

von GILLERN: Good afternoon, and welcome to the Revenue Committee. I'm Senator Brad von Gillern from Elkhorn, representing Legislative District 4, and I serve as the chair of the committee. The committee will take the 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 to the committee clerk. If you do not wish to testify, but would like to indicate your position on a bill, there are also yellow sign-in sheets back on the table for each bill. The sheets will be included in the-- as an exhibit in the official hearing record. When you come up to testify, please speak clearly into the microphone. Tell us your name and spell your first and last name to ensure we get an accurate record. We'll 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 3-minute light system for all testifiers. When you begin your testimony, the line on the table will be green. When the yellow light comes on, you'll have 1 minute remaining, and when-- 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, this has nothing to do with the importance of the bills being heard, it's just a part of the process the senators may have bills to introduce in other committees. If you have handouts or copies of your testimony, please bring up at least 12 copies and give them to the page. Please silence or turn off your cell phones. Verbal outburst 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 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 in 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.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 6, 2025

KAUTH: Kathleen Kauth, LD 31, the Millard area.

JACOBSON: Senator Mike Jacobson, District 42: Lincoln, McPherson, Hooker, Thomas, Logan, and most of Perkins County.

MURMAN: Dave Murman from Glenvil, District 38, represent eight counties, mostly along the southern border of the state.

DUNGAN: George Dungan LD 26, northeast Lincoln.

IBACH: Teresa Ibach, District 44, eight counties in southwest Nebraska.

von GILLERN: Also assisting the committee today to my right is our legal counsel Sovidia Tran, and left is legal counsel Charles Hamilton, far left is committee clerk Linda Schmidt. I'll ask the pages for the committee today to please stand and introduce yourselves.

LAUREN NITTLER: Hi, my name is Lauren. I'm from Aurora, Colorado. I'm in my second year at the University of Lincoln and I'm studying agricultural econ.

JESSICA VIHSTADT: Hi, my name is Jessica. I'm from Omaha, Nebraska. I'm in my second year at the University of Nebraska-Lincoln and I'm studying political science and criminal justice.

von GILLERN: Thank you for your help today. With that, we'll begin today's hearings with LB494. I hadn't looked that far ahead yet. Thank you. Senator Dorn, you're welcome to open.

DORN: Thank you. Thank you. Good afternoon, Chairman von Gillern and members of the Revenue Committee. My name is Myron Dorn, M-y-r-o-n D-o-r-n, and I represent District 30. I'm here today to introduce LB494. After LB34 was passed in special session this past summer, I had several visits with Keisha Patent from the Legislative Fiscal Office. She's our main head of that office. Keisha and former Senator Tom Briese helped draft this bill. Keisha wrote the handout and we sent it out last week, but we also have a handout again. Keisha wrote that handout to try to explain the details and the purpose of the bill. I will also try to explain it today and try to answer any questions. She gave, really, the technical of how the Fiscal Office looks at it and how they need it, so that it puts everything in the right place. Appreciate her very much. I see former Senator Tom Breise is back here. When this first-- came aware of this, I started visiting with him. And then we visited with Keisha, and Keisha really visited with him so that they were on the same page, exactly what was

happening with this bill. LB494 does not change any growth in revenue above 3% that will go to the Tier 2 school property tax relief fund. It doesn't change any of that. This bill, however, makes two changes that will be sure-- that will make sure our General Fund and our Cash Reserve Fund in the future years are going to not be negatively affected. Section 1 of this bill will clarify how the revenue is calculated for distribution. In the handout, Keisha gave three possible scenarios of what happens if according to the certified forecast that assists this and how they will look at that. Why is that important? Because what the bill did leave unanswered was, for example, in fiscal year '21-22 and 23-- '22-23, we had 19% revenue growth and 13% revenue growth. Those were basically ARPA funds. Under the current structure that was there, we would have put 16% in and 13% in that school tax credit, which we wouldn't have had the funds, we couldn't have done because it wouldn't have been allowed to be used for property tax relief. The other issue that sometimes is outside the normal, we don't know when we're going to have an issue outside the normal, but one of the other issues that we've had in the last 3 or 4 years is also the income tax, federal income tax for corporations that they have paid in, in December, and the state then accounts for that or pays out for the following year. This first year that that happened, we had a 5-year look back. \$800 million was paid in by July 1, only \$400 million had gone back out. There was still another \$400 million. So it depends on how that would have been calculated. If that would have been part of something going to, I call it, the school tax relief, now we had another issue. So that's what the scenarios there in (1), (2) and (3) in the Section 1, that's what it's trying to, I call it, Keisha wrote that so that the Fiscal Office has clarity on how each of those will be looked at and how they are distributed. Nothing's changed, above 3%, it still goes into the property tax credit, school property tax credit fund. The first 3% will be calculated the way it's currently calculated. Section, Section 2 of this bill is another part that after the year-- in the bill, in LB34, it lists the amount that is going to be paid out up through the year '29-30, and the year 2030. It lists them out. The first year was 750, this, this year, and this year's budget is \$780 million. It keeps listing those on up until in the year '29, it's \$902 million. Then after that, you read on page 7 of LB34, it says: the intent of the Legislature, that amount transferred from the General Fund to the School District Property Tax Relief Credit Fund, that the base would be equal to the total amount transferred in the preceding year, increased by 3%. If we transfer in after the year 2030, if whatever number we transfer in, we transfer in \$100 million because our revenue had grown by a percentage that had allowed us to transfer in \$100

million, what that language says is, now the new base-- if the new base was-- if the base was going to be \$902 million, the new base would first increase by \$100 million, because that's the revenue that we distributed in the school tax relief, it would then go up 3% after that. That \$100 million would be included in the base calculation, where that's a problem going forward, we don't have the revenue, we just have it in that one year. We don't have that in multiple years. Every year then is on its own. The next year, if there's also growth above that, that would be distributed. It doesn't change the fact that any growth above 3% is going to be distributed. It's just that how it's calculated in the base so that we don't, as a state, put us in fiscal-- a fiscal responsibility that we don't want to, want to have happen. That's what I gave in some of those examples there. Like I said at the end, this would, would allow or require the new base after fiscal year '29-30 to also include any transfers of excess revenue, but it will only be excess revenue in that one year and not ongoing years. If we transfer \$100 million in year 2031, that then is distributed in the school property tax credit fund. But the way the current language reads in LB34, that new base would include that \$100 million going forward, and every additional year. That new revenue, though, only happened in that one year. The next year, then, would be its own calculation for new revenue. It doesn't set the-- the base would still go up by 3% every year, the base itself. But that current language says that that transfer of money, it can't be lower than the amount of the previous year, which would put us in where we would have to continue that \$100 million on. And if the next year was \$50 million, we'd have to continue that, too. We don't have the revenue in those ongoing years to be able to, I call it, transfer that into the school credit fund. I'll stop there and end. If I confused you, it takes me about three or four times to read Keisha's explanation. Hers-- once you understand it, though, it's very detailed, and it is exactly how the Fiscal Office looks at how this needs to be calculated.

von GILLERN: So-- thank you. Clearly, Senator Sorrentino is confused, and I see he has questions, so let's start there.

DORN: Well, some other looks-- I've seen some other looks and they go, like, what is he, what is he talking about?

von GILLERN: Well, I want him to go first so he can get it straight for all of us, so.

DORN: OK. Go ahead.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 6, 2025

SORRENTINO: Thank you, Chairman von Gillern. So as the freshman, I get to look the stupidest, but thank you for bringing the bill, Senator. I can get this down to one question. In Section 1, is the whole thrust of LB494, at least in Section 1, to replace the word net with actual? Could it be that easy?

DORN: Repeat that again, maybe I didn't understand.

SORRENTINO: Well, for instance, there's a part in LB494: clarifies that no automatic transfers will occur under this section unless the actual, and I'll emphasize actual, net General Fund receipts for the current year exceed the certified forecast for receipts for that year. Automatic transfers under this section have traditionally been based on the amount, if any, that net receipts exceed the certified forecast because the Legislature budgeted to that forecast. So aren't we really just replacing the word net with actual?

DORN: No, what-- well,--

SORRENTINO: We're not--

DORN: --that's part of it. But it's so that those line up, the certified and the, and the actual so that they line up and give it the right, I call it, the right part of the equation, then, that they can know how to transfer it. Like I said in this example here, when we had \$19 million in revenue growth,--

SORRENTINO: Right.

DORN: --we had 19, not, not \$19 million, 19% growth in revenue. If you assumed a \$6 million revenue, 3% is \$180 million, \$6 billion, excuse me, \$6 billion in revenue, 3% is \$180 million, that would still go into the cash fund. From 3% up to \$19 million, that's 16% now, the way the language is in the bill that would go into the school property tax credit fund.

SORRENTINO: In, in the LB34 or LB494 bill?

DORN: In LB34.

SORRENTINO: OK.

DORN: LB494, and that's what Keisha tried to explain in those examples there, it doesn't-- because if-- and you're, you're mostly right because it's going to use actual numbers. But if we used actual at the end of the year, it showed the actual increase of 19%. So it's how the

certified forecast, the actual ones, how they are correlated in the equation, that's how they come up with the numbers so that we don't have to transfer 16% of the growth and revenue, which was all ARPA funds, which if we tried to transfer-- well, we could-- we would have had to transfer 16% growth in revenue, \$800 million. But we couldn't have-- two things, we couldn't have paid it out because ARPA funds can't be used for property tax relief, and then we would have had to make up those ARPA funds with something else. That's what would have happened.

SORRENTINO: Can you tell me, then, what would be the-- what's the difference between actual and net? What makes up the variance between actual and net?

DORN: OK, certified forecast, that's the one in October, that's the one they start with is the certified forecast. That tells us supposedly how much revenue we're going to have, that tells us where our base is at.

SORRENTINO: OK.

