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Revenue Committee February 11, 2026

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von GILLERN: All right, folks. It's 1:30, and that's what time we start the Revenue Committee. So welcome to our committee meeting. I'm Senator Brad von Gillern from Elkhorn, representing the 4th Legislative District. I serve as the chair of the committee. We'll take up bills in the order posted. This public hearing-- thank you-- is your opportunity to be part of the legislative process and 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 in 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 this 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 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 will begin each bill hearing today with the introducer's opening statement, followed by proponents of the bill, then opponents, and finally, by anyone speaking in the neutral capacity. We'll finish with a closing statement by the introducer if they wish to give one. We'll be using a 3-minute light system for all testifiers. When you begin your testimony, the light on the table will be green. When the yellow light comes on, you'll have one minute remaining, and the red light indicates you need to wrap up your final thought and stop. Questions from the committee may follow. Also, committee members may come and go during the hearing. 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 to facilitate, facilitate today's hearing. 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 outbursts or applause are not permitted in the hearing room. Such behavior may be cause for you to be asked to leave the hearing. Finally, committee procedures for all committees state that written position 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 on the committee statement. I'll

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now have the committee members with us today introduce themselves, starting at my left.

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

KAUTH: Kathleen Kauth, LD 31, Millard area.

BOSTAR: Eliot Bostar, District 29.

JACOBSON: Mike Jacobson, District 42.

MURMAN: Hello. Dave Murman, District 38. I represent 8 counties along the southern interior of counties in the state.

IBACH: Teresa Ibach, District 44, 8 counties in southwest Nebraska.

von GILLERN: Also assisting the committee today to my right is legal counsel, Sovida Tran, and to my left is legal counsel, Charles Hamilton. Far left is committee clerk, Linda Schmidt. The pages for the committee today, please stand and introduce yourselves.

ELIAS REIMAN: Elias Reiman, junior at UNL, studying psychology in the pre-law track.

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

von GILLERN: Thanks for your help today. With that, we'll begin today's hearing with LB1253, and we will welcome up Senator Bostar.

BOSTAR: Good afternoon, Chairman von Gillern, fellow members of the Revenue Committee. For the record, my name is Eliot Bostar. That's E-l-i-o-t B-o-s-t-a-r, representing Legislative District 29, here today to introduce LB1253. LB1253 is a straightforward clarification bill. It makes clear that the updates the Legislature adopted in LB650 last year apply to tax sales certificates that are now maturing and moving through the tax deed and foreclosure process. Significant changes have occurred since the United States Supreme Court's decision in Tyler v. Hennepin County, where the court held that government should not benefit from a delinquent property owner's equity. Since that decision, the Legislature has made targeted adjustments to Nebraska's tax sale process to strike a balance, preserving a reliable mechanism for local governments to collect delinquent property taxes while ensuring that property owners do not unjustly lose their equity.

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LB1253 clarifies that tax sales certificates purchased, beginning in 2022, will proceed under the process adopted last year. The bill looks back to 2022 because under current law, a tax sales certificate holder may not foreclose on a property until 3 years after the purchase date. As those certificates now become eligible for foreclosure, the bill ensures the Legislature's recent reforms apply uniformly and are fully enforceable for all tax sales certificates issued in 2022 or later. We'll have an amendment that we're working on right now. It'll be a really simple one. I don't have it yet for you, but expect it to the committee tomorrow, just to provide some clarity. We've been working with NACO on that, just to ensure that we don't have any unintended consequences. With that, this is an exceedingly straightforward and simple bill. I would appreciate any questions you might have.

von GILLERN: Thank you. Any questions from the committee members? Seeing none, thank you, Senator Bostar. We'll invite up our first proponent.

MARC ODGAARD: Chairman Van Gillen, members of the committee, my name is Marc Odgaard, M-a-r-c O-d-g-a-a-r-d. I am an attorney who has practiced in this area for 5 years and testified before this committee, actually last year, on LB650. I support this bill because it will bring 77-1837.01 in line with the current foreclosure law. The amendment to 77-1909 last year, affects the foreclosure actions on certificates-- tax certificates, and I believe that that amendment was intended to take immediate effect on, on its enactment on May 7, 2025, and to apply to tax certificates issued prior to 2025. However, as 18-3701 is currently written, it would apply the version of 77-1909 that was in effect in 2023 on this year's foreclosure actions. Modifying 18-3701 will align it with the current version of 77-1909 and will erase any ambiguity. With that, I can take any questions.

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

MARC ODGAARD: Thank you.

von GILLERN: Next proponent. Are there any other proponents on LB1253? Seeing none, are there any opponents to LB1253? Seeing none, is there anyone who would like to testify in the neutral capacity?

CANDACE MEREDITH: Good afternoon. My name is Candace Meredith, C-a-n-d-a-c-e M-e-r-e-d-i-t-h, and I am here on behalf of the Nebraska Association of County Officials, NACO, in the neutral position on

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LB1253. And I am, again, here just to-- maybe just to talk a little bit about the historical process of the tax certificates, and appreciate Senator Bostar recommending the amendment to create some clarification for us. So with the tax certificates, what typically has procedurally happened over the years, so as certificates have been modified in statutes, as far as say the expiration of the tax certificate it's gone from 3 years to 6 months, 3 years-- to 3 years, 9 months, or if there's a fee change, or if there's a notification component to it, what happens in our tax certificate process is we have a retroactive statute. So basically, from the date of certificate issuance, we follow that retroactive law. So with the clarification of the amendment, the focus would be on the, the legislation that the presenter before talked about, where they are focusing in on those attorney fees. So again, that's why we're just neutral. Want to provide a history and clarification that with the amendment, we're not really dealing with the certificates, just the after-fact of what happens with foreclosures, or if there's a treasured seat. And I'll be happy to answer any questions.

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

CANDACE MEREDITH: Thank you so much.

von GILLERN: Any other neutral testimony? Seeing none, Senator Bostar, would you like to close? As you come forward, we had one proponent letter, zero opponent, and zero neutral comments online.

BOSTAR: Thank you, Chair. Thank you, committee. I think, 5 years ago, Senator Lou Ann Linehan asked me to look into the processes that were happening around tax sales certificates, and I've had the immense privilege ever since then, every single session, to have at least one bill on this subject. Happy to answer any questions.

von GILLERN: Thank you. Any questions from the committee members? Seeing none, thank you for setting the trend on our hearings today. Presume they'll all go like this. That'll, that'll close our hearing on LB1253, and we will open on LB1257, as Senator Hansen with us. I sure hate to skip his bill. Is he on the way?

He's on his way.

von GILLERN: OK.

You're welcome to.

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von GILLERN: And then I leave.

JACOBSON: And you can't tell what it is. That's true.

von GILLERN: Welcome, Senator Hansen.

HANSEN: Thank you. Sorry for being late.

von GILLERN: Three minutes expired while you were coming in. You're welcome to open on LB1257.

HANSEN: Thank you, Chair von Gillern and members of the Revenue Committee. My name is Senator Ben Hansen. That's B-e-n H-a-n-s-e-n, and I represent Legislative District 16. There have been many attempts made by the Legislature over the years to lower property taxes, in response to the overwhelming demand from Nebraskans across the state. Each year, con-- conferences are scheduled, roundtables are held, and task forces are organized, all in the name of collaboration towards property tax relief. A couple years ago, the members of the Legislature were even called back by the Governor for a special, special session, with the sole purpose of addressing this issue. And still, Nebraska remains among the highest in the nation. Through it all, I have maintained the position that argues a need to stop settling for relief and instead, call for reform-- something I have said probably since the beginning of when I first started running 8 years ago. This is why I have brought LB1257, and I'm calling it the Clean Slate Act. When we make special carve-outs in the form of tax exemptions for certain entities, the overall tax burden falls on the property owner to fund public education and local municipalities. So, I am presenting an opportunity for a reset. With the exception of things like health care and food, all sales and use tax exemptions will be evaluated. Services will also be included in the taxing base. Taxes would be distributed and applied more uniformly across all taxable sources. The increased revenue would be collected and sent to each public school on a per pupil basis. Not only does this move towards a structure that funds students and not systems, it also shifts the burden of property owners the same way other states have done before us. The government shouldn't be picking winners and losers. With the Clean Slate Act, the cap on school levies tied to their property tax request will be reduced from \$1.05 to \$0.60 over the next two years. This isn't relief, this is reform. Funding obligations must be allocated more evenly. Along with creating "substantible" property tax reform and focused funding for students, LB1257 also prioritizes teachers. The Clean Slate Act allows for a 6%

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increase for teacher salaries, instead of pouring money into inflated administrative costs. People are concerned that the Clean Slates Act increases taxes on their specific area of expertise. For instance, laundromats, lawyers, pool cleaners, and soda distributors don't want taxes on their sales and services. Ag communities also want to protect their specific exemptions, but it's time for property owners to be prioritized. Everyone, everyone should contribute. This will be an evolving bill, with continued conversations to work out the details. I understand that after we hear from the following testifiers, revisions will need to be made. For instance, it is written in a way that intends for medical services, medical services to continue to be exempt. I'm hearing we may need to tighten that language. Also, I don't want to double tax, so I'm looking forward to hearing from various entities that would present valuable insights as to which inputs need to exempt. The Department of Transportation brought up the fact that federal restrictions require us to keep exemptions on aviation fuel. I'm good with that. But this is why we-- this is why this conversation is needed. We need to evaluate why we do what we do. I'm going to pause for a second and give you an analogy, hopefully, so you can picture this a little better. If you, if you imagine how we have dealt with sales tax exemptions and, and taxing on services over the years or decades, it's kind of like a-- an old mansion on the hill that's decrepit and abandoned. It has dust in it and has cobwebs, and we just kind of keep every once in a while throwing stuff in there. And it's a really big mansion and every once in awhile we think we want to change it by picking apart a few things or taking the east wing off, or doing this kind of stuff. With this bill I want us to imagine how we incorporate sales tax in the state as more of a new foundation that we will build on, not from the top down, but from the ground up, kind of like a nice 3-bedroom ranch, with a couple-- you know, a couple garages with a nice lawn. That's what I'm hoping to do with this bill: start fresh, and now it's up to them to come to us to justify why they need a sales tax exemption. And I'm going to reiterate what I've told many of you already, the purpose of this bill is the more sales tax exemptions we give, the less we tax on services, such as what South Dakota has done over the years, the more we were taking away from property tax owners. So we have to justify that with ourselves. If we think an industry needs a sales tax exemption, which some very well might need to, that's less we get to help the property tax owners of the state of Nebraska. I've been talking with many of the ag communities, and they have numerous sales tax exemptions. And so I went to them and said, you know what? Say you have 10 or 15 sales tax exemptions, give me your top 3. Let's put it in the bill. But they

also need to convince the body, and maybe you, as a committee. That's how I'm going to approach this. The more we get from sales tax exemptions, the more we get from rearranging the Property Tax Credit Relief Fund, the more we get to do our part funding the schools and take the burden off the property tax owners. If you look at the fiscal note, which has a few pages to it, the, the numbers are astronomical and came as a surprise. However, it is telling to how much we dish out in tax exemptions when property owners are drowning and being kicked out of their homes, our state, and their future. There are obviously more questions that need to be answered, and I have talked with other senators about how we can build upon the proposed taxing structures in LB1257 and level out the impact. I'm viewing this as kind of a living document, colleagues, as something that isn't set in stone. We need to build on this, but we need some kind of direction. I've heard this from almost every senator here. We know what we're doing isn't right, and we need to find-- figure out what to do. So I'm trying to keep this almost-- as complex as a situation this is, I'm try to keep this as simple a solution as I can. Because as many of us know who have been in this body long enough, the more complicated we make any kind of property tax reform bill, the less likely it's going to get voted on. It takes one senator to get confused about a certain portion, and they just don't want to vote for it. So I'm trying to keep this as simple as I can. I have been working with other colleagues, as well. For instance, Senator Brandt, I've been talking to him about his bill that has to do with capping property tax asking at 2%. I think if we're forward-thinking, that would not be a bad idea to incorporate into this bill. His bill, I feel, if we look at property taxes as a, a ship on the ocean, his bill patches a big hole that's filling up the ship. My bill is steering us away from the iceberg. So with that, I anticipate compelling testimonies. And as you hear the testimonies today, ask yourself, if we keep this exemption, are we OK with the property owner paying for this? Either way, I'm appreciative of your consideration of LB1257, and I will do my best to answer the questions that you may have. Thank you, Chair.

von GILLERN: Thank you, Senator Hansen. Questions from the committee members? I'll just make a few question-- or hopefully have some questions, not just comments. Again, I appreciate it. I want to make sure I hear what, what you have said, and-- so I can remind the room. You're-- this is not-- if I'm hearing what you said properly and you, you'd tell me, this is-- don't come forward and say my ox is getting gored with this particular exemption that's going away. You're asking folks to look at this at a global perspective in, in a-- [INAUDIBLE]--

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maybe higher, higher than a 30,000-foot view. Is that, is that correct?

HANSEN: Yeah. Perspective is a lot with this bill, right?

von GILLERN: OK.

HANSEN: Over the years, we-- they come to us and say, don't get rid of our exemption because of X, Y, and Z.

von GILLERN: Right.

HANSEN: I want them now, come to us, and say, this is why you should give us an exemption. Justify the need.

von GILLERN: Then my other question in, in looking at the fiscal note, and if I read, if I read this correctly, and if I read the bill correctly, this does not-- and this is not a criticism. I want to make sure I understand the math. This does not result in a net decrease in taxes collected. It's what was formerly collected via-- or what would have been collected and now will be collected, due to the exemptions going away, would go towards property tax relief. So in the net global, I'm a Nebraska taxpayer, total, total revenue or total tax obligation standpoint, it's a net zero impact. Correct?

HANSEN: That is the goal. So basically, the money that we allocate to the School District Property Tax Relief Act, along with the sales tax exemptions, will go towards the schools on a, on a per pupil basis, which again, we're ironing that out. And I'm actually working with Senator Hughes on a few things that she has that actually make sense, about decreasing the valuations percentage on ag land and commercial and residential, along with kind of creating somewhat of a range of levies, and using that towards the school funding, and then lowering the levy proportionally on schools, depending on what we can do, as a state.

von GILLERN: OK

HANSEN: I, I showed Senator Clements the, the fiscal note. And I told him, I think I got the record this year of the most amount of revenue on a fiscal note. And it says \$6 billion, and I said, don't-- and he-- I think he's-- he got that-- you know how he gets that gleam in his eye? He's like, you got me excited. I-- don't get too excited, because we're-- that-- that's going to get chipped away at, which makes sense. I'm good with that. I think we just need to be ver-- we need to treat

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this with a scalpel, not with an ax, and make sure that we can give property owners in the state as much relief from this reform bill as we possibly can.

von GILLERN: Senator Jacobson.

JACOBSON: Well, thanks for bringing this bill, because I think it's-- and approaching it the way you have, because I thinking we're going to be able to hear from people to-- if they-- if they're listening to what you said, is, is give us those justifications. And more importantly, we've had a number of proposals, as we all know, you've been here this year, last year. You've been here eight years. You you've heard every you've heard every proposal, I think. But there's more coming. OK. We-- we've heard EPIC tax. OK. EPIC tax would just say, these taxes are banned, so pretty much, this is the stuff you got left. If, if, if EPIC were law, we would be taxing all this and more, probably, to be able to raise the revenues that we need to raise. But I, I, I like the approach here because I like to look at the community college operating expenses, which is something that was done, I think, the first year I was down here, to remove that off the property tax rolls and have the state pick it up. Now, I haven't heard a lot of people saying thank you for reducing my property taxes because that usually doesn't happen, but, but we did, by-- to the tune of about \$300 million. So I think your focus is that-- if I get it right and I think I understand where you're here-- is that schools and the education of our children is the responsibility of the state to do statewide. And unfortunately, it's funded predominantly with property taxes. Now, the Legislature gives a lot of money to school-- public school education, but a huge piece of that, the biggest part of our property tax bills is education.

HANSEN: Yeah. And we recently, as you know, have, with the foundation aid, \$1,500.

JACOBSON: Right.

HANSEN: And the, the change in SPED that we have done, the state has taken more of a share, but we haven't seen those property taxes come down.

JACOBSON: No.

HANSEN: This will only work if there's immediate property tax relief. If, if--

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JACOBSON: And, and permanent.

HANSEN: Yes. If that doesn't work, I'm pulling this.

JACOBSON: Yeah. This, this is where we get back, again, to where what I loved about the community college thing was that we ripped the band-aid off. You are no longer able to, to assess for operating expenses. That's gone. As long as the state fulfills their piece, you can't go after the property taxpayer. It seems to me that with the approach that you're looking at here with the dollars you're trying to raise, we would be attempting to virtually reduce school property taxes, have the state pick it up, fund it with this, and now local political subdivisions be funding counties and cities and the other political subdivisions, but not schools.

HANSEN: Yes. The 2 things you touched on are kind of what this bill is trying to do. It's not going as far as EPIC. Some people might call it EPIC light. You mean, but we're not saying ban all these and that's the way it's going to be. We need to listen to people and then we need to have them justify why they need-- they get a sales tax exemption. We have to re-evaluate this whole process. And then also, the same way we approach community colleges, the state pretty much just took more responsibility for community colleges. That's the approach I'm trying to do here with public education, and then lower the levy like we did for community colleges, proportionally. I'm hoping to go down to \$0.60. Senator Hughes, with her bill, liked the idea of having a range. She wanted to keep levies within a range to help, help maybe, eventually, encourage consolidation, which I didn't think was a bad idea. And so, one of the propositions I think-- that I brought to her or-- and ran it by other colleagues, is those schools who are below \$0.30 may not get as much of a per pupil foun-- aid as the other schools. So \$0.30 might be that threshold. Once you get up-- once, once your levy reaches \$0.30 or higher, you get more of a per pupil-based foundation aid. If you're lower than that, instead of using a stick, it's always better to use honey with a lot of these things. Encourage them to get up to \$0.30, if they, if they feel like they want to get more of a per pupil foundation aid, or if they want to stay lower at \$0.15, so be it. So we're looking at different options. Like I said, this is not a closed book. I, I need, I need everyone's advice here. I need the people who are testifying behind me. All I know is I am almost 100% certain this is the right direction.

JACOBSON: All right. One last question for you. I-- and because I'm-- well, I'm sure we'll have-- we have a lot of testifiers here. The, the concern that I've had with EPIC has been putting it in the constitution. However, I understand why they want to do it, because we don't want you to make a deal and then, and then all of a sudden, we're back to taxing it again. I get that. And I think the other concern that is I have is how does it get-- how does the money accurately get distributed and does it make sense for the state to be paying for gravelling roads in District 42? Should that not be the responsibility of taxpayers in District 42? Those are my concerns, but if we could significantly take off education costs from property taxpayers and ensure that we're not just going to do the substitution and then they start going back up again. That's what we've got to guard against.

HANSEN: This, this would ensure that they don't, unless the Legislature somehow decides they want to raise the levy on schools, which I don't know if it was ever going to--

JACOBSON: We may have to come back.

HANSEN: So-- but that is the goal, right, is to make this a permanent solution. Because if this, if this does not result in A) immediate property tax relief, year one-- significant, and it doesn't control like, the levy on schools, this bill is meaningless and we're just taxing people more.

JACOBSON: Thank you.

von GILLERN: Thank you. Senator Kauth.

KAUTH: Thank you, Chair von Gillern. Senator Hansen, I love this. I have been a big proponent of getting rid of the exemptions. Can you tell me how many exemptions there are right now?

HANSEN: There are pages of them.

KAUTH: It's over 120, isn't it?

HANSEN: Yes. There is a lot. Yes. And one of the things we did keep with the exemptions was healthcare-related items. I believe feminine products, diapers, and--

von GILLERN: Food.

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HANSEN: --food. Yes. Thank you.

von GILLERN: Sorry.

HANSEN: I thought about getting rid of soda and candy but I, I kind of-- again, the simpler the better, and so, again-- and then build from there.

KAUTH: And so every time we have passed an exemption, it means that a property owner is paying more. Correct?

HANSEN: With this bill, yes. That is less we can give to schools to help the state take more responsibility of the funding of public education and lower the levy.

