support for survivors of domestic violence, sexual assault, and human trafficking. These services are statutorily mandated, and every day we respond to some of the most dangerous and traumatic situations in our community. In 2025, we served 537 adult and child survivors. Since 2020, that is a 39% increase in survivors who are accessing services in person, and we have doubled the number of human trafficking survivors we serve. At the same time, the lethality in those cases has risen, and survivors are presenting with more urgent and high-risk needs. And this means our staff must spend more time with each client to ensure thorough safety planning, medical and legal coordination, and crisis intervention. I want to share one example

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that reflects what this work looks like. A survivor that I'll call Janet went to the hospital after a sexual assault by her husband and she asked for an advocate. Our staff stayed with her through the medical care and helped her file a protection order the next day. She ended up going to shelter with her two children and, because of a devastating fire that we had at our shelter this past year, we have to shelter families in a hotel right now. And that was very overwhelming for her with her children. And also being very financially dependent upon her husband and having children with special needs, she ended up returning home. And two weeks later, he strangled her while she was holding one of her children. He was arrested at that time. And while he was in jail, our staff met with Janet every other day to plan for safety and help connect her with other resources to help her stabilize. This and more is what it takes to help just one survivor. Across rural Nebraska, programs like ours, often with very limited staff, are providing this level of support every day and night. Despite the rising need, as it has been stated, our funding is moving in the opposite direction. Our funding remains unstable, and I assure you that we are all aggressively pursuing grants and fundraising across the state. But we often find ourselves competing with community partners for the same limited resources. And this instability prevents us from filling critical staff positions and from sustaining essential supports like transportation, housing assistance, and long-term advocacy, which is what survivors need for their safety. We are deeply grateful for the Legislature's long-term support, and we see that this will offer a necessary and creative path to stabilize the services for the future. We thank you for your time.

von GILLERN: Thank you for your testimony. Questions from the committee? Thank you for what you do, for what you're doing in the area. I know it happens in Omaha, it happens in Lincoln. In the areas that you're serving, it's many times harder. So thank you for providing that service in that part of the state.

NIKKI GAUSMAN: Thank you.

von GILLERN: Yeah. Next proponent.

LEAH DROGE: Good evening. Chairman von Gillern and members of the Revenue Committee, thank you for your time this evening. My name is Leah Droge, L-e-a-h D-r-o-g-e, and I am here tonight on behalf of Friendship Home. Friendship Home provides safe, confidential emergency

shelter, long-term housing, and supportive services to domestic violence survivors and their children. We are a member program of the statewide Coalition to End Sexual and Domestic Violence, and we serve survivors from Lancaster County. I'm here in support of LB1131, which will provide crucial funding for victim services across Nebraska. As you've heard stated already, we're at really an unprecedented moment in time for our services. I've been in this work for 21 years. I have never seen this combination of unstable resources and increasing need. Since 2022, my agency has experienced a 56% decrease in federal Victims of Crime Act funding, which has supported emergency shelter, transitional housing, and accompanying case management, children's advocacy, therapy, and other supportive services. This equates to an almost \$600,000, \$600,000 annual differential. We have absorbed staff roles and waived reductions in emergency and transitional housing capacity. Simultaneously, we have seen a drastic increase in survivors accessing shelter and services. From 2024 to 2025, this was a 53% increase in the annual number of survivors served. That's adults and children. Over the last four years, this represents a 104% increase. During this time, survivors have also reported increased violence, as you heard Nikki mention. In our community, we've witnessed this firsthand last year with four local domestic homicides. And I included a chart that shows as survivors engage in our services, we offer a lethality assessment. This is just a small sampling of questions that we're going through that process with as we safety plan asking about experiences with strangulation, stalking, and if their partner has threatened to kill them. And we've seen significant increases with these percentage increases. This is a hundred individual responses more between 2021 and 2025 that people are saying, yes, they've had that experience. We remain committed to this work. This morning, 178 survivors, which represent 63 women, 115 children, and 6 pets, are residing in safety with our organization. But the need continues to grow. It's critical that when survivors and our system partners reach out for support, services are available. Stable funding is essential for providing this infrastructure for safety and stability. LB1131 proposes a creative solution that will not divert from state funds. I encourage you to support this legislation. There's critical work that needs to be done, and it cannot wait. Thank you for your time and your consideration, and I'd be happy to answer any questions.

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von GILLERN: Thank you for your testimony. Any questions from the committee members? Seeing none, thank you for being here. Appreciate it. Next proponent.

SARA HOYLE: Good evening. Chair von Gillern and members of the Revenue Committee, my name is Sara Hoyle, S-a-r-a H-o-y-l-e. I serve as the director of human services for the city of Lincoln and Lancaster County. I am here to testify in support of LB1131 on behalf of Lancaster County. And I am going to heed to the advice of the brilliant, brief, but thankfully still here, senator that went before me. And I'm going off-script a bit. You have the wonderful testimony that was prepared for me. But I am going to share with you what our office goes through providing services, providing funding for these important agencies. See, part of my office is helping to serve as a pass-through entity for services in the community that augment different things we do in, in government. And I can tell you we spend so much time chasing funding for this critical service. Be it local, federal, state funding, trying to get these services, these state and local services that we depend on. Classes in state court that are ordered for the non-offending parent are provided through these agencies. Protection order assistance. Sheltering you've heard about. Court advocacy, so many more services that we in state and county, city government rely on to keep people safe and in many times to keep people alive. This funding is so much more than just a line item in someone's budget. It's a lifeline. Every dollar we invest in survivor services saves families, it strengthens communities, and it reduces overall costs in our social service system, our justice system, and our healthcare system. For these reasons, I respect-- I respectfully urge you to protect, expand, and provide stable funding for domestic violence services through LB1131. Thank you to Senator Bostar, and thank you all for your time and commitment to the safety and well-being of families in Nebraska.

von GILLERN: Thank you for your testimony. Questions from the committee members? Seeing none, thank you for being here. Any other proponents for LB1131? Seeing none, are there any opponents for LB1131? Anyone that would like to speak in a neutral capacity? Seeing none, Senator Bostar, would you like to close? And as you come up, I would note that there were 10 proponent letters received, 0 opponent, and 0 neutral.