DORN: That certified forecast can change now 3 or 4-- it's a 90-day session or 60-day session, that will change throughout the year or could change, doesn't necessarily change. If certain things happen, it never changes. That's the still certified forecast. This year when we had increased revenue and then certain things kick in and now we have a new certified forecast. The same way, sometimes if it goes negative, it's important to have that distinction in there. Certain times, and I wish Keisha was here to explain this, but certain times the certified forecast will never change from the original one in October. It will stay there on certain scenarios.

SORRENTINO: No matter what?

DORN: Yeah. Other scenarios though, that certified forecast can be bumped up or it can be changed also on the negative by what the future forecaster done. It depends on-- she has those numbers and knows when they can be recertified or not.

SORRENTINO: I'm trying to relate the word net to something else that I'm more familiar with, like budgeted, but that's probably not an equal synonym for it is either.

DORN: What did you say there?

SORRENTINO: Well, I'm used to actual versus budget.

DORN: Right.

SORRENTINO: This is, is the net. The name net is what's really kind of confusing me. I'm trying to put a definition on net.

DORN: You, you have to really read her three scenarios, and that actually helps.

SORRENTINO: Yeah, I have and I'm still totally confused, but it's OK. I'll figure it out.

DORN: And like I said, it take-- it took me from, and I'm on Appropriations and kind of understand some of it, it took me probably five times of reading that and really looking at each of the details and then understanding why at certain times certain things happen and why at other times they won't happen.

SORRENTINO: I'll let the experienced people ask questions and I'll learn.

von GILLERN: Any [INAUDIBLE]?

DORN: I'll go back to Keisha and I, Senator Brieese had these comments so that we didn't put ourselves, I call it, in a negative situation with our General Funds, with our cash funds. Keisha wrote this bill. She also wrote the handout there so that as they look at it as our Fiscal Office, now there's clarity on how that money is actually going to be determined. That's what she has in that handout. Go ahead. Sorry.

von GILLERN: Senator Jacobson.

JACOBSON: Well, I, I want to get back to Senator Sorrentino's net question, and, and what I heard you say on the pass-through entity tax is-- I mean, right now pass-through entity taxes have to be paid online by the 31st of December. And then you would be getting that money back when you file your personal tax return along with your entity tax returns. So if you file before June, you're going to get that money back in June.

DORN: In the same fiscal year.

JACOBSON: In the same fiscal year.

DORN: Yes.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 6, 2025

JACOBSON: But if you file an amended return or, or, or file an extended return and you file it later in the year, then that money is coming back to you in the next fiscal year of the state.

DORN: Correct.

JACOBSON: And that fiscal year difference, I know we talk about year, and so I always have to ask the question, are we talking calendar year or fiscal year?

DORN: Fiscal year.

JACOBSON: OK. And so then what that's doing is if that revenue comes in in December and it doesn't get claimed, because it's all going back out, it's all coming in and it's all going out. Basically, it's an interest free loan to the state--

DORN: Yes.

JACOBSON: --in order to be able to get the federal tax return to, to beat the SALT tax because that's really what we're doing.

DORN: Yep.

JACOBSON: So, so if we don't claim it back until after June 30, it's going to skew the previous fiscal year's income. And then the next fiscal year, we're going to be short that, that amount.

DORN: Yes.

JACOBSON: Now, of course, it all gets paid again. It seems like--

DORN: Yeah.

JACOBSON: --like if you're extending your returns you get the check and then pretty soon you're, you're sending the money back to the state again, so I begin to wonder if that's a permanent loan, but that's another story.

DORN: And, and, and in reference to that, and this was what the Fiscal Office told us, the first year was a 5-year look back. So is was \$800 million came in in December, roughly.

JACOBSON: Yeah.

DORN: \$400 million was claimed by July 1.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 6, 2025

JACOBSON: Yeah.

DORN: So we had \$400 million of revenue went into the next year, or we had \$400 million higher in this year that still was going to have to go back out the door that we're using now, and we would have put it in the school property tax credit, paid it out. And then the next year when the other 400 went out, we would now have to come up with funds to make that up.

JACOBSON: So, so-- well, on that point, though, are you trying through this bill to ignore the pass-through entity tax revenues and expenditures?

DORN: No, no, not at all. We're not trying to at all. It's-- in her explanations there, it's so that those things that are outside the norm, that they don't become an issue down the road, that they are now-- that's how the certified to the actual, that's how those different things, how she looks at those on that sheet, that's how they, then, are used so that we get the correct calculation. Any actual revenue growth that we have will be used in that calculation, but that's how she's explaining it.

JACOBSON: But with the pass-through entity tax, there is going to be no net revenue to the state really ever. I mean, it's, it's going to be a timing [INAUDIBLE].

DORN: Right, there's no net revenue. Right.

JACOBSON: So effectively we're making sure that that-- any revenue still laying there from the prior fiscal year doesn't get included into the growth.

DORN: Yes, because the certified forecast in that next October would have taken that into account.

JACOBSON: Right. OK.

DORN: Yes.

JACOBSON: And the same thing with any other--

DORN: Yes.

JACOBSON: --revenue that might be some super-- some federal fund that's not recurring and so on.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 6, 2025

DORN: If there's one thing we're good at, as a Legislature, is passing some bills that create some issues that we're not aware of until 2 or 3 years later.

JACOBSON: It's an art.

DORN: Yeah.

JACOBSON: It's an art.

DORN: So when those, when those happen, Sorrentino won't have that problem when he's here, but--

JACOBSON: Yeah.

DORN: --but if there is one thing that we are good at and then we go, uh-oh, what did we do? This is cleanup language that the Fiscal Office would really like to have in there so that those types of outside the norm issues don't become an issue, that these things are going to take into account what our revenue actually is and how they're dispersed. No way does this take away the fact that any growth above 3% or 103% will still go into the school property tax credit fund, any growth, whether it's \$1 million or \$150 million, it will still go into there.

von GILLERN: So before-- Senator Kauth has a question, but I just want to hit on what you just said because I think earlier, I may not have heard you correctly, I thought you said that 3% would be transferred over, but we're still sticking to the original formula where revenue above 3% growth is what spills over.

DORN: That-- yes, that part sticks with the original formula, the intent of LB34.

von GILLERN: Yes, and that's the way I read it, but I just--

DORN: Yeah.

von GILLERN: --when I heard you say that,--

DORN: I maybe said it wrong.

von GILLERN: --I wanted to make sure, wanted to make sure we're on the same page.

DORN: Yeah. The, the first 3% is still-- that is--

von GILLERN: General Fund.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 6, 2025

DORN: --has in statute where that goes. It doesn't always go into the Cash Reserve. It might have different things that it lines up to.

von GILLERN: OK.

DORN: But this, this here bill only deals with the transfer of the amount above that 3% or 103%.

von GILLERN: Good, good clarity.

DORN: Sorry if I said that wrong.

von GILLERN: No, no, it was good clarity and maybe I heard it wrong. Senator Kauth.

KAUTH: Thank you, Chair von Gillern. And just to clarify, we're making sure that the increase that we give does not add to the base?

DORN: It does not add to the base.

KAUTH: OK.

DORN: That is correct. Yes. It does not help establish the new base.

KAUTH: And that's what this fixes?

DORN: The new base-- and that's where maybe I spoke a little bit wrong, too. The new base after 2030, it's in statute that it will increase by 3% a year.

von GILLERN: That's what I heard you say.

DORN: That's what--

KAUTH: Yes.

DORN: Sorry.

von GILLERN: No, no, no, you did say 2030, but I wasn't certain if it-- what happened between here and 2030.

DORN: Yes. Thank you for that clarification.

von GILLERN: Thank you.

DORN: Because it's-- after-- in the bill, in LB34, it states specifically what the amount is until 2030.

von GILLERN: Right. Right.

DORN: And then after that, it says it cannot be lower than the previous year. Whereas, if we use that base to build the previous year, now that new base has that included. This takes that transfer in and does not include it in that new base.

von GILLERN: So that also adds clarity to any, any question that might exist about whether-- the conversation about the PTET money that's flowing through right now is not disrupting the calculation. The disruption would have occurred after 2030. Is that correct?

DORN: If, if that scenario would have happened after 2030, it could have.

von GILLERN: Correct.

DORN: It could have. Yes.

von GILLERN: There are no miscalculations going on now.

DORN: Right.

von GILLERN: The fund isn't long or short or being calculated improperly.

DORN: No, because when, when Senator Brieze and Senator Linehan wrote the bill, or whoever wrote the bill, they specifically put in there the amount up until 2030. And then all it says is it cannot be less than the year before. Well--

von GILLERN: Well, the broken parts we're saying they wrote, the rest of it might have--

DORN: Yeah. And this just clarifies or is a technical part of that language so that we don't-- we quite often write bills that when we-- they get out there, when they go to DED, or whoever, and we go, well, that's not how we intended that bill to be. This, this was the same thing that happened here, and this is from the Fiscal Office now so that we get the clarification so that 5 years from now when, when you're not here, but, you know, a couple of the others are yet, they still have that clarification.

von GILLERN: Thank you. I am hoping to be here in 5 years but that's another term limit.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 6, 2025

DORN: Well, no, we'll pass term-- extra term limits [INAUDIBLE].

von GILLERN: Senator Murman, Senator Murman.

MURMAN: Yeah, so going back to the clarifying language from LB34 and, and building the base, was the-- LB34, did it-- well, the, the language in the bill that created the credit funds, did it have the building the base in it also in, in the way that we're trying to change it or in the way that LB34 was?