KAUTH: OK. Thank you.

HANSEN: Yep.

von GILLERN: Other questions? Senator Ibach.

IBACH: Thank you very much, Mr. Chair. Could you just speak really briefly to the balance, how if we remove exemptions, we also remove property taxes. I think just to clarify a little bit, and we've had this discussion, on do exemptions-- or the exemptions that will affect different industries, do those exemptions exceed the property tax reduction, or is there a tradeout there?

HANSEN: Some people call it the three-legged stool, right. And so, the whole idea we have property tax, income tax, and sales tax. And over the course of time, especially with sales tax exemptions over the state not taking, I think, its responsibility to help fund public education more and balance that out, we've had property taxes at this leg of a stool, you know, and income tax, which we have lowered a little more now, and then sales tax. That one's even a little bit lower, with the addition of all these sales tax exemptions over time. People call it a shell game. Taxes are absolutely a shell game, and they always have been. Some people say, well you're just moving around, you're playing the old shell game. Hell, yeah, I am. That's what we do. That's our job. We think this is wrong and we want to try to make it right, so we move things around. Otherwise, what are we doing here? And I think, fundamentally, that's what this bill is trying to do. So, balance out the three-legged stool if you want. Yeah.

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IBACH: Thank you. Thank you, Mr. Chair.

von GILLERN: Yeah. Any other questions from the committee members? Seeing none, you'll stay to close?

HANSEN: Definitely.

von GILLERN: Very good. Thank you. We'll invite up our first proponent. Let's see a show of hands. How many are going to speak on this bill, either pro or opponent? OK. All right. Thank you. We'll invite up our first proponent, and kind of move to the front if you're going to, if you're going to testify, please. That'll speed things up a little bit.

CONNIE KNOCHE: Good afternoon, Chairman von Gillern and members of the Revenue Committee. My name is Connie Knoche, C-o-n-n-i-e K-n-o-c-h-e, and I'm a senior fellow with OpenSky Policy Institute. OpenSky generally supports a dedicated funding source for K-12 education as an effective and targeted mechanism for property tax relief. LB1257 reduces the maximum levy for school districts from its current \$1.05 down to \$0.60, beginning in '28-29. It sunsets the school district property relief fund and it creates the New School Relief Fund. All sales tax exemptions are removed and sales tax will be assessed on major services like car repair, personal care, accounting, legal services, advertising, and telemarketing, with only healthcare services remaining exempt. All revenue from items previously exempted, our new, our new service sales taxes will be deposited into the New School Relief Fund, bypassing the General Fund. Foundation aid will be paid per student out of the funds available in the school new-- New School Relief Fund. OpenSky is on record in supporting the removal of most sales tax exemptions as a mechanism for modernizing Nebraska's tax code. However, because sales taxes are innately regressive, our recommendation is to tie a broadening of the sales tax base with a reduction in the sales tax rate to limit the already regressive structure of our tax code. In addition to being regressive, sales tax revenue is volatile because it is directly tied to consumer spending, which drops sharply during economic downturns. School districts require stable, predictable funding to maintain consistent educational quality and support long-term planning for student success. We would recommend a set percentage or a dollar amount set aside so that schools know that that's coming and that it would be available. We appreciate Senator Hansen's efforts to provide a funding mechanism for this proposal to lower property tax levies without defunding schools. Sound education finance system adjusts for student needs. School

district characteristics and local economic capacity to ensure resources are proportional to the needs to ensure accuracy and equity in funding. LB1257 distributes new sales tax revenue through foundation aid. And currently, there is 24% of the \$1,500 foundation aid currently in the state aid formula is paid through the Education Future Fund, while the rest is paid through the TEEOSA formula. Rather than creating a new formula to fund this, perhaps it should just be run through the TEEOSA formula and distribute the aid through an equalization process. This bill would help create a state local-- state and local partnership by combining local property taxes and state revenue to fund education. Until the state decides to take a different approach to funding our schools, LB1257 is a good first step toward addressing the challenging relationship between state aid and local property taxes, but the funding mechanism and the method--

von GILLERN: Can you wrap up your comments, please?

Sorry.

Thank you. Thank you. Any questions from the committee members? Thank you for your testimony today. Appreciate that. Next proponent. Any other proponents? Seeing none, any opponents like to speak regarding LB1257?

KEN ALLEN: Good afternoon, Chair von Gillern, my name is Ken Allen. That's K-e-n A-l-l-e-n. I'm the director of the Nebraska Board of Barber Examiners. I thank Senator Hansen. This is probably one of the best sales tax bills. However, I am going to stick my hat in the ring-- if there's going to be carve-outs, the Barber Board has asked me to-- because of hair care, kind of like healthcare, the Barber Board thinks that-- they actually think-- they know that without hair care, hygiene goes down. That's their plug here. So they would like to see hair care carved out, if we could. As the previous testifier stated, that sales tax is a regressive tax. It's-- this pro-- it's, it's-- it affects mostly middle and definitely lower-income families. On average, a person would receive, like I said last week, rec-- average person gets about 8 haircuts a year, so a couple would get 16 haircuts a year. With this tax, the couple would pay for 16 hair cuts and only receive 15. OK? That's our side of it. LB1257, as proposed, will take food out of the mouths of children. People on lower income will have to make these tough decisions, real tough decisions. Do I feed my kid? Do I give him a haircut? Do I buy him clothes for school? All these things have to be considered when you're thinking about this. I worked behind the chair for 32 years. And working and cutting

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hair for 32 years, the first thing you see when there is a recession, when there's tough times on a family, first thing they're going to give up is haircare. I know that for a fact. And who does that affect? That affects our industry. So less haircuts, less barbers, people are going to go underground. My people my licensees, would eventually-- if they have to start paying the sales tax on haircuts or collecting and then paying it out, probably, a lot of them would go underground. And what I mean by that is they'd be cutting-- "kitchen cutters," which we all still see, anyway. But there would be a heightened number that we would see less people-- or more people going out of business. So that being said, I'm going to close and take questions if you have any.

VON GILLERN: Thank you for, thank you for your testimony. Senator Ibach.

IBACH: Thank you. Well, my husband would say that's one thing that he won't give up if I asked him to do that. What's the average cost of a haircut or a visit--

KEN ALLEN: Sure.

IBACH: --to a salon.

KEN ALLEN: I can't-- that's not my license. But going around the state, it depends on where you're at. I mean, I've got a gentleman out in, in western Nebraska, let's go. Ten-- they're getting \$10. And you can go here in Lincoln metro, \$40, \$50, \$60 a haircut, so supply and demand.

IBACH: OK. Thank you. Thank you, Mr. Chair.

VON GILLERN: Senator Jacobson.

JACOBSON: Well, well doesn't that answer-- pretty much say there's a lot of elasticity in the cost of cutting hair? That there are people willing to pay well in excess of \$40 for a haircut and some that are paying \$10, and that maybe shopping around a little might get you what you need? I, I, I, I just-- I know we're going to hear from a lot of people about, this is going to kill me. You, you add the, you add the sales tax, we're done. And yet, I still think that many people don't even know they're paying sales tax. They go pay the bill and they're done. And so, I, I'm just-- I'm always amazed. I, I used the example a year ago, about popcorn in the theater. Really? How much do you pay for popcorn in a theater? And you can pop it at home, and there seemed to be a lot of elasticity in the price.

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KEN ALLEN: If that's a question, and that's the way I take it--

JACOBSON: Yeah, that's a good way to take it because the chair is going to give me a hard time for not asking a question.

KEN ALLEN: I know. I know. Well, there wasn't--

von GILLERN: . Andy, you're asking a lot of questions, but, but.

KEN ALLEN: Didn't see a questions mark on the end. So that being said, you raised a very good point, Senator Jacobson. What we can see happening, as I mentioned in the testimony, we can see people going to the kitchen cutters, the people that aren't licensed. We can see that for the discount cutters. So just for sanitary reasons, just for hygiene, that's why we have our industry licensed. And that's why I do annual, semi-annual checks on-- or bi-annual checks on shops, to make sure that they're right. But yes, it's a good point. They will find the cheapest, most-- some people-- will find the cheapest haircut. Yes.

JACOBSON: Thank you.

von GILLERN: Thank you.

KEN ALLEN: Yes.

von GILLERN: Can you tell how much somebody paid for their haircut when you look at it?

KEN ALLEN: Everybody in here looks great. Everybody, even, even Senator Sorrentino [INAUDIBLE] last week.

von GILLERN: That's my only question. That was my only question. That was rhetorical. Thank you for your testimony. I appreciate it. Next opponent.

JASON SNOWDEN: Good afternoon. I'm Jason Snowden, J-a-s-o-n S-n-o-w-d-e-n. I am the chief financial officer of the Omaha Airport Authority. I'd just like to enter in some testimony pertaining to LB1257 today. As Senator Ben Hansen noted, we did submit a letter opposing this legislation as it's currently drafted. Historically, there have been many legislative bills attempting to eliminate sales tax exemptions, including the sales tax exemption on aviation fuel. In these circumstances, we typically alert the sponsoring senator of the federal prohibition using-- on using aviation fuel sales tax for

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general fund purposes. And I'll quote the relevant policy briefly here. Under federal law, airport operators that have accepted federal assistance generally may use airport revenues only for airport-related purposes. Local taxes on aviation fuel are subject to airport revenue use requirements. State taxes on aviation fuel imposed by either an airport or a sponsor or a non-sponsor are subject either use for a state aviation program or for airport-related purposes. The statutory revenue use requirements apply to certain state and local government taxes on aviation fuel, as well as revenues received directly by an airport operator. The portions of LB1257 that eliminate the aviation fuel tax exemption and attempt to use the revenue for General Fund purposes do not appear to be compliant with federal law. The Federal Aviation Administration strictly prohibits aviation sales tax revenue for general fund purposes. All aviation fuel sales tax must be expended exclusively for airport purposes and aviation programs, and the FAA monitors the usage of all funds for airport compliance. Additionally, new tax obligations, if successfully implemented, would impact all airlines serving Nebraska. Increased costs could lead to a loss in air service in this hypercompetitive market. And for these reasons, we respectfully oppose LB1257. And again, this is a letter we submitted to, to Senator Hansen. I think he mentioned in his remarks that he has received some letters specifically relating to the aviation tax proportions of the LB1257.

VON GILLERN: Thank you for your testimony. And I think Senator Hansen also acknowledged that that needed to be modified in his bill, so thank you for your testimony. Senator Kauth.

KAUTH: Thank you, Chair von Gillern. So it can't be used for General Funds, but it could be used-- it could be directed to support airports. Correct?

JASON SNOWDEN: Correct. All airport revenues, as well as revenues generated on behalf of airports, including tax revenues, must be used for aviation purposes within a state.

KAUTH: So then General Funds from the state would not have to be used to support airport operations, if, if ever you needed things.

JASON SNOWDEN: I can't speak to all airports in the state. Omaha Airport Authority is a non-taxing entity, fully supported by the revenues generated at Eppley Airfield.

KAUTH: And then are there any other states that tax airport fuel?

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JASON SNOWDEN: I can't speak to other states. The airport revenue use policy came into effect in the early '80s, and so that's a federal law, federal policy that pertains to, again, using all airport-generated revenues, including tax revenues from the state for airport purposes within the state.

KAUTH: So if Omaha-- if we tax the airport-- the SAF, the air fuel, it has to be used for airport-- does it have to be used for the airport the tax came from, or can it go to any other airport within the state?

JASON SNOWDEN: I think those are specifics, I guess, if imp-- if implemented, how would that revenue be used and tracked by the state and used for that purpose, I think there would be other, you know, opponents to the bill as it relates to the airlines serving Nebraska that would also have concerns about that revenue and how it's used. And the revenue use policy goes back to, again, the '80s, so there'd be other opponents to the bill that would want to look through the provisions of federal law and understand how that impacts this potential state legislation.

KAUTH: Thank you.

von GILLERN: Thank you [INAUDIBLE]. Seeing no other questions, thank you for your testimony.

JASON SNOWDEN: Thank you.

von GILLERN: Further opponents?

THOMAS OWENS: Hello, committee. My name is Thomas Owens. That's T-h-o-m-a-s O-w-e-n-s, and I'm speaking to you on behalf of the Nebraska Recreation and Parks Association, NERPA, and we have significant concerns with LB1257, Section 52. NERPA is dedicated to education and support of our municipal park employees throughout the state of Nebraska, and we have people all the way from Garing to Omaha as members. These members run sports leagues as well as managing and maintaining city-owned sports facilities, fields, complexes, and parks. And we're concerned with the subsetting of the youth sports tax exemption and the negative impact it will have on families across Nebraska. Our three biggest concerns are the following: that cost will be passed along to families, that the cost increase will decline sports participation, limiting the positive effects of sports, and also the negative impact on youth sports tourism. Our parks departments and our municipal-- at our cities operate on very tight

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budgets. We often design our youth programming with cost constraints in mind to ensure accessibility. Unfortunately, the math is simple and unforgiving. We would have to pass any sales and use taxes along to our end users, which are the families in our communities. And it's not just a line on a ledger. This will impact our youth. When fees rise, the first people that are pushed out are the children who need these programs the most. Beyond simple play, youth sports provide both physical and mental health benefits, development of social skills, and a safe and structured environment for our youth. But there's also the broader sports tourism economy at stake. Nebraska's youth sports tournaments bring thousands of families to our state. These visitors dine at our hotels-- or dine in our-- visit our hotels, dine in our restaurants, and shop at our local businesses. Eliminating this tax exemption could discourage tournaments-- tournament organizers from choosing Nebraska-- and may even cause them to shift their events to other states. This change would result in a overall loss of revenue, but more importantly, would eliminate opportunities from our local teams. So we just encourage you to consider the long-term social and economic costs of this proposal. We ask you to amend this legislation, as Senator Hansen said, and carve out youth sports. And we look forward to working with you to keep Nebraska's parks and recreation programs thriving and affordable. Thank you, and if you have any questions.

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

JACOBSON: Well, basically, all the parks are either owned by cities or municipalities, so you pay no property tax at all. Do you pay any taxes?

THOMAS OWENS: Property taxes? Not that-- I guess I'm not aware.

JACOBSON: No, you don't. OK. Is there any other tax that you pay?

THOMAS OWENS: As a--

JACOBSON: As an entity. You know, we're talking about eliminating-- keeping you-- exempting you from paying sales tax. Is there other tax that you pay?

THOMAS OWENS: No. We're funded by taxes, though.

JACOBSON: Yeah, you're funded by taxes.

THOMAS OWENS: Yeah. Absolutely.

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JACOBSON: But you're not paying any taxes.

THOMAS OWENS: Yeah.

JACOBSON: Yeah. It seems to me that if we're concerned about low-income people, you devise a plan to charge higher people and let them come in for free, or your tournaments, there's ways to work around that, to some extent. But the, the challenge here seems to be, how do you get a fair tax-- everybody paying their share. We, we understand the concept that taxes get paid through, passed through. We, we-- that's clear. That happens in any tax. It gets, it gets passed through. There are a lot of low-income people that are living in homes where the parents can't afford to make the mortgage payments because of the property taxes. And so that seems to be the challenge that we've been-- all been, been taxed with from the beginning, if you will-- pardon the pun-- to figure out how can we better distribute taxes across the population in a more fair sort of way. And so I, I-- do you have any other thoughts in terms of how we can, we can find substitute for high property taxes?

THOMAS OWENS: I mean, I think that while the elimination of some exemptions does make sense, I think this is so vital to the development of our youth that ultimately, it's, it's a good exemption to keep in place.

JACOBSON: So the sales tax on the youth is going to-- our youth are done if we have to pay sales tax?

THOMAS OWENS: No, but it would marginally discourage participation.

JACOBSON: All right. Well, thank you.

von GILLERN: Thank you. Seeing no other questions, thank you for your testimony. Other opponents? Good afternoon.

BRIAN GILLILAND: Chairman von Gillern and members of the Revenue Committee, my name is Brian Gilliland, B-r-i-a-n G-i-l-l-i-l-a-n-d, and I'm the general manager of Chesterman Company. We're the state's largest local distributor of Coca-Cola products. I'm appearing before you today as a board member and past president of the Nebraska Beverage Association and as a member of the Nebraska Grocery Industry Association. The Nebraska Beverage Association has represented Nebraska's nonalcoholic beverage industry for over 80 years. Our members include local distributors of Coke, Pepsi, and Dr. Pepper. We have a long history of contributing to Nebraska's economy and

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communities. Last year alone, we supported over 2,000 jobs, contributed more than \$47 million in state taxes, and donated over \$15 million to charitable causes. We also partner with local farmers on initiatives like a three-year. Cover cropping project with ADM. Coca-Cola and Pepsi are two of the largest purchasers of Nebraska grown corn products. The Nebraska Beverage Association opposes the imposition on our soft drinks and the exclusion of our products from the definition of food. Our products are food. We do not believe they should be isolated and taxed differently than any other groceries. The governor has said that people don't notice when they're paying sales tax, the soda fountain and the movie theater. When people order or purchase a soft drink from the fountain, sales tax is imposed on it because, according to streamlined sales tax, it is considered a prepared food. By one definition recognized by the State Department of Revenue, our products are food and now, according this bill, they aren't. Which is it? We don't believe the state should further complicate the process of buying groceries for Nebraska families or increase their grocery bills especially in this time when people are already struggling to make ends meet. There are more than 400 different beverages being sold today that are low sugar or zero sugar. Arguments that our products are not healthy have been refuted in research year after year. In fact, 60% of our product offerings are zero sugar and no calories. Taste and change over the years in our industry is meeting the increasing demands for healthier products. Sales tax on soft drinks are regressive, disproportionately affecting lower-income families by taking more money from their grocery budgets. LB1257 would make groceries more expensive, picking winners and losers among products, rather than letting families make their own choices. Across the country, states like West Virginia, Oklahoma, and Kansas are repealing or avoiding similar taxes, making groceries more affordable, while this bill would do the opposite. We find no rationale for imposing the sales tax, other than it is not being taxed right now. We strongly object to placing a new tax on our products that would raise grocery costs for Nebraska families, simply to shift the tax burden and increase state spending. For these reasons, the Beverage Association opposes LB1257. I'd be happy to take any questions.

von GILLERN: Thank you. Thank you for your testimony. You hit the light right on the dot. Any questions from the committee members? Senator Kauth has a brief question.

KAUTH: Very brief. So do you feel that soda is a want or a need?

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BRIAN GILLILAND: A want or a need? It's, it's a want. I don't think there's any question about that. It's, I mean, I believe that our products enhance anything somebody does, whether it's going to a movie theater or family gatherings. I think it just adds to the quality of those things, so.

KAUTH: I would agree 100% but it is also a choice, and would you say that housing, as in property taxes, are a want or a need?

BRIAN GILLILAND: Absolutely a need.

KAUTH: OK. So we're-- that's what we're talking about.

BRIAN GILLILAND: Sure.

KAUTH: --is we have people who are being taxed out of their homes, and I cannot justify not taxing what I am clearly a, a proponent of to, to switch. Anyway, so that's, that's all I have to say. Thank you.

von GILLERN: OK. Thank you.

JACOBSON: I will be very quick

von GILLERN: Seeing no other-- Senator Jacobson.

JACOBSON: I know you included this in your testimony, but I just want to make sure everybody's clear on that. If I go into a convenience store and I reach into the case and buy a foun-- a drink out of the case, I'm not going to pay any sales tax on it.

BRIAN GILLILAND: Correct.

JACOBSON: If I go to the vending machine or I go to another area, pull a plastic cup out, get ice, and fill it with soda, am I going to pay sales tax on that today?

BRIAN GILLILAND: Yes.

JACOBSON: Yes, I am. How many people know the difference?

BRIAN GILLILAND: It's a great question.

JACOBSON: I don't think anybody decides one way or the other, because I'm going to pays sales tax on the prepared food, OK, and not over here. I mean, you're, you're-- that-- that's what I think makes no sense, is the fact that the product that's being bottled has no sales

tax. The cheaper product, probably, that we, we go, is, is not-- is, is taxed. I, I, I just think that that's one of the issues that we're dealing with.

