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Revenue Committee February 19, 2026

Rough Draft

von GILLERN: All right. Good afternoon. 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 table for each bill. These sheets will be included as an exhibit in the official hearing record. When you come up to testify, please speak clearly into the microphone, tell us your name and spell your first and last name to ensure we get an accurate record. We will begin each bill hearing today with the introducer's opening statement, followed by proponents of the bill, then opponents, and finally by anyone speaking in the neutral capacity. We will finish with a closing statement by the introducer if they wish to give one. We will be using a 3-minute light system for all testifiers. When you begin your testimony, the light on the table will be green. When the yellow light comes on, you'll have 1 minute remaining, and the red light indicates you need to wrap up your final thought and stop. Questions from the committee may follow. Also, committee members may come and go during the hearing. This has nothing to do with the importance of the bills being heard, it's just a part of the process as senators may have bills to introduce in other committees. A few final items for today. If you have handouts or copies of your testimony, please bring up at least 12 copies and bring 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 statements on a bill to be included in the record must be submitted by 8 a.m. the day of the hearing. And that-- we're going to-- I'm going to vary from this-- our standard statement today because of the weather. Online comments for today's bills will be kept open until 5 p.m. So if someone's watching online and they'd like to enter an online comment, you're welcome to do that through the Legislature's website at nebraskalegislature.gov. Written position letters will be included in the official hearing record, but only those testifying in person before the committee will be included in

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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.

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

MURMAN: Dave Murman from Glenvil, District 38. I'll make it quick, just eight counties, most along the southern border of the state.

DUNGAN: George Dungan, LD 26, northeast Lincoln.

IBACH: Teresa Ibach, District 44, which is eight counties in southwest Nebraska, including the population in Perkins County.

von GILLERN: Just an internal rub we got going on in here.

JACOBSON: How much of Perkins?

von GILLERN: Also assisting the committee today to my right is legal counsel, Sovida Tran, and to the left is legal counselor, Charles Hamilton, to my far left is committee clerk, Linda Schmidt. Thank you all for your help today. Also helping today, our pages for the committee today would please stand and introduce yourselves.

ELIAS REIMAN: Elias Reiman, junior at UNL, studying psychology and the prelaw track.

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

von GILLERN: Thank you. Thanks for your help today. With that, we'll begin today's hearings with LB1021, and we'll welcome up Senator Ibach.

IBACH: Thank you, Chair von Gillern, members of the Revenue Committee. My name is Senator Teresa Ibach, T-e-r-e-s-a I-b-a-c-h. I represent District 44. I'm here today to introduce LB1021 on behalf of the Nebraska Department of Revenue, Property Assessment Division. The bill deals with the nameplate capacity tax and administrative fees. The Property Assessment Division, or the PAD, performs a significant

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amount of work related to the collection of the nameplate capacity tax. The bill-- this bill aims to reimburse the division for that work done. PAD receives a similar administrative fee for the car line and air carrier personal property tax programs. If you look at the fiscal note, you will see that PAD does receive around \$400,000 if this bill goes into effect. This will be used to provide much needed funds for the division's administrative costs. They have informed me without a steady permanent revenue stream they may have to pull back services to counties. I would respectfully ask for you to defer questions to Sarah Scott, the Property Tax Administrator, who is behind me and would be happy to go into further-- and she will be happy to go into far greater detail on this bill. Questions?

VON GILLERN: Thank you, Senator Ibach. Any questions from the committee members?

IBACH: Thank you.

VON GILLERN: I guess we'll wait for the good ones. Thank you. Invite up our first proponent. Good afternoon.

SARAH SCOTT: Good afternoon, Chairman von Gillern and members of the Revenue Committee. My name is Sarah Scott, S-a-r-a-h S-c-o-t-t. I am the Property Tax Administrator at the Department of Revenue. I thank Senator Ibach for bringing LB1021 on the department's behalf. This bill would give the department a 3% collection fee for all nameplate capacity taxes collected by the department on behalf of the political subdivisions that receive the tax. The nameplate capacity tax is an excise tax on renewable energy facilities to replace personal property taxes when they became exempt in 2011. Currently, there are 39 wind and 39 solar energy facilities within 48 counties paying this tax. The department is responsible for all aspects of collecting the nameplate capacity tax, including the creation of forms, the collection of the tax, and the asses-- the assessment of the tax, which includes issuing demand letters and filing levies when taxes become delinquent. This legislation is part of Governor Pille's budget plan and would fund the Property Assessment Division cash fund at a level closer to the appropriation. Fees for services rendered is an efficient model of funding government, and the division's, division's cash fund exists to capture fees from the counties for services rendered on their behalf. Those fund sources have dwindled over the years. The only significant source of funding at this time is a 3% collection fee for car line and air carrier personal property taxes that are also directly collected by the division and distributed to the counties. Although the sources

of cash coming into the fund have dwindled, the department's administrative responsibility related to the property tax-- to property taxation has increased in recent years with expansion of the property tax credits, the homestead exemption program, and several new exemptions. The Property Assessment Division's core function is to oversee the assessment function for all Nebraska counties. In addition to the numerous administrative duties, the division provides direct assistance to county assessors, offers numerous educational opportunities throughout the year, and performs the assessment function for all railroad and public service utilities on behalf of county assessors. Due to the, the declining source of cash funds, the division, division has relied upon cash transfers of approximately \$455,000 to operate expenses for the past 2 years. If this legislation is unsuccessful, the department will need to work with the Governor's Office to determine an alternative source of funding to fund the division's operating budget or reduce service levels to counties, which could be seen as an unfunded mandate. In conclusion, the department is seeking a permanent funding source that allows us to continue to offer high-quality support to counties. The best way to accomplish this goal in our view is the collection fee, which would be consistent with services performed on behalf of the counties. This new fee will operate similarly to the car line and air carrier tax fee which DOR has successfully used. With that, I will respectfully ask you to advance LB1021 out of committee and answer any questions that you may have.

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

JACOBSON: Just to be clear, so this is a 3% of what's collected, it's not an additional tax coming off the top and then sent for distribution to the other folks who will be receiving proceeds from this tax.

SARAH SCOTT: That's correct. It does not increase taxes. Nope.

von GILLERN: Other questions? Just for my own clarity-- I'm sorry, I wish I had this at the tip of my brain right now. Right now, these, these are being collected by the counties, correct?

SARAH SCOTT: So the, the county-- the-- NACO has brought a bill, the counties have brought a bill this year to collect a 1% fee. There is not a fee in statute at this point in time. Apparently, they have been collecting that fee. It came up last year when the distribution of

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nameplate capacity was changed to give the community colleges 5% first. They asked our advice. We looked at the statutes much like we did with the school property tax credit a couple years ago, we said there's no clear statutory authority for you to do that. So they brought a bill this year to, to clarify their 1% collection.

von GILLERN: OK, but I'm not talking about the fee. I'm talking about where does it-- where does the, where does the cash currently go? Is it billed-- it's billed through the county's property tax bill?

SARAH SCOTT: So it is billed by the Department of Revenue.

von GILLERN: It is billed by DOR.

SARAH SCOTT: Collected by the Department of Revenue.

von GILLERN: OK, so currently the counties don't touch the money?

SARAH SCOTT: Until they receive it, that's correct.

von GILLERN: Until they've receive it. OK, very good. Thank you, that's helpful. Seeing no other questions, thank you. Next proponent. Are there any other proponents? Seeing none, any opponents for LB1021? Would have won that bet?

JON CANNON: Good afternoon, Senator 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 today in opposition to LB1021. I want to thank Senator Ibach for bringing this bill. Frankly, the conversation about nameplate capacity taxes started a couple of years ago when Senator Clements brought a bill on inheritance taxes and replacement revenue. You know, I thought we would, we would replace some of the revenue through the nameplate capacity tax. And everyone said, oh, we have now identified a, a, a, a, a, a cash source. And so everyone got very, very interested in what the nameplate capacity brought and what it should look like and all that sort of thing. So these conversations are of a piece with, with LB770 that we heard earlier in this committee and certainly appreciate being able to have-- continue the conversation. I certainly appreciate the department's testimony. I'm a, a proud alumni of the Department of Revenue. They tolerated me for many, many years and then they kicked me out the door, but I managed to land on my feet at NACO, so that's great. But I did want to address a few of the things related to the bill. And so when we first passed the nameplate capacity tax in the

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state back in 2010, that was part of LB1048, and one of the things-- a couple of the the things that we had and still are existent in Nebraska Revised Statute, Section 77-6201, one is that it is an excise tax explicitly to replace property taxes, which, as you know, property taxes are collected at the local level by the counties and distributed to all the political subdivisions. And then subsection (4) of that statute also says that it is not intended to be a source of General Fund revenue. And I understand this is a cash fund to, to fund a cash fund for the Department of Revenue, but I think the implication of, of what 77-6201 said is still there. It's not intended to be a source of General Fund revenue in times of economic distress. And so I, I think Ms. Scott was, was abundantly clear that this is to plug a hole in a dwindling revenue that, that exists in the cash fund for property assessment. I don't think that was the intent of, of LB1048 back in, in 2010. The department certainly undertakes certain duties, very, very important ones, they-- they're involved in the collection of the tax. They distribute that tax to the counties. We then distribute that tax, we take 5% off the top for community colleges in accordance with LB50 passed last year. And then we distribute it according to the property tax rules within the county. So they do that disbursement to us. They're charged with enforcement. They receive the reports. These are all necessary things. You know, counties do collection. We've, we've been doing collection on the property tax side for many, many years. We also do disbursement. We also do enforcement. And so the amendment that I've handed out to you would cut out the middleman, to the extent that there is a, a duty that the Department of Revenue has as far as the collection and disbursement and enforcement of the nameplate capacity tax. There's a question that I've had raised many, many times when I talked to a lot of wind energy folks, but also county treasurers, like why are we doing it this way? Why is it-- and I'll give the example of, of Prairie Breeze Wind Farm in Elgin, in Antelope County. They send their check and their report down to Lincoln, and then the Department of Revenue turns around and sends the money back to Neligh, where it's distributed from the Antelope County Treasurer to every -- I'm out of time. I'm happy to take any questions.

von GILLERN: Finish that up, please.

JON CANNON: Yeah, so I really just urge you to, one, pass LB770, consider our amendment as part of that, and I'm happy to take any questions you have.

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

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JON CANNON: Thank you very much.

von GILLERN: Next opponent. Is there any other opponent? There we go.