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BOSTAR: Thank you, Chair von Gillern. Thank you, members of the committee. You know, I, I know that we have budgetary challenges in the state right now. But, you know, this is something that we can't afford not to do. It's not convenient that the reduction in funding for these services and the spike in need and demand for these services and what that means in a real human way. It's not convenient that it's, that that's occurring at the same time that we have a budget gap to fill. I get it. I, I know that. But I'd be sitting here at 10 times the price. I would. And I think that the, the state resources that are currently indirectly obligated via tax exemptions for server compilation are, are better used. We talk about highest and best use. I don't know, this seems pretty clear. Happy to answer any final questions.

von GILLERN: Any questions from the committee?

BOSTAR: Thank you.

von GILLERN: Seeing none, thank you. We'll close our hearing at LB1131 and we will open on LB1238, Senator Hughes. OK, I'd like to open our hearing on LB1238. Welcome, Senator Hughes.

HUGHES: Thank you, Chairman von Gillern, members of the Revenue Committee. I am Jana Hughes, J-a-n-a H-u-g-h-e-s, and I represent the 24th Legislative District. I am here today to introduce LB1238. You guys all know me, I've gotten involved with the vaping, nicotine tax. And one thing that I heard of a lot of, especially when we were talking about how we tax vaping and things like that, was parity. How does, you know, taxing, you know, whatever the amount is, how is that parity to a pack of cigarettes? So, kind of through this process with LB1238, kind of came up with, well, what about a simple concept to make it parity across everything? Equalize the excise tax rates for all tobacco and nicotine products with one single transparent and fair rate. During my time in the Legislature, I've focused significant effort on keeping products of nicotine out of the hands of minors. Research from the National Institutes of Health, from the University of Illinois in Chicago, and from the National Research Council and the Institute of Medicine found that for every 10% increase in price of any tobacco or nicotine product, youth usage drops by more than 6.5%. As a result, I introduced, and this Legislature passed, LB584, which established the first excise tax on vaping products. And we introduced and passed LB125, which covers the excise taxes for pouches and

anything new onto the market with nicotine. Similarly, I brought LB1296 to regulate vaping products, ban products from being marketed to kids, and stop online sales for the delivery of these age-restricted products. And I greatly support-- appreciate the support of my colleagues in passing these bills. From the process of putting these bills together, I've learned more than I care to know about tobacco and nicotine products or tax. I have handed out, that's what you got handed out, our present patchwork excise tax rates for these different products. And if you go back before the early 2000s, our excise taxes on tobacco and nicotine were actually pretty simple. Cigarettes were taxed at a set amount per pack, and everything else was at 15% of the wholesale price. Over the years, the Legislature has pulled specific products out of that 15% wholesale price, and so we have what you've got in front of you. The only new concept here today with LB1238 is that I'm proposing that cigarettes also be taxed at a percentage of wholesale price. As I mentioned, at one point, everything was already taxed on that basis, and otherwise the newest products on the market, which are taxed on a percentage of wholesale basis, except for the 5 cents per milliliter tax on the smaller disposable vape products. But LB1238 corrects that as well. So why do this? I believe that a percentage wholesale price to the-- to base the tax rate for these products is a more fair process. As prices rise, so does the tax. As prices fall, so does the tax. All products containing nicotine are taxed at the same percentage of wholesale price, hence parity among types. You will surely hear that some of the testimony today will throw out a term that so-- and talk about harm reduction. This term like-- this term sounds like it's something nice and it will be used in testimony to make the case that one product containing nicotine should not be treated the same as another product because one product potentially causes you less harm than the other. Without some actual data to support the harm reduction argument from independent research, not industry-funded research complete with the inherent confirmation bias built into those studies, I don't think it's a good idea to structure an excise tax based on a system of harm reduction. Especially when we don't know if there's any valid claims to that. You will note that LB1238 changes the way the cigarette portion of the excise tax is allocated. Since the cigarette tax would switch from a cost-per-pack basis to a percent wholesale. Note that most of the allocations are backstopped to not go below the levels they were in '97, '98 and that's what's currently in statute and we, we kept that in the bill. This bill has a significant positive General Fund and

cash fund impact, and that was not the motivation to bring this bill, but you can see that it brings in about \$70 to \$75 million more a year combined into the General Fund and into the various cash funds that receive the specific cigarette tax allocation. The Building Renewal Fund receives the most substantial cash fund increase. We currently-- and I'm on the Building and Maintenance Committee. Brad-- Senator von Gillern chaired that last year. We currently have more than \$400 million in deferred maintenance and repair requests annually in that program, which we currently allocate about \$9 million from the cigarette tax to. This would rise to about \$20 million with a new allocation added to that 9. The building Renewal Fund keeps the maintenance and repair costs largely off our General Fund expenditures and in the cash side of our state budget, so that's helping our state out. You will also note that there's some administrative costs to implement this bill. The Department of Revenue gave me a heads up that they need to update their computer system to administer the 30% wholesale price tax on cigarettes, as their current system is based on a physical tax stamp and would need some investment upgrade. Any specific questions on this, I would have you ask the Department of Revenue, if they are here today. These costs are more than covered by the increase shown in the General Fund. I've had some questions about how LB1238 would change the physical tax stamps that are currently used on packs of cigarettes. I checked with the Department of Revenue and they are not assuming any changes to that fiscal note. I wanted to mention that as-- I wanted mention that, as you might have a question with that later with some testifiers. The other piece to doing this too is a little bit of simplifying our government. If our-- when the Department of Revenue goes to collect an excise tax, it's all done at the wholesale level. But instead of going in and having, you know, this type of product is on a pack, this type of product is on weight-- like chewing tobacco. This type of product, vape, is part if it's under this size, it's on milliliter fluid, but this is on all wholesale percent. So you're just everything, same wholesale percent. Simplifies. My intent here is to simplify this process. A percent wholesale tax would be aligned with the wholesale price of all of them and would track as prices adjust in the marketplace. It's not something like cigarette tax hasn't been touched, I think it was, since 2002. And as that-- if it's a set amount, as inflation grows, it's actually, you know, a less percent of the cost. Ours, if it was a wholesale price, it would just follow that cost. I appreciate your

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time today and discussion about this proposal, and I look forward to any questions that you may have. Thank you for your time.