BRIAN GILLILAND: Yeah. I think, I think you're talking about when products are being consumed on-premise as the prepared foods, the popped popcorn or the beverages. I think when people are in a grocery store and they're having to make choices about what they're purchasing, I think the imposition of tax does change people's approach to what they are buying, so I, I do think it makes a difference.

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

BRIAN GILLILAND: Thank you.

von GILLERN: Next opponent Good afternoon.

LYNN FISHER: Hello, Senator von Gillern, members of the revenue of the revenue Committee. My name is Lynn Fisher, L-y-n-n F-i-s-h-e-r. I'm here representing the Statewide Property Owners Association. Please let the rental property industry keep our sales tax exemptions because our tenant customers deserve to have their rent be as affordable as possible. Management fees, property services like maintenance and rehab labor, cleaning labor, real estate services in general, like commissions, sales tax on-- or sales tax administration work that we don't currently have to do, we would have to increase. Our staff in order to cover those, those administrative costs, credit processing services, all the things we don't pay sales tax on now or don't have to do, must be, must be retained. Because rents nationally have gone down, but in Nebraska, rents have gone up 4% from, from last year, and they continue to go up, as they have in the past several years, and so we need try and keep rents from going up as much as this bill would, would create a situation where we, again, have to pass on all of our overhead cost to, to tenants. We're trying to keep affordability in place as much as possible in Nebraska, and this would just make it much more difficult to continue to try and keep rents down.

von GILLERN: Thank you.

LYNN FISHER: Be happy to answer any questions.

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von GILLERN: Thank you. I have a quick question. When the property tax relief funds were put in place, did you pass those relief benefits on to your renters?

BOSTAR: We did, in the form of not having to raise rents as much--

von GILLERN: OK. Thank you.

LYNN FISHER: Or not raising them at all.

von GILLERN: OK. Interesting math. Thank you for your response. Seeing no other questions, thank you for being here. Any other opponents? Good afternoon.

ANSLEY FELLERS: Good afternoon. Thank you, Chairman von Gillern and members of the committee. My name is Ansley Fellers, A-n-s-l-e-y F-e-l-l-e-r-s, and I'm here on behalf of the Nebraska Grocery Industry Association, Nebraska Retail Federation, Nebraska Hospitality Association, Nebraska Bankers Association, and the Nebraska Federation of Independent Businesses, testifying in opposition to LB1257. Our associations remain generally opposed to a shift to taxing services and goods like, like soda and candy without some amount of reduction in the sales tax rate. A shift to sales taxes, especially without a guarantee of tax relief, unfairly burdens retailers and their customers. LB1257 also does not, on the surface, appear to distinguish business services and consumer services. Our small and independent businesses are going to struggle-- I'd like to highlight this. I deleted a lot of my testimony-- sorry-- here. Our small and independent businesses are going to struggle to absorb new taxes a lot faster than larger operators. Passing those costs along makes them even more-- even less competitive. We also appreciate the Legislature's interest in addressing revenue and education funding, and we appreciate Senator Hansen's comments about a hard cap to ensure property taxes are truly driven down, as we take potentially billions of dollars in sales taxes and give them to schools. This is laudable, but it also represents statutory action. There are no guarantees of tax relief on the back end of this. For these and many reasons, we respectfully urge the committee to oppose LB1257, and I'd be happy to answer any questions.

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

MACKENZIE MERCER: Hello, Chairperson Van Gillern and members of the Revenue Committee. My name is Mackenzie Mercer, M-a-c-K-e-n-z-i-e M-e-r-c-e-r, and I am here to testify in strong opposition to LB1257 on behalf of myself as an independent contractor, the shop in which I hold a booth, Rawhide Tattoo Studio, as well as the Nebraska Body Art Advocacy Network. I am here to further comment and urge you to clarify that tattooing will not be affected by this initiative, or even further to table it, vote no on LB1257, and focus your efforts on better ways to improve Nebraska's economy. I'm sure it is not a surprise to you that as a parent, lowering property taxes and finding alternative routes for investing into education is important to me. It can also be true that my income and my livelihood as a middle-class American are not the solution to this issue. When you talk about implementing these taxes, you don't think about how many of our businesses operate. Speaking just for tattooing, potentially adding a tax on just a service and not the items used to execute the service would be a nightmare, to say the least. In the transaction, the item, if you will, that is transferred to the client is the artwork that is physically inside of the skin. With that being said, every single product that I use to complete that tattoo is single-use and discarded after the service. Along with that, all of those products have already had sales tax paid on them, unlike ingredients purchased, purchased for restaurants, just as an example. To elaborate on that thought, perhaps we could instead look at applying a sales tax on highly processed ingredients for major corporatized restaurants earning a surplus of \$50 million, as I'm sure that would earn far more money and impact far fewer small businesses. I'll ask you personally, Senator Hansen, why not introduce a bill called the Oil Tax? I don't know. And apply it to just any and all processed oils that make specific demographics of high-earning restaurant chains pay. Perhaps some will no longer use these processed oils, perhaps some will pay the tax. Either way, it seems to be a win to me. This, of course, is just an example. You are, after all, the new chairman of the Business and Labor Committee, so I urge you to better represent the working class. It feels like a complete waste of breath to me to sit here and plead with you to appropriately tax the highest income earners in this state, but there seems no better time than now to introduce this conversation. As it stands in this state, those with the bottom 20% of income face an effective tax rate that is 56% higher than the top 1% of income holders. I've attached that information for you all. And furthermore, the effective tax rate is 7.2 for the top 1% of individuals and families, 11% for the middle 20%, and 11.2% for the lowest 20%. I'm so appalled by this, and I wish that as the sitting

members of our state's Revenue Committee, you all were, as well. We are struggling. I don't just speak for myself in the tattoo industry when I say that. I speak for all middle-class Americans, both that I tattoo or that I patron with at their respective small businesses. I need you to understand that to folks like us, every drop counts and I plead you to vote no on LB1257 and further urge you to redirect your focus to addressing the concerns I've raised. Thank you.

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

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 testifying in opposition to LB1257 on behalf of the Nebraska Cattlemen, Corn Growers, Farm Bureau, Pork Producers, Sorghum Growers, Soybean Association, State Dairy Association, Wheat Growers Association, and Renewable Fuels. Before I go anywhere, I want to say thank you for all you've done so far to help reduce the property tax burden. I think sometimes I am remiss in saying that, and I want to make sure that you all know we appreciate what you've done so far. I also want to appreciate what I believe that I see is a heightened commitment to fixing the hole in the bucket. And so-- at least that's what some of your colleagues describe it as. Senator Hansen definitely gets credit for giving us a lot to unpack, and I appreciate that. We've talked about this a little bit. Our opposition is largely in a couple areas, and that's taxing inputs. Taxing inputs leads to a pyramiding effect, which makes products more expensive by the time they get to the consumer. It also makes some-- it makes the margins tighter for those that are at the beginning portion of the production process, which we would consider production agriculture to be, as it tightens the margins. And so, eliminating the sales tax exemptions on inputs for agriculture, for manufacturing, and many other businesses, in our estimation, contradicts tax policy that would foster growth or incent growth in investment in the state. And so, you know, there's quite a bit of tax policy along those lines. Another area that I will mention is-- and Senator Hansen, I've talked about this-- is that we will contend that this actually increases property taxes right out of, right out of the gate. Because with the 6% increase that's available to schools for teacher salaries, not that we're against paying them very competitively, but if we increase teacher salaries by 6%-- I'll give you a couple numbers, and this is just-- I don't know what the exact number is. But we spend \$5.5 billion on K-12 education every year. Between state, federal, local resources, we're spending \$5.5 billion. If half of that is for teacher salaries, that would result in

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a 6% increase. It would cost the state-- or it would cost \$165 million, right out of the gate. So I would contend that that is that tax increase. And with that, I see I have a red light and I will quit.

von GILLERN: Thank you for your courtesy, Mr. Rieker. Any questions from the-- Senator Murman.

MURMAN: If this bill would go into effect, how much do you think that would affect the competitiveness of agriculture in Nebraska, compared to the rest of the country or even worldwide?

BRUCE RIEKER: It would--

MURMAN: Because we are in a world economy.

BRUCE RIEKER: Right, yeah, Nebraska is the third largest ag complex in the country. And what this would do-- and when I give you these numbers, it's very similar for manufacturing, when it comes to taxing inputs for ingredients and components going into a finished product. Between agriculture and manufacturing, that's about \$4 billion a year in sales taxes to get a finished product. And it's roughly split 50-50, OK? The largest part of agriculture that would be taxed, and we are a very strong protein-producing capital of the world, roughly in the neighborhood of \$1.1, \$1.2 billion would be taxed against our livestock industry to get it to a finished product. So yes, it would tighten the margins for ag producers. I heard another testifier talk about how they would pass that along. It's tough for us to pass that along, you know. We need to be as competitive as possible. But if we're going to grow our economy, and we in agriculture believe that part of that is growing the livestock industry, the last thing we want to do is have it taxed to that level that it causes us to be noncompetitive. The only state neighboring us that taxes any inputs of agriculture is South Dakota, and they have a 2% sales tax on machinery and equipment, but they're also one of the smallest ag states in the country. It's their fifth-highest revenue generator to their economy, Nebraska's third, Iowa's second, California's first, but it would have a severe impact on our economy.

MURMAN: Yeah. Thanks.

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

BRUCE RIEKER: Thank you.

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von GILLERN: Any other opponents, LB1257?

TYSON SCHAFFERT: Hello. Thanks for letting me speak again. My name is Tyson Schaffert, T-y-s-o-n S-c-h-a-f-f-e-r-t. You guys have already heard me speak about the sales tax on tattooing and, and body piercing, so I wanted to be a little bit more general today. Sales tax expansion is a lever but not the smartest one, and it shifts the burden on the small business and working families while ignoring better options-- and I understand that there's there's larger businesses that this encompasses, but I can't speak to those. I can speak to small business. My concern isn't just this bill. It's the strategy behind it what we're seeing is is a two-step expansion. First, we came and I spoke about the bill applying sales tax to my business, and now we're looking at one that applies to a lot of other businesses. The sales tax expansion isn't neutral. It doesn't just broaden the base. It pushes the burden onto small businesses and working people Like I said, I can speak to the smaller business. Service businesses don't have big margins And unlike large corporations, they can't absorb compliance costs. This makes it harder to operate in Nebraska and harder for customers to afford everyday services and encourage tax avoidance or pushes to underground activity, and none of that helps our economy. What also concerns me is the promise that raising sales tax will now somehow allow other taxes to be reduced later, later. That's a risky trade. And I know the Senator addressed that when he talked about the shell, the shell game. Historically, higher taxes stay high, and then we're promised relief. And that concerns me. I also want to address the comparisons that people use. Nebraska is often compared to South Dakota and Iowa, and those comparisons leave out very critical facts. South Dakota has no state income tax, so of course it relies more heavily on sales tax. Iowa on the underhand has different income tax structure and different exemptions. I don't think it's fair to cherry pick sales, sales tax rates without acknowledging the full tax mix. If the goal is real sustainable revenue, there's better options than this, and I know this is what you guys asked for last time. First, legalize and tax marijuana. That would create jobs, and it would probably solve all the problems we're talking about here today. Second, tax high earners and large corporations proportionately. Third, close tax loopholes. Nebraska should be focused on growth, fairness, and competitiveness. Expanding sales tax to services does the opposite. It leans on small businesses while rising costs for family and making our state a harder place to do business, while ignoring proven alternatives that the other states are already using. I ask that you reject the sales tax

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expansion and focus on resolutions that are fair, transparently-- transparent, and good for Nebraska long-term economy. And I'll end it there.

von GILLERN: Thank you. Good job. Any questions from the committee members? Seeing none, thank you, Mr. Schaffert, for being here again.

TYSON SCHAFFERT: Thanks for letting me speak.

von GILLERN: Yep. Next opponent.

HUNTER TRAYNOR: Well, good afternoon, Chairman von Gillern, members of the Revenue Committee. My name is Hunter Traynor. That is spelled H-u-n-t-e-r T-r-a-y-n-o-r. I appear today on behalf of the Nebraska Chamber of Commerce and Industry, as well as the Greater Omaha Chamber of Commerce. I first wanted to begin by thanking Senator Hansen for this exercise. In his opening, he used the analogy of a house. I would use the analogy of a fence, Chesterson's fence. If you come to a fence in the road, you have to first ask yourself why is this fence here before you remove it. And that's what this bill I think intends to do. On that point, in referencing a comment Senator Hansen made that we have shared through testimony on various bills of this nature over the last few years, the three-legged stool. As of where things sit today, the Legislative Fiscal Office has a great report that was put out 2 years ago, on this concept, and taking into consideration both the Tier 1 and Tier 2 property tax credits, that stool is generally balanced with property tax collection statewide, I think, at about 34%, if memory serves, compared to similar figures for income and sales taxes. Reforming the credits and finding a better delivery mechanism, as Senator Hansen specified in his opening, seems to be the right direction to take. And there's bills in the Education Committee this year that we engaged upon that make an effort to do that. So on that point, as well, I do applaud Senator Hansen. I think our general observation is that treating property tax reform as a concept that must bring into it discussions about the sales tax base ignores the point of legislation that is before this committee that would be reasonable reform efforts that, while difficult politically, don't muddy the water between the two buckets of taxation, if you will. Both of those include LB1219 from Senator Brandt, that was heard earlier this year, as well as LB575, from Senator Hallstrom, last year, that would institute automatic levy rollback mechanism. And those two bills would-- go a longer way in reform on the property tax basis without going down this path on sales taxes. We would be willing to share further testimony with the committee in a written capacity, as to the

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input conversation that my friend, Bruce Rieker, testified on prior, as well as commentary that I shared on LB1244 last week in this committee, on that input point that Ansley Fellers discussed, as well, already. But base broadening with the revenue going towards rate reduction is a far better reform approach for sales taxes that is a difficult process in and, in and of itself. And the federal government, in the '80s, did the same thing with income taxes, and it took them a while, but it was ultimately passed in 1986, and I think that is the direction that the sales tax discussion should go. With that, I'm at my light. I'd be happy to answer any questions.

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

DUNGAN: Thank you Chair, Vaughn Gellar. Just briefly, Mr Tray nor, does the Chamber have any studies or information you could provide the committee on how low the sales tax rate would have to go before people would feel the impact? Because I know we've discussed in the past various rate lowerings, but it's been small, incremental, like 0.5, 0.75. Do you know at what point there's any statistical significance on the impact of the everyday Nebraskan for lowering the sales tax rate?

HUNTER TRAYNOR: Offhand, no. The process itself is-- it would de-- it would demand a similar Chesterton-Fentz style analysis because you first want to answer the question, how broad can the base go without triggering some downstream negative externality in our state economy, whether by including services that are primarily consumed by businesses and thus, form a tax on production, as opposed to a tax on consumption at the consumer level. That is the first analysis. And once you have dictated what that list looks like, it is then a fixture of how much revenue would that produce. And based on current sales tax collections, what would that translate to in the form of a rate reduction? You're likely aware as to how that would work. The question you asked me though is do I have analysis on hand as to what would necessarily be felt? I don't. I think the question, though, that we would approach it with is not necessarily what would be felt by the average taxpayer, but what we would avoid doing in a negative sense, if we went too far in the first place. Is that a good way to frame it?

DUNGAN: Yeah. That makes sense. No, I appreciate that. Thank you.

von GILLERN: Senator Jacobson.

JACOBSON: You entered your testimony with the idea that, that we should broaden our-- if we broadened the sales tax base and lowered the rate, but it seems like what we're trying to do is broaden it and we're getting pushback, OK? And so how low does that rate have to be before the testifiers who said don't include us are going to say, hey, we're fine? OK. And I-- I'm not sure there's a point of intersection. And, and yet, we're still faced with, we all know that one of the problems with taxes is the spending's too high, not the revenue's too low, the spending is too high. But yet, every time we put-- attempt to put hard caps on political subdivisions, we hear from the lobby as to we can't live within that. There's no way we can do it. How can we make, how can we make all this work? How do we replace motor graders? How do get school buses? How do, how do kids-- so, so what is the Chamber's focus? What, what are you telling us we should be doing to be able to provide property tax relief, which even though we don't charge property taxes, we seem to be looked to fix it, and yet account for the problems here with, with sales taxes and where they should be?

HUNTER TRAYNOR: That's a great question. A lot of layers.

JACOBSON: You need to pick out-- pick out what you want.

HUNTER TRAYNOR: I'm going to do the weave here, Senator Jacobson. To the first part of your question, I believe, is to what our suggestion would be for the committee in this short session. As dictated in my testimony, I think Senator Brandt's bill before the committee, while you are completely right that there will be opposition and that will be a difficult lift that the Legislature is going to have to work through, I'm sympathetic to that, though that is probably-- and this is a political judgment, not a policy judgment-- a bit more feasible of a conversation to work through than marrying two aspects of the tax code together and trying to get to an agreement as to who's comfortable with what, knowing that at the end of the day, the overall tax collection statewide would likely result in the same collection, and it's just a matter of shifting deck chairs around on the top of the boat. To your s-- well-- could you restate your second question?

JACOBSON: Well, I, I, I-- and you're a smart guy and you are exactly right on everything you've said. I, I will go back to the Senator Brandt's, go to the 2% cap, OK. And, and he and I have discussed that. The challenge is it leaves a gap. It, it reduces the amount of revenue, which means there's going to have to be less spending. And that's the headwind we get-- we keep getting hit with is-- and, and what spending are they going to reduce?

HUNTER TRAYNOR: Sure.

JACOBSON: And to go a year or two with-- under those constraints may not be all bad because it's kind of amazing how grain farmers are figuring out how they make ends meet--.

HUNTER TRAYNOR: Sure.

JACOBSON: --with significantly less revenue. And, and they're going to have to tighten their belts, so that may be the answer. But, but ultimately, something's got to give.

HUNTER TRAYNOR: Yeah. I think that's, that's part of it, and that, you know-- I think the frustration that we've heard, and certainly this came to bear last year during the legislative session, is that the current credit mechanism, the state dollars are not necessarily calibrated in a way to support the public finance structure down below, vis-à-vis the local government. In the analogy that I think about is the unfunded mandate discussion, which is a different discussion, right? I'm not saying that that's what is necessarily happening here. But if the concern is how are we allocating taxes to offset the burden that is the principle result of locally collected, budgeted for, and spent property taxes, the question should be how should we deliver those taxes to the subdivision that is doing the collection, to offset the levy that they're bringing in in the first place, no different than your comments earlier on the community college issue, right, as opposed to what now functions as an underwriting policy.

JACOBSON: Thank you.

von GILLERN: Thank you. Seeing no other questions, thank you Mr. Traynor.

HUNTER TRAYNOR: Thank you, all.

von GILLERN: Any other opposing testimony? Good afternoon.

KORBY GILBERTSON: Good afternoon, Chairman von Gillern, members of the committee. For the record, my name is Korby Gilbertson. It's spelled K-o-r-b-y G-i-l-b-e-r-t-s-o-n. I'm appearing today on behalf of a group of 43 different organizations in opposition to LB1257. You'll be getting the list as it comes around the table. We did this in order to hopefully save the committee quite a bit of time and testifiers. You can-- I'm not going to read my letter as testimony, so you have that

in front of you and you can read it. I think I will try to address a few of the comments that have been made before. And I think Senator Jacobson said, you know, groups come in and say, yes, we should probably broaden the sales tax base, but this isn't how you should do it. Why are you always opposed to the bills? I think this bill, when I first read it, I thought, oh, this is a great way to start the conversation. I love this. Let's start with a clean slate, come back and say, OK, what things should be exempted? The problem is you can't do it during the 60-day legislative session. I think the comments that Senator Hansen made during his opening shows the number of different concerns. In the fiscal note, it shows issues about healthcare. You might not be taxing healthcare, but you're going to be taxing healthcare providers that will then increase the cost of healthcare to those getting those services, things like that. I also went back and dug through my old lovely property tax file that I keep in my office whenever I need a giggle. And I found this old report from the Tax Policy Group from 1988. And there was a group that got put together-- the state was dealing with property tax issues even back then, and they were trying to find a 25-30% cut in property taxes that could be sustainable. So they put together a group of a bunch of different organizations. They met several times during the fall, and presented a summary memo to the Legislature and then held a hearing about it. One of the things they did in their meetings was go through what would be the top items that we could do to reduce property taxes: and I know this won't shock you-- increase the sales tax by a penny, get rid of the income tax-- or the sales tax exemption on food, have a consumer service tax. Here we are. And then also, the fourth one was repeal agricultural equipment exemptions. Based on 1986 figures, showed that would be about \$100 million. Why do I say this? Because we're right here again, and this hasn't changed. The year that this memo was written, the next year, our sales tax went up. The sales tax at the time this memo was written was 3.5%. It went up by a percentage the next year, in order to try to offset property taxes. And yet, here we are again. The problem is that we can't compare ourselves to other states and say we want to be like that state because we don't have the same economy or population. And I'll stop there. If you have any questions, I'd be happy to answer them.

von GILLERN: Thank you for your testimony. If I, if I could paraphrase what I heard at the end there, we have a issue of spending.

