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Revenue Committee February 18, 2026  
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**von GILLERN:** All right, it's 1:30-ish, so let's go ahead and get started. Welcome to the Revenue Committee. I'm Senator Brad von Gillern from Elkhorn, representing the 4th Legislative District. And I serve as the Chair of the committee. The committee will take up bills in the order posted. This public hearing is your opportunity to be a part of the legislative process and to express your position on the proposed legislation before us. If you're planning to testify today, please fill out one of the green testifier sheets that are on the table at the back of the room. Be sure to print clearly and fill it out completely. When it's your turn to come forward to testify, give the testifier sheet to the page or to the committee clerk. If you do not wish to testify but would like to indicate your position on a bill, there are also yellow sign-in sheets back on the tables 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 will finish with a closing statement by the introducer, if they wish to give one. We'll be using a three-minute light system for all testifiers. When you begin your testimony, the light on the table will be green. When the yellow light comes on, you have one minute remaining. And 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 have-- may have bills to introduce in other committees. If you have handouts or copies of your testimony, please bring up at least 12 copies and give them to the page. Please silence or turn off your cell phones. Verbal 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 8:00 a.m. the day of the hearing. The only acceptable method of submission is via the Legislature's website at [nebraskalegislature.gov](http://nebraskalegislature.gov). Written position letters will be introduced into the official hearing record, but only those testifying in person before the committee will be included on

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the committee statement. I'll now have the committee members with us today introduce themselves starting at my left.

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

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

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

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

**von GILLERN:** And?

**JACOBSON:** Mike Jacobson, District 42: North Platte.

**von GILLERN:** Thank you. Also assisting the committee today to my right is legal counsel Sovida Tran. To my left is legal counsel Charles Hamilton. And far left is committee clerk Linda Schmidt. I'll ask the pages for today to stand and introduce themselves.

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

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

**von GILLERN:** Thank you. With that, we'll begin today's hearings with LB1023 and invite up Senator Murman.

**MURMAN:** Good afternoon, Chair von Gillern and members of the Revenue Committee. My name is Dave Murman. I rep-- or that's D-a-v-e M-u-r-m-a-n. I represent the Nebraska 38th District, and today I have the privilege to introduce LB1023. LB1023 is very simple. It removes the sales tax exemption for zoo ticket admissions. While I understand this may seem like an on our state's zoos, that is not my intent. In fact, I think the zoos are great, and some of the best attractions our state has to offer. Instead, this is simply about fairness and sound tax policy. To begin, I'll start by noting that if you go to TripAdvisor right now, the Henry Doorly Zoo is listed as Nebraska's number one tourist attraction. Many of these visitors are from out of

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state, especially considering the zoo's close proximity to the Iowa border. I also left membership purchases tax-free. My thought behind this is that if someone is from out of state, they likely aren't buying an annual pass. Annual-pass purchasers are likely going to be in-state, and that's the revenue source I'm hoping to unlock. Taxing tour-- tourism is absolutely a principle of sound tax policy because it generates so much revenue from those who don't live here. In fact, if you look at high-tourism states like Florida, they receive so much revenue from tourism that they don't even have to have a state income tax. Right now, that, that may be more of an, an aspirational goal, but what we can do is start to apply those principles here in Nebraska. I will also note this bill is about making a fairer system by bringing more logical consistency to Nebraska's messy sales tax system, which ultimately picks winners and losers. For example, right now in Nebraska, museum ticket admissions are taxed. At both museums and zoos, you buy a ticket and walk around looking at educational exhibits. Despite this, only one of these is taxed. That doesn't seem like a fair system. Other places where you pay for a ticket that are taxed for admission include movie theaters, swimming pools, skating rinks, arcades, concerts, operas, and more. All I want to do is to make sure we're not picking favorites. So how much money would this bring to the state of Nebraska? It's difficult to find exact numbers, but in 2024, the Henry Doorly Zoo projected there were 1.6 million visitors. The Lincoln Children's Zoo welcomed a record-breaking 400,000 visitors in 2025. There is also, of course, the Riverside Discovery Center in Scottsbluff, the Horn T Zoo in Monroe, and Pete's Safari in Alda. With all the great attention they receive, especially on global tourism websites, I would only expect those numbers to grow and grow. So we are talking about millions of lost tax revenue in our state by leaving this exemption, especially important in a year where we are going to be scrambling to balance the budget. To conclude, I understand there will probably be some representatives from the zoos behind me who are-- aren't too happy with me, but I have no ill will towards our zoos here in Nebraska and wish them all the best success. This bill is about sound and fair tax policy. Thank you, and I'm happy to answer any questions.

**von GILLERN:** Thank you, Senator Murman. Questions from the committee members? Seeing none, I presume you'll stay to close?

**MURMAN:** Yes.

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**von GILLERN:** OK, thank you. We'll invite up our first proponent. Are there any proponents for LB1023? Seeing none, we'll invite up our first opponent, opposing testimony.

**LUIS PADILLA:** Good afternoon. Good afternoon. Thank you for the opportunity to testify. My name is Dr. Luis Padilla, L-u-i-s P-a-d-i-l-l-a, and I am the president and CEO of Omaha's Henry Doorly Zoo and Aquarium and the Lee G. Simmons Wildlife Safari Park in Ashland, Nebraska. I am testifying in opposition to LB1023, which would revoke the tax exemption on admission for our accredited zoos in the state. As we have previaly-- previously testified, we do appreciate and see this as a partnership with the state where the tax exemptions are a sound return on the state's investment. And removing the tax exemption really goes against the intent to improve the quality of life for Nebraska residents, and undermines retaining families. Our, our zoo has been the number one zoo in the country by USA Today for the last three years in a row and counting. We've been nominated again. Likewise, the Lee G. Simmons Wildlife Safari Park, which features the native wildlife of Nebraska, is the number one safari park in the country for five years in row. We are very proud, and between the two of them, we brought in 1.8 million guests to our facilities in 2025. I would point out that about 20% of the people that come in our gates are doing so already with a discounted program that is intended to welcome people with less financial access. And taxing them really goes against what we're trying to accomplish. Our operations are supported by a very large membership base, as well as a very generous culture of private philanthropy, and this partnership is what's really made our zoo be what it is on the global stage. I will also point out that it translates into an economic impact to the region-- to the state of Nebraska, sorry, of \$220 million a year. And that's been pretty consistently at that level. Removing this exemption is really working against that return on investment. I do want to point out that the people that come to the zoo do pay taxes on retail, food and beverage, and the incentive to getting them in through the gate has brought in consistently over a million, about a million dollars in that revenue to the state. In summary, the exemption proposed to be repealed by LB1023 makes a visit to the zoo and the Safari Park less affordable and less accessible to our very own Nebraska residents. We believe that strong partnerships yield even stronger results for our community. This exemption has been a commitment and a very appreciated partnership with the state of

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Nebraska for the betterment of our people, the betterment of the state and the betterment of our economy. We are committed to that better future for the Nebraska-- the state of Nebraska, our people, our economy, and as well as advancing education and conservation for future generations. I thank you for your time.

**von GILLERN:** Thank you for your testimony. Questions? Senator Jacobson.

**JACOBSON:** You know, I've never had anybody come up here and say, thank you for taxing us. Thank you for adding a sales tax on what we do. But yet we've got all these businesses out there who have products that they sell that are taxed. I, I remember the argument of the occupation tax on hotels. Oh my gosh, we're, we're not going to get any people. And yet the hotel prices keep going up and the visitors keep going up in terms of occupancy, and we collect a lot of occupation taxes. And I-- at some point I, I think we've got to get over the stigma that somehow charging a, say 7% sales tax on admissions are somehow going to bring an end to the world, that, that nobody's gonna come to the zoo anymore or what, whatever. I, I-- we look at the number of people that are coming here from out of state, and I think they feel like we're a bunch of schmucks, that we're not charging them tax to come to a certain-- I mean, look at money they've spent already and the taxes they paid on everything else. And the zoo admission is X dollars plus sales tax. I, I, I feel like it's low-hanging fruit. I do understand there'll be probably several people want to testify how it's sales taxes are regressive, that low-income people are going to be negatively impacted. But we're not talking about admissions and or about season passes. And if you've got people that are bringing their children to the zoo on a daily basis or a weekly basis, get a weekly-- get a discounted weekly admission or annual admission and, and it's not going to be taxed. I mean, I think that Senator Murman has kind of gone, gone the extra step to try to make this as least painful, but I, I just-- I would be willing to bet that if this were implemented, we would see no impact on, on, on none of the people that come and visit the zoo, but we'd see a tremendous impact on additional residents. And I, I guess I'm just curious as to where do you see the biggest harm coming from on having a sales tax, particularly if we can capture that from out-of-state visitors?

**LUIS PADILLA:** Thank you for those comments. First of all, the, the majority of people that come to the zoo are still Nebraska residents.

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Over 60% of the people that are buying admissions are Nebraska residents.

**JACOBSON:** So over 30% are out of state.

**LUIS PADILLA:** Most of them from Iowa, but yes, that's, that's a different state. I, I will say that we probably would see a decrease in the number of people of lower economic means. They're people that are already coming in with discounts and are looking at ways to come in. And that extra couple dollars is probably something that they'll think twice about whether they can afford to bring their family or not.

**JACOBSON:** But can you do that by some kind of an annual membership to be able to accommodate those people? I mean they're probably not coming just once. Aren't they coming multiple times, likelihood, are there people living in Omaha that want to bring their kids on an ongoing basis to the zoo?

**LUIS PADILLA:** The people that can afford the memberships, which is the equivalent of three visits, absolutely do that. But a lot of the people, this is their one trip a year and they probably don't come back because they can't afford to come back more than once. So I think that number of the-- of our, our population would probably see a decrease in attendance. Hard to say the impact, to be honest. But I, I would argue that the way it's-- the, the current system that is, is a huge return on what the state gets out of all the people that come in.

**JACOBSON:** Nobody's arguing that. Nobody's arguing that. Could we get a better return?

**LUIS PADILLA:** Good question. Yeah.

**von GILLERN:** Thank you. Senator Kauth.

**KAUTH:** Thank you, Chair von Gillern. How much-- first of all, I had a family pass, loved it, took my kids there all the time.

**LUIS PADILLA:** Thank you.

**KAUTH:** So thank you for that. How much are admissions now, just a one day visit?

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**LUIS PADILLA:** Yeah, we have a, a sort of seesaw model for base, base admissions. They range for a single adult anywhere from \$22 to \$34, depending on the, the time of year. And that's just based on what opportunities we are able to offer. Once-- that's, that's for an adult. We have discounts for seniors, military, and children pay less as well.

**KAUTH:** So, so you said seasonally you change your, your rates. So wouldn't someone who is less able to afford it even less able too afforded if you increase your prices during spring break, I'm guessing, during the summer? And when, when do you increase your rates?

**LUIS PADILLA:** Yeah, the busy season is the summer. And the reason that that's, that's the highest price point at \$33.95 is because that's when the entire zoo is operational and available to everybody. At other times of the year, because of weather, because of there-- it may not be safe to have the entire zoo open, or they're just not going to see the animals, so it's discounted admission. So it really is proportional to the experience that people have access to.

**KAUTH:** OK. So really \$34 is the cost of admission for an adult unless it's in a time when you might not see as much. So then you discount based on that.

**LUIS PADILLA:** That's correct, yeah.

**KAUTH:** OK, thank you.

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

**LUIS PADILLA:** Thank you very much, I appreciate it.

**von GILLERN:** Thanks for taking the time. Next opponent.

**EVAN KILLEEN:** Hi, thanks for having me. My name is Evan Killeen, E-v-a-n, Killeen, K-i-l-l-e-e-n, and I'm the CEO of the Lincoln Children's Zoo here in Lincoln, Nebraska. First off, thanks for letting me come and speak to this bill. The Lincoln Children's Zoo was established in 1965, and we are here to serve the community. We provide kind of first-hand interactions to living things. And as you heard, we had a phenomenal year last year. Over 411,000 people

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attended the zoo. What wasn't said was out of that 411,000, 267,000 of them were children. So and even though I've got "Children's" in the name, the Omaha Zoo probably has a very similar percentage as far as adults to children. So in a large respect, when we're thinking about admission or memberships, we're really talking about kids. Now, both zoos, but es-- I can speak to mine, we are a strong economic driver for the city and the state. Last year, our economic impact to Lancaster County was \$23.2 million. And this is amazing. And part of that is people coming in from out of the state, but part of it is the local community. A survey done by the University of Nebraska said 86% of people living inside Lincoln, they ended up going and doing things before and after their visit. They went to stores, they went to shops. We recently did a geofence study and we know that 25% of our guests go to a restaurant before they go to our zoo or after, and something about 15% of them go to stores. So we really are a huge economic driver. And so what that does is it increases those sales taxes. Last year, the estimate is about half a million dollars in local sales tax and lodging taxes were generated by the Lincoln Children's Zoo alone. This impact also includes \$13.5 million in labor pay to workers and accounts for about 367 jobs in Lancaster County. So we are a huge economic driver. The zoo doesn't receive consistent operating funding from public sources. A lot of zoos around the country do. I know the Omaha Zoo is kind of the same. So we really are great for the state. We rely on our gate admissions and our community support to ensure we're able to provide an affordable visit to guests, for the ability for a child to see a tiger, climb with monkeys, see some penguins swim. 35% of our guests have an annual household income of \$50,000 or less. That is amazing. And when you think about that membership versus admission, a lot of people can't afford the membership when you're at that level. And so your one trip to the zoo, that's kind of your Disney World. 68% of our guests have household income under \$100,000. So we're really-- oh, thank you.

**von GILLERN:** That's all right. Finish your thought.

**EVAN KILLEEN:** We are really trying to make it as affordable as possible to people of the state of Nebraska.

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

**DUNGAN:** Thank you, Chair von Gillern.

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**von GILLERN:** Want to share a childhood memory?

**DUNGAN:** I have plenty, but I'm not going to share them. The Boo at the Zoo was one of my favorite things growing up, so big fan. Genuinely curious, can you speak a little bit more, though, as to what kind of public-private partnerships exist between zoos in other states? Because I'm familiar with how other states contribute to their zoos, and so I'm just wondering what that looks like.

**EVAN KILLEEN:** Different zoos in different states do it different ways. You know, the Kansas City Zoo sits on two different counties, and those counties fund a good portion of the zoo's operating budget. And so in Nebraska, we're kind of do it ourself. We, we, we survive largely without those things. So--

**DUNGAN:** OK, thank you.

**EVAN KILLEEN:** --as a Nebraskan, you should be really proud of how we operate and the development that we generate without those subsidies. So I used to work at the Strategic Air and Space Museum, and taking care of that collection, you had to dust off an airplane a couple of times a year. It wasn't that hard. Taking care of an animal collection is incredibly hard.

**DUNGAN:** That makes sense. Thank you for being here.

**EVAN KILLEEN:** Yeah.

**von GILLERN:** You have a question?

**JACOBSON:** I, I do have a-- actually have question on it. Are-- what, what are other states doing that have zoos? Are they charging sales tax? And what impact is it having on them?

**EVAN KILLEEN:** That's a great question. I haven't looked into that.

**JACOBSON:** Thank you, I was hoping-- see, look at that.

**von GILLERN:** There you go. I'm proud of you.

**EVAN KILLEEN:** I don't know what the sales tax kind of-- I don't know what percentage of zoos pay that, sorry.

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**JACOBSON:** I bought-- I'm just kind of curious because, again, this is taxes paid by the people coming. I, I mean, my wife is going to kill me when I get home because she loves the, the children's zoo and, and, and she's-- our kids went there all the time and when we lived in Lincoln, and so I'm, I'm not going to, I'm not going to be sorry I'm going to get home late tonight. But, but I, I mean the zoos are making a big impact on our state. They can make an even bigger impact in our state, I believe, without any, any problem on their part, that they've got an admission price and somebody has to pay a little bit for taxes. That's-- they do it when other things that they go to. I'm just-- I think our-- we're overestimating the harmful impact that we have.

**EVAN KILLEEN:** Can I respond?

**JACOBSON:** Sure. Yeah, I'm asking you a question, you--

**EVAN KILLEEN:** I totally understand what you're saying.

**JACOBSON:** Would you agree?

**EVAN KILLEEN:** Yeah. And I see what you are saying. I would agree with the Omaha zoo that my worry is that what you would be losing out is that 35% of people that their household income is less than \$50,000. Those are the Nebraskans that I think are going to be most hurt by this. You're right. If you're going to the zoo from a different state, the sales tax probably isn't going to affect you much. But I think overall, the economic impact, the taxes collected are gonna end up being less if you put this in place.

**JACOBSON:** But, but would you agree that they are coming up with the money to come up with 93% of the cost to go to the zoo? And then I've got to add another little 7% to actually go to one here.

**EVAN KILLEEN:** Right, I just think that's going to reduce how many people are coming and whether they're going out and they're eating or shopping or doing any of those things [INAUDIBLE].

**JACOBSON:** I just think it's that first 93% that's the hard decision, the hard part to come up with, and the last 7% is not that big a deal. But that's my opinion. I'm curious.

**EVAN KILLEEN:** Yeah. My worry is that it would be.

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**JACOBSON:** Yeah.

**EVAN KILLEEN:** Yeah.

**von GILLERN:** Thank you. I only have one question. Was the bear there when I was a kid, was that really Gentle Ben?

**EVAN KILLEEN:** Oh, I don't want to answer that.

**KAUTH:** That's a no.

**EVAN KILLEEN:** Excellent question.

**von GILLERN:** Don't crush my memories. Seeing no other questions, thank you.

**EVAN KILLEEN:** Thank you.

**von GILLERN:** Any other opponents? Seeing none, is there anyone who would like to testify in a neutral capacity? Seeing none, Senator Murman, would you like to close? While you come forward, we had, for the record, 7 proponents, 2 opponents, and zero neutral online comments.

**MURMAN:** OK, it's not a secret that I think if we want to lower property taxes in any big way, we need to replace those taxes somehow. And a broader sales tax base is what I-- the way I think we really need to go. And that's just-- this is just part of that process. And again, I don't want to put a sales tax on season passes, so families and residents that wouldn't be taxed. Actually the average person, I don't think, even realizes that zoo admission here in Nebraska is sales-tax free. I don't think they hardly know the differ-- or wouldn't even know the difference. Of course, I-- as I mentioned in the open, we do have a sales tax on movie theater, swimming pools, skating rinks, arcades, concerts, operas, and all those kinds of things. I think, well, my kids and grandkids have often visited both the Omaha Zoo and the Lincoln Zoo. So I realize, of course, as I said in the opening how important and how great of zoos those are. I think I heard George say that his favorite part of the Henry Doorly Zoo was "Moo at the Zoo." Did I hear that right?

**DUNGAN:** Boo at the Zoo.

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**MURMAN:** No, I'm kidding. There is Moo at the zoo, or at least there was. I think there still is. And actually, I took part of that. June is Dairy Month, as we all know. And we, we usually have a dairy exhibit, or we always have in the past. I think it's still a thing, and actually we took part in that. So I appreciate the zoos. I just think we need to broaden our sales tax and that includes zoo admissions. And another thing, we were able to find out South Dakota does have sales tax on their zoos, Kansas does, and the San Diego Zoo. That's as far as we go. They all have sales tax on admissions. I'll, I'll take any questions

**von GILLERN:** Thank you. A little quick research. Looks like Kansas City Zoo charges one-eighth of a cent tax on their admissions. So they do have a tax, but it's very light. Any questions from the committee members?

**MURMAN:** That was Kansas City. Is that in Missouri or Kansas?

**von GILLERN:** I don't know. But we can find out. So thank you, Senator Murman. That'll close our hearing on LB1023, and we'll open on Senator Ibach's, LB1116. Good afternoon and welcome to the Revenue Committee.