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

HUGHES: It is really warm in this room.

von GILLERN: It is.

HUGHES: You're freezing? Oh my gosh.

von GILLERN: Senator Jacobson.

JACOBSON: I, I guess I, the only question I have is that we heard testimony earlier about smoke and secondhand smoke and so on. So we're not distinguishing between smokeless and smoking, we're just, we're kind of just tax it all the same and it's, I mean--

HUGHES: Well, right now there's no-- you don't distinguish, I mean, like chewing tobacco is smokeless.

JACOBSON: Right.

HUGHES: I guess there's a secondhand from chew unless you spit on somebody.

JACOBSON: That's true. We don't think so.

HUGHES: I hope not. That would be kind of gross. So there's not, I mean, they were 15% wholesale before, now it's by a weight. That's not a-- it's more to get as you increase costs on these type of things, youth usage goes down, actual adult usage will go down too. But also the point of an excise tax is to capture some money now for the health harm down the road. And these products, with cigarettes, perhaps, with the, the secondhand smoke, you kind of have two people that would be affected: the person that's actually smoking and then the person who's getting the secondhand. You might not have that with the chewing tobacco, it's just the person doing it. And same with vaping, it's the person doing it. So I mean, I--

JACOBSON: I guess I raise, I mean--

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HUGHES: I guess I don't know what, what are you asking?

JACOBSON: I'm not a smoker. At least I always mark I've never smoked.

HUGHES: You sound like a smoker. No, I'm just kidding.

JACOBSON: I will tell you, I smoked a little bit in college, but I'm still marking no on the [INAUDIBLE].

HUGHES: I think you can do that. I think that's allowed.

JACOBSON: [INAUDIBLE].

HUGHES: Yeah, bump his insurance up.

JACOBSON: I'm just-- I'm just thinking that I keep hearing about the new products that are out there that are being developed to be, quote, less harmful. And I would agree with you that we have to be able to verify that, FDA or somebody. But--

HUGHES: But can I just say one of the most addictive substances on earth is nicotine.

JACOBSON: Yeah.

HUGHES: And like we've already-- we've done the whole nicotine pouch thing but, you know, those have-- those patches, they're now three milligrams, six milligram, eight milligram, tell-- ten milligrams of nicotine in the same size pouch, which remember, they wanted us to do that by weight. And those are flavored, fruit flavors, melon, mint, whatever. They're-- it's just another product to get someone addicted to to be a customer for life.

JACOBSON: Yeah, I'm just trying to figure out if, if there's anything that is going to be helpful in terms of reducing the cancer risks and, and also the heart disease risk and maybe incent tobacco companies to try to move towards that.

HUGHES: Mm-hmm.

JACOBSON: And I'm just trying to figure out how you get that done. Now Nebraska alone isn't probably going to get it done, but--

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HUGHES: Well, and the FDA is not being very helpful either, but--

JACOBSON: Well, that's what I'm wondering, so I'm just-- that, that's where I'm conflicted here.

von GILLERN: Let's see if any of the testifiers can help.

HUGHES: Yeah, I think there are some testifiers behind us, I think, that will talk a little bit to the, yes, great-- it'll talk to the nicotine. But also these things are so new and a lot of times, the harm doesn't show for 10, 15, 20 years down the road as well. And I just think that's out there too. But thank you.

JACOBSON: I'm anxious for the testifiers.

von GILLERN: Me too. Let's do that.

HUGHES: I'm out. I'll be here for close.

von GILLERN: All right, we'll invite up our first proponent for LB1238. Proponents. Welcome back.

MARK WELSCH: Thank you. Mark Welsh, M-a-r-k W-e-l-s-c-h, representing Gasp of Nebraska. You may have noticed on one sheet I gave you is redacted. I didn't do that just because it's in vogue these days, but this started out as a letter to a friend of mine who wrote to me very recently and said, I gave up these nicotine pouches because I don't want to be addicted anymore. And I sent him basically this letter letting him know that he told me that-- I was told that nicotine isn't harmful. But he, he got addicted to it. And this sheet shows you that nicotine is harmful. So he was lied to by somebody. I don't-- I'm going to try to get to the bottom of that, who told him nicotine was not harmful. I would guess that it was a company that is represented here today at the previous hearing. Tobacco and nicotine companies continue to hide the truth that they knew and that they know now about the harm of their addictive, poisonous products. They're very profitable products. That's why they're in the business of selling this. They are not going to want people to quit smoking, to quit being addicted to their products. That's why when states like Nebraska and many others, almost all states now, don't allow you to smoke in businesses, except here in Nebraska, we let you smoke in in-home daycares, that's OK. And cigar bars. But most places, you can't smoke. So the tobacco companies came up with these smoke-free things that you

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could use, the vaping products. And you could use those inside in Nebraska for a while. And now you can't. But people were stayed addicted, they smoked, they used nicotine in the businesses with their smoke-free products and then smoked cigarettes at home. So it wasn't to get rid of the smoking process. LB1238, as Senator Hughes said, it creates a fair way to tax all of the tobacco nicotine and nicotine analog products. The vaping and heating tobacco cigarettes simply keep all people addicted to tobacco. Now, I'm, I'm kind of a numbers nut. If you have any questions about how nicotine-- or how tobacco taxes have reduced the rate of selling cigarettes in this state, I can help you with that. I can-- I've been doing this for almost 40 years, working to improve the health of people in this state. If you have any questions about tobacco, I hope I can answer them. And if I can't, I'll find an answer for you. Thank you.

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

MARK WELSCH: Thank you.

von GILLERN: Next proponent. Are there any other proponents for LB1238? Seeing none, are there any opponents?