JOHN HANSEN: Mr. Chairman, members of the committee, good afternoon. For the record, my name is John Hansen, J-o-h-n, Hansen, H-a-n-s-e-n. I'm the President of the Nebraska Farmers Union and also their lobbyist. As LB1021 is currently constructed, we would be in opposition. We would be in support of the proposed amendment. So two ways to solve a funding issue: one is if you don't have enough-- if the department doesn't have enough money to do its administrative responsibilities relative to the collection of the nameplate capacity tax then-- and the counties are willing to pick that up, moving that responsibility over to the county seems like a reasonable thing to do. And going back to the original intent of LB1048 and the nameplate capacity tax when it was created, I was a part of those conversations in that process, and the stakeholders that were involved in it in 2010. And, no, it was not intended that the nameplate capacity tax was intended to be a source of revenue for the state of Nebraska. This was intended back then as a clear effort to try to help provide property tax relief and economic benefits incentives to counties and rural communities. And so with that, I would be glad to end my testimony and answer any questions in the off chance that I was able to. Thank you.

von GILLERN: Thank you. Any questions from the committee members? I see none. Thank you for your--

JOHN HANSEN: Thank you.

von GILLERN: --testimony. Any other opponents? Seeing none, is there anyone who would like to testify in a neutral capacity? Seeing none, Senator Ibach, come up and close. And as you do, we had zero proponent, zero opponent, and one neutral testimony online.

IBACH: Thank you very much. I could have waived closing. I think they were very explicit and very direct with their comments and I appreciate them coming to validate the bill today. Thank you.

von GILLERN: Very good. Thank you. All right. Seeing no questions, that'll close our hearing on LB1021, and we'll open on LB1008 and invite up Senator Brandt or his proxy. Good afternoon.

TRAVIS WALDRON: Chair von Gillern, members of the Revenue Committee, my name is Travis Waldron, T-r-a-v-i-s W-a-l-d-r-o-n. I am the legislative aide for Senator Brandt. I figured this committee deserved

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a reprieve from Senator Brandt today, so you got me for this bill. I'll make this quick. LB1008, just a quick adjustment formula to the Tier 2 school district property tax credit. In the Tier 1, the growth, when it hits fiscal year 2030, the growth is determined by the percentage growth of the total assessed value of the previous year. For Tier 2, it kind of is just a flat 3%. Since property valuations have continued to go up and if nothing gets done on them, the 3% isn't going to keep up with, with how the valuations are going up. So this proposal just simply says to mirror Tier 1 growth that it includes an increase determined by the percentage growth of the total assessed value of the previous year and it does add an additional \$75 million to that fund. Again, the reason for that is just kind of mirror Tier 1 growth. And if valuations keep going up and up, this will kind of help offset some of that. If nothing gets done, the fear is these tax credits will just kind of disappear on that-- on the valuation increases, so. That's all I've got.

von GILLERN: Very good. Thank you for your testimony today. There'll be no questions. Appreciate that. Are there any proponents for LB1008? Anyone who would like to speak as a proponent? Seeing none, are there any opponents to LB1008? Seeing none, anyone who would like to testify in a neutral capacity? Seeing none, we had one online proponent, one online opponent, and zero neutral testimony. And we'll close our hearing on LB1008. And we will move on, oh, breakneck speed, LB998. Is Senator Andersen available? We're way ahead of any anticipated schedule.

JACOBSON: I probably should have ran the meeting, huh?

von GILLERN: Yeah.

JACOBSON: Yeah.

von GILLERN: You want to go get Bob?

JACOBSON: Yeah.

von GILLERN: Is anyone from Senator Andersen's office here? OK. He's on his way. All right. Thank you.

ANDERSEN: That was fast.

von GILLERN: I know, we're way under schedule. Don't screw us up.

IBACH: Yeah, don't break the path.

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ANDERSEN: [INAUDIBLE] is coming, you can tell.

von GILLERN: We're averaging about 10 minutes per bill, so.

ANDERSEN: All right, well, I'll see if I can keep the pace for you.

von GILLERN: You're all right. You have plenty of time. We'll open on LB998. Welcome, Senator Andersen.

ANDERSEN: Good afternoon, Chairman von Gillern, members of the Revenue Committee. I'm Senator Bob Andersen, B-o-b A-n-d-e-r-s-e-n, and I represent District 49, which includes northwest Sarpy County of Omaha. I'm introducing LB998, which simply corrects an oversight when LB1394 was passed back in 2024. In 2024, this Legislature passed LB1394, which exempted income on Nebraska National Guardsmen conducting drills and annual training from having to pay state income tax. The stated goal was to boost recruitment and retention and expanded on earlier laws, exempting military retirement pay from Nebraska state income tax. This included pay from Title 20 [SIC] duty statuses like drills, annual training, full-time National Guard duty, AGR technician, and some military schools. Over the interim, retired Air Force Major General Rick Evans, a former National-- Nebraska National Guard Adjutant General, brought to my attention the unintended consequence of LB1394. When full-time Nebraska National Guardsmen support the active duty force, they're operating under Title 10 versus Title 32 authorities. I know it gets kind of confusing. I'll try to make it simple. Since LB1394 specified that the tax-free status was applicable for service executing under Title 32 authorities, when they operate under Title 10 authorities, the federal active duty, their income is fully taxed by the state of Nebraska. Literally, the brave, the brave men and women of the National-- Nebraska National Guard incur a financial penalty when mobilized, mobilized to or volunteering for federal service under Title 10 authorities. This is true even though their actual base pay stays roughly the same. We are financially punishing Nebraska Guardsmen for doing one of their primary jobs, supporting the active duty force. LB998 corrects that oversight. Nebraska Guardsmen's states-- state income tax will be waived whether operating under Title 32 or Title 10 authorities. This is a commonsense bill to ensure our Nebraska Guardsmen are receiving the full benefit of their hard work and sacrifice protecting Nebraska and this great nation. There are several testifiers behind me who can discuss this in greater detail. I thank you all for your time and I'm happy to answer any questions you might have.

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VON GILLERN: Thank you, Senator Andersen. Senator Sorrentino.

SORRENTINO: Thank you, Chairman von Gillern. Thank you, Senator Andersen, for bringing this. Real quick question. I have no problem with the expanded exclusion, but do you know why, based on a comment and the online, why federal reservists are not included in this or should they be?

ANDERSEN: No, I'll have to, I'll have to look into that, because the Federal Reserve, as being a different organization, I'm not sure exactly how they're organized. I believe it's at the national level, not at the state level, but it-- certainly, it's a great point, something that we can look into.

SORRENTINO: I do know they do pay state income tax on their pay.

ANDERSEN: Yeah, I have not looked it up.

SORRENTINO: OK. Thank you.

VON GILLERN: I had a quick question. Any comment to the fiscal note, that this is a benefit to someone? I would think it would, it would show up as a cost, but.

ANDERSEN: I was very happy to see the fiscal note is zero.

VON GILLERN: OK. All right. Well, we'll just revel in our happiness and stop asking questions, then.

ANDERSEN: I would never question anybody that develops a fiscal note.

VON GILLERN: Well, somebody-- that's on record, so. All right. Senator Ibach.

IBACH: I'll ask one quick question to the-- to your point, do you know how many guardsmen there are in the state?

ANDERSEN: I do not, but General Strong is, is back here, as well as General Evans, and they can expound great detail for you.

IBACH: We will, we will grill them. Thank you.

ANDERSEN: Yes, ma'am.

IBACH: Thank you, Chair.

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VON GILLERN: Very good. All right. Can you stay to close?

ANDERSEN: I will.

VON GILLERN: All right. Thank you. We'll invite up our first proponent. Good afternoon.

CRAIG STRONG: Good afternoon. Good afternoon, Chairman von Gillern, members of the Revenue Committee. I'm Major General Craig Strong, C-r-a-i-g S-t-r-o-n-g, and I'm the Adjutant General for the Nebraska National Guard. I'm also dual-hatted as the Director of the Nebraska-- I'm the Director of the Nebraska Military Department and dual-hatted as the Director of Emergency Management. I'm proud to lead-- to answer the question of Senator Ibach, approximately 4,500 members of the state's National Guard. I come here before you today in support of LB998, and I appreciate Senator Andersen proposing this legislation. I think to kind of set the table, understanding the unique capability and statuses of the National Guard, we are the component of the U.S. Military that has both a state and a federal mission. And so when I use the term Title 32, that's going to be a state status, and Title 10 would be a federal status. So moving along, during the spring of 2024 legislative session, Governor Pillen signed legislation permitting an individual who is a member of the Nebraska National Guard to exclude 100% of their income associated with the most categories of National Guard services. And there are a number of different categories. Their state income-- from their state income tax for taxable years beginning January 1, 2025. The excludable Nebraska National Guard income includes the following sources, to the extent such income is included in the individual's federal adjusted gross income, serving on Title 32 status, which is federally paid but state controlled. It's a-- that's that duty status where we drill, we do annual training, military schools. And while we're serving in Title 32 active guard reserve status as well, some of our full-time are serving that status as well. There are also operational support in Title 32 status, that's state status. We also have federal dual-status technicians within the Nebraska National Guard. And we just also have a state active-duty status where we are being paid by the state. Generally, 96% of our income comes federally. I believe the passage of LB1394 has led to new recruits joining the Nebraska National Guard. I'm happy to report that our Air National Guard recruitment last year was a record in the 80-year history of our Air National Guard, and it helps ensure our members are available and willing and able to serve. On behalf of the Nebraska-- members of the Nebraska National Guard, I would like to express our deepest appreciation of the Nebraska Legislature for that

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provision. Although the tax exclusion afforded under LB1394 has been well received and it has had a positive effect, the Nebraska National Guard, there are a dual status of the Title 10 capability that we often serve in. Generally, we're in that state status. But when called, we will serve in a federal status, either through a presidential call-up or through Congress. Also, we serve in various capacities at National Guard Bureau, at Strategic Command, and also at Northern Command, which we are in a pure Title 10 status, a federal status. That provision or status was not included in the original provision. So the amount of National Guard personnel on Title 10 varies from year to year due to deployment cycles and changes to in-state manning, promotions, retirements. We currently have approximately 150 members in Title 10 capacity, a federal status between the Army and Air National Guard. Examples of this would be our Nebraska Air National Guard here in Lincoln, the 155th Wing and our 170th Group at Offutt, have a number of individuals on Title 10 orders. And as I mentioned, we also will have members serving at STRATCOM on a federal status, Northern Command, and as well as National Guard Bureau in a Title 10 status. They then revert generally back to a Title-- a state status. So the general presumption is they're a state status, but they will often go into this federal status called Title 10. They also could be deployed into a combat zone and when they are in a combat zone, that is already provided for them to be excluded, both federal and state, when they're in a combat zone. The passage of LB998 would ensure that all Nebraska National Guard soldiers and Airmen, no matter of their status, would receive the state income tax exclusion. I anticipate this will lead to further interest in new recruits joining. It has already made an impressionable impact on the Nebraska National Guard. Thank you, Senator von Gillern and members of the Revenue Committee for, for this opportunity to speak. Senator Sorrentino, I could probably address your question because it came up initially.

von GILLERN: Let's let him ask one first.