KORBY GILBERTSON: Mm-hmm.

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

KORBY GILBERTSON: Thank you.

von GILLERN: Any other opponent testimony? Seeing none, is there anyone who would like to testify in a neutral position? Seeing none, Senator Hansen, would you like to close? As you come forward, we have zero proponent letters, 31 opponent, and 2 neutral letters submitted online. Senator Hansen.

HANSEN: All right. I'm not going to pick on certain people. I like Courtney. This is exactly what I did not want to see. Just don't tax us anymore. We've tried to do it before. We're down this road again. I specifically said the goal of this, come here, justify why we should not tax you anymore. Tell us why you are important to the people of Nebraska and why we should take-- why we should increase their property taxes to subsidize you. And I like Bruce, and I like Ansley. But again, we're seeing multiple people come here at one time again, just don't tax us again. Well, that's BS. I've heard that 8 years now. Tell me why. Again, we are not the big mansion on the hill that's old and decrepit, and we're just going to pull away some of the siding here and do that. We need to start from the foundation up. So I'm a little disappointed to see that, because I specifically did not shop this bill a whole lot, which is why you didn't see a whole lot of proponents and more opponents, because I shopped this to them first. I said, the goal of this is to come here and tell us. Convince us. But no-- I mean, we're not taxed before, so just don't do it again. Let's keep everything the same. Well, keeping everything the the same is not going to work. And I want to reiterate that-- I want to make sure that this bill, even though nobody mentioned that, I just want to make that this is not some of the optics, that this not-- my goal is to make sure that this is not a windfall for schools. My goal is to keep this about as budget neutral for schools as we possibly can. And of all the testifiers and lobbyists and industry leaders that came here, I want us to remember, and the people, that the more exemptions we give, the more burden we're putting on property tax owners in the state of Nebraska. And I think one of the reasons why we're here now-- and I gave an example of this before to some other people-- is I think at one point, we used to buy our own lawnmower. We used to buy our own tools, repair them ourselves, and all of that was taxed. We have now moved into a service-based economy, where we hire people to do it for us, and that's not taxed, which is why I think we've seen a little disproportionality in the three-legged stool, over time. And this is--

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this bill is what that's trying to correct. This does need to be a team effort. I don't even care-- you don't put my name on the bill, I don't care. I'm working with other senators, and I'm hoping the Revenue Committee really takes a strong look at this bill, because this is not a flippant effort on my-- effort on my part. This is a bill I'm strongly considering prioritizing so we can get on the floor and have this discussion, because I think it needs to be had. I like the idea of lowering the overall tax rate, sales tax rate. I wish we could. And I think that could definitely be a goal of the state after this has passed. Look at lowering it to 5%, look at lowering it to 4%, I think that's, that's justifiable, if we can, if we can move that direction. And we need to move in a more fair approach, I think Senator Jacobson said. I don't like using the word fair. I'm always scared using that term. But a good bill here is one that everyone is not going to love, except the people of Nebraska. One of the, one of the arguments you might hear, maybe not now, but over time, is that poor people are going to be paying more. The difference with this bill is when they do pay more for that soda-- maybe not with this bill-- but when they do pay that sales tax they didn't pay before, it's going to go towards funding their schools. It's not going towards a General Fund where we're going to blow it on some frivolous government thing that we tend to do sometimes. It's going to be going to their schools, to that per pupil-based funding system, so that's a little bit different with this bill. So I'm hoping they can get some kind of consolidation in knowing that when they do pay sales tax on certain items, that it's going to the schools. This might be a little bit of a stretch, but I'm going to put it out there. This, in my opinion, will also encourage home ownership. I'm a free-market capitalist, and I like to believe in the idea of supply and demand. And so, lo-- we cut our property taxes almost in half, or 40% with this bill, you're going to see more people able to afford living in a home now. And then, when you have more people, the supply goes up, you start seeing homes being built, you starting seeing home prices come down. That could be a, a consequence of this bill, a good consequence. And I do appreciate the people that did, did come here. Mackenzie, and was it Tyson? I appreciated them coming here as small business owners. I think they gave a good perspective. I'm a small business owner myself. I've owned multiple small businesses over time. I liked her idea of taxing, what did she say, processed oils? I thought that was a good idea. I'm sure some people behind me may not think that. But again, similar to soda and candy, we're seeing processed oils cost the state of Nebraska more and more every year. The Property Tax Owners Association. I want to reiterate or make sure that people know this, that we are not taxing

rent with this bill. I think he was alluding to the, the associated business-- the cost of doing business and some of the sales tax would now be-- might be involved with that. And then the owners of those rental facilities, how much would they save in property taxes with this bill if it passes? I would assume that would offset some of the sales taxes they're going to have to pay on the items they have to repair services. Bruce Rieker brought up taxing inputs de-cent-- de-incentivizes growth. I'm going to tell you, taxing people out of their homes and their property de-incentivizes growth more than anything. And I'm willing to kind of touch on the 6% teacher growth. I think that's, that's doable to kind of take a closer look at that. And if we need to lower it a little bit, I'm fine with that. And I definitely am fine with looking at inputs that he mentioned and make sure we get very specific inputs in the ag community that we want to put on the sales tax exemption list. I'm a small business owner. All of my inputs are taxed. I can't run my business without a computer or my equipment or my waiting room furniture, but I get taxed on all that. Mine's based on a market value. I understand where they're coming from, and they have a lot of inputs, more than I do, so I definitely want to make sure we take a look at that, and let's put a reasonable list together. And I think-- oh, and also, the Chamber had mentioned-- acknowledged Senator Brandt's bill, which I had mentioned earlier, about putting into my bill. I thought that was, that was a good point. So I think mainly that's all I had. Bruce mentioned also the possibility of an excise tax instead of sales tax. I think it's something we could also look at, that maybe some states do. And he was right that ag is maybe not South Dakota's number one industry, but it is recreation. I looked up, and they tax that. It's called a permit, so they do tax their number one industry. OK. Thank you, Chair. I'll do my best to answer any questions.

von GILLERN: Thank you, Senator Hansen. Questions? Senator Ibach.

IBACH: Thank you very much, Mr. Chair. I would, I would push back a little bit on the input cost because ag has no way to-- we're at the mercy of the markets. And so, when our input costs go up and our markets drop, that's not a win-win.

HANSEN: You make a good point there, and we need to, we need to look at those. I'm going to get some-- a specific list put together.

IBACH: Yeah. And I would also, I mean, your fair comment. We-- we've always told our kids fair happens twice a year, county fair and state fair. And so, I, I like your fair comment, because life isn't fair.

And I would also just mention that when-- to my point earlier, in your opening, when you look-- when agriculture looks at our input costs and our property tax costs, or cost of property taxes, when, when you pro-- first proposed this and I said, I think I-- I think you have a lot of good pieces in this bill. My comment was I would challenge agriculture to go in and look at their input costs, look at their property tax costs-- ours were up 27% last year-- look at the tradeout, so are you paying more in input costs than your property taxes? And if the answer is yes, then this is not a good bill. But I think the challenge, as you've mentioned to me in the past, is find if there is any wiggle room in those input costs to trade out for property tax, then we have to look at the big picture and the long game.

HANSEN: Yep, and you're right. I think, with this bill, balancing it out is correct. Finding, finding a way that we can-- you know, where does that lie, right? This bill proposes starting fresh again and looking at those and seeing where, where we're at. This bill also steers the ship in the right direction. We need to fix this problem, I think, too. Otherwise, it's just going to continue to get worse. So I think, with this, like I mentioned that analogy before, we need to steer the ship in the right direction. And with some of these other aspects of the bill, I'm willing to work with those senators on it and put in here. We also need to plug the holes so we don't sink. That's the-- I, I think that's the approach, but we need, we need to get the ship in the right direction first. We need, we need something in that, in that-- some guardrails in place, I think.

IBACH: I, I do think it's an opportunity. And, and anybody that just jumps to conclusions and automatically-- and says, nope, not, not me, not in, not in my lifetime, I think it's a real challenge for, for folks to sit back and say, what can we live with? And to Senator Kauth's point earlier, I taught junior achievement for several years in kindergarten, and the question is, we have a choice for wants and needs, and the challenge is looking at those needs. If you look at inputs in agriculture, seed is a need, chemicals-- I mean, we have a lot of needs that, that we-- that aren't wants. And so, maybe the challenge is to find some of the wants and keep the needs in place, because those are things we can't compromise, especially when the markets are so low. So I know it's now, people will say cattle are up, ranchers should be happy. I would go back to the statement that corn was \$7 once, too, and it's not anymore. So it's a long game for agriculture, and I appreciate you being very sympathetic to that and finding some of those, some of those balances.

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HANSEN: Thank you.

IBACH: So, thank you. Thank you, Mr. Chair.

von GILLERN: Senator Dungan.

DUNGAN: Go down the line here. Everybody's hands went up. Thank you, Chair Hansen-- Senator Hansen, I apologize for missing your opening. I didn't mean to miss that.

HANSEN: It was stellar.

DUNGAN: I believe it. They always are.

HANSEN: People cried.

DUNGAN: On both sides, I imagine.

HANSEN: Yeah. And not, and not happiness.

DUNGAN: Right, yes. Broadly speaking, I appreciate what you're doing here in terms of sort of starting, I understand, like the foundation of the house, building up from there, looking at everything, seeing what we need, what we don't need. Without pontificating too much about my own feelings on this, I'm curious. Are you willing, as a part of this entire endeavor to look at all this, to consider the income tax cuts and the corporate tax cuts? Because if we're talking about putting everything on the table and analyzing the three legs of the stool, it seems as though for the last three years, now four years that I've been here, the income tax cuts and corporate tax cuts were passed and then have been completely off the table to talk about. And so if we're talking about the three-legs of that school and how we do or don't address property tax relief, are you willing, as a part of this equation, to have that conversation, too?

HANSEN: Probably not.

DUNGAN: And why not?

HANSEN: Because I like the income taxes where they're at. I like them as low as they could-- I would have to like them be zero. But with this bill, the goal also from the state's perspective, like some other senators have mentioned, this would be budget neutral, as well. What we take in here goes to relief for the schools, and it shouldn't cost the state any more money. Right? Is that reshuffling of the deck or

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the, the shell game, right? I mean, so that's the goal. So the- yeah, whether we mess with the income tax shouldn't matter with this bill.

DUNGAN: And I, and I will not-- again, the reason I didn't ask a lot of questions, I don't think it's-- this is the time for me to say my opinions. I will respond to that briefly by saying, it feels as though we are all shuffling around and trying to pick which sales tax or service tax we like or don't like, because we're unwilling to address the other taxes. And to the testifier that you referenced, who asked about income taxes or corporate taxes, or at least brought that up as part of her testimony, taking that off the table limits the options of what we're looking at. And I was at a town hall earlier this year, where people were debating which of these sales taxes they liked or didn't like-- and we like the pop and candy, but we don't like this, and what about hairdressers. That discussion, when you're talking about our budget as a whole state feels like because we're not addressing the other issue in the room-- the corporate tax rates and the personal income tax rates-- we're left to negotiate and haggle over these everyday Nebraskan industries and businesses. So that's my-- my concern is if we're not willing to look at it as a whole, I think it's just a part of the problem but I understand philosophically, you and I may just disagree about where that comes at, which is why I understand your perspective. I just-- I think that if we are going to debate how we fund our schools, which does involve general funds at the state level, and sales and use tax and rates, I think it's impossible to have that conversation holistically, without addressing the income taxes. And so I'd be-- would hope that we can continue to have that discussion on your bill as time moves forward. But it's your bill, so obviously can't make [INAUDIBLE].

HANSEN: On that part, if I can, quick.

DUNGAN: Yeah.

HANSEN: I think if we're looking historically, the long game, sales tax and property taxes are the two, I think we're talking historically, that have become out of balance. I think income taxes really isn't, contribute to maybe what's happened to property tax owners over time. It's, like I said, we're-- become more of a service-based economy. We're not buying as much. We got a lot more sales tax exemptions over time, we're relying on services, and then we put that burden on the property tax owners over time. I think that's where that, where that three-legged-- those two stools a leg-- I've kind of messed up. I think income taxes, we just recently have changed

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that, and so I don't know if that really contributes to why property taxes have gone up so high, historically. I think it's the idea of A, we're not funding public education Like we should and lowering the levy, and sales taxes. So.

DUNGAN: And I appreciate that and we'll keep having that conversation, but thank you.

JACOBSON: Next.

von GILLERN: Senator Murman. We're working our way down.

HANSEN: I like this, I like this firing squad.

MURMAN: Let's go to education. You said you want to keep funding education whole, and, and I totally agree with that.

HANSEN: The best I can.

MURMAN: I think that's a good part of the bill. And then, funding on a per-student basis, and I love that part of the bill, also. Do you have any idea of about how much per student it would cost to fund education?

HANSEN: A lot of that will come down to what we get from sales tax exemptions and then what we appropriate to the Property Tax Credit Fund. Those two numbers together proportionately per student in the state of Nebraska is going to determine what it is. And we have, in the fiscal note, that the tax, the tax-- what did I have-- he deter-- they determined the funding per student based on sales tax from the year before. Tax advisor, right? I had the fiscal note here, and I thought I underlined it, but I didn't, so. Yeah, that'll-- it'll determine a bit-- about what we make on sales tax for the per pupil basis.

MURMAN: OK.

HANSEN: And I like the-- if I can-- I like the idea of the per pupil based funding. I like moving in that direction. I'm not really touching TEEOSA too much, because again, you start getting the weeds too much with that, you lose people and I think they tend not to vote on anything. Moving towards maybe more of a per pupil based funding system I think encourages maybe competition among schools, and the money falls to student instead of the, you know, the facility or administrators. And I think over time, that can, can help with just

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the quality of education, which is maybe what we're trying to touch on with this, too.

MURMAN: And per student, it-- that could be adjusted for whatever it needs-- extra needs are, too.

HANSEN: Yep. That would be up to the Legislature, ultimately.

MURMAN: And I'd like to discuss agriculture, but I think Senator Ibach did a good job with that, so moving down the line.

HANSEN: I know the, the book needs to stay open for that, and I'm totally willing to have those discussions and figure out what we need to put in here.

MURMAN: OK. Thank you.

von GILLERN: Senator Jacobson.

JACOBSON: I know you've studied income taxes, in, I think, for the Benefit Group, and maybe I'll have a question here too, that income taxes businesses have a choice as to whether they're going to stay in Nebraska or whether they are going to come to Nebraska, if they're not living in the state of Nebraska today. If you look at our income tax rate, our highest income tax rate in Nebraska, compare it-- and, and today, we're on our way to 3.99. We're not there yet. That's where we're heading to. But if you look at Wyoming, they're at zero. South Dakota, zero. Kansas is below us. Iowa is below us, but we'll get down close to being where Iowa is, once we get to 3.99. So the question is, if we want to attract businesses to Nebraska, why would they come here when they could go to any of our surrounding states and have a lower state income tax rate? And if you're here today and we want to keep you here, I look at a major corporation in the state of Nebraska that's working on an acquisition and they want to keep their headquarters here, but if we weren't moving our income tax rate down, would they be rethinking that question as to whether they would stay here? And, and do we want to lose the largest taxpayers of the state because we're not willing to be competitive with other states? Isn't that a big question-- pressure that we have with income taxes?

HANSEN: Yeah, we need to be competitive with corporate and, and income tax rates, but we also need to be competitive on not taxing people out of their homes.

JACOBSON: Yes. And I would also say, when you have sales taxes, such as South Dakota, and as people drive down Interstate 80, they will pay sales taxes in the state of Nebraska. Now, we're losing a lot of sales taxes on pop and candy, because they can stop at convenience stores and not pay that. You go to South Dakota, they tax virtually everything on sales taxes. And they don't have a state income tax at all, because they're generating all that tax revenue from sales taxes. That's why it seems to me the focus is on sales taxes, not income taxes.

von GILLERN: Thank you. Other questions? Senator-- am I going to skip Senator Kauth? Senator Sorrentino. I feel left out.

SORRENTINO: Thank you, Senator von Gillern. You're welcome, Senator. I haven't said a thing all day.

HANSEN: Which is unusual.

SORRENTINO: But now I will. I wanted to listen to both sides of this. I, I champion the idea of certainly lowering our property taxes. But right now, we have no tax on certain exempted services, but we have high property taxes. And under your bill, we would-- we'd start paying on formerly tax-exempt services in exchange for hopefully, lower property taxes. That makes sense. But if you look for winners and losers, right now, the winners are those who are purchasing these currently exempt services and don't have to pay taxes on them. Under your bill, if I'm not a consumer of services that were formerly exempt, but no longer, I win because I'm not paying tax there, but I do get lower property taxes, at least hopefully. That's the idea. You know, maybe I don't buy legal services, accounting services, home services, haircuts, whatever. But my concern is this. Does the bill-- your bill potentially-- which, I like the bill-- potentially hurt consumers? When I think of consumers, it's probably not me. It's the 35-55-year-old groups with-- raising families, et cetera. Because that was always my concern with EPIC tax. To me-- and a lot of people love EPIC tax, I didn't. I thought it was a consumer tax. So can you differentiate your bill from what would be EPIC 3.0? It's not a consumer tax, is it, in that we're now taxing a lot of services that formerly were not.

HANSEN: Not in the, not in the idea-- yeah. Not in the idea of what EPIC tax is, right, and then how they distribute those funds, and then what they tax and what they [INAUDIBLE].

SORRENTINO: You have a different distribution screen, but you are bringing more services in that would get taxed and EPIC was kind of like, let's just tax everything and get rid of sales tax. That was the theme of it, anyway.

HANSEN: Yeah, but I, I believe in the idea that some industries, some inputs, some items are worthy of a tax exemption. The only way I feel like we're going to know that is convince us of that. Tell us why. I mean, I think we've kind of lost this idea, because, because the list has gotten so broad. And, and sometimes, we, we gave a sales tax exemption 30 years ago. We don't know why, at one point, somebody decided that, you know what, you can't have sales tax on dog grooming services because now poor people can't have a dog. I mean, and somehow, we have a sales tax exemption on dog-grooming services. And so, it was like over time, those had just-- had, had-- has built up, built up, built up, and I just think this is taking a fresh look at it. And I'm not against putting stuff back in here. I feel like we just need to know why.

SORRENTINO: So strip it down to the basics, including a few things that need to be exempt, and then let them prove their worthiness of a tax exemption.

HANSEN: Yeah, the onus has always been on us to justify sales tax exemptions. I think the onus should be on the industry and the people who want the sale tax exemption to justify it.

SORRENTINO: Thank you.

von GILLERN: All right. I got a, I got a couple of final questions. I'm going to play off of the question Senator Sorrentino asked. If, if this is revenue neutral, why would we do it? Why-- we-- you know, the-- I think you used the term rearranging the chairs on the, on the ship, or on the Titanic, or whatever metaphor you want to use. If this truly revenue neutral, and we literally are, as Senator Sorrentino said, we're just changing who's paying in and who's not. And if, and if the response, as the EPIC supporters said, well, it gives consumers more choice in whether they contribute to their taxes because they can choose whether to spend money or not, well if I choose not to spend money, then the sales tax revenue is going to drop and then the numbers don't work anymore. So, why go to this, this expansive effort if we truly gain nothing?

