

von GILLERN: --1:30. And welcome to the Revenue Committee. I'm Senator Brad von Gillern from Elkhorn, representing the 4th Legislative District. I serve as chair of the committee. We'll take up bills in the order posted today. The public-- this public hearing is your opportunity to be a part of the legislative process and to express your position on the proposed legislation before us. If you're planning to testify today, please fill out one of the green testifier sheets that are on the table at the back of the room. Be sure to print clearly and fill it out completely. When it's your turn to come forward to testify, give the testifier sheet to the page or the committee clerk. If you do not wish to testify but would like to indicate your position on a bill, there are also yellow sign-in sheets back at the table for each bill. These sheets will be included as an exhibit in the official hearing record. When you come up to testify, please speak clearly into the microphone. 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 the proponents of the bill, then opponents, and finally by anyone speaking in the neutral capacity. We'll finish with a closing statement by the introducer if they wish to give one. We'll be using a three-minute light system for all testifiers. When you begin your testimony, the light on the table will be green. When the yellow light comes on, you have one minute remaining. And when the red-- and the red light indicates you need to wrap up your final thoughts 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, as senators may have bills to introduce in other committees. A few final items for-- to facilitate today's hearing are: if you have handouts or copies of your testimony, please bring up at least 12 copies and give them to the page.

[PHONE CHIME]

von GILLERN: Please silence or turn off your cell phone. Wow.

SORRENTINO: Perfect timing.

CHARLES HAMILTON: What timing.

von GILLERN: Didn't coordinate that at all, but it worked out. Verbal outbursts or applause are not permitted in, in, in the hearing room. Such behavior may be cause for you to be asked to leave the hearing.

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Finally, committee procedures for all committees state that written position comments 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 at my left.

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

KAUTH: Kathleen Kauth, LD 31: the Millard area of southwest Omaha.

JACOBSON: I'm Senator Mike Jacobson, District 42: Lincoln, Logan, Thomas, Hooker, McPherson, and quite a bit of Perkins County.

MURMAN: Senator Dave Murman, District 38. I'm from Glenvil. I represent eight counties in the southern part of the state.

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

von GILLERN: Thank you. And-- wow. Just like yesterday.

DUNGAN: Two, two days in a row.

von GILLERN: Would you like to introduce yourself?

DUNGAN: Senator George Dungan, LD 26: northeast Lincoln. I like to wait until that moment.

von GILLERN: Apparently, yeah. Yeah. 1:33. Also assis-- assisting the committee today: to my right is our legal counsel, Sovida Tran; and to my left is legal counsel Charles Hamilton. To the far left is committee clerk Linda Schmidt. Our pages for the committee today will stand and introduce yourselves, please.

ELIAS REIMAN: My name's Elias. I'm a junior at UNL, studying psychology, trying to go to law school.

JESSICA CARROLL: Jessica Carroll. I'm from La Vista, Nebraska. And I'm a senior political science student at UNL.

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VON GILLERN: Thank you. With that, we'll begin today's hearing with LB757. I'll hand the chair over to Vice Chair Jacobson.

JACOBSON: OK. Senator von Gillern, you can proceed with your open.

VON GILLERN: Good afternoon, members of the Revenue Committee. For the record, I'm Senator Brad von Gillern. That's B-r-a-d v-o-n G-i-l-l-e-r-n. And I represent Legislative District 4 in Omaha and Elkhorn. I'm appearing before you today to introduce LB757. LB757 is a very simple bill. I'll sell-- just say a few words to provide a bit of background and then cut to the chase. Nebraska allows certain taxpayers to obtain a sale-for-resale agreement if they acquire a piece of personal property in order to resell it-- for instance, to lease it in their ordinary course of business. Under this arrangement, the acquisition of the property is itself exempt from sales tax on the condition that tax is collected and remitted on subsequent lease transactions. In other words, instead of getting the sales tax upfront when the property's initially purchased, the state recovers it over time as the property's leased out, eventually equaling the tax revenue received by the state. The state allows for these arrangements on the basis that they create a win-win situation. Acquiring property to lease or resell incents larger acquisitions by the taxpayer, and the state receives more revenue in the long run via sales and personal property taxes. LB757 simply clarifies Section 77-2704.28 to clarify that a company acquiring an aircraft to lease it-- for example, to a subsidiary or parent company-- are eligible for this kind of tax arrangement. These lease arrangements are common as a matter of liability protection and allow improved and less expensive insurance coverage. Fortunately, there'll be at least one subject matter expert testifying behind me, and I'd encourage you to direct especially technical questions to them, but I'll be happy to take questions at the end of my statement. This bill contains an objective standard requiring that yearly gross receipts from lease transactions equal at least 7.5% of the net acquisition price of the aircraft if a company is going to qualify for this kind of arrangement. This is to ensure that the state derives sufficient revenue to make the arrangement worthwhile and that it's not abused simply to avoid or extend paying sales tax. The fiscal note indicates a negative impact to the Aeronautics Capital Improvements Fund, which we believe is a short-term impact, and, like the sales tax revenue, will balance over time or even increase due to the companies moving-- due to more companies moving their aircraft to or, in some cases, back to Nebraska. On that note, other states are benefiting from matters related to taxation on aviation that we should be

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considering. I'm aware of numerous individuals and corporations that register and hangar their aircraft in other states in order to benefit from more favorable tax climates. In those cases, Nebraska loses 100% of the tax benefit from those purchases and/or leases. The Council Bluffs Airport is at capacity due to folks moving their aircraft across the river from Omaha to reduce their tax burden. We can't fix everything at one time, but we can fix this. Nebraska's missing out on a large increase in revenue by charging a higher rate on a smaller volume. I believe it was destiny that this bill was numbered LB757, and I'm optimistic about its income-- or, about its outcome. Excuse me. With that, I would ask your support on LB757. And just for point of reference, I, I learned the original bill that created the Aeronautics Capital Improvement Fund was LB727, so. I'm detecting a theme here, so. With that, I'd be happy to take any questions.

JACOBSON: Definitely a theme. Are there questions from the committee? Senator Kauth.

KAUTH: Thank you, Vice Chair Jacobson. So Senator von Gillern, you said that, at, at a certain point, we will recoup those losses because it-- it's minimal losses, it looks like. But at a certainly point in time, do you know when-- how many years this will have to take place or--

VON GILLERN: I'm not, I'm not as good at math as Senator Jacobson, but a 100% divided by 7.5% is what, Senator Sorrentino?

SORRENTINO: 15.5.

VON GILLERN: 15.5 years. So-- yeah. In-- the-- it, it-- in some ways, it's similar to a depreciation calculation where, if you have an accelerated depreciation, you take it all upfront rather than over time. Eventually, theoretically, they net out.

KAUTH: OK. Thank you.

VON GILLERN: Yeah. You bet.

JACOBSON: Senator Sorrentino.

SORRENTINO: Thank you, Vice Chair Va-- Jacobson. So if, if I would simplify this into-- a lot of people have probably leased a car. If I lease a car that's a \$50,000 car and I'm gonna lease it for three years, and at the end of the lease that car is worth 20,000 bucks--

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there's \$30,000 of depreciation. I don't-- when I buy that car, I don't pay sales tax on \$50,000. I pay it on the \$30,000 "diminuation" over 3 years or 10. It's no different than that, is it?

von GILLERN: No.

SORRENTINO: Exact same thing?

von GILLERN: It, it--

SORRENTINO: [INAUDIBLE].

von GILLERN: The way I understand it, yes.

SORRENTINO: Thank you.

von GILLERN: Mm-hmm.

JACOBSON: Other questions? If not, I, I just want to also point out that it's my understanding that the Aeronautics Capital Improvement Fund, it, it used to be that these sales tax dollars went to the General Fund, but we passed a bill that redirected that to the Aeronautics Capital Improvement Fund, which is used by airports to help defray the cost of their 10% match on other AIP projects for air-- small-- smaller airports.

von GILLERN: You are 100% correct, and that is the bill LB727, which I believe was in 2023, that passed. And, and I had a, a brief conversation with those folks. They're going to testify as opponents. I have had a conversation with them. I-- it is not my intention at all to injure the, the dollars that go towards infrastructure. It, it would be-- it would, it would be totally defying logic to try and convince and incent aircraft owners to move their aircraft to the state of Nebraska and then damage the infrastructure that, that they benefit from. So I presume there'll be further conversations after today regarding how we protect those dollars and/or better understand where those dollar-- dollars come from and, and what they do.

JACOBSON: But I-- it's important to note that this is not impacting the General Fund--

von GILLERN: Correct.

JACOBSON: --at all. Yes.

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VON GILLERN: Yes.

JACOBSON: Thank you.

VON GILLERN: Yep. Thank you.

JACOBSON: Any other questions? If not, are you sticking around? Or are you getting out of here?

VON GILLERN: I can-- yes. Time permitting, I will be here to close.

JACOBSON: All right. Thank you.

VON GILLERN: Thank you.