LUKE WENZ: Hello again, Chairman von Gillern, members of the committee. Thanks for holding this hearing, for the opportunity to testify. My name is Luke Wenz, it's L-u-k-e W-e-n-z, and I'm here on behalf of the Platte Institute in opposition to LB1238. In the prior hearing, I already made the case for why the Platte Institute believes tax, excise taxes or tobacco taxes are fundamentally bad tax policy. And so for this reason, and because I know everybody is getting a little tired, I'm gonna just address this through one specific issue, and that's border bleed. Nebraska is at its core a welcoming state. Businesses and families alike choose the "good life" and for good reason, for what it represents. But here's the challenge, nearly every Nebraskan lives relatively close to another state that has lower taxes, taxes that would bring in revenue here to Nebraska. But because we often make it advantageous to do so, they will go elsewhere. When bad policy is passed, the state loses revenue. If we pass this bill, LB1238, the message is simple. Drive east, drive west, drive anywhere else, just don't spend your money here in Nebraska. And if you pass this bill, a pack of Benson Hedges ultralights will come in at almost \$5 per pack, making it tied for the

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second-highest taxed pack of cigarettes in the country, second only to New York. Excuse me. Why, you know, why would I buy my cigarettes here then, if I could just drive 45 minutes and spend less than a quarter? And I don't mean 25%, I mean less than an actual quarter with George Washington's face on it, which would only be about 4% of the total taxes on that pack of Benson and Hedges ultralights. Senator Jacobson, earlier you said-- you asked a question in the last hearing, would somebody be driving across the state on I-80, drive south to Kansas to buy tobacco there? Wouldn't they just stop at their convenience store? I think if you're driving from Chicago all the way west, you're right, you're not gonna divert off the 80, go 45 miles south and then back north. But I do think someone that lives in Lincoln who can drive 45 minutes south probably will. And I think that's what we see. Nebraska families will cross the border, Nebraska dollars will follow, and Nebraska will lose, not in theory, but in practice. Adding to the already unreliability of this revenue. For that reason, I ask the committee to oppose LB1238. And thank you for your time. Happy to answer questions, if you have them.

von GILLERN: Thank you. Seeing no questions from the committee. Appreciate you being here again.

LUKE WENZ: Thank you, sir.

von GILLERN: Next opponent.

ANDREW PLUMMER: Good evening Chairman and members of the Nebraska Revenue Committee. My name is Andrew Plummer, A-n-d-r-e-w P-l-u-m-m-e-r. I am a resident of District 31 in Omaha, and I'm proud to serve as the president of AMCON Distributing Company. We are the third-largest convenience distributor, judging by geography, serving 34 states across America. We are headquartered in Omaha, Nebraska. I'm also proud to mention that, having been founded in Lincoln, Nebraska 40 years ago, our company has served as a key tax collector and remitter for the Department of Revenue for many years. I'm here today in opposition of LB1238. This bill would unravel decades of work Nebraska's done to protect consumers, retailers, and the state itself from an illicit cigarette market while creating significant new regulatory burdens for the department of revenue. Today, cigarette taxation in Nebraska is uniform. Licensed wholesalers purchase cigarette stamps directly from the state at a flat rate of 64 cents per stamp in rolls of 30,000. Every pack destined for sale in Nebraska

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is stamped before it ever reaches the retailer. The system ensures consistency, accountability, and compliance, and it mirrors the system used in the rest-- around the rest of the country. LB1238 would dismantle a tried-and-true system by tying cigarettes to the manufacturer list price, in essence, an ad valorem tax. In preparation for the hearing, I examined the sample of manufacturer list prices for cigarettes sold by AMCON in Nebraska. These prices range from approximately \$36 per-- \$36 per carton on the low end to \$119 on the high end. Under LB1238, that would translate to a tax ranging from about \$1.08 per pack to as much as \$3.57 per pack, an increase of anywhere from 45 cents to nearly \$3 per pack over current rates. For years, we've been told that cigarette excise taxes exist to discourage smoking. If that is the goal, what is the message we're sending Nebraskans when lower-priced cigarettes are taxed significantly less? Are we implying that cheaper cigarettes are somehow less harmful? Beyond the public health concerns, the bill-- this bill opens the door to significant illicit market where, wherein the state doesn't capture the revenue at all. More than 25% of Nebraskans live in Douglas County, directly bordering Iowa, where cigarettes would be considerably cheaper under this proposal. Over 60% of the state's population live within 90 miles of Rockport, Missouri, previously referenced, where the excise tax is only 17 cents per pack. We've seen the movie before. When Indiana increased its cigarette tax just last year, the percent-- excuse me. When Indiana increased the cigarette tax just last year, 92% of the Indiana zip codes bordering Michigan saw cigarette decline, while Michigan bordering community experienced a surge. Finally, this bill replaces the work-- that works with one that is more complex, more costly and [INAUDIBLE] viable, all at the odds of the Nebraska commitment to fiscal responsibility and government efficiency. For these reasons, I respectfully urge you to vote no to LB1238.

von GILLERN: Thank you.

ANDREW PLUMMER: Thank you for your time.

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

ANDREW PLUMMER: Thank you.

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von GILLERN: Next opponent.

STACY ALEXANDER: Senators, Chairman von Gillern, thank you for your time tonight. My name is Stacy Alexander, S-t-a-c-y A-l-e-x-a-n-d-e-r. I'm the owner of e-TITAN Vapors. My company is based in Grand Island. I have four retail locations in the tri-cities of Grand Island, Hastings and Kearney. We appreciate that Senator Hughes has been dedicated to finding proper regulatory framework and taxation levels for electronic nicotine delivery systems, also known as vapes, as well as looking at taxation of other nicotine products, as I testified in support of Senator Hughes' bill LB125 last year. As of January 1st this year, the Nebraska ENDS Registry took effect, which was also initiated by Senator Hughes with our work, which basically curates a list of vapes that are allowed to be sold in the state of Nebraska. The department of-- excuse me, as of January 1 of this year, the Nebraska registry took effect. Our industry as a whole, including manufacturers, distributors, retail businesses, and our customers have been affected equally, adjusting to this major change in the market, as it constricted and eliminated a majority of products that can be sold and bought in the state of Nebraska. The Department of Revenue is currently auditing vape stores that have had-- and have had less than 30 days since Nebraska's implementation of the registry to ensure that local businesses are compliant. To add a 30% tax at this time would be counterproductive. The vape industry worked with Senator Hughes in 2024 and '25. We initially actually met with Senator Ibach on creating a regulatory framework as well as creating a 10% excise tax on the ends. e-TITAN supports a reasonable level of taxation and the possibility of gradual increase in the tax level, even to 20%. Doubling the tax to 20% would be a reasonable increase, allowing the Department of Revenue to continue their efforts in finalizing the registry and bringing local businesses into compliance. A 30% excise tax should be something considered with next session, allowing for all of the legislation introduced in the past two years to come to fruition, and we can see the implications of the Department of Revenue's efforts throughout the state. Respectfully, e-TITAN Vapors is opposed to the 30% increase in wholesale tax in LB1238. We look forward to continuing to work with Senator Hughes on ways to improve regulation and the vape industry that increases safety and enforcement. Senators, I appreciate your time today and will now open myself to any questions you may have.