HANSEN: You can look at it a different way. You can also say if it's revenue neutral, why aren't we doing it? So let me tell you the-- why we should do it. Just-- it's kind of twofold. One is sales tax, in my opinion, are much more fair than property taxes. Property taxes, I think, are an unfair, unjust tax that taxes people out of their homes, and that-- and ultimately, the government owns your land, which I think is fundamentally not just unconstitutional, but it's immoral. Secondly, you-- you're right. You do have a choice on where you want to spend your sales tax, and I think giving people a choice is much better than not giving them a choice. And people-- you don't hear, you don't hear too many people getting taxed out of their home because of a haircut or because of not buying a soda or because of a chartered flight, but they're getting taxed out of their home because of property taxes. I think that's much more important to address and focus our attention on than sales tax.

von GILLERN: OK. I don't disagree, but I think it's a question that needs to be asked. My second question is far more pragmatic, and it, and it came up at least with, with one of the testifiers. The Governor's Working Group worked on exactly the process you described for two years, and didn't-- was not able to advance a shift in tax load from property tax to sales tax. You've got 35 days left in the session, if I'm close to counting my days right, just from a pragmatic standpoint. And out of those 35, we may not be here the last 4, and then you back up-- well, I mean, you do all the math, you got about 3 weeks to, to, to carry on all of the negotiations that you just described. Is that realistic?

HANSEN: Yes. I think the biggest difference between this bill and maybe previous ones that we have done, I think, A, they've been much more complicated, harder to understand-- I mean, I'm trying to keep this-- again, it being a complex issue-- as simple as I possibly can, and something that we can build on next year, but it has to be immediate. Anytime, in my opinion, you touch sales tax exemptions, it has result in immediate property tax relief, no matter what. Otherwise, we're just taxing people and not-- and you-- government is not the best -- we don't don't do the best at-- you know, we get money and then we automatically give it back. We tend to keep it and do dumb stuff with it. And so, if we're going to tax people with sales tax-- getting rid of sales tax exemptions and we're taxing services now, it has to automatically amount to property tax reform and relief. So that has to occur at the same time. And I think that's what this bill does, as well, and you can have that happen in one year. Plus, most people

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here know I've passed crazy bills in a short amount of time before.
This is not a first for me.

von GILLERN: Certainly, you're not categorizing this in that category.

HANSEN: Good crazy.

von GILLERN: There you go.

HANSEN: It's sometimes hard to wrap our hands around. So, again, I, I hope we take this seriously and just say, OK, another tax bill came along. Let's move on to the next one. I'm strongly considering prioritizing this and getting on-- this on the floor for debate. And I really think that's when we can-- and hope-- by then, I should have all the nuts and bolts in place, and that's the time we can start talking about sales tax exemptions. Get it on the floor, convince 25 people that this is worthy of a sales tax exemption, and let's put it on.

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

HANSEN: Thank you, sir.

von GILLERN: That'll close our hearing on LB1257. We'll open up on LB826 and invite up Senator DeKay. Let's give them just a minute. Good afternoon, Senator DeKay.

DeKAY: Afternoon to you.

von GILLERN: You know how to clear a room.

JACOBSON: Thank you for that.

von GILLERN: You're welcome to open on LB826.

DeKAY: OK. Thank you. Good afternoon, Chairman von Gillern, member-- and members of the Revenue Committee. For the record, my name is Senator Barry DeKay, spelled B-a-r-r-y D-e-K-a-y. I represent District 40 in northeast Nebraska, and I am here today to introduce LB826. Right now, the window for an applicant, applicant to file a veteran homestead exemption application is between February 2 to June 30 of each year. An extension can be granted by the county board of the county in which the homestead is located, so long as the applicant files the relevant paperwork with the county no later than July 20 of

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each year. The purpose of LB826 is to expand the late file deadline for disabled veterans or their spouses seeking a veteran homestead exemption. Specifically, the bill would allow a property owner to file a late application pursuant to Section 77-3514.01, if he or she includes documentation showing that the certificate-- cert-- certification of status was received from the U.S. Department of Veterans Affairs after June 30 for the applicable application year. This late application would need to be filed with the county assessor on or before June 30th of the year in which the real estate taxes levied on the property for current year become delinquent. This would essentially be the same process we have in place already in statute for situations involving a medical condition or death of a spouse which impair an applicant's ability to timely file the application. Earlier this year, I had a constituent reach out to my office who was awarded a 100% service-connected disability total rating. There was a long back and forth with the VA starting back in 2024, which included the filing of the VA's supplemental claims for submission of new and relevant evidence. Long story short, a letter from the VA declaring this 100% disability was dated July 11, 2025, meaning it was too late for him to apply for the homestead. Unfortunately, when I reached out to the Department of Revenue, I learned that there is no process under current statute that would allow for an extension for veterans after the homestead application deadlines. In this case, the constituent missed the deadline, despite trying to do everything right. According to the VA's website, as of January 2026, it takes an average of 84.7 days for the department to complete disability-related claims. However, per the fiscal note Douglas County submitted on this bill, late VA paperwork has become more persistent problem in recent years. This bill should not impact many veterans. According to data I have, which from the fiscal note Douglas County submitted to the Fiscal Office on Senator Day's LB853, from the 107th Legislature in 2022, there were approximately 5,251 veterans statewide who were eligible to participate in Homestead due to 100% disability rating. Obviously, the need for this bill will vary depending on the year or situation. According to Douglas County's fiscal note submitted to this bill, LB826, in 2025, there were only a handful of veterans who fit the category of having late VA paperwork. I am-- I also want to add that this bill would have a minimal fiscal impact, beginning in the fiscal year 2027-2028, and there are minimal absorbable implementation costs for both the Department of Revenue and the counties. In closing, our veterans offer to sacrifice their lives and much more in service to our state and country. A homestead exemption should not be a cumbersome process for our veterans to jump through, and LB 826 would

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help address those cases where there are bureaucratic delays by the VA. With that, I would be happy to try to answer any questions for you. Thank you.

von GILLERN: Thank you, Senator DeKay. Any questions from the committee members? Seeing none, can you stay to close?

DeKAY: I will try to be back. If I'm not here, I will waive closing.

von GILLERN: OK. Great. Thank you. This feels highly controversial, so stay close by. First proponent. Good afternoon.

JON CANNON: Good afternoon, Chair--

von GILLERN: Welcome to the Revenue Committee.

JON CANNON: Thank you. Good afternoon, Chair von Gillern, distinguished members of the Revenue Committee. My name is Jon Cannon, J-o-n C-a-n-n-o-n. I'm the executive director of the Nebraska Association of County Officials, also known as NACO, here to testify in support of LB826. I appreciate Senator DeKay bringing this bill. We've testified many times before that we're very much supporters of the homestead exemption. It is one of the best and purest forms of, of targeted property tax relief that we have in the state of Nebraska. I, I could go into what you've heard a million times before from me, about why we have the homestead exemptions, you know, and, and why we had the classes we do, but, you know, needless to say, it's for people that are generally on a fixed income. Veterans certainly meet that, disabled veterans certainly meet that. Late applications for veterans has always been an issue in the administration of the homestead exemption. The, the Veterans Administrat-- the, the Department of Veterans Affairs is under increasing stress with, you know, changes in layoffs and, and whatnot in the federal government, as we're kind of trying to right size the federal government. This just removes a barrier to receiving the homestead exemption that the veteran himself, the applicant, did not create. I will note that in the past, every time that we've done a fiscal note on the cost of the homedest exemption program, that fiscal note contemplates that we have everyone filing on time. So this doesn't really add to the fiscal burden for the state in any way, shape, or form. I will draw inspiration from Senator von Gillern's admonition after the first hearing on LB1253, and cut it short and ask if there are any questions.

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von GILLERN: God bless you. Questions from the committee members?
Seeing none, thank you, Mr. Cannon.

JON CANNON: Thank you.

von GILLERN: Any other proponents? Good afternoon.

MARK LAKAMP: Good afternoon. Good afternoon, Chair von Gillern and members of the Revenue Committee. My name is Mark Lakamp, spelled M-a-r-k L-a-k-a-m-p. I'm the Lancaster County Veterans Service Officer. I am also the chair of the Nebraska Veterans Council. I'm speaking in support of LB826 on behalf of Lancaster County and the Nebraska Veterans Council. LB826 addresses a small but important issue in the way the homeless exemption requests are processed. As you're aware, homeless exemptions have an application deadline of June 30. In order for the veteran or their spouse to apply for the homestead exemption under Section 77-3506, they must have been rated by the Veteran's Administration as totally and permanently disabled or receive the decision that their spouse's death was service-connected in order to certify for this homestead exemption. However, if the VA does not make that decision until after June 30, there's nothing the spouse or the veteran can do regarding their eligibility for the homestead exemption for that year, even when they receive the appropriate rating after the fact. They must wait another year to apply, and pay an extra year of property taxes. Unfortunately, the VA often takes a long time to come to a rating decision, just as unfortunately the VA often initially makes a decision that is ultimately reversed. While county and state veterans service officers frequently are able to file a successful rating appeal to the VA, the June 30 homestead exemption filing deadline still bars veterans and their spouses from eligibility. In 2025, our office assisted 13 veterans or surviving spouses who received their VA decision after the June 30 filing deadline. We had to explain to them that while they would have been eligible to file for this benefit if the VA decision had come sooner, they have to wait another year to file their homestead exemption. Many of these folks, especially the surviving spouses who are now facing another loss of a loved one, but also loss of income from that spouse, the extra funds provided by the homestead exemption are critical. We urge the committee to please address the oversight by advancing LB826. Our veterans and spouses should not be penalized for the VA's timeline. Thank you for your time, and for your service to our great state. I'm available to answer any questions, especially regarding how the VA process works, as we do that on a regular business in our office.

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

MARK LAKAMP: Thank you.

von GILLERN: Thanks for what you do for veterans. Any other proponents? Seeing none, are there any opponents? Seeing none, anyone who'd like to testify in the neutral capacity? Seeing none, as Senator DeKay-- he's not here, and he waived closing. We had one proponent, and zero opponent, and zero neutral letters provided online. So that will end our hearing on LB826. Senator Hallstrom, I believe, is on his way, so we'll take a short... Yeah, OK. Is he coming or are you going to open for him? All right. Let's-- I'm going to take 5 minutes.

[BREAK]

Speaker 1: I'm going to go to the restroom.

Speaker 3: Thank you. I'm sorry. Where are we at?

Speaker 1: Thank you.

von GILLERN: So many things could have been done. I know. I tried very hard.

CONRAD: I love it.

KAUTH: Thank you. Bye.

Speaker 3: Uh, is this for you or are you playing? No, I have a picture here.

von GILLERN: Ready to go?

HALLSTROM: I am ready.

von GILLERN: All right, Senator Hallstrom, thank you. We'll open on LB873.

HALLSTROM: Chairman von Gillern, members of the Revenue Committee, my name is Bob Hallstrom, B-o-b H-a-l-l-s-t-r-o-m, Senator for Legislative District 1. I bring LB873 today for your consideration. Last year, I introduced and the Legislature adopted LB230. The legislation established a regulatory framework for kratom products pursuant to the Kratom Consumer Protection Act. Kratom is a tropical tree native to Southeast Asia, the primary active compounds of which

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interact with the opioid receptors in the brain. In low doses, kratom acts as a stimulant, and in higher doses, it acts as a sedative. LB230 restricted the sale of permissible kratom products to adults, required verification of buyer age, required manufacturers to register products with the state, and to contain labels providing clear warnings and disclosures, thus the consumer safety provisions. Importantly, Nebraska law prohibits the sale of kratom products with a level of 7-OH in the alkaloid fraction that is greater than 2% of the alkaloid composition of the kratom product. Having regulated kratom products under LB230, LB873 would impose, effective January 1, 2007, an excise tax on retail sales of kratom products to consumers, at a rate of 10% of the retail purchase price. The excise tax would be in addition to all other occupation, privilege, sales, or use taxes imposed by the state or any political subdivision. At the request of the Attorney General, LB873 also provides a clarifying amendment to the Kratom Consumer Protection Act. The bill clarifies that if a kratom product, product is subject to independent third-party testing due to concerns that the product may be adulterated, the product shall not be sold, provided, or distributed until test results have verified compliance. The bill would also provide for the removal of products found to be adulterated from the list of registered products if sold, provided, or distributed in violation of the act. One last thing I'd say, the fiscal note indicates \$700,000 sum for implementation for '26-27. It also reflects, for '27-28, about \$1.3 million, I think, if I remember the figures correctly. I think it almost-- if you look at the implementation prior to January 1, to be up and running, those costs will just about be offset by the first half-year revenue in 2027, so I believe it's relatively revenue neutral. At some point, if we're going to tax the product, we need to get it up and running. I realize we're cash short this year, but if it's something over the course of the year that becomes revenue neutral, then we're in place, I think, the second year, to start realizing, based on the fiscal note, about \$1.2 million per year from, from taxing in the fashion suggested. Be happy to address any questions of the committee.

von GILLERN: Thank you. Senator Ibach.

CONRAD: Thank you. Does this have any-- is, is this relative to Senator Hughes' bill, where she's going to tax all tobacco "prod-om"-- products? I know kratom is not a tobacco product.

HALLSTROM: It, it, it would be separate and distinct and attached as its own, as its own entity.

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CONRAD: OK. OK. Thank you. Thank you, Mr. Chair.

von GILLERN: Other questions from the committee? Senator Hallstrom, have you talked to-- I presume you've talked to the OCIO folks about the \$353,000 cost they anticipate?

HALLSTROM: I have not, I have not gotten to the point of getting into questioning the fiscal note. I, I felt that the fact that it-- I, I, I, I would think that's a little bit excessive, but I think we at least get revenue neutral on it, and if-- again, if the committee is inclined to embark down this path, that yes, we ought to be deriving revenue from the sale of these permissible products that-- no time like the present to get it started--

von GILLERN: OK.

HALLSTROM: And hopefully, they will not incur that type of cost.

von GILLERN: Thank you. Seeing no other questions, do you need to get back to the area?

HALLSTROM: I will get back there. If I can come back to close, that's fine, but not having heard what anybody, if anybody says anything, I'll, I'll probably waive closing and--

von GILLERN: OK. We'll take good notes.

HALLSTROM: --go back. Thank you for your patience.

von GILLERN: Thank you. Invite up our first proponent. Are there any proponents? Seeing none, are there any opponent testimonies regarding LB873?

KAUTH: Stay here.

SORRENTINO: Come back.

von GILLERN: Seeing none, is there anyone who would like to testify in a neutral capacity? Seeing none, Senator Hallstrom, would you like to close?

HALLSTROM: I told you I thought it would be quick. Thank you.

von GILLERN: Thank you. We had one proponent letter, zero opponent, and zero neutrals filed online. That will close our hearing on LB873, and we will open up on LB1193. All right, Senator Prokop, thank you.

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Thanks for being right here, ready to go. You're welcome to open on LB1193.

PROKOP: OK. Thank you, Chairman von Gillern, and members of the Revenue Committee. My name is Jason Prokop. For the record, J-a-s-o-n P-r-o-k-o-p, and I have the privilege of representing Legislative District 27, which is west Lincoln and Lancaster County. Excuse me. I'm here today to present LB1193, which is a bill that integrates standalone energy storage resources into Nebraska's existing tax and regulatory framework. Energy storage resources are utility-scale batteries. Standalone energy storage resources store electricity when demand on the grid is low and inject it when demand is high. This provides all of us with more affordable, reliable, and dispatchable power. By supplying energy at peak times and offering round-the-clock reliability services, energy storage helps protect consumers from price spikes. Standalone energy storage resources are also the fastest way to bring new capacity to the electric grid in Nebraska. We hear about how a lack of electricity is holding us back from economic development opportunities. It is capacity more than energy because SPP, or the south-- Southwest Power Pool keeps increasing its reserve requirements and adding new reserve requirements. Energy storage resources address this issue and do so immediately. Standalone energy storage resources complement all types of generation. They are grid assets. They are fuel agnostic. They add immediately dispatchable capacity, improve grid reliability, support our utilities and attract new businesses to our state. LB1193 clarifies how we tax and regulate standalone energy storage resources. This will provide regulatory certainty and attract investment and property tax revenue. LB1193 fundamentally does 3, 3 things. First, the bill subjects energy storage facilities to the nameplate capacity tax. Since 2010, that, that tax has successfully gener-- generated revenue for Nebraska communities. Under current law, privately developed renewable energy projects pay \$3,518 per megawatt of nameplate capacity annually, and this would match it for standalone or battery storage. Currently, Nebraska taxes energy storage resources as personal property. That means high tax and high revenue first, but both quickly depreciate. Under the nameplate capacity tax, the tax and revenue would be level for the life of the project. As some testifiers behind me will explain, this will likely increase local tax revenues from energy storage resources. Even so, the industry wants this, and annualizing the tax provides developers with predictability and gives communities a stable revenue stream through a project's life. Second, LB1193 provides regulatory certainty. The Power Review Board's existing

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authority remains fully intact to protect ratepayers. The board adopted guidance document 14-- a few years ago, in which it determined that standalone energy, energy storage resources fall under its jurisdiction, and it must approve them before construction. This is no different than a new gas plant that a public utility might propose. LB1193 would codify this determination and removes regulatory uncertainty. LB1193 also requires the most current safety standards and foreign adversary controls applied to all standalone energy storage resources in Nebraska. Developers must provide local first responder training and ensure no foreign adversary has operational control over these facilities. Third, LB1193 protects private standalone storage projects from eminent domain. Without this protection, financing these projects is impossible-- excuse me-- and investment will move on to our neighboring states. If this happens, we will lose the reliability, capacity, and tax benefits of these projects. I'd ask the committee to advance LB1193 to General File, and would be happy to answer any questions you might have.

VON GILLERN: Thank you, Senator Prokop. Senator Kauth.

KAUTH: Thank you, Chair von Gillern. A couple questions. So you said the industry wants this. What industry?

PROKOP: The bat-- the battery storage industry.

KAUTH: The battery storage industry.

PROKOP: Yeah. That, that, that would provide the batteries.

KAUTH: How do, do our electrical companies-- how does OPPD or MUD or any of the electrical companies feel about this? Because in the past, they've been very against the battery storage, because you get cheap energy, store it, and then sell it for more somewhere else.

PROKOP: Yeah.

KAUTH: Is that what's happening?

PROKOP: And I think, I think you might get some input on that, so I don't, I don't want to speak for them, after me

KAUTH: Don't want to spoil the surprise?

PROKOP: Yeah, spoil the surprise. And you know, I would-- but I would kind of take a, take a stab at answering that question a couple

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different ways. And, and there are various pieces of legislation that have been proposed this session. There's a hearing today on another, before Natural Resources Committee. And there's been lots of conversations amongst our public powers-- you know, LES, battery storage developers, so a lot of those conversations are taking place. But to get to, I think, to the heart of your question, as far as battery storage is concerned, you know, those-- one, is it's that capital development of being able to provide that-- add that reliability to the grid. So if you don't have that private capital willing to invest in Nebraska, that's going to impact the ability we have to, to just have that energy storage, which means potential growth. Now, the way that the systems-- and, and also have some battery storage companies that will be coming up behind me. That-- you know, I think there's been a lot of discussion around how they actually function. So the way I think I can best describe it is the battery storage-- and this is, this is controlled by the Southwest Power Pool. So I think that there's this misnomer that they can charge and-- charge batteries whenever they want to and then send, send that energy back into the grid whenever they want to. That is not necessarily the case. Southwest Power Pool says, OK, you can charge it this time. This is when we are taking-- or this is when you can charge up, and then this is where you can send it out, so that's all, that's all regulated. And so, yes, there is-- I mean, they are businesses. There is a profit margin to it, but, I think, to, to a lot of extent, publicly, that has been exaggerated. And I would just also say the, you know, from a, from a public power and the generator's perspective, they-- these batteries become customers of the public power. So they are charging up usually in non-- non-peak times. And so, this is a new, this is a new customer for, for the generators, as well.

KAUTH: Thank you.

PROKOP: Sorry. I said I was going to let others answer that and that was my long-winded answer to that.