CRAIG STRONG: Got it. OK.

von GILLERN: I know you understand protocol and rules and regs--

CRAIG STRONG: Yes, sir.

von GILLERN: --and stuff like that. I don't have to argue with you. So thank you for your testimony. Is there a question that anyone might want to ask? Senator Sorrentino.

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SORRENTINO: Thank you. Thank you, Chairman von Gillern. I believe the question was whether or not the Federal Reserve is-- I know they're not covered, but should they be?

CRAIG STRONG: I'm probably not in the position to advocate one way or another. The, the reserve forces, there are Navy, Air Force, all components have a reserve force. Those are, those are always in a Title 10 status. They are always in a federal status. When this question came up last year, the, the motive for the, the exclusion is the fact that Nebraska National Guard members serve the state of Nebraska in times of disaster and in times of call-ups by the Governor. So it's by that unique nature that the National Guard has a state role to support the state in times of natural disasters and, and state emergencies, where the reserve forces that would not generally be their, their duty requirement.

SORRENTINO: Thank you.

von GILLERN: Thank you. Other questions? Seeing none, Major General, thank you for being here, for your testimony, and thank you for your service.

CRAIG STRONG: All right. Thank you, sir.

von GILLERN: Next proponent. Good afternoon.

RICHARD EVANS: Good afternoon. Chairman von Gillern, members of the Revenue Committee, my name is Richard Evans, spelled R-i-c-h-a-r-d E-v-a-n-s, and I'm here supporting LB998 in a personal capacity. I retired in 2019 as a Major General from the Nebraska Air National Guard after 35 years of service. And I also have another role as the Chair of the Employer Support of the Guard and Reserve State Committee. And this is where that issue actually came up and why I engaged Senator Andersen to take a look at the potential fix. As already mentioned, LB1394 passed in 2024, and we've already talked a little bit about the intended consequences there. What was missed is really what General Strong mentioned, which is one portion of the duty that was not included in that original exemption and LB998 fixes that unintended consequence that's currently part of the Nebraska law. And you've already heard that this really involves Title 10 U.S. Code duty. I did put at the back of my statement, you can see a National Guard Bureau fact sheet that shows you those three duty statuses that General Strong just talked to you about: state active duty, federal duty under Title 32 and federal duty under Title 10. You can see a, a

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very good explanation of that. Current law exempts two of those three, as the General just mentioned, and, of course, the answer to the question about the, the federal reservist versus state National Guard has to do with the state National Guard being under the control of the Governor versus that is not the case for federal reservists. So under, under the current law, income reserved-- income earned from state active duty and federal duty under Title 32 is exempt from state income tax, however, the Title 10 active duty or any duty under Title 10 is not. It's important to note, and you'll see this in the fact sheet, that when we talk about Title 10 duty by National Guard members, that does not mean they're part of the active duty Air Force or the Army. They are not getting assessed into the active duty. They remain under the National Guard at all times. It is also important to understand that while duty is performed under Title 10, those Guard members remain administratively affiliated with their Nebraska National Guard units. They're performing federal service, not transferred to the regular Army or the Air Force. That could occur in, as General Strong mentioned, missions performed right here in Nebraska for 1 or 2 days, but it also applies when our members deploy overseas. Rules, international rules require all duty overseas to be on Title 10 status, and that automatically requires them to be in that status when you do a 2-day mission overseas or whether it's a 6-month. We've already talked about the full-time personnel and the impact on them. The, the thing that the committee probably needs to know about, though, is tracking this exemption, if it's not a total exemption, is very difficult because the W-2 that the service member receives from the defense, finance, and accounting service has only one block for all their income from all federal pay, and that includes Title 10 and Title 32. There's no way to distinguish on that form the difference between those two. So as it's currently instructed in the Schedule 1 tax return, the member is required to manually calculate how much of their duty is under Title 10, and not currently exempt from taxes, and then they would have to claim that. That's very difficult. And it would be very, very difficult for the National Guard staff under General Strong because they do not have access to those pay records, they are handled at the federal level. So validating this at the Nebraska Department of Revenue, the exemption claimed by any member is almost impossible because it does not match box one on the W-2 that they received for that member. So that's a very important distinction. This bill would fix that and essentially that exemption that goes on the tax return for the National Guard member would equal what's on box one.

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von GILLERN: Thank you.

RICHARD EVANS: And so--

von GILLERN: Thank you. Let's see if you have a question. Imagine, imagine you might.

RICHARD EVANS: That's really the key, the key thing that we're fixing here.

von GILLERN: OK. I need to, I need to stop the testimony, but I think you're going to get asked a question, so.

RICHARD EVANS: OK.

von GILLERN: Senator Kauth, would you like to ask a question?

KAUTH: Thank you, Chair von Gillern. So thank you for coming to testify. Will this fix address the confusion with the reporting? Does this take care of it for the W-2s?

RICHARD EVANS: It does.

KAUTH: Completely, like, we won't have to keep coming back--

RICHARD EVANS: Yes.

KAUTH: --and fixing more?

RICHARD EVANS: Well, this would exempt all types of duty and Nebraska National Guard members would be paid under state and federal, that all would be exempt from state income tax.

KAUTH: So that one W-2 would cover it?

RICHARD EVANS: That is correct.

KAUTH: OK. Thank you. Thank you.

von GILLERN: Any other-- Senator Jacobson.

JACOBSON: I guess my question is, we're talking about is, if reservists would be the other status that are not National Guard, but they would also be Nebraska residents, would they not?

RICHARD EVANS: Well, maybe, maybe not.

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JACOBSON: OK, I wanted to clarify that. I, I was just trying to figure out if we need to do more work in terms of getting everyone in the same-- they're residents in Nebraska and they're doing similar duty, we ought to probably have them included, but--

RICHARD EVANS: Yes.

JACOBSON: --thank you.

RICHARD EVANS: That's probably worth looking into at some point because everybody has got the same goal here to serve the nation. The difference is the National Guard member takes a dual oath to also support the state under the Governor's authority and that's not the way the Federal Reserve has worked.

JACOBSON: I always find it interesting we have people that are serving and they put-- they get in harm's way but when you got bullets coming at you that's probably as close as you get being in the most harm's way.

RICHARD EVANS: I agree, Senator.

von GILLERN: And we feel sorry for ourselves here some days.

JACOBSON: Yeah, [INAUDIBLE].

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

RICHARD EVANS: Thank you.

von GILLERN: Appreciate that.

RICHARD EVANS: Thank you.

von GILLERN: Next proponent. Are there any other proponents for LB998? Seeing none, are there any opponents? Seeing none, anyone who would like to testify in a neutral capacity? Seeing none, Senator Andersen, would you like to close? As you come forward, we had one proponent online testimony, zero opponent, and zero neutral.

ANDERSEN: Thank you, Chairman von Gillern and members of the Revenue Committee. I would also like to thank Major General Rick Evans and Major General Craig Strong for taking their time to come down here and share their experience, their knowledge with this committee. LB998 is

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a simple cleanup bill which corrects an oversight from LB1394 back in 2024. I thank you all for your time today. I look forward to working with this committee on moving this bill, LB998, to the floor for consideration. I'm happy to take any last questions.

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

JACOBSON: I, I guess in relationship to my last question, do you think there'd be a need to bring another bill maybe next year for-- to make sure we've, we've included anyone who's serving in Nebraska in that same status, for example, reservists and so on?

ANDERSEN: You can certainly take a look at doing that, sure.

JACOBSON: OK. I was just curious as to your thoughts on it. Thank you.

ANDERSEN: Yeah.

von GILLERN: Seeing no other questions, Senator Andersen, thank you for your service.

ANDERSEN: Thank you.

von GILLERN: Appreciate that. That will close our hearing on LB998, and we will open on LB846. Senator Dungan.

DUNGAN: LB846 correct? I've got a few in a row here, so. Just to make sure the Chair is aware, I do have a bill over in Judiciary that this may conflict with. So I may have to leave to go open on that and then I'll come back, but I'm juggling both of those, so.

von GILLERN: OK.

DUNGAN: So--

von GILLERN: Yeah, you've got the next two bills.

DUNGAN: Yeah, this one and then two more.

von GILLERN: OK. Yep.

DUNGAN: So I will do my best to negotiate a complicated schedule.

von GILLERN: All right. Thank you.