**IBACH:** Thank you, Chair von Gillern and fellow members of the Revenue Committee. My name is Senator Teresa Ibach, T-e-r-e-s-a I-b-a-c-h. I'm here today to introduce LB1116, a bill to modernize and strengthen the Sports Arena Facility Financing Assistance Act, also known as SAFFAA. This bill is a practical, good-government bill that benefits communities statewide, especially smaller rural and mid-sized communities, while ensuring safe-- while ensuring efficient, transparent, and predictable processes. Let me begin by saying that I have great respect for Governor Pillen, his administration, and the work being done by the executive branch. Nebraska works best when branches of government cooperate in good faith, and I appreciate that partnership. LB1116 is not about any one governor or any one administration. This bill focuses on structure. It ensures our statutes provide clear, consistent decision-making processes that provide certainty and serves the state well over the long term. As legislature-- as legislators, we have a responsibility to periodically review how legislation has been implemented and to make sure the process remains transparent, efficient, and durable, regardless of who holds office. LB1116 reflects that responsibility. The measure adjusts the, the current decision-making framework. The intent is to ensure

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that these decisions, which is currently temporary approval-only policy, occur in a timely, predictable manner-- manner consistent with the Legislature's policy direction. Under SAFFAA, most approved projects in larger cities receive up to 70% of only new state sales tax generated at the facility and by retailers within the turnback tax district to pay off revenue bonds, while facilities in second-class cities or villages receive up to 25% of existing and new state sales tax from within the city limits as state assistance, with the remainder distributed according to statutory requirements. A determination or temporary approval is made by the SAFFAA board. And the board consists of five members, the Governor, the State Treasurer, the chairperson of the Nebraska Investment Council, the chairperson of the Nebraska State Board of Public Accountancy, and a, a professor of economics from a state post-secondary institution approved for a two-year term. The board met on two applications in December, 2024. It is yet to make a determine on those applications. In 2025, the board met in October and December. The board has not made a determination on those seven additional applications. As noted in an article in the Nebraska Examiner, the Governor indicated that he does not plan to vote on any of those projects before June of this year. First, LB1116 tightens procedural timelines for the SAFFAA board by requiring public hearings to be scheduled efficiently and mandating a decision on project approvals within 30 days after the hearing. That certainty is essential. Communities pursuing these projects are often making significant financial commitments, lining up local matching dollars, negotiating contracts, and coordinating construction schedules. When an answer is delayed, projects can stall for months. Some applicants have waited more than 14 months without resolution. That kind of uncertainty undermines local planning, increases costs, and discourages investment. By guaranteeing a clear vision within 30 days, LB1116 ensures Nebraska communities are not left in limbo and can move forward with confidence. Second of all, the bill requires if a vote is taken, it must be of a majority of those present, not of the whole board. In the last 14 months, there have been 9 hearing dates-- hearings on 3 dates. At no hearing have all members of the board been present. The Governor has been unable to attend the last 2 hearing dates due to scheduling conflicts. Given the shorter timeframe of 30 days, it would add an additional burden for the Governor on an already stressful job. For that reason, we also eliminated the requirement that one of the votes in, in approval must be the Governor. Again, this vote is on-- is to only give the project a temporary approval.

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And the statutory requirement of the board approval is that the project must be in the best interest of the state. Finally, LB1116 extends the eligibility period for the state assistance on certain privately-owned sports complexes in second-class cities and villages from 5 to 10 years. This gives smaller rural communities or mid-sized communities more time to plan, build, and benefit from these projects that could lead in-- could lead to incomplete or underfunded developments. At its core, LB1116 is a good-government bill. It provides clarity for agencies, certainty for stakeholders, and continuity for the people of Nebraska. The SAFFAA has been a good bill for Nebraska. Under the law, 70% is used to pay for the proposed projects, and 30% goes to Civic and Community Center Financing Fund. And the CCCFF-- CCCFF designed the fund to ensure that sales tax revenue generated by major sports arena projects also supports communities across our state. The CCCFF has become an important tool for strengthening communities across Nebraska. This fund helps ensure that the economic activity created by major facilities also benefits towns and cities statewide. Through the competitive grant process administered by the Nebraska Department of Economic Development, the CCCFF supports projects that improve quality of life and expand community infrastructure. These investments include rem-- renovations to civic centers, construction of recreation facilities, restoration of historic buildings, upgrades to libraries, and development of public gathering places. In many rural or smaller communities like mine, these projects would be difficult to complete without state partnership. The program requires local matching dollars, meaning CCCFF funds leverage significant local investment. This approach encourages community ownership, increases accountability, and multiplies the impact of each state dollar. Recent grants-- recent grant cycles have distributed millions annually. For example, in 2025, it funded projects across Nebraska in 21 towns to the tune of \$5.54 million. In 2023, that was \$4.2 million and more, more than \$4 million in 2024. In the 2024 cycle, CCCFF funds prioritize projects, partnering with the Nebraska Arts Council, certified creative districts, strengthening this link between community infrastructure and cultural development. Beyond bricks and mortar, CCCFF helps Nebraska remain competitive by making communities more attractive places to live and to work. Strong civic places support local events, youth activities, and tourism in a very economic development way. In this way, CCCFF is not only a financing mechanism, but a long-term investment in Nebraska's people, their towns, and their future. By

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updating SAFFAA through LB1116, we make this proven economic tool more accessible and more responsive, particularly for underserved areas without significant new spending. The bill declares an emergency for swift implementation, and passage of this bill aligns with ongoing momentum to promote growth, efficiency and fairness in state assistance for community-enhancing infrastructure. With that, I appreciate your consideration and will take any questions. But I know someone behind me will have better answers probably than I do.

**VON GILLERN:** Thank you, Senator Ibach. Questions? Senator Jacobson.

**JACOBSON:** So on the 30-day shot clock, so to speak, I always used to be faced with this early on in my banking career, people come in and they want an answer right now. I said, well, I really need to review the information, I can't give you an answer right now. And they said, I've got to have an answer right now, I say OK, if I've got to give you the answer right, it is no. OK? So what stops, I mean, if-- is this really solving anything other than more denials? [INAUDIBLE].

**IBACH:** Well, in my opinion, I don't think it supports denials. I think it just gives a 30-day window to say, yes or no, we're going to--

**JACOBSON:** But if we're not ready to make a decision, or if I'm not interested in seeing another one built, then we just say no, is that pretty much what ends up happening?

**IBACH:** Right now, yes.

**JACOBSON:** Yeah.

**IBACH:** Or we delay the answer or the or the grant. We-- up till now, we just delayed the grants.

**JACOBSON:** And on the sports facilities, where are they deriving the sales tax revenue?

**IBACH:** So that's with the radius clause in the sports facilities--

**JACOBSON:** So it's really all the-- yeah, and, and so within the facility itself, I thought there was one where you could get 70% of what was within the, I mean, are they getting--

**IBACH:** The tax within that district. Yes.

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**JACOBSON:** So are they getting ticket sales or are they-- is that part of the sales tax revenue?

**IBACH:** Mm-hmm. That is.

**JACOBSON:** So they, they can get, they can get taxed on it. So they must not have kids or low-income people come in then. Is that the deal?

**IBACH:** That's a good question.

**JACOBSON:** I just was curious about that.

**IBACH:** Any other questions? Senator Dungan.

**IBACH:** I'm certain someone can answer that better than I did.

**DUNGAN:** Thank you, Chair von Gillern. I'm looking at the fiscal note here and I just want to make sure I understand, kind of bouncing off Senator Jacobson's question. It creates this 30-day shot clock, but it specifically says it amends Section 13-3106 to provide that after consideration of the application and the evidence, then they have to make that determination within 30 days. And there's a public hearing component, too. So the 30-day shot clock is after the application has been considered and after they've had a public hearing. So hypothetically they wouldn't be denying applications for lack of information. This is a 30-day shot clock once they've been provided the information they need.

**IBACH:** Yes, and provided there are enough members at that meeting--

**DUNGAN:** OK.

**IBACH:** --to be able to be a majority.

**DUNGAN:** Does it have any kind of escape clause or escape valve in the event that they can't have members in the meeting within 30 days?

**IBACH:** No, it just reduces the number required.

**DUNGAN:** OK, thank you.

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**von GILLERN:** Thank you. Other questions? Seeing none, you'll stay to close then?

**IBACH:** I will stay to close.

**von GILLERN:** Great, thank you. We'll invite up our first proponent. Good afternoon.

**ANTHONY CARROW:** Good afternoon. My name is Anthony Carrow, A-n-t-h-o-n-y C-a-r-r-o-w. I am here today to support LB1116. Thank you, Chair von Gillern and members of the committee for allowing me to speak. I want to begin by emphasizing that we have been working on this legislation for three years. As you, as you all know, time has a cost, not only in effort, but in real dollars and lost opportunity. Just this past weekend we hosted just under 600 youth volleyball teams from the Midwest and Canada at the Asics President's Day Classic in Omaha, at CHI and other locations around the city of Omaha. That event annually generates an excess of \$10 million in economic impact. Demand again this year exceeded our capacity. Because the Omaha metro area does not currently have enough facilities with 12 courts or more to use, we were forced to turn away over 100 teams, teams that wanted to come to here-- to compete here, to stay in hotels here, and to spend money here. The lost demand represents approximately \$3 million in lost revenue for the state through hotels, restaurants, and local tourism from this year alone. We will not have additional court space until 2028, even if we get-- if we get construction started this summer. So another \$3 million loss to the state of Nebraska in 2027 due to voting not taking place on these projects. The update improvements to the Sports Arena Facility Finance Act will get a decision made on our project and others, and hopefully get projects started so that we can stop losing out on money to be spent on youth sports tourism. The issue goes beyond a single weekend. Everyone here understands the reality we don't have enough hotel rooms for the size of events Nebraska is hosting. The new facility at 180th and Maple is expected to generate an additional 40,000 plus room nights annually. And that new development represents additional economic growth that depends on us moving forward with our project. The delays on project also mean higher costs for every project. Inflation continues to rise. Tariffs and supply costs are increasing. Every year we wait these projects become more expensive and harder to complete. But the most important cost is not financial. The greatest loss is the impact on the Nebraska youth. This year alone our organization had to cut 234

athletes that we just simply couldn't take. Not because they weren't qualified, but because we ran out of court time in our current facility. That means fewer opportunities for the children to play, develop, and compete at a higher level right here in the state of Nebraska, the volleyball state. We need your help. Nebraska is losing the race to neighboring states who are building and investing right now. This bill is an investment in tourism, in economic development, and Nebraska youth. The demand is already here. The revenue is already here. The opportunity is already here. All we need is the infrastructure to keep it in Nebraska. We hope you vote yes on this bill and begin the chase to catch up and get Nebraska's fair share of sports tourism and more opportunities for our youth. Thank you.

**von GILLERN:** Thank you. Questions from the committee? Seeing none, Mr. Carrow. Thank you for being here.

**ANTHONY CARROW:** Thank you very much.

**von GILLERN:** Next proponent.

**CRAIG WOLF:** Hello, my name is Craig Wolf, C-r-a-i-g W-o-l-f. Chairman von Gillern, members of the committee, thank you for the opportunity to speak today. A shocking statistic that I came across is that youth sports is today a \$45 billion industry. That is bigger than the NFL and college sports combined. Metastat has projected that by 2033, youth sports will grow to be a \$113 billion industry. The question is, will Nebraska miss the boat to be a leader in this expansion? I'm here to testify in support of LB1116 and the changes and improvements to the Sports Arena Facility Financing Assistance Act. Those before me have detailed the changes, but I want to take a couple of minutes to give you a snapshot of what our application includes. The panel has one job: give temporary approval to any application that is in the best interest of the state. Our, our project fits that description. The Wolf Pack Sports Foundation's Gretna project is fully ready to launch. We purchased 34 acres last February with \$3.8 million of our own funds, hired a commercial development and architectural team, and in under a year secured commitments from two hotels, planning a 40,000 to 50,000-square-foot convention center along with retail and restaurants that now fill 80% of the development. These partners are clear. If the project isn't approved, they won't come. They won't because they know youth sports facilities are a destination. Today our programs bring in 750 families through our doors every single week.

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The foundation includes cheer athletics, a basketball, all-star--all-star express transportation service, and hype squad. All now operating as 501(c)(3)s. We provide on-staff physical therapy, strength and conditioning, nutrition support, sports psychology and transportation from north Omaha and Lincoln at no cost so that every kid can participate. No child is turned away. Over the last two years, we've invested \$150,000 in scholarships so that kids could be a part of our program. We help kids teach accountability, commitment, and teamwork, attributes that, frankly, that I see in schools today are just not taught. Seven of our high school seniors this year will graduate with athletic or academic scholarships. Our programs change lives, but it takes a village, and we need you in that village. LB1116 still requires the five-member panel to vote to give a temporary approval, but shortens the timeline and gives a great project like ours a chance to get started, helping bring badly needed tourism dollars into the state and, more importantly, the village to help raise our next generation of leaders. We hope to have your support.

**von GILLERN:** Thank you. Questions from committee members? Seeing none, Mr. Wolf. Thank you.

**CRAIG WOLF:** Thank you.

**von GILLERN:** Next proponent.

**JEFF WEAK:** Good afternoon. My name is Jeff Weak, J-e-f-f W-e-a-k. I'm here representing myself, but also I'm the executive director of the Wolf Pack Sports Foundation, and was one of the architects or authors of the original legislation. I want, want to talk a couple of-- a little bit of time about the law itself and how the changes will benefit. So I'm gonna read from this statement. Thank you for the opportunity to speak in support of LB1116. The import-- the improvements to the Sports Arena Facility Financing Assistance Act, SAFFAA, which I'm going to call, it's been a law since May of 2021, has been amended many times. I mean, you guys maybe recognize me. Maybe you don't, it doesn't matter to me. But I'm glad we're here to discuss the updates. It's a program designed to spur economic development through strategic investment. But I also want to talk about three common misconceptions. The first one is that SAFFAA does not-- number one, SAFFAA does not divert existing state sales tax. These projects eat what they kill, meaning they only claim the new sales tax within the district. And, and that goes to a question that

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was asked over here, that 70% of the new state sales tax, existing state's sales tax remains untouched. And in most cases, increases due to added foot traffic and retail activity. If no new retailers come, the project doesn't qualify, there's no source of repayment, then there's no project. So that's number one. Number two, temporary approval by the five-member panel does not trigger automatic funding. Publicly owned projects must be backed by a political subdivision and go through a bond issuance. That's a conduit issuance so the political subdivisions is not on the hook for debt service of the revenue bond. The 501(c)(3) corporation is. Privately owned projects must be led by a not-for-profit corporation and require voter approval. Also, only after bonds are sold and dedicated fund is established by the Nebraska Department of Revenue does the project begin receiving only new state sales tax revenue to repay bonds. And third, Nebraska has missed the boat. Sports facilities catalyze surrounding development, which does generate property tax. On average, the development around these projects yield 2 to 2.5 times the cost of the project, expanding the tax base and supporting long-term property tax relief. OK, I've got the red light, so I'll take any questions.

**von GILLERN:** Quick wrap-up thought.

**JEFF WEAK:** No, well, SAFFAA is a smart, accountable tool for communities ready to invest in their future. And the LB1116 gives the members of the panel reviewing these projects equal say and a clear timeline to make an informed decision.

**von GILLERN:** Great, thank, thank you.

**JEFF WEAK:** And, and--

**von GILLERN:** Thanks.

**JEFF WEAK:** I'm sorry, Brad, go ahead.

**von GILLERN:** That's all right. Thanks for the clarity. We've known each other a very long time, so.

**JEFF WEAK:** Oh, I apologize.

**von GILLERN:** Thanks for the additional clarity and the reminder about the vote of the people that actually has to happen before the grant is

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approved. That was a good reminder. Did I see a question over here?  
Senator Jacobson.

**JACOBSON:** Yeah, I guess my question would be you talked about new sales tax growth. So do you measure that just purely on there would be no growth otherwise, and so all of the new growth is counted? Or are we-- how do you determine what is new growth? Based on that-- because the project, is it--

**JEFF WEAK:** Well, that's a great question actually because we went through like this debate with Bill Drafters and then the Policy Research folks to basically go what constitutes new sales tax. So in the law it requires an announcement, a development agreement. There's three components to that that they call "commencement." So, if you commence, then you can start your clock and call anything past the commencement date new. But at the same time, if there's no project, I mean, to me, then ultimately commencement doesn't, doesn't mean anything. But that's what was required at the time when the first version of this was passed, which would have been May of '21. So did that answer your question?

**JACOBSON:** Yeah, and what I like about the concept, I've always-- I've never believed in this idea of writing checks or giving money up front and then hoping that the projects work. That, that the projects, it's one of the things I've liked about TIF, is that your, your, it's-- you generate your own revenue and, and it's, it's one of those situations where it, it's going to be the results of the successful project that's going to repay it. The question really kind of comes back to how much are other factors having-- contributing to the growth and how much has this new project contributed? Therefore meaning, how much should the new project actually get of the sales tax back?

**JEFF WEAK:** So here's, here's an interesting component to this, and I have given the, the panel, I've done evaluation on all the projects, economic, all-- what the property tax, what the payback to the state will be. Almost all the projects that I'm helping with, I, I have that.

**JACOBSON:** I figured you had a lot of resources.

**JEFF WEAK:** Unfortunately, but, but the, the question has to do with for instance they, they talked at one point about the quote-unquote

carve-out, they used the word carve-out. And 180th and Maple, Tony, who you guys heard from before, was as building it, 180th and Maple. So he commenced prior to Costco generating any sales tax, OK? So he can claim Costco as a, a, a source of repayment for his based on the law. So but at the same time, that, that seems like a lot. But if you really wanna get down to it and look at the numbers, because Tony is generating 40,000 new room night stays for the city of Omaha, for Douglas County, and there's no hotel within his district. So the trade-off is, do we look at that and go, we're getting this, we're giving up this? And keep in mind, Costco is not all sales tax. I mean, there's no sales tax on food, so you're basically, the goods that they sell, you're getting the Costco sales tax, and that's a lot. I mean, that's some-- more than some, it's a lots. But at the same time, no hotel there is, is almost a bigger number than what Costco would even generate. So you kind of go, so let's look at this and really analyze. That's what I want the Department of Revenue and the Governor to look at it and go, let's, let's be pragmatic here. What's this really gonna do overall? And how does this impact us in a positive way? Or TIF, you mentioned TIF. We're not taking TIF. I mean, that's property tax is being generated in that same district in a way that is going to add value. So I'm sorry.

**JACOBSON:** It's a great example, though. I appreciate that, I do.

**von GILLERN:** Yeah. OK, seeing no other questions, thank you, Mr. Weak.

**JEFF WEAK:** OK, thank you.

**von GILLERN:** You bet. Next proponent. Are there any other proponents?

**LYNN REX:** Senator von Gillern, members of the committee, my name is Lynn Rex, L-y-n-n R-e-x, representing the League of Nebraska Municipalities. We appreciate the introduction of this bill and we strongly support it. We do think this is really important for our smaller communities across the state especially. And just wanted to underscore the fact that many of them, as noted by Senator Ibach in her introduction, have been involved in planning for this, and others have indicated this too. You know, they're trying to determine the fundraising that they can do locally, how this fits into their, their local budget, and what they can to try to make sure that they enhance the opportunities in their cities across the state of Nebraska. The one thing I wish I had for you, and hopefully we can have this the

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next time that we visit about this, is the financial benefit the state of Nebraska has gained by having the sports arena in Kearney, Nebraska. Thus far, that is the only sports arena that has been approved. And it's just done great things for that city and great things for the state of Nebraska. But what the financial impact is, I think is really important. Because I think there is a narrative, that we don't think is accurate, that these programs cost the state money. We don't it costs you money. We think this gives you money. I'd also like to underscore another thing that's happened because this statute has evolved over the years. So if you turn to page 8 of this bill and look on, starting on line 27, that the Legislature determined before that any, any eligible sports or any facility, that is a sports complex and approved for state assistance under the act on or after May 26, 2021-- so that does not include the Kearney, but basically everything after Kearney-- 83% goes into the sport-- the Support the Arts Cash Fund. That goes to the Nebraska Arts Council, and of course they use that for other districts. Thus far they don't have any funds in it because at this point there are not-- there hasn't been any other sports are in that have been approved under this. But we do think it's important for folks to get an answer. And so with that, we just really strongly support this bill. We appreciate the extended timeframe, especially for these smaller communities across the state. As you know, of the 526 cities and villages, 376 are villages, population 100 to 800. Many of them are below the population of 100. And so it's important that these smaller committees also have an opportunity for these types of things and a scaled-down version of what some of the larger communities are able to have. But these are, these are money-makers for the state of Nebraska. So with that, I'm happy to respond to any questions that you might have.

**von GILLERN:** Thank you. Questions from the committee? Seeing none.

**LYNN REX:** Thank you. Appreciate it.

**von GILLERN:** Thank you, Ms. Rex. Still on proponents, right? Any other proponents? Seeing none, are there any opponents? Seeing none, was there anyone that would like to testify in a neutral capacity? Seeing none, Senator Ibach, would you like to close? And when you come forward, we had 2 proponent, 1 opponent and zero neutral letters online for the record.