JACOBSON: I'll invite proponents of the bill to please come forward and--

STACY WATSON: Good afternoon. Thank you. My name is Stacy Watson, S-t-a-c-y W-a-t-s-o-n. And I am a tax and consulting shareholder at Lutz. But I'm here to represent Lutz, the Nebraska Chamber, and the Omaha Chamber today in strong support of this bill. I do want to clarify-- I know this bill has been brought-- and it really is to clarify. This statute has actually been in place for a long time. And just so you know, I've been doing aircraft stuff for about 30 years, which just makes me kind of old, but we've always relied on a leasing statute within the state of Nebraska to purchase our aircraft upfront, use the sale-for-resale exemption, and then go ahead and pay the tax over time on those payments. About five years ago or-- I'm sure the legal counsel [INAUDIBLE] better guess or-- on that-- they-- the Department of Revenue actually came out and decided unilaterally without a change in statute that this didn't apply to airplanes. This statute has been in place forever. We haven't changed it. You guys made no statutory changes to it, but they came out and decided the statute no longer applied to airplanes even though it applies to all other business equipment in a similar manner. So by bringing this bill forward, I think it will clarify that it applies to airplanes. We want it to apply to airplanes. Just so you know, Iowa has a statute that does apply to airplanes and taxes them in a similar manner, which is why that airport is now full, because-- not as a Chamber member, but as a Lutz accountant, I've encouraged my, my clients to move across the river because paying sales tax on, you know, a \$10 million airplane upfront and it's used in your business no different than other equipment that you've bought and used in your business in a similar manner and have [INAUDIBLE] transactions,

that's a major financial cost upfront. There's lots of things involved with airplanes that are-- you know, they're highly regulated assets and they are material to some businesses. We have businesses that are required to be on-site within six hours of something going wrong. Whether that's at a stadium or at a hospital, they're required to fly and be on-site and do their business in that manner. They couldn't do that without an aircraft. It just would be physically impossible anymore. So I think that this law is just here to reinstate what we've always believed to be the rule in Nebraska. It's not a new exemption. It's not a loophole, and our clients rely on it. And I believe that-- you know, to do business in Nebraska, our clients deserve stability. They deserve the ability to rely on statutes as previously written and not be changed through and-- "interpreted" through administrative action. So if you guys have any questions. I hope I'm the subject matter that the senator-- expert that the senator was referring to because sales tax is my jam. But yes, if you have any questions, I'd love to answer them.

JACOBSON: Thank you for your testimony. Senator Sorrentino.

SORRENTINO: Thank you, Vice Chair Jacobson. Ms. Watson, thank you for your testimony. One quick question. A lot of times, either [INAUDIBLE] or individuals will buy these plans and lease them back to their own corporation. Does it matter as far as when they lease them back if it's a typical lease or a dry lease there would be no difference as far as the taxation? Am I correct there?

STACY WATSON: No, there is a difference. So if you lease--

SORRENTINO: With the dry lease, it's different?

STACY WATSON: Yeah, a dry lease is different. So if you lease the aircraft with a pilot, it's actually-- you tax it under the federal excise statutes. But most people don't do that anymore because of the liability issues and the insurance issues. So I would say-- and, and you really only do that if you're flying Part 135, which is a charter aircraft, which would be your normal aircraft that you get on when you go to the airport, right? But if you're flying your own plane, you generally fly it under Part 91, which is a dry lease, and the pilot is hired separately. So then sales tax is due on that and not federal excise tax.

SORRENTINO: OK.

STACY WATSON: So there is a difference between-- depending on the type of lease. But generally, I would say most people that buy an airplane to use in their business, they fly it Part 91, do a dry lease, and then pay sales tax on that dry lease. And you are required-- because these statutes require you to have a business purpose, right? So you can't go out and charge yourself a dollar. You're, you're required to make money as a business entity outside of depreciation because we obviously know depreciation can skew that in year one or two. But you are required to have a business purpose. And so those lease rates have to be at a fair market value lease rate. So these businesses aren't going in there and charging each other a dollar and not giving the state the sales tax, right? They have to charge a fair market value lease rate. That's the standard for their industry to fly this plane. So we actually-- most of our clients over time are going to end up paying more to the state than they do if they just pay it upfront, but it is the time value of money.

SORRENTINO: Thank you.

JACOBSON: Other questions from the committee? Yes, Senator Dungan.

DUNGAN: Thank you, Vice Chair Jacobson. Thank you for being here. Mine's kind of the opposite of Senator Sorrentino's question. That was very in the weeds, which I appreciate. Mine's gonna be big picture.

STACY WATSON: Well, good. I'm-- I hope I'm good at both.

DUNGAN: To make an airplane pun, 30,000 foot view. Senator von Gillern and you both mentioned sort of the, the fact that these Iowa airports, airports are full, Nebraska airports are empty, or people are moving their planes to I-- what is the benefit of keeping these planes in Nebraska? Can you speak broadly to why we want to incentivize more people to have their planes here in Nebraska as opposed to over in Iowa?

STACY WATSON: Absolutely. It's so that we get the money from the lease payments, right? If-- when they go over to Iowa, that flight starts there, that sales tax is then paid to Iowa. So if we don't have the aircraft in Nebraska, it's paid to Iowa. Secondly, Nebraska has personal property tax on these airplanes. So for the Part 91 airplanes, that's a seven-year personal property tax value. Iowa doesn't have property tax. OK? So-- I mean, that's good for clients, but I will say most Nebraska-based clients, if the lease arrangement

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was still allowed by the Department of Revenue, they would still pay the property tax here and prefer to keep their plane here because they're Nebraska people. But yeah, we're getting both personal property tax from those airplanes and sales tax from those airplanes.

DUNGAN: So looking at it from the broad perspective, even though this looks like just a simple sales and use tax exemption in the long run-- and maybe this is what Chair von Gillern was getting at too-- we will make this money back.

STACY WATSON: Oh, 1,000%. I mean, if it goes to Iowa, you make zero money back. If it stays here, you make the sales tax back, but you're still getting property taxes over those seven years.

DUNGAN: Thank you.

STACY WATSON: And they're not small property taxes.

DUNGAN: I can imagine.

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

STACY WATSON: Awesome. Have a great day.

JACOBSON: Other proponents?

DANIEL CHEUNG: Good afternoon. My name is Daniel Cheung, D-a-n-i-e-l; last name is C-h-e-u-n-g. I'm a principal with Aviation Tax Consultants. I have been doing tax consulting specific-- specifically in the aviation world for 25 years, so it makes me a little less old, but I'm still pretty old. And, and I do consult with clients all over the country, and we deal with pretty much every state in the country. And I'm here in support of LB757. The previous speaker's-- makes-- most of them-- the point I was intending to make-- I, I will make a couple clarifications. The breakeven is 13.3-- 13.5 years. It's a little less than 13. And, and by making a monthly lease payment with the car example, every lease payment-- everybody leases a car, pays sales tax on that monthly lease payment. So really, it's the same regulations that apply to airplane, construction, crane, photocopier, or any equipment. So we're not asking for anything specific for airplanes. It really is an application of the statute across the board for all business equipment. And I represent clients with small airplane down to \$200,000, \$300,000 an airplane to multiple million dollar airplane. So it, it affects a lot of business owners. The

decision-making currently-- again, we, we have been making these claim of purchase for resale, paying the sales tax overtime for-- quite literally since 2001. I know the Department of Revenue has some concerns about that statute, and there's a Supreme Court case out there that, that the judge actually said that the statute is-- and-- it's ambiguous at best. So the-- this legislation can clarify the enforcement environment so business owners can make decisions accordingly. And [INAUDIBLE] driving further away to Council Bluffs or-- I mean, all the neighboring states in addition to Iowa, Kansas, Missouri, Iowa, Wyoming, they all have similar statutes that allow the payment of sales tax on a lease basis. So If Nebraska continues to collect the tax on the front end-- again, it's a financial burden of the taxpayers. And some of the smaller businesses, they may not even buy an airplane even though it may be beneficial to their operations. So by having a, a clear legislative enforcement environment for taxpayers to make decisions, I think that's what this bill will accomplish. And this bill also has the, the minimum lease payments established at 7.5%. So that is to guarantee that we cannot get away with an extremely low rate costing Nebraska revenues. I will expand on the point about the overall benefit to the state. Fuel sales, maintenance sales, all that depends on airplanes being hangared in the state of Nebraska. Obviously, Duncan Aviation is a big taxpayer in the state of Nebraska. If more airplanes continue to exit to the neighboring states, we are hurting our economy by having less airplanes to service, less employees to be hired to do maintenance, to, to handle the fuel sales, and so forth. So I think it's-- while there may be a-- initially a drop in revenue, but I believe-- truly believe the overall economic benefits to the state-- you can count payroll taxes. You can count sales tax, income taxes. All that in, in the big scheme of things I think is a, is a true benefit to the state. And the-- I do deal with many, many-- all the states in the country. So the state-- I used to live in Indi-- Indiana. We actually passed this pretty much identical statute back in 2008. What that allowed Indiana to do-- before 2008, we have--

JACOBSON: If I could get you to wrap up your comments. You have a red light.

DANIEL CHEUNG: Yeah. The, the enforcement. The Department of Revenue is spending a lot of resources on all these airplane audits or even litigation. By having a, a statute like LB757, I think it will streamline administration and be-- everybody can be more productive.

JACOBSON: Thank you. Questions? Senator Por-- Sorrentino.

SORRENTINO: Thank you, Vice Chair Jacobson. I can't remember off the top of my head because I haven't done this in a while, but isn't-- I'm looking at that statute-- isn't there already an exemption when charter use exceeds 50%?

DANIEL CHEUNG: That is correct. And, and that's-- the charter re-- uses the-- what is called FAA Part 135.

SORRENTINO: Right.