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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'm introducing LB846, as a commonsense way for Nebraska to recoup revenue to close the budget shortfall. The bill would limit Nebraska state and local tax, SALT, deduction to \$10,000 annually starting with tax year 2026 and ending with tax year 2029. Why 2029 you ask, because that's when Congress, through HR1 passed in July, made the increased SALT cap temporary. The temporary nature of Congress's SALT cap expansion automatically flows through to Nebraska tax code because the state conforms to the internal revenue code on a rolling basis. More about that in one of my future bills. Before I get into the substance of this bill, I do want to lay out my reasoning for bringing this bill in a little bit more detail. Congress passed HR1 in July of last year, which was often called the One, Big, Beautiful Bill Act. HR1 contained a whole host of federal tax provisions, many of which also will impact Nebraska's tax code. This is because Nebraska is heavily reliant on the federal tax code for implementation of its own. The result of Congress passing HR1 is that Nebraska's tax receipts will take a hit. The Department of Revenue here in Nebraska estimates the current biennium will see a \$217 million loss because of the federal changes and about \$190 million in the following biennium. I think that we as a state need to make these state-level revenue decisions on our own. Ultimately, we have to balance the budget, and the federal tax changes are almost half of the projected shortfall this biennium. Given the \$472 million shortfall that we face as a Legislature, LB846 is a way to gain back about \$20 million over this biennium and about \$22 million-plus in the next biennium. The fact that the SALT cap increase is temporary makes me think that this bill is a great way to help close the shortfall, as the taxpayers who would benefit from the increased cap would only see the benefit for a few years anyways. I want to spend a little bit more time talking about who would get this deduction because it's a small group of taxpayers that tend to have incomes well above the state's median. The only beneficiaries of the increased SALT cap, which again the Nebraska Legislature did not vote it to incorporate into our own tax code, are taxpayers who itemize deductions, pay property taxes, or sales tax in excess of \$10,000 and whose incomes are below \$600,000. The Institute on Taxation and Economic Policy estimates that the average income of Nebraska residents subject to this increased SALT deduction is \$232,000, with the bulk of the benefit flowing to taxpayers earning more than \$146,000-- \$146,400 annually. ITEP also estimates that overall, less than 4% of resident taxpayers will take advantage of

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this additional tax break provided by HR1. I should also say the way that LB846 is drafted, the taxpayers who are subject to the newly increased cap may have already claimed it for 2025 as this provision was enacted retroactively to January 1, 2025 under HR1, I obviously didn't have the opportunity to file this bill before 2025 taxes were complete. And I certainly don't want to recapture deductions claimed in a prior year from anyone, so I chose not to make this provision retroactive to 2025. I also look at it as the folks that we're talking about here, those who have more than \$31,500 in itemized deduction if married, filing jointly, and pay more than \$10,000 in property or sales tax with incomes under \$600,000, are benefiting greatly from the income tax cuts that we enacted in 2023 that will be fully phased in next year by tax year 2027. And, again, I think the fact that the increased cap is temporary to begin with makes this bill a good way to help close the shortfall, especially since those who would benefit from the increased cap will already be benefiting from the decreasing income tax rates for half of the time the higher cap is available. With that, I am happy to answer, pardon me, any questions. I do have somebody who's going to come up after me who might be able to answer more technical questions, but happy to answer any questions the committee has now.

VON GILLERN: Thank you, Senator Dungan. Questions? Senator Sorrentino.

SORRENTINO: Thank you, Senator von Gillern. In a stunning move, I'm all in, and here's why.

DUNGAN: You can stop right there, I love it.

SORRENTINO: OK.

DUNGAN: That's great.

SORRENTINO: Back in 2017, the Tax and Job Cut-- Job Cuts Act [SIC] doubled the standard deduction, eliminated a ton of other things. Now only 9% of Americans even itemize. This does not affect that many Nebraskans, and as you said, they're probably the ones that can afford it. So thanks for bringing it. I agree 100%. No question.

DUNGAN: I appreciate that. Thank you.

VON GILLERN: Other questions? I'm stunned.

JACOBSON: Is that Senator Sorrentino?

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VON GILLERN: Senator Jacobson, did you have a question?

JACOBSON: I mean, it's more for Senator Sorrentino.

VON GILLERN: I'm not sure you can ask Senator Sorrentino a question.

IBACH: I think he may have prioritized this.

SORRENTINO: I am not on trial.

VON GILLERN: I'll save, I'll save my snarky questions for your close, trusting that you'll be here, so.

DUNGAN: I will be here.

VON GILLERN: Thank you, Senator Dungan.

DUNGAN: Thank you.

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

LILLIAN BUTLER-HALE: Hello. Good afternoon, Chairman von Gillern and members of the Revenue Committee. My name is Lillian Butler-Hale, that's L-i-l-l-i-a-n B-u-t-l-e-r-H-a-l-e. And I'm the Outreach and Engagement Director at OpenSky Policy Institute. We're here today to testify in support of LB846 because it would help to fill the current budget shortfall and because it will rein in a tax deduction that fails to benefit most Nebraskans. LB846 would restore Nebraska's \$10,000 cap on state and local tax, SALT, deductions in 2026. In Nebraska, the SALT deduction lets taxpayers deduct a limited amount of either property or sales tax from their state income taxes. In practice, it essentially functions as an additional property tax break for a small subset of Nebraska residents. SALT deductions have been limited to \$10,000 per year for the last 8 years since the TCJA was passed until Congress voted to increase the cap to \$40,000 for tax years 2025 through 2029 in HR1 last July. The new cap also phases down for taxpayers with incomes greater than \$500,000. The increased cap was made available retroactively for tax year 2025. LB846 would reinstate the \$10,000 cap beginning in 2026. Reinstating the \$10,000 SALT cap is a good idea for two reasons: First, failing to do so would be expensive, with NDOR projecting that it will cost Nebraska about \$34 million in lost revenue during the current biennium. This bill's fiscal note indicates that decoupling would save about \$21 million of that. The reason for the difference between the NDOR estimate and the

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fiscal note's estimate is that the \$40,000 cap was made effective retroactively for tax year 2025. However, reinstating the \$10,000 cap for tax year 2026 would still save a significant amount of revenue, which is prudent given the budget shortfall. Second, increasing the cap to \$40,000 only benefits a small subset of Nebraska taxpayers. Specifically, those who pay more than \$10,000 in property or sales taxes choose to itemize their state tax returns and whose income does not exceed the phase-out threshold. According to the analysis from the Institute on Taxation and Economic Policy, less than 4% of all Nebraska taxpayers meet these criteria. These effects are also concentrated among the top 20% of earners, about 11% of residents in the top 20% will see a change compared to only 2% of taxpayers in the bottom 80%. Allowing a \$40,000 SALT cap to remain available in Nebraska is an expensive policy that does not provide meaningful tax relief to working and middle-class families compared to a \$10,000 cap. For these reasons, OpenSky supports LB846. Thank you for your time, and I'm happy to try to answer any questions. Our analysts are safe at home from the storm, so you get me instead, but I'll do my best.

von GILLERN: Thank you. And previously you provided written testimony to-- that helps us with the numbers, so--

LILLIAN BUTLER-HALE: Of course.

von GILLERN: --if you'd be willing to do that again that'd be helpful also.

LILLIAN BUTLER-HALE: Yep, happy to.

von GILLERN: Thank you. Questions from the committee members? Seeing none, thanks for toughing it out today.

LILLIAN BUTLER-HALE: Of course.

von GILLERN: Next proponent. I had to think about it for a minute. Seeing none, first opponent. Are there any opponents regarding LB846? Is there anyone who'd like to testify in a neutral position? Wow. Seeing none, Senator Dungan, as you come forward, we had one proponent, one opponent, and zero neutral online testimonies.

DUNGAN: I think this has been a great hearing so far. I'm really happy with today. We could just stop the count, that'd be great. So, no, like I said, I have other bills up today. I'll just summarize though by saying, I have obviously brought a bill yesterday, I have a couple more coming up later in this bill, all of which are intended to be

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revenue raisers. I do like to try to be a part of the solution. I don't think it's always great to say no, and I know we have a budget shortfall. And so all the bills that I'm proposing today do earn us some money. I understand there might be some philosophical differences between what we should or shouldn't be doing, but all of these are intended to try and close the budget shortfall that we have in a way that doesn't harm Nebraskans and certainly doesn't walk back other things that I think we as a Legislature voted for. So with that, happy to answer any questions or we can move to the next bill.

von GILLERN: See--

JACOBSON: Well, I'm not wild about the bill, but, but I guess I can--

von GILLERN: Senator Jacobson.

JACOBSON: --live with it if Senator Sorrentino can, so.

DUNGAN: It's a, a rousing endorsement.

von GILLERN: Seeing no other questions and, and containing my snarky comments, we'll end our hearing on LB846. Thank you, Senator Dungan. And we will open on LB853, also Senator Dungan. Welcome back.

DUNGAN: Good afternoon again, Chair von Gillern and fellow members of the Revenue Committee. I'm 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'm introducing LB853, which would decouple Nebraska's tax code from one provision of the Internal Revenue Code, thus saving the state millions of dollars in the current biennium, which, as you know, is currently projecting a \$472 million shortfall. I will say before I continue, I might repeat some of the things I said in my last testimony, but I think they're important for the record if we look back at this bill. So I apologize for repeating myself. Going back to LB853 as introduced, which decouples Nebraska from one specific provision of HR1, decoupling in this context simply means removing Nebraska's adherence to this particular provision from the federal tax code. The provision in question is 100% bonus depreciation for certain nonresidential structures constructed within a certain time frame and placed in service by the end of 2030. As many on the committee I'm sure are aware, depreciation is a tax deduction that businesses can claim in order to recoup certain costs of doing business, such as the cost of purchasing new equipment. Typically, depreciation deductions are spread out incrementally over a multiyear period with the exact

time frame dependent on the type, cost, and expected lifespan of the property. However, certain types of property are eligible for 100% bonus depreciation, which means that a business can deduct the entire cost of the properties upfront during the first 5 years of investment. Historically, 100% bonus depreciation has been limited to machinery and equipment. Structures, regardless of their purpose, usually follow a 39-year depreciation schedule since they tend to be more costly and have a longer productive lifespan. As structures haven't typically been allowed for 100% bonus depreciation, I felt as though this bill was a good way to recapture revenue to help buy down the revenue shortfall. Decoupling from this provision alone would save the state approximately \$36 million in this biennium, with an additional savings in the next biennium after that. Additionally, and I think most importantly, there's no legal way to limit this provision to property located within the state of Nebraska. Courts have held that limiting accelerated depreciation to in-state capital discriminates against interstate commerce, and therefore violates the Commerce Clause of the U.S. Constitution. This means that Nebraska will forgo significant tax revenues in part to subsidize development projects in Iowa, California, Colorado, or other states. I believe that we as a committee need to fully consider this proposal, not only because it generates revenue to chip away at our shortfall, but also because it allows us, the Revenue Committee and the full Legislature, to determine our policy as it relates. And I simply believe in letting the federal-- not letting the federal government dictate how we the Legislature deal with our revenue, especially in a budget shortfall. With that, I'm happy to answer any questions.

von GILLERN: Thank you. I'll go first this time. Just as a matter of clarity, your bill does not simply clean up the out-of-state depreciation issue. You wipe out all of the bonus depreciation. So that's a little bit of a-- I won't call it a red herring, but it's, it's, it's a smaller part of the overall discussion.

DUNGAN: Correct. Yeah, we get rid of the-- yeah, we decouple from the entire bonus depreciation for nonresidential structures, which would, I think, have that out-of-state impact. But you're right, it's decoupling us from that entire provision from the One, Big, Beautiful Bill.

von GILLERN: All right. Thank you. And then I'll turn a little bit more philosophical. If a business freed up the capital by taking this bonus depreciation, what might they do with that capital?