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**IBACH:** Thank you, Mr. Chairman. I certainly do appreciate everyone that spoke in favor of this. I think when you look at the lost revenue that we potentially have lost, this is a real investment in our state. And the intent of this bill was to generate that growth, and I think I appreciate Ms. Rex pointing out Kearney. I got to attend my first soccer practice a couple weeks ago, and that building is full and it is booked up through 2027, I know, into 2028. It's huge. It's popular. And as Mr. Wolf mentioned, I think that youth sports is very, very popular in our state. And we certainly don't want to send those dollars out of state. So appreciate your time and appreciate your consideration.

**von GILLERN:** Thank you. Questions? Senator Kauth.

**KAUTH:** Thank you, Chair von Gillern. Senator Ibach, there's a bill coming up, LB918, after yours, and it looks like it does similar things to yours. Have you compared the two of them?

**IBACH:** I have not.

**KAUTH:** So the LB19 [SIC] is updating Sports Area Facility Financing Act to increase the allowable years of state assistance for sports complexes in smaller municipalities, second-class or villages, from 5 years to 10 years. Is that already in yours?

**IBACH:** That is in mine.

**KAUTH:** OK. OK.

**IBACH:** Thank you.

**KAUTH:** I, I, I just want to make sure that we don't accidentally pass two bills out.

**IBACH:** Thank you for that. I will.

**KAUTH:** If you guys could, could just kind of compare notes.

**IBACH:** We'll cooperate on that.

**KAUTH:** Thank you very much.

**IBACH:** Yeah, for sure. Thank you.

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**von GILLERN:** Thank you.

**IBACH:** I highlighted that in the next bill too, so thank you.

**von GILLERN:** Yeah. And again, I think we got a lot of background on SAFFAA, but again, your bill is very specific about changing the approval timeframe and changing the time limit for second-class cities and does not impact the other parts of the financing program.

**IBACH:** No, that's correct. Thank you.

**von GILLERN:** Great. Seeing no other questions, thank you, Senator Ibach.

**IBACH:** Thank you.

**von GILLERN:** That will close our hearing on LB1116. We'll open on LB918. Is Senator Conrad available? Sure. Senator Dungan, would you mind jumping ahead?

**DUNGAN:** Not at all, no. I see Senator Conrad's LA. But if we need to skip ahead, I'm fine.

**von GILLERN:** She's across the hall doing another bill, if you don't mind jumping ahead, then.

**DUNGAN:** Always happy to help.

**von GILLERN:** OK, we will open on, LB851 with Senator Dungan. We'll just flip the two.

**DUNGAN:** That's fine. I'm here anyway, so it makes sense. I will stay for closing.

**von GILLERN:** We're all here anyway.

**DUNGAN:** Good afternoon, Chair Von Gillern and fellow members of the Revenue Committee. I am Senator George Dungan, G-e-o-r-g-e D-u-n-g-a-n. I represent Legislative District 26 in Northeast Lincoln. Today, I am introducing LB851, which would appeal a costly provision of Nebraska's tax code to help close the budget shortfall. The provision that we're specifically talking about is the non-Nebraska S corp and LLC income exclusion and is a highly unusual part of our tax code. Few states, if any, have a provision like the-- like this in

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their own tax code, and the result is that we, Nebraska, lose out on a substantial revenue stream every year. When we're looking to close a budget shortfall and continue to spend state dollars to reduce property taxes, I think it's important to bring solutions, not always just say no. I believe repealing this provision is a great place to start. I want to start with what this is. The non-Nebraska S corp and LLC exclusion allows resident Nebraskans who earn income from S corps and LLCs in other states to exclude that income from their Nebraska tax return. What's odd about this provision LB851 would strike is that, constitutionally, Nebraska has the power to tax its residents on income from all sources derived, which is what a majority of states do. Most states tax all resident income from whatever source it's derived from and then offer tax credits for the taxes paid in other states. States have constitutional power to tax income, whether it's earned individually, through sole proprietorships, partnerships, LLCs, or S corps. As we know from sitting on the Revenue Committee all of the businesses I just named are taxed through the individual income tax, including wage income. What ends up happening with this preferential treatment for S corps and LLCs is resident Nebraska owners exclude income derived from those sources from other states on their Nebraska returns. But if a resident earns wage income from another state, they must include it on their Nebraska return. If a resident earn non-Nebraska sourced income from a partnership, they include it in the Nebraska return. If a residence earns non-Nebraska-sourced income from a sole proprietorship, they include on their Nebraska return. But as an outlier, when a resident earns non-Nebraska-sourced income from an S corp or an LLC, they exclude it. This, included with the fact that this provision of Nebraska law is highly unusual among states, is enough for me to think that we should take a look at repealing it not only to make our tax code more fair, but also to raise revenue to help close the \$472 million shortfall we face. Repealing the non-Nebraska S corp, LLC exclusion seems like an obvious win for the state of Nebraska. Thank you, and I am happy to answer any questions you might have. But I will specify there are people coming after me who are probably experts in the subject more so than I am, so they might be able to get into the nitty gritty a little bit more than myself.

**von GILLERN:** Thank you. Senator Jacobson.

**JACOBSON:** Well, I've, I've owned, from time to time, I've owned buildings in other states, and I, I received rental income from those,

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and they were owned in LLCs. But I did pay state income tax in the state where they were located. Is that not the tradeoff here, that you're already paying taxes, income taxes in the state where the buildings domiciled, and so therefore you're not paying double tax?

**DUNGAN:** I can't speak specifically to the building holding part of that, but I do know that there are some states that people are not paying those-- the portion that they're receiving as a Nebraska resident, they don't have to pay the taxes for here through the S corp. And I know there are some states where they get certain preferential tax treatment by virtue of it being an S corp in other states as well. I will defer on the experts who might have a better nationwide analysis of that.

**JACOBSON:** I'm anxious to hear.

**DUNGAN:** And I think that you guys can have a good conversation about that. My understanding, and part of the reason I wanted to bring this, is I've looked long and hard and I believe we are the only state that has this preferential treatment for Nebraska shareholders of non-Nebraska S corps. And so it does seem like an outlier that we are, looking at the fiscal note, losing money on pretty consistently. And I know this idea has been proposed before. This is not a novel concept that I came up with, similar bills have been introduced for multiple sessions. So we can go back and look at those fiscal notes and conversations, but I do believe it should be a part of the conversation with our current budget shortfall.

**JACOBSON:** Thank you.

**von GILLERN:** Other questions? I've got a few questions. What, what, what businesses are we talking about? I mean, certainly you, certainly you've got some knowledge of businesses that this might, might be representative of or--

**DUNGAN:** I don't have a specific business in mind. I was looking more at the specific exemption that this lays out. There's no specific or particular business or industry that I'm thinking of.

**von GILLERN:** OK, all right.

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**DUNGAN:** I, I think the Chamber is opposed to this bill, and they might have some specific examples. But I was more at exemption itself as opposed to individual companies.

**von GILLERN:** OK. Presumably, and this might be a long stretch, but go for the ride with me.

**DUNGAN:** I'll try.

**von GILLERN:** Presumably, individuals who have S corp income from another state, but yet they reside in Nebraska, it's probably reasonable to presume that they're probably high-earners.

**DUNGAN:** That they're, pardon, what?

**von GILLERN:** Probably higher-income earners.

**DUNGAN:** I believe so, yes.

**von GILLERN:** OK. All right. So it's also presumable that those high-income earners that live here have a high economic impact on the state Nebraska.

**DUNGAN:** I think that their individual impact potentially could outweigh that of another individual with lower income in terms of the amount spent in the economy.

**von GILLERN:** Sure. And they may pay more in property taxes, they may pay higher reports of sales taxes. I mean, all those are reasonable expectations. And I wasn't around when this was developed and this was-- this exemption, if that's the correct term, was formulated, but--

**DUNGAN:** I guess deduction, yeah.

**von GILLERN:** I could certainly see a return on the economic impact of those folks being here rather than running them out of state. So-- but maybe some other folks behind you might have more input on that, so. All right, seeing no other questions.

**DUNGAN:** Thank you.

**von GILLERN:** And I know you'll stay.

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**DUNGAN:** I will be here.

**von GILLERN:** All right, we'll invite up our first proponent. This is your first time here this year.

**REBECCA FIRESTONE:** This is my first time.

**von GILLERN:** We only got a week left.

**REBECCA FIRESTONE:** Well, I missed you all, so I wanted to come to this one.

**von GILLERN:** Welcome.

**REBECCA FIRESTONE:** Good afternoon, Chairman von Gillern, members of the Revenue Committee. I'm Dr. Rebecca Firestone, R-e-b-e-c-c-a F-i-r-e-s-t-o-n-e, executive director of OpenSky Policy Institute. I'm here today to testify in support of LB851 because it would remove a tax expenditure in Nebraska's tax code that primarily benefits a limited number of shareholders and multi-state S corporations and limited liability companies. At a time when this Legislature is faced with difficult decisions about how to balance the budget, eliminating tax expenditures is a straightforward way to protect state revenues that pay for vital state services. LB851 would repeal the S corp and LLC non-Nebraska income exclusion, which allows Nebraska residents to exclude income from S corps and LLCs generated from sales outside Nebraska. Repealing the exclusion would bring back about \$44 million in state revenues in FY 2027, and about \$28 million each year thereafter. Analysis of data from the Nebraska Department of Revenue shows that, in 2023, about 90% of the exclusion was claimed on just 1,000 tax returns with at least a million dollars in adjusted gross income, and 72% was claimed at about 190 returns with an AGI of at least \$5 million. That's about 0.1% of resident Nebraska filers. At the same time, the exclusion does not benefit everyday Nebraskans through lower tax liabilities or downstream economic effects. There's no evidence showing that this policy has incentivized job creation or economic growth in Nebraska, and there's little reason to speculate that it would. In addition, repealing this exclusion is not likely to directly cause people or businesses to leave the state. Numerous academic studies have shown that millionaire tax migration occurs at the margins of statistical and socioeconomic significance. Millionaires move at a lower rate than the population as a whole, and

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little more than 2% of these migration patterns can be explained by tax changes. Other factors like family connections, job opportunities, and climate are all greater drivers of interstate migration than tax policy across all income groups. Eliminating this exclusion was last brought before this committee in 2019 with several concerns raised by opponents, and we went back to review some of that testimony. However, we want to note that there is a significant difference between the tax climate today and 2019. Top marginal tax rates are 33% lower today, dropping further next year. Opponents of the previous bill argued for the exclusion because it brought parity to how income from S corps, LLCs, and C corps is treated. However, with income tax cuts passed in 2023, that's less of a concern since parity has been achieved in terms of top marginal income tax rates. In fact, removing this exclusion is example of expanding the tax base when lowering rates. The Revenue Committee has in recent years scaled back on a number of tax expenditures to help balance the budget, LB851 is another avenue in the same vein. For these reasons, OpenSky supports LB851. Thank you, I'm happy to take any questions.

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

**SORRENTINO:** Thank you, Chairman von Gillern. Have you thought about the effect on a lot of service businesses based in Nebraska, typically organized as S corporations, especially with the advent of social media and Internet, do a lot business in other states. So much so that there are a lot businesses that I'm aware of do most of their business in the other states. Any concern about the economic effect of this on those businesses who are now-- will be paying state-- or will being taxed in Nebraska on those?

**REBECCA FIRESTONE:** Sure. I mean, from--

**SORRENTINO:** I'll give you for-instance.

**REBECCA FIRESTONE:** Sure.

**SORRENTINO:** We were, 82% of our work was done in other, other states out of a \$50 million revenue, almost all of it.

**REBECCA FIRESTONE:** OK. OK. S corps are one of the pass-through entities that claims this exclusion. There are other types of pass-through entities that do not. And they are still operating and

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paying-- in Nebraska and paying this, paying income tax. So I think we are coming at it from that perspective. And, you know, there's an argument about exporting your tax base. And I think that probably applies here. But really what we're looking for here is just sort of parity in how we're treating these different types of entities.

**SORRENTINO:** Thank you.

**von GILLERN:** Other questions? I would like a copy of your testimony--

**REBECCA FIRESTONE:** Sure.

**von GILLERN:** --with the statistics that you provided, if you would share that later on, please. And then just stating the obvious, you and I are philosophically opposed on the topic of whether people move related to taxes. We agree to disagree on that for today, so yeah.

**REBECCA FIRESTONE:** Sure, I think we're happy to disagree. Would love to have that, have that conversation at another time and look at the evidence together.

**von GILLERN:** Thank you. We have fun with that, with that interaction, so.

**REBECCA FIRESTONE:** Yeah.

**von GILLERN:** All right. Thank you, Dr. Firestone. Appreciate it.

**REBECCA FIRESTONE:** OK.

**von GILLERN:** Next proponent.

**REBECCA FIRESTONE:** All right, thank you.

**von GILLERN:** Are there any other proponents? Seeing none, are there any opponents would speak regarding LB851. Good afternoon.

**STACY WATSON:** Hello. I'm getting old. I need my glasses. So good afternoon, Chairman von Gillern and members of the Revenue Committee. My name is Stacy, S-t-a-c-y, Watson, W-a-t-s-o-n, I am a CPA with Lutz in Omaha, and I'm here today in opposition of LB851 on behalf of more than 2,600 members of the Nebraska Society of Certified Public Accountants, the Renewable Fuels Nebraska and the chamber-- the Nebraska Chamber of Commerce. LB851 would require Nebraska residents

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who are shareholders of S corporations or members of LLCs to include their entire federal distributable income in their Nebraska taxable income, regardless of where that income was earned. Under current law, pass-through income is sourced to where the business activity occurs. If that activity takes place outside of Nebraska, it is taxed by another state. Nebraska does not require the full amount to be included in Nebraska taxable income, which is congruent with how we tax C corporations. LB851 would eliminate that sourcing principle for Nebraska residents. This creates several significant concerns. First, it increases the risk of double taxation or, at a minimum, complex credit calculations that often do not fully offset the taxes paid to other states. Even when credits are available, they rarely provide perfect parity and often introduce substantial complex-- compliance. Second, it discourages investment by Nebraska residents and multiple-state businesses. Many owners are minority or passive investors who do not control where the company operates. This bill penalizes Nebraska residents simply because a business expands beyond state borders. Third, I don't believe the projected revenue impact is what they say it is. I think it's probably overstated. Currently those Nebraska residents, if they have losses, they must add back those losses and actually pay Nebraska tax when they have losses in those businesses. It's only the income that gets outsourced. The add-back increases the Nebraska taxable income. LB851 will require full inclusion of that federal loss in both income and losses, those out-of-state losses would effectively be deductible at 100% to the state of Nebraska, even though they didn't incur here. In many cases, that would reduce Nebraska taxable income and lower overall revenue. In addition, this bill is based solely on the residency of the individual, not the location of the business, plant or the property generating the income. That makes the tax base highly mobile. A change in residency to a state without an income tax or to a state like Iowa that has this very similar rule to ours could eliminate most or all of the anticipated revenue. Where residency changes, Nebraska loses not only income tax revenue but potentially other economic activity as well. Nebraska CPAs support tax policy that is stable, predictable, and workable. LB851 increases complexity to parts from longstanding sourcing principles that are aligned with C corp taxation and may not produce the revenue anticipated. For this reasons, we respectfully urge the committee not to advance LB851. Thank you, and I'm happy to take questions.

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**von GILLERN:** Take a breath.

**STACY WATSON:** Well, I didn't want to-- I hate to, you know, I've always been a fast talker.

**von GILLERN:** Yes, you are. Questions from the committee?

**JACOBSON:** Go ahead.

**von GILLERN:** Thank you. I believe that you answered a question that was asked of Senator Dungan originally, and that is, are these dollars taxed in the state-- in another state where they are earned?

**STACY WATSON:** Generally speaking, not every single dollar, because think about it, nine states don't even have an income tax.

**DUNGAN:** OK.

**STACY WATSON:** So they wouldn't be taxed in those states. So not, not in all instances, but when they have nexus there, they pay tax in that state, sometimes at a much higher rate than Nebraska. So think about it, California, you know, is 13%.

**von GILLERN:** OK, so other states-- and Senator Dungan's, in his opening, he said that we were unique in this. So are other states double taxing then? Are they, if you live in California, earn dollars in Nebraska? Are you paying California state tax and Nebraska state--

**STACY WATSON:** You'll get a credit for the Nebraska tax--

**von GILLERN:** OK.

**STACY WATSON:** --and I believe he would have a-- there is a, there's a credit offset.

**von GILLERN:** OK.

**STACY WATSON:** But the problem is, right next door, Iowa has the exact same statutes for we do for the S corps. They can go ahead and exclude that income.

**von GILLERN:** OK.

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**STACY WATSON:** So again, I can leave my building here, but as that high-well taxpayer and as their accountant, right, if I take off the Chamber hat, you know, don't let Hunter get mad at me. But I have no reason not to move to Iowa because I'm going to get the exclusion and then I'm gonna give less of my money to Nebraska overall, or South Dakota, where I don't even have an income tax, or Wyoming, where I do not even have income tax. So we are not unusual. I mean, other states, some of them give tax breaks and leave off capital gains. I mean every state kind of has an inducement to try and keep people there. So we aren't completely unusual in that.

**von GILLERN:** My only pushback to what you said is that there was no reason not to move to Iowa. But other than that--

**STACY WATSON:** I mean, yes, I don't live there either for many reasons, but from an income tax perspective, if it means that much to you to have a house over there and become a resident there, you can still go to work every day in Omaha and pay tax only on your W-2 wages. But that rest of that income is going to end up being excluded the same way it is now on your personal return.

**von GILLERN:** Senator Sorrentino.

**SORRENTINO:** Senator von Gillern, thank you. If I remember, we did business in 34 or 36 states and we had to do all the other, other states first, pay the taxes there, then we come back to our return and we get credits. But those are not dollar-for-dollar credits all the time.

**STACY WATSON:** No, those are not dollar-for-dollar credits. And some states won't even allow the credits.

**SORRENTINO:** Exactly.

**STACY WATSON:** You have to file it oddly in their state. It really adds a complexity level that to do a return like that probably would cost the client another \$3,000 or \$4,000 than to do the return the way we do--

**SORRENTINO:** If it was only \$3,000 or \$4,000, I want to hire you.

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**STACY WATSON:** Yeah, well, yeah-- so I mean, just for that extra credit piece, right?

**SORRENTINO:** Yeah.

**STACY WATSON:** I mean, every state you file in costs a lot more.

**SORRENTINO:** Thank you.

**von GILLERN:** Senator--

**JACOBSON:** Well, I, I, I look at my situation. I, I, I had at one time, my buildings that were full-net leases to Fortune 500 companies. And so by the building, you're getting a lease income. I'm paying property-- they're full-net leases, so I'm getting a net check. But every year, I've also got to file a state income tax return in that state to pay the taxes that I receive off the income in that state. So it wasn't like I got the income without paying taxes on it. I did. So if I understand this bill, it would require me to pay the tax twice.

**STACY WATSON:** Well, you would get a credit for taxes paid, that's just part of the other mechanism. But I think part of reason you guys, I mean, history speaking, you did this anyway, is it's a parity with the C corporation. I understand that maybe not every state works this way, but this is how we tax every C corporation, right? And if you think about it at the federal level, a C corp tax rate is now only 20%.

**JACOBSON:** Right.

**STACY WATSON:** The individual tax rate it still higher, right? And so, so you're incenting one type of business-- I think I heard someone say we're trying to treat all businesses equally. You would incent someone to be a C corp, pay a lesser federal tax-- I mean, you are incenting a C corp over a pass-through entity. And I think initially that was the purpose of this bill, is to ensure that all entities doing business in the state are treated the same. So, yeah, it just makes-- you would still get a credit. You wouldn't pay tax twice.

**JACOBSON:** Right.

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**STACY WATSON:** In some states, to Senator Sorrentino's points, the credits aren't allowable, so you, you would end up with some state tax, depending on where your building is, pay that twice.