DANIEL CHEUNG: So it's typically for bigger airplanes that the owner wants to charter the airplane to the public. If you choose to do that, there is an exemption for those airplanes. That's correct. Now--

SORRENTINO: One more question. If, if during the term of the lease-- and a lot of people buy planes and find out that-- not what they cracked up to be and they sell them early. If during the term of that lease the aircraft is sold, is there any situation where the state would lose out on revenue, there's a rebate situation at all whatsoever?

DANIEL CHEUNG: There is no clawback of sorts. So yes, if you have paid three years worth of usage, that would be the revenue that we, we do receive as a state. Now, it is also true that many airplane owners continue to upgrade to the next airplane. So they will continue to get a stream of revenue as long as they continue to own the airplane.

SORRENTINO: Well, if they don't go up to a higher, then we've got--

DANIEL CHEUNG: That is correct. The revenue stops. That's correct.

SORRENTINO: Thank you.

JACOBSON: Other questions? If not, thank you very much for your testimony.

DANIEL CHEUNG: Thank you.

JACOBSON: Further proponents? Anyone else like to speak in favor of LB757? If not, I'll open it to opponents. Any opponents? We were promised there would be one, so here you are.

JON LARGE: Here, here I am. Mr Chairman, senators, my name is Jon Large, J-o-n L-a-r-g-e. I live here in Lincoln, Nebraska. I'm past president of the Nebraska Association of Airport Officials, representing airports across the state. And currently I'm a member of the Nebraska Aeronautics Commission. Today, I'm here representing the Association of Airport Officials and opposing LB757. As we understand this proposal, corporate aircraft purchased for the use within the corporate structure would not have to pay a sales tax on the purchase of that aircraft as long as a use tax based on the purchase price of the aircraft is paid on the annual lease costs to its corporate siblings. Now, while this would benefit corporations by trading large initial sales tax payments for much smaller, annual taxes in aircraft use, the concerns of our airports are with the loss of that clearly defined sales tax and instead trading it for the potential of significantly smaller future use payments. As an example, a very moderately priced corporate aircraft might be able to be purchased for-- just to make the math easier for me-- \$10 million. In the current situation, a sales tax of 5.5%, or \$550,000, would be collected. In this proposed situation, the sales ta-- in the proposed situation, no sales tax would be collected at the time of purchase, and instead a use tax would be paid on the leasing price-- in this example of \$750,000. And at a 5.5% taxing rate, a 4-- 4-- 4-- 41,250-- \$41,250 use payment would be made. At this kind of return, it would take us over 13 years to recover what a sales tax would provide in one if in fact that corporate aircraft stayed with the corporation for 13-plus years. In our estimation, this is trading a \$550,000 clear and easily defined sales tax for the potential for annual use payments of less than 10% of what the sales tax would provide. The importance for us is this. First, with-- the sales and use taxes on aircraft directed to the Aeronautics Capital Improvement Fund since 2023-- and again, I, I have to express my-- our thanks for the senators' support in passing LB727 in, in 2023. The Nebraska Aeronautics Commission has had an additional \$5.4 million over the two-year period to support over 60 federally funded and state aid only airport improvement projects in the state. This represents over 65% of the total funds that the commission has had available to support airport sponsors and their capital improvement projects. Second, by providing an assist to local airport sponsors with their required 10% local share to match federal grants, these sales and use taxes have helped support over \$90 million in federal airport improvement program grants coming into the state. And finally, although we only have two years of data to review, we can only be hopeful that by taking some of the burden off of local airport

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sponsors for the entire 10% share-- local matching share, ultimately we can help them reduce their need for local property taxes. If we were to lose the ability to collect sales tax, it would be helpful to go back to my earlier example of the \$10 million airplane. Considering the last two years of commission's allocations, the loss of 550-- of a \$550,000 sales, sales tax collected and being replaced with \$41,250 use payment, that would have meant nearly 10% fewer projects funded and the loss of support for as much as \$22 million in federal grants into the state. Senators, these are funds that we don't believe that we can stand to lose on the supposition that annualized use payments will cover us. Perhaps if we could be presented with documentation from other states as to the benefits of airports of changing this taxing model, we, we could be convinced. But until then, we feel like we need to defend the clear and well-defined sales tax that we have today.

JACOBSON: Questions from the committee? Senator Kauth.

KAUTH: Thank you, Vice Chair Jacobson. Mr. Large, so I-- and I understand the point about kind of a bird in the hand is worth two in the bush, that \$550,000 upfront, but is this also more about the ancillary benefits? So we will be getting sales tax and gas, airport fees, higher staffing levels. I mean, all of those things that go around having more airplanes here, does that balance it out? Or is that the information you'd like to see?

JON LARGE: That's something that we really, we really don't know.

KAUTH: OK.

JON LARGE: We don't, we don't know what those secondary benefits might be.

KAUTH: OK. Thank you.

JACOBSON: Other questions? I guess I have a couple.

JON LARGE: Yes, sir.

JACOBSON: So I, I, I-- we're based in North Platte. We have a-- we have an aircraft. And we bought the aircraft in, in Denver, have it main-- ha-- have maintenance done there because we don't have the mechanics in North Platte to take care of that. Where does the-- I don't know where the sales tax gets paid when we made our initial

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purchase, whether that money went to, to, to-- whether it came in Nebraska or whether it was paid in Colorado.

JON LARGE: I certainly would not be the, the tax expert to ask, but my understanding would be if you bought it in Denver and you registered that aircraft in Nebraska, that sales tax would be paid in Nebraska.

JACOBSON: Where it's, where it's registered.

JON LARGE: Yes.

JACOBSON: OK. So let's assume that's the case in-- I, I need no-- Mis-- Ms. Watson's sitting behind us and she's not giving me a big scowl, so-- I saw-- it's a smile. But-- and she rarely smiles. But--

KAUTH: Wow.

JACOBSON: The-- so I'm, I'm looking at the case here in, in Iowa, for example, that the aircrafts are going to be purchased. And so if it-- if you're going to pay the sales tax, where-- the, the question's going to be, where will you register that sales-- that wa-- that aircraft? And so if you buy the aircraft, your, your company is in Omaha but you register it in Iowa, then does the sales tax get paid in Iowa and then you hangar it in Iowa as well and so-- we seemingly-- I mean, why would I want to pay the sales tax in Nebraska if I can register the aircraft in Iowa, hangar it there-- and, and, and seemingly we're, we're going to lose that revenue, which is what's I think being pointed out in, in, in here. Maintenance is another question. You know, wherever your aircraft's housed, you would prefer to have the maintenance done there unless they don't have the mechanics to do it, then you're going to have to fly it to, to a place that, that, that handles the maintenance for it. I'm looking in Nebraska. We've got air service-- commercial air service coming in, so the FBO has to have a mechanic there to be able to, to do basic things for the airline. Wouldn't-- if, if we could get-- if we went to this particular-- if this bill were adopted, there would not be the incentive to register the ha-- the, the aircraft elsewhere, hangar the aircraft elsewhere. It could be done in Nebraska--

JON LARGE: Understood.

JACOBSON: --at your home place.

JON LARGE: Mm-hmm.

JACOBSON: Your pilots would be obviously staying in the place where the aircraft is unless it's a, a, a very short commute. So I'm kind of back to Senator Kauth's point that it's seemingly the-- we lose all the ancillary business as well as that-- of the sales tax dollars, and that's the part that-- it's-- we're all speculating, but will that offset it and, and accelerate more of those, of those economic benefits to having this bill in place as opposed to getting the sales tax dollars? It's less money to the, to the fund. I mean--

JON LARGE: Yes.

JACOBSON: --you're going to get-- and, and your folks are coming in that you're seeing a loss to your fund.

JON LARGE: Mm-hmm.

JACOBSON: We're maybe looking at it as the state as a whole gets a bigger benefit if they can bring the employees and the ancillary benefit, which-- only the sales tax dollars goes to the aeronautics fund and the state gets the other benefits.

JON LARGE: Yes. And, and, and it-- I think what we don't-- we don't know what we don't know. You know, we, we, we know what that bird in the hand is worth for us and, and what it has done for airport infrastructure in the state over the last couple years. To-- for us to go backwards, not having the sales tax a-- and the, the secondary benefits, the ancillary benefits going to the state does-- it doesn't help our infrastructure, which is really what, what airports are going to be focused on, is, how do we-- how do we support our infrastructure? If, if someone could produce something that would show us a benefit to airport infrastructure in the state, I think we would be-- we would be happy to take a look at that. We, you know, we, we want to be good stewards of the airports that we have out there. That's the infrastructure that, that we all need for this industry to, to operate.

JACOBSON: I got one last question. I'll try to make it clearer. If, if we look at the other states, why do you believe that they went with the, the model that-- being proposed to here?

JON LARGE: I would expect they saw some-- they saw some benefit to that. But if there is some benefit to that, I'd certainly like the proponents to provide that. Show us what the benefit is.

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JACOBSON: I-- and I, I told you-- my last question, but. Are we unique in terms of directing the sales tax dollars col-- previously collected and going to State General Fund but now going to the Aeronautics Capital Improvement Fund-- do other states do that or are we the only state that has basically carved off these dollars and sent it to the--

JON LARGE: I don't have an answer for that, sir.

JACOBSON: So you don't know what the other--

JON LARGE: No, is.

JACOBSON: --your, your, your group in the other states are doing?

JON LARGE: Yes.