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DUNGAN: I think it depends on the business. I think the idea that you're probably getting at, is reinvest it in the community and hypothetically continue to build more in the community, build another-- that's possible. I think the concern that we had, again, was the potential, I think, unintended consequence of the out-of-state building then being taken off the Nebraska revenue. And so if an ethanol plant is being built in Iowa, we wouldn't necessarily like to see that then lose Nebraska money, so.

von GILLERN: So would you be amenable to amending your bill to only restricting the out-of-state structures?

DUNGAN: I'd be open to that, yeah.

von GILLERN: OK. All right.

DUNGAN: I mean, I think that if we're talking revenue raisers, this is an important thing for \$36 million and \$30 million going forward. But if what we're really concerned about is that out-of-state provision, I think we can look at language to change it.

von GILLERN: I'm sure we'll learn more about that from the testifiers, so. Senator Kauth.

KAUTH: Thank you, Chair von Gillern. Also kind of a philosophical question. So you have a lot of bills to raise revenue, did you bring any bills to cut spending?

DUNGAN: I don't think I have any bills this year that cut state spending.

KAUTH: OK. Thank you.

von GILLERN: OK. Thank you. Seeing no other questions, stay to close?

DUNGAN: I'll be here.

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

LILLIAN BUTLER-HALE: Hello again. Chairman von Gillern and members of the Revenue Committee, my name is Lillian Butler-Hale, that's L-i-l-l-i-a-n B-u-t-l-e-r-H-a-l-e, and, again, I'm here on behalf of OpenSky Policy Institute. We're here today to testify in support of LB853 because it will help reduce revenue losses and prevent Nebraska

tax dollars from being used to subsidize business investments in other states. OpenSky supports this bill because we believe the Revenue Committee and the full Legislature should be making decisions that raise or reduce state revenue. LB853 would stop Nebraska from automatically implementing a costly provision of HR1 that would allow businesses to immediately deduct 100% of the cost of building certain types of manufacturing facilities from their Nebraska income taxes during the first year of investment. It's worth noting that 100% bonus depreciation has never been allowed for structures at either the federal or state level until now. Adopting this provision would temporarily allow businesses to claim a 100% depreciation deduction for qualified production property, which according to the Nebraska Department of Revenue would broadly include facilities used for manufacturing, refining, agricultural production, and/or chemical production. It would not include structures like office buildings, parking garages, etcetera. This provision is also temporary and expires in 2029. So property must be constructed between January 2025 and December 2028, and be placed in service before January 1, 2031 in order to qualify. For revenue alone, OpenSky supports this bill. Considering the projected \$472 million shortfall, a savings of more than \$30 million per year according to the fiscal note would go a long way towards closing that. Another reason why OpenSky supports this bill is because a portion of the revenue losses attributable to this provision could come from qualifying structures built in other states due to the way that Nebraska and many other states tax corporate profits. In other words, there's no guarantee that the revenue losses the state would incur from this provision would be the result of new structures built here in Nebraska. Furthermore, there is also no legal way to limit this provision to property built within Nebraska's borders. Courts have ruled that accelerated depreciation cannot be limited to in-state capital as doing so would be a violation of the U.S. Constitution's Commerce Clause. For these reasons, OpenSky supports LB853. Thank you for your time, and, again, happy to try and answer any questions.

von GILLERN: Thank you for your testimony. Questions from the committee? Seeing none, thanks for being here. Any other proponents? Seeing none, are there any opponents? Good afternoon.

HUNTER TRAYNOR: Good afternoon. This is a little more tame today. My name is Hunter Traynor, that's 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, the Greater Omaha Chamber, Lincoln Chamber of Commerce, and, last but not least, the Nebraska Society of Certified Public

Accountants. We have, I would say, two or three buckets of administrative and technical concerns with this legislation. Stacy Watson will be up after me on the next bill and so she may be able to correct the record on some of the tax accounting aspects of this that I may get wrong. I think the broader concern, though, before I dive into those, perhaps some questions, is the policy consideration that Congress put forth in HR1 related to spurring manufacturing, ag processing, and related energy investments in the broader economy and certainly in Nebraska, where manufacturing is a huge base of our employment in the state. And this bill would certainly disincentivize, relative to other states, the likelihood of investment in new production structures, factories, and facilities for industries that power our economy, manufacturing, ethanol, industries such as those. Additionally, this recoupling, decoupling, add back to federal gross, adjusted gross income, excuse me, creates a lot of uncertainty and complexity for taxpayers, particularly for mid-size manufacturing firms that are seeking to comply with this required add back. Additionally, there is administrative burden not just for the taxpayer but for the Department of Revenue as well. I think we'll talk at greater length on the next item of legislation about why coupling on federal depreciation provisions is typically a good deal, not just for the taxpayer but also for the Department of Revenue as it relates to the administrative burden. But I think for us, the broader concern is one of policy and that this goes a long way for incentivizing these types of investments here in Nebraska, especially compared to other states that may be recoupling and not prioritizing these types of investments in the same way that Nebraska could. I'll address very quickly and then take any questions. The idea of correcting this by adding back in any depreciation that would be related to an investment made outside of Nebraska, that I understand would violate the Commerce Clause. Additionally, income is already apportioned based on where the income is sourced across state lines. And so if there's a facility with 40% of their income derived in Nebraska, 40% percent of their incomes derived in Iowa, and then 20% derived elsewhere, that apportionment factor already captures that relative fraction of the deduction in each of the states where they do business. And so that is sort of accounted for in how income is reported across interstate lines. I'm at my light.

von GILLERN: Thank you. Sorry, the accountant just walked out. Any questions from the committee? Seeing none, thank you for your testimony.

HUNTER TRAYNOR: Thank you, all.

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von GILLERN: Appreciate it. Any other opponents? Seeing none, any neutral testimony? Seeing none, Senator Dungan, would you like to close? As you come forward, we had one proponent, one opponent, and zero neutral letters online.

DUNGAN: Thank you, Chair von Gillern, and thank you to the testifiers. I do appreciate Mr. Traynor's comments, and he and I spoke before this a little bit about the opposition. You know, the one thing I would just add is we're going to talk about this more in the next bill, but I do think that decoupling the tax code could also provide additional certainty by not having the tax code change consistently as the feds continue to change the tax code. But I do understand the opposition here. Like I said, we're in a budget shortfall, \$472 million we're trying to find, and this committee's heard bill after bill where we are, frankly, nickel and diming a bunch of different sales tax exemptions, service tax exemptions, you know, \$1 million here, \$80 million there, \$20 million there or \$20,000 rather there. And so, you know, any bill that comes up with even a small fiscal note seems to be DOA, at least that's what people have been saying all session. And so what we have here are provisions that we didn't vote for as a state, that we did not propose. And I understand people in this body may support what was passed in the One, Big, Beautiful Bill, but if this bill had come before this Legislature and proposed this tax cut with a \$30 million fiscal note, it wouldn't have passed. And so I think that that's just worth noting that what we're talking about here is simply trying to earn back some of that revenue. And, again, philosophical disagreements about whether or not they're effective and whether or not they maybe benefit the economy in certain ways, but I think when we are trying to find ways to fix the budget shortfall, this is just one solution we can look at. And we'll talk more about decoupling in a moment. With that, I'm happy to answer any more questions.

von GILLERN: Thank you. Questions from the committee? Seeing none, thank you. That will close our hearing on LB853, and we will open on LB857. Welcome back, Senator Dungan. Gosh, this is crazy.

DUNGAN: Flying through.

von GILLERN: Go for it.

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'm introducing LB857, a bill to change the way that Nebraska

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adheres to the federal Internal Revenue Code. Currently, Nebraska is a rolling conformity state where we automatically adopt changes to the federal code made by Congress. My bill would change Nebraska to a static conformity state where we would still rely on the federal tax code to administer ours, but instead of adopting every federal change automatically, we would conform to the code as a point in time of our choosing, and then any subsequent changes made by Congress would need to be vetted by us, the Revenue Committee, and ultimately the Legislature, to ensure those federal changes align with our state's tax policy vision. This bill is relatively simple. I know we hear that often about bills, but it's true. It would adhere Nebraska to the federal IRC as it existed on January 1, 2024, which is pre-HR1, the One, Big, Beautiful Bill I've discussed previously. And by doing so, it would eliminate a significant portion of the revenue loss that the Department of Revenue estimates will occur as a result of Congress passing HR1. The Nebraska Department of Revenue estimated a revenue loss of \$217 million for the current biennium, which makes up almost half of the \$472 million shortfall we continue to discuss as a body. Our fiscal note shows a revenue gain of over \$100 million this year. I view this as a state autonomy bill, one where we control our own revenues and make assessments of future federal tax changes as they come. I know this bill comes at a time when federal changes are reducing state revenue, but I'm also thinking about in the future when federal changes could easily go the other way. Regardless of the impact, I want this committee and this Legislature to make the decisions that impact our state revenues as it's our jurisdiction. I passed out an article from the Indiana Capital Chronicle, which is part of the state's capital project, the state's project, I believe. It's an article about the Indiana decisions they're making surrounding HR1. So, as I mentioned, a number of states are rolling conformity and a number of states static conformity. Indiana is a state that does not automatically conform to the federal tax codes. They have to make decisions proactively. So I've been following what's been going on in Indiana this year, because it's been interesting in a predominantly Republican Legislature, they've been weighing the costs and the benefits of implementing the policies that HR1 would impose on specifically their corporate tax code. And as you can see in this article, I'm not going to read it to you, but the analysis from the Governor's administration looks-- says that the total state tax breaks would end up costing the state about \$900 million over the next 2 years if the Legislature were to fully conform the tax code. So if Indiana was a rolling conformity state, it would cost almost \$1 billion because of what passed in HR1. What you can see here is them

sort of going through analytically and looking at which of these they are or are not going to conform to in an effort to make sure they don't break the bank. So they find themselves in kind of the opposite situation that Nebraska does, where HR1 passes and suddenly we have to find \$217 million based on decisions that we didn't vote for as a Legislature. Indiana, on the other hand, is going through, and you can see Senator Travis Holdman who I think is the head of what would essentially be their Revenue Committee, making comments in here about them passing certain parts of it such as the tips and overtime. But then also saying we cannot afford the entirety of the HR1 because of the cost. Specifically, he says it's just got a hefty price tag. It was some \$60 million over the first year and it grew to, like, \$300 million over the next 5 years. He specifically says with regards to a federal tax cut on production property. So I think I use this just as an example that if we as a state had the option of implementing parts of these and not all of them, it would be, I think, difficult and certainly we'd have to make some tough decisions that may not be enviable. But I think it would be responsible for us to not have to essentially respond to things that the feds do, but instead make decisions on our own. I anticipate there's going to be some testimony opposed to this with regards to uncertainty. As Mr. Traynor, I think, testified on the last bill from the chamber, I would argue that having a static tax code is actually more certain given that the public and certainly businesses who choose to invest here know what their actual tax policy is going to be and then any changes we make, either, you know, from the losing revenue or the earning revenue side of things, we as a Legislature would debate and those businesses, the chamber, individuals who'd be impacted by that could come in and talk to us, testify at a hearing the way that we would for any other bill. And so, to me, this just seems like common sense from an actual policy perspective. This was a bill that I probably would have brought regardless of the budget shortfall because I just think it makes more sense for us to make our own decisions as a state. Because we are in a budget shortfall, it has the added benefit of \$103 million, which I think would certainly be beneficial. I could talk for much longer, but I know it's a day that people want to get home, so with that I will answer any questions.

von GILLERN: Thank you, I'll, I'll go first again. Take, take that privilege every now and then. Unlike your previous couple of bills that we've heard today which poke rich people in the eyes, this one hits families. It's childcare tax-- it's child tax credit, it's

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adoption tax credit, it's child deduction-- childcare deduction credit. That seems out of character, Senator Dungan.