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

**STACY WATSON:** See you tomorrow.

**von GILLERN:** Next opponent. Good afternoon.

**JAMES ANDERSON:** Good afternoon. I'll do glasses as well. Chairman and members of the Revenue Committee, my name is James Anderson, J-a-m-e-s A-n-d-e-r-s-o-n. I'm a tax partner with Forvis Mazars in Lincoln, and I'm here on behalf of the Lincoln Chamber of Commerce, Greater Omaha Chamber, Nebraska Bankers Association, and the National Federation of Independent Business to speak respectfully in opposition to LB851. I have advised middle-market companies on tax matters for nearly 30 years, working with businesses like those impacted by this bill. LB851 would eliminate Nebraska's longstanding rule that excludes Nebraskans out of state S corporation and LLC income from Nebraska taxation. This approach isn't a loophole. It's a policy to ensure Nebraskans aren't taxed twice on the same income. Most other states do tax all of their residents' business income, but offer credits for taxes paid to other states. Nebraska has simply taken a more direct route by excluding the out-of-state portion since 1987. LB851 would put Nebraska in line with those other states by taxing 100% of residents' businesses income and then applying credits for taxes paid elsewhere. Proponents of LB851 argue it would significantly boost tax revenue. In fact, a similar proposal in 2019, LB237, was forecast to raise over \$85 million per year. However, that estimate mistakenly ignored the tax credits Nebraskans use when they pay taxes on that income to other states. In reality, much of the extra income LB851 would tax is already taxed in other states, so Nebraska's gains would largely be offset by credits. The new fiscal note for LB851 projects a much smaller benefit, about \$28 million a year once the tax rate hits just under 4% in 2027. This lower figure implies roughly \$700 million of additional pass-through income would not be offset by out-of-state tax credits. In other words, Nebraska would collect tax on only income from states with lower tax rates than ours. The share of business income coming from those lower-tax states varies widely each year, perhaps 25% to 45% of the total income in a given year. Given this

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variability, it makes it hard to predict exactly how much revenue LB851 would bring in. Without detailed data on where each company earns its income, any revenue estimate is uncertain. Finally, LB851 runs counter to Nebraska's recent pro-growth direction. We've worked hard to lower top-- top income tax rates from just under 7% down to under 4%. Yet this bill would reverse course by purporting to raise taxes on a small targeted group of about 4,000 to 5,000 of our residents, the business owners who have expanded their companies beyond Nebraska and operate as Nebraska LLCs or S corporation. That sends the wrong message to entrepreneurs driving out-of-state growth, including those who may wish to move their businesses to our state or start new businesses here. In conclusion-- may I finish my paragraph? Red light.

**von GILLERN:** You're good.

**JAMES ANDERSON:** In conclusion, LB851's benefits are uncertain and likely modest, while its purported costs would fall solely on a few thousand of Nebraska's most dynamic business owners. With such an unclear payoff, and a clear negative impact on those taxpayers, we strongly urge the committee not to advance the bill. Thank you for your time.

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

**JAMES ANDERSON:** Thank you.

**von GILLERN:** Any other opponents? Seeing none, anyone who'd like to testify in a neutral capacity? Seeing none, Senator Dungan would you like to close? As you come forward, we had zero proponents, 1 opponent, and zero neutral testimonies online.

**DUNGAN:** Well, thank you, Chair von Gillern and members of the committee. I appreciate your time here today. I do appreciate the testimony from both the proponents and the opponents. I think this is a very complicated thing that we're getting into. And when you start talking about individual provisions of the tax code, I know it can be dense and we can parse apart what the impacts are. You know, zooming out, I said this in my open and I'll say it again, I think when we're looking at a budget crisis, we have to be able to have conversations about different things. So clearly we've heard in this committee

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multiple bills about sales tax and talking about getting rid of exemptions, whether it's on individual businesses or implementing 40 new service taxes. So we're talking about that. And multiple folks have come in here and said, everything has to be on the table. We have to have a conversation about all of the different ways to make money. I think that to ignore our corporate tax code and to ignore our income tax the way that we've been reducing it over the last number of years, especially for corporate entities, is to ignore one of the legs of the oft-talked-about three-legged stool. And so this bill, in conjunction with three that you have the pleasure of hearing from me tomorrow, is part of just a menu of proposal items that I've given. It allows us the opportunity to look at fiscal notes and see whether or not we think it is beneficial to change some of these tax codes. I think Senator von Gillern actually kind of hit the nail on the head when asking questions from Ms. Firestone about a philosophical difference. And I think there's many things on which we all can agree. I've seen analysis that shows that we actually all vote together like 80% of the time and we disagree about 20% of time. And on those 20% items, I think sometimes we have a philosophical disagreement. When we're talking about bills, and I'm not trying to target you Senator Murman, but when we're talking about bill that are talking about taxing zoo admissions to raise a million dollars, but are unwilling to acknowledge another bill that taxes potentially higher-income earners, as we discussed in my opening, and having debates about who is or isn't paying what tax when they're purchasing a building, I think is just somewhat removed from what the everyday average Nebraskan cares about or thinks about or worries about when it comes to their tax. I do think we have to look at all folks in the state of Nebraska, which includes the people who don't have an income. And I think we do a lot to work towards making sure those people are cared for, as well as we talked about in the opening, the higher-income earners who do provide a benefit to the state by having businesses here and continue to provide for our state. So everything should be on the table. As you all know, we've heard many bills on other tax policies. This is just another proposal that does deal with a corporate tax, I will call it, loophole that I do believe exists in our tax code that is not often recreated in other states. And so with that, I'm happy to answer any final questions. And I look forward to discussing all of these tax bills with you for the remainder of the session.

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**VON GILLERN:** Thank you. We'll look forward to that too. Questions?  
Senator Sorrentino.

**SORRENTINO:** Senator von Gillern, thank you. Senator, I actually want to thank you for bringing this because we need to look really hard at the Nebraska tax return which used to be about a half a page, and now it's three pages. And if you look at the top of page 2 with the refundable non [INAUDIBLE] it's a whole page. I may not agree with this particular thing, but thank you making us look at our own tax return. That's important.

**DUNGAN:** No, and I appreciate that. I think all things need to be looked at, and when we're talking about tax credits, specifically what you're getting at with refundable and non-refundable tax credits, I think we need to look at everything. And I appreciate that we're at least able to look the impact that these things have on us fiscally. So thank you, and I hope we continue to look those things together.

**VON GILLERN:** Thank you. Seeing no other questions, thank you, Senator Dungan. That will close our hearing on LB851. We'll go back in time and we'll open up on LB918 and welcome up Senator Conrad.

**CONRAD:** Senator, I knew you were powerful, I didn't know you were that powerful. That's very cool. Good afternoon. My name is Danielle Conrad. It's D-a-n-i-e-l-l-e, Conrad, C-o-n-r-a-d. I'm here today to repres-- representing north Lincoln's Legislative District number 46 and to introduce LB918. Sorry, it's one of those days when you've got three bills before three committees and my brain is feeling jumbled. So I know you can all relate to that. So I appreciate the gracing patience. But I brought forward LB918, in many ways, which touches upon the same section of law and economic development financing tool that my friend Senator Ibach's LB1116 relates to, and that you heard earlier today, related to potential reforms to the Sports Arena Facility Financing and Assistance Act. The underlying bill that I have before you updates the allowable years of state turn-back assistance for sports complexes located in cities and villages of the second class. And under current law, those projects may receive assistance for up to 5 years. LB918 would extend that timeframe from 5 to 10 years. I heard from some of the smaller communities impacted by this potential change, those with populations of 5,000 or below, that that change can be helpful. Because if smaller communities are advancing one or two significant projects at a time, extending the assistance to

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10 years provides more predictability, financing strengthens bond feasibility, and can help projects move forward with greater certainty. So that's one component of the legislation. The other component of the legislation that you will see hopefully before you in regards to an amendment that I filed shortly after introduction, and that's AM1748. This was, of course, my error, not Bill Drafters' or staffs', my error, in making sure that the other component of this legislation that I was putting together was before the committee. I had erroneously put in a previous draft of the legislation as the final three-part, and it didn't include the other component of the legislation that I wanted before the committee to re-examine and look at the structure of the board that is responsible for making decisions on applications under the Sports Arena Facility Financing Assistance Act. So this overall issue came to my dashboard really in two ways. One, there is a projected project that Nebraska volleyball interests are working on that would benefit my district in particular. That would be housed in north Lincoln, a historically underserved area, that would seek to open up a lot of additional opportunities for young women to play volleyball. And having seen firsthand the disparities in terms of access to club opportunities that can be on display in regards to families with means and families without, it would be really awesome to capture the spirit that goes along with women's sports and, and Nebraska volleyball to bring more people into those really positive activities. So I had heard about the project that was scheduled for north Lincoln. I had been briefed on it. I was very excited about it. I've also seen firsthand as a sports parent with a daughter in volleyball how much economic development can be spurred around these kind of activities. And I was disappointed that this project and other projects had been tabled for political reasons under the, the current structure for the Sports Arena Facility Financing Assistance Act. And I just think it's-- we need to take the politics out of it, and we need to ensure that we have state actors who can discern whether or not the application meets the required guidelines. And we shouldn't be catching kids and economic development in the crosshairs because we have a disagreement about tax policy or for other arbitrary and capricious or political reasons. So that's why I wanted to draw your attention to also AM1748, which would remove the Governor from the board that will be making these decisions. With that, I'm happy to answer questions.

**von GILLERN:** Do you have a copy of the AM?

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**CONRAD:** I do.

**von GILLERN:** OK, for distribution, or do you want to--

**CONRAD:** I can get copies for-- sorry.

**von GILLERN:** OK, all right, so you'll provide that.

**CONRAD:** Sorry.

**von GILLERN:** OK. But the only thing that the AM does different than the bill that we have before us is it change-- removes--

**CONRAD:** Strikes the Governor.

**von GILLERN:** --the Governor from the board structure?

**CONRAD:** Yes.

**von GILLERN:** Doesn't change the board's structure in any other way?

**CONRAD:** No.

**von GILLERN:** All right. OK, questions from the committee? Seeing none--

**CONRAD:** Thank you.

**von GILLERN:** --can you hang out for a minute?

**CONRAD:** Yes.

**von GILLERN:** OK, thank you. Invite up any proponents. Seeing none, are there any opponents? Don't go far, Senator Conrad. Seeing none, anyone who'd like to testify in a neutral position? Neutral testifiers? OK. Good afternoon again.

**JEFF WEAK:** Good, yeah? Chairman von Gillern, my name is Jeff Weak, J-e-f-f W-e-a-k. I guess I'm testifying in the neutral position, I like the version of LB1116. I think the Governor, if he comes to the hearing, should have input on some of these decisions. But what LB1116 does is doesn't give him the only, only vote that matters. We have five qualified people on the board to make these decisions and the Governor in LB1116 is one of those that will help make that decision.

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So I, I think taking the Governor out, as long as there's somebody that's qualified to help that five-member panel as it relates to LB918, there might be value. But I think the Governor staying on that five-member panel is probably important. So I'll leave it up to smarter people than me that are on this here in the Revenue Committee. So that-- those are my comments, and I'll take any questions.

**von GILLERN:** Thank you. Don't overestimate the other side of this bench. Questions from the committee? Seeing none, thank you, Mr. Weak.

**JEFF WEAK:** OK, thank you.

**von GILLERN:** Neutral testimony.

**LYNN REX:** Senator von Gillern, members of the committee, my name is Lynn Rex, L-y-n-n R-e-x, representing the League of Nebraska Municipalities. And we're here today just in support of the bill that was originally drafted, the green copy of LB918. And in terms of the amendment, we don't have a position on that amendment. But we do think that the other bill also addresses many of these same issues and would encourage the folks to work together on that effort. But we appreciate the extended timeframe for the small cities. I've already testified to the fact that out of the 526 cities and villages in the state of Nebraska, 376 are villages. Another 117 are cities of the second class. That's a population 800 to 5,000. So this is really a great benefit to our smaller communities across the state, and we really appreciate that. With that, I'm happy to answer any questions you might have. And thank you, Senator Conrad.

**von GILLERN:** Any questions? Seeing none, thank you, Ms. Rex. Any other neutral testimony? Seeing none, Senator Conrad, you're welcome to close. And Senator Conrad waives closing. Thank you. We had 1 proponent letter, 6 opponents, and zero neutral filed online. That will close our hearing on LB918, and we'll open on LB990, Senator Dover or representative thereof.

**WHITNEY NOLAN:** I'll be short and sweet.

**von GILLERN:** Short and sweet.

**WHITNEY NOLAN:** Short and sweet.

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**von GILLERN:** You are welcome to open on your testimony on behalf of Senator Dover.

**WHITNEY NOLAN:** Thank you, Mr. Chairman. My name is Whitney Nolan, W-h-i-t-n-e-y N-o-l-a-n, and I am the LA for Senator Robert Dover. I am solely here to inform the committee that Senator Dover is not going to move forward with LB990 this session.

**von GILLERN:** All right. Thank you for opening. And there will be no closing, so you're welcome to go. Any proponent testimony, knowing that the bill is not going anywhere? Any opponent testimony, knowing that the bill is not going anywhere?

**von GILLERN:** Fire away.

**JON CANNON:** Good afternoon, Chairman 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 and register our, our opposition to LB990. He's already explained that he's-- or his representative has already explained that they're going to withdraw, so no need to overburden the committee and I'll just keep it short and sweet. You're welcome to ask me questions, but I have zero testimony to offer.

**von GILLERN:** Thank you for your comments, and for keeping it short and sweet as promised. I see no questions, Mr. Cannon, thank you.

**JON CANNON:** Thank you.

**von GILLERN:** Any other opponent testimony? Seeing none. Any neutral? Seeing none, we had online testimony. It's 6 proponents, 1 opponent, and zero neutral. That will end our hearing on LB990, and we will open on LB1025. Welcome, Senator Bosn. We're killing it today. We're ahead of schedule, don't mess it up.

**BOSN:** I don't want to screw it up. I have a tendency of jinxing that kind of thing, though, so. All right. Thank you, Chair von Gillern, and good afternoon members of the Revenue Committee. For the record, my name is Carolyn Bosn, C-a-r-o-l-y-n B-o-s-n. I represent District 25, which is southeast Lincoln, Lancaster County, including the town of Bennett. Social media can be a powerful tool for connection and creativity, but it also carries serious risks for young people. A 2019

report in JAMA, the Journal of American Medical Association Psychiatry, found that children and adolescents who spend more than three hours per day on social media face double the risk of experiencing symptoms of depression and anxiety. In 2022, researchers at the University of Michigan Institute for Social Research, using data from the National Addiction and HIV Data Archive Program, reported that teenagers spend, on average, 3.5 hours per day on social media, exceeding the threshold associated with increased mental health risks. Even the Office of the Surgeon General has issued an advisory highlighting the connection between social media use and youth mental health. There is no denying the connection between social media and its increases in youth mental health issues. Throughout my time as a prosecutor and my time in the Legislature, I have heard over and over again about the need for more resources for juvenile mental health. We hear constantly that the youth detention centers are full of youth who are only there because of underlying mental health issues. We hear constantly that there is a shortage of substance abuse treatment programs for juveniles. We hear constantly that there is a lack of inpatient treatment options for youth with suicidal ideation and serious mental health needs. And all of that is true. But I can assure you that if I go to the Appropriations Committee and I ask for funding for those necessary needs, they will tell me we do not have the funding for those needs and we cannot afford to spend taxpayer dollars. Hence, LB1025. LB1025 was introduced into-- in response to the concerns that I have consistently heard from parents across our state. Throughout my time in the Legislature, family and community members have told me that Nebraska lacks sufficient beds and resources for juvenile mental health services. And if we are serious about supporting our youth, then strengthening our juvenile mental health system should be our priority. LB1025 addresses this need by imposing an excise tax on social media platform businesses based on the number of Nebraska consumers from whom they collect data each month. The structure is intentionally tiered to protect small businesses and emerging businesses in Nebraska. Platforms with 50,000 or fewer Nebraska consumers would pay no tax, ensuring startups and small companies are not burdened. Platforms with more than 50,000 but less than 250,000 Nebraska consumers would pay \$0.10 per month for each consumer over 50,000. Platforms with more than 250,000, but not more than 500,000 consumers would pay a \$40,000 per month plus \$0.25 per month for each customer above \$250,000. Platforms that more than 5,000 Nebraska consumers would pay \$165,000 per month plus \$0.50 per month

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for each consumers above 500,000. Revenue generated from this tax will be dedicated to programming and facilities that support juvenile mental health services in Nebraska. I am also introducing an amendment that I believe has been passed around now to allow a portion of the collected funds to be used for administration of the program through the Department of Revenue. There would be a one-time cost of \$385,947 for mainframe and web development programming. The department has indicated it will need to hire an information technology supervisor to administer the program. This amendment ensures that once revenues begin to flow, the cost of that position would be covered by the tax itself, but there would be a brief initial period during which the state would have to bear that cost. Some opponents may argue that imposing this tax will drive social media companies out of Nebraska. Some of you may say good. However, I would remind you that we heard that same argument last session during debate over my age-appropriate online design code legislation, however, that bill became law and those companies did not leave our state. Colleagues, I would liken this proposal to a cigarette tax. Both this tax and cigarette taxes are designed to address social costs associated with their use. Cigarettes are taxed because smoking is linked to public health costs, cancer, heart disease. Social media platforms should also be taxed due to the concerns directly correlated about mental health impacts and youth addiction. Both cigarettes and social media, in both of those cases the product itself causes negative effects, costs which are borne by society and taxpayers overall rather than just the user. Our responsibility is to the young people and families of Nebraska. LB1025 is a measured responsible approach to addressing a growing mental health crisis and ensuring that those who profit from youth and engagement contribute to the solution. Lastly, I would acknowledge that I'm not normally one to impose a tax, but these companies, colleagues, are making billions of dollars off of our adolescents and should be held responsible. They do not employ Nebraskans, they do not pay any property taxes, they do not provide any financial benefits to Nebraskan. I would thank you for your time and consideration. I'm happy to answer any questions that the committee may have.

**DUNGAN:** Thank you, Senator Bosn. Questions? Senator Dungan.

**DUNGAN:** Thank you, Chair von Gillern. Thank you for being here, Senator Bosn. I'm not going to ask you about the constitutionality aspect. I think we'll hear more about that later and you can respond to that in your closing. I wanted to focus more on the actual fund

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that you're creating because I think that that's actually really important, and you and I have talked about that and I think it serves a really good goal.

**BOSN:** Thank you.

**DUNGAN:** Not the full question, but yes. What can we do or what safeguards do you think you could put in here to ensure that that fund is used for the purposes that it's intended to be used for in the legislation?

**BOSN:** Sure. So I-- and I did hear, I reviewed the fiscal note that talks about some of the concerns that they had with the creation of this and how it would be used. I'm happy to consider if we need guardrails, but it-- there's also the flip side of that, of having that flexibility to address what the needs are at the time, because if the needs right now-- I, I think there's probably going to be testifiers behind me that will talk about, and I've had ongoing conversations both with probation and other providers in the state of Nebraska where they've talked about, the need right now is for facilities, brick and mortar, and we can't afford to build them. We have a need for more beds, more facilities. That need may change at some point in the future once those are built. And so by creating this fund and designating what its purpose is, you know, it's kind of shield and sword. You want to be prescriptive but not overly prescriptive so that you can have some of that flexibility. But if you-- if there's concerns that it's not directed enough or that it needs more clarification, I'm happy to work with you on it. But my goal was that it would be-- there would be enough of a correlation between the social media platform tax and this harm that we're trying to address, that being the juvenile mental health component. And so this was the language that we came up.

**DUNGAN:** Yeah, and I think we always have to walk that fine line, and I think you've done a good job. I think my concern is not necessarily even the language in the bill. I think, if you may indulge me for a second, the concern that I, I liken it to is the managed care organization excess profit fund, which for all intents and purposes has become a black hole where we don't know how much money is in there and we don't know what it's being used for other than what we've obviously asked it to be appropriated for. But I'm curious if there's any kind reporting mechanism that we could set up in here, because I

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think that's one of the issues I've had with that MCO excess profit fund, is we're reliant on the department telling us if there are or are not funds. And suddenly they say there are no funds after years of having funds, and then we find out maybe there are \$3 million and now there's maybe \$10 million. We don't know. And I've reached out to the treasurer, who similar to your bill, they're the ones who you remit the money to and then they give it to DHHS and they don't have the answers either. Not their fault, but it seems like DHHS is not being-- and I'm not assigning malice to this, but it's not transparent as to what money is in there, what it's being used for. So I, I wonder if we could work out some sort of reporting mechanism annually to the Legislature or something to understand how much money is actually going into this fund, and is it being utilized for the purposes that we're trying to use it for. Because I think we all agree those brick and mortar mental health facilities are really important.

**BOSN:** I take your constructive criticism perfectly well. I think you've hit the nail on the head because you and I have had that exact same issue with the excess profit fund. And so I'm certainly-- I will work on that.