KAUTH: Thank you.

PROKOP: So yeah.

von GILLERN: Senator Sorrentino.

SORRENTINO: Senator von Gillern, thank you. Senator Prokop, thanks for bringing this. Quick question, and I can ask somebody else if you

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like. But imposing a name-- nameplate tax seems like it would generate revenue.

PROKOP: Yeah.

SORRENTINO: And I, and I just don't see it anywhere in the notes.

PROKOP: Yeah. It will. So it's about 3,000-3,500 megawatt-- or megawatt, which is in alignment currently, with how we, how we do for-- how we, how we impose the nameplate capacity, so it all kind of-- I don't think there's a-- probably a note on it. Because currently, you know, based on Power Review Board Guidance, Guidance Document 14, which is what this would codify-- the bill would codify in that, it depends on the amount of batteries that they came in and developed, as, as to the amount of revenue that it would generate. But it would impose the ta-- the bill would impose the tax on that development when it happens.

SORRENTINO: There is the tax. We just can't quantify it, as of yet?

PROKOP: Correct.

SORRENTINO: Thank you.

PROKOP: Yeah. But I would-- sorry. If I could just say one, one piece on that, is that I, I know that there is, there is a lot of interest in battery development in this, in this state, so it, it would be a significant amount. I just-- until, I think, they have that regulatory certainty as to how this would all operate, that's why we can't put a total number on it.

SORRENTINO: Thank you.

von GILLERN: To, to Senator Sorrentino's question, the, the state would give up the personal property tax revenue, the-- not the, the negative, the cost, but--

PROKOP: Right.

von GILLERN: The counties would get the nameplate capacity?

PROKOP: That's correct.

von GILLERN: OK. All right.

PROKOP: Yeah.

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von GILLERN: And that's why it's, it's not showing up on the fiscal note?

PROKOP: Correct. Yeah.

von GILLERN: OK. Thank you. Senator Ibach.

IBACH: Thank you. Do you happen to know what the total revenue to counties is currently, in the prop-- in the form of property tax relief because of the-- that nameplate capacity tax? Do you know what the--

PROKOP: I don't, I don't know the, I don't know the total number off-- right off the top of my head, as far as what, what--

IBACH: What we currently. Yeah.

PROKOP: --solar and wind and-- been developed. So I can try to find that out before close, but.

IBACH: Well, I know some counties enjoy a--

PROKOP: Yeah.

IBACH: --a nice check because of that nameplate capacity tax.

PROKOP: Yeah. Yeah. I know that's something that they are-- support.

IBACH: I'm just curious what this would-- what revenue this would generate, in addition to what we already have. Thank you.

PROKOP: Yeah, and I think a lot of it just depends on the amount of batteries that then would come in, and so, yeah. Yeah.

IBACH: Yeah. OK. Thank you. Thank you, Mr. Chair.

von GILLERN: Any other questions? Seeing none, can you stay to close?

PROKOP: Yes, sir.

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

HANNES ZETZSCHE: Thank you, Chairman von Gillern, members of the, of the Revenue Committee. My name is Hannes Zetzsche, H-a-n-n-e-s Z-e-t-z-s-c-h-e. I'm an attorney with Baird Holm Law Firm, here in

Lincoln. We represent two of the energy storage developers that are working in the state, Eolian Energy and Sofos Power. So they're two of the most experienced private developers in, in the country and then they're two of the most active here in Nebraska, so far. I, I appreciate Senator Prokop for bringing this bill. I testify in support of LB1193 because it updates Nebraska's tax laws and then provides regulatory certainty to these new-- this new industry of battery storage developers. As Senator Prokop explained, standalone energy storage or battery storage, it's really mega utility-scale batteries. That's what we're talking about-- large-scale, utility-scale, scale batteries. They store electricity when the grid has extra power available, so during the day, when it's not been used, and then release it when demand is high. It's, it's a re-timing function of, of demand and supply. This helps smooth out the ups and downs of electricity use, strengthens the grid, makes the grid more reliable, supports consistent demand for power plants, and protects consumers from price spikes, especially during those peak times. Energy storage is also the fastest way, as Senator Prokop said, to bring new capacity to Nebraska's grid. Think of these like transmission assets. We've all heard concerns about limited capacity supply hindering economic development in our state. This is a solution. It's the fastest, most cost-effective solution that we have today. Energy storage can help address the problem quickly and cost-effectively. It ensures energy storage resources are safe, "property"-- properly regulated, and economically viable under LB1193. And then, there, there are really-- as Senator Prokop said, there are two main components to this bill. First, is the tax certainty. It's, it's really a-- we're subjecting-- it modernizes the tax structure for, for energy storage resources. Currently, they're under the personal property tax, and this would, would divert them under the, the nameplate capacity tax. Since 2010, that's been a really effective way for renewables to be taxed. It levelizes the taxes over the life of the project instead of having that large front-end tax outlay. And this has benefit for the communities, the, the local political subdivisions, the counties, that they have-- throughout the life of the project, have annualized \$3,518 per megawatt. What I've handed out to you is a report from UNL, the Advanced Power Alliance Commission, this year, and it supports that \$3,518 number. It actually supports a lower number for, for batteries, but, but we're proposing \$3,518 per megawatt, just like the renewables out there. And then, the second piece of the bill here is regulatory certainty. It, it really codifies the Power Review Board's Guidance Document 14, which been in-- it's been in place for about 5 years now. We really-- we have tried to incorporate that in this bill as much as

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possible. And I'm, I'm happy to answer questions about that process, then, what, what the process would be like for a standalone project to go before the Power Review Board for approval. I know my light's nearing time here. But I-- we also talk about safety standards, and then-- and protection from adverse-- for adversaries controlling these energy storage resources, as well, in the bill. I, I would really welcome any questions. I, I ask for your support advancing this General File. Thank you.

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

KAUTH: Thank you, Chair von Gillern. So isn't Natural Resources also handling a battery bill today?

HANNES ZETZSCHE: That's correct. Yeah.

KAUTH: LB1010?

HANNES ZETZSCHE: They have-- that's correct, yes.

KAUTH: So-- and theirs focuses more on the policy. Why would we do anything with taxes and revenue before we understand what the policy is going to be?

HANNES ZETZSCHE: I, I think the idea, by bringing this bill, was really-- was to, to marry the two. I think we want to both regulate this-- give that regulatory certainty that I talked about, but also tax them. The developers are, are asking to be taxed, to kind of be incorporated-- legitimized, with this nameplate capacity tax. As I said, it's good for the developers, in that it annualizes it, gives them predictability throughout the life of the project. It's good for communities for the same reason. It gives them predictability throughout the life of the project. And so, I think the idea is to, to do it all in once. I, I think nameplate capacity is a really important part of bringing these projects online, and then we want to marry that with the regulatory certainty, as well.

KAUTH: OK. Thank you.

HANNES ZETZSCHE: Thank you, Senator.

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

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HANNES ZETZSCHE: Thank you.

von GILLERN: Next proponent. Good afternoon.

JUAN MAYORAL: Good afternoon, members of the committee and Chairman. My name is Juan Mayoral, J-u-a-n M-a-y-o-r-a-l. I've been developing energy projects for 20-plus years, across multiple countries and markets, for the last 10 years, in the U.S. My company, Sofos Power, based in Birmingham, Alabama, is currently developing utility-scale standalone storage systems in the Southwest Power Pool, SPP, including here in Nebraska. I'm testifying in favor of LB1193 because it will boost the, the deployment of battery projects in Nebraska. Batteries provide three primary services. Number one, ancillary services. Because of their instantaneous response to market signals, batteries are the most suitable technology for great voltage, voltage and frequency regulation, thereby providing great resilience and reliability, which will be-- which will definitely benefit the end consumers, the ratepayers. So that's ancillary services. Number two is capacity. Capacity is in high demand in Nebraska and across SPP, one, because of the acceleration of the demand growth; and two, because SPP has strained the capacity accreditation and reserve margin for the utilities. Nowadays, this is the most batteries-- or the most realistic and cost-effective way to quickly add power capacity to the grid. And number three is the energy regulation, also known as arbitrage. Batteries are set to dispatch the, to dispatch the stored energy to the grid during the peak demand periods. And they don't-- and they do that at a lower price than the current market price-- is the only way that it will be dispatched. So thereby, they are capping the prices for ratepayers at the peak of demand, which is the most expensive, expensive price during the day, and reducing the overall energy cost of the energy. Because batteries are naturally located in congested sub-- substations, they also reduce the need for transmission upgrades, which would ultimately be paid for, be paid for by rate-- ratepayers. Batteries are recharged during low demand periods, when there is a surplus of generation that would otherwise be curtailed or wasted. That helps the utilities by providing a customer for their energy when the demand is low. The natural offtake for, for the ca-- for the capacity attribute is the utility to which the battery is interconnected to, or any other utility nearby, but it can technically be contracted with any other utility or corporate entity interconnected to the SPP network. We, we think that we need to-- a priority needs to be given to the Nebraska public utilities to control the capacity attribute before making, make-- before marketing, marketing it to out of, out-of-state, but we should have the ability

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to sell it out-of-state or to other off-takers, if that, that wouldn't be possible for any reason. With that, we will allow the Nebraska utilities to leverage private capital and expertise to fuel economic growth.

von GILLERN: Wow. I'm impressed. Would you like to finish that thought? Go ahead. Please finish your sentence.

JUAN MAYORAL: Yeah. The other thing is-- no, no. That, that was it.

von GILLERN: OK. All right. Thank you. That's incredible. I appreciate that. Senator Dungan has a question.

DUNGAN: Thank you, Chair von Gillern. Thank you for being here today. Just-- I know you had a very short period of time. Can you talk a little bit more about how long it takes to get one of your projects off the ground, from the time that you start applications or seeking approval to actually being up and, up and running? What does that timeline look like?

JUAN MAYORAL: Yeah. OK. So I'm going to start for construction. Once you have everything ready, procurement and construction can take 12 to 18 months. The construction itself is like 6 months, but if you take into account procurement, it would be between 1 year and 1 year and 1/2. And then the permitting process, it depends. So if it's straightforward, it can be like 1 year, 1 1/2 year, so a total of 3 years, optimistically, from scratch, from green field, optimistically. And then, it de-- it depends on the, on the permitting process.

DUNGAN: OK.

JUAN MAYORAL: So if everything is, is regulated and easy, then it will be quickest.

DUNGAN: Makes sense. Thank you. Thanks for being here.

von GILLERN: Thank you. Senator Bostar.

BOSTAR: Thank you, Chair. Thank you, sir, for being here. Do you operate in multiple states?

JUAN MAYORAL: Yes.

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BOSTAR: What's the landscape look like? Is-- where does Nebraska fall in the spectrum of easy-to-do-business with to hard-to-do-business with?

JUAN MAYORAL: I regret to say that it's the most difficult one right now.

BOSTAR: Really.

JUAN MAYORAL: Because of the uncertainty. So in other states that we operate, there are-- at least we have certainty. We know, we know the regul-- we know the rules, and they are open for, for batteries. Here, it's, it's kind of an uncertainty. It's a-- well, to us, it's certain, but there is a hole, maybe, in the regulation that would need to be addressed, and that's the main reason of LB1193, or even the LB1010. And once this is clarified, then it would be in a-- in the same spot of the other states. Very [INAUDIBLE]. Very close.

BOSTAR: See, that's, that's surprising to hear, because I know we've heard from industry folks, we've heard from the Governor many times that we have a crisis in the state of Nebraska about not having enough electricity and capacity available to meet the demands of industry and development coming into the state of Nebraska. So I just don't-- I don't understand why it would be-- why we would have a regulatory framework in the state that would be so business unfriendly, when the leadership of the state is so clear that we are facing a crisis. So I guess that was more of a comment. Do you-- so are you-- your storage, is the intention to contract with a utility provider, private development, what does this look like?

JUAN MAYORAL: So there are two attributes, which are the ancillary services and the energy regulation, which necessarily needs to be dealt with SPP. Necessarily. There's no other way. So we charge the, the, the battery from SPP and we dispatch to SPP. So there's no way that we can charge it cheap, here in Nebraska, and we sell it expensive, out of the state. This, this is not working like that. So we are selling and buying from south, from Southwest Power Pool, which is a Nebraska-- which is a, which is a region, but we are, we are, we are selling and buying from that Pool, and this is local-- it will be at the local point of Nebraska. Period. The other component is the capacity component. The capacity component is valuable because the utilities need to acc-- need to have accreditation that they have sufficient capacity to serve their customers. And it's not only that. They really need capacity, as you, as you mentioned, to allocate to

meet the new demand. So that attribute, that can be-- that is not, that is not dealt with SPP. This is dealt with any entity that would be-- that would, would need-- would be in need for, for that capacity. The natural off-taker? It's the utility that we are interconnected the project to. That's the natural-- this is what we want. This is the ideal situation, because you are interconnecting to--

BOSTAR: Is to work with the utilities.

JUAN MAYORAL: Yeah, to the utility that, that you are interconnected to. So you are interconnect to a utility. That's a natural off-- that would be ideal, because you have everything in one place. The second ideal would be to sell the capacity attribute to a, a utility here, in Nebraska. If it's not that utility, so maybe another one which is close. And the third one would be to sell it to a either out-of-state or sell it to a corporate, large industrial customer, maybe just leave it for the, for the utility, something like that. That would be the third.

BOSTAR: But within the SPP.

JUAN MAYORAL: Yeah. Always within SPP. There's no way to do it--

BOSTAR: You, you talked about pricing. Do you, do you have any role in price setting, or is that done by the SPP, or does the utility have a role in price setting?

JUAN MAYORAL: No. So it's a-- so the price of the energy, not the capacity.

BOSTAR: Right.

JUAN MAYORAL: The capacity is something private, bilateral. But the energy, which is the energy regulation and ancillary services, this is with SPP. So this is a merchant. This is a merchant-- a mechanism, and this is a pool. And this is the same thing that we are doing in, in, in every market in the world-- in most of the markets. It's, it's set by offer and demand. So every-- I don't know if it's 50 minutes or every hour-- I believe it's, it's, it's every 50 minutes-- there's a bid of offer of kilowatt hours, megawatt hours, and demand at a price. And then we-- so the offer and the demand, they go to SPP, and then they, they do a match, and they determine the price. And then the-- that price is for every, I mean, whatever it is, that is dispatched during that 50 minutes or one hour. So it's the system that sets the

price. However, if you want to be dispatched, you need to bid at a lower price.

BOSTAR: Right. You have to get into the stack that's going to be dispatched.

JUAN MAYORAL: Yes. You need to get into the stack. Yeah. So then, batteries, they have the ability to, to bid lower: one, because it's cheaper technology than traditional; but second, because we locate the batteries very close to load and behind the congestion. So then any other provider, any other generation, they need to go through the congestion and they need to pay certain fees that--

BOSTAR: The congestion pricing factor?

JUAN MAYORAL: So-- yeah. They need to pay certain fees to go through that congestion, so then the price, the effective price, end ups being very high. But for us, since we are located close to the load and, and be, be-- after the congestion, so we have the ability to, to bid lower.

BOSTAR: So tell me if I understand this correctly. So for a battery to be dispatched and to sell electricity, to sell energy, it would have to enter the generation stack below the top marginal rate, thereby lowering what that top marginal rate would be at a given time. Is that-- so far?

JUAN MAYORAL: Yeah. That is correct.

BOSTAR: And so, the-- then the net effect of that is lower energy prices with an SPP.

JUAN MAYORAL: That's exactly correct.

BOSTAR: Which would then reduce the cost of energy.

JUAN MAYORAL: Exactly.

BOSTAR: All right. Thank you very much.

JUAN MAYORAL: At this point, at this-- during this 50 minutes.

BOSTAR: I think I get it. Thank you.

von GILLERN: Thank you. Other questions? I've got a couple questions. I want to tag off a couple things Senator Bostar asked. He asked about

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difficulty with working in the state of Nebraska. How many other states do you work in that are public power states?

JUAN MAYORAL: So-- oh, no. No other.

von GILLERN: No other.

JUAN MAYORAL: I, I believe Nebraska is the only one, is the only one in the United States, right?

von GILLERN: Yes. Correct. Correct. Trick question. I knew you were going to be, I knew you were going to be impossible to trick with that. Does that, does that lead-- the, the term that was used is unfriendly. Is that, is that unfriendliness part of the challenge of dealing with public utility rather than private utility? Maybe unfriendly isn't the right word-- challenging to deal with public, public utilities versus private?

JUAN MAYORAL: No, I wouldn't say so. I would say that, that the word is uncertainty.

von GILLERN: OK.

JUAN MAYORAL: It's uncertainty, the word.

von GILLERN: OK. All right.

JUAN MAYORAL: It's uncertainty.

von GILLERN: And then, the other-- another question Senator Bostar asked that I'm, that I'm curious about is Nebraska, by all measures, it appears that our demand for power is going to exceed our ability to provide it. How many other states are in that same boat?

JUAN MAYORAL: Most of them.

von GILLERN: Most of them? OK. Is there anybody that is-- any other state that's happy with their power production, that's confident that it's going to meet the demand?

JUAN MAYORAL: I don't know that. I don't know that. But to respond to your question also, I was, during last summer, I was in, in the Congress, in the federal Congress in Washington. I was lobbying be-- because of the-- they were discussing the O-- OBBB, the big, beautiful bill. And they were talking about different technologies in power,

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solar, wind, batteries, and everything. At the end of making the resolution that batteries are the ones that needed, needed to be saved from that reduction-- from reduction of subsidies or support or whatever, so solar and wind, at a federal level, they have, they have a sunset this year, in July. But batteries, they are there until-- they are supported until at least 2032, and that is for a reason. This is because everybody realized that it's general. It's not Nebraska, it's general in the states. So it's a, it's a high increase of demand, and we need fast technology, and [INAUDIBLE] and cheap and affordable technology, and this is batteries.

von GILLERN: My last question. I got an email-- I don't know if anybody else did-- that was concerned about potential fire, fire hazards that, that the battery facilities might present. Any comment on that? Is that a, is that a, a concern that's maybe over? I know there have been fires related to that. Is that concern that is valid, or--

JUAN MAYORAL: Yeah. I mean, it's a concern, but it's understandable. So, first of all, I would say two things. One, is that this-- there, there have been some fires in the past, especially, especially specifically in California, that they are all over the place. And that is a different technology. It is batteries, but it's another technology. This is nickel. We're talking about iron. Not us, but all the-- the industry has moved to iron because of that. Another thing is, is the, the way of building the batteries. So in the early days, they were all in the same, in the same room. So if, if it catches fire, then it propagates to everything. And now, we have the N-- NFPA Regulation, 85-- 855, National Fire Protection Act, that it's being released for the third time, I believe, now, in 2026. And they are required that the batteries are separated--

von GILLERN: Right.

JUAN MAYORAL: --containerized and separated, so if, if, if, if there is a heat and, and there, there is any chance of any fire, it would be containerized there, and it would be just localized in that container, and it could not propagate.

von GILLERN: OK. All right. Great.

JUAN MAYORAL: So there are measures-- technical measures.

von GILLERN: Senator Jacobson.

JACOBSON: Just a quick add-on to this. My nephew is a, is a firefighter, and we had a discussion about LB400, which I, I guess, was counted as an opponent of that bill. And he has indicated that lithium batteries are the worst and that when they're trying to put out one it's almost impossible to extinguish and it is extremely carcinogenic. And so, therein-- and I know this is not our purview here on the Revenue Committee, but I'm assuming in Natural Resources that there is discussion about what are the safety protocols, not only for having them onsite, and neighbors, and so on, but transport. Obviously, electric cars are using these batteries and they get in an accident or they catch fire, you better get out of there. And firefighters hate to go to those fires because of the fumes, the toxic fumes, and the fact that they're almost impossible to put out. So I don't know if you got any thoughts on that, but are these lithium batteries that, that are being used?

JUAN MAYORAL: Yes. They are lithium bat-- batteries, but this, this-- the family of lithium, we have nickel lithium or iron lithium. Both of them are lithium. The ones that are in the cars are nickel, because they are, they are less--

JACOBSON: Well, would these have the same risks?