JACOBSON: Great. Thank you. Other questions?

IBACH: I have one.

JACOBSON: Yes. Senator Ibach.

IBACH: Thank you, Chair. I'm, I'm kind of feeding off of, of Senator Jacobson's question in that I'm, I'm reading your, your 5-- \$5.4 million over two-year period to support 58 federally funded and state aid only airport improvement dollars. Are those match funds or are they just funds that you've applied for using the 50-- or, using the revenue as your backup as to why you would be able to secure some of those grants?

JON LARGE: Some of the funds-- some of the \$5.4 million went to-- are providing sponsors with 2% of the project costs. So what we're doing is, on a federal-- federally funded project, the federal government will provide 90% of the funds and the sponsor has to pro-- provide a 10% local match. And what we've been able to do with the additional funds that we've had for the last couple of years is to provide sponsors with essentially 20% of that 10% match. So they don't have to rely on their operational revenues or property tax requests to come up with that, with that 10%.

IBACH: OK.

JON LARGE: Is that-- did I--

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IBACH: Yeah. That's--

JON LARGE: --answer your question?

IBACH: Yeah. I just wanted to know what that--

JON LARGE: Sure.

IBACH: --percentage was--

JON LARGE: Mm-hmm.

IBACH: --to know if you really-- I mean, if all of your revenue could be matched through the programs or the 58 funded programs, if you had to have match dollars to, to be able to acquire those grants--

JON LARGE: Now, there have been a percentage of that \$5.4 million that have been used for state aid projects. So under our state aid program, if you're not eligible for a federal project-- and, and some projects have a lower priority-- the state has provided up to 90% of the costs of that project just so that something like that can be done. And that is the only way that airports like Chappell and Bloomfield-- we've made significant investments in the growth of the Blair Airport over the last couple of years with state aid only dollars that we would not be able to do if we didn't have these, these sales tax funds.

IBACH: Thank you.

JACOBSON: Other questions? All right. Seeing none. Thank you for testimony.

JON LARGE: Thank you.

JACOBSON: Other opponents? All right. Seeing none. How about anyone wishing to speak in a neutral capacity? All right. Seeing none. Senator von Gillern, you're welcome to close. Oh, yes. And we had-- how many do we have here? So I have one-- there's two. We had 2 opponents letters and 0 neutral and 0 proponents. Thank you.

von GILLERN: Thank you, Vice Chair Jacobson and committee members. Really appreciate the testifiers on both sides of the issue because it helped add clarity. It-- it's a little bit of a complicated, in-the-weeds tax issue. One of the-- couple things that I want to make very clear: this is not a tax exemption bill. We're not bringing

an exemption for anything. This is a clarification to a rule that De-- the Department of Revenue issued-- I think the, the comment was five years ago-- that changed how this was-- this taxation was applied over a long period of time. Not faulting them. They felt that that was the best, the best ruling at the time. I believe that there's a better, a better way to go here. This is an economic development matter. The-- and this is where it becomes a challenge for some of us to think through this because we all want to do the-- and I, and I appreciate those that can do the math very well on our behalves, because that's, that's very helpful. But at some point, you have to-- you have to believe that making a more favorable environment will generate a larger economic benefit by bringing more individuals and more-- in this case, more aircraft into the state. We know for a fact that aircraft are being housed in other states for these very reasons. The personal property tax issue came up, and, and that's a conversation for another day. And, and I know for a fact that that's, that's a reason that some folks house their aircraft in different states. But if we can resolve this part of the conversation, it will go a long way towards, towards moving folks back here. Again, it's an economic development issue. This is no different than other leases are charged. When I had the-- my construction business, we had a separate company that held our equipment and leased it back to the company for a number of different purposes. One of the, the reasons for that in aircraft, of course, is liability. There-- there's to hold that, that aircraft and a separate entity gain some liability protections and some insurance protections. We did reach out to one of the larger aircraft authorities in the state then, and they were not concerned about the, the infrastructure dollars that-- I'm not-- I don't want to belittle Mr. Large's comments because, as I said in my opening, I absolutely don't want to do anything that, that harms the ability to maintain and expand our aircraft infrastructure in the state, because that's equally important to bring an aircraft here. So-- I'm just looking through my notes here. I think I covered everything I had to say. I happen to-- happy to take any other questions.

JACOBSON: Questions? I do have one that'll be a quasi-comment, I'm sure that'll surprise you. But maybe to clarify your last comment here. AIP projects, we're to-- we're talking about getting 90% federal funding, or the target or the maximum would be 90%. And it's all got to be air-- the-- there-- there's a lot of comp-- I guess, caveats that go with that. But you're going to need to get approved

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by the feds. And then you're going to have to come up with your 10% plus--

von GILLERN: Sure.

JACOBSON: --locally. And really, this, this program was designed to help smaller airports in particular--

von GILLERN: Right.

JACOBSON: --come up with the 10%, or they've got to charge property tax to come up with their share.

von GILLERN: Gotta find it somewhere.

JACOBSON: But, but it's not automatic that you just-- wow, we've got the money, we got this project, let's just go do it. You-- you're still going to need federal approvals. And so they're not-- there's just not an unlimited amount of money. So if we put more money in this fund, we're going to get all this federal money. You know, that-- there's only about so much federal money that's going to come, so.

von GILLERN: Yeah, and, and the, the project that, that Mr. Large mentioned that I'm most familiar with is the Blair Project because I, I, I lived not far from there and, and I've seen that expand over the period of years and I've seen the number of aircraft that are housed there expand dramatically. I did, I did have another comment, Senator Dungan's question earlier. I just-- I sat down and made a quick, quick list about what the impact and-- and Mr. Cheung mentioned many of these, the personal property tax fuel. I think jet fuel's about \$6 a gallon right now. And the, the big planes take a couple thousand gallons. Hangar leases, maintenance, some of these larger planes you can easily spend six figures on an annual inspection-- which is required annually, interestingly. So, so that generates a lot of money. Pilots that are housed here that stay here that are ready to deploy, their wages. And then of course mechanics and good aircraft mechanics are in, in high demand and, and make a, make a good wage. So there's a lot of economic benefit from having active and viable airports and aircraft in, in the state, so.

JACOBSON: Other questions? It does give me a little indigestion when you talk about the cost for the annuals, so-- I, I, I-- thanks for reminding me of that.

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VON GILLERN: Anyone who has-- either has owned or is adjacent to the ownership of an aircraft can tell you that the purchase price is the easy part.

JACOBSON: That's right.

VON GILLERN: So.

JACOBSON: That's right. All right. No other questions? Thank you.

VON GILLERN: Thank you. Appreciate it.

JACOBSON: This concludes our hearing on LB757. And our next hearing is on LB759 [SIC: LB749], Senator Sorrentino. And Senator von Gillern, are you coming back or are you--

VON GILLERN: I will be back [INAUDIBLE]--

SOVIDA TRAN: LB749.

JACOBSON: All right. Oh. LB749.

VON GILLERN: --3:30-- I-- it'll be close, but [INAUDIBLE] before [INAUDIBLE].

JACOBSON: Thank you. Welcome, Senator Sorrentino, to the Revenue Committee.

SORRENTINO: Thank you, Vice Chairman Jacobson. Thank you, Revenue Committee. I have-- I bring you today LB749. My name is Tony Sorrentino, T-o-n-y S-o-r-r-e-n-t-i-n-o. And I represent Legislative District 39: most of Elkhorn and all of Waterloo and Douglas County. This bill, LB749, is a bill brought to me by the Nebraska State Auditor, Mike Foley, as a cleanup bill for his office. It is ex-- almost embarrassingly straightforward. In accordance with Nebraska Revised State Statute, 77-2,139.03 [SIC], Section 1, the Auditor's Office annually provides the Department of Revenue a list of the bond and nonbond tax request amounts from the most recent-- recent budgets filed by incorporated municipalities. The Department of Revenue already receives this information as part of the certification process of the certificate of taxes levy. That's called the CTL. They already get it. So they're now getting it from two sources. This bill would eliminate the need for a duplication of efforts from the Auditor's Office. In some instances, the valuation information frankly has changed and the CTL reports would be far more accurate.

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LB749 simply cleans that up and would eliminate the Nebraska State Officer's-- Auditor's Office from having to provide the information that is already duplicated in the CTL. There is no fiscal impact and would simply streamline the process for the Department of Revenue in calculating state aid provided to municipalities. Thank you. And I would be happy to answer any questions.

JACOBSON: Any questions for Senator Sorrentino? All right. Seeing none. Thank you. I would ask for any proponents to please come forward.

CRAIG KUBICEK: Good afternoon, members of the Revenue Committee. My name is Craig Kubicek, C-r-a-i-g K-u-b-i-c-e-k. And I am the Deputy State Auditor. I'm going to keep this really short. I think this bill is pretty state-- straightforward. This would eliminate the need for duplication of filing with the Department of Revenue. As Sorrentino-- Senator Sorrentino already mentioned, they already get this information as part of the CTL. Auditor Foley and our office appreciate looking for efficiencies in government, and this is one way to do it, eliminate the duplicate filing. So that's basically all I have. Just-- we brought this forward as part of our testing and, and are eliminating some of our procedures, so. With that, I'll answer any questions that you have.