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VON GILLERN: Thank you for testimony. Any questions from the committee? Yes, Senator Ibach.

IBACH: Thank you very much. And we did work together, and I appreciate the way you operate your establishment in Grand Island. You do it the right way. Can you give us an idea of how much your business has grown over, say, the last five years?

STACY ALEXANDER: I would say in the last five years we've probably seen at least 100% growth in business.

IBACH: And do you attribute that to vape?

STACY ALEXANDER: I would say that about 70% of the products that we offer at my store are, are vape products, and that is the the main, the main-- that's our main, yeah.

IBACH: And do you still use the bag, the zipper bags--

STACY ALEXANDER: Yes.

IBACH: --to be able to purchase your items, to send them out the door?

STACY ALEXANDER: Yeah, that's something that we came up with. We also have a note on there for law enforcement. We have a QR code, a child-resistant bag. You saw that. That was our way, as what we consider ourselves good actors in the industry to be proactive with what we saw. We shared a lot of the concerns that can-- that senators have brought about vaping. We're one of the companies that embrace regulation. We want to know when we're in bounds, where we're out of bounds, because in bounds is where we choose to operate. We're residents of the state of Nebraska. I have children that are here. I do care. So that's why we kind of go out of our way and of our own expense to put, put our products in, in child-resistant packaging, just because, like I said, rather than being reactive, which is what I think kind of leads to some of this legislation, maybe could have been, been done proactively. And that's just how we chose to, to operate

IBACH: I appreciate that, and I think you do tell a good story. Thank you, Mr. Chair. Thank you.

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STACY ALEXANDER: Thank you, Senator.

von GILLERN: Seeing no other questions, thanks for being here.

STACY ALEXANDER: Thank you. I appreciate your time this evening. Thank you.

von GILLERN: Next opponent.

BRIAN ERKKILA: Good evening, Chair von Gillern, Vice Chair Jacobson, and members of the Revenue Committee. I once again, and Dr. Brian Erkkila, B-r-i-a-n E-r-k-k-i-l-a, and I am here representing Philip Morris International, U.S. I really appreciate the opportunity to offer comment on LB1238 and my opposition. The FDA and the broader scientific community recognize that tobacco and nicotine products exist along a continuum of risk. With combustible cigarettes posing the greatest harm and smoke-free alternatives representing lower-risk options. While quitting is always the best choice for a smoker, such attempts are often unsuccessful, and FDA-approved nicotine replacement therapies only help a small percentage of smokers who try them. This is why innovative smoke-free options like nicotine pouches have the potential to move thousands of Nebraskans away from cigarettes. I, too, am very interested in the scientific process. As someone who worked at the FDA for years under different administrations, I can say that the scientists there are clear-eyed, passionate, and absolutely the best at their jobs. And that is to say that a product like our Zyn nicotine pouches was given the "appropriate for the protection of public health" status under the Biden administration. And under the current administration, we are going to get an MRTP. We have applied to the agency and held a public meeting so that we can tell consumers directly what the FDA has found. And what they found in their first review was that smokers who switch from combusted cigarettes to nicotine pouches like Zyn reduce the risk of cancer, cardiovascular disease, and respiratory disease. This is independent agency evaluation that took five years, some of the science was ours, some of the science was from academics, some the science was from non-profit groups. But that was their determination. But LB1238 would unfortunately have the perverse effect of making smoke-free alternatives more expensive, and therefore less affordable to Nebraskans who smoke. Raising a tax that has been in effect for only a month provides no meaningful data on revenue performance or consumer behavior, making it a bit premature to recalibrate a brand-new policy

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before its real-world impacts can be realized. As a matter of public policy, products that the FDA has deemed APPH, or appropriate protection of public health, simply should not be taxed at the same rate of combusted cigarettes. We talked before about how small differences in price can really drive that behavior. What this is going to do is bring the price of combustive cigarettes and a much less harmful FDA-evaluated product closer together and hinder people switching away from that combusted product. So we should not penalize adults that switch from deadly combustible cigarettes or oppose a one-sits-- one-size-fits-all tax approach for products that have met FDA's exceptionally high product standards. Thank you, and I'm happy to take any questions.

von GILLERN: Thank you, doctor. Questions from the committee? Senator Bostar.

BOSTAR: Thank you, sir. Thank you, sir, for being here. How much does it reduce the risk?

BRIAN ERKKILA: So it's hard to give a percentage there because we're talking about a kind of complex physiological system, but if we look at the exposure, right? So if you compare how many harmful chemicals like carcinogens and cardiovascular toxicants you find in smoke, you have about a 98 to 99.9 reduction if you're going from a cigarette to a nicotine pouch.

BOSTAR: So just a-- right. Smoke-derived carcinogens wouldn't necessarily be found.

BRIAN ERKKILA: Yeah, when you, when you burn a cigarette, in that smoke, there's about 7,000 chemicals, right?

BOSTAR: So do you have any, I mean-- so what do you have as far as information on-- you [INAUDIBLE] said it's a reduction in, in risk of cancer. But do you have anything to point toward how-- the extent of that?

BOSTAR: Sure. Yeah, so as we said, these things take a long time but, you know, a lot of what we do is we'll look to the country of Sweden. So in Sweden, they use oral tobacco, and now more nicotine pouches. They haven't, combustive cigarette smoking is basically non-existent there. But they still use tobacco and nicotine. And with those oral products that they have there, which are also quite low in harmful

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chemicals. We see no increase in-- there's no association in use of those products with oral cancer or heart disease, right? So these products that we're talking about, nicotine pouches, they're even lower in the amount of harmful chemicals they have, so you'd imagine that the risk would be very, very low.

BOSTAR: OK. All right, thank you.

von GILLERN: Any other questions? Thank you for your testimony. Appreciate it. Any other opposing testimony?