JUAN MAYORAL: Yes, in, in, in some way. But the nickel, it's, it's easier to, to catch fire than, than iron. That's the difference. And they are lighter. Nickel is lighter, and this is why they are in the cars, because they need to be lighter. Here, which is even good, even better that are, that are heavier, because then it's more stable against a weather situation. But this is, this is-- iron versus nickel is different. Both of them are lithium, so that's the confusion.

JACOBSON: I don't need to get into technical. I'm just concerned about that hazardous-- and as we see a proliferation of battery storage, what kind of other ecological challenges are we, are we going to have, and safety challenges, and challenges for, for our, our firefighters.

JUAN MAYORAL: Yes. And this is something that we're dealing each and every day with the counties and the cities, when we're getting the, the permitting-- the land-use permitting. And we are following all the recommendations by NFPA 855, and we also hire companies that are specialized, like a fireman, firefight--

JACOBSON: That's fine. I-- we don't need to belabor the point. I just wanted to raise that issue.

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JUAN MAYORAL: No. Yeah, [INAUDIBLE] fine. Yeah.

JACOBSON: Thank you.

von GILLERN: Thank you. Seeing no other questions, thank you. Appreciate you being here. You offer a lot of expertise to the conversation. Next proponent.

JENNIFER WILLIAMS: Good afternoon, Senator von Gillern and members of the Revenue Committee. My name is Jennifer Williams. That's J-e-n-n-i-f-e-r W-i-l-l-i-a-m-s. I'm a registered lobbyist, here to testify in support of LB1193 on behalf of the Advanced Power Alliance. The Advanced Power Alliance is a regional trade association of developers, builders, and investor companies operating wind, solar, and battery technologies in the Great Plains, Texas and the Southeast region of the country. We advocate for policies to promote the development of abundant energy and technology resources to provide reliable, affordable, and infinite sources of power. With the passage of LB824 in 2016, Nebraska created an opportunity for private renewable energy developers to build projects in our state to contribute new sources of electricity to support the growing need for energy that continues to this day. Currently, Nebraska statutes define privately developed renewable energy generation facilities and includes any storage connected to that equipment and part of those projects. As the industry has evolved, new standalone battery energy storage systems have become part of the mix of energy development across the nation, designed to enhance and support the intermittent nature of energy generation from some of these sources. LB1193 will provide clarity that energy storage systems are allowed to operate in Nebraska, and establish a nameplate capacity tax treating these developments in similar fashion to current renewable energy projects across the state. Private renewable energy projects have facilitated \$7 billion in investment in Nebraska over the past 10 years. We believe in an "all of the above" strategy to address the energy needs of our businesses and residents, and ask for your favorable consideration of LB1193. Thank you.

von GILLERN: Thank you for your testimony. Any questions? Seeing none, thanks for being here.

JENNIFER WILLIAMS: Thank you.

von GILLERN: Any other proponents? Seeing none, are there any opponents to LB1193? Good afternoon.

JAMES DUKESHERER: Good afternoon. Chairman von Gillern and members of the committee, my name is James Dukesherer, J-a-m-e-s D-u-k-e-s-h-e-r-e-r. I'm the Director of Government Relations for the Nebraska Rural Electric Association. NREA is testifying in opposition to LB1193. The Nebraska Rural Electric Association represents 35 rural public power districts and electric cooperatives throughout the state. The more than 1,000 dedicated employees of our system serve 240,000 meters across nearly 90,000 miles of line. I'm also testifying today on behalf of the Nebraska Power Association, representing all of Nebraska's 160-plus public power entities. As you know, LB1193 seeks to legislate a process for the development of privately-owned energy storage resources, batteries, in Nebraska. Large-scale battery resources are a popular topic in the electric industry. Batteries can have a number of practical implications for an electric utility. They can be used to reduce system peaks, to provide backup generation during outages, for frequency support and voltage regulation and other possibilities. These facilities can also be used by private companies to purchase electricity at times when the cost of power is favorable and to sell that electricity back into the grid when prices increase. These facilities are unique, in that they have the ability to, at times, act like a large load, requiring massive amounts of electricity to charge the battery. At other times, the battery acts like a generation plant and can place multiple megawatts of power onto the electric grid. There's no doubt that these facilities can be an important tool for an electric utility. Nebraska's public power utilities are working to better understand and best utilize this technology. In addition to LB1193, there is a second bill, as was said earlier, LB1010, that's being heard today in the Natural Resources Committee. LB1010 was drafted by the Nebraska Power Industry. The intention of LB1010 was to provide a process which would allow for the private development of energy storage resources with the full partnership of public power. We believe that LB1010 includes the proper definitions, takes the proper approach to protect development and Power Review Board approval, and includes the proper requirements for partnership with public power on these projects. We will also note that we've been meeting with the impacted senators and private industry about this issue using LB1010 as the basis for our discussion. We'd like to thank, thank Senat-- Senator Prokop and Senator Brandt for their leadership in bringing multiple stakeholders together-- together to try to, to reach consensus on this issue. We believe that LB1010 best protects public power and serves as our best opportunity to pass a bill on this issue this year. Finally, LB1193 addresses the tax treatment of energy storage resources. The bill

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includes language impacting tax exemptions. It subjects energy storage facilities to the nameplate capacity tax and it details how these taxes are to be dispersed. We take no position on the tax treatment of energy storage resources in this portion of the bill. We only wish to ensure that these projects are deployed in full partnership with public power in a way that protects our energy grid and Nebraska's electric consumers. Thank you for your time, and I'd take any questions you may have.

von GILLERN: Thank you for your testimony. Senator Bostar.

BOSTAR: Thank you, sir, for being here. Got to hear some fun testimony about LB1010. Are you requesting that this committee also hold a hearing on LB1010?

JAMES DUKESHERER: No.

BOSTAR: Would you, you-- why wouldn't-- I mean, it sounds like that's the bill we should be hearing.

JAMES DUKESHERER: LB1010, it's an important bill. It's the bill that we'd like to see drafted. I'm notifying you that the, the Natural Resources did, in fact, have a bill on that today. It seems like the Natural Resources is the proper venue to house a discussion on battery storage resources. Likewise, I would say it, it seems like the proper venue to talk about taxes over in Revenue Committee.

BOSTAR: OK. You, you talked about how LB1010 protects public power. My recollection from Referencing, LB1010 would permit public power from seizing any battery storage development through eminent domain. Is that correct?

JAMES DUKESHERER: It, it would be the opposite. Current, current statutes allow public power, give us the authority of condemnation. So if a private company were to develop a battery storage facility in Nebraska, public power would have the authority to condemn that. That is not waived in LB1010. Correct.

BOSTAR: OK. So I can see why that would seem attractive to public power to have other folks put up their private capital, and then to have public power just simply seize it on their behalf. It strikes me that that may be a component of a level of uncertainty that we've heard about within this industry, where folks are maybe reticent to make investments, capital or otherwise, when there is the looming threat that the government, in this case public power, would come and,

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and simply-- well, let's call it, you know, socialize that, that investment by taking it. Do you think that those concerns are valid?

JAMES DUKESHERER: Absolutely. This is a conversation that we've been having in detail over the last several weeks, as, as we've talked about both of these bills. Although public power does not like to waive our authority of, of condemnation, we have done so in the past. We've done so for renewable projects. There's a bill this year, dealing with very large generation, LB1261. In that bill, there's waiver language for condemnation. As part of this discussion, as part of negotiations, certainly, that, that needs to be on the table. And certainly, from NREA perspective, we understand that that's a, that's a concern for private companies wanting to come to our state.

BOSTAR: We had a bill-- actually, it was in Revenue. I was-- Senator Jacobson brought legislation-- I don't remember if it was last session or the session before.

JACOBSON: Electricity bill.

BOSTAR: But it related to-- particularly, sort of-- it was crypto mining and the nexus between crypto mining operations and power delivery and supply. And I'm trying to remember back, so forgive me. But I-- if I recall, the NREA's position was that the, the variable nature of the load of crypto miners was beneficial to the system, because they could fill in the gaps where you had available dispatchable generation but you didn't have necessary load for that generation. And so that type of generation-- that type-- sorry. Forgive me. That type of load offered an opportunity to suppress rates by buying up some potentially available generation that otherwise wouldn't have been purchased. Do, do you recall this?

JAMES DUKESHERER: Yes.

BOSTAR: So as we think about batteries and we think about something that can mirror that where it is load when there is available dispatchable generation to meet that, that they would purchase, and generation when we're talking about hitting peak load scenarios, it would strike me that you're sort of-- you're getting the best of both worlds. Right? You're getting that same situation that the NRA [SIC] came in, in sup-- well, in opposition to Senator Jacobson's bill, but the concept of being in support of having variable load at that time, and then combining that with having peak time generation to help prevent the necessity of further expensive development in potentially

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transmission generation and other kinds of infrastructure. So what am I missing here?

JAMES DUKESHERER: A, a lot here. So let me, let me start on, on the crypto side. We, we supported Senator Jacobson's bill. What crypto was providing in rural Nebraska: not that they're a variable load, but that they would allow us to control their load. My members primarily serve-- and the further west you go the more this is true-- irrigation customers. So on a day like today, my, my customers, my members might have a peak load of 20, 30 megawatts of electricity. During the middle of the summer, when all those farmers are irrigating, they might be 130 megawatts. So that means for 9 months out of the year, they have a system that is built to deliver 130 megawatts of electricity, and they're only selling 30 megawatts. So here comes crypto, and they say, we could use some power. Where do you want us to locate? And so we can put them on our system, and they say, here's what we'll do that's different than maybe some of these other customers, is that during that peak day, during that peak time in the summer when those farmers are, are, are using all that, that irrigation load, you can control us and you can shut us off that day. So now, we're better utilizing the system without having to put any upgrades in, and we're selling more kilowatts. Everybody benefits. We don't have to go build a new power plant. All right. That's quite a bit different than what we're talking about with a battery facility in a, in a number of ways. But what a battery can do that's very different than what that crypto load can do is a battery, if it's a large battery, might be able to turn around and put 400, 500, 600 megawatts onto your system, just like a generator would. NREA, the Nebraska Power Association, we are not opposed to batteries coming to Nebraska. We are not supposed to the numerous benefits that these projects can provide to us. What we are very conscious about is that we want to make sure that these projects enter into an arrangement with us, a contractual arrangement with us, to make sure that we're utilizing these in a way that doesn't hurt the grid and doesn't impact the grid negatively for our customers. Not opposed to them, just think that we need to do this together.

BOSTAR: It doesn't seem different enough to me. So the battery-- SPP is going to drive when things are dispatched, when, you know-- well, let me take a step back. It sounds like, to me, that these large battery projects are interested in acting as load in the same way, at the same sort of times that the crypto operators are, right, sort of at the bottom of the market, and acting as generation at the top. Why wouldn't you want generation at the top of the market?

JAMES DUKESHERER: We would.

BOSTAR: And, and, and SPP is the one dispatching them to begin with.
So--

JAMES DUKESHERER: That's the issue.

BOSTAR: Why is that the issue?

JAMES DUKESHERER: All right. So, so we would-- like I said, they could provide some significant benefit here, but the SPP is, is a regional entity. These, these private companies would be responding to price signals from a regional entity. All right.

BOSTAR: Yes.

JAMES DUKESHERER: So they're-- make no mistake about it. They are trying to make money here by buying power when it's, when it's least-- when it's most affordable to do so, and selling it at a time when they, when they think they can make a profit on that. That is their motivation for, for being here. And that's not-- there's nothing wrong with that motivation. But that's very different than public power's motivation. Public power's going to utilize this to the best of-- to our customers. And 99% of the time, we may align on when those times are. Those price signals that are being sent are because it's a time when they need electricity into the system, but it doesn't always match up. And what we're looking for is a power purchase agreement, a contractual relationship with these companies to make sure that we're all together on this, so we're utilizing the way that best benefits that utility, and not just responding to a regional approach, a regional rules, a regional markets.

BOSTAR: For-- I mean, speaking of the regional market, so for a battery to be dispatched by SPP, it would definitionally have to have a lower bid-in price than what would be dispatched otherwise. So two universe timelines-- one where we've got batteries on a given day and one where we don't. The universe we're in where we have batteries, for them to run means that the top marginal price is lower than where we don't have the batteries. Otherwise, they don't get dispatched. This sounds like cheaper energy to me.

JAMES DUKESHERER: Very often, you would be correct. But what if the individual utility's peaks don't align with the market price? For example, back to the, the discussion of-- my members are largely customers of NPPD. NPPD has a load control program. Most people don't

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know that NPPD peaks in the summer, not at 4:00 in the afternoon when it's 100 degrees out, but often at 9:00 or 10:00 at night. How can that happen? Well, that happens because my members do a load control program. We shut the farmer down when those peaks are occurring, and once that peak goes away and the pri-- and the temperature starts coming down, those farmers start coming online. They're using energy, using generation. That goes on until 9:00, 10:00 at night, and so they're hitting that peak. SPP market at 10:00 at night might not show that pricing signal that's peaking. So again, we're not saying that, that this relationship can't work out, where everybody can benefit. We're saying everybody needs to be at the table together, so that, so that it best helps every-- all parties.

BOSTAR: Aren't the regional pricing signals consistent with what is still guiding the operations of the individual utilities, meaning you are buying-- well, I mean, NREAs don't have a lot of generation. Right. But a utility with generation is buying and selling into the market. They're not-- Nebraska is no longer its own balancing authority. SPP is. We can continue these questions another time.

JAMES DUKESHERER: I, I, I'd be more happy to, to, to continue this.

BOSTAR: Thank you so much.

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

JAMES DUKESHERER: Thank you.

von GILLERN: Any other opponents? Seeing none, is there anyone who would like to testify in a neutral capacity?

JOHN HANSEN: [INAUDIBLE] Chairman, I was just slow.

von GILLERN: You'll get a chance.

JOHN HANSEN: Are you in opposition?

MATT ANDERSEN: Yeah, I'm neutral.

von GILLERN: Are you opposed?

JOHN HANSEN: I'm so opposed.

von GILLERN: Oh, OK. All right. We have one more opposition testimony then. You'll sit closer next time, won't we?

JOHN HANSEN: I thought there'd be more opposition. Mr. Chairman, good afternoon, Committee. For the record, my name is John Hansen. J-o-h-n, Hansen, H-a-n-s-e-n. I'm the president of Nebraska Farmers Union and also our lobbyist. I have spent the afternoon in Natural Resources Committee on the hearing on LB1010. And so the subject matter in this bill, which I thank Senator Prokop for bringing forward, is very similar to the issues that we talked about all afternoon in LB1010. And so, we have different kinds of approaches to dealing with the issues of battery and battery storage. So to say sort of what I said in LB1010, in, in part, was that the-- there is not a question about how we proceed and, and the rules of the road relative to battery storage that's tied to either a wind or a solar project, as a part of marketing that in a unified way. So we're, we're not arguing over that. And so, kind of what's the status of where we're at on that. We did a session last year in the Nebraska Wind and Solar Conference on just that topic, where LES came in with a very small project that they're doing, which is kind of a-- so we wanted 3 different kinds of examples of the different sizes. And LES, I think, was like 3 megawatts or somewhere in that ballpark. It was less than 5. It was not big at all. Then you had medium-sized, which was steel flats, which has been a revitalized project for them, which is 50 megawatts. And then during construction that's going on now, we're looking at a project in Pierce County as a part of a next-era effort there that OPPD is buying for 170 megawatts. So none of that is in question here. So the rules of the road and how we proceed relative to the rules of engagement and what we do about standalone projects is really kind of the subject matter. So the, the part that I wanted to discuss is nameplate capacity, because I, I was a part of the effort preceding LB824, which is going back to LB1048, along with David Levy and others, relative to how do we go about nameplate capacity and what's the basis for how we get there. And so, there was a study that was done, that-- done by the University of Nebraska and Mr. Thompson, that gave us real numbers, so we could figure out what the actual taxation was over a 20-year period, so that you could extend the taxing period and so that it would be beneficial to the developers on the one hand and beneficial to the local governmental subdivisions on the other, so that they had a dependable source of, of revenue over a 20-year period, so that they could use that as a baseline to help them run their local governments more efficiently and in a dependable way. So that was the trade-off. And so here we are, nameplate capacity. And

we're making major changes. We've done no study. There's no basis for it. And so, I'm concerned about that, and I'm also concerned about the distribution, which I think is a much bigger issue that's gotten no discussion. Thank you.

von GILLERN: See if there's any questions. Any questions from the committee? I don't see any questions if you have some other thoughts on that, if you want to get-- reach out to the committee, that would be great. Thank you, Mr. Hansen.

JOHN HANSEN: You bet.

von GILLERN: Appreciate you being here.

JOHN HANSEN: Thank you.

von GILLERN: All right. Neutral testimony.

MATT ANDERSEN: Good afternoon. Thank you, Chair von Gillern and members of the Revenue Committee. My name is Matt Andersen. That's M-a-t-t A-n-d-e-r-s-e-n, and I'm here representing Lincoln Electric System. We appreciate the opportunity to testify on LB1193. LES is a municipal electric utility serving more than 200 square miles, including the city of Lincoln and surrounding communities. We strive to support policies that preserve affordability and reliability for our customer-owners while enabling responsible innovation in Nebraska's electric sector. LES is neutral on LB1193. We appreciate Senator Prokop's work and the collaborative conversations occurring in parallel with LB1010 and the Natural Resources Committee. LES supports the growth and development of energy storage resources and believes that energy storage is and will be an important part of the modern electric grid. Currently, energy storage is essentially governed by the Nebraska Power Review Board's Guidance Document 14, most recently revised in 2025. Based on discussions with public power entities and developers, there seems to be some alignment that this guidance document should be essentially codified in statute. There is less agreement on exactly how that should be accomplished. Large utility scale battery storage is a relatively new technology that we are all continuing to better understand, especially regarding how these storage systems will be treated in the Southwest Power Pool. While LES has become more comfortable with having these large battery storage systems located in our service area, that comes with 2 large caveats: 1, we are still learning and other utilities may identify concerns that we have not considered; and 2, as this industry matures,

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especially in Nebraska, we would request that any energy storage legislation include a sunset provision to proactively ensure that we will have an opportunity to reevaluate legislation, should we begin to encounter significant operating impacts or costs to our customer-owners. Simply stated, LES is supportive of enacting energy storage legislation with a sunset provision, as we believe this technology can provide value to the energy grid, but must be done in a manner that doesn't cause unintended consequences to be borne by our customer-owners. LES has appreciated the continuing discussion with Senator Prokop, and LES is willing to continue working with Senator Prokop and Senator Brandt on energy storage legislation. Thank you for your time, and I'd be happy to answer any questions.

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

BOSTAR: Thank you, Chair. I'll be quick. First, I, I appreciate that the public power in the state isn't unified in opposition on this, and I appreciate there's elements of public power that are, are kind of willing to open the doors for the future here. You, you brought up Senator Brandt again. So LB1010-- one question. Does LB1010 provide public power the opportunity to effectively veto private development?

MATT ANDERSEN: So I think what you're referring to is in LB1010, it has 2 additional provisions in there that some may call guardrails-- additional, on top of the Power Review Board approval process. The 2 notable ones are a requirement to have a power purchase agreement with a Nebraska utility, and the second one is to have-- you have to get the consent of whatever utility-- it's gonna-- its service area it's going to be located in.

BOSTAR: So yes.

MATT ANDERSEN: And so, yeah. So that-- so-- I mean, if you consider that a veto that is in LB1010, which is not in LB1193.

BOSTAR: I do consider that a veto. Thank you very much.

MATT ANDERSEN: OK.

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

MATT ANDERSEN: Thank you.

von GILLERN: Any other neutral testimony? Seeing none, Senator Prokop, would you like to close? And as you come forward, we had 4 proponents, 1-- zero opponents, and zero neutral testimony online. You're welcome to close.