DORN: No, because LB34 was, just like I said there, previous year, in the, in the page 7, LB34 lists out each year up through 2029 or 2030, one of those years. And then it says after that, the base cannot be less than the previous year's amount. It doesn't say the amount-- you know, it doesn't say anything about the amount transferred in, it just-- if we had-- right now, the last list on there is, is \$902 million, and I forget if that's '29 or '30, that will be the base for that year. But if we transfer some in there, if we transfer, for example, \$100 million in there, now the way the language says in LB34, our new base isn't going to be \$902 million plus 3%, because it also says in LB34, it will grow by 3% every year after 2030. So the property tax, school tax credit will grow by 3% on its own. But it-- the language says that it cannot be less than the previous year. So if we were to have transferred \$100 million in there in the year 2030, now it takes the \$902 million, it cannot be less than the previous year, that would put it up a little over a billion, and then it would be 3% on top of that. The 3% still stays there, the 3% growth, that is still staying in the bill and everything. This just clarifies so that the base, how that base is calculated, it will not automatically assume that we put the transfer into the property tax credit fund, whatever revenue growth that is, that won't be part of the new base.

MURMAN: Yeah, my question is, if we wouldn't have had LB34, would we need this clarifying language--

DORN: No.

MURMAN: --anyway from the previous legislation?

DORN: No. No. Well, because previously, the school property tax credit fund, we front-loaded, and, you know, and in LB34-- not, not-- excuse me, not front-loaded, it was a credit.

MURMAN: Yeah, a credit.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 6, 2025

DORN: It was the, the income tax credit, now we front-loaded it. In LB34, we front-loaded it, and with that, this language was part of that LB34. So we need to, I call it, put in clarification so that we know exactly how that's calculated.

MURMAN: But, but before LB34, we had the amount above the certified forecast also increasing the, the amount of property tax relief, if I'm not mistaken.

DORN: Oh, we could, we could have. I'm, I'm not sure then. OK.

MURMAN: So that was, that was my question. Is that a change from the previous--

DORN: That was in, that was in there before.

MURMAN: Yeah.

DORN: OK.

MURMAN: So-- but that's all right, maybe there'll be somebody behind you that can--

DORN: Well, we can, we can either credit or blame former Senator Brieese.

MURMAN: That's, that's what I'm trying to figure out, who to blame on this. No, no. Thank you.

DORN: Well, and he can-- some of these questions, I will guarantee you, Senator Brieese could come up here and give you better clarification than I could. Yeah.

MURMAN: Well, I appreciate the tax relief that Senator Brieese's legislation did so I'm not going to blame him either.

DORN: No, I'm, I'm definitely not blaming him. Without, without him and some others, we would not have had LB34--

MURMAN: Right.

DORN: --done the way we did. This is just, I call it, some clarification language so that as we go forward in future years, we hopefully don't end up too much worse off than we are this year financially. So, yeah.

MURMAN: Yeah. Thank you.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 6, 2025

VON GILLERN: So I've got, I've got one more question. I think I know the answer to this, but that's dangerous. The-- you, you said what-- the budget would be-- the growth would be determined on the budget that is-- I'm trying to think of how to say this. You said anything outside of the norm would not be in the budget.

DORN: Those are my words.

VON GILLERN: No, I-- no, I know that.

DORN: Yeah. Yeah.

VON GILLERN: I just want, I just want it said out loud. The norm is, is statutorily determined, it's not a judgment call--

DORN: No, that's, that's my--

VON GILLERN: --by Ms. Patent or anybody else.

DORN: Yeah. No.

VON GILLERN: There is a process that determines what the norm is.

DORN: Yes, there's a process in how that's determined.

VON GILLERN: Yeah, I just wanted clarity on that for the record, so. Very good.

DORN: Yeah, that's basically the way this language is. It's clarifying in how that-- I called it the norm-- you, you call it whatever you want to. Her language clarifies how that's determined--

VON GILLERN: Yes.

DORN: --so that somebody doesn't come back and say, well, you didn't calculate it this way or you didn't cal-- no, that-- those three scenarios, what she has there, that is how that will be determined then,--

VON GILLERN: Right.

DORN: --or how, how the Fiscal Office looks at it. Yes. Thank you.

VON GILLERN: Any other questions from the committee? Senator Jacobson.

JACOBSON: One clarifying thing. I just want to clarify with Senator Murman that former Senator Briese takes-- well, should get credit for

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 6, 2025

the 110-- in LB1107, the property tax relief portion, which worked out very well. And then the rest of us that are here now have to take responsibility for LB34, the changes we made there, so.

DORN: Yes.

JACOBSON: Just so we get him cleanly off the hook.

DORN: Yes. Thank you.

von GILLERN: Credit and/or [INAUDIBLE]. All right. Senator Sorrentino.

SORRENTINO: Senator-- Chairman von Gillern. Just-- so to clarify the record, any omission unintended or intended was not the fault of Senator Ibach, Senator Jacobson, or myself. There we go. Thank you. [INAUDIBLE]

DORN: OK.

von GILLERN: Was there a question there?

SORRENTINO: No, there's not. I just wanted to clear the air.

von GILLERN: OK, we're, we're going to let you take a seat.

DORN: Yep.

von GILLERN: I presume you're going to stay to close?

DORN: Yep.

von GILLERN: Thank you. We'd invite up our first proponent, LB494. Are there any proponents? Seeing none, are there any opponents that would like to speak on LB494? Is there anyone who would like to speak in a neutral position?

DORN: There's one doing it.

von GILLERN: I think there's maybe a couple.

_____: At least one.

TOM BRIESE: I was going to testify and then I thought maybe I should sit down and stay there. I guess I will come up.

von GILLERN: If your name comes up anymore, you got to get up and defend yourself.

TOM BRIESE: Yeah. My name is Tom Briese, T-o-m B-r-i-e-s-e, and I'm here to testify in a neutral capacity on this bill. And, Senator Murman, to answer your question. Prior to LB34, the tax-- the credit amount we're talking about here was to increase every year by the, I think it was the allowable growth percentage, which was an increase in real property values across the state. And that arguably was a little more attractive than 3%. And so with that in mind, we do need to keep adding to this fund as much as we can. But my interest in this bill began really with the language, looking at the language of LB34. LB34 indicated that in this front-loaded LB1107 credit, as I call it, there was a set amount going out each year, \$750 million, \$780 million, and so on. In addition to that, revenue growth over 3% was to be credited back to that fund. It didn't say what we were supposed to do with it then. Throw it in the fund, then what? It doesn't say. So does that take away from the amount we have to put in from the General Fund directed towards that 750, 780, whatever, didn't want to bait and switch on that type of deal, wanted to ensure that the revenue growth that we put in over 3% was in addition to those amounts that were specified in LB34, the 750, the 780, and so on. And Senator Dorn included language to ensure that that would be the case and the, and the excess revenue growth would be in addition to those amounts. As far as part one here, part two, I, I essentially left that up to Senator Dorn and Keisha to arrive at that language. And I'd prefer you not ask me to explain that language. It's difficult language. I, I read it-- I think Senator Dorn said he read it five times, I read it five and then some, and still digesting it, but it does, in a nutshell, seems to me that that language limits the amount of excess growth. It's limited to an amount by which the actual exceeds estimated. As I look at that language, kind of what I arrived at. It, it someday will cut into the amount of property tax relief that is derived from this LB34 language, but I think Senator Dorn laid out the reasons why it's perhaps necessary to see to it that that happens. It's perhaps a matter of responsible budgeting, responsible money management. But it'll be up to you folks on the committee and Senator Dorn to decide what you want to do with that language. But, again, my greatest interest was to ensure that, that extra revenue growth was in addition to the statutory amounts we had in there, and I'm glad that this language would accomplish that. But, anyway, I'll try to answer any questions if you have any.

von GILLERN: Any questions from the committee? Senator Murman.

MURMAN: Yes. And I think you did clarify the question I had. It seemed like to me when the original legislation was written, I thought the

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 6, 2025

credit fund was going to increase faster than it has. And I think you've kind of explained that--

TOM BRIESE: Yes.

MURMAN: --it's based on-- it was based on the increase in valuation at that time. Is that correct?

TOM BRIESE: Yes. Yes. That increase in valuation, it might average 6 or 7, 5 to 6% a year, but some years it can be 10 or 12% and create kind of a windfall, which is, which is good for our property taxpayers.

MURMAN: And that's, that's the, the way I looked at the intent made at that time. But, unfortunately, we haven't been able to provide as much property tax relief as we would have liked to since then. Not we haven't done some, but not as much as I was hoping for anyway.

TOM BRIESE: Sure. And I would remind the, the committee that sometimes unintended, unforeseen things can be of great benefit to our property taxpayers. We started out the LB1107 credit, a \$125 million shot up to \$500-plus million within a few years, and that was good for our taxpayers.

von GILLERN: Any other questions? Seeing none, thank you, Treasurer Briese.

TOM BRIESE: Thank you, everyone.

von GILLERN: We miss you. Next neutral testifier.

HUNTER TRAYNOR: There you are. Thank you. OK.

von GILLERN: Good afternoon.