**DUNGAN:** Yeah, I think it's incredibly important we do that. Thank you.

**BOSN:** Of course you do.

**von GILLERN:** Senator Jacobson.

**JACOBSON:** Maybe to put some of this in perspective, I think you had a bill in Banking here last week, and what did we determine Meta makes on the fraudulent revenues that they create alone? Isn't it like \$16 billion a year?

**BOSN:** Annually.

**JACOBSON:** Annually.

**BOSN:** Yeah.

**JACOBSON:** Annually. I mean, so how will they ever be able to pay this?

**BOSN:** They, if you ask them, they won't. The sky will fall and we will be out of business.

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**von GILLERN:** Senator Kauth.

**KAUTH:** Thank you, Chair von Gillern. To your point, if social media goes away, it wouldn't necessarily be the worst thing in the world. But I don't think that's ever going to happen. I, I'm really appreciative to you for bringing this bill. Dedicating it specifically to youth mental health is really important. How much money do they make on the data for one person? Do you know?

**BOSN:** I don't know the specifics on each user, but I can probably find that out. I'm sure that data exists.

**KAUTH:** Well, and it's, it's recurring. It's constantly generating revenue from every person who's on there. And those people are seeing ads continuously throughout the platform, is that correct?

**BOSN:** Correct.

**KAUTH:** So and those ads are designed to nudge people into purchasing or making decisions or behavior of some kind. So our kids are constantly being influenced by social media to buy, sell, trade, do whatever. And I think being able to tax them is really important. So thank you.

**BOSN:** Yes, thank you.

**von GILLERN:** Senator Ibach.

**IBACH:** Thank you, Mr. Chair. Did you say 385,000 for the web and infrastructure?

**BOSN:** Yes, I'm sorry.

**IBACH:** OK, and do you know if any other states have implemented a program similar to this?

**BOSN:** So the legislation has been proposed in other states in last session, the first session of their biennium, and it has been also in additional states this year. I am unaware, I believe it passed in New York, but I think it's-- there's been some hold-up and challenges, and I anticipate they'll attempt to do the same here. But I don't think that should stop us from trying to do good work.

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**IBACH:** No, I, I agree, which is why I support this bill. I just was curious about--

**BOSN:** Yeah.

**IBACH:** --comparables or revenue that it might generate and how they use those dollars.

**BOSN:** Well, and that depends based on how many account holders you have in your state, right? So if you look at the fiscal note that was in New York, they, one, their tax was substantially higher than what I proposed in this legislation, and they have such a larger population in their state that it was, it was six-- it was in the hundreds of millions. In Minnesota, I believe it was just over 100-- \$100 million, excuse me. But, again, it was a higher tax, and they have a larger population. So my tax is Nebraska-sized, and our population is what it is. So I don't think our revenue would be quite the same, but if you look at the fiscal note after the first year, there is a substantial amount of revenue created from this type of proposal.

**IBACH:** And that's kind of what triggered my question, so thank you. Thank you, Mr. Chair.

**von GILLERN:** Yeah. Senator Sorrentino.

**SORRENTINO:** Thank you, Chairman. Just one clarification. On the tax, it's for instance over \$50,000, but not more than \$250-- excuse me, \$0.10 per month in the number of Nebraska consumers. That's regardless if the consumer is a juvenile or not. It's just consumers.

**BOSN:** Correct.

**SORRENTINO:** Even though the money goes for the juvenile--

**BOSN:** Yes, and I'm not-- I can't remember if you sit on Banking--

**SORRENTINO:** I am not.

**BOSN:** --but last year we heard repeatedly from the social media platforms that they are incapable of deciding whether a user is a juvenile or not, so we can't make that--

**SORRENTINO:** That was my next question. OK--

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**BOSN:** --determination, or we, we would probably accommodate that. But they're unable to do that.

**SORRENTINO:** Thank you.

**von GILLERN:** Senator. Seeing no other questions, thank you. Can you stay to close?

**BOSN:** Yes, sir.

**von GILLERN:** Thank you. We'll invite up our first proponent. Welcome back.

**MICHELE NEILY:** Thank you. I recognize a few of you from last week. Good afternoon, Chairperson von Gillern and members of the committee. My name is Michele Neily, M-i-c-h-e-l-e N-e-i-l-y. I'm from Omaha, a mom of three teenage boys, a retired FBI special agent and a leader for the Nebraska chapter of MAMA, Mothers Against Media Addiction. MAMA is a grassroots movement of parents fighting back against media addiction. Thank you for the opportunity to appear today in support of LB1025. Children and teens' mental health has been on a downward spiral since the introduction of social media. Studies have shown the same areas of the brain that are activated when a child is on social media are the same areas activated in substance and gambling addiction. This addictive design is purposeful, as social media companies want more clicks and attention from our children. Youth depression, anxiety, eating disorders and drug overdoses are skyrocketing as kids and teens spend more and more time online. Yet social media companies made billions of dollars in U.S. advertising revenue from minors, and they spent \$61.5 million on lobbying and employed 300 lobbyists to keep the status quo in 2024. As a mom, I have seen children in numerous social settings staring at their screens while having zero interaction with each other. I have two teenage boys still in high school and they will get social media when they produce one news article about the positive effects of social media on children. I'm still waiting. Our children need real-life experiences to foster critical thinking, emotional regulation, and self-confidence. These are all learned skills that they will never develop on social media. As a law enforcement officer, I assisted in rescuing young girls from hotel rooms and homes from predators and human traffickers they met on social media that groomed them and manipulated them into meeting them in person. I've talked with parents

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who lost children to sextortion and to drug overdoses after purchasing drugs through social media. Sadly, I could go on and on with examples. These stories are all too common, and our children deserve better. LB1025 will start to hold social media companies responsible for the mental health harms caused by their products, which come with zero warning labels and few safety measures. The funds can provide services to kids and teens to help them address the negative impacts of social media. These funds can also help parents and families who have lost children due to interactions on social media. It is my hope that this tax will also motivate and encourage social media companies to address the harms that social media causes, and makes the needed changes to protect our children from the harms of their product. I urge you to pass this timely and much-needed bill. Thank you.

**von GILLERN:** Thank you. Questions from the committee? Seeing none, thank you Ms. Neily. Next proponent.

**MARION MINER:** Good afternoon, Chairman von Gillern and members of the Revenue Committee. My name is Marion Miner, M-a-r-i-o-n M-i-n-e-r, and I'm here on behalf of the Nebraska Catholic Conference, which advocates for the public policy interests of the Catholic Church through engaging, educating, and empowering public officials, Catholic laity, and the general public. And I'm here to express the Conference's support for LB1025. LB1025, as you know, applies an excise tax to for-profit social media companies that collect personal data from more than 50,000 Nebraska users per month. The conference supports this bill and this idea because social media platforms, while useful in many ways, also exact personal and social costs simply by virtue of their construction. This is a business model that is designed to be addictive, designed to incentivize people to reveal personal information that the company makes use of to turn a profit, and designed to reward behavior toward others that is rarely socially tolerated in face-to-face encounters between people in real life. Because of this, it also negatively influences real-life relationships and encounters between human persons. Paragraph 2294 of the Catechism of the Catholic Church is focused primarily on scientific research, but also has something to say about responsible use of technology, generally speaking. Here the Catechism reminds us that all technologies, and this includes media, must be-- quote, must be at the service of the human person, of his inalienable rights, and of his true and integral good. Social media does have its good uses, and in fact the Church values and makes use of social media's vast potential

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for evangelization, learning, and the spread of good news for the benefit of and at the service of the human person. The Church's support of LB1025, therefore, is not based on hostility toward social media as such, especially if it were to develop in the future a structure that is on the whole at the service of the human person, of his inalienable rights, and of his true and integral good. At present, this does not accurately describe how social media operates, and its negative influences especially on children and adolescents, their sense of self, their psychological health and well-being, and their relationships with others is well known and extensively documented. An excise tax on the collection of personal data, which is used by the platforms that collect it to extract profit, may result in the reduction of the collection of this data or, more likely, if platforms opt simply to pay the tax and generation of revenue to fund a new juvenile mental health support fund. This would be an appropriate place to put such funds, given the harms to which social media exposes children and adolescents as such platforms are presently constructed. So for all these reasons, we support the bill and encourage you to advance it from committee. Thank you for your time.

**von GILLERN:** Thank you for testimony. Questions from the committee members? Seeing none, thank you for meeting here.

**MARION MINER:** Thank you.

**von GILLERN:** Next proponent.

**IVY SVOBODA:** Good afternoon, Chairperson von Gillern and members of the Revenue Committee. My name is Ivy Svoboda, I-v-y S-v-o-b-o-d-a, and I serve as the executive director of the Nebraska Alliance of Child Advocacy Centers. I'm here today to express strong support for LB1025, which would establish a tax on social media to fund juvenile mental health services. We thank Senator Bosn for championing this important legislation. The Nebraska Alliance represents our state's seven nationally accredited child advocacy centers, or CACs. That's BraveBe, Project Harmony, Family Advocacy Network, First Light, Faith Regional, Bridge of Hope, and CAPstone. Under Nebraska law, children are referred to CACs when there are allegations of abuse, neglect, sexual exploitation, trafficking, or exposure to violence. Each center provides a safe, child-focused setting where trauma-informed forensic interviews, medical exams, and counseling services are delivered. Our multidisciplinary teams ensure children and families receive

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coordinated support, and our family advocates help caregivers navigate complex systems and access the services they need. A core part of our accreditation is ensuring access to specialized mental health services for children and families impacted by trauma. All seven CACs either offer onsite therapy or connect families with qualified mental health providers throughout state-- through, throughout statewide agreements. Nebraska CACs have a network of 103 therapists trained in evidence-based trauma treatments that true [MALFUNCTION] means heal from abuse and other adversities. These therapy services and referral networks are essential for Nebraska's children and families. After trauma, timely access to evidence-based mental healthcare can be life-changing. CACs ensure that children don't fall through the cracks, either providing them therapy directly or linking families to qualified therapists while our advocates support them through the healing journey. But Nebraska's need for youth mental health services is greater than ever. There's a severe behavioral health workforce shortage, especially in rural areas, leaving high-need youth without help. CACs are bridging these gaps with telehealth community partnerships, but if we could access sustainable funding, it would be vital to expand and ensure every child can get trauma-informed support when and where needed. Additionally, the creation of this innovative funding stream would help CACs recruit more therapists, expand telehealth, and develop specialized services for even the most complex cases. LB1025 also responds to urgent concerns of the social media's impact on youth mental health. Studies showing that they spend three hours a day on daily social platforms are twice as likely to face depression or anxiety, and 40% of adolescents treated for depression or suicidal thoughts show problematic social media use. With teens averaging three and a half hours a day online, the link to rising mental health needs are clear. LB1025 wisely proposes this investment. In summary, the Nebraska Alliance of Child Advocacy Center strongly supports this legislation. With 103 expert mental health providers and proven therapies, CACs are ready to use new resources to help Nebraska's children heal. Passing LB1025 will ensure kids affected by trauma, including the mental health challenges linked to social media, get the help that they need wherever they live.

**von GILLERN:** Thank you for your testimony. Questions? Senator Murman.

**MURMAN:** Yes, thank you for testifying. The organizations that you represent, about what is the amount of the cost, I guess, per year? And then, I think, in the second year or so of this bill, about \$34

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million-plus will be raised. Does that cover-- about how much of the cost does that cover of all of these organizations? Just a rough estimate.

**IVY SVOBODA:** Well--

**MURMAN:** I know that's hard to do.

**IVY SVOBODA:** Yeah, if I were to total all the funding that the organization, I mean, it would definitely cover the whole cost of the whole organization. We-- I was really looking at this from the mental health access standpoint, and so three of our CACs have mental health therapists on site and the others are through linkage agreements. And I feel like it would be beneficial to access the funding through that to have all of them on site because of access to that. So currently we have 19 therapists at the child advocacy centers on-site and then the rest of the 103 are through linkage agreements, so I'd-- it would be hard to throw out exactly how much-- but, you know, I don't know. Yeah, I don't know.

**MURMAN:** Well, if you could come up with some kind of an estimate--

**IVY SVOBODA:** Yes, absolutely.

**MURMAN:** --that'd be-- I'd appreciate it. Thank you.

**IVY SVOBODA:** Yeah, yeah. Definitely.

**JACOBSON:** Other questions? All right, seeing none, thank you.

**IVY SVOBODA:** Thanks.

**JACOBSON:** Next proponent. Any other proponent testimony? All right seeing none, any opponent testimony? Hello.

**BARTLETT CLELAND:** Hello. How are you? I'm Bartlett Cleland, B-a-r-t-l-e-t-t, Cleland, C-l-e-l-a-n-d. I'm general counsel for NetChoice, and thank you all for having me here and allowing us to testify. I'm going to-- you're getting the, the written comments that I have. I'm gonna largely restrain my comments to the legal analysis, of which there are two points. The bill proposed legislation would fail on two points. Number one, there is a now 10-year-old law in place called the Permanent Internet Tax Freedom Act. That actually has

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about a 30-year long history, was around for about 20 years before they passed the last iteration. I was blessed enough to be on Capitol Hill and help write it. And what it says is that discriminatory taxes on internet commerce are prohibited. Pretty simple, pretty straightforward. Discriminatory attacks on Internet commerce is defined as one that is either not generally imposed or is not imposed at the same rate on similar transactions accomplished through other means. So not online, in this case. LB1025 would expressly violate that provision-- it's one of two prongs-- because the proposed tax specifically and exclusively targets online social media businesses while exempting comparable nondigital businesses that also might collect, maintain or use consumer data. So you can think of these, I, I think of my fraternity, for example, my church, my undergrad, all of which sell information-- or collect information, sometimes sell it. You'll get these pitches in the mail all the time about buying an annual, and they use that to sell to advertisers. Number two, it is unconstitutional. And how do we know that? We know that because of a case called the Minneapolis Star Tribune, which has a stunningly similar fact pattern, decided by the Supreme Court, and it struck down the taxes that burdened speeches services as un-- they serve as unconstitutional under the First Amendment. And specifically in that case, the Supreme Court looked at a tax on paper and ink for certain publishers. And because other publishers were excluded, so it was a high-dollar figure, just like we have here, the tax only started applying after publishers spent \$100,000. The court says this expressly violates the First Amendment, and that was recently reaffirmed in a court case called *Moody v. NetChoice* that was also before the Supreme Court. Nebraska has long been recognized for innovation and economic opportunity. So rather than pushing companies out, and rather than pursuing this legally problematic and economically harmful taxation of digital services, we encourage the legislator to work collaboratively with technology industry on policies that harness your state's strengths and build a more competitive, broad business environment. And thank you again for this opportunity.

**JACOBSON:** Thank you. Questions from the committee? I figured you might have a question there. Go ahead, Senator Sorrentino.

**SORRENTINO:** Thank you, Vice Chair Jacobson. The last line or two of your testimony encouraging us to work more directly, in the states that-- I guess it would be all the states that are subject to this

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Supreme Court case, what have you seen in the way of states that want to do something to protect our youth as far as a solution other than this bill? A bill that I kind of like.

**BARTLETT CLELAND:** Sure. It's not to say it's a bad idea, right? It's just unconstitutional and illegal--

**SORRENTINO:** Just.

**BARTLETT CLELAND:** --under federal law. I mean, there are those problems. But it doesn't mean it's bad idea to think along those lines. So I don't want to make it sound like the answer is to do nothing. So one of my favorite approaches, and it's, it's just me, there are other states who are doing different things, but Florida, for example, has spent more money and resources in the education space, specifically designing technology. And I think they actually have a module specifically on social media that kids-- here's the way I think of it. It's like the health class that we all like to have in junior high, it runs something like that. And then in addition, they have training for adults. And I, I think that has been largely done through like the PTA, et cetera. And the, the state through the-- I think I have this right-- through the Department of Education there has done a curriculum. So you must follow that curriculum if you're a state-accredited school. And then i'm not sure if there's any teeth, as it were, to the parental side, but they do offer seminars et cetera to train parents and adult leaders. I think of-- I was in scouts, so I think of Boy Scouts or something like that.

**SORRENTINO:** In, in your opinion, the Supreme Court case would find this potential LB1025 to be unconstitutional because it imposes a tax on Nebraska social media who, who have traffic, if you will, from Nebraska residents. Does that same Supreme Court case bar any types of entry fees or licensings to do business in our state that would fall under that same unconstitutional provision that wouldn't apply to other media?

**BARTLETT CLELAND:** So I think the right answer to your question is, I don't know completely, but here's my best shot. Because we're talking about ultimately this became a First Amendment issue, so it was about speech rights. That-- and what the court says, if you treated every--

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essentially what they said, is if we treated everyone the same, there wouldn't be a problem.

**SORRENTINO:** Sure.

**BARTLETT CLELAND:** So if everyone had to pay the same kind of tax for doing the same kind of activity, whether or not it's online, then it becomes not a, a problem. Then the Supreme Court case talked about the size. So they, in this-- in that case, it was these large physical publishers who ended up paying the tax because they were trying to exclude the smaller publishers from paying [INAUDIBLE]. Can't do that because you're favoring a particular kind of expression. So you've got two, because drawing a grid you've got, you know, you're in two quadrants that are going to be found either illegal under federal law or unconstitutional under Supreme Court ruling of Minneapolis Star.

**SORRENTINO:** Thank you.

**von GILLERN:** Other questions? Senator Bostar.

**BOSTAR:** Thank you, Chair. Thank you, sir, for being here. Did you work with the-- or communicate with the introducer of the bill before the hearing?

**BARTLETT CLELAND:** So me personally? No. My understanding is that at least a couple of my members have reached out and were waiting for a time back to meet over the last couple of weeks.

**BOSTAR:** Speaking of your members, I was looking at your website a couple weeks ago, and I saw that Alibaba is no longer on your website. Are they still a member of NetChoice?

**BARTLETT CLELAND:** No, they are not.

**BOSTAR:** Why not?

**BARTLETT CLELAND:** Hard for me to say. Members come, members go. And it's largely that we don't discuss why-- even if I did know, I'm under NDA for one, for those kind things. But also association, we don't discuss why our members come and go.

**BOSTAR:** Was there the timing of Alibaba that where a report was leaked out of the White House about how Alibaba was focused on providing

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targeting information of American citizens to the Chinese military? Was that confidential classified leaked report out of White House about your member trying to harm Americans, was that connected in any way with their departure from your association?

**BARTLETT CLELAND:** So was that, I just want to make sure I have the time right, was that the news that was like in the news last week or something?

**BOSTAR:** No, no, this was, I mean, last year, certainly.

**BARTLETT CLELAND:** OK, no then.

**BOSTAR:** OK. So that didn't actually prompt them to leave. They were still good to stick, stick around after that. Fair enough, I was just curious. So you're holding that if we pass this bill, what will happen? Will it, will it take effect? Will we get to collect on this tax?

**BARTLETT CLELAND:** Well, I would-- I can't say for sure.

**BOSTAR:** Sure.

**BARTLETT CLELAND:** But I would assume since it fails twice, you would either have some intervention by the U.S. government that says that's illegal or a lawsuit under, under both case-- Supreme Court cases, that'd be my-- yeah, I mean, I'm an attorney, so I'm giving you kind of an attorney answer.

**BOSTAR:** Hey, I get it.

**BARTLETT CLELAND:** But I'm guessing that's what would happen. Yeah.

**BOSTAR:** So if the idea is that even if we were to pass this, it wouldn't have its intended effect because it would be stopped in one way or another, I'm going to go on a limb here and say that it probably wasn't a quick trip for you to come here today. Is that fair or unfair?

**BARTLETT CLELAND:** A quick trip? Well, I don't know exactly how long it took. I flew to-- where did I fly to? I flew to Charlotte and then flew here. How long that took, I dunno.

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**BOSTAR:** Took longer than most people who come before this committee.

**BARTLETT CLELAND:** It took longer than I would normally commute into work, which is to my office in my house. That's true.

**BOSTAR:** Yeah, so fair enough. So I, I guess what I'm trying to understand is, a lot of work getting here. Why, why put in that effort to come here when the threat that the bill poses, according to the assertion that it's unconstitutional, is not?