JACOBSON: Questions from the committee? All right. Seeing none. Thank you for your testimony. Further proponents? Anyone else wishing to speak in favor of LB749? Seeing none. How about opponents? Anyone wishing to speak opposed to the bill? Seeing none. Any neutral testifiers for LB749? All right. Seeing none. Senator Sorrentino, you're welcome to close.

SORRENTINO: And I waive.

JACOBSON: And he waives his close. We had 0 online or ADA comments. That concludes our hearing on LB749. And we'll go to LB900. And that would be Senator Lonow-- Lonowski. I wondered why you were here. Go ahead. You can proceed.

LONOWSKI: Good afternoon, Vice Chair Jacobson, members of the Revenue Committee. Thank you for this hearing. For the record, my name is Senator Dan Lonowski, D-a-n L-o-n-o-w-s-k-i. And I represent the 33rd District. I introduced LB900 at the request of Nebraska Association of County Officials, NACO. This bill is part of an effort brought by NACO to have fees reflect the cost of the service being provided.

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This bill would adjust the fees for issuing distress warrants. When real property taxes become delinquent, tax sale certificates are sold to investors. After three years and nine months, the investors can begin foreclosure. Or if the value of property is less than \$25,000, they can seek a tax deed to obtain a title to the property. Distress warrants are used to collect delinquent taxes on personal property as well as mobile homes, cabin trailers, and manufactured homes. These latter three-- mobile homes, cabin trailers, and manufactured homes-- are considered real property for some aspects of taxation but are treated like personal property when taxes are delinquent. When personal property taxes become delinquent, the county treasurer sends a letter to the owner of the personal property or the mobile home or cabin trailer by September 1 to notify them that a distress warrant will be issued. The distress warrant itself must be issued on or before November 1. Then the county sheriff attempts to collect the taxes or levy on the property of that same owner. If they collect, they currently receive a \$2 fee plus \$1 for each levy plus mileage. There is also a commission of literally pennies on the dollar. All of these are turned over to the county treasurer and deposited into the county general fund. The bill would increase the fee for issuing distress warrants from \$2 to \$20 to more accurately reflect the cost of incurred-- by county sheriffs in collecting delinquent personal property taxes. The rate was last increased in 1989, when it was raised from \$0.50 to \$2. The fee was \$0.25 in 1947. This same fee increase was proposed last year in LB468 as part of the rightsizing of fees in LB468-- the bill to reduce inheritance taxes-- and provide replacement revenue to counties. To be clear, however, this is a rate change which should have happened regardless of the cover of the cost to the government. In this bill, the \$1 fee for levying the distress warrant would be rolled into that \$20 fee. Sheriffs would continue to collect mileage, but convoluted procedures about parading the mileage among trips would be eliminated. The commission of \$0.10 of sums collected up to \$100 and \$0.08 on amounts in excess of \$100 would be adjusted to change rates at \$500,000-- excuse me-- at \$500 rather than \$100 to reflect inflation, but the rates themselves would not change. This bill isn't a policy change. It's an effort to make fees reflect the cost of services. It costs that much just to per-- produce or pur-- to prepare all of these bills and all of these services. I encourage you to include this in a committee bill. Jon Cannon has sent his-- one of his people over here from NACO-- I believe it's Elaine-- and she will be following me up for any questions. Thank you. That concludes my opening. And I respectfully ask for the passage of this bill. Are there any questions?

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JACOBSON: Questions from the committee? Looks like Elaine has all the answers, so we're [INAUDIBLE].

LONOWSKI: I hope so.

JACOBSON: Will you stay for close?

LONOWSKI: Yes, sir.

JACOBSON: All right. Thank you.

LONOWSKI: Thank you.

JACOBSON: Proponents. Elaine, you're up.

ELAINE MENZEL: One sec. Good afternoon, Senator-- or, Chai-- Vice Chair Jacobson and members of the Revenue Committee. For the record, my name is Elaine Menzel, E-l-a-i-n-e M-e-n-z-e-l. Here today on behalf of the Nebraska Association of County Officials, as promised by Senator Lonowski. First, we would like to express a great deal of gratitude to Senator Lonowski for his introduction of this legislation and also for the very detailed overview of the basis of-- for our request to introduce this. The information that I've provided to you also provides you what should be reflected and the fiscal note with respect to the number of some of the distress warrants that were collected over a period of time. I-- I'm not going to take a lot of your time because, as I indicated, Senator Lonowski did a very good job on his introduction. I will just say I do have a backup that will be able to better answer the real questions, and that is Deputy Sheriff Ted Huber from Buffalo County. So with that, I will attempt to answer questions you may have of me, but thank you again for your time.

JACOBSON: Questions? Senator Dungan.

DUNGAN: Thank you, Vice Chair Jacobson. Thank you for being here. I-- I'm trying to just broadly understand sort of the process that we go through here, and I think Senator Lonowski and your handout both do a good job of going through that. Just to oversimplify this, who's paying this fee right now? Like, who is the fee actually being paid by?

ELAINE MENZEL: Oh, gosh. You, you are catching me with a response I'm not positive-- I, I me-- I know it's paid to the sheriff, and so it's--

DUNGAN: I'm trying-- that's what I'm trying to understand is, who's going to be bearing this-- because it seems like what we're talking about here is not a-- to, to put it bluntly, it's not a significant increase in revenue for the counties. I think the fiscal note says about \$200,000, \$193,000-ish NACO thinks is going to be collected, \$205,380 over the next annual increase. We're not talking about a lot of money, but it is a big increase, \$2 to \$20. Whether we're talking about inflation or not, that's a very large increase. And so I'm trying to understand who's going to actually be paying that increased amount.

ELAINE MENZEL: Let me think through this. It's-- for purposes of tax collection-- I-- I'm going to defer to--

DUNGAN: Well, I, I, I--

JACOBSON: My understanding is, is that it would be paid by the person who you're assessing.

ELAINE MENZEL: Yeah.

DUNGAN: That's-- OK.

JACOBSON: There would be an additional cost to them because [INAUDIBLE].

ELAINE MENZEL: Whi-- which-- yeah. That makes sense because they're delinquent. It's the delinquent in terms of--

DUNGAN: And, and I think that that's the point I'm trying to get at, Senator Jacobson, and I, I think maybe you're making the same point, which is the individuals who already can't pay are being assessed a higher fee. Is that-- am I, am I correct in my analysis of that?

ELAINE MENZEL: Well--

DUNGAN: And again, I don't want to put you on the spot. We can ask that question of other individuals as well.

ELAINE MENZEL: It, it makes sense that that's probably what's happening. However, it's a fee that's not getting paid. And I suppose you could create an analogy that it's like the additional interest you impose for purposes of failing to pay. If they're not doing it for bad behavior reasons rather than the fact that they can't pay, perhaps there's that distinction.

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DUNGAN: Sure. And I think that that's my, my broad point, is I-- I'm concerned that we're increasing the fee on individuals who can't already pay. And perhaps that may be the right or wrong moral answer, but, from a financial perspective, I just don't know if we're ever going to recover that money or if it adds to that continued interest or financial burden they have. So we can suss that out as we go by, but that's what I was trying to get to. So I, I appreciate your information.

ELAINE MENZEL: Well-- and I'm hoping that my follow-- or, the individual following me perhaps will be able to clarify that--

DUNGAN: Perfect.

ELAINE MENZEL: --for-- to a better extent. If not, I'm sure that my boss would be glad to have a further conversation with you on the issue.

DUNGAN: Mr. Cannon knows where to find me, and vice versa.

ELAINE MENZEL: I, I-- I've heard that.

DUNGAN: Thank you.

JACOBSON: Other questions from committee? All right. Seeing none. Thank you.

ELAINE MENZEL: Thank you so much. I really appreciate your time.

JACOBSON: Other proponents for the bill.

THEODORE HUBER: Good afternoon, members of the Revenue, Revenue Committee. My name is Sergeant Theodore Huber, T-h-e-o-d-o-r-e; Huber, H-u-b-e-r. With the Buffalo County Sheriff's Office. I'm here on behalf-- testifying on behalf of the Buffalo County Sheriff's Office and the Nebraska Sheriffs' Association. I'm here to testify in support of LB900. And thanks to Senator Lonowski for introducing the bill. This bill seeks to bring the fees related to the-- this tax collection tool of distress warrant more in line with the actual costs experienced by Nebraska sheriffs' offices and county governments. Every year, the sheriff's office receives a spade of tax distress warrants from the county treasurer pursuant to law for the forcible collection of the delinquent personal property taxes on mobile homes and other personal property. The sheriff's offices' involvement only comes after the treasurer has first mailed out the

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initial-- your statement is due on or around December-- and then the following September, you're late, this is your final notice. Followed up with November, the sheriff's office receives the tax distress warrant. These fee increases only pertain to that last group that haven't paid upon demand from the treasurer's office. It's at that stage that the sheriff's office begins the enforcement action designed to collect the unpaid tax in cash or, when unable to collect it in cash, through the levy and sale of personal property. The bill seeks to update the cost of these actions to more closely reflect the actual amount of resources involved in the collection process. As stated, the \$2 hadn't been raised since '89. The commission parameters mentioned in the bill haven't been changed since 1965. I would like to thank you for your support and your consideration. And can answer any questions you may have, including the ones I think that, that were already asked.

JACOBSON: Go ahead.

DUNGAN: Thank you, Vice Chair Jacobson. Just-- yeah, to reiterate, I'm just trying to better understand who pays that fee. If you could walk me through kind of what that process looks like from your perspective as law enforcement, I'd really appreciate that.