PROKOP: Well, I, I appreciate all of the good dialogue amongst the committee on this bill, and I hope that if LB1010 is the question on Final Jeopardy tonight that you all get it right, because we've had a lot of discussion about that. A lot to be discussed. I'm going to try and go as quickly through all of this as I can, to just touch on it, to, to answer some questions kind of in the order that they came. But Senator Bostar, to some of the things you initially asked about, my view on it, you know, you talked about energy policy in the state and, and where are we at. Are we, are we-- you know, are we doing OK? Are we losing? Are we behind? I would characterize it we're not even in the game. We're not even at the starting line when it comes to that. So there's a lot to be-- I think there's a lot to be desired and things that we could be doing. I want to say, when I initially started conversations around battery storage and some interest that I had in these issues and I spoke to one of our, our public powers, the opposition was purely based in, well, it's outside of our model, so that is the beginning and end of a conversation, so I think that's very troublesome. Senator von Gillern, you asked about other public powers-- and, and good, good question there, based-- not a trick one. But, but there are other municipal public power entities that have used battery storage on this, and have done so successfully, I think, within Texas is probably the best example. I'm sure there's others, but this is not a novel concept where, where public power entities have, have interfaced with these, with these battery systems. Senator von Gillern, I know-- and Senator Jacobson, you brought up the issues around fire and, and why I included the safety provisions and the bill to address that. I think there was a fire in, in California. That's probably the most notable one. But as far as coordination with local fire departments, in terms of training and, and tools being provided by the battery storage companies, that's, that's addressed in the bill because I think those are points very well made. Senator Bostar, you mentioned the veto piece in LB1010. Not to return to that, but there absolutely is a veto in it that those are poison pills to kill, top kill projects-- battery storage projects, and so that obviously is, is problematic. And last, last thing I would, I would, I would mention and, and you know, kind of at the end of the day, why I think best heard here in Revenue, LB1193, is that with the Southwest Power Pool dynamics that we talked about, there are safeguards in place to

prevent against some of the very worries I know that have been put out there about these types of projects. And, you know, at the end of the day, it's are we creating a, a climate for economic development in some of these assets to be developed to, to grow our economy. And, and the lifeblood of, of our public policy-- of, of our public powers is, is load growth. If they're not doing that and they're staying stagnant, it's not-- you know, it-- it's not positioning the state well for growth. And so, what I was trying to do with LB1193 and putting nameplate capacity in, in conjunction with the development of these battery storage projects is really about trying to grow the state and growing opportunity. So thank you very much for your time.

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

PROKOP: Thank you.

VON GILLERN: That'll close our hearing on LB1193, and we will open on LB1189. Senator Conrad, welcome.

CONRAD: Good afternoon, Chair, members of the committee, my name is Danielle Conrad. It's D-a-n-i-e-l-l-e, Conrad, C-o-n-r-a-d. I represent north Lincoln and the Nebraska Unicameral Legislature. I'm here today to introduce LB1189. LB1189 would create a, quote unquote, You Earned It Pilot Project Grant Program, administered by the Department of Revenue, to increase outreach to low-income eligible taxpayers so that they can claim and receive the existing Earned Income Tax Credit program. Let me just start by saying, and I know you've had a long day so I'll be very, very brief, I'm not married to any of the specific language in the bill before you, as introduced. I brought this bill for the following reasons. I think it's pretty well-established, over the course of 50 years, that we have information on the Earned Income Tax Credit, that this has been one of the most successful bipartisan efforts in our country's history to address poverty and to encourage work, and it's helped to lift countless families up and out of poverty, and primarily benefits low-income working people with children, but also low-income, childless adults and some disabled workers, as well. So Nebraska was, in many ways, closer to the forefront of adopting a state-level EITC far before many of our sister states, and that made a real difference for a lot of workers in Nebraska. There's been many efforts over many years to increase that. Senator Bostar has had measures. I've had measures. Other senators have had measures. But due to financial constraints, we haven't been able to make a lot of progress on

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increasing the amount that's provided under our state EITC. So I was selected to be an NCSL Child Welfare Fellow over the last biennium, and a lot of their findings and learning at those conferences demonstrated that really lean in to the bipartisan nature of the EITC and figuring out how we can make it work better for more families actually was one of the best things that we could do to help kids, to encourage work, and to address poverty. So when I was catching up on some reading over the interim, there was an article in Governing Magazine-- and I just sent you around a copy of that so that you can see it. And it lifted up a new strategy that's emerging amongst some of our sister states, where they're not necessarily Increasing the earned income tax credit, even though that would be great, but they're making small investments to increase awareness of the existing EITC, so that more people can utilize what they're already eligible for. So there's a case study in the packet that I sent out from Maryland that has all kinds of good findings about what worked and what didn't work in their public education campaign. There's other states that have moved in this direction, from California, to Texas, to Arizona, to Hawaii, to New Jersey, to Illinois, to Indiana, to Colorado, to Minnesota, to Virginia, recognizing again that a significant effort can be made to really help lift children and families out of poverty, without additional significant investments in the program themselves. So however the program might look-- and I was hopeful that perhaps we could find existing resources to help advance some of this community education and awareness. I'm happy to work with the department. Perhaps we could do a joint letter, maybe we can do an LR-- whatever creative approaches that we have before us, my point is, is simple. Government should be utilizing all of its avenues of communication to let more taxpayers know they might be eligible for these tax credits, because it can make a really big difference in people's lives. So that's the genesis for the bill, the background and context for the legislation, and happy to answer any questions.

VON GILLERN: Thank you. Senator Sorrentino.

SORRENTINO: Thank you, Chairman von Gillern. Thank you for bringing this.

CONRAD: Sure.

SORRENTINO: I am extremely familiar with this.

CONRAD: Sure.

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SORRENTINO: It started in 1975. I started in public accounting in '76. I think I've been doing tax returns for 50 years on this.

CONRAD: Yeah, I think it had its 50-year anniversary last year.

SORRENTINO: Yeah, it did. Mine was more than that 50 years, but OK. So nothing about that. Here's my concern. The bill addresses ensuring that Nebraskans are getting to claim this. Remember, we had a discussion a couple years before I got here, about where people missing their property tax credit, and they frontloaded it--

CONRAD: That's right.

SORRENTINO: --because nobody could see it. My concern on this is-- \$250,000 isn't a lot of money to fund this, but there are countless-- I'll just-- there are countless free tax preparation services--

CONRAD: That's right.

SORRENTINO: --IRS volunteer income tax one, the tax consortium for elderly, Creighton does one, UNL does one.

CONRAD: That's right.

SORRENTINO: There's a bunch of national self-prepare sites. So it's got, in my opinion, great visibility. So my first question-- and I've only got a couple. Should we have some credible information, to the effect that here in Nebraska, people are missing this credit on their tax return?

CONRAD: Yeah. Thank you.

SORRENTINO: Because I'm not aware of that.

CONRAD: Yeah. Thank you, Senator. So you're exactly right. We have a really good framework in place for people that assist folks with tax returns, and they should be a part of this dynamic outreach and education campaign. What we know from the statistics and data and the IRS puts out information about utilization on the EITC for all 50 states, is that Nebraska has about-- over 117,000 Nebraska tax returns claimed EITC. The average claim is about \$2,734. And I believe this is the most recent statistics from 2024 demonstrate that only about 83% of eligible Nebraskans who would otherwise get the, the EITC actually claimed that.

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SORRENTINO: I'm sorry, did you say 83?

CONRAD: 83%.

SORRENTINO: OK.

CONRAD: So the reason that that happens is a bunch of different reasons. Sometimes, people might not have access to tax preparation. Sometimes, people wouldn't be required to file their taxes, so that they're not aware of the refundable nature of this, or things like the CTC, or otherwise. Those are the primary reasons, you'll know from your experience, why I think eligibility goes underutilized.

SORRENTINO: OK. That sort of matches up. I did some research on this yesterday that 84-- a lot of people-- if they use CPA firms, they catch it. You'd have to fire a CPA if they didn't. But 84% of the people who self-prepare use software. And I know it when you use-- I don't know if you use software, but it prompts you. OK, go to the ST-- have this kind of income, so those people wouldn't be missing it, either. So those kind of match up. We're-- but we're considering spending about \$250,000 or so.

CONRAD: And that's just a placeholder, Senator. Like I said--

SORRENTINO: Is that number-- OK.

CONRAD: --I'm not necessarily married to it. It literally-- please think of it as a placeholder.

SORRENTINO: OK. Then the only other question I have is this-- the money would go to nonprofits.

CONRAD: Sure.

SORRENTINO: Can you, can you give me some idea who these might be and do they provide other services or are they just tax-oriented nonprofits?

CONRAD: Yeah. I, I--

SORRENTINO: I don't know who that would be.

CONRAD: Yeah. Great question, Senator. So I know from the outreach campaign that was utilized in our sister states, they really leaned into those existing frameworks and structures that already exist,

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through VITA, through the consumer law clinics, through Legal Aid, and through social service agencies that already work with low-income working families, just as another touch point, because they already have relationship and expertise with those communities to say, hey, think about the EITC. I know what they found, from some of the campaign analysis, was in order to be most effective, the education should come from as many sources as possible and it should also perhaps be year-round, instead of just at tax time.

SORRENTINO: Thank you.

CONRAD: Yeah. But I'd be happy to work with you if you wanted to zero in on specific types of nonprofits, or like, like I said in my opening, because of financial constraints, if there's a way that we could work creatively and collaboratively to ask the Department of Revenue to partner with these organizations or to launch a social media campaign with their existing accounts, that might be a more affordable way to achieve it, rather than having to hire an FTE as indicated in their fiscal note.

SORRENTINO: Thank you.

CONRAD: Yeah.

von GILLERN: Thank you. Senator Kauth.

KAUTH: Thank you, Chairman von Gillern. Senator Conrad, so there were a lot of nonprofits who supported increasing the EITC.

CONRAD: Yeah.

KAUTH: Why wouldn't they be talking about it on their own? Why do we need to pay them extra money? And I'm very concerned about setting up pilot programs. A pilot program is code for this will be around forever and we'll keep trying to stick money in it. So I'm really-- I'm interested in why these groups who came in in support wouldn't already be talking about it, and why we should pay them extra to do so.

CONRAD: Yeah. Thank you, Senator. And I think you're exactly right. The EIT has always had broad support from faith groups, from business groups, from nonprofit organizations that work with low-income working family, the disabled kids, the poor, et cetera. It's always had very, very broad support. I think many of them do try to utilize existing resources to raise awareness about their clienteles in the communities

they serve about these kinds of opportunities when they're helping them navigate eligibility for public benefits, or work through taxation issues, or connect with jobs, or other res-- educational resources. So, I think the, the point would just be a, a more concerted effort, which leverages the scale and scope and reach that government has, along with the private sector, to just let more people know about these resources that they exist. They are doing good outreach and education. And as Senator Sorrentino mentioned, there's really, really awesome resources that exist in our community, like VITA, to help low-income people file taxes. I, I-- the goal of the legislation is just to have better coordination amongst those. And so, it doesn't have to necessarily be a pilot program. There could be other ways that we could structure it to ask existing nonprofits focused on this area, and perhaps government entities, like HHS or Department of Revenue, just to coordinate on their social media campaigns, for example, or having pamphlets or flyers at the social services office when people come in, to raise awareness. Simple things like that could really go a long way.

KAUTH: OK. Thank you.

CONRAD: Yeah.

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

BOSTAR: Thank you, Chair. Thank you for being here and introducing this.

CONRAD: Yeah.

BOSTAR: I spent years--

CONRAD: Yes.

BOSTAR: --as a volunteer tax preparer-- years ago. Yeah. And you know, now, for tax season, I get to be here. And in our training, it was a big deal about-- so, you know, the IRS has like, the training stuff for that. And it was always-- we were implored to sort of talk to anybody we knew, even if they didn't think they needed to have their taxes filed--

CONRAD: Right.

BOSTAR: Because at least at that time, it was a huge problem where it was primarily folks who didn't have to file taxes--

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CONRAD: Right.

BOSTAR: --who were not receiving the benefit. So it, it was, you know, it was less about, hey, there's someone doing your taxes that doesn't know what the EITC is, and more about, you know, folks don't have to, so they weren't going to get it, even though it would be a huge benefit to them. And, and, of course, they don't-- you know, if you told me I didn't have to file taxes, it would take a lot to convince me to file taxes.

CONRAD: Yes. Yes.

BOSTAR: But-- so I, I totally-- I just-- again, that was years ago. So I just wanted-- you have new informa-- you have updated information.

CONRAD: No. Senat--

BOSTAR: Is that-- is it still the bulk that it's folks that don't have to, and that's who we're missing?

CONRAD: I think that's right, Senator. I, I think that is probably the bulk of it. I don't have specific breakdowns for, you know, the 20% of Nebraskans who don't claim, but I can look to see if we have specific information on the state level. My understanding, just from looking at national statistics and studies, that is kind of the bulk of the reason why, why people aren't, aren't claiming the-- what they're otherwise eligible for. And be careful with announcing that you're a volunteer tax preparer this close to, to tax time.

BOSTAR: We're busy here, I can't help.

CONRAD: All right.

BOSTAR: Thank you.

von GILLERN: Other questions? I had a couple and I think they've all been asked. Again, the, the--

CONRAD: OK, well look at that.

von GILLERN: Fan of the EITC. I think it, it absolutely has been effective. And like, like you said, encourages work and decreases poverty, so whatever we can do to help--

CONRAD: Great. Thanks so much.

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von GILLERN: [INAUDIBLE] the idea. Any proponents that would like to speak on LB1189? Good afternoon.

ANAHI SALAZAR: Hello. Good evening, Chairperson von Gillern and members of the Revenue Committee. My name is Anahi Salazar, A-n-a-h-i S-a-l-a-z-a-r, and I'm here with Voices for Children in Nebraska in support of LB1189. Our state benefits when all children in Nebraska have the opportunity to reach their full potential. Growing up in a family that is struggling economically is associated with a variety of challenges for children related to health, education, and other opportunities. Voices For Children supports LB1189 because it creates a pilot program aimed at, aimed at increasing the awareness of the Earned Income Tax Credit for Nebraska. And since you're all kind of familiar with the program and seem to be really for it, I'll kind of summarize this into reading upon some of the data and experiences other states have had. There was a study that I came across that helped-- that saw the-- that saw when you educate a state, in this case, Michigan, through the University of Michigan, about the EITC program they helped with their adverse childhood experiences of the families they were communicating with. So ACEs can include economic hardship, parental separation due to divorce, or parental death, parental incarceration, physical child abuse, child sexual abuse, child neglect, parental mental health problems, and parental substance abuse. So the University of Michigan compared how helping to educate families and individuals across the state, state in a number of counties on how to access EIT-- EITC through different means, whether that's flyers or one-on-one consultations, improved child well-being, and over the course of 3 years, they found that there was a positive impact on families, access to further economic security, and great potential in the reduction of child neglect. And everything else is kind of what you've all already asked, so investing in educational programs that help increase access to EITC is a smart investment in helping working families. Thank you, Senator Conrad, for this important legislation, and we respectfully urge the committee to advance LB1189. Thank you.

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

JACOBSON: I have a-- it's a really quick comment.

von GILLERN: Senator Jacobson.

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JACOBSON: I've always learned, years ago, when you've made the sale, stop selling. And so, it would be just-- issue-- it's a issue for those who wish to testify. I think you made the sale.

von GILLERN: That's good news. I don't see any other, well I didn't see a question there either, but anyway. Thank you for your testimony.

JACOBSON: Would you agree?

ANAHI SALAZAR: Thank you.

von GILLERN: Appreciate it. Yeah. Yeah. Any other proponents? Seeing none, are there? Oh, proponent? Is this your first time here in--

JENNIFER CREAGER: Yeah. I was just considering how to cut down my testimony, in light of Senator Jacobson's directive. That's right. My name is Jennifer Creager, J-e-n-n-i-f-e-r C-r-e-a-g-e-r, registered lobbyist for the Greater Omaha Chamber. I'm also authorized to give testimony today on behalf of the Lincoln Chamber of Commerce and the Nebraska Chamber of Commerce and Indu-- and Industry, in support of LB1189. We'd like to thank Senator Conrad for introducing the bill. We support it. Move it out. The only thing I want to add that I had-- I will not read-- the U.S. Chamber was part of a national pilot program led by the Rockefeller Foundation, with the U.S. Chambers Foundation Center for Education and Workforce, and Goodwill Industries, to, I think, do exactly what Senator Conrad talked about: increase access to and use of the EITC through workplace tax assistance. So, it feels like a lot of good efforts going on. I think it's a good place for the state to coordinate. And I'll just stop there.

von GILLERN: Thank you on all counts. Senator Kauth has a question.

KAUTH: Thank you, Chair von Gillern. Hey. How are you?

JENNIFER CREAGER: Hi.

KAUTH: So if the Chambers are for this, why aren't they the ones paying for it and supporting it?

JENNIFER CREAGER: Well--

KAUTH: Because what-- what's happening is we're saying taxpayers--

JENNIFER CREAGER: Yeah.

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KAUTH: --we want you to give more money for nonprofits to talk about something that they already advocated for and know about.

JENNIFER CREAGER: Yeah.

KAUTH: Why doesn't the Chamber just pay?

JENNIFER CREAGER: I think there is a-- well, first, I think I would like to associate myself with Senator Conrad's comments, is for us, it's more about increasing awareness and less about state-- necessarily, it's state resources going into it, more just about the state being-- playing a coordinating role and an encouraging role in getting out some of the information. We do, in Omaha-- I didn't talk about this, but there is an Omaha EITC coalition, which we were part of the ribbon-cutting, and they, they were members of the Chamber for a while. So I think we have had some participation in it. So I'm, I'm, I'm supportive of whatever the committee decides to do and whatever Senator Conrad prefers to do. I'm not here to beg for dollars as much as I think it helps the coordinated effort. Obviously, there's a lot of education programs going on, but they're not hitting everybody. So any--anywhere we feel like there's a gap in education, I think we should put some emphasis on.

KAUTH: Thank you.

von GILLERN: Thank you. Seeing no other questions, thank you for your testimony. Any other proponents? Good evening.

CONNOR HERBERT: Hello. Thank you, Chairman von Gillern and members of the Revenue Committee for the opportunity to speak today in support of LB1189. My name is Connor Herbert, C-o-n-n-o-r H-e-r-b-e-r-t, and I serve as a staffer with the Nebraska Commission on African American Affairs. So forgive me, as this was written from a-- by a commissioner who's in Lincoln, but she, she wrote down: Lincoln's poverty rate is about 12% and roughly tracks the national average, with many families just above the poverty line still struggling to meet basic needs. In 2022, Nebraska's overall food insecurity rate reached about 12.2%, higher than the national average of 11.2% and an estimated 1 in 5 Nebraska children faces hunger. The federal income tax credit is one of the most effective anti-poverty tools in the United States, lifting millions of children out of poverty each year. However, many eligible workers, especially in communities of color, immigrant communities, and rural areas, do not claim it because they are unaware of their eligibility or need help navigating the filing process. LB1189

adjusted this gap by creating a pilot program that leverages trusted nonprofits to conduct outreach, provide education, and assist with EITC claims. This approach directs a relatively modest investment or a negligible investment, as has been discussed already, toward a large potential return, increased federal dollars flowing into Nebraska households and local economies. For many families, improving access to the EITC can help stabilize housing, food, transportation, and child care. The bill also rightly emphasizes distribution of grants across geographies and populations, ensuring that both small communities and urban neighborhoods can benefit. Importantly, LB1189 guarantees that the Department of Revenue will oversee the pilot program, ensuring accountability, transparency, and effective implementation. Of course, as a commission focused on African Americans, you know, with how our statute, being focused on coordinating programs and so on and so forth, our role might play-- might be in monitoring outcomes and guiding the distribution of resources to help maximize the program's impact and ensure that outreach effects-- or efforts are tailored to the unique needs of Nebraska's diverse communities. In our opinion, this is a smart, targeted policy that work-- supports working families, strengthens local economies, and promotes good outcomes. We urge you to support LB1189 and-- yeah-- and, and make, and make the EITC more accessible to all Nebraskans.

von GILLERN: Thank you. Questions from the committee? Seeing none, thank you, Mr. Herbert. Any other proponents? Seeing none, any opponents? Seeing none, anyone who would like to testify in a neutral capacity? Seeing none. Senator Conrad, waives close. We have 3 proponent letters, 1 opponent letter, and zero neutral. That will close our hearings for LB1189 and close the Revenue hearings for the day.