**BARTLETT CLELAND:** Sure. So I, I've got a lot of reasons, some of which are personal and some of which are professional. Professional, we very much stand for freedom, the free market, to make it easy, and the rights of free speech online. And so much like you who have some ideological interests, so do we. And so we think it's worth, worth going for the fight, right? So we go, and, and if a state is going down the wrong path, we'd like to get ahead of them. Why do I care personally? A lot of reasons. I'm from the Midwest. I am from Missouri, not from this state. And I don't like to see our states wasting money and wasting time. And what I really, really don't like is when we spend time screwing around instead of solving a problem. And I understand that there are a lot of reasons to introduce lots of legislation. As you said, it's not a bad idea. But that doesn't mean it's going to survive. And I don't-- if I can be a little bit of help to the process, to help Nebraska figure out, OK, we can't go right there, but what could we do? I thought this question was great. Is there something else we could do? Help us think through this. I think that's a really worthy goal. And so that, that's why I care. I, I used to work for John Ashcroft, and that was very much his take on our responsibility to civil society. And I take that very seriously.

**BOSTAR:** Well, I, I appreciate you looking out for us not wanting to waste our time and resources by spending time and resources of your own. Well, your, your organization's rather. I hope, hope it's not your personally.

**BARTLETT CLELAND:** Mostly not, yeah.

**BOSTAR:** To come here with us on a bill that won't have any impact. But anyway, thank you very much.

**von GILLERN:** Any other questions? Seeing none, thanks for being here.

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**BARTLETT CLELAND:** Thank you, sir. Appreciate you.

**von GILLERN:** Any other opposing testimony?

**QUINTEN SAATHOFF:** Good afternoon, Chairman von Gillern and members of the Revenue Committee. My name is Quinten Saathoff, and that's Q-u-i-n-t-e-n S-a-a-t-h-o-f-f. I run a digital marketing firm in Kearney called Caspian Creates. Since founding Caspian in 2020, I've helped nearly 50 small Nebraska businesses grow and compete using digital ads and marketing. I'm here today because I'm concerned that LB1025, while well-intentioned, will drive up the cost of data-powered social media ads, making it harder for Nebraska small businesses to reach the right customers and succeed. Data-powered social media ads are some of the most affordable and effective forms of advertising available, and they're particularly important to Nebraska small businesses. Many Nebraska businesses are based in small towns and serve large rural areas. In order to survive, they have to attract customers from multiple cities and towns. A business in Kearney, for instance, typically has to reach customers in Lexington, Hastings, Grand Island, North Platte, and Minden. These small businesses can't afford to run newspaper, TV, or radio ads in all of those towns at once. By using data-powered ads, often on platforms like Facebook or Instagram, they can affordably connect with people who are likely to be interested in their products and services. That precision advertising is critical to their success, allowing them to make the most sales from the fewest ad dollars and boosting their bottom line. For example, I helped a small roofing business nearly quadruple its revenues by executing a smart regional digital marketing campaign, and similarly, I helped a small boutique in a town of just 1,200 significant-- significantly increase foot traffic and revenue by attracting customers from as far as 90 miles away. Taxing social media ad platforms based on the consumer data that they collect will effectively tax the people who buy the platform's ads, which are Nebraska small entrepreneurs who are trying to build successful businesses in sparsely populated areas. Higher costs for Nebraska small business owners trickle down through Nebraska's communities and economy. When ad costs increase, small businesses' budgets don't go as far. The businesses are forced to run fewer ads, leading to reduced sales, slower growth, and fewer hires. Or raise prices for customers. That's bad for small businesses and communities already facing challenging local economic conditions, inflation and broad economic uncertainty. In addition, a tax on Nebraska's small businesses is

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likely to put neighboring states' businesses who won't be subject to the tax at an advantage over ours. Affordable effective data-powered advertising is vital, vital to thousands of Nebraska businesses. A tax that makes those ads more expensive will hurt those businesses, the communities they serve, and our state's economy. I urge you to rethink LB1025 and pursue policies that make it easier, not harder, for Nebraska's small businesses to grow, compete and succeed in today's digital economy. Thank you.

**VON GILLERN:** Thank you. Any questions from the committee? Senator Kauth.

**KAUTH:** Thank you, Chair von Gillern. How much does it cost to advertise on digital? So for one little, I don't know even if it's 5 seconds, 10 seconds, one little ad, what would it cost?

**QUINTEN SAATHOFF:** It depends on the number of eyeballs that actually see it.

**KAUTH:** OK.

**QUINTEN SAATHOFF:** So usually you start with a budget that the client gives you and then you run some test advertisements, and then can kind of get a good feel for it. It can range anywhere from I want to say 50 cents apiece to even up to like \$5, in that range. But it varies widely.

**KAUTH:** OK. And so how much would they usually spend? And you said it's much, much cheaper to do digital media.

**QUINTEN SAATHOFF:** Mm-hmm.

**KAUTH:** I get it. How much would they usually spend on a, a campaign?

**QUINTEN SAATHOFF:** It depends. The smaller companies usually start out at like \$500 to, you know, \$500 to \$1,500, but you get up into the slightly larger businesses, it can significantly increase into the tens of thousands.

**KAUTH:** OK, and what's the return on their investment for that? You said four times, which is really impressive.

**QUINTEN SAATHOFF:** Yeah, it--

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**KAUTH:** Is that average?

**QUINTEN SAATHOFF:** It can be, yeah, in good cases. Yeah. They can either make their money back or usually at least two, two to three times over, so.

**KAUTH:** Thank you.

**QUINTEN SAATHOFF:** Uh-huh.

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

**QUINTEN SAATHOFF:** Thanks for having me.

**von GILLERN:** Next opponent.

**LUKE WENZ:** Chairman von Gillern and members of the committee, thanks for holding this hearing and for the opportunity to testify. My name is Luke Wenz, that's L-u-k-e W-e-n-z, and I'm here on behalf of the Platte Institute in opposition to LB1025. Under LB1025, Nebraska would implement a first-in-the-nation tax on social media accounts at rates of up to \$6 per account per year. No other state in the nation has adopted a social media tax to date, and for good reason, as the proposed tax could deprive Nebraskans of free access to online services, undermine consumer privacy, and will result in substantial double taxation and extra-- extraordinarily high compliance costs. Here are some of Platte's concerns with LB1025. First, this legislation doesn't adhere to principled tax policy. For example, it imposes a graduated tax rate based on the number of users in the state and includes a series of tax cliffs. So for example, to go from 249,999 users to 250,000 users would increase a social media company's tax liability by \$240,000. Second, the tax is likely to apply to far more accounts than there are actual in-state users, and the user is presumed to be in Nebraska if their address is from the state or if they access a social media platform from an IP address in Nebraska. So theoretically, if you're sitting and scrolling at Epley Airport or watching a game at Memorial Stadium, you would be considered a Nebraska user for the purpose of this tax, even if you are a non-resident. This procedure for proving-- and the procedure for proving otherwise is both expensive, complicated, and privacy-invading. Third, many social media accounts are anonymous and many users have multiple accounts on the same platform. This reality

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unjustly increases tax liability and may prompt companies to require identity verification, impose new restrictions on accounts, or put more features behind paywalls, where Nebraskans would be subject to subscription charges for premium features to offset this new tax burden. Fourth, although revenue from this tax would be deposited into the newly created juvenile mental health fund, LB1025 does not provide any indication as to whether-- how that money would be spent in the context of supporting mental health, nor does it specify whether this is an increase to the overall mental health spending or simply offsetting existing expenditures towards mental health. And lastly, treating social media as innately harmful-- harmful and taxing it accordingly is unjust and misguided. They're certainly unhealthy uses of social media, but there are so many other things, that social media also connects friends and families and provide services that people clearly value their lives. All that to say this bill imposes an unjust excise tax on free services that many Nebraskans rely upon. The tax code should not discriminate against particular activities or services without a compelling reason, and no such justification exists here. In addition to my testimony today, I've included in your handouts a blog post published by the Platte Institute, which is much more detailed than three minutes allows. But thank you, as always, for your time. And I'm happy to answer any questions.

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

**BOSTAR:** Thank you, Chair. Thank you, sir, for being here.

**LUKE WENZ:** Senator.

**BOSTAR:** I'm, I'm struggling on the privacy part of this, as far as why would this compromise individuals' privacy?

**LUKE WENZ:** That's an answer I can't answer in totality, but I'll get back to you on that, Senator.

**BOSTAR:** OK. OK, thank you very much.

**von GILLERN:** OK, seeing no other questions, thank you.

**LUKE WENZ:** Thank you, Senator.

**von GILLERN:** Any other opponents?

**DEB PETERS:** Good afternoon. Good afternoon, Mr. Chairman and members of the committee. My name is Deb Peters. I'm here representing the Americans for Digital Opportunity, and we're here in strong opposition to LB1025. While I don't want to take away from the proponent testimony and the funding programs that are in this bill, I do-- and appreciate that all of the intent of the proposal that LB1025 is creating with that, however, it does create a brand new excise tax that departs from longstanding tax principles here in Nebraska. Instead of taxing profits or sales or physical presence, this bill taxes companies based on the number of Nebraska users whose data they collect. This is a fundamentally different approach, and one that raises policy questions and constitutional concerns. This tax exempt is-- this tax concept is nearly identical to a recently passed by the city of Chicago, where businesses are trying to figure out how to comply or simply leave the area. First, this bill creates uncertainty. Determining who qualifies as a Nebraska user relies on IP addresses, mailing addresses, profile information, all of which can be inaccurate. In today's mobile and remote world, people travel, use VPNs, and move frequently. This opens up the door to compliance disputes and costly litigation. Second, this tax does not simply affect large technology companies, as we've already heard, in exclusive isolation. Excise taxes, when added on top of an already assessed corporate income tax, are rarely absorbed by the corporations themselves. Rising costs are passed along to consumers, either through higher advertising costs for Nebraska families and businesses, it reduces-- or they could reduce their services here in Nebraska, or charge, charge or change for platform features. That means families and small businesses here in Nebraska will ultimately bear the burden. Increasingly-- increasing expenses on a handful of large companies by levying new taxes will only trickle down to small local Nebraska families and businesses trying to get their story told or even just increase their profits so they can pay more taxes here locally. My final point in funding it-- funding of important youth-related programs. These priorities are very important. They're noble, they're reasonable, they're rational. However, these programs should not be funded on on the backs of a tax where the source is likely gonna face legal challenges. It's important, they deserve solid funding and a source, not-- they deserves sources of funding that's not on shaky legal ground. So if the goal is to address a public need or generate revenue, there are more traditional and equitable approaches available that do not single out one industry or create a significant compliance

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uncertainty. And with that, Nebraska should follow-- not follow bad tax policy of the city of Chicago, they should do what's best for the state of Nebraska.

**VON GILLERN:** Thank you. Can I get you to spell your first and last name for the record?

**DEB PETERS:** My bad. I'm Deb Peters, D-e-b and P-e-t-e-r-s.

**VON GILLERN:** And are there any questions from the committee? Seeing none, thank you for your testimony. Any other opposing testimony?

**HUNTER TRAYNOR:** 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 Lincoln Chamber of commerce, Greater Omaha Chamber, and the Nebraska Retail Federation. I'm providing two handouts to the committee, both distributed on behalf of TechNebraska, which is an initiative under the umbrella of the Nebraska Chamber that brings together technology leaders across industries to advocate for both pro-innovation and pro-growth policies here in the Nebraska Legislature. These handouts are twofold. The first is a letter that details some of the technological and implementation concerns that have been discussed from a technology lens throughout the hearing thus far, specific comments as well on Section 4 that I believe get to a prior question that was asked of a testifier before me. And then the second one-pager actually dovetails on comments already provided before you today as to the potential downstream consequences that a digital advertising tax structure as such could have on small businesses in Nebraska that rely upon those services to market their goods in the digital market. I'll be brief in that most of the fundamental tax policy and administrative concerns have been spelled out before the committee thus far, but there are four that I will elevate. Firstly, the sourcing and implementation of this particular tax is going to create new administrative burdens not just for companies but for the state in the collection of this tax. That gets in part to some of the privacy-related concerns that are detailed in the letter and described in Section 4 of the bill as to how companies would necessarily geofence and collect personal data to determine whether or not this tax applies in the first place. There was great testimony before me on some of the Constitutional Supremacy Clause concerns based on prohibitions within the Internet Tax Freedom

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Act that prohibit treatment of online services differently than their physical counterparts. To that end, of course, what is unfolding in Maryland related to their digital advertising tax will likely demonstrate that observation in the future. And then, fourthly, the Dormant Commerce Clause, which is a legal framework that confuses even the brightest of lawyers, I think has some implications under this bill potentially as well. With that, I know I'm running up on my light. I'd be hap-- happy to answer any questions that the committee may have.

**von GILLERN:** OK.

**HUNTER TRAYNOR:** I'm done.

**von GILLERN:** All right. Senator Kauth.

**KAUTH:** Thank you, Chair von Gillern. Mr. Traynor, so it says in your statement: the collection of data is a fundamental business input. So but they're not paying anyone for that business input, correct? They're not giving the-- the people who are giving them that data essentially is not being compensated, is that correct?

**HUNTER TRAYNOR:** They're being compensated in regards to the advertising service that a small business would utilize on one of these particular platforms.

**KAUTH:** Well, but, but these companies are collecting data on movement, on choices, on what you look at. They're collecting data on absolutely everything that someone does on these platforms. They're using that and monetizing that, but they are providing no monetary benefit to the person they're taking that data from. Is that correct?

**HUNTER TRAYNOR:** I mean, users of these platforms are not necessarily compensated by the platforms to use them. They're free platforms.

**KAUTH:** Well, they're not free if they're taking all of that data and making money from it. So they are, they are taking something. It's definitely not free. But I'm just-- my concern is when we start saying that we-- it's kind of like the crack epidemic. You, you get people hooked on crack, and they keep coming back for more and they can't stop. And that's what we're seeing with these social media platforms. And that is a huge concern when we talk about the mental health, not just our youth, but of other people. And I'm not sure-- and I, I

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understand the constitutionality of a lot of these things, but I'm sure that saying that it's a business input is accurate. So thank you.

**von GILLERN:** Other questions? Senator Sorrentino.

**SORRENTINO:** Thank you, Chairman von Gillern. Mr. Traynor, are you familiar with the Supreme Court cases cited earlier, specifically that Minneapolis Star Tribune case at all?

**HUNTER TRAYNOR:** Not with any level of detail. I have not read the case law, no. I know that there's a handful that have gotten at not only the supremacy issues, there's one forthcoming related to Maryland's digital advertising tax. Portions of that case have been resolved, but there are portions of the case that are ongoing. I believe the, the aspect of the Maryland case that has been dispensed with already relates to First Amendment provisions for pass-through entities that would be subject to that, but the depth of my knowledge on some of the other ancillary cases, particularly the Dormant Commerce Clause cases, I would not be providing you sound expertise on that right now.

**SORRENTINO:** Senator Bostar asked an earlier testifier about privacy issues during his speech. Any comment on that?

**HUNTER TRAYNOR:** That is detailed in the letter.

**SORRENTINO:** I haven't had a chance to read that yet.

**HUNTER TRAYNOR:** I think the concern from a privacy standpoint is that to implement a tax like this that requires sourcing of where the particular user of that service is located would potentially require the greater collection of personal data as it relates to location to then apply an excise tax that has that nexus based on where the consumer is located, right? Because the tax is figured based on the number of Nebraska-based consumers, which then requires the entity that the tax would be assessed against to determine who those consumers are and where they are located.

**SORRENTINO:** Thank you.

**HUNTER TRAYNOR:** You're welcome.

**von GILLERN:** Senator Jacobson.

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**JACOBSON:** Well, I, I don't have the experience with crack that evidently Senator Kauth has, but--

**HUNTER TRAYNOR:** I'd like the record to reflect that I do not either.

**JACOBSON:** This will not be a crack, a crack question, so.

**HUNTER TRAYNOR:** OK.

**JACOBSON:** But I am curious. So last year, Senator Bosn and others brought social media bills that everybody lined up and said it's unconstitutional. Just in fact, Senator Bostar, remember, asked one of the people who flew halfway across the country to be here to tell us that it was unconstitutional, much like we had today. And because it was so important that we know that it would be unconstitutional. Didn't want to send a letter, just tell us that he had to be here in person let us know it's unconstitutional. And yet, I'm not aware that have any lawsuits have been filed on the bills that were enacted last year. Now maybe it's going to take more years. Maybe Nebraska is too small a fish. But it seems that there have been bills passed in various states and lawsuits filed, filed, but very few have really, really been totally ferreted out. And I think like anything else, it's a matter of trying to understand where that line is at.

**HUNTER TRAYNOR:** Sure.

**JACOBSON:** I tend to agree with Senator Kauth that, that social media is a very slippery slope. And there-- the damage that to our youth that's being done is really immeasurable. And, and to err on the side of protecting youth is probably something that Senator Bosn is willing to do, and many of us are probably willing to do, because this is so important. But I, I'm just curious if you've got other thoughts on how we could take steps to curb some of the harm that's being done.

**HUNTER TRAYNOR:** I don't on the first point--

**JACOBSON:** I left it-- that's off the table. The crack thing is off the table.

**HUNTER TRAYNOR:** OK. Well, the second point. First point, second point, third point. OK, second point. You know, in regards to whether or not lawsuits have been filed in certain jurisdictions already or in the future, I won't-- I don't want to armchair quarterback legal strategy.

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I assume at some level the entities that have those contentions are dealing with the interpretation of federal law. That once a ruling is received at a particular circuit court, they then go through some appeals analysis, they ultimately want to raise it to the U.S. Supreme Court. So that is very extensive process and takes some time. And in many ways these frameworks are a new frontier for all of us. To your second point, I won't dispute that there is growing concern and need to think about how certain products in the digital space affect consumers and youth, right? But I think as it relates to LB1025, it is a harder path to solve that through the income tax, or sales tax, or excise tax regime than through other mechanisms.

**JACOBSON:** Well, I mean, wouldn't you agree that print media doesn't have the ability to do the harmful things that social media does? Because they don't even know who's reading their papers. And yet, social media is-- they know who the reader is, they're, they're engaging back and forth. Seemingly, it's not just media. I, I mean I-- we tend to lump it into the media thing, but it's, it's really predatory operations that are going on. So that might be somewhere the courts would decide. And obviously the courts on the coasts are probably the place you run to to get a lot of those solved. Our circuit is probably not the first place people are going to run to.

**von GILLERN:** Thank you. Senator Bostar.

**BOSTAR:** Thank you, Chair. Thank you, Mr. Traynor, for being here. I appreciate your concern for our privacy. I, too, am fearful of the impacts of sort of the modern era and what that means for our privacy. Would you support legislation that would prohibit any company from collecting any location data on us whatsoever without express permission?

**HUNTER TRAYNOR:** I'd have to see the bill, Senator.

**BOSTAR:** Well, let's just imagine that it's pretty simple and it sounds a lot like what I just said. Let me, let me, let me-- I'll try something different. Which do you think is more likely? Just gut feeling. If such a bill were to be introduced, that you would get to come in as a proponent of it out of concern for Nebraskans' privacy or that you will effectively be forced to come as an opponent to it because the same interests that drive you to be opposed to this bill would not want the ability to use our personal information to exploit

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us and to profit off of us, they would not want that to be hindered? Which side of that do you think is probably more likely to happen?

**HUNTER TRAYNOR:** To be very frank, I'm not sure I followed the question, and I will not comment on speculative legislation that I have not yet read.

**BOSTAR:** Well, we'll draft it up and see where it goes, I guess.

**KAUTH:** It's in Banking right now.

**BOSTAR:** The idea that if we were to pass this, then, then companies would have access to our location information is strange, when that's sort of right now just a granted level of information that they have. And you don't need identity-- you don't need to know the identity of a user to know where a connection is taking place within a network. So to know how many sign-ons you get in Nebraska, you don't need to know which of your users is in Nebraska. You just need to know where you're being connected from, which they all do all the time, which is again used for various purposes. Most of them make money off of us. So I don't-- I, I just struggle with the idea that this would compromise privacy beyond which with what it already is. But I don't-- can you help me understand?

**HUNTER TRAYNOR:** I can connect you with the people who could help you understand. At some level, the creation of Tech Nebraska within the Nebraska Chamber has been motivated by this exact question, that in some instances, a political representative or a state lawmaker needs additional technological support and explanation to understand how this new frontier that we operate in actually works in practice. And so I can't answer with technological specif-- specificity how that would function from the platform's perspective. Though those concerns have been raised, and I simply am communicating them now.

**BOSTAR:** When the state of Nebraska passed a-- age restrictions on pornographic material online, it seems to me that there didn't need to be the development of new technology or identity verification purposes to know whether or not someone was accessing a website from within Nebraska. Meaning, it-- again, every time we connect to the Internet, they know where you are.

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**HUNTER TRAYNOR:** My knowledge is in that instance, the platforms just stop, stopped offering the service.