DUNGAN: Well, certainly I, I would agree that, you know, there are certain provisions of the One, Big, Beautiful Bill that I think affect, like, individual income taxes, child tax, or things like that. This is not intended to simply, and I mean this genuinely, this is not intended to simply attack the One, Big, Beautiful Bill. It's about conformity, in general.

von GILLERN: I understand that, but if your bill were to move forward,--

DUNGAN: It would have that impact.

von GILLERN: --it would have that impact.

DUNGAN: And I would hope that we would address those things individually as a Legislature. Moving forward, I would hope that we'd see bills to conform the same way we saw in Indiana to those provisions to make sure that child tax credit, EITC, individual earners under a certain amount would be addressed. And so my hope would be that we as a Legislature would take up those issues to make sure we do conform and then leave out the ones we can't afford. Based on the bills we've heard earlier today, those were sort of individual provisions that I thought made sense to decouple from. This is more of a policy discussion with, I think, larger implications. But I would hope that we would cover those people moving forward.

von GILLERN: I understand you're approaching this from a high altitude, but that certainly would be the impact were this to pass the way it is. If I remember right, and I'm going to be on record, so I can't say don't quote me, but I think about \$2,200 per, per family of four in Nebraska, but maybe our, our friend from OpenSky will maybe have some more specific numbers on that if it were to pass, so.

DUNGAN: Yeah, and I, and I-- you know, I've had conversations with folks about HR1, and I don't want to get too into the weeds on HR1, but certainly there's provisions that I think do help everyday average Nebraskans. And I think that it's important for us to make sure that those provisions can be adhered to and conformed to. It's some of the other provisions that, I think, we can't afford right now that would make sense for us to decouple from, but this would put us in a

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position where moving forward we can make those decisions and not the feds.

von GILLERN: OK. Thank you. Still a question? Senator Jacobson.

JACOBSON: Well, I, I would just say that-- I know you make the point that these are dollars lost. Well, it's really, it's dollars that remain in Nebraska taxpayers' pockets as opposed to going to the state. So we probably want to be clear on that as well, but, that nobody's losing-- the, the people losing money is the state not the taxpayers to the state. And so when we start making this exception, we need to really be thinking about people's decisions about income taxes, in general, and where do they live and, and they, they can be mobile. And I think that's one of the reasons why we saw the state income tax reductions is we have a number of corporations in the state of Nebraska that are here but don't have to be here. You know, Union Pacific would be a great example. They could very easily move their headquarters almost with a stroke of a pen, go to a nonsales-- nonstate tax state and pay no state income tax. And so we're always kind of mindful of that when we look at this. And so this particular bill is starting to get some in addition to the savings that are the dollars that Senator von Gillern speaks of, the, the everyday, the everyday Nebraskans that we're talking about. This is also something that it's starting to be real money, and people are looking at the One, Big, Beautiful Bill and not only looking at federal implications, but the state implications as well. And so I just want to be careful we don't incent people to be somewhere other than Nebraska, and I'm talking about in terms of corporations. It's humans that make the decision as to where they locate, so. But I, I hear what you're saying and I'm not saying I'm opposed to the bill but it's, it's-- there's, there's more to the, to the total impact.

DUNGAN: Yeah, and if I could just respond briefly to that. I, I, I hear what you're saying and I think it is a complicated sort of nuanced thing we have to talk about. I'm not going to take us down the rabbit hole of talking too much about income taxes and, you know, we obviously can have that debate on the floor if it comes out. The two things I would just highlight real quick is that we know from looking and talking to companies and corporations, they do make decisions of where to locate based on tax policy to an extent, but there's other things they look at as well. And there are certainly businesses who choose to stay domiciled in states with higher corporate tax rates than what Nebraska has based on other issues and other things. So we know that's true. And then, two, I would just remind us to be mindful

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of the, the people who choose to leave a state individually because of income tax rates are generally the people who have the means to do so. And so it's the people who, ultimately, can't leave the state that I think sometimes get lost in that conversation about migration, people who choose to leave because of property taxes, people who chose to leave because of income taxes have the ability to do that. And so I just would highlight that, but I do take your point that I think we have to remain competitive. And we know from looking at the Aksarben study foundation and other things that we've heard about this interim, Nebraska's lagging behind. So we have to do what we can to stay competitive. And it's all part of the same machinations and it's very nuanced, but I do take your point.

JACOBSON: Thank you.

von GILLERN: Thank you. Senator Bostar.

BOSTAR: Thank you, Chair. Thank you, Senator Dungan. I'll engage in the sort of higher level policy questions here. My question fundamentally is, how is our current processes not an unlawful delegation of legislative authority? My assumption is it isn't because, well, that's what we do.

DUNGAN: And a bunch of other states do it too. Yeah.

BOSTAR: Right, but other states have their own constitutions and their own governance that allows for more of that than the state of Nebraska does. Ours is relatively strict. So in-- you know, I mean, for example, we serve on the Banking Committee, where every year we are updating and matching financial institution statutes and regs to provide our financial institutions, both banks and credit unions, with consistent treatment that the feds will enact and we are unable to just sort of have a statute that says, OK, when the feds do something, it covers us, too, right? We're not allowed to do that. So I guess I'm just interested in, and, and I suppose I should probably know the answer to this, but what's different here that allows us to do that within Revenue in a way that we are unable to in a lot of other places in the kind of policy work that we do?

DUNGAN: The very short answer I have for you is I don't know. And, certainly, I would agree it seems problematic. Because having sifted through those Banking conversations and updating the statutes annually, that is something we run into a lot. And there's also been discussions about delegation of authority that we've had as a body

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with regards to definitions referring to federal lists versus state lists. And we've had that back and forth of does it violate a delegation of the authority to say, you know, a foreign adversary can adhere to a national list versus a state list. Like, we, we go back and forth about that a lot.

BOSTAR: And so on that, on that point just-- I mean, just, just kind of interjecting it, we've, we've always had to pin it to a date certain and say, you know, if we're going to reference this foreign list, we have to choose a specific date and time to say that's the point of reference. And we can't just say, OK, well, as the Department of Defense/Congress creates additional authorizations for adversaries or Chinese military companies or whatever else. We, we don't get an automatic process to just kind of throw them on, even though I, I think we've tried and we've liked to, but the answer we've always gotten back is we're not legally allowed to do that.

DUNGAN: Yeah, and as I process that, I think it might be part of a larger constitutional question that we can ask some of the, you know, scholars who I know do a lot of work in Nebraska, particularly to delegation of authority. But it might also benefit us to go back and look at 1986, looks like what the statute last had was states show me in the provisions of the Internal Revenue Code of 1986 and amendments thereto. So it is a rolling conformity as of 1986, and I would agree that that seems inherently problematic.

BOSTAR: And I'm not, and I'm not saying that there isn't some answer to the question of why this works the way it is without, without any legal complication. I just-- I would absolutely be interested in understanding it because it, it does seem so divergent from how we have to handle everything else.

DUNGAN: Yeah, I can look into that more because that's a, a good question that I don't have a good answer to constitutionally.

BOSTAR: Thank you.

von GILLERN: Thank you. Seeing no other questions, thank you. Stay to close, please. We'll invite up our first proponent. I'm sure you'll have all the answers to those questions.

LILLIAN BUTLER-HALE: Oh, well, I guess we're going to see. It's the last time you'll see me today, too, so. Good afternoon, Chairman von Gillern and members of the Revenue Committee. My name is Lillian

Butler-Hale, that's L-i-l-l-i-a-n B-u-t-l-e-r-H-a-l-e. And, again, I'm from OpenSky Policy Institute. We're here today to testify in support of LB857 because it will give Nebraska more freedom and flexibility to decide how it interacts with the federal tax code and prevent the state from losing hundreds of millions of dollars in state revenue as a result of federal tax policy changes beyond our control. LB857 would shift Nebraska from a rolling conformity state to a static conformity state that conforms to the Internal Revenue Code, or IRC, as it existed on January 1, 2024. Like most states, Nebraska conforms to the federal tax code, which means that we use it as a general reference point for our calculations of state personal and corporate income taxes. Conforming to the federal tax code helps simplify tax calculations and can make the tax code easier to enforce. States can conform to the IRC in one of two ways, on a rolling basis or on a static basis. Nebraska is a rolling conformity state, which means we automatically incorporate certain federal tax policy changes into our state tax code as they occur. Static conformity states take a different approach. They conform to the IRC as it existed at a specific point in time, like 2017, 2023, or any other past year. Instead of automatically adopting new changes to federal tax policy, static conformity states can choose which, if any, new provisions to adopt based on their state's individual needs by passing legislation. By switching from rolling to static conformity, Nebraska would be able to keep the administrative benefits of conforming to the IRC while avoiding the unpredictability and state tax revenues that rolling conformity opens us up to. Rolling conformity leaves states vulnerable to sudden fluctuations in state tax revenues when federal laws change. Since Congress made numerous changes to federal tax policy when it passed HR1 last year, Nebraska is facing one of those fluctuations right now. The state is set, set to automatically adopt at least 11 provisions of HR1 that will cost an estimated \$217 million this biennium. This is one of the contributing factors to this year's budget shortfall. The fiscal note for this bill estimates that conforming to the IRC as it existed in 2024 before HR1 was passed would save the state about \$104 million in fiscal year '27, and about \$181 million over the following biennium. There are also some long-term benefits to passing this bill. When federal laws change in our future, Nebraska would be able to evaluate the pros and of each of the provisions in light of our unique fiscal and economic circumstances. Then the Legislature could choose to adopt the provisions that are a good fit, reject the ones that aren't, or make changes to a provision before adopting it. Passing LB857 would help alleviate the shortfall and give Nebraska more freedom to make its own

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decisions about our state's fiscal policies. For this reason, OpenSky supports this bill. Thank you and happy to try to answer any questions again.