THEODORE HUBER: So the short answer to your question is, is, when we're successful in collecting the, the delinquent tax that everyone else had paid, that, that, that aren't delinquent, it, it comes from the tax debtor. When we're unable to collect anything-- which, which happens. We try to limit it as, as best we can, which-- but when we don't collect anything, then we don't collect the \$2 or the \$20, whichever the case may be.

DUNGAN: Thank you. I appreciate that clarification.

JACOBSON: Senator Kauth.

KAUTH: Thank you, Vice Chair Jacobson. So, so it's a question of the person who incurred the debt has to pay it versus all of the rest of the taxpayers in the county who would have to absorb those costs because you're not able to pay for it with \$2.

THEODORE HUBER: That-- that's exactly right. It-- it's, it's specific to the, to the tax debtor. In terms of-- there, there was que-- a question about, you know, the, the financial situation of, of the subjects that this applies to. There are two opportunities, as I

understand-- now, it's a little bit out of my area, but there are two opportunities for those individuals to escape this tax, and that is that they-- during the treasurer's process, they can inform in writing, I believe, the sherr-- the treasurer's office that they're indigent and unable to pay the taxes. And then upon the sheriff's office's involvement in making contact with the same individuals, they again have the opportunity to declare to the, to the sheriff that they, they are unable to handle this financial cost. At which point, the sheriff doesn't-- there's nothing to collect-- reports back to the treasurer and ultimately the county board the same. And those-- I, I don't--

JACOBSON: Senator Sorrentino.

SORRENTINO: Thank you, Vice Chair Jacobson. A comment and a question. It's Nebraska State Statute, 77-1720, does say that the party to whom a distress warrant is issued has to pay that fee. So we've got that out of the way. In, in the areas of the state that I live in, Omaha area, serving warrants is one of the most dangerous things that a police officer, a sheriff can do. Is that what you encounter in these situations a lot of time, or not?

THEODORE HUBER: It's, it's, it's unpleasant. It's, it's difficult. We're met with hostility. But it's--

SORRENTINO: Time-consuming.

THEODORE HUBER: Time-consuming. But it's not-- I-- I'm not gonna say that it's the same thing as when you're arresting someone on an arrest warrant and taking their freedom away. This is, this is different, but it-- we're-- it's not popular.

SORRENTINO: OK. Thank you.

THEODORE HUBER: It's challenging.

JACOBSON: Other questions from the committee? All right. See none. Thank you for your testimony. Appreciate it.

THEODORE HUBER: Thank you.

JACOBSON: Any other proponents? If not, are there-- is there anyone here who wants to speak as an opponent? All right. Seeing none. Any neutral testifiers? Thank you. Senator Lonows-- Lonowski, you're--

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I'll-- and I'll mention we had 2 proponent letters, 0 opponent letters, and 0 ADA.

LONOWSKI: Thank you, Chair Jacobson. And thank you, committee, for hearing me. And Senator Dungan, I don't see this like as a fee but as a fine for not following the rules. Last year, I got a parking ticket downtown Lincoln. Didn't know the rules, I guess. Ignored it. And then it went up \$5 when my wife got it in the mail at our house. So not only did I have to pay more, I got chewed out for not paying on time. So I-- it's not really a tax increase, it's, it's-- I see it as a fine for not paying your taxes on time. But, but more so, I see the fact that, OK, someone had to create some more paperwork, someone had to deliver that to the sheriff. Sheriff had to assign it to a deputy. A deputy had to drive to wherever this may be. So yeah, I, I, I think it's reasonable-- but-- reasonable, but I just want to thank you for listening to me. And are there any other questions?

JACOBSON: I, I guess I would just-- I, I should have probably asked the sheriff how many Christmas Eve stops he's made, but this is--

LONOWSKI: Just one that I know-- no, I'm kidding. I'm kidding.

JACOBSON: That's what I figured. This-- this is much like an unsecured loan where, like real property, [INAUDIBLE] close on the property, these-- you're-- there's really no recourse. They either pay or they don't pay. And I'm sure you could ultimately bring charges and put them in jail if you wanted to. But, but really, what we're doing is, from what I can see from this bill and what you're trying to bring is we were at \$0.25 in 1947. I don't know what the inflation would be. I'm sure that Senator Sorrentino could get us the number, let us know what that inflationary amount has been to get to \$2. But probably the jump from where we are today to \$20 is a lot, but from \$0.25, it's, it's totally negligible, so it's all-- where, where do you begin running a calculation? But I appreciate the effort to modernize our fees. It's probably another reason why we need to look at this more often just to stay within where we need to be. But thanks again for bringing the bill.

LONOWSKI: Thank you. Appreciate your time.

JACOBSON: Thank you. That concludes our hearing on LB900. And our next hearing will be on-- the next two bills will be combined. We're going to be combining LB848 and LB865. So what we'll do-- the procedure will be that if-- we'll have both of the sponsors submit,

do their open, and then we will ask for support and opposition. We will ask that if you want to speak on both bills, fill out two green sheets. We will also ask you to, to be clear on which bill you're supporting. And if you're support-- and if you're speaking on both, then let us know that. And with that, I'm, I'm glad to see that, that Senator Cavanaugh came here to, to join us. Hang on just a second. I-- we'll start with Senator Cavanaugh. And we've already told himm that you will, you will open on your bill. We'll also have an opening on Senator Prokop's bill. And then there'll be a joint hearing. So then we'll let proponents come up and speak and let us know which bill they're speaking on. And they will each have a green sheet for whichever-- if they have two bi-- they want to speak on both, two green sheets would be appreciated.

J. CAVANAUGH: Thank you.

JACOBSON: Welcome to the committee.

J. CAVANAUGH: Tha-- thank you, Vice Chair Jacobson. This is my first bill of the 2026 session. Good afternoon, members of the Revenue Committee. My name's John Ca-- Senator John Cavanaugh, J-o-h-n C-a-v-a-n-a-u-g-h. And I'm here to introduce LB848, which would create a back-to-school sales tax holiday during the first weekend in August. At a time when prices of everyday household items continue to rise, LB848 is a simple way to provide families with a break, if only for a weekend. Modeling after legislation which passed in Missouri, LB848 would exempt certain items from sales tax starting at 12:01 a.m. on the first Friday in August and ending at midnight on the following Sunday. The items include clothing, school supplies, computer software, graphing calculators, and personal computers or computer peripheral devices. Items must be purchased for personal use only. The bill contains dollar amount limits for each item. These dollar amounts are from the Missouri law, and I'm willing to consider other dollar amounts or additional items such as child care supplies included in LB865. I recognize the Legislature's facing a shortfall-- largely of its own making. I expect that much of the next few months will be spent debating the priorities of state funding both in this committee and the Appropriations Committee and on the floor of the Legislature. I introduced LB848 to make sure that we are-- that, as we're having those debates and discussions, we don't forget about everyday Nebraskans and their expenses. I want to thank the committee for scheduling a joint hearing with Senator Prokop's LB865. I'm also supportive of Senator Prokop's idea and have signed on to his bill as a cosponsor. I think either of these bills would be a good step

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toward providing relief for everyday Nebraskans. And I'd be happy to take any questions.

JACOBSON: Yes, Senator Murman.

MURMAN: Yes. Thank you for bringing the bill. Wouldn't that be a nightmare for retailers to try and figure out what, what they would char-- what items would be-- have the sales tax and which ones wouldn't?

J. CAVANAUGH: Well-- so I think the retailers will be here to speak on that matter, but it's been done in other states. I mean, for the longest time, li-- being somebody who lives in the Omaha metro area, every back-to-school year we hear about people going over to Iowa. And they're, they're able to do it in Missouri and Iowa. I think the retailers in Nebraska can figure it out.

MURMAN: Thank you.

JACOBSON: Other questions for Senator Cavanaugh? Senator Dungan.

DUNGAN: Thank you, Vice Chair Jacobson. Thank you for being here, Senator Cavanaugh. I'm looking at the fiscal note, and I'm just curious, do you have any idea how they came to the conclusion of those numbers? Because-- I, I just don't know how you would estimate that. So I'm curious if they've given you any details as to what that fiscal note means or looks like.

J. CAVANAUGH: We got the fiscal note today, or maybe at the end of the day yesterday, and we've reached out and asked a few follow-up questions ourselves and haven't gotten an answer to that. I mean, I can tell you there's, you know, 300-and-some-thousand Nebraska students, although, you know, it's not necessarily-- you wouldn't be checking to see if somebody's going back-- actually going back to school for the back-to-school sale, but these are the items that would be-- and so, you know, I think it's, it's based off of their estimations of sales over that period of time.

DUNGAN: And-- last question. Do you see any other sort of ancillary benefits to doing this? I mean, obviously it's trying to benefit the everyday Nebraskans who are buying these items going back to school. Do you think this would then also benefit any of the retailers in terms of increasing business and things like that for the weekend?

J. CAVANAUGH: I think-- for sure. I mean, it's \$3.5 million, \$3.6 million, is the estimate. I mean, that's potentially more dollars that those families could spend on additional items. So, you know, they-- not necessarily they-- they're going to pocket it, but maybe they'll get, you know, two trapper keepers instead of just one and having to share with their sibling. I was a-- as a high school student at-- I, I went to a school where we got what was called demerits and you would get detention if you got five demerits. And if you didn't have your school supplies, you would get a demerit a day. I got detention because I never had a scientific calculator because it didn't-- didn't decide that that was a family priority to spend money on. And-- so some of my other siblings maybe had scientific calculators and we didn't buy a second one for me. So, you know, I had a few detentions over my sophomore year of high school because I never got a scientific calculator. So I don't-- it's an example.