HUNTER TRAYNOR: Good afternoon. My name is Hunter Traynor, spelled H-u-n-t-e-r T-r-a-y-n-o-r. I'm here today on behalf of the Nebraska Chamber of Commerce and Industry, the Greater Omaha Chamber, and the Lincoln Chamber of Commerce. Fortunately, this is a very straightforward bill. Thank you, Senator Dorn, for introducing this. We're here in a neutral capacity. I do want to start by saying that these are necessary technical fixes that, as we interpret it, prevent budgeting hallucinations, as I would describe it, either related to the PTET tax or the front-load, and how the Legislative Fiscal Office calculates the receipts that now come in. It's a necessary technical fix. We had spoken with, with Senator Dorn prior to the session about

this, and came to some of the same conclusions about how it was previously drafted and what some unforeseen consequences of that would be. And so I wanted to thank him for bringing this to clarify that formula that was passed this summer in LB34. Our neutral testimony stems from a comparison with another bill, LB130. It was introduced by Senator Dungan that was referenced to the Appropriations Committee. And so, interestingly, you know, the, the Appropriations Committee is dealing with these projections and funding the Cash Reserve Fund or pulling from the Cash Reserve Fund. And so I only bring that up to say that there's a bill very similar to this that would take the formula back prior to how we funded the Cash Reserve Fund prior to the special session and prior to LB34. Without getting into the technicalities and trying to describe algebraically how that worked, it was a formula that was devised, I believe, when Senator John Stinner chaired the Appropriations Committee, that took an approach to basically smooth out a steady fund going into the rainy day fund while setting aside an excess growth year's money to then be transferred at the end of the subsequent fiscal year in the event those excess revenues were not spent. And so, from our perspective, and where our neutrality stems from, is that as the General Fund transfer obligations continue to grow, and then basically codifying for future legislatures that every dollar in excess of 3% revenue growth will then automatically go back in and add to those General Fund transfer obligations. And then looking out over the out-years, in the event that the state would need to tap the rainy day fund to continue to fund some of these growing transfer obligations, from our perspective, it's probably a better approach to go back to the formula prior to LB34 and so we'll support LB130 from Senator Dungan when it's heard before the Appropriations Committee next week. So, again, I wanted to reiterate, I think this is a necessary bill to fix some of the technically unforeseen consequences of the previous language, and wanted to thank Senator Dorn for introducing it.

von GILLERN: Questions from the committee? Senator Jacobson.

JACOBSON: Thank you. Well, so to be clear, did, did the chamber help with both bills or, or, or was-- did you work on the Dungan bill and then this bill came? I, I, I know you're supporting one, you're neutral on the other. But do we need both bills or how, how are, how are you guys approaching this?

HUNTER TRAYNOR: If LB130 were passed, it would abrogate the need for this because it would eliminate the current language that was adopted in LB34 and revert the Cash Reserve Fund funding formula prior to what was adopted during the special session.

JACOBSON: But would it incorporate the language that was in LB1107?

HUNTER TRAYNOR: It was the language that was on the books headed into the special session.

JACOBSON: OK, so then the LB1107 language, that's what I'm concerned about is, is are we, are we changing how much of the property tax relief that the property tax relief fund would, would collect? Would we get less or more or the same with the two bills if you, if you chose one?

HUNTER TRAYNOR: Well, if LB130 were adopted, it would get rid of the perpetual commitment to every dollar over 3% excess revenues going into the Tier 2 credit on top of its statutorily designated growth.

JACOBSON: That's the bill that's in Appropriations.

HUNTER TRAYNOR: Correct.

JACOBSON: OK. And so it would basically disadvantage the property taxpayer, wouldn't it?

HUNTER TRAYNOR: That's a way to frame it. I would frame it-- our characterization would be that it would put the state in a more predictable position to smooth out potential economic downturns in the event the Reserve Fund were to be tapped to pay for the growth of some of those property tax credits. And so it's not necessarily a statement, at least from our perspective, about the need for sustainable property tax relief. But when we look at it under the previous formula, it only sets aside the excess amount over the forecasted amount. That gets transferred immediately as I understood it. It then takes that number and compares it to the growth for that year compared to a 20-year historical average, takes the difference between those numbers and if there is, in fact, a, a year with quite a bit of revenue growth, it sets some of that money aside and carries it into the next fiscal year. And in our perspective, that allows the Legislature more flexibility on an annual basis to take excess revenues and budget them towards other priorities that the state may be facing, such as workforce development or childcare, housing, and the like.

JACOBSON: And therein lies--

HUNTER TRAYNOR: So it just gives more flexibility.

JACOBSON: --therein lies one of the problems, as I think many of us are committed to property tax relief. And we believe that's where that-- those funds should be directed. Just as we've already agreed to lowering the income tax maximum rate. And I don't hear anybody saying we should make that more flexible, therefore, committed hard to that. I think we should be just as committed to property tax relief, which like we find which LB494 would help us do. It seems to me, if I'm reading this right.

HUNTER TRAYNOR: I think your-- that is your interpretation of, of our argument. Certainly, I agree. I would say that LB130 or LB494 does nothing to change the statutory increases in those credits. It just changes the way the state would add to them when we would otherwise add it to the Cash Reserve Fund on a year-to-year basis. And so it's, it's, it's more a question of at what level do we have annualized predictable set asides for either capital improvement projects or economic downturns, and at what level, over the next couple of years, do we run that thinner to pay for these larger transfer obligations? I don't disagree with you in your interpretation. It's just a-- it's a smoothing figure, and it doesn't necessar-- it gives future legislatures a bit more flexibility based on what priorities are ahead of them that year.

JACOBSON: Well, for the record, you're still one of my favorite testifiers. Just so you know.

HUNTER TRAYNOR: Thank you. Thank you, sir. I'm glad I didn't change that. Other questions?

von GILLERN: Any other-- Senator Kauth.

KAUTH: Thank you, Chair von Gillern. So for the record, the Nebraska Chamber is for taking away property tax relief that we've given so that there is more in the General Fund, and I'm assuming it's in hopes that the chamber will be able to tap into it through economic development or you said workforce development. So, really, you want to take it away from the property, property owners so that the chamber has more access to funds later on?

HUNTER TRAYNOR: Well, I'll, I'll clarify what you said insofar as we're taking away current property tax relief. Because what I said was the statutory increases in these credits are on the books and actually clarified in LB494 to continue growing from 750 last year under Tier 2 to 780 this fiscal year to 808 the next fiscal year.

KAUTH: But not if LB130 gets passed and you're, you're weighing in, in favor of LB130. Correct?

HUNTER TRAYNOR: We will weigh-in in favor of, of LB130.

KAUTH: And just in neutral of this one. So you're really hoping LB130 goes through, again, so the chamber has more access to money?

HUNTER TRAYNOR: Well, again, I, I understand that that's your characterization of it. It is future relief that future legislatures will not have the opportunity to make a decision as to whether or not, in the judgment of the body, that should go towards expanded credits, expanded school funding, other priorities of the state at the time. And so it's just a matter of what is automatically going to happen in future budget cycles.

KAUTH: And I will reiterate Senator Jacobson's, we are committed to property tax relief. And so locking that ability for it to be used for something else is really important. So thank you.

HUNTER TRAYNOR: Thank you.

von GILLERN: Thank you. Senator Murman.

MURMAN: Well, I appreciate your honesty and prioritizing possible future property tax relief or property tax relief or spending ahead of property tax relief that we've already been assured of. Is, is that a correct characterization?

HUNTER TRAYNOR: Could you restate the question?

MURMAN: Well, I appreciate your honesty and that you are prioritizing possible future tax relief or future spending ahead of the property tax relief that we've already been assured of. Is that correct?

HUNTER TRAYNOR: I would say that what we would advocate is that up until 2024, the property tax relief is on the books. It should remain on the books to the tune of \$750 million and a Tier 2 credit. As we look out over the couple out-years ahead, it will become further and further difficult to pay for the growing obligations under those credits, while simultaneously keeping schools funded to the degree that the state's obligation demands, and prioritizing other priorities of the state related to workforce development, economic development, growing Medicaid costs and the like. I'm not sure if that answers your question, though.

MURMAN: I think you've said that you-- the chamber prioritizes all those things you just said ahead of the property tax relief.

HUNTER TRAYNOR: At this point, there are growing challenges that the state is going to need to spend money on to put ourselves in the position to grow our overall revenues over the long term, to sustain what is currently enacted for our property tax obligations.

MURMAN: Thank you.

von GILLERN: Seeing no other questions, I think we're all trying to say this in a way that we understand it the easiest. The easiest way that I've written a note to myself is-- what was the other one? LB130. LB130 would undo the 3% spillover.

HUNTER TRAYNOR: Correct.

von GILLERN: OK. All right. Thank you. All right. Seeing no other questions, thank you for your testimony.

HUNTER TRAYNOR: Thank you, all.

von GILLERN: Any other neutral testimony? Seeing none, that will-- we'll invite Senator Dorn up to close if he would like to add some more math for us to do. And as you approach, we had zero proponent, one opponent, and one neutral testimony online comments. Welcome back, Senator Dorn.

DORN: The chamber did come and they were the first ones to visit with me. Their proposal, Senator, I did not carry that. I-- when they brought it to me, it raised some questions with me of, uh-oh, what's here or here or here? Went and visited with Keisha, and that's one of the conversations with our Fiscal staff, Keisha, Senator Brieese, we had multiple conversations where I went back. I then told them, no, I want to carry theirs because, their proposal in LB130, which is in Appropriations, puts it back to the way it would have been before LB34, which in kind of a sum it up, when Senator Stinner was here was when we passed that bill, that-- what goes on with that. We had never been above 7% or, no, not \$700 million in the rainy day Cash Reserve Fund. So Senator Stinner put it in there that anything above that goes into there, didn't put no cap on how far the rainy day fund could go. It had never been above \$700 million, then with the ARPA funds, the federal funds, they came into being, we went up to \$2 billion, which nobody ever expected. We passed that bill because we thought, yeah, that would be a good idea. Let's get there, never went there before. Got up there, and then that is what the concept of the previous

proposal is. It wasn't from LB1107 or whatever. What their proposal is, is to put it back to what we were before. Most of it would have gone into the rainy day fund. None of it would have gone to, I call it, property tax relief under the school program. Visited with Keisha, visited with Senator Briese, very much knew that property tax relief is one of the key components of LB34 and that we needed to keep that part in there. We needed to have that part continue to flow through. Visited with Keisha, she was looking for somebody-- when I talked to her the first time, she said I've been studying this. I was looking for somebody to maybe start developing a bill with or look to how we could incorporate something to clarify. And that's what those three scenarios do. It clarifies how the Fiscal people will look at how that money coming in is now going to be calculated, and then what part goes to the school property tax relief part fund, and what part goes to the rainy day fund? Nothing about 3% will go to the rainy day fund anymore under LB34. That all stays the same. It's just clarity on how that is calculated, so that we don't get into some issues where 3 years from now or 5 years from now we go, uh-oh, that shouldn't have happened, but it did. That's where that clarity comes in at. And then the other part is once we get beyond, like Senator Briese said, there's numbers in there that are built up. The numbers are parlayed up at 750, 780, and then, I don't know, there's some more years in there. The last one listed is for \$902 million in year '29 or '30. The other clarification part of the needs is how that base is determined after that. Because if we transfer a bunch of money in there, and now that's part of the new base, we have an issue with going forward. We don't have revenue going forward automatically. One year it might be \$100 million to go in there. The next year it might be zero. But that 100-- if we don't clarify that that's not part of the base, that \$100 million would be now part of the base and we wouldn't have the funding, maybe. That's all that's doing. You can still put more money in there, never goes below 3% in growth after the year of 2030, never goes below that. So this just clarifies how the Fiscal staff and those people can look at this and say this is what's going to happen, so that we're all on the same page.