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

LILLIAN BUTLER-HALE: Thank you.

von GILLERN: Next proponent. Are there any other proponents for LB857? Seeing none, are there any opponents?

STACY WATSON: Hunter already gave it away when I was coming up. I wanted it to be a surprise.

von GILLERN: Wasn't much of a secret.

JACOBSON: We were wondering why you were here.

STACY WATSON: I know you were surprised when I didn't show up on the first one. 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, and I'm a CPA with Lutz in Omaha. I'm here today in opposition of LB857 on behalf of the more than 2,600 members of the Nebraska Society of Certified Public Accountants, the Nebraska Chamber of Commerce and Industry, and the Greater Omaha Chamber of Commerce, and the Lincoln Chamber of Commerce. So everybody today. LB857 updates Nebraska's references to the Internal Revenue Code to the version amended as of January 1, 2024, but removes the language that allows for rolling updates to conform to subsequent federal changes. So a couple of things in here, and I'm just going to go high level. I know that Senator Dungan said, you know, it creates certainty and I would have to 100% disagree with that. We're certain that you guys are going to keep the provisions. When you guys go to the static conformity, you don't meet until after the federal law goes into effect, so take example for this year. 2025, we're trying to do tax returns. So if you go back and decide you're going to conform to something, is that going to happen for the CPAs in April and May and the taxpayers of that year? Now are we going to have to go back and amend tax returns? Are we going to have to wait? Our clients will not be sure what they're going to pay. Plus, you're asking us then for each state to have this, we have to keep 51 sets of books as accountants and taxpayers. That is not taxpayer friendly. It's not friendly to the tax preparers. Let me say for myself, I don't want to keep 51 sets of books and records. And

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so I think it also will add to your bill load, if you think about it, every provision in that HR1 bill you guys are going to have to discuss and decide whether or not you're going to add. From a Department of Revenue perspective, I think we get further and further behind, then, for definitions that are included in the federal bills that then we're not adopting on an annual basis. I think that leads to ambiguity and probably more discussions and disagreements with the Department of Revenue where more taxpayers are going to end up having to protest. I also think it is an administrative burden on the Department of Revenue. Right now, we start with the AGI. We have very few adjustments. I think Senator Sorrentino mentioned in another hearing how many pages our tax return has become. I don't think we want our tax returns to become more and more pages. We want them to be simple for both the taxpayer's businesses and individuals. And I think overall it's a competitive disadvantage for Nebraska. Rolling conformity is most of the states in the union. 18 or less are nonrolling conformity states, and I don't think we want to be one of those 18. If I listed them out for you, I don't think that you would want to be included in one of the 18. So we respectfully request that the committee not advance LB857 in its current form and, instead, preserve rolling conformity. Again, I'll take any questions that you may have.

von GILLERN: Thank you. Questions from the committee? Just real quickly, a handful of the states that are, that are not conforming?

STACY WATSON: California is always my favorite.

von GILLERN: I figured you were going to start with that.

STACY WATSON: Right, I mean-- and Texas just has its own unique system anyway, but takes weird deductions, New York, Indiana, obviously, Michigan, just states that generally their tax law is unfavorable to taxpayers, and I probably wouldn't want to do business there.

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

STACY WATSON: Thanks.

von GILLERN: Drive safe. Any other opposing testimony? Good afternoon.

SEAN HILL: Good afternoon, Chairperson, members of the Revenue Committee. My name is Sean Hill, H-i-l-l. I am the owner/operator of a federally registered and licensed entity that has no operation out of

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Omaha, Nebraska. I am not approaching representing any branch or department of the federal government. Today, I approach the committee as a Nebraska taxpaying employer. I'd like to thank the senator for introducing the bill. On its face, it is a good faith attempt to rectify or to improve the economic situation for the state of Nebraska. And the senator makes some very good arguments. The state still maintains constitutional Article IV and X, which guarantees the state's sovereignty to govern itself to make these decisions. That being said, it is my opinion that going from a rolling to a static would reduce efficiency in the way that our government works and would increase waste. Compounded with that, it would also increase complexity for compliance issues for a dissonance would begin to happen in which the, the state will have to discuss on a legislative matter as the federal continues to move forward. I don't agree with everything that the current federal has done, but it's going to keep moving forward. And while the state continues to hold back, taxpayers are going to have to question when their taxes go to the IRS versus the Nebraska Department of Revenue, what are those differences? It's going to increase the workflow on our CPAs and our administrative services as it is. With that, I thank you for your civility. I have spoken.

VON GILLERN: Thank you. Can I get you to spell your first name, please?

SEAN HILL: S-e-a-n.

VON GILLERN: Thank you. You spelled your last name, but there's several ways to spell Sean, wanted to make sure we got it correct in the record. So thank you for your testimony. Any questions from the committee? Seeing none, thanks for being here today. Drive safely. Any other opposing testimony? Seeing none, anyone who would like to testify in a neutral capacity? Seeing none, Senator Dungan, would you like to come up and close? And as you do, we had two proponents, two opponents, and zero neutral online comments.

DUNGAN: Thank you very much, Chair von Gillern and other members of the Revenue Committee. I appreciate the testimony as always. I think these are interesting issues to debate. Senator Bostar, to your question, I'm going to try to get more information about that because I think that's a really good point that we should look at. As it pertains to some of the opposition testimony, I have full faith in our CPAs and the Department of Revenue that they'll be able to do it. They're very talented. I understand it might be a burden, but I think

it's possible. In addition to that, I just wanted to note, and I pulled this up very briefly, there are 24 states that automatically conform, as was talked about, but there's 18 states that don't. I know California was mentioned, which is always a fun boogeyman in this committee. I will also note that Texas has its own special definition of conformity, but they are listed as a static state. Florida is also a static state set to a time certain. So I want to be very clear, it's not just a left or right issue. There's a number of states that have made the proactive decision to be static in an effort to maintain their autonomous control over their state tax code. Certainly, I think competitiveness, as I discussed with Senator Jacobson earlier, is important. The federal tax code could always change in a way that hypothetically could make us less competitive. And so, again, I don't think it's really about a particular political or policy mindset. I think it's about whether or not we want to make these decisions. And I know for myself, during this interim, when we were dealing with the potential budget deficit and we originally started hearing it was \$90 million, then we heard it might be upwards of \$200 million, and then the passage of HR1 came out, and our Department of Revenue said now it's going to be a \$471 million shortfall based on no decisions that we made, it just struck me as problematic. And when I talk to constituents regularly about the deficit and they ask questions about it, that's a question I get a lot, is what was the impact of HR1 on our current budget deficit? And people just genuinely want to know. They may like parts of it, they may not. And the answer is, it was fairly substantial. And so for us to leave session last year and then come into session this year and now have to deal with that additional impact, this would, hypothetically, moving forward, insulate us from some of those federal swings. So happy to continue having conversations about it with the committee, and I'm happy to answer any questions.

von GILLERN: Thank you, Senator Dungan. Seeing no other questions, we'll close our hearing on LB857.

DUNGAN: Thank you. I have to run to Judiciary and then I'll be back.

von GILLERN: OK. Yeah, we're going to exec.

DUNGAN: Yeah, I'll be back right after.

von GILLERN: OK. All right. Thank you.

DUNGAN: [INAUDIBLE]

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von GILLERN: Yep, nope, thank you. We'll open up our hearing on LB1186, invite up Senator John Cavanaugh. First time this year.

J. CAVANAUGH: I think I was here earlier.

von GILLERN: Oh, I'm sorry.

J. CAVANAUGH: Thank you, Chairman. I, I must say, I think this is the only committee that has it on both sides, so I, I appreciate that. In my committee, I sit on this side, we don't have the-- so you don't get to see the bill number. Good afternoon, Chair von Gillern and members of the Revenue Committee. I'm Senator John Cavanaugh, J-o-h-n C-a-v-a-n-a-u-g-h. I represent the 9th Legislative District in midtown Omaha. I'm here to introduce LB1186, the Affordable American Energy and Jobs Act. I'm mindful of the weather, and since I'm the last bill of the day, I'll try to keep my introduction brief. LB1186 would create a process to develop best practices, which would be developed through input from stakeholders working with the Nebraska Department of Water, Environment, and Energy. These best practices would address issues like wildlife habitat, migration patterns, and protecting cultural resources. These best practices would be nonbinding on local zoning authorities so they could choose to use them or not. LB1186 provides incentives for local communities to use these best practices in the form of a 50% addition to the nameplate capacity tax. The additional revenue would be divided between the counties and the local public power districts. LB1186 would provide the incentives as an expedited review process for developers. LB1186 promotes the creation of community benefit agreements so that financial benefits of these projects would be shared throughout the community rather than just the landowners where the project is located. LB1186 would also make local and union jobs a priority for establishing best practices. I filed an amendment that has been circulated and, hopefully, addresses some of the concerns raised by developers about this bill. I'd be glad to work with the committee to address any issues that may have been raised as part of this process. However, I believe the issue of promoting homegrown energy, addressing affordability, and creating good-paying Nebraska energy jobs needs to be addressed in one form or another. LB1186 provides a vehicle for dealing with these issues. I want to thank the committee for your time, and I'd be happy to answer any questions.

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

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J. CAVANAUGH: I will stick around.

von GILLERN: Thank you. We'll invite up our first proponent. Are there any proponents? Good afternoon.