MEGAN WORD: Thank you, Mr. Chairman and members of the Revenue Committee. Again, my name is Megan Word, and I am-- M-e-g-a-n W-o-r-d. I am with the American Cancer Society Cancer Action Network. I want to reiterate that ACS-CAN supports a comprehensive approach to tobacco control. It includes regular significant excise tax increases of at least a dollar or more on per pack of cigarettes to effectively reduce the number of people who begin smoking or helping those who currently use quit, and taxing all other tobacco products including e-cigarettes, nicotine pouches at rates equivalent to the tax on cigarettes or tax parity. I appreciate Senator Hughes' continued commitment to try to make tobacco and nicotine products less affordable, less accessible to kids. And to Nebraskans overall, ACS-CAN's opposition has to deal, in LB1238, has to deal specifically with changing the taxing mechanism on cigarettes. What I can tell you is our data says that a specific tax on cigarettes better achieves the public health objectives than a percentage tax on the price per packages of cigarettes. It increases retail price of all products subject to the tax and does not perpetuate or inc-- increase that price differential. You've heard it from previous testifiers, by applying a 30% tax on all packages of cigarettes equitably, that exacerbates the price difference between a cheap price of cigarettes and a very expensive price of cigarettes. By continuing the current taxing mechanism on cigarettes, just that per price, per pack cigarettes, that helps establish more of an equilibrium. It also keeps the MSA enforcement and compliance issues that a former testifier spoke about more consistent. What I can also tell you is that all states currently have a specific tax on cigarettes rather than the percentage tax proposed in LB1238. Since 2000, 48 states and the District of Columbia have increased their cigarette tax rate at least 155 times, always as a specific tax. Let me reiterate, ACS-CAN opposes LB1238 only because that change of cigarette tax per package. We

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appreciate and encourage tax parity on all other tobacco and nicotine products, and we look forward to working with Senator Hughes on ways we can continue to make tobacco tax-- tobacco products inaccessible and unaffordable-- unaffordable to Nebraskans.

von GILLERN: Thank you for testimony. Senator Jacobson.

JACOBSON: What's your counter to everyone who's testified that you just drive across the border and buy cigarettes grossly cheaper, that this increase is not going to accomplish anything?

MEGAN WORD: I, I can provide, I can provide data. And for Senator Sorrentino's bill LB1124, in that package, I provided-- and I should have, should have provided it for this bill as well, a tax projection sheet that shows how much projected revenue comes from that dollar increase that Senator Sorrentino is proposing. That sheet has a lot of different footnotes and explanations about the data. But I can tell you what this, what this talks about is those projections incorporate the effect of those smoking declines and the cross-border war that people talk about. It's negligible. We haven't seen any states that have increased their tobacco tax losing a significant portion of their tobacco-tax revenue. When you increase the cigarette tax by at least \$1 or more, the new generate-- the new revenue generated offsets any declines that you see from border bleed or from people reducing their tobacco use. And from ACS-CAN's perspective, that's what we're interested in seeing, fewer people use tobacco.

I'm just looking at Kearney and Grand Island are about as central as you're going to get.

MEGAN WORD: Right, right.

JACOBSON: They don't have the mules there quite as bad. But I do think that when you look at Omaha--

MEGAN WORD: Sure.

JACOBSON: --it's pretty easy to go across the border. And, and you just stand by that's-- we're not going to feel it?

MEGAN WORD: What, what I'm saying is yes, our data says you don't see it.

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JACOBSON: All right, thank you.

von GILLERN: Senator Murman.

MURMAN: Wouldn't there be an advantage to a percentage? Because as cigarette prices go up, it would automatically adjust upward rather than having to have the Legislature act. And I assume that doesn't happen near as often.

MEGAN WORD: Right.

MURMAN: So the tax on cigarettes wouldn't go up as fast. So wouldn't that be a big advantage?

MEGAN WORD: It, it could be. But what we see is when you apply that percentage to the cigarette tax specifically, we're not talking about the other taxes that are addressed in LB1238. But when you repeal that current taxing mechanism that gets the, the stamp, 64 cents every single pack, every single pack of cigarettes is taxed in that equal way, what you see with that percentage is you see that differential that's already there that is, you know, equalized when they're all taxed the same way, it grows. So for people who are, who are very, very-- oh, I can't think of the word, for people like kids who really feel those price changes in tobacco products, if they wanna go and buy a pack of cigarettes and you have a 30% tax on cigarettes and your Benson and Hedges are more expensive than your cheaper cigarettes, we see that as a problem. We see that not being as problematic as when you have that flat tax like you do at 64 cents. And by increasing it by at least a dollar, it counteracts some of the declines you see because of border bleed. It counteracts some of the declines you see when those kids just don't buy the cigarettes. That's why we're looking at that dollar increase.

MURMAN: Well, are the cheaper cigar-- I'm not a tobacco expert. Are the cheaper cigarettes more dangerous?

MEGAN WORD: No, not necessarily. Not necessarily.

MURMAN: So I guess I still don't understand the problem, I see--

MEGAN WORD: It just exacerbates, what, from ACS-CAN's perspective, what we want to see is tobacco products being more expensive and harder for people to access, especially kids. And so when you have

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kids who are very sensitive to price increases, which is one of the reasons why in the last few sessions, you've seen the vape bills and things like that, because kids are attracted to those products. When you're looking at cigarettes, if they're going in to buy cigarettes, if you don't tax those cigarettes on an equal basis, you just grow the gap between cheap cigarettes and expensive. What you don't do is you make those cheap cigarettes even cheaper. Do you know what I'm-- I'm not explaining that correctly. Sorry.

von GILLERN: It's a little late in the day for me to be doing math, but I'm doing it anyway.

MEGAN WORD: Oh, God. OK.

von GILLERN: If I take 64 cents, which is the current rate of tax in Nebraska and divided by 0.3, that comes out to a packed price of \$2.13.

MEGAN WORD: Yes.

von GILLERN: Is there a pack of cigarettes for sale out there for \$2.13?

MEGAN WORD: I don't know. I don't know.

von GILLERN: Because if that's not the case, then your argument is, to borrow a famous movie line, Does not hold water.