VON GILLERN: Senator Jacobson.

JACOBSON: Well, I would just say, you made an important point in your close that the reason for the special session, it was called for one specific purpose, reduce property taxes.

DORN: Yes.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 6, 2025

JACOBSON: Reduce property taxes. And interestingly enough, those that support LB130 were also the ones that opposed any idea that was brought to take off sales tax exemptions and raise other revenues to provide property, significant property tax relief. So we're always being told, get creative, try to figure out creative ways to create revenue. Well, I, I always am reminded you can't make chicken salad out of chicken manure. OK? And that seems to be the case here that we-- every idea we seem to have that it gets labeled as a tax shift, and now the one thing that we accomplished in LB34 is now, potentially, going to be undermined if we pass LB130. So as a self-respecting member of the Appropriations Committee, I'm counting on you to come through for us.

von GILLERN: I'm sure there's a question there, but any other questions?

JACOBSON: I want you all to walk away with questions

von GILLERN: There you go. Seeing no other questions, thank you, Senator Dorn.

DORN: Thank you very much.

von GILLERN: That'll close our hearing on LB494. We'll open on LB564. Welcome up Senator Brandt. Welcome, Senator Brandt. You're welcome to open.

BRANDT: Good afternoon, Chairman von Gillern and members of the Revenue Committee. My name is Senator Tom Brandt, T-o-m B-r-a-n-d-t. I represent Legislative District 32: Fillmore, Thayer, Jefferson, Saline, and southwestern Lancaster Counties. I'm here to introduce LB564, which proposes an increase of \$150 million to the School District Property Tax Relief Credit Fund for the upcoming fiscal year. Established last year through the School District Property Tax Relief Act, the fund's primary objective is to provide property tax relief to Nebraskans by applying credits directly to tax statements. As you know, this approach replaces the previous system of refundable state income tax credits for school district property taxes paid. In its inaugural fiscal year, the fund received a transfer of \$750 million from the General Fund. As the act is currently written, the fund is set to increase by \$30 million for the upcoming fiscal year, bringing the total to \$780 million. It is scheduled to increase by roughly the same \$30 million amount until 2030, where it will then increase by the previous year's amount plus 3%. Property taxes continue to outpace the current rate of increase in the act. So the intent of LB564 is to

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 6, 2025

address this by increasing the fund's allocation by \$150 million every year. With this increase, the fund will have \$900 million this upcoming fiscal year and over \$1 billion in subsequent years. I thank the committee for their hard work in developing solutions for property tax relief, and I encourage you to view this bill as a straightforward and effective step in that effort. While broader reforms may take time, LB564 offers immediate relief to property taxpayers in a way that is simple to implement. With that in mind, I thank you for your consideration and would be happy to answer any questions.

von GILLERN: Any questions from the committee? Seeing none, we'll invite up our first proponent. I'm sure you're going to stay.

BRANDT: Yeah, I'll try.

von GILLERN: If you don't want to stay, I'll ask you a question now. Would you like to comment on the fiscal note?

BRANDT: Yeah. The fiscal note says \$120 million, because it's taking the 30 that's already been allocated from the 150. So the-- obviously, the next question is where's the money coming from? I was encouraged to hear the tail end of, of the, the previous hearing. Next week, I have three bills before you. I've got one for sales tax exemptions in a group that will raise \$30 million. And I'm using some numbers because we won't get the fiscal note till the night before. And we're never quite sure what kind of a crapshoot that's going to be. So anyway, based on last summer's numbers, that should raise \$30 million. Pop and candy is the next bill, that should raise \$50 million. And then we would pause the income tax at 4.99. And the numbers we were able to put together is about \$425 million. So there are ample opportunities out there to generate revenue in the state of Nebraska.

von GILLERN: OK. Thank you. Seeing no other questions, thank you, Senator Brandt.

BRANDT: You bet.

von GILLERN: We'll invite up our first proponent. Good afternoon.

BRUCE RIEKER: Good afternoon. My name is Bruce Rieker. It's B-r-u-c-e R-i-e-k-e-r. I'm the Senior Director of State Legislative Affairs for Farm Bureau, here on behalf of Farm Bureau and the Ag Leaders Working Group. Since this my first time before you this year, I'll let you know that that group consists of the Cattlemen, Corn Growers, Farm Bureau, Pork Producers, Sorghum Producers, Soybean Association, Dairy Association, Wheat Growers, and Renewable Fuels Nebraska. As most of

you probably know, we have been perennial advocates for structural reform for sustainable property tax relief. And we do understand the state's financial situation. We know we have a budget deficit. And we also know that the state's property tax burden is growing at an unsustainable rate of \$285 million per year. There are only two ways to fix this: cut spending or increase revenue. The lion's share of that falls on the Revenue Committee and the Appropriations Committee. LB564 is a more aggressive approach to controlling property taxes than what is currently in statute, as Senator Brandt has already explained. We support it. We also support LB564, which expands on the front-loaded fund that you created during the special session, because we think it's the fairest way to treat all property owners. The relief will go, as I said, to all property owners, residential, commercial, agriculture, and centrally assessed property. For every dollar that you provide in relief through that program, right now, approximately 53% of it would go to property-- or residential property owners, 20% to commercial property, 24% to agriculture, and 3% would go to railroads and public service entities. Also known as centrally assessed property. This year, we're advocating for a more aggressive approach to balance the budget and rein in the out-of-control property tax relief-- or property taxes. We often hear, that's great, but where are you going to get the money? And in response, and we did testify in support of this in a parallel universe called the Appropriations Committee, that we conditionally support the governor's budget recommendations as long as it generated the property tax relief that he called for in it, which is \$302 million the first year and \$370 million the next year. I know a lot of things have changed since he proposed those recommendations, and we all know that it's a, a moving target, but that's a target for us. We realize there will be gains and losses if something like that is enacted, but that is what we need to do if we're going to get things in order. We appreciate the work that you have done to reduce the state's overreliance on property taxes. But if you do nothing this year, you will make the problem of \$285 million worse, or you will erase some of the gains that you made.

VON GILLERN: Thank you. Appreciate your testimony. Questions from the committee members? Seeing none, thank you, Mr. Rieker.

BRUCE RIEKER: You're welcome. Thank you.

VON GILLERN: Next proponent. Good afternoon.

TOM BRIESE: Thank, thank you, and good afternoon, Chairman von Gillern and members of Revenue Committee. I'm Tom Briese, T-o-m B-r-i-e-s-e. And I want to thank Senator Brandt for bringing this bill for us and I

want to thank this committee for its commitment and focus on property tax relief and reform. Nebraskans appreciate that. I want to express my support for the concept that's described in LB564, which is really the front-loaded LB1107 credit. The front-loaded LB1107 credit is a great way to deliver property tax relief. In my view, it's effective, it's simple. And maybe most importantly, it's fair. You know, as a rural ag guy, I'd like to be up here talking about the Tier 1 and tell you to put more money in that. But I have to admit, the front-loaded LB1107 credit is a very fair way of doing it. Everybody gets the same percentage of school property tax relief. And so my only advice would be put as much money as you can into that fund. With that said, I'd take any questions.

VON GILLERN: Thank you. Any questions from the committee? Seeing none, thanks for being here.

TOM BRIESE: Thank you.

VON GILLERN: Any other proponents? Seeing none, any opponents to LB564?

BRYAN SLONE: Thank you, Chair von Gillern and members of the committee. It's my pleasure to be here. My name is Bryan Slone, B-r-y-a-n S-l-o-n-e. I'm here to represent the Nebraska Chamber, the Omaha Chamber, and the Lincoln Chamber. I'm going to be clear up front, our opposition to this bill is not because there's not a need for property tax relief, further property tax relief, there is. Nor is this a bill that's, that's not measured, \$150 million is clearly within, within the range of property tax relief that is needed. The, the opposition is really based on our ability to continue down the, the road we're going down and the sustainability of that from a state fiscal standpoint and terms of effectiveness of these programs. Let me be very clear, and I'd be happy to get into more in terms of questions, there's a chart there which is first our structural budget limitations. We simply don't have the budget this year to, to pay this out of existing growth. So it would take new tax revenues to pay for even the 150. What you'll see is in 4 short years, by the end of the decade, we will have gone from General Fund transfers being 5% of our budget to 25% of our budget. It's a quarter of the state's budget, which no longer goes through Appropriations but is automatically dictated by statutory obligations. We-- to clarify earlier testimony, we do believe that we have got to honor the requirement, the, the law that was passed through '24. We're not, other than the 3%, suggesting anything to the contrary. But we simply do not have the, the budget structure at this point to continue to fund these mechanisms for

property tax relief with ever-increasing numbers. Secondly, there's no analytics sufficient yet to determine how, how efficient these processes of all these General Funds are and what our target is. So what is our target for property tax relief? What is the goal? Is it just 3 or 4 or 5 or \$600 million every year or is there, is there a goal? Our goal would be we need to be competitive with other states, which we're not yet, but we need to have a measure to know what we're shooting at. And these funds should get us there. Actually, there's some charts on the second page, which suggests from, from the Legislative Policy Office, we are getting there. And I don't think this Legislature gets credit for that. We're getting much closer to where we should be. Three and four, we need to stop, take a pause, take a breath and decide whether we've got the right delivery model and the right funding mechanism. All of these funds may not be delivering what we should have done to begin with, which was to decide what is the state's obligation to education. How do we fund it and how we fund it consistently? And then how do we put a levy valuation adjustment at the local level that actually sticks? Those two things have to happen. These credit mechanisms across other states have been ineffective in this process. And from a funding mechanism, Nebraska's problem is not that Nebraska taxpayers aren't taxed enough, it's we spend too much. And, ultimately, we're going to have to address the hard question of how do we sustainably fund education but also make it more efficient? I put in some more information with this, and I would be happy to answer any questions. But, again, our opposition is not that Senator Brandt is wrong on property tax relief, or that this is an unsustainable amount over long term. But we need to have the right mechanism and the right funding mechanisms. We need to pay this from growth in the economy, which I added an op-ed that I recently wrote on the importance of growing the revenue base in order to solve these problems. Thank you.