JOHN HANSEN: Mr. Chairman, again, good afternoon, everyone. For the record, my name is John Hansen, J-o-h-n, Hansen, H-a-n-s-e-n. I'm the President of the Nebraska Farmers Union, also our lobbyist. And so we thank Senator Cavanaugh for bringing this legislation forward. So we have been working as an agricultural organization in the natural resource arena for a long time. We've sponsored a, a voluntary carbon credit program. We signed up 1.2 million acres across the state of Nebraska to participate in a voluntary carbon-based market. We've been working on ethanol since the mid-1940s. We've been working on wind and solar. And so what is the common thread for all of these different kinds of things? They're all value-added agriculture examples. So they're all things that you either own, control, or produce. And so any time that agriculture can add value to those things that you already own, control, or produce it's been a net gain for agriculture. So the handout that I gave you today is a-- we think a pretty solid, very conservative kind of scorecard on the economic benefits of ethanol on one side of the handout and the other is with wind. And so when you-- not counting solar, but if you look at what we've done with, with wind through every single wind turbine that we have in the state of Nebraska is the result of, of a landowner somewhere along the line making a voluntary decision about what is the highest and best use of their property in that regard. And so they chose to add value. And so you look at it, we've added over \$6 billion of new tax base to the state. We've added \$17.6 million of new added annual income to local governmental subdivisions. And from my perspective, something that's really important is \$17.6 million of new additional farm income that wasn't there before. And so every one of those wind turbines that I look at as I drive across the state of Nebraska is a part-time job that a farmer didn't have to show up for in order to be able to help pay for food and groceries and keep their family living expenses in check and, and paid for. So as we look at the whole arena of renewable energy, we want to make sure that we keep the welcome mat out. It's not the total answer to electric generation, but it certainly is an important part of the total picture and that it does add tax value, it does add economic value, it adds jobs, it provides property tax relief. That's a pretty darn good list. And with that, I'd end my comments and be glad to answer any questions if I could.

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VON GILLERN: Thank you, Mr. Hansen. Any questions from the committee members? Seeing none, thank you. Did such a good job.

JOHN HANSEN: Thank you very much.

VON GILLERN: Next proponent. Are there any other proponents for LB1186?

KEN WINSTON: Mr. Chairman, I apologize. I just got here. Can I hand the sheet--

VON GILLERN: That's fine. You can give the sheet to the clerk when you're done.

KEN WINSTON: OK. Thank you.

VON GILLERN: Thank you.

KEN WINSTON: And I also apologize because my printer died. That was what I was trying to do when, when I was getting ready to come over here. And so I--

VON GILLERN: You can't blame that on the weather.

KEN WINSTON: --don't, don't have enough copies for everybody.

VON GILLERN: You're fine. Go ahead.

KEN WINSTON: But if the page could make these copies. I would appreciate it.

VON GILLERN: Thank you. Please.

KEN WINSTON: Thank you for your indulgence, Mr. Chairman. Good afternoon, Chairman von Gillern and members of the Revenue Committee. My name is Ken Winston, K-e-n W-i-n-s-t-o-n. I'm appearing here on behalf of the Nebraska Chapter of the Sierra Club. We support LB1186 because it represents the trifecta of energy affordability, local jobs, and environmental sustainability. I think that Senator Cavanaugh indicated that we are, we are facing an affordability crisis because of the fact that there's so much demand for energy at the present time. Excuse me. Artificial intelligence, data centers, electric vehicles, electrification, they're all driving demand. And it's driving our public power districts to spend billions of dollars on gas generation and increase rates for their customer owners. This

increased demand for, for natural gas is likely to lead to higher prices for gas based upon the economic laws of supply and demand. I'm sorry, I ran over here. Renewable energy is a vital component of energy affordability. Lazard's Levelized Cost of Energy for 2025 indicates that wind and solar are the lowest cost generation resources at the present time. They also provide a hedge against increasing costs of fossil fuels because there is no fuel cost for wind and solar. Battery storage also has a vital role to play in all of this because by providing energy generated by wind and solar at times, when they're not generating electricity, creating resilience through the grid and helping reduce the cost of electricity to customers by providing energy at times of peak demand. The study by the American Clean Power Association found that electric customers on the Southwest Power Pool could save \$2.2 billion in the next 10 years if battery storage was fully deployed. So LB1186 addresses those issues by creating a best practices system for, for siting renewable energy and battery storage. Local jobs: well, it's no secret that there's a lot of places in rural Nebraska that are needing more employment opportunities, more population, and renewable energy and battery storage projects can help provide those opportunities. And LB1186 promotes community benefit agreements that stress the importance of local jobs and providing benefits to the local community. And then, finally, I would say it would create criteria for best practices for siting that would include protections for wildlife habitat, migration corridors, native prairies, and other environmentally sensitive areas. In addition, the energy that's generated does not generate greenhouse gas emissions or other toxic substances and does not use water unlike fossil fuels. And we understand there's going to be opposition from some entities, but we'd be glad to work with the committee in addressing those concerns.

von GILLERN: Very good. Thank you for your testimony. Questions from the committee members? Seeing none, thanks for rushing over. Glad you made it.

KEN WINSTON: Thank you again.

von GILLERN: And don't forget to turn in your testifier sheet, please.

KEN WINSTON: Yes, I'm going to fill it out right away.

von GILLERN: Thank you.

KEN WINSTON: Thank you.

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von GILLERN: Any other proponents for 1186? Seeing none, are there any opponents?

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 today in respectful opposition to LB1186. I appreciate Senator Cavanaugh bringing the bill. We had a pretty good dialogue about this this morning. And we certainly appreciate the, the willingness to try to incentivize renewable energy development as value-added agriculture. We think that's very important as far as finding other revenue sources for both our farmers and, and our counties. And, and the reason that we were interested in the, the incentives that are there for counties, in particular, is because counties bear the damages from development, because these are primarily in, in rural parts of the, the, the county, and also we take a political risk for approving these things in the first place. And so the additional revenue is certainly something that we appreciate. However, this bill, as written, is a disincentive to that sort of development. And I'd, I'd ask you to take a look at Section 9, which is the formula for determining what, what the counties receive extra. What it does is it says you multiply what your ordinary revenue would be times 150%. And then you take that revenue and divide by two, and half of that goes to the county, and half of that goes to all the electric utilities within the county. Essentially, what that does is if you take 150% and divide it by two that means 75%. So the counties receive-- would receive 75% of what they're already taking. Again, from the county's perspective, this is a disincentive to taking action. My understanding is this was a drafting error and was not intended to be there. It was intended that it would be a 50/50 split between the counties of, of the overage between the counties and the electric utilities. And, certainly, we'd be, you know, willing to work with stakeholders, Senator Cavanaugh, and other folks, to correct that. And, and if that were the case, you know, they can certainly move to NACO. The last thing I want to mention, as looking at the hearing schedule for next week, I believe this is my last Revenue hearing with Senator Murman, so I wanted to extend my appreciation to you, sir. And with that, I'm happy to take any questions.

MURMAN: Thank you.

von GILLERN: Well, thank you. That's a sad note.

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JON CANNON: Well, unless-- I mean, LB803, I think, is a shell bill, I, I don't know if we're going to register our opposition or neutral testimony for that.

von GILLERN: I would show up if I were you. Any, any questions from the committee? Seeing none, thank you, Mr. Cannon.

JON CANNON: Thank you very much.

von GILLERN: Be careful out there. Next opponent. Good afternoon.

JAMES DUKESHERER: Good afternoon, Chairman, members of the committee. My name is James Dukesherer, J-a-m-e-s D-u-k-e-s-h-e-r-e-r, and I'm the Director of Government Relations for the Nebraska Rural Electric Association. NREA is testifying in opposition to LB1186. Nebraska Rural Electric Association represents 35 rural public power districts and electric cooperatives throughout the state. I'm also testifying today on behalf of the Nebraska Power Association, representing all of Nebraska's 160-plus public power entities. The goal of LB1186, as we read it, is to establish a list of best practices, county boards, and planning officials can use when citing renewable energy resources. Then if the county adopts these standards, they and the public power districts would qualify for some increased nameplate capacity tax incentives. We're not opposed to this general idea, but LB1186 and the proposed AM1875 introduce a confusing, duplicative, and at times, contrary to existing statute process for privately developed renewable energy facilities. First a few technical comments: the measure and the amendment often refer to public power districts for the requirements under the bill. Not all of Nebraska's electric utilities are public power districts. We have municipal electric systems, we've got electric cooperatives. We would recommend using a blanket term of consumer-owned electric utilities. Next, the bill includes a definition for battery energy storage systems. We've been working on the same issue with a number of other bills. If the bill does advance, I'd offer a definition that more closely mimics the definition used by the Nebraska Power Review Board and the power industry, and that's on the sheet that's been handed out. On a greater note, the bill establishes the requirements for privately owned renewable energy projects to be built and labeled as affordable American energy projects. Privately developed renewable energy facilities are allowed already in Nebraska and are regulated under 70-1014.02. The amendment, AM1875, attempts to address this duplication by making these projects subject to 1014.02, but it fails in that. If adopted, LB1186 would still institute a dual set of statutes for these privately, privately

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owned projects. Finally, and of the utmost concern, is that the bill defines battery energy storage systems as renewable energy generation facilities. AM1875 makes these facilities subject to the private renewable generation statutes. Batteries are not renewable and they are not generation. The statutes dealing with privately developed renewable energy generating facilities allow privately owned projects to be constructed in Nebraska without the need for Power Review Board approval. We're very sensitive about labeling these large-scale batteries as privately owned renewables and allowing these projects to be deployed in Nebraska without the Power Review Board approval and without the need for a contractual relationship with public power. And with that, I thank you for your time.

von GILLERN: Thank you. Questions from the committee members? Seeing none, thank you for your testimony. Any other opponents? Seeing none, any neutral testimony? Seeing none, Senator Cavanaugh, if you'd like to close? As you come up, we had 46 proponents, nine opponents, and zero neutral online comments.

J. CAVANAUGH: Thank you, Chairman. Thank you, committee. And, well, I, I just want to say thank you to Mr. Cannon. I'm happy to be of service for him to be-- for the last time to say his farewells to Senator Murman. And I did have a chance to talk with Mr. Cannon about the issue he identified, I think he's right about that. I think that's solvable in terms of a drafting issue. And then I did talk to Mr. Dukesherer about his concerns as well. I, I think, realistically, most of those are easily addressable as well. There probably is a difference of opinion about battery storage that is maybe something that there would not be a meeting of the minds on, but I think there's-- everything else is pretty easy to, to fix from Mr. Dukesherer's comments. But, yeah, fundamentally what this bill is just about saying, creating an option for counties to have, that they can raise the nameplate capacity tax if they create a certainty for developers to come in and build renewable in their, their county. If they do that, then they can charge a higher nameplate capacity tax. That's it. So it's a-- sort of a carrot, a carrot approach for counties to make a little bit more certainty for developers to build renewable energy. So happy to take any questions.

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

J. CAVANAUGH: Thank you.

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von GILLERN: That'll close our hearing on LB1186, and it'll close our Revenue hearings for the day.