**BOSTAR:** To Nebraskans.

**HUNTER TRAYNOR:** Right.

**BOSTAR:** So they know you're in Nebraska.

**HUNTER TRAYNOR:** Well, they know the boundaries of Nebraska.

**BOSTAR:** Right.

**HUNTER TRAYNOR:** I didn't--

**BOSTAR:** Help me out here. What am I missing?

**HUNTER TRAYNOR:** --when I got up here I wasn't anticipating crack and porn, but here we are. I take your point, Senator.

**BOSTAR:** But yes, it seems like they know where we are, and this isn't a hard problem.

**HUNTER TRAYNOR:** And my response to that is they do know generally, correct, and they opted in that instance to not offer the service.

**BOSTAR:** Correct.

**HUNTER TRAYNOR:** So I think that's the Sophie's choice that you all may have to contend with as it relates to some of these services.

**BOSTAR:** I don't think it is, but thank you very much.

**HUNTER TRAYNOR:** Very welcome.

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

**HUNTER TRAYNOR:** Very welcome. Thank you all.

**JACOBSON:** Hunter, it's porn and crack.

**von GILLERN:** Any other opponents? I can tell we're getting late in the day. Any neutral testimony? Seeing none, Senator Bosn, as you come

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forward to close, there were 6 proponent letters, 5 opponent, and zero neutral letters online. Senator Bosn.

**BOSN:** I just want to remind everyone this is only the second time I've ever been before the Revenue Committee, and I am a little gun shy to ever come back. The first time someone cried, and I'm sure you all remember that, and this time we've talked--

**von GILLERN:** Was it me?

**BOSN:** No. No. But this time, we've talked a lot about things that are harms I haven't addressed in this legislation, but I agree are harms. I'm appreciative of everyone that came, including those who were opponents. I would note for the record, they are all individuals who are directly profiting off of the data they are mining from our-- all of us every day. And I think the questions the committee asked are right in line, so I, I don't have any major additions to that. The concern I have is, is genuine, and it's we've gotta do something to address the increase in needs. And there is a direct correlation-- I'm somebody who was born in the 80s, so I didn't have Internet when I grew up. I played outside till the streetlights came on, as probably most of you-- maybe not all of you, but most of did. And then you had to come inside. Well, you're "youngerer". There was a time where things were different, and the mental health needs were different at that time than they are now. And there isn't anyone in here who can straight-face look at you and say that social media has not had an impact on juveniles. And last year we brought legislation to try to curtail the, the concerns we had for that impact on juveniles and the sky fell. Those companies came in in mass quantities, they flew everybody in and told you they would pull out of Nebraska if we passed that. There was no way they could figure out who was a minor and who wasn't, and they-- we had all those concerns. And so I said, fine, OK, let's address it from a different perspective of addressing the harm they create. And again the sky is falling. And they will come in and tell you all those things, and I, I don't believe them, I don't-- I hope none of you do either. But I, I think those aren't valid concerns and they know it, and they're more concerned about their bottom line and their bottom dollar than they are about our juveniles. And no one outside of Nebraska should care more about the kids who live in Nebraska than the Legislature and the people who live here. And, and, you know, I guess I'll-- the only other thing I would really add is that the comments that were-- where were those comments? Oh, oh, it

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was the, the suggestion that we would add this to the obligate-- an obligation we put on the schools. I will tooth-and-nail fight, and I will quote one of our colleagues who says those are teacher chores and we're just adding more work to the teachers. I do not think that's the solution. And I think that this has to be a different approach, and so I would oppose-- that would be the perhaps only amendment or recommendation that I would opposed strongly. But other than that, I'm open to any feedback.

**von GILLERN:** Thank you. Any questions from committee members? Senator Murman.

**MURMAN:** Thanks for bringing the bill. On the fiscal note, it references the number of consumers to determine the amount of the tax. Would that be the number followers? Could that be a number of followers?

**BOSN:** So it would basically be on the number of accounts that that platform has. And so essentially, if you are a small platform, a startup company, your user account base is considerably smaller than if you are someone who's much larger and has, you know, millions of account holders. And so that's where that comes from. It's not based on how many followers a specific account holder has, just how many accounts that platform has.

**MURMAN:** OK, it'd be accounts rather than followers, it wouldn't--

**BOSN:** Correct.

**MURMAN:** --couldn't be followers.

**BOSN:** Right, yes.

**von GILLERN:** Seeing no other questions, thank you, Senator Bosn. We'll close our hearing on LB1025, and we will open on LB856. Welcome up, Senator McKinney.

**McKINNEY:** Good evening, Chairman von Gillern and the members of the Revenue Committee. For the record, my name is Terrell McKinney, T-e-r-r-e-l-l M-c-K-i-n-n-e-y, and I represent District 11 in the Legislature. I'm here to introduce LB856, the Community Reinvestment and Equity Act. LB856 addresses a structural reality present in many Nebraska's qualified census tracts: neighborhoods that experienced

disproportionate health burdens, persistent poverty, high rates of violence, and long-term disinvestment. In too many of these communities, we see a high concentration of gas stations, convenience stores, and packaged liquor stores selling alcohol and tobacco products, but far fewer investments in primary care, health-food access, childcare, reentry housing, or community stabilization initiatives. That imbalance is not accidental. It is the result of decades of uneven investment patterns that have produced measurable public health and public safety consequences, which is why we're building prisons. LB856 proposes a narrowly tailored, geographically targeted 5% excise tax on certain covered businesses operating within qualified census tracts. This is not a statewide tax, it's not a property tax. It's a structured-- it is structured as an excise tax on gross receipts rationally connected to mitigating documented health and safety impacts in specific neighborhoods. The revenue generated will be deposited into the community reinvestment fund and directed back into those communities for federally qualified health centers, childcare and early childhood services, healthy food access initiatives, community development and violence prevention programs, homelessness prevention and reentry housing. At least 70% of the funds collected from the qualified census tracts would be reinvested into the same tract. This ensures local accountability, transparency, and measurable impact. This bill is about real public safety. If we're serious about reducing crime, we must address the underlying drivers: untreated trauma, lack of economic opportunity, unstable housing, and limited access to healthcare and childcare. Prevention is public safety. Stabilizing families and neighborhoods reduces juvenile involvement in the juvenile justice system and decreases unnecessary entry into the child welfare system, which would be a net positive for the state. It is also about improving health outcomes. Investments in primary care, food access, and early childhood services reduce negative health indicators that ultimately drive up emergency room usage, Medicaid costs and long-term chronic disease expenditures. From a fiscal standpoint, this approach can reduce long-term burden on public assistance programs, corrections, and detention facilities. Every young person diverted from incarceration, every family stabilized before eviction, and every preventable health crisis avoided presents a real savings to taxpayers. And importantly, this is not just social policy. It is tax policy. When we reduce corrections costs, reduce strain on county jails, decrease reliance on emergency services and long-term state expenditures, that is real property tax

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relief. Prevention and reinvestment are far less expensive than incarceration and crisis responses. LB856 also establishes an annual community reinvestment reporting and rating system. Businesses that actively invest in their communities can receive recognition and eligibility preferences for certain state programs. Those that fail to comply are subject to enforcement mechanisms. This creates transparency and encourages partnership rather than imposing a tax without accountability. LB856 is not about punishment. It is about balance and reinvestment. When businesses generate significant revenue in neighborhoods facing concentrated-- concentrated disadvantage and impoverishment, we should also create a framework that ensures meaningful reinvestment into the health and safety and long-term stabilities of those communities. This is a place-based, data-informed approach that aligns fiscal policy with public health, housing stability, juvenile prevention, and economic mobility while protecting taxpayers in the long run. I expect some will call this just another tax, but Nebraska taxpayers already are paying the tax through ER visits, jail beds, detention, crisis-driven systems. LB856 is a targeted place-based excise that keeps dollars local, caps at main costs, and requires transparency. It's about stabilizing neighborhoods so, so we reduce long-term public spending, and that is real property tax relief to me. If somebody asks me about this and my simple response is I've never seen none of these people that sell alcohol and tobacco in my community give back to my community. All I've seen is a taking, which has had, in my opinion, a, a huge negative impact on the environment in my community and other communities across the state. So that's why I brought this, because I don't see these people giving back, but they're lined up to oppose this bill. So I'll answer any questions.

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

**SORRENTINO:** Thank you, Chairman von Gillern. Thank you, Senator McKinney. I don't, I don't have a problem with the intent of the bill. The area I grew up, it's been a long time, 27th and Camden, what I remember of all those gas stations and convenience stores everywhere. Almost all of them sell liquor. My issue with it is, is in the formula on Section 2(a), line 17. The tax would be 5% of gross receipts. I'm emphasizing gross here. An awful lot of these [INAUDIBLE]-- gross receipts, you get like a gas station, I tried to do a little research on this and the average gas station that's across the country, sells

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about \$1,400,000 of gas. I tried to delve into Nebraska, and they said there really wasn't any reason to suggest that Nebraska was any different. Probably higher in the urban areas, more gas, lower in the rural. But at \$1,400,000-- 1,400,000 gallons of gas, let's just pick an easy number, \$3 a gallon, that's \$4.2 million. The average convenience store in Nebraska sells about \$1,200,000 of other food and drink. So you've got a \$6,400,000 business in your neighborhood. That's a \$320,000 tax. If, if I were that business, I'd leave.

**McKINNEY:** And I would clap.

**SORRENTINO:** So that's my-- if that's a question or a comment, do you have any comment on it? That's a lot.

**McKINNEY:** I understand that, but I think it's also a lot on our community where we have these businesses that's selling alcohol at cheap prices, and these gas stations sell alcohol and tobacco. And when you drive past them, all you see is people just standing outside drinking alcohol.

**SORRENTINO:** I don't--

**McKINNEY:** No, no, so.

**SORRENTINO:** I don't.

**McKINNEY:** So, no what I'm saying is when you say they'll leave, I mean.

**SORRENTINO:** [INAUDIBLE].

**McKINNEY:** --go, because I don't see a benefit.

**SORRENTINO:** Thank you.

**McKINNEY:** No problem.

**von GILLERN:** Senator Kauth.

**KAUTH:** So do you feel like this should maybe be a local issue with the Omaha City Council rather than a state bill for this?

**McKINNEY:** No, I don't think so. Because I think we all have a hand in addressing the issue. So I, I could see the argument, but I, I felt

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like as a senator and as somebody that represents the community, it was my responsibility as well to try to do something about the issue.

**KAUTH:** So and north Omaha has gotten over the last few years, at least just since I've been here, \$160, \$200 million, a lot of money has gone for those exact things, so what's happened to that money, and why would you need to be charging your-- your local businesses to sell other things besides alcohol, correct? The convenience stores probably also sell groceries, sell something.

**McKINNEY:** Some of them. I mean those projects are moving along, but to me, and I've said this multiple times, I never thought that was enough because of the long-term disinvestment that occurred in north Omaha. So although money was appropriated, which was great, and I think a lot of people are appreciative, I think of long-term plan to continue to reinvest in community, into specific services like federally qualified health centers, reentry housing. We got people coming home from prisons that aren't able to get, you know, regular housing because they-- their records, and a lot of them are coming back to the community. Childcare costs are going up as well. So I, I look at it as a more sustained long-term plan to reinvest.

**KAUTH:** Have you approached the businesses in your district about-- not about just this bill, but about what they could do to reinvest in the community? Again, rather than legislating it, have you started talking to them and, and getting them on board with, if not changing their ways, but using some of their funds for, for positive?

**McKINNEY:** Me specifically, no, but I do know of people that have, and they don't feel like they need to. They feel like they should just continue to sell alcohol and tobacco. There's also the issue with now they have those, I think they're slot machines, but they call them skill games, where people are crowded around those too. So think of that, the combination of selling cheap, cheap alcohol and tobacco, and now they got these skill games. And when you go into them, you see most people who are not in the best situations financially crowded around those, and they also got a beer sitting next to them.

**KAUTH:** So, again, a local ordinance, I think, would, would take care of that, so you couldn't drink. I think that's a very valid point. And you and I have talked a little bit--

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**McKINNEY:** I mean, local ordinances could address some of these issues, but I think the investment is the thing that I want to address. And I don't think it should just be left up to the city council or the city.

**KAUTH:** And then one final question, I promise. So last year I had a bill, LB316, to deal with the synthetic pot. All of those stores that have popped up everywhere. And you, you said you didn't have any actually in your district, but you weren't willing to support banning that. Does that-- does it change your mind when it's actually in your district if, if they were having those shops?

**McKINNEY:** Actually, I was also considering bringing an amendment. I just didn't have time to tax them, too. If I did-- even if I didn't. I know there's other-- so I don't think I do in my district. Maybe-- I could be wrong.

**KAUTH:** You didn't last year, so it might have changed.

**McKINNEY:** I know there's one on the border of my district, but it might be Senator Spivey's, but there's other qualified census tracts that may have some. So I also was considering taxing them too, if they're going to stay, depending on what happens at the federal level and all that stuff. But yeah.

**KAUTH:** OK, thank you.

**McKINNEY:** No problem.

**von GILLERN:** I just have a quick question. Is, is there a constitutionality issue about taxing an area? And I know you have the qualified census tract definition, which is a federal definition, and that's probably helpful, but, but we'll just be very frank with one another. If I brought this bill to you and said I wanted to tax your district, I'm not sure it would be-- I don't know, it just seems odd that we can tax one area, and particularly people who are, in your own words, a lot of black and brown people differently than the, the adjacent district which might be a different population base. It seems like there might be an inherent constitutionality issue here. I don't know, I'm not an attorney, but--

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**McKINNEY:** I don't think so. I don't know. It probably is. Maybe not. I don't know. Usually when I draft bills, drafting tell me if something is unconstitutional.

**von GILLERN:** OK.

**McKINNEY:** I, I don't remember them saying it.

**von GILLERN:** OK, all right. OK, well, one way to find out.

**KAUTH:** We'll ask your staff.

**von GILLERN:** All right, thank you. I see you got some willing testifiers, so let's move on. Thank you.

**McKINNEY:** No problem.

**von GILLERN:** Can you stay to close?

**McKINNEY:** Yes.

**von GILLERN:** Very good. Let's about up our first proponent testimony. Good afternoon.

**MAGGIE BALLARD:** Good afternoon, Chairperson von Gillern and members of the Revenue Committee. My name is Maggie Ballard, M-a-g-g-i-e B-a-l-l-a-r-d, and I'm here on behalf of Heartland Family Service in support of LB856. I would like to thank Senator McKinney for bringing this bill forward. A lot of you know I tend to go off script. I left some information there about who Heartland Family Service is in case you aren't aware, but in my final sentence of that first paragraph, I state that as many of our clients live below the poverty line, a disproportionate number of our clients use tobacco and live in neighborhoods where they are targeted by ads for alcohol and tobacco. The World Health Organization, National Institute of Health, John Hopkins University, and some of my team's own environmental scans indicate that alcohol and tobacco outlets' presence in poor and majority non-white neighborhoods are disproportionate at best and concentrated at worst. While these for-profit industries have no issue promoting their addictive products and profiting off of people's addictions, they also add to the hardships in those communities. It is only fitting then that they should have to pay for some of the damage that they create. Putting money towards housing, childcare, healthy

food access, and community development is an important way to offset some of that harm. A couple weeks ago, Senator Sorrentino sat in this chair and shared some important data with you regarding the harms of tobacco in Nebraska. When you look at the hundreds of millions of dollars our state pays out each year in healthcare costs, Medicaid costs, productivity loss, it averages out to be almost \$1,000 per household. Last year, I'm sure Senator Juarez advised you about alcohol costing the state over \$1 billion each year. Individuals in this body have pointed to the cost that a tax increase on either product would impose on the consumer. This bill is a perfect solution to that because it puts, puts the cost on the people profiting from the sale. So for these reasons, I hope you vote LB856 out of committee. On a more personal reason, I would be remiss if I didn't mention that I've been grieving the last 36 hours or so, the news finding out that Reverend Jesse Jackson passed away. And I have to tell Senator McKinney, he's lucky he didn't get an excited call from me when I found out about this bill because I, I was squealing with joy. I think if I was a state senator, I would want to prioritize this. I mean, this is the kind of stuff that I would envy any one of you on this committee to be in your chair to be able to support legislation like this. This is how we make our state better. This is something that Reverend Jackson would be grinning ear to ear about. And so in recognition of all of the things that he stood for and all the things that he fought against, like I said on just a more, more personal note, I would encourage you to look at that aspect of it as well. Because I think that this is such an important way to move forward and to go against some of the harms that have happened because of the tobacco and alcohol industries and their shops. And I would be happy to answer any questions.

**von GILLERN:** Thank you. Any questions from the committee members? Seeing none, thank you for being here, Ms. Ballard. Next proponent. We're not very scary, come on up, you're all right. Come on, somebody first. It's late in the day, we're all worn out. How you doing?

**CONNOR HERBERT:** I'm doing well.

**von GILLERN:** Good. Thanks for being here.

**CONNOR HERBERT:** Thank you for the opportunity to speak today, Chair von Gillern and members of the Revenue Committee. 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

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Nebraska Commission on African American Affairs. The Nebraska Commission of African American affairs is established to advise the Legislature and the Governor on proposals that may positively or negatively affect our constituency and the over-- overall civility of Nebraska communities. In that capacity, we support LB856 because it takes a targeted place-based approach to strengthening areas that face persistent economic challenges. Qualified census tracts are areas where at least 50% of households earn less than 60% of the area median income or, or where poverty rates exceed 25%. These are communities that often carry a disproportionate share of land uses and business activity that can have long-term health and infrastructure impacts. At the same time, they frequently face barriers to sustained reinvestment in private capital attraction. Importantly, these tracts are not limited to urban centers. Communities in North Platte, Lexington, Hastings, Cozad and Franklin County, among others, meet similar criteria. This legislation recognizes that economic strain and redevelopment needs exist across Nebraska. The targeted excise tax mechanism outlined in LB856 creates a dedicated funding stream for reinvestment in priorities such as healthcare access, childcare acc--availability, housing stability and local community development. By directing resources back into the neighborhoods most affected, the bill supports stronger local economies and reduces long-term public costs associated with disinvestment. Finally, the annual reporting and public transparency provision encourage accountability and constructive engagement between businesses and the communities in which they operate. LB856 promotes responsible reinvestment, local stability, and long-term economic opportunity, and we respectfully support its advancement.

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

**CONNOR HERBERT:** Thank you.

**von GILLERN:** Next proponent.

**CHRIS WAGNER:** Good afternoon.

**von GILLERN:** Afternoon.

**CHRIS WAGNER:** My name is Chris Wagner, C-h-r-i-s W-a-g-n-e-r, and I'm here representing Project Extra Mile coalition, a statewide network of

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partners working to prevent and reduce alcohol-related harms in Nebraska, in support of LB856. This bill aims to reinvest in low-income communities that experience disproportionate health burdens and neighborhood disinvestment accompanied by high concentrations of alcohol sales that fuel crime, nuisance activity, and poor health. There are currently 74 census-- qualified census tracts in 9 counties throughout our state. A 2017 study found that residents living in neighborhoods characterized by high poverty typically drank twice as much in a week and engaged in binge drinking approximately four times as frequently as in other types of neighborhoods. This is important because research shows that even moderate drinking can cause at least seven types of cancer in the human body. In addition, higher alcohol density has been found to increase rates of social and health problems related to drinking, such as violent crime, road crashes, sexually transmitted disease, child abuse and neglect, and emergency department visits. These communities also experience increased issues with disorderly conduct, noise complaints, and other nuisances, as well as property damage. LB856 seeks to create a 5% excise tax on businesses that primarily sell alcohol and tobacco for consumption off premises. Research has consistently shown that these types of-- I saw my light is red, I don't-- I think that, is that accurate?

**von GILLERN:** Yeah, unfortunately.

**CHRIS WAGNER:** Really?

**von GILLERN:** Wrap up your final--

**CHRIS WAGNER:** I mean, I time-- I timed it. All right.

**von GILLERN:** You did.

**CHRIS WAGNER:** I did. So, so just to say that research consistently shows that these types of businesses stores, convenience stores, gas stations carry a higher risk for neighborhoods than on-sale businesses like restaurants. You know, research has found doubling alcohol taxes has had a host of positive public health and safety benefits. There is actually a bill before this committee, LB330, that would do that. But L50-- LB856 is a great way to start that process and really shows how alcohol disproportionately hurts the most vulnerable.