DUNGAN: Yeah. No, it's a good example. Thank you, I appreciate it.

JACOBSON: Other questions? I, I do have one. What-- is this just applied to state income-- or, state sales tax? What about local option taxes? What about other taxes for EEAs and so on?

J. CAVANAUGH: My, my intention would be that it would be a total sales tax exemption.

JACOBSON: So it would be zero.

J. CAVANAUGH: Right. On-- just for that-- those three days, though.

JACOBSON: Oh, yeah. Three days. Yes. All right. Thank you.

J. CAVANAUGH: All right.

JACOBSON: Other questions?

J. CAVANAUGH: Oh, sorry.

JACOBSON: If not, thank you very much for your opening. And you gonna stick around for the close or--

J. CAVANAUGH: I will stick around.

JACOBSON: All right. Senator Prokop, you're welcome to open on your LB865.

PROKOP: Thank you, Vice Chairman Jacobson and members of the Revenue Committee. Good to be with you this afternoon. For the record, my name is Jason Prokop, spelled J-a-s-o-n P-r-o-k-o-p. I represent Legislative District 27 in west Lincoln and Lancaster County. Here today opening on LB865, that would create a temporary sales tax holiday on certain consumer goods, including clothing, footwear, child care items, and school supplies. You're-- you'll hear some of the same-- similar items that Senator Cavanaugh just talked about, and I'd also add my support to his bill, 8-- LB848. I brought this bill because Nebraska families are facing a rea-- very real affordability crisis-- I'm, I'm-- hear from my constituents-- I'm sure you all do too-- one that's been driven by persistent inflation and rising costs on everyday goods. Prices remain significantly higher than they were just a few years ago, and families are feeling that impact every time they go to the store. At the end of 2025, the Consumer Price Index showed that everyday household costs were still about 2.7% higher than the year before, and the cost of key baby and child care-related items had creased-- increased by about 24%. Senator Dungan, I'm sorry to tell you that as, as someone who's gonna have a new addition of the family here soon. At the same time, prices for educational books and schoo-- school supplies were more than 9% higher than a year ago-- or, a year earlier. These are not discretionary purchases. They are necessities that families cannot easily delay or avoid. LB865 is intended to provide some relief for working families who are struggling just to get by. That relief is especially important during back-to-school season, when families are often required to make large unavoidable purchases all at once for clothing, schools-- shoes, school supplies, and child care items. For many households, even a modest tax break can make a meaningful difference when purchasing multiple essential items in a single shopping trip. A temporary sales tax holiday recognizes the financial reality families are facing and offers help at a moment when budgets are stretched the thinnest. A short, targeted sales tax holiday focused on basic necessities helps ease that burden even if only for a few days. That is why 18 states-- and I've circulated a map that has the, the different states that do do a sales tax holiday and the kind of sales tax holiday that it offer-- had that in 2025, most of them scheduled around the back-to-school season. Under this bill-- so a little bit different than Senator Cavanaugh's-- but again, kind of similar focus-- sales and use taxes would not be imposed on qualifying items sold between 12:01 a.m. on the last Friday of July and 11:59 p.m. on the following Sunday. Eligible items included would be care supplies priced at \$100 or less per item, clothing and

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footwear priced at \$100 or less per item, and school supplies priced at \$100 or less per item, with child care supplies clearly defined in statute. In addition to helping families, sales tax holidays can benefit Nebraska retailers by increasing foot traffic and consi-- and keeping consumer dollars in state. I'd note that Iowa and Missouri already have similar holidays in place which draw shopping dollars away from Nebraska. This bill allows us to compete directly and keep more of that spending here at home, which I think we can all agree upon. This proposal ultimately is about acknowledging the pressures Nebraska families are under and offering targeted relief at a time when it's most needed. I thank the committee's time this afternoon and would be happy to answer any questions ye-- you might have.

JACOBSON: Questions for Senator Prokop? Senator Sorrentino.

SORRENTINO: Thank you, Vice Chair Jacobson. Welcome. This is a really easy question. When I look at the dates--

PROKOP: Mm-hmm.

SORRENTINO: --yours is late July.

PROKOP: Yeah.

SORRENTINO: Senator Cavanaugh's-- it's just meant to run for X days consecutively, is that correct?

PROKOP: Yes. Yeah, thank you for the question, Senator Sorrentino. I-- as we were looking at the school calendars and, and when everybody starts--

SORRENTINO: Right.

PROKOP: --different dates and trying to get that aligned, I bumped mine up just a little bit earlier to make sure it, it hit before any schools started because I know some are starting that first week of August already. So it seems like they keep moving up earlier and earlier, so.

SORRENTINO: Thank you.

PROKOP: Yeah.

JACOBSON: Other questions from the committee? Yes, Senator Murman.

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MURMAN: Thank you, Vice Chair. I was looking at the map here. I noticed tax-- sales tax holidays on, like, energy and water and gas.

PROKOP: Mm-hmm.

MURMAN: How do those work? What days are the holidays on those?

PROKOP: I, I don't know exactly. I can't speak to that with any authority. I don't, I don't know if others behind me can, but I did not research that particular piece. I was more focused on the, on the back-to-school items, so.

MURMAN: No problem. Thank you.

PROKOP: Yep.

JACOBSON: Other questions from the committee? All right. Seeing none. Thank you. You sticking around for a close?

PROKOP: I will.

JACOBSON: All right. Thank you very much. At this point, I'll ask for any proponents to come forward.

RICH OTTO: Vice Chairman Jacobson and members of the Revenue Committee, my name is Rich Otto, R-i-c-h O-t-t-o. And I am here to testify in support for the Nebraska Retail Federation on both bills, both LB848 and LB865. Both bills are targeted, commonsense tax relief for Nebraska families by exempting essential back-to-school items from sales tax for one weekend. The main difference between the two, two bills, personal computers are also exempt in LB848, and that's the primary difference that I saw between the two lists, a few other items. From a retail perspective, the bill also supports local business. Sales tax hols-- holidays consistently drive customers into stores, increase foot traffic, encourage shoppers to buy from Nebraska retailers rather going-- rather than going across the state to Iowa or Missouri. This means more sales staying in Nebraska. I do want to reiterate the border bleed issue is probably the primary reason why we think this is best for Nebraska. The page may have handed out the article. There's several other articles that you see each year where Council Bluff retailers typically-- this one doesn't say it's the best shopping day, but they do reiterate how large of a shopping day it is in Iowa with Omaha shoppers coming across the border. I'm-- know I saw another article where they said it was second only to Black Friday after Thanksgiving as far as foot traffic

in Council Bluffs. Missouri also has this, and we know shoppers go there too when it's convenient. Again, we're just trying to level the playing field. That's something that we-- when you look at the dates-- we appreciate Senator Prokop moving up the dates. And I get school is starting earlier and earlier. I have a daughter in grade school. There is an argument that our dates should be different than Iowa. The retailers actually believe it should match the same days as Iowa. Part of that is population based. We just wanna keep Nebraska shoppers here rather than them going to Iowa. Population of Omaha is significantly higher than Council Bluffs. But that's for the committee to determine, but we would encourage you to keep it the same days as Iowa, which I believe matches Senator Cavanaugh's dates. I do want to touch on the fiscal note and-- actually, this kind of aligns with your question, Senator Murman, as far as how retailers can be compliant. Both bills had notes from the Department of Revenue saying that the definitions did not comply with streamlined sales tax. From the retail's perspective, we absolutely want any bill that moves forward to be compliant with streamlined sales tax. Streamlined is the framework that every-- many states that collect sales tax are a part of. This gives consistent definitions, ease of ability for retailers to turn this on and off, where it's-- we have some consistent items and lists across multiple state lines. Without it being streamline compliant, it probably does hinder the retailer. Anyway, I see my lights on. We support the bills. Happy to answer any questions you might have.

JACOBSON: Thank you. Questions from the committee? I, I, I guess I was kind of curious as well as to the cost for retailers to comply and how much of a challenge that would be. I, I would agree with you that it would seem that, that if we're competing with Council Bluff in particular, we would probably want the dates to match or we would just simply have people just splitting their shopping and going between the two. But you, you feel like that in terms of, of retailers being able to update their systems to ha-- take these particular items, deal with all the tax-- the-- all the sales tax they need to collect, and then do it for this-- those handful of days and then back is, is doable?

RICH OTTO: Absolutely. Overwhelmingly, retailers encourage this. Again, we need to get that list and everything compliant. It's very easy for the national ones. Little retailers actually piggyback on the day because usually you'll get a lot of press that it's sales tax holiday day. So a lot of times, our smaller retailers will actually do other incentives, kind of like we do on small business Saturday

and other things of that nature, to kind of double down on the reason for shoppers to come in. And then-- well, Senator Dungan isn't here, but I was going to give an answer to his question, but I'll hold on that.

JACOBSON: Well, I raise that because I think a couple years ago when we were looking at other sales tax-- or, adding sales tax to, to certain items that were-- was it groceries, was it not? The grocers were just having a lot of concern about how we do that.