MEGAN WORD: Okay, all right.

von GILLERN: Because at \$2.13 at the rate that is in LB1238 of 30%, that would be a 64-cent tax. So any pack of cigarettes that costs more than \$2.13 is going to generate more than 64 cents. And at 30%, the gap doesn't widen, it stays exactly the same for every--

MEGAN WORD: Not at the base pack. If the base price of your cigarettes are different to begin with, if you've got a \$2--

von GILLERN: It does.

--\$2 pack of cigarettes and a \$5 pack of cigarettes and you apply that 30% tax, that gap just grows bigger.

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von GILLERN: My, my point being the cheapest pack of cigarettes out there will still cost more if LB1238 is, is passed than it does today.

MEGAN WORD: That's true. Yeah.

von GILLERN: And you're against that.

MEGAN WORD: We are against replacing that cigarette taxing mechanism--

von GILLERN: I think--

MEGAN WORD: --because it has hasn't seen--

von GILLERN: I think you need to run the math. I understand the philosophical difference. I'm not sure the math agrees with you, but--

MEGAN WORD: OK. All right.

von GILLERN: --seeing no other questions, thank you for being here. I appreciate that.

MEGAN WORD: Thanks.

von GILLERN: Next opponent.

BILL ORZECOWSKI: Well, I don't think I need to respell my name again, but I'm Bill Orzechowski from Orzechowski and Walker, and I'll make a few remarks. The first thing I'd like to say is I would like to say is--

von GILLERN: If you would spell your name again, for us, please.

BILL ORZECOWSKI: Sure. It's O-r-z-e-c-h-o-w-s-k-i. And I would just like to clear the record. I said I was a registered lobbyist. I wasn't. I'm just an, an expert testifying on behalf of Altria Client Services. I don't know how I ever-- someone said, are you a registered lobbyist and somehow I just goofed up. But I'm not a registered lobbyist.

von GILLERN: Thank you for clarifying.

BILL ORZECOWSKI: I think in terms of the last point that the fine lady was talking about, I think what she was saying was that when you have these deep discount cigarettes like at \$3.40 per pack right now,

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you know, and you have like Marlboros at \$10, what might happen is that people might just say, well, I just, I can't afford my Marlboros, you know, with a-- with this new \$2.13 tax on it, or \$2.60 tax. I might just flip all the way back to deep discount, something I had never used before, and you'd actually end up sending-- saving more money after you made that shift before you-- you know, in other words, you're a Marlboro smoker and the tax sort of induces you to go to deep discount.

von GILLERN: Thank you. Any questions from the committee?

BILL ORZECOWSKI: I was just going to make two other points.

von GILLERN: Oh, thought you were done.

BILL ORZECOWSKI: With the ad valorem tax, there was two, two states that tried an ad valorem tax, that was New Hampshire and Hawaii. And they both basically gotten rid of those taxes and went to a per-unit system. New Hampshire did it in 1975 and Hawaii did it in 1993. And they both thought that they were losing revenue with that sort of system, that it was just easier to have a per-unit system. In the Hawaii case, Price Waterhouse had estimated like 9%, 10% losses in sales from using that ad valorem system compared to the per-unit rate system. It took Hawaii a fair amount of time to, to install the system. But when they finally put the stamps on by 2001, their revenues at the same dollar tax that they had went from like \$40 million to \$51 million, and then finally to \$60 million, all of that \$1 tax after they put in that per-unit system instead of the ad valorem system. That's it.

von GILLERN: Thank you. Any questions from the committee? I'm not an expert, but if you were paid to speak on behalf of another party, I'm not sure that doesn't make you a lobbyist. I would encourage you to look into the regulations here in the state of Nebraska.

BILL ORZECOWSKI: [INAUDIBLE].

von GILLERN: Thank you for being here tonight.

BILL ORZECOWSKI: OK.

von GILLERN: Are there any other opponent testimony?

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BILL ORZECOWSKI: Thank you.

JEFF FRY: I will be brief. I know that everybody's tired and hungry at this point so.

von GILLERN: God bless you.

JEFF FRY: Appreciate the opportunity to speak against LB1238. Small businesses in Nebraska are struggling right now, and this is a tax on businesses, not just consumers. Just to remind you, this tax-- and I'm with Capital Cigar Lounge, I'm the GM and COO there here in Lincoln, Nebraska. Jeff Fry, J-e-f-f F-r-y.

von GILLERN: Thank you.

JEFF FRY: Sorry, never done this before.

von GILLERN: It's all right. You're good.

JEFF FRY: So, just to remind you, this tax is due, like, once we receive the products. Actually, at the beginning of the next month. So for example, if we would receive \$20,000 in products on February 28th, by March 10th, we have to have a check to the state. With the new 30%, it would be \$6,000, and that's before we've sold anything. So that is a burden, that's less inventory we can carry, basically. If none of the product has been sold, we haven't collected any of that to pass on to the consumer, increases the tax burden on Nebraska small businesses by increasing tax payments by 50%. Increase on premium cigars will push more consumers to make purchases online or in neighboring states, like many people have mentioned. You can drive across to Iowa, it's a 10% tax-- or sorry, it's is a 50-cent cap. Kansas and Missouri are about 10%. And Senator Jacobson mentioned earlier about cigarettes and, and you'd hold-- would you hold off before you got to Colorado or whatever? In the case of cigar smokers, it's a lot of people smoke two three cigars a month, it's not a fix they need then. So they will go to another state and plan and stock up and bring it back or go to online retailers that collect none of this tax currently, although LB212 will fix that hopefully. There were still will be some retailers that fly under the radar and do not collect that tax, the smaller ones. And, you know, cigar smokers are industrious. They'll figure out ways. They'll have a friend in Iowa get the shipment for them, whatever it is. They're going to find a way to avoid that. And all this is going to do is harm 15 Nebraska businesses that sell cigars,

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and employees there, that's less wages for employees. It will be less sales and they'll be pushed to other places. So this, this bill is being pitched as a simplification, but it's also a tax increase. It's not like 20% across. Now, it's 30%. Last but not least, these tobacco taxes increases rarely hit the target of the anticipated revenue due to the buying patterns of discerning customers. Like I said before, they'll seek out online sites, buy out of state, or buy privately. That's all I got.

von GILLERN: Great. Thank you. Any questions? Seeing none, thank you for being here.