VON GILLERN: Thank you, Mr. Slone. Questions from the committee members? Senator Jacobson.

JACOBSON: Well, thank you for being here. And, and, and I-- first of all, I want you to know that I've always been a big believer that if we're not competitive with our neighboring states, we're going to lose. And that has certainly been the tack that we've taken with income taxes. And getting down to 3.99 on our top rate is going to get us right in line with Iowa. But we still got states around that are at zero. And when we're competing for new business, that's important. But then when we do that, we've also got to get the new business and bring additional revenue, or we've just given everybody an income tax break that's here now and we really haven't-- it hasn't worked to attract

new business. I have to think that the property tax level is where they're at today. We're not close to being competitive with the other states around us. In fact, our competitiveness seems to be worse on property taxes than it is on income taxes. And people are still going to have to buy houses. They're going to buy buildings, build factories, so on, and they're going to pay property taxes. So I just wish that property tax would get the same priority when it comes to business and industry and growing business and industry, then income taxes, too, because in my mind they're both very important. And I listen to this, we can't afford property tax reductions. But what if we took the name property tax out, put in income tax, would we be making the same argument that we can't afford that?

BRYAN SLONE: Yes. Yes.

JACOBSON: And so my point is we need to afford both of them. I agree with you that spending is the big problem, but we've also got to grow revenue, hopefully, with a lower tax rate on property and income taxes, but continue to grow that amount. And, and how we do that is going to be the challenge. Does that, does that make sense?

BRYAN SLONE: Yeah, that totally makes sense. Let me answer the question. So I think this is my seventh year in, in this position. So one of the very first things I did when I became president of the chamber was go to some of the property tax lobbyists, because traditionally the chamber and property tax lobbyists have been like this and said this is not how we're going to proceed, that we do support property tax relief, and it just needs to be paid out of growth revenues. As long as we're paying property tax relief and income tax relief out of growth revenues, we find that a positive thing. So I think through 2023, you saw the chamber supporting basically every property tax relief bill that was, was brought by a governor. Where, where we started to differ was when we structurally we were no longer paying it out of growth revenues. We started to put us in a structural situation where the only way to pay for this is increasing taxes. And not surprisingly, the business community is not in support of, of using that as the funding mechanism. We are still very much supportive of property tax relief, consistent with growth and revenues based on continuing to grow the economy. So that has not changed. In terms of income taxes, we-- the things I've tracked, both property taxes and income taxes over the 7 years is, is our peer states and Wyoming and South Dakota are outliers because they're 0% income tax. So we're never going to have 0% income tax. And that's because of coal and tourism. We just don't have those assets. But I do look at Iowa very carefully. In almost every year I've been president

of the chamber, is I run my back-of-the-envelope numbers. We've been anywhere from \$300 to \$600 million, heavy on property taxes versus Iowa. And so we've supported-- and I, I would still say, I don't know exactly-- when I talk about analytics, we come every year with just a number, \$150 million, 300, 750, but there's no analytics behind it saying this is what we have to do to be able to compete with Iowa or Missouri or, or Kansas or Colorado, which we do in income tax. We say these are the rates of the other states, this is what we have to do. So what we're looking for is just to take a breath and say what are the analytics around property tax for us to be competitive? What should the target be? And then making a commitment out of growth revenues to do that is a logical place. Where we're headed with all these ad hoc mechanism-- mechanisms, and just simply adding hundreds of millions of dollars every year is we now find ourselves in a structural deficit situation in a very good economic time. And so what I'm suggesting is it would be good to take a breath. And I would hope that we take the governor's proposal around the TEEOSA reform and turn it into a much bigger reform and say, how can we take all these dollars and make them more, much more effective in terms of school financing and set a target? What are we after in terms of property tax? And I think you'd find the chamber very supportive of that. It's a, it's a business approach.

VON GILLERN: Thank you. Senator Murman.

MURMAN: Thanks for testifying. I'm all for TEEOSA reform.

BRYAN SLONE: Me too.

MURMAN: But if we do TEEOSA reform, we're going to have to-- our goal-- one of the goals would be less reliance on property taxes.

BRYAN SLONE: Correct.

MURMAN: And when we're looking at competitive-- competitiveness with other states, what we need is a broader based sales tax. And I'm talking about taxing services because that's what other states do, consumption-type taxes. And I'm not talking about business sales tax on business inputs. But on your graph on page 2, we have made some gains in property tax relief.

BRYAN SLONE: Yeah, pretty substantial, which the Legislature should get credit for.

MURMAN: Yes. Sales tax is here, income tax is here, and property tax is still up here. It should be just the other way around from my perspective to be more of a modern tax system.

BRYAN SLONE: So let me answer the, the two questions there in reverse order so in terms of these charts. In virt-- not virtually, all, but in, in the large majority of states, property taxes exceed sales taxes or income taxes individually. The three-legged-- balanced three-legged stool doesn't exist in other states either. And the reason is, is just structurally. Historically, property tax has funded local expenditures and state income taxes and sales tax if it's a funded state. And, basically, those two budgets in Nebraska and other places have been about equal. And so you have two taxes funding state and one tax funding local. And so the property tax burdens in a lot of states exceed either the, either the income taxes or, or the sales taxes. That said, we've always been heavy on property taxes. I'll be the first to say that. And so that's why I'm trying always to calculate that number. How heavy are we and what should the target be and how should we get there? We are also heavy on income taxes. And so I think we're in a good place on income taxes, you're not going to see the chamber coming in here and say there needs to be more income taxes cuts. If we can get to 3.9 and Iowa's 3.8, we're in, we're in the ballpark. On, on property taxes, it's important to know what this number is and where we should get to and, and target it and figure out how we, how we get there. To, to the earlier comments on TEEOSA, I think one of the issues we all have with property taxes is I don't think the Legislature has ever gotten the credit it deserved for everything it's done in the last 4 years. And the reason is, it's so darn complex, and it is so mysterious that how would a taxpayer ever know? I think in my testimony, I'd said TEEOSA is a mystery to most of us and known only to a few. If-- when our school funding process is, is that complicated, and then the methods by which we deliver property tax relief are through a Tier 1, a Tier 2, TEEOSA, foundation aid, it's very difficult for anyone to put their arms around this and say, are we making progress or are we not? All they see is the valuation statements that come to their house. We can do this better with a simpler methodology. It will take some, some bright people and all the stakeholders at the table to make this happen. I think there's an opportunity with what the governor is proposing to make that happen. And, and to also understand how far we've come so far and where we need to get to.

MURMAN: We're, we're talking about the three-legged stool being balanced. In greater Nebraska, as far as funding schools goes,

property taxes are still way up here, and the other taxes are down here.

BRYAN SLONE: They are, and, and it's a function of-- so I come from western Nebraska. My dad was a school superintendent. It is the problem of very few students in a, in a county that generally has mostly farm and ranch property and not other. There has to be a long-range vision about this related to economic development in rural Nebraska as well, particularly in western Nebraska where I come from. We need to broaden the tax base. I think there-- one of the things that you will see is, is when we get to sales taxes, and I think there is an appropriate time to get to sales taxes. But I don't think we have mechanisms to know that if we, we added \$500 million of sales taxes today, that it wouldn't evaporate and, and we'd still have a property tax problem. I think-- I'm very reluctant to put sales taxes on the table until we have a delivery mechanism and a set of analytics that we know that it's actually going because we've put over \$1 billion into property taxes just since I've been here. And I'm not sure we got \$1 billion of relief out of the process because I don't think we have the right delivery method.

MURMAN: I agree, we need, we need to be assured that we get the proper amount--

BRYAN SLONE: Yeah.

MURMAN: --of property tax relief and, and TEEOSA reform.

BRYAN SLONE: Yeah. But I do think we're not opposed to, to having that sales tax discussion at some point around broadening the base. I come from the Reagan administration. I believe in broad bases and low rates. But I am very fearful of the delivery mechanisms and funding mechanisms we have right now.

MURMAN: Yeah. Thank you.

von GILLERN: Senator, Senator Kauth.

KAUTH: Thank you, Chair von Gillern. So your support for this bill, this bill includes a pause in the income tax. So is the, the position of the Nebraska Chamber that you want to pause the income tax relief?

BRYAN SLONE: What, what I-- what we would like to do is, is-- I, I think we, we cannot renege on anything that's been passed so far in terms of the statutory increases in these funds. I'm not saying that. I'm saying in terms of adding \$150 million of new this year, when

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 6, 2025

we've got a budget deficit of 200 and we don't have the mechanisms in terms of delivery method, it's worthwhile to take 12 months and figure that out, maybe use this TEEOSA committee as a way to get from point A to point B, and then start the process again of, of-- before we put in \$150 or \$300 or \$500 million, whatever the next number is, to be very comfortable about where we're going, what the target is, and what the delivery mechanism will be for that.

KAUTH: And to follow that up, I did like what you were saying about we spend too much. So what will the Nebraska Chamber be doing to cut your spending request, your ask from the state?

BRYAN SLONE: Yeah, so we're pretty narrow this session. Other than yesterday, I was trying to save \$5 million, save our internship program by, I guess, \$9 million, and save \$5 million of, of the BIA. We were pretty modest this year. We're not asking for, for very much.

KAUTH: And, finally-- so you talked about broadening the tax base, which everyone always says that, but, again, last year in 2024, and then in the special session, the chamber came out very heavily against any--

BRYAN SLONE: Correct.

KAUTH: --broadening in the tax base, and you're saying it's because we didn't have the right mechanism?

BRYAN SLONE: Two reasons.

KAUTH: Wait. Wait. Why didn't you say-- ask us if you could work with us on what that mechanism would be instead of the hard press to get rid of every attempt that we were making?

BRYAN SLONE: Two, three reasons, actually. To be fair, one, it was a special session and it was moving very, very well.

KAUTH: What about in the spring session, LB388?

BRYAN SLONE: And in the spring-- second question is-- second [INAUDIBLE] is-- and we're going to see it in bills, and I'll be back next week and we'll have an opportunity for this very discussion. A true, a true reform in terms of broadening a base requires an analysis of everything. And so far the proposals are basically, I'll be blunt, which taxpayers can we get? We can get cigarette smokers. We can get people who drink. We can get the syntaxes, maybe we can get lawyers and accountants, which I took personal offense to last year for

obvious reasons. And I think that the, the real analysis-- and we've been public with this in terms of documents we've shared. The guardrails around a, a reform process like that is really, let's take a look at all the states that we compete with. What do they exempt? What do they not exempt? Let's make sure we're in line with that. All the states are going to move to taxing more services, there's no question. Let's stay in tune with that. Let's, let's be comfortable with that. But one thing that we need to look at is we have a very high, a very-- a pretty high sales tax rate at the state level and very low level-- low sales tax rates at the local level compared to other states. And one of the things we have to look at is reducing our state sales tax rate. But as we add any broadening of the base, it will increase sales taxes at the local level and make sure those local level sales taxes go to solve some of this property tax burden and not let them evaporate as well.

KAUTH: So, Mr. Slone, you-- I mean, you were aware of last year, you were aware of the special session. It's been at least a year, you've been in the position 7 years, you've been dealing with this issue for-- where is your plan? I think we all get very frustrated when people say, as you criticize our attempts at doing it, but we haven't seen a plan yet that says here would be a good mechanism to use. Here's what might work and actually working with us. So where is the Nebraska Chamber today?

BRYAN SLONE: So I'm, I'm always hesitant to say this is the chamber plan, but I'll tell you what we're working on and have been working on for over a year in conversations with, with superintendents and also with businesses, which is I do believe there's an opportunity for a simple plan in Nebraska, which is to take TEEOSA, take these funds and create a school financing provision that's transparent, that [INAUDIBLE], I like with the governor's done with foundation aid. So have foundation may be the beginning of that. There has to be some sort of poverty adjustment. There has to be something in there for special education and special needs. But have those be very transparent as well, and probably get the state to a point where it's funding many thousand dollars of education per, per student to reduce the local tax bases. It's predictable. One of the problems that superintendents have is they need to know 2 and 3 years in advance, like any business, of how to budget for this. They don't have the budget mechanisms to, to do that, because every time we change the rules every year, their volatility and what they're seeing is going like this, and so they, they have to keep reserves. I think this is a discussion with the superintendents at the table, with the Legislature at the table, with the governor at the table, with business at the

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 6, 2025

table, and definitely with ag at the table. It has to happen. And, and that's what we're suggesting. I could create something tomorrow, but I think this is a discussion for everybody at the table to set a target. This is how we want to get it. And then there has to be an effective levy valuation adjustment in there. The, the problem has been valuations all along. And we've never really addressed it with a strong levy valuation adjustment, so the adjustments to the levy are automatic when valuations increase.

KAUTH: So-- well-- and, and thank you for talking about everyone at the table. Because we were at the table, you were there, we had a big table. We had--

BRYAN SLONE: I didn't get invited to the table last year.

KAUTH: The chamber was--

BRYAN SLONE: Thank you.

KAUTH: --there.

BRYAN SLONE: Who?

KAUTH: The Nebraska Chamber was there. We-- we've been working on this. So I-- to me, this-- and this is not a question, it's my statement. I'm pulling a Jacobson. This feels like pause to, to make some adjustments and we'll forget about the things that we've done. So thank you for your comments.

von GILLERN: Senator Dungan.

DUNGAN: Thank you, Chair von Gillern. Thank you for being here, Mr. Slone. I apologize for missing the first part of your testimony. I was introducing a bill in Government and I just got back. So I apologize if my question is redundant or, or questions are redundant. I guess I would start by just-- I want to make very clear on the record, there's been a couple of comments made here today, and I think in past hearings that we, the Revenue Committee as a whole, are in favor of shifting to a more consumption based tax policy. And I would be remiss if I didn't say that wasn't true for all of us. I certainly have hesitations about shifting to a purely or heavily focused sales tax based economy. We'll get into that debate next week, I think. But just want to make sure that's clear on the record. You did mention, though, that we as a state are never going to be able to shift to such a heavily sales tax based economy as our neighbors like South Dakota because of certain things like tourism.

BRYAN SLONE: Mount Rushmore.

DUNGAN: Yeah. And so, I guess, could you expand on that a little bit, because there's this belief it feels like, right, that we just need to broaden the base. Everyone says broaden the base, broaden the base, broaden the base. But there are realistic constraints to whether or not the broadening of the base is going to raise the same kind of money that it would in other jurisdictions or locales. Can-- have you looked at neighboring states? Can you say what the effect would be if we were to shift to a system similar to South Dakota?

BRYAN SLONE: So you raised two really good points. One, South Dakota and Florida are able to not have income taxes and, and primarily use sales taxes because of tourism. And, and sales taxes are great in the sense that if you've got an influx of people coming from out of state and they're paying the sales taxes, that's great for your state. We don't have the tourism levels yet to make that happen. The issue about shifting totally to consumption, so this was the EPIC tax issue. So the EPIC tax was all about let's, let's totally get rid of property taxes and go to pure consumption taxes. The problem is our, our number one issue, and if you ask me on any of these issues, whether it's income tax or property tax or affordable housing, whatever, if you say, are we going to have the ability to do this as a state or local government for the next 20 years, tell me how many 18- to 34-year-olds we're going to have in this state? Our number one issue is attracting young people and young families to sustain the revenues of this state because right now they're declining, as you look at the pipeline of K-12. It is the issue. Shifting taxes for property owners like me to people who pay sales taxes like young families with kids who don't own big houses, over time will make us more expensive. And so while there is room for sales tax reform, going to a pure consumption tax would simply be a wealth shift from people who own property to people who don't, who are the very people we need to create the revenues to, to have the property tax relief and to sustain our communities. So we need to be careful, particularly, on those sales taxes that affect young people and young families who are the hardest taxed people in the state, the people who pay the highest taxes are young families paying full load income taxes, property taxes on their houses, and sales taxes for all those kids.

DUNGAN: And I, I would agree with that. And I think what I'm curious about, because you mentioned something that I brought up in conversations that happened during the special session and as well as last regular session on the Revenue Committee, which is a, a

broadening of the base, in my mind, should come along with a reduction in the rates.

BRYAN SLONE: Correct.

DUNGAN: And the question always is what levers do you pull and where on the graph do you lower the, the rates and increase the base but still raise revenue? Would the chamber be willing to work on some of those numbers and try to analyze where that exact intersection might be, where we could broaden the base and reduce rates and still raise revenue?

BRYAN SLONE: Right. And, and, and, and the key is, again, remember to your point, the vast majority of people in this state live month to month. And, and so when you add 3 or 4 or \$500 of sales taxes to their budget, it's 3 or 4 or \$500 they don't have to spend on what they need to spend it on. And so it's being careful, but being consistent with other states. And that's why, again, this is an analytical process where you, unlike this first bill today, this is one where you don't make mistakes and then try to correct them later. But I do agree with Senator Murman that, that, ultimately, all the states have to continue to shift to more taxes on services in a way. I mean, ultimately, that's going to happen. Let's just do it consistently, thoughtfully, as, as other states do it.

DUNGAN: And certainly not on legal services. Correct?

BRYAN SLONE: Well, I'm open-- you know--

BRYAN SLONE: That's a joke, sir. You're fine.

BRYAN SLONE: I'm a few years from retirement. As soon as I'm retired you can tax lawyers and accountants as you see fit.

DUNGAN: Deal. Noted. OK. Well, thank you for being here. I know this is a complicated situation. We're going to keep having this conversation, I think, for weeks. So I appreciate you starting us on this talk.

BRYAN SLONE: I just want to say I do appreciate the committee. This is, this is hard stuff. I've been a tax lawyer and accountant for, for 30 years. None of this is easy. I've worked on federal tax reform. There's no good decisions. Property tax is important. It's important to be competitive. Property tax is important to be competitive, income tax, and it's important to be competitive in sales tax. And this has

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 6, 2025

always been a thoughtful committee. And so I don't mind the give and take with the committee, it's part of the process.

VON GILLERN: Thank you. Seeing no other questions, I'm going to hang on the words you said earlier, and that is that we don't get credit for all the good we've done [INAUDIBLE].

BRYAN SLONE: You don't get credit for all the good things you do.

VON GILLERN: I stopped-- I didn't hear anything beyond that. So thank you for being here today.

BRYAN SLONE: Thank you.

VON GILLERN: Any other opponent testimony? Anyone who would like to testify in a neutral capacity. Seeing none, and Senator Brandt left so he will not close. We had zero proponents, one opponent, and zero neutral online testimony. So that will end our hearing on LB564 and we'll open on LB270. Is Senator Rountree in the room?

NOAH BOGER: He's on his way.

VON GILLERN: On his way? OK. Senator Rountree.

ROUNTREE: Good afternoon, Senator von Gillern.

VON GILLERN: Good. You are welcome to open on LB270.

ROUNTREE: Thank you so much. [INAUDIBLE]. Good afternoon, Chair von Gillern and members of the Revenue Committee. My name is Victor Rountree. That's V-i-c-t-o-r R-o-u-n-t-r-e-e, and I represent District 3, which is made up of Bellevue and Papillion. Today, I'm here to introduce LB270, which would allow municipalities to notify the Auditor of Public Accounts of irregularities in sales tax returns. Under current law, a municipality that has adopted local option sales tax can designate an individual to review local option sales tax returns for those businesses located within the boundaries of the municipality. This designated individual is allowed to review sales tax returns only on the premises of the Department of Revenue, and the individual is not allowed to disclose any of the information they review to anyone. This has led to situations where the designated individual may suspect some irregularities or discrepancies in the sales tax information, but is not allowed to tell anyone about it. That means that he can't come back and talk to the mayor or anyone else about what he's found when he's looked at those things. So under LB270, the individual designated by the municipality may notify the

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 6, 2025

Auditor of Public Accounts of any suspected irregularities or discrepancies. The Auditor may then conduct an audit based on the information they received. This bill is a companion to LB269, a bill this committee heard a couple of weeks ago regarding the address based sales tax system to ensure municipalities are receiving the correct sales tax. That bill, along with LB270, put into place important puzzle pieces to help ensure sales taxes are being remitted in the correct amounts to the correct municipality. As the Legislature continues to look for additional property tax relief and continues to change the way localities finance their needs, I think it is important that we ensure that there is transparency in sales tax returns. Any chance to catch irregularities and create consistent revenue streams, it helps protect our communities. I appreciate your time and attention to this bill, and I will be happy to answer any questions you may have. Thank you.

VON GILLERN: Thank you, Senator Rountree. Questions from the committee members? Seeing none, are you able to stay to close?

ROUNTREE: I will. I'm just across the hall.

VON GILLERN: Very good. Thank you.

ROUNTREE: Thank you.

VON GILLERN: All right, we'll invite up our first proponent. Good afternoon.

MICHELLE ANDAHL: Good afternoon. Good afternoon, Chairman von Gillern and members of the Revenue Committee. My name is Michelle Andahl, M-i-c-h-e-l-l-e A-n-d-a-h-l. I'm the director of community development for the city of Papillion, and I'm here to testify today on behalf of the city of Papillion and the United Cities of Sarpy, Sarpy County that include Bellevue, Papillion, La Vista, Gretna, and Springfield. And we are here in support of LB270. As Senator Rountree stated, the amended section of 77-271 [SIC] allows for, for the-- allows for-- to provide an audit by the Auditor of Public Accounts for suspected tax reporting irregularities and discrepancies, and to create an exception to the disclosure of confidential tax information by municipalities. In the simplest terms, under the current way that 77-271 is written, municipalities can select one designated representative to visit the Department of Revenue to review confidential sales and use tax returns, and related information regarding taxpayers that possess a sales tax permit. These municipal designees may, under the direct in-person supervision of a Department of Revenue employee, view the

amounts of remitted by-- of-- excuse me, review the amounts remitted by tax permit holders within the boundaries of the municipality. However, the designated representative cannot in any way make any record, note, or even record anything that they view or find or discover that day. The law currently further states that no individual certified by a municipality shall disclose to any person any information, and that includes even your finance director of your city, that they have obtained pursuant to a review. That designee must also sign a statement that confirms that as a condition of reviewing these documents, they affirm that they understand that any violation of-- any violation above the provisions of the law may result in a conviction of a Class I misdemeanor with a fine of up to \$1,000 and/or imprisonment for up to 1 year. In essence, the designee does not have any other resource for addressing any discrepancies or irregularities that they may find. They can only speak with the person that they are working with that day, and it's really then left up to the Department of Revenue at their discretion to take any follow-up measures. LB270, as new language in, in section (c) stating that, in short, if upon review of tax documents, the individual certified by a municipality identifies a suspect-- a suspected irregularity or discrepancy, that individual may provide notification of the suspected irregularity or discrepancy to the Auditor of Public Accounts, and may conduct an audit as provided in subsection (11). With the current state funding incentives to bring businesses to our state that depend on sales and use tax collected by municipalities, Papillion strongly supports this language. Because with state incentive programs, the city of Papillion has not received sales and use tax since November 2023.

von GILLERN: Could I get you to wrap up your comments? We're at the end of your time.

MICHELLE ANDAHL: Oh, I'm so sorry. Yes. And this means that Papillion and other municipalities are just strongly in support of this bill to make sure that we get our revenues correct.

von GILLERN: OK. Thank you.

MICHELLE ANDAHL: In closing, we want to thank Senator Rountree.

von GILLERN: Let's wrap up there and see if we have any other questions.

MICHELLE ANDAHL: And on behalf of the city, we thank you and ask you to move this bill--

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 6, 2025

VON GILLERN: Thank you.

MICHELLE ANDAHL: --to General File.

VON GILLERN: Any questions from the committee members? Any other quick thought you'd like to add?

MICHELLE ANDAHL: No. Apologies for going long.

VON GILLERN: No, no, no.

MICHELLE ANDAHL: It seems like forever when you're up here.

VON GILLERN: Yeah, it does. It does. No, you did great.

MICHELLE ANDAHL: No, if no one has any questions, it's just important to us with so much talk about sales--

VON GILLERN: Thank you.

MICHELLE ANDAHL: --tax revenue coming up.

VON GILLERN: Yeah, Mayor Black was here and, and spoke about in relation to this, and Senator Rountree and his other bill, as, as they were related. So this helps add some, some color to that. So thank you.

MICHELLE ANDAHL: Thank you.

VON GILLERN: Appreciate you being here today. Any other proponents? Good afternoon.

CHRISTY ABRAHAM: Good afternoon, Senator von Gillern, and members of the Revenue Committee. My name is Christy Abraham, C-h-r-i-s-t-y A-b-r-a-h-a-m. I'm here representing the League of Nebraska Municipalities. We also want to thank Senator Rountree for introducing this bill. Senator Rountree and Ms. Andahl really did a great job explaining why we are in support of this bill. I will say the bill you heard a couple of weeks ago, LB269, on the address based sales tax remitted system, and this one, are a nice piece that fit together. I will say the happy thing about LB270 is it doesn't have a fiscal note, so that's a thumbs up. I would also like to mention that the State Auditor is here, a representative from that office, we did work with them in drafting this bill. They're going to come and testify in support of it, and I'm happy to answer any questions that you might have about it.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 6, 2025

VON GILLERN: Thank you for testimony. Any questions? Senator Dungan.

DUNGAN: Thank you, Chair von Gillern. So I just want to make sure I understand this. I'm going to try to put it in simple terms.

CHRISTY ABRAHAM: Yes.

DUNGAN: So current law let somebody go look to see if there's irregularities and if they find one, they're not allowed to write anything down and they're only allowed to relay that to the Department of Revenue. This allows the additional ability for them to follow up with the Auditor in order to make sure that somebody else can look into these irregularities, essentially?

CHRISTY ABRAHAM: Absolutely, Senator Dungan, you did a great job summarizing it.

DUNGAN: OK. I just want to make sure, this is essentially providing additional accountability in a situation where we already allow these people to go look at it. But then this is saying, OK, you've looked at it, now what are we going to do with that information?

CHRISTY ABRAHAM: Right.

DUNGAN: OK.

CHRISTY ABRAHAM: And, and I think it's, it's sort of this-- and I think the designated individual from the municipality is grateful that they get to go in and look. I think the awkward part is they can't take notes. They can't tell anyone. I mean, not their city council, not their mayor, anyone. So they're kind of-- they have this information, but they can't really tell anyone. And so we have heard from municipalities that when they do go in and look, that there might be some issues that they wish they could tell someone, and we just thought the Auditor was the best entity to review those.

DUNGAN: And the Auditor is on board with this?

CHRISTY ABRAHAM: Yes, a representative is here and will testify after me.

DUNGAN: Sounds good. Thank you for your testimony.

CHRISTY ABRAHAM: Thank you.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 6, 2025

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

CHRISTY ABRAHAM: Thanks so much.

von GILLERN: Next proponent. Good afternoon.

JEFF SCHREIER: Good afternoon, Chairman von Gillern, members of the committee. My name is Jeff Schreier, J-e-f-f S-c-h-r-e-i-e-r. I am the representative from the Auditor's Office here representing State Auditor Mike Foley and our office in support of LB270. We think it's a, a good bill, fits within our office's existing constitutional statutory authority to conduct audits. We already have the staff that has experience with sales tax information through audits, past audits of the Department of Revenue, the annual act for audit. And with that, we don't have any concerns and I'd be happy to answer any questions.

von GILLERN: Thank you. Questions from the committee members? Seeing none, thank you for being here today. Are there any other proponents? Are there any opponents regarding LB270? Seeing none, anyone like to speak in a neutral capacity? Seeing none, Senator Rountree, would you like to close? And as Senator Rountree comes forward, we had no online comments. Jackpot.

ROUNTREE: All right, thanks so much, Chairman von Gillern and members of the Revenue Committee. And thank you to all of those that have come testified today. As I stated earlier, this allows receipts to get back into the proper places in their communities. And the State Auditor, himself, did kind of reach out about this so they're ready to go on board. So all of the testimonies will support that fact. So as we continue to look for additional property tax relief, getting it back to the right accounts, I think this is a great way to go forward. So we request that you respectfully submit this one into the General File.

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

ROUNTREE: All right. Thank you so much.

von GILLERN: That will close our hearing on LB270, and-- oh, there were no [MALFUNCTION].