**von GILLERN:** Thank you.

**CHRIS WAGNER:** I'm happy to answer questions.

**von GILLERN:** Three minutes goes pretty fast.

**CHRIS WAGNER:** It does.

**von GILLERN:** Senator Dungan.

**DUNGAN:** Thank you, Chair von Gillern. I'll ask you a question so you can--

**CHRIS WAGNER:** I appreciate that.

**DUNGAN:** --speak a little bit more.

**CHRIS WAGNER:** Sure.

**DUNGAN:** I guess I'm curious about the study. So I absolutely, just based anecdotally and also on other studies I've read, agree that these neighborhoods we're talking about, especially in the census tracts we're talking about here, are disproportionately probably harmed because they're targeted by these industries in the way we're already talking about. Do you know, though, the 2017 study-- how do I ask the question I'm trying to ask? How is that reported? Or how is that study conducted? Do we know? I mean, is it self-reported? Is it reported based on doctor visits?

**CHRIS WAGNER:** Yeah, so--

**DUNGAN:** I'm just curious how we're collecting that information.

**CHRIS WAGNER:** Yeah, typically in behavioral health, we rely exclusively on a self-reported behavior. So, so that would be based on surveillance data of public health professionals contacting and, and interviewing, surveying residents.

**DUNGAN:** OK. So in the event-- so this is people who work in the field reaching out to folks in the community who are then reporting their usage?

**CHRIS WAGNER:** Right.

**DUNGAN:** OK. I guess I don't want to dispute the findings. I absolutely think these high-poverty areas are stricken by a lot of that, but I

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also am just curious, the lack of self-reporting that happens regarding binge drinking and excessive alcohol use in high-income areas. Right? Like I'll bet if you set up a DUI stop outside of the country club, you'd probably get a lot of hits.

**CHRIS WAGNER:** Yeah, probably.

**DUNGAN:** And so I'm just curious the impact of increased policing in some of these neighborhoods and whether or not that skews the results we're talking about. I don't want to dispute that high-poverty areas are absolutely stricken by these issues because of the targeting that happens, but I do think we probably see pervasive binge drinking and a lot of the things you're talking here in higher-income areas. It's just under-reported or possibly under-addressed by virtue of a lack of insight into that. Does that make sense?

**CHRIS WAGNER:** It does make sense. And I would say, you know, I, I don't know-- I guess when you look at you see not only, you know, local data and surveillance data is performed, but also statewide. So of course, if you look at, you know, the entirety of Nebraska, you know, you're going to see that we're the third worst binge drinking country-- state in the country. So it is, you across all different types of rural, you you know, suburban, urban, it's everywhere in our state. And that really speaks to the policies that we have. And this would be a good one to, to put in place.

**DUNGAN:** No, and I appreciate your perspective from where you come from. So thank you for the information and the, specifically the study. I think that's interesting. Thank you.

**CHRIS WAGNER:** Sure.

**von GILLERN:** Senator Kauth.

**KAUTH:** Thank you, Chair von Gillern. So and I've had the chance to visit with a couple of your young men, and we talked only about alcohol. So what is Project Extra Mile's stance on the push to legalize marijuana, and as I mentioned before, the synthetic pot shops? All of those things are also really damaging.

**CHRIS WAGNER:** Right. From, I mean, obviously a public health perspective, obviously very concerning. Our mission is exclusively focused on alcohol because it is such a big problem for our state. So

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in terms of the work that we do, it is strictly focused on alcohol. So we don't typically come in and, and testify on those bills. But yeah, I obviously recognize the issues that you're talking about.

**KAUTH:** Thank you.

**CHRIS WAGNER:** Yep.

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

**CHRIS WAGNER:** All right, thank you.

**von GILLERN:** All right. Who's up first?

**FRED DIXON:** Chairperson and members of the committee, my name is Fred Dixon, F-r-e-d D-i-x-o-n, and I am here today to testify in support of LB856, introduced by Senator McKinney. I would actually like to thank Senator McKinney, as I live within that district. To my understanding, LB856 creates a 5% excise tax on gross receipts of specific businesses, gas stations, convenience stores, and packaged liquor stores that are located in qualified census tracts. These are low-income neighborhoods designated by HUD where residents face disproportionate health burdens and disinvestment. Here is how I understand the bill should work. First, it targets the problem at what I believe to be its source. These neighborhoods often have a high concentration of alcohol, tobacco, and fuel retail outlets. Research shows that proximity to these outlets can increase consumption and related harms. By applying the tax to these specific businesses, the bill addresses the concentration of products that contribute to health and safety challenges. Secondly, it keeps the money in the neighborhood. At least 70% of the tax collected in a given tract must be reinvested in that same tract. This funds federally qualified health centers, childcare, health-food access, homeless services, and reentry housing. It ensures that the communities generating this revenue are the ones that also benefit from it. And finally, it creates accountability. Covered businesses must file annually community reinvestment reports detailing their investments in local health centers, food access programs, workforce partnerships, and community engagement. Those who fail to participate face fines, but those who engage receive recognition and brand preferences. This is not a punishment, it is a partnership. It tells every business that

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falls under this jurisdiction, if you profit from this community, you have a role in supporting it. I urge you to support LB856 and let it get out of committee. And I am open to questions.

**von GILLERN:** Well done. Thank you. Questions from the committee members? Very impressive. Thank you for your testimony, Mr. Dixon.

**FRED DIXON:** Thank you.

**von GILLERN:** Next proponent. You can come back here and take pictures if you want. That's all right. Yeah, I meant to-- sorry, we should have done that before. You're welcome to go ahead.

**CALEB VAUGHAN:** Good afternoon, Senators-- or good evening. Time flies when you're having fun. My name is Caleb Vaughan, spelled C-a-l-e-b V-a-u-g-h-a-n, and I'm here to support LB856. I care about this issue because alcohol-related harm affects young people and families across Nebraska. And policies meant to reduce harm should be clear, fair, and effective. So, research consistently shows that when the price of alcohol increases, overall consumption decreases. Lower consumption has been directly linked with fewer alcohol-related injuries, less violence, and better long-term health outcomes. From a prevention standpoint, this is significant. Policies that reduce excessive alcohol use play an important role in protecting youth and improving community health. LB856 takes a targeted approach to this issue by playing-- by applying a fair excise tax to certain alcohol retailers operating in qualified, low-income census tracts, and it directs the revenue back into those same communities. The funds generated would support federally qualified health centers, homeless services, childcare, healthy food access, and community development. As a result, these investments directly address the root causes that contribute to substance misuse instead of focusing only on punishment or enforcement. It's important to remember that this bill links alcohol-related revenue to reinvestment and prevention. Communities that experience a higher burden of alcohol-related harm would receive direct support for healthcare, housing, stability, and family services. While no policy is perfect, this approach acknowledges the public health impact of alcohol and uses that revenue to strengthen community resources and reduce harm over time. For these reasons, I urge the Nebraska Legislature to support LB856 and invest in a

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healthier future for Nebraska communities. Thank you for your time and consideration.

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

**CALEB VAUGHAN:** Thank you.

**von GILLERN:** Appreciate it. Next proponent.

**KING MAXWELL:** Good afternoon, committee members. My name is King Maxwell, K-i-n-g M-a-x-w-e-l-l, and I'm a junior in high school. I'm here today to express my support for LB856, introduced by Senator McKinney. As a young person from north Omaha, specifically from Senator McKinney's district, I see firsthand how policy decisions impact real neighborhoods, real families, and real futures. For the past two years, I have been involved with Project Extra Mile's Youth Leadership Network, where we've advocated for legislation like LB330 to address serious public health concerns in our state. That experience has shown me how important it is for lawmakers to take intentional steps when it comes to improving health outcomes in Nebraska. LB856 establishes an excise tax on specific businesses that sell alcohol in lower-income communities that are recognized by the Federal Census Bureau. The revenue from that excise task would go into the Community Reinvestment and Equity Fund, which is designed to reinvest those dollars back into the very communities where the impact is the greatest. This is important because lower-income neighborhoods often face more challenges with access to health resources, youth programs, and economic opportunities. LB856 creates a structure where revenue generated in these areas is intentionally reinvested into programs that support healthier lifestyles, strengthen communities, and create opportunities for residents. This bill is proactive, it recognizes that some communities face more challenges than others, and provides a way to address those disparities through structured funding and long-term investments. In recent years and months, I have seen the opening of more stores, gas stations, and other businesses that sell alcohol and tobacco. Now, I'm exaggerating a little when I say this, but it feels like every day there's a new place that is selling alcohol or tobacco in my neighborhood. However, I have yet to see the implementation of programs or funds that help combat the issues and specifically on businesses stepping up and doing their part to the community that they're hurting. I'm offering my support alongside my

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peers because we want healthier neighborhoods, safer environments and policies that make a real difference in people's lives. For the citizens of this state, I respectfully ask that you advance LB856 out of committee so that this reinvestment can move forward, and the long-term health opportunity of our communities can improve. Thank you.

**von GILLERN:** Very good, thank you. Any questions from the committee? Where do you go to high school?

**KING MAXWELL:** Creighton Prep.

**von GILLERN:** OK. And you said you're a junior?

**KING MAXWELL:** Yes, I am.

**von GILLERN:** Awesome. Very good. Very well done. Thank you for being here.

**KING MAXWELL:** Thank you.

**von GILLERN:** Appreciate it, Mr. Maxwell. Next proponent.

**ALEX NGUYEN:** Good afternoon, my name is Alex Nguyen, A-l-e-x N-g-u-y-e-n, and I am a student at Elkhorn South High School, and I live in Senator Sorrentino's district in Elkhorn. And I'm here today in support of LB856. As a student, I have seen firsthand how alcohol, tobacco, and cigarette products have affected my peers. The pungent and awful smell of vapes, and e-cigarettes have unfortunately grown familiar whenever I walk inside the school bathroom. Seeing my classmates struggle with substance use, whether through vaping, drinking, smoking, or the consequences that follow, have been disheartening. This has motivated me to advocate for policies that fight against alcohol abuse and binge drinking to protect young people, such as myself and my peers around me, as well as strengthen our communities around the state. As some of you may know, Nebraska ranks third-worst in adult binge drinking at 19.7%. And alcohol misuse costs our taxpayers \$491 million annually. Yet we only recover 5.6% of those costs through our current alcohol taxes. This gap shows that our current tax structure in relation to alcohol has failed to keep up with the harm that alcohol causes, leaving our taxpayers to shoulder the burden rather than those who drive up the consumption level. LB856 seeks to close this gap between the enormous cost of alcohol misuse

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and the minimum revenue we are currently recovering by implementing a 5% excise tax in targeted communities. Furthermore, research has consistently shown that alcohol consumption responds to price increases. For example, total alcohol consumption has a price elasticity of negative 0.77, meaning a 10% increase in price resulting in a 7.7% decrease in consumption. A 5% sales tax would increase the price of alcohol by just 5 to 10 cents per drink. Yet, evidence from other states demonstrates that even modest increases can lead to life-changing reductions in binge drinking, DUI incidents, and alcohol-related deaths. In Maryland, a 3% sales tax increase led to a 17% reduction in, in adult binge drinking and a 26% reduction of youth alcohol consumption. As others have mentioned, there is a bill before this committee that can achieve such results, that would be LB330. This bill, along with LB856, would both reduce harm and save countless lives, but also generate millions of dollars in revenue to reinvest into healthcare, childcare, reentry houses and community development initiatives. I respectfully urge you to carefully consider LB856.

**von GILLERN:** Thank you for your testimony. Any questions from--  
Senator Dungan.

**DUNGAN:** Thank you, Chair von Gillern. Thank you for being here today. I appreciate all of your testimonies. You mentioned vaping in schools.

**ALEX NGUYEN:** Mm-hmm.

**DUNGAN:** Have you all seen an impact of the implementation of like vape detectors in bathrooms? I know that's something I've heard about here in Lincoln Public Schools. Has it had an impact at all in what you've seen?

**ALEX NGUYEN:** I don't think we have vape detectors at Elkhorn South High School. And even if we did, I don't think they work, because every time I step into the restroom, I still smell like it smells like raspberries.

**DUNGAN:** Ah, yeah. Pretty pervasive then?

**ALEX NGUYEN:** Yeah.

**DUNGAN:** Do you see a lot of youth or folks your age smoking cigarettes, like analogs?

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**ALEX NGUYEN:** I have seen like in parking lots, not necessarily in schools. I feel like it'd be easier to get caught in school. The vapes are definitely common in schools.

**DUNGAN:** Yeah easier to mask, easier to hide.

**ALEX NGUYEN:** Yeah.

**DUNGAN:** Got it. Thank you for being here. I really appreciate it.

**ALEX NGUYEN:** Thank you for the question.

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

**ALEX NGUYEN:** Thank you.

**von GILLERN:** Thanks for being here. Any other proponents? Good afternoon.

**REHAN CHOWDHURY:** Does the light turn green?

**von GILLERN:** Oh, she'll change it. Good catch though.

**REHAN CHOWDHURY:** Good afternoon. My name is Rehan Chowdhury, R-e-h-a-n C-h-o-w-d-h-u-r-y. I'm here to represent myself, and I am a constituent of Senator Brad von Gillern. And I testify in support of LB856. I also go to Elkhorn South High School. I support this bill because it seeks to break the cycle of addiction so prevalent in low-income communities. We know that it is ethically wrong to fuel the addiction of those with nowhere to go, but take fewer measures when it comes to businesses opening shop in vulnerable communities because alcohol is considered a legal good. But the legality of alcohol should not serve to deregulate it. Rather, an excise tax on businesses selling alcohol is one of the most fundamental levels of regulation, a regulation through economics. People losing their jobs, and more import-- more importantly their lives due to alcohol, is proof enough of the negative economic impacts of alcohol. As said before, \$1 billion in medical expenses, lost work productivity, and criminal justice costs. That is \$1 billion going everywhere except towards Nebraska. I, along with numerous others, urge the committee--

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committee to advance LB856. I get my testi-- "testification" short and sweet.

**von GILLERN:** Awesome. You're our favorite for keeping it. You're my favorite because you're in my district. That's a whole different topic. Seeing no questions, thanks so much for being here.

**REHAN CHOWDHURY:** Thanks.

**von GILLERN:** Really appreciate it. You represent well. Any other proponents? Seeing none, are there any opponents regarding LB856?

**JUSTIN BRADY:** Senator von Gillern and members of the committee, my name is Justin Brady, J-u-s-t-i-n B-r-a-d-y. I appear before you today as the registered lobbyist for the Nebraska Liquor Wholesalers Association in opposition to LB856. I first want to start with the liquor wholesalers support the goals that Senator McKinney and all the proponents talked about. And one thing I took away from this committee is I'm going to go back to the wholesalers who do give to charities not through-- not only through the their corporation, but also the individuals, and see if we can help direct some of those dollars to where Senator McKinney thinks would help in some of these situations. And I would also say there are other tools out there to help get there. Senator Kauth, you talked about local control. There's a bill in General Affairs that right now would give cities more authority on what to do with liquor, retail liquor licenses. Right now how the process works is the city is able to give a recommendation. The Liquor Control Commission can ignore that. They can do whatever they want with it. This will give more teeth to what the cities recommend and, in this case, may be able to help with some of these. There's also the issue of we could create a special taxing district, which to say to this committee, it's basically like a reverse Good Life District, probably. But that is an opportunity, another tool that you can give cities if they want to be able to draw those boundaries and place taxes on those-- on their. Thirdly, I'd say, at least from the liquor industry, excuse me, we are contributing above and beyond sales tax. Currently the Nebraska-- the liquor distributors through the excise tax contributes about \$30 million a year additionally to the state's budget. So that's again, above and beyond the sales tax, that's \$30 million that is there. And so with that, why don't I stop and see if you have any questions.

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**von GILLERN:** Thank you. Any questions from the committee? Seeing none, thank you, Mr. Brady. Next opponent.

**LUKE WENZ:** Chair von Gillern, members of the committee, nice to see you again today. Thanks for holding this hearing and for the opportunity to testify. My name is Luke Wenz, it's L-u-k-e W-e-n-z, and I'm here on behalf of the Platte Institute in opposition to LB856. From a philosophical perspective, a healthy society respects the dignity and autonomy of people and institutions so long as they play by the rules. Businesses already do that. They pay taxes, they employ folks, they provide goods that people rely on. So here are some of the three principles of good tax policy that this bill violates. First, as Senator Sorrentino mentioned earlier, this 5% excise tax is not levied on profits, but on activity, meaning it falls hardest on small operators such as convenience stores, gas stations, and low-income areas who already have small margins. This is an excise on operations, not on profit. And that distinction matters because excise taxes apply regardless of whether a business is thriving or whether that business is barely surviving. Second, excise taxes are among the most recess--regressive forms of taxation. This tax will not be absorbed quietly by store owners, it will be passed on to consumers in the form of higher prices on necessities used every day. This means the people living in low-income communities will bear the real burden. Policies that claim to reinvest in communities while extracting more from their residents is fundamentally contradictory. And third, this tax is geographically targeted. By applying only in low-income areas, the bill effectively says that operating a legal business in these neighborhoods carries a special financial penalty. And that sends a dangerous signal. It discourages investment where we should want to encourage more of it. For those reasons, I respectfully ask the committee to reject LB856. Thanks for your time. Happy to answer any questions if you have them.

**von GILLERN:** Thank you. Any questions from the committee? Seeing none, [INAUDIBLE].

**LUKE WENZ:** Thank you, Chairman.

**von GILLERN:** Any other opponent testimony? Seeing none is there any neutral testimony? Seeing none, Senator McKinney would you like to close? As you come forward, we had 5 proponent letters, 9 opponent and zero neutral letters sent in online.

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**McKINNEY:** Thank you, especially to the students who came in support of the bill. Thank you all for being here. I think I met with you all a couple weeks ago and we had a good conversation. First, you know, I think-- I don't find this bill fundamentally contradictory, I find it to be doing what it's supposed to be doing. And that's addressing the issue that has not been addressed, where we have these businesses that prop up in communities that are impoverished to sell alcohol and tobacco. And my opinion, that has had a huge negative impact on my community from firsthand experience of having family members that dealt with alcohol addiction and drug addiction. So I've seen the negative impacts of this, and I've never seen any of these businesses actually provide anything productive to my community. So that's why I brought the bill. And if they do go out of business, as I stated in my opening when I was getting, getting asked questions, I wouldn't care. That's how much I feel about this. And no, I'm not a hypocrite to say like, Senator McKinney, do you drink alcohol or whatever. I have and, you know, even if I did, I wouldn't care about paying an extra 5% because I care that much about the impact of alcohol on the community. Yes, it's geographically targeted because not every community that I drive around in Omaha is oversaturated with liquor stores. That's why. And the other thing on top of that is the communities that are oversaturated with liquor store actually have some of the worst health outcomes, the lowest life expectancy. When you look at the education system, the lowest educational outcomes. And I could go on and on and on about where these stores are located and the negative impacts on society. And we could go even deeper. We could go zip code-based and look at our prison system, and you could do a poll. And in our prisons, and I would guarantee it, if you go based on zip codes where most of the people in our prisons are from, it would be in the areas where these liquor stores are located, which is a cost to the state. We're building a \$350 million prison. We have bills on top of bills. We had a conversation today about increasing penalties, and we've had numerous conversations since I've been here about increasing penalties because of crime or this or this, or this or that. This goes to the root-- one of the roots of the issue is these businesses having a harmful impact. We talk about harmful impacts on our communities and public safety. I think this is a public safety bill when we talk about it, at the core of it. So, I mean, I would love for it to pass. I looked at the revenue in the bill and it would generate \$8 million the first year, \$24, \$25 the next year. And it would take away from me coming and saying, hey, Legislature, give me more money. And we can

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have this bill and it could be helpful with some of these services that would go a long way for, for these communities. And qualified census tracts are not just in north Omaha, they're in south Omaha. There, there's even, I think, a qualified census tract in Elkhorn and in western Nebraska. So I'm not just thinking about my community. Yes, my community has a qualified census tract, but there's others across the state that could see positive impacts if this was to pass. And I think it would lessen the burden on a lot of these organizations coming to the state asking for general funds or for them filling up hearing rooms saying, don't cut us out of the budget. So thank you.

**von GILLERN:** Thank you. Questions from the committee members? Seeing none, thank you, Senator McKinney.

**McKINNEY:** Thanks.

**von GILLERN:** Good job on your, your team of testifiers here. Proud of those young men.

**McKINNEY:** Thanks.

**von GILLERN:** That'll close our hearing on LB856. That'll close our Revenue hearing for the day. And we are going to exec, so--