JEFF FRY: Thank you.

von GILLERN: Appreciate it. Next component. Good evening.

STACY LOSTROH: Good evening. Good evening, Chairman von Gillern and members of the Revenue Committee. My name is Stacy Lostroh, S-t-a-c-y L-o-s-t-r-o-h, I'm here tonight on behalf of Whitehead Oil Company and the Nebraska Petroleum Marketers and Convenience Store Association. We are in opposition of LB1238. This bill makes a significant change to Nebraska's tobacco and nicotine tax structure by drastically increasing the excise tax rate while also changing the calculation method to a percentage-based. While the underlying provisions show these changes as revenue and policy updates, the bill ultimately creates an ineffective, regressive tax structure that disproportionately harms lower, lower-income consumers, small retailers, and Nebraska's border communities. The steep tax increase applies uniformly to all consumers regardless of income. This 30% increase per unit represents a much larger share of income for lower-wage customers than for those with higher income. The proposed increase would go from 64 cents per pack to over \$2 on lower-tiered cigarettes, which is a direct hit to the consumer. LB1238 does not scale taxation based on ability to pay. Instead, it raises the price of commonly-purchased legal products in a way that disproportionately impacts lower-income Nebraskans. According to America's health rankings by the United Health Foundation, in Nebraska, 28% of people with incomes under \$25,000 smoke, while only 8.7% of people with incomes above \$100,000 smoke. Lower-income consumers are more sensitive to price increases and more likely to reduce spending on essentials, or purchase products outside of Nebraska. This bill increas-- increases financial pressure on households least able to

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absorb it. LB1238 also aims to dramatically increase tax on smoke-free products. Cigarette smoking has reached all-time lows over the past few years with many former smokers switching to smoke-free products. Excessive taxation on smoke-free products as proposed in this bill would hinder the consumer's ability to make the switch to these alternative smoke-free forms. Nebraska is surrounded by states with differing, differing tobacco tax rates. Dramatically increasing taxes through this bill would make Nebraska less competitive and increases the likelihood of border bleed. This reduces Nebraska's tax collections and harms in-state retailers, particularly those in rural and border communities. The changes in LB1238 represent a significant tax increase on nicotine and tobacco products that is regressive, inefficient and economically harmful. The bill places the greatest burden on lower-income Nebraskans, incentivizes border bleed and threatens small retailers while failing to deliver stable or sustainable revenue. For these reasons, I respectfully urge the committee to oppose LB1238. Thank you.

von GILLERN: Thank you. Questions from the committee? Seeing none, thank you for your testimony.

STACY LOSTROH: Thank you.

von GILLERN: Next opponent.

ANSLEY FELLERS: Thank you, Chairman von Gillern and members of the Revenue Committee. My name is Ansley Fellers, A-n-s-l-e-y F-e-l-l-e-r-s, and I'm here today on behalf of the Nebraska Grocery Industry Association and Cigar Association of America in opposition to LB1238, which would move cigarette taxes from a fixed excise tax structure to a percentage of the purchase price and increase the tax on tobacco products to 30%. As you heard Andy say, LB1238 is a departure from standard practice and presents a huge competitive disadvantage for Nebraska retailers. I'm not going to read the rest. I think you've heard just about everything today, although I would state for the record that there was mention of border bleed. And the border bleed issue from the retailer perspective isn't about state revenue, it's about the retailers' revenue. So I'd be happy to answer any questions, if anyone has any. Thanks.

von GILLERN: Thank you for your testimony. Seeing no questions.

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ANSLEY FELLERS: Thank you.

von GILLERN: Thanks for being here. Any other opponent testimony? Seeing none, is there any neutral testimony?

SARA PREM: Good evening, Chairman, members of the committee. I'll be very, very brief. I think you've have heard it all.

von GILLERN: You've got [INAUDIBLE].

SARA PREM: So are-- the American Lung Association, you heard from my colleague, Julia, earlier. We see that LB1238 is a notable effort to increase the tax on cigarettes and to begin to establish tax parity across all tobacco products. Many states, including Nebraska, other tobacco products are taxed at a lower rate than cigarettes, making them more appealing to price-sensitive consumers such as youth. We applaud LB1238 for imposing a 30% tax rate on the purchase price of other tobacco products besides cigarettes paid by the first owner. But, as we've had many people talking about, we do have a problem with the 30% on cigarettes and we would prefer that to be expressed as a dollar amount, specifically a dollar or more would be great. And we feel that LB1238 moves Nebraska closer to the adoption of best practice policy for taxation of cigarettes and OTP. And we recommend that the per-pack tax on cigarettes be kept as a dollar amount and increased by a dollar or more. And with that, we would be able to support this legislation.

von GILLERN: Thank you. Any questions? Senator Bostar.

BOSTAR: Thank you, Chair. Ma'am, did you say and spell your name?

SARA PREM: I did not, thank you. It's been a long day. Sara, S-a-r-a, Prem, P-r-e-m. Thank you.

von GILLERN: It takes a village here, doesn't it? [INAUDIBLE].

SARA PREM: Blood sugar is really--

von GILLERN: Yeah, I think we're all diving a little bit, so thanks for your testimony.

SARA PREM: Thank you.

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von GILLERN: Any other neutral testimony? Seeing none, Senator Hughes, would you like to waive your close?

HUGHES: I got like two sentences. Two seconds. Are you ready? You've heard a lot of complicated explanations about why we should not proceed with LB1238. My explanation of why we should is because it's simple, 30% wholesale on everything. Done.

IBACH: I have a question.

von GILLERN: Don't you wish you could drop the mic? Senator Ibach.

IBACH: Thank you. How did you come up with these divisions for where the, the money is going to go?

HUGHES: They-- that is already in statute--

IBACH: OK.

HUGHES: --with tobacco money, and we just kept the same--

IBACH: Kept, kept the same division--

HUGHES: --yeah, ratio.

IBACH: --just put the 30% in.

HUGHES: Correct.

IBACH: Thank you. Thank you.

von GILLERN: Any other questions? We had online comments. We had 4 proponents, 9 opponents, and 3 neutrals. That will end our hearing for LB1238 and will end our Revenue for the day.