RICH OTTO: You bring up an excellent point, Senator Jacobson. So streamlined sales tax definitions are the best we have. That doesn't mean streamlined sales tax definitions don't get into the weeds a little bit. And I think Senator Hansen maybe has one on pop and candy. So the candy definition in streamlined is one that is still confusing even though it's the best we have through streamlined sales tax. And so, you know, these are pretty straightforward. The candy definition gets into the weeds, so, you know--

JACOBSON: I, I appreciate you pointing that out cau-- because I think that that does make sense. And, and being compliant with streamlined sales tax is, is critically important.

RICH OTTO: Absolutely. So that's our first thing, that we stay a streamlined state. And I'll stop with that as far as streamline talk.

JACOBSON: Sure. Thank you. Other questions? If not, thank you for your testimony. Other proponents?

CHARLES CARDER: Good afternoon, Vice Chairman Jacobson and members of the Revenue Committee. My name's Charles Carder, C-h-a-r-l-e-s C-a-r-d-e-r. I'm here today to support LB6-- LB865. I'm the owner of Kids 'R' Kids Learning Academy of Southern Hills, where we provide educational care from six weeks to 12 years old. As a child care owner and having a family with four young boys, I'm all too familiar with the ever-increasing cost of goods to help our future generation thrive. The increasing costs in our community is clearly indicated by the fact that minimum wage is being fixed-- minimum wage increases are fixed across the state of Nebraska for a future [INAUDIBLE]. With that said, some families won't see their wages increase. So they will be-- start having to make or continue having to make the hard decisions of if they will be able to get necessities for their child's development or food for their family. The child care tax holiday is needed to show shuppo-- show support for our community by

telling them they are heard and we want to provide them some relief on the budgetary constraints we know they are experiencing. Throughout the year, not just on this particular weekend, parents are constantly faced with the decisions of replacing worn items, keeping up with growth spurts, and providing developmental elements to their household while providing the constant necessities. This tax holiday would allow some to replace the hand-me-downs that have been repaired too many times. The opportunity to get educational and developmental elements added to their environment to help educate their kids, getting some safeguards added because of new milestones, all while lowering the stress of still having enough to put food on the table. I've lived in some communities that have had child supply tax holidays a consistent element to their community and have seen firsthand the positive impact it has on both families and businesses. LB865 will boost the economy for our community while also providing some budgetary relief for these families. I encourage you to support LB865 and to advance it to committee. Thank you.

JACOBSON: Thank you. Questions from the committee? All right. Seeing none. Thank you very much for your testimony. Are there any other proponents for either bill? All right. If not, are there anyone here, anyone here who wants to speak in a neutral capacity? All right. Seeing none. Senator Prokop-- no. Senator Cavanaugh. Excuse me. You're first on your close.

J. CAVANAUGH: Can we give [INAUDIBLE] a chance? Not that I'm looking for him.

JACOBSON: I thought I-- no, I gave them a chance. [INAUDIBLE] didn't stand up.

J. CAVANAUGH: Well, thank, thank you again, committee and-- for the attention on this issue. I think the fact that two people brought this bill shows you two things, is that this is a real issue and that we need to do something about the cost of everyday items for families in Nebraska and that we have an opportunity that's been tried and true in many other places. And, and to Senator Murman's question on what Mr. Otto talked about. You-- so the, the department did flag that there's some definitional wires crossed. We've reached out to the department to figure out how to uncross those wires, and they haven't gotten back to us yet. But we've certainly, as Mr. Otto said, very interested in making this something that is manageable, easy for the retailers, and so that it is a, a good experience for them, for both the families and the retailers. And I was listening to Mr.

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Carder's comments-- and, of course, as a father of four, I very much feel that expense of-- back-to-school shoes is the big one, in my opinion, where you have to go through the pile of shoes that you have and then you sort of shift them down one person each and then you-- you know, you've got to start with the top one, and they get new shoes, and then you shift them down, and then of course the two youngest ones have the same size feet now, and-- so then you've gotta buy another pair of shoes. And it just-- have flashbacks. But, but I, you know, obviously don't have much else to con-- to give to the conversation here, but I do appreciate the conversation. I think this is something that is worth consideration this session. And like I said, I, I picked the date that I picked in part-- I was copying Missouri, but that's the weekend before my kids go back to school. So if there's a better weekend, I'm happy to go with Senator Prokop's suggestion on the, on the time or a different one that would be suggested or-- and obviously, if there are different items that would be-- that were left out of mine, you know, I think a, a, a bill that is in conglomeration of the two would be a great accomplishment. So thanks for your time.

JACOBSON: Questions from the committee? Senator Kauth.

KAUTH: Thank you, Vice Chair Jacobson. Senator Cavanaugh, what are the expected costs? Like, how much does that weekend cost in tax revenue?

J. CAVANAUGH: Well, so according to the fiscal note on my bill, it's \$3.6 million would be the--

KAUTH: In revenue for, for just that weekend?

J. CAVANAUGH: In the tax revenue.

KAUTH: OK. Thank you.

J. CAVANAUGH: Sure.

JACOBSON: As it relates to your bill, does it also take into consideration a local option sales tax and, and EEA, other taxes, or is it just state sales tax?

J. CAVANAUGH: Mi-- mine it-- in-- intends to take care of all of them. So there'd be no sales tax.

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JACOBSON: OK. Being a middle child, I can really appreciate the hand-me-down stuff. You never get new stuff.

J. CAVANAUGH: No.

JACOBSON: That's just-- it, it just-- that's part of the draw.

J. CAVANAUGH: Pre-distressed is what we call it.

JACOBSON: Other questions? If not, thank you for your close. And Senator Prokop, you're welcome to close on your bill.

PROKOP: Thank you, Vice Chairman Jacobson and, and members of committee again. I would, I would echo, if, if there is a better date and, and what Mr. Otto said around alignment with Iowa, if that make-- that makes perfect sense. I'm happy to, to amend in any way, shape, or form that makes the most sense. And then one other item based kind of on the discussion as, as questions were coming around. I do know some states, just in terms of the actual promotion of it-- like Mississippi, for example, they put out a sales tax holiday guide. So you know how you get the catalogs around Christmas time, they put out a sales tax holiday guide to promote it, so. Just to make people aware of the items that are going to be a part of, part of their sales tax holiday. In close, I won't, I won't rehash many of the similar thoughts I'd have with Senator Cavanaugh on this, but I just appeal to your, to your sense and call you back to when you were, were getting ready for-- to start school or maybe your, your child or, or grandchild and how exciting back-to-school shopping is and, and having to pick out that new pair of shoes and having to pick out that lunch box. For me, mine was a GI Joe lunch box. That was kind of my memorable one. So hopefully that takes you back a little bit to, to those good memories and how exciting kids are at the beginning of school, and part of it's just looking, looking their best on their first day. So thanks again to the committee, and appreciate your time this afternoon.

JACOBSON: All right. And before we close-- yes, do you have a question, Senator Ibach? Go ahead.

IBACH: Thank you. Thank you, Vice Chair. I just have one question. I was looking at the fiscal notes--

PROKOP: Yep.

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IBACH: --and trying to compare them, and I know they-- you probably sent them up and they said--

PROKOP: Yep.

IBACH: --ditto. Do you think that Senator Cavanaugh's number is close? Because I--

PROKOP: Yeah.

IBACH: --maybe it's just me, but I don't have anything but Build Nebraska Act's fund in my packet. It may be--

PROKOP: Mine-- yeah, mine is close. Mine is a little bit higher. It's \$3.8 million in '27--

IBACH: OK.

PROKOP: --and then 4.1 in '28, if I have that correct.

IBACH: OK. And then I'm--

PROKOP: But they're very similar. Yeah.

IBACH: I'm assuming that the, that the revenue from the Department of Transportation is a fuel tax.

PROKOP: Right. Yeah.

IBACH: OK.

PROKOP: Yep.

IBACH: All right. Thank you. Thank you, Vice Chair.

PROKOP: Yep.

JACOBSON: I, I would just also say that, that your fiscal notes are simply the state loss of revenue.

PROKOP: Correct.

JACOBSON: So a local option would not be--

PROKOP: Right.

JACOBSON: --included [INAUDIBLE]. Senator Murman.

MURMAN: Yeah. I've just got one la-- one more stupid-- I'm sure this is a stupid question, but couldn't retailers do this on their own? Of course, someone would have to pay the sales tax, so I assume the retailer could pay the sales tax and still do the promotion but put it on Wal-Mart instead of on the state.

PROKOP: Yeah. So that-- so I, I guess if I understand your question, so that the, the retailer would essentially say, we are going to take on the cost of this-- or, we were going to pay the tax for you?

MURMAN: Yeah.

PROKOP: Theore-- I-- theoretically, I guess yes. I don't know practically. I'd look to Mr. Otto on that on, on, on maybe his council, but yeah. I-- so.

MURMAN: I would have put him on the spot--

PROKOP: [INAUDIBLE] that I'm well-positioned to answer that question, I guess is, is what I'll say.

JACOBSON: Other questions? If not, there were 4-- there was 4 proponent testimony, 2 opponents, and-- and that's on, on LB848, and 0 neutral. And as it relates to LB865, 4 proponent, 2 opponent, and 0 neutrals. So with that, that concludes our hearings for today. Thank you all. I'm, I'm guessing that Senator von Gillern would prefer that I did not exec on any of the bills, so we'll, we'll adjourn